



**MINUTES**  
**Board of Trustees**  
**April 26-27, 2018**

The Board of Trustees of the Illinois Teachers' Retirement System held its annual retreat/business meeting on April 26-27, 2018 at the Springfield office, 2815 West Washington Street.

President Smith called the meeting to order at 1:00 p.m. on April 26, 2018. A quorum was present. Roll Call attendance was taken with the following trustees present: Mark Bailey, Andy Hirshman, Matt Hower, Tracy Kearney, Fred Peronto, Larry Pfeiffer, Mark Splitstone, Randy Winters, Cinda Klickna and Tony Smith. Absent: Laura Pearl and Dan Winter.

Others present: Dick Ingram, Executive Director; Stan Rupnik, Chief Investment Officer; Greg Turk, Director of Investments; Marcy Dutton, Chief Legal Counsel; Cynthia Fain, Sr. Legal Counsel; Carlton Lenoir, Chief Benefits Officer; Jana Bergschneider, Chief Financial Officer; Bob Jiroutek, Risk Officer; Deron Bertolo, Director of Investment Accounting; Stacy Smith, Director of Internal Audit; Christina Baker, Sr. Internal Auditor; Lauren Russell, Internal Auditor; Gina Larkin, Chief Human Resources Officer; Tom Smith, Chief Technology Officer; Kathleen Farney, Director of Research; Dave Urbanek, Director of Communications; Sue Billington, Executive Assistant; Tammy Green, Executive Assistant; Steve Huff, Reinhart (Fiduciary Counsel); Becky Gratsinger, Ian Bray, and Marcia Beard, RVK (Investment Consultant); Ed Shim, Investment Officer; Sally Antonacci, Investment Office Manager (4/27); Scottie Bevill, Sr. Investment Officer (4/27); Tim Hays, Sr. Investment Officer (4/27); Dakin Sanert, Sr. Investment Analyst (4/27); Josh Ross, Investment Officer (4/27); Ben Skrodzki, Investment Officer (4/27); Bill Thomas, Investment Officer (4/27); and Brian Payne, Investment Analyst (4/27).

The retreat included topics on governance and ethics, CEM benchmarking, strategic plan and FY 19 budget initiatives, TRS's sustainability and communications plan, cybersecurity, assumed rate of return, asset allocation, risk management, and the diversifying strategies portfolio.

Ethics

Bill Holland, former Illinois auditor general, provided an educational presentation focusing on ethical principles.

### Benchmarking Results

Kam Mangat, Vice President of CEM Benchmarking, presented the annual pension administration and investment benchmarking results. TRS contracted with CEM to perform an annual survey on service, administrative costs, and investment data. The survey documents that TRS provides a high level of service at a relatively low cost. Documentation is on file.

### **RECESS**

The meeting recessed at 3:00 p.m. and reconvened at 3:10 p.m.

### Strategic Plan and Budget

Director Ingram provided an overview of the TRS FY 19 operating budget initiatives to be proposed at the May meeting for approval. Documentation is on file. TRS's current pension administration system has been in use since 2003 and needs upgraded. Tom Smith, Chief Technology Officer, provided an overview of the process in the development and implementation of TRS's next generation system GEMINI. The proposed budget includes external costs associated with the first phase of the project. Discussion followed regarding the cost, justification, and return of investment. Trustee Winters would like to see a study of 10 other pension systems that have recently developed similar projects.

### TRS Sustainability

The TRS communications consultant, Jasculca-Terman, met with three focus groups around the state and from the interviews concluded that TRS members are not really interested in the future financial stability of TRS or about helping enact solutions that could solve the System's long-term fiscal problems. Documentation is on file. Director Ingram reported that there is an increasing level of concern and confusion from TRS members regarding future insolvency of the System. A lengthy discussion was held regarding the importance of a communication plan designed to get members engaged with state officials in ways to secure the financial future of the System.

### Cyber security

Jeremy Crites, Security Supervisor, provided a review of cyber security initiatives at TRS. Documentation is on file.

### **RECESS**

The meeting recessed at 5:45 p.m. and reconvened the following day at 8:00 a.m.

### Assumed Rate of Return

Steve Huff, Fiduciary Counsel, provided a fiduciary review of actuarial assumptions and best practices for setting assumed rate of return. Documentation is on file.

### **RECESS**

The meeting recessed at 9:05 a.m. and reconvened at 9:13 a.m.

### Diversifying Strategies Portfolio

Albourne summarized the mechanics of a new fee model “1-or-30”. Documentation is on file.

### AQR

Cliff Asness, Founding Principal of AQR, provided an educational presentation on “Making the Most When Markets are Giving the Least”. Documentation is on file.

### Asset Allocation Review

RVK provided an overview of TRS’s asset allocation including capital markets assumptions, stress tests, and liquidity modeling/analysis. No changes are necessary to the current 2017 long-term target allocation. Documentation is on file.

### Investment Risk Management

BlackRock provided an educational presentation on risk. Documentation is on file.

### ESG

RVK provided an overview of ESG investing. Documentation is on file. ESG involves the consideration of Environmental, Social and Governance factors in the investment decision making process.

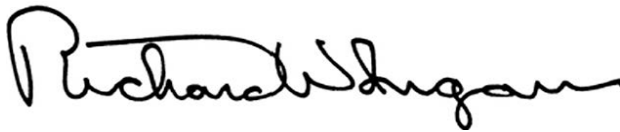
### **EXECUTIVE SESSION**

A motion was made by Randy Winters, seconded by Andy Hirshman, that the Board enter into executive session for the purpose of discussing the appointment, employment, compensation, discipline, performance, or dismissal of specific employees as permitted under the following exception set forth in the Open Meetings Act which authorizes the closing of the meeting to the public: 5 ILCS 120/2(c) (1). Roll call resulted in affirmative voice votes from Trustees Bailey, Hirshman, Hower, Kearney, Peronto, Pfeiffer, Splitstone, Winters, Klickna and Smith. Motion CARRIED.

No action was taken during executive session. A motion was made by Mark Bailey, seconded by Larry Pfeiffer, that the Board come out of executive session. Roll call resulted in affirmative voice votes from Trustees Bailey, Hirshman, Hower, Kearney, Peronto, Pfeiffer, Splitstone, Winters, Klickna and Smith. Motion CARRIED.

### **ADJOURNMENT**

There being no further business to be brought before the Board, a motion was made by Tony Smith, seconded by Cinda Klickna, to adjourn the meeting at 3:40 p.m.

A handwritten signature in black ink, appearing to read "Richard W. Ingram". The signature is fluid and cursive, with a large initial "R" and "I".

Richard W. Ingram, Executive Director

Approved: 8/16/18