



TEACHERS' RETIREMENT SYSTEM OF THE STATE OF ILLINOIS

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R. Stanley Rupnik, Interim Executive Director

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MINUTES

Board of Trustees

February 26, 2021

A virtual meeting of the Board of Trustees of the Illinois Teachers' Retirement System was held on February 26, 2021 in accordance with the COVID-19 Executive Order 2021-04, which extends the original Executive Order 2020-07 through March 6, 2021. An in-person meeting is not practical or prudent due to the current global COVID-19 pandemic.

President Bruce called the meeting to order at 8:30 a.m. A quorum was present. Roll Call attendance was taken with the following trustees present: Beth Anderson, Norma Bellcoff Carmen Ayala (arrived 10:30 a.m.), Marsha Byas, Andy Hirshman, Matt Hunt, Maureen Mena, David Miller, Fred Peronto, Larry Pfeiffer, Matt Shattock, Doug Strand, Mark Bailey, Vice President; and Devon Bruce, President.

Stan Rupnik, Acting Executive Director/Chief Investment Officer and Cynthia Fain, Sr. Legal Counsel, were physically present at the meeting location in Springfield, 2815 W. Washington Street.

TRS Staff noted on call: Deron Bertolo, Chief Financial Officer; Carlton Lenoir, Chief Benefits Officer; Stacy Smith, Director of Internal Audit and Risk; Jeff Bennett, Director of Operations; Rich Frankenfeld, Director of Outreach; Dave Urbanek, Director of Communications; Chris Wiedel, Director of Information Technology; John Gerding, Deputy Director of Information Technology; Chad Fry, Technical Systems Manager; Stacey Wood, Delivery & Quality Assurance Manager; Corbin Freres, Investment Officer; Tammy Green, Executive Assistant; Tiffany Reeves, Reinhart (Fiduciary Counsel); Becky Gratsinger, and Tony Johnson, RVK (Investment Consultant).

Visitors noted on call: Christine Williamson, Pensions & Investments; John Bloomfield.

On behalf of the Board, President Bruce thanked and recognized the TRS staff for continuing to work under these unusual remote circumstances.

Executive Director Search Update

President Bruce reported that the search for a TRS executive director is moving forward. Korn Ferry, the executive search firm, has finalized the position specifications with the search subcommittee of the Board, conducted stakeholder interviews, initiated outreach efforts, and posted the specifications on several websites. The search subcommittee's first weekly status update meeting with Korn Ferry is March 4, 2021. The full Board will be involved in the interview process of final candidates.

APPROVAL OF MINUTES

A draft of the December 9, 2020 minutes of the regular Board meeting was sent to the trustees for prior review. Documentation is on file. On a motion by Trustee Miller, seconded by Trustee Hunt, it was resolved to approve the December 9, 2020 regular Board minutes, as presented. Roll call resulted in affirmative voice votes from Trustees Anderson, Bellcoff, Byas, Hirshman, Hunt, Mena, Miller, Peronto, Pfeiffer, Shattock, Strand, Bailey, and Bruce. Motion Carried.

RULES AND PERSONNEL COMMITTEE REPORT

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

To authorize staff to promulgate an addition to TRS administrative rules through the JCAR process, as presented, Section 1650.1126 Administration of QILDROs Applicable to the Defined Contribution Plan.

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

DEFINED CONTRIBUTION PLAN COMMITTEE REPORT

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

To approve the client Consent to Assignment for professional services with Cammack LaRhette Advisors, LLC to CapFinancial Partners (CAPTRUST). CAPTRUST will assume all rights and obligations of the existing TRS contract with Cammack Retirement Group and be bound by the Agreement.

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

INVESTMENT COMMITTEE REPORT

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

To commit to the following Separately Managed Accounts (“SMAs”) within the System’s private equity program:

- a) \$200 million to Adams Street Partners SMA in a fund-of-one focused on Europe, where TRS retains discretion on fund opportunities based in Europe.
- b) \$200 million to Adams Street Partners SMA in a fund-of-one focused on Asia, where TRS retains discretion on fund opportunities based in Asia.

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

ACTING EXECUTIVE DIRECTOR’S REPORT

Investment Governance Review

The Board revisited the current delegation model and retained AON in February 2020 to conduct an independent review and analysis of the current governance structure of the TRS investment portfolio, considering best practices, to ensure the investment decision making and oversight processes are legally compliant and aligned with fiduciary standards. The Limited Scope Fiduciary Evaluation focused on the current authority delegated to TRS staff regarding the selection and termination of investment managers. Julie Becker, Jeanna Cullins, and Mike McCormick from AON provided an overview of key findings and recommendations for enhancements. Documentation is on file. The Board discussed the recommendation of implementing a working group of the Board to participate and provide guidance to the investment process and will seek advice from counsel. The investment committee will work closely with counsel to develop a working group template and will further discuss in the next few months. Tiffany Reeves, Fiduciary Counsel, agrees with AON’s recommendations and noted that the trend is moving towards delegation of manager selection.

RECESS

The meeting recessed at 9:30 a.m. and reconvened at 9:35 a.m.

Gemini Assessment

The Board retained Segal in November 2020 to conduct an assessment of the TRS Gemini project. The Gemini project is intended as a replacement of TRS's outdated pension administration system (PAS) known as STAR (Serving Teachers and Retirees). Segal reviewed existing project materials, observed various meetings among Gemini teams, and conducted a series of interviews with TRS trustees and staff. Jeff Mills and Amy Timmons from Segal provided a summary of its findings and recommendations within 14 project areas. The report is on file. The overall assessment rating of the project is Average. Key findings include:

- At this time, TRS is on the right path with the Gemini project.
- Despite many challenges due to COVID, the development of the Employer Reporting module is on target to go-live in 2021.
- TRS is building a quality product utilizing industry standard tools and technology.
- Project is under budget.
- Increased communications is critical, including development of a training plan.
- TRS needs to develop an updated vision plan for the greater Gemini project, and clearly define roles.

The Board will receive future reporting on a quarterly basis and praised the team of the Information Technology Department for their dedication and responsiveness to complete this project.

Trustee Election Update

Currently, five candidates are petitioning for the two active trustee seats and three are petitioning for the annuitant seat. One annuitant and two active candidates have over 500 signatures. The petition deadline is Jan. 29, 2021. The electronic petitions that were created this year due to COVID-19 are a success. All seats open in this election are for a four-year term to commence on July 15, 2021.

Electronic Signature System

TRS continually modifies internal procedures and systems to keep pace with the ever-expanding virtual world when dealing with members, school districts and investment partners. The latest advancement is the use of electronic signature systems for a wide range of business transactions. Based on individual department estimates, approximately 74,000 individual transactions each year by TRS could be made more efficient with the use of

electronic signature software. Mr. Rupnik requested the approval to issue a Request for Proposal (RFP) to procure the purchase of an electronic signature system. It was consensus of the Board to move forward with an RFP.

Financials

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

To approve the financial statement and expenditures for the period ending December 31, 2020, as presented.

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

Informational Items

The following information is on file:

- Member Services Statistical Report – December 2020, January 2021
- FY 2021 Vendor Payments >\$100,000 and Vendor Utilization Reports for quarter ending December 31, 2021
- Buyout Program Update through February 17, 2021
- Employer Services Report July 11, 2020 – January 8, 2021

EXECUTIVE SESSION

A motion was made by Trustee Strand, 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 Anderson, Ayala (arrived 10:30 a.m.), Bellcoff, Byas, Hirshman, Hunt, Mena, Miller, Peronto, Pfeiffer, Shattock, Strand, Bailey, and Bruce. Motion Carried.

No action was taken during executive session. A motion was made by Trustee Hirshman, seconded by Trustee Hunt, that the Board come out of executive session.

Approval of Executive Session Minutes/Semi-Annual Review of Minutes

A draft of the December 9, 2020 executive session minutes of the Board was sent to the trustees for prior review. Documentation is on file. In addition, the Board received a memorandum from the System’s legal counsel regarding the confidentiality of executive session minutes pursuant to the Open Meetings Act. Documentation is on file. A motion was made by Trustee Pfeiffer, seconded by Trustee Hunt, to approve the December 9, 2020 executive session meeting minutes including the destruction of audio recordings, as presented. Roll call resulted in affirmative voice votes from Trustees Anderson, Ayala, Bellcoff, Byas, Hirshman, Hunt, Mena, Miller, Peronto, Pfeiffer, Shattock, Strand, Bailey, and Bruce. Motion Carried.

ADJOURNMENT

There being no further business to be brought before the Board, a motion was made by Trustee Bailey, seconded by Trustee Peronto, to adjourn the Board meeting at 10:38 a.m. Roll call resulted in affirmative voice votes from Trustees Anderson, Ayala, Bellcoff, Byas, Hirshman, Hunt, Mena, Miller, Peronto, Pfeiffer, Shattock, Strand, Bailey, and Bruce. Motion Carried.



Stan Rupnik, Acting Executive Director/Chief Investment Officer

Approved: 4/30/21