



MINUTES
Board of Trustees
June 25, 2010

The regular meeting of the Board of Trustees of the Illinois Teachers' Retirement System was held on June 25, 2010 at the Springfield office of the Illinois Teachers' Retirement System, 2815 West Washington Street. Chris Koch, President, called the meeting to order at 8:54 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, Cinda Klickna, Sharon Leggett, Bob Lyons, Sid Marder, Cynthia O'Neill, and Janice Reedus. Absent: Trustees Kiser and Walwyn.

Others present: Stan Rupnik, CIO & Acting Exec. Director; Tom Gray, General Counsel; Cynthia Fain, Sr. Assistant General Counsel; Jana Bergschneider, Director of Administration; Stacy Smith, Director of Internal Audit; Greg Turk, Director of Investments; Mike Bartletti, Director of Real Estate; Tassi Maton, Director of Investment Operations; Sally Sherman, Director of Member Services; Zak Doehla, Sr. Investment Officer; Jerry Quandt, Sr. Investment Analyst; Dakin Sanert, Investment Analyst; Kenyatta Matheny, Investment Officer; Tammy Green, Assistant to the Executive Director; Sue Billington, Executive Assistant; Pat Donohue (State Street); Marcia Beard, RV Kuhns (Investment Consultant); David Fann, PCG (Private Equity Consultant), Kara King, a PCG (Private Equity Consultant); and Pat O'Hara, Cavanagh & O'Hara (Fiduciary Counsel).

Visitors present: Jack Tucker, IEA-R; Shirley Dodds, IRTA Rep.; Dennis Murfin, IRTA Rep.; Don Davis, IRTA Rep.; and Christine Williamson, Pensions & Investments.

APPROVAL OF MINUTES

Drafts of the minutes from the April 22-23 and May 20, 2010 regular meetings of the Board of Trustees was sent to the trustees for prior review. On a motion by Cynthia O'Neill, seconded by Bob Lyons, and by unanimous voice vote, the April minutes were approved as printed and the May minutes were approved as amended.

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

Iran Divestment

On a motion by Jan Cleveland, seconded by Sharon Leggett, it was resolved:

To approve the updated list of scrutinized companies relating to business in Iran, as presented.

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

SSgA - Termination

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

To terminate SSgA’s Enhanced EAFE Plus portfolio. Assets shall be reallocated to a temporary passive (optimized) transition assignment or directly to a new international equity large cap core assignment associated with the current search under staff discretion.

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

Interim Asset Allocation/Policy Benchmark

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

To accept the revised interim asset allocation targets and policy benchmark, as presented, effective 7/1/10. The changes will apply to both the main trust fund and POB account.

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

FY 11 Private Equity Tactical Plan

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

To approve the FY 2011 private equity tactical plan, as presented.

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

Energy Investors Funds

On a motion by Mike Busby, seconded by Jan Cleveland, it was resolved:

To invest \$75 million to EIF United States Power Fund IV, L.P., with \$65 million main fund and \$10 million within the POB account. Source of funds 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, Klickna, Leggett, Lyons, Marder, O’Neill, Reedus, Phalen, and Koch. Motion CARRIED.

Blackstone/GSO

On a motion by Mike Busby, seconded by Sharon Leggett, it was resolved:

Increase commitment to Blackstone/GSO Capital Solutions Fund, L.P. from \$100 million to \$150 million with the additional allocation divided equally, \$25 million to the main fund and \$25 million to the POB account. Source of funds 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, Klickna, Leggett, Lyons, Marder, O’Neill, Reedus, Phalen, and Koch. Motion CARRIED.

Private Equity Consultant - PCG

On a motion by Mike Busby, seconded by Jan Cleveland, it was resolved:

To award Pacific Corporate Group a five year contract to serve as the System's private equity consultant subject to completion of contract and fee negotiations.

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

Investment Policy Revisions

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

To accept the investment policy revisions, as presented.

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

EXECUTIVE DIRECTOR'S REPORT

Revisions to Bylaws

Cynthia Fain, Sr. Asst. General Counsel, presented survey results regarding whether public pension funds nationwide allow their trustees to vote by phone. Documentation is on file. As requested in May, Ms. Fain presented draft revisions to the Board Bylaws that would create a special meeting exception to the current prohibition on trustee voting when participating in a meeting by telephone or video or audio conference. Following discussion, a motion was made by Mike Busby, seconded by Sid Marder, to revise the bylaws and committee charters to permit voting by trustees who receive approval of attending trustees to participate by telephone or video or audio conference, but only at special board or special committee meetings. Roll call resulted in affirmative voice votes from Trustees Boone, Busby, Cleveland, Klickna, Leggett, Lyons, Marder, Phalen, and Koch. Votes of opposition were heard from Trustees O'Neill and Reedus. Motion CARRIED.

RECESS

The meeting recessed at 9:35 a.m. and reconvened at 9:45 a.m.

Actuarial Audit Report

The Government Finance Officers Association recommends that retirement systems have their actuarial processes reviewed by an outside firm at least every ten years to ensure that current procedures comply with actuarial standards. Kathleen Farney, Director of Research, reported that The Segal Company conducted an external review on the work performed by Buck Consultants, the System's actuary. The Segal Company reported that it was able to match Buck's results within an acceptable degree of accuracy and all parameters and methods seem consistent with generally accepted actuarial standards. Buck's assumptions were found to be generally within the norms of the System's peer group, with the 8.5 percent investment return at the high end of normal. Segal characterizes most of its suggestions as enhancements to Buck's current procedures. Buck agrees with Segal's recommendations for additional disclosure and will include many of its suggestions in the 2010 valuation report. Documentation is on file.

BOARD TRAVEL

Annual Travel

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

To authorize TRS trustees to travel within the State of Illinois to attend TRS Board meetings, stakeholder group meetings, or any other meeting or event related to TRS duties and responsibilities, and that all out-of-state TRS trustee travel must be approved in advance by Board vote.

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

NCTR

Pursuant to Public Act 96-0006, the Board must vote to approve travel by its members. A motion by Marcia Boone, seconded by Molly Phalen, it was resolved:

That Board hereby approves the travel for two trustees to attend the NCTR Trustee Workshop held July 26-28, 2010 in Portland, OR.

That the Board hereby approves the travel for four trustees to attend the annual NCTR conference to be held in San Antonio, TX October 9-14, 2010.

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

Trustee Lyons announced that he attended the Pensions & Investments Risk Management Conference in Chicago on June 15, 2010.

EXECUTIVE SESSION

A motion was made by Mike Busby, seconded by Cinda Klickna, 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, or legal counsel for 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, Klickna, Leggett, Lyons, Marder, O’Neill, Phalen, Reedus, and Koch. Motion CARRIED.

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

APPROVAL OF EXECUTIVE SESSION MINUTES

The following drafts of executive session meeting minutes were sent to the trustees for prior review. On a motion by Jan Cleveland, seconded by Mike Busby, it was resolved:

To approve the following executive session minutes, as printed.

April 9, 2010 – Special Board

April 23, 2010 – Board

May 20, 2010 – Board

May 20, 2010 – Investment Committee

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

ADJOURNMENT

There being no further business to be brought before the Board, on a motion by Bob Lyons, seconded by Marcia Boone, and by unanimous voice vote, the meeting adjourned upon conclusion of executive session at 12:03 p.m.

Stan Rupnik, Acting Executive Director

Approved _____