



MINUTES
Meeting of the Investment Committee
August 2, 2019

A meeting of the Investment Committee of the Illinois Teachers' Retirement System was held on August 2, 2019 at the Hyatt Regency O'Hare, 9300 Bryn Mawr, Rosemont, IL. Andy Hirshman, Chair, called the meeting to order at 9:14 a.m. A quorum was present.

Roll Call attendance was taken with the following trustees present: Norma Bellcoff, Devon Bruce, Marsha Byas, Andy Hirshman, Matt Hunt, Maureen Mena, Fred Peronto, Laura Pearl (arrived 9:20 a.m.), Larry Pfeiffer, Doug Strand, and Carmen Ayala. Absent: Mark Bailey

Others present: Dick Ingram, Executive Director; Stan Rupnik, Chief Investment Officer; Marcy Dutton, Chief Legal Counsel; Jana Bergschneider, Chief Financial Officer; Carlton Lenoir, Chief Benefits Officer; Jay Singh, Chief Information Officer (effective 8/5/19); Kathleen Farney, Director of Research; Stacy Smith, Director of Internal Audit; Tammy Green, Executive Assistant; Ian Bray and Tony Johnson, RVK (Investment Consultant) and Keith Johnson, Reinhart (Fiduciary Counsel).

Visitors present: Christine Williamson, Pensions & Investments; Jack Tucker, IEA-Retired.

APPROVAL OF MINUTES

A draft of the June 13, 2019 minutes of the Investment Committee meeting was sent to the committee for review. On a motion by Devon Bruce, seconded by Fred Peronto, the minutes were unanimously approved by voice vote.

TRS PORTFOLIO

Investment Manager Chart

TRS staff provided the preliminary investment manager charts for the quarter ending June 30, 2019. 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 Activity Report

Stan Rupnik, Chief Investment Officer, provided an overview of investment actions and asset transfers for the period May 30 through July 15, 2019. Documentation is on file.

Private Equity

- Commitment of \$75 million to Arlington Capital Partners, new manager.
- Commitment of \$75 million to Aurora Capital Partners, new manager.
- Secondary market sale, Project Tophat

Real Assets

- Commitment of \$200 million to the Carlyle Global Infrastructure Opportunity Fund.
- Commitment of \$300 million to Oak Street Real Estate Capital

Public Equity

- Commitment of \$400 million to RhumbLine Advisors
- Termination of \$500 million passive currency overlay mandate administered by Adrian Lee & Partners
- TRS Staff negotiated improved fee terms for the AQR U.S. small cap mandate

Diversifying Strategies

- Commitment of \$200 million to the Kirkoswald Global Macro Fund, new manager
- Redemption of \$96 million from Penso Advisors, Penso Fund Platform SPC
- Redemption of \$13 million from Cevian Partners
- Redemption of \$40 million from KeyQuant, Key Trends 15 Fund

WMBE Utilization Report

TRS staff provided preliminary data as of June 30, 2019 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 \$11.59 billion, a 3.2 billion increase from last quarter. The total TRS portfolio represents 22.20% which is 3.20% over the TRS goal of 19%. Documentation is on file.

EDUCATION & GOVERNANCE

Real Estate Tactical Plan

TRS staff and StepStone Group presented the FY 2020 real estate tactical plan and provided a summary of the current year initiatives and reviewed the new FY 2020 program initiatives. The plan provides a review of real estate and real asset characteristics, objectives, risk/returns, allocation targets, portfolio initiatives, and a portfolio pacing plan analysis. A motion was made by Fred Peronto, seconded by Maureen Mena, that the committee recommend to the Board to approve the FY 2020 real asset program initiatives, as presented in the tactical plan. The motion passed by unanimous voice vote. TRS will focus on the following initiatives.

1. Adopt the portfolio pacing study outlining necessary capital deployment toward the 20% long-term asset allocation target.
2. Overweight strategic relationships.
3. Continue development of the allocation for international investments within the real estate asset class.
4. Continue development of the emerging manager platform within the real asset portfolio.
5. Reallocate opportunistic real estate from the equities bucket into real estate.
6. Further enhance working knowledge of the other real assets through conferences and industry research.
7. Continue to selectively make real estate property visits to increase knowledge of TRS's separate account assets.
8. Portfolio construction of other real assets.

Diversifying Strategies Tactical Plan

TRS Staff and Aksia presented the FY 2020 diversifying strategies tactical plan and provided an overview of the diversifying strategies portfolio. The plan provides a review of objectives, portfolio construction, leverage, risk factors, and return objectives. A motion was made by Devon Bruce, seconded by Matt Hunt, that the committee recommend to the Board to approve the FY 2020 DS recommendation and objectives, as presented in the tactical plan. The motion passed by unanimous voice vote.

SUB-PORTFOLIOS	TARGET WEIGHT
Factor Portfolio	10% - 25%
Risk Parity	0% - 15%
Systematic Macro	15% - 35%
Discretionary Macro	15% - 35%
Opportunistic	20% - 40%

DS Objectives:

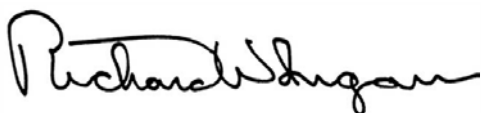
1. <0.3 Beta to Equity Markets
 - Reduce TRS plan level exposure to growth risk – equities
2. >0.8 Sharpe ratio
 - Absolute return and downside protection
3. 5-6% Volatility
 - Leverage diversifying alpha
4. Enhance liquidity profile
 - Highly liquid structures complemented with longer term lock ups

TRUSTEE CONCERNS

Trustee Hirshman presented a draft engagement letter to begin discussion whether investing in private prisons and immigrant detentions is appropriate for the TRS portfolio. Documentation is on file. Discussion regarding private prison investments will be held at the October meeting.

ADJOURNMENT

There being no further business to come before the Investment Committee, a motion was made by Devon Bruce, seconded by Matt Hunt, to adjourn the meeting at 1:42 p.m.



Richard W. Ingram, Executive Director
Approved: 10/28/19