



TEACHERS' RETIREMENT SYSTEM OF THE STATE OF ILLINOIS

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MINUTES

Investment Committee

June 16, 2022

A meeting of the Investment Committee of the Board of Trustees of the Teachers' Retirement System of the State of Illinois was held on June 16, 2022, at the Chicago Marriott Naperville, 1801 N. Naper Boulevard, Naperville, IL. Trustee David Miller, Chair, called the meeting to order at 9:15 AM. Roll call attendance was taken with following committee members present: Trustee Beth Anderson; Trustee Carmen Ayala; Trustee Duffy Blackburn; Trustee Joe Blomquist; Trustee Marsha Byas; Trustee Mike Goetz; Trustee Mia Jazo-Harris; Trustee Maureen Mena; Trustee Larry Pfeiffer; Trustee Fred Peronto (Vice Chair); and Trustee David Miller (Chair). A quorum was present. Trustee Larry Pfeiffer requested permission to attend via videoconference in compliance with rules of the Open Meetings Act (5 ILCS 120/7). It was consensus of the committee to let Trustee Pfeiffer attend the meeting via videoconference. Trustee Doug Strand attended remotely but was unable to participate per rules of the Open Meetings Act (5 ILCS 120/7).

Others in attendance: Stan Rupnik, Executive Director & CIO; Sally Antonacci, Sr. Office Manager; Chelsea Duis, Administrative Specialist; Gloria Lasley, Chief Operating Officer; Stacy Smith, Director of Internal Audit and Risk; Emily Peterson, General Counsel; Cynthia Fain, Sr. Legal Counsel; Lori Dour, Chief Benefits Officer; John Boykin, Network Administrator; Eric Coombe, Network Engineer; Greg Turk, Director of Investments; Bob Jiroutek, Sr. Risk Officer; Jessica Culotti of Reinhart Boerner Van Deuren (Fiduciary Counsel); and Becky Gratsinger of RVK Inc. (Investment Consultant).

Remote attendees: Deron Bertolo, Chief Financial Officer; Jamie Stults, Director of Human Resources; Dave Urbanek, Director of Communications; Jose Gonzalez, Investment Officer – Diverse and Emerging Managers; Bill Thomas, Senior Investment Officer – Global Equity; Ben Skrodzki, Senior Investment Officer – Global Equity; Ian Bray of RVK Inc.; Tony Johnson of RVK Inc.; John Capeci of Arrowstreet Capital; and Tony Troilo of Arrowstreet Capital.

Visitors: Mary Rothschild, Annuitant; and Cyd Paulsen, Annuitant.

Trustee Hunt welcomed and introduced the Board's newest trustee, Mike Goetz, who was appointed by Governor Pritzker on June 10, 2022.

Public Comment

Mary Rothschild, annuitant, expressed concerns regarding the Supplement Savings Plan (SSP) and hopes the new teachers are getting proper guidance and adequate time to opt-in or opt-out upon hiring.

Minutes

A draft of the February 17, 2022, minutes of the Investment Committee meeting was sent to the committee members for review. On a motion by Trustee Blackburn, seconded by Trustee Peronto, the minutes were approved by unanimous voice vote. Documentation is on file.

Investment Portfolio Summary

Stan Rupnik provided the final March 31, 2022, investment manager charts. Documentation is on file.

MWBE Utilization Report

Jose Gonzalez provided preliminary data as of March 31, 2022, on the utilization of minority-owned brokers and minority-owned investment managers within the TRS investment portfolio. TRS exceeded its brokerage goals by 13.9% for US equity, 5.3% for international equity, and 12.1% for global fixed income. As of March 31, 2022, MWBE assets as a percent of total plan were 28.07%, which is 6.07% over the TRS fiscal year 2022 utilization goal of 22%. Documentation is on file.

Mr. Gonzalez also provided a roadmap of the portfolio’s diversity initiatives over the next one to three years with a potential implementation timeline. Documentation is on file. Additionally, he reported that TRS hosted its annual Opportunity Forum, a diversity initiative, on June 13, 2022, with over 110 attendees.

Cash Flow Report

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

RECESS

The meeting recessed at 10:15 AM and resumed at 10:28 AM.

Investment Performance Report & Pension Trends

Becky Gratsinger of RVK, Inc. provided an overview of the final March 31, 2022 investment performance report, net of fees, including trending pension topics and capital markets. Topics included the invasion of Ukraine, the impact of inflation, and rising interest rates. Documentation is on file. The total fund return, net of fees:

1 year:	12.32%
3 year:	10.78%
5 year:	9.16%
10 year:	8.63%
20 year:	7.48%

Investment Risk Report

Bob Jiroutek provided an overview of the March 2022 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 January 29, 2022, through May 31, 2022. Documentation is on file.

Asset Allocation/Policy Benchmark

Stan Rupnik provided an overview of TRS’s asset allocation process and modeling. Recommendations to the long term and interim asset allocation targets were proposed to provide guidance and structure to the investment program, with no changes to long term targets being recommended. A motion was made by Trustee Goetz, seconded by Trustee Hirshman, that the committee recommend to the Board to adopt the long-term and interim asset allocation targets and adjust the System’s strategic allocation rebalance ranges, as presented, effective July 1, 2022. Roll call resulted in affirmative voice votes from Trustees Anderson, Ayala, Blackburn, Blomquist, Byas, Goetz, Hirshman, Hunt, Jazo-Harris, Mena, Pfeiffer, Peronto, and Miller. Motion carried.

Long Term Asset Allocation Recommendation:

	Previous Long-term Target	Revised Long-term Target	Change
Public Equity	37.0%	37.0%	-
Private Equity	15.0%	15.0%	-
Real Assets	18.0%	18.0%	-
Div. Strategies/Other	4.0%	4.0%	-
Global Income	26.0%	26.0%	-
Short-Term Investments	0.0%	0.0%	-

Interim Asset Allocation Recommendation:

	Previous Interim Target	Revised Interim Target	Change
Public Equity	37.0%	37.0%	NC
Private Equity	14.0%	15.0%	+1.0%
Real Assets	15.0%	18.0%	+3.0%
Div. Strategies/Other	7.0%	5.0%	-2.0%
Global Income	25.0%	23.0%	-2.0%
Short-Term Investments	2.0%	2.0%	NC

Rebalance Range Recommendation:

	Revised Interim Target	Long-term Target	Revised Allocation Rebalance Ranges
Public Equity	37.0%	37.0%	27% - 47%
Private Equity	15.0%	15.0%	12% - 18%
Real Assets:	18.0%	18.0%	15% - 21%
Real Estate	16.0%	16.0%	13% - 19%
Other Real Assets	2.0%	2.0%	1% - 3%
Div. Strategies/Other	5.0%	4.0%	3% - 10%
Global Income	23.0%	26.0%	21% - 31%
Short-Term Investments	2.0%	0.0%	0% - 4%

Investment Policy Revisions

On an annual basis, staff formally reviews the TRS Investment Policy to ensure it accurately reflects current procedures and Board action through the fiscal year. Stan Rupnik presented proposed changes to the Investment Policy which included revisions to the following sections:

- Section VII: Asset Allocation and Rebalancing Strategy
- Section XIII: Performance Benchmarks

Documentation is on file. A motion was made by Trustee Peronto, seconded by Trustee Goetz, that the committee recommend to the Board to approve the revisions to the Investment Policy, as presented. Roll call resulted in affirmative voice votes from Trustees Anderson, Ayala, Blackburn, Blomquist, Byas, Goetz, Hirshman, Hunt, Jazo-Harris, Mena, Pfeiffer, Peronto and Miller. Motion carried.

Investment Manager Presentation/Education

Tony Troilo and John Capeci of Arrowstreet Capital, an investment manager in TRS’s global equity portfolio, presented. They provided an overview of their firm and investment strategies. They provided market commentary and answered trustee questions. Documentation is on file.

Other Business

None

Trustee Concerns

None

ADJOURNMENT

There being no further business to be brought before the Investment Committee, a motion was made by Trustee Hirshman, seconded by Trustee Goetz, to adjourn the meeting at 12:18 PM. Motion passed by unanimous voice vote.



Stan Rupnik, Executive Director & Chief Investment Officer

Approved: August 11, 2022