



**MINUTES  
Board of Trustees  
December 10, 2019**

The regular meeting of the Board of Trustees of the Illinois Teachers' Retirement System was held on December 10, 2019 at the Chicago Marriott Hotel, 1801 North Naper Boulevard, Naperville. President Ayala called the meeting to order at 3:18 p.m. A quorum was present.

Roll Call attendance was taken with the following trustees present: Mark Bailey, Norma Bellcoff, Devon Bruce, Marsha Byas, Andy Hirshman, Matthew Hunt, David Miller, Fred Peronto, Larry Pfeiffer, Doug Stand, and Dr. Carmen Ayala, President. Absent: Laura Pearl and Maureen Mena.

Others present: Dick Ingram, Executive Director; Stan Rupnik, Chief Investment Officer; Marcy Dutton, Chief Legal Counsel; Cynthia Fain, Senior Legal Counsel; Gina Larkin, Chief Human Resources Officer; Jana Bergschneider, Chief Financial Officer; Jeff Bennett, Director of Operations; Carlton Lenoir, Chief Benefits Officer; Jay Singh, Chief Information Officer; Stacy Smith, Director of Internal Audit and Risk; Dave Urbanek, Director of Communications; Tammy Green, Executive Assistant; Tiffany Reeves, Reinhart (Fiduciary Counsel); Tony Johnson, RVK (Investment Consultant).

Visitors present: Christine Williamson, Pensions & Investments; Jack Tucker, Dottie Beeler, Loretta Tisdell, IL Education Association-Retired.

**APPROVAL OF MINUTES**

A draft of the October 29, 2019 minutes of the regular Board meeting was sent to the trustees for prior review. On a motion by Trustee Bailey, seconded by Trustee Hunt, the minutes were approved by unanimous voice vote.

**RULES & PERSONNEL COMMITTEE REPORT**

TRS Operating Policy – Travel

On a motion by Trustee Bruce, seconded by Trustee Hunt, it was resolved to revise the TRS Operating Policy on Travel as follows:

6. h. Executive Director Travel: In addition to the provisions of this policy, the TRS executive director shall be required to seek Board of Trustees approval to travel internationally.

The motion passed by unanimous voice vote.

## **INVESTMENT COMMITTEE REPORT**

Trustee Hirshman, Investment Committee Chair, 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 Pfeiffer moved that the Board approve the consent agenda as stated. Trustee Bailey seconded the motion and it passed unanimously with a roll call vote by Trustees Bailey, Bellcoff, Bruce, Byas, Hirshman, Hunt, Miller, Peronto, Pfeiffer, Strand, and Ayala. Motion CARRIED. The following motions were approved by action taken in the consent agenda motion.

1. Approve the FY2020 Global Equity annual review recommendations and objectives, as presented in the annual review presentation.
2. To award a five-year contract to StepStone for real estate and real asset consulting services. The contract will commence on January 1, 2020.
3. To award a five-year contract to Stepstone for private equity consulting services. The contract will commence on January 1, 2020. The Board requests follow-up on the final negotiated fee arrangement.

*End of Consent Agenda*

## **EXECUTIVE DIRECTOR'S REPORT**

### FY 2021 Final Certifications of TRS Funding Requirements

As required by state statute, the Board must certify the state funding requirements in final form after review by the state actuary. Cheiron, the state actuary, found the actuarial assumptions and methods used in the draft June 30, 2019 Actuarial Valuation to be reasonable. Cheiron accepts Segal Consulting's annual projections of future payroll, total normal costs, employee contributions, combined benefit payments and expenses, and total contributions. Since TRS's founding in 1939, TRS has never received an annual contribution from state government that equaled full funding. On a motion by Trustee Strand, seconded by Trustee Bailey, it was resolved:

To accept the results of the June 30, 2019 actuarial valuation prepared by Segal Consulting and to provide final certification to the following:

- 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 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 actuarial 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 report and these amounts were submitted to and accepted by the state actuary.

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

### Defined Contribution Plan

A 2018 state law requires TRS to offer a voluntary defined contribution (DC) plan “as soon as applicable”. The DC plan is an optional benefit for TRS active members that will supplement the existing defined benefit (DB) plan. The TRS Supplemental Savings Plan will allow active members to contribute a portion of each paycheck to a savings account that is then invested on their behalf. TRS staff is developing the DC plan in collaboration with Cammack Retirement Group, the System’s DC consultant. Representatives from Cammack provided an overview of the Request for Proposal process for a third-party administrator, the development of a defined contribution committee for the Board, the investment array and selection process for participants, and the implementation process phase. Documentation is on file.

The Board interviewed Voya Financial as the third-party administrator and recordkeeper for the new TRS Supplemental Savings Plan. Documentation is on file. On a motion by Trustee Hirshman, seconded by Trustee Bruce, it was resolved:

To hire Voya Financial to serve as the recordkeeper for the TRS Supplemental Savings Plan subject to successful contract negotiation and execution.

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

The Board received a copy of the proposed Defined Contribution Plan Committee Charter. Documentation is on file. On a motion by Trustee Hirshman, seconded by Trustee Bruce, it was resolved to approve the defined contribution plan committee charter, as presented. The motion passed by unanimous voice vote. Trustees Hunt, Strand, Byas, and Miller expressed interest in serving on the DC Plan committee. Official action will be taken at the February 2020 Board meeting.

#### Investment Practices and Policies

Per the request of the investment committee, TRS Staff provided a draft Request for Proposal for a consultant search to perform a limited scope fiduciary evaluation of the fund's investment practices and policies. Documentation is on file. On a motion by Trustee Bailey, seconded by Trustee Bruce, it was resolved:

To issue RFP for Limited Scope Fiduciary Evaluation of  
Investment Practices and Policies, as presented.

Roll call resulted in affirmative voice votes from Trustees Bailey, Bruce, Byas, Hirshman, Hunt, Miller, Peronto, Pfeiffer, Strand, and Ayala. Motion Carried. The RFP will be posted on the TRS website.

#### Investment Policy Language

In accordance with Public Act 101-0473, effective January 1, 2020, TRS staff proposed draft language to include sustainability factors within the TRS Investment Policy. Documentation is on file. TRS Staff also proposed that the Board further study and discuss sustainability factors it would like to utilize to evaluate future investment decisions. The Board will discuss the topic of sustainability in further detail at its annual Board retreat in April.

On a motion by Trustee Hirshman, seconded by Trustee Bruce, it was resolved to adopt the draft sustainability policy as required by Public Act 101-473. The motion passed by unanimous voice vote. The Sustainability Policy Statement replaces the current policy, *Section XIX. Economically Targeted Investments*.

#### XIX. Sustainability Policy Statement

Pursuant to 40 ILCS 5/1-113, TRS shall include material, relevant, and decision-useful sustainability factors that will be considered by the Board,

within the bounds of financial and fiduciary prudence in evaluating investment decisions. These factors consist of but are not limited to:

- Corporate governance and leadership factors
- Environmental factors
- Social Capital factors
- Human capital factors
- Business model and innovation factors

In addition, TRS' efforts will include prudently integrating the following:

- Periodic evaluation of sustainability factors to ensure the factors are relevant to the TRS investment portfolio and the evolving marketplace; and
- Periodic monitoring of investment managers to encourage implementation of the aforementioned factors.

As a long-term investor, TRS is focused on the performance of its investments now and in the future. Material criteria that integrates this policy into investment decision making will be included in due diligence, investment analysis, and asset and portfolio management. The goal of these factors, as reflected in the Illinois Sustainable Investing Act (30 ILCS 238) is “to maximize anticipated financial returns, minimize project risks, more effectively execute fiduciary duties, and contribute to a more just, accountable and sustainable State of Illinois.” [30 ILCS 5/5(b)].

### New Trustee Election

Director Ingram noted that the General Assembly approved Public Act 101-0610 in December 2019 that includes the expansion of the TRS Board from 13 members to 15. The two new members, whose terms will commence July 15, 2020, will be an active member and a governor appointee. Effective January 1, 2020, the new law also allows the governor of Illinois to appoint the TRS Board president from among the sitting trustees. For over 80 years, the state superintendent of education has served as TRS Board president. Director Ingram provided an overview of the rules to conduct a special election for the additional active member. Documentation is on file. During the upcoming special election, all trustee candidates will be required to indicate in their nominating petitions the statewide teacher organizations to which they have belonged during the prior five years. The law is designed to ensure that at least one of the five elected trustees is a member of a different statewide teacher organization than a majority of the others on the Board.

The Board concurred to call a special election on May 1, 2020 if there is more than one candidate interested in serving on the TRS Board.

### Quarterly Financial Statements

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

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

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

### Miscellaneous Reports

The following reports are on file.

- FY 2020 Vendor Pay Report 9/30/19
- Member Services Statistical Report 10/31/19
- Buyout Program Update 11/26/19
- Gemini IT Project Update 11/26/19

### **EXECUTIVE SESSION**

A motion was made by Trustee Hirshman, seconded by Trustee 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, Bellcoff, Bruce, Byas, Hirshman, Hunt, Miller, Peronto, Pfeiffer, Strand, and Ayala. Motion Carried.

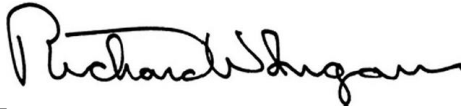
No action was taken during executive session. A motion was made by Trustee Bruce, seconded by Trustee Bailey, that the Board come out of executive session. Roll call resulted in affirmative voice votes from Trustees Bailey, Bellcoff, Bruce, Byas, Hirshman, Hunt, Miller, Peronto, Pfeiffer, Strand, and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

### Approval of Minutes

A draft of the October 29, 2019 executive session minutes of the Board was sent to the trustees for prior review. On a motion by Trustee Hunt, seconded by Trustee Bailey, the minutes were approved by unanimous voice vote.

## **ADJOURNMENT**

There being no further business to be brought before the Board, a motion was made by Trustee Bailey, seconded by Trustee Hunt, to adjourn the meeting at 5:33 p.m. The motion passed by unanimous voice vote.

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

Richard W. Ingram, Executive Director

Approved: 2/28/20