



**MINUTES**  
**Board of Trustees**  
**August 12-13, 2015**

The regular meeting of the Board of Trustees of the Illinois Teachers' Retirement System was held on August 12-13, 2015 at the Springfield office of the Illinois Teachers' Retirement System, 2815 West Washington Street. Dr. Tony Smith, President, called the meeting to order at 5:20 p.m. A quorum was present.

Roll Call attendance was taken with the following trustees present: Mark Bailey, Andy Hirshman, Rainy Kaplan, Bob Lyons, Sonia Walwyn, Dan Winter, Cinda Klickna, Vice President and Tony Smith, President (8/12/15). Absent: Mike Busby, Alexander Stuart, and Tony Smith (8/13/15)

Others present: Dick Ingram, Executive Director; Stan Rupnik, Chief Investment Officer; Greg Turk, Director of Investments; Tom Gray, General Counsel; Cynthia Fain, Sr. Assistant General Counsel; Gina Larkin, Director of Human Resources; Kathleen Farney, Director of Research; Rich Frankenfeld, Director of Outreach; Sally Soderberg, Director of Member Services; Rene Troppa, Benefits Counseling Supervisor; Robert Powers, Call Center Supervisor; Tom Smith, Chief Technology Officer; Stacy Smith, Director of Internal Audit; Tassi Maton, Sr. Internal Auditor; Christina Baker, Internal Auditor; Dave Urbanek, Director of Communications; Tammy Green, Assistant to the Executive Director; Sue Billington, Executive Assistant; Becky Gratsinger, RV Kuhns (Investment Consultant); Larry Langer and Paul Wilkinson, Buck Consultants; and Pat O'Hara, Cavanagh & O'Hara (Fiduciary Counsel).

Visitors present: Dennis Murfin, IRTA; Don Davis, IRTA; Gayla Dial, IEA-R; Tony Casalino, IFT; Christine Williamson, Pensions & Investments; and Jason Parks, Loop Capital Markets.

**EXECUTIVE SESSION**

A motion was made by Bob Lyons, seconded by Rainy Kaplan, that the Board enter into executive session for the purpose of discussing the employment, compensation, discipline, performance, or dismissal of specific employees of the public body as permitted under the following exception set forth in the Open Meetings Act which authorizes the closing of the meeting to the public: 5 ILCS 120/2(c) (1). Roll call resulted in affirmative voice votes from Trustees Bailey, Hirshman, Kaplan, Lyons, Walwyn, Winter, Klickna, and Smith. Motion CARRIED.

No action was taken during executive session. A motion was made by Cinda Klickna, seconded by Bob Lyons, that the Board come out of executive session. Roll call resulted in affirmative voice votes from Trustees Bailey, Hirshman, Kaplan, Lyons, Walwyn, Winter, Klickna, and Smith. Motion CARRIED.

## **RECESS**

The meeting recessed at 5:30 p.m. and reconvened the following day at 11:35 a.m.

**PUBLIC COMMENT** – There were no public comments.

## **APPROVAL OF MINUTES**

A draft of the June 25, 2015 minutes of the Board meeting was sent to the trustees for prior review. On a motion by Bob Lyons, seconded by Dan Winter, the Board approved the minutes as presented. Trustee Walwyn abstained from voting.

## **INVESTMENT COMMITTEE REPORT**

### Watch List

On a motion by Rainy Kaplan, seconded by Mark Bailey, it was resolved:

To accept the 6/30/15 Watch List, as presented.

Roll call resulted in affirmative voice votes from Trustees Bailey, Hirshman, Kaplan, Lyons, Walwyn, Winter, and Klickna. Motion CARRIED.

### Acadian Asset Management

On a motion by Sonia Walwyn, seconded by Mark Bailey, it was resolved:

To ratify the hire of Acadian Asset Management to a 5.0% large cap core mandate within the domestic equity portfolio.

Roll call resulted in affirmative voice votes from Trustees Bailey, Hirshman, Kaplan, Lyons, Walwyn, Winter, and Klickna. Motion CARRIED.

Aberdeen – Termination

On a motion by Rainy Kaplan, seconded by Sonia Walwyn, it was resolved:

To ratify termination of Aberdeen’s 5.0% international equity emerging markets mandate.

Roll call resulted in affirmative voice votes from Trustees Bailey, Hirshman, Kaplan, Lyons, Walwyn, Winter, and Klickna. Motion CARRIED.

J.P. Morgan Asset Management

On a motion by Mark Bailey, seconded by Andy Hirshman, it was resolved:

To ratify the hire of J.P. Morgan Asset Management to a 5.0% emerging market equity mandate within the international equity portfolio.

Roll call resulted in affirmative voice votes from Trustees Bailey, Hirshman, Kaplan, Lyons, Walwyn, Winter, and Klickna. Motion CARRIED.

Starwood

On a motion by Mark Bailey, seconded by Rainy Kaplan, it was resolved:

To ratify the commitment of up to \$30 million to the co-investment with Starwood Opportunity Fund X.

Roll call resulted in affirmative voice votes from Trustees Bailey, Hirshman, Kaplan, Lyons, Walwyn, Winter, and Klickna. Motion CARRIED.

FY 16 Real Estate Tactical Plan

On a motion by Andy Hirshman, seconded by Dan Winter, it was resolved:

To approve the fiscal year 2016 real estate tactical plan, as presented.

Roll call resulted in affirmative voice votes from Trustees Bailey, Hirshman, Kaplan, Lyons, Walwyn, Winter, and Klickna. Motion CARRIED.

### Iran Divestment

On a motion by Mark Bailey, seconded by Andy Hirshman, it was resolved:

Approve the scrutinized list of forbidden entities for fiscal year 2016, as presented.

China National Petroleum Corp.  
China Petroleum & Chemical Corp.  
China National Offshore Oil Corp.  
Daelim Industrial Co., Ltd.  
Indian Oil Corp., Ltd.  
Oil and Natural Gas Corp.  
PetroChina Co., Ltd.

Roll call resulted in affirmative voice votes from Trustees Bailey, Hirshman, Kaplan, Lyons, Walwyn, Winter, and Klickna. Motion CARRIED.

### Investment Benchmarking Services

Director Ingram plans to expand TRS's relationship with CEM to include investment benchmarking service that provides comparison to a universe of funds from around the globe in addition to a custom benchmark group of similar funds. The analysis will view TRS's investment operations and identify areas for improvement.

## **RULES AND PERSONNEL COMMITTEE REPORT**

### Administrative Rules

On a motion by Sonia Walwyn, seconded by Rainy Kaplan, it was resolved:

To approve revisions to the TRS Administrative Rules 1650.202 (Disability Benefits) and 1650.203 (Disability Retirement Annuity), as presented.

Roll call resulted in affirmative voice votes from Trustees Bailey, Hirshman, Kaplan, Lyons, Walwyn, Winter, and Klickna. Motion CARRIED.

## **EXECUTIVE DIRECTOR’S REPORT**

### Annual Ethics Training Certification

On a motion by Sonia Walwyn, seconded by Rainy Kaplan, it was resolved:

To certify that the following trustees of the Illinois Teachers’ Retirement System have completed a minimum of eight hours of ethics training during FY 15 in accordance to Public Act 96-0006, Article 1 of the IL Pension Code, Section 1-113.18. Certification will be submitted to the Division of Insurance of the Department of Financial Professional Regulation.

Mark Bailey, Mike Busby, Marcia Campbell, Rainy Kaplan, Cinda Klickna, Sharon Leggett, Bob Lyons, Cynthia O’Neill, and Sonia Walwyn.

The motion passed with a unanimous voice vote.

### **RECESS**

The meeting recessed at 11:45 a.m. and reconvened at 11:55 a.m.

### Economic Experience Analysis

In accordance with Article 16 Section 176 of the Pension Code, Buck Consultants presented a report of the actuarial investigation of demographic and economic experience of TRS active members, annuitants, and survivors for the period July 1, 2011-June 30, 2014. Documentation is on file. Trends include more termination from employment, fewer disability retirements, fewer deaths, more service retirements, reduction in salary increase assumption, lower utilization of optional service and sick leave service at retirement, and lower utilization of Early Retirement Option. The current investment return assumption of 7.5% is unchanged. Buck Consultants continues to recommend that the Actuarial Math 2.0 funding policy should replace the funding policy prescribed in the Illinois Pension Code (Illinois Math). Actuarial Math 2.0 has more stringent funding requirements than the actuarially-based alternatives to Illinois Math that the Board has been certifying since 2012.

On a motion by Bob Lyons, seconded by Mark Bailey, and by unanimous voice vote, the Board approved to make the following changes in actuarial assumptions in the June 30, 2015 actuarial valuation as

presented by Buck Consultants and as recommended in the August 2015 Experience Analysis for the three years ended June 30, 2014:

- To increase termination rates of termination from active employment;
- To decrease rates of disability retirement;
- To increase rates of regular service retirement;
- To decrease rates of mortality;
- To decrease utilization of the Early Retirement Option if it is extended beyond July 1, 2016;
- To decrease optional service and sick leave service at retirement;
- To decrease rates of salary increase and lower severance pay; and
- To lower Tier II cost of living increases and salary caps.

No changes in assumptions for the investment return (7.5%), real return (4.50%), or inflation (3.00%) are recommended. These assumptions were lowered in the June 30, 2014 actuarial valuation.

**The Board further resolves:**

- To update its recommended funding policy based on model actuarial practices as an alternative to current state funding law.

Actuarial tables used to calculate benefits and local employer and member contributions will be revised after the 2015 valuation and will be effective July 1, 2016.

**RECESS**

The meeting recessed at 1:25 p.m. and reconvened at 1:35 p.m.

Legislative Update

Public Act 99-0128 requires the Board to appoint a person to serve on the newly created Illinois Investment Policy Board. The Board will ensure compliance with restrictions on investments with companies that boycott Israel or conduct business with Sudan and Iran. On a motion by Dan Winter, seconded by Mark Bailey, and by unanimous voice vote, the Board approved

the appointment of Dick Ingram to serve as TRS's representative on the Illinois Investment Policy Board.

#### Strategic Plan Update

Director Ingram provided an update of TRS's strategic plan outline. The Mission is to deliver the retirement security promised to our members by providing the highest and most efficient level of service to them and their employers. We will do this by living our values of teamwork, diversity, continuous improvement and always putting the best interests of others first. Documentation is on file.

#### TRS Annuity Payroll Update

Sally Soderberg, Director of Member Services, provided a composition of annuity payroll for July 15, 2015 payroll that was issued August 1, 2015. Documentation is on file.

#### Miscellaneous Reports

The following reports are on file.

- Member Services Statistical Report (6/30/15)
- Employer Services Report (1/23/15 -7/17/15)
- EEOC Report (6/30/15)

### **EXECUTIVE SESSION**

A motion was made by Mark Bailey, seconded by Rainy Kaplan, that the Board enter into executive session for the purpose of discussing the employment, compensation, discipline, performance, or dismissal of specific employees of the public body; probable or imminent litigation; and closed meeting minutes including the semi-annual review of minutes, as permitted under the following exceptions set forth in the Open Meetings Act which authorizes the closing of the meeting to the public: 5 ILCS 120/2(c) (1), 5 ILCS 120/2(c) (11) and 5 ILCS 120/2(c) (21). Roll call resulted in affirmative voice votes from Trustees Bailey, Hirshman, Kaplan, Lyons, Walwyn, Winter, and Klickna. Motion CARRIED.

No action was taken during executive session. A motion was made by Andy Hirshman, seconded by Mark Bailey, that the Board come out of executive session. Roll call resulted in affirmative voice votes from Trustees Bailey, Hirshman, Kaplan, Lyons, Walwyn, Winter, and Klickna. Motion CARRIED.



### Personnel

A motion was made by Mark Bailey, seconded by Rainy Kaplan, to approve the amendment of Director Ingram's employment contract to reflect the salary adjustment as discussed. Salary adjustment is effective July 1, 2015. Roll call resulted in affirmative voice votes from Trustees Bailey, Hirshman, Kaplan, Lyons, Walwyn, Winter, and Klickna. Motion CARRIED.

### Approval of Executive Session Minutes

Drafts of the May 22 and June 25, 2015 executive session minutes of the Board were sent to the trustees for prior review. In addition, the Board received a memorandum from the System's legal counsel regarding the confidentiality of executive session minutes pursuant to the Open Meetings Act. The following minutes no longer require confidential treatment and will be available to the public:

December 11, 2014	Board of Trustees
February 19, 2015	Board of Trustees

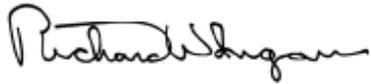
In accordance with Board Bylaw, Article III, Section 8, staff requested the destruction of audio recordings of executive session meetings. Documentation is on file.

February 22, 2013	Board of Trustees
April 18, 2013	Board of Trustees
May 22 and 24, 2013	Board of Trustees
June 20, 2013	Board of Trustees
August 14, 2013	Audit Committee
August 15, 2013	Board of Trustees
October 23, 2013	Audit Committee
October 24, 2013	Board of Trustees
December 5-6, 2013	Board of Trustees

On a motion by Sonia Walwyn, seconded by Rainy Kaplan, and by unanimous voice vote, the minutes were approved as presented including the destruction of executive session audio recordings.

## **ADJOURNMENT**

There being no further business to be brought before the Board, on a motion by Dan Winter, seconded by Mark Bailey, and by unanimous voice vote, the meeting adjourned at 2:21 p.m.

A handwritten signature in black ink, appearing to read "Richard W. Ingram". The signature is written in a cursive, flowing style.

Richard W. Ingram, Executive Director

Approved: 10/28/15