



MINUTES
Board of Trustees
June 14, 2019

The regular meeting of the Board of Trustees of the Illinois Teachers' Retirement System was held on June 14, 2019 at the Springfield office, 2815 West Washington Street. President Ayala called the meeting to order at 8:07 a.m. A quorum was present. Roll Call attendance was taken with the following trustees present: Mark Bailey, Devon Bruce, Andy Hirshman, Maureen Mena, Laura Pearl, Fred Peronto, Larry Pfeiffer, Dan Winter, Cinda Klickna, Vice President and Carmen Ayala, President.

Others present: Dick Ingram, Executive Director; Stan Rupnik, Chief Investment Officer; Greg Turk, Director of Investments; Jana Bergschneider, Chief Financial Officer; Marcy Dutton, Chief Legal Counsel; Cynthia Fain, Sr. Legal Counsel; Carlton Lenoir, Chief Benefits Officer; Gina Larkin, Chief Human Resource Officer; Dave Urbanek, Director of Communications; Deron Bertolo, Director of Investment Accounting; Rich Frankenfeld, Director of Outreach; Kathleen Farney, Director of Research; Jeff Bennett, Director of Operations; Christina Baker, Sr. Internal Auditor; Tammy Green, Executive Assistant; Sue Billington, Executive Assistant; Sally Antonacci, Investment Office Manager; Becky Gratsinger and Ian Bray, RVK (Investment Consultant); Andrew Bodewes (Legislative Consultant); and Tiffany Reeves, Reinhart (Fiduciary Counsel).

Visitors present: Christine Williamson, Pensions & Investments and Wesley Heyduck, IEA- Retired.

APPROVAL OF MINUTES

Drafts of the March 14 regular Board meeting and the April 25-26, 2019 Board retreat were sent to the trustees for prior review. On a motion by Mark Bailey, seconded by Devon Bruce, the minutes were approved by unanimous voice vote.

INVESTMENT COMMITTEE REPORT

Asset Allocation Targets

On a motion by Devon Bruce, seconded by Laura Pearl, it was:

Resolved: To adjust the System's long term and interim asset allocation targets, as presented.

Roll call resulted in affirmative voice votes from Bailey, Bruce, Hirshman, Mena, Pearl, Peronto, Pfeiffer, Winter, Klickna and Ayala. Motion Carried.

Investment Policy Revisions

A motion was made by Devon Bruce, seconded by Mark Bailey, to approve Investment Policy revisions, as amended. The motion passed by unanimous voice vote.

AUDIT COMMITTEE REPORT

FY 20-21 Internal Audit Plan

A motion was made by Devon Bruce, seconded by Mark Bailey, to approve the FY 2020 and 2021 Internal Audit Plan as presented during the audit committee meeting. The motion passed by unanimous voice vote.

Revised FY 2019 Internal Audit Plan and Internal Audit Charter

A motion was made by Devon Bruce, seconded by Andy Hirshman, to approve the revised FY 2019 Internal Audit Plan and Internal Audit Charter, as presented during the audit committee meeting. The motion passed by unanimous voice vote.

RULES AND PERSONNEL COMMITTEE REPORT

2019-2020 Standing Committees (July 15, 2019 – July 14, 2020)

On a motion by Devon Bruce, seconded by Laura Pearl, it was resolved to approve the standing committees for FY 20. The motion passed by unanimous voice vote.

Vice President: Mark Bailey

Investment: All Trustees, Andy Hirshman, Chair; Devon Bruce, Vice Chair

Audit Committee: Fred Peronto, Chair; Maureen Mena, Vice Chair; Devon Bruce, Larry Pfeiffer, Doug Strand

Legislative: Larry Pfeiffer, Chair; Laura Pearl, Vice Chair; Marsha Byas, 2 vacancies

Rules & Personnel: Mark Bailey, Chair; Fred Peronto, Vice Chair; Marsha Byas, Andy Hirshman, Laura Pearl

Claims Hearing: Laura Pearl, Chair; Mark Bailey, Vice Chair; Doug Strand, Maureen Mena-Alternate

Revisions to Administrative Rules

A motion was made by Fred Peronto, seconded by Devon Bruce, to promulgate the amendments to TRS Administrative Rules, as presented. The motion passed by unanimous voice vote.

Section 1650.210 Claim Applications

Section 1650.520 Suspension of Benefits

Section 1650.315 Service Credit

Section 1650.417 Mandatory Distributions Pursuant to Section 401(a)9
of the Internal Revenue Code

EXECUTIVE DIRECTOR'S REPORT

Trustee Election Results

An active and elected teacher trustee election was held on May 1, 2019 for two open active member trustee seats and one annuitant trustee seat. Marsha Byas from Marion and Andrew Hirshman of Oak Park were elected by active TRS members to the System's Board of Trustees. This is Trustee Hirshman's second term on the Board.

Doug Strand from East Moline was elected by annuitants to the TRS Board of Trustees. Mr. Strand will assume the annuitant seat of Trustee Daniel Winter, who decided not to seek re-election after one term. The other candidate vying for the single annuitant seat was current Trustee Cinda Klickna. Because she retired during her most recent term as an active member trustee and wanted to be re-elected, Trustee Klickna was required by law to run as a candidate for an annuitant seat. She served on the TRS Board for 16 years.

On a motion by Fred Peronto, seconded by Mark Bailey, it was resolved:

To affirm Marsha Byas and Andrew Hirshman as active elected member trustees, and Doug Strand as elected annuitant trustee effective July 15, 2019-July 14, 2023.

The motion passed with a unanimous voice vote.

OATH OF OFFICE

Marcy Dutton, Chief Legal Council, presented the TRS Oath of Office to Marsha Byas and Andy Hirshman. Each Oath is on file at the Secretary of State Index Department in Springfield. Doug Strand will be presented the Oath at the TRS August meeting.

Review of Investment Assumption

The state actuary recommends an annual review of the investment return assumption. Segal Consulting, the System's actuary, provided an overview of the economic assumptions and cost impact. Documentation is on file. Segal recommended that the Board maintain the inflation assumption of 2.5%; maintain 0.75% reduction in the real rate of return to account for investment expenses and lower the current investment return assumption of 7.0% to 6.75% to maintain a confidence level greater than 50% for achieving that return.

RECESS

The meeting recessed at 9:18 a.m. and reconvened at 9:25 a.m.

The Board discussed whether to lower the rate as recommended by Segal or remain at the current rate of 7.0%. Trustee Pearl also suggested lowering the inflation rate from 2.5% to 2.25%. On a motion by Devon Bruce, seconded by Carmen Ayala, it was resolved:

That the assumed rate of return remain at 7.00 percent in the June 30, 2019 actuarial valuation although Segal Consulting, the System's actuary, recommended a reduction to 6.75 percent.

Roll call resulted in affirmative voice votes from Bruce, Hirshman, Mena, Peronto, Winter, Klickna and Ayala. Votes of opposition were heard by Trustees Bailey, Pearl, and Pfeiffer. Motion Carried.

FY 19 Recertification of State Contribution to TRS and FY 20 to THIS Fund

Public Act 100-0587, enacted in June 2018, was the FY 2019 Budget Implementation Bill. It created two new temporary buyout provisions, lowered the so-called "FAS Cap" threshold from 6% to 3%, and required a recertification of the FY 2019 state contribution amount in order to reflect these changes. For TRS, the recertified amounts are unchanged. In June 2019, Public Act 101-0010 reverted the "FAS Cap" threshold back to 6%. Documentation is on file. On a motion by Mark Bailey, seconded by Devon Bruce, it was resolved:

To recertify the FY 2019 state contribution to the TRS as required by Public Act 100-587. The amounts previously certified by the TRS Board in October 2018 and January 2019 are reaffirmed for reasons outlined in a June 6, 2019 letter from the TRS actuary, Segal Consulting.

Roll call resulted in affirmative voice votes from Bailey, Bruce, Hirshman, Mena, Pearl, Peronto, Pfeiffer, Winter, Klickna and Ayala. Motion Carried.

At the October 2018 Board meeting, the Board certified the FY 20 state contribution to the Teacher Health Insurance Security (THIS) Fund. The state funding requirement is an amount estimated to match active member contributions in the coming fiscal year, with an adjustment for over or underestimating active member contributions in the prior year. The original FY 20 certification was based on an assumed member contribution rate of 1.30 percent of pay. However, the Department of Central Management Services (CMS) notified TRS that the member rate will remain at the FY 19 rate of 1.24 percent of pay. Documentation is on file. Recertification is necessary so that the appropriation requested will be consistent with the calculation described in statute. On a motion by Cinda Klickna, seconded by Devon Bruce, it was resolved:

To certify \$132,158,560 as the required state contribution to the Teacher Health Insurance Security (THIS) Fund for FY 2020, based on the actual member contribution of 1.24 percent of pay in FY 2020, as calculated by Segal Consulting. This is a reduction of \$6,542,991 from the October 2018 certification that was based on an assumed FY 2020 member contribution rate of 1.30 percent.

Roll call resulted in affirmative voice votes from Bailey, Bruce, Hirshman, Mena, Pearl, Peronto, Pfeiffer, Winter, Klickna and Ayala. Motion Carried.

FY 20 Budget and Contracts > \$50,000

The Board received the FY 20 administrative budget initiatives and contracts over \$50,000. Documentation is on file. On a motion by Dan Winter, seconded by Mark Bailey, it was resolved:

To approve the FY 20 administrative budget and listing of contracts over \$50,000, as presented.

Roll call resulted in affirmative votes from Trustees Bailey, Bruce, Hirshman, Mena, Pearl, Peronto, Pfeiffer, Winter, Klickna, and Ayala. Motion Carried.

Defined Contribution Consultant

Public Act 100-0769 authorized TRS to offer an optional defined contribution (“DC”) plan for all actively employed TRS members. In preparation for this initiative, the System issued a Request for Proposal (RFP) to identify a firm to

provide DC consulting services. Following due diligence, TRS staff selected RVK and Cammack as finalists. The Board interviewed both firms. Documentation is on file. The Board expressed their concerns about new fiduciary duties for a DC plan and the cost the System will have in implementing a plan. The Board directed Director Ingram to send a letter to the legislative leaders requesting an opportunity to report on the costs that the System will endure to implement the DC plan. On a motion by Andy Hirshman, seconded by Devon Bruce, it was resolved:

To hire Cammack to provide consulting services to TRS to assist in implementation of the optional defined contribution program.

Roll call resulted in affirmative voice votes from Bailey, Bruce, Hirshman, Mena, Pearl, Peronto, Pfeiffer, Winter, Klickna and Ayala. Motion Carried.

IT Gemini Update

TRS Staff provided an update on the Gemini project as of June 2019. Several consultants are being hired and new technology is being used. The overall status of the project remains in yellow. Documentation is on file.

Africa

Director Ingram provided a summary of his first experience in Africa and his desire to develop a proposal that could lead TRS to investing in Africa. The trip was sponsored by the United States Agency for International Development (USAID) National Association of Securities Professionals (NASP). Documentation is on file.

FY 2020 Meeting Calendar

The Board Bylaws, Article III, Section 1 requires regular meetings of the Board shall be scheduled at the beginning of each fiscal year. The meeting calendar is located on the TRS website: www.trsil.org. On a motion by Devon Bruce, seconded by Mark Bailey, and by unanimous voice vote, the following meeting dates were approved. Location will be TRS Springfield headquarters or Rosemont.

FY 20 calendar of TRS Committee/Board meetings:

August 2, 2019	February 28, 2020
October 28-29, 2018	April 23-24, 2020
December 10, 2018	June 18-19, 2020

Quarterly Financial Statements

The financial reports for the quarter ended March 31, 2019 were sent to trustees for review. Documentation is on file. On a motion by Devon Bruce, seconded by Maureen Mena, it was resolved:

To approve the financial statement and administrative expenses for the quarter ending March 31, 2019, as presented.

Roll call resulted in affirmative votes from Trustees Bailey, Bruce, Hirshman, Mena, Pearl, Peronto, Pfeiffer, Winter, Klickna, and Ayala. Motion Carried.

Annual Travel

Pursuant to Public Act 96-0006, the Board must vote annually to authorize trustees to travel within the State of Illinois to attend TRS board and committee meetings, TRS-related functions, and educational missions related to TRS business. On a motion by Devon Bruce, seconded by Larry Pfeiffer, it was resolved:

To authorize TRS trustees to travel within the State of Illinois during FY 20 to attend TRS Board meetings, stakeholder group meetings, or any other meeting or event related to TRS duties and responsibilities, and that all out-of-state TRS trustee travel must be approved in advance by Board vote.

Roll call resulted in affirmative votes from Trustees Bailey, Bruce, Hirshman, Mena, Pearl, Peronto, Pfeiffer, Winter, Klickna, and Ayala. Motion Carried.

Trustee Travel

A motion was made by Devon Bruce, seconded by Andy Hirshman, to approve reimbursement of travel expenses for upcoming trustee Marsha Byas to attend the June Board meeting. Roll call resulted in affirmative votes from Trustees Bailey, Bruce, Hirshman, Mena, Pearl, Peronto, Pfeiffer, Winter, Klickna, and Ayala. Motion Carried.

Informational Items

The Board received the final FY 18 vendor utilization report and FY 19 report through December 31, 2018. Documentation is on file.

TRUSTEE RECOGNITION

The Board recognized Trustees Klickna and Winter for their many years of distinguished service to the members, annuitants, employers, and beneficiaries of the System. They will be missed. Director Ingram read the following resolutions for the record.

Dan Winter

WHEREAS, Daniel Winter served with distinction as an elected trustee of the Teachers' Retirement System of the State of Illinois between 2015 and 2019; and

WHEREAS, his tenure on the TRS Board was characterized by a strong dedication to retired and active educators and the advancement and strength of TRS for the benefit of all members; and

WHEREAS, Daniel Winter, a native of Earlville, Illinois, earned a bachelor's degree in geography from Illinois State University and later a master's degree in educational administration from Eastern Illinois University, and provided leadership to countless students during a 35-year teaching career in Decatur School District 61 at Decatur MacArthur High School; and

WHEREAS, he also taught courses at the Decatur Area Vocational Center; primarily for adults returning to school and at-risk teens; and

WHEREAS, Daniel Winter followed his teaching career with two successful elections to the Board of Education for Decatur School District 61, serving the last four years as the board president; and

WHEREAS Daniel Winter was an active volunteer in Decatur, serving with the Macon County School Employees Federal Credit Union, for 25 years with the Decatur Auxiliary Police and for 35 years as the public address announcer for football and boys' basketball games at MacArthur High School; and

WHEREAS, Daniel Winter was first elected to the TRS Board of Trustees by annuitants in 2015; and

WHEREAS, he provided effective and fair leadership for various TRS Board committees, most recently as vice-chair of the Claims Hearing Committee and vice-chair of Legislative Committee with poise, good humor, curiosity and attention to detail; and

WHEREAS, Daniel Winter always set the highest standards of professionalism, humanity and commitment to all he served as a member of the TRS Board of Trustees; now therefore be it

RESOLVED, that we recognize and appreciate Daniel Winter for his distinguished service to the members, staff and trustees of Teachers' Retirement System, as well as his 30-plus years of commitment to education and public service, and express our gratitude and best wishes in his retirement from the TRS Board and in all future endeavors.

Cinda Klickna

WHEREAS, Cinda Klickna served with distinction as an elected trustee of the Teachers' Retirement System of the State of Illinois between 2003 and 2019; and

WHEREAS, her tenure on the TRS Board was characterized by a strong dedication to retired and active educators and the advancement and strength of TRS for the benefit of all members; and

WHEREAS, Cinda Klickna earned a bachelor's degree in education from the University of Illinois at Urbana-Champaign and later a master's degree in comparative literature from Sangamon State University, began a 25-year teaching career in 1973 in Springfield School District 186; serving students primarily at Southeast Springfield High School; and

WHEREAS, Cinda Klickna began her involvement with education policy at the state and national levels in the 1980s as a legislative intern for the Illinois Education Association after enduring the annual "reduction-in-force" layoff threat for 11 straight years; and

WHEREAS, Cinda Klickna was elected president of the Springfield Education Association in 1991 – serving through 1997 – and again between 2003 and 2004; and

WHEREAS, Cinda Klickna served on the IEA Board of Directors between 1988 and 2000, the board of directors for the National Education Association between 1994 and 2000, was elected secretary-treasurer of the IEA in 2005 and re-elected in 2008, and was elected president of the Illinois Education Association in 2011 and re-elected in 2014; and

WHEREAS, Cinda Klickna became known across the state by teachers, administrators, hundreds of legislators and seven Illinois governors as a strong and effective advocate for students, educators and families, and as a leader in the fight

for proper state funding to schools and teacher retirement benefits before retiring from the position in 2017; and

WHEREAS, Cinda Klickna first joined the TRS Board of Trustees in February, 2003 and was re-elected four consecutive times by the active members of the System; and

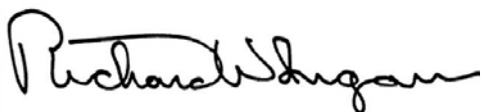
WHEREAS, she provided effective and fair leadership as vice president of the Board and as chairman of various TRS Board committees, most recently as chair of the Legislative Committee, with poise, good humor, curiosity and attention to detail; and

WHEREAS, Cinda Klickna always set the highest standards of professionalism, humanity and commitment to all she served as a member of the TRS Board of Trustees; now therefore be it

RESOLVED, that we recognize and appreciate Cinda Klickna for her 16 years of distinguished service to the members, staff and trustees of Teachers' Retirement System, as well as her 40-plus years of commitment to education and public service, and express our gratitude and best wishes in her retirement from the TRS Board and in all future endeavors.

ADJOURNMENT

There being no further business to be brought before the Board, a motion was made by Devon Bruce, seconded by Andy Hirshman, to adjourn the meeting at 12:50 p.m. The motion passed by unanimous voice vote.



Richard W. Ingram, Executive Director

Approved: 8/2/19