



TEACHERS' RETIREMENT SYSTEM OF THE STATE OF ILLINOIS

2815 West Washington Street | P.O. Box 19253 | Springfield, Illinois 62794-9253

R. Stanley Rupnik, Executive Director & Chief Investment Officer

<http://www.trsil.org>

877-927-5877 (877-9-ASK-TRS)

MINUTES Investment Committee October 28, 2021

The Investment Committee meeting of the Teachers' Retirement System of the State of Illinois was held on October 28, 2021 at the Chicago Marriott Naperville, 1801 N. Naperville Boulevard, Naperville, IL. Chairman Miller called the meeting to order at 10:04 AM. A quorum was present. Roll Call attendance was taken with the following trustees present: Beth Anderson, Carmen Ayala, Duffy Blackburn, Joe Blomquist, Marsha Byas, Mia Jazo-Harris, Maureen Mena, David Miller, Fred Peronto, Larry Pfeiffer, Doug Strand, Andy Hirshman, Vice President and Matt Hunt, President (departed at 12:45 PM). Absent: Trustee Norma Bellcoff.

Others in attendance: Stan Rupnik, Executive Director and Chief Investment Officer; Greg Turk, Director of Investments; Cynthia Fain, Sr. Legal Counsel; Stacy Smith, Director of Internal Audit and Risk; Deron Bertolo, Chief Financial Officer; Chris Wiedel, Director of Information Technology; John Boykin, Sr. Technical Support Specialist; Tammy Green, Executive Assistant; Sally Antonacci, Sr. Office Manager; Tim Hays, Sr. Investment Officer – Real Estate; Scottie Bevill, Sr. Investment Officer – Global Income Strategies; Jose Gonzalez, Investment Officer – Diverse and Emerging Managers; Lori Dour, Acting Chief Benefits Officer; Jessica Culotti, Reinhart (Fiduciary Counsel); Tony Johnson and Ian Bray of RVK Inc. (Investment Consultant); Lynn O'Connell of Aksia (Investment Consultant).

Remote attendees included: Chad Fry, Technical Systems Manager; Patrick Flattery, Investment Analyst; Pei Ni Chng, Investment Analyst – Diverse and Emerging Managers; Jeff Bennett, Director of Operations; Dave Urbanek, Director of Communications; Lovedeep Singh, Investment Analyst – Global Income Strategies; Corbin Freres, Investment Officer – Global Income Strategies; Michael Rennolds, Investment Analyst – Real Estate; Dakin Sanert, Investment Officer – Real Estate; Nick Norstrom, Investment Officer – Private Equity; Jamie Stults, Director of Human Resources; Becky Gratsinger of RVK Inc. (Investment Consultant); Brian Shushkovsky and Patrick Adelsbach of Aksia (Investment Consultant); Todd Lapenna, Matt Moreno, Geoff Dolan, Mike Elio, Jeremy Goldberg, Justin Thibault of StepStone Group (Investment Consultant); Ruby Munoz-Dang, Jeff Detwiler and Don Elsenbrock of Garcia Hamilton.

Visitors: Christine Williamson, Pensions & Investments; Jim Baker, Private Equity Stakeholder Project; Conrad Floeter, Annuitant; Mary Rothschild, Annuitant.

PUBLIC COMMENT

Mr. Jim Baker, Private Equity Stakeholder Group, expressed concerns over TRS's investment with Pretium Partners.

Conrad Floeter, Annuitant, inquired how TRS screens investment managers.

Mary Rothschild, Annuitant, expressed she would like stakeholders notified of each Board meeting.

APPROVAL OF MINUTES

A draft of the August 12, 2021 minutes of the Investment Committee meeting was sent to the committee members for review. A motion was made by Trustee Strand, seconded by Trustee Hunt, to approve the minutes as presented. The motion passed by unanimous voice vote.

TRS PORTFOLIO

Investment Portfolio Summary

Stan Rupnik, Executive Director and Chief Investment Officer, provided the final June 2021 investment manager charts. Documentation is on file.

Cash Flow Summary

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

Investment Performance Report & Pension Trends

RVK provided an overview of the final June 30, 2021 fiscal year end investment performance report including trending pension topics and capital markets. Documentation is on file. The total fund return net of fees:

- 1 year: 25.46%
- 3 year: 9.88%
- 5 year: 10.12%
- 10 year: 8.43%
- 20 year: 7.22%

Stan Rupnik provided a preliminary overview of the September 30, 2021 asset class performance. Preliminary assets under management totaled \$64 billion as of September 30, 2021.

Minority Utilization Report

Jose Gonzalez, Investment Officer – Diverse & Emerging Managers, provided final data as of June 30, 2021 on the utilization of minority-owned brokers and minority-owned investment managers within the TRS investment portfolio. TRS exceeded its brokerage goals by 16.9% for US equity, 5.6% for international equity, and 2.9% for global fixed income. The total TRS portfolio as of June 30, 2021 represents 24.31%, which is 3.31% over the TRS fiscal year 2021 utilization goal of 21%. Documentation is on file.

FY2022 MWBE Goals

TRS staff conducted the annual review of the System’s MWBE utilization goals for minority brokerage and investment management and proposed the following FY2022 minority utilization goals.

- Increasing the goal for utilization of MWBE asset managers to 22% from 21%. This internal goal exceeds the Illinois General Assembly’s legislated aspirational goal.
- Maintaining the Domestic Equity MWBE brokerage utilization goal of 25%.
- Maintaining the International Equity MWBE brokerage utilization goal of 16%.
- Maintaining the Fixed Income MWBE trading utilization goal of 16%.
- Maintaining the investment management fees goal of 7.0 – 10.5% of total fees paid.

The above goals will be included in the TRS Investment Policy, Section XXII: Improving Access to the TRS Investment Process. Documentation is on file. A motion was made by Trustee Hunt, seconded by Trustee Mena, that the committee recommend to the Board to approve the recommended FY2022 MWBE utilization goals as presented. The motion passed by unanimous voice vote. Motion carried.

RECESS

The meeting recessed at 11:24 AM and reconvened at 11:41 AM.

Upon reconvening, Trustee Miller asked RVK (investment consultant) to give a brief introduction and background of their firm for the newer trustees.

Emerging Manager Program Asset Class Report

Garcia Hamilton presented (remotely) the Garcia Hamilton ESG Core Bond Fund. The Garcia Hamilton ESG Core Bond Fund is part of the TRS Supplemental Savings Plan (SSP). The ESG Fund requires \$2.5 million in seed capital as it is a new offering at the SSP go live date. TRS proposes providing the \$2.5 million seed capital from the Global Income Strategies portfolio within the Emerging Manager Program. Documentation is on file. A motion was made by Trustee Hunt, seconded by Trustee Strand, that the committee recommend to the Board to approve the TRS Emerging Manager Program portfolio to

provide \$2.5 million of seed money to Garcia Hamilton ESG Core Bond Fund. The motion passed by unanimous voice vote.

Private Equity Asset Class Report –Tactical Plan

TRS staff and StepStone presented the FY2022 private equity tactical plan. The plan includes a review of FY2021 initiatives, FY2022 initiatives, fee analysis and pacing analysis. Documentation on file. A motion was made by Trustee Pfeiffer, seconded by Trustee Peronto, that the committee recommend to the Board to approve the FY2022 Private Equity Tactical Plan and initiatives. The motion passed by unanimous voice vote.

RECESS

The meeting recessed at 1:11 PM and reconvened at 1:35 PM.

Real Assets Asset Class Report – Tactical Plan

TRS staff and StepStone presented the FY2022 real estate/real assets tactical plan. The plan includes a review of FY2021 initiatives, FY2022 initiatives, real estate and real asset characteristics, objectives, risk/returns, allocation targets, portfolio initiatives, and a portfolio pacing plan analysis. Documentation on file. A motion was made by Trustee Hirshman, seconded by Trustee Blomquist, that the committee recommend to the Board to approve the FY2022 real estate/real assets tactical plan as presented. The motion passed by unanimous voice vote.

Global Income Strategies Asset Class Report – Private Debt Tactical Plan

TRS staff and Aksia presented the FY2022 private debt tactical plan. The plan includes a review of FY2021 initiatives, FY2022 initiatives, fee analysis and pacing. Documentation on file. A motion was made by Trustee Byas, seconded by Trustee Strand, that the committee recommend to the Board to approve the FY2022 private debt tactical plan as presented. The motion passed by unanimous voice vote.

Global Income Strategies Asset Class Report – Public Debt Annual Review

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 Jazo-Harris, seconded by Trustee Mena, that the committee recommend to the Board to approve the public debt annual review as presented. The motion passed by unanimous voice vote.

Investment Risk Report

Documentation is on file.

Investment Activity Report

Stan Rupnik provided an overview of investment activity by asset class completed by the System's investment staff for the period July 23, 2021 through October 8, 2021. Documentation is on file.

Annual Reports

Stan Rupnik and Deron Bertolo presented the annual report disclosure. Documentation is on file. The TRS Investment Policy requires TRS staff to provide various reporting to the Board on an annual basis. The reports include securities lending, securities litigation, proxy voting, brokerage commissions/transitions, supplemental investment reporting, and the annual performance reviews documenting the quality of service provided by consultants and custodian. TRS consultants are RVK, Inc. (general consultant), Stepstone Group Real Estate, LP (real estate consultant), Stepstone Group, LP (private equity consultant) and Aksia LLC (diversifying strategies and private debt consultant). State Street Bank and Trust Company serves as TRS custodian.

ADJOURNMENT

There being no further business to be brought before the Investment Committee, a motion was made by Trustee Hirshman, seconded by Trustee Peronto, to adjourn the meeting at 3:51 PM. Motion passed by a unanimous voice vote.



Stan Rupnik, Executive Director and Chief Investment Officer

Approved: December 8, 2021