



MINUTES
Board of Trustees
May 20, 2016

The regular meeting of the Board of Trustees of the Illinois Teachers' Retirement System was held on May 20, 2016 at the Springfield office of the Illinois Teachers' Retirement System, 2815 West Washington Street. Dr. Tony Smith, President, called the meeting to order at 9:33 a.m. A quorum was present.

Roll Call attendance was taken with the following trustees present: Mark Bailey, Ann Deters, Rainy Kaplan, Bob Lyons, Sandy Stuart (departed 10:30 a.m.), Sonia Walwyn, Cinda Klickna, Vice President and Dr. Tony Smith, President. Absent: Mike Busby, Andy Hirshman, Dan Winter, and Randy Winters.

Others present: Dick Ingram, Executive Director; Stan Rupnik, Chief Investment Officer; Ken Musick, Sr. Investment Officer; Marcy Dutton, Chief Legal Counsel; Cynthia Fain, Sr. Legal Counsel; Jana Bergschneider, Chief Financial Officer; Tom Smith, Chief Technology Officer; Gina Larkin, Chief Human Resources Officer; Sally Sherman, Chief Benefits Officer; Kathleen Farney, Director of Research; Stacy Smith, Director of Internal Audit; Tassi Maton, Sr. Internal Auditor; Christina Baker, Internal Auditor; Dave Urbanek, Director of Communications; Deron Bertolo, Director of Investment Operations; Rich Frankenfeld, Director of Outreach; Tammy Green, Assistant to the Executive Director; Sue Billington, Executive Assistant; Becky Gratsinger, RV Kuhns (Investment Consultant); Andrew Bodewes (Legislative Consultant); and Pat O'Hara, Cavanagh & O'Hara (Fiduciary Counsel).

Visitors present: Don Davis, IRTA; Will Lovett, IEA; Gayla Dial, IEA-R; and Jason Parks, Loop Capital.

PUBLIC COMMENT – There were no public comments.

APPROVAL OF MINUTES

A draft of the March 30, 2016 minutes of the Board meeting was sent to the trustees for prior review. On a motion by Trustee Bailey, seconded by Trustee Walwyn, the Board approved the minutes as presented. President Smith abstained from voting.

INVESTMENT COMMITTEE REPORT

Cash Withdrawal

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

To withdrawal up to 1.0 percent of the total fund's value, or \$438.3 million based on the March 31, 2016 ending market value.

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

Watch List 3/31/16

On a motion by Ann Deters, seconded by Tony Smith, it was resolved:

To accept the 3/31/16 watch list, as presented.

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

Cramer Rosenthal McGlynn - Termination

On a motion by Mark Bailey, seconded by Sandy Stuart, it was resolved:

To ratify termination of Cramer Rosenthal McGlynn's 2.0 percent domestic equity SMID cap mandate.

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

Consent to Assignment – Global Equity

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

Consent to assignment of Fiduciary Management Associates' existing Investment Management Agreement to Mesirow Financial, as presented.

Consent to assignment of Apex Capital Management’s existing Investment Management Agreement to Fierra Capital Corporation, as presented.

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

LCM Partners - Fixed Income

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

To commit \$100 million to LCM Partners Credit Opportunities Fund III, L.P. within the income special situations allocation, subject to successful completion of legal documentation. Source of funds shall be TRS cash accounts or other accounts based on asset allocation or rebalancing objectives.

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

Pemberton – Fixed Income

On a motion by Rainy Kaplan, seconded by Tony Smith, it was resolved:

To commit \$50 million to Pemberton European Mid-Market Debt Fund I, L.P. within the income special situations allocation. Source of funds shall be TRS cash accounts or other accounts based on asset allocation or rebalancing objectives.

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

Global Fixed Income Asset Class

On a motion by Tony Smith, seconded by Sandy Stuart, it was resolved:

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

- Dolan McEniry’s high yield composite within the existing mandate with a 35/65% split (high yield/core) and +/-5% range.

- Increase to the maximum range to fixed income special situations to 20.0% of the asset class.

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

Apollo Co-Investment – Private Equity

On a motion by Ann Deters, seconded by Mark Bailey, it was resolved:

To ratify the commitment of up to \$30 million to the co-investment with Apollo Investment Fund III, L.P.

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

Oaktree Infrastructure

On a motion by Mark Bailey, seconded by Cinda Klickna, it was resolved:

To commit up to \$150 million to Oaktree Infrastructure Fund V, L.P. within the targeted real return allocation, subject to successful completion of legal documentation and completion of additional due diligence. Source of funds shall be TRS cash accounts, passive/enhanced index accounts or other accounts based on asset allocation or rebalancing objectives.

Roll call resulted in affirmative voice votes from Trustees Bailey, Kaplan, Lyons, Walwyn, Klickna, and Smith. Votes of opposition were heard from Trustees Deters and Stuart. Motion FAILED.

Astorg Asset Management – Private Equity

On a motion by Cinda Klickna, seconded by Sandy Stuart, it was resolved:

To commit up to €50 million to Astorg VI, L.P. Source of funds shall be TRS cash accounts, or other accounts based on asset allocation or rebalancing objectives.

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

EQT Services Limited – Private Equity

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

To commit up to €75 million to EQT Midmarket Europe, L.P. Source of funds shall be TRS cash accounts, or other accounts based on asset allocation or rebalancing objectives.

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

RCP Advisors – Private Equity

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

To commit \$200 million to a separate account with RCP Advisors, LLC. Source of funds shall be TRS cash accounts, or other accounts based on asset allocation or rebalancing objectives.

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

Shasta Ventures Management – Private Equity

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

To commit up to \$25 million to Shasta Ventures V, L.P. contingent upon successful negotiation of legal documentation and completion of staff due diligence. Source of funds shall be TRS cash account, or other accounts based on asset allocation or rebalancing objectives.

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

Sofinnova – Private Equity

On a motion by Rainy Kaplan, seconded by Cinda Klickna, it was resolved:

To commit up to \$65 million to Sofinnova Venture Partners X, L.P. contingent upon successful negotiation of legal documentation and completion of staff due diligence. Source of funds shall be TRS cash

accounts, or other accounts based on asset allocation or rebalancing objectives.

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

Grain Management

On a motion by Tony Smith, seconded by Mark Bailey, it was resolved:

To commit up to \$50 million to Grain Communications Opportunity Fund, L.P. pending completion of due diligence, contract negotiation and internal staff approval. Source of funds shall be TRS Emerging Manager Program.

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

Transition Managers

On a motion by Cinda Klickna, seconded by Sonia Walwyn, it was resolved:

To approve the available pool of transition managers, as presented.

- Citi
- Loop
- Macquarie
- Northern Trust
- Penserra

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

RULES & PERSONNEL COMMITTEE

The Rules & Personnel Committee proposed standing committee slates effective July 15, 2016. On a motion by Tony Smith, seconded by Rainy Kaplan, it was resolved:

To approve the FY 17 standing committees, as presented.

Vice President: Cinda Klickna

Investment: All Trustees, Mike Busby, Chair; Bob Lyons, Vice Chair

Audit Committee: Bob Lyons Chair; Mark Bailey, Vice Chair; Andy Hirshman, Ann Deters, Randy Winters

Legislative: Rainy Kaplan, Chair; Cinda Klickna, Vice Chair; Bob Lyons, Andy Hirshman, Dan Winter

Rules & Personnel: Mark Bailey, Chair; Mike Busby, Vice Chair; Rainy Kaplan, Cinda Klickna, Sonia Walwyn

Diversity: Mike Busby, Chair; Rainy Kaplan, Vice Chair; Bob Lyons, Sonia Walwyn, Dan Winter

Claims Hearing: Sonia Walwyn, Chair; Mark Bailey, Vice Chair; Dan Winter, Rainy Kaplan-alternate

The motion passed with a unanimous voice vote.

Administrative Rules

On a motion by Sonia Walwyn, seconded by Cinda Klickna, it was resolved:

To promulgate the following amendments to TRS Administrative Rules through the JCAR process, as presented:

Subpart F: Annuitants and Beneficiaries
Housekeeping update to Section 1650.530(a)

Repeal Subpart N: Payroll Deduction Program and relocate Section 1650.1205 into Subpart E as a new Section 1650.486.

Subpart P: Competitive Selection Procedures for Investment Services
New Section 1650.3017 – Candidate Profile for Investment Manager Searches

The motion passed with a unanimous voice vote.

AUDIT COMMITTEE REPORT

FY 17-18 Internal Audit Plan

On a motion by Mark Bailey, seconded by Rainy Kaplan, it was resolved:

To approve the FY 2017 and 2018 Internal Audit Plan, as presented.

The motion passed with a unanimous voice vote.

Revised FY 16-17 Internal Audit Plan

On a motion by Mark Bailey, seconded by Rainy Kaplan, it was resolved:

To approve the revised FY 2016 and 2017 Internal Audit Plan, as presented.

The motion passed with a unanimous voice vote.

LEGISLATIVE COMMITTEE REPORT

On a motion by Cinda Klickna, seconded by Tony Smith, it was resolved:

To SUPPORT Senate Bill 436, as amended, which reduces the federal contribution rate to normal cost effective July 1, 2016.

The motion passed with a unanimous voice vote.

EXECUTIVE DIRECTOR'S REPORT

Strategic Plan Update

Vision: To be recognized by our members and the public as dedicated to the highest professional standards of service and accountability; despite operating in the nation's most challenging environment for public pension plans.

Mission: TRS will continually deliver the retirement security promised to our members by maintaining the highest and most efficient level of service and by living our values.

Director Ingram summarized the strategic plan with FY 17 strategic goals and action items. Documentation is on file. On a motion by Cinda Klickna, seconded by Bob Lyons, it was resolved:

To approve the FY17 strategic plan, as presented.

The motion passed with a unanimous voice vote.

FY 2017 Budget and Contracts > \$50,000

Jana Bergschneider, Chief Financial Officer, provided a brief overview of the FY 17 budget initiatives and contracts over \$50,000. Documentation is on file. Discussion was held on

the presentation of the budget comparing current year actual to the proposed budgeted amount. In addition, Director Ingram submitted a long term strategic capital and operating plan for fiscal years 18-20. Documentation is on file. On a motion by Ann Deters, seconded by Sandy Stuart, it was resolved:

To approve the FY 17 administrative budget and listing of contracts over \$50,000, as presented.

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

FY 2017 Meeting Calendar

The Board Bylaws, Article III, Section 1 requires regular meetings of the Board shall be scheduled at the beginning of each fiscal year. The meeting calendar is located on the TRS website: trs.illinois.gov—*About TRS/trustees/meetings*. On a motion by Ann Deters, seconded by Tony Smith, and by unanimous voice vote, the following meeting dates were approved and will be held at the Springfield office.

The FY 17 calendar of TRS Committee/Board meetings:

August 24-26, 2016	February 15-17, 2017
October 26-28, 2016	April 5-7, 2017
December 12-14, 2016	May 17-19, 2017
	June 21-22, 2017 (tentative)

Financial Statement and Administrative Expenses

The financial statement and administrative expenses for the quarter ended March 31, 2016 were sent to the trustees for review. The reports are on file. On a motion by Cinda Klickna, seconded by Mark Bailey, it was resolved:

To approve the administrative expenses for the quarter ended March 31, 2016, as presented.

Roll call resulted in affirmative voice votes from Trustees Bailey, Kaplan, Lyons, Stuart, Walwyn, Klickna, and Smith. Trustee Deters abstained from voting. Motion CARRIED.

(Trustee Stuart departs)

Miscellaneous Reports

The following reports are on file.

- Member Services Statistical Report for the period January through April 30, 2016
- EEOC Report for the quarter ending March 31, 2016

TRAVEL

Annual Travel

Pursuant to Public Act 96-0006, the Board must vote annually to authorize trustees to travel within the State of Illinois to attend TRS Board and committee meetings, TRS-related functions, and educational missions related to TRS business. On a motion by Mark Bailey, seconded by Rainy Kaplan, it was resolved:

To authorize TRS trustees to travel within the State of Illinois during FY 17 to attend TRS Board meetings, stakeholder group meetings, or any other meeting or event related to TRS duties and responsibilities, and that all out-of-state TRS trustee travel must be approved in advance by Board vote.

Roll call resulted in affirmative voice votes from Trustees Bailey, Deters, Kaplan, Lyons, Walwyn, Klickna, and Smith. Motion CARRIED.

Trustee Travel

In accordance to Board Bylaws, Article II, Section I, trustee travel outside the State of Illinois or the United States must be approved by the Board in advance. On a motion by Cinda Klickna, seconded by Ann Deters, it was resolved:

To approve travel for trustees to attend the NCTR annual convention to be held in Providence, Rhode Island on October 8-12, 2016.

Roll call resulted in affirmative voice votes from Trustees Bailey, Deters, Kaplan, Lyons, Walwyn, Klickna, and Smith. Motion CARRIED.

On a motion by Mark Bailey, seconded by Tony Smith, it was resolved:

To approve travel for Trustee Hirshman to attend the Trustee Leadership Forum for Retirement Security to be held in Cambridge, Mass. on June 20-21, 2016.

Roll call resulted in affirmative voice votes from Trustees Bailey, Deters, Kaplan, Lyons, Walwyn, Klickna, and Smith. Motion CARRIED.

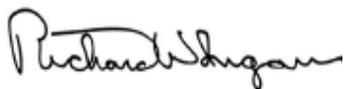
EXECUTIVE SESSION

A motion was made by Cinda Klickna, seconded by Tony Smith, that the Board enter into executive session for the purpose of discussing probable or imminent litigation as permitted under the following exception set forth in the Open Meetings Act which authorizes the closing of the meeting to the public: 5 ILCS 120/2(c) (11) Roll call resulted in affirmative voice votes from Trustees Bailey, Deters, Kaplan, Lyons, Walwyn, Klickna, and Smith. Motion CARRIED.

No action was taken during executive session. A motion was made by Mark Bailey, seconded by Rainy Kaplan, that the Board come out of executive session. Roll call resulted in affirmative voice votes from Trustees Bailey, Deters, Kaplan, Lyons, Walwyn, Klickna, and Smith. Motion CARRIED.

ADJOURNMENT

There being no further business to be brought before the Board, a motion was made by Mark Bailey, seconded by Ann Deters, to adjourn the meeting at 10:42 a.m.



Richard W. Ingram, Executive Director

Approved: 8/26/16