



Teachers' Retirement System of the State of Illinois

MINUTES Board of Trustees August 26, 2014

The regular meeting of the Board of Trustees of the Illinois Teachers' Retirement System was held on August 26, 2014 at the Springfield office of the Illinois Teachers' Retirement System, 2815 West Washington Street. Chris Koch, President, called the meeting to order at 11:28 a.m. A quorum was present.

Roll Call attendance was taken with the following trustees present: Mike Busby, Marcia Campbell, Rainy Kaplan, Cinda Klickna, Bob Lyons, Cynthia O'Neill, Sonia Walwyn, Sharon Leggett (Vice President), Chris Koch (President). Absent: Mark Bailey and Mark Harris.

Others present: Dick Ingram, Executive Director; Stan Rupnik, Chief Investment Officer; Stefan Backhus, Investment Officer; Kenyatta Matheny, Sr. Investment Officer; Tom Gray, General Counsel; Cynthia Fain, Sr. Assistant General Counsel; Gina Larkin, Director of Human Resources; Jana Bergschneider, Director of Administration; Sally Sherman, Director of Member Services; Stacy Smith, Director of Internal Audit; Tassi Maton, Sr. Internal Auditor; Christina Baker, Internal Auditor; Kathleen Farney, Director of Research; Dave Urbanek, Director of Communications; Tammy Green, Assistant to the Executive Director; John Long, Cavanagh & O'Hara (Fiduciary Counsel); and Becky Gratsinger, RV Kuhns (Investment Consultant).

Visitors present: Bob Kaplan, IEA-R/IRTA; Gayla Dial, IEA-R/IRTA; David Bishop, IEA-R; Tony Casalino, IFT; Donnie Ostrom, IRTA; Don Davis, IRTA; Dennis Murfin, IRTA; Shirley Dodds, IRTA; Dan Winter, Annuitant; Christine Williamson, Pensions & Investments.

APPROVAL OF MINUTES

A draft of the June 24, 2014 minutes of the regular board meeting was sent to the trustees for prior review. On a motion by Marcia Campbell,

seconded by Mike Busby, and by unanimous voice vote, the minutes were approved, as printed.

INVESTMENT COMMITTEE REPORT

Watch List

On a motion by Rainy Kaplan, seconded by Sharon Leggett, it was resolved:

To accept the 6/30/14 Watch List, as presented.

Roll call resulted in affirmative voice votes from Trustees Busby, Campbell, Kaplan, Klickna, Lyons, O’Neill, Walwyn, Leggett, and Koch. Motion CARRIED.

Global Equity

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

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

- 1) ratify the resignation of Sky Investment Council’s international equity account and the reallocation of assets, as presented.
- 2) increase Channing Capital Management’s assignment to \$100 million within the System’s Emerging Manager Program. This would require additional funding of about \$55.9 million as of 7/31/14. Source of funds will be the RhumbLine S&P 500 index account dedicated to the Emerging Manager Program. Contingent upon chair approval, staff could initially fund from other domestic equity sources (with subsequent reimbursement) to reduce trading costs.

Roll call resulted in affirmative voice votes from Trustees Busby, Campbell, Kaplan, Klickna, Lyons, O’Neill, Walwyn, Leggett, and Koch. Motion CARRIED.

Loomis, Sayles & Company - Termination

On a motion by Sharon Leggett, seconded by Rainy Kaplan, it was resolved:

To terminate Loomis, Sayles & Company's 4.0% domestic equity large cap value mandate.

Roll call resulted in affirmative voice votes from Trustees Busby, Campbell, Kaplan, Klickna, Lyons, O'Neill, Walwyn, Leggett, and Koch. Motion CARRIED.

FY 15 Real Estate Tactical Plan

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

To approve the fiscal year 2015 real estate tactical plan, as presented.

Roll call resulted in affirmative voice votes from Trustees Busby, Campbell, Kaplan, Klickna, Lyons, O'Neill, Walwyn, Leggett, and Koch. Motion CARRIED.

FY 15 Absolute Return Tactical Plan

On a motion by Sharon Leggett, seconded by Cinda Klickna, it was resolved:

To approve the fiscal year 2015 absolute return tactical plan, as presented.

Roll call resulted in affirmative voice votes from Trustees Busby, Campbell, Kaplan, Klickna, Lyons, O'Neill, Walwyn, Leggett, and Koch. Motion CARRIED.

Iran Divestment

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

To approve the list of forbidden entities for FY 15, as presented. China National Petroleum Corp., China Petroleum & Chemical Corp., China National Offshore Oil Corp., Daelim Industrial Co., Indian Oil Corp., Oil and National Gas Corp., and PetroChina Co.

Roll call resulted in affirmative voice votes from Trustees Busby, Campbell, Kaplan, Klickna, Lyons, O'Neill, Walwyn, Leggett, and Koch. Motion CARRIED.

PIMCO

On a motion by Rainy Kaplan, seconded by Sharon Leggett, it was resolved:

To select PIMCO to manage up to \$500 million customized separate account within the global fixed income asset class. The mandate will be categorized as a Special Situations investment within the System's global fixed income asset class. Source of funds shall be TRS cash account, passive/enhanced index accounts, or active manager accounts that may be above their intended target weight. The commitments are subject to successful completion of contract negotiations.

Roll call resulted in affirmative voice votes from Trustees Busby, Campbell, Kaplan, Klickna, Lyons, O'Neill, Walwyn, Leggett, and Koch. Motion CARRIED.

Baring Asia Fund VI, L.P.

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

To commit up to \$100 million to Baring Asia Fund VI, L.P. Source of funds shall be TRS cash accounts, passive/enhanced index accounts, or active manager accounts that may be above their intended target weight. The commitment is contingent upon successful completion of all legal documentation.

Roll call resulted in affirmative voice votes from Trustees Busby, Campbell, Kaplan, Klickna, Lyons, O’Neill, Walwyn, Leggett, and Koch. Motion CARRIED.

NGP Natural Resources Fund XI, L.P.

On a motion by Sonia Walwyn, seconded by Rainy Kaplan, it was resolved:

To commit up to \$100 million to NGP Natural Resources Fund XI, L.P. Source of funds shall be TRS cash accounts, passive/enhanced index accounts, or active manager accounts that may be above their intended target weight. The commitment is contingent upon successful completion all legal documentation.

Roll call resulted in affirmative voice votes from Trustees Busby, Campbell, Kaplan, Klickna, Lyons, O’Neill, Walwyn, Leggett, and Koch. Motion CARRIED.

Sheridan Production Partners Fund III, L.P.

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

To commit \$75 million to Sheridan Production Partners Fund III, L.P. Source of funds shall be TRS cash accounts, passive/enhanced index accounts, or active manager accounts that may be above their intended target weight. The commitment is contingent upon successful completion of all legal documentation.

Roll call resulted in affirmative voice votes from Trustees Busby, Campbell, Kaplan, Klickna, Lyons, O’Neill, Walwyn, Leggett, and Koch. Motion CARRIED.

RULES AND PERSONNEL COMMITTEE REPORT

Diversity Committee

On a motion by Cinda Klickna, seconded by Cynthia O’Neill, it was resolved:

To approve the following trustees to serve on the newly, created Diversity Committee of the Board to oversee TRS’s efforts to broaden diversity issues: Mike Busby, Mark Harris, Rainy Kaplan, Bob Lyons, Sonia Walwyn. In addition, approve the Diversity Committee Charter, as presented.

Roll call resulted in affirmative voice votes from Trustees Busby, Campbell, Kaplan, Klickna, Lyons, O’Neill, Walwyn, Leggett, and Koch. Motion CARRIED.

Revisions to the Board Bylaws

On a motion by Rainy Kaplan, seconded by Sonia Walwyn, it was resolved:

To approve revisions to the Board Bylaws, Article V, Section I, Committees, as presented.

Roll call resulted in affirmative voice votes from Trustees Busby, Campbell, Kaplan, Klickna, Lyons, O’Neill, Walwyn, Leggett, and Koch. Motion CARRIED.

EXECUTIVE DIRECTOR’S REPORT

Annual Ethics Training Certification

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

To certify that the following trustees of the Illinois Teachers' Retirement System have completed a minimum of eight hours of ethics training during FY 14 in accordance to Public Act 96-0006, Article 1 of the IL Pension Code, Section 1-113.18. Certification will be submitted to the Division of Insurance of the Department of Financial Professional Regulation.

Mark Bailey, Mike Busby, Marcia Campbell,
Rainy Kaplan, Cinda Klickna, Sharon Leggett,
Bob Lyons, Cynthia O'Neill, Enrique Vasquez,
Sonia Walwyn, and Chris Koch.

Roll call resulted in affirmative voice votes from Trustees Busby, Campbell, Kaplan, Klickna, Lyons, O'Neill, Walwyn, Leggett, and Koch. Motion CARRIED.

Legislative Platform

Director Ingram submitted a revised draft of a legislative platform for TRS that reflected the recommended revisions discussed at the legislative committee meeting. Documentation is on file. On a motion by Cinda Klickna, seconded by Bob Lyons, it was resolved:

To approve the TRS Legislative Platform, as presented.

Roll call resulted in affirmative voice votes from Trustees Busby, Campbell, Kaplan, Klickna, Lyons, O'Neill, Walwyn, Leggett, and Koch. Motion CARRIED.

Reports

The following reports are on file.

- Member Services Statistical Report for the quarter ending June 30, 2014
- Employers Services Report for the period January 21-July 19, 2014
- EEOC Report for the quarter ending June 30, 2014

Sally Sherman, Director of Member Services, reported that the total annuity payroll is in excess of \$454 million and 113,000 payments were issued September 1, 2014. Over 92 percent of annuitants were placed on the payroll by September 1. This year, an online supplementary report process was implemented by TRS staff. Approximately 4300 people plan to retire during 2014.

TRUSTEE CONCERNS

The Board discussed their concerns of finding and retaining governor appointed trustees to serve on the TRS Board. Currently, TRS has two governor appointed vacancies.

(Trustee Walwyn departs)

RECESS

The meeting recessed at 12:03 p.m. and reconvened at 12:58 p.m.

EXECUTIVE SESSION

A motion was made by Rainy Kaplan, seconded by Sharon Leggett, that the Board enter into executive session for the purpose of discussing compensation matters, imminent or probable litigation, review of closed meeting minutes including the semi-annual review of 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), (7), and (11). Roll call resulted in affirmative voice votes from Trustees Busby, Campbell, Kaplan, Klickna, Lyons, O'Neill, Leggett, and Koch.

No action was taken during executive session. A motion was made by Cynthia O'Neill, seconded by Mike Busby, that the Board come out of executive session. Roll call resulted in affirmative voice votes from Trustees Busby, Campbell, Kaplan, Klickna, Lyons, O'Neill, Leggett, and Koch. Motion CARRIED.

(Trustee Walwyn present)

Personnel - CIO

On a motion by Mike Busby, seconded by Bob Lyons, it was resolved:

To approve the amendment to CIO Stan Rupnik’s employment contract to reflect the FY 15 salary adjustment, as discussed. The salary adjustment is through June 30, 2018.

Roll call resulted in affirmative voice votes from Trustees Busby, Campbell, Kaplan, Klickna, Lyons, O’Neill, Walwyn, Leggett, and Koch. Motion CARRIED.

Approval of Executive Session Minutes

Drafts of the May 29, 2014 executive session meeting minutes of the Investment Committee and Board, plus the June 24, 2014 executive session meeting minutes of the Board, were sent to the trustees for prior review. In addition, the Board received a memorandum from the System’s legal counsel regarding the confidentiality of executive session minutes pursuant to the Open Meetings Act. The following minutes no longer require confidential treatment and will be available for public inspection:

October 23, 2013	Audit Committee
December 5-6, 2013	Board of Trustees
February 19, 2014	Audit Committee
February 20, 2014	Board of Trustees

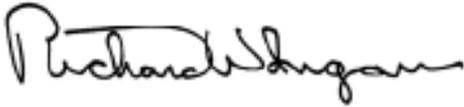
On a motion by Mike Busby, seconded by Cinda Klickna, and by unanimous voice vote, the May 29 and June 24, 2014 minutes were approved as printed. In addition, minutes were approved for release to the public.

In accordance with Board Bylaw, Article III, Section 8, staff requested the destruction of audio recordings of executive session meetings for the years 2011 and 2012. Documentation is on file. On

a motion by Mike Busby, seconded by Cinda Klickna, and by unanimous voice vote, the destruction of the 2011-2012 audio recordings of executive session meetings was approved.

ADJOURNMENT

There being no further business to be brought before the Board, on a motion by Mike Busby, seconded by Bob Lyons, and by unanimous voice vote, the meeting adjourned at 1:30 p.m.

A handwritten signature in black ink, appearing to read "Richard W. Ingram". The signature is fluid and cursive, with a large initial "R" and "I".

Richard W. Ingram, Executive Director

Approved: 10/30/14