



MINUTES
Meeting of the Investment Committee
February 28, 2020

A meeting of the Investment Committee of the Illinois Teachers' Retirement System was held on February 28, 2020 at the Hilton Rosemont Chicago O'Hare Hotel, 5550 North River Road, Rosemont. Andy Hirshman, Chair, called the meeting to order at 8:52 a.m. A quorum was present.

Roll Call attendance was taken with the following trustees present: Carmen Ayala (departed at 9:55 a.m.), Mark Bailey, Marsha Byas, Andy Hirshman, Matthew Hunt, Maureen Mena, David Miller, Laura Pearl, Fred Peronto, Larry Pfeiffer, Doug Stand, and Devon Bruce, President. Absent: Norma Bellcoff

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; Scottie Beville, Sr. Investment Officer; Tim Hays, Sr. Investment Officer; Jerry Quandt, Sr. Investment Officer; Dakin Sanert, Investment Officer; Stacy Smith, Director of Internal Audit and Risk; Dave Urbanek, Director of Communications; Tammy Green, Executive Assistant; Chris Wiedel, Technical Systems Manager; Tiffany Reeves, Reinhart (Fiduciary Counsel); and Becky Gratsinger, RVK (Investment Consultant).

Visitors present: Jack Tucker and Mac Smith, IL Education Association-Retired.

APPROVAL OF MINUTES

A draft of the December 10, 2019 minutes of the Investment Committee meeting was sent to the committee for review. On a motion by President Bruce, seconded by Trustee Miller, the minutes were unanimously approved by voice vote.

TRS PORTFOLIO

Investment Manager Chart

TRS staff provided the investment manager charts for the quarter ending December 31, 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 a total fund overview of the December 31, 2019 investment performance report including current trending pension topics and capital markets review. Documentation is on file. Total assets: \$54.2 billion, a 10.4 percent increase over calendar year 2018. Documentation is on file. The total fund return, net of fees:

- 1 year: 13.4%
- 3 years: 8.6%
- 5 years: 6.9%
- 10 years: 8.5%

In addition, Stan Rupnik, CIO, provided a performance overview of each asset class. RVK noted that the coronavirus has had a huge impact on the market.

Investment Activity Report

Stan Rupnik provided an overview of investment actions and asset transfers made by the System's investment staff for the period November 21, 2019 through February 7, 2020. Documentation is on file. There were no compliance issues for the quarter ending December 31, 2019.

Private Equity

- Commitment of \$200 million to MBK Partners.
- Commitment of \$120 million to Parthenon Capital Partners.
- Commitment of \$100 million to Clearlake Capital.
- Commitment of \$40 million to TA Associates.
- Commitment of \$75 million to Bregal Sagemount III-B, a growth equity fund. This is a new investment relationship for TRS.
- Commitment of \$15 million to Ocean Sound Partners, a private equity fund. This is a new investment relationship for TRS.

Real Assets

- Commitment of \$150 million to Oak Street Real Estate Capital.
- Termination of the \$270 million real return strategy of AQR Capital Management.

Public Equity

- Commitment of a total of \$799 million to three strategies in the domestic equity portfolio managed by RhumbLine Advisors.
- Commitment of \$500 million to Northern Trust Global Investments within the international equity portfolio.
- Termination of the \$217 million small cap mandate within the domestic equity portfolio of AQR Capital Management.
- Termination of the \$711 million large cap mandate within the domestic equity portfolio of Boston Partners.
- Termination of the \$101 million Russell small cap completeness mandate within the domestic equity portfolio of RhumbLine Advisors.
- Termination of the \$66 million large cap emerging manager mandate within the international equity portfolio of Brown Capital Management.
- Termination of the \$384 million large cap mandate within the international equity portfolio of J.P. Morgan Asset Management.
- Termination of the \$570 million large cap mandate within the international equity portfolio of Mondrian Investment Partners.

Global Income

- Commitment of \$200 million to LCM Capital Management.
- Termination of the \$455 million U.S. TIPS strategy of the Pacific Investment Management Company.

Diversifying Strategies

- Commitment of \$150 million to Aspect Capital, systematic global macro fund. This is a new investment relationship for TRS.
- Additional commitment of \$75 million to the existing mandate of Kirkoswald Asset Management.
- Additional commitment of \$50 million to the existing mandate of Trend Capital Management.
- An additional commitment of \$25 million to the existing mandate of Light Sky Macro.
- Partial redemption of \$75 million from a multi-strategy fund managed by AQR Capital Management.
- Partial redemption of \$50 million from the core macro fund managed by Cantab Asset Management.
- Partial redemption of \$12 million from PDT Mosaic.

Cerberus Capital Management

Representatives of Cerberus provided a new investment opportunity within a U.S. direct-lending strategy. Their presentation booklet is on file. Staff provided an overview of the firm and due diligence that was conducted. A motion was made by President Bruce, seconded by Matt Hunt, that the committee recommend to the Board to commit \$350 million to Cerberus 2112 Levered Loan Opportunities Fund, LLC subject to successful completion of legal documentation. Based on pacing initiatives specified within the Private Debt Tactical Plan, it is expected commitments to this fund will increase up to \$500 million. The motion passed by a unanimous voice vote.

RECESS

The meeting recessed at 10:55 a.m. and reconvened at 11:09 a.m.

Greenspring Associates

In 2017, the Board approved two commitments to Greenspring & Associates which included: 1) a commitment to a vehicle investing in several Greenspring fund-of-funds products and 2) a commitment to a separately managed account pursuing venture capital and growth equity managers. The next iteration of TRS's relationship with Greenspring is intended to be similarly structured with a commitment to several of the firm's fund-of-funds product vehicles and a separate account focused on just growth equity.

Representatives of Greenspring provided an overview of its firm, and staff recommended a commitment in a commingled venture capital fund-of-funds and in a separately managed account. A motion was made by Laura Pearl, seconded by President Bruce, that the committee recommend to the Board to commit \$100 million to Greenspring Fund-of-Funds 2.0, a group of four Greenspring fund-of-funds product vehicles (Greenspring has discretion over the investment decisions) and commit \$100 million to Greenspring IL Special Growth Equity 2.0, a separate account dedicated to growth equity funds and co-investments (TRS will retain discretion over the investment decisions). The motion passed by a unanimous voice vote.

Education

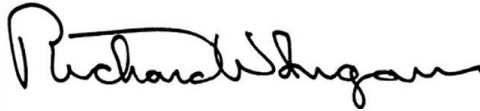
RVK provided an educational presentation on total fund risk and investment risk tolerance. This is the first presentation on the asset allocation process. Documentation is on file.

WMBE Utilization Report

TRS staff provided preliminary data as of December 30, 2019 on the utilization of minority-owned brokers and minority-owned investment managers within the TRS investment portfolio. The total TRS portfolio represents 21.97% which is 1.97% over the TRS goal of 20%. Documentation is on file.

ADJOURNMENT

There being no further business to come before the Investment Committee, a motion was made by President Bruce, seconded by Trustee Hunt, to adjourn the meeting at 12:40 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" and "I".

Richard W. Ingram, Executive Director

Approved: 4/24/20