



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

2815 West Washington Street | P.O. Box 19253 | Springfield, Illinois 62794-9253

R. Stanley Rupnik, Executive Director & Chief Investment Officer

<http://www.trsil.org>

877-927-5877 (877-9-ASK-TRS)

### **MINUTES**

#### **Board Meeting**

**August 12, 2022**

A meeting of the Board of Trustees of the Teachers' Retirement System of the State of Illinois was held on August 12, 2022 at the Teachers' Retirement System of the State of Illinois, 2815 West Washington Street, Springfield, Illinois. Trustee Matt Hunt (President) called the meeting to order at 8:41 AM. Roll call attendance was taken with the following Trustees present: Trustee Beth Anderson, Trustee Carmen Ayala, Trustee Joe Blomquist, Trustee Marsha Byas, Trustee Mike Goetz, Trustee Andy Hirshman (Vice President), Trustee Matt Hunt (President), Trustee Mia Jazo-Harris, Trustee Maureen Mena, Trustee David Miller, Trustee Larry Pfeiffer, and Trustee Doug Strand. Trustees Kevin "Duffy" Blackburn and Fred Peronto were not in attendance. A quorum was present.

Others in attendance: Stan Rupnik, Executive Director & CIO; Sally Antonacci, Senior Office Manager; Chelsea Duis, Administrative Specialist; Deron Bertolo, Chief Financial Officer; Gloria Lasley, Chief Operating Officer; Stacy Smith, Director of Internal Audit & Risk; Emily Peterson, General Counsel; Cynthia Fain, Senior Legal Counsel; Lori Dour, Chief Benefits Officer; Jamie Stults, Director of Human Resources; Dave Urbanek, Director of Communications; John Boykin, Network Administrator; Jared Shipp, Technical Support Specialist; Amy Reynolds, Director of Research; and Matt Strom and David Nickerson of Segal Consulting (Actuarial Consulting Services).

Remote attendees: Jessica Culotti of Reinhart Boerner Van Deuren (Fiduciary Counsel); Tanya Dybal of Segal Consulting (Actuarial Consulting Services); and Ian Bray, Becky Gratsinger, and Tony Smith of RVK Inc. (Investment Consultant).

Visitors: None

#### Public Comment

None

#### Minutes

A draft of the June 16, 2022 minutes of the Board meeting was sent to the Board members for review. On a motion by Trustee Jazo-Harris, seconded by Trustee Anderson, the minutes were approved by unanimous voice vote. Documentation is on file.

#### Committee Reports

##### Audit Committee

Trustee Larry Pfeiffer, Vice Chair of the Audit Committee, presented the Audit Committee agenda.

On a motion by Trustee Strand, seconded by Trustee Goetz, it was resolved to approve the Internal Audit charter, as presented. Motion carried by unanimous voice vote.

Legislative Committee

Trustee Beth Anderson reported that the Legislative Committee had nothing to bring forward to the Board at this time.

Investment Committee

Trustee Matt Hunt presented the Investment Committee consent agenda. All items listed under the consent agenda are enacted by one motion with roll call vote. No separate discussion of these items is held unless a request is made prior to voting on the motion. On a motion by Trustee Strand, seconded by Trustee Goetz, it was resolved to approve the consent agenda. The following items were approved by action taken in the consent agenda motion.

1. To approve the fiscal year 2023 Private Equity Tactical Plan, as presented.
2. To approve the fiscal year 2023 Real Estate & Real Asset Tactical Plan, as presented.
3. To commit \$250 million to SLR Capital, within the global income portfolio. Future commitments up to a total of \$500 million is anticipated, subject to staff's internal oversight committee approval. The expected first close is late August 2022, coinciding with Fund II.

Motion carried by roll call with affirmative votes from Trustees Anderson, Ayala, Blomquist, Byas, Goetz, Jazo-Harris, Mena, Pfeiffer, Strand, Hirshman, and Hunt. Trustee Miller was not in the room at the time of the vote.

Rules & Personnel Committee

Trustee Carmen Ayala presented the Rules & Personnel Committee agenda.

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

To certify that the following trustees of the Teachers' Retirement System of the State of Illinois have completed a minimum of eight hours of training during FY 2022 in accordance with Public Act 96-0006 and Article 1 of the 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, Kevin "Duffy" Blackburn, Joseph Blomquist, Marsha Byas, Andrew Hirshman, Matt Hunt, Maria "Mia" Jazo-Harris, Maureen Mena, David Miller, Fred Peronto, Larry Pfeiffer, and Doug Strand.

Motion carried by unanimous voice vote.

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

To refer the matter of the Executive Director & CIO's performance evaluation to the full Board for consideration in executive session. Staff will work with the Rules & Personnel Committee and the Board to create a new corporate governance process of conducting the Executive Director & CIO's performance evaluation for FY2023.

Motion carried by unanimous voice vote.

### Executive Director's Report

#### Review of Assumed Actuarial Rate of Return

The State Actuary recommends that the Board conduct an annual review of the economic assumptions and adjust accordingly. Segal Consulting presented a review of the investment return and inflation rate assumption for TRS. Segal makes recommendations based on economic indicators from a variety of expert sources, including RVK Inc., Horizon Survey of capital market expenditures, US treasury bond expectations Federal Reserve surveys, etc.

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

To make the following changes in economic assumptions in the June 30, 2022 actuarial valuation, as presented by Segal Consulting at the August 12, 2022 board meeting:

- To retain the 7.00% investment return assumption, and
- To raise the inflation assumption to 2.50% inflation.

Motion carried by roll call with affirmative votes from Trustees Anderson, Ayala, Blomquist, Goetz, Jazo-Harris, Mena, Miller, Pfeiffer, and Hunt. Trustees Byas and Strand abstained. Trustee Hirshman dissented.

### **RECESS**

The meeting recessed at 10:02 AM and resumed at 10:13 AM.

#### Informational Items

The following information is on file:

- Member Services Statistical Report as of June 30, 2022
- Employer Services Statistical Report – January 15, 2022 through July 8, 2022

#### FY 2023 Administrative Budget Modification

TRS staff requested modifications to the current FY2023 administrative budget. Documentation is on file.

On a motion by Trustee Hirshman, seconded by Trustee Jazo-Harris, it was resolved to approve the following budget modifications resulting in an increase to the TRS administrative budget for fiscal year 2023:

- Approval for a contract lease not to exceed \$400,000. The selection is contingent on successful negotiation and completion of all legal documents.
- Approval to increase budget up to \$500,000, final amount of lease agreement plus \$100,000 for IT infrastructure.
- Approval to increase budget to include \$29,000 for security training.

Motion passed by roll call vote from Trustees Anderson, Ayala, Blomquist, Byas, Goetz, Jazo-Harris, Mena, Miller, Pfeiffer, Strand, Hirshman, and Hunt.

#### Board Travel/Education Requests

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

To approve travel for Trustee Byas and Trustee Hirshman to attend the National Council on Teacher Retirement (NCTR) Annual Conference in Tucson, AZ in October 2022.

Motion passed by roll call vote from Trustees Anderson, Ayala, Blomquist, Byas, Goetz, Jazo-Harris, Mena, Miller, Pfeiffer, Strand, Hirshman, and Hunt.

#### Executive Session

A motion was made by Trustee Pfeiffer, seconded by Trustee Mena, that the Board enter into executive session to discuss matters as authorized and permitted under the following exceptions set forth by the Open Meetings Act: the appointment, employment, compensation, discipline, performance, or dismissal of specific employees or legal counsel for the public body, including hearing testimony on a complaint lodged against an employee or legal counsel for the public body, to determine its validity [5 ILCS 120/2(c)(1)]; security procedures and the use of personnel and equipment to respond to an actual, threatened, or reasonably potential danger to the safety of employees, students, staff, the public, or public property [5 ILCS 120/2(c)(8)]; litigation, when an action against, affecting, or on behalf of the public body has been filed and is pending before a court or administrative tribunal, or when the public body finds that an action is probable or imminent [5 ILCS 120/2(c)(11)]; discussion of minutes of meetings lawfully closed under this Act, whether for purposes of approval by the public body of the minutes, or semi-annual review of the minutes to determine the need for confidentiality still exists [5 ILCS 120/2(c)(21)]; and meetings between internal or external auditors and governmental audit committees when discussion involves internal control weaknesses, identification of potential fraud risk areas, known or suspected frauds, and fraud interviews conducted in accordance with generally accepted auditing standards [5 ILCS 120/2(c)(29)].

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

The public meeting closed at 10:33 AM.

No action was taken during executive session.

The public meeting reconvened at 1:20 PM. Roll call attendance was taken with the following trustees present: Trustee Matt Hunt (President), Trustee Andy Hirshman (Vice President), Trustee Beth Anderson, Trustee Carmen Ayala, Trustee Joe Blomquist, Trustee Marsha Byas, Trustee Mike Goetz, Trustee Mia Jazo-Harris, Trustee Maureen Mena, Trustee David Miller, Trustee Larry Pfeiffer, and Trustee Doug Strand. Trustee Kevin “Duffy” Blackburn and Trustee Fred Peronto were not present.

#### Executive Director & CIO employment Contract

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

To extend the term of the Executive Director / Chief Investment Officer’s employment contract and deferred compensation agreement by one year to June 30, 2025, thereby extending all existing contract terms and conditions, subject to negotiation of contractual terms.

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

#### Approval of Executive Session Minutes Including Semi-Annual Review of Executive Session Minutes

A draft of the June 16, 2022, Executive Session meeting minutes were sent to the trustees for prior review. Documentation is on file. On a motion by Trustee Goetz, seconded by Trustee Mena, it was resolved to approve the June 16, 2022, Executive Session meeting minutes of the Board, as presented. Motion carried by unanimous voice vote.

On a motion by Trustee Bloomquist, seconded by Trustee Ayala, it was resolved to approve the destruction of executive session audio recordings that were reviewed as part of a semi-annual review of executive session minutes and recordings. Motion carried by unanimous voice vote.

#### Trustee Concerns

None

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Adjournment

There being no further business to be brought before the Board, a motion was made by Trustee Ayala, seconded by Trustee Strand, to adjourn the meeting at 1:23 PM. Motion passed by unanimous voice vote.



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Stan Rupnik, Executive Director & Chief Investment Officer

Approved: October 21, 2022