



News

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TRS Releases Sudan Divestment Costs, Hires New Asset Managers

SPRINGFIELD, IL-The Teachers' Retirement System of the State of Illinois (TRS) incurred \$1.2 million in costs during the first quarter to implement the state law requiring public pension funds to divest from assets in companies that do business in Sudan. The amount is contained in a cost analysis report requested by the System's Board of Trustees and received at the May 19th meeting. TRS has divested \$2.4 billion from commingled index funds since the law took effect January 27, 2006. The fund still needs to divest securities representing approximately \$900 million. "While we still fully support the intent of the law, we're concerned about the unintended cost to the System and to its participants," said Stan Rupnik, Chief Investment Officer at TRS. All costs exclude opportunity costs and/or tracking error to TRS's intended benchmark. In fact, the System has recently been excluded from TPG Partners V, L.P., one of TRS's more successful private equity buyout relationships, due to the requirements of the Sudan divestment law.

The Board also received a report on the fund's performance for the period ending March 31, 2006. Total assets grew to \$36.8 billion, setting another all-time high for the fund. First quarter investment returns were 4.82%, while returns for one-year, three-year and five-year were 15.69%, 17.44% and 8.78%, respectively.

The TRS Board of Trustees took the following actions during the meeting:

- Hired Pacific Corporate Group as its private equity investment consultant, subject to successful contract negotiations. This is a new consulting relationship for TRS with private equity consulting services previously handled by the system's general investment consultant.
- Made a \$65 million dollar commitment to VantagePoint Venture Partners, a venture capital fund specializing in technology and health care.
- Made initial commitments to the System's \$500 million emerging manager program. Commitments include:
 - NCM Capital Advisers, Inc. was awarded \$50 million midcap growth equity mandate.
 - Dolan McEniry Capital Management, LLC was awarded \$25 million core fixed income mandate.
 - RhumbLine Advisors was assigned management of the funds allocated to the emerging manager program. RhumbLine will manage assets in an S&P 500 index fund and serve as a source of cash for future emerging manager hires.

- Hired Goldman Sachs Asset Management to manage 10% (\$846 million) of the System's fixed income in a core plus strategy. Hired ING Investment management Company to manage 7.5% (\$634 million) of the fixed income portfolio in a core plus strategy. Source of funds comes from the termination of UBS Core Plus product and a reduction of mandates held by BlackRock and Payden & Rygel. Additionally, Payden & Rygel's existing mandate has been reassigned to the core plus strategy.
- Approved a new roster of transition brokers/managers for portfolio liquidations, rebalancing and transition activity. The following firms were approved:
 - State Street Global Markets
 - Goldman Sachs
 - Barclays Global Investors
 - Merrill Lynch
 - Credit Suisse
 - Lehman Brothers
- Terminated Sands Capital Management, which managed \$416 million in large cap growth equity for TRS, for organizational reasons. The proceeds of the terminated portfolio have been reallocated to the existing large-cap growth mandate of Turner Investment Partners.
- The TRS Board of Trustees authorized searches for the following managers:
 - Domestic Small-to-Mid Cap Value
 - Domestic Large-Cap Growth Manager
- Issued a Request for Proposal (RFP) for a real estate consultant. Additionally, the System is issuing separate RFP's for real estate appraisal services, real estate insurance brokerage and commission recapture services. All Requests for Proposals will be available at the TRS Web site on June 15, 2006.

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

- Byram Capital, which manages \$211 million in small-cap domestic equity for TRS, was placed on watch for performance reasons.
- Jarislowsky, Fraser Limited, which manages \$461 million in international equity for TRS, was placed on the watch list for performance reasons.
- LSV Asset Management, which manages \$723 million in small/mid-cap domestic equity 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 \$1.7 billion in fixed income assets for TRS, remains on watch for organizational reasons.
- Boston Partners, which manages \$871 million in large cap domestic equity for TRS, remains on the watch list for organizational reasons.
- Delaware Investments, which manages \$660 million in small-mid cap domestic equity for TRS, remains on the watch list for performance reasons.
- Harris Associates, which manages \$496 million in international equity for TRS, remains on the watch list for organizational reasons.
- Holland Capital, which manages \$325 million in large-cap domestic equity for TRS, remains on the watch list for performance reasons.
- INVESCO, which manages \$1 billion in international equity for TRS, remains on the watch list for performance reasons.

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 325,000 members and annuitants.

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