



## Teachers' Retirement System of the State of Illinois

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# News

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### **TRS REBALANCES EQUITY PORTFOLIOS TO BETTER PERFORM IN A VOLATILE ECONOMY**

SPRINGFIELD, IL – The Teachers' Retirement System Board of Trustees today approved a re-balancing of its domestic and international stock portfolios to better position the System's investments in an increasingly volatile market. The changes were recommended by the TRS investment staff during the regularly-scheduled annual review of the equity asset class.

"TRS continually reviews the status of its investments in order to make sure that money is allocated in a way that reduces volatility and risk in the overall portfolio and maximizes potential returns within our standards of acceptable risk," said TRS Executive Director Dick Ingram. "Our portfolio is widely diversified specifically to help it maintain value in down markets and when the economy is struggling. This ensures that we remain well-positioned for the long term."

As a result of the annual review, TRS staff recommended minor structural changes within the global equity portfolios. In the Domestic Equity portfolio, the Board approved:

- A 2 percent asset allocation increase to **Levin Capital Strategies of New York, New York**, raising the firm's TRS target assets under management to 6 percent of the domestic equity asset class. Levin currently manages \$309 million in TRS funds.
- A 2 percent asset allocation increase to **MFS Institutional Advisors of Boston, Massachusetts**, raising the firm's TRS target commitment to 6 percent of domestic equity. The firm currently manages \$314 million in TRS funds.

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- Two asset allocation increases in different stock categories to **Rhumblin Advisors of Boston, Massachusetts**. The firm will receive a 2 percent increase for its S&P 500 Index account, raising the allocation to 25 percent of the domestic stock portfolio and a 0.5 percent increase in the firm's small capitalization stock account, raising the total allocation to 2 percent of the portfolio. Altogether, Rhumblin manages \$1.8 billion in TRS assets.
- Asset allocation reductions for three management firms that will reduce their TRS target allocations to zero - **ERNEST Partners of Atlanta, Georgia, Fred Alger Management of New York, New York** and **AQR Capital Management, of Greenwich, Connecticut**.

In the International Equity portfolio, the Board approved:

- A 3 percent shift in assets within the emerging markets sector from **Grantham, Mayo, Van Otterloo & Company of Boston, Massachusetts** to **Aberdeen Asset Management of Edinburgh, Scotland**. Grantham's allocation will change from 12 percent of the asset class to 9 percent and Aberdeen's will change from 4.5 percent to 7.5 percent. Grantham currently manages \$701 million in TRS assets and Aberdeen manages \$303 million in assets.

In other action during the Board's December meeting, the Trustees:

- Approved a \$200 million allocation from the TRS Real Estate portfolio to **The Blackstone Group of New York, New York**, for potential investments worldwide in distressed or undermanaged properties. Blackstone currently manages \$53.8 million in TRS assets.
- Approved a \$150 million investment from the Absolute Return portfolio to **Pine River Capital Management of Minnetonka, Minnesota**. The firm trades in a full range of securities, including convertible bonds, credit instruments, equities, mortgages and municipal bonds.
- Approved an allocation of as much as \$100 million within the Private Equity portfolio to **Morgan Creek Capital Management of Chapel Hill, North Carolina** for venture capital fund investments. Morgan Creek currently manages \$25 million in TRS assets.
- Approved an allocation of as much as €50 million, or \$65.5 million, within the Private Equity portfolio to **Rhône Capital, of New York, New York** for investments in international middle market businesses with existing international markets or the potential for international markets.
- Approved a \$30 million asset allocation within the Emerging Manager Program for **Channing Capital Management of Chicago, Illinois**, for investment in the Domestic Equity portfolio.
- Approved an increase of \$10 million within the TRS Emerging Manager Program to **LM Capital Management of San Diego, California** for investment in fixed income securities. LM Capital currently manages \$28 million in TRS assets.
- Approved the initiation of a search for an investment firm to advise TRS staff on its Private Equity co-investments. TRS already employs two firms that perform an independent evaluation of co-investment opportunities. Using an advisor pool approach consisting of multiple advisors provides TRS with greater flexibility and more appropriate advisor appointment matching for co-investment opportunities. No timetable for the search has been finalized.

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- Updated the TRS “Watch List” of investment firms administering System assets by removing **McKinley Capital Management of Anchorage, Alaska** from the TRS Watch List because of continually improved performance in the International Equity portfolio. McKinley currently manages \$593 million in TRS assets.

As approved by the TRS Board, the current Watch List is composed of:

- **Brandes Investment Partners, of San Diego, California**, which manages \$635 million of the International Equity – Active Core Value portfolio
- **Turner Investment Partners of Berwyn, Pennsylvania**, which manages \$453 million in Domestic Equity – Active Large Capitalization Growth assets.

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### **About Teachers’ Retirement System**

The Teachers’ Retirement System of the State of Illinois is the 39<sup>th</sup> largest pension system in the United States, and provides retirement, disability and survivor benefits to teachers, administrators and other public school personnel employed outside of Chicago. The System serves 362,000 members and had assets of \$37.7 billion as of June 30, 2011.