



MINUTES
Meeting of the Investment Committee
June 25, 2015

A meeting of the Investment Committee of the Illinois Teachers' Retirement System was held on June 25, 2015 at the Springfield office of the Illinois Teachers' Retirement System, 2815 West Washington Street, Springfield, IL. Cynthia O'Neill, Chair, called the meeting to order at 8:07 a.m. A quorum was present.

Roll Call attendance was taken with the following trustees present: Cynthia O'Neill, Chair; Mike Busby, Vice Chair; Mark Bailey, Rainy Kaplan, Cinda Klickna, Bob Lyons, Sharon Leggett, and Tony Smith, President (arrived 1:30 p.m.) Absent: Sonia Walwyn and Alexander Stuart.

Others present: Dick Ingram, Executive Director; Stan Rupnik, Chief Investment Officer; Greg Turk, Director of Investments; Ken Musick, Investment Officer; Kirk Sims, Investment Officer; Chuck Handy, Investment Officer; Bill Thomas, Investment Officer, Jerry Quandt, Investment Officer; Stefan Backhus, Investment Officer; Scottie Bevill, Sr. Investment Officer; Kenyatta Matheny, Sr. Investment Officer; Tim Hays, Sr. Investment Officer; Dakin Sanert, Sr. Investment Analyst; Deron Bertolo, Director of Investment Operations; Bob Jiroutek, Risk Officer; Brennan Basnicki, Sr. Investment Analyst; Jose Gonzalez, Sr. Investment Analyst; Jaime Rocha, TOIGO Foundation Intern; Stacy Smith, Director of Internal Audit; Christina Baker, Internal Auditor; Dave Urbanek, Director of Communications; Kathleen Farney, Director of Research; Sue Billington, Executive Assistant; Tammy Green, Asst. to Executive Director; Pat O'Hara, Cavanagh & O'Hara (Fiduciary Counsel); Becky Gratsinger, RV Kuhns (Investment Consultant); Jim McMillan, Courtland Partners (Real Estate Consultant).

Visitors present: Dan Winter (trustee effective 7/15/15); Andrew Hirshman (trustee effective 7/15/15); Dennis Murfin, IRTA; Don Davis, IRTA; Shirley Dodds, IRTA; Jack Tucker, IEA-R; Mandy Drendel, Senate Democratic Staff; Jason Parke, Loop Capital Markets; and Christine Williamson, Pensions & Investments.

APPROVAL OF MINUTES

A draft of the May 21-22, 2015 minutes of the Investment Committee meeting was sent to the committee for review. On a motion by Mike Busby, seconded by Sharon Leggett, and by unanimous voice vote, the minutes were approved as printed.

OLD BUSINESS

Investment Manager Chart

Stan Rupnik, Chief Investment Officer, provided an organizational chart of TRS's investment managers as of April 30, 2015. Documentation is on file.

Cash Withdrawal

Mr. Rupnik discussed the recent cash withdrawals necessary to fund the System's cash requirements. Documentation is on file. A motion was made by Bob Lyons, seconded by Cinda Klickna, that the committee recommend to the Board to withdraw up to 1.0 percent of the TRS trust fund's value, or \$459.5 million based on the April 30, 2015 ending market value. The motion passed by a unanimous voice vote.

Manager Search/RFP Updates

Final recommendations will be presented at the August meeting for the domestic equity large cap core search, international equity emerging markets search, and the currency management RFP.

STAFF/CONSULTANT PRESENTATIONS

T. Rowe Price – Termination - Global Equity

Bill Thomas, Investment Officer, provided an overview of the search process for international equity emerging market managers. Staff recommended the termination of T. Rowe Price's domestic equity large cap core mandate due to performance. Currently, a large cap core search is ongoing and staff plans to report results at the August meeting. The mandate will remain vacant until the conclusion of the search. A motion was made by Bob Lyons, seconded by Mike Busby, that the committee recommend to the Board to terminate T.

Rowe Price's 5.0% domestic equity large cap core mandate. The motion passed by a unanimous voice vote.

Maranon - Fixed Income – Emerging Manager Program

Staff recommended extending the investment period for TRS's existing senior credit Fund II which expires June 2015. A motion was made by Cinda Klickna, seconded by Rainy Kaplan, that the committee recommend to the Board to extend Maranon's Senior Credit Fund II for an additional three year period under the existing contractual terms. Further, TRS staff recommends an additional investment of \$10 million in Fund II, pending successful contract extension language and LPAC consent. The motion passed by a unanimous voice vote.

NEW BUSINESS

ISAM Systematic Trend – Absolute Return

Representatives of ISAM presented an investment opportunity in the ISAM Systematic Trend Fund. Their presentation booklet is on file. Staff provided an overview of the firm and due diligence that was conducted including a report from Albourne. A motion was made by Mike Busby, seconded by Cinda Klickna, that the committee recommend to the Board to approve the ISAM Systematic Trend Fund for a 5.0% target allocation within the System's absolute return strategies program. Initial funding will be \$100 million, with subsequent funding as prudent to the target allocation. The commitment is subject to successful completion of final contract negotiations. The motion passed by a unanimous voice vote.

PDT Partners – Absolute Return

Eli Ofek, Jenny Zhang, and Lenny Carr of PDT Partners presented an investment opportunity in the PDT Mosaic Fund. Their presentation booklet is on file. Staff provided an overview of the firm and due diligence that was conducted. A motion was made by Cinda Klickna, seconded by Mike Busby, that the committee recommend to the Board approve PDT Mosaic for an 8.0% target allocation within the System's Absolute Return Strategies program. Initial funding will be \$150 million, with subsequent funding as prudent to the target allocation. The commitment is subject to successful completion of necessary due diligence and final contract negotiations. The motion passed by a unanimous voice vote.

RECESS

The meeting recessed at 10:05 a.m. and reconvened at 10:20 a.m.

Goldman Sachs: West Street Infrastructure Partners III

Ed Pallesen and Joe Hernandez of Goldman Sachs Asset Management presented an investment opportunity within the firm's new fund, West Street Infrastructure Partners III, for investments in infrastructure projects. Staff provided an overview of the firm and due diligence that was conducted. A motion was made by Bob Lyons, seconded by Sharon Leggett, that the committee recommend to the Board to commit \$150 million to West Street Infrastructure Partners III, L.P. within the targeted real return allocation, subject to completed legal documentation. The motion passed by a unanimous voice vote.

Asset Allocation/Policy Benchmark

Staff recommended revising the interim asset allocation targets along with the interim policy benchmark. The targets, effective July 1, 2015, recognize continual movement towards long-term targets while the global fixed income increase reflects current market conditions. No changes were recommended to the long-term asset allocation target.

<i>Asset Class</i>	<i>Current Interim Target</i>	<i>Revised Interim Target</i>	<i>Change</i>
Domestic Equity	22.0%	20.5%	-1.5%
International Equity	20.0%	20.5%	+0.5%
Global Fixed Income	16.0%	17.0%	+1.0%

Last year, RVK provided an educational session on aggregation of asset classes that outlined the strategy of how the current asset class model of eight asset classes would consolidate towards a four asset class structure. The four asset class structure includes Equity, Income, Real Assets, and Diversifying Strategies. Staff have internally operated under this structure for quite some time and requested official adoption of the structure. A motion was made by Mike Busby, seconded by Mark Bailey, that the committee recommend to the Board to approve staff recommendations relating to the System's asset

allocation and policy benchmark, as presented, and to adopt the new four asset class structure. The motion passed by a unanimous voice vote.

Investment Policy Revisions

Staff summarized revisions to the TRS Investment Policy. A motion was made by Cinda Klickna, seconded by Sharon Leggett, that the committee recommend to the Board to approve revisions to the Investment Policy, as presented, including language for the new asset class structure. The motion passed by a unanimous voice vote.

Section VII: Asset Allocation and Rebalancing Strategy

Section XIII: Performance Benchmarks

Section XV: Permissible Investments

Private Equity Asset Class

Staff requested ratification of a co-investment of up to \$30 million in Stratose, Inc. alongside Parthenon Investors IV, Limited Partnership. A motion was made by Mark Bailey, seconded by Rainy Kaplan, that the committee recommend to the Board to ratify the commitment of up to \$30 million to the co-investment with Parthenon Investors IV, L.P. The motion passed by a unanimous voice vote.

A recent external audit of the private equity asset class did not result in any findings, but recommended an update of internal procedures to more accurately reflect the day-to-day activity within the asset class. Staff updated procedures related to primary fund investing, secondary transactions, and co-invest transactions.

The current contracts with Stout Risius Ross, LP Advisors, and TorreyCove to provide consulting services for co-investments expire in November 2015. State law requires investment consulting contracts to be re-bid at a minimum of every five years and are prohibited from a contract extension without completion of a request for proposal process. Staff recommended issuing a RFP for co-invest advisory services. A final recommendation is anticipated at the October meeting. A motion was made by Sharon Leggett, seconded by Rainy Kaplan, that the committee recommend to the Board to authorize a RFP for private equity co-investment consulting services. The motion passed by a unanimous voice vote.

Union Grove Venture Partners – Private Equity

Staff and TorreyCove presented a re-investment opportunity within the private equity program for investment opportunities in venture capital. Documentation is on file. Staff and TorreyCove provided an overview of the firm and due diligence that was conducted. A motion was made by Sharon Leggett, seconded by Rainy Kaplan, that the committee recommend to the Board to commit \$50 million to Union Grove Venture Partners Fund II, L.P. and \$100 million to a Union Grove separate account within the System's private equity portfolio. TRS will retain final approval for any investments within the separate account, with such commitments requiring the approval of staff's internal committee. The motion passed by a unanimous voice vote.

RECESS

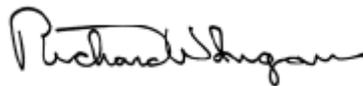
The meeting recessed at 12:00 p.m. and reconvened at 1:00 p.m.

Private Equity Tactical Plan

Staff and TorreyCove presented an overview of the private equity portfolio, FY 16 initiatives, and a status update on FY 2015 program initiatives. Documentation is on file. A motion was made by Bob Lyons, seconded by Rainy Kaplan, that the committee recommend to the Board to approve the FY 16 private equity tactical plan, as presented. The motion passed by a unanimous voice vote.

ADJOURNMENT

There being no further business to come before the Investment Committee, a motion was made by Rainy Kaplan, seconded by Sharon Leggett, to adjourn the meeting at 2:00 p.m.



Richard W. Ingram, Executive Director

Approved: 8/12/15