



TEACHERS' RETIREMENT SYSTEM OF THE STATE OF ILLINOIS

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MINUTES Board of Trustees Virtual Meeting June 25, 2021

Note: President Biden signed legislation on June 17, 2021 declaring “Juneteenth” as a new federal and state government holiday on June 19. Since Juneteenth was observed in 2021 on Friday, June 18, the regularly scheduled Board meeting was postponed to June 23. The meeting on June 23 did not convene due to technical issues that prevented the public from joining via audio. The issues were resolved and the meeting resumed on June 25.

A virtual meeting of the Board of Trustees of the Illinois Teachers’ Retirement System was held on June 25, 2021 in accordance with Executive Order 2021-11 which extends the original Executive Order 2020-07 through June 26, 2021. The provisions of the Open Meetings Act relating to in-person attendance by members of the public body are suspended due to the global coronavirus pandemic.

President Bruce called the meeting to order at 3:00 p.m. A quorum was present. Roll Call attendance was taken with the following trustees present: Beth Anderson, Carmen Ayala, Marsha Byas, Norma Bellcoff, Andy Hirshman, Matt Hunt, Mia Jazo-Harris, Maureen Mena, David Miller, Fred Peronto, Larry Pfeiffer, Doug Strand, Mark Bailey, Vice President and Devon Bruce, President (departed 3:48 p.m.). Absent: Matt Shattock

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/Counsel noted on call: Deron Bertolo, Chief Financial Officer; Stacy Smith, Director of Internal Audit and Risk; Christina Baker, Internal Audit Supervisor; Bob Jiroutek, Sr. Risk Officer; Dave Urbanek, Director of Communications; Jeff Bennett, Director of Operations; Chris Wiedel, Director of Information Technology; Chad Fry, Technical Systems Manager; Greg Turk, Director of Investments; Tammy Green, Executive Assistant; and Tiffany Reeves, Reinhart (Fiduciary Counsel).

No public comments were heard.

APPROVAL OF MINUTES

A draft of the April 30, 2021 minutes of the regular Board meeting/annual retreat was sent to the trustees for prior review. A motion was made by Trustee Bailey, seconded by Trustee Hunt, to approve the April 30, 2021 minutes, as presented. Roll call resulted in affirmative voice votes from Trustees Anderson, Ayala, Byas, Bellcoff, Hirshman, Hunt, Jazo-Harris, Mena, Peronto, Pfeiffer, Strand, Bailey, and Bruce. Trustee Miller was unable to vote due to had technical difficulties. Motion Carried.

EXECUTIVE DIRECTOR SEARCH

President Bruce provided an overview of the nationwide executive director search. Following the “request for proposals” process, the Board retained Korn Ferry in October 2020 to assist with the recruitment and hiring of a new executive director for the System. The Board interviewed four candidates. On a motion by Trustee Bailey, seconded by Trustee Strand, it was resolved:

To retain Stanley Rupnik as executive director of the IL Teachers’ Retirement System subject to contractual terms.

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

Mr. Rupnik is an 18-year veteran of the System and has served as interim executive director since August 2020 while retaining his current role as chief investment officer (CIO). He will serve as the executive director and CIO effective immediately.

EXECUTIVE DIRECTOR’S REPORT

Governance Implementation Review

Aon completed a Limited Scope Fiduciary Evaluation of TRS’s investment practices and policies and delivered its final report to the Board at its February 2021 meeting. The purpose of the Evaluation was to provide TRS with an independent review and analysis of the current governance structure of the investment portfolio, considering best practices. The Evaluation focused on the current authority delegated to TRS staff regarding selection and retention of investment managers. The Board discussed at its April meeting the suggestion of implementing a working group of the Board to work collaboratively with the TRS staff to provide oversight and guidance to the investment process.

TRS staff presented guidelines noting the objective of the working group of the Board, representation, its limited purpose, meeting frequency, and issues that may be reviewed by the working group. Documentation is on file. President Bruce stated that this is an effort towards transparency and greater oversight; it is not about the Board making decisions of selecting investment managers.

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

To establish an investment working group with representation of the President, or designee, and Vice President of the Board, and Chair and Vice Chair of the investment committee. The limited purpose of the working group is an informal non-voting group designated by the Board with purpose limited to transparency of the investment process and information gathering.

Trustee Hirshman provided additional comments. A discussion ensued relating to the scope and limitation of the working group. Roll call resulted in affirmative voice votes from Trustees Jazo-Harris, Hunt, Mena, Miller, Bailey, and Bruce. Votes of opposition were heard by Trustees Anderson, Ayala, Bellcoff, Byas, Hirshman, Peronto, Pfeiffer, and Strand. Motion FAILED.

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

A working group will be created to oversee the AON governance recommendations, as described in the proposed document, for the upcoming fiscal year July 1, 2021 to June 30, 2022, to be reevaluated for possible continuation in subsequent years. (Pages 5-6 of the June 25, 2021 board materials)

Roll call resulted in affirmative voice votes from Trustees Anderson, Ayala, Bellcoff, Byas, Hirshman, Peronto, Pfeiffer, and Strand. Votes of opposition were heard by Trustees Hunt, Mena, Miller, Bailey, and Bruce. Trustee Jazo-Harris was not present during vote. Motion Carried.

FY 2022 Budget and Contracts > \$100,000

The Board received the FY 2022 administrative budget initiatives and projected contracts over \$100,000. Under the IL Pension Code, the Board is responsible for approving the administrative expenses required to operate TRS. Documentation is on file. On a motion by Trustee Bailey, seconded by Trustee Miller, it was resolved:

To approve the FY 2022 administrative budget and listing of contracts over \$100,000, as presented.

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

Trustee Recognition

The Board recognized Trustee Mark Bailey for his distinguished service to the members, annuitants, employers, and beneficiaries of the System during his term July 2013-July 2021. On a motion by Trustee Hirshman, seconded by Trustee Bellcoff, it was resolved:

WHEREAS, Mark A. Bailey served with distinction as an elected trustee of the Teachers' Retirement System of the State of Illinois between 2013 and 2021; and

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

WHEREAS, Mark Bailey earned a bachelor's degree in Instrumental Music from Luther College in Decorah, Iowa and later a master's degree in Leadership and Administration from North Central College in Naperville, began a 35-year teaching career as a music teacher and band director serving students in Calumet Park, Hometown, Blue Island, Palos Heights, Mokena, Riverdale and Calumet City; and

WHEREAS, Mark Bailey served as Director of Bands at Scott and River Woods schools in Naperville District 203, beginning in 1994; and

WHEREAS, Mark Bailey has made numerous contributions to the cultural life of Northeastern Illinois as a music teacher for scores of young people and as a trumpet player with numerous ensembles, including the Southwest Symphony Orchestra, the DuPage Symphony Orchestra and especially Bailey's Chamber Brass; and

WHEREAS, Mark Bailey began his involvement with education policy at the state and national levels in the 1990s as a Building Representative within the Naperville Unit Education Association, progressing to become a Delegate to the Illinois Education Association convention in 1998, Treasurer of the NUEA, Treasurer of IEA Region 39, Delegate to the National Education Association annual convention, First Vice President of the NUEA and, in 2010, President of the NUEA; and

WHEREAS, Mark Bailey became known across the state by teachers, administrators, school board members, local officials and legislators as a strong and effective advocate for students, educators and families; and

WHEREAS, Mark Bailey was first elected to the TRS Board of Trustees in July 2013 by "active" members and was re-elected in 2017; and

WHEREAS, he provided effective and fair leadership as Vice President of the Board and as the chair of various TRS Board committees with poise, good humor, integrity, curiosity and attention to detail; and

WHEREAS, Mark Bailey 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 Mark A. Bailey for his eight years of distinguished service to the members, staff and trustees of Teachers' Retirement System, as well as his 35-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.

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

(President Bruce departs)

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

To declare Fred Peronto and Joseph Blomquist as elected active teacher trustees, and Larry Pfeiffer as an elected annuitant trustee. Terms to commence July 15, 2021.

Roll call resulted in affirmative voice votes from Trustees Anderson, Ayala, Byas, Hirshman, Hunt, Jazo-Harris, Mena, Miller, Peronto, Pfeiffer, Strand, and Bailey. Motion Carried. Trustee Bellcoff was not present during the vote.

FY 22 Recertification of State Contribution to THIS Fund

At the October 2020 Board meeting, the Board certified the fiscal year 22 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 22 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, 2021 shall be lowered to 0.90 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 Hunt, seconded by Trustee Strand, it was resolved:

To certify \$97,722,920 as the required state contribution to the Teacher Health Insurance Security (THIS) Fund for FY 2022, assuming the member

contribution is decreased to 0.90 percent of pay in FY 2022, as presented by Segal Consulting.

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

FY 2022 Standing Committees (July 15, 2021 – July 14, 2022)

The Board discussed and presented nominations for the FY 2022 standing committee assignments including the role of Vice President. On a motion by Trustee Strand, seconded by Trustee Peronto, it was resolved:

To approve the FY 22 standing committee assignments and to elect Andy Hirshman to serve as Vice President of the TRS Board of Trustees.

Vice President: Andy Hirshman

Investment: All Trustees; David Miller, Chair; Fred Peronto, Vice Chair

Audit: Larry Pfeiffer, Chair; Doug Strand, Vice Chair; Joe Blomquist, Matt Hunt, Mia Jazo-Harris

Claims Hearing: Maureen Mena, Chair; Andy Hirshman, Vice Chair; Mia Jazo-Harris, Norma Bellcoff, Alternate.

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 Anderson, Ayala, Byas, Bellcoff, Hirshman, Hunt, Jazo-Harris, Mena, Miller, Peronto, Pfeiffer, Strand, and Bailey. Motion Carried.

Under current practice, the Board of Trustees acts as a committee of the whole when discussing and acting on all matters that would fall under the jurisdiction of the legislative and rules and personnel committees. TRS Staff reported that the legislative committee hasn't met since 2019, and a majority of the rules and personnel committee's responsibilities are being performed by the full Board and suggested that the Board consider whether to disband these two committees. A motion was made by Trustee Hunt, seconded by Trustee Hirshman, to table the legislative and rules and personnel committee discussion until the August Board meeting. Roll call resulted in affirmative voice votes from Trustees Anderson, Ayala, Byas, Bellcoff, Hirshman, Hunt, Jazo-Harris, Mena, Miller, Peronto, Pfeiffer, Strand, and Bailey. Motion Carried.

FY 2022 Meeting Calendar

The Board received the proposed meeting dates for FY 2022. In accordance with Board Bylaws, Article III, Section 1, regular meetings of the Board must be scheduled at the beginning of each fiscal year. Due to time constraints for this meeting, it was the consensus of the Board to approve the next meeting in August and to select dates for the remainder of the fiscal year at that meeting. A motion was made by Fred Peronto, seconded by Matt Hunt, to approve August 12-13, 2021 as the date for the next Board meeting. Location to be determined. Roll call resulted in affirmative voice votes from Trustees Anderson, Ayala, Byas, Bellcoff, Hirshman, Hunt, Jazo-Harris, Mena, Miller, Peronto, Pfeiffer, Strand, and Bailey. 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 Trustee Hirshman, seconded by Trustee Hunt, it was resolved:

To authorize TRS trustees to travel within the State of Illinois during FY 2022 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 Anderson, Ayala, Byas, Hirshman, Hunt, Jazo-Harris, Mena, Miller, Peronto, Pfeiffer, Strand, and Bailey. Motion Carried. Trustee Bellcoff was not present during the vote.

TRUSTEE COMMENTS/CONCERNS

Trustee Byas expressed concerns about interactions among some of the trustees outside of scheduled Board meetings. She stated in her opinion, all members of the Board should be included in conversations outside of Board meetings that relate to TRS.

ADJOURNMENT

There being no further business to be brought before the Board, a motion was made by Trustee Hunt, seconded by Trustee Hirshman, to adjourn the meeting at 4:10 p.m. Roll call resulted in affirmative voice votes from Trustees Anderson, Ayala, Byas, Hirshman, Hunt, Jazo-Harris, Mena, Miller, Peronto, Pfeiffer, Strand, and Bailey. Motion Carried. Trustee Bellcoff was not present during the vote.



Stan Rupnik, Executive Director and Chief Investment Officer

Approved: 8/12/21