



MINUTES
Meeting of the Investment Committee
May 20-21, 2015

A meeting of the Investment Committee of the Illinois Teachers' Retirement System was held on May 20-21, 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 1:52 p.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 (departed 12:00 on 5/21), Cinda Klickna, Bob Lyons, and Sharon Leggett. Absent: Sonia Walwyn and Dr. Tony Smith, President.

Others present: Dick Ingram, Executive Director; Stan Rupnik, Chief Investment Officer; Greg Turk, Director of Investments; Ken Musick, Investment Officer; Scottie Bevill, Sr. Investment Officer; Tim Hays, Sr. Investment Officer; Deron Bertolo, Director of Investment Operations; Bob Jiroutek, Risk Officer; Brennan Basnicki, Sr. Investment Analyst; Jose Gonzalez, Sr. Investment Analyst; Tom Gray, General Counsel; Cynthia Fain, Sr. Asst. General Counsel; Stacy Smith, Director of Internal Audit; Tassi Maton, Sr. Internal Auditor; 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); Dakin Sanert, Sr. Investment Analyst (5/20); Kirk Sims, Investment Officer (5/20); Bill Thomas, Investment Officer (5/20); Sally Antonacci, Inv. Admin. Services Supervisor (5/20); Sandy Troppa Amerson, Inv. Admin. Coordinator (5/20); Sally Sherman, Director of Member Services (5/20); Jerry Quandt, Investment Officer (5/21); Stefan Backhus, Investment Officer (5/21); Mike Krems, Kara King, and David Fann (5/21), TorreyCove (Private Equity Consultant); Steve Novak and Jarrod Rapalje (5/21), Courtland Partners (Real Estate Consultant).

Visitors present: Christine Williamson, Pensions & Investments; Janet Kilgus, IEA-R; Gayla Dial, IEA-R; Jack Tucker, IEA-R (5/21); Anthony Casalino, IFT;

Daniel Winter, IRTA; Dennis Murfin; IRTA; Shirley Dodds (5/21), IRTA; Angela Myers, Loop Capital; Kelley Gallagher, BNY Mellon.

APPROVAL OF MINUTES

A draft of the March 31, 2015 minutes of the Investment Committee meeting was sent to the committee for review. On a motion by Sharon Leggett, seconded by Mark Bailey, 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 March 31, 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.

STAFF/CONSULTANT PRESENTATIONS

Investment Performance Review

RV Kuhns provided an overview of the investment performance for the quarter ending March 31, 2015. Total assets: \$45.5 billion. Documentation is on file.

The total fund return, gross of fees:

- 1 year: 7.43%
- 3 years: 10.73%
- 5 years: 10.48%
- 10 years: 7.30%

The total fund return, net of fees:

- 1 year: 6.77%
- 3 years: 10.06%
- 5 years: 9.84%
- 10 years: 6.77%

Watch List

Staff provided an update of the investment managers currently on the watch list for the quarter ended March 31, 2015. Franklin Templeton (fixed income) and Herndon Capital Mgmt. (domestic equity) remain on watch due to organizational and performance concerns. Staff recommended that Aberdeen Asset Management (large cap core and emerging markets - international equity) be added to the watch list due to performance and process concerns and that all PIMCO separate accounts (fixed income/real return) be removed from the watch list. A motion was made by Rainy Kaplan, seconded by Mark Bailey, that the committee recommend to the Board to accept the watch list as presented. The motion passed by a unanimous voice vote.

W/MBE Utilization Report

Kirk Sims, Investment Analyst, provided preliminary data on the participation of minority and female-owned brokers/dealers and investment managers within the TRS investment portfolio through March 31, 2015. Assets under management for WMBE-owned investments were \$7.69 billion, representing 16.91% of the total TRS portfolio and exceeding the FY 2015 goal by 1.91%. Documentation is on file.

RECESS

The meeting recessed at 2:55 p.m. and reconvened at 3:04 p.m.

Transtrend – Absolute Return

Ken Musick, Investment Officer, and Brennan Basnicki, Sr. Investment Analyst, provided a summary of the work conducted on Commodity Trading Advisors and provided a plan to integrate trend following strategies within the absolute return portfolio. A motion was made by Mike Busby, seconded by Cinda Klickna, that the committee recommend to the Board to approve the Transtrend Diversified Trend Program for a 7.0% target allocation within the System's absolute return strategies program. The motion passed by a

unanimous voice vote. The mandate will be included in the convex portion of the ARS program.

Global Equity Asset Class Report

Bill Thomas, Investment Officer, provided an overview of the search process for international equity emerging market managers. Staff recommended the hire of Axiom International Investors to manage a three percent emerging market mandate within the international equity asset class. Further due diligence will be conducted on JP Morgan and EARNEST Partners as possible replacements for Aberdeen's emerging market mandate. Staff plans to report further information at the August Investment Committee meeting. A motion was made by Rainy Kaplan, seconded by Bob Lyons, that the committee recommend to the Board to ratify the hire of Axiom International Investors to a three percent international emerging market equity mandate. Funding will come from Aberdeen's emerging market portfolio and Northern Trust's passive emerging market portfolio. In addition, JP Morgan and EARNEST remain active in the search pending completion of due diligence. The motion passed by a unanimous voice vote.

Quarterly Compliance Report

TRS is responsible for monitoring investment manager trading activity to ensure compliance as related to the Investment Manager Agreement. Monthly, staff reviews alerts triggered by the State Street compliance system to determine if there are any discrepancies. Bob Jiroutek, Risk Manager, provided a summary of the quarterly compliance for the quarter ended March 31, 2015. TRS is in compliance with Public Acts 95-0616 (Iran) and 95-0521 (Sudan).

Garcia Hamilton – Fixed Income/Emerging Manager Program

The Board approved graduation of Garcia Hamilton's (GH) core plus mandate in October 2014. Scottie Bevill, Sr. Investment Officer, noted GH's excellent outperformance and reported on staff's recommendation to graduate GH's floating rate and custom cash assignments. A motion was made by Bob Lyons, seconded by Cinda Klickna, that the committee recommend to the Board to graduate the Garcia Hamilton floating rate (BC floating rate index) mandate and the Custom Cash mandate (3 month LIBOR index) from the Emerging Manager Program within the global fixed income and cash management program. The motion passed by a unanimous voice vote.

RECESS

The meeting recessed at 4:45 p.m. and reconvened the following day at 8:00 a.m.

NEW BUSINESS

Northern Shipping – Fixed Income

Sean Durkin of Northern Shipping presented an investment opportunity in its new fund, Northern Shipping Fund III, L.P., for investment in shipping and offshore services. Their presentation booklet is on file. Staff provided an overview of the firm and due diligence that was conducted. A motion was made by Bob Lyons, seconded by Cinda Klickna, that the committee recommend to the Board to commit \$50 million to Northern Shipping Fund III, L.P. within the global fixed income special situations allocation, subject to successful completion of legal documentation. The motion passed by a unanimous voice vote.

EQT Services – Private Equity

Staff and TorreyCove presented a reinvestment opportunity within the System's private equity portfolio for investment opportunities in Europe. Staff provided an overview of the firm and due diligence that was conducted and recommended to commit up to €100 million to EQT Fund VII, Limited Partnership. TRS initially committed to Fund VI in July 2011. A motion was made by Cinda Klickna, seconded by Mark Bailey, that the committee recommend to the Board to commit up to €100 million to EQT Fund VII, L.P. The motion passed by a unanimous voice vote.

Oaktree Capital Management – Private Equity

Staff and TorreyCove presented a reinvestment opportunity within Oaktree's Opportunities Fund Xb, Limited Partnership. Staff provided an overview of the firm and due diligence that was conducted and recommended to commit \$100 million to Oaktree Opportunities Fund Xb, L.P. A motion was made by Cinda Klickna, seconded by Sharon Leggett, that the committee recommend to the Board to commit \$100 million to Oaktree Opportunities Fund Xb, L.P. The motion passed by a unanimous voice vote.

TA Associates – Private Equity

Jennifer Mulloy of TA Associates presented an investment opportunity in the firm's TA XII, Limited Partnership. Their presentation booklet is on file. Staff and TorreyCove provided an overview of the firm and due diligence that was conducted. A motion was made by Bob Lyons, seconded by Mark Bailey, that the committee recommend to the Board to commit \$100 million to TA XII, L.P. The motion passed by a unanimous voice vote.

RECESS

The meeting recessed at 10:35 a.m. and reconvened at 10:50 a.m.

Brevan Howard – Absolute Return

Representatives of Brevan Howard presented an investment opportunity in the Brevan Howard Systematic Trading Master Fund. Their presentation booklet is on file. Staff provided an overview of the due diligence that was conducted. A motion was made by Cinda Klickna, seconded by Rainy Kaplan, that the committee recommend to the Board to approve a 7.0% target allocation within the System's absolute return strategies program to the Brevan Howard Systematic Trading Master Fund. The motion passed by a unanimous voice vote. The mandate will be included in the convex portion of the absolute return strategies program.

(Trustee Kaplan departs)

RECESS

The meeting recessed at 12:00 p.m. and reconvened at 12:50 p.m.

Fortress Investment Group – Real Estate

Representatives from Fortress Investment Group presented an investment opportunity in the Fortress Japan Opportunity Fund III, Limited Partnership for investment opportunities in Japan. Their presentation booklet is on file. Staff and Courtland Partners provided an overview of the due diligence that was conducted. At the request of Trustee Busby, further clarification and strengths of the strategy for Fortress was presented by TRS investment staff and Courtland. A motion was made by Bob Lyons, seconded by Sharon Leggett, that the committee recommend to the Board to commit \$100 million to Fortress

Japan Opportunity Fund III, L.P. subject to successful completion of legal documentation. The motion passed by a unanimous voice vote.

Rockpoint Group – Real Estate

Representatives from Rockpoint Group presented an investment opportunity in the Rockpoint Real Estate Fund V, Limited Partnership. Their presentation booklet is on file. Staff and Courtland Partners provided an overview of the due diligence that was conducted. A motion was made by Cinda Klickna, seconded by Mike Busby, that the committee recommend to the Board to commit \$100 million to Rockpoint Real Estate Fund V, L.P. subject to successful completion of legal documentation. The motion passed by a unanimous voice vote.

RECESS

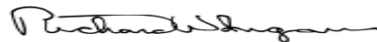
The meeting recessed at 2:18 p.m. and reconvened at 2:30 p.m.

Private Equity Consultant

Pursuant to Public Act 96-0006, the System issued a Request for Proposal in December 2014 for private equity consulting services. The current contract with TorreyCove Capital Partners expires on June 30, 2015. Staff reviewed seven RFP submissions, interviewed four semi-finalist firms, and conducted on-site visits with StepStone and TorreyCove. The Investment Committee interviewed StepStone and TorreyCove as finalists to provide the System with private equity consulting services. Their presentation booklets are on file. A motion was made by Bob Lyons, seconded by Cinda Klickna, that the committee recommend to the Board to award incumbent TorreyCove Capital Partners a five year contract to serve as the System's private equity investment consultant. 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 Mike Busby, seconded by Cinda Klickna, to adjourn the meeting at 4:27 p.m.



Richard W. Ingram, Executive Director

Approved: 6/25/15