



**MINUTES**  
**Meeting of the Investment Committee**  
**October 28-29, 2019**

A meeting of the Investment Committee of the Illinois Teachers' Retirement System was held on October 28-29, 2019 at the Springfield office of the Illinois Teachers' Retirement System, 2814 W. Washington Street. Andy Hirshman, Chair, called the meeting to order at 2:20 p.m. A quorum was present.

Roll Call attendance was taken with the following trustees present: Mark Bailey, Norma Bellcoff (10/28/19), Devon Bruce, Marsha Byas, Andy Hirshman, David Miller, Fred Peronto, Laura Pearl, Larry Pfeiffer, Doug Strand, and Carmen Ayala. Absent: Matt Hunt, Maureen Mena, Norma Bellcoff (10/29/19).

Others present: Dick Ingram, Executive Director; Stan Rupnik, Chief Investment Officer; Greg Turk, Director of Investments; Marcy Dutton, Chief Legal Counsel; Cynthia Fain, Sr. Legal Counsel; Jana Bergschneider, Chief Financial Officer; Carlton Lenoir, Chief Benefits Officer; Deron Bertolo, Director of Investment Accounting; Abby Griffith, Investment Accounting Manager; Scottie Bevell, Sr. Investment Officer; Jose Gonzalez, Investment Officer; Makayla Baker, Investment Analyst; Patrick Flattery, Investment Analyst; Sean Kirkpatrick, Investment Analyst; Bob Jiroutek, Sr. Risk Officer; Shelja Aggarwal, Risk Analyst; Kathleen Farney and Amy Reynolds, Director of Research; Jeff Bennett, Director of Operations; Rich Frankenfeld, Director of Outreach; Dave Urbanek, Director of Communications; Stacy Smith, Director of Internal Audit; Christina Baker, Sr. Internal Auditor; Tammy Green, Executive Assistant; Becky Gratsinger and Tony Johnson, RVK (Investment Consultant); Mike Krems, TorreyCove (Private Equity Consultant); Aksia (Diversifying Strategies and Private Debt Consultant); and Tiffany Reeves and Keith Johnson, Reinhart (Fiduciary Counsel).

Visitors present: Christine Williamson, Pensions & Investments and Vickie Mahrt, IL Education Association.

**APPROVAL OF MINUTES**

A draft of the August 2, 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 approved by voice vote. Trustee Bailey abstained from voting.

## **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 Performance Update

RVK provided an overview of the final June 30, 2019 fiscal year end investment performance report and current pension trends. Documentation is on file. Total assets: \$52.65 billion. Documentation is on file. The total fund return, net of fees:

- 1 year: 5.15%
- 3 year: 8.7%
- 5 year: 5.9%
- 7 year: 8.5%
- 10 year: 9.5%

## **RECESS**

The meeting recessed at 4:00 p.m. and reconvened at 4:14 p.m.

### Private Equity Tactical Plan

TRS staff and TorreyCove outlined the FY 2020 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 Devon Bruce, seconded by Mark Bailey, that the committee recommend to the Board to approve the FY2020 private equity tactical plan program initiatives, as presented. Documentation is on file.

### 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 \$11.73 billion. The total TRS portfolio represents 22.48% which is 3.48% over the TRS goal of 19%. Documentation is on file.

Staff conducted the annual review of the System's WMBE utilization goals for minority brokerage and investment management and proposed the following FY 20 goals. Documentation is on file.

- Retain the existing domestic equity target utilization goal of 25%
- Retain the international equity brokerage utilization goal of 16%
- Retain the fixed income trading utilization goal of 16%
- Increase the goal for WMBE assets under management from 19% to 20% of the total fund
- Retain the existing investment management fees goal of 7.0-10.5% of total fees paid

A motion was made by Devon Bruce, seconded by Larry Pfeiffer, that the committee recommend to the Board to approve the WMBE FY 20 utilization goals for minority brokerage managers and investment management, as presented. The motion passed by voice vote. A vote of opposition was heard by Trustee Pearl.

### Investment Activity Report

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

### Private Equity

- Commitment of \$25 million to Bain Capital Annex A, co-investment
- Commitment of \$24 million to Sunstone Partners, emerging and MWBE manager
- Commitment of \$45 million to Zelnick Media Capital, new relationship

### Real Assets

- Commitment of \$60 million to the Exeter Industrial Core Fund

### Income

- Commitment of \$125 million to Beach Point Capital Management
- Commitment of \$125 million to Cerberus Capital Management, new manager

### Diversifying Strategies

- Commitment of \$50 million to Brevan Howard Asset Management
- Commitment of \$100 million to Kirkoswald Capital Management
- Redemption of \$200 million from Bridgewater Associates
- Redemption of \$75 million from KeyQuant

## **RECESS**

The meeting recessed at 5:40 p.m. and reconvened the following day at 8:00 a.m.

### Global Income Annual Review

Scottie Bevill, Sr. Investment Officer, presented the results and recommendations to this year's Global Income asset class annual reviews. Representatives from Aksia provided an educational presentation on private debt. Documentation is on file. A motion was made by Fred Peronto, seconded by Laura Pearl, that the committee recommend to the Board to approve the FY 2020 global income annual review recommendations and objectives, as presented. The motion passed by unanimous voice vote.

### Private Debt Tactical Plan

TRS Staff and Aksia provided an overview of the private debt portfolio and recommended FY 2020 tactical plan. The plan details market overview, performance, exposures, risk output, benchmarking challenges, pacing plan summary, fee analysis, and strategic initiatives. Recommendation is to increase the current private debt pacing from \$600 million to \$650 million per fiscal year. Documentation is on file. A motion was made by Devon Bruce, seconded by Larry Pfeiffer, that the committee recommend to the Board to approve the FY 2020 private debt tactical plan recommendation and objectives, as presented in the tactical plan. The motion passed by unanimous voice vote.

## **RECESS**

The meeting recessed at 9:50 a.m. and reconvened at 10:05 a.m.

### Hayfin Capital Management

TRS Staff, Aksia, and Representatives from Hayfin presented an investment opportunity within the global income private debt cross sector allocation. Their presentation booklet is on file. Staff provided an overview of the firm and due diligence that was conducted. Documentation is on file. A motion was made by Devon Bruce, seconded by Laura Pearl, that the committee recommend to the Board to approve a commitment up to \$500 million to Hayfin Chief, Limited Partnership subject to successful completion of legal documentation. The motion passed by unanimous voice vote.

### Intermediate Capital Group

TRS Staff, Aksia, and Representatives from ICG presented an investment opportunity within the global income private debt cross sector allocation. Their

presentation booklet is on file. Staff provided an overview of the firm and due diligence that was conducted. Documentation is on file. A motion was made by Devon Bruce, seconded by Mark Bailey, that the committee recommend to the Board to approve a commitment up to \$500 million to ICG Santo, Limited Partnership subject to successful completion of legal documentation. The motion passed by unanimous voice vote.

### Annual Reports – FY19

The TRS Investment Policy requires TRS staff to provide various reporting to the Board on an annual basis. The reports include equity broker commissions, securities lending, securities litigation, commission recapture, proxy voting, supplemental investment reporting, and the annual performance reviews documenting the quality of service provided by consultants and custodian. TRS consultants are RVK, TorreyCove Capital Partners, and Stepstone Group Real Estate. State Street Bank & Trust Company serves as custodian. Documentation is on file.

### **TRUSTEE CONCERNS**

Discussion was held regarding the delegation process of investment managers. The committee requested a Request for Proposal (RFP) be drafted to evaluate the current policy of delegating selection, monitoring, and retention of investment managers to the TRS investment staff. A subcommittee of the Board will monitor the selection of a vendor if many firms respond to the RFP.

### **ADJOURNMENT**

There being no further business to come before the Investment Committee, a motion was made by Fred Peronto, seconded by David Miller, to adjourn the meeting at 12:04 p.m.

  
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Richard W. Ingram, Executive  
Director

Approved: 12/10/19