



**MINUTES**  
**Board of Trustees**  
**April 25-26, 2019**

The Board of Trustees of the Illinois Teachers' Retirement System held its annual retreat/business meeting on April 25-26, 2019 at the Springfield office, 2815 West Washington Street.

President Ayala called the meeting to order at 1:00 p.m. on April 25, 2019. A quorum was present. Roll Call attendance was taken with the following trustees present: Mark Bailey, Devon Bruce, Andy Hirshman, Maureen Mena, Laura Pearl (4/26), Fred Peronto, Larry Pfeiffer, Dan Winter, Cinda Klickna and Carmen Ayala. Absent: Laura Pearl (4/25) Trustees Bruce and Mena were appointed by Governor Pritzker on April 2 to serve on the TRS Board of Trustees through 2020 and 2022.

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; Shelja Aggarwal, Risk Analyst; Deron Bertolo, Director of Investment Accounting; Stacy Smith, Director of Internal Audit; Christina Baker, Sr. Internal Auditor; Gina Larkin, Chief Human Resources Officer; Kathleen Farney, Director of Research; Dave Urbanek, Director of Communications; Sue Billington, Executive Assistant; Tammy Green, Executive Assistant; Megan Jackson (4/25) and Tiffany Reeves (4/26), Reinhart (Fiduciary Counsel); Becky Gratsinger, Ryan Sullivan, Cole Bixenman, and Marcia Beard, RVK (Investment Consultant); Andrew Bodewes, Legislative Consultant (4/25); Jeff Bennett, Director of Operations (4/25); Rich Frankenfeld, Director of Outreach (4/25); Dakin Sanert, Investment Officer (4/26); Scottie Bevill, Sr. Investment Officer (4/26); Brian Payne, Investment Analyst (4/26); Makayla Baker, Investment Analyst (4/26/); Jerry Quandt, Sr. Investment Officer (4/26); Jose Gonzalez, Sr. Investment Analyst (4/26); and Abby Griffith, Investment Accounting Manager (4/26).

The retreat included topics on governance, CEM benchmarking, TRS strategic plan and FY 20 budget initiatives, legislation, asset liability, asset allocation, and National Institute on Retirement Security (NIRS) research of state experiences relating to retirement.

Governance

Megan Jackson of Reinhart provided an educational presentation focusing on structuring good governance. Documentation is on file.

### 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. Documentation is on file.

### **RECESS**

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

### Strategic Plan and Budget

Jana Bergschneider, Chief Financial Officer, provided an overview of the TRS FY 20 operating budget initiatives to be proposed at the May meeting for approval. Jay Singh provided an outline of the GEMINI project, TRS's next generation system, and its key milestones and accomplishments. Documentation is on file.

### State Street Custodial Services

Deron Bertolo, Director of Investment Accounting, provided an overview of custodial services provided by State Street including future additional services to be included in the FY20 budget.

### Legislative Update

Andrew Bodewes, Legislative Consultant, provided an update on pending legislation that could impact TRS.

SB1952 - would require an employer to make an additional employer contribution for a participant whose earnings for any academic year used to determine the final rate of earnings exceed the amount of his or her earnings with the same employer for the previous academic year by more than 6% (instead of 3% threshold that was approved in 2018).

SB 1671 - would expand the definition of emerging investment manager.

HB 3213 - contains technical changes to employer reporting requirements.

### NIRS Research

Dan Doonan, Executive Director of the National Institute on Retirement Security, provided a broad review of the retirement landscape. Documentation is on file.

## **RECESS**

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

### Asset Liability Study

RVK provided an overview and key conclusions of the asset liability study. Documentation is on file.

- TRS faces financial challenges being 40% funded and will remain substantially underfunded for many years if contributions continue to fall short of those necessary to achieve full funding. The objection is to be 90% funded by 2045.
- The projected improvement in the System’s financial status by 2045 is fragile. Very little progress will be made within the next several years.
- The associated cost of achieving an improvement in the System’s financial foundation will be substantial under any circumstances.
- It is unrealistic to assume that investment returns alone can move the System to 90% funded by 2045.
- The analysis supports the Board’s current investment strategy which rests on a diversified portfolio.

### Asset Allocation Review

RVK provided an overview of TRS’s asset allocation process including capital market assumptions, stress tests, modeling and liquidity analysis, and peer comparisons. Documentation is on file.

## **RECESS**

The meeting recessed at 11:15 a.m. and reconvened at 11:30 a.m.

### Investment Risk Management

BlackRock provided an educational presentation on factors and strategic asset allocation. Documentation is on file.

### Board Meeting Calendar FY 20

The Board discussed possible dates for fiscal year 2020 (July 1, 2019-June 30, 2020). A calendar will be approved at the May meeting.

### Board Travel

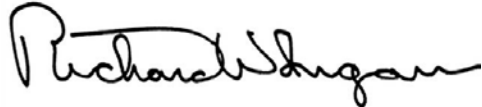
A motion was made by Devon Bruce, seconded by Andy Hirshman, to approve out-of-state travel for up to five trustees to attend the NCTR Workshop in Berkley, California

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July 21-24, 2019. Roll all resulted in affirmative voice votes from Trustees Pfeiffer, Hirshman, Mena, Bruce, Pearl, Peronto, Winter, Bailey, Klickna and Ayala. Motion Carried.

### **ADJOURNMENT**

There being no further business to be brought before the Board, a motion was made by Devon Bruce, seconded by Mark Bailey, to adjourn the meeting at 12:40 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: 6/14/19