



MINUTES
Board of Trustees
May 22, 2015

The regular meeting of the Board of Trustees of the Illinois Teachers' Retirement System was held on May 22, 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 9:07 a.m. A quorum was present. Dr. Smith was welcomed as the new Superintendent of Education and President of the TRS Board of Trustees.

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

Absent: Rainy Kaplan and Sonia Walwyn

Others present: Dick Ingram, Executive Director; Stan Rupnik, Chief Investment Officer; Tom Gray, General Counsel; Cynthia Fain, Sr. Assistant General Counsel; Gina Larkin, Director of Member Services; Sally Sherman, Director of Member Services; Kathleen Farney, Director of Research; Stacy Smith, Director of Internal Audit; Tassi Maton, Sr. Internal Auditor; Christina Baker, Internal Auditor; Dave Urbanek, Director of Communications; Rene Troppa, Benefits Counseling Supervisor; Robert Powers, Call Center Supervisor; Tammy Green, Assistant to the Executive Director; Sue Billington, Executive Assistant; and Pat O'Hara, Cavanagh & O'Hara (Fiduciary Counsel).

Visitors present: Dan Winter, IRTA; Janet Kilgus, IEA-R; Jack Tucker, IEA-R; Dennis Murfin, IRTA; and Christine Williamson, Pensions & Investments.

PUBLIC COMMENT – There were no public comments.

APPROVAL OF MINUTES

A draft of the March 30-31, 2015 minutes of the Board meeting was sent to the trustees for prior review. On a motion by Trustee Klickna, seconded by Trustee Bailey, the Board unanimously approved the minutes as presented.

INVESTMENT COMMITTEE REPORT

Watch List 3/31/15

On a motion by Mike Busby, seconded by Mark Bailey, it was resolved:

To accept the 3/31/15 watch list, as presented.

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

Axiom International Investors – International Equity Emerging Markets

On a motion by Sharon Leggett, seconded by Mike Busby, it was resolved:

To ratify the hire of Axiom International Investors to a 3.0% international emerging market equity mandate. Funding will come from Aberdeen’s emerging market portfolio and Northern Trust’s passive emerging market portfolio. In addition, JP Morgan and EARNEST remain active in the search pending completion of due diligence.

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

Garcia Hamilton & Associates – Emerging Manager

On a motion by Mark Bailey, seconded by Cinda Klickna, it was resolved:

To graduate the Garcia Hamilton floating rate (BC floating rate index) mandate and the Custom Cash mandate (3-month LIBOR index) from the Emerging Manager Program within the global fixed income and cash management program.

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

Northern Shipping Fund III - Fixed Income

On a motion by Cinda Klickna, seconded by Mark Bailey, it was resolved:

To commit \$50 million to Northern Shipping Fund III, L.P. within the global fixed income special situations allocation subject to successful completion of 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, Klickna, Lyons, O’Neill, Leggett, and Smith. Motion CARRIED.

EQT Fund VII – Private Equity

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

To commit up to €100 million to EQT Fund VII, L.P. 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, Klickna, Lyons, O’Neill, Leggett, and Smith. Motion CARRIED.

Oaktree Opportunities Fund Xb – Private Equity

On a motion by Mike Busby, seconded by Cinda Klickna, it was resolved:

To commit \$100 million to Oaktree Opportunities Fund Xb, L.P. Source of funds shall be TRS cash account, passive/enhanced index accounts, or active manager accounts that may be above their target weight.

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

TA XII – Private Equity

On a motion by Mark Bailey, seconded by Tony Smith, it was resolved:

To commit \$100 million to TA XII, L.P. 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, Klickna, Lyons, O’Neill, Leggett, and Smith. Motion CARRIED.

Fortress Japan Opportunity Fund III – Real Estate

On a motion by Tony Smith, seconded by Sharon Leggett, it was resolved:

To commit \$100 million to Fortress Japan Opportunity Fund III, L.P. subject to successful completion of legal documentation. Source of funds shall be TRS cash account, 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, Klickna, Lyons, O’Neill, Leggett, and Smith. Motion CARRIED.

Rockpoint Real Estate Fund V

On a motion by Mark Bailey, seconded by Mike Busby, it was resolved:

To commit \$100 million to Rockpoint Real Estate Fund V, L.P. subject to successful completion of legal documentation. Source of funds shall be TRS cash account, 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, Klickna, Lyons, O’Neill, Leggett, and Smith. Motion CARRIED.

Brevan Howard Systematic Trading Master Fund – Absolute Return

On a motion by Sharon Leggett, seconded by Mike Busby, it was resolved:

To approve the Brevan Howard Systematic Trading Master Fund for a 7.0% target allocation within the System’s absolute return strategies program. The commitment is subject to successful completion of final contract negotiations.

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

Transtrend Diversified Trend Program

On a motion by Mike Busby, seconded by Cinda Klickna, it was resolved:

To approve the Transtrend Diversified Trend Program for a 7.0% target allocation within the System's absolute return strategies program. The commitment is subject to successful completion of final contract negotiations.

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

Private Equity Consultant

On a motion by Mark Bailey, seconded by Cinda Klickna, it was resolved:

To hire TorreyCove Capital Partners to provide private equity consulting services for a five year period.

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

RULES & PERSONNEL COMMITTEE

The Rules & Personnel Committee proposed standing committee slates effective July 15, 2015. On a motion by Cynthia O'Neill, seconded by Mark Bailey, it was resolved:

To approve the FY 16 standing committees, as presented.

Vice President: Cinda Klickna

Investment: All Trustees, Mike Busby, Chair; Bob Lyons, Vice Chair

Audit Committee: Bob Lyons Chair; Mark Bailey, Vice Chair; Andy Hirshman, two appointed positions are vacant

Legislative: Rainy Kaplan, Chair; Cinda Klickna, Vice Chair; Bob Lyons, Andy Hirshman, Dan Winter

Rules & Personnel: Mark Bailey, Chair; Mike Busby, Vice Chair; Rainy Kaplan, Cinda Klickna, Sonia Walwyn

Diversity: Mike Busby, Chair; Rainy Kaplan, Vice Chair; Bob Lyons, Sonia Walwyn, Dan Winter

Claims Hearing: Sonia Walwyn, Chair; Mark Bailey, Vice Chair;
Rainy Kaplan-alternate

The motion passed with a unanimous voice vote.

Administrative Rules

On a motion by Marcia Campbell, seconded by Mike Busby, it was resolved:

To promulgate the following amendments to TRS Administrative
Rules through the JCAR process, as presented:

Section 1650.160, Confidentiality

Section 1650.270 and 272, Evidence of Dependency

Section 1650.3005 through 3040, Investment Procurement

The motion passed with a unanimous voice vote.

AUDIT COMMITTEE REPORT

FY 16-17 Internal Audit Plan

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

To approve the FY 2016 and 2017 Internal Audit Plan,
as presented.

The motion passed with a unanimous voice vote.

Revised FY 15-16 Internal Audit Plan

On a motion by Bob Lyons, seconded by Mark Bailey, it was resolved:

To approve the revised FY 2015 and 2016 Internal
Audit Plan, as presented.

The motion passed with a unanimous voice vote.

Director of Internal Audit

On a motion by Cinda Klickna, seconded by Mark Bailey, it was resolved:

To authorize the Executive Director to re-appoint Stacy Smith to serve a five-year term as Director of Internal Audit effective July 1, 2015.

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

EXECUTIVE DIRECTOR’S REPORT

TRS Active Teacher Trustee Election

An active teacher trustee election was held on May 1, 2015 for two open active member trustee seats. This was the first contested election for a trustee since 2001. Andrew Hirshman of Oak Park and Cinda Klickna of Rochester were elected by active TRS members to the System’s Board of Trustees. Mr. Hirshman will replace Trustee Leggett who is retiring from the Board this year after 16 years of service to TRS and its members. Trustee Klickna has served on the Board since 2003. Results of the election are on file.

In addition, Daniel Winter of Decatur will fill a seat on the Board selected by retired members. Mr. Winter was the only annuitant candidate that filed the necessary petitions of member signatures, and he will replace Trustee O’Neill who is retiring from the Board this year after 16 years of service to TRS and its members. On a motion by Cynthia O’Neill, seconded by Sharon Leggett, it was resolved:

To affirm Cinda Klickna and Andrew Hirshman as active elected member trustees, and Daniel Winter as elected annuitant trustee effective July 15, 2015-July 14, 2019.

The motion passed with a unanimous voice vote.

Oath of Office

Dr. Tony Smith, Cinda Klickna, and Daniel Winter cited the TRS Trustee Oath of Office. Each Oath is on file at the Secretary of State Index Department in Springfield. Andrew Hirshman will take the Oath of Office at the Board’s June meeting.

CEM Benchmarking

Rogier Slingerland, Principal at CEM, presented the pension administration benchmarking results using fiscal year 2014 data. Documentation is on file.

The results measure cost and quality of service and focus on all aspects of the administrative side of TRS and how they combine to serve members. The FY 14 results show TRS's total pension administration cost lower than its peers, and the service score below peer median. During FY 15, TRS has made significant improvements in its call center that will help shift to the higher service category.

RECESS

The meeting recessed at 10:00 a.m. and reconvened at 10:08 a.m.

FY 2016 Budget and Contracts > \$50,000

Director Ingram provided a brief overview of the FY 16 budget initiatives and contracts over \$50,000. Documentation is on file. The proposed budget is \$30.0 million, representing an approximate 0.45% increase over the FY 15 budget. On a motion by Bob Lyons, seconded by Cynthia O'Neill, it was resolved:

To approve the FY 16 administrative budget and listing of contracts over \$50,000, as presented.

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

Microsoft Software Licensing Agreement

Staff was notified by Microsoft that the TRS it no longer qualified for Educational pricing and must upgrade to a new licensing model. Staff requested funding to upgrade to the Microsoft Enterprise Agreement under the State of Illinois Master Contract. This bring TRS into full compliance with Microsoft. On a motion by Mike Busby, seconded by Bob Lyons, it was resolved:

To fund \$297,143.50 to upgrade to the Microsoft Enterprise Agreement under the State of Illinois Master Agreement.

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

FY 2016 Meeting Calendar

The Board Bylaws, Article III, Section 1 requires regular meetings of the Board shall be scheduled at the beginning of each fiscal year. The meeting calendar is located on the TRS website: trs.illinois.gov—*About TRS/trustees/meetings*. On a motion by Cinda Klickna, seconded by Sharon Leggett, and by unanimous voice vote, the following meeting dates were approved:

The FY 16 calendar of TRS Committee/Board meetings:

August 12-14, 2015	February 17-19, 2016
October 28-30, 2015	March 29-30, 2016
December 9-11, 2015	May 18-20, 2016
	June 23-24, 2016 (tentative)

Financial Statement and Administrative Expenses

The financial statement and administrative expenses for the quarter ended March 31, 2015 were sent to the trustees for review. The reports are on file. On a motion by Cynthia O’Neill, seconded by Mike Busby, it was resolved:

To approve the administrative expenses for the quarter ended March 31, 2015, as presented.

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

Miscellaneous Reports

The following reports are on file.

- Member Services Statistical Report for the period January through April 30, 2015
- EEOC Report for the quarter ending March 31, 2015

TRAVEL

Annual Travel

Pursuant to Public Act 96-0006, the Board must vote annually to authorize trustees to travel within the State of Illinois to attend TRS Board and committee meetings, TRS-related functions, and educational missions related to TRS business. On a motion by Cinda Klickna, seconded by Mark Bailey, it was resolved:

To authorize TRS trustees to travel within the State of Illinois during FY 16 to attend TRS Board meetings, stakeholder group meetings, or any other meeting or event related to TRS duties and responsibilities, and that all out-of-state TRS trustee travel must be approved in advance by Board vote.

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

NCTR

In accordance to Board Bylaws, Article II, Section I, trustee travel outside the State of Illinois or the United States must be approved by the Board in advance. On a motion by Bob Lyons, seconded by Sharon Leggett, it was resolved:

To approve travel for up to six trustees to attend the NCTR annual convention to be held in LaJolla, CA, October 10-14, 2015.

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

EXECUTIVE SESSION

A motion was made by Cinda Klickna, seconded by Cynthia O’Neill, that the Board enter into executive session for the purpose of discussing the compensation of specific employees, probable or imminent litigation; 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) (1), 5 ILCS 120/2(c) (11) and 5 ILCS 120/2(c) (21). Roll call resulted in affirmative voice votes from Trustees Bailey, Busby, Klickna, Lyons, O’Neill, Leggett, and Smith. Motion CARRIED.

No action was taken during executive session. A motion was made by Bob Lyons, seconded by Mark Bailey, that the Board come out of executive session. Roll call resulted in affirmative voice votes from Trustees Bailey, Busby, Klickna, Lyons, O’Neill, Leggett, and Smith. Motion CARRIED.

Personnel – Chief Investment Officer

On a motion by Cinda Klickna, seconded by Sharon Leggett, it was resolved:

To renew the Chief Investment Officer’s deferred compensation agreement for a three year term effective July 1, 2015.

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

APPROVAL OF EXECUTIVE SESSION MINUTES

The February 19, 2015 executive session meeting minutes of the Board was sent to the trustees for prior review. On a motion by Mark Bailey, seconded by Bob Lyons, and by unanimous voice vote, the minutes were approved as printed.

TRUSTEE RECOGNITION

Trustees Leggett, O’Neill, Campbell and Koch provided many years of distinguished service to the members, annuitants, employers and beneficiaries of the System. A dinner reception was held on May 21 to recognize their accomplishments and contributions throughout the years and to present them with plaques affirming the following resolutions.

Sharon Leggett

WHEREAS, Sharon Leggett served with distinction as an elected trustee of the Teachers’ Retirement System of the State of Illinois between 1999 and 2015; and

WHEREAS, throughout her 34-year career in public education, Trustee Leggett was a respected colleague, as well as a valued teacher to the students and families of Evanston Community Consolidated School District 65 and Chicago Public Schools; and

WHEREAS, Trustee Leggett served as a member of the Illinois Education Association Board of Directors between 1994 and 2001, and in various other leadership capacities for the IEA; and

WHEREAS, Trustee Leggett provided strong, principled and effective leadership for TRS members throughout her tenure with the System as vice president of the Board, chair of the Rules and Personnel Committee and as a member of the Investment, Audit and Claims Hearing Committees; and

WHEREAS, Trustee Leggett always set the highest standards of professionalism, judgement and principled commitment, mixed with grace, comradery and good humor, to all she served as a member of the Board of Trustees; now therefore be it

RESOLVED, that her fellow trustees and staff at the Teachers' Retirement System recognize and sincerely thank Trustee Sharon Leggett for her 16 years of distinguished service to the members, annuitants, employers and beneficiaries of this System; and that we express our gratitude and best wishes to her in retirement; and be it further

RESOLVED, that a suitable copy of this resolution be presented to our valued friend and colleague and printed in the official minutes of the Board of Trustees for May 22, 2015.

Cynthia O'Neill

WHEREAS, Cynthia O'Neill served with distinction as an elected trustee of the Teachers' Retirement System of the State of Illinois between 1999 and 2015; and

WHEREAS, throughout her 21-year career in public education, Trustee O'Neill was a respected colleague, as well as a valued language arts teacher to the students and families of Carlyle Unit District 1; and

WHEREAS, Trustee O'Neill also served as the legislative chair for the Illinois Retired Teachers Association, as the IRTA's official observer of TRS meetings and holds the distinction of being the first woman elected to the Clinton County Board of Commissioners, serving as Finance Committee chair for eight years; and

WHEREAS, Trustee O'Neill provided strong, principled and effective leadership for TRS members throughout her tenure with the System as chair of the Investment Committee and as a member of the Audit and Claims Hearing committees; and

WHEREAS, Trustee O'Neill always set the highest standards of professionalism, judgement and principled commitment, mixed with grace, comradery and good humor, to all she served as a member of the Board of Trustees; now therefore be it

RESOLVED, that her fellow trustees and staff at the Teachers' Retirement System recognize and sincerely thank Trustee Cynthia O'Neill for her 16 years of distinguished service to the members, annuitants, employers and beneficiaries of this System; and that we express our gratitude and best wishes to her in retirement; and be it further

RESOLVED, that a suitable copy of this resolution be presented to our valued friend and colleague and printed in the official minutes of the Board of Trustees for May 22, 2015.

Marcia Campbell

WHEREAS, Marcia K. Campbell served with distinction as an appointed trustee of the Teachers' Retirement System of the State of Illinois between 2007 and 2015; and

WHEREAS, during a 25-year career as an accounting specialist at Southwestern Illinois College, Trustee Campbell has been a respected colleague and leader who has enhanced the lives of teachers and support staff in schools, community colleges and universities throughout the state; and

WHEREAS, Trustee Campbell was elected, in 2010, as secretary-treasurer of the Illinois Federation of Teachers, and has served in numerous leadership positions at the state level, including the Executive Committee of the IFT Executive Board; and at the local level as president of the Southwestern Illinois Federation of Teachers Local 6600 and as president of the Southwest Area Labor Council; and

WHEREAS, Trustee Campbell provided strong, principled and effective leadership for TRS members throughout her tenure with the System as chair of the Legislative Committee and as a member of the Investment, Audit and Claims Hearing Committees; and

WHEREAS, Trustee Campbell always set the highest standards of professionalism, judgement and principled commitment, mixed with grace, comradery and good humor, to all she served as a member of the Board of Trustees; now therefore be it

RESOLVED, that her fellow trustees and staff at the Teachers' Retirement System recognize and sincerely thank Trustee Campbell for her eight years of distinguished service to the members, annuitants, employers and beneficiaries of this System; and that we express our gratitude and best wishes to her in the future; and be it further

RESOLVED, that a suitable copy of this resolution be presented to our valued friend and colleague and printed in the official minutes of the Board of Trustees for May 22, 2015.

Dr. Christopher Koch

WHEREAS, When Dr. Christopher A. Koch was named State Superintendent of Education in 2006 by the Illinois State Board of Education, by a twist of fate (and state law) he became President of the Board of Trustees of the Teachers' Retirement System of the State of Illinois; and

WHEREAS, Dr. Koch throughout his career unselfishly dedicated himself to the betterment of public education in Illinois and the United States, being an advocate for the needs of students and educators alike; and

WHEREAS, Dr. Koch served for many years as a classroom special education teacher throughout the country, assisting both vulnerable and forgotten students

in difficult situations as well as those on a faster track for greater achievements;
and

WHEREAS, Dr. Koch's long and distinguished career in public education leadership included important roles since 1994 with the Illinois State Board of Education and with the United States Department of Education's Office of Vocational and Adult Education; and

WHEREAS, Dr. Koch discharged his responsibilities as President of the TRS Board with an insightful perspective on the needs of members, the System and all stakeholders; fairness to all; principled judgement; and appropriate gravitas laced with good humor; now, therefore be it

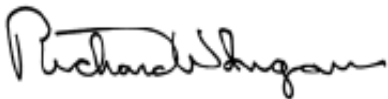
RESOLVED, that the Teachers' Retirement System of the State of Illinois expresses its appreciation to Dr. Christopher Koch for his significant contributions to Illinois public education, the retirement security of Illinois educators, and the administration of TRS; and be it further

RESOLVED, that we extend our sincerest best wishes for the continuation of his distinguished life and career in public education; and be it further

RESOLVED, that a suitable copy of this resolution be presented to our valued friend and colleague and printed in the official minutes of the Board of Trustees for May 22, 2015.

ADJOURNMENT

There being no further business to be brought before the Board, on a motion by Sharon Leggett, seconded by Cynthia O'Neill, and by unanimous voice vote, the meeting adjourned at 11:10 a.m.



Richard W. Ingram, Executive Director

Approved: 6/25/15