



MINUTES
Meeting of the Investment Committee
December 13, 2018

A meeting of the Investment Committee of the Illinois Teachers' Retirement System was held on December 13, 2018 at the Hilton Rosemont Chicago O'Hare, 5550 North River Road, Rosemont, Illinois. Andy Hirshman, Chair, called the meeting to order at 10:10 a.m. A quorum was present.

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

Others present: Dick Ingram, Executive Director; Stan Rupnik, Chief Investment Officer; Greg Turk, Director of Investments; Scottie Bevill, Sr. Investment Officer; Bill Thomas, Sr. Investment Officer; Ben Skrodzki, Investment Officer; Jana Bergschneider, Chief Financial Officer; Gina Larkin, Chief Human Resources Officer; Stacy Smith, Director of Internal Audit; Marcy Dutton, Chief Legal Counsel; Carlton Lenoir, Chief Benefits Officer; Dave Urbanek, Director of Communications; Bob Jiroutek, Risk Officer; Jeremy Crites, Security Supervisor; Tammy Green, Executive Assistant; and Tiffany Reeves, Reinhart (Fiduciary Counsel). Becky Gratsinger and Ian Bray, RVK (Investment Consultant).

Visitors present: Jack Tucker, IEA-Retired; Christine Williamson, Pensions & Investments; and Mongerson, Chicago Equity Partners.

Approval of Minutes

A draft of the October 29-30, 2018 minutes of the Investment Committee meeting was sent to the committee for review. On a motion by Mark Bailey, seconded by Dan Winter, the minutes were unanimously approved by voice vote.

TRS PORTFOLIO

Investment Manager Chart

TRS staff provided final September 30, 2018 TRS investment manager charts including private equity, diversifying strategies, and real assets dashboards. Documentation is on file.

Cashflow Summary

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

Investment Performance Update

RVK provided a total fund overview of the final September 30, 2018 fiscal year end investment performance report including current trending pension topics. Documentation is on file. Total assets: \$51.5 billion. Documentation is on file. The total fund return, net of fees:

- 1 year: 7.1%
- 3 year: 9.1%
- 5 year: 7.8%
- 7 year: 9.5%
- 10 year: 7.5%

WMBE Utilization Report

TRS staff provided preliminary data as of September 30, 2018 on the participation of minority and female-owned brokers/dealers and investment managers within the TRS investment portfolio. Assets under management for WMBE-owned investments were \$10.816 billion, a .647 billion increase from last quarter. The total TRS portfolio represents 20.86% which is 1.86% over the TRS goal of 19%. Documentation is on file.

Investment Activity Report

Stan Rupnik, Chief Investment Officer, provided an overview of investment actions and asset transfers for the period October 11, 2018 through November 23, 2018. Documentation is on file. There were no compliance issues for the quarter ending September 30, 2018.

New Hire – Real Estate

- Committed \$99 million to new manager, Tristan Capital Partners, for investment in its European Property Investors Special Opportunities Fund.

Real Assets – Real Estate

- Committed an additional allocation of \$150 million to Lion Industrial Trust.

Global Income

- Committed an additional \$75 million to Pemberton Capital Advisors for investment in its European Senior Debt Fund II, Limited Partnership.

Diversifying Strategies

- Committed an additional allocation of \$100 million to Tilden Park Capital Management.
- Reduced Bridgewater’s All Weather risk parity strategy by \$300 million.
- Reduced AQR Capital Management’s risk parity strategy by \$200 million.

Private/Private Equity

- Unsolicited offer to sell venture capital interests to Landmark Partners from Union Grove Venture Partners and Morgan Creek Capital Management’s Morgan Creek Venture Access I fund.
- Terminated Levin Capital Strategies’ domestic equity large cap account due to performance concerns.
- Terminated Channing Capital Management’s domestic equity small cap account due to performance concerns.

EDUCATION & GOVERNANCE

Global Equity Annual Review

TRS Staff presented an overview of the global equity asset class and performance review for fiscal year ending June 30, 2018 including public, private, and opportunistic. Target weights for the domestic and international equity portfolios are set equal to MSCI ACWI IMI index weights. Updated target weights as of September 30, 2018 are below. Documentation is on file.

Public Equity Composite	Target Weight	Range
Domestic	54.8%	+/- 12.5%
International	45.2%	+/- 12.5%

In addition, staff continues to maintain focus on reducing fees. A motion was made by Tony Smith, seconded by Laura Pearl, that the committee recommend to the Board to accept the presentation of the global equity annual review as presented by TRS staff. The motion passed by unanimous voice vote.

RECESS

The meeting recessed at 12:05 p.m. and reconvened 12:20 p.m.

Private Debt Tactical Plan

TRS Staff and Aksia provided an overview of the private debt portfolio and recommended FY 19 tactical plan. The plan details performance, exposures, risk output, benchmarking challenges, pacing plan summary, fee analysis, and strategic initiatives. Documentation is on file. A motion was made by Tracy Kearney, seconded by Tony Smith, that the committee recommend to the Board to approve the private debt tactical plan, as presented. The motion passed by unanimous voice vote.

- Increase current private debt pacing from \$350 million to \$600 million per fiscal year increasing the current target of 5% to 7% of plan assets.
- Approve co-invest allowance by TRS debt team.

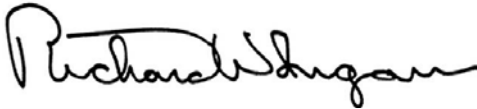
Diversifying Strategies Portfolio

Per the Investment Committee's request at the October meeting, RVK examined the impact of a reduced diversifying strategies allocation would have on the overall TRS portfolio. RVK presented a comparison of options of where funds would be invested and is working on an asset liability study. Documentation is on file. Several trustees followed up on comments from previous meetings and continued to debate whether to reduce the diversifying strategies allocation in the TRS portfolio as recommended by Trustee Hower. A motion was made by Matt Hower, seconded by Tracy Kearney, that the committee recommend to the Board to reduce the current diversifying strategies target of 14% to 6.5% (approximately \$2 billion) due to underperformance of funds. Source of funds to be cash and Income strategies. Yea votes by Trustees Kearney, Bloomfield, Hower, Splitstone, and Shaw. Nay votes by Trustees Klickna, Hirshman, Peronto, Pearl, Pfeiffer, Winter, Bailey, and Smith. Motion Failed. Fiduciary Counsel noted to not make an arbitrary decision, as TRS's process to review asset allocation is at the Board retreat. Discussion was held about keeping the overall allocation target of 10% and to allow TRS staff to continue with redemptions. A motion was made by Tony Smith, seconded by John Bloomfield, that the committee recommend to the Board to change the interim asset allocation target for diversifying strategies to 10% of the plan until the conclusion of the next asset allocation

study/recommendation. The asset class is permitted to exceed the 10% target based on market movement, but in instances where the class is above 10% new commitments to the class shall not exceed redemptions. Affirmative voice votes from Trustees Kearney, Hirshman, Peronto, Pearl, Pfeiffer, Splitstone, Winter, Klickna, and Smith. Voice votes of opposition were heard by Trustees Bailey, Shaw, and Hower. Motion passed.

ADJOURNMENT

There being no further business to come before the Investment Committee, a motion was made by Mark Bailey, seconded by Tony Smith, to adjourn the meeting at 3:05 p.m.

A handwritten signature in black ink, appearing to read "Richard W. Ingram". The signature is written in a cursive, flowing style.

Richard W. Ingram, Executive Director

Approved: 3/14/19