



Teachers' Retirement System of the State of Illinois

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Richard W. Ingram, Executive Director

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MINUTES

Board of Trustees

December 8-9, 2010

The regular meeting of the Board of Trustees of the Illinois Teachers' Retirement System was held on December 8-9, 2010 at the Springfield office, 2815 West Washington Street. Molly Phalen, Vice President, called the meeting to order at 1:13 p.m. A quorum was present.

Roll Call attendance was taken with the following trustees present: Boone, Busby, Cleveland, Klickna, Leggett, Lyons, O'Neill, Reedus, Walwyn, and Phalen. President Koch arrived at 1:35 p.m. Absent: Livia Kiser and Sid Marder.

Staff present: Stan Rupnik, CIO & Acting Exec. Director; Gina Larkin, Director of Human Resources.

EXECUTIVE SESSION

A motion was made by Bob Lyons, seconded by Sonia Walwyn, 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 as permitted under the following exception set forth in the Open Meetings Act which authorizes the closing of the meeting to the public: 5 ILCS 120/2(c) (1). Roll call resulted in affirmative voice votes from Trustees Boone, Busby, Cleveland, Klickna, Leggett, Lyons, O'Neill, Reedus, Walwyn, and Phalen. Motion CARRIED.

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

RECESS

The meeting recessed at 5:30 p.m. and reconvened the following day at 4:50 p.m.

Trustees present: Busby, Cleveland, Klickna, Leggett, Lyons, O'Neill, Reedus, Walwyn, and Phalen. Absent: Marcia Boone, Livia Kiser, Sid Marder, and Chris Koch.

Visitors present: Shirley Dodds, IRTA Rep.; Dennis Murfin, IRTA Rep.; and Don Davis, IRTA Rep.

Approval of Minutes

A draft of the October 29, 2010 minutes of the regular meeting of the Board of Trustees were sent to the trustees for prior review. On a motion by Cynthia O'Neill, seconded by Jan Cleveland, and by unanimous voice vote, the minutes were approved as printed.

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

Cash Withdrawal

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

To withdrawal up to 4% of the main TRS trust fund, or \$1.2 billion based on 9/30/10 ending market value, to cover the System's cash requirements.

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

GCTR Fund X, L.P.

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

To withdraw the System's \$100 million commitment to the GCTR Fund X, L.P. due to undecided fund terms and conditions.

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

Turner Investments

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

To accept a product change for the current Turner domestic equity large growth mandate, as presented.

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

International Equity

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

To approve the following recommendations within the international equity portfolio, as presented.

- Reduce Brandes allocation by 5% to 10%
- Reduce Mondrian allocation by 5% to 10%
- Reduce McKinley allocation by 5% to 10%
- Eliminate the 5% temporary large cap growth optimized account
- Eliminate the 2% temporary large cap core optimized account
- Raise the temporary small cap optimized allocation from 1% to 2% to maintain small cap exposure, but no new funding will be contributed to the account
- Raise the Northern Trust WorldxUS passive allocation by 19.25% to 25%
- Raise the Aberdeen EAFE plus allocation by 1.75% to 7.5%
- Rebalance all recommended changes gradually

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

Fixed Income

On a motion by Cinda Klickna, seconded by Janice Reedus, it was resolved:

To approve the following recommendations within the fixed income asset class, as presented.

- Allocate the 2.5% unassigned target to Franklin’s local markets emerging markets debt “EMD” mandate to be effective 1/1/11. The international/EMD search is then concluded, with no further consideration of Prudential’s EMD mandate as an additional mandate.
- To authorize a search for an active US TIPS manager for an approximate 5% weight in the fixed income portfolio. The source

would be a slight reduction of other existing fixed income manager targets to be determined upon selection of the U.S. TIPS manager.

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

Real Return

On a motion by Mike Busby, seconded by Janice Reedus, it was resolved:

To approve the following recommendations within the real return asset class, as presented.

--Terminate WAMCO’s global inflation-linked bond portfolio, currently a 10.75% weight within the real return asset class

--Increase New Century Advisors global inflation-linked bond portfolio’s target from 2.5% to 5.0%. New Century is a WMBE firm

--Increase PIMCO’s global Inflation-linked bond portfolio target from 10.75% to 19.0%

a. Assets from the terminated WAMCO account will be distributed to New Century and PIMCO. A portion of the WAMCO portfolio, estimated to be \$15 million will be utilized for cash requirements.

--Eliminate the POB commodity accounts for Gresham and Schrodgers, combining the existing assets into main fund only. The amount moved to the main fund will be applied to the FY2011 POB debt service transfer.

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

Private Equity Co-investment Process

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

To accept the private equity co-investment process document, as presented.

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

TRS Investment Policy

On a motion by Sonia Walwyn, seconded by Bob Lyons, it was resolved:
To accept revisions to the TRS Investment Policy, as presented.

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

EnerVest Institutional Fund XII-A, L.P.

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

To invest up to \$75 million to EnerVest Institutional Fund XII-A, L.P. within the main TRS trust fund subject to successful completion of contract negotiations. 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 Busby, Cleveland, Klickna, Leggett, Lyons, O’Neill, Reedus, Walwyn, and Phalen. Motion CARRIED.

MCP Asia Fund, L.P.

On a motion by Cinda Klickna, seconded by Jan Cleveland, it was resolved:

To invest up to \$100 million to MCP Asia Fund, L.P. within the main TRS trust fund. 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 Busby, Cleveland, Klickna, Leggett, Lyons, O’Neill, Reedus, Walwyn, and Phalen. Motion CARRIED.

AUDIT COMMITTEE – *Janice Reedus, Chair*

Real Estate Audit

On a motion by Jan Cleveland, seconded by Bob Lyons, it was resolved:

To award an additional one year contract extension to KPMG to perform the FY11 real estate audit. The new maturity date will be February 2012.

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

ACTING EXECUTIVE DIRECTOR’S REPORT

Financial Statement and Administrative Expenses

The financial statement and administrative expenses for the quarter ended September 30, 2010 were sent to the trustees for review. The reports are on file. On a motion by Cinda Klickna, seconded by Sharon Leggett, it was resolved:

To approve the administrative expenses for the quarter ended September 30, 2010 as presented.

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

Member Services Report

The Member Services Statistical Report for the period ending October 31, 2010 is on file.

Fiduciary Insurance Report

Insurance consultant, Bob Trompeter, reported on the cost of fiduciary liability insurance. Due to cost factors and coverage restrictions, it was his recommendation that the Board not purchase such coverage. Fiduciary Counsel O’Hara concurred.

EXECUTIVE SESSION

A motion was made by Jan Cleveland, seconded by Sharon Leggett, 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; investments; 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) (7), 5 ILCS 120/2(c) (11) and 5 ILCS 120/2(c) (21). Roll call resulted in affirmative voice votes from Trustees Busby, Cleveland, Klickna, Leggett, Lyons, O’Neill, Reedus, Walwyn, and Phalen. Motion CARRIED.

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

APPROVAL OF EXECUTIVE SESSION MINUTES

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

- October 29, 2010 Board of Trustees
- November 30, 2010 Board of Trustees

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

ADJOURNMENT

On a motion by Molly Phalen, seconded by Mike Busby, the meeting adjourned at 5:40 p.m.

Richard W. Ingram, Executive Director

Approved _____