

News

For Immediate Release

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TRS Weathers Volatility of Financial Markets

Retirement System puts managers on watch, assures members' benefits are secure

SPRINGFIELD, IL-The Teachers' Retirement System of the State of Illinois (TRS) is among investors worldwide that have experienced losses during the past several months due to high volatility in the global financial markets. However, the benefits of current TRS members are protected by the state and U.S. Constitutions from being reduced in any fashion, regardless of investment performance. TRS's long-term performance remains strong and continues to rank among the nation's top pension funds. The TRS Board of Trustees, professional staff and TRS consultants continue to closely monitor and assess the portfolio in order to make prudent, long-term decisions on behalf of its members.

The Teachers' Retirement System "watch list" ensures greater scrutiny of asset managers when developments arise that affect TRS assets. On October 30, the TRS Board of Trustees removed the following firm from the watch list due to strong recent performance:

- **Brandes Investment Partners**, which manages \$1.2 billion in international equity for TRS.

The Board of Trustees approved placing the following asset managers on its watch list:

- **EARNEST**, which manages \$182 million in large cap value domestic equity for TRS. The firm was placed on watch for performance reasons.
- **Fred Alger** was also placed on the watch list for performance reasons. The firm manages \$192 million in small/mid growth domestic stocks for TRS.
- **Neuberger Investment Management**, formerly **Lehman Brothers Asset Management**, which manages \$988 million in fixed income for TRS, was placed on the System's watch list because of performance and due to organizational concerns regarding the recent sale of the firm's asset management division to Neuberger.
- **Taplin, Canida & Habacht** was placed on the watch list for organizational concerns following the sale of a majority stake of the company to Marshall & Ilsley. **Taplin, Canida & Habacht** manages \$502 million in active core plus fixed income for TRS.

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The TRS Board of Trustees approved keeping the following firms on its watch list:

- **American Century Advisors**, which manages \$115 million in small cap international equities for TRS, remains on watch due to organizational concerns.
- **Dodge & Cox** remains on the TRS watch list for performance reasons in its \$533 million core-plus fixed income mandate. The firm also manages \$978 million of large cap value domestic equity for TRS, a strategy that is **not** on the watch list.
- **ING Investment Management**, which manages a \$780 million in fixed income core plus mandate for TRS, remains on the watch list for performance reasons.
- **Jarisklowsky Fraiser** remains on watch for performance. The firm manages \$417 million in international equity for TRS.
- **LSV Asset Management** manages \$616 million in small-to-mid cap domestic equity and was kept on the TRS watch list for performance reasons.
- **Mazama Capital Management**, which manages \$173 million in small cap domestic equity and \$308 million in small to mid cap domestic stocks, was retained on watch for performance in both strategies.

In other business, the TRS Board of Trustees approved the following private equity commitments, all funded by cash and passive/enhanced index accounts:

- \$50 million to **GI Partners Fund III**, a buyout fund
- \$50 million to **Edgewater Growth Equity Partners III**, a growth equity fund
- \$50 million to **Blackstone Capital Partners VI**, a buyout fund

The Board approved a \$25 million small cap value domestic equity mandate for **Lombardia Capital Partners** as part of the TRS Emerging Managers Program.

Separately, the Board approved the results of the 2008 *Actuarial Valuation* prepared by the System's actuaries, Buck Consultants. The funded ratio of the Teachers' Retirement System dropped to 56 percent during the fiscal year that ended June 30, 2008, down from 64 percent the previous year. The funded ratio, which is the percentage of earned but unpaid benefits covered by System assets, declined primarily due to investment declines, asset sales required to pay benefits during the fiscal year, and continued state underfunding.

TRS provides retirement, disability, and survivor benefits to 355,584 members employed by elementary and secondary public schools outside the city of Chicago.

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