



## News

For Immediate Release

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*Retirement Security for Illinois Educators*

**Teachers' Retirement System of the State of Illinois**

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### **TRS Graduates Emerging Manager, Adds Two Firms to Program**

*Retirement System adjusts asset allocation, terminates underperforming managers*

SPRINGFIELD, IL- **Piedmont Investment Advisors** has graduated from the TRS Emerging Managers Program into the main trust fund. The firm's \$13.8 million domestic equity enhanced index mandate will grow to approximately \$78 million based on the 1 percent mandate awarded by the Board of Trustees. Funding will come from rebalancing. **Piedmont**, selected to the Emerging Managers Program in May 2007, was promoted based on the consistency of the firm's investment process and performance as well as successful growth of assets under management.

Additionally, the TRS Board of Trustees accepted **Credo Capital Management** into the Emerging Managers Program with a \$25 million domestic equity mid cap growth mandate. Further, TRS made a \$25 million commitment to **Clearlake Capital Partners, II, L.P.**, a private equity fund within the Emerging Managers Program. The goal of the Emerging Manager Program is to identify and foster long-term relationships with developing investment firms.

TRS committed \$500 million to the Emerging Managers Program in 2005 and, since that time, has graduated **Piedmont Investment Advisors, Copper Rock Capital Partners** and **Dolan McEniry Capital Management**. Managers interested in applying for the program can obtain more information at <http://trs.illinois.gov/subsections/investments/emerging.htm>.

In other business, the TRS Board approved changes to the long term goals for three of its asset classes. Under the plan, target allocations will go from 30.5 percent to 26.0 percent for **domestic equities**, from 8.0 percent to 10.0 percent for **private equity** and from 2.5 percent to 5.0 percent for **absolute return**. The long term goals for the other asset classes will remain the same: international equities (20.0 percent), fixed income (15.0 percent), real estate (14.0 percent) and real return (10.0 percent). The changes were adopted following a comprehensive review of the systems' investment strategies, a study conducted every three years by TRS.

"The changes made by TRS are designed to optimize investment returns with modest risk. Maintaining a well constructed and diverse array of investment strategies is crucial to effectively weather long-term volatility," said Stan Rupnik, acting executive director and chief investment officer at Teachers' Retirement System.

Separately, the TRS Board adopted the "watch" list for the quarter ended March 31, 2009. The watch list ensures greater scrutiny of asset managers when developments arise that affect TRS assets. The TRS Board voted to terminate the \$281 million fixed income core plus mandate held by **Dodge & Cox** for performance reasons.

Additionally, **Dodge & Cox** was added to the watch list for the performance of the \$495 million domestic equity active large cap value mandate it manages for TRS.

(More)

Also terminated for performance was **Quantitative Management Associates**, which managed a \$229 million international equity enhanced index fund.

Other firms **added** to the watch list include: **AQR Capital Management**, which manages \$150 million in domestic equity small cap value, was placed on watch for performance. **McKinley Capital** was also placed on watch for performance reasons. The firm manages \$651 million in international equity active core growth for TRS.

The following firms were **removed** from the watch list: **American Century Advisors**, which manages a \$59.2 million international small cap equity mandate for TRS and **Fred Alger**, which manages a \$114 million domestic equity small/mid growth fund for TRS. Further, the Board approved increasing **American Century Advisors'** mandate from 1.5 percent to 2.5 percent of the international equity portfolio, or approximately \$122 million total. Funding will come from rebalancing.

Existing managers retained on watch for performance reasons include:

**EARNEST Equity**, which manages \$75 million in domestic equity large cap value

**PIMCO StocksPlus** manages \$482 million in domestic equity-enhanced passive

**Goldman Sachs**, managing \$1 billion in fixed income core plus

**Taplin, Canida & Habacht**, which manages \$406 million in fixed income active core plus for TRS, remains on watch for both performance and organizational concerns

**LSV Asset Management**, managing a \$328 million in domestic equity small to mid cap mandate

**Trilogy Global Advisors**, which manages \$225 million in international equity-active core

**Mazama Capital Management**, which manages a \$93 million domestic equity small cap mandate and a \$117 million domestic equity small to mid mandate

**Turner Investments**, managing \$547 million in domestic equity large cap growth

In other business, TRS made the following commitments to private equity: \$50 million to **Energy Capital Partners, II, L.P.**, a buyout fund focused on the power generation and energy sectors, and \$100 million was awarded to **Blackstone/GSO Capital Solutions Fund, L.P.**, a distressed debt fund designed to provide financial solutions to companies.

The TRS Board approved a Request for Proposal (RFP) for an executive search firm to identify qualified candidates to serve as executive director of the Teachers' Retirement System. The RFP will be posted on the System's Web site (<http://trs.illinois.gov>) on May 22, 2009. A subcommittee of the Board will assist with the search.

The Board also approved new RFPs for the System's general investment consultant, real estate consultant, and real estate appraisal services. Finalists for the three searches are expected at the August and October Board meetings. Separately, the Board approved a one-year contract extension for **Tave Risk Management**, which provides insurance brokerage services.

The Teachers' Retirement System of the State of Illinois provides retirement, disability, and survivor benefits to teachers, administrators and other Illinois public school personnel employed outside the city of Chicago in positions that require state certification. The System serves 355,584 members and had assets of \$27.2 billion as of March 31, 2009.

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