



TEACHERS' RETIREMENT SYSTEM OF THE STATE OF ILLINOIS

2815 W Washington St | PO Box 19253 | Springfield IL 62794-9253

R. Stanley Rupnik, Interim Executive Director

<http://www.trsil.org>

877-927-5877 (877-9-ASK-TRS) | FAX: 217-753-0964

MINUTES Meeting of the Investment Committee October 29, 2020

A virtual meeting of the Investment Committee of the Illinois Teachers' Retirement System was held on October 29, 2020 in accordance with Public Act 101-640 Government Emergency Administration Act and the COVID-19 Executive Order 2020-59, which extends the original Executive Order 2020-07 through November 14, 2020. An in-person meeting is not practical or prudent due to the current global COVID-19 pandemic.

Requirements under PA 101-640, Article 15 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 9:11 a.m. A quorum was present. Roll Call attendance was taken with the following trustees present: Beth Anderson, Carmen Ayala, Norma Bellcoff, Marsha Byas, Andy Hirshman, Matt Hunt, Maureen Mena, David Miller, Fred Peronto, Larry Pfeiffer, Doug Strand, Matt Shattock (departed before meeting adjourned); Mark Bailey, Vice President and Devon Bruce, President.

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; Jose Gonzalez, Investment Officer; Jerry Quandt, Sr. Investment Officer; Tim Hays, Sr. Investment Officer; Carlton Lenoir, Chief Benefits Officer; Deron Bertolo, Chief Financial Officer; Chris Wiedel, Director of Information Technology; Jeff Bennett, Director of Operations; 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; Becky Gratsinger, Ian Bray and Tony Johnson, RVK (Investment Consultant); Tiffany Reeves and Xavier Prather, Reinhart (Fiduciary Counsel).

Christine Williamson, Pensions & Investments; and Jim Baker, Private Equity Stakeholder Project. In addition, 25 participants dialed in to the investment committee meeting.

PUBLIC COMMENT

Jim Baker with Private Equity Stakeholder Project (PESP) followed up on his comments made at the August investment committee meeting regarding Starwood Capital, an institutional real estate investor that includes holdings of apartment and single-family rental properties. TRS is an investor in Starwood funds. Mr. Baker noted that on September 1, 2020, the Center for Disease Control (CDC) announced a moratorium on evictions through the end of the year for renters impacted by the COVID-19 pandemic. Despite the CDC moratorium, affiliates of Starwood Capital have continued to file eviction cases since the CDC order took effect. Starwood Capital is in the process of raising a new real estate fund and may ask TRS for additional capital. Mr. Baker requested that TRS contact Starwood Capital and ask them to halt residential evictions during the pandemic so residents can stay in their homes during the pandemic.

APPROVAL OF MINUTES

A draft of the August 27, 2020 minutes of the investment committee meeting was sent to the trustees for prior review. Documentation is on file. On a motion by Trustee Hunt, seconded by Trustee Bailey, it was resolved to approve the August 27, 2020 investment committee minutes, as presented. Roll call resulted in affirmative voice votes from Trustees Anderson, Ayala, Bellcoff, Byas, Hirshman, Hunt, Mena, Miller, Peronto, Pfeiffer, Shattock, Strand, Bailey, and Bruce. Motion Carried.

TRS PORTFOLIO

Investment Manager Chart

Stan Rupnik provided final investment manager charts for the quarter ending June 30, 2020 and for the month of August 2020. Documentation is on file.

MWBE Utilization Report

Jose Gonzalez, Investment Officer – Diverse & Emerging Managers, provided final 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 22.84% which is 2.84% over the TRS goal of 20%. Documentation is on file.

TRS staff conducted the annual review of the System’s MWBE utilization goals for minority brokerage and investment management and proposed the following FY 2021 minority utilization goals. Documentation is on file.

- Increase the goal for MWBE assets under management from 20% to 21% of the total fund.
- Retain the existing domestic equity utilization goal of 25%.
- Retain the existing international equity brokerage utilization goal of 16%.
- Retain the global fixed income trading utilization goal of 16%.
- Retain the existing investment management fees goal of 7.0-10.5% of total fees paid.

Staff plans to have a discussion at the December investment committee meeting regarding expanding diversity efforts within the TRS portfolio. A motion was made by Trustee Miller, seconded by Trustee Hunt, that the committee recommend to the Board to approve the MWBE FY 2021 utilization goals for minority brokerage managers and investment management, as presented. Roll call resulted in affirmative voice votes from Trustees Anderson, Ayala, Bellcoff, Byas, Hirshman, Hunt, Mena, Miller, Peronto, Pfeiffer, Shattock, Strand, Bailey, and Bruce. Motion Carried.

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 an overview of the final June 30, 2020 fiscal year end investment performance report including current trending pension topics and capital markets. Documentation is on file. The market value of the TRS total fund on June 30 was \$51.6 billion. Documentation is on file. The total fund return, net of fees:

- 1 year 0.6%
- 3 years 4.7%
- 5 years 5.2%
- 10 years 8.3%

Risk Report

Bob Jiroutek, Sr. Risk Officer, provided an overview of the June 2020 investment risk report. Documentation is on file.

Investment Activity Report

Stan Rupnik provided an overview of investment actions and asset transfers/rebalance activity by asset class made by the System's investment staff for the period August 1, 2020 through October 2, 2020. Documentation is on file.

Private Equity –

- Commitments to RCP Advisors
- Commitment to Clearlake Capital Group

Global Income –

- Commitment to Oaktree Capital Management

RECESS

The meeting recessed at 10:47 a.m. and reconvened at 11:00 a.m.

Global Income Asset Class

Scottie Bevill, Sr. Investment Officer – Global Income Strategies, provided an overview of the global income portfolio and proposed recommendations based on this year's global income asset class annual reviews. Documentation is on file. A motion was made by Trustee Bailey, seconded by Trustee Bruce, that the committee recommend to the Board to approve the FY 2021 global income sub-strategy ranges and initiatives, as presented. Roll call resulted in affirmative voice votes from Trustees Anderson, Ayala, Bellcoff, Byas, Hirshman, Hunt, Mena, Miller, Peronto, Pfeiffer, Shattock, Strand, Bailey, and Bruce. Motion Carried.

Sub Sector	Current Range	New FY21 Range
Beta Plus (2)	40% - 60%	30% - 50%
Cross Asset (1)	0%	10% - 35%
Emerging Market Debt (2)	20% - 40%	15% - 35%
Private Debt	20% - 35%	10% - 35%
Short Term Asset Reserves (3)	0% - 15%	No change

- 1) - 0-60% range in PD; however, now separated
- 2) - Global part of EMD and moved to Beta Plus
- 3) - Excludes cash flow

TRS Staff and Aksia provided an overview of the private debt portfolio and presented the FY 2021 private debt tactical plan. Documentation is on file. The plan includes a review of FY 2020 initiatives & accomplishments since the last tactical plan. In addition, the plan details performance, target exposures, risk and benchmarking, FY2021 pacing plan, fee analysis, diversity and ESG initiatives, and FY 2021 strategic initiatives. The proposed pacing plan for private debt would commit up to \$1 billion per fiscal year to reach the 8% target. This is an increase from the current pace of \$650 million per fiscal year. In addition, Aksia provided an educational presentation on private debt including an overview of the market. Documentation is on file. A motion was made by Trustee Bruce, seconded by Trustee Hunt, that the committee recommend to the Board to approve the FY 2021 private debt tactical plan, pacing plan, and initiatives, as presented. Roll call resulted in affirmative voice votes from Trustees Anderson, Ayala, Bellcoff, Byas, Hirshman, Hunt, Mena, Miller, Peronto, Pfeiffer, Shattock, Strand, Bailey, and Bruce. Motion Carried.

Education

David Parrish of DLA Piper provided an educational presentation on private market fees and terms.

CRM System RFP

Jerry Quandt, Sr. Investment Officer – Alternatives, provided an overview of the Request For Information and Request for Proposals due diligence processes conducted to research and select an internal CRM System within the investment program. Documentation is on file. Staff recommended Dynamo as the software to best fit the System's existing investment program. A motion was made by Trustee Pfeiffer, seconded by Trustee Bruce, that the committee recommend to the Board to select Dynamo to provide CRM services for the System's investment program. Roll

call resulted in affirmative voice votes from Trustees Anderson, Ayala, Bellcoff, Byas, Hirshman, Hunt, Mena, Miller, Peronto, Pfeiffer, Strand, Bailey, and Bruce. Motion Carried.

Annual Reports - FY 2020

The TRS Investment Policy requires TRS staff to provide various reporting to the Board on an annual basis. The reports include equity broker commissions, commission recapture, securities lending, securities litigation, proxy voting, supplemental investment reporting, and the annual performance reviews documenting the quality of service provided by consultants and custodian. TRS consultants are RVK, Stepstone - Real Estate and Private Equity, and Aksia – Diversifying Strategies and Private Debt. State Street serves as TRS custodian. Documentation is on file.

TRUSTEE CONCERNS

The investment committee discussed the concerns that have been raised regarding Starwood Capital and agreed that the Chair and Vice Chair will write a letter to Starwood Capital to provide further detail regarding the evictions including an explanation on what steps are being taken to ensure residents of its rental properties can remain in their homes during the pandemic. Fiduciary counsel suggested taking this opportunity to consider a larger a corporate governance policy for a consistent approach.

ADJOURNMENT

There being no further business to come before the Investment Committee, a motion was made by Trustee Bruce, seconded by Trustee Bailey, to adjourn the meeting at 1:04 p.m. Roll call resulted in affirmative voice votes from Trustees Anderson, Ayala, Bellcoff, Byas, Hirshman, Hunt, Mena, Miller, Peronto, Pfeiffer, Strand, Bailey, and Bruce. Motion Carried.



Stan Rupnik, Acting Executive Director

Approved: 12/9/20