



MINUTES
Board of Trustees
March 29-30, 2016

The Board of Trustees of the Illinois Teachers' Retirement System held its annual retreat and business meeting on March 29-30, 2016 at the Springfield office, 2815 West Washington Street.

Cinda Klickna, Vice President, called the meeting to order at 8:05 a.m. on March 29, 2016. A quorum was present. Roll Call attendance was taken with the following trustees present: Ann Deters, Andy Hirshman, Rainy Kaplan, Cinda Klickna, Bob Lyons, Sandy Stuart, Sonia Walwyn (arrived 9:25 a.m.), Dan Winter, and Randy Winters (3/29). Absent: Randy Winters (3/30), Mark Bailey, Mike Busby, and Tony Smith, President.

Others present: Dick Ingram, Executive Director; Stan Rupnik, Chief Investment Officer; Greg Turk, Director of Investments; Ken Musick, Sr. Investment Officer; Scottie Bevill, Sr. Investment Officer; Tim Hays, Sr. Investment Officer (3/30); Dakin Sanert, Sr. Investment Analyst (3/30); Deron Bertolo, Director of Investment Accounting; Abby Griffith, Sr. Investment Accountant (3/30); Bob Jiroutek, Risk Officer; Jerry Quandt, Investment Officer; Stefan Backhus, Investment Officer; Chuck Handy, Investment Officer (3/30); Bill Thomas, Investment Officer (3/30); Brennan Basnicki, Investment Officer (3/30); Jose Gonzalez, Sr. Investment Analyst (3/30); Chad Mitchell, Investment Analyst; Marcy Dutton, Chief Legal Counsel; Cynthia Fain, Sr. Legal Counsel; Kathleen Farney, Director of Research; Stacy Smith, Director of Internal Audit; Christina Baker, Internal Auditor; Rich Frankenfeld, Director of Outreach (3/29); Rene Troppa, Benefits Counseling Supervisor (3/29); Robert Powers, Call Center Supervisor (3/29); Jana Bergschneider, Chief Financial Officer; Sally Soderberg, Chief Benefits Officer; Gina Larkin, Chief Human Resources Officer; Tom Smith, Chief Technology Officer (3/29); Dave Urbanek, Director of Communications; Sue Billington, Executive Assistant; Tammy Green, Asst. to Executive Director; Pat O'Hara, Cavanagh & O'Hara (Fiduciary Counsel); Becky Gratsinger, Ian Bray, Reed Harmon, RV Kuhns (Investment Consultant).

Visitor present: Don Davis

The retreat included topics on ethics, asset allocation, private equity fee transparency; CEM benchmarking reports; TRS's communications plan; strategic plan, and preview of FY 17 administrative budget. Documentation is on file.

RECESS

The retreat recessed at 5:30 p.m. and reconvened the following day at 8:30 a.m. Trustee Klickna, Vice President, called the board meeting to order at 12:11 p.m.

APPROVAL OF MINUTES

A draft of the February 18, 2016 board meeting was sent to the trustees for prior review. On a motion by Bob Lyons, seconded by Sonia Walwyn, and by unanimous voice vote, the minutes were approved as printed.

INVESTMENT COMMITTEE REPORT – *Bob Lyons, Vice Chair*

Currency Program

On a motion by Ann Deters, seconded by Sonia Walwyn, it was resolved:

To approve initial implementation of a currency program, as presented.

Foreign Exchange Manager Structure & Sizing

- a. Approve initial sizing of a currency overlay program to a total of \$1 billion in notional value.
- b. An initial 50/50 active/passive split for the program. Based on an initial \$1 billion program, \$500 million will be managed passively and \$500 million within an active overlay program.

Foreign Currency Advisor

- a. Issue an RFP for foreign currency advisor services. The advisor(s) would be used for assignments within the private capital portfolio or for other assignments, as needed.

Roll call resulted in affirmative voice votes from Trustees Deters, Hirshman, Kaplan, Lyons, Stuart, Walwyn, Winter, and Klickna. Motion CARRIED.

Fischer, Francis, Trees and Watts

On a motion by Sandy Stuart, seconded by Rainy Kaplan, it was resolved:

To hire Fischer, Francis, Trees and Watts (FFTW) to an active alpha currency mandate. An initial target overlay amount will total 25.0% or \$500 million of the Northern Trust MSCI World Ex-USA Passive Index Fund.

Roll call resulted in affirmative voice votes from Trustees Deters, Hirshman, Kaplan, Lyons, Stuart, Walwyn, Winter, and Klickna. Motion CARRIED.

Adrian Lee & Partners

On a motion by Rainy Kaplan, seconded by Ann Deters, it was resolved:

To hire Adrian Lee & Partners to a passive hedging currency mandate. An initial target overlay amount will total 25.0% or \$500 million of the Northern Trust MSCI World Ex-USA Passive Index Fund.

Roll call resulted in affirmative voice votes from Trustees Deters, Hirshman, Kaplan, Lyons, Stuart, Walwyn, Winter, and Klickna. Motion CARRIED.

PIMCO GMAS - Termination

On a motion by Sonia Walwyn, seconded by Sandy Stuart, it was resolved:

To terminate the PIMCO Global Multi-Asset Strategy (GMAS) account, effective March 31, 2016. Assets will be liquidated to cash accounts and/or transferred temporarily to existing fixed income accounts until such time as they can be most efficiently sold.

Roll call resulted in affirmative voice votes from Trustees Deters, Hirshman, Kaplan, Lyons, Stuart, Walwyn, Winter, and Klickna. Motion CARRIED.

CLAIMS HEARING COMMITTEE REPORT – *Sonia Walwyn, Chair*

An administrative review hearing was held on December 9, 2015 to consider the appeal of Michael T. McGue challenging the staff determination that McGue was not eligible to earn service credit as a TRS member while employed as a Coordinator with Lake County Federation of Teachers Local 504. Local 504 is not a statewide teacher organization pursuant to 40 ILCS 5/16-106(8). The Claims Hearing Committee is in favor of staff in this matter. A motion was made by Rainy Kaplan, seconded by Dan Winter, to adopt the Claims Hearing Committee's proposed decision in the administrative review of Michael McGue, as presented. Roll call resulted in affirmative voice votes from Trustees Deters, Hirshman, Kaplan, Lyons, Stuart, Walwyn, Winter, and Klickna. Motion CARRIED.

Litigation

Pat O'Hara, fiduciary counsel, updated the Board on the Chicago Tribune litigation.

ADJOURNMENT

There being no further business to be brought before the Board, a motion was made by Sandy Stuart, seconded by Bob Lyons, to adjourn the meeting at 12:20 p.m.

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

Richard W. Ingram, Executive Director

Approved: 5/20/16