

News

For Immediate Release

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

TRS Retains Northern Trust as Master Custodian

Retirement System approves real estate road map, new private equity investment

SPRINGFIELD, IL-**Northern Trust Company** will remain as the master trustee and custodian for the Teachers' Retirement System of the State of Illinois (TRS). Today, the TRS Board of Trustees selected the Chicago-based firm to continue to provide custodial services to the retirement system, following a competitive search authorized last April.

"TRS is pleased to extend its long-standing relationship with Northern Trust," said TRS Executive Director Jon Bauman. Northern Trust Company has served as master trustee and custodian for TRS since 1996. Services provided by the master trustee include safeguarding System assets, multi-currency accounting, and calculating and reporting investment performance.

In other business, the Board of Trustees approved a tactical plan for its real estate investments for the fiscal year that began July 1. One of the major initiatives of the plan is to re-evaluate the System's five-year real estate investment strategy and present new recommendations in February of 2009. The tactical plan calls for TRS to include emerging managers through commingled funds.

"Real estate has been an important asset class at TRS for over two decades. This plan is designed to continue the System's success in acquiring high quality real estate investments that produce optimum returns," Bauman said. TRS owns office buildings, industrial properties, hotels, retail malls and residential developments. The market value of System real estate assets totaled \$4.7 billion as of May 31, 2008, or 12 percent of the total investment portfolio.

In other business, TRS will increase funding invested with its large cap core 130/30 managers to reach the target allocation of 10 percent of the domestic equity portfolio. In October of 2007, **Analytic Investors** and **JP Morgan** were hired to each manage 3.5 percent mandates or \$500 million. Today, the Board of Trustees authorized an increase in the mandates to 5.0 percent each in an effort to reach the target allocation. Total funding of approximately \$200 million will come from rebalancing the domestic equity asset class.

The Board of Trustees also awarded €50 million (approximately \$77.4 million) to **Oaktree Capital Management European Principal Opportunities Fund II**, a distressed debt fund. Source of funds is cash and passive/enhanced index accounts.

(More)

The TRS Board of Trustees added the following firm to its watch list:

- **America Century Advisors** was placed on the watch list for organizational concerns. The firm manages \$115 million in small cap international equity for TRS.
- **Western Asset Management Company**, which manages a \$465 million global inflation linked real return mandate for TRS, was placed on watch for performance reasons.

The following investment firms were retained on the System's watch list:

- **Batterymarch**, which manages \$215 million in small cap growth domestic equity for TRS, remains on watch for performance reasons.
- **Brandes Investment Partners** remains on watch for performance reasons. The firm manages \$1.2 billion in international equity for TRS.
- **Dodge & Cox**, which manages \$533 million in fixed income core plus for TRS, remains on the watch list for performance reasons.
- **ING Investment Management** remains on watch due to performance. The firm manages \$780 million in fixed income core plus for TRS.
- **Jarislowsky Frasier**, which manages \$417 million in international equity, remains on the watch list for performance reasons.
- **LSV** remains on watch due to performance. The firm manages \$616 million in small-to-mid cap value domestic equity for TRS.
- **Mazama**, which manages \$173 million in small cap growth domestic equity and \$308 million in small-to-mid cap growth domestic equity, was retained on watch for performance in both investment strategies.

TRS provides retirement, disability and survivor benefits to teachers and administrators employed at Illinois public elementary and secondary schools outside the city of Chicago. The System serves 344,432 members. The market value of assets was \$38.4 billion as of June 30, 2008.

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