



TEACHERS' RETIREMENT SYSTEM OF THE STATE OF ILLINOIS

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R. Stanley Rupnik, Interim Executive Director

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MINUTES Board of Trustees October 30, 2020

A virtual meeting of the Board of Trustees of the Illinois Teachers' Retirement System was held on October 30, 2020 in accordance with Public Act 101-640 Government Emergency Administration Act and the COVID-19 Executive Order 2020-59, which extends the original Executive Order 2020-07 through November 14, 2020. An in-person meeting is not practical or prudent due to the current global COVID-19 pandemic.

Requirements under PA 101-640, Article 15 include:

- All votes must be roll call votes so that each member's vote on each issue can be identified and recorded.
- Prepare and maintain a verbatim record of both the open and closed sessions of the remote meeting.
- Everyone must be able to hear one another.

President Bruce called the meeting to order at 8:37 a.m. A quorum was present. Roll Call attendance was taken with the following trustees present: Beth Anderson, Carmen Ayala, Norma Bellcoff, Marsha Byas, Andy Hirshman, Matt Hunt, Maureen Mena, David Miller, Fred Peronto, Larry Pfeiffer, Doug Strand, Mark Bailey, Vice President; and Devon Bruce, President. Absent: Matt Shattock

Stan Rupnik, Acting Executive Director/Chief Investment Officer and Cynthia Fain, Sr. Legal Counsel, were physically present at the meeting location in Springfield, 2815 W. Washington Street.

Others present: Carlton Lenoir, Chief Benefits Officer; Greg Turk, Director of Investments; Bob Jiroutek, Risk Officer; Deron Bertolo, Chief Financial Officer; Chris Wiedel, Director of Information Technology; John Gerding, Deputy Director of Information Technology; Stacy Smith, Director of Internal Audit and Risk; Christina Baker, Internal Audit Supervisor; Jeff Bennett, Director of Operations; Dave Urbanek, Director of Communications; Amy Reynolds, Director of Research; Tammy Green, Executive Assistant; and Tiffany Reeves and Xaviar Prather, Reinhart (Fiduciary Counsel). Becky Gratsinger, RVK (Investment Consultant); and Christine Williamson, Pensions & Investments. In addition, 15 participants dialed in to the Board meeting.

APPROVAL OF MINUTES

A draft of the August 28, 2020 minutes of the regular Board meeting was sent to the trustees for prior review. Documentation is on file. On a motion by Trustee Hunt, seconded by Trustee Hirshman, it was resolved to approve the June 19 and July 31, 2020 Board minutes, as presented. Roll call resulted in affirmative voice votes from Trustees Anderson, Ayala, Bellcoff, Byas, Hirshman, Hunt, Mena, Miller, Peronto, Pfeiffer, Strand, Bailey, and Bruce. Motion Carried.

No public comments were heard.

DEFINED CONTRIBUTION PLAN COMMITTEE REPORT

TRS Supplemental Savings Plan

On a motion by Doug Strand, seconded by Mark Bailey, it was resolved to approve amendments to the TRS Supplemental Plan Document, as presented.

Article II: Construction and Definitions, Section 2.02 Definitions

Article IV: Contributions, Section 4.01 Elective Deferrals

Article IV: Contributions, Section 4.05 In-Plan Roth Rollover

Article V: Limitations on Contributions, Section 5.02 Employer Contribution Limits

Article IX: Distributions, Section 9.01. Distribution Restrictions

Article IX: Distributions, Section 9.02 Payment Options

Article IX: Distributions, Section 9.04 Required Distribution Rules

Article IX: Distributions, Section 9.05 Unforeseeable Financial Emergency Distributions

Article IX: Distributions, Section 9.07 Plan to Plan Transfer (New)

Article X: Loans, Section 10.01 Availability and Effect of Participant Loans

Roll call resulted in affirmative voice votes from Trustees Anderson, Ayala, Bellcoff, Byas, Hirshman, Hunt, Mena, Miller, Peronto, Pfeiffer, Strand, Bailey, and Bruce. Motion Carried.

On a motion by Andy Hirshman, seconded by Doug Strand, it was resolved to approve the removal of the World Bond Asset Class from the TRS Supplemental Savings Plan Investment Lineup, as recommended. Roll call resulted in affirmative voice votes from

Trustees Anderson, Ayala, Bellcoff, Byas, Hirshman, Hunt, Mena, Miller, Peronto, Pfeiffer, Strand, Bailey, and Bruce. Motion Carried.

INVESTMENT COMMITTEE REPORT

Trustee Hirshman presented the investment committee consent agenda. All items listed under the consent agenda are enacted by one motion with a roll call vote. No separate discussion of these items is held unless a request is made prior to voting on the motion. Trustee Miller moved that the Board approve the consent agenda as presented. Trustee Hunt seconded the motion and it passed by roll call vote from Trustees Anderson, Ayala, Bellcoff, Byas, Hirshman, Hunt, Mena, Miller, Peronto, Pfeiffer, Strand, Bailey, and Bruce. Motion Carried. The following motions were approved by action taken in the consent agenda motion.

1. Approve the FY 2021 MWBE utilization goals, as presented. The approved goals will be included in the TRS Investment Policy, Section XXII.
 - Increase in goal for utilization of MWBE asset managers from 20% to 21%.
 - Maintain the Domestic Equity MWBE brokerage utilization goal of 25%.
 - Maintain International Equity MWBE brokerage utilization goal of 16%.
 - Maintain the Fixed Income MWBE trading utilization goal of 16%.
 - Maintain the investment management fees goal of 7.0 – 10.5% of total fees paid.
2. Approve the FY 21 private debt tactical plan, pacing plan, and initiatives as presented in the tactical plan document.
3. Approve the FY 21 global income sub-strategy ranges and initiatives as presented in the annual review presentation.
4. Elect Dynamo to provide CRM system services for the System’s Investment Program.

End of Consent Agenda

ACTING EXECUTIVE DIRECTOR’S REPORT

Executive Director Search

A Request for Proposal was issued in August seeking an executive search firm to lead a nationwide search to assist with the recruitment and hiring of a new executive director for the System. Members of the executive director search subcommittee reviewed the RFP responses, interviewed firms, and selected Korn Ferry, of Los Angeles, California, to present to the Board. Michael Kennedy of Korn Ferry

provided an overview of the firm, the search process/strategy, a proposed timeline, and the candidate outreach process. Documentation is on file. President Bruce reiterated that each member of the Board will be involved in the selection to find the best candidate for TRS. On a motion by Andy Hirshman, seconded by Beth Anderson, it was resolved:

To retain Korn Ferry to conduct a search for a TRS executive director.

Roll call resulted in affirmative voice votes from Trustees Anderson, Ayala, Bellcoff, Byas, Hirshman, Hunt, Mena, Miller, Pfeiffer, Strand, Bailey, and Bruce. Motion Carried. (Trustee Peronto was not present during roll call vote)

RECESS

The meeting recessed at 9:32 a.m. and reconvened at 9:40 a.m.

Trustee Election Update

Mr. Rupnik reported a trustee election will be held May 3, 2021 for an annuitant member seat and two active teacher seats. All seats open in this election are for a four-year term to commence on July 15, 2021. Candidates may be nominated to serve on the TRS Board through a petition process. Stakeholders have been notified that due to COVID-19 pandemic health and safety concerns, TRS will accept electronic signatures this year along with paper nominating petitions. Petitions will be available November 1, 2020. Further information regarding the TRS trustee election can be found on TRS website, www.trsil.org/See Board Mtg Schedule. TRS board elections are governed by the Illinois Pension Code, 40 ILCS 5/16-165.

Actuarial Valuation Report

Segal Consulting presented the preliminary results of the System's annual actuarial valuation of its assets and liabilities as of June 30, 2020 prepared in accordance with the funding policy specified under the IL Pension Code (40 ILCS 5/16). Documentation is on file. The unfunded liability increased by \$2.6 billion in the fiscal year ended June 30, 2020. The funded status of TRS remained relatively stable at 40.5% compared to 40.6% as of June 30, 2019. TRS ended fiscal year 2020 with \$51.6 billion in assets.

The State of Illinois continues to underfund TRS by the use of funding policies that do not provide for adequate funding. The methods mandated by the IL Pension Code are inadequate resulting in TRS being among the worst funded public employee retirement system in the U.S. Segal strongly recommends an actuarial funding method that targets 100% funding where payments at least cover normal cost, interest on the unfunded

actuarial accrued liability and the principal balance. Documentation is on file. On a motion by Andy Hirshman, seconded by David Miller, it was resolved:

To accept the results of the preliminary June 30, 2020 actuarial valuation as presented by Segal Consulting:

- Based on Illinois statute, an FY 2022 state funding amount of \$5,694,106,973, including \$400,000 for minimum retirement benefits;
- Based on the board's funding policy, an FY 2022 state funding amount of \$8,850,455,308, including \$400,000 for minimum retirement benefits;
- An FY 2022 total normal cost rate of 19.31 percent of pay, a rate that includes a total employer normal cost rate of 10.31 percent and a member contribution rate of 9.00 percent;
- An FY 2022 federal contribution rate of 10.31 percent of pay, a rate that is identical to the total employer normal cost rate.

The preliminary June 30, 2020 actuarial valuation report includes assumptions about the impact of the accelerated pension benefit programs originally contained in Public Act 100-0587 and extended by Public Act 101-0010.

These proposed amounts and rates are being submitted to the state actuary and will be resubmitted to the Board for final approval in December 2020 if they are accepted by the state actuary.

Roll call resulted in affirmative voice votes from Trustees Anderson, Ayala, Bellcoff, Byas, Hirshman, Hunt, Mena, Miller, Peronto, Pfeiffer, Strand, Bailey, and Bruce. Motion Carried.

THIS Fund

On or before November 15 each year, the Board is required to submit its certified state funding amounts for the Teacher Health Insurance Security (THIS) Fund to the governor and others. Segal Consulting presented the preliminary contribution which will be reviewed by the State Actuary before it is included in the state budget for the upcoming year. On a motion by Mark Bailey, seconded by Matt Hunt, it was resolved:

To certify \$143,369,061 as the required state contribution to the Teacher Health Insurance Security (THIS) Fund for FY 2022, assuming the member contribution is increased to 1.30 percent of pay in FY 2022, as presented by Segal Consulting.

Roll call resulted in affirmative voice votes from Trustees Anderson, Ayala, Bellcoff, Byas, Hirshman, Hunt, Mena, Miller, Peronto, Pfeiffer, Strand, Bailey, and Bruce. Motion Carried.

IT Gemini Status Report

Chris Wiedel, Director of Information Technology, provided an update on the current status of the Gemini project, the next generation pension administration system. Documentation is on file.

Mr. Rupnik provided an update on the Request for Proposal to find an outside firm to perform a project assessment of Gemini. This assessment will help the TRS staff and Board identify any obstacles to a successful go-live and ensure that our members have an excellent enrollment experience as they engage with the new TRS Supplemental Savings Plan (TRS SSP). The TRS staff/trustee working group interviewed two firms and recommended that the Board hire Segal to perform an IT assessment of the Gemini project. On a motion by Fred Peronto, seconded by Maureen Mena, it was resolved:

To engage The Segal Group to conduct an IT assessment of the Gemini Project.

Roll call resulted in affirmative voice votes from Trustees Anderson, Ayala, Bellcoff, Byas, Hirshman, Hunt, Mena, Miller, Peronto, Pfeiffer, Strand, Bailey, and Bruce. Motion Carried.

Financials

The financial reports for the quarter ended June 30, 2020 were sent to trustees for preview. Documentation is on file. On a motion by Matt Hunt, seconded by Norma Bellcoff, it was resolved:

To approve the financial statement and expenditures for the period ending June 30, 2020, as presented.

Roll call resulted in affirmative voice votes from Trustees Anderson, Ayala, Bellcoff, Byas, Hirshman, Hunt, Mena, Miller, Peronto, Pfeiffer, Strand, Bailey, and Bruce. Motion Carried.

Informational Items

The following information is on file:

- Member Services Statistical Report for the period ending September 30, 2020
- FY20 Vendor Pay and Vendor Utilization Reports
- Buyout Program Update through October 18, 2020

RECESS

The meeting recessed at 10:48 a.m. and reconvened at 10:55 a.m.

EXECUTIVE SESSION

A motion was made by Trustee Peronto, seconded by Trustee Miller, that the Board enter into executive session for the purpose of discussing the appointment, employment, compensation, discipline, performance, or dismissal of specific employees; probable or imminent litigation; and closed meeting minutes as permitted under the following exceptions set forth in the Open Meetings Act which authorizes the closing of the meeting to the public: 5 ILCS 120/2(c) (1), 5 ILCS 120/2(c) (11) and 5 ILCS 120/2(c) (21). Roll call resulted in affirmative voice votes from Trustees Anderson, Ayala, Bellcoff, Byas, Hirshman, Hunt, Mena, Miller, Peronto, Pfeiffer, Strand, Bailey, and Bruce. Motion Carried.

No action was taken during executive session. A motion was made by Trustee Bailey, seconded by Trustee Strand, that the Board come out of executive session. Roll call resulted in affirmative voice votes from Trustees Anderson, Ayala, Bellcoff, Byas, Hirshman, Hunt, Mena, Miller, Peronto, Pfeiffer, Strand, Bailey, and Bruce. Motion Carried.

Approval of Executive Session Minutes

A draft of the August 28, 2020 executive session meeting minutes of the Board was sent to the trustees for prior review. Documentation is on file. On a motion by Trustee Strand, seconded by Trustee Miller, it was resolved to approve the August 28, 2020 executive session minutes of the Board, as presented. Roll call resulted in affirmative voice votes from Trustees Anderson, Ayala, Bellcoff, Byas, Hirshman, Hunt, Mena, Miller, Peronto, Pfeiffer, Strand, Bailey, and Bruce. Motion Carried.

ADJOURNMENT

There being no further business to be brought before the Board, a motion was made by Trustee Pfeiffer, seconded by Trustee Hirshman, to adjourn the meeting at 12:03 p.m. Roll call resulted in affirmative voice votes from Trustees Anderson, Ayala, Bellcoff, Byas, Hirshman, Hunt, Mena, Miller, Peronto, Pfeiffer, Strand, Bailey, and Bruce. Motion Carried.



Stan Rupnik, Acting Executive Director/Chief Investment Officer

Approved: 12/9/20