



# News

For Immediate Release

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## **TRS Charts Courses for Real Estate and Private Equity Investments**

CHICAGO-During its August meeting, the Board of Trustees of the Teachers' Retirement System of the State of Illinois (TRS) approved tactical plans for private equity and real estate investments during fiscal year 2007.

As of March 31, 2006, TRS had invested \$1.3 billion or 3.6 % of the total Fund in private equity, with a one-year return of 28.39%. The tactical plan calls for private equity commitments of \$600-\$800 million in fiscal 2007 to progress towards the goal of achieving the current portfolio target of 6% for private equity investments. The annual blueprint makes adjustments to the program's sub-sector targets by increasing allocation goals for buyout funds and distressed debt while lowering the objective for venture capital.

The current net market value of TRS's real estate portfolio is nearly \$4.1 billion, which includes June 30, 2006 estimated appreciation. The one-year return stood at 26.21% as of March 31, 2006. The plan approved by the Board continues efforts to reach the target allocation of 14% of the total Fund. Notably, the plan for the first time recommends exploring international real estate investment opportunities. The program's focus will continue to be on high-quality real estate investments through direct and commingled ownership. TRS owns hotels and office buildings and has investments in retail shopping centers, multi-family residential developments and farmland.

Separately, TRS's general investment consultant, R.V. Kuhns & Associates, presented preliminary findings of a new asset allocation study. The firm is expected to present final recommendations to the Board in November.

The TRS Board of Trustees approved the following actions during its August 2, 2006 meeting:

- A \$50 million dollar commitment to **RLJ Lodging Fund II**, a hotel-focused real estate investment. RLJ Development, founded by **Robert Johnson**, is a leading hotel owner and the fund sponsor. Source of funds will be cash and passive/enhanced index accounts.

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- Terminated **Great Lakes Advisors**, which managed \$162 million in large-cap value domestic equity for TRS, due to performance and organizational concerns.
- Terminated **Holland Capital**, which managed \$315 million in large-cap growth domestic equity for TRS, due to performance and organizational reasons.
- Authorized the transfer of proceeds from both terminations to an S&P 500 index fund managed by **Rhumblin Advisors**.
- Authorized a search for a domestic equity large-cap value manager. System criteria will be posted on the TRS Web site at trs.illinois.gov on August 25, 2006.

The TRS Board of Trustees placed the following managers on the watch list:

- **PIMCO StocksPlus**, which manages \$935 million in U.S. equity enhanced index for TRS, was placed on the watch list for performance reasons.

The Board maintained the watch list status of the following firms:

- **BlackRock**, which manages \$1.3 billion in core plus fixed income for TRS, remains on the watch list for organizational reasons.
- **Boston Partners** remains on the watch list for organizational reasons. The firm manages \$861 million in large-cap domestic equity for TRS.
- **Byram Capital Management**, which manages \$203 million in small-cap domestic equity for TRS, remains on the watch list due to performance.
- **Delaware Investments** remains on watch due to performance. The firm manages \$353 million in small-mid cap domestic equity for TRS.
- **Harris Associates** remains on the watch list for organizational reasons. The firm manages \$507 million in international equity for TRS.
- **INVESCO**, which manages \$1 billion for TRS, remains on the watch list due to performance reasons.
- **Jarislowsky Fraser** remains on the watch list for performance reasons. The firm manages \$468 million in international equity for TRS.
- **LSV Asset Management**, which manages \$718 million in small-cap domestic equity for TRS, remains on the watch list for performance.

TRS provides retirement, disability and death benefits to teachers and administrators at Illinois public elementary and secondary schools outside the city of Chicago. The Fund serves 325,000 members and annuitants and had assets of \$36.8 billion as of March 31, 2006.

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