



## Teachers' Retirement System of the State of Illinois

2815 West Washington Street | P.O. Box 19253 | Springfield, Illinois 62794-9253

Richard W. Ingram, Executive Director

<http://trs.illinois.gov>

(800) 877-7896 | for the hearing impaired: (866) 326-0087

### **MINUTES Board of Trustees December 13, 2011**

The regular meeting of the Board of Trustees of the Illinois Teachers' Retirement System was held on December 13, 2011 at the Springfield office, 2815 West Washington Street. Chris Koch, President, called the meeting to order at 11:45 a.m. A quorum was present.

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

Others present: Dick Ingram, Executive Director; Stan Rupnik, Chief Investment Officer; Greg Turk, Director of Investments; Tom Gray, General Counsel; Cynthia Fain, Sr. Assistant General Counsel; Kathleen Farney, Director of Research; Sally Sherman, Director of Member Services; Gina Larkin, Director of Human Resources; Rich Frankenfeld, Director of Outreach; Stacy Smith, Director of Internal Audit; Tassi Maton, Sr. 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); Andrew Bodewes, Legislative Consultant; and Becky Gratsinger, RV Kuhns (Investment Consultant).

Visitors present: Jack Tucker, IEA-Retired, Dennis Murfin, IRTA Rep., Don Davis, IRTA Rep., and Christine Williamson, Pensions & Investments.

#### Approval of Minutes

A draft of the October 28, 2011 minutes of the regular meeting of the Board of Trustees was sent to the trustees for prior review. On a motion by Mike Busby, seconded by Bob Lyons, and by unanimous voice vote, the minutes were approved as printed.

**AUDIT COMMITTEE – *Janice Reedus, Chair***

On a motion by Cynthia O’Neill, seconded by Mike Busby, it was resolved:

To authorize staff to issue a RFP for external real estate audit services.

Roll call resulted in affirmative voice votes from Trustees Busby, Cleveland, Klickna, Leggett, Lyons, O’Neill, Phalen, Reedus, and Koch. Motion CARRIED.

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

Global Equity Asset Class

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

To approve recommendations within the global equity asset classes (domestic equity and international equity), as presented.

Roll call resulted in affirmative voice votes from Trustees Busby, Cleveland, Klickna, Leggett, Lyons, O’Neill, Phalen, Reedus, and Koch. Motion CARRIED.

Gresham / Nuveen Investments

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

To authorize staff to accept the Gresham Consent to Assignment for 60% ownership stake of their firm to Nuveen Investments.

Roll call resulted in affirmative voice votes from Trustees Busby, Cleveland, Klickna, Leggett, Lyons, O’Neill, Phalen, Reedus, and Koch. Motion CARRIED.

Co-Investments

On a motion by Cinda Klickna, seconded by Janice Reedus, it was resolved:

To ratify the Emdeon co-investment with Blackstone Fund VI

Roll call resulted in affirmative voice votes from Trustees Busby, Cleveland, Klickna, Leggett, Lyons, O’Neill, Phalen, Reedus, and Koch. Motion CARRIED.

On a motion by Sharon Leggett, seconded by Jan Cleveland, it was resolved:

To ratify the Summit Midstream co-investment with Energy Capital Partners II.

Roll call resulted in affirmative voice votes from Trustees Busby, Cleveland, Klickna, Leggett, Lyons, O'Neill, Phalen, Reedus, and Koch. Motion CARRIED.

#### Channing Capital Management – Emerging Manager Program

On a motion by Jan Cleveland, seconded by Mike Busby, it was resolved:

To invest \$30 million in Channing Capital Management's domestic equity small cap value strategy within the Emerging Manager Program.

Roll call resulted in affirmative voice votes from Trustees Busby, Cleveland, Klickna, Leggett, Lyons, O'Neill, Phalen, Reedus, and Koch. Motion CARRIED.

#### LM Capital – Emerging Manager Program

On a motion by Molly Phalen, seconded by Janice Reedus, it was resolved:

To reassign LM Capital's existing emerging manager portfolio to the firm's fixed income total return composite. Further, commit an additional \$10 million to LM Capital within this strategy. Source of funds to be the Rhumblin S&P 500 index fund dedicated to the Emerging Manager Program.

Roll call resulted in affirmative voice votes from Trustees Busby, Cleveland, Klickna, Leggett, Lyons, O'Neill, Phalen, Reedus, and Koch. Motion CARRIED.

#### Morgan Creek Capital Management – Private Equity

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

To commit up to \$100 million to Morgan Creek Partners Venture Access Fund I, L.P. Source of funds shall be the 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 Busby, Cleveland, Klickna, Leggett, Lyons, O’Neill, Phalen, Reedus, and Koch. Motion CARRIED.

Rhone Partners – Private Equity

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

To commit up to €50 million to Rhone Partners IV, 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 Busby, Cleveland, Klickna, Leggett, Lyons, O’Neill, Phalen, Reedus, and Koch. Motion CARRIED.

Blackstone Group – Real Estate

On a motion by Jan Cleveland, seconded by Mike Busby, it was resolved:

To commit up to commit up to \$200 million to Blackstone Real Estate Partners VII 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 Busby, Cleveland, Klickna, Leggett, Lyons, O’Neill, Phalen, Reedus, and Koch. Motion CARRIED.

Pine River Capital Management – Absolute Return

On a motion by Sharon Leggett, seconded by Janice Reedus, it was resolved:

To commit up to \$150 million to Pine River Fund within the Grosvenor Monarch Series B, LLC subject to completion of legal review and subscription administration. 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 Busby, Cleveland, Klickna, Leggett, Lyons, O’Neill, Phalen, Reedus, and Koch. Motion CARRIED.

### Mondrian

On a motion by Jan Cleveland, seconded by Molly Phalen, it was resolved:

To adopt a revised fee schedule for Mondrian's international equity mandate, as proposed, effective July 1, 2011.

Roll call resulted in affirmative voice votes from Trustees Busby, Cleveland, Klickna, Leggett, Lyons, O'Neill, Phalen, Reedus, and Koch. Motion CARRIED.

### Co-Investment Advisor - RFP

On a motion by Mike Busby, seconded by Molly Phalen, it was resolved:

To issue an RFP for co-investment advisor services. The search is conducted to identify candidates to add to the existing pool of approve co-investment advisors.

Roll call resulted in affirmative voice votes from Trustees Busby, Cleveland, Klickna, Leggett, Lyons, O'Neill, Phalen, Reedus, and Koch. Motion CARRIED.

## **EXECUTIVE DIRECTOR'S REPORT**

### Open Meetings Act Requirement

Staff notified the trustees that the Open Meetings Act, 5 ILCS 120/1.05, was amended to require members of a public body to complete on-line OMA training administered by the Public Access Counselor of the Attorney General's Office. Current trustees must complete OMA on-line training within one year of the effective date January 1, 2012. New trustees are required to complete the training within 90 days after taking the trustee oath of office. Cynthia Fain, Sr. Assistant General Counsel, serves as the System's OMA Designee. Documentation is on file.

### Attorney General Freedom of Information Act Opinion

Director Ingram distributed a memorandum notifying the trustees of written opinion issued in November by the Public Access Counselor of the Attorney General's Office relating to electronic communications. If a member of a public body sends or receives a message on an electronic device pertaining to business of the public body, the communication becomes a public record and may be subject to disclosure under the Illinois Freedom of Information Act. This applies to a

trustee's privately-owned device as well as a TRS-owned device. Director Ingram suggested that trustees refrain from electronic communications to conduct a conversation during a TRS meeting.

### Strategic Plan

Director Ingram provided an outline of the process and a timeline for an updated strategic plan. Strategic focus includes member services document imaging, legislation, member outreach, and technology. The plan will be effective July 1, 2012. Documentation is on file.

### Financial Statement and Administrative Expenses

The financial statement and administrative expenses for the quarter ended September 30, 2011 was sent to the trustees for review. The reports are on file. On a motion by Cinda Klickna, seconded by Jan Cleveland, it was resolved:

To approve the administrative expenses for the quarter ended September 30, 2011.

Roll call resulted in affirmative voice votes from Trustees Busby, Cleveland, Klickna, Leggett, Lyons, O'Neill, Phalen, Reedus, and Koch. Motion CARRIED.

### Member Services Statistical Report

The Member Services Statistical Report for the period ending October 31, 2011 is on file.

## **EXECUTIVE SESSION**

A motion was made by Cinda Klickna, seconded by Janice Reedus, 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 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) and 5 ILCS 120/2(c) (21). Roll call resulted in affirmative voice votes from Trustees Busby, Cleveland, Klickna, Leggett, Lyons, O'Neill, Phalen, Reedus, and Koch. Motion CARRIED.

No action was taken during executive session. A motion was made by Molly Phalen, seconded by Mike Busby, that the Board come out of executive session.

Roll call resulted in affirmative voice votes from Trustees Busby, Cleveland, Klickna, Leggett, Lyons, O’Neill, Phalen, Reedus, and Koch. Motion CARRIED.

**APPROVAL OF EXECUTIVE SESSION MINUTES**

Drafts of the October 26 and 28, 2011 executive session minutes of the Investment Committee and Board of Trustees were sent to the trustees for prior review. On a motion by Bob Lyons, seconded by Cynthia O’Neill, it was resolved to approve the October executive session minutes, as printed. Roll call resulted in affirmative voice votes from Trustees Busby, Cleveland, Klickna, Leggett, Lyons, O’Neill, Phalen, Reedus, and Koch. Motion CARRIED.

**ADJOURNMENT**

On a motion by Jan Cleveland, seconded by Cinda Klickna, the meeting adjourned at 1:12 p.m.

\_\_\_\_\_  
Richard W. Ingram, Executive Director

Approved \_\_\_\_\_