



MINUTES
Meeting of the Investment Committee
December 10, 2019

A meeting of the Investment Committee of the Illinois Teachers' Retirement System was held on December 10, 2019 at the Chicago Marriott Hotel, 1801 North Naper Boulevard, Naperville. Andy Hirshman, Chair, called the meeting to order at 8:20 a.m. A quorum was present.

Roll Call attendance was taken with the following trustees present: Mark Bailey, Norma Bellcoff, Devon Bruce, Marsha Byas, Andy Hirshman, Matthew Hunt, David Miller, Fred Peronto, Larry Pfeiffer, Doug Stand, and Dr. Carmen Ayala, President. Absent: Laura Pearl and Maureen Mena.

Others present: Dick Ingram, Executive Director; Stan Rupnik, Chief Investment Officer; Marcy Dutton, Chief Legal Counsel; Cynthia Fain, Senior Legal Counsel; Gina Larkin, Chief Human Resources Officer; Jana Bergschneider, Chief Financial Officer; Jeff Bennett, Director of Operations; Carlton Lenoir, Chief Benefits Officer; Jay Singh, Chief Information Officer; Stacy Smith, Director of Internal Audit and Risk; Dave Urbanek, Director of Communications; Tammy Green, Executive Assistant; Tiffany Reeves, Reinhart (Fiduciary Counsel); Tony Johnson and Marcia Beard, RVK (Investment Consultant).

Visitors present: Christine Williamson, Pensions & Investments; Jack Tucker, Dottie Beeler, Loretta Tisdell, IL Education Association-Retired.

APPROVAL OF MINUTES

A draft of the October 28-29, 2019 minutes of the Investment Committee meeting was sent to the committee for review. On a motion by Trustee Bailey, seconded by Trustee Bellcoff, the minutes were unanimously approved by voice vote.

TRS PORTFOLIO

Investment Manager Chart

TRS staff provided the investment manager charts for the quarter ending September 30, 2019. Documentation is on file.

Cashflow Summary

TRS staff provided a cash flow summary to fund the System's cash requirements. Documentation is on file.

Real Estate – Capri Capital

TRS staff provided an overview of TRS's real estate separate account structure, process, oversight and controls, and summarized the concerns leading to the March 2019 termination of Capri Capital's real estate separate account. KPMG currently provides external audit services of the real estate program on an annual basis. KPMG is due to present at the February 2020 audit committee meeting. Members of the investment committee continued to express concern of the over-sized exposure that occurred with Capri Capital and noted that the process and controls need to improve.

Investment Performance Update

RVK provided a total fund overview of the September 30, 2019 investment performance report including current trending pension topics and capital markets review. Documentation is on file. Total assets: \$52.3 billion. Documentation is on file. The total fund return, net of fees:

- 1 year: 3.7%
- 3 years: 7.7%
- 5 years: 6.2%
- 7 years: 7.8%
- 10 years: 8.4%

Real Estate Consultant

Following a Request for Proposal process, TRS staff identified Stepstone and Townsend as finalists to serve as the System's real estate and real asset consultant. The current contract with Stepstone expires on December 31, 2019. TRS staff provided an overview of the firms and due diligence that was conducted and the investment committee interviewed both finalists. Presentation booklets are on file. On a motion by Trustee Bruce, seconded by Trustee Bailey, the committee unanimously approved to recommend that the Board award a five-year contract to StepStone for real estate and real asset consulting services commencing on January 1, 2020.

RECESS

The meeting recessed at 12:20 p.m. and reconvened at 12:35 p.m.

Global Public Equity Annual Review

TRS Staff presented the annual review of the global public equity asset class including performance review, goals and initiatives. Documentation is on file. On a motion by Trustee Strand, seconded by Trustee Bruce, the committee unanimously approved to recommend that the Board approve the FY 2020 global equity recommendations, as presented.

Portfolio Characteristics

- Continue research globally on factor index strategies

International Search

- Complete international large cap search process launched in mid-2019

Regional & Country Strategies

- Research strategies with a more granular focus to enhance diversification

Fee Reduction

- Continue to renegotiate fees with incumbents where appropriate
- Utilize performance-based structures to enhance flexibility

Opportunistic Flexibility

- Expand parameters for high conviction mandates to broaden the opportunity set and capture core competencies
- Research global managers which have skill in regional positioning

Monitoring & Liquidity

- Continue enhancement of risk and exposure reporting
- Monitor market environment for opportunities to rebalance efficiently

Private Equity Consultant

Following a Request for Proposal process, TRS staff identified Stepstone and TorreyCove as finalists to serve as the System's private equity consultant. The current contract with TorreyCove expires on June 30, 2020. TRS staff provided an overview of the firms and due diligence that was conducted and the investment committee interviewed both finalists. Presentation booklets are on file. On a motion by Trustee Bruce, seconded by Trustee Hunt, the committee unanimously approved to recommend that the Board award a five-year contract to StepStone for private equity consulting services commencing on January 1, 2020.

Investment Activity Report

Stan Rupnik, Chief Investment Officer, provided an overview of investment actions and asset transfers for the period October 16 through November 20, 2019. Documentation is on file. There were no compliance issues for the quarter ending September 30, 2019.

Private Equity

- Commitment of \$125 million to RCP Advisors.
- Commitment of \$44 million to SK Capital Partners.

Real Assets

- Two separate commitments to Exeter Property Group – \$221 million to Europe Industrial Core Fund and \$100 million to Industrial Value Fund V.

Income

- Commitment of \$125 million to Apollo Global Management.
- Commitment of \$50 million to Solar Capital.
- Redemption of approx. \$392 million from an emerging market debt opportunities strategy administered by Franklin Templeton.
- TRS Staff negotiated improved fee terms for PGIM accounts and PIMCO accounts.

Emerging Manager Graduation

- Ramirez – January 2020

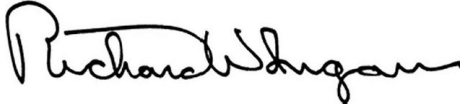
WMBE Utilization Report

TRS staff provided preliminary data as of September 30, 2019 on the utilization of minority-owned brokers and minority-owned investment managers within the TRS investment portfolio. Assets under management for WMBE-owned investments were \$11.75 billion, a .02 billion increase from last quarter. The total TRS portfolio represents 22.49% which is 2.49% over the TRS goal of 20%. Documentation is on file.

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ADJOURNMENT

There being no further business to come before the Investment Committee, a motion was made by Trustee Bruce, seconded by Trustee Strand, to adjourn the meeting at 3:09 p.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: 2/28/20