

News

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TRS HIRES NEW INVESTMENT CONSULTANT, REPORTS RECORD ASSETS

Springfield, IL-The Board of Trustees of the Teachers' Retirement System of the State of Illinois (TRS) hired R.V. Kuhns & Associates, Inc. as the System's general investment consultant during its meeting held February 16 and 17 in Springfield. The Portland, Oregon-based consultant will provide TRS with a wide range of services, including asset allocation studies, investment manager research, and performance reporting. R.V. Kuhns currently serves 200 other institutional investors, including corporations, public retirement systems, Taft-Hartley funds, endowments, and foundations. Eleven employee principals independently own the firm. R.V. Kuhns replaces Callan Associates, whose contract with TRS expired at the end of December of 2005.

The Board received a report on the fund's performance for the period ending December 31, 2005. Total assets grew to \$35.4 billion, setting another all-time high for the fund. Investment returns at 12/31/05 and their rankings on the Callan Large Public Fund Universe are summarized below:

	One-year	Three-year	Five-year
Return	9.54	14.84	6.69
Callan Rank	16 th percentile	33 rd percentile	11 th percentile

The TRS Board of Trustees also hired Lehman Brothers Asset Management of Chicago to manage a \$650 million fixed income enhanced index mandate. Funding for the mandate is a reallocation from the existing fixed income index account managed by State Street Global Advisors.

(More)

In other action, the TRS Board of Trustees made \$260 million in private equity commitments:

- \$20 million to Belvedere Capital Fund II, a buyout fund focused on the financial services industry. Source of funds will be cash and passive index accounts.
- \$90 million to Carlyle/Riverstone III, L.P., a buyout fund focused on the energy industry. Source of funds will be cash and passive index accounts.
- \$50 million to Energy Capital Partners, L.P., a buyout fund. Source of the funds will be cash and passive index accounts.
- \$100 million to Madison Dearborn Capital Partners V, L.P., a buyout fund. Source of the funds will be cash and passive index accounts.

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

- BlackRock, which manages \$1.6 billion in fixed income assets for TRS, was placed on the watch list for organizational concerns.

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

- Ariel Capital, which manages \$196 million in small-mid cap domestic equity for TRS, remains on the watch list for performance reasons.
- Boston Partners, which manages \$827 million in large cap domestic equity for TRS, remains on the watch list for organizational concerns. Portfolio performance has improved and no longer qualifies for the watch list.
- Delaware Investments, which manages \$591 million in small-mid cap domestic equity for TRS, remains on the watch list for recent organizational and performance reasons.
- Harris Associates, which manages \$448 million in international equity for TRS, remains on the watch list due to organizational reasons.
- Holland Capital Management, which manages \$320 million in large cap domestic equity for TRS, was retained on the watch list for performance reasons.
- INVESCO, which manages \$923 million in international equity for TRS, remains on the watch list for performance reasons.

The TRS Board of Trustees also issued a Request for Proposal for approved transition managers to assist the system in portfolio restructurings and other transition activity. The RFP will be available at the TRS Web site on March 1, 2006. TRS provides retirement, disability, and death benefits to teachers and administrators at Illinois public elementary and secondary schools outside of the city of Chicago. It serves over 325,000 members and annuitants.