



MINUTES
Meeting of the Investment Committee
August 12-13, 2015

A meeting of the Investment Committee 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. Bob Lyons, Vice Chair, called the meeting to order at 1:27 p.m. A quorum was present.

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

Others present: Dick Ingram, Executive Director; Stan Rupnik, Chief Investment Officer; Greg Turk, Director of Investments; Deron Bertolo, Director of Investment Operations; Scottie Bevill, Sr. Investment Officer; Ken Musick, Sr. Investment Officer; Bill Thomas, Investment Officer; Chuck Handy, Investment Officer; Jerry Quandt, Investment Officer; Bob Jiroutek, Risk Officer; Kirk Sims, Investment Officer; Stefan Backhus, Investment Officer; Tim Hays, Sr. Investment Officer; Dakin Sanert, Sr. Investment Analyst; Brennan Basnicki, Sr. Investment Analyst; Jose Gonzalez, Sr. Investment Analyst; Jaime Rocha, TOIGO Foundation Intern; Tom Gray, General Counsel; Cynthia Fain, Sr. Assistant General Counsel; Dave Urbanek, Director of Communications; Gina Larkin, Director of Human Resources; Jana Bergschneider, Director of Administration; Kathleen Farney, Director of Research; Sally Soderberg, Director of Member Services; Stacy Smith, Director of Internal Audit; Tassi Maton, Sr. Internal Auditor; Christina Baker, Internal Auditor; Tom Smith, Chief Technology Officer; Tammy Green, Assistant to the Executive Director; Sue Billington, Executive Assistant, and Pat O'Hara, Cavanagh & O'Hara (Fiduciary Counsel); Becky Gratsinger, Marcia Beard, and Reed Harmon, RV Kuhns (Investment Consultant); Mike Krems (Private Equity Consultant); and Michael Humphrey and Jarrod Rapalje.

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

APPROVAL OF MINUTES

A draft of the June 25, 2015 minutes of the Investment Committee meeting was sent to the committee for review. On a motion by Cinda Klickna, seconded by Rainy Kaplan, the minutes were approved, as printed. (Trustee Walwyn abstained from voting)

OLD BUSINESS

Investment Manager Chart

Stan Rupnik, Chief Investment Officer, provided an organizational chart of TRS's investment managers. Preliminary valuations are as of June 30, 2015. Documentation is on file.

Cash Withdrawal

Mr. Rupnik discussed the recent cash withdrawals necessary to fund the System's cash requirements. Documentation is on file.

Manager Search/RFP Updates

Due diligence continues in the currency management search. A recommendation for a private equity co-investment advisor is anticipated at the October meeting.

STAFF/CONSULTANT PRESENTATIONS

Investment Performance

RV Kuhns and staff provided preliminary data of the investment performance for fiscal year ended June 30, 2015. Documentation is on file. Total fund reports for fiscal year end will be presented at the October meeting.

Total assets: \$45.8 billion. Preliminary results, gross of fees:

- Qtr: 1.4%
- 1 year: 4.1%
- 3 years: 11.7%
- 5 years: 11.9%
- 10 years: 7.1%
- 30 years: 9.04%

Watch List

Staff provided an update of the investment managers currently on the watch list for the quarter ended June 30, 2015. The existing managers remain on watch due to performance concerns: Aberdeen large core (international equity) and Herndon Capital large core (domestic equity). Staff recommended the removal of Franklin Templeton (fixed income) from the watch list and to ratify the termination of Aberdeen's international equity emerging markets mandate. A motion was made by Cinda Klickna, seconded by Sonia Walwyn, that the committee recommend to the Board to accept the watch list as presented. The motion passed by a unanimous voice vote.

MBE/WBE Utilization Report

Kirk Sims, Investment Analyst, provided preliminary data on the participation of minority and female-owned brokers/dealers and investment managers within the TRS investment portfolio through June 30, 2015. Assets under management for WMBE-owned investments were \$7.94 billion, representing 17.37% of the total TRS portfolio.

Acadian Asset Management

Staff and RVK provided an overview of the domestic equity large cap core search and requested ratification of Acadian Asset Management to manage the large cap core mandate vacancy created by the T. Rowe Price termination that was approved at the June 2015 meeting. A motion was made by Sonia Walwyn, seconded by Rainy Kaplan, that the committee recommend to the Board to ratify the hire of Acadian Asset Management to administer a large cap core mandate within the domestic equity equity portfolio. The motion passed by a unanimous voice vote.

Aberdeen – Termination

Staff recommended the termination of the Aberdeen international equity emerging market mandate and to hire J.P. Morgan to administer an emerging markets investment strategy within the international equity portfolio. A motion was made by Mark Bailey, seconded by Andy Hirshman, that the committee recommend to the Board to ratify the termination of Aberdeen's 5.0% international equity emerging markets mandate. The motion passed by a unanimous voice vote.

International Equity Emerging Market Manager Search

Staff requested ratification to hire J.P. Morgan Asset Management to manage the 5.0% international equity emerging markets mandate created by the Aberdeen termination. In addition, the committee interviewed EARNEST Partners as the most qualified WMBE candidate in the international equity emerging market search. Their presentation book is on file. Staff provided an overview of the firms and the due diligence that was conducted. A motion was made by Sonia Walwyn, seconded by Mark Bailey, that the committee recommend to the Board to ratify the hire of J.P. Morgan to a 5.0% emerging market equity mandate. The motion passed by a unanimous voice vote.

RECESS

The meeting recessed at 3:42 p.m. and reconvened at 3:55 p.m.

EXECUTIVE SESSION

A motion was made by Sonia Walwyn, seconded by Tony Smith, that the Investment Committee enter into executive session for the purpose of discussing the sale or purchase of securities, investments, or investment contracts 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) (7). Roll call resulted in affirmative voice votes from Trustees Hirshman, Kaplan, Lyons, Walwyn, Winter, Klickna, and Smith. Trustee Bailey was not present during roll call. Motion CARRIED.

No action was taken during executive session. A motion was made by Rainy Kaplan, seconded by Mark Bailey, that the Investment Committee 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 5:17 p.m. and reconvened the following day at 8:00 a.m.

Investment Education

RV Kuhns provided an educational presentation on managed currency exposure. Documentation is on file.

Madison Dearborn Capital Partners VII, L.P. – Private Equity

Representatives of Madison Dearborn Partners presented an investment opportunity in Madison Dearborn Capital Partners VII, Limited Partnership. Their presentation booklet is on file. Staff provided an overview of the due diligence that was conducted and recommended a commitment of \$75 million to Fund VII. Following discussion, Trustee Bailey requested additional information on performance information and an update on legal negotiations. Action is deferred until the October meeting.

RECESS

The meeting recessed at 9:55 a.m. and reconvened at 10:10 a.m.

Fixed Income

Scottie Bevill, Sr. Investment Officer, disclosed that NXT's Senior Credit Fund II requested from all limited partners a one year extension on the investment period and termination period. Staff's Public Markets Oversight Committee approved the one year extension in July. Further, Oaktree's Enhanced Income Fund I (EIF I) three year term concludes at the end of the third quarter. Staff's Public Markets Oversight Committee approved wind down of EIF I over a 12 month period beginning September 1, 2015.

Quarterly Compliance Summary

TRS is responsible for monitoring investment manager trading activity to ensure compliance as related to the Investment Management Agreement. Monthly, TRS staff reviews alerts triggered by the State Street compliance

system and provides discrepancy follow-up and resolution. Bob Jiroutek, Risk Officer, provided a summary of the quarterly compliance for the quarter ended June 30, 2015 including compliance issues resolved. TRS is in compliance with Public Acts 95-0616 (Iran) and 95-0521 (Sudan). Under the new 40 ILCS 5/1-110.16, a newly formed Illinois Investment Policy Board will assemble a list of restricted companies and provide that list to TRS. The restricted list will include companies that boycott Israel, Iran-restricted companies, and Sudan-restricted companies. A motion was made by Sonia Walwyn, seconded by Cinda Klickna, that the committee recommend to the Board to approve the scrutinized list of forbidden entities for FY 16, as presented. The motion passed by a unanimous voice vote.

Starwood

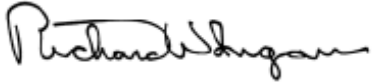
Tim Hays, Sr. Investment Officer, reported on a co-investment opportunity alongside Startwood Opportunity Fund X, Limited Partnership to invest in real estate assets located in Sweden and Norway. The co-investment has received approval from the Investment Committee Chair. A motion was made by Mark Bailey, seconded by Rainy Kaplan, that the committee recommend to the Board to ratify the commitment of up to \$30 million to the co-investment with Starwood Opportunity Fund X. The motion passed by a unanimous voice vote.

FY 16 Real Estate Tactical Plan

Staff and Courtland Partners presented the FY 2016 real estate tactical plan and provided a summary of the current year initiatives along with accomplishments as a result of last year's tactical plan. Documentation is on file. TRS has a long-term allocation target of 15.0 percent to real estate. The plan includes a portfolio review, a real estate market outlook, and a pacing plan. The real estate portfolio has delivered double-digit total net returns over the last five years. A motion was made by Andy Hirshman, seconded by Mark Bailey, that the committee recommend to the Board to approve the FY 2016 real estate tactical plan as presented. The motion passed by a unanimous voice vote.

ADJOURNMENT

There being no further business to come before the Investment Committee, a motion was made by Dan Winter, seconded by Cinda Klickna, to adjourn the meeting at 11:28 a.m.

A handwritten signature in black ink, appearing to read "Richard W. Ingram". The signature is fluid and cursive, with a large initial "R".

Richard W. Ingram, Executive Director

Approved: 10/28/15