

ANNUAL REPORT TO THE GOVERNOR
AND GENERAL ASSEMBLY

Submitted November 14, 2023
In compliance with Public Act 96-0006
Illinois Pension Code, 40 ILCS 5/1-109.1(8)



Submitted by:
Teachers' Retirement System of the State of Illinois
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TEACHERS' RETIREMENT SYSTEM OF THE STATE OF ILLINOIS

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November 14, 2023

To the Honorable Governor JB Pritzker & General Assembly:

The Teachers' Retirement System of the State of Illinois respectfully submits this report in compliance with 40 ILCS 5/1-109.1(8) of the Illinois Pension Code.

Each retirement system, pension fund, and investment board subject to this Code, except those whose investments are restricted by Section 1-113.2 of this Code, shall submit a report to the Governor and the General Assembly by January 1 of each year that includes the following: (1) the policy adopted under subsection (4) of this Section, including the names and addresses of the emerging investment managers used, percentage of the assets under the investment control of emerging investment managers for the 3 separate goals, and the actions it has undertaken to increase the use of emerging investment managers, including encouraging other investment managers to use emerging investment managers as subcontractors when the opportunity arises; (ii) the policy adopted under subsection (5) of this Section; (iii) the policy adopted under subsection (6) of this Section; and (iv) the policy adopted under subsection (7) of this Section, including specific actions undertaken to increase the use of minority broker-dealers; and (v) the policy adopted under subsection (9) of this Section.

If you have any questions about this report, do not hesitate to contact me directly.

Very truly yours,

Stan Rupnik
Executive Director & Chief Investment Officer

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Introduction

The Teachers' Retirement System of the State of Illinois ("TRS" or the "System") continues its efforts to support diversity within its investment program and the overall organization. This report summarizes some of the System's key initiatives with regard to the greater utilization of minority, female and disabled owned firms within TRS. Notable initiatives include:

- Formal adoption by the TRS Board of Trustees of utilization goals for both MWBE-owned investment management firms and MWBE-owned broker/dealers.
- Hired a consulting firm, Lenox Park, to help develop a standardized scoring solution for diversity, equity and inclusion when analyzing potential new Emerging Manager opportunities and monitoring existing relationships. The expanded diversity measurement tool will supplement TRS's existing diversity efforts by allowing for better measurement and benchmarking of diversity and inclusion practices within asset management firms.
- Created a TRS-customized DEI metric and scorecard to more effectively measure a firm's efforts around diversity.
- Increased the size of the Emerging Manager Program from \$750 million to \$1 billion confirming TRS's long-standing commitment to increase diversity, equity and inclusion.
- Specific inclusion of qualified MWBE-owned investment management firms during the search process to encourage greater diversity of candidate firms.
- Establishment of a diversity subcommittee of the Board of Trustees to provide continued oversight and development of the System's diversity initiatives.
- Expansion of the watch list criteria to include evaluating money managers for watch list due to inadequate performance on brokerage goals.
- Maintenance of a MWBE-owned broker/dealer database which is made available to the System's external investment managers to assist in their compliance with TRS goals.
- Expanded efforts to hire diverse managers outside the Emerging Manager Program.
- Hosted the 18th Annual Opportunity Forum for the diverse and emerging manager community that featured a diverse and emerging manager insight panel and networking breakout sessions where attendees were given the opportunity to pitch their firms and strategies to asset class teams.

Also included in this document is TRS's annual report on the use of women, minority and disabled-owned investment advisors and broker/dealers, attached as Exhibit F. The report provides greater detail on the current and historical amounts invested with specific MWBE firms, as well as more detailed information regarding TRS's current initiatives.

The data presented in this report has been provided from State Street (TRS's custodial bank during the fiscal year), reports submitted by external investment advisors, and reports from various broker/dealers utilized during the year. All data is as of June 30, 2023, unless otherwise noted.

Goals for utilization of MWBE investment managers & emerging managers, 40 ILCS 5/1-109.1(4)

The TRS Board of Trustees has formally established goals for improving the utilization of minority and woman-owned investment management firms within the System's investment portfolio. These goals are documented in the TRS Investment Policy in Section XX: Improving Access to the TRS Investment Process, attached as Exhibit A. Consistent with that policy, the TRS Board of Trustees has also adopted separate goals for the utilization of a) minority owned investment managers, b) female owned investment managers, and c) other/disabled owned investment managers. Recognizing the importance of diversity on multiple levels, these goals have also been divided to include specific guidelines on a portfolio asset basis as well as on a management fee basis. These goals for fiscal year 2022 are attached as Exhibit B. The Board of Trustees, at the October Board Meeting, will review goals for fiscal year 2023.

TRS maintains multiple initiatives to achieve the above referenced goals. On the brokerage side, the System maintains an open database of all minority, female and disabled-owned broker/dealers that have submitted information about their firm to TRS. TRS makes this information known to all of the System's investment managers. Further, TRS hosts an annual "Opportunity Forum" to discuss and educate a broad range of participants on this important issue. Attendees at the Forum include all of the System's investment managers, representatives from any interested broker/dealer from the MWBE database, emerging investment managers, members of the Illinois General Assembly, and representatives of the TRS Board of Trustees and staff.

On the investment management side, TRS continues to actively network and interact with promising minority- and female-owned investment management firms. TRS staff seeks to include MWBE candidates for all investment management searches and to bring qualified MWBE candidates to the Board as finalists in these searches. Separately, TRS continues to see significant success in the implementation of the System's Emerging Managers Program. This program was formally established by the TRS Board of Trustees to allow for greater participation of emerging investment managers within the TRS portfolio. Documentation related to the program is included in the TRS Investment Policy in Section XXI: Emerging Managers Program, attached as Exhibit C.

On June 30, 2023, TRS had 90 individual investment mandates with minority- and female-owned firms. A list of these firms is provided in Exhibit D. This program is focused on spending staff and our consultant's time on proactively seeking up-and-coming managers.

Goals for increasing racial, ethnic, gender diversity of fiduciaries, consultants, and senior staff, 40 ILCS 5/1-109.1(5)

TRS currently utilizes three consultants within its investment program including the general investment consultant (RVK, Inc.) and specialist consultants for investments in private equity (StepStone Partners), real estate (StepStone Partners), private credit (Aksia LLC) and diversifying strategies (Aksia LLC). On an annual basis, TRS requests written documentation with regard to each firm's diversity and any initiatives related to ensuring greater participation of MWBE-owned investment services firms.

On a routine basis (not more than every five years), TRS conducts a full request for proposal to rebid consultant services. A candidate firm's personnel diversity and policies related to MWBE participation are critical criteria during this search process. TRS highly values candidates who are dedicated to ensuring an open and inclusive investment management search process and possess formal plans for better inclusiveness of MWBE-owned firms within that process.

The System annually prepares an Affirmative Action Plan that is submitted to the Department of Human Rights. The Affirmative Action Plan sets forth TRS's policy for taking affirmative action to correct underutilization of qualified minorities, females, and persons with disabilities not just at the senior staff level, but at all levels of employment. TRS's Affirmative Action Plan policy statement for FY2023 is attached as Exhibit G.

Goals for utilization of businesses owned by minorities, females, and persons with disabilities, 40 ILCS 5/1-109.1(6)

The Teachers' Retirement System has adopted the Expenditure Management operating policy which includes the System's goal for utilization of businesses owned by minorities, females, and persons with disabilities in the section entitled "MBE/FBE/PBE Utilization Goals" in the operating policy, attached as Exhibit H. Current utilization is at approximately 9.4% (as of fiscal year 2023) of the total dollar amount of all non-investment vendor contracts for goods and services provided to TRS. The System was under its established goal by 0.60%.

Summary Utilization Data:

Fiscal Year	Goal	Utilization %	Over/Under Goal	Utilization \$
2022	10.00%	10.60%	+0.60%	\$980,209
2023	10.00%	9.40%	-0.60%	\$1,081,059

Goals for increasing utilization of MWBE broker/dealers, 40 ILCS 5/1-109.1(7)

As discussed in the first section of this report, the System's goals for the utilization of MWBE broker/dealers are documented within the TRS Investment Policy in Section XX: Improving Access to the TRS Investment Process (see Exhibit A). These goals are updated on an annual basis by a formal vote of the TRS Board of Trustees.

Also, as previously discussed, TRS does initiate important initiatives in an effort to increase the utilization of MWBE broker/dealers within the TRS investment program. The most important of these initiatives are: 1) the maintenance of a comprehensive database of MWBE broker/dealers which is made available to all TRS investment managers; and 2) the hosting of an annual Opportunity Forum in an effort to foster productive working relationships between the System's investment managers and the MWBE broker community.

Data on the actual use of MWBE broker/dealers through June 30, 2023, is included in Exhibit E. For fiscal year 2023, the following goals were approved:

Goals for FY2023

Domestic Equity	30.00%
International Equity	17.00%
Fixed Income	16.00%

EXHIBIT A: Improving Access to the TRS Investment Process

(From the TRS Investment Policy)

XX. Improving Access to the TRS Investment Process

This policy on the utilization of minority and female-owned Investment Managers and broker/dealers is intended to memorialize existing policy direction from this Board to the Staff. As a consequence of this policy direction, Staff has successfully increased utilization percentages and amounts expended on a consistent basis since Fiscal Year 2000.

To achieve continued utilization increases, this policy establishes progressive and measurable utilization guidelines that reflect our historic commitment and future vision.

The term MWBE "minority, women business enterprise" (MWBE) will be used for all firms as defined in the Illinois Business Enterprise for Minorities, Females, and Persons with Disabilities Act. On an annual basis, the Board will assess the effectiveness of the procedures established by which these objectives are to be met unless circumstances warrant more frequent review.

Allocations of the System's assets to MWBE Investment Managers will be made in accordance with the fiduciary standards under which the Fund operates. Broker/dealer transactions completed with MWBE firms on behalf of the System must be completed at rates fully competitive with the market.

MWBE Broker/Dealer Utilization

Annually, each public markets Investment Manager retained by the System shall establish a MWBE broker/dealer utilization objective that shall be consistent with the System's commitment to including all segments of the economic community. For Fiscal Year 2023, the objective shall be:

30.0% domestic equities, 17.0% international equities; 16.0% global income

On a quarterly basis, each Manager shall report on the progress towards attaining the adopted objective. Each report shall include all transactions involving or impacting a MWBE broker/dealer, whether by direct transaction, step-out, referred transactions, or any other means that provide economic benefit to a MWBE broker/dealer.

Investment Staff shall monitor the progress toward objectives, initiate necessary contact with Managers as required, and report their findings and conclusions to the Board. Investment Managers may be requested to appear before the Board, any Trustee designated by the Board, or Staff to discuss compliance with this policy. Managers may also become eligible for the System's Watch List based upon compliance with this policy.

At the time of becoming a search finalist, upon initial retention, and periodically as appropriate, all public markets Managers shall be provided written notice of the System's brokerage goals and expectations.

MWBE Investment Manager Utilization

As a result of the System's commitment to the selection and retention of qualified MWBE investment managers, assets managed by MWBE firms have increased to over 20% of the trust fund. Recognizing that additional increases are desirable and can be achieved as manager searches are conducted, the objective for Fiscal Year 2023 is 22% of the total fund.

In compliance with Public Act 96-0006, the Board will also establish diversity goals for both assets under management by and manager fees paid to MWBE investment firms within the System's broad asset classes. Separately and also in accordance with Public Act 96-0006, TRS staff will present to the Board as a finalist the best and most qualified MWBE firm for all of the System's public investment manager searches. Any candidate presenting as a finalist must still meet the minimum criteria as specified in the search profile.

Investment Staff shall monitor the progress toward objectives and report to the Board semi-annually. In addition to a utilization analysis, Staff shall report on significant steps taken to achieve the stated objectives.

Transition Management

Prior to the award of a contract for transition management services, the Chief Investment Officer shall ascertain the transition manager's proposed utilization of MWBE broker/dealer services and determine that the proposal is consistent with the System's utilization objectives.

Trustee Oversight

To ensure that all Trustees are aware of the System's efforts and achievements, the Investment Committee will review the utilization of MWBE brokers/dealers and Investment Managers. The Chair shall be responsible for interfacing with the Consultant as necessary regarding the inclusion of MWBE firms in manager searches.

EXHIBIT B: MWBE Goals Adopted by the TRS Board of Trustees

Goals adopted by the TRS Board of Trustees for Fiscal Year 2023. The Board of Trustees, at the October Board Meeting, will review goals for fiscal year 2024.

FY2023 Proposed MWBE Goals				
	<u>Global Equities</u>	<u>Global Income</u>	<u>Alternatives</u>	<u>Total Fund</u>
<u>AUM Based Targets</u>				
African American	0.50%	2.00%	1.00%	3.50%
Female	11.25%	2.00%	1.00%	14.25%
Hispanic	0.50%	1.00%	2.00%	3.50%
Asian/Other	0.25%	0.25%	0.25%	0.75%
Sub-Total MWBE & Other	12.50%	5.25%	4.25%	22.00%
<u>Fee Based Targets</u>				
African American	2.00 to 3.00%	1.50 to 2.50%	2.50 to 3.50%	2.25 to 3.00%
Female	3.00 to 4.00%	3.25 to 4.25%	0.5 to 1.0%	0.50 to 1.50%
Hispanic	2.00 to 3.00%	2.25 to 3.00%	2.00 to 3.00%	2.25 to 3.00%
Asian/Other	0 to .5%	0 to 1.75%	3.00 to 4.00%	3.00 to 4.00%
Sub-Total MWBE & Other	8.0 to 11.5%	8.0 to 11.5%	8.0 to 11.5%	8.0 to 11.5%

FY2023 - Asset Based and Fee Based				
	<u>Global Equities</u>	<u>Global Income</u>	<u>Alternatives</u>	<u>Total Fund</u>
<u>AUM Based Targets</u>				
African American	0.00%	1.81%	2.04%	3.85%
Female	17.46%	0.77%	0.24%	18.47%
Hispanic	0.00%	2.10%	2.37%	4.47%
Asian/Other	0.00%	0.54%	2.17%	2.71%
Sub-Total MWBE & Other	17.46%	5.22%	6.82%	29.50%
<u>Fee Based Targets</u>				
African American	0.00%	0.62%	3.73%	4.35%
Female	0.77%	1.02%	0.81%	2.60%
Hispanic	0.00%	0.87%	3.17%	4.04%
Asian/Other	0.00%	0.76%	5.19%	5.95%
Sub-Total MWBE & Other	0.77%	3.27%	12.90%	16.94%

Variance of Actual FY2023 vs. Goals for FY2023				
	<u>Global Equities</u>	<u>Global Income</u>	<u>Alternatives</u>	<u>Total Fund</u>
<u>AUM Based Targets</u>				
African American	-0.50%	-0.19%	1.04%	0.35%
Female	6.21%	-1.23%	-0.76%	4.22%
Hispanic	-0.50%	1.10%	0.37%	0.97%
Asian/Other	-0.25%	0.29%	1.92%	1.96%
Sub-Total MWBE & Other	4.96%	-0.03%	2.57%	7.50%
<u>Fee Based Targets</u>				
African American	-2.00%	-0.88%	1.23%	1.35%
Female	-2.23%	-2.23%	0.31%	1.10%
Hispanic	-2.00%	-1.38%	1.17%	1.04%
Asian/Other	0.00%	0.76%	2.19%	1.95%
Sub-Total MWBE & Other	-6.23%	-3.73%	4.90%	5.44%

MWBE Percentage of Fund as of June 30, 2023: 29.50%

EXHIBIT C: EMERGING MANAGERS PROGRAM

(From the TRS Investment Policy)

XXI. Emerging Managers Program

Introduction

The Trustees of the Teachers' Retirement System ("TRS") have established the following guidelines for management of the TRS Emerging Managers Program ("Program"). In establishing these guidelines, it is the Board's intention to assure all interested parties that decisions made in carrying out these actions occur in a full disclosure environment characterized by objective evaluation and proper documentation. The overriding consideration with respect to all decisions is that they shall be made solely in the best interest of plan participants and beneficiaries.

Clearly Defined Objectives

The adoption of an Emerging Managers Program focuses on the development of long-term relationships between TRS and growing investment management organizations. The objectives of the Program include:

- Investment in promising younger, growing investment managers that currently have smaller asset bases and developing track records;
- Access to firms that, while possessing a marketable investment philosophy or process, have not dedicated marketing resources to identifying themselves to plan sponsors and the investment consultant community;
- Ability to better utilize minority- and female-owned investment managers, as well as Illinois-based investment managers.

In May 2005, the TRS Board approved a commitment of \$500 million for the creation of an Emerging Managers Program. At the time of commitment, this represented approximately 1.5% of the total Fund, with funding from the domestic large-cap index fund. The Program represents a total commitment of up to \$1 billion from the total fund. The Program will apply to both public and private markets asset classes, with evaluation criteria based on the specific asset class of each investment. Overall, the Program is intended to create meaningful long-term relationships with emerging investment managers with the objective that the superior performers will, at some time, progress into a full TRS investment allocation¹.

Search and Selection Process

The selection of emerging investment managers for participation in the Program will be accomplished from the following steps:

1. *Identification of emerging investment managers*

¹ Assignment to a full TRS investment mandate implies movement outside of the Program and into the overall portfolio allocation. These mandates are typically much larger assignments and are critical components to the TRS investment portfolio's positioning with regards to asset class and overall investment style diversification.

Initially, Staff will maintain information on a universe of identified emerging investment managers. The process is intended to be ongoing, with manager profiles added and performance information updated as necessary. Qualified investment managers will be encouraged, at any time, to submit detailed information with the relevant specifics of the firm's organization and investment products. The standardized informational questionnaire will be made available to all firms through TRS's website, or as requested by Staff.

2. Analysis for qualified candidates

The second step is identifying emerging investment organizations and products that meet TRS criteria. Periodically, TRS Staff will review the information on all identified emerging investment managers. Staff will search for emerging managers possessing a strategy or process that appears to be well-positioned for an allocation within the TRS investment portfolio.

3. Solicit additional information from qualified candidates

Once identified as a promising candidate, Staff will request further information relating to the manager's organization, investment philosophy, investment process, key personnel, risk controls, performance history, and fee structure.

4. Due diligence

Following review of a candidate's detailed information, Staff will conduct a meeting with the firm's management team. As necessary, Staff will conduct on-site due diligence to review, among other things, the depth of the firm's personnel, internal policies, technological resources, risk management capabilities, and compliance monitoring. Any available analysis from the Consultant will also be included in the due diligence process.

5. Final Recommendation and Selection

Based on the analysis of Staff and Consultant, Staff will recommend managers to the applicable Staff Oversight Committee for final approval. In choosing the finalists, Staff will favor those firms that, based on quantitative and qualitative factors, appear to have the highest probability of success over the next three to five years and appear to be best prepared to develop into a full TRS investment mandate outside of the Program. With approval, staff is authorized to implement the recommendation. At the next scheduled meeting of the Investment Committee following the commitment, staff will provide the Committee with necessary reports related to any commitment, including a selection/compliance checklist confirming adherence to Board-approved policies.

Initial Funding

Staff recommendations for a specific initial funding amount are made to the applicable Staff Oversight Committee. A number of factors will be considered when making an allocation recommendation, including:

- asset class and general diversification of the Emerging Manager Program

- product strategy and long-term fit within the TRS investment program
- risk/return profile of the product
- size and depth of firm, including a long-term plan for the institutionalization of the firm

Recognizing the intent of the Program is to develop long-term relationships with promising emerging managers that may, in the future, occupy full TRS mandates, the Program is exempt from systematic rebalancing activity. Additional funding or withdrawals of capital from the Program or its participating managers will be based on continued analysis by Staff and Consultant, with formal recommendations presented to the Staff Oversight Committee as appropriate.

Proper Documentation and Full Disclosure

When overseeing reviews of the delegated hiring of an external investment service provider, the primary focus of the Investment Committee and Board shall be on whether decisions followed established processes and procedures in the Pension Code, administrative rules, and this Investment Policy. Toward this end, the Chair and Committee members may request written supporting documentation to ensure disclosure of all relevant issues. In evaluating a hiring decision, Staff, Consultant, and the applicable Staff Oversight Committee should review documentation to ensure that the basis for the recommendation was fair and that the screening process was consistently applied. Potential service providers or candidates may, at the pleasure of the Committee Board or upon the recommendation of Staff and Consultant, be asked to make a formal presentation to the Committee at any time.

Defining Expectations

In the case where a manager is hired, the search process document shall include, but may not be limited to the following:

1. a summary of performance criteria considerations,
2. the absolute and relative risks inherent in the manager's approach,
3. staff's qualitative assessment, and
4. identification of relevant comparative measures such as benchmarks and/or peer samples, and proposed fee structure.

Staff and Consultant shall incorporate the relevant factors related to the expectations of the manager into the executed Investment Management Agreement.

Board Reporting and Monitoring

After a manager is selected for the Program, Staff will regularly monitor the manager's results versus expectations. Staff will conduct periodic due diligence meetings with the outside organizations and may provide the Board with reports summarizing the assessments made. All material events regarding an investment manager will be communicated to the applicable Staff Oversight Committee and, when deemed necessary, to the Board.

Program Funding: Graduation/Termination

Based on a manager's performance within the Program, combined with demonstrated development of the investment manager organization, staff may recommend graduation of a mandate into the TRS investment portfolio. The recommendation and related due diligence will be presented to the applicable

Staff Oversight Committee for consideration and approval. In the event of a graduation, the Emerging Manager Program shall be “reimbursed” in the amount equal to the initial funding of the investment manager.

Similarly, in the event of a termination of a mandate from the Emerging Manager Program. In the event of termination, unless otherwise stated the Program shall be reimbursed by an amount equal to the initial funding of the investment manager.

Note that investments in private markets can differ from investments in the public asset classes due to the longer commitment period. In these cases, staff will provide a recommendation regarding graduation/termination to the applicable Staff Oversight Committee within two to five years from the initial investment. Based on the Staff Oversight Committee approval, the investment will be removed from the Program and reimbursement to the Program shall be completed as specified above.

Termination Guidelines

As with all TRS investment managers, there will be instances in which it will be necessary for the System to terminate a contractual relationship with an Investment Manager. The same guidelines for managers within the Program will exist to assist in making these termination decisions. Specifically, any action to terminate a manager should be based on one or more of the following primary criteria:

- significant changes in firm ownership and/or structure
- loss of one or more key personnel
- significant loss of clients and/or assets under management
- shifts in the firm’s philosophy or process
- significant and persistent lack of responsiveness to client requests
- changes in TRS’s investment strategy eliminating the need for a particular style or strategy
- violations of TRS’s Investment Policy or Parameters
- unsatisfactory investment performance
- identification of a new asset class or approach which has been approved in advance by the Board
- a need for diversification of styles within an existing asset class

Additionally, due to the nature of the Program, it may be necessary at some point to terminate a relationship given the inability of a manager to develop to the point that they might manage a full TRS investment mandate. The objective of the Program is intended to be a catalyst for the development of emerging investment managers. To the extent that an investment manager does not show the development characteristics necessary to manage a full institutional mandate, allocations within the Program should be redirected to other managers showing those characteristics.

Prior to the termination decision, the primary and other relevant considerations shall be identified, described, and ranked by importance. An evaluation covering the quantitative and qualitative issues to be considered will be developed for each case and the relative importance of each evaluation area will be determined. Documentation regarding any such action should include, but is not limited to, the following items:

- a full description of the reason for the action, including the specific elements serving as the basis for the evaluation and identification of the relevant issues from the System's perspective
- the assumptions made in the evaluation, if any
- the results considered and/or qualitative issues upon which the action was based
- an objective discussion of the risks, costs, and expected benefits is also to be included if appropriate to the subject matter

Consistent with other termination guidelines, Staff and Consultant, with the approval of the applicable Staff Oversight Committee, may initiate termination of any public markets emerging manager meeting the System's Watch List criteria or for any other immediate concern(s) as specified above. In the event of termination Staff, with the approval of the Staff Oversight Committee, will transition assets from the terminated manager to the successful finalist of a manager search, rebalance to other TRS investment managers, or assign the assets to passive index management. A report shall be provided to the Investment Committee and Board at the meeting immediately following termination and transition.

EXHIBIT D: MWBE and Emerging Managers

Teachers' Retirement System of the State of Illinois
MWBE and Emerging Managers
June 30, 2023

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EXHIBIT E: MWBE-Owned Broker-Dealer Utilization

The following represents data for the utilization of minority, women, and disabled-owned broker/dealers for the fiscal year ended June 30, 2023.

<u>U.S. Equity</u>	
MWBE Percent of total commissions	54.3%
TRS FY20 utilization goal	30.0%
Over/Under U.S. Equity Goal	+24.3%
<u>International Equity</u>	
MWBE percent of total commissions	22.4%
TRS FY20 utilization goal	17.0%
Over/Under International Equity Goal	+5.4%
<u>Total Global Equity</u>	
Total Commission	\$5.092 million
Total MWBE Commissions	\$1.287 million
Total MWBE Commissions (%)	25.3%

<u>Global Fixed Income</u>	
Total Market Value Traded	\$11.834 billion
MWBE Market Value Traded	\$2.646 billion
MWBE percent of market value traded	22.4%
TRS FY20 utilization goal	16.0%
Over/Under Fixed Income Goal	+6.4%

EXHIBIT F: November 2023 Report on MWBE-Owned Investment Advisor & Broker/Dealer Utilization

(See attached PowerPoint presentation)

EXHIBIT G: Affirmative Action Plan Policy Statement

POLICY STATEMENT

1. The Teachers' Retirement System will provide equal opportunities to its employees and applicants on the basis of merit, without regard to actual or perceived race, color, religion, sex, sexual orientation, age, marital status, military status, pregnancy, order of protection status, certain unfavorable discharges from military service, political affiliation, citizenship, ancestry, national origin, physical or mental disability, genetic information or any other characteristic protected by law. This statement applies to all aspects of personnel management including, but not limited to, recruitment and selection, promotion and training, position classification and compensation, benefits, transfers, disciplinary actions, leaves and layoffs.
2. The Teachers' Retirement System is committed to taking affirmative action to correct underutilization of qualified minorities, females and persons with disabilities in all levels of employment. TRS is also committed to full compliance with provisions of state and federal laws regarding equal employment opportunities.
3. All managers, supervisors and administrative staff are expected to support the implementation of the Affirmative Action Plan. It must be understood that these policies govern all TRS operations.
4. Employees who feel they have been dealt with in violation of these policies will be free to file a complaint with the EEO/AA/ADA Officer without fear of retribution. Employees may also file a complaint with the Department of Human Rights or with the Equal Employment Opportunity Commission within 300 days of the alleged discriminatory act.
5. The System is committed to ensure reasonable accommodations and careful consideration to applicants and/or employees with disabilities.
6. The System will provide all employees with the opportunity to voluntarily and confidentially self-identify and declare disabilities.
7. This System is committed to provide a work environment that is free from harassment of any kind.

EXHIBIT H: Expenditure Management Policy MBE/FBE/PBE Utilization Goal

(From the TRS Expenditure Management Operating Policy)

MWBE Utilization Goal

The term “MWBE” is intended to encompass all of the following: “minority-owned business”, “women owned business”, and “business owned by a person with a disability” as those terms are defined in the Illinois Business Enterprise for Minorities, Females, and Persons with Disabilities Act (the “Act”). It shall be the aspirational goal of the System to utilize MWBE businesses for not less than 20% of contracts awarded for “information technology services”, “accounting services”, “insurance brokers”, “architectural and engineering services”, and “legal services” as those terms are defined in the Act, as provided in the Pension Code. Utilization goals for investment services are separately stated in the TRS Investment Policy.

All Requests for Proposals (RFP), Requests for Information (RFI), and formal bid opportunities to provide goods and services to TRS are posted on the TRS website in the vendor information area. To the extent possible, TRS utilizes resources of the State of Illinois Business Enterprise Program (BEP) including the BEP Vendor Directory in striving to meet its MWBE utilization goal. Interested vendors that qualify are encouraged to register with the State of Illinois BEP, and to respond to any open TRS business opportunities posted on the TRS website for which they are qualified.

FY2023 Annual Report on the use of:

MINORITY, WOMEN, AND DISABLED-OWNED (MWBE) INVESTMENT ADVISORS AND BROKER/DEALERS

November 14, 2023



**Illinois Pension
Code annual
filing**

During FY2023, TRS continued its support of MWBE-owned investment advisors and broker/dealers. In the event an investment advisor search is needed, TRS and its consultant, RVK, use investment manager databases and software packages that provide opportunities to all investment advisors and surpass the minimum search criteria. TRS continues to encourage greater diversity in the search process.

TRS maintains a database consisting of a comprehensive list of MWBE broker/dealers in the United States. External investment advisors are encouraged to use MWBE broker/dealers, given best price and execution capabilities.

Data sources for this document are State Street (TRS's custodial bank utilized during the fiscal year) reports submitted by external investment advisors, and various broker/dealers. The report encompasses requested data and outlines the use of MWBE investment managers, broker/dealers, and relevant discussions of the data set forth herein.

All data is as of June 30, 2023 (unless otherwise noted) and is subject to change.

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EXECUTIVE SUMMARY

During FY2023, TRS continued its efforts to increase the inclusion of minority and women business enterprises (MWBE) in its investment program.

New Allocations

EMP	Manager	Ownership	Asset Class	Strategy	Allocation (MM)
EM	Insight Partners	Non-Minority	Private Equity	FoF/Diverse VC	\$10
EM	Alkemi Growth Capital	Female	Private Equity	Venture Capital	\$5
EM	Elion Partners	Latino	Real Assets	Real Estate - Value Add	\$50
EM	FVLCRUM	African American	Private Equity	Buyout	\$25
EM	3 Boomerang Capital	African American	Private Equity	Buyout	\$25
					\$115

EXECUTIVE SUMMARY (CONTINUED)

Expanded Relationships

EMP	Manager	Ownership	Asset Class	Strategy	Allocation (MM)
EM	Sunstone Partners	Latino	Private Equity	Growth Equity	\$75
	SK Capital Partners	Other MWBE	Private Equity	Buyout	\$75
	Vista Equity Partners	African American	Private Equity	Buyout	\$150
	Vista Equity Partners	African American	Private Equity	Buyout	\$25
	Vista Equity Partners	African American	Private Equity	Buyout	\$25
	SK Capital Partners	Other MWBE	Private Equity	Buyout	\$17
EM	Brasa Capital Management	Latino	Real Assets	Real Estate - Value Add	\$100
					\$467

Investment Advisory Activity

In FY2023, TRS invested \$582 million of capital with MWBE firms

- Private Equity \$432 million
- Real Assets \$150 million

TRS's FY23 MWBE assets under management (AUM) were 29.50%

MWBE-owned firms, as of June 30, 2023, managed 29.50% of the total TRS portfolio compared to 29.39% in FY22.

Assets under management by MWBE firms totaled \$19.6 billion as of June 30, 2023, compared to \$18.4 billion in FY22; an increase of \$1.2 billion.

MWBE Investment Advisors managed 29.50% of Total TRS Fund

Broker/Dealers

- Through this initiative, TRS investment managers used 16 MWBE broker/dealers in FY 2023
- At fiscal year-end, there were 47 recognized MWBE broker/dealer firms participating in the TRS investment program
 - By ownership:
 - 14 were African American-owned
 - 9 were Latino-owned
 - 13 were Female-owned
 - 11 were Other (Asian)/Disabled Veteran-owned
 - Of the 47 MWBE broker/dealers, 10 were Illinois-based

Broker/Dealers

- Global equity commissions paid to MWBE broker/dealers were \$1.3 million during FY23 or 25.3% of all global equity commissions.
 - This was the ninth consecutive year above 20.0% utilization.
 - 14 MWBE equity broker/dealers were utilized in FY23. This was down from the 16 utilized in FY22.
- Global income market value traded with MWBE broker/dealers was \$2.6 billion, or 22.4% of all TRS global income trades.
 - Global income brokerage was over its target by 6.4% in FY23.
 - 8 Global income MWBE broker/dealers were utilized during FY23. This was a decrease from 10 in FY22.

ESTABLISHED FY23 MWBE GOALS

The TRS Board of Trustees adopted the following goals for the continued participation of MWBE-owned financial services firms. FY2024 goals will be finalized and voted on at the October 2023 TRS Board Meeting. In FY2023, the Board approved increasing the Domestic and International Equity MWBE brokerage utilization goals to 30% from 25% and 17% from 16% respectively. Also approved was an increase to the fee goal range of 7%-10.5% to 8%-11.5%. All other goals remained unchanged. The goals are:

GOAL: MWBE Investment Management and Fee Objectives FY2023:

- Established for Global Equities, Global Income, Alternatives, and Total Fund Goals for:
 - Minority, Female, and Other MBE/Disabled

	<u>Global Equities</u>	<u>Global Income</u>	<u>Alternatives</u>	<u>Total Fund</u>
<u>Fee Based Targets</u>				
African American	2.00 to 3.00%	1.50 to 2.50%	2.50 to 3.50%	2.25 to 3.00%
Female	3.00 to 4.00%	3.25 to 4.25%	0.5 to 1.0%	0.50 to 1.50%
Hispanic	2.00 to 3.00%	2.25 to 3.00%	2.00 to 3.00%	2.25 to 3.00%
Asian/Other	0 to .5%	0 to 1.75%	3.00 to 4.00%	3.00 to 4.00%
Sub-Total MWBE & Other	8.0 to 11.5%	8.0 to 11.5%	8.0 to 11.5%	8.0 to 11.5%

	<u>Global Equities</u>	<u>Global Income</u>	<u>Alternatives</u>	<u>Total Fund</u>
<u>AUM Based Targets</u>				
African American	0.50%	2.00%	1.00%	3.50%
Female	11.25%	2.00%	1.00%	14.25%
Hispanic	0.50%	1.00%	2.00%	3.50%
Asian/Other	0.25%	0.25%	0.25%	0.75%
Sub-Total MWBE & Other	12.50%	5.25%	4.25%	22.00%

GOAL: MWBE Brokerage Objectives FY2023:

- 30.0% Domestic equities
- 17.0% International equities
- 16.0% Global income



Subsequent goals are to be established by the Board of Trustees on an annual basis.

MWBE-owned investment advisor firms within the TRS investment program represent:

- 43 investment firms are currently managing assets for TRS for FY23
- FY23 total assets under management were \$19.60 billion, an increase of about \$1.16 billion compared to \$18.44 billion in FY22
 - MWBE AUM was 29.50% in FY23 vs. 29.39% in FY22
- Estimated FY23 MWBE investment advisory fees are expected to total approximately \$54.5 million, an increase of \$4.7 million from FY22's \$49.8 million
 - On a relative basis, FY23 MWBE advisory fees are expected to be approximately 16.93% of the total advisory fees paid to managers
 - TRS has continued to drive MWBE commitments in private equity, private credit, and alternatives in FY23

CURRENT INVESTMENT MANAGERS (CONTINUED)

Minority and Female-Owned External Managers as of June 30, 2023

Asset Manager	Market Value	Unfunded Commitment	Total Exposure Value	% of Total Fund	Asset Manager	Market Value	Unfunded Commitment	Total Exposure Value	% of Total Fund
Domestic Equity					Real Assets¹				
RhumbLine Advisors	10,460,135,012		10,460,135,012	15.75%	Brasa ^{EM}	34,624,863	125,145,974	159,770,837	0.24%
Subtotal	10,460,135,012		10,460,135,012	15.75%	Elion Partners ^{EM}	6,671,597	41,924,569	48,596,166	0.07%
					Sheridan	18,667,000	10,140,000	28,807,000	0.04%
					Subtotal	59,963,460	177,210,543	237,174,003	0.36%
International Equity					Private Equity²				
Causeway Capital Management	742,007,600		742,007,600	1.12%	3 Boomerang Capital ^{EM}	0	25,000,000	25,000,000	0.04%
Strategic Global Advisors	394,113,257		394,113,257	0.59%	Alkemi ^{EM}	0	5,000,000	5,000,000	0.01%
Subtotal	1,136,120,856		1,136,120,856	1.71%	Avance ^{EM}	11,801,798	13,730,071	25,531,869	0.04%
					Clearlake	537,449,166	188,616,600	726,065,766	1.09%
Global Income³									
Basis ^{EM}	75,158,826	39,868,964	115,027,790	0.17%	FVLCRUM ^{EM}	6,195,848	18,404,592	24,600,440	0.04%
Blantyre ^{EM}	39,079,013	15,764,841	54,843,854	0.08%	Grain Communications ^{EM}	221,978,748	25,592,689	247,571,437	0.37%
Dignari ^{EM}	30,300,324	99,856,994	130,157,318	0.20%	ICV Partners ^{EM}	66,473,968	3,219,736	69,693,704	0.10%
Edelweiss	94,013,892	76,671,897	170,685,789	0.26%	IL Asia Investors	262,835,121	1,384,304	264,219,425	0.40%
L2 Point ^{EM}	24,717,109	580,720	25,297,829	0.04%	Leeds Illuminate	28,498,034	9,857,851	38,355,885	0.06%
LCM Partners	244,060,213	138,081,445	382,141,658	0.58%	Live Oak Venture Partners ^{EM}	22,195,080	27,000,000	49,195,080	0.07%
Loop Capital	1,090,358,031	0	1,090,358,031	1.64%	Longitude	37,816,084	44,612,347	82,428,431	0.12%
Payden & Regal	422,493,651	0	422,493,651	0.64%	MaC Venture Capital	6,194,514	3,550,000	9,744,514	0.01%
Garcia Hamilton	872,494,304		872,494,304	1.31%	Mill Point Partners	38,990,111	17,699,075	56,689,186	0.09%
Pharmakon Advisors	82,283,257	19,471,001	101,754,258	0.15%	New MainStream Capital	30,782,778	27,980,635	58,763,413	0.09%
Terra Cotta ^{EM}	100,740,558	0	100,740,558	0.15%	OceanSound Partners ^{EM}	17,848,417	3,414,990	21,263,407	0.03%
Subtotal	3,075,699,177	390,295,862	3,465,995,039	5.22%	Palladium Equity Partners ^{EM}	14,547,848	789,280	15,337,128	0.02%
					SK Capital Partners	208,775,724	160,054,032	368,829,756	0.56%
Diversifying Strategies									
Alpha dyne	374,840,993		374,840,993	0.56%	Siris Partners	148,514,863	27,149,513	175,664,376	0.26%
Maniyar Capital Advisors	181,855,409		181,855,409	0.27%	StarVest Partners ^{EM}	3,906,486	156,798	4,063,284	0.01%
Trend Capital Management	201,105,831		201,105,831	0.30%	Stelllex Capital Partners ^{EM}	34,553,801	17,005,529	51,559,330	0.08%
Varadero	306,931,118		306,931,118	0.46%	Sunstone Partners ^{EM}	59,135,666	100,477,400	159,613,066	0.24%
Subtotal	1,064,733,351		1,064,733,351	1.60%	Vista Equity	557,132,801	194,526,004	751,658,805	1.13%
					Subtotal	2,315,626,856	915,221,447	3,230,848,303	4.86%
					MWBE Total	18,112,278,713	1,482,727,852	19,595,006,565	29.50%

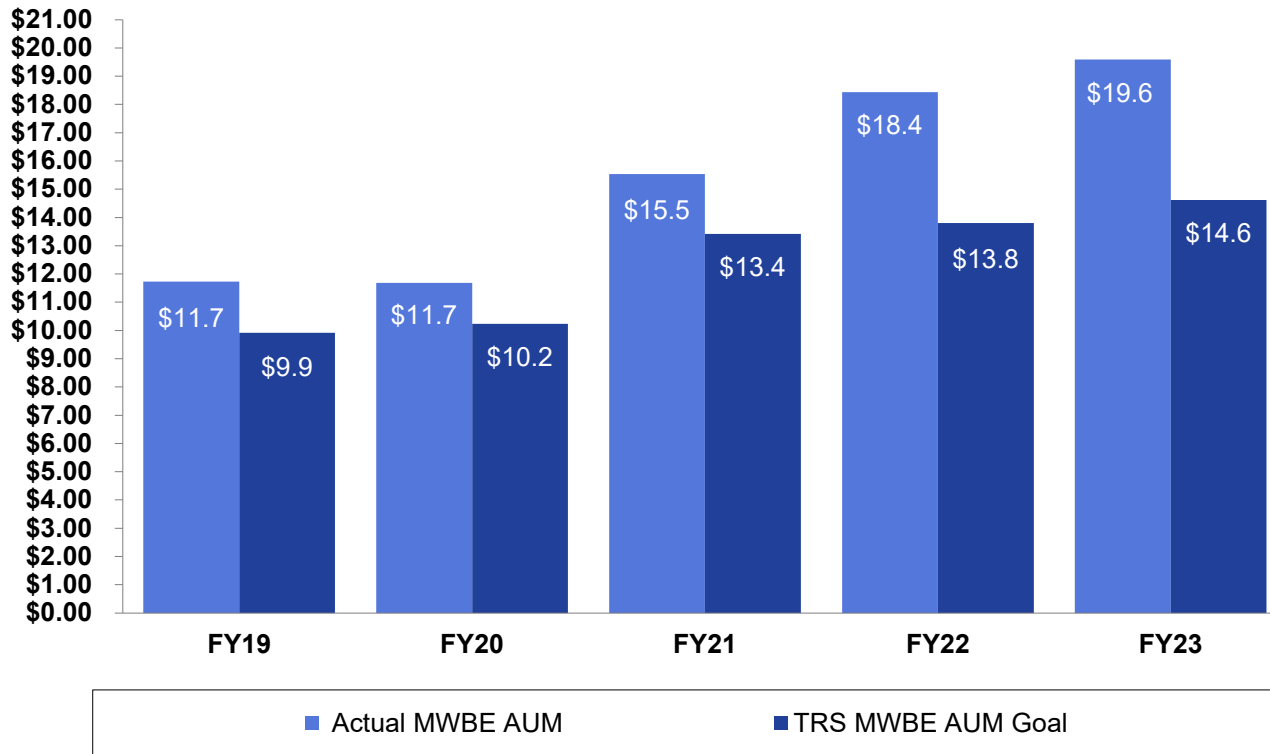
Notes:

- ¹ "EM" are managers currently in the Emerging Manager Program
- ² Most Private market funds report on a quarter lag. These are preliminary estimates for the reporting quarter only.
- ¹ Real Estate "Total Exposure Value" figures were provided by Stepstone (as of 6/30/23), include Unfunded Commitments and Total Cash Available for Reinvestment and are calculated by adding capital calls and subtracting returns of capital from the market value
- ² Private Equity "Total Exposure Value" figures were provided by Stepstone (as of 6/30/23), include Unfunded Commitments and Total Cash Available for Reinvestment and are calculated by adding capital calls and subtracting returns of capital from the market value
- ³ Global Income's Private Market Accounts "Total Exposure Value" figures were provided by Aksia (as of 6/30/23), include Unfunded Commitments and Total Cash Available for Reinvestment and are calculated by adding capital calls and subtracting returns of capital from the market value
- ⁴ Domestic Equity, Int'l Equity, Global Income, Diversifying Strategies "Percent of Asset Class" figures are based on Total Exposure Value divided by total asset class market values
- ⁵ Real Asset "Percent of Asset Class" figures are based on manager total exposure divided by total asset class exposure (total commitments)
- ⁶ Private Equity "Percent of Asset Class" figures are based on manager total exposure divided by total asset class exposure (total commitments)
- ⁷ Global Income "Percent of Asset Class" figures are based on manager total exposure for both Private and Public accounts and divided by total asset class exposure (total commitments)



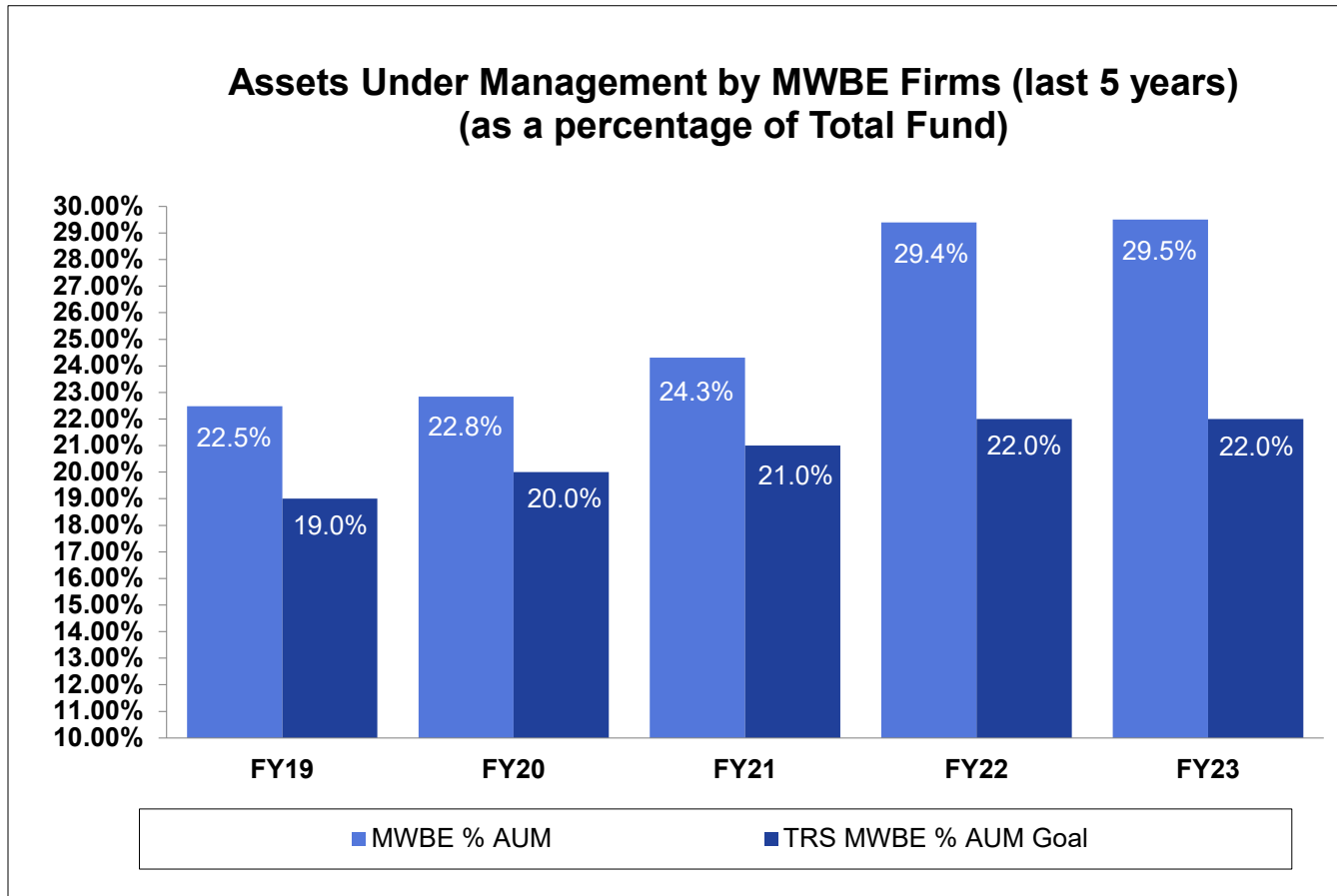
MWBE ASSETS UNDER MANAGEMENT

**Assets Under Management by MWBE Firms (last 5 years)
(in billions)**



MWBE AUM increased in FY23 to \$19.6 billion

MWBE ASSETS UNDER MANAGEMENT



MWBE participation increased slightly in FY23, exceeding 20% for the sixth time, as TRS continued to grow and develop relationships with minority managers

MWBE AUM – PUBLIC EQUITY

Minority and Female-Owned External Managers As of June 30, 2023

Asset Class by Race/Gender	Total Exposure Value	As % of Total Asset Class AUM	As % of Total TRS AUM	As % of Total MWBE AUM
Domestic Equity				
Female	10,460,135,011.80	94.27%	15.75%	53.38%
Total	10,460,135,011.80	94.27%	15.75%	53.38%
International Equity				
Female	1,136,120,856.42	12.99%	1.71%	5.80%
Total	1,136,120,856.42	12.99%	1.71%	5.80%

MWBE AUM – GLOBAL INCOME/PRIVATE CREDIT Page 40 of 62

Minority and Female-Owned External Managers As of June 30, 2023

Asset Class by Race/Gender	Total Exposure Value	As % of Total Asset Class AUM	As % of Total TRS AUM	As % of Total MWBE AUM
Global Income				
African American	1,205,385,821.27	6.95%	1.81%	6.15%
Asian/Other	355,686,960.59	2.05%	0.54%	1.82%
Female	508,180,044.83	2.93%	0.77%	2.59%
Hispanic	1,396,742,212.62	8.05%	2.10%	7.13%
Total	3,465,995,039.31	19.98%	5.22%	17.69%

Notes:

Global Income's Private Market Accounts "Total Exposure Value" figures were provided by Aksia (as of 6/30/23) and include Uncommitted Capital plus NAV

MWBE AUM – DIVERSIFYING STRATEGIES

Minority and Female-Owned External Managers As of June 30, 2023

Asset Class by Race/Gender	Total Exposure Value	As % of Total Asset Class AUM	As % of Total TRS AUM	As % of Total MWBE AUM
Diversifying Strategies				
Asian/Other	757,802,232.73	22.27%	1.14%	3.87%
Hispanic	306,931,118.03	9.02%	0.46%	1.57%
Total	1,064,733,350.76	31.29%	1.60%	5.43%

Minority and Female-Owned External Managers As of June 30, 2023

Asset Class by Race/Gender	Total Exposure Value	As % of Total Asset Class AUM	As % of Total TRS AUM	As % of Total MWBE AUM
Real Assets				
Female	28,807,000.00	0.17%	0.04%	0.15%
Hispanic	208,367,003.22	1.22%	0.31%	1.06%
Totals	237,174,003.22	1.39%	0.36%	1.21%

Notes:

Real Asset "Total Exposure Value" figures were provided by Stepstone (as of 6/30/23) and include Uncommitted Capital plus NAV

MWBE AUM – PRIVATE EQUITY

Minority and Female-Owned External Managers As of June 30, 2023

Asset Class by Race/Gender	Total Exposure Value	As % of Total Asset Class AUM	As % of Total TRS AUM	As % of Total MWBE AUM
Private Equity				
African American	1,355,492,606.83	7.45%	2.04%	6.92%
Asian/Other	682,244,261.00	3.75%	1.03%	3.48%
Female	129,847,600.00	0.71%	0.20%	0.66%
Hispanic	1,063,263,835.63	5.85%	1.60%	5.43%
Total	3,230,848,303.46	17.77%	4.86%	16.49%

Notes:

Private Equity "Total Exposure Value" figures were provided by Stepstone (as of 6/30/23) and include Uncommitted Capital plus NAV

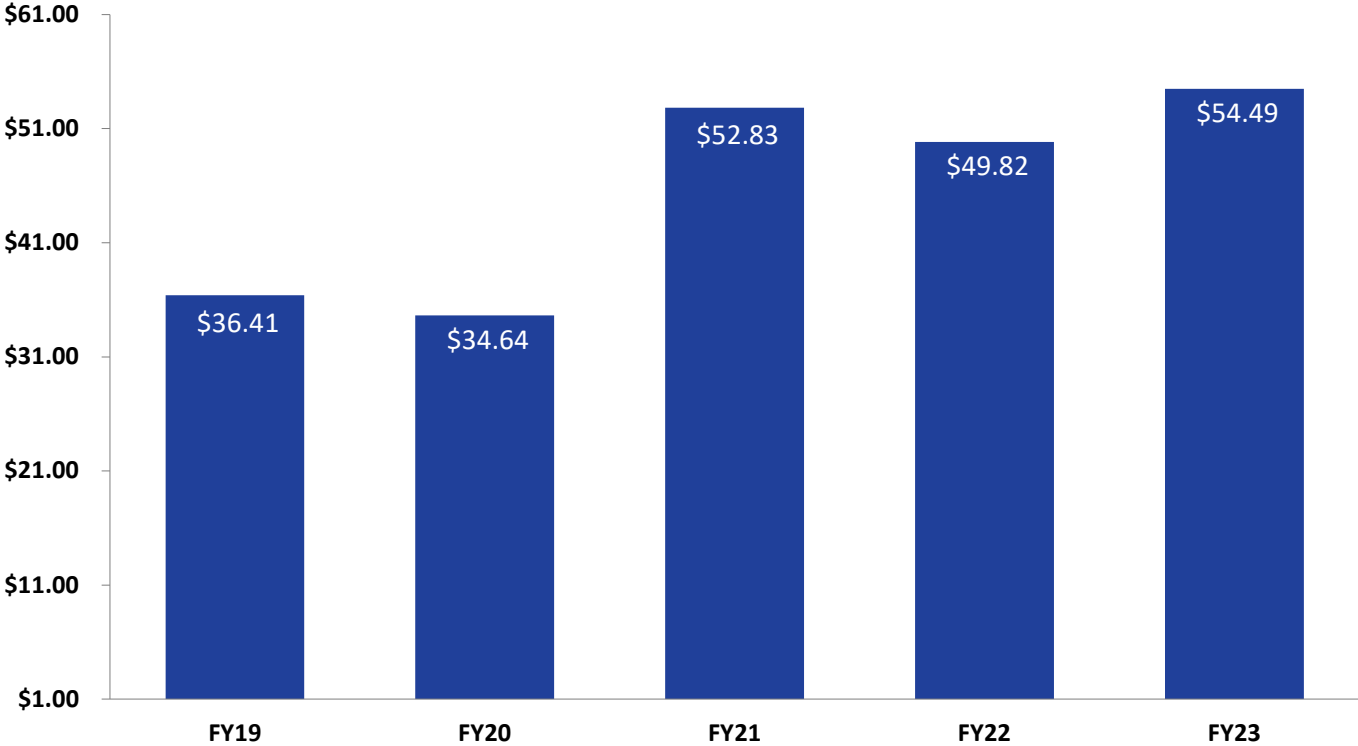
MWBE AUM – TOTAL FUND

Minority and Female-Owned External Managers As of June 30, 2023

Asset Class by Race/Gender	Total Exposure Value	As % of Total TRS AUM	As % of Total MWBE AUM
African American	2,560,878,428	3.86%	13.07%
Female	12,263,090,513	18.46%	62.58%
Hispanic	2,975,304,170	4.48%	15.18%
Asian/Other	1,795,733,454	2.70%	9.16%
MWBE Total	19,595,006,565	29.50%	100.00%

MWBE ADVISORY FEES

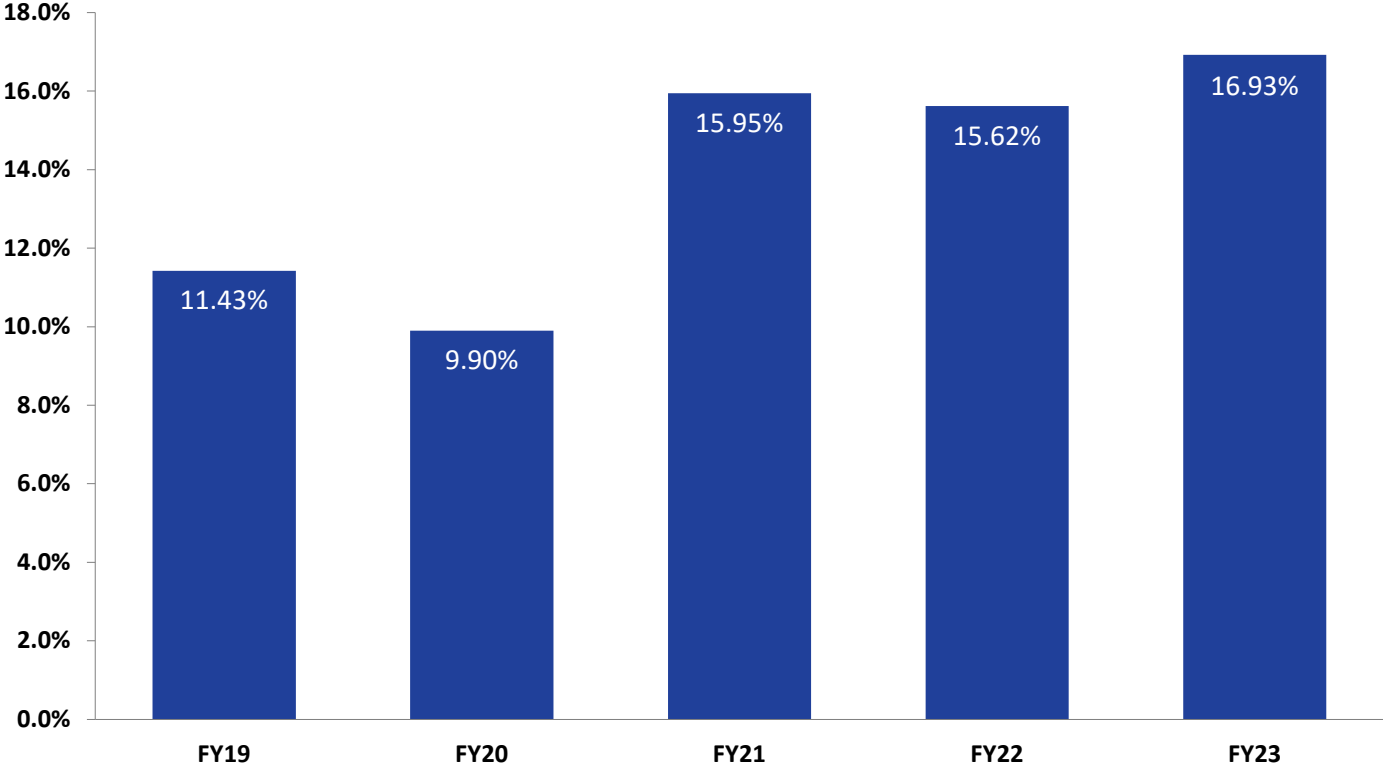
Advisory Fees Paid to MWBE Managers (last 5 years)



Fees paid (in millions) to MWBE-owned firms increased in FY23

MWBE ADVISORY FEES (% TOTAL TRS FEES)

Percent of Advisory Fees Paid to MWBE Firms (last 5 years)



Overall plan fees paid to MWBE-owned firms increased in FY23

MWBE FEES – ASSET CLASS

Minority and Female-Owned External Managers as of June 30, 2023

Asset Class	Total Fees Paid	% of Total Asset Class Fees	% of Total TRS Fees	% of Total MWBE Fees
Diversifying Strategies	\$17,234,980	39.07%	5.35%	31.63%
Asian/Other	\$13,217,221	29.96%	4.11%	24.26%
Hispanic	\$4,017,759	9.11%	1.25%	7.37%
Domestic Equity	\$789,681	50.63%	0.25%	1.45%
Female	\$789,681	50.63%	0.25%	1.45%
Global Income	\$10,545,040	12.59%	3.28%	19.35%
African American	\$1,982,582	2.37%	0.62%	3.64%
Asian/Other	\$2,453,626	2.93%	0.76%	4.50%
Female	\$3,298,636	3.94%	1.02%	6.05%
Hispanic	\$2,810,196	3.36%	0.87%	5.16%
International Equity	\$1,673,368	6.46%	0.52%	3.07%
Female	\$1,673,368	6.46%	0.52%	3.07%
Private Equity	\$22,323,996	23.26%	6.93%	40.97%
African American	\$11,866,260	12.36%	3.69%	21.78%
Asian/Other	\$3,470,673	3.62%	1.08%	6.37%
Female	\$2,321,007	2.42%	0.72%	4.26%
Hispanic	\$4,666,057	4.86%	1.45%	8.56%
Real Assets	\$1,924,949	2.41%	0.60%	3.53%
African American	\$132,683	0.17%	0.04%	0.24%
Female	\$278,376	0.35%	0.09%	0.51%
Hispanic	\$1,513,891	1.90%	0.47%	2.78%
Grand Total	\$54,492,015		16.93%	100.00%

Notes:

1. For Private Markets: Percent of Asset Class figures are calculated by dividing the Total Exposure Value of the manager(s) by the Total Exposure Value of the underlying asset class; which includes uncommitted capital plus NAV
2. Total TRS Estimated/Preliminary Fees Paid in FY23: \$321,957,363



MWBE FEES – TOTAL FUND

Minority and Female-Owned External Managers As of June 30, 2023

Asset Class	Total Fees Paid	% of Total TRS Fees	% of Total MWBE Fees
African American	13,981,524	4.34%	25.66%
Asian/Other	19,141,521	5.95%	35.13%
Female	8,361,068	2.60%	15.34%
Hispanic	13,007,902	4.04%	23.87%
MWBE Total	54,492,015	16.93%	100.0%

Notes:

1. For Private Markets: Percent of Asset Class figures are calculated by dividing the Total Exposure Value of the manager(s) by the Total Exposure Value of the underlying asset class; which includes uncommitted capital plus NAV.
2. Total TRS Estimated/Preliminary Fees Paid in FY23: \$ 321,957,363

ILLINOIS-BASED MWBE ADVISORS

The chart on the following page details the Illinois MWBE investment advisors employed by TRS as of June 30, 2023. In summary:

	# of Firms	TRS AUM	% of Portfolio
MWBE Advisors	43	\$19.60 billion	29.50%
IL-Based MWBE Advisors	1	\$1.09 billion	1.64%

- A decrease of \$70 million from the \$1.16 billion in FY22 with IL-based MWBE Advisors.
- The percentage of assets managed by IL-based MWBE firms decreased slightly to 1.64% compared to 1.85% in FY22.
- MWBE managers that are IL-based represent approximately 5.56% of all MWBE managers' AUM for FY23.
 - A 0.73% decrease from FY22's 6.29% of MWBE managers who are IL-based

**Minority and Female-Owned External Managers
Illinois Based MWBE Firms
As of June 30, 2023**

Asset Manager	Ownership	Total Exposure Value	% of Asset Class	% of Total Fund
Loop Capital Management	African American	\$1,090,358,031	5.73%	1.64%
Illinois-Based MWBE Total		\$1,090,358,031	5.73%	1.64%

While TRS investment advisors provide opportunities to women and minorities at various levels, challenges still exist for African Americans (AA) and Hispanic Americans (HA) at the investment professional staffing levels. TRS requires all managers annually to disclose the diversity of their firm's workplace and leadership.

The TRS external managers responding to our annual survey reported more than 73,000 total full-time employees with over 28,000 senior management/officers and investment professionals:

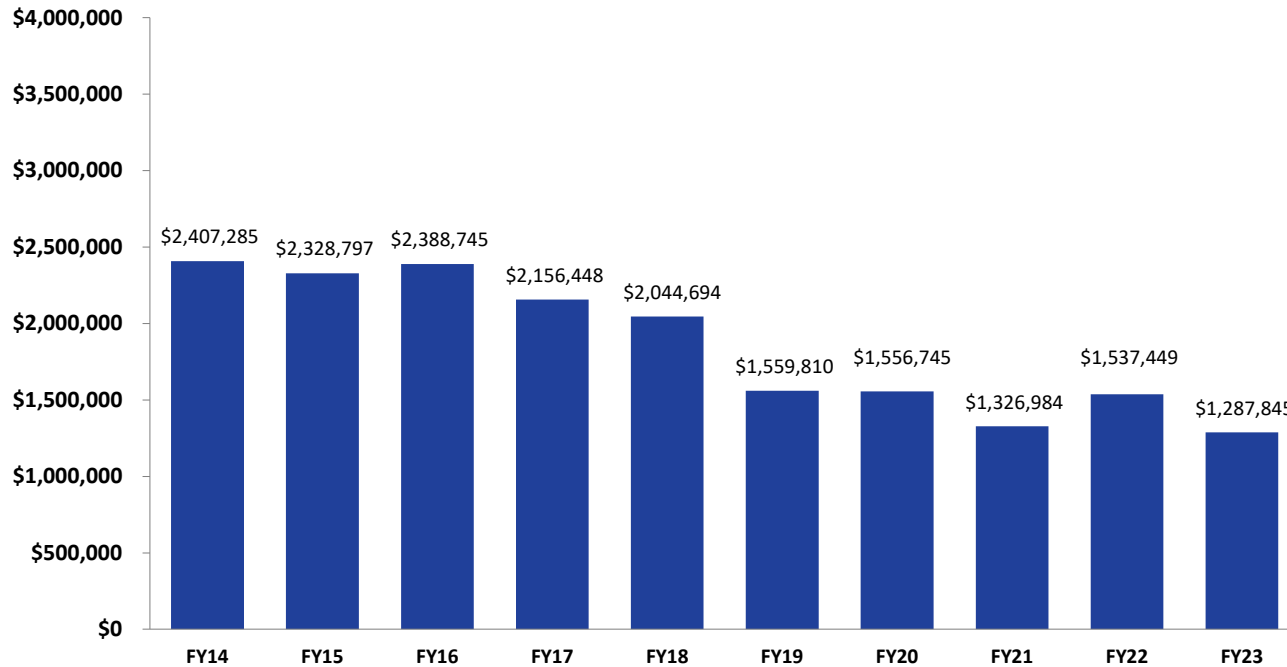
- Senior Executive Management Roles & Investment Professional Roles
 - 4.8% are classified as African American vs. 9.7% in FY22
 - 7.8% are classified as Hispanic/Latino vs. 11.5% in FY22
 - 25.3% are classified as Other Minority (ex. AA & HA) vs. 44.3% in FY22
 - 36.0% are classified as non-minority female vs. 39.5% in FY22

MWBE EQUITY COMMISSIONS

- Global equity commissions paid to MWBE broker/dealers were \$1.29 million during FY23 or 25.3% of all global equity commissions
 - In FY23, the utilization target for Domestic equity increased from 25.0% to 30%
 - Domestic equity FY23 MWBE utilization was 54.3%, beating the goal of 30.0% by 24.3%
 - International equity MWBE utilization was 22.4% in FY23, which exceeded its 17.0% FY23 goal by 5.4%
 - The international equity utilization target was increased from 16% to 17.0% in FY23
 - 14 MWBE equity broker/dealers were utilized in FY23. This was down from 16 utilized in FY22.

MWBE EQUITY COMMISSIONS

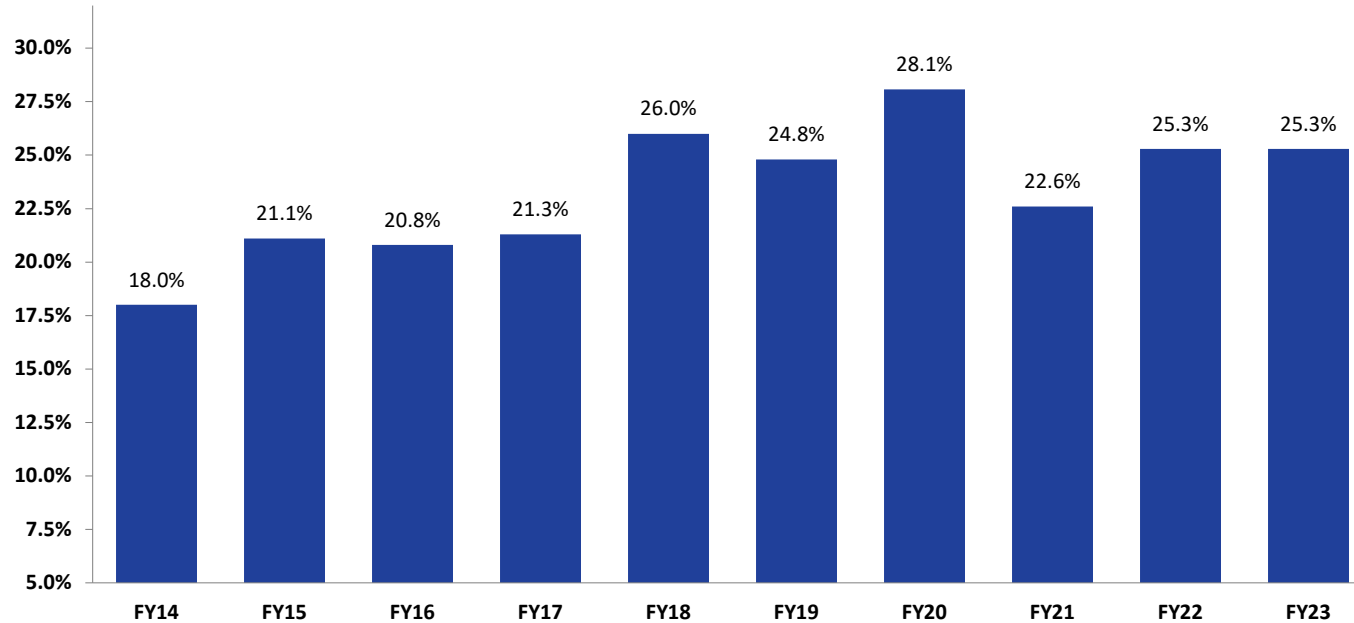
Equity Commissions Paid to MWBE Brokers (last 10 years)



MWBE equity dollar utilization decreased slightly in FY23

MWBE EQUITY COMMISSIONS

MWBE Total Equity % of Commissions Traded (last 10 years)



Highlighting TRS's continued commitment, MWBE utilization has exceeded 20.0% for nine straight years

MWBE EQUITY COMMISSIONS – BROKERS

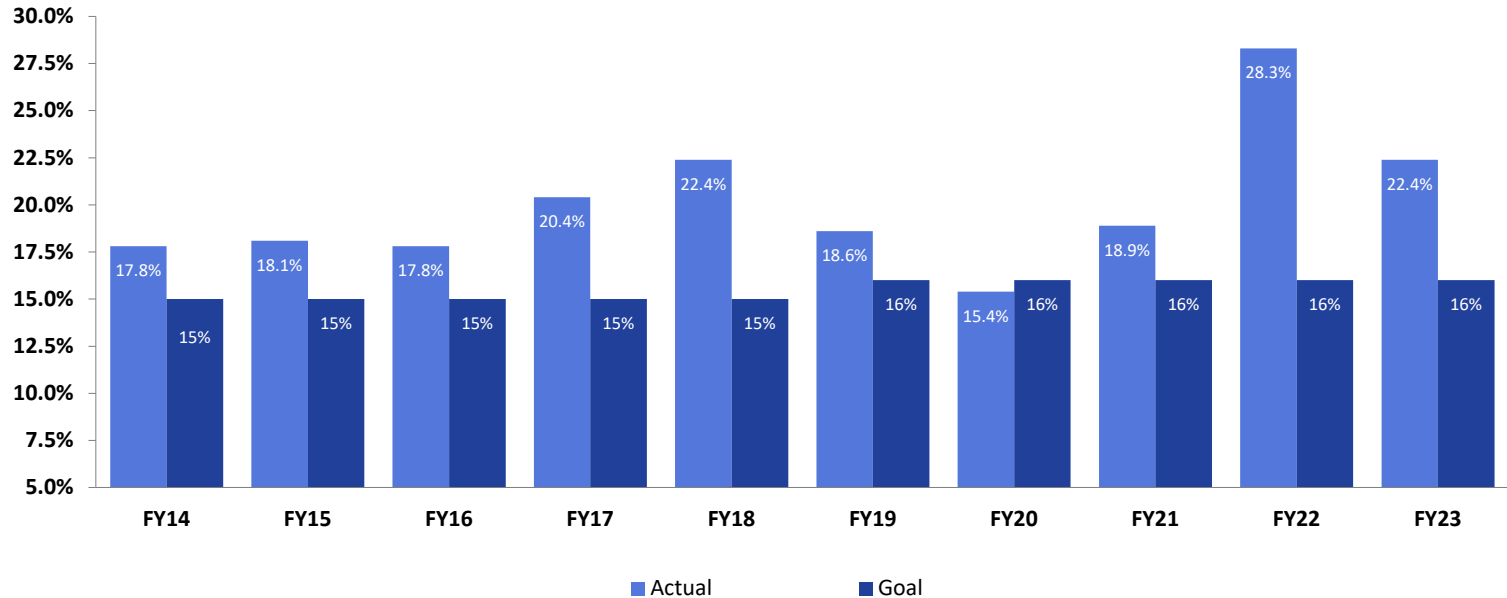
14 MWBE brokers were utilized for equity commissions in FY23

Broker Name	Commissions Paid
Academy Securities	\$2,103
Cabrera Capital Markets	\$112,137
Castle Oak	\$18,614
CL King	\$1,444
Drexel	\$446
Guzman	\$18,490
Loop Capital Markets	\$743,936
Mischler Financial Group, Inc.	\$77,922
North South	\$10,528
Penserra Securities	\$248,503
Siebert Williams Shanks	\$19,127
Stern Brothers & Co	\$123
Sturdivant	\$22,358
Telsey	\$12,136
Total	\$1,287,866

- MWBE Global Income market value traded was \$2.6 billion during FY23; a decrease of \$800 million from FY22's \$3.4 billion figure
 - Minority Utilization decreased 5.9% from 28.3% in FY22 to 22.4% for FY23
 - The Global Income utilization target was maintained at 16% in FY23
- Overall fixed trading volume decreased in FY23. Total FY23 market value traded was \$11.8 billion, which is a decrease of \$300 million from the \$12.1 billion traded in FY22
- The number of global income MWBE broker/dealers utilized decreased, from 10 in FY22 to 8 in FY23

MWBE GLOBAL INCOME MARKET VALUE TRADED

MWBE Global Income % of Market Value Traded (last 10 years)



22.4% of value traded through MWBE Brokers in FY23

Note: Market Value Traded was used for FY14-FY23

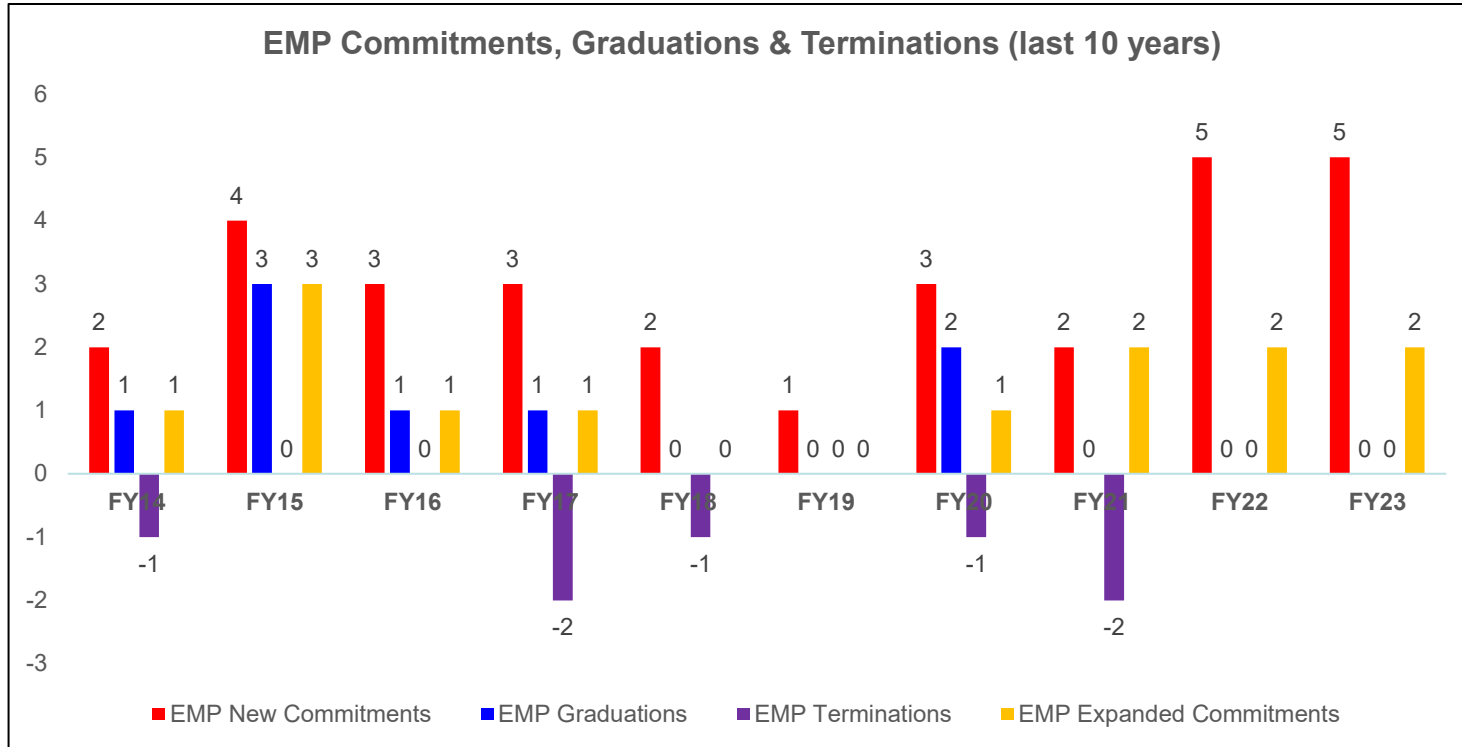
- In December 2020, the TRS Board increased the allocation to \$1 billion from the existing \$750 million for the Emerging Manager Program (EMP)
 - Since inception, and as of FY23, the EMP will have committed \$3.0 billion to 70 investment managers
 - EMP mandates have averaged \$40 million
 - 62 of the 70 investment managers within the program have been female-owned and/or minority-owned firms
 - Graduates of the EMP are currently managing \$2.0 billion across various asset classes within the TRS main investment portfolio. This includes the higher fee-paying private market asset classes.
 - At the end of FY23, the EMP had 24 emerging managers managing \$1.5 billion in total market exposure for TRS; including 6 global income, 16 private equity, and 2 real asset managers

EMERGING MANAGER PROGRAM (CONTINUED)

- During FY23, TRS committed \$290 million to Emerging Manager mandates
 - Added five new managers within the Emerging Manager Program
 - Alkemi Growth Capital, an Indian Female-owned private equity manager, was allocated \$5M
 - Insight Partners, a Non-Minority FoF focused on diverse Venture Capital managers, was allocated \$10M
 - Elion Partners, a Hispanic-owned real estate manager, was allocated \$50M
 - FVLCRUM, an African American-owned private equity manager, was allocated \$25M
 - 3Boomerang Capital, an African American-owned private equity manager, was allocated \$25M
 - Expanded relationships with two existing managers
 - Sunstone Partners, a Latino-owned private equity manager, was allocated \$75M
 - Brasa Capital Management, a Latino-owned private equity manager, was allocated \$100M

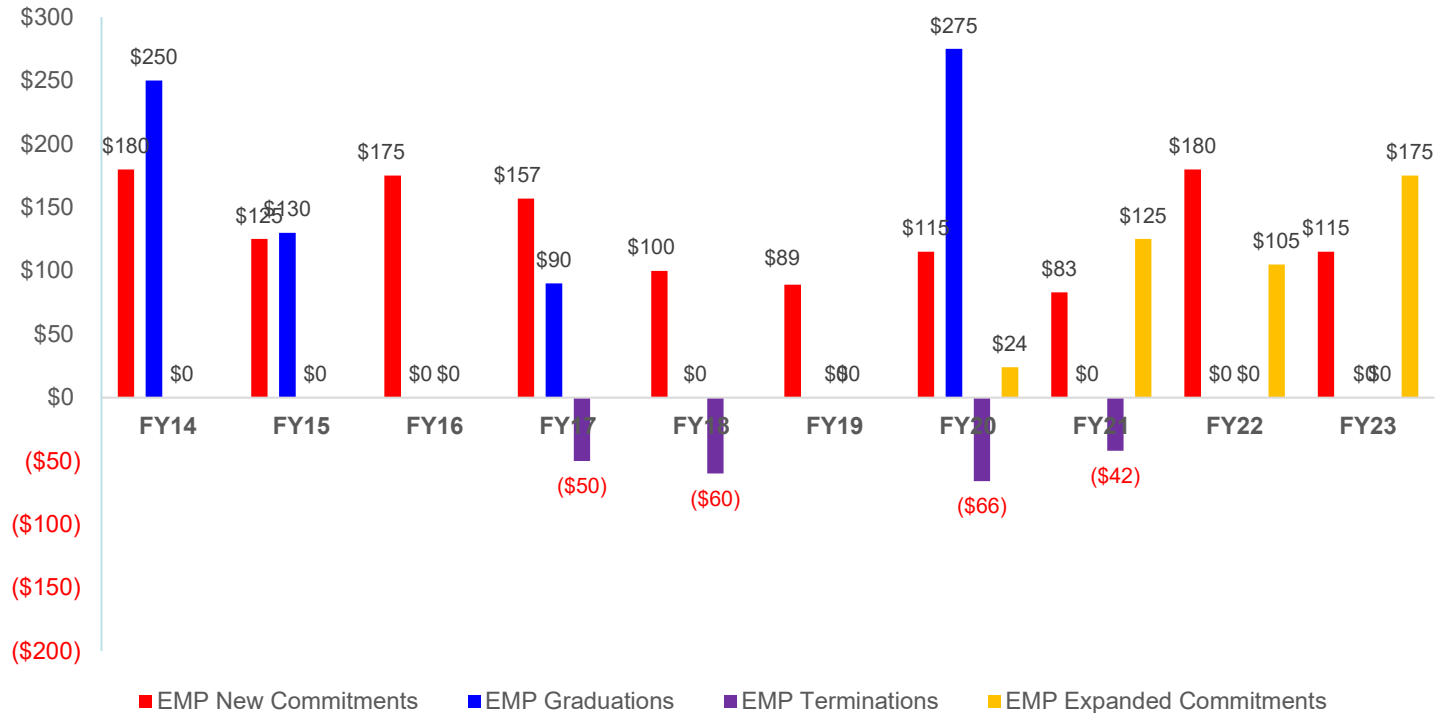
Submission to the EMP begins with a questionnaire at:
<https://www.trsil.org/investments/emerging-managers>

EMERGING MANAGER PROGRAM (CONTINUED)



EMERGING MANAGER PROGRAM (CONTINUED)

EMP Commitments, Graduations & Termination Amounts (last 10 years)



Since inception, TRS has invested more than \$3.0B with emerging managers and graduates of the program are currently managing \$2.0B

TRS will continue to provide opportunities to MWBE Investment Advisors & Broker/Dealers by:

- Setting attainable goals for MWBE-owned firms by asset class as well as by:
 - African American ownership
 - Latino American ownership
 - Other Minority/Disabled ownership and
 - Female ownership
- Leveraging the Emerging Manager Program for non-traditional asset classes that historically have been underrepresented by MWBE-owned firms and professionals
- TRS will host its 19th Annual Opportunity Forum in the Summer of 2024 which will continue to focus on building relationships between TRS's investment staff and the diverse and emerging manager community