



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 May 19, 2011

The regular meeting of the Board of Trustees of the Illinois Teachers' Retirement System was held on May 19, 2011 at the Springfield office of the Illinois Teachers' Retirement System, 2815 West Washington Street. Molly Phalen, Vice President, called the meeting to order at 3:25 p.m. A quorum was present.

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

Others present: Dick Ingram, Executive Director; Stan Rupnik, Chief Investment Officer; Greg Turk, Director of Investments; Cynthia Fain, Sr. Assistant General Counsel; Jana Bergschneider, Director of Administration; Kathleen Farney, Director of Research; Sally Sherman, Director of Member Services; Rich Frankenfeld, Director of Outreach; Gina Larkin, Director of Human Resources; Stacy Smith, Director of Internal Audit; Tassi Maton, Sr. Internal Auditor; Christine Baker, Internal Auditor; Dave Urbanek, Public Information Officer; Tammy Green, Assistant to the Executive Director; Sue Billington, Executive Assistant; Becky Gratsinger, RV Kuhns (Investment Consultant); John Long, Cavanagh & O'Hara (Fiduciary Counsel); Larry Langer and Caroline Potter, Buck Consultants (Actuary); and Avery Robinson, Callan Associates (Real Estate Consultant).

Visitors present: Angela Myers, Loop Capital; Christine Williamson, Pensions & Investments; Shirley Dodds, IRTA Rep.; Dennis Murfin, IRTA Rep.; and Don Davis, IRTA Rep.

APPROVAL OF MINUTES

Drafts of minutes from the January 28 special meeting of the Board of Trustees, February 24 and April 6-8, 2011 regular meetings of the Board of Trustees were sent to the trustees for prior review. On a motion by Cinda Klickna, seconded by Marcia Boone, and by unanimous voice vote, the minutes were approved as printed.

Investment Return Assumption

Representatives of Buck Consultants provided an educational presentation on the process for reviewing the current 8.5% investment return assumption and its components, the inflation and real return assumptions. Buck also reviewed RV Kuhns' projected returns under the asset allocation plan recently adopted by the board. Buck is beginning the five-year actuarial experience review and will present results to the board during the first half of calendar 2012. A presentation book is on file.

INVESTMENT COMMITTEE REPORT–*Mike Busby, Vice Chair*

POB Debt Service

On a motion by Marcia Boone, seconded by Sharon Leggett, it was resolved:

To transfer \$349.2 million from the POB passive index funds, enhanced index funds, and/or public markets active IMAs that may be overweight to the main TRS trust fund account, at the discretion of the Chief Investment Officer. The full amount of the transfer will be completed within FY 2012.

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

Watch List 3/31/11

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

To accept the 3/31/11 watch list, as presented.

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

Mazama - Termination

On a motion by Marcia Boone, seconded by Jan Cleveland, it was resolved:

To ratify the termination of Mazama's small cap growth (1.5% target) and SMID cap growth (1% target) mandates. Proceeds will be

transitioned to a temporary passive account optimized to the Russell 2500 Growth index with target 1% tracking error.

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

Fixed Income

On a motion by Sid Marder, seconded by Sharon Leggett, it was resolved:

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

*allow staff to execute the Consent to Assignment document acknowledging the sale of TCH's former parent company, Marshall and Ilsley Corp. to Bank of Montreal Financial Group.

*decrease the long-term targets for Prudential by 2%, GSAM by 2%, and PIMCO by 1%, as presented.

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

Fixed Income - Hartford Investment Management Company

On a motion by Cinda Klickna, seconded by Bob Lyons, it was resolved:

To ratify the selection of Hartford Investment Management Company for a 5% TIPS target within fixed income.

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

AUDIT COMMITTEE REPORT-*Janice Reedus, Chair*

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

To approve the revised FY 11 Internal Audit Plan and the FY 2012 and 2013 Internal Audit Plan, as presented.

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

RULES & PERSONNEL COMMITTEE-*Sharon Leggett, Chair*

The Rules & Personnel Committee recommended to the Board the following committee slates effective July 15, 2011.

Vice President: Molly Phalen

Investment: Cynthia O’Neill, Chair; Mike Busby, Vice Chair

Legislative: Jan Cleveland, Chair; Cinda Klickna, Vice Chair; Marcia Boone, Bob Lyons, Sid Marder

Rules & Personnel: Sharon Leggett, Chair; Molly Phalen, Vice Chair; Mike Busby, Marcia Boone, Janice Reedus

Claims Hearing: Cynthia O’Neill, Chair; Jan Cleveland, Vice Chair; Sonia Walwyn, Sid Marder-alternate

Audit Committee: Janice Reedus, Chair; Bob Lyons, Vice Chair; Cinda Klickna, Mike Busby, Cynthia O’Neill

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

To approve FY 2012 standing committees, as presented.

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

NEW BUSINESS

2011-2012 Meeting Calendar

The meeting calendar is located on the TRS Web site: trs.illinois.gov--board of trustees, calendar. On a motion by Mike Busby, seconded by Bob Lyons, it was resolved:

To approve the FY 2012 Investment Committee/Board meeting calendar: August 3-4, 2011; October 26-28, 2011; December 12-13, 2011; February 8-10, 2012; March 28-30, 2012; May 23-25, 2012; June 21-22, 2012. The meetings

will be held in Springfield. Dates for the Stakeholder and Opportunity Forums will be determined at a later time.

The motion passed by a unanimous voice vote.

FY 2012 Budget and Contracts > \$50,000

The proposed FY 2012 budget and contracts over \$50,000 were sent to the trustees for their review prior to the meeting. Documentation is on file. Jana Bergschneider, Director of Administration, provided a brief overview of the budget initiatives. The proposed budget is \$23.4 million, representing a 3% increase over the FY 11 budget. On a motion by Bob Lyons, seconded by Marcia Boone, it was resolved:

To approve the FY 2012 administrative budget and listing of contracts over \$50,000, as presented.

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

EXECUTIVE DIRECTOR'S REPORT

Financial Statement and Administrative Expenses

The financial statement, administrative expenses, and vendor payments > \$50,000 for the quarter ended March 31, 2011 were sent to the trustees for review. The reports are on file. On a motion by Cinda Klickna, seconded by Marcia Boone, it was resolved:

To approve the administrative expenses for the quarter ended March 31, 2011, as presented.

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

Miscellaneous Reports

The following reports are on file.

- Member Services Statistical Report for the period ending April 30, 2011
- EEOC Report for the quarter ending March 31, 2011

BOARD TRAVEL

Annual Travel

Pursuant to Public Act 96-0006, the Board must vote to authorize trustees to travel within the State of Illinois during FY 12. On a motion by Sharon Leggett, seconded by Jan Cleveland, it was resolved:

To authorize TRS trustees to travel within the State of Illinois 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 Boone, Busby, Cleveland, Klickna, Leggett, Lyons, Marder, Reedus, Walwyn, and Phalen. Motion CARRIED.

NCTR

Out-of-state travel 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 four trustees to attend the NCTR annual convention to be held in Baltimore, Maryland, October 9-13, 2011.

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

EXECUTIVE SESSION

A motion was made by Cinda Klickna, seconded by Marcia Boone, that the Board enter into executive session for the purpose of discussing closed meeting minutes as permitted under the following exception set forth in the Open Meetings Act which authorizes the closing of the meeting to the public: 5 ILCS 120/2(c) (21). Roll call resulted in affirmative voice votes from Trustees Boone, Busby, Cleveland, Klickna, Leggett, Lyons, Marder, Reedus, Walwyn, and Phalen. Motion CARRIED.

No action was taken during executive session. A motion was made by Marcia Boone, seconded by Sid Marder, that the Board come out of executive session. Roll call resulted in affirmative voice votes from Trustees Boone, Busby,

Cleveland, Klickna, Leggett, Lyons, Marder, Reedus, Walwyn, and Phalen.
Motion CARRIED.

APPROVAL OF EXECUTIVE SESSION MINUTES

The following drafts of executive session meeting minutes were sent to the trustees for prior review. On a motion by Sharon Leggett, seconded by Mike Busby, it was resolved:

To approve the following executive session minutes, as printed.
February 24, 2011 – Investment Committee
April 8, 2011 – Board

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

ADJOURNMENT

There being no further business to be brought before the Board, on a motion by Jan Cleveland, seconded by Marcia Boone, and by unanimous voice vote, the meeting adjourned upon conclusion of executive session at 5:08 p.m.

Richard W. Ingram, Executive Director

Approved _____