



## **TEACHERS' RETIREMENT SYSTEM OF THE STATE OF ILLINOIS**

2815 W Washington St | PO Box 19253 | Springfield IL 62794-9253

R. Stanley Rupnik, Interim Executive Director

<http://www.trsil.org>

877-927-5877 (877-9-ASK-TRS) | FAX: 217-753-0964

### **MINUTES**

#### **Board of Trustees Virtual Meeting**

**June 19, 2020**

A virtual meeting of the Board of Trustees of the Illinois Teachers' Retirement System was held on June 19, 2020 in accordance with Public Act 101-640 which was signed by Governor Pritzker on June 12, 2020. Director Ingram read into the record that Illinois currently is in Phase 3 of the Governor's Restore Illinois Plan. During Phase 3, gatherings of 10 or fewer people are allowed but this meeting exceeds those limitations. It is not practical or prudent to have an in-person meeting due to the coronavirus pandemic.

Requirements under the new law include:

- All votes must be roll call votes so that each member's vote on each issue can be identified and recorded.
- Prepare and maintain a verbatim record of both the open and closed sessions of the remote meeting.
- Everyone must be able to hear one another.

Note: Director Ingram and Marcy Dutton, Chief Legal Counsel, were present at the regular meeting location in Springfield, 2815 W. Washington Street.

President Bruce called the meeting to order at 8:35 a.m. A quorum was present. Roll Call attendance was taken with the following trustees present: Carmen Ayala, Marsha Byas, Norma Bellcoff, Andy Hirshman, Matt Hunt, Maureen Mena, David Miller, Laura Pearl, Fred Peronto, Larry Pfeiffer, Doug Strand, Mark Bailey, Vice President and Devon Bruce, President.

Others present: Beth Anderson, TRS trustee effective 7/15/20; Dick Ingram, Executive Director; Stan Rupnik, Chief Investment Officer; Jana Bergschneider, Chief Financial Officer; Stacy Smith, Director of Internal Audit and Risk; Christina Baker, Sr. Internal Auditor; Gina Larkin, Chief Human Resources Officer; Marcy Dutton, Chief Legal Counsel; Cynthia Fain, Senior Legal Counsel; Carlton Lenoir, Chief Benefits Officer; Tammy Green, Executive Assistant; Tiffany Reeves and Jessica Culotti, Reinhart (Fiduciary Counsel); and Becky Gratsinger, RVK (Investment Consultant).

Note: Unable to determine some of the public participants that joined the meeting as audio attendees.

No public comments were heard.

President Bruce recognized the recent national and global reaction after the tragic death of George Floyd in Minnesota. Director Ingram stated that he has reached out to African-American staff at TRS to begin a conversation designed to help TRS as an organization understand issues involving race in the workplace and be more respectful of each other, no matter what a person's race or ethnicity may be.

Trustee Hirshman thanked Dr. Ayala, State Superintendent, for her courageous leadership during the current global health pandemic and the social unrest in the wake of the death of George Floyd.

### **APPROVAL OF MINUTES**

A draft of the April 24, 2020 minutes of the Board's annual retreat was sent to the trustees for prior review. A motion was made by Trustee Hunt, seconded by Trustee Bailey, to approve the April 24, 2020 minutes as presented. Roll call resulted in affirmative voice votes from Trustees Ayala, Byas, Bellcoff, Hirshman, Hunt, Mena, Miller, Pearl, Peronto, Pfeiffer, Bailey, and Bruce. Trustee Strand unable to vote due to had technical difficulties.

### **OATH OF OFFICE**

Marcy Dutton, Chief Legal Council, presented the TRS Oath of Office to Beth Anderson in accordance with the remote notary requirements. Ms. Anderson joins the Board as an elected trustee. Her three-year term is July 15, 2020-July 14, 2023.

### **INVESTMENT COMMITTEE REPORT**

#### Co-Investment Advisor

On a motion by Trustee Hunt, seconded by Trustee Bruce, it was resolved:

To select Stout Risius Ross, Aksia TorreyCove, and Meketa to be included in the System's pool of co-investment advisors. Contracts with the firms shall not exceed five years, with fees paid only on specific co-investment projects assigned to each firm. The inclusion of Stout Risius Ross is pending review of outside counsel and receipt of letter from DLA Piper.

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

## **AUDIT COMMITTEE REPORT**

On a motion by Trustee Pfeiffer, seconded by Trustee Strand, it was resolved:

To approve the FY 2021 and 2022 Internal Audit Plan as presented during the audit committee meeting.

To approve the revised FY 2020 Internal Audit plan as presented during the audit committee meeting.

To approve the revised Internal Audit Charter as presented during the audit committee meeting.

To re-appoint Stacy Smith to serve a five-year term as Director of Internal Audit & Risk effective July 1, 2020.

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

## **DEFINED CONTRIBUTION PLAN COMMITTEE REPORT**

### DC Supplemental Savings Plan Investment Policy Statement

On a motion by Trustee Bruce, seconded by Trustee Miller, it was resolved:

To approve the Defined Contribution Supplemental Savings Plan Investment Policy Statement as presented during the DC Plan committee meeting.

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

### IRA Provider

On a motion by Trustee Bruce, seconded by Trustee Bellcoff, it was resolved:

To select Millennium Trust Company as the IRA Provider for the small balance automatic rollover process.

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

### DC Plan Investment Array

On a motion by Trustee Hirshman, seconded by Trustee Strand, it was resolved:

To approve the Defined Contribution Plan Investment Array as presented by Cammack Retirement.

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

## **EXECUTIVE DIRECTOR'S REPORT**

### Investment Return 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 lower the inflation assumption from 2.5% to 2.25% 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. Due to the uncertainty, unprecedented volatility, the Board discussed whether or not to delay decision to lower the return assumption as recommended by Segal or remain at the current rate of 7.0%. On a motion by Trustee Hirshman, seconded by Trustee Peronto, it was resolved:

To retain the 7.00% investment return assumption and the 2.50% inflation assumption.

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

### IT Gemini Project Review

The Gemini project is the development of the next generation of the TRS pension administration system that will upgrade the current system which has been in use since 2003. Per the Board's request, Stacy Smith, Director of Internal Audit & Risk, provided a timeline of activity associated with the Gemini project and a summary of expenses to date in comparison to the Board approved budget initiatives. Documentation is on file. Director Ingram reported that since the departure of Jay Singh, former Chief Information Officer; Chris Wiedel has been named Director of Information Technology and John Gerding leads the Gemini project as project manager. Trustee Hirshman continued to express his concern

regarding the implementation and completion of the project. Trustee Peronto noted that Board may decide next spring whether TRS is able to complete the project successfully in-house or outsource it. The current go-live date is January 1, 2021. Director Ingram is confident that the delivery of employer reporting will be on time and staff is currently evaluating what is needed on the member services side.

#### FY 21 Recertification of State Contribution to THIS Fund

At the October 2019 Board meeting, the Board certified the FY 21 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 21 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 effective July 1, 2020 shall be 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 Trustee Peronto, seconded by Trustee Hunt, it was resolved:

To certify \$136,404,524 as the required state contribution to the Teacher Health Insurance Security (THIS) Fund for FY 2021, assuming the member contribution remains 1.24 percent of pay in FY 2021, as presented by Segal Consulting. This is a reduction from the October 2019 certification based on an assumed FY 2021 member contribution rate of 1.30 percent.

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

#### **RECESS**

The meeting recessed at 10:00 a.m. and reconvened at 10:10 a.m.

#### FY 2021 Budget and Contracts > \$100,000

The Board received the FY 2021 administrative budget initiatives and contracts over \$100,000. Documentation is on file. Due to the economic stress created by the current global pandemic, the budget does not include funds for cost of living or merit raises for TRS staff. On a motion by Trustee Bailey, seconded by Trustee Miller, it was resolved:

To approve the FY 2021 administrative budget and listing of contracts over \$100,000, as presented.

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

#### Board Manual Revisions

Marcy Dutton, Chief Legal Counsel, presented revisions to the TRS Board Manual to bring the manual into compliance with current practice. Documentation is on file. A motion was made by Trustee Hirshman, seconded by Trustee Miller, to approve revisions to the TRS Board Manual, as presented.

Bylaws Article IV, Section 1: President: Change Board President from Superintendent to Governor appointment to agree with legislative change to 40 ILCS 5/16-163 effective 1-1-20.

Bylaws Article V, Section 1: Standing and Ad Hoc Committees: Increase number of standing committees from five to six with addition of Defined Contribution Plan Committee. Add new mechanism to create committee vacancies for incoming trustee who desires a committee assignment when there are no existing vacancies.

Rules & Personnel Committee Charter: Add responsibility to receive trustee compliance status reports.

Trustee Personal Trading Policy, Section V. Reporting Requirements: Add further clarification that email confirmation of compliance with required reports and certifications is acceptable in lieu of a signed copy.

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

#### FY 2021 Standing Committees (July 15, 2020 – July 14, 2021)

The Board discussed and presented nominations for the FY 2021 standing committee assignments including the role of Vice President. On a motion by Trustee Hunt, seconded by Trustee Bailey, it was resolved:

To approve the FY 21 standing committee assignments and to elect Mark Bailey to serve as Vice President of the TRS Board of Trustees.

Vice President: Mark Bailey

Investment: All Trustees, Andy Hirshman, Chair; David Miller, Vice Chair

Audit: Fred Peronto, Chair; Maureen Mena, Vice Chair; David Miller, Larry Pfeiffer, Doug Strand

Legislative: Larry Pfeiffer, Chair; Norma Bellcoff, Vice Chair; Marsha Byas, Matt Hunt, Beth Anderson

Rules & Personnel: Carmen Ayala, Chair; Marsha Byas, Vice Chair; Andy Hirshman, Mark Bailey, *Vacancy*

Claims Hearing: Mark Bailey, Chair; Doug Strand, Vice Chair; Maureen Mena, *Alternate-Vacancy*

Defined Contribution Plan Committee: Matt Hunt, Chair; Doug Strand, Vice Chair; Marsha Byas, Maureen Mena, Beth Anderson

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

#### FY 2021 Meeting Calendar

The Board discussed meeting dates for FY 2021 in accordance to the Board Bylaws, Article III, Section 1 which requires regular meetings of the Board be scheduled at the beginning of each fiscal year. The meeting calendar is located on the TRS website: [www.trsil.org](http://www.trsil.org). On a motion by Trustee Bellcoff, seconded by Trustee Peronto, it was resolved:

To approve the annual board meeting calendar for FY 2021, as amended. Locations to be determined.

- August 2020 – To be determined
- October 29-30, 2020
- December 9, 2020
- February 25-26, 2021
- April 29-30, 2021
- June 17-18, 2021

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

### Quarterly Financial Statements

The financial reports for the quarter ended March 31, 2020 were sent to trustees for review. Documentation is on file. On a motion by Trustee Bruce, seconded by Trustee Hirshman, it was resolved:

To approve the financial statement and schedule of expenditures for the quarter ending March 31, 2020, as presented.

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

### Informational Items

The Board received the following reports. Documentation is on file.

- Member Services Statistical Report (April/May 2020)
- Buyout Update

### 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 Trustee Hirshman, seconded by Trustee Hunt, it was resolved:

To authorize TRS trustees to travel within the State of Illinois during FY 2021 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 voice votes from Trustees Ayala, Byas, Bellcoff, Hirshman, Hunt, Mena, Miller, Pearl, Peronto, Pfeiffer, Strand, Bailey, and Bruce. Motion Carried.

### **TRUSTEE RECOGNITION**

The Board thanked Trustee Laura Pearl for her distinguished service to the members, annuitants, employers, and beneficiaries of the System during her 2016-2020 term.



## **OTHER BUSINESS**

### King & Spalding

On a motion by Trustee Bailey, seconded by Trustee Hirshman, it was resolved:

To hire the law firm of King and Spalding for the remaining of FY 20 and during FY 21 to provide services related to a special project assigned by the Board. The Board directs TRS staff to make a good faith effort to pay the invoices from March 10, 2020 through present.

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

## **TRUSTEE COMMENTS/CONCERNS**

Trustee Pfeiffer requested further conversation be held at the August meeting regarding investments fees paid by TRS.

## **EXECUTIVE SESSION**

A motion was made by Trustee Hunt, seconded by Trustee Hirshman, that the Board enter into executive session for the purpose of discussing the appointment, employment, compensation, discipline, performance, or dismissal of specific employees; 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 Ayala, Byas, Bellcoff, Hirshman, Hunt, Mena, Miller, Pearl, Peronto, Pfeiffer, Strand, Bailey, and Bruce. Motion Carried.

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

### Personnel

On a motion by Trustee Ayala, seconded by Trustee Hirshman, it was resolved to direct the TRS Executive Director to place the Chief Financial Officer on paid administrative leave pending further action from the Board. Roll call resulted in affirmative voice votes from Trustees Ayala, Byas, Bellcoff, Hirshman, Hunt, Mena, Miller, Pearl, Peronto, Pfeiffer, Strand, Bailey, and Bruce. Motion Carried.

### Approval of Minutes

A draft of the April 24, 2020 executive session meeting minutes of the Board was sent to the trustees for prior review. Documentation is on file. On a motion by Trustee Hirshman, seconded by Trustee Miller, it was resolved to approve the April 24, 2020 executive session meeting minutes, as presented. Roll call resulted in affirmative voice votes from Trustees Ayala, Byas, Bellcoff, Hirshman, Hunt, Mena, Miller, Pearl, Peronto, Pfeiffer, Strand, Bailey, and Bruce. Motion Carried.

### **ADJOURNMENT**

There being no further business to be brought before the Board, a motion was made by Trustee Bellcoff, seconded by Trustee Pearl, to adjourn the meeting at 2:23 p.m. Roll call resulted in affirmative voice votes from Trustees Ayala, Byas, Bellcoff, Hirshman, Hunt, Mena, Miller, Pearl, Peronto, Pfeiffer, Strand, Bailey, and Bruce. Motion Carried.



Stan Rupnik, Interim Executive Director

Approved: 8/28/20