



**MINUTES**  
**Board of Trustees**  
**June 25, 2015**

The regular meeting of the Board of Trustees of the Illinois Teachers' Retirement System was held on June 25, 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 2:01 p.m.

A quorum was present.

Roll Call attendance was taken with the following trustees present: Mark Bailey, Mike Busby, Rainy Kaplan, Cinda Klickna, Bob Lyons, Cynthia O'Neill, and Sharon Leggett, Vice President and Tony Smith, President.

Absent: Alexander Stuart and Sonia Walwyn.

Others present: Dick Ingram, Executive Director; Stan Rupnik, Chief Investment Officer; Greg Turk, Director of Investments; Jaime Rocha, Intern-Toigo Foundation; Bob Jiroutek, Risk Manager; Gina Larkin, Director of Member Services; Kathleen Farney, Director of Research; Stacy Smith, Director of Internal Audit; Christina Baker, Internal Auditor; Dave Urbanek, Director of Communications; Tammy Green, Assistant to the Executive Director; Sue Billington, Executive Assistant; and Pat O'Hara, Cavanagh & O'Hara (Fiduciary Counsel).

Visitors present: Dan Winter (trustee effective 7/15/15); Andrew Hirshman (trustee effective 7/15/15); Dennis Murfin, IRTA; Don Davis, IRTA; Shirley Dodds, IRTA; Jack Tucker, IEA-R; Mandy Drendel, Senate Democratic Staff; Jason Parke, Loop Capital Markets; and Christine Williamson, Pensions & Investments.

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

**APPROVAL OF MINUTES**

A draft of the May 22, 2015 minutes of the Board meeting was sent to the trustees for prior review. On a motion by Trustee Lyons, seconded by Trustee Bailey, the Board unanimously approved the minutes as presented.

## **INVESTMENT COMMITTEE REPORT**

On a motion by Rainy Kaplan, seconded by Mike Busby, it was resolved:

To withdraw up to 1.0 percent of the TRS trust fund's value, or \$459.5 million based on the April 30, 2015 ending market value.

Roll call resulted in affirmative voice votes from Trustees Bailey, Busby, Kaplan, Klickna, Lyons, O'Neill, Leggett, and Smith. Motion CARRIED.

### T. Rowe Price – Termination

On a motion by Sharon Leggett, seconded by Mark Bailey, it was resolved:

To terminate T. Rowe Price's 5.0% domestic equity large cap core mandate. Assets would be transferred to other sources within the large cap core portfolio or cash flow, subject to Chairperson approval. The mandate vacancy created by T. Rowe Price will remain vacant until the conclusion of a large cap core search.

Roll call resulted in affirmative voice votes from Trustees Bailey, Busby, Kaplan, Klickna, Lyons, O'Neill, Leggett, and Smith. Motion CARRIED.

### Maranon Senior Credit Fund II – Fixed Income

On a motion by Rainy Kaplan, seconded by Tony Smith, it was resolved:

To extend Maranon's Senior Credit Fund II for an additional three year period under the existing contractual terms. Further, TRS staff recommends an additional investment of \$10 million in Fund II, pending successful contract extension language and LPAC consent.

Roll call resulted in affirmative voice votes from Trustees Bailey, Busby, Kaplan, Klickna, Lyons, O'Neill, Leggett, and Smith. Motion CARRIED.

Private Equity

On a motion by Mike Busby, seconded by Tony Smith, it was resolved:

To approve the recommendations within the private equity asset class, as presented.

- Ratify the commitment of up to \$30 million to the co-investment with Parthenon Investors IV
- Authorize a Request for Proposal for private equity co-invest consulting services.

Roll call resulted in affirmative voice votes from Trustees Bailey, Busby, Kaplan, Klickna, Lyons, O’Neill, Leggett, and Smith. Motion CARRIED.

Asset Allocation/Policy Benchmark

On a motion by Rainy Kaplan, seconded by Bob Lyons, it was resolved:

To approve the recommendations related to the System’s asset allocation and policy benchmark, as presented.

- Approve the revised interim asset allocation targets as presented. Note that these revisions will also result in a corresponding adjustment to the System’s interim policy benchmark.

<i>Asset Class</i>	<i>Current Interim Target</i>	<i>Revised Interim Target</i>	<i>Change</i>
Domestic Equity	22.0%	20.5%	-1.5%
International Equity	20.0%	20.5%	+0.5%
Global Fixed Income	16.0%	17.0%	+1.0%

- Approve adoption of a new asset class structure. The new class structure will be effective July 1, 2015 and include Equity, Income, Real Assets and Diversifying Strategies.

Roll call resulted in affirmative voice votes from Trustees Bailey, Busby, Kaplan, Klickna, Lyons, O’Neill, Leggett, and Smith. Motion CARRIED.

### Investment Policy Revisions

On a motion by Sharon Leggett, seconded by Bob Lyons, it was resolved:

To approve the revisions to the TRS Investment Policy Sections VII, XIII, and XV, as presented:

Roll call resulted in affirmative voice votes from Trustees Bailey, Busby, Kaplan, Klickna, Lyons, O’Neill, Leggett, and Smith. Motion CARRIED.

### Private Equity Tactical Plan

On a motion by Cinda Klickna, seconded by Tony Smith, it was resolved:

To approve the fiscal year 2016 private equity tactical plan, as presented.

Roll call resulted in affirmative voice votes from Trustees Bailey, Busby, Kaplan, Klickna, Lyons, O’Neill, Leggett, and Smith. Motion CARRIED.

### West Street Infrastructure Partners III – Fixed Income

On a motion by Bob Lyons, seconded by Rainy Kaplan, it was resolved:

To commit \$150 million to West Street Infrastructure Partners III, L.P. within the targeted real return allocation, subject to completed legal documentation. The source of funds shall be TRS cash accounts, passive/enhanced index accounts, or active manager accounts that may be above their intended target weight.

Roll call resulted in affirmative voice votes from Trustees Bailey, Busby, Kaplan, Klickna, Lyons, O’Neill, Leggett, and Smith. Motion CARRIED.

### Union Grove Venture Partners Fund II – Private Equity

On a motion by Mark Bailey, seconded by Sharon Leggett, it was resolved:

To commit \$50 million to Union Grove Venture Partners Fund II, L.P. and \$100 million to a Union Grove separate account within the System’s private equity portfolio. TRS

will retain final approval for any investments within the separate account, with such commitments requiring the approval of staff's internal committee. Source of funds shall be TRS cash accounts, passive/enhanced index accounts, or active manager accounts that may be above their intended target weight.

Roll call resulted in affirmative voice votes from Trustees Bailey, Busby, Kaplan, Klickna, Lyons, O'Neill, Leggett, and Smith. Motion CARRIED.

#### ISAM Systematic Trend – Absolute Return

On a motion by Rainy Kaplan, seconded by Bob Lyons, it was resolved:

To approve the ISAM Systematic Trend Fund for a 5.0% target allocation within the System's Absolute Return Strategies program. Initial funding will be \$100 million, with subsequent funding as prudent to the target allocation. The commitment is subject to successful completion of final contract negotiations.

Roll call resulted in affirmative voice votes from Trustees Bailey, Busby, Kaplan, Klickna, Lyons, O'Neill, Leggett, and Smith. Motion CARRIED.

#### PDT Mosaic – Absolute Return

On a motion by Bob Lyons, seconded by Mike Busby, it was resolved:

To approve PDT Mosaic for an 8.0% target allocation within the System's Absolute Return Strategies program. Initial funding will be \$150 million, with subsequent funding as prudent to the target allocation. The commitment is subject to successful completion of necessary due diligence and final contract negotiations.

Roll call resulted in affirmative voice votes from Trustees Bailey, Busby, Kaplan, Klickna, Lyons, O'Neill, Leggett, and Smith. Motion CARRIED.

## **EXECUTIVE DIRECTOR’S REPORT**

### Oath of Office

Andrew Hirshman cited the TRS Trustee Oath of Office. Trustee Hirshman will fill Sharon Leggett’s position effective July 15, 2015.

### New Appointed Trustee

Director Ingram announced the appointment of Alexander Stuart as a member of the TRS Board of Trustees effective June 22, 2015.

### Potential Impact of State Government Shutdown

Director Ingram discussed the possibility of a government shutdown due to the on-going debate at the Capitol over finalizing the FY 16 state budget and the future of Gov. Rauner’s “Turnaround Agenda.” A shutdown may have some effect on TRS, but because the System is funded from System assets, not by a legislative appropriation, these effects may be minimal. The priorities of TRS during this political dispute are to pay benefits to retirees and beneficiaries; pay TRS staff; pay vendors; and to make sure the state makes its FY 16 annual contribution on time. The annual contribution for TRS, \$3.7 billion in FY 2016, is subject to a continuing appropriation and does not need to be renewed from year to year. TRS will continue to monitor the FY 16 state budget situation.

## **EXECUTIVE SESSION**

A motion was made by Mike Busby, 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 and discussion of closed meeting 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) and 5 ILCS 120/2(c) (21). Roll call resulted in affirmative voice votes from Trustees Bailey, Busby, Kaplan, Klickna, Lyons, O’Neill, Leggett, and Smith. Motion CARRIED.

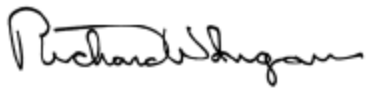
No action was taken during executive session. A motion was made by Rainy Kaplan, seconded by Mark Bailey, that the Board come out of executive session. Roll call resulted in affirmative voice votes from Trustees Bailey,

Busby, Kaplan, Klickna, Lyons, O’Neill, Leggett, and Smith. Motion CARRIED.

The Board and Director Ingram noted that the June meeting was the last for Trustee O’Neill and Trustee Leggett, who are retiring from the Board. Both served on the Board for 16 years and were praised by everyone present for their dedication, service and the many significant contributions they made to the mission of TRS and to the retirement security of its members.

### **ADJOURNMENT**

There being no further business to be brought before the Board, on a motion by Rainy Kaplan, seconded by Mark Bailey, and by unanimous voice vote, the meeting adjourned at 2:37 pm.



Richard W. Ingram, Executive Director

Approved: 8/13/15