



TEACHERS' RETIREMENT SYSTEM OF THE STATE OF ILLINOIS

2815 W. Washington St. | P.O. Box 19253 | Springfield IL 62794-9253
R. Stanley Rupnik, Executive Director & Chief Investment Officer
investments@trsil.org | <http://www.trsil.org>
(217) 814-2001 | TDD: 800-526-0844 (or 711) | FAX: (217) 753-0966

MINUTES Board of Trustees October 29, 2021

The regular meeting of the Board of Trustees of the Teachers' Retirement System of the State of Illinois was held on October 29, 2021 at the Chicago Marriott Naperville, 1801 N. Naper Boulevard, Naperville, IL. President Matt Hunt called the meeting to order at 9:53 AM. A quorum was present. Roll Call attendance was taken with the following trustees present: Beth Anderson, Carmen Ayala, Duffy Blackburn (departed at 11:00 AM), Joe Blomquist, Marsha Byas, Mia Jazo-Harris, David Miller, Fred Peronto, Larry Pfeiffer, Doug Strand, Andy Hirshman, Vice President, and Matt Hunt, President. Trustee Maureen Mena arrived at 10:15 AM. Absent: Trustee Norma Bellcoff.

Others in attendance: Stan Rupnik, Executive Director and Chief Investment Officer; Cynthia Fain, Sr. Legal Counsel; Stacy Smith, Director of Internal Audit and Risk; Deron Bertolo, Chief Financial Officer; Lori Dour, Acting Chief Benefits Officer; Chris Wiedel, Director of Information Technology; John Boykin, Sr. Technical Support Specialist; Tammy Green, Executive Assistant; Sally Antonacci, Sr. Office Manager; Andrew Bodewes, Legislative Consultant; Jessica Culotti, Reinhart (Fiduciary Counsel).

Remote attendees included: Chad Fry, Technical Systems Manager; Jamie Stults, Director of Human Resources; Jeff Bennett, Director of Operations; Dave Urbanek, Director of Communications; Amy Reynolds, Director of Research; John Gerding, Deputy Director of IT, Lisa Hunt, Business Analyst; Stacey Wood, Deputy Director of IT; Becky Gratsinger, RVK (Investment Consultant); Kim Nicholl, David Nickerson and Matt Strom of Segal Consulting; Steff Chavez of Financial Times; Kevin Balaod of Pageant Media; Bob Johnston, Howard and Howard; Jared Hardin, Mike Sanders and Regina Lee of CAPTRUST.

Visitors: Christine Williamson, Pensions & Investments; Conrad Floeter, Annuitant; Mary Rothschild, Annuitant.

APPROVAL OF MINUTES

A draft of the August 12, 2021 minutes of the regular Board meeting was sent to the trustees for prior review. Documentation is on file. A motion was made by Trustee Miller, seconded by Trustee Blomquist, to approve the August 12, 2021 Board minutes as submitted. The motion passed by unanimous voice vote.

PUBLIC COMMENT

None

EXECUTIVE SESSION

A motion was made by Trustee Jazo-Harris, 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 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, Blackburn, 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 Hunt, seconded by Trustee Strand, that the Board come out of executive session. Roll call resulted in affirmative voice votes from Trustees Anderson, Ayala, Blackburn, Blomquist, Byas, Jazo-Harris, Mena, Miller, Peronto, Pfeiffer, Strand, Hirshman and Hunt. Motion Carried.

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

1. Approve the fiscal year 2022 minority utilization goals, as presented.
 - Increase the long-term goal for utilization of MWBE asset managers to 22% from 21%. This internal goal exceeds the IL General Assembly's legislated aspirational goal.
 - Maintain the Domestic Equity MWBE utilization goal of 25%.
 - Maintain International Equity MWBE utilization goal of 16%.
 - Maintain the Global Income MWBE utilization goal of 16%.
 - Maintain the investment management fees goal of 7.0 – 10.5% of total fees paid to MWBE firms.

2. Approve for the TRS investment portfolio to provide \$2.5 million seed capital from the Global Income Strategies portfolio (various fixed income, bond, and debt investments) within the Emerging Manager Program to the Garcia Hamilton ESG Core Bond Fund within the TRS Supplemental Savings Plan (SSP).
3. Approve the fiscal year 2022 Private Equity Tactical Plan as presented.
4. Approve the fiscal year 2022 Real Estate & Real Asset Tactical Plan as presented.
5. Approve the fiscal year 2022 Private Debt and Private Credit Tactical Plan as presented.
6. Approve the fiscal year 2022 Global Income Strategies Annual Review Plan as presented.

DEFINED CONTRIBUTION PLAN COMMITTEE REPORT

Chairman Hunt presented the defined contribution plan committee resolutions.

Trustee Strand moved that the Board set the total administrative fee for the Supplemental Savings Plan (SSP) at an annual amount of \$100/participant for the initial launch of the Plan. The amount includes a record keeping fee (Voya) of \$67.50 and an administrative fee of \$32.50. Trustee Pfeiffer seconded the motion, and it passed by roll call vote from Trustees Byas, Anderson, Jazo-Harris, Mena, Blomquist, Peronto, Miller, Strand, Ayala, Pfeiffer, Blackburn, Hirshman and Hunt. Motion Carried.

Trustee Strand moved that the Board remove Self-Directed Brokerage Account (SDBA) option from the investment array for the initial launch of the Supplemental Savings Plan. Trustee Peronto seconded the motion, and it passed by roll call vote from Trustees Miller, Peronto, Blomquist, Strand, Mena, Jazo-Harris, Blackburn, Byas, Ayala, Anderson, Pfeiffer, Hirshman and Hunt. Motion Carried.

Trustee Blomquist moved that the Board approve the amendments to the TRS Supplemental Plan Document, as presented. Trustee Byas seconded the motion and it passed by roll call vote from Trustees Miller, Peronto, Blomquist, Strand, Mena, Jazo-Harris, Blackburn, Byas, Ayala, Anderson, Pfeiffer, Hirshman, and Hunt. Motion Carried.

(Trustee Blackburn departed at 11:00 AM)

EXECUTIVE DIRECTOR’S REPORT

On or before November 15 each year, the Board is required to submit its certifications for statutory contributions under the Illinois Pension Code and state contributions for the Teacher Health Insurance Security (THIS) Fund to the Governor and others.

Actuarial Valuation Report/THIS Fund

Segal Consulting presented the preliminary results of the System’s actuarial valuation of its assets and liabilities as of June 30, 2021. Included in the presentation was the summary of state contributions required under the Illinois Pension Code for the Board’s consideration. Documentation is on file.

The unfunded liability decreased by \$0.8 million in the fiscal year ended June 30, 2021 from \$80.7 billion in 2020 to \$79.9 billion in 2021. The funded ratio based on the actuarial value of assets increased from 40.5% in 2020 to 42.5% in 2021. TRS ended fiscal year 2021 with \$58.9 billion in assets. The total state contribution, including guaranteed minimum annuity reserve, is \$5,894.0 billion.

The State of Illinois continues to underfund TRS by the use of funding policies that do not provide for adequate funding. The methods mandated by the IL Pension Code are inadequate resulting in TRS being among the worst funded public employee retirement system in the U.S. Segal recommends an actuarial funding method that targets 100% funding where payments at least cover normal cost, interest on the unfunded actuarial accrued liability and the principal balance.

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

To accept the results of the preliminary June 30, 2021 actuarial valuation as presented by Segal Consulting:

- Based on Illinois statute, an FY 2023 state funding amount of \$5,894,032,209, including \$300,000 for minimum retirement benefits;
- Based on the Board’s funding policy, an FY 2023 state funding amount of \$9,101,633,224, including \$300,000 for minimum retirement benefits;
- An FY 2023 total normal cost rate of 19.49 percent of pay, a rate that includes a total employer normal cost rate of 10.49 percent and a member contribution rate of 9.00 percent;
- An FY 2023 federal contribution rate of 10.49 percent of pay, a rate that is identical to the total employer normal cost rate.

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

THIS Fund

Two actions were taken for the Teachers' Health Insurance Security Fund. The first, based on further information from counsel, a revocation of the FY 2022 THIS Fund recertification resolution passed by the Board in June 2021. The revocation reinstates the October 2020 certification of the state contribution estimate and reestablishes the vouchered amount to the original FY 2022 level.

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

To revoke the June 25, 2021 recertification of the estimate under Section 6.6(c) of the State Employees' Group Insurance Act (5 ILCS 375/6.6(c)) for fiscal year 2022; to reinstate the October 30, 2020 certification of that estimate; and to direct that the periodic vouchers provided to the Comptroller to implement Section 1.3 of the State Pension Funds Continuing Appropriation Act (40 ILCS 15/1.3) for the rest of fiscal year 2022 shall be calculated so that the total of all such amounts for fiscal year 2022 corresponds to that reinstated certification.

The second action was the certification of the FY 2023 state contribution to THIS fund based on the calculation prepared by Segal and submitted to the Board.

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

To certify \$106,328,858 as the required state contribution to the Teacher Health Insurance Security (THIS) Fund for FY 2023, as presented by Segal Consulting, Exhibit B.

Roll call resulted in affirmative votes from Trustees Miller, Mena, Peronto, Jazo-Harris, Blomquist, Anderson, Byas, Ayala, Hirshman and Hunt. A vote of opposition was heard from Trustees Strand and Pfeiffer. Motion carried.

FY 2022 Administrative Budget Modifications

TRS staff requested modifications to the current FY2022 administrative budget. Documentation is on file.

On a motion by Trustee Ayala, seconded by Trustee Pfeiffer, it was resolved to approve the following budget modifications resulting in an increase to the TRS administrative budget for fiscal year 2022:

- Increase of \$80,911 to cover higher fiduciary and cyber insurance premiums.
- Increase of \$175,000 for building construction to remodel/reconstruct executive, investment, member services, and other areas of office and work area expansion.
- Increase of \$100,000 to cover recruitment services for Hudepohl & Associates, Inc., including approval for contracts of \$100,000 or higher.
- Increase of \$48,030 for additional costs and approval for SHI International Corp. contract to exceed \$100,000. Cisco SmartNet purchase budgeted; however, SHI International Corp. will be the vendor used instead of CDW.

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

Financial Statements

The financial reports for the quarter ended June 30, 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 June 30, 2021, as presented.

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

Gemini/Supplemental Savings Plan Update

Chris Wiedel, Director of Information Technology, presented a brief update of the Gemini project. Documentation is on file.

Informational Items

The following information is on file:

- FY2021 Vendor Pay Report > \$100,000
- FY2021 Vendor Utilization Report
- Member Services Statistical Report for the period ending August 31, 2021 & September 30, 2021

- Buyout Program Update through August 1, 2021

FY 2022 Standing Committees Update

At the August meeting, President Hunt deferred discussion of the Rules & Personnel Committee and the Legislative Committee 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 one governor appointed vacancy. Documentation on file.

Rules & Personnel Committee

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

To approve the following members to serve on the Rules & Personnel Committee during fiscal year 2022:

- Trustee Carmen Ayala, Chair
- Trustee Andy Hirshman, Vice Chair
- Trustee Joe Blomquist
- Trustee Marsha Byas
- Trustee Mia Jazo-Harris

Motion passed by unanimous voice vote.

Legislative Committee

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

To approve the following members to serve on the Legislative Committee during fiscal year 2022:

- Trustee Matt Hunt, Chair
- Trustee Beth Anderson, Vice Chair
- Trustee Norma Bellcoff
- Trustee Marsha Byas
- Trustee Larry Pfeiffer

Motion passed by unanimous voice vote.

Audit Committee

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

To approve adding Trustee Duffy Blackburn as a member of the Audit Committee, replacing Trustee Hunt, for the remainder of the fiscal year.

Motion carried by unanimous voice vote.

TRUSTEE CONCERNS

Trustee Peronto voiced that he would like the scope of the Gemini working group be expanded to include Internet security.

APPROVAL OF EXECUTIVE SESSION MINUTES

A draft of the August 12, 2021 Executive Session meeting minutes were sent to the Trustees for prior review. Documentation is on file. On a motion by Trustee Jazo-Harris, seconded by Trustee Byas, it was resolved to approve the August 12, 2021 executive session meeting minutes of the Board, as presented. Motion passed by unanimous voice vote.

ADJOURNMENT

There being no further business to be brought before the Board, a motion was made by Trustee Ayala, seconded by Trustee Mena, to adjourn the meeting at 11:50 AM. Motion passed by unanimous voice vote.



Stan Rupnik, Executive Director and Chief Investment Officer

Approved: December 8, 2021