



MINUTES
Board of Trustees
October 29, 2019

The regular meeting of the Board of Trustees of the Illinois Teachers' Retirement System was held on October 29, 2019 at the Springfield office of the Illinois Teachers' Retirement System, 2815 W. Washington Street. President Ayala called the meeting to order at 12:15 p.m. A quorum was present.

Roll Call attendance was taken with the following trustees present: Mark Bailey, Devon Bruce, Marsha Byas, Larry Pfeiffer, Andy Hirshman (departed 12:50 p.m.), Matt Hunt, David Miller, Laura Pearl (departed 3:35 p.m.), Fred Peronto, Doug Strand, and Dr. Carmen Ayala, President. Absent: Norma Bellcoff and Maureen Mena.

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; Jana Bergschneider, Chief Financial Officer; Gina Larkin, Chief Human Resources Officer; Carlton Lenoir, Chief Benefits Officer; Jay Singh, Chief Information Officer; Kathleen Farney and Amy Reynolds, Director of Research; Dave Urbanek, Director of Communications; Deron Bertolo, Director of Investment Accounting; Abby Griffith, Investment Accounting Manager; Stacy Smith, Director of Internal Audit; Chris Wiedel, Technical Systems Manager; Tammy Green and Sue Billington, Executive Assistant; Becky Gratsinger and Tony Johnson, RVK (Investment Consultant); Tiffany Reeves and Keith Johnson, Reinhart (Fiduciary Counsel).

Visitor present: Christine Williamson, Pensions & Investments and Vickie Mahrt, IL Education Association.

APPROVAL OF MINUTES

A draft of the August 2, 2019 meeting minutes of the Board was sent to the trustees for prior review. On a motion by Trustee Bruce, seconded by Trustee Hunt, the minutes were approved by unanimous voice vote.

INVESTMENT COMMITTEE REPORT

President Ayala presented the 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 Bailey made a motion to approve the Consent Agenda as amended. President Ayala seconded the motion and it passed by roll call vote from Trustees Bailey, Bruce, Byas, Hirshman, Hunt, Miller, Pearl, Peronto, Pfeiffer, Strand, and Ayala. Motion CARRIED.

The following motions were approved by action taken in the Consent Agenda motion.

- Commit up to \$500 million to Hayfin Chief, L.P. within the Global Income Private Debt Cross Sector allocation. The commitment is subject to successful completion of legal documentation. Source of funds shall be TRS cash accounts, or other accounts based on asset allocation or rebalancing objectives.
- Commit up to \$500 million ICG Santo, L.P. within the Global Income Private Debt Cross Sector allocation. The commitment is subject to successful completion of legal documentation. Source of funds shall be TRS cash accounts, or other accounts based on asset allocation or rebalancing objectives.
- Approve the FY2020 Global Income annual review recommendations and objectives, as presented in the annual review presentation. Documentation is on file.
- Approve the FY2020 private debt tactical plan recommendation and objectives, as presented in the tactical plan document. Documentation is on file.
- Approve the FY2020 private equity tactical plan program initiatives, as presented in the tactical plan document. Documentation is on file.

End of Consent Agenda

WMBE Goals

On a motion by President Ayala, seconded by Fred Peronto, it was resolved to approve the fiscal year minority utilization goals, as presented.

- Increase in goal for utilization of WMBE asset managers to 20.0% from 19.0%.
- Maintain the Domestic Equity WMBE brokerage utilization goal of 25%.
- Maintain International Equity WMBE brokerage utilization goal of 16%.
- Maintain the Fixed Income WMBE trading utilization goal of 16%.
- Maintain the investment management fees goal of 7.0 – 10.5% of total fees paid.

Roll call resulted in affirmative voice votes from Trustees Bailey, Bruce, Byas, Hirshman, Hunt, Miller, Peronto, Pfeiffer, Strand, and Ayala. A vote of opposition was heard by Trustee Laura Pearl. Motion Carried.

RULES AND PERSONNEL COMMITTEE REPORT

Administrative Rules Revisions

On a motion by Fred Peronto, seconded by David Miller, it was resolved to promulgate proposed amendments to TRS administrative rules through the JCAR process, as presented during the October 28th Rules and Personnel Committee meeting. Motion passed by unanimous voice vote.

TRS Board Manual Revisions

On a motion by Mark Bailey, seconded by Laura Pearl, it was resolved to approve the proposed revisions to the TRS Board Manual, as presented during the October 28th Rules and Personnel Committee meeting. Motion passed by unanimous voice vote.

EXECUTIVE DIRECTOR'S REPORT

June 30, 2019 Actuarial Valuation Results and Preliminary Certification of Results and FY 2021 Funding Requirements

Segal Consulting presented the preliminary results of the System's annual valuation of its assets and liabilities as of June 30, 2019 including the proposed state contribution requirements for FY 2021. The State of Illinois continues to underfund TRS by the use of funding policies that do not provide for adequate funding. Segal strongly recommends an actuarial funding method that targets 100% funding where payments at least cover interest on the unfunded actuarial accrued liability and a portion of the principal balance. Documentation is on file. On a motion by Doug Strand, seconded by Mark Bailey, it was resolved:

To accept the results of the preliminary June 30, 2019 actuarial valuation as presented by Segal Consulting:

- Based on Illinois statute, an FY 2021 state funding amount of \$5,140,736,721, including \$400,000 for minimum retirement benefits;
- Based on the board's actuarial funding policy, an FY 2021 state funding amount of \$8,344,196,301, including \$400,000 for minimum retirement benefits;

- An FY 2021 total normal cost rate of 19.41 percent of pay, a rate that includes a total employer normal cost rate of 10.41 percent and a member contribution rate of 9.00 percent;
- An FY 2021 federal contribution rate of 10.41 percent of pay, a rate that is identical to the total employer normal cost rate.

The preliminary June 30, 2019 actuarial valuation report includes revised 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 2019 if they are accepted by the state actuary.

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

FY 2021 State Contribution to the 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. On a motion by Mark Bailey, seconded by Doug Strand, it was resolved:

To certify \$143,101,424 as the required state contribution to the Teacher Health Insurance Security (THIS) Fund for FY 2021, assuming the member contribution is increased to 1.30 percent of pay in FY 2021, as presented by Segal Consulting.

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

Defined Contribution Plan

Public Act 100-769 directed TRS to offer an optional defined contribution plan for all TRS members, regardless of Tier. Carlton Lenoir, Chief Benefits Officer, provided a project timeline on the implementation of a defined contribution retirement plan for TRS members. Documentation is on file. TRS staff has reviewed the Request for Proposal responses for a recordkeeper and is coordinating on-site due diligence meetings. Finalists will present at the December Board meeting.

TRS Staff presented a draft of the 457(b) deferred compensation supplemental savings plan for Board approval. Discussion was held regarding “fee per participant”. A motion was made by Matt Hunt, seconded by Devon Bruce, to approve the 457(b) Deferred Compensation Supplemental Savings Plan, as presented. Motion passed by unanimous voice vote. Documentation is on file.

Board Education – Fiduciary Responsibilities

Representatives from Reinhart law firm provided an educational presentation on fiduciary responsibilities and best practices in deferred compensation governance. Documentation is on file. Fiduciary Counsel recommended that the Board establish a DC Plan Committee particularly during the implementation stage.

Quarterly Financial Statements

The financial reports for the quarter ended June 30, 2019 were sent to trustees for review. Documentation is on file. On a motion by Devon Bruce, seconded by President Ayala, it was resolved:

To approve the financial statement and expenditures for the quarter ending June 30, 2019, as presented.

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

Gemini IT Project

Jay Singh, Chief Information Officer, provided an update on the status of the Gemini project as of October 15, 2019 including key milestones, activities, risks, and financial summary. The planned delivery of the project is yellow--at risk. Documentation is on file. Gemini = the next generation of TRS’s pension administration system.

Buyout Update

A timeline and statistics of the Accelerated Annual Increase program are on file.

Private Prison Investments

Following up on a directive from the August Board meeting, Director Ingram presented a draft letter of engagement that expresses the concerns of TRS trustees over the System’s investments in two companies that own and operate private, for-profit prisons and

immigrant detention centers – CoreCivic and GEO Group. The letter noted that “...private prisons are rife with alleged human rights abuses, as noted in recent reports and lawsuits.” The trustees expressed concern that the System’s investments in these firms, “...may expose TRS to reputational risk as well as litigation from members who are opposed to the current immigration policy and/or have concerns with private prisons more generally.” A motion was made by Devon Bruce, seconded by Mark Bailey, that Director Ingram send the letter on the Board’s behalf to both CoreCivic and GEO Group. The Board will revisit the matter as needed. The motion passed by voice vote with Trustees Ayala and Miller abstaining. President Ayala noted for the record that she could not support anything less than total divesture from these companies due to allegations that the rights of immigrant children have been violated and families have been separated. Trustee Miller expressed concerns that the intent of the letters may not satisfy the position taken by Hispanic members of the General Assembly.

Informational Items

The following information is on file:

- FY 2019 Vendor Pay Report > \$50,000
- FY2019 Vendor Utilization Report
- Member Services Statistical Report for the period ending September 30, 2019

(Trustee Pearl departs)

EXECUTIVE SESSION

A motion was made by Mark Bailey, seconded by David 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 Bailey, Bruce, Byas, Hunt, Miller, Peronto, Pfeiffer, Strand, and Ayala. Motion Carried.

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

Executive Director Travel

On a motion by Devon Bruce, seconded by Mark Bailey, it was resolved:

Effective immediately, the TRS Executive Director shall not travel internationally without prior Board approval.

Roll call resulted in affirmative voice votes from Trustees Bruce, Byas, Hunt, Miller, Pfeiffer, and Ayala. Votes of opposition were heard from Trustees Bailey, Peronto, and Strand. Motion Carried.

On a motion by Marsha Byas, seconded by Fred Peronto, it was resolved:

To approve the November 11-15, 2019 international travel for the TRS Executive Director.

Roll call resulted in affirmative voice votes from Trustees Byas, Bailey, Peronto, Pfeiffer, Strand, and Ayala. Votes of opposition were heard from Trustees Bruce, Hunt, and Miller. Motion Carried.

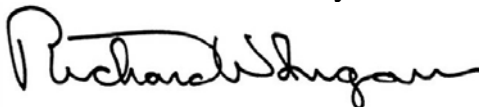
A new section will be added to the TRS Travel Operating Policy noting that the executive director shall seek Board approval to travel internationally.

Approval of Minutes

A draft of the August 2, 2019 executive session minutes of the Board was sent to the trustees for prior review. Documentation is on file. On a motion by Devon Bruce, seconded by Matt Hunt, the August 2, 2019 minutes were approved as presented. Trustees Bailey and Hunt abstained from voting.

ADJOURNMENT

There being no further business to be brought before the Board, a motion was made by Devon Bruce, seconded by Matt Hunt, to adjourn the meeting at 5:27 p.m.



Richard W. Ingram, Executive Director

Approved: 12/10/19