



## Teachers' Retirement System of the State of Illinois

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# News

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### TRS ENHANCES ON-GOING INVESTMENT DIVERSITY PROGRAMS

SPRINGFIELD, IL – Teachers' Retirement System trustees have approved a plan designed to expand the System's long-standing commitment to encouraging and actively developing diversity in its investment program.

During fiscal year 2014, new investments made by the System with minority and women-owned firms total more than \$1 billion. The new three-step plan follows the latest TRS report on the use of minority and women-owned investment brokers and money managers. The report showed that the System's investment program has met or exceeded most of the diversity goals set by TRS.

"We are very proud of our commitment to providing opportunities for investment firms owned by minorities and women," said TRS Executive Director Dick Ingram. "We're not satisfied with achieving our current goals. TRS will continue to strengthen our efforts in encouraging and developing minority firms in the administration of the System's assets. Increasing minority participation will always be a top priority for TRS."

Under this enhancement of the diversity program, TRS will:

- Increase the assets committed to the System's Emerging Manager Program from the current \$500 million to \$750 million. This program is designed to help grow and develop newer investment managers that have made their services available in the market. Many of these companies are minority and women-owned firms. An increase in the standing commitment to the program will allow greater flexibility in selecting and encouraging these emerging managers across all asset classes.
- Expand the System's criteria for its "Watch List" of investment managers to include companies that do not demonstrate the necessary commitment to helping TRS meet its goals for the participation of minority and women-owned brokers. The System's "Watch List" is made up of firms that receive an extra level of scrutiny from TRS because they are failing to meet performance standards set by the System.
- Establish a new subcommittee of the Board of Trustee's Investment Committee that will provide regular oversight of the System's efforts to encourage and broaden diversity in the investment program.

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Through March 31, 2014 – three-quarters of the state’s fiscal year – TRS has met or exceeded three of the four primary criteria that measure diversity in the investment program.

TRS exceeds its goals for total commissions earned by minority and women-owned brokerage firms for administering trades on behalf of the System in the United States and foreign stock markets. Total commissions to minority and women owned brokers are 32.2 percent higher than the goal for U.S. stocks and 17.5 percent higher than the goal set for international stocks. All told, the 34 minority and women-owned firms earned 19.2 percent of the total commissions earned by all TRS-hired brokers.

In the global bond market, 15.1 percent of the total \$9.9 billion invested by the System is transacted by minority or women-owned brokers. The current TRS goal for minority participation in the global bond market is 15 percent.

TRS had hired 24 minority or women-owned investment managers as of March 31 and those managers administered \$6.14 billion in assets, or 14.2 percent of the System’s total \$43.58 billion in assets. The TRS goal for assets under the management of minority or women-owned companies is 15 percent.

During its regularly-scheduled May meeting, the trustees approved \$565 million in new commitments to minority or women-owned investment firms, bringing the System’s total investments to minority and women-owned companies during fiscal year 2014 to \$1.025 billion. These new investments were:

- A \$300 million commitment to **Garcia Hamilton & Associates, of Houston, Texas**, to manage a short-duration residual cash strategy. Garcia Hamilton currently administers \$60.8 million in TRS assets within the \$7.4 billion Fixed Income portfolio.
- A \$40 million commitment within the Fixed Income portfolio to **Vista Equity Partners, of San Francisco, California**. Vista currently administers \$127.1 million in TRS assets.
- An initial commitment of \$125 million within the Absolute Return portfolio to **Varadero Capital, of New York, New York**.

In other action during its regularly-scheduled May meeting, the trustees:

- Approved the issuance of a “Request for Proposals” for a company to advise and consult with TRS on the investment of its \$5.4 billion Real Estate portfolio. The current consultant, **Callan Associates, of San Francisco, California**, was hired in 2009. State law requires that investment consultant contracts be re-bid at a minimum of every five years. The current contract expires in December.
- Approved an extension of the System’s current Master Trust Agreement with **State Street Bank and Trust Company of Boston, Massachusetts**. The current five-year agreement is set to expire on June 30, 2014. TRS is engaged with State Street in a number of enhancements to the investment system and TRS is seeking to complete these enhancements prior to a full review of the current master trust agreement.

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- Approved a \$300 million commitment from the System’s Real Estate portfolio to **Starwood Capital Group of Greenwich, Connecticut** for real estate investment opportunities. Starwood currently manages \$135.9 million in TRS assets.
- Approved a \$250 million commitment from the System’s Fixed Income portfolio to **Prudential Investment Management, of Newark, New Jersey**. Prudential currently administers \$438.5 million in TRS assets.
- Approved a \$100 million commitment to **Carlyle Group, of Washington, D.C.**, from the System’s Real Estate portfolio for a series of investments. Carlyle currently administers \$394.6 million in TRS assets.
- Approved a commitment of up to \$75 million to **Black River Asset Management of Minnetonka, Minnesota**, within the System’s \$4.6 billion Private Equity portfolio. Black River currently administers \$150 million in TRS assets.
- Approved a commitment of up to \$50 million to **JMI Equity, of San Diego, California**, from the Private Equity portfolio. JMI Equity currently administers \$13.6 million in TRS assets.
- Approved a commitment of up to \$20 million to **Shasta Ventures Management, of Menlo Park, California**, from the Private Equity portfolio. Shasta currently administers \$28.2 million in TRS assets.
- Approved an initial commitment of up to \$200 million within the Absolute Return portfolio to **Alphadyne Asset Management, of New York, New York**.
- Approved changes to the TRS Watch List:
  - Added the international small-cap growth strategy of **American Century Investments, of Kansas City, Missouri**, to the Watch List. American Century currently administers \$299 million of TRS international equity assets.
  - Added the international small-and-mid-cap growth strategy of **Cortina Asset Management, of Milwaukee, Wisconsin**, to the Watch List. Cortina currently administers \$151 million of TRS domestic equity assets.
- As approved by the TRS Board, the current Watch List is composed of:
  - **American Century Investments, of Kansas City, Missouri**, which manages \$299 million of TRS international equity assets.
  - **Cortina Asset Management, of Milwaukee, Wisconsin**, which currently manages \$151 million of TRS domestic equity assets.
  - **Levin Capital Management of New York, New York**, which manages \$496 million in the Domestic Equity portfolio.
  - The Global Multi-Asset Strategy of **Pacific Investment Management Company of Newport Beach, California**, which manages \$505.7 million in the System’s \$4 billion Real Return portfolio.

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### **About Teachers’ Retirement System**

The Teachers’ Retirement System of the State of Illinois is the 39<sup>th</sup> largest pension system in the United States, and provides retirement, disability and survivor benefits to teachers, administrators and other public school personnel employed outside of Chicago. The System serves 390,000 members and had assets of \$43.59 billion as of March 31, 2014.