



Teachers' Retirement System of the State of Illinois

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News

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TRS APPROVES \$2.7 BILLION STATE CONTRIBUTION AMOUNT FOR FISCAL YEAR 2013

SPRINGFIELD, IL – The Teachers' Retirement System Board of Trustees today approved a \$2.703 billion state funding amount for fiscal year 2013, which is the money required by state law to fund TRS pensions during the coming year, as well as a payment on the System's unfunded liability, which currently stands at \$43.5 billion.

The System's unfunded liability increased slightly to 53.5 percent during FY 2011 from the previous mark of 51.6 at the end of June, 2010. The increase in unfunded liability is due mainly to the lingering affects of the 2008-2009 worldwide financial crisis on investment earnings. The increase, however, was mitigated by strong investment earnings of 24 percent during FY 2011. Total TRS assets grew during FY 2011 by \$6.1 billion to \$37.4 billion. Total TRS revenue from all sources was \$10.5 billion.

The \$2.7 billion state contribution for FY 2013 is \$297 million higher than the current year's contribution of \$2.4 billion. State government is expected to pay the entire year's contribution before the end of the fiscal year. State law requires TRS to annually certify an amount for the state contribution by November.

“Over the last three years, state officials have taken their responsibilities to pay the state's share of TRS pension costs very seriously,” said Executive Director Dick Ingram. “We applaud that on-going commitment because it reflects good fiscal discipline and an appreciation for our members' service. This continued commitment, along with our disciplined long-term focus and near record-level investment returns last year are central to keeping TRS pension promises to our 362,000 members across Illinois.”

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In other action during its October meeting, the Trustees:

- Approved an annual tactical investment plan for the System's \$1.49 billion Absolute Return portfolio that calls for an expansion of TRS investments to help meet the long-term goal of gradually enlarging the portfolio to 8 percent of the System's total assets under management. Currently the portfolio represents 5 percent of total assets. The highlights of the tactical plan include an increase in current commitments to **BlueMountain Capital Management, of New York, New York; Claren Road Asset Management, of New York, New York; and Carlson Capital, of Dallas, Texas** by \$150 million for each firm. Currently, each of these firms is managing \$50 million in TRS assets. The plan also calls for adding two or three new investments per year in fiscal years 2012 and 2013.
- Approved a commitment of up to \$200 million from the System's \$3.6 billion Private Equity portfolio to **Leonard Green & Partners of Los Angeles, California**. The firm's focus primarily is in consumer-related businesses, including retail, distribution, health care and business services.
- Approved a \$75 million commitment from the System's \$6.3 billion Fixed Income portfolio to **Pacific Investment Management Company of Newport Beach, California**, for new investments in securities.
- Approved a \$15 million commitment from the System's Emerging Manager Program to **Flintlock Commodity Opportunity Partners of New York, New York**. Flintlock invests globally in major commodity markets including energy, industrial metals, agriculture, livestock and precious metals.
- Approved a Private Equity commitment of up to \$30 million to **Longitude Capital Management Company of Greenwich, Connecticut** for investments in growing biotechnology firms and medical device manufacturers.
- Approved a Private Equity commitment of up to \$30 million to **TrustBridge Partners of Shanghai, China** for investments in China-based businesses and industries that focus on Internet-related and health care sectors of the economy.
- Approved a commitment of up to \$25 million within the System's Emerging Manager Program to **City View, of Los Angeles, California** for real estate investments in Dallas-Fort Worth, Houston and Austin Texas; Pheonix, Arizona and Denver, Colorado.
- Approved a new five-year contract for **Tave Risk Management, of Northbrook**, to administer real estate insurance brokerage services for the System. Currently, the TRS real estate portfolio consists of more than \$4.05 billion in assets. The System's real estate insurance brokerage services are reviewed periodically and the current contract is set to expire in February 2012. Tave has served the System since 2006.
- Approved the issuance of a formal "Request for Proposal" for outside financial firms to provide transition management services. Transition management is the day-to-day administration of trading stocks and bonds during the rebalancing of portfolios or other changes. Following the RFP and evaluation process, TRS staff expect to provide a recommendation to Trustees in February of 2012.

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- Updated the TRS “Watch List” of investment firms administering System assets by:
 - Voting to remove **McKinley Capital Management, of Anchorage, Alaska** from the Watch List because of improved performance during fiscal year 2011. McKinley manages \$885.4 million of the International Equity – Active Core Growth portfolio

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

- **Brandes Investment Partners, of San Diego, California**, which manages \$805 million of the International Equity – Active Core Value portfolio
- **Turner Investment Partners of Berwyn, Pennsylvania**, which manages \$535.6 million in Domestic Equity – Active Large Cap Growth assets.

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About Teachers’ Retirement System

The Teachers’ Retirement System of the State of Illinois is the 39th 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 \$37.5 billion as of June 30, 2011.