



TEACHERS' RETIREMENT SYSTEM OF THE STATE OF ILLINOIS

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MINUTES

Board of Trustees

December 9, 2020

A virtual meeting of the Board of Trustees of the Illinois Teachers' Retirement System was held on December 9, 2020 in accordance with the COVID-19 Executive Order 2020-71, which extends the original Executive Order 2020-07 through December 12, 2020. An in-person meeting is not practical or prudent due to the current global COVID-19 pandemic.

President Bruce called the meeting to order at 11:30 a.m. A quorum was present. Roll Call attendance was taken with the following trustees present: Beth Anderson, Carmen Ayala, Marsha Byas, Andy Hirshman, Matt Hunt, Maureen Mena, David Miller, Fred Peronto, Larry Pfeiffer, Matt Shattock, Doug Strand, Mark Bailey, Vice President; and Devon Bruce, President. Absent: Norma Bellcoff.

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; Gina Larkin, Chief Human Resources Officer; Bob Jiroutek, Risk Officer; Amy Reynolds, Director of Research; Deron Bertolo, Chief Financial Officer; Stacy Smith, Director of Internal Audit and Risk; Christina Baker, Internal Audit Supervisor; Chris Wiedel, Director of Information Technology; Chad Fry, Technical Systems Manager; Dave Urbanek, Director of Communications; Jose Gonzalez, Investment Officer; Tammy Green, Executive Assistant; and Tiffany Reeves, Reinhart (Fiduciary Counsel).

Visitor: Vicki Mahrt, IEA-Retired.

Executive Director Update

President Bruce reported that the Board has retained Korn Ferry to conduct a national search for TRS executive director. Korn Ferry is conducting due diligence and will be in contact with members of the Board.

PUBLIC COMMENT

Doug Scofield, a member of the Chicago Area Peace Action climate group, provided comments regarding state pension fund divestment from fossil fuels and investment in sustainable energy portfolios. Mr. Scofield requested that the Illinois TRS Board make the Illinois Sustainable Investment Act a focus of its investment strategies and use best efforts to totally divest from fossil fuels.

APPROVAL OF MINUTES

A draft of the October 30, 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 Strand, it was resolved to approve the October 30 regular Board minutes, as presented. Roll call resulted in affirmative voice votes from Trustees Anderson, Ayala, Byas, Hirshman, Hunt, Mena, Miller, Pfeiffer, Shattock, Strand, Bailey, and Bruce. Motion Carried. (Trustee Peronto was not present to vote)

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 Strand moved that the Board approve the consent agenda as presented. Trustee Miller seconded the motion and it passed by roll call vote from Trustees Anderson, Ayala, Byas, Hirshman, Hunt, Mena, Miller, Pfeiffer, Shattock, Strand, Bailey, and Bruce. Motion Carried. (Trustee Peronto was not present to vote). The following motions were approved by action taken in the consent agenda motion.

1. Approve the initiatives presented in the Diversity Program Review:
 - Increase the size of the Emerging Manager Program from \$750 million to a target \$1 billion.
 - Issuance of an RFP for consulting services to provide a standardized Diversity, Equity, and Inclusion (DEI) measurement and scoring solution.
2. Approve the FY21 global public equity goals and initiatives as presented in the annual review presentation.

End of Consent Agenda

ACTING EXECUTIVE DIRECTOR’S REPORT

Final Certification of FY 2022 Contribution/State Actuary Report

As required by State statute, the Board must certify the state funding requirements in final form following review by the state actuary, Cheiron. The Board received Cheiron’s preliminary report regarding the proposed certification prepared by Segal Consulting of the required state contribution to TRS for fiscal year 2022. Documentation is on file. The draft report includes Cheiron’s recommendations for Segal to consider. Cheiron found the actuarial assumptions and methods used in the draft June 30, 2020 Actuarial Valuation to be reasonable and that the certified contributions were properly calculated in accordance with State law. The report recognized that statutory requirements have produced inadequate funding of the plan because they do not conform to generally accepted actuarial principles and practices, however, Cheiron acknowledges that changing the funding method is under the jurisdiction of State law and not TRS. On a motion by Trustee Shattock, seconded by Trustee Strand, 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.

The actuarial valuation reports and these amounts were submitted to and accepted by the state actuary.

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

FY 2021 Budget Request

TRS staff requested Board approval for the Elrod Friedman contract to be amended to \$100,000 or higher based on services needed during the current fiscal year. On a motion by Trustee Bailey, seconded by Trustee Hunt, it was resolved:

To amend the Elrod Friedman contract to \$100,000 or higher based on services needed, staying within fiscal year 2021 budget levels. TRS staff will amend the *Contracts over \$100,00* list to include the Elrod Friedman contract.

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

Financials

The financial reports for the quarter ended September 30, 2020 were sent to trustees for preview. Documentation is on file. On a motion by Trustee Strand, seconded by Trustee Miller, it was resolved:

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

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

Trustee Election Update

Currently, five candidates are petitioning for the two active trustee seats and three are petitioning for the annuitant seat. One annuitant and two active candidates have over 500 signatures. The petition deadline is Jan. 29, 2021. The electronic petitions that were created this year due to COVID-19 are a success. All seats open in this election are for a four-year term to commence on July 15, 2021.

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.

Informational Items

The following information is on file:

- Member Services Statistical Report for the period ending October 31, 2020
- FY 2021 Vendor Pay >\$100,000 Reports for quarter ending September 30, 2020
- Buyout Program Update through November 30, 2020

EXECUTIVE SESSION

A motion was made by Trustee Miller, seconded by Trustee Peronto, 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, Byas, Hirshman, Hunt, Mena, Miller, Peronto, Pfeiffer, Shattock, Strand, Bailey, and Bruce. Motion Carried. Absent: Trustee Bellcoff.

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

Approval of Executive Session Minutes

A draft of the October 30, 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 Pfeiffer, seconded by Trustee Peronto, it was resolved to approve the October 30, 2020 executive session minutes of the Board, as presented. Roll call resulted in affirmative voice votes from Trustees Anderson, Ayala, Byas, Hirshman, Hunt, Mena, Miller, Peronto, Pfeiffer, Shattock, Strand, Bailey, and Bruce. Motion Carried.

ADJOURNMENT

There being no further business to be brought before the Board, a motion was made by Trustee Strand, seconded by Trustee Hunt, to adjourn the Board meeting at 12:57 p.m. Roll call resulted in affirmative voice votes from Trustees Anderson, Ayala, Byas, Hirshman, Hunt, Mena, Miller, Peronto, Pfeiffer, Shattock, Strand, Bailey, and Bruce. Motion Carried.



Stan Rupnik, Acting Executive Director/Chief Investment Officer

Approved: 2/26/21