



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 20, 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 October 20, 2022 at the Chicago Marriott Naperville, 1801 N. Naper Boulevard, Naperville, Illinois. Trustee Fred Peronto (Vice Chair) called the meeting to order at 12:08 PM. Roll call attendance was taken with the following committee members present: Trustee Beth Anderson, Trustee Kevin "Duffy" Blackburn, Trustee Joe Blomquist, Trustee Mike Goetz, Trustee Andy Hirshman, Trustee Matt Hunt, Trustee Mia Jazo-Harris, Trustee Maureen Mena, Trustee Fred Peronto, Trustee Larry Pfeiffer, and Trustee Doug Strand. Trustee Marsha Byas was not in attendance. A quorum was present. Trustee Carmen Ayala joined the meeting at 1:38 PM. Trustee David Miller (Chair) joined the meeting at 4:32 PM.

Others in attendance: Stan Rupnik, Executive Director & CIO; Sally Antonacci, Senior Office Manager; Chelsea Duis, Administrative Specialist; Deron Bertolo, Chief Financial Officer; Gloria Lasley, Chief Operating Officer; Stacy Smith, Director of Internal Audit & Risk; Emily Peterson, General Counsel; Cynthia Fain, Senior Legal Counsel; Lori Dour, Chief Benefits Officer; John Boykin, Network Administrator; Kyle Thornton, Network Administrator; Greg Turk, Director of Investments; Jose Gonzalez, Senior Investment Officer – Diverse & Emerging Managers; Scottie Beville, Senior Investment Officer – Global Income Strategies; Corbin Freres, Investment Officer – Global Income Strategies; Andy Jones, Senior IT Internal Auditor; Jessica Culotti of Reinhart Boerner Van Deuren (Fiduciary Counsel); Ian Bray and Becky Gratsinger of RVK Inc. (Investment Consultant); Patrick Adelsbach and Brian Shushkovsky of Aksia (Private Debt Consultant); David Sheng of Aksia (Diversifying Strategies Consultant); and Danielle Beyer and Kerstin Dittmar of L2 Point Management.

Remote attendees: Dave Urbanek, Director of Communications; Ann Stone, Investment Analyst – Diverse & Emerging Managers; Chloe Ariss, Investment Analyst – Global Income Strategies; Bob Jiroutek, Senior Risk Officer; and Ashleigh Lee of Aksia.

Visitors: Mary Rothschild, IEA Annuitant; Elston Flowers, IEA Annuitant.

Public Comment

None

Minutes

A draft of the August 11, 2022 minutes of the Investment Committee meeting was sent to the committee members for review. On a motion by Trustee Hunt, seconded by Trustee Strand, the minutes were approved by unanimous voice vote. Documentation is on file.

Investment Portfolio Summary

Stan Rupnik provided the final June 30, 2022 investment manager charts. Documentation is on file.

Cash Flow Report

Stan Rupnik provided a cash flow summary to fund the System’s cash requirements. 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 from the previous meeting through September 30, 2022. Documentation is on file.

Investment Performance & Pension Trends

Ian Bray and Becky Gratsinger of RVK, Inc. provided an overview of the final June 30, 2022 investment performance report, including trending pension topics and capital markets. Topics included rising interest rates, inflation, continued pandemic ramifications and the simultaneous market corrections in both equity and fixed income markets over the last six months. Documentation is on file. The total fund return, net of fees:

Fiscal year to date:	-1.17%
3 year:	7.63%
5 year:	7.29%
10 year:	8.22%
20 year:	7.32%

MWBE Utilization Report

Jose Gonzalez provided final data as of June 30, 2022 on the utilization of minority-owned brokers and minority-owned investment managers within the TRS investment portfolio. TRS exceeded its brokerage goals by 25.8% for US equity, 7.5% for international equity, and 12.3% for global fixed income. As of June 30, 2022, MWBE assets as a percent of total plan were 29.39%, which is 7.39% over the TRS fiscal year 2022 utilization goal of 22%. Documentation is on file.

FY2023 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 FY2023 minority utilization goals.

- Maintaining the goal for utilization of MWBE asset managers of 22%. This internal goal exceeds the Illinois General Assembly’s legislated aspirational goal.
- Increasing the Domestic Equity MWBE brokerage utilization goal to 30% from 25%.

- Increasing the International Equity MWBE brokerage utilization goal to 17% from 16%.
- Maintaining the Fixed Income MWBE trading utilization goal of 16%.
- Increasing the investment management fees goal of 7.0 – 10.5% to 8.0 – 11.5% of total fees paid.

The above goals will be included in the TRS Investment Policy, Section 20: Improving Access to the TRS Investment Process. Documentation is on file. A motion was made by Trustee Goetz, seconded by Trustee Hirshman, that the Committee recommend to the Board to approve the recommended FY2023 MWBE utilization goals as presented. The motion passed by unanimous voice vote. Motion carried.

Global Income Annual Reviews

Scottie Bevill, Senior Investment Officer – Global Income Strategies, and Corbin Freres, 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. *(Trustee Carmen Ayala entered the meeting at 1:38 PM.)* A motion was made by Trustee Pfeiffer, seconded by Trustee Strand, that the committee recommend to the Board to approve the public debt annual review as presented. The motion passed by unanimous voice vote.

RECESS

The meeting recessed at 2:11 PM and resumed at 2:29 PM.

Private Debt Tactical Plan

Patrick Adelsbach and Brian Shushkovsky of Aksia presented the FY2023 private debt tactical plan. The plan includes a review of FY2022 initiatives, FY2023 initiatives, fee analysis and pacing. Documentation on file. A motion was made by Trustee Goetz, seconded by Trustee Strand, that the Committee recommend to the Board to approve the FY2023 private debt tactical plan as presented. The motion passed by unanimous voice vote.

Diversifying Strategies Tactical Plan

David Sheng of Aksia presented the FY2023 diversifying strategies tactical plan. The plan includes a review of FY2022 initiatives, FY2023 initiatives, fee analysis and pacing. Documentation on file. A motion was made by Trustee Hirshman, seconded by Trustee Goetz, that the Committee recommend to the Board to approve the FY2023 diversifying strategies tactical plan as presented. The motion passed by unanimous voice vote.

RECESS

The meeting recessed at 3:52 PM and resumed at 4:03 PM.

Investment Education – L2 Point Management

Danielle Beyer and Kerstin Dittmar of L2 Point Management, a private debt manager in TRS’s Emerging Manager Program, provided investment education to the Trustees. The presentation highlighted the firm’s values, culture, and strategy. The challenges that emerging managers face obtaining access to capital and to the right partners was emphasized. *(Trustee Miller entered the meeting at 4:32 PM.)* Documentation is on file.

Annual Reports

Stan Rupnik 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.

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 Pfeiffer, seconded by Trustee Strand, to adjourn the meeting at 4:45 PM. Motion passed by unanimous voice vote.



Stan Rupnik, Executive Director & Chief Investment Officer

Approved: December 6, 2022