



**MINUTES**  
**Meeting of the Investment Committee**  
**August 16-17, 2018**

A meeting of the Investment Committee of the Illinois Teachers' Retirement System was held on August 16-17, 2018 at the Springfield office of the Illinois Teachers' Retirement System, 2815 W. Washington Street. Andy Hirshman, Chair, called the meeting to order at 1:00 p.m. A quorum was present.

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

Others present: Dick Ingram, Executive Director; Stan Rupnik, Chief Investment Officer; Greg Turk, Director of Investments; Scottie Bevill, Sr. Investment Officer; Jerry Quandt, Sr. Investment Officer; Josh Ross, Sr. Investment Officer; Kirk Sims, Investment Officer; Ben Skrodzki, Investment Officer; Tim Hays, Sr. Investment Officer; Bill Thomas, Investment Officer; Dakin Sanert, Investment Officer; Abby Griffith, Investment Accounting Manager; Jose Gonzalez, Sr. Investment Analyst; Makayla Baker, Investment Analyst; Shelja Aggarwal, Risk Analyst; Marcy Dutton, Chief Legal Counsel; Cynthia Fain, Sr. Legal Counsel; Jana Bergschneider, Chief Financial Officer; Gina Larkin, Chief Human Resources Officer; Tom Smith, Chief Technology Officer; Carlton Lenoir, Chief Benefits Officer; Kathleen Farney, Director of Research; Deron Bertolo, Director of Investment Accounting; Stacy Smith, Director of Internal Audit; Christina Baker, Sr. Internal Auditor; Lauren Russell, Internal Auditor; Dave Urbanek, Director of Communications; Rich Frankenfeld, Director of Outreach; Tammy Green, Executive Assistant; Sue Billington, Executive Assistant; and Tiffany Reeves, Reinhart (Fiduciary Counsel); Mike Krems, TorreyCove (Private Equity Consultant); Becky Gratsinger and Tony Johnson, RVK (Investment Consultant)

Visitor present: Janet Kilgus, IEA-Retired.

Approval of Minutes

A draft of the May 24, 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 the preliminary TRS investment manager charts for the quarter ended June 30, 2018 including private equity, diversifying strategies, real estate, and fee 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 preliminary results of the investment performance for the quarter ending June 30, 2018. Documentation is on file. Total assets: \$51.3 billion. Documentation is on file.

### WMBE Utilization Report

TRS staff provided preliminary data as of June 30, 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 \$10.17 billion, a 0.458 billion increase from last quarter. The total TRS portfolio represents 19.85% which is 1.85% over the TRS goal of 18%. Documentation is on file.

### Investment Activity Report

Stan Rupnik, Chief Investment Officer, provided an overview of investment actions and asset transfers for the period May 5 through July 31, 2018. Documentation is on file. There were no compliance issues for the quarter ending March 31, 2018.

### Equity Portfolio

- Committed \$75 million to SK Capital Partners
- Committed \$50 million to Inflexion Buyout Fund V and Inflexion Partnership Fund II.
- Terminated the JP Morgan's large capitalization strategy due to organizational changes.
- Committed \$470 million to AQR Capital Management large cap 140/40. Proceeds from termination of JP Morgan's large cap 130/30.

### Real Assets Portfolio

- Committed \$300 million to Blackstone Capital Partners (\$200 million main fund, \$100 million co-investment sidecar.
- Committed \$200 million to Fortress Japan Opportunity Fund IV.
- Committed \$100 million to Principal Real Estate Investors value add separate account.

### Diversifying Strategies Portfolio

- Committed \$200 million to Light Sky Macro.
- Committed \$150 million to Varadero Special Opportunities Fund.
- Terminated the global absolute return strategies of Standard Life Investment.

### Global Income Portfolio

- Committed \$300 million to State Street Global Advisors enhanced yield cash management mandate.
- Terminated Westwood Management’s liquid private income account.

### Edelweiss Asset Management – Income

Representatives of Edelweiss presented an investment opportunity to Edelweiss India Special Assets Fund II. Their presentation booklet is on file. Staff provided an overview of the firm and due diligence that was conducted. A motion was made by Matt Hower, seconded by Tracy Kearney, that the committee recommend to the Board to commit up to \$75 million to the Edelweiss Stressed Asset Fund II within the fixed income special situations allocation contingent upon successful completion of legal documentation. The motion passed by voice vote. A nay vote was heard from Trustee Shaw.

### **RECESS**

The meeting recessed at 3:33 p.m. and reconvened at 3:40 p.m.

### **EDUCATION & GOVERNANCE**

#### FY 2019 Private Equity Tactical Plan

TRS staff and TorreyCove outlined the FY 19 private equity tactical plan and initiatives. The plan includes a review of TRS's existing managers, exposures, and performance, and an updated portfolio pacing analysis. A motion was made by Laura Pearl, seconded by Fred Peronto, that the committee recommend to the Board to approve the private equity tactical plan, as presented. The motion passed by unanimous voice vote.

### Real Estate Tactical Plan

TRS staff and StepStone Group presented the FY 2019 real estate tactical plan and provided a summary of the current year initiatives and reviewed the new FY 2019 program initiatives. The plan provides a review of real asset characteristics, objectives, risk/returns, allocation targets, portfolio initiatives, and a portfolio pacing plan analysis. A motion was made by Tony Smith, seconded by Cinda Klickna, that the committee recommend to the Board to approve the real estate tactical plan, as presented. The motion passed by unanimous voice vote.

### **RECESS**

The meeting recessed at 5:25 p.m. and reconvened the following day at 8:00 a.m.

### Diversifying Strategies Consultant RFP Update

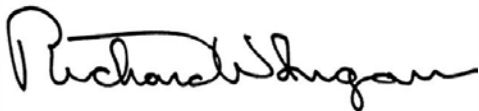
The Request for Proposal for a diversifying strategies consultant was issued during February. TRS staff continues the due diligence process and expects to present finalists at the October meeting.

### Private Debt Investment Consultant

The Committee interviewed Aksia and Albourne Partners as finalists to provide private debt/credit consulting services. Their presentation booklets are on file. Staff provided an overview of the firms and due diligence that was conducted. A motion was made by Tony Smith, seconded by Tracy Kearney, that the committee recommend to the Board to select Aksia to provide private debt consulting services not to exceed five years. The motion passed by voice vote. Trustee Pearl abstained from voting.

### **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 10:28 a.m.



Richard W. Ingram, Executive Director

Approved: 10/29/18