



## News

For Immediate Release

October 29, 2009

### Retirement Security for Illinois Educators

#### **Teachers' Retirement System of the State of Illinois**

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### TRS Certifies State Funding Amount for FY2011

*Retirement System sets new goals for usage of minority firms, launches manager searches*

SPRINGFIELD, IL-The Board of Trustees of the Teachers' Retirement System of the State of Illinois (TRS) approved the results of the 2009 *Actuarial Valuation* prepared by the System's actuary, **Buck Consultants**. The funded ratio of the Teachers' Retirement System stood at 52 percent as of June 30, 2009, down from 56 percent in 2008. The decline is due to poor investment performance and asset sales. However, the percentage is offset by the statutorily-required change to five-year asset smoothing. The unfunded liability of TRS grew to \$35 billion, up from \$30 billion during 2008.

The Board also certified \$2.36 billion as the amount of state funding TRS needs for FY 2011, an increase of \$269 million of the state contribution in FY 2010. Additionally, the Board certified \$82 million in FY 2011 for the Teacher Health Insurance Program, which funds health insurance for retired teachers.

Separately, the Board adopted new goals for the utilization of firms owned by women/minority business enterprises (W/MBE) for FY10. W/MBE broker/dealer goals remain at 15 percent and 8.5 percent, respectively, for domestic and international stock trades, while the goal for fixed income is now 15 percent, up 2.5 percent from FY09. Additionally, the goal for assets under management for W/MBE investment managers has been set at 12.5 percent of the total investment portfolio, which includes separate goals by asset class and fee targets for minority-owned, female-owned, and disabled-owned firms. As of June 30, 2009, 19 W/MBE firms managed a total of \$3.2 billion, or 11.2 percent of the total fund.

#### **Hiring**

The Board approved a \$25 million investment in a domestic equity enhanced index portfolio with **OakBrook Investments** as part of the TRS Emerging Managers Program. TRS committed \$500 million to the program in 2005 as a way to identify and foster long-term relationships with developing investment firms. At the end of FY09, the Emerging Managers Program had investments with eight emerging managers, including female and minority-owned firms, which oversee \$265 million in assets for TRS. That includes five public markets investment managers and three private equity managers.

#### **Searches**

Searches were approved for large cap core managers for both domestic and international equities. These searches will include managers who employ enhanced, long-only and 130/30 strategies. The international search will also include passive index managers.

(More)

The Board also voted to authorize a Request for Proposal (RFP) to conduct a competitive search for an absolute return consultant. The consultant will help the pension fund identify high quality managers and provide additional oversight of the asset class. As of June 30, 2009, TRS had \$720 million invested in absolute return, or 2.5 percent of the total portfolio. The Board also approved the transfer of up to \$50 million from the domestic equity portfolio to K2 Advisors, one of system's incumbent absolute return managers. The move will bring both asset classes closer to their target allocations.

### **Watch List**

The existing managers remained on watch for performance reasons:

**AQR Capital Management**, which manages \$182 million in domestic equity small cap value for TRS

**Barclays Global Investors**, manages \$526 million in domestic equity large core enhanced index product for TRS, and remains on watch for both performance and organizational reasons

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

**EARNEST Partners** is on watch for its \$174 million domestic equity large cap value product and its \$145 million fixed income core plus mandate

**Emerald Advisers** manages \$174 million in domestic equity small cap growth for TRS

**Goldman Sachs** manages \$1.1 billion in fixed income core plus for TRS

**Mazama Capital Management** manages \$123 million in domestic equity small cap growth and \$148 million in domestic equity small/mid cap growth. Both strategies remain on watch

**McKinley Capital** manages \$758 million in international equities

**PIMCO StocksPlus** manages \$587 million in a domestic equity enhanced index portfolio for TRS

**Trilogy Global Advisors** was retained on watch for its \$277 million in international equity-active core mandate it manages for TRS

**Taplin, Canida & Habacht**, which manages \$460 million in fixed income active core plus for TRS, was **removed from the watch list** due to improved performance and subsiding organizational concerns.

In other business, the Board also updated its *Investment Management Agreement* to achieve full compliance with the contract requirements imposed by Public Act 96-0006. The wide-ranging state ethics law was approved this spring. It strengthens the existing ban at TRS on finders' fees and clarifies the managers' fiduciary duties imposed both by contract and by law.

Further, the Code of Ethics and Conduct that governs the TRS Board of Trustees was rewritten to reflect the new law's requirements that trustees undergo eight hours of ethics training each year, file annual statements of economic interest with the state, and reiterate that they are subject to the gift ban contained in the Illinois State Officials and Employees Ethics Act. The Board's Code of Ethics now more clearly documents the ban on trustees or their relatives from personally benefitting from any TRS investment.

The Teachers' Retirement System provides retirement, disability, and survivor benefits to teachers, administrators employed at primary and secondary public schools located outside the city of Chicago. It serves 365,188 members and had assets of \$28.5 billion as of June 30, 2009.

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