



Retirement Security for Illinois Educators

News

For Immediate Release
May 21, 2010

Teachers' Retirement System of the State of Illinois

2815 West Washington Street, P.O. Box 19253
Springfield, Illinois 62794-9253

Dave Urbanek
Public Information Officer
durbanek@trs.illinois.gov
Office: (217) 753-0968
Cell: (217) 720-3961

Teachers' Retirement System Opens Search for International Fixed Income Manager

SPRINGFIELD, IL – The Board of Trustees of the Teachers' Retirement System today launched a nationwide search for a money management firm to oversee an allocation to international bond investments within the System's fixed income bond portfolio. The search is expected to be completed by August of this year.

The search for a money management firm follows the Board's decision to increase System investments in "non-dollar and emerging market debt" within its fixed income portfolio. These decisions follow a study of the System's fixed income investments by TRS staff and the System's general investment consultant, R.V. Kuhns & Associates of Portland, Oregon. The study found that investment returns for the fixed income portfolio would likely benefit if more emphasis was placed on foreign currency bonds in developing countries with growing economies.

"Other data sources also confirm TRS's exposure to non-dollar bonds is lower relative to other investors," TRS staff noted. "Over time, exposures to non-dollar debt investments can enhance portfolio yield."

Even with the change, the current one-year rate of return on investments for the TRS fixed income portfolio is strong, standing at 23.89 percent, more than 16 percentage points higher than the expected benchmark rate of return, 7.69 percent.

(MORE)

In other action, the TRS Board:

- Authorized the issue of a Request for Proposal to seek an advisor for the initiation of a formal private equity “co-investment” program. A final recommendation is expected in August. The System is seeking to make direct, non-control co-investments in privately held companies alongside existing private equity fund investments.
- Approved a new strategic plan for the System’s \$1.2 billion absolute return portfolio. The updated plan calls for building on the current foundation of fund of funds with small and diversified direct investments as the portfolio grows from its current 3.75 percent allocation to the long-term target of 5 percent. Absolute return investments are expected to provide market diversification and “equity-like” returns with lower risk.
- Selected Davis Hamilton Jackson & Associates of Houston, Texas, to manage \$25 million in TRS assets within the fixed income core plus portfolio as part of the Emerging Managers Program.
- Committed \$75 million to Littlejohn Fund IV, L.P., of Greenwich, Connecticut, a private equity fund focused on reviving middle-market firms that are underperforming or financially distressed.
- Approved a direct investment of up to \$100 million in TRS assets to SKBHC Holdings, LLC to help the newly-formed firm carry out a three-year strategy of rescuing failed community banks in the Midwest, Northwest and Western states.
- Made changes to the TRS “Watch List” of investment firms being monitored for performance and compliance reasons.
 - The Board voted to remove PIMCO and Trilogy Global Advisors from the Watch List following improved performance during the first quarter of 2010. PIMCO manages \$485 million in the TRS domestic equity – enhanced index portfolio. Trilogy manages \$351 million in the international equity – active core portfolio.

(MORE)

- The Board voted to terminate the services of EARNEST Partners in managing \$155 million of TRS assets in the fixed income – core plus portfolio. The termination follows continued sub-par performance.
- The Board added Piedmont Investment Advisors to the Watch List because of continued sub-par performance. Piedmont manages \$98 million in the domestic equity – enhanced index portfolio.
- As approved by the TRS Board, the current Watch List is composed of:

Brandes Investment Partners, which manages \$972 million of the international equity – active core value portfolio.

Copper Rock Capital Partners, which manages \$205 million of the domestic equity – SMID growth portfolio.

Dodge & Cox, which manages \$440 million of the domestic equity – large value portfolio.

EARNEST Partners, which manages \$99 million of the domestic equity – large core portfolio.

Emerald Advisors, which manages \$205 million of the domestic equity – small growth portfolio.

Grantham, Mayo, Van Otterloo & Company, which manages \$869 million of the international equity – emerging markets portfolio.

Goldman Sachs Asset Management, which manages \$1 billion of the fixed income – core plus portfolio.

Mazama Capital Management (small cap), which manages \$160 million of the domestic equity – small growth portfolio.

Mazama Capital Management (SMID cap), which manages \$133 million of the domestic equity – SMID growth portfolio.

McKinley Capital, which manages \$939 million of the international equity – active core growth portfolio.

Piedmont Investment Advisors, which manages \$98 million of the domestic equity – enhanced index portfolio.

State Street Global Advisors, which manages \$335 million of the international equity – enhanced core portfolio.

Turner Investment Partners, which manages \$698 million of the domestic equity – large growth portfolio.

Tygh Capital Management, which manages \$253 million of the domestic equity – SMID growth portfolio.

###

About Teachers' Retirement System

The Teachers' Retirement System of the State of Illinois is the 68th largest pension system in the world, and provides retirement, disability and survivor benefits to teachers, administrators and other public school personnel employed outside of Chicago. The System serves 365,188 members and had assets of \$32.1 billion as of December 31, 2009.