

News

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TRS makes new real estate and private equity commitments

SPRINGFIELD, IL- The Board of Trustees of the Teachers' Retirement System of the State of Illinois (TRS) voted Friday to make separate \$50 million investments to both CB Richard Ellis Strategic Partners Europe Fund III, L.P. and to CB Richard Ellis Strategic Partners UK Fund III, L.P. The commitments are part of a tactical plan for fiscal year '07 to allocate up to 10 percent of the TRS real estate portfolio to international investments. Both funds are expected to be diversified by property type. In addition, the Board voted to invest \$100 million to Hines U.S. Core Office Fund and \$100 million to Lincoln Property Company Realty Advisors, existing real estate managers for TRS. Source of funds will be cash and passive/enhanced index accounts. The market value of TRS's real estate portfolio stood at \$4 billion as of December 31, 2006, with a one-year return of 18.67 percent. TRS owns office buildings, industrial properties and has investments in retail malls, multi-family residential developments, and farmland.

In other business, the Board approved searches for a diversified real return manager and a Global Treasury Inflation Protected Securities (TIPS) manager. Last December, the Board approved a target allocation for real return at 10 percent of TRS's total portfolio, which stood at \$39 billion as of December 31, 2006. The asset class includes a variety of investment instruments designed to reduce overall investment risk through diversification. TRS plans to take up to three years to fully fund the real return allocation. Criteria for the searches will be posted on the TRS Web site (trs.illinois.gov) by March 2, 2007.

The Board also approved \$325 million in private equity commitments. Source of funds is cash and passive/enhanced index accounts. The commitments were made to the following firms:

- \$50 million to Carlyle Venture Partners III, L.P., a venture capital fund.
- \$50 million to Lehman Brothers Merchant Banking Partners IV, L.P., a buyout fund.
- \$100 million to Leonard Green Equity Investors V, L.P., a buyout fund focused on the consumer retail sector.
- \$100 million to Silver Lake Partners III, L.P., a buyout fund focused on the technology sector.

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- \$25 million to Providence Equity Partners VI, L.P., a buyout fund focused on media and telecommunications. This amount is in addition to the \$100 million committed to this fund by TRS in December of 2006.

The Board hired the following firms as part of TRS's emerging managers program:

- Evercore Asset Management was awarded a \$30 million small cap value equity mandate.
- New Century Advisors was awarded a \$25 million global inflation linked bond mandate.

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

- Weiss, Peck & Greer, which manages \$872 million in fixed income for TRS, was placed on the watch list due to organizational reasons.
- Voyageur Asset Management, which manages \$799 million in large cap growth domestic equity, was placed on the watch list for performance reasons.

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

- Byram Capital, which manages \$223 million in small cap value domestic equity for TRS, remains on the watch list for performance reasons.
- Delaware Investments, which manages \$376 million in small to mid cap growth domestic equity for TRS, remains on the watch list for performance reasons.
- Harris Associates, which manages \$589 million in international equity for TRS, remains on the watch list due to organizational reasons.
- INVESCO, which manages \$1.1 billion in international equity for TRS, remains on the watch list for performance reasons.
- LSV Asset Management, which manages \$783 million in small to mid cap value domestic equity for TRS, remains on the watch list for performance reasons.
- Mazama, which manages \$122 million in small cap growth domestic equity for TRS, remains on the watch list for performance reasons.
- Pyramis Global Advisors, which manages \$1.2 billion in international equity for TRS, remains on the watch list due to organizational reasons.
- PIMCO StocksPlus, which manages \$1.1 billion in U.S. equity enhanced index for TRS, was retained on the watch list because of performance reasons.

The Board voted to terminate asset manager Payden & Rygel for performance reasons. The firm, which managed \$666 million in fixed income-core plus for TRS, had been on the watch list since September of 2006. Proceeds from the termination will be transferred to the Lehman Enhanced Index Fund.

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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