

Teachers' Retirement System of the State of Illinois

Fiscal Year 2009

Annual Report on the use of:

Women, Minority and Disabled–Owned
(W/MBE) Investment Advisors and
Broker/Dealers

August 31, 2009

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Source Information

During FY2009, TRS continued its support of W/MBE-owned investment advisors and broker/dealers. In the event an investment advisor search is needed, TRS and its consultant, R.V. Kuhns, use investment manager databases and software packages that provide opportunities to all investment advisors and surpass the minimum search criteria. TRS continues to encourage greater diversity in the search process.

TRS maintains a database consisting of a comprehensive list of W/MBE broker/dealers in the United States. External investment advisors are encouraged to use W/MBE broker/dealers, given best price and execution capabilities.

Data sources for this document are The Northern Trust Company and State Street (TRS custodial banks utilized during the fiscal year), reports submitted by external investment advisors, and various broker/dealers. The report encompasses requested data and outlines the use of W/MBE investment managers, broker/dealers, and relevant discussions of the data set forth herein.

All data is preliminary as of June 30, 2009 (unless otherwise noted) and is subject to change.

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Executive Summary

During FY2009, TRS continued its efforts to increase the inclusion of woman and minority business enterprises (“W/MBE”) in its investment program.

Investment Advisors

- Hired 4 W/MBE emerging managers under the Emerging Managers Program:
 - 2 private equity firms focusing on:
 - Technology Venture Capital and Distressed Debt
 - 2 public markets firms focusing on:
 - Small Cap Value and Mid Cap Growth
- Fully opened the System’s Emerging Manger Program to include all asset classes. W/MBE submissions in alternative asset classes show measurable increases; these classes have traditionally been more challenging for W/MBE participation.

Executive Summary (continued)

Investment Advisors

- TRS received 90 emerging manager submissions for various asset classes in FY09 compared to 78 submissions in FY2008 and 66 submissions in FY2007.
- TRS's FY09 MBE assets under management (AUM) goal was changed to reflect 12.5% compared to FY08's greater of \$5.0 billion or 15.0% of AUM.
 - Due to significant market volatility and accompanying effect in the Fund's total AUM.
- Assets under management by MBE firms totaled \$3.27 billion as of June 30, 2009.
 - The decrease from FY08 was due to:
 - sale of W/MBE firm and loss of W/MBE status (Taplin, Canida & Habacht)
 - portfolio rebalancing
 - broad market decline.
- As of June 30, 2009 W/MBE-owned firms manage 11.32% of the total TRS portfolio compared to 12.42% in FY08; a slight decrease of 1.10%.
 - Note: With inclusion of Taplin, Canida & Habacht, TRS W/MBE assets would have been 12.86%; a 1.54% variance.

W/MBE Investment Advisors managed 11.32% of Total TRS Fund

Executive Summary (continued)

Broker/Dealers

- Hosted the 5th annual “TRS Opportunity Forum” in January 2009, which facilitated discussions among the System’s public managers and W/MBE Broker/Dealers.
 - Through this initiative, TRS investment managers used a record 44 W/MBE broker/dealers in 2009.
- Continuing the expansion of W/MBE broker/dealer participation within the TRS investment program:
 - At fiscal year end, there were 77 recognized W/MBE broker/dealer firms.
 - By ownership:
 - 29 were African American-owned
 - 14 were Hispanic/Latino-owned
 - 19 were Female-owned
 - 15 were Other (Asian) / Disabled Veteran-owned
 - Out of the 77 W/MBE broker/dealers, 10 were Illinois-based

Executive Summary (continued)

Broker/Dealers

- Global equity commissions paid to W/MBE broker/dealers were approximately \$3.0 million during FY09, or 13.0% of all global equity commissions.
 - Represents an increase of 1% compared to FY08's 12.0% figure.
 - 44 W/MBE brokers were utilized compared to 36 in FY08.
- Fixed income trading (as a percentage of total Market Value traded) with W/MBE broker/dealers was \$1.34 million, or 16.4% of all TRS fixed income trades
 - Exceeded 12.5% goal by 3.9%
 - 5th consecutive year TRS has exceeded the goal.
 - 11 fixed income MBE broker/dealers were utilized during FY09.

Established FY09 W/MBE Goals & Targets

The TRS Board of Trustees adopted the following goals for the continued participation of W/MBE-owned financial services firms. The resolution is documented in the TRS Investment Policy. These goals are as follow:

GOAL: W/MBE Investment Management Objectives FY2009:

- FY09 goal of 12.5% of Fund
- Goal revised to focus on percentage due to broad investment declines and desire to produce consistent and repeatable gains in W/MBE participation.

GOAL: W/MBE Brokerage Objectives FY2009:

- 15.0% domestic equities
- 8.5% international equities
- 12.5% fixed income (% of market value traded)

Subsequent goals to be established by the Board of Trustees on an annual basis.

Current Investment Managers

MBE-owned investment advisor firms within the TRS investment program represent:

- 19 firms managing 25 portfolios, an increase of three (3) W/MBE firms from FY08.
- Total assets under management of \$3.27 billion, a decrease of approximately \$1.49 billion compared to FY08's \$4.76 billion.
 - Although down in absolute terms (-31.3%) due to market performance, manager rebalancing and manager loss of W/MBE status (sale of W/MBE firm), W/MBE assets under management continue to be significant portion of total TRS Fund:
 - W/MBE AUM is 11.32% in FY09 vs. 12.42% in FY08; a slight decrease of 1.10%.
 - Note: With inclusion of Taplin, Canida & Habacht, TRS W/MBE assets would have been 12.86%; a 1.54% variance.
- Estimated FY09 W/MBE investment advisory fees are expected to total approximately \$9.89 million, a decrease of \$0.494 million from FY08's \$10.38 million (-4.76%).
 - On a relative basis, FY09 W/MBE advisory fees are expected to be approximately 6.90% of the total advisory fees paid to all managers compared FY08's 6.2%; a 0.7% increase.
 - Increased W/MBE utilization in Private Equity, Absolute Return and Real Return asset classes is expected to increase participation in TRS advisory fees.

Current Investment Managers (continued)

Minority and Female-Owned External Managers As of June 30, 2009

Money Manager	Ownership	Net Market Value	Cash Avail. For Reinvestment	Total Exposure Value	Percent of Asset Class	Percent of Total Fund
1 Credo Capital Management	African American	25,272,136		25,272,136	0.29%	0.09%
2 EARNEST Partners, LLC	African American	90,041,222		90,041,222	1.02%	0.31%
3 Piedmont Investment Advisors, LLC	African American	89,848,252		89,848,252	1.01%	0.31%
4 RhumbLine Advisors	African American	1,101,982,991		1,101,982,991	12.43%	3.81%
5 Lombardia	Hispanic	31,189,342		31,189,342	0.35%	0.11%
6 Fiduciary Management Associates	Female	36,119,784		36,119,784	0.41%	0.13%
7 Denali Advisors	Other MBE/Disabled	33,298,359		33,298,359	0.38%	0.12%
Total U.S. Equities:		1,407,752,087		1,407,752,087	15.88%	4.87%
None	N/A	0		0	0.00%	0.00%
Total International Equities:		0		0	0.00%	0.00%
8 EARNEST Partners, LLC	African American	145,063,749		145,063,749	2.75%	0.50%
Total Fixed Income:		145,063,749		145,063,749	2.75%	0.50%
9 New Century Advisors	Female	23,331,003		23,331,003	1.18%	0.08%
Total Real Return:		23,331,003		23,331,003	1.18%	0.08%
10 Capri Capital Advisors, LLC	African American	735,158,000	611,107,439	1,346,265,439	14.55%	4.66%
11 RLJ Development	African American	49,674,226	163,739,554	213,413,780	2.31%	0.74%
Total Real Estate Equity:		784,832,226	774,846,993	1,559,679,219	16.86%	5.40%
12 ICV Capital Partners II, LLC	African American	6,607,051	7,218,863	13,825,914	0.34%	0.05%
13 Reliant Equity Partners	African American	404,188	0	404,188	0.01%	0.00%
14 Vicente Capital Partners	African American	2,225,732	11,826,121	14,051,853	0.34%	0.05%
15 Vista Equity	African American	27,526,705	25,574,208	53,100,913	1.29%	0.18%
16 Hispania Capital Partners	Hispanic	987,704	1,491,659	2,479,363	0.06%	0.01%
17 Smith Whiley & Co.	Female / African American	10,964,749	1,144,408	12,109,157	0.29%	0.04%
18 StarVest	Female	1,611,089	12,720,298	14,331,387	0.35%	0.05%
19 Clearlake Capital	Other MBE (Asian)/Disabled	0	25,000,000	25,000,000	0.61%	0.09%
Total Private Equity:		50,327,218	84,975,557	135,302,775	3.28%	0.47%
None	N/A	0		0	0.00%	0.00%
Total Absolute Return:		0		0	0.00%	0.00%
Total Minority and Female Managers		2,411,306,282	859,822,550	3,271,128,832		11.32%
		Fund Total		28,893,368,127		
		Goal AUM FY09	12.50%	3,611,671,016		
		Over/Under	-1.18%	(340,542,184)		

Notes:

- Highlighted managers are currently in the Emerging Manager Program.
- Real Estate "Total Exposure Value" figures are provided by Callan (as of 06/30/09), include Committed / Debt / Cash Available for Reinvestment and are calculated by adding capital calls and subtracting returns of capital from the market value.
- Private Equity "Total Exposure Value" figures are provided by PCG (as of 3/31/09), include Committed / Debt / Cash Available for Reinvestment and are calculated by adding capital calls and subtracting returns of capital from the market value.
- U.S. Equities, Int'l Equities, Fixed Income, Real Return, and Absolute Return "Percent of Total Asset Class" figures are based on Total Exposure Value divided by total asset class market values.
- Real Estate "Percent of Total Asset Class" figures are based on manager total exposure divided by total asset class exposure (total commitments).
- Private "Percent of Total Asset Class" figures are based on manager total exposure divided by total asset class exposure (total commitments).

W/MBE AUM – Public Markets

Minority and Female-Owned External Managers
As of June 30, 2009

	Total AUM Exposure¹	as % of Total Asset Class AUM¹	as % of Total TRS AUM¹	as % of Total W/MBE AUM
<u>Public Equities (US & Int'l)</u>				
African American	\$1,307,144,602	9.14%	4.52%	39.96%
Hispanic	\$31,189,342	0.22%	0.11%	0.95%
Female	\$36,119,784	0.25%	0.13%	1.10%
Other MBE/Disabled	\$33,298,359	0.23%	0.12%	1.02%
Sub-Total W/MBE & Other	\$1,407,752,087	9.84%	4.87%	43.04%
<u>Fixed Income</u>				
African American	\$145,063,749	2.75%	0.50%	4.43%
Hispanic	\$0	0.00%	0.00%	0.00%
Female	\$0	0.00%	0.00%	0.00%
Other MBE/Disabled	\$0	0.00%	0.00%	0.00%
Sub-Total W/MBE & Other	\$145,063,749	2.75%	0.50%	4.43%
<u>Real Return</u>				
African American	\$0	0.00%	0.00%	0.00%
Hispanic	\$0	0.00%	0.00%	0.00%
Female	\$23,331,003	1.18%	0.08%	0.71%
Other MBE/Disabled	\$0	0.00%	0.00%	0.00%
Sub-Total W/MBE & Other	\$23,331,003	1.18%	0.08%	0.71%

Notes:

1. For PE and RE: Percent of Asset Class figures are calculated by dividing the Total Exposure Value of the manager(s) by the Total Exposure Value of the underlying asset class; which includes committed/debt/cash available for reinvestment.

W/MBE AUM – Private Markets

Minority and Female-Owned External Managers
As of June 30, 2009

	<u>Total AUM Exposure¹</u>	<u>as % of Total Asset Class AUM¹</u>	<u>as % of Total TRS AUM¹</u>	<u>as % of Total W/MBE AUM</u>
<u>Real Estate</u>				
African American	\$1,559,679,219	16.86%	5.40%	47.68%
Hispanic	\$0	0.00%	0.00%	0.00%
Female	\$0	0.00%	0.00%	0.00%
Other MBE/Disabled	\$0	0.00%	0.00%	0.00%
Sub-Total W/MBE & Other	\$1,559,679,219	16.86%	5.40%	47.68%
<u>Private Equity</u>				
African American	\$81,382,868	1.97%	0.28%	2.49%
Hispanic	\$2,479,363	0.06%	0.01%	0.08%
Female	\$26,440,544	0.64%	0.09%	0.81%
Other MBE/Disabled	\$25,000,000	0.61%	0.09%	0.76%
Sub-Total W/MBE & Other	\$135,302,775	3.28%	0.47%	4.14%
<u>Absolute Return</u>				
African American	\$0	0.00%	0.00%	0.00%
Hispanic	\$0	0.00%	0.00%	0.00%
Female	\$0	0.00%	0.00%	0.00%
Other MBE/Disabled	\$0	0.00%	0.00%	0.00%
Sub-Total W/MBE & Other	\$0	0.00%	0.00%	0.00%

Notes:

1. For PE and RE: Percent of Asset Class figures are calculated by dividing the Total Exposure Value of the manager(s) by the Total Exposure Value of the underlying asset class; which includes committed/debt/cash available for reinvestment.

W/MBE AUM – Total Fund

Minority and Female-Owned External Managers
As of June 30, 2009

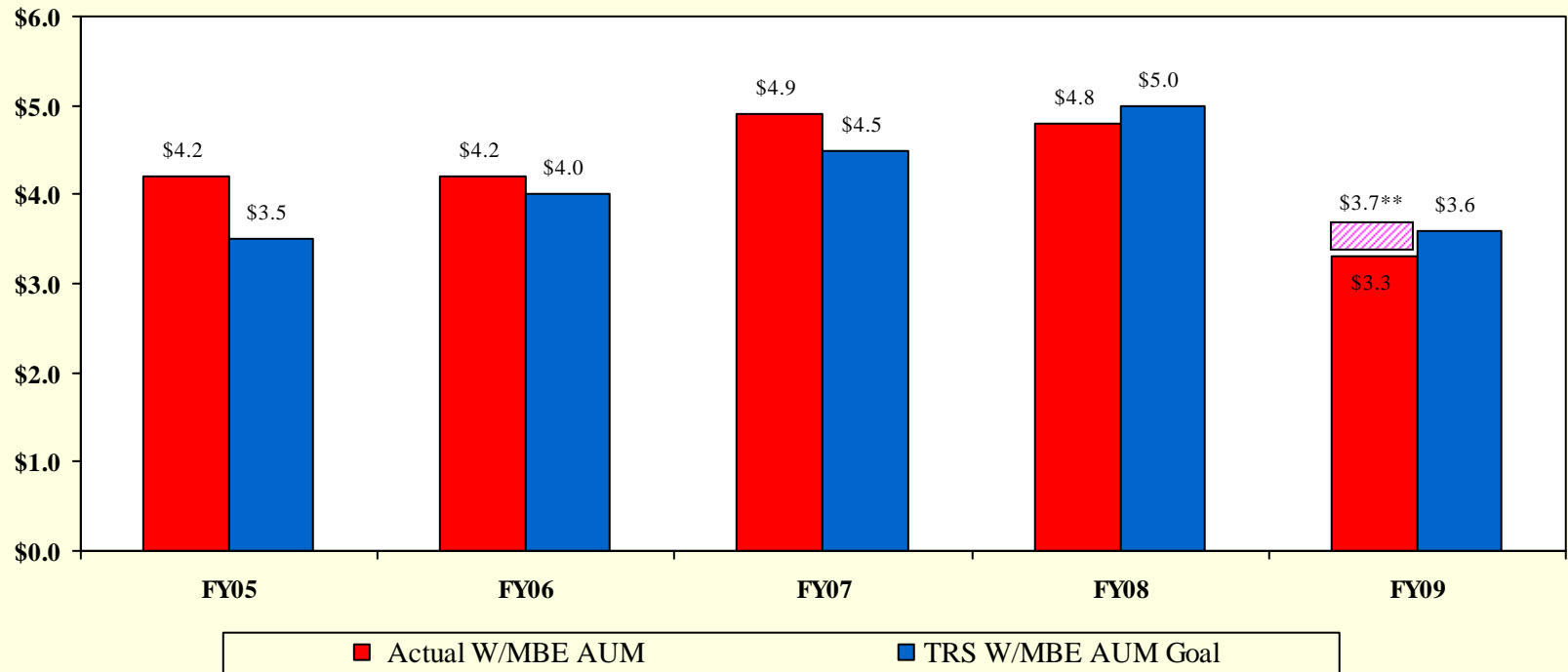
	Total <u>AUM Exposure</u>¹	as % of Total <u>Asset Class AUM</u>¹	as % of Total <u>TRS AUM</u>¹	as % of Total <u>W/MBE AUM</u>
<u>Total Fund</u>				
African American	\$3,093,270,438	N/A	10.71%	94.56%
Hispanic	\$33,668,705	N/A	0.12%	1.03%
Female	\$85,891,331	N/A	0.30%	2.63%
Other MBE/Disabled	\$58,298,359	N/A	0.20%	1.78%
Total W/MBE & Other	\$3,271,128,832	N/A	11.32%	100.00%

Notes:

1. For PE and RE: Percent of Asset Class figures are calculated by dividing the Total Exposure Value of the manager(s) by the Total Exposure Value of the underlying asset class; which includes committed/debt/cash available for reinvestment.

W/MBE Assets Under Management

Assets Under Management by W/MBE Firms (last 5 years)
(in billions)

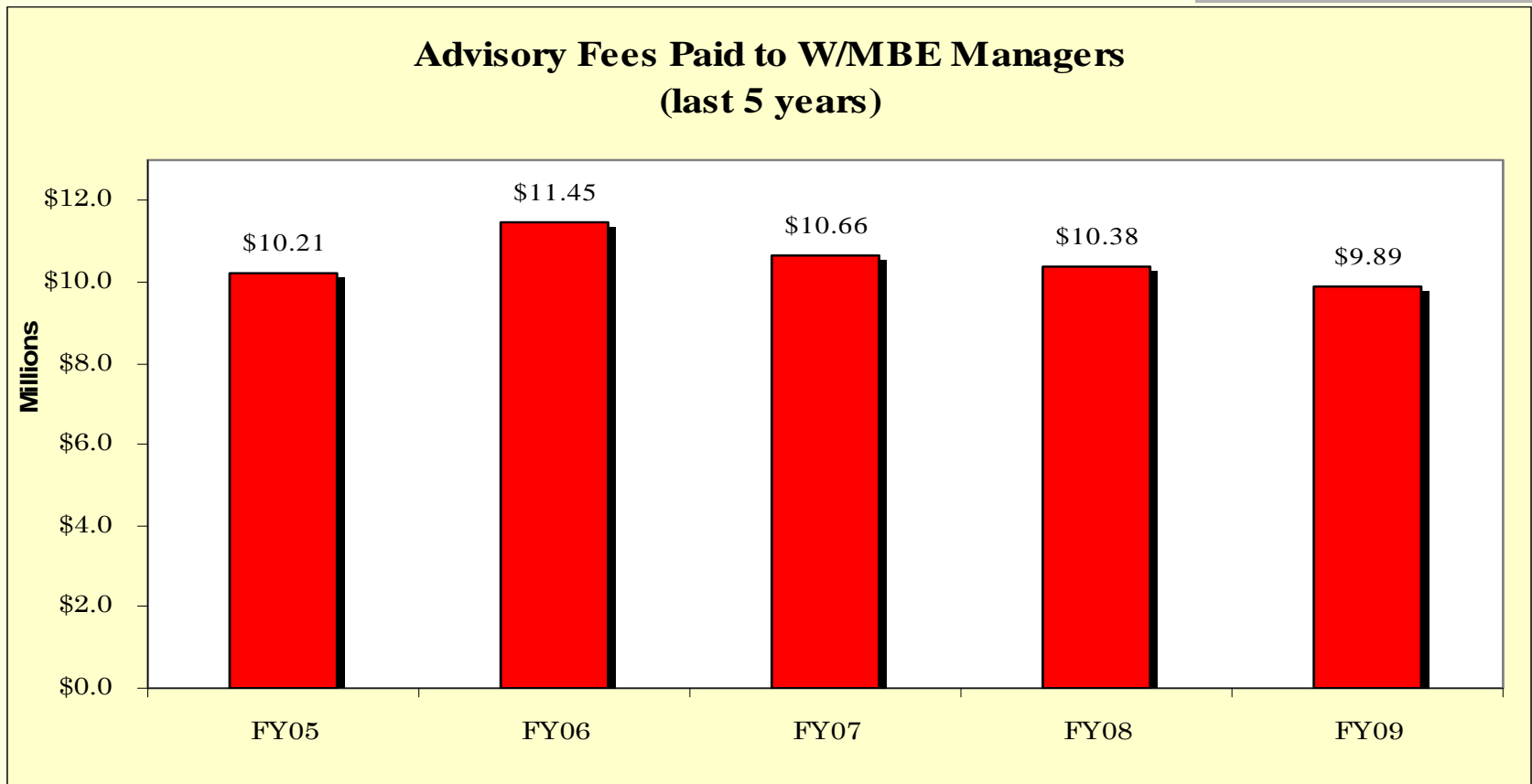


W/MBE Assets Under Management (AUM) have remained relatively stable over the last five years

Note: * FY09's \$5 billion AUM goal was removed and a relative 12.5% (as a percentage of total TRS Fund) was established. \$3.6 billion represents 12.5% of Total TRS Fund in FY09.

** With inclusion of Taplin, Canida & Habacht, TRS W/MBE assets would have been \$3.72 billion (12.86%).

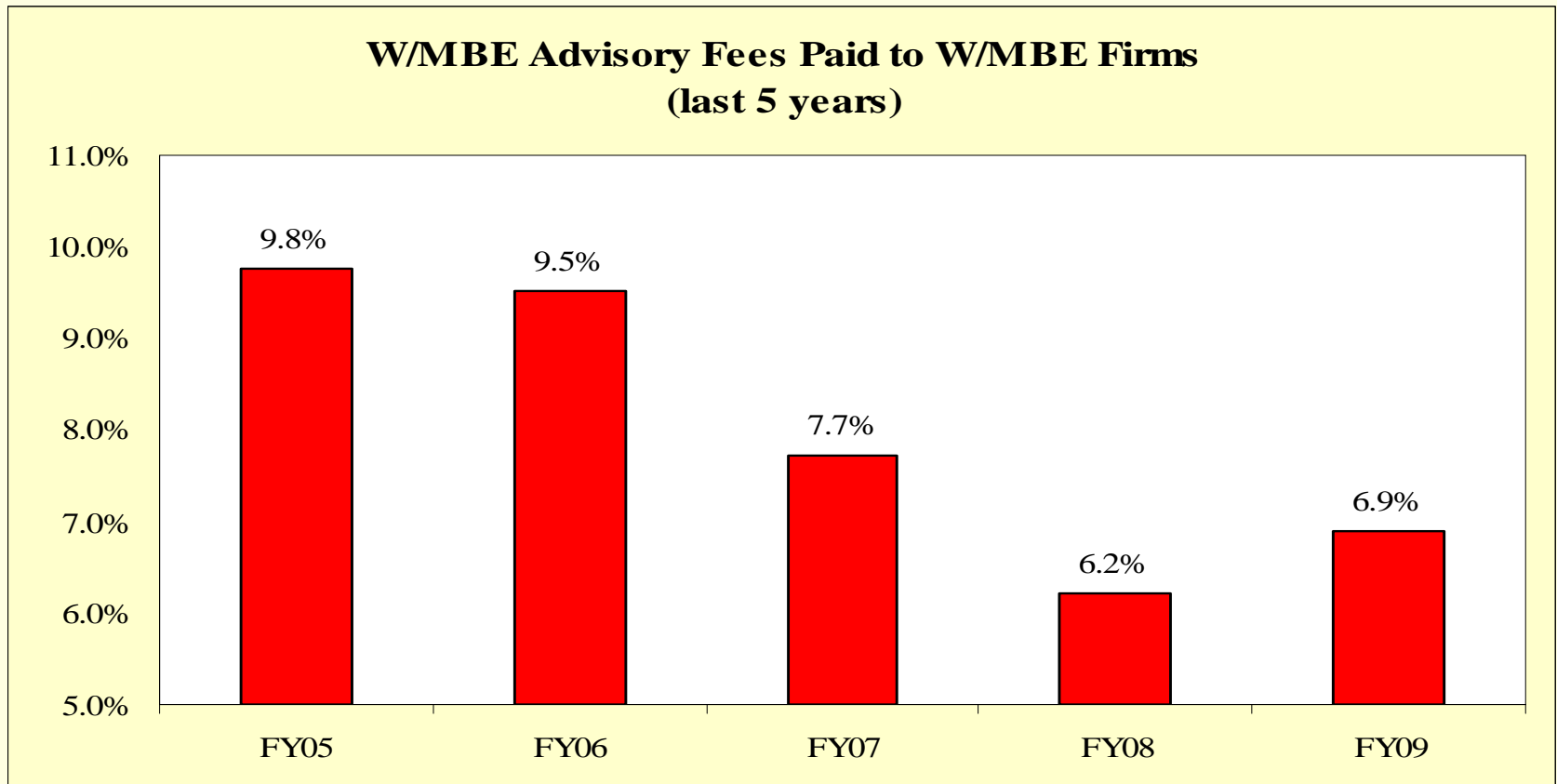
W/MBE Advisory Fees



Fees paid to W/MBE-owned firms have averaged \$10.5 million over last 5 years

Note: FY09 data is based on best available data. With the inclusion of Taplin, Canida & Habacht, TRS would have been at \$10.19 million in FY09.

W/MBE Advisory Fees (% Total TRS Fees)



Fees paid to W/MBE-owned firms have averaged 8.0% over last 5 years

W/MBE Fees – Public Markets

Minority and Female-Owned External Managers
As of June 30, 2009

	<u>Total Fees Paid</u>	<u>as % of Total Asset Class Fees</u>	<u>as % of Total TRS Fees</u>	<u>as % of Total W/MBE Fees</u>
<u>Public Equities (US & Int'l)</u>				
African American	\$398,691	0.80%	0.28%	4.03%
Hispanic	\$114,274	0.23%	0.08%	1.16%
Female	\$252,719	0.51%	0.18%	2.56%
Other MBE/Disabled	\$178,212	0.36%	0.12%	1.80%
Sub-Total W/MBE & Other	\$943,896	1.89%	0.66%	9.55%
<u>Fixed Income</u>				
African American	\$187,612	2.25%	0.13%	1.90%
Hispanic	\$306,413	3.68%	0.21%	3.10%
Female	\$0	0.00%	0.00%	0.00%
Other MBE/Disabled	\$0	0.00%	0.00%	0.00%
Sub-Total W/MBE & Other	\$494,025	5.93%	0.35%	5.00%
<u>Real Return</u>				
African American	\$0	0.00%	0.00%	0.00%
Hispanic	\$0	0.00%	0.00%	0.00%
Female	\$67,198	0.83%	0.05%	0.68%
Other MBE/Disabled	\$0	0.00%	0.00%	0.00%
Sub-Total W/MBE & Other	\$67,198	0.83%	0.05%	0.68%

Notes:

1. For PE and RE: Percent of Asset Class figures are calculated by dividing the Total Exposure Value of the manager(s) by the Total Exposure Value of the underlying asset class; which includes committed/debt/cash available for reinvestment.

W/MBE Fees – Private Markets

Minority and Female-Owned External Managers

As of June 30, 2009

	<u>Total Fees Paid</u>	<u>as % of Total Asset Class Fees</u>	<u>as % of Total TRS Fees</u>	<u>as % of Total W/MBE Fees</u>
<u>Real Estate</u>				
African American	\$5,837,311	19.95%	4.08%	59.05%
Hispanic	\$0	0.00%	0.00%	0.00%
Female	\$0	0.00%	0.00%	0.00%
Other MBE/Disabled	\$0	0.00%	0.00%	0.00%
Sub-Total W/MBE & Other	\$5,837,311	19.95%	4.08%	59.05%
<u>Private Equity</u>				
African American	\$1,094,051	2.72%	0.76%	11.07%
Hispanic	\$174,907	0.44%	0.12%	1.77%
Female	\$967,406	2.41%	0.68%	9.79%
Other MBE/Disabled	\$306,692	0.76%	0.21%	3.10%
Sub-Total W/MBE & Other	\$2,543,056	6.33%	1.78%	25.73%
<u>Absolute Return</u>				
African American	\$0	0.00%	0.00%	0.00%
Hispanic	\$0	0.00%	0.00%	0.00%
Female	\$0	0.00%	0.00%	0.00%
Other MBE/Disabled	\$0	0.00%	0.00%	0.00%
Sub-Total W/MBE & Other	\$0	0.00%	0.00%	0.00%

Notes:

1. For PE and RE: Percent of Asset Class figures are calculated by dividing the Total Exposure Value of the manager(s) by the Total Exposure Value of the underlying asset class; which includes committed/debt/cash available for reinvestment.

W/MBE Fees – Total Fund

Minority and Female-Owned External Managers
As of June 30, 2009

	<u>Total Fees Paid</u>	<u>as % of Total Asset Class Fees</u>	<u>as % of Total TRS Fees</u>	<u>as % of Total W/MBE Fees</u>
<u>Total Fund</u>				
African American	\$7,517,665	N/A	5.25%	76.05%
Hispanic	\$595,594	N/A	0.42%	6.02%
Female	\$1,287,323	N/A	0.90%	13.02%
Other MBE/Disabled	\$484,904	N/A	0.34%	4.91%
Total W/MBE & Other	\$9,885,486	N/A	6.90%	100.00%

Notes:

1. For PE and RE: Percent of Asset Class figures are calculated by dividing the Total Exposure Value of the manager(s) by the Total Exposure Value of the underlying asset class; which includes committed/debt/cash available for reinvestment.

Illinois-Based W/MBE Advisors

The chart on the following page details the W/MBE investment advisors employed by TRS as of June 30, 2009. In summary:

	<u>No. Firms</u>	<u>TRS AUM</u>	<u>% Portfolio</u>
W/MBE Advisors	19	\$3.27 Billion	11.32%
IL-based W/MBE Advisors	5	\$1.42 Billion	4.90%

- Approximate decrease of \$695 million (-32.9%) from FY08's \$2.11 billion figure
- Relative decrease of approximately 0.61% from FY09's 5.51% figure
- FY09's W/MBE managers that are Illinois based is approximately 43.3% of all W/MBE managers.
 - Consistent with FY08's 44.4% of W/MBE managers who are Illinois based

Illinois-Based W/MBE Advisors

As of June 30, 2009

<u>Manager Name</u>	<u>Asset Class</u>	<u>Ownership</u>	<u>Total Exposure Value</u>	<u>Percent of Asset Class</u>	<u>Percent of Total Fund</u>
1 Lombardia Capital Partners	US Equity	Hispanic	31,189,342	0.35%	0.11%
2 Fiduciary Management Associates	US Equity	Female	36,119,784	0.41%	0.13%
Asset Class Sub-Total			67,309,127	0.76%	0.23%
3 Capri/Capital Advisors	Real Estate	African American	1,346,265,439	14.55%	4.66%
			1,346,265,439	14.55%	4.66%
4 Reliant Equity Partners	Private Equity	African American	404,188	0.01%	0.00%
5 Hispania Capital Partners	Private Equity	Hispanic	2,479,363	0.06%	0.01%
Asset Class Sub-Total			2,883,551	0.07%	0.01%
Illinois-Based MBE Firms^(b)			1,416,458,117		4.90%

TRS Investment Manager EEOC Survey

While TRS investment advisors provide opportunities to women and minorities at various levels, challenges still exist for African Americans (AA) and Hispanic Americans (HA) at the investment professional staffing levels. TRS requires all managers annually to disclose the diversity of their firm's workplace and leadership.

The TRS external managers responding to our annual survey reported over 77,125 total full-time employees with over 24,500 senior management/officers and investment professionals:

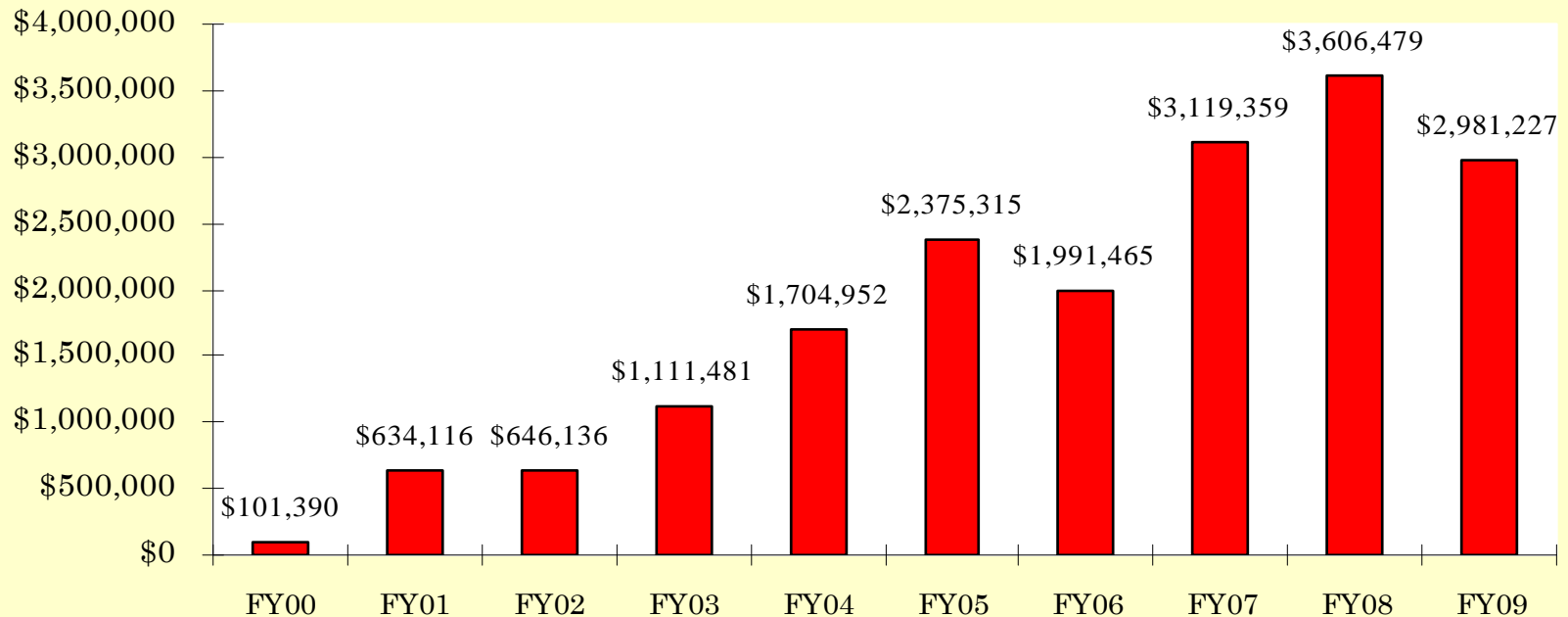
- Senior Executive Management Roles & Investment Professional Roles (ex. traders)
 - 4.0% are classified as African American vs. 3.9% in FY08
 - 2.8% are classified as Hispanic/Latino vs. 2.8% in FY08
 - 14.1% are classified as Other Minority (ex. AA & HA) vs. 10.5% in FY08
 - 22.4% are classified as non-minority female vs. 26.1% in FY08

W/MBE Equity Commissions

- Global equity commissions paid to W/MBE broker/dealers were approximately \$3.0 million during FY2009, or 13.0% of all global equity commissions.
 - Global equity W/MBE utilization was an improvement from FY08's 12.0%.
 - Decrease in W/MBE utilization dollars from FY08 (\$3.6 million) is driven by lower overall commissions incurred in the global equity portfolio during FY09.
 - 44 W/MBE equity broker/dealers were utilized in FY09. This is an increase from 36 W/MBE firms utilized in FY08.
 - US Equity W/MBE utilization was 14.5% in FY09, lagging the goal of 15.0% by 0.5%.
 - Includes Large Cap 130/30 commingled products for which TRS has no goal setting authority.
 - Absent these products TRS's US Equity managers traded 17.2% with W/MBE broker/dealers.
 - US Equity W/MBE utilization improved from 14.0% in FY08.
 - International Equity W/MBE utilization was 9.2% in FY09, exceeding the goal of 8.5% by 0.7%.
 - International Equity W/MBE utilization was 9.3% in FY08.

W/MBE Equity Commissions

**Equity Amounts Paid to W/MBE Brokers
(last 10 years)**



W/MBE equity utilization has increased 2840% since 2000

W/MBE Equity Commissions-Brokers

<u>Broker Name</u>	<u>Commissions Paid</u>	<u>Broker Name</u>	<u>Commissions Paid</u>
Blaylock/Robert Van	\$9,671	Melvin Securities	\$154,694
Bley Investment Group	\$63,160	Mischler Financial	\$34,087
BOE Securities	\$16,662	Montrose Securities	\$33,544
Cabrera Capital	\$438,609	M.R. Beal	\$115,054
Castle Oak Securities	\$1,801	Multitrade Securities	\$1,842
Cheevers & Co.	\$780	Muriel Siebert	\$6,568
C.L. King	\$160,941	Nutmeg Securities	\$7,572
Divine Capital	\$2,170	Pacific American	\$24,771
East/West Securities	\$2,308	PCS Securities	\$19,488
Finacorp Securities	\$13,045	Percival	\$11,300
First Honolulu Securities	\$2,279	Podesta & Co.	\$658
Gardner Rich	\$11,321	Roberts & Ryan	\$6,690
Greentree Brokerage	\$36,085	Samuel A. Ramirez	\$21,647
GRW Capital Corp	\$4,739	Sandgrain Securities	\$101
Guzman & Company	\$141,856	SBK Brooks	\$1,578
Instl. Services Unlimited	\$4,459	Score Securities	\$1,099
Ivy Securities	\$369,243	Seslia Securities	\$3,992
Jackson Partners	\$18,845	SL Hare Capital	\$3,287
Jackson Securities, Inc.	\$128	Sturdivant	\$377,708
Loop Capital	\$229,076	Toussaint Capital Partners	\$195
M. Ramsey King	\$219,744	Utendahl	\$4,349
Magna Securities	\$297,114	Williams Capital	\$106,970
		Grand Total	\$2,981,227

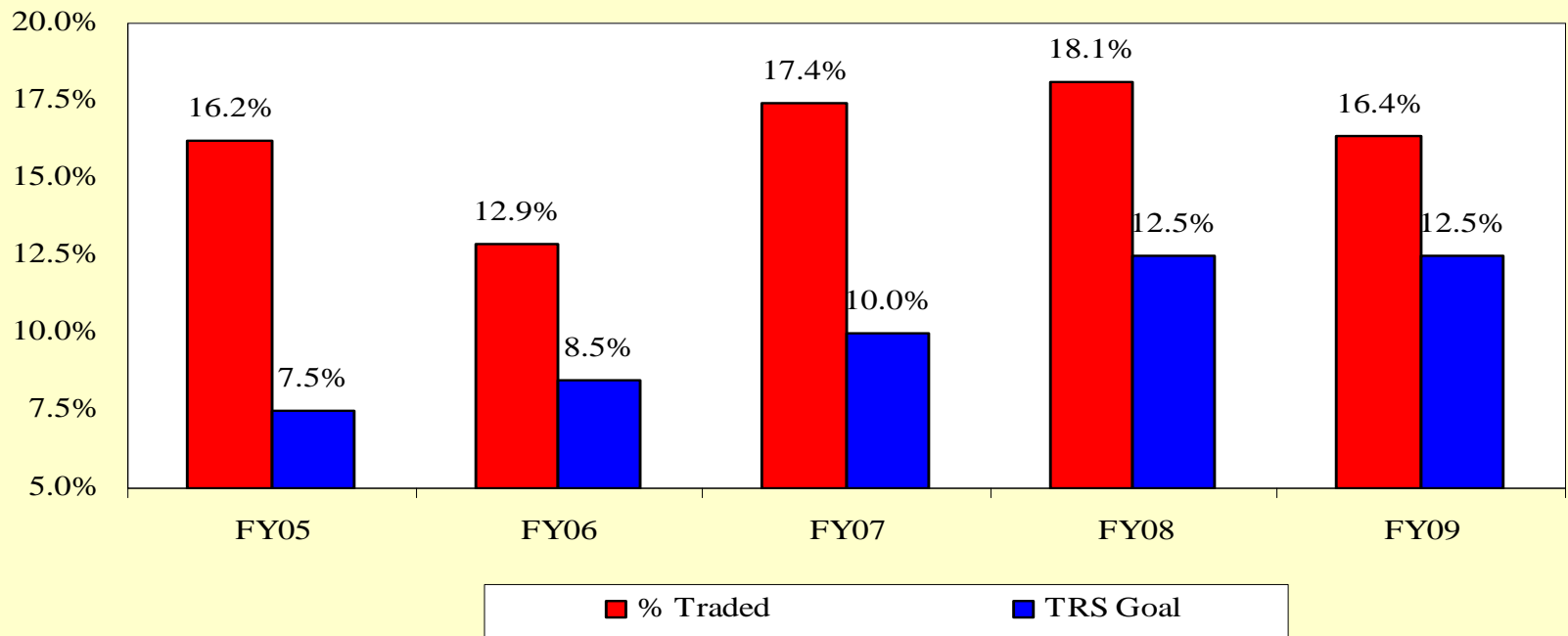
44 W/MBE brokers were utilized for TRS Equity commissions in FY09

W/MBE Fixed Income

- W/MBE Fixed Income Market Value Traded was \$6.68 billion during FY09; down \$5.74 billion (46.2%) from FY08's \$12.42 billion figure.
 - Decrease in W/MBE Market Value Traded utilization from FY08 (\$5.74 billion) is driven by lower overall trading in the Fixed Income portfolio during FY09.
 - Total TRS Fixed Income Market Value Traded for FY09 was down \$27.85 billion or 40.6% from FY08.
 - W/MBE Fixed Income utilization (as a percentage of Market Value Traded) was 16.4% in FY09; exceeding the goal of 12.5% by 3.9%.
 - W/MBE Fixed Income utilization (as a percentage of Market Value Traded) was 18.1% in FY08; indicating a relative decrease of 1.7% in W/MBE Fixed Income utilization.
 - TRS has exceeded fixed income goals for each of the past 5 years.
- 11 fixed income MBE broker/dealers were utilized during FY09.

W/MBE Fixed Income MV Traded

**W/MBE Fixed Income Percentage of Value Traded
(last 5 years)**



16.4% of value traded through W/MBE Brokers in FY09. TRS has materially exceeded fixed income goals for the last 5 years.

Emerging Managers Program

- In May 2005 the TRS Board committed \$500 million to an Emerging Manager Program (EMP)
 - At the end FY09, the EMP will have committed \$470 million to 14 investment managers in public and private equities
 - EM mandates have averaged \$33.6 million
 - 10 of the 14 investment managers within the program have been female-owned and/or minority owned-firms
 - 4 of the 14 emerging managers have graduated into main portfolio mandates; including one African American-owned firm (Piedmont) and one female-owned firm (NCA)
 - At the end of FY09, the EMP had 8 emerging managers managing \$265 million for TRS; including 5 public markets investment managers and 3 private equity investment managers.
 - At the beginning of FY10, the EMP made its first commitment to an Absolute Return emerging manager mandate.

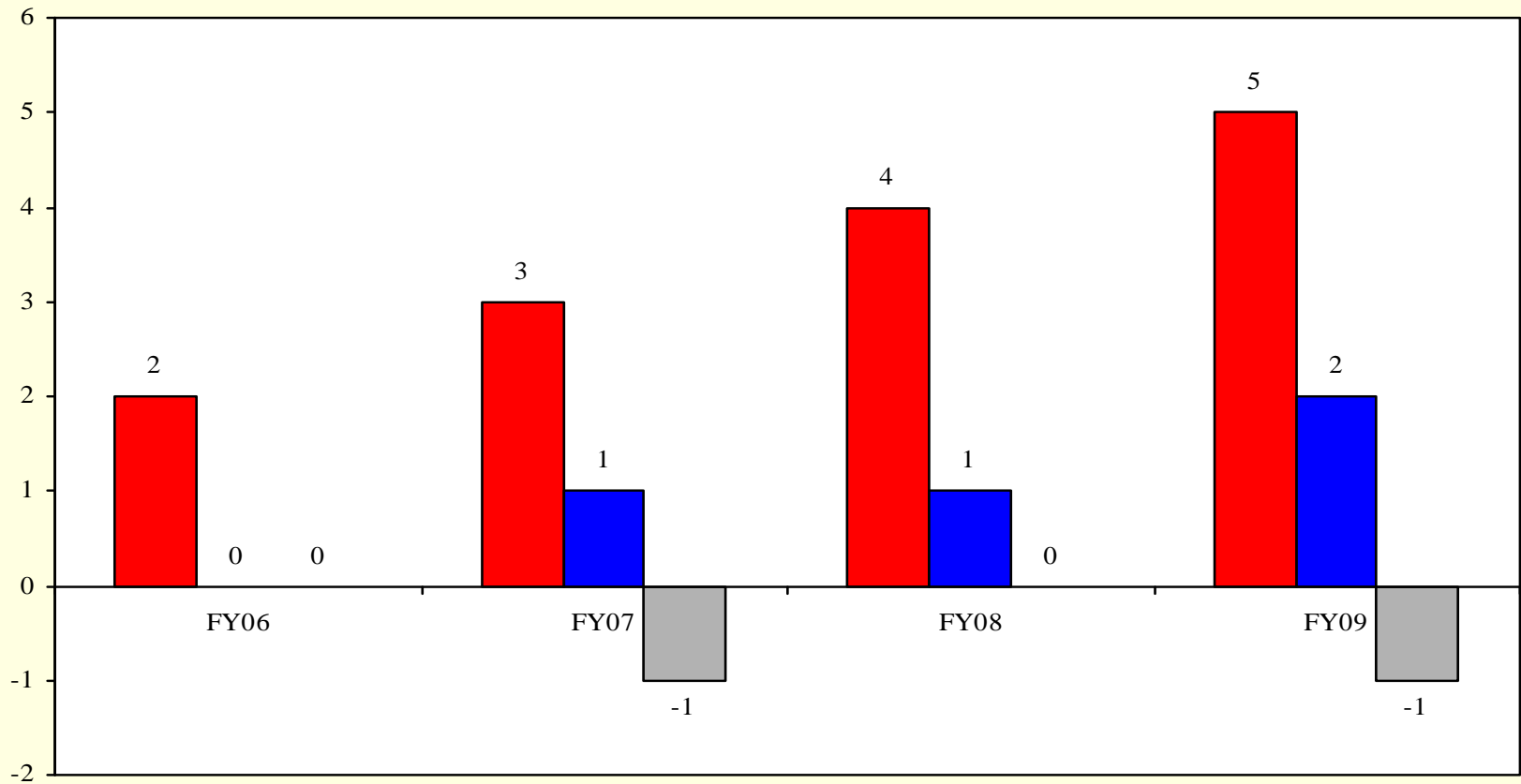
Emerging Managers Program (continued)

- As of June 30th approximately \$265 million is committed to eight managers:
 - Credo Capital Management, an MBE with an approximate \$25 million mandate. (FY09 Hire)
 - Lombardia Capital Partners, an MBE with an approximate \$25 million mandate. (FY09 Hire)
 - Fiduciary Management (FMA), a WBE with an approximate \$50 million mandate.
 - Denali Advisors, an MBE with an approximate \$50 million mandate.
 - Ranger Investments with an approximate \$50 million mandate.
 - StarVest, a venture capital WBE firm with an approximate \$15 million mandate. (FY09 Hire)
 - Clearlake Capital, a private equity MBE with an approximate \$25 million mandate. (FY09 Hire)
 - Maranon Mezzanine, a private equity firm with an approximate \$25 million mandate. (FY09 Hire)
- Graduated New Century Advisors (NCA) graduation into the main portfolio with an approximate \$50 mandate
- Piedmont graduation into the main portfolio with an approximate \$90 million mandate
- Recent focus has included the alternative asset classes including private equity, absolute return and real estate.

During FY09, the TRS Board committed \$115 million to new emerging manager mandates and graduated two emerging managers totaling approximately \$140 million in core mandates.

Emerging Managers Program (continued)

EMP Commitments, Graduations & Terminations

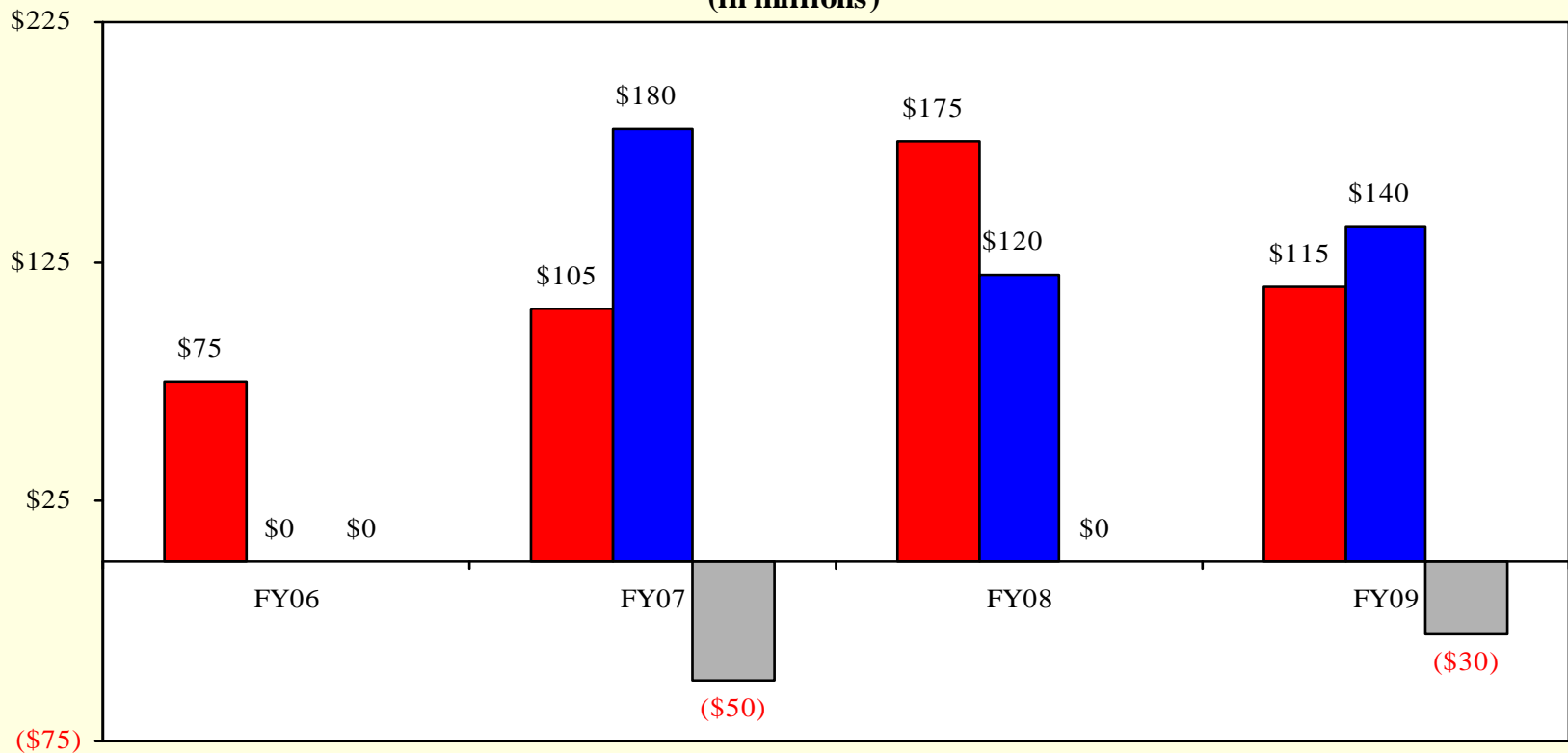


■ EMP Commitments ■ EMP Graduations ■ EMP Terminations

Emerging Managers Program (continued)

EMP Commitments, Graduations & Terminations Amounts

(in millions)



■ EMP Commitments

■ EMP Graduations

■ EMP Terminations

Emerging Managers Program (continued)

FY2009 Statistics	Total	Commentary
# of Products Submitted	90	2000% increase in Private Equity submissions from FY08 (42 funds vs. 2 funds)
# of Managers Submitted	85	58% decrease in US Equity manager submissions from FY08 (19 mgrs vs.45 mgrs).
# of Products Not Applicable	8	8.9% of Products Submitted did not fit any TRS allocation
# of WBE Manager Submissions	10	11.8% of managers were WBE -owned
# of MBE Manager Submissions	20	23.5% of managers were MBE -owned
# of Illinois-based Managers	12	14.1% of managers were Illinois-based
# of Managers Interviewed	21	24.7% of managers were interviewed (7 more than FY08)
# of On-Sites Conducted (Due Diligence)	6	7.1% of managers had on-sites (2 less than FY08)
# of Managers Presented to Board	5	5.9% of managers were presented to Board (same as FY08)
# of Managers Funded by Board	5	5.9% of managers were funded by Board (same as FY08)
# of WBE Managers Funded	1	20.0% of managers funded were WBE -owned
# of MBE Managers Funded	3	60.0% of managers funded were MBE or Other/Disabled -owned
		10.0% of all WBE manager submissions were funded
		15.0% of all MBE or Other/Disabled manager submissions were funded
		13.3% of all W/MBE manager submissions were funded
# of Managers Promoted/Addtl. Funding	0	No manager received additional funding
Initial and Promoted/Addtl Funding Amount	\$115,000,000	78.3% of amount funded went to W/MBE -owned firms
# of Manager Graduated from Program	2	Piedmont and NCA graduated from the Emerging Managers Program
Graduation Funding Amount	\$140,000,000	Piedmont received \$90 million and NCA received \$50 million in a graduation mandates
# of Managers Still in Program	6	There are 4 public markets managers and two private equity managers
# of Products Under Consideration / "Hold"	9	Including previous fiscal year's "Hold Candidates" and candidates "Under Review"

Note: Submission, interview and on-site data do not include candidates "Under Review" or considered "Hold Candidates" that submitted in previous fiscal years.

Submission to the EMP begins with a questionnaire at:
<http://trs.illinois.gov/subsections/investments/emerging.htm>

Summary

TRS will continue to provide opportunities to W/MBE Investment Advisors & Broker/Dealers by:

- Setting attainable goals for W/MBE-owned firms by asset class as well as by:
 - African American ownership
 - Hispanic American ownership
 - Other Minority/Disabled ownership and
 - Female ownership.
- Leveraging the Emerging Manager Program for non-traditional asset classes that historically have been underrepresented by W/MBE-owned firms and professionals.
- TRS will host its sixth annual Opportunity Forum on January 28th, 2010 which will continue to focus on building relationships between TRS's investment managers and W/MBE brokerage community.