



TEACHERS' RETIREMENT SYSTEM OF THE STATE OF ILLINOIS

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MINUTES

Investment Committee

December 12, 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 December 12, 2023 at NIU Naperville, 1120 E. Diehl Rd., Naperville, IL. Trustee Fred Peronto (Vice Chair) called the meeting to order at 8:32 AM. Roll call attendance was taken with the following committee members present: Trustee Beth Anderson, Trustee Kevin "Duffy" Blackburn, Trustee Joe Blomquist, Trustee Marsha Byas, Trustee Mike Goetz, Trustee Andy Hirshman, Trustee Matt Hunt, Trustee Mia Jazo-Harris, Trustee Maureen Mena (arrived at 8:53 AM), Trustee Fred Peronto (Vice Chair), Trustee Larry Pfeiffer, Trustee Tony Sanders, and Trustee Doug Strand. Trustee David Miller (Chair) 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; Gloria Lasley, Chief Operating Officer; Emily Peterson, General Counsel; Cynthia Fain, Senior Legal Counsel; Michelle Kissel, Director of Human Resources; Lori Dour, Chief Benefits Officer; John Gerding, Director of Information Technology; Kyle Thornton, Network Administrator; Ghiané Jones, Deputy Chief Investment Officer; Bob Jiroutek, Senior Risk Officer; Jose Gonzalez, Senior Investment Officer – Diverse & Emerging Managers; Bill Thomas, Senior Investment Officer – Global Equity; Amy Reynolds, Director of Research; Jessica Culotti of Reinhart Boerner Van Deuren (Fiduciary Counsel); Ian Bray and Tony Johnson of RVK Inc. (Investment Consultant); and David Sheng and Brian Shushkovsky of Aksia (Diversifying Strategies Consultant).

Remote attendees: Stacy Smith, Director of Internal Audit & Risk; Ben Skrodzki, Senior Investment Officer – Global Equity; Corbin Freres, Investment Officer – Global Income Strategies; Ann Stone, Investment Analyst – Diverse and Emerging Managers; Christina Baker, Internal Audit Manager; Franco Wang and Alex Anderson of CEM Benchmarking (Pension Administration Benchmarking Service); and Ashleigh Lee of Aksia (Diversifying Strategies Consultant).

Visitors: Valeria Alvarez, Jared Gaby-Biegel, and Mansela Martinez of United Food and Commercial Workers; Elston Flowers, IEA-Retired; Angela Myers, Loop Capital Markets; and Cyd Paulsen, TRS annuitant.

Remote Attendance Request

Trustee Marsha Byas was unable to attend in person due to employment purposes. In accordance with the Open Meetings Act, 5 ILCS 120, Section 7, permission was requested for Trustee Byas to attend via remote attendance. A motion was made by Trustee Hunt and seconded by Trustee Strand to allow Trustee Byas to attend via remote attendance. Motion carried by unanimous voice vote with Trustee Mena absent at the time of the vote.

Public Comment

Valeria Alvarez, Jared Gaby Biegel, and Mansela Martinez of United Food and Commercial Workers provided comments concerning Apollo.

Minutes

A draft of the October 26, 2023 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 with Trustee Mena absent at the time of the vote. Documentation is on file.

Investment Portfolio Summary

Stan Rupnik, Executive Director & CIO, introduced new Investment department staff.

Stan Rupnik provided the final September 30, 2023 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 November 17, 2023. Documentation is on file.

Benchmarking

Franco Wang of CEM Benchmarking provided a summary of the TRS Investment Benchmarking Analysis for a five-year period ending December 31, 2022. Areas reviewed were returns, value added, cost, risk, and FTE. Documentation is on file.

Investment Policy Revisions

On an annual basis, staff formally reviews the TRS Investment Policy to reflect current procedures and Board action through the fiscal year. Bob Jiroutek, Senior Risk Officer, presented proposed revisions to the following sections of the Investment Policy:

- Section I: Mission Statement and Core Values
- Section II: Statement of Purpose of Investment Policy
- Section III: Investment Philosophy

- Section IV: Role Definitions
- Section XVII: Proxy Voting
- Section XIX: Sustainability Policy Statement
- Section XX: Improving Access to the TRS Investment Process
- Section XXII: Recover of Investment Losses

Documentation is on file. A motion was made by Trustee Hirshman, seconded by Trustee Goetz, that the committee recommend Board approval of the revisions to the Investment Policy with the exception of the revisions to Section II presented. Motion carried by unanimous voice vote.

Investment Performance & Pension Trends

Ian Bray and Tony Johnson of RVK, Inc. provided an overview of the final September 30, 2023 investment performance report, including trending pension topics and capital markets. Topics included the US Treasury yield curve, mixed market performance for FY24, and asset classes review. Documentation is on file. The total fund return, net of fees:

Fiscal year to date:	-0.94%
3 year:	8.39%
5 year:	6.50%
10 year:	7.12%
20 year:	7.24%

Ghiané Jones, Deputy Chief Investment Officer, presented the trailing performance for the Global Income Strategies, Public Equity, and Diversifying Strategies asset classes.

Investment Risk Report

Bob Jiroutek provided an overview of the September 2023 investment risk report. Documentation is on file.

Global Public Equity Annual Reviews

Ben Skrodzki, Senior Investment Officer – Global Equity, and Bill Thomas, Senior Investment Officer – Global Equity, provided an overview of the global public equity portfolio and proposed recommendations based on this year’s global public equity asset class annual reviews. Documentation is on file. A motion was made by Trustee Blackburn, seconded by Trustee Jazo-Harris, that the committee recommend Board approval of the fiscal year 2024 Global Equity Annual Review Plan as presented. Motion carried by unanimous voice vote.

RECESS

The meeting recessed at 10:33 AM and resumed at 10:50 AM.

Diversifying Strategies Tactical Plan

David Sheng and Brian Shushkovsky of Aksia presented the FY2024 diversifying strategies 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 Goetz, seconded by Trustee Blomquist, that the committee recommend Board approval of the fiscal year 2024 Diversifying Strategies Tactical Plan as presented. Motion carried by unanimous voice vote.

Diversity Report

Jose Gonzalez, Senior Investment Officer – Diverse & Emerging Managers, provided preliminary data as of September 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 25.3% for U.S. equity and 10.3% for global fixed income. TRS missed its brokerage goal by 1.0% for international equity. As of September 30, 2023, MWBE assets as a percent of total plan were 29.5%, which is 7.5% over the TRS fiscal year 2024 utilization goal of 22.0%. Documentation is on file.

Securities Lending Update

Stan Rupnik presented a memo regarding a recommended change in the TRS securities lending program agent. Documentation is on file. A motion was made by Trustee Goetz, seconded by Trustee Hirshman, that the committee recommend Board approval of the transition of the System's securities lending agent from Citibank, N.A., to master trustee State Street Bank and Trust subject to negotiation and finalization of custody pricing and terms resulting in a favorable overall cost savings to the system. Motion carried by unanimous voice vote.

RECESS

The meeting recessed at 11:42 AM and resumed at 12:27 PM.

Asset Allocation Update

Ian Bray and Tony Johnson presented an update on the 2023 asset allocation. A full asset allocation study and updated recommendations will occur in the first half of 2024. 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 Strand, seconded by Trustee Jazo-Harris, to adjourn the meeting at 12:52 PM. Motion carried by unanimous voice vote.

Minutes – Investment Committee

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Stan Rupnik, Executive Director & Chief Investment Officer

Approved: 02/22/2024