



# News

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## **TRS Improves Funded Ratio Despite State Cuts**

SPRINGFIELD, IL-Strong investment returns during the fiscal year that ended June 30 helped increase the funded status of the Teachers' Retirement System of the State of Illinois (TRS) to 62.0 percent, up from 60.8 percent a year ago. The improved funded ratio is based on the Fund's \$36.5 billion market value of assets and is highlighted in an actuarial valuation presented by Buck Consultants to the TRS Board of Trustees. The Board voted to accept the results of the valuation, which shows a \$1.2 billion actuarial gain from investment income compared to the assumed return for fiscal year 2006. The System earned 12.2 percent gross of fees on its investments during fiscal year 2006, exceeding its benchmark of 11.3 percent. The report shows that while the unfunded liability of TRS now exceeds \$22 billion, assets grew proportionally more than the System's liability for benefits.

"Despite state funding reductions of \$524 million last year, TRS continues to generate top performance returns through a diversified portfolio and its skillful selection of asset managers," said Jon Bauman, Executive Director of TRS. "However, Illinois government must end its chronic pattern of underfunding the state public pension systems," Bauman said.

In other action, the Board voted to terminate the System's preferred provider list of securities class action litigation law firms. The firms had been authorized to monitor the TRS portfolio to identify securities class action cases in which the System might be interested in pursuing lead plaintiff status. TRS paid no fees for these monitoring services nor guaranteed any future legal work. The Board hired Investor Responsibility Support Services (IRSS), a Philadelphia-based, independent securities class action analysis firm that has no affiliation with any securities class action law firms. TRS will work directly with IRSS to identify potential cases based on parameters established by the System and to determine whether TRS will file actions as lead plaintiff in class action litigation. This approach will allow TRS to focus on potential litigation that is likely to result in recoveries.

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

- **Mazama Capital Management**, which manages \$113 million in small cap growth domestic equity for TRS, was placed on the watch list for performance reasons.
- **Payden & Rygel** was placed on the watch list for performance reasons. The firm manages \$659 million in fixed income core plus for TRS.
- **Pyramis Global Advisors**, which manages \$1 billion in international equity for TRS, was placed on the watch list for organizational reasons.

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

- **Byram Capital Management**, which manages \$203 million in small cap value domestic equity for TRS, remains on the watch list for performance reasons.
- **Delaware Investments**, which manages \$348 million in small-mid cap growth domestic equity for TRS, remains on the watch list for performance reasons.
- **Harris Associates** remains on the watch list for organizational changes. The firm manages \$496 million in international equity for TRS.
- **INVESCO**, which manages \$1 billion in international equity for TRS, remains on the watch list for performance reasons.
- **LSV Asset Management** remains on the watch list for performance reasons. The firm manages \$717 million in small-mid cap value domestic equity for TRS.
- **PIMCO StocksPlus**, which manages \$986 million in U.S. equity enhanced index for TRS, remains on the watch list for performance reasons.

The Board removed the following firms from the watch list:

- **BlackRock**, which manages \$1.3 billion in fixed income core plus for TRS, was removed from the watch list following the completion of its merger with Merrill Lynch.
- **Boston Partners** was removed from the watch list following the resolution of organizational issues. The firm manages \$910 million in large cap value domestic equity for TRS.
- **Jarislowsky Fraser**, which manages \$495 million in international equity for TRS, was removed from the watch list due to improved performance.

In other business, the TRS Board of Trustees took the following actions:

- Retained **Jamie Shen** of Callan Associates to serve as real estate consultant to TRS. Ms. Shen has served as the System's real estate consultant since 2002. Notably, the firm will assist TRS in identifying international real estate investments. In August, TRS approved a maiden allocation to international real estate.
- Hired **Tave Risk Management** to serve as real estate property insurance broker for TRS.
- Authorized a search for an international equity investment manager. Funding will be determined by the results of an asset allocation study to be presented in December.
- Authorized a Request for Proposal for a private equity distribution manager to assist in the liquidation of securities received from the Fund's private markets investment managers.

The Teachers' Retirement System provides retirement, disability and death benefits to teachers and administrators employed at Illinois public elementary and secondary schools located outside the city of Chicago. TRS serves 326,000 members and annuitants.

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