



Teachers' Retirement System of the State of Illinois

MINUTES

Board of Trustees

February 25-26, 2010

The regular meeting of the Board of Trustees of the Illinois Teachers' Retirement System was held on February 25-26, 2010 at the Springfield office, 2815 West Washington Street. Chris Koch, President, called the meeting to order at 8:55 a.m. A quorum was present.

Roll Call attendance was taken with the following trustees present: Christopher Koch (President), Molly Phalen (Vice President), Marcia Boone, Mike Busby, Jan Cleveland, Livia Kiser, Cinda Klickna, Sharon Leggett, Bob Lyons, Sid Marder, Cynthia O'Neill, and Janice Reedus. Trustee Walwyn arrived at 9:30 a.m. on 2/25/10.

Others present: Stan Rupnik, CIO & Acting Exec. Director; Tom Gray, General Counsel; Cynthia Fain, Sr. Assistant General Counsel; Jana Bergschneider, Director of Administration; Kathleen Farney, Director of Research; Claire Ribelin, Deputy Director of Counseling Services; Rich Frankenfeld, Director of Outreach; Gina Larkin, Director of Human Resources; Sally Sherman, Director of Member Services; Stacy Smith, Director of Internal Audit; Melissa Oller, Internal Auditor; Dan Perusich, Intern; Tammy Green, Assistant to the Executive Director; Sue Billington, Executive Assistant; and Pat O'Hara, Cavanagh & O'Hara (Fiduciary Counsel).

Visitors present: Dennis Murfin, IRTA Rep.; Shirley Dodds, IRTA Rep.; Angela Meyers, Loop Capital; and Christine Williamson, Pensions & Investments.

EXECUTIVE SESSION

A motion was made by Sid Marder, seconded by Bob Lyons, that the Board enter into executive session for the purpose of discussing and interviewing finalists for the position of executive director, as permitted under the following exception in the Open Meetings Act: "the appointment, employment, compensation, discipline, performance, or dismissal of specific employees of the public body including hearing testimony on a complaint lodged against an employee of the public body to determine its validity."; 5 ILCS 120/2(c) (1). Roll call resulted in affirmative voice votes from Trustees Boone, Busby, Cleveland, Kiser, Klickna, Leggett, Lyons, Marder, O'Neill, Phalen, Reedus, and Koch. Motion CARRIED.

No action was taken during executive session. A motion was made by Sid Marder, seconded by Bob Lyons, that the Board come out of executive session. Roll call resulted in affirmative voice votes from Trustees Boone, Busby,

Cleveland, Kiser, Klickna, Leggett, Lyons, Marder, O’Neill, Phalen, Reedus, and Koch. Motion CARRIED.

RECESS

The meeting recessed at 11:35 a.m. and reconvened the following day at 8:50 a.m. All trustees were present.

Approval of Minutes

A draft of the minutes from the December 10, 2009 regular Board meeting was sent to the trustees for prior review. On a motion by Cinda Klickna, seconded by Marcia Boone, and by unanimous voice vote, the minutes were approved as printed.

INVESTMENT COMMITTEE REPORT – *Cynthia O’Neill, Chair*

Watch List – 12/31/09

On a motion by Sharon Leggett, seconded by Sonia Walwyn, it was resolved:

To accept the 12/31/09 watch list, as presented.

Roll call resulted in affirmative voice votes from Trustees Boone, Busby, Cleveland, Kiser, Klickna, Leggett, Lyons, Marder, O’Neill, Reedus, Walwyn, Phalen, and Koch. Motion CARRIED.

Blackrock - Termination

On a motion by Mike Busby, seconded by Marcia Boone, it was resolved:

To terminate Blackrock’s domestic equity large cap enhanced index account.

Roll call resulted in affirmative voice votes from Trustees Boone, Busby, Cleveland, Kiser, Klickna, Leggett, Lyons, Marder, O’Neill, Reedus, Walwyn, Phalen, and Koch. Motion CARRIED.

Domestic Equity Asset Class

On a motion by Marcia Boone, seconded by Sonia Walwyn, it was resolved:

To approve recommendations within the domestic equity asset class, as presented.

- Reduction in mandate size for Dodge & Cox domestic equity large cap value to 4.75% from 7.0%
- Establishment of a domestic equity large cap active core composite which will initially include the current 130/30 portfolios and domestic equity portfolios of EARNEST Partners and PIMCO StocksPlus.

Roll call resulted in affirmative voice votes from Trustees Boone, Busby, Cleveland, Kiser, Klickna, Leggett, Lyons, Marder, O'Neill, Reedus, Walwyn, Phalen, and Koch. Motion CARRIED.

American Century/Putnam

On a motion by Sharon Leggett, seconded by Marcia Boone, it was resolved:

To adjust the mandate sizes for international small cap managers American Century and Putnam to 3% each of the international equity portfolio. Funding will come from the BGI Optimized EAFE Index fund.

Roll call resulted in affirmative voice votes from Trustees Boone, Busby, Cleveland, Kiser, Klickna, Leggett, Lyons, Marder, O'Neill, Reedus, Walwyn, and Koch. A vote of opposition was heard from Trustee Phalen. Motion CARRIED.

Oaktree PPIP Private Fund, L.P.

On a motion by Molly Phalen, seconded by Jan Cleveland, it was resolved:

To invest \$100 million in Oaktree PPIP Private Fund, L.P. Source of funds to be TRS fixed income account, specifically the Goldman Sachs fixed income portfolio or other overweight fixed income managers.

Roll call resulted in affirmative voice votes from Trustees Boone, Busby, Cleveland, Kiser, Klickna, Leggett, Lyons, Marder, O'Neill, Reedus, Walwyn, Phalen, and Koch. Motion CARRIED.

Fixed Income Asset Class

On a motion by Sid Marder, seconded by Jan Cleveland, it was resolved:

To approve the revised fixed income targets, as presented.

<u>Manager/Account(s)</u>	<u>Style</u>	<u>OLD Target</u>	<u>NEW Target</u>
Prudential	Enhanced Index	20.0%	20.0%
Goldman	Core Plus	19.5%	17.0%
PIMCO	Core Plus	20.5%	20.5%
EARNEST	Core Plus	2.5%	2.5%
Taplin, Canida, Habacht	Core Plus	7.0%	7.0%
Dolan McEniry	Core Plus	2.5%	2.5%
Loomis Sayles	Long Duration	15.0%	15.0%
Franklin Advisers	International	13.0%	13.0%
*Special Situations		0.0%	2.5%
Total		100.0%	100.0%
*See below			
PIMCO	TALF Fund		
Oaktree	PPIP Fund		
PIMCO	Liquidating Account		
Internal Transition	(2) accounts		

Roll call resulted in affirmative voice votes from Trustees Boone, Busby, Cleveland, Kiser, Klickna, Leggett, Lyons, Marder, O'Neill, Reedus, Walwyn, Phalen, and Koch. Motion CARRIED.

Private Equity Consulting Services

On a motion by Cinda Klickna, seconded by Marcia Boone, it was resolved:

To authorize the issuance of an RFP for private equity consulting services.

Roll call resulted in affirmative voice votes from Trustees Boone, Busby, Cleveland, Kiser, Klickna, Leggett, Lyons, Marder, O'Neill, Reedus, Walwyn, Phalen, and Koch. Motion CARRIED.

Boston Partners – 130/30

On a motion by Molly Phalen, seconded by Cinda Klickna, it was resolved:

To implement a 130/30 long-short extension to the Boston Partners large cap value mandate. Initial allocation will be \$100 million, funded entirely from the existing Boston Partners large cap value portfolio. Also, to use State Street's Enhanced Custody Services to provide prime brokerage on the mandate.

Roll call resulted in affirmative voice votes from Trustees Boone, Busby, Cleveland, Kiser, Klickna, Leggett, Lyons, Marder, O'Neill, Reedus, Walwyn, Phalen, and Koch. Motion CARRIED.

Loomis Sayles

On a motion by Sid Marder, seconded by Sharon Leggett, it was resolved:

To hire Loomis Sayles as an active domestic equity large cap value manager with a target of 3% of the domestic equity asset class (approximately \$260 million).

Roll call resulted in affirmative voice votes from Trustees Boone, Busby, Cleveland, Kiser, Klickna, Leggett, Lyons, Marder, O'Neill, Reedus, Walwyn, Phalen, and Koch. Motion CARRIED.

Lombardia Capital Partners

On a motion by Jan Cleveland, seconded by Marcia Boone, it was resolved:

To commit \$50 million to Lombardia Capital Partners large cap value portfolio within TRS's Emerging Manager Program. Source of funds shall be the Rhumblin S&P 500 Index Fund dedicated to the Emerging Manager Program.

Roll call resulted in affirmative voice votes from Trustees Boone, Busby, Cleveland, Kiser, Klickna, Leggett, Lyons, Marder, O'Neill, Reedus, Walwyn, Phalen, and Koch. Motion CARRIED.

Denali Advisors

On a motion by Sharon Leggett, seconded by Sonia Walwyn, it was resolved:

To graduate Denali from the Emerging Manager Program to a 2.25% large cap value mandate in the domestic equity portfolio. Source of funds will be rebalancing and reassignment of 2.25% from the large cap value account of Dodge & Cox. The TRS Emerging Managers Program shall be reimbursed for this graduation by an in-kind transfer between Rhumblin's main fund and emerging manager program S&P 500 index portfolios.

Roll call resulted in affirmative voice votes from Trustees Boone, Busby, Cleveland, Kiser, Klickna, Leggett, Lyons, Marder, O'Neill, Reedus, Walwyn, Phalen, and Koch. Motion CARRIED.

Oaktree Opportunities Fund VIII, L.P.

On a motion by Sid Marder, seconded by Marcia Boone, it was resolved:

To invest \$100 million to Oaktree Opportunities Fund VIII, L.P. and \$50 million to Oaktree Opportunities Fund VIIIb, L.P. Further, the commitments will be split 85% to the main TRS trust fund and 15% to the POB account. Source of funds within the main and POB accounts shall be TRS cash accounts, passive/enhanced index accounts, or active manager accounts that may be above their intended target weight.

Roll call resulted in affirmative voice votes from Trustees Boone, Busby, Cleveland, Kiser, Klickna, Leggett, Lyons, Marder, O'Neill, Reedus, Walwyn, Phalen, and Koch. Motion CARRIED.

Veritas Capital Fund IV, L.P.

On a motion by Marcia Boone, seconded by Sid Marder, it was resolved:

To invest \$75 million to Veritas Capital Fund IV, L.P. within the main TRS trust fund. Source of funds to be TRS cash accounts, passive/enhanced index accounts, or active manager accounts that may be above their intended target weight.

Roll call resulted in affirmative voice votes from Trustees Boone, Busby, Cleveland, Kiser, Klickna, Leggett, Lyons, Marder, O’Neill, Reedus, Walwyn, Phalen, and Koch. Motion CARRIED.

RULES & PERSONNEL COMMITTEE – *Sharon Leggett, Chair*

Administrative Rules

On a motion by Mike Busby, seconded by Marcia Boone, it was resolved:

To approve amendments to TRS Administrative Rules, as presented.

- TRS Rule 1650.180 - Filing and Payment Requirements
- TRS Rule 1650.450 - Compensation Recognized as “Salary”

Roll call resulted in affirmative voice votes from Trustees Boone, Busby, Cleveland, Kiser, Klickna, Leggett, Lyons, Marder, O’Neill, Reedus, Walwyn, Phalen, and Koch. Motion CARRIED.

LEGISLATIVE COMMITTEE – *Jan Cleveland, Chair*

On a motion by Molly Phalen, seconded by Cinda Klickna, it was resolved:

To oppose House Bill 5059--Bans investments in certain derivatives

Roll call resulted in affirmative voice votes from Trustees Boone, Busby, Cleveland, Kiser, Klickna, Leggett, Lyons, Marder, O’Neill, Reedus, Walwyn, Phalen, and Koch. Motion CARRIED.

CLAIMS HEARING COMMITTEE – *Cynthia O’Neill, Chair*

On a motion by Cinda Klickna, seconded by Marcia Boone, it was resolved:

To adopt the recommended decision of the Claims Hearing Committee in the administrative review of Niles Township High School District No. 219.

Roll call resulted in affirmative voice votes from Trustees Boone, Busby, Cleveland, Kiser, Klickna, Leggett, Lyons, Marder, O’Neill, Reedus, Walwyn, Phalen, and Koch. Motion CARRIED.

ACTING EXECUTIVE DIRECTOR’S REPORT

Strategic Planning Update

The Board received a report on the strategic planning accomplishments during the first half of fiscal year 2010. Documentation is on file.

Financial Statement and Administrative Expenses

The financial statement and administrative expenses for the quarter ended December 31, 2009 were sent to the trustees for review. The reports are on file. On a motion by Cinda Klickna, seconded by Marcia Boone, it was resolved:

To approve the administrative expenses for the quarter ended December 31, 2009 as presented.

Roll call resulted in affirmative voice votes from Trustees Boone, Busby, Cleveland, Kiser, Klickna, Leggett, Lyons, Marder, O’Neill, Reedus, Walwyn, Phalen, and Koch. Motion CARRIED.

Miscellaneous Reports

The following reports are on file:

- The Member Services Statistical Report for the period ending December 31, 2009
- EEOC Report for the quarter ending December 31, 2009

EXECUTIVE SESSION

The executive session meeting reconvened to discuss and interview finalists for the position of executive director as permitted under 5ILCS 120/2(c)(1) of the Open Meetings Act. No action was taken during executive session. A motion was made by Molly Phalen, seconded by Bob Lyons, that the Board come out of executive session. Roll call resulted in affirmative voice votes from Trustees Boone, Busby, Cleveland, Kiser, Klickna, Leggett, Lyons, Marder, O’Neill, Phalen, Reedus, Walwyn, and Koch. Motion CARRIED.

TRUSTEE CONCERNS

Trustee Kiser would like the Board to re-consider the vote by phone clause stated in the Bylaws, Article III, Section 6 so that trustees may vote by phone for special/emergency meetings as long as a quorum is physically present. Currently, trustees may not vote if they participate by telephone or video/audio conference. Further discussion will be held at the next Rules & Personnel Committee meeting.

EXECUTIVE SESSION

A motion was made by Marcia Boone, seconded by Livia Kiser, that the Board enter into executive session for the purpose of discussing the appointment, employment, compensation, discipline, performance, or dismissal of specific employees of the public body; probable or imminent litigation; and discussion of closed meeting minutes as permitted under the following exceptions set forth in the Open Meetings Act which authorizes the closing of the meeting to the public: 5 ILCS 120/2(c) (1), 5 ILCS 120/2(c) (11) and 5 ILCS 120/2(c) (21). Roll call resulted in affirmative voice votes from Trustees Boone, Busby, Cleveland, Kiser, Klickna, Leggett, Lyons, Marder, O'Neill, Phalen, Reedus, Walwyn, and Koch. Motion CARRIED.

No action was taken during executive session. A motion was made by Marcia Boone, seconded by Jan Cleveland, that the Board come out of executive session. Roll call resulted in affirmative voice votes from Trustees Boone, Busby, Cleveland, Kiser, Klickna, Leggett, Lyons, Marder, O'Neill, Phalen, Reedus, Walwyn, and Koch. Motion CARRIED.

APPROVAL OF EXECUTIVE SESSION MINUTES

Drafts of the following executive session minutes were sent to the trustees for prior review.

- December 10, 2009 Board
- January 27-28, 2010 Executive Director Search Committee

On a motion by Jan Cleveland, seconded by Livia Kiser, it was resolved to approve the above executive session minutes, as printed. Roll call resulted in affirmative voice votes from Trustees Boone, Busby, Cleveland, Kiser, Klickna, Leggett, Lyons, Marder, O'Neill, Phalen, Reedus, Walwyn, and Koch. Motion CARRIED.

ADJOURNMENT

On a motion by Marcia Boone, seconded by Cinda Klickna, the meeting adjourned at 5:45 p.m.

Stan Rupnik, Acting Executive Director

Approved _____