



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

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R. Stanley Rupnik, Executive Director & Chief Investment Officer

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### **MINUTES**

#### **Board Meeting**

**October 21, 2022**

A meeting of the Board of Trustees of the Teachers' Retirement System of the State of Illinois was held on October 21, 2022 at the Chicago Marriott Naperville, 1801 N. Naper Boulevard, Naperville, IL. Trustee Matt Hunt (President) called the meeting to order at 9:16 AM. Roll call attendance was taken with the following Trustees present: Trustee Joe Blomquist, Trustee Mike Goetz, Trustee Andy Hirshman (Vice President), Trustee Matt Hunt (President), Trustee Mia Jazo-Harris, Trustee Maureen Mena, Trustee David Miller, Trustee Fred Peronto, Trustee Larry Pfeiffer, and Trustee Doug Strand. Trustees Beth Anderson, Carmen Ayala, and Marsha Byas were not in attendance. A quorum was present. Trustee Kevin "Duffy" Blackburn entered the meeting at 9:34 AM.

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; John Boykin, Network Administrator; Kyle Thornton, Network Administrator; Jessica Culotti of Reinhart Boerner Van Deuren (Fiduciary Counsel); and Matt Strom and David Nickerson of Segal Consulting (Actuarial Consulting Services).

Remote attendees: Dave Urbanek, Director of Communications; Amy Reynolds, Director of Research; John Gerding, Acting Director of Information Technology; Tanya Dybal and Daniel Siblik of Segal Consulting (Actuarial Consulting Services); and Ian Bray and Becky Gratsinger of RVK Inc. (Investment Consultant).

Visitors: Mary Rothschild, IEA Annuitant; and Elston Flowers, IEA Annuitant

#### Public Comment

Mary Rothschild provided comments on TRS's investment performance, the TRS Supplemental Savings Plan, and the Social Security Windfall Elimination Provision and Government Pension Offset.

#### Minutes

A draft of the August 12, 2022 minutes of the Board meeting was sent to the Board members for review. On a motion by Trustee Blomquist, seconded by Trustee Jazo-Harris, the minutes were approved by unanimous voice vote. Documentation is on file.

## Committee Reports

### Rules & Personnel Committee

Trustee Hunt (Board President) reported that the Rules & Personnel Committee met on Thursday, October 20, 2022. The Committee has nothing to bring to the Board at this time.

### Deferred Compensation Plan Committee

Trustee Hunt (Committee Chair) reported that the Deferred Compensation Plan Committee met on Thursday, October 20, 2022. The Committee has nothing to bring to the Board at this time.

### Investment Committee

The Investment Committee met on Thursday, October 20, 2022. Trustee David Miller (Committee Chair) 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 Jazo-Harris, seconded by Trustee Peronto, it was resolved to approve the consent agenda. The following items were approved by action taken in the consent agenda motion.

1. Staff recommends the TRS Board of Trustees approve the fiscal year 2023 minority utilization goals, as presented. The recommendation includes:
  - Maintaining the goal for utilization of MWBE asset managers of 22%. This internal goal exceeds the Illinois General Assembly’s legislated aspirational goal.
  - Increasing the Domestic Equity MWBE brokerage utilization goal to 30% from 25%.
  - Increasing the International Equity MWBE brokerage utilization goal to 17% from 16%.
  - Maintaining the Fixed Income MWBE trading utilization goal of 16%.
  - Increasing the investment management fee goal of 7.0 – 10.5% to 8.0 – 11.5% of total fees paid.

If approved, the above goals will be included in the TRS Investment Policy, Section 20: Improving Access to the TRS Investment Process.

2. Approve the fiscal year 2022 Global Income Annual Review Plan as presented.
3. Approve the fiscal year 2023 Private Debt & Private Credit Tactical Plan as presented.
4. Approve the fiscal year 2023 Diversifying Strategies Tactical Plan as presented.

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

Audit Committee

Trustee Larry Pfeiffer (Committee Vice Chair) reported that the Audit Committee met on Friday, October 21, 2022. The Committee has nothing to bring to the Board at this time.

Executive Director’s Report

Actuarial Evaluation Report/THIS Fund

On or before November 1 each year, the Board is required to submit its certification for statutory contributions under the Illinois Pension Code, and on or before November 15 each year, the certification of state contributions for the Teacher Health Insurance Security (THIS) Fund to the Governor and others.

FY 2022 Preliminary Actuarial Valuation and Certification of Results, including FY 2024 Funding Requirements for TRS

Segal Consulting presented the preliminary results of the System’s actuarial valuation of its assets and liabilities as of June 30, 2022. 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 increased by \$0.7 million in FY2022 from \$79.9 billion in 2021 to \$80.6 billion in 2022. The funded ratio based on the actuarial value of assets increased from 42.5% in 2021 to 43.8% in 2022. TRS ended fiscal year 2022 with \$62.9 billion in assets. The total FY2024 state contribution, including guaranteed minimum annuity reserve, is \$6.043 billion.

On a motion by Trustee Goetz, seconded by Trustee Pfeiffer, it was resolved to accept the results of the preliminary June 30, 2022 actuarial valuation as presented by Segal Consulting:

- Based on Illinois statute, an FY 2024 state funding amount of \$6,043,454,650, including \$300,000 for minimum retirement benefits;
- Based on the board’s funding policy, an FY 2024 state funding amount of \$9,590,116,087, including \$300,000 for minimum retirement benefits;
- An FY 2024 total normal cost rate of 19.60 percent of pay, a rate that includes a total employer normal cost rate of 10.60 percent and a member contribution rate of 9.00 percent;
- An FY 2024 federal contribution rate of 10.60 percent of pay, a rate that is identical to the total employer normal cost rate.

The preliminary June 30, 2022 actuarial valuation report includes revised actuarial assumptions about the impact of the accelerated pension benefit programs originally contained in Public Act 100-0587 and extended by Public Act 102-0718.

These proposed amounts and rates are being submitted to the state actuary and will be resubmitted to the board for final approval in December 2022 if they are accepted by the state actuary.

Motion carried by roll call with affirmative votes from Trustees Blackburn, Blomquist, Goetz, Jazo-Harris, Mena, Miller, Peronto, Pfeiffer, and Hunt. Trustees Hirshman and Strand opposed.

*Final Certification of FY 2024 THIS Fund State Contribution*

One action was taken for the Teachers' Health Insurance Security Fund.

On a motion by Trustee Hirshman, seconded by Trustee Goetz, it was resolved to certify \$65,393,587 as the required state contribution to the Teacher Health Insurance Security (THIS) Fund for FY 2024, as presented by Segal Consulting, exhibit B.

Motion carried by roll call with affirmative votes from Trustees Blackburn, Blomquist, Goetz, Hirshman, Jazo-Harris, Mena, Miller, Peronto, and Hunt. Trustees Pfeiffer and Strand opposed.

*Financials*

The financial reports for the quarter ended June 30, 2022 were sent to trustees for review. Documentation is on file. On a motion by Trustee Hunt, seconded by Trustee Blomquist, it was resolved:

To approve the financial statement and schedule of expenditures for the quarter ending June 30, 2022 as presented.

Roll call resulted in affirmative voice votes from Trustees Blackburn, Blomquist, Goetz, Jazo-Harris, Hirshman, Hunt, Mena, Miller, Peronto, Pfeiffer, and Strand.

*Trustee Election Update*

Stan Rupnik provided an update on the Trustee election process. TRS has engaged an election services provider to assist with the conduct of the election statutorily set to occur May 1, 2023. Three active teacher seats and one annuitant seat are up for election.

*Strategic Plan Update*

Stan Rupnik provided an update on the strategic planning process. The strategic plan is a key initiative for FY2023. Another update will be provided at the December 2022 meeting.

*Supplemental Savings Plan/Gemini Update*

Gloria Lasley, Deron Bertolo and Lori Dour provided an update on the Supplemental Savings Plan/Gemini project providing updates on employer reporting, auto-enrollment and communications. Documentation is on file.

Informational Items

The following information is on file:

- Member Services Statistical Report as of August 31, 2022

Board Travel/Education Requests

None

Executive Session

A motion was made by Trustee Blomquist, 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)]; 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)]; 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 Blackburn, Blomquist, Goetz, Hirshman, Hunt, Jazo-Harris, Mena, Miller, Peronto, Pfeiffer, and Strand. Motion carried.

The public meeting closed at 11:15 AM.

No action was taken during executive session.

The public meeting reconvened at 11:48 AM. Roll call attendance was taken with the following trustees present: Trustees Blackburn, Blomquist, Goetz, Hirshman (Vice President), Hunt (President), Jazo-Harris, Mena, Miller, Peronto, Pfeiffer, and Strand. Trustees Anderson, Ayala, and Byas were not present.

Approval of Executive Session Minutes

A draft of the August 12, 2022 Executive Session meeting minutes were sent to the trustees for prior review. Documentation is on file. On a motion by Trustee Hirshman, seconded by Trustee Strand, it was resolved to approve the August 12, 2022 Executive Session meeting minutes of the Board, as presented. Motion carried by unanimous voice vote.

Trustee Concerns

None

Minutes – Board Meeting

October 21, 2022

Page 6 of 6

Adjournment

There being no further business to be brought before the Board, a motion was made by Trustee Hirshman, seconded by Trustee Strand, to adjourn the meeting at 11:49 AM. Motion passed by unanimous voice vote.



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Stan Rupnik, Executive Director & Chief Investment Officer

Approved: December 6, 2022