



# News

For Immediate Release

August 10, 2007

Contact: Eva Goltermann, Public Information Officer  
(217) 753-0968

## **TRS Adopts Investment Blueprints, Hires New Managers**

SPRINGFIELD, IL-The Board of Trustees of the \$41.8 billion Teachers' Retirement System of the State of Illinois (TRS) approved tactical plans for private equity and real estate investments during fiscal year 2008. The tactical plan for private equity calls for an annual commitment of \$800 million to \$1.2 billion to progress towards achieving the long-term asset allocation goal, which was raised from 6 percent to 8 percent in 2006. As of May 31, 2007, TRS had committed \$3.9 billion in private equity and invested \$1.7 billion or 4 percent of the total investment portfolio. The TRS Board also approved the following commitments to private equity, all which will be funded by cash and passive/enhanced index accounts:

- \$300 million to Apollo Investment Fund VII, a buyout fund
- \$250 million to Warburg Pincus Private Equity Fund X, a fund that will invest in an array of private equity opportunities
- \$50 million to Avenue Capital Special Situations Fund V, a distressed debt fund

The net market value of TRS's real estate portfolio stood at \$4.2 billion as of May 31, 2007, or 10 percent of the total investment fund. The tactical plan approved by the Board continues efforts to reach the 14 percent target allocation for high-quality, domestic and international real estate investments through direct and commingled ownership. TRS owns office buildings, industrial properties, retail malls and has investments in residential developments and farmland. The Board approved the following real estate commitments, all which will be funded by cash and passive/enhanced index accounts:

- \$75 million to Carlyle Europe Real Estate Partners III
- \$75 million to LaSalle Asia Opportunities Fund III
- \$100 million to Macquarie Global Properties Asia Fund III

Separately, TRS is eliminating core investment strategies in its fixed income portfolio as part of recommendations contained in a fixed income structure study adopted today by the Board of Trustees. TRS will also create exposure to long duration bonds and international fixed income, which are designed to provide better risk-adjusted returns and additional diversification benefits. Additionally, the Board terminated BlackRock due to performance reasons and to further efforts to reach the asset allocation goal for fixed income, which was reduced in 2006 from 23 percent to 15 percent of the total investment portfolio. As of May 31, 2007, the fixed income portfolio totaled \$8.3 billion or 20 percent of the System's total fund. BlackRock managed a \$1.4 billion core plus fixed income mandate for TRS.

In addition, the Board hired the following asset managers:

- State Street Global Advisors to manage a \$275 million mandate and Quantitative Management Associates to manage a \$778 million mandate, both within the international equity-enhanced index strategy
- Trilogy Global Advisors to manage a \$460 million international growth equity mandate
- Wellington Management Company, which will manage a \$500 million global tactical asset allocation mandate within the real return asset class

(More)

The new mandates will be funded through the overall rebalance of the international equities and fixed income portfolios. TRS also authorized searches for the following managers:

- Commodity manager(s) within the real return asset class
- Long duration bond manager
- International fixed income manager

Documents for all searches will be available on the TRS Web site ([www.trs.illinois.gov](http://www.trs.illinois.gov)) by September 7, 2007. Interested candidates 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.

The Board of Trustees voted to retain PIMCO StocksPlus on the TRS watch list for performance reasons. PIMCO manages a \$1.1 billion in U.S. equity enhanced index for TRS. The Board approved the removal of the following managers from the TRS watch list:

- Mazama Capital Management, which manages a \$217 million small cap growth domestic equity mandate and a \$380 million small/mid cap growth mandate, was taken off the watch list based on improved performance of both investment strategies.
- LSV Asset Management was removed from the watch list following performance that exceeded the benchmark. LSV manages a \$713 million small/mid cap value domestic equity mandate for TRS.

In other business, the TRS Board of Trustees adopted changes in the actuarial assumptions used by TRS to estimate the accrued liability of the System, or the present value of all benefits earned to date by active and retired members but not yet paid. An experience analysis that compares the previous assumptions with the actual experience over the past five years shows that the previous assumptions underestimated retirement rates and the use of sick leave applied to service credit and overestimated mortality rates. The result of the assumption changes would have increased the System's unfunded accrued liability by \$2.2 billion for the fiscal year that ended June 30, 2006. The actuarial status of the System as of June 30, 2007 is still being calculated. The assumption changes will be included in the *Actuarial Valuation Report* prepared by TRS actuary Buck Consultants to be presented to the Board in October.

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.

-End-