



News
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Retirement Security for Illinois Educators
Teachers' Retirement System of the State of Illinois
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TRS Charts Courses for Real Estate, Private Equity

Retirement system selects general investment consultant, executive search firm

SPRINGFIELD, IL-The Teachers' Retirement System of the State of Illinois (TRS) has approved road maps for its real estate and private equity investments. Over the next year, TRS will continue to opportunistically seek real estate investments, including emerging manager initiatives, in order to maintain the long-term asset allocation near the goal of 14 percent of the total fund. Preliminary results show real estate assets represented approximately 13.8 percent of assets at June 30, 2009. TRS owns hotels, office buildings, industrial properties, multi-family housing, and retail in the U.S. and abroad.

In private equity, the TRS Board approved a tactical plan for the fiscal year that calls for the Fund to commit between \$700 million and \$1.2 billion during the next year in an effort to reach the long-term allocation goal of 10 percent. Sub-sector exposure ranges will remain the same at 60-80 percent for buyouts, 10-20 percent for venture capital and 5-20 percent for special situations, which includes distressed and mezzanine debt. Preliminary results show TRS had 7.8 percent invested in private equity as of June 30, 2009. Private equity investments provide attractive returns to TRS and also serve to bolster the economy by providing the capital to start-up companies, also known as venture capital, and allowing growth at established firms.

Hiring

In other business, the TRS Board tapped incumbent **R.V. Kuhns** to continue serving as the System's general investment consultant, following a competitive search required by a new state pension ethics law. The board also selected **Hudepohl & Associates** to conduct a nationwide search for qualified candidates to serve as executive director at the Teachers' Retirement System. The search is expected to take six months to complete. In addition, **CB Richard Ellis Valuations and Advisory Services** and **U.S. Realty Consultants** were hired to conduct appraisals of the separate account properties owned by TRS. The latter two searches were also competitively bid. Finally, the board admitted **Lasair** into the Emerging Managers Program, awarding the firm \$25 million for its absolute return long/short equity strategy.

Searches

In real return, the board approved a search for an additional global macro manager. The mandate size will be recommended at the conclusion of the search. In domestic equity, a search was approved for an active large cap value manager. The mandate size has not yet been determined. A competitive search for a real estate consultant was approved in May. Documents for all the searches will be posted on the system's Web site at trs.illinois.gov before the end of the third quarter.

(More)

Watch List

Separately, the TRS Board adopted the “watch list” for the quarter ended June 30, 2009. The watch list ensures greater scrutiny of asset managers when developments arise that affect TRS assets.

The following asset managers were **added** to the System’s watch list: **Barclays Global Investors**, which manages a \$593 million in domestic equity enhanced index mandate, for organizational and performance reasons. Additionally **Emerald Advisers**, which manages \$174 million in domestic equity small cap growth and **EARNEST Partners**, which manages \$145 million in fixed income core plus, were both placed on watch for performance reasons.

LSV Asset Management was **removed** from the watch list due to improved performance. LSV manages \$411 million in domestic equity small to mid cap value.

Existing managers retained on watch for performance are:

AQR Capital Management manages a \$182 million domestic equity small cap value mandate for TRS

Dodge & Cox manages \$600 million in domestic equity active large cap value for TRS

Earnest Equity manages \$90 million in domestic equity active large cap value for TRS

Goldman Sachs manages \$1 billion in fixed income core plus for TRS

Mazama Capital Management manages a \$123 million domestic equity small cap mandate and a \$148 million domestic equity small to mid cap mandate for TRS. Both strategies remain on watch

McKinley Capital manages \$758 million in international equity active core growth for TRS

PIMCO StocksPlus manages \$593 million in domestic equity enhanced passive for TRS

Taplin, Canida & Habacht manages \$460 million in fixed income core plus for TRS, remains on watch for performance and organizational concerns

Trilogy Global Advisors manages \$278 million in international equity-active core for TRS

Turner Investments manages \$629 million in domestic equity large cap growth

The Teachers’ Retirement System of the State of Illinois provides retirement, disability, and survivor benefits to Illinois public school teachers and administrators employed outside the city of Chicago. The System, which serves 355,584 members, had \$29.0 billion in assets according to preliminary results as of June 30, 2009.

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