



TEACHERS' RETIREMENT SYSTEM OF THE STATE OF ILLINOIS

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MINUTES Board of Trustees August 12, 2021

The regular meeting of the Board of Trustees of the Illinois Teachers' Retirement System was held on August 12, 2021 at the Chicago Marriott Naperville, 1801 N Naper Boulevard, Naperville, IL. President Matt Hunt called the meeting to order at 12:30 p.m. A quorum was present. Roll Call attendance was taken with the following trustees present: Beth Anderson, Carmen Ayala, Joe Blomquist, Marsha Byas, Mia Jazo-Harris, David Miller, Fred Peronto, Larry Pfeiffer (remote videoconference), Doug Strand, Andy Hirshman, Vice President and Matt Hunt, President. It was consensus of the Board to let Trustee Pfeiffer attend the meeting via videoconference due to a family emergency.

Absent: Trustees Norma Bellcoff and Maureen Mena.

Note: Devon Bruce resigned from the TRS Board of Trustees on August 6, 2021. Mr. Bruce formerly served as President of the Board. Matthew Hunt was selected by Governor Pritzker on August 10 to replace Mr. Bruce as President of the TRS Board of Trustees.

Fred Peronto and Larry Pfeiffer filed the 500 valid TRS member signatures that are required for nomination to the 2021 TRS Board election ballot and were unopposed for re-election to a new term July 15, 2021-July 14, 2025. Trustee Peronto assumes an active member seat and Trustee Pfeiffer assumes the annuitant seat. An Oath of Office is on file for Trustee Peronto and Trustee Pfeiffer.

Others in attendance: Stan Rupnik, Executive Director and Chief Investment Officer; Greg Turk, Director of Investments; Cynthia Fain, Sr. Legal Counsel; Stacy Smith, Director of Internal Audit and Risk; Deron Bertolo, Chief Financial Officer; Jamie Stults, Director of Human Resources; Chris Wiedel, Director of Information Technology; Chad Fry, Technical Systems Manager; John Boykin, Sr. Technical Support Specialist; Tammy Green, Executive Assistant; Sally Antonacci, Investment Office Manager; Jessica Culotti, Reinhart (Fiduciary Counsel); Becky Gratsinger (remote) and Tony Johnson, RVK (Investment Consultant); and Andrew Bodewes, Legislative Consultant.

Visitors: Bob Lyons, IRTA-Retired; Christina Williamson, Pensions & Investments.

APPROVAL OF MINUTES

A draft of the October 29, 2020 minutes of the Executive Director Search Sub-committee meeting was sent to the trustees for prior review. Documentation is on file. A motion was made by Trustee Jazo-Harris, seconded by Trustee Miller, to approve the minutes as submitted. The motion passed by unanimous voice vote. Motion Carried.

Drafts of the June 17-18 and June 25, 2021 minutes of the regular Board meeting were sent to the trustees for prior review. Documentation is on file. A motion was made by Trustee Strand, seconded by Trustee Ayala, to approve the June 17-18 and June 25, 2021 Board minutes as submitted. The motion passed by unanimous voice vote. Motion Carried.

PUBLIC COMMENT

Bob Lyons, TRS annuitant and former trustee, complimented the Board on the strong investment returns and the hiring of Stan Rupnik as the new TRS executive director. He noted that former President Bruce mentioned in his July 28, 2021 letter to TRS members and stakeholders that there was a need of leadership change within TRS. Mr. Lyons stated that there are TRS members that would like to know what events happened that led to the departure of five senior-level executives in 2020. He thanked the Board for their service and hopes someday TRS members will receive an explanation from the Board.

INVESTMENT COMMITTEE REPORT

Chairman Miller presented the investment committee 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 Peronto moved that the Board approve the consent agenda as revised. Trustee Hunt seconded the motion, and it passed by roll call vote from Trustees Anderson, Ayala, Blomquist, Byas, Jazo-Harris, Miller, Peronto, Pfeiffer, Strand, Hirshman and Hunt. Motion Carried. The following motions were approved by action taken in the consent agenda motion.

1. Adjust the System's long term and interim asset allocation targets, as presented, effective July 1, 2021.
2. Adjust the System's rebalance range targets, as presented, effective July 1, 2021.
3. Approve the Investment Policy revisions, as presented.

End of Consent Agenda

Lenox Park Solutions – Diversity Consulting Services

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

To select Lenox Park Solutions to provide a standardized DEI measurement and scoring solution within the System’s investment program.

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

Coriolis – Global Income Asset Class

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

To commit \$250 million to TRS Coriolis, Limited Partnership, within the global income portfolio.

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

AUDIT COMMITTEE REPORT

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

To approve the following recommendations presented at the June 17, 2021 audit committee meeting:

- Approve the revised FY 21 Internal Audit Plan, as presented.
- Approve the FY 22-23 Internal Audit Plan, as presented.
- Approve revisions to the Internal Audit Charter, as presented.

Motion passed by a unanimous voice vote.

EXECUTIVE DIRECTOR’S REPORT

Economic Experience Analysis/Investment Return Assumption (remote presentation)

Kim Nicholl, David Nickerson, and Matthew Strom of Segal Consulting presented an overview of the experience analysis conducted for the period July 1, 2017-June 30, 2020. Their presentation booklet is on file. An experience study provides the basis for developing recommended assumptions to be used in the annual actuarial valuation. TRS is required to perform a full experience study every three years and the economic assumptions are studied every year. Segal recommended that the Board lower the inflation assumption of 2.50% to 2.25%; lower the Tier 2 COLA rate and rate of increase of the Tier 2 pensionable salary cap of 1.25% to 1.125%; and maintain the current investment return assumption of 7.0%, which results in a confidence level greater than 50% for achieving that return. For the buyout program assumptions, recommendations included an increase to the member election rate of the Automatic Annual Increase and a decrease in the member election rate of the Inactive Vested Buyout program based on experience. In addition, proposed changes were recommended to salary increases, severance pay, new entrant salary increase, mortality, active retirement, turnover, disability, sick leave service credit, optional service purchase, and future service accrual. On a motion by Trustee Peronto, seconded by Trustee Miller, it was resolved:

To make the following changes in actuarial assumptions in the June 30, 2021 actuarial valuation as presented by Segal Consulting at the August 12, 2021 Board meeting based on Segal’s review of economic and demographic assumptions for the three years ended June 30, 2020:

- To maintain the assumed rate of return on investments of 7.0%;
- To decrease the merit and seniority components of the salary increase assumption based on experience;
- To decrease the new entrant pay assumption to 2.25%;
- To decrease the assumed severance pay;
- To adjust Tier 1 assumed rates of regular service retirement based on experience;
- To decrease assumed rates of disability retirement based on experience;

- To lower the assumed rates of termination from active employment based on experience;
- To adjust the amounts of sick leave used for service credit at retirement;
- To increase the future service accrual based on experience;
- To adjust rates of mortality for various groups; and
- To adjust the assumed optional service purchases at retirement based on experience.

Roll call resulted in affirmative voice votes from Trustees Anderson, Ayala, Blomquist, Byas, Jazo-Harris, Miller, Peronto, Pfeiffer, Hirshman and Hunt. A vote of opposition was heard by Trustee Strand. Motion Carried. Trustee Strand stated that he would like to have a discussion of lowering the assumed rate of return on investments to 6.75%.

Gemini Status Report (remote presentation)

Amy Timmons of Segal Consultants provided an update on the status of the Gemini project and reported that the system is working properly. Ms. Timmons serves as project manager of the Gemini project.

- Go-Live criteria was established.
- The functional aspects of the system to be developed were “frozen” on April 5, 2021.
- Initial employer training was held June 8-17, 2021.
- Registration for pay-period reporting and payroll schedule disclosure went live July 1, 2021.
- The TRS Gemini Call Center has been established and is responding to questions about Gemini.
- Training materials are available.
- Interactive forums with the Employer Services Department are held every week for questions.
- TRS is working on meeting the Go-Live criteria before turning on other aspects of the project.

FY 2022 Board Meeting Calendar

The Board discussed the proposed annual fiscal year 2022 meeting calendar as presented at the June meeting. Following discussion, the December 2021 date was revised, and it was

agreement that the October and December meetings will be held in northern Illinois. The meeting locations during 2022 will be determined at a later date. The approved calendar is located on the TRS website www.trsil.org. On a motion by Trustee Peronto, seconded by Trustee Strand, it was resolved:

To approve the annual board meeting calendar for fiscal year 2022, as amended.

- August 12, 2021
- October 28-29, 2021
- December 7-8, 2021
- February 17-18, 2022
- April 21-22, 2022
- June 16-17, 2022

Motion passed by a unanimous voice vote.

FY 2022 Standing Committees Update

At the June meeting, a proposal to disband the Rules & Personnel Committee and the Legislative Committee was tabled until the August meeting. Fiduciary Counsel Jessica Culotti stated that the TRS policy on Board committees is vague and that it is up to the Board whether to keep the two committees. Ms. Culotti is in favor of keeping both committees in case they are needed in the future. President Hunt deferred discussion to the October meeting in case other trustees who may have an opinion on the matter are appointed by the governor. The Board currently has two governor appointed vacancies.

Annual Certification of Trustee Ethics Training

Pursuant to Public Act 96-0006, the Board shall annually certify that trustees have completed a minimum of eight hours of ethics training. On a motion by Trustee Strand, seconded by Trustee Ayala, it was resolved:

To certify that the following trustees of the Illinois Teachers' Retirement System have completed a minimum of eight hours of ethics training during fiscal year 2021 in accordance to Public Act 96-0006, Article 1 of the IL Pension Code, Section 1-113.18. Certification will be submitted to the Division of Insurance of the Department of Financial Professional Regulation.

Beth Anderson, Carmen Ayala, Mark Bailey, Norma Bellcoff, Devon Bruce, Marsha Byas, Mia Jazo-Harris, Andrew Hirshman, Matt Hunt, Maureen Mena, David Miller, Fred Peronto, Larry Pfeiffer, and Doug Strand.

Motion passed by a unanimous voice vote.

Financial Statements

The financial reports for the quarter ended March 31, 2021 were sent to trustees for review. Documentation is on file. On a motion by Trustee Hunt, seconded by Trustee Strand, it was resolved:

To approve the financial statement and schedule of expenditures for the quarter ending March 31, 2021, as presented.

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

Informational Items

The following information is on file:

- Member Services Statistical Report for the period ending June 30, 2021
- Employer Services Report for the period January 9 – July 9, 2021
- Buyout Program Update through August 1, 2021

Board Travel

The Board was notified that the National Council on Teacher's Retirement's annual conference will be held virtual October 11-14, 2021.

Trustee Recognition

WHEREAS, Devon C. Bruce was first appointed to the Teachers' Retirement System Board in 2019 by Governor JB Pritzker and after a change in state law was named by Governor Pritzker as the first president of the Board who also was not serving as the state superintendent of schools; and

WHEREAS, Devon Bruce is the son of two Illinois public school teachers and his tenure on the TRS Board was characterized by a strong dedication to all retired and active educators and the advancement, integrity and strength of TRS for the benefit of all members; and

WHEREAS, Devon Bruce studied at University College Cork, in Ireland, earned a bachelor's degree from the University of Illinois at Urbana-Champaign in 1990 and a Juris Doctor degree from the U of I College of Law in 1993 and thereafter served as a law clerk for Illinois Supreme Court Justice Moses Harrison II; and

WHEREAS, Devon Bruce joined the Chicago law firm of Power Rogers in 1993 and over 28 years has established himself as one of the foremost personal injury attorneys in Illinois while also establishing a successful practice in cases of accounting and banking malpractice, including the largest recorded settlement for municipal embezzlement in the history of the United States; and

WHEREAS, Devon Bruce has volunteered considerable time and expertise to public service through his appointment to numerous public bodies, including as chairman of the Illinois State Board of Investment, as a trustee of the University of Illinois and as a member of the Metropolitan Pier and Exposition Authority, the State of Illinois Merit Board and the Illinois Supreme Court Judicial Oversight Committee; and

WHEREAS, Devon Bruce has helped improve the cultural, civic and social welfare of Illinois through his membership in the Illinois Trial Lawyers Association, the American Trial Lawyers Association, the Illinois State Bar Association, the Chicago Bar Association, the Navy Pier, Inc. Board, the Walter Payton Liver Center Board, the American Ireland Fund and the Irish Fellowship Club of Chicago; and

WHEREAS, Devon Bruce has continued his family's dedication to educating future generations as an adjunct professor at his alma mater, the U of I College of Law and at the Trinity College School of Law in Dublin, Ireland; and

WHEREAS, Devon Bruce's tenure as Board president was overshadowed by the ravages of the COVID-19 worldwide pandemic; nonetheless the TRS trustees and staff overcame adversity and together built an admirable record of achievement by seamlessly fulfilling \$7 billion in benefit promises to members on time and in full, building a record \$62 billion in assets under management; securing a record one-year investment return in excess of 23 percent, dedicating the System to equality and inclusion in business relationships, installing cutting-edge technology and strengthening the System's management team; now therefore be it

RESOLVED, that we recognize and appreciate Devon C. Bruce for his two years and four months of distinguished service to the members, staff and trustees of Teachers' Retirement System, as well as his on-going 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, Blomquist, Byas, Jazo-Harris, Miller, Peronto, Pfeiffer, Strand, Hirshman and Hunt. Motion Carried.

RECESS

The meeting recessed at 2:25 p.m. and reconvened at 3:56 p.m.

EXECUTIVE SESSION

A motion was made by Trustee Strand, seconded by Trustee Ayala, 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 including semi-annual review of 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, Blomquist, Byas, Jazo-Harris, Miller, Peronto, Pfeiffer, Strand, Hirshman and Hunt. Motion Carried.

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

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

Drafts of the February 26, June 17, and June 18, 2021 executive session meeting minutes of the Board were sent to the trustees for prior review. 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, 5 ILCS 120/2.06(d). TRS Sr. Legal Counsel determined that all closed meeting minutes documented should remain confidential. Documentation is on file. On a motion by Trustee Ayala, seconded by Trustee Miller, it was resolved to approve the February 26, June 17 and June 18, 2021 executive session minutes of the Board, as presented. Motion passed by a unanimous voice vote.

ADJOURNMENT

There being no further business to be brought before the Board, a motion was made by Trustee Peronto, seconded by Trustee Strand, to adjourn the meeting at 4:00 p.m. Motion passed by a unanimous voice vote.



Stan Rupnik, Executive Director and Chief Investment Officer

Approved: 10/29/2021