



News

For Immediate Release

April 23, 2007

Contact: Eva Goltermann, Public Information Officer

(217) 753-0968

TRS Adopts New Investment Strategies, Launches Manager & Custodian Searches

SPRINGFIELD, IL-The Teachers' Retirement System of the State of Illinois (TRS) will seek more active management of its domestic equity investments under recommendations contained in a domestic structure study adopted April 20 by the TRS Board of Trustees. Plans for the domestic equity portfolio include gaining exposure to "130/30" strategies as well as increased exposure to active small/mid cap managers. The following include domestic equity portfolio allocation targets TRS hopes to achieve during the next 24 months:

- Increase the small cap growth allocation from 11.20 percent to 14.25 percent
- Expand the small cap value allocation from 8.45 percent to 14.25 percent
- Increase the small to mid cap core allocation from 1.35 percent to 2.50 percent
- Trim the large cap core allocation from 45.00 percent to 39.00 percent, which includes the reduction of the S & P 500 passive from 20.00 percent to 4.00 percent and establishing a 10.00 percent allocation for a "130/30" large cap core strategy
- Decrease the large cap growth allocation from 17.00 percent to 15.00 percent
- Lower the large cap value allocation from 17.00 percent to 15.00 percent

The plan boosts the active management target for the domestic equity portfolio from 78.60 percent to 93.50 percent. The Board of Trustees also approved the following **domestic** equity manager searches:

- "130/30" large cap core
- Large cap growth
- Small/SMID value and growth

Recommendations contained in the international equity structure study are designed to diversify the portfolio and maximize returns by gaining exposure to small cap and large-cap core equities while increasing allocations to emerging markets. The international study, also approved April 20 by the TRS Board of Trustees, contains the following allocation targets for the international equity portfolio that the System hopes to reach during the next 18 months:

- Establish a large/mid cap core initial allocation and grow it to 11.50 percent
- Reduce the large/mid cap growth allocation from 37.50 percent to 30.00 percent
- Lower the large/mid cap value allocation from 52.50 percent to 30.00 percent
- Establish a small cap initial allocation and expand it to 12.00 percent
- Increase emerging markets allocation from 10.00 percent to 16.50 percent

(More)

TRS page 2

The TRS Board of Trustees approved searches for the following **international** equity manager searches:

- Small cap
- Emerging market
- Passive/Enhanced Index

Documents for all searches will be available on the TRS Web site (www.trs.illinois.gov) by May 31, 2007. Interested candidates for all searches are encouraged to contact the System's general investment consultant, R.V. Kuhns & Associates. TRS policy and the Illinois Ethics Act limit communication with TRS staff during the search process.

Additionally, the Board of Trustees approved a change in the way TRS searches for small capitalization managers for both the domestic and international portfolio because of unique capacity constraints in that investment strategy arena. Instead of launching individual searches on an as-needed basis, TRS will now present high quality small and mid cap managers with available capacity to the Board as they are identified to the System and its investment consultant.

In other business, the Board approved a Request for Proposal (RFP) for custody/master trustee services. Northern Trust Company has served as the master trustee to TRS since 1996. The System has not issued RFP's for custodial services during the past decade. Northern Trust is invited to reapply for the position. TRS plans to post the RFP on its Web site by August of 2007. Finalists will be presented to the Board of Trustees in the spring of 2008.

The Teachers' Retirement System provides retirement, disability, and survivor benefits to 325,000 teachers and administrators who work for Illinois public schools located outside the city of Chicago. As of March 31, 2007 TRS had approximately \$39.7 billion in assets.

-End-