



**MINUTES**  
**Meeting of the Investment Committee**  
**May 24, 2018**

A meeting of the Investment Committee of the Illinois Teachers' Retirement System was held on May 24, 2018 at the Hyatt Regency O'Hare, 9300 W. Bryn Mawr Avenue, Rosemont. Randy Winters, Chair, called the meeting to order at 10:38 a.m. A quorum was present.

Roll Call attendance was taken with the following trustees present: Mark Bailey, Andy Hirshman, Matt Hower, Tracy Kearney, Laura Pearl, Fred Peronto, Larry Pfeiffer, Mark Splitstone, Dan Winter, Randy Winters, Cinda Klickna, and President Tony Smith.

Others present: Dick Ingram, Executive Director; Stan Rupnik, Chief Investment Officer; Greg Turk, Director of Investments; Marcy Dutton, Chief Legal Counsel; Carlton Lenoir, Chief Benefits Officer; Stacy Smith, Director of Internal Audit and Risk; Tammy Green, Executive Assistant; and Tiffany Reeves, Reinhart (Fiduciary Counsel); Becky Gratsinger, Ian Bray, Matthew Sturdivan, Amy Hsiang, and Tony Johnson RVK (Investment Consultant).

Visitors present: Bob Lyons, IRTA Rep.; Christine Williamson, Pensions & Investments; and Ilene Siegel, IEA-Retired.

Approval of Minutes

A draft of the March 1, 2018 minutes of the Investment Committee meeting was sent to the committee for review. On a motion by Mark Bailey, seconded by Cinda Klickna, the minutes were unanimously approved by voice vote.

**TRS PORTFOLIO**

Investment Activity Report

Stan Rupnik, Chief Investment Officer, provided an overview of investment actions and asset transfers for the period February 9 through May 4, 2018.

- Committed \$200 million to Cantab Capital Partners, a core macro fund, from the diversifying strategies portfolio.

- Committed \$200 million to Kepos Capital, an exotic beta fund, from the diversifying strategies portfolio.
- Committed \$125 million to Beach Point Capital Management within its Sangamon Fund, Limited Partnership. (global fixed income)
- Committed \$50 million Harvest Partners within its Structured Capital Fund II, Limited Partnership. (private equity)
- Terminated the services, within the international equity portfolio, of BNP Paribas Asset Management and Ativo Capital Management due to performance reasons and lack of conviction.

### Investment Manager Chart

TRS staff provided the final TRS investment manager charts for the quarter ended March 31, 2018 including private equity, diversifying strategies, and real estate dashboards. Documentation is on file. A fee dashboard will be produced soon. Trustee Pearl expressed concern with the emerging manager chart.

### Cashflow Summary

TRS staff provided a cash flow summary to fund the System's cash requirements. Documentation is on file.

### Compliance Report

TRS is responsible for monitoring investment manager trading activity to ensure compliances as related the Investment Manager Agreement. TRS is in compliance w/statutes for the quarter ending December 31, 2017. Documentation is on file.

### Investment Performance Update

RVK provided an overview of the investment performance for the quarter ending March 31, 2018. Documentation is on file. Total assets: \$51.4 billion. Documentation is on file. The total fund return, net of fees:

- 1 year: 10.9%
- 3 year: 7.1%
- 5 year: 8.1%
- 10 year: 6.1%

### Private Equity Asset Class Report

TRS staff reported on an Asia Alternatives capital transfer. A motion was made by Tony Smith, seconded by Laura Pearl, that the committee recommend to the Board to transfer \$50 million from the ILAI Co-invest pool to the ILAI balanced pool to provide the account additional investment runway into 2019. The motion passed by unanimous voice vote.

### Secondary Sale Update

TRS staff provided an update on Project Lincoln, a private equity secondary sale, that included 19 funds. The transaction formally closed on March 31, 2018. Documentation is on file.

### WMBE Utilization Report

TRS staff provided preliminary data as of March 31, 2018 on the utilization of minority-owned brokers and minority-owned investment managers within the TRS investment portfolio. Assets under management for WMBE-owned investments were \$9.7 billion, a 0.103 billion increase from last quarter. The total TRS portfolio represents 18.89% which is .89% over the TRS goal of 18%. Documentation is on file.

## **RECESS**

The meeting recessed at 12:34 p.m. and reconvened at 12:55 p.m.

## **EDUCATION & GOVERNANCE**

### Interim Asset Allocation

TRS staff reported that the current interim asset allocation target and policy benchmark is appropriate for fiscal year 2019 and recommends no revisions at this time. A motion was made by Mark Bailey, seconded by Tracy Kearney, that the committee recommend to the Board to make no adjustments to the interim asset allocation targets at this time. The motion passed by unanimous voice vote.

### TRS Investment Policy Revisions

TRS staff formally reviewed the investment policy and recommended the following revisions. A motion was made by Tony Smith, seconded by Cinda Klickna, that the committee recommend to the Board accept revisions to the System's investment

policy, as presented. The motion passed by unanimous voice vote. Documentation is on file.

- Section IV Role Definitions, Page 9 - Minor revisions related to internal legal review of investment management agreements and nondisclosure agreements
- Section X Investment Manager Retention Analysis, Page 21 - Minor revision related to the watch list review process.

## **OTHER BUSINESS**

### Real Estate Co-Investment Consultant RFP

Staff provided an overview of the Request for Proposal for real estate co-investment advisory services that closed February 21, 2018. Following due diligence process, staff recommended three semi-finalists as a pool of advisors to serve on a project basis as needed. A motion was made by Matt Hower, seconded by Laura Pearl, that the committee recommend to the Board to select Bard Consulting, ORG Portfolio Management, and RCLCO Fund Advisors as a pool of eligible advisors for real estate co-investment consulting services. The services of each firm will be on a project only basis as opportunities are presented to the System. The motion passed by unanimous voice vote.

### General Investment Consultant RFP

The contract with the System's general investment consultant, RVK, expires in December of 2018. Staff issued a Request for Proposal in February 2018 and following a review of all responses, selected RVK and Wilshire Associates as finalists for the committee to interview. The firms' presentation booklets are on file. Staff provided an overview of the search process and due diligence that was conducted.

## **RECESS**

The meeting recessed at 4:24 p.m. and reconvened at 4:30 p.m.

Following a lengthy discussion of the strengths and weaknesses of each firm based on the staff review and submitted materials and presentations to the committee, a motion was made by Tony Smith, seconded by Cinda Klickna, that the committee recommend to the Board to engage RVK as TRS's general consultant for a five-year period. The committee further instructed staff to negotiate a fee structure acceptable to both TRS and RVK. The motion passed by unanimous voice vote. Staff will work with RVK to continually enhance the firm's performance, explore best practices,

Minutes – Investment Committee Mtg.  
May 24, 2018

and encourage more proactive engagement with staff and the Board on issues before TRS.

### **ADJOURNMENT**

There being no further business to come before the Investment Committee, a motion was made by Andy Hirshman, seconded by Mark Bailey, to adjourn the meeting at 5:20 p.m.

A handwritten signature in black ink, appearing to read "Richard W. Ingram". The signature is fluid and cursive, with a large initial "R".

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Richard W. Ingram, Executive Director

Approved: 8/16/18