



TEACHERS' RETIREMENT SYSTEM OF THE STATE OF ILLINOIS

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MINUTES

Meeting of the Investment Committee February 25, 2021

A virtual meeting of the Investment Committee of the Illinois Teachers' Retirement System was held on February 25, 2021 in accordance the Executive Order 2021-04, which extends the original Executive Order 2020-07 through March 6, 2021. An in-person meeting is not practical due to the current global COVID-19 pandemic.

Andy Hirshman, Chair, called the meeting to order at 9:33 a.m. A quorum was present. Roll Call attendance was taken with the following committee members present: Beth Anderson, Carmen Ayala (departed 10:15-12:15), Norma Bellcoff, Marsha Byas, Andy Hirshman, Matt Hunt, David Miller, Fred Peronto, Larry Pfeiffer, Matt Shattock (departed 10:30-12:00), Doug Strand, Mark Bailey, Vice President; and Devon Bruce, President. Absent: Maureen Mena

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.

TRS Staff/Counsel/Consultants noted on call: Deron Bertolo, Chief Financial Officer; Carlton Lenoir, Chief Benefits Officer; Stacy Smith, Director of Internal Audit and Risk; Christina Baker, Internal Audit Supervisor; Matt Wombacher, Internal Auditor; Bob Jiroutek, Risk Officer; Jeff Bennett, Director of Operations; Rich Frankenfeld, Director of Outreach; Dave Urbanek, Director of Communications; Chris Wiedel, Director of Information Technology; Chad Fry, Technical Systems Manager; Greg Turk, Director of Investments; Scottie Bevill, Sr. Investment Officer; Bill Thomas, Sr. Investment Officer; Ben Skrodzki, Sr. Investment Officer; Tim Hays, Sr. Investment Officer; Dakin Sanert, Investment Officer; Corbin Freres, Investment Officer; Jose Gonzales, Investment Officer; Tammy Green, Executive Assistant; Tiffany Reeves, Reinhart (fiduciary counsel); Becky Gratsinger, Ian Bray, and Tony Johnson, RVK (investment consultant); and Mike Elio, Stepstone (private equity consultant).

Visitors noted on call: Christine Williamson, Pensions & Investments; John Bloomfield.

No public comment was heard.

APPROVAL OF MINUTES

A draft of the December 9, 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 Miller, it was resolved to approve the December 9, 2020 investment committee minutes, as presented. Roll call resulted in affirmative voice votes from Trustees Anderson, Ayala, Bellcoff, Byas, Hirshman, Hunt, Miller, Peronto, Pfeiffer, Shattock, Strand, Bailey, and Bruce. Motion Carried.

TRS PORTFOLIO

Investment Manager Chart

Stan Rupnik, Chief Investment Officer, provided final the investment manager charts for the quarter ending December 31, 2020. Documentation is on file.

Cashflow Summary

Mr. Rupnik provided a cash flow summary to fund the System's cash requirements. He noted that TRS has received the state's contribution through March. Documentation is on file.

Minority Utilization Report

Jose Gonzalez, Investment Officer – Diverse & Emerging Managers, provided preliminary data as of December 31, 2020 on the utilization of minority-owned brokers and minority-owned investment managers within the TRS investment portfolio. The total TRS portfolio represents 25.52% which is 4.52% over the TRS goal of 21%. Documentation is on file. TRS Staff has added Alphadyne and Trend as diverse firms. Mr. Gonzalez reported that Oak Street no longer qualifies as a WMBE manager due to a restructure of ownership, and their total exposure will be removed in the next quarter's WMBE reporting.

Investment Performance Update

RVK provided a total fund overview of the December 31, 2020 investment performance report including a review of capital markets and current trending pension topics: commercial real estate and retail investing. Documentation is on file. The report noted that the System's illiquid classes are marked to market as of September 30, 2020.

Total assets: \$57.2 billion. The total fund return, net of fees:

- 1 year: 7.9%
- 3 years: 6.5%
- 5 years: 8.3%
- 7 years: 7.0%
- 10 years: 7.9%
- 20 years: 6.5%

Greg Turk, Director of Investments, provided an update on the diversifying strategies, public equity, and global income asset classes.

Investment Risk Report

Bob Jiroutek, Sr. Risk Officer, provided a summary of the December 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 November 17, 2020 through February 4, 2021. Documentation is on file. The current delegation model continues to be a concern.

Private Equity –

- Commitment to Charlesbank Equity Fund & Equity Overage Fund, new manager
- Commitment to Mill Point Capital Partners, new MWBE manager
- Commitment to Insight Partners Opportunities Fund, new manager/co-investment
- Commitment to Rhone Capital, co-investment
- Commitment to Grain Communications Opportunities Fund
- Commitment to Scale Venture Partners

Global Income –

- Commitment to Northern Shipping Funds

Real Assets –

- Commitment to Brookfield Infrastructure Fund

Public Equity –

- Acadian Asset Management, emerging markets small-cap strategy
- RhumbLine Advisors S&P 1000 smidcap value index strategy
- Terminations: LSV domestic SMID cap value strategy, Matarin small cap strategy, RhumbLine MSCI multi-factor large cap strategy, DFA emerging markets small cap strategy.

There were no investment manager compliance issues for the quarter ending December 31, 2020.

RECESS

The meeting recessed at 10:45 a.m. and reconvened at 11:00 a.m.

Adams Street Partners – Private Equity

A goal within the TRS's FY 2021 Private Equity Tactical Plan is to explore the potential for Separately Management Accounts (SMAs) in Europe and Asia. TRS staff and Stepstone, the System's private equity consultant, provided an overview of the search process and due diligence conducted to identify a SMA provider to enhance sourcing efforts to help staff identify and evaluate managers in Europe and Asia. TRS staff requested approval for a commitment to Adams Street who would serve as a partner to execute on Asian and European private equity investment opportunities. Representatives of Adams Street Partners provided an overview of its firm. Their presentation booklet is on file. On a motion by Trustee Bruce, seconded by Trustee Bellcoff, it was resolved:

To commit to the following Separately Managed Accounts ("SMAs") within the System's private equity program:

- a) \$200 million to Adams Street Partners SMA in a fund-of-one focused on Europe, where TRS retains discretion on fund opportunities based in Europe.
- b) \$200 million to Adams Street Partners SMA in a fund-of-one focused on Asia, where TRS retains discretion on fund opportunities based in Asia.

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

Education

Blackrock provided an educational presentation on active vs index investing. 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 Bailey, to adjourn the meeting at 1:16 p.m. Roll call resulted in affirmative voice votes from Trustees Anderson, Ayala, Bellcoff, Byas, Hirshman, Hunt, Miller, Peronto, Pfeiffer, Shattock, Strand, Bailey, and Bruce. Motion Carried.



Stan Rupnik, Acting Executive Director/Chief Investment Officer

Approved: 6/17/21