



TEACHERS' RETIREMENT SYSTEM OF THE STATE OF ILLINOIS

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MINUTES

Investment Committee

October 26, 2023

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 26, 2023 at the Teachers' Retirement System of the State of Illinois, 2815 West Washington Street, Springfield, Illinois. Trustee David Miller (Chair) called the meeting to order at 9:01 AM. Roll call attendance was taken with the following committee members present: Trustee Beth Anderson, Trustee Joe Blomquist, Trustee Marsha Byas, Trustee Mike Goetz, Trustee Andy Hirshman, Trustee Matt Hunt, Trustee Mia Jazo-Harris (arrived at 9:04 AM), Trustee Maureen Mena, Trustee David Miller, Trustee Fred Peronto (Vice Chair), Trustee Larry Pfeiffer, Trustee Tony Sanders, and Trustee Doug Strand. Trustee Kevin "Duffy" Blackburn was not in attendance. A quorum was present.

Others in attendance: Stan Rupnik, Executive Director & CIO; Sally Antonacci, Executive Officer; Chelsea Duis, Executive Administrator; Deron Bertolo, Chief Financial Officer; Stacy Smith, Director of Internal Audit & Risk; Emily Peterson, General Counsel; Cynthia Fain, Senior Legal Counsel; Kyle Thornton, Network Administrator; Will Daugherty, Senior Technical Support Specialist; Ghiané Jones, Deputy Chief Investment Officer; Bob Jiroutek, Senior Risk Officer; Corbin Freres, Investment Officer – Global Income Strategies; Katie DellaMaria, Investment Officer – Global Income Strategies; Chloe Ariss, Investment Analyst – Global Income Strategies; Ann Stone, Investment Analyst – Diverse & Emerging Managers; Jessica Culotti of Reinhart Boerner Van Deuren (Fiduciary Counsel); Tony Johnson and Becky Gratsinger of RVK Inc. (Investment Consultant); David Sheng and Norm Kilarjian of Aksia (Diversifying Strategies Consultant Candidate); Timothy Bruce, Dulari Pancholi, and Elton Thomaj of NEPC (Diversifying Strategies Consultant Candidate); and Patrick Adelsbach, Brian Shushkovsky, Ashleigh Lee, and Nick Detmer of Aksia (Private Debt Consultant).

Remote attendees: Jose Gonzalez, Senior Investment Officer – Diverse & Emerging Managers; Lily Wetzel, Investment Intern; Ian Bray of RVK Inc. (Investment Consultant) and Rich Cardillo of DLA Piper (External Investment Legal Counsel).

Visitors: Faith Vaught, IEA-Retired.

Remote Attendance Request

Trustee Joe Blomquist was unable to attend in person due to a work obligation. In accordance with the Open Meetings Act, 5 ILCS 120, Section 7, permission was requested for Trustee Blomquist to attend via remote attendance. A motion was made by Trustee Pfeiffer and seconded by Trustee Anderson to allow Trustee Blomquist to attend via remote attendance. Motion carried.

Committee Chair Remarks

Chair Miller addressed current national and global events and asked for a moment of silence.

Public Comment

None

Minutes

A draft of the August 14, 2023 minutes of the Investment Committee meeting was sent to the committee members for review. On a motion by Trustee Sanders, seconded by Trustee Hunt, the minutes were approved by unanimous voice vote. Documentation is on file.

Investment Portfolio Summary

Stan Rupnik, Executive Director & CIO, introduced Ghiané Jones as the new Deputy Chief Investment Officer.

Stan Rupnik provided the final June 30, 2023 and preliminary September 30, 2023 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 Performance & Pension Trends

Becky Gratsinger and Tony Johnson of RVK, Inc. provided an overview of the final June 30, 2023 investment performance report, including trending pension topics and capital markets. Topics included the TRS Income Composite, mixed market performance for FY23, and asset classes review. Documentation is on file. The total fund return, net of fees:

Fiscal year to date:	7.24%
3 year:	9.96%
5 year:	7.05%
10 year:	7.68%
20 year:	7.44%

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 October 2, 2023. Documentation is on file.

FY24 Asset Allocation Update Report

Stan Rupnik provided a verbal update on the asset allocation exercise. RVK will present at the December 2023 Investment Committee meeting.

Diversifying Strategies Consultant Search

The contract with the System's current diversifying strategies investment consultant, Aksia, expires on October 31, 2023. Staff issued a Request for Proposal on July 14, 2023, and following a review of all responses and semi-finalist interviews, staff selected Aksia and NEPC, LLC, as finalists for the Investment Committee to interview. Bob Jiroutek, Senior Risk Officer, provided a background of the search process and the due diligence that was performed. NEPC, LLC provided a presentation to the committee, followed by a presentation from Aksia. Documentation is on file. Following a discussion on the merits of each firm, a motion was made by Trustee Hirshman, and seconded by Trustee Goetz, that the Committee recommend to the Board to select Aksia to provide diversifying strategies investment consulting services for a contract not to exceed a five-year period. The motion passed by unanimous voice vote.

RECESS

The meeting recessed at 12:13 PM and resumed at 1:00 PM.

Diversity Report

Jose Gonzalez, Senior Investment Officer – Diverse & Emerging Managers, provided final data as of June 30, 2023 on the utilization of minority-owned brokers and minority-owned investment managers within the TRS investment portfolio. TRS exceeded its brokerage goals by 24.3% for US equity, 5.4% for international equity, and 6.4% for global fixed income. As of June 30, 2023, MWBE assets as a percent of total plan were 29.50%, which is 7.50% over the TRS fiscal year 2023 utilization goal of 22%. 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 FY2024 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 from 30% to 35%.
- Maintaining the International Equity MWBE brokerage utilization goal of 17%.
- Increasing the Global Income MWBE trading utilization goal from 16% to 17%.
- Maintaining the existing investment management fees goal range of 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 Sanders, seconded by

Trustee Strand, that the Committee recommend to the Board to approve the recommended FY2024 MWBE utilization goals as presented. The motion passed by unanimous voice vote. Motion carried.

Investment Education

Rich Cardillo of DLA Piper provided investment education to the Trustees. The presentation highlighted the new SEC private fund rules. Documentation is on file.

Global Income Strategies Annual Reviews

Chloe Ariss, Investment Analyst – Global Income Strategies; Katie DellaMaria, 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. A motion was made by Trustee Strand, seconded by Trustee Peronto, that the Committee recommend to the Board to approve the global income strategies annual review plan as presented. The motion passed by unanimous voice vote.

Private Debt Tactical Plan

Patrick Adelsbach, Brian Shushkovsky, and Ashleigh Lee of Aksia presented the FY2024 private debt tactical plan. The plan includes a review of FY2023 initiatives, FY2024 initiatives, fee analysis, and pacing. Documentation is on file. A motion was made by Trustee Hirshman, seconded by Trustee Goetz, that the Committee recommend to the Board to approve the FY2024 private debt tactical plan as presented. The motion passed by unanimous voice vote.

Investment Education

Becky Gratsinger and Tony Johnson provided investment education to the Trustees. The presentation highlighted the importance rebalancing strategies/policies play in producing favorable risk-adjusted returns over the long-term. Documentation is on file.

Annual Reports

Stan Rupnik presented a memo regarding the updated procedure for providing the annual reports. Documentation is on file.

Trustee Concerns

None

Adjournment

There being no further business to be brought before the Investment Committee, a motion was made by Trustee Jazo-Harris, seconded by Trustee Strand, to adjourn the meeting at 4:20 PM. Motion passed by unanimous voice vote.



Stan Rupnik, Executive Director & Chief Investment Officer

Approved: December 12, 2023