



**MINUTES**  
**Board of Trustees**  
**October 30, 2018**

The regular meeting of the Board of Trustees of the Illinois Teachers' Retirement System was held on October 30, 2018 at the Hyatt Regency O'Hare, 9300 Bryn Mawr, Rosemont, Illinois. President Tony Smith called the meeting to order at 12:30 p.m. and a quorum was present.

Roll Call attendance was taken with the following trustees present: Mark Bailey, John Bloomfield, Andy Hirshman, Matt Hower, Tracy Kearney, Laura Pearl, Fred Peronto, Larry Pfeiffer, Mark Shaw, Mark Splitstone, Dan Winter, Cinda Klickna, and Tony Smith. Mr. Bloomfield was appointed by the governor on October 24, 2018 to serve as a member of the TRS Board of Trustees through July 2022.

Others present: Dick Ingram, Executive Director; Stan Rupnik, Chief Investment Officer; Greg Turk, Director of Investments; Marcy Dutton, Chief Legal Counsel; Carlton Lenoir, Chief Benefits Officer; Kathleen Farney, Director of Research; Deron Bertolo, Director of Investment Accounting; Stacy Smith, Director of Internal Audit; Dave Urbanek, Director of Communications; Tammy Green, Executive Assistant; and Tiffany Reeves, Reinhart (Fiduciary Counsel); Andrew Bodewes, Legislative Consultant; Ian Bray and Marcia Beard, RVK (Investment Consultant).

Visitors present: Douglas Strand, IRTA; Christine Williamson, Pensions & Investments; Dahlia Ronen, Kahn Swick & Foti.

**EXECUTIVE DIRECTOR'S REPORT**

June 30, 2018 Actuarial Valuation Results and Preliminary Certification of Results and FY 2020 Funding Requirements

Segal Consulting presented the preliminary results of the System's June 30, 2018 actuarial valuation and the proposed state contribution requirements for FY 2020. Documentation is on file. On a motion by Andy Hirshman, seconded by Matt Hower, it was resolved:

To accept the results of the preliminary June 30, 2018 actuarial valuation as presented by Segal Consulting:

- Based on Illinois statute, an FY 2020 state funding amount of \$4,813,577,696, including \$500,000 for minimum retirement benefits;

- Based on the board’s funding policy, an FY 2020 state funding amount of \$7,878,670,709, including \$500,000 for minimum retirement benefits;
- An FY 2020 total normal cost rate of 19.66 percent of pay, a rate that includes a total employer normal cost rate of 10.66 percent and a member contribution rate of 9.00 percent;
- An FY 2020 federal contribution rate of 10.66 percent of pay, a rate that is identical to the total employer normal cost rate.

Roll call resulted in affirmative voice votes from Trustees Bailey, Bloomfield, Hower, Hirshman, Kearney, Pearl, Peronto, Pfeiffer, Shaw, Splitstone, Winter, Klickna, and Smith. Motion CARRIED. The preliminary June 30, 2018 actuarial valuation report includes the changes in actuarial assumptions adopted by the Board at its August 2018 meeting. The report also makes assumptions about the impact of Public Act 100-0587. Those assumptions would result in a \$112 million reduction in the FY 2019 state contribution to TRS, but the actual change may be different when the amount is recertified by the Board in June 2019. These proposed amounts and rates are being submitted to the state actuary and will be resubmitted to the Board for final approval in December 2018 if they are accepted by the state actuary.

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. On a motion by Mark Bailey, seconded by Andy Hirshman, it was resolved:

To certify \$138,701,551 as the required state contribution to the Teacher Health Insurance Security (THIS) Fund for FY 2020, assuming the member contribution is increased to 1.30 percent of pay in FY 2020, as presented by Segal Consulting.

Roll call resulted in affirmative voice votes from Trustees Bailey, Bloomfield, Hirshman, Hower, Kearney, Peronto, Pfeiffer, Shaw, Splitstone, Pearl, Winter, Klickna, and Smith. Motion CARRIED.

### Trustee Education

Public Act 100-0587, effective June 4, 2018, created two new buyout options for TRS members, effective through June 30, 2021.

1. Inactive vested buyout – Inactive vested members have the option of receiving an immediate lump sum equal to 60% of present value of their future benefits in exchange for retirement annuity benefits.

2. Automatic annual increase buyout – Tier I active members have the option upon retirement of accepting a reduced 1.5% automatic annual increase in exchange for a lump sum benefit equal to 70% of the present value of the reduced annuity benefits. The reduced automatic annual increase would be effective January 1 following age 67 or January 1 following first anniversary of retirement.

Carlton Lenoir, Chief Benefits Officer, presented an educational presentation on the impact of buyouts on the retirement process including how TRS counseling and retirement processing will be impacted. Documentation is on file. Implementation of the new legislation is in progress but it is unknown if monies from the state bond offering will be available to fund the buyout programs.

## **APPROVAL OF MINUTES**

A draft of the August 16-17, 2018 minutes of the regular board meeting was sent to the trustees for prior review. On a motion by Mark Bailey, seconded by Tracy Kearney, the minutes were approved by voice vote. Trustee Bloomfield abstained from voting.

## **INVESTMENT COMMITTEE REPORT**

### WMBE FY 19 Utilization Goals

On a motion by Cinda Klickna, seconded by Mark Bailey, it was resolved:

To approve the WMBE FY 2019 utilization goals for minority brokerage managers and investment management, as presented.

- increase the interim target goal to 19% of total Plan assets for minority manager utilization (from 18%).
- increase the international equity brokerage utilization goal to 16.0% (from 14.5%).
- increase the fixed income minority brokerage goal to 16% (from 15.0%)
- maintain the existing fee goal paid to WMBE investment managers of 7.0-10.5%
- retain the domestic equity minority brokerage goal of 25.0%

Roll call resulted in affirmative voice votes from Trustees Bailey, Bloomfield, Hower, Peronto, Pfeiffer, Splitstone, Winter, Hirshman, Klickna, and Smith. Votes of opposition were heard from Trustees Pearl, Shaw, and Kearney. Motion CARRIED.

### Diversifying Strategies Consultant

On a motion by Mark Bailey, seconded by Matt Hower, it was resolved:

To select Aksia to provide diversifying consultant services for a contract not to exceed five years.

Roll call resulted in affirmative voice votes from Trustees Bailey, Bloomfield, Hower, Kearney, Peronto, Pfeiffer, Splitstone, Winter, Hirshman, Klickna, and Smith. Trustee Pearl abstained from voting and a vote of opposition was heard from Trustee Shaw. Motion CARRIED.

### Global Fixed Income Annual Review

On a motion by Cinda Klickna, seconded by Mark Bailey, it was resolved:

To accept the fact that the Board received the presentation of the public global fixed income annual review as presented by staff.

Roll call resulted in affirmative voice votes from Trustees Bailey, Bloomfield, Hower, Kearney, Pearl, Peronto, Pfeiffer, Splitstone, Winter, Hirshman, Klickna, and Smith. A vote of opposition was heard from Trustee Shaw. Motion CARRIED.

## **RULES AND PERSONNEL COMMITTEE REPORT**

### Legislative Committee

On a motion by Laura Pearl, seconded by Cinda Klickna, it was resolved:

To elect John Bloomfield as a member of the TRS Legislative Committee, replacing Trustee Hirshman.

The motion passed by unanimous voice vote.

## **EXECUTIVE DIRECTOR'S REPORT (cont.)**

### Quarterly Financial Statements

The financial reports for the quarter ended June 30, 2018 were sent to trustees for review. The Board also received a report that includes comparison of Actual FY 2018 administrative budget to FY 2018 Approved budget requests by department.

Documentation is on file. On a motion by Cinda Klickna, seconded by Mark Bailey, it was resolved:

To approve the administrative expenses for the quarter ending June 30, 2018, as presented.

Roll call resulted in affirmative voice votes from Trustees Bailey, Hower, Kearney, Pearl, Peronto, Pfeiffer, Shaw, Splitstone, Winter, Hirshman, Klickna, and Smith. Trustee Bloomfield abstained from voting. Motion CARRIED.

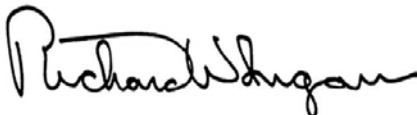
### Miscellaneous Reports

The following reports are on file.

- FY 2018 Vendor Pay Report > \$50,000 (7/1/17-8/31/18)
- FY 2018 Vendor Utilization Report
- Member Services Statistical Report (8/31/18 and 9/30/18)

### **ADJOURNMENT**

There being no further business to be brought before the Board, a motion was made by Mark Bailey, seconded by Laura Pearl, to adjourn the meeting at 2:40 p.m. The motion passed by unanimous voice vote.



Richard W. Ingram, Executive Director

Approved: 12/13/18