



## **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**

**December 6, 2022**

A meeting of the Board of Trustees of the Teachers' Retirement System of the State of Illinois was held on December 6, 2022 at NIU Naperville, 1120 E. Diehl Rd., Naperville, IL. Trustee Matt Hunt (President) called the meeting to order at 1:50 PM. 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 Fred Peronto, Trustee Larry Pfeiffer, and Trustee Doug Strand. Trustee Kevin "Duffy" Blackburn was 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; Jared Shipp, Technical Systems Supervisor; Kyle Thornton, Network Administrator; and Jessica Culotti of Reinhart Boerner Van Deuren (Fiduciary Counsel).

Remote attendees: Dave Urbanek, Director of Communications; Michelle Kissel, Director of Human Resources; Amy Reynolds, Director of Research; and Catherine Jackson and Amy McDuffee of MOSAIC Governance Advisors (Strategic Plan Advisor).

Visitors: Mary Rothschild, IEA Annuitant.

#### Public Comment

None

#### Minutes

A draft of the October 21, 2022 minutes of the Board meeting was sent to the Board members for review. On a motion by Trustee Blomquist, seconded by Trustee Strand, the minutes were approved by unanimous voice vote. Documentation is on file.

#### Committee Reports

##### Rules & Personnel Committee

Trustee Carmen Ayala (Committee Chair) reported that the Rules & Personnel Committee met on December 6, 2022 and presented the 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 Goetz, seconded by Trustee Jazo-Harris, it was resolved to approve the consent agenda. The following items were approved by action taken in the consent agenda motion.

### ***Consent Agenda***

1. To authorize staff to promulgate amendments to TRS Administrative Rules through the JCAR process, as presented.
  - Changes annual to pay-period reporting
  - Updates definition of “salary” regarding lump-sum payments
  - Repeals suspension of benefits prior to felony conviction
  - Updates regarding public record requests and information immediately available
  - Updates regarding trustee election practices
  - Updates regarding TRS email address and submission of new QILDROs
  
2. To approve the Executive Director & Chief Investment Officer Performance Evaluation Process.

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

### **Deferred Compensation Plan Committee**

Trustee Hunt (Committee Chair) reported that the Deferred Compensation Plan Committee met on December 6, 2022. On a motion by Trustee Strand, seconded by Trustee Byas, it was resolved:

To approve the proposed Amended and Restated Teachers’ Retirement System of the State of Illinois 457(b) Deferred Compensation Supplemental Savings Plan (SSP).

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

### **Audit Committee**

Trustee Larry Pfeiffer (Committee Vice Chair) reported that the Audit Committee met on December 6, 2022. The Committee has nothing to bring to the Board at this time.

### **Investment Committee**

Trustee David Miller (Committee Chair) reported that the Investment Committee met on December 6, 2022. On a motion by Trustee Goetz, seconded by Trustee Pfeiffer, it was resolved:

To approve the FY23 Global Public Equity Annual Review Plan, as presented.

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

Executive Director’s Report

Final Certification of FY24 Contribution/State Actuary Report

As required by State statute, the Board must certify the state funding requirements in final form following review by the state actuary, Cheiron. The Board received Cheiron’s preliminary report regarding the proposed certification prepared by Segal Consulting of the required state contribution to TRS for fiscal year 2024. Documentation is on file and notification of the preliminary certification passed by the Board in October was sent to the Governor, legislative leaders, stakeholders and interested parties. The final certification of the fiscal year 2024 state contribution, passed by the Board at this meeting, will be communicated to the aforementioned parties by January 15, 2023, as required by State statute. The draft report includes Cheiron’s recommendations for Segal to consider in the next valuation process. Two of Cheiron’s fiscal year 2021 recommendations were fully implemented and removed from this report.

Cheiron found the actuarial assumptions and methods used in the draft June 30, 2022 Actuarial Valuation to be reasonable and certified contributions were properly calculated in accordance with State law. Cheiron concurred with Segal’s reporting of an alternative funding policy but suggested a modified funding policy that would reach full funding in a more plausible manner, however, Cheiron acknowledged that changing the funding method is under the jurisdiction of State law and not TRS. On a motion by Trustee Blomquist, seconded by Trustee Peronto, 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.

The actuarial valuation report and these amounts and rates have been submitted to and accepted by the state actuary.

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

Governance/Working Group Updates

Stan Rupnik, Executive Director & Chief Investment Officer, provided an update on the Investment Working Group and Technology Working Group. Given the working groups complement the Board’s prudent oversight of its governance through additional transparency, staff recommends the Board extend the existing working groups, subject to the limitations noted by fiduciary counsel and detailed in documentation as presented. Documentation is on file. On a motion by Trustee Hirshman, seconded by Trustee Mena, it was resolved:

To extend the existing Investment Working Group and Technology Working Group, subject to the limitations noted by fiduciary counsel.

Motion carried by unanimous voice vote.

Stan Rupnik provided a background on the staff delegation model. The discretion thresholds will continue to be reviewed annually, upon conclusion of the annual tactical plan and annual review process for all asset classes. Documentation is on file.

On a motion by Trustee Hirshman, seconded by Trustee Jazo-Harris, it was resolved:

- To maintain the current discretion thresholds, as presented.

<b>Asset Class</b>	<b>Threshold</b>
<b>Global Public Equity</b> <i>(including US Equity &amp; Int’l Equity)</i>	\$500 million
<b>Income</b>	\$500 million for public debt mandates \$250 million for private debt
<b>Private Equity</b>	\$300 million
<b>Real Estate &amp; Real Assets</b>	\$300 million for commingled funds \$500 million for separately managed accounts
<b>Diversifying Strategies</b>	\$250 million

- TRS staff recommends portfolio rebalance activity continue as necessary, with notification for significant rebalance activity given to the Investment Committee Chair and Vice Chair
- To approve a change to the co-investment deal process to include:
  - The ability of staff to identify a list of key General Partner relationships, approved by staff’s Private Capital Oversight Committee (PCOC), for whom TRS may invest in co-investment opportunities without the use of a co-investment advisor, and
  - A limitation on co-investment deal size of up to \$100 million for opportunities not utilizing a co-investment advisor

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

Financials

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

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

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

Strategic Plan Update

Amy McDuffee and Catherine Jackson of MOSAIC Governance Advisors (Strategic Plan Advisor) provided an overview of the strategic planning process. Documentation is on file.

Supplemental Savings Plan/Gemini Update

Gloria Lasley, Chief Operating Officer, provided an IT update on the Supplemental Savings Plan/Gemini project regarding auto-enrollment and testing. Lori Dour provided an update from the member side, including information on employer training, stakeholder meetings, and conference presentations.

Forward Board Calendar

On a motion by Trustee Blomquist, seconded by Trustee Mena, it was resolved to approve the board meeting calendar through December 2023, as revised. Exact locations to be determined.

February 9-10, 2023	Springfield, IL
April 20-21, 2023 (Retreat)	Springfield, IL
June 8-9, 2023	Naperville, IL
August 14-15, 2023	Springfield, IL
October 26-27, 2023	Chicago Suburbs
December 12-13, 2023	Chicago Suburbs

Informational Items

The following information is on file:

- Member Services Statistical Report as of October 31, 2022

Trustee Carmen Ayala was recognized for her service to the TRS Board of Trustees. Trustee Andy Hirshman read a resolution which highlighted Trustee Ayala’s achievements throughout her forty-year career in public education, including her time as the Illinois State Superintendent of Education.

Board Travel/Education Requests

None

*(Trustee Carmen Ayala exited the meeting at 3:14 PM.)*

Executive Session

A motion was made by Trustee Byas, seconded by Trustee Jazo-Harris, 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 Anderson, Ayala, Byas, Blomquist, Goetz, Jazo-Harris, Hirshman, Hunt, Mena, Miller, Peronto, Pfeiffer, and Strand. Motion carried.

The public meeting closed at 3:14 PM.

No action was taken during executive session. *(Trustee Maureen Mena exited the meeting at 3:28 PM.)*

The public meeting reconvened at 3:34 PM. Roll call attendance was taken with the following trustees present: Trustees Anderson, Byas, Blomquist, Goetz, Jazo-Harris, Hirshman, Hunt, Miller, Peronto, Pfeiffer, and Strand. Trustees Ayala, Blackburn, and Mena were not present.

Approval of Executive Session Minutes

A draft of the October 21, 2022 Executive Session meeting minutes were sent to the trustees for prior review. Documentation is on file. On a motion by Trustee Peronto, seconded by Trustee Blomquist, it was resolved to approve the October 21, 2022 Executive Session meeting minutes of the Board, as presented. Motion carried by unanimous voice vote.

Trustee Concerns

None

Adjournment

There being no further business to be brought before the Board, a motion was made by Trustee Strand, seconded by Trustee Jazo-Harris, to adjourn the meeting at 3:35 PM. Motion passed by unanimous voice vote.



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Stan Rupnik, Executive Director & Chief Investment Officer

Approved: 02/09/2023