



## News

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*Retirement Security for Illinois Educators*  
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## TRs Makes Changes to Manager Roster

*Alterations made in anticipation of asset allocation study results*

SPRINGFIELD, IL-The Teachers' Retirement System of the State of Illinois (TRS) placed additional managers on watch and hired several new private market managers at a meeting held February 18 and 19 in Springfield. The actions were taken as the System conducts a thorough review of all its investment strategies. The results are expected to be presented to the TRS Board of Trustees in April. The TRS Board of Trustees and System investment staff continue to closely monitor the performance of its external asset managers and to take steps, where necessary, to make changes to its portfolio.

The TRS Board of Trustees terminated **ING Investment Management's** \$450 million fixed income core-plus mandate. The firm had been on watch since May of 2008 due to performance and organizational concerns. Proceeds from the termination will be distributed to fixed income managers whose mandates are underweight relative to their target allocations.

TRs maintains a "watch list" to ensure a greater level of scrutiny when managers underperform or undergo developments that could impact performance. The TRS Board also approved the placement of the following managers to the watch list, all for performance reasons:

- **Goldman Sachs**, which manages a \$1 billion fixed income mandate for TRS
- **PIMCO StocksPlus**, which manages \$551 million in enhanced index domestic equity for TRS
- **Quantitative Management Associates**, which manages \$271 million in enhanced index international equity for TRS
- **Trilogy Global Advisors**, a firm managing \$248 million in large cap growth international equity for TRS
- **Turner Investments**, which manages \$549 million in large cap growth domestic equity for TRS

The Board voted to retain the following firms on watch:

- **American Century Advisors**, which manages \$66 million in small cap international equity for TRS, remains on watch for organizational concerns
- **Dodge & Cox** remains on the watch list for performance reasons in its \$283 million fixed income core plus portfolio. The firm also manages \$586 million in large cap value domestic equity for TRS, a strategy that is **not** on the watch list
- **EARNEST Partners**, which manages \$81 million in large cap value domestic equity for TRS, was retained on watch for performance. The firm also manages a \$141 million in fixed income for TRS, a strategy that is **not** on the watch list
- **Fred Alger Management** remains on the watch list for performance reasons. The firm manages \$115 million in small/mid growth domestic stocks for TRS

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- **LSV Asset Management**, which manages \$384 million in small to mid cap value domestic equities for TRS, remains on watch for performance reasons
- **Mazama Capital Management**, which manages \$105 million in small cap growth domestic equity and \$179 million in small to mid cap domestic stocks, was retained on watch for performance in both strategies. Further, the Board reduced the firm's latter mandate by 1.0%
- **Taplin, Canida & Habacht** remains on the watch list for performance and organizational concerns. The firm manages \$409 million in active core plus fixed income for TRS

The TRS Board of Trustees approved the removal of the following firms from the watch list:

- **Jarislowsky Frasier**, which manages \$272 million in large cap growth international equity for TRS
- **Western Asset Management Company**, which manages a \$301 million global inflation linked portfolio for TRS

The Board also approved the following commitments to private equity, all funded by cash and passive/enhanced index accounts:

- Up to \$10 million to **MatlinPatterson Preferred Partners Fund II**, a buyout fund
- \$25 million to **MBK Partners Fund II, L.P.**, an Asian buyout fund

In other business, the following firms were selected following a Request for Proposal process to serve on TRS's transition managers' panel, pending successful contract execution:

- **State Street Global Markets**
- **Barclays Global Investors**
- **Morgan Stanley**
- **Goldman Sachs**
- **BlackRock**
- **JP Morgan**

Additionally, TRS approved the termination of **Commonwealth Realty Advisors**. Assets managed by Commonwealth, retail developments valued at approximately \$1.2 billion, were awarded to **Heitman**, a core real estate separate account manager. Separately, the Board approved the transition of two TRS-owned hotels from **Stone Levy** to **Cornerstone Real Estate Advisors**, an existing core separate account manager. Both actions reflect a change in strategy for TRS to employ real estate asset managers that invest across all property types, as opposed to those that specialize in a specific property type.

The Board also issued a request for proposal for a real estate insurance consultant as a part of a periodic rebidding. Selection is expected at the May TRS Board of Trustees meeting.

Separately, the Board terminated the \$105 million commodities portfolio held by **Neuberger Investment Management** and awarded the mandate to **Gresham Investment Management**. Previously, Neuberger, formerly **Lehman Brothers**, served as a sub-advisor to Gresham on the portfolio.

The Teachers' Retirement System provides retirement, disability and survivor benefits to 355,584 teachers and administrators employed at public schools outside the city of Chicago. As of December 31, 2008, TRS had assets valued at \$29.1 billion.

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