



## **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

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### **MINUTES Board of Trustees December 5-6, 2013**

The regular meeting of the Board of Trustees of the Illinois Teachers' Retirement System was held on December 5-6, 2013 at the System's Springfield office located at 2815 West Washington Street. Chris Koch, President, called the meeting to order at 4:48 p.m. with a quorum present.

Roll Call attendance was taken with the following trustees present: Mark Bailey, Mike Busby, Marcia Campbell, Rainy Kaplan, Bob Lyons, Enrique Vasquez, Sonia Walwyn, Sharon Leggett and Christopher Koch, President. Absent: Cinda Klickna and Cynthia O'Neill

Others present: Dick Ingram, Executive Director; Tom Gray, General Counsel; Cynthia Fain, Sr. Assistant General Counsel; Stan Rupnik, Chief Investment Officer; Jana Bergschneider, Director of Administration; Kathleen Farney, Director of Research; Gina Larkin, Director of Human Resources; Rich Frankenfeld, Director of Outreach; Stacy Smith, Director of Internal Audit; Tassi Maton, Sr. Internal Auditor; Christina Baker, Internal Auditor; Dave Urbanek, Director of Communications; Tammy Green, Assistant to the Executive Director; Sue Billington, Executive Assistant; and Pat O'Hara, Cavanagh & O'Hara (Fiduciary Counsel).

Visitors present: Gayla Dial, IEA-R/IRTA and Jim Duffy, IEA-R

### **APPROVAL OF MINUTES**

A draft of the October 24-25, 2013 regular board meeting was sent to the trustees for prior review. On a motion by Bob Lyons, seconded by Rainy Kaplan, and by unanimous voice vote, the minutes were approved as printed.

## **EXECUTIVE DIRECTOR'S REPORT-*Dick Ingram***

### **Final FY 2015 Funding Certification**

Director Ingram reported that the System received the preliminary report from the State Actuary who reviewed the actuarial assumptions and valuations prepared by Buck Consultants, the System's actuarial consultant. The state actuary does not recommend any immediate changes in the assumptions that were used to develop the FY 2015 state contribution requirements and strongly recommended that the Board consider reducing the rate of return to 7.5 percent in the 2014 valuation. The current rate of return is 8.0 percent. The state actuary also recommended supplemental disclosures that will be included in a revised actuarial report and submitted with this final funding certification on or before January 15, 2014. The amounts and rates listed below are identical to the preliminary figures adopted by the Board at its October 25, 2013 meeting. On a motion by Bob Lyons, seconded by Marcia Campbell, it was resolved:

To accept the results of the June 30, 2013 actuarial valuation and to adopt final certifications shown on Exhibit A (documentation is on file):

- Based on the current statutory funding plan, an FY 2015 state funding amount of \$3,412,878,000, including \$1,000,000 for minimum retirement benefits;
- Based on generally accepted actuarial standards, an FY 2015 state funding amount of \$4,062,168,000, including \$1,000,000 for minimum benefit reimbursements;
- Based on an amount that would cover the state's share of the employer normal cost and keep the projected unfunded liability from growing during the fiscal year, an FY 2015 amount of \$5,091,537,000, including \$1,000,000 for minimum benefit reimbursements; and
- The FY 2015 total normal cost of 17.42 percent of pay, a rate which includes an employer normal cost of 8.02 percent of pay and an employee contribution rate of 9.40 percent of pay.

Roll call resulted in affirmative voice votes from Trustees Bailey, Busby, Campbell, Kaplan, Lyons, Vasquez, Walwyn, Leggett, and Koch. Motion CARRIED.

### Asset Liability Study

During the Investment Committee meeting, R.V. Kuhns submitted details relating to the completion of an asset/liability study. On a motion by Sonia Walwyn, seconded by Bob Lyons, it was resolved:

To appoint RV Kuhns to complete an Asset/Liability Study at the rate of \$60,000, as described in the Contract for Services approved in February 2013.

Roll call resulted in affirmative voice votes from Trustees Bailey, Busby, Campbell, Kaplan, Lyons, Vasquez, Walwyn, Leggett, and Koch. Motion CARRIED.

### Board Retreat

The trustees received a memorandum from Director Ingram outlining the planning and potential topics for the 2014 annual Board and staff retreat. Documentation is on file. The April 14-15 retreat will be held at the Chicago Marriott in Naperville.

### Communications

Dave Urbanek, Director of Communications, reported the System has entered into an agreement with Meltwater Group, a firm that monitors news media, social media, blogs and website content. The communications department will receive daily reports about any references to TRS that may appear in websites and social media sites. TRS establishes “key words” with Meltwater that are used to filter and identify Internet and social media postings that are of interest to TRS. The software monitors 20,000 news outlets and 300 million blogs.

### JP Morgan Settlement Update

Tom Gray, General Counsel, reported that the System would receive a settlement payment from JP Morgan within the next 15 business days.

## **EXECUTIVE SESSION**

A motion was made by Marcia Campbell, seconded by Rainy Kaplan, that the Board enter into executive session for the purpose of discussing the employment, compensation, discipline, performance, or dismissal of specific employees of the public body; litigation; and 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, Campbell, Kaplan, Lyons, Vasquez, Walwyn, Leggett, and Koch. Motion CARRIED.

## **RECESS**

The board and executive session meetings recessed at 5:40 p.m. and the board reconvened the following day at 8:10 a.m.

## **LEGISLATIVE COMMITTEE REPORT—*Marcia Campbell, Chair***

### Legislative Platform

On a motion by Bob Lyons, seconded by Sonia Walwyn, it was resolved:

To rescind the current legislative platform, dated October 2007, and continue discussions over a new legislative platform.

Roll call resulted in affirmative voice votes from Trustees Bailey, Busby, Campbell, Kaplan, Lyons, Vasquez, Walwyn, Leggett, and Koch. Motion CARRIED.

## **INVESTMENT COMMITTEE REPORT—*Cynthia O'Neill, Chair***

### Domestic Equity

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

To approve the domestic equity target mandate revisions, as presented.

Roll call resulted in affirmative voice votes from Trustees Bailey, Busby, Campbell, Kaplan, Lyons, Vasquez, Leggett, and Koch. Motion CARRIED. (Trustee Walwyn was not present during roll call)

### International Equity

On a motion by Rainy Kaplan, seconded by Mark Bailey, it was resolved:

To approve the international equity target mandate revisions, as presented.

Roll call resulted in affirmative voice votes from Trustees Bailey, Busby, Campbell, Kaplan, Lyons, Vasquez, Leggett, and Koch. Motion CARRIED. (Trustee Walwyn was not present during roll call)

### Emerging Manager Program – Strategic Global Advisors

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

To approve graduation of Strategic Global Advisors' international equity all cap core product from the Emerging Manager Program to a 2.0% mandate within the international equity portfolio. Consistent with policy, the Rhumblin S&P 500 account dedicated to the Emerging Manager Program will be reimbursed for SGA's initial \$50 million investment.

Roll call resulted in affirmative voice votes from Trustees Bailey, Busby, Campbell, Kaplan, Lyons, Vasquez, Walwyn, Leggett, and Koch. Motion CARRIED.

### Starwood Capital Group – Real Estate

On a motion by Enrique Vasquez, seconded by Sonia Walwyn, it was resolved:

To ratify the \$25 million retail mall portfolio co-investment with Starwood Capital Group.

Roll call resulted in affirmative voice votes from Trustees Bailey, Busby, Campbell, Kaplan, Lyons, Vasquez, Walwyn, Leggett, and Koch. Motion CARRIED.

Co-Investments – Private Equity

On a motion by Enrique Vasquez, seconded by Mark Bailey, it was resolved:

To ratify Investment Committee Chair approvals of four private equity co-investments and three secondary sales within the private equity program, as presented.

- Up to \$30 million w/Oaktree Capital Mgmt.
- Up to \$22 million w/Madison Dearborn Partners
- Up to \$50 million w/MBK Partners
- \$20 million w/Riverstone
  
- Sale of \$32.5 million interest in Technology Crossover Ventures VII, L.P.
- Sale of \$72.1 million interest in Thayer Equity Investors V, L.P.
- Sale of \$16.5 million interest in CHS Private Equity V, L.P.

Roll call resulted in affirmative voice votes from Trustees Bailey, Busby, Campbell, Kaplan, Lyons, Vasquez, Walwyn, Leggett, and Koch. Motion CARRIED.

Absolute Return – Termination of K2 Advisors

On a motion by Rainy Kaplan, seconded by Sharon Leggett, it was resolved:

To approve consolidation of fund of funds mandates within the absolute return asset class to Grosvenor Capital Management and terminate the existing relationship with K2 Advisors. Investments within the existing K2 Bluegill A and B accounts will be transferred to Grosvenor Monarch A and B accounts.

Roll call resulted in affirmative voice votes from Trustees Bailey, Busby, Campbell, Kaplan, Lyons, Vasquez, Walwyn, Leggett, and Koch. Motion CARRIED.

Blackstone Real Estate Partners Asia, L.P.

On a motion by Enrique Vasquez, seconded by Bob Lyons, it was resolved:

Commit \$100 million to Blackstone Real Estate Partners Asia, L.P.  
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, Campbell, Kaplan, Lyons, Vasquez, Walwyn, Leggett, and Koch. Motion CARRIED.

Albourne Partners

On a motion by Marcia Campbell, seconded by Enrique Vasquez, it was resolved:

To select Albourne Partners, subject to successful contract negotiations, to provide advisory services to the absolute return program.

Roll call resulted in affirmative voice votes from Trustees Bailey, Busby, Campbell, Kaplan, Lyons, Vasquez, Walwyn, Leggett, and Koch. Motion CARRIED.

Blackrock

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

To select Blackrock, subject to successful contract negotiations, to provide risk management services to the System's investment program.

Roll call resulted in affirmative voice votes from Trustees Bailey, Busby, Campbell, Kaplan, Lyons, Vasquez, Walwyn, Leggett, and Koch. Motion CARRIED.

### Investment Metrics

On a motion by Enrique Vasquez, seconded by Rainy Kaplan, it was resolved:

To select Investment Metrics, LLC, subject to successful contract negotiations, to provide performance measurement and reporting services.

Roll call resulted in affirmative voice votes from Trustees Bailey, Busby, Campbell, Kaplan, Lyons, Vasquez, Walwyn, Leggett, and Koch. Motion CARRIED.

### Financial Statement and Administrative Expenses

The financial statement and administrative expenses for the quarter ended September 30, 2013 were sent to the trustees for review. The reports are on file. On a motion by Sharon Leggett, seconded by Marcia Campbell, it was resolved:

To approve the administrative expenses for the quarter ended September 30, 2013, as presented.

Roll call resulted in affirmative voice votes from Trustees Bailey, Busby, Campbell, Kaplan, Lyons, Vasquez, Walwyn, Leggett, and Koch. Motion CARRIED.

### **EXECUTIVE SESSION**

The executive session meeting reconvened at 8:22 a.m.

No action was taken during executive session. A motion was made by Cynthia O'Neill, seconded by, that the Board come out of executive session. Roll call resulted in affirmative voice votes from Trustees Bailey, Busby, Campbell, Kaplan, Lyons, Vasquez, Walwyn, Leggett, and Koch. Motion CARRIED.

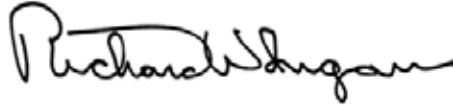
### **APPROVAL OF EXECUTIVE SESSION MINUTES**

The October 25, 2013 executive session meeting minutes of the Board was sent to the trustees for prior review. On a motion by Marcia Campbell, seconded by Sharon Leggett, and by unanimous voice vote, the minutes were approved as printed.



## **ADJOURNMENT**

There being no further business to come before the Board, on a motion by Rainy Kaplan, seconded by Mike Busby, and by unanimous voice vote, the meeting adjourned at 9:37 a.m.

A handwritten signature in black ink, appearing to read "Richard W. Ingram". The signature is fluid and cursive, with a large initial "R" and "I".

Richard W. Ingram, Executive Director

Approved 2/20/14