



TEACHERS' RETIREMENT SYSTEM OF THE STATE OF ILLINOIS

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MINUTES Meeting of the Investment Committee August 27, 2020

A virtual meeting of the Investment Committee of the Illinois Teachers' Retirement System was held on August 27, 2020 in accordance with Public Act 101-640 Government Emergency Administration Act and the COVID-19 Executive Order 2020-52, which extends the original Executive Order 2020-07 through September 19, 2020. An in-person meeting is not practical or prudent due to the current global COVID-19 pandemic.

Requirements under the new law include:

- All votes must be roll call votes so that each member's vote on each issue can be identified and recorded.
- Prepare and maintain a verbatim record of both the open and closed sessions of the remote meeting.
- Everyone must be able to hear one another.

Andy Hirshman, Chair, called the meeting to order at 8:30 a.m. A quorum was present. Roll Call attendance was taken with the following trustees present: Beth Anderson, Andy Hirshman, Matt Hunt, Maureen Mena, David Miller, Fred Peronto, Larry Pfeiffer, Matt Shattock, Doug Strand, Mark Bailey, Vice President and Devon Bruce, President. Absent: Carmen Ayala, Norma Bellcoff and Marsha Byas.

Stan Rupnik, Acting Executive Director/Chief Investment Officer and Cynthia Fain, Sr. Legal Counsel, were physically present at the meeting location in Springfield, 2815 W. Washington Street.

Others present: Greg Turk, Director of Investments; Scottie Bevill, Sr. Investment Officer; Bill Thomas, Sr. Investment Officer; Jerry Quandt, Sr. Investment Officer; Ben Skrodski, Sr. Investment Officer; Tim Hays, Sr. Investment Officer; Dakin Sanert, Investment Officer; Michael Reynolds, Investment Analyst; Makayla Baker, Sr. Investment Analyst; Shelja Aggarwal, Sr. Investment Analyst; Jose Gonzalez, Investment Officer; Brian Payne, Investment Officer; Deron Bertolo, Director of Investment Accounting; Abby Griffith, Investment Accounting Manager; Gina Larkin, Chief Human Resources Officer; Carlton Lenoir, Chief Benefits Officer; Chris Wiedel, Director of Information Technology; Chad Fry, Technical Systems Manager; Stacy Smith, Director of Internal Audit and Risk; Christina Baker,

Internal Audit Supervisor; Bob Jiroutek, Sr. Risk Officer; Dave Urbanek, Director of Communications; Tammy Green, Executive Assistant; Sally Antonacci, Investment Office Manager; Tiffany Reeves and Jessica Culotti, Reinhart (Fiduciary Counsel); Becky Gratsinger, Ian Bray and Tony Johnson, RVK (Investment Consultant); Christine Williamson, Pensions & Investments; Angela Myers, Loop Capital; Cinda Klickna (departed 10:00 a.m.); Chris Engelhardt, Voya; Carlton Byrd, American Triple Partners; Jim Baker, Private Equity Stakeholder Project; and Amy Harris.

President Bruce introduced and welcomed new TRS trustee Matthew Shattock. Mr. Shattock was appointed by Governor Pritzker on July 27, 2020 to serve on the TRS Board of Trustees through July 14, 2024. In addition, President Bruce recognized Stan Rupnik's new role as Acting Executive Director.

PUBLIC COMMENT

Jim Baker with Private Equity Stakeholder Project (PESP) noted that affiliates of Starwood Capital, a residential landlord company of apartment and single-family rental properties, continue to file eviction cases despite President Trump's COVID-19 executive order. PESP has reached out to Starwood Capital several times regarding evictions at the firm's properties during the pandemic. The firm has not responded. Starwood Capital is in the process of raising a new real estate fund and may ask TRS for additional capital.

APPROVAL OF MINUTES

A draft of the June 18, 2020 minutes of the investment committee meeting was sent to the trustees for prior review. Documentation is on file. On a motion by Trustee Strand, seconded by Trustee Peronto, it was resolved to approve the June 18, 2020 investment committee minutes, as presented. Roll call resulted in affirmative voice votes from Trustees Anderson, Hirshman, Hunt, Mena, Miller, Peronto, Pfeiffer, Shattock, Strand, Bailey, and Bruce. Motion Carried.

TRS PORTFOLIO

Chairman Hirshman commented on a recent article regarding a study conducted by Standard University about the implicit bias that exists within the investment industry. Trustees Hirshman and Miller view the TRS efforts to increase diversity as part of their fiduciary responsibilities as well as an issue of social justice and equality. Trustee Miller suggested that TRS study the lack of diversity in the investment industry and how it affects TRS and investigate the creation of TRS programs to help understand the issue.

WMBE Utilization Report

Stan Rupnik, Chief Investment Officer, provided preliminary data as of June 30, 2020 on the utilization of minority-owned brokers and minority-owned investment managers within the TRS investment portfolio. The total TRS portfolio represents 22.43% which is 2.43% over the TRS goal of 20%. Documentation is on file.

Education

TRS staff provided a historical review of TRS's emerging manager program including the EMP objective, achievements, search and selection process, and summary evolution of the EMP. Documentation is on file. The EMP was established by the TRS Board in May 2005, and TRS has hosted an annual Opportunity Forum to bring together MWBE-owned broker/dealers and asset managers to discuss investment issues and develop working relationships. Discussion was held on building the program and what steps will be taken to get more minority and women-owned participation within each asset class. Further discussion on expanding TRS's diversity efforts will be held at the December investment committee meeting.

Investment Manager Chart

Stan Rupnik provided preliminary investment manager charts for the quarter ending June 30, 2020. Documentation is on file.

Cashflow Summary

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

Investment Performance Update

RVK provided a preliminary summary of the investment performance for the quarter ending June 30, 2020 including current trending pension topics and capital markets. Documentation is on file. In addition, Stan Rupnik, provided a preliminary investment returns to date:

- 1 year .50%
- 3 years 4.6%
- 5 years 5.2%
- 10 years 8.3%
- 20 years 5.8%
- 30 years 7.7%

Trustee Hirshman announced that trustees will be receiving a survey from RVK to help trustees receive the maximum benefit relating to the efficiency of their presentations

Investment Benchmarking

KAM Mangat, Vice President of CEM Benchmarking, presented the results of the investment benchmarking services. The report compares cost and return performance to funds in CEM's pension database. Documentation is on file.

- 5-year net total investment return was above the U.S. Public median and equal to the peer median.
- 5-year policy return was above the U.S. Public median and above the peer median.
- 5-year net value added was slightly below the U.S. Public median and below the peer median.
- Investment cost was above benchmark cost which suggests that cost was slightly higher during 2018 compared to peers due to higher cost implementation style and TRS paid more than peers for some services. TRS is more externally managed compared to its peers.

Trustee Hirshman would like to have a discussion within the year regarding internal investment management.

Investment Activity Report

Stan Rupnik provided an overview of investment actions and asset transfers by asset class made by the System's investment staff for the period May 30, 2020 through July 31, 2020. Documentation is on file.

Private Equity –

- New emerging manager commitment to Stellex Capital Management

Real Assets –

- Commitment to Macquarie Infrastructure Partners
- New manager commitment to Stonepeak Infrastructure Partners

Diversifying Strategies –

- Full redemption from the Global Risk Premium Tactical Master Account managed by AQR Capital Management

Income –

- New emerging manager commitment to TerraCotta Group
- Commitment to Apollo Global Management
- Commitment to Taurus Funds Management

Public Equity –

- Termination of AQR Capital Management’s U.S. domestic large capitalization strategy
- Termination of Northern Trust Global Investments emerging markets large capitalization strategy

RECESS

The meeting recessed at 10:36 a.m. and reconvened at 10:45 a.m.

FY 2021 Private Equity Tactical Plan

TRS staff and Stepstone presented the fiscal year 2021 private equity tactical plan. The plan includes a review of current initiatives, FY 2021 initiatives, fee analysis, and pacing analysis. Documentation is on file. Discussion was held regarding enhanced reporting around progress toward the ESG and diversity initiatives within the plan year. A motion was made by Trustee Bruce, seconded by Trustee Bailey, that the committee recommend to the Board to approve the fiscal year 2021 private equity tactical plan. Approve the fiscal year 2021 private equity tactical plan as summarized in the plan pacing and initiatives summary. Roll call resulted in affirmative voice votes from Trustees Anderson, Hirshman, Mena, Miller, Peronto, Pfeiffer, Shattock, Strand, Bailey, and Bruce. Motion Carried. Trustee Hunt abstained from voting.

Diversifying Strategies Tactical Plan

TRS staff and Aksia provided an overview of the Aksia/TRS relationship and presented the fiscal year 2021 diversifying strategies tactical plan. A motion was made by Trustee Bruce, seconded by Trustee Hunt, that the committee recommend to the Board to approve the fiscal year 2021 diversifying strategies tactical plan as summarized in the plan pacing and initiatives summary. Roll call resulted in affirmative voice votes from Trustees Anderson, Hirshman, Hunt, Mena, Miller, Peronto, Pfeiffer, Shattock, Strand, Bailey, and Bruce. Motion Carried.

SUB-PORTFOLIOS (2019)	TARGET WEIGHT		SUB-PORTFOLIOS (2020)	TARGET WEIGHT
Factor Portfolio	10% - 25%	➔	Factor Portfolio	5% - 20%
Risk Parity	0% - 15%		Risk Parity	0% - 15%
Systematic Macro	15% - 35%		Systematic Macro	10% - 30%
Discretionary Macro	15% - 35%		Discretionary Macro	20% - 40%
Opportunistic	20% - 40%		Opportunistic	30% - 50%

DS Objectives:

1. <0.3 Beta to Equity Markets
2. 3-5% Volatility
3. >1.0 Sharpe ratio
4. Enhance liquidity profile

Real Estate/Real Assets Tactical Plan

TRS staff and StepStone presented the FY 2021 real estate/real assets tactical plan, provided an update on the current year initiatives including a high level summary of the COVID-19 impact to the overall portfolio and reviewed the new investment initiatives for FY 2021. 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. Documentation is on file. A motion was made by Trustee Bruce, seconded by Trustee Pfeiffer, that the committee recommend to the Board to approve the fiscal year 2021 real estate/real assets tactical plan as summarized in the plan pacing and initiatives summary. Roll call resulted in affirmative voice votes from Trustees Anderson, Hirshman, Hunt, Mena, Miller, Peronto, Pfeiffer, Shattock, Strand, Bailey, and Bruce. Motion Carried.

ADJOURNMENT

There being no further business to come before the Investment Committee, a motion was made by Trustee Bailey, seconded by Trustee Peronto, to adjourn the meeting at 1:37 p.m. Roll call resulted in affirmative voice votes from Trustees Anderson, Hirshman, Hunt, Mena, Miller, Peronto, Pfeiffer, Shattock, Strand, Bailey, and Bruce. Motion Carried.



Stan Rupnik, Acting Executive Director

Approved: 10/29/20