



Teachers' Retirement System of the State of Illinois

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Richard W. Ingram, Executive Director

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MINUTES Board of Trustees February 24, 2011

The regular meeting of the Board of Trustees of the Illinois Teachers' Retirement System was held on February 24, 2011 at the Springfield office, 2815 West Washington Street. Molly Phalen, Vice President, called the meeting to order at 4:27 p.m. A quorum was present.

Roll Call attendance was taken with the following trustees present: Marcia Boone, Jan Cleveland, Cinda Klickna, Bob Lyons, Sid Marder, Cynthia O'Neill, Janice Reedus, Sonia Walwyn, and Molly Phalen. Absent: Mike Busby, Livia Kiser, Sharon Leggett, and Chris Koch, President.

Staff present: Dick Ingram, Executive Director; Stan Rupnik, CIO; Greg Turk, Director of Investments; Deron Bertolo, Director of Investment Operations; Scottie Beville, Sr. Investment Officer; Kent Custer, Sr. Investment Officer; Kenyatta Matheny, Investment Officer; Tim Hays, Sr. Investment Officer; Chuck Handy, Investment Officer; Bob Jiroutek, Sr. Investment Analyst; Bill Thomas, Sr. Investment Analyst; Jerry Quandt, Sr. Investment Analyst; Dakin Sanert, Investment Analyst; Tom Gray, General Counsel; Sally Sherman, Director of Member Services; Jana Bergschneider, Director of Administration; Stacy Smith, Director of Internal Audit; Tassi Maton, Internal Auditor; Dave Urbanek, Public Information Officer; Sue Billington, Executive Assistant; Tammy Green, Asst. to the Exec. Director; Pat O'Hara, Cavanagh & O'Hara (Fiduciary Counsel); and Becky Gratsinger, Marcia Beard, RV Kuhns (Investment Consultant).

Visitors present: Jack Tucker, IEA-R; Don Davis, IRTA; Dennis Murfin, IRTA; Shirley Dodds, IRTA; Phil Robbins, IRTA; Angela Myers, Loop Capital Markets; and Christine Williamson, Pensions & Investments.

Administrative Rules

Tom Gray, General Counsel, presented an amendment to TRS Rule 1650.511, Separation from Service, to better explain to employers and annuitants what would cause an annuitant to fail to "separate from service", therefore, not be eligible to receive a TRS retirement annuity. Documentation is on file.

In addition, staff recommended repealing TRS Rule 1650.550, Presumption of Death, since it is superseded by TRS Rule 1650.520, Suspension of Benefits, and the Internal Revenue Code's age 70½ mandatory distribution requirement.

Documentation is on file. On a motion by Bob Lyons, seconded by Marcia Boone, it was resolved:

To approve revisions to TRS Rule 1650.511, Separation from Service and to repeal TRS Rule 1650.550, Presumption of Death.

Roll call resulted in affirmative voice votes from Trustees Boone, Cleveland, Klickna, Lyons, Marder, O'Neill, Reedus, Walwyn, and Phalen. Motion CARRIED.

Approval of Minutes

Drafts of the following minutes were sent to the trustees for prior review. On a motion by Bob Lyons, seconded by Marcia Boone, and by unanimous voice vote, the minutes were approved as printed.

- November 15, 2010 Emergency Meeting of the Board of Trustees
- December 8-9, 2010 Regular Meeting of the Board of Trustees
- January 5, 2011 Special Meeting of the Board of Trustees

INVESTMENT COMMITTEE REPORT – *Cynthia O'Neill, Chair*

Watch List 12/31/10

On a motion by Jan Cleveland, seconded by Cinda Klickna, it was resolved:

To accept the December 31, 2010 watch list, as presented.

Roll call resulted in affirmative voice votes from Trustees Boone, Cleveland, Klickna, Lyons, Marder, O'Neill, Reedus, Walwyn, and Phalen. Motion CARRIED.

International Equity

On a motion by Marcia Boone, seconded by Janice Reedus, it was resolved:

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

- Change the large cap core composite's benchmark from the MSCI EAFE Index to the MSCI World Ex-US Index.
- Change Trilogy's benchmark back to the standard EAFE Growth Index without the IMI extension.

- Change the growth composite's benchmark to the MSCI ACWI Ex-US Growth Index from the MSCI ACWI Ex-US Growth IMI.
- Change DFA's benchmark from the MSCI EAFE Small Cap Value Index to the MSCI World Ex-US Small Cap Value Index.
- Change the Putnam International Small Cap benchmark from the ACWI Ex-US small cap to the S&P Small Cap Ex-US Developed Index.

Roll call resulted in affirmative voice votes from Trustees Boone, Cleveland, Klickna, Lyons, Marder, O'Neill, Reedus, Walwyn, and Phalen. Motion CARRIED.

Fixed Income

On a motion by Sonia Walwyn, seconded by Marcia Boone, it was resolved:

To approve the following recommendations within the fixed income asset class, as presented.

- Revise the existing PIMCO fixed income mandate to a structure tactically utilizing the Total Return portfolio, the Unconstrained Bond portfolio, and the Global Advantage Bond Strategy Fund. The revision would apply to the PIMCO mandates in the main TRS trust fund only.
- Revise the Loomis Sayles existing GMSFD mandate to allow for a maximum of 25% of the mandate be invested in the firm's Absolute Return Strategies Fund. Main TRS trust fund only.
- Initiate a search for a fixed income core plus manager.

Roll call resulted in affirmative voice votes from Trustees Boone, Cleveland, Klickna, Lyons, Marder, O'Neill, Reedus, Walwyn, and Phalen. Motion CARRIED.

General Obligation Bond Proceeds

On a motion by Janice Reedus, seconded by Jan Cleveland, it was resolved:

To approve the general obligation bond proceeds, as presented. Further, to allow the withdrawal of these funds through August 2011, as necessary to meet cash flow requirements, based on staff discretion and subject to Investment Chair approval.

Roll call resulted in affirmative voice votes from Trustees Boone, Cleveland, Klickna, Lyons, Marder, O'Neill, Reedus, Walwyn, and Phalen. Motion CARRIED.

Herndon Capital Management

On a motion by Cinda Klickna, seconded by Jan Cleveland, it was resolved:

To invest \$25 million in Herndon Capital Management's domestic equity large cap value strategy w/in the Emerging Manager Program. Source of funds to be the Rhumblin S&P 500 index fund dedicated to the EMP.

Roll call resulted in affirmative voice votes from Trustees Boone, Cleveland, Klickna, Lyons, Marder, O'Neill, Reedus, Walwyn, and Phalen. Motion CARRIED.

Strategic Global Advisors

On a motion by Sid Marder, seconded by Sonia Walwyn, it was resolved:

To invest \$25 million in Strategic Global Advisors' international equity all cap strategy within the Emerging Managers Program. Source of funds to be the Rhumblin S&P 500 index fund dedicated to the EMP.

Roll call resulted in affirmative voice votes from Trustees Boone, Cleveland, Klickna, Lyons, Marder, O'Neill, Reedus, Walwyn, and Phalen. Motion CARRIED.

Oaktree European Principal Fund III, L.P.

On a motion by Marcia Boone, seconded by Cinda Klickna, it was resolved:

To invest €50 million to Oaktree European Principal Fund III, L.P. within the main TRS trust fund. Source of funds to 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 Boone, Cleveland, Klickna, Lyons, Marder, O'Neill, Reedus, Walwyn, and Phalen. Motion CARRIED.

Sofinnova Venture Partners VIII, L.P.

On a motion by Jan Cleveland, seconded by Sid Marder, it was resolved:

To commit up to \$30 million to Sofinnova Venture Partners VIII, L.P. within the main TRS trust fund. 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 Boone, Cleveland, Klickna, Lyons, Marder, O'Neill, Reedus, Walwyn, and Phalen. Motion CARRIED.

BlueMountain Credit Alternatives Fund, L.P.

On a motion by Jan Cleveland, seconded by Sonia Walwyn, it was resolved:

To commit \$50 million to BlueMountain Credit Alternatives Fund, L.P. within the main TRS trust fund subject to completion of legal review and contract execution. Source of funds will be existing TRS cash, or index or overweight active mandates within the domestic equity asset class.

Roll call resulted in affirmative voice votes from Trustees Boone, Cleveland, Klickna, Lyons, Marder, O'Neill, Reedus, Walwyn, and Phalen. Motion CARRIED.

Claren Road Master Credit Fund, L.P.

On a motion by Marcia Boone, seconded by Janice Reedus, it was resolved:

To commit \$50 million to Claren Road Master Credit Fund, L.P. within the absolute return asset class of the main TRS trust fund subject to completion of legal review and contract execution. Source of funds will be existing TRS cash, or index or overweight active mandates within the domestic equity asset class.

Roll call resulted in affirmative voice votes from Trustees Boone, Cleveland, Klickna, Lyons, O'Neill, Reedus, Walwyn, and Phalen. Trustee Marder abstained from voting. Motion CARRIED.

LEGISLATIVE COMMITTEE – Jan Cleveland, Chair

Legislation

On a motion by Marcia Boone, seconded by Cynthia O’Neill, it was resolved:

The Teachers’ Retirement System Board of Trustees takes the following positions on legislation that has been introduced into the 97th General Assembly.

<u>Legislation</u>	<u>Description</u>	<u>TRS Position</u>
HB 145	Pension systems divest from IRAN	Oppose
HB 2941	TRS administrative language from IRS	Support

Roll call resulted in affirmative voice votes from Trustees Boone, Cleveland, Klickna, Lyons, Marder, O’Neill, Reedus, Walwyn, and Phalen. Motion CARRIED.

EXECUTIVE DIRECTOR’S REPORT

Financial Statement and Administrative Expenses

The financial statement and administrative expenses for the quarter ended December 31, 2010 were sent to the trustees for review. The reports are on file. On a motion by Cinda Klickna, seconded by Cynthia O’Neill, it was resolved:

To approve the administrative expenses for the quarter ended December 31, 2010 as presented.

Roll call resulted in affirmative voice votes from Trustees Boone, Cleveland, Klickna, Lyons, Marder, O’Neill, Reedus, Walwyn, and Phalen. Motion CARRIED.

April Board Retreat

Director Ingram stated he will send an outline of the board retreat to trustees. The retreat will be held at the TRS Springfield office April 6-8, 2011.

Member Services Report

The following reports are on file:

- Member Services Statistical Report for the period ending December 31, 2010
- Employer Services Report for the period July 12, 2010 through January 14, 2011
- EEOC Report for the quarter ending December 31, 2010

EXECUTIVE SESSION

A motion was made by Jan Cleveland, seconded by Cynthia O'Neill, that the Board enter into executive session for the purpose of discussing the appointment, employment, compensation, discipline, performance, or dismissal of specific employees of the public body; investments; 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) (7), 5 ILCS 120/2(c) (11) and 5 ILCS 120/2(c) (21). Roll call resulted in affirmative voice votes from Trustees Boone, Cleveland, Klickna, Lyons, Marder, O'Neill, Reedus, Walwyn, and Phalen. Motion CARRIED.

No action was taken during executive session. A motion was made by Marcia Boone, seconded by Jan Cleveland, that the Board come out of executive session. Roll call resulted in affirmative voice votes from Trustees Boone, Cleveland, Klickna, Lyons, Marder, O'Neill, Reedus, and Phalen. Motion CARRIED.

APPROVAL OF EXECUTIVE SESSION MINUTES

The following executive session minutes were sent to the trustees for prior review.

- December 8, 2010 Board of Trustees
- December 9, 2010 Board of Trustees
- January 5, 2011 Board of Trustees Special Meeting

On a motion by Cynthia O'Neill, seconded by Marcia Boone, it was resolved to approve the above executive session minutes as printed. Roll call resulted in affirmative voice votes from Trustees Boone, Cleveland, Klickna, Lyons, Marder, O'Neill, Reedus, and Phalen. Motion CARRIED.

ADJOURNMENT

On a motion by Molly Phalen, seconded by Marcia Boone, the meeting adjourned at 5:03 p.m.

Richard W. Ingram, Executive Director

Approved _____