



## **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 27, 2023**

A meeting of the Board of Trustees of the Teachers' Retirement System of the State of Illinois was held on October 27, 2023 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 9:13 AM. Roll call attendance was taken with the following Trustees present: Trustee Beth Anderson, Trustee Joe Blomquist, Trustee Marsha Byas, Trustee Mike Goetz, Trustee Andy Hirshman (Vice President), Trustee Matt Hunt, Trustee Mia Jazo-Harris, Trustee Maureen Mena, Trustee David Miller, Trustee Fred Peronto, Trustee Larry Pfeiffer, and Trustee Doug Strand. Trustees Kevin "Duffy" Blackburn and Tony Sanders were not in attendance. A quorum was present.

Others in attendance: Stan Rupnik, Executive Director & Chief Investment Officer; Sally Antonacci, Executive Officer; Chelsea Duis, Executive Administrator; Deron Bertolo, Chief Financial Officer; Gloria Lasley, Chief Operating Officer; Emily Peterson, General Counsel; Cynthia Fain, Senior Legal Counsel; Michelle Kissel, Director of Human Resources; Stacy Smith, Director of Internal Audit & Risk; Lori Dour, Chief Benefits Officer; John Gerding, Director of Information Technology; Ghiané Jones, Deputy Chief Investment Officer; Kyle Thornton, Network Administrator; Will Daugherty, Senior Technical Support Specialist; Amy Reynolds, Director of Research; Terri Worth, Pension Administration System Program Director; Jessica Culotti of Reinhart Boerner Van Deuren (Fiduciary Counsel); Tony Johnson of RVK Inc. (Investment Consultant); Tanya Dybal, Matt Strom, and David Nickerson of Segal (Actuarial Consulting Services); and Andrew Bodewes of Leinenweber, Baroni & Daffada Consulting LLC (Legislative Consultant).

Remote attendees: Dan Siblik of Segal Consulting (Actuarial Consulting Services)

Visitors: Faith Vaught, IEA-Retired

#### Public Comment

None

#### Minutes

A draft of the August 15, 2023 minutes of the Board meeting was sent to the Board members for review. On a motion by Trustee Anderson, seconded by Trustee Peronto, the minutes were approved by unanimous voice vote. Documentation is on file.

## Committee Reports

### Investment Committee

Trustee David Miller (Committee Chair) reported that the Investment Committee met on October 26, 2023 and presented the Investment Committee consent agenda. On a motion by Goetz, seconded by Trustee Hirshman, it was resolved to approve the consent agenda. The following items were approved by action taken in the consent agenda motion.

1. Select Aksia to provide diversifying strategies investment consulting services for a contract not to exceed a five-year period.
2. Approve the FY 2024 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 from 30% to 35%.
  - Maintaining the International Equity MWBE brokerage utilization goal of 17%.
  - Increasing the Global Income MWBE trading utilization goal from 16% to 17%.
  - Maintaining the existing investment management fees goal range of 8.0 – 11.5% of total fees paid.

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

3. Approve the fiscal year 2024 Global Income Strategies Annual Review plan as presented.
4. Approve the fiscal year 2024 Private Debt Tactical Plan as presented.

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

### Rules & Personnel Committee

Trustee Marsha Byas (Committee Vice Chair) reported that the Rules & Personnel Committee met on October 26, 2023. On a motion by Trustee Jazo-Harris and seconded by Trustee Mena, it was resolved:

To authorize staff to promulgate amendments to the TRS Administrative Rules through the JCAR process, as presented.

Motion carried by unanimous voice vote.

Audit Committee

Trustee Larry Pfeiffer (Committee Vice Chair) reported that the Audit Committee met on October 27, 2023. The Committee had nothing to bring to the Board at this time.

Executive Director’s Report

Financials

The financial reports for the quarter ended June 30, 2023 were sent to trustees for review. Documentation is on file. On a motion by Trustee Goetz, seconded by Trustee Blomquist, it was resolved:

To approve the financial statement and schedule of expenditures for the quarter ending June 30, 2023 as presented.

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

Strategic Plan

Sally Antonacci, Executive Officer, provided a status update on the FY2024 Strategic Planning Annual Business Plan.

Budget Modifications

Stan Rupnik, Executive Director & CIO; Deron Bertolo, Chief Financial Officer; and Michelle Kissel, Director of Human Resources presented information regarding an update to TRS human capital management systems procurement and the corresponding budget initiative. Documentation is on file. On a motion by Trustee Hirshman, seconded by Trustee Goetz, it was resolved:

1. To approve Workday services, using a third-party reseller, for a contract to exceed \$250,000. The selection is contingent on successful negotiation and completion of all legal documents.
2. To approve the increase of the HR Enterprise Resource Planning implementation initiatives/budget from \$500,000 to an amount up to \$1,000,000 if needed.

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

Change of Control Disclosure

A memo was provided to trustees regarding a change of control for CAPTRUST, Deferred Compensation Plan Investment Consultant.

Gemini Update

Terri Worth, PAS Program Director, provided an update on the Gemini project, including annual certification, FY24 project goals, and project challenges and action plans. Documentation is on file.

Governance Update

Stan Rupnik provided a staff recommendation to create the Strategic Plan Working Group, subject to the limitation noted by fiduciary counsel and detailed in documentation as presented. Documentation is on file. On a motion by Trustee Peronto, seconded by Trustee Blomquist, it was resolved:

To create the Strategic Plan Working Group, subject to the limitations noted by fiduciary counsel, and appoint Trustees Hunt, Hirshman, Anderson, and Sanders as members of the working group.

Motion carried by unanimous voice vote.

**RECESS**

The meeting recessed at 10:28 AM and resumed at 10:39 AM.

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 2023 Preliminary Actuarial Valuation and Certification of Results, including FY 2025 Funding Requirements for TRS

Matt Strom and David Nickerson of Segal presented the preliminary results of the System's actuarial valuation of its assets and liabilities as of June 30, 2023. 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 \$1.3 billion in FY2023 from \$80.6 billion in 2022 to \$81.9 billion in 2023. The funded ratio based on the actuarial value of assets increased from 43.8% in 2022 to 44.8% in 2023. TRS ended fiscal year 2023 with \$66.5 billion in assets. The total FY2025 state contribution, including guaranteed minimum annuity reserve, is \$6.204 billion.

On a motion by Trustee Goetz, seconded by Trustee Peronto, it was resolved to accept the results of the preliminary June 30, 2023 actuarial valuation as presented by Segal Consulting:

- Based on Illinois statute, an FY 2025 state funding amount of \$6,203,922,413, including \$300,000 for minimum retirement benefits;
- Based on the board's funding policy, an FY 2025 state funding amount of \$10,105,874,758, including \$300,000 for minimum retirement benefits;

- An FY 2025 total normal cost rate of 19.34 percent of pay, a rate that includes a total employer normal cost rate of 10.34 percent and a member contribution rate of 9.00 percent;
- An FY 2025 federal contribution rate of 10.34 percent of pay, a rate that is identical to the total employer normal cost rate.

The preliminary June 30, 2023 actuarial valuation report includes revised actuarial assumptions about the impact of the accelerated pension benefit programs originally contained in 40 ILCS 5/16 – 190.5 and 40 ILCS 5/16 – 190.6.

These proposed amounts and rates are being submitted to the state actuary and will be resubmitted to the board for final approval in December 2023 if they are accepted by the state actuary.

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

*Final Certification of FY 2025 THIS Fund State Contribution*

On a motion by Trustee Blomquist, seconded by Trustee Jazo-Harris, it was resolved to certify \$113,815,903 as the required state contribution to the Teacher Health Insurance Security (THIS) Fund for FY 2025, as presented by Segal Consulting.

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

**RECESS**

The meeting recessed at 12:00 PM and resumed at 12:13 PM.

*Fiduciary Education*

Matt Strom of Segal and Emily Peterson, General Counsel, presented education on the FICA exemption and Social Security safe harbor. Documentation is on file.

*Legislative Update*

Andrew Bodewes of Leinenweber, Baroni & Daffada Consulting LLC provided an update regarding proposed legislation.

*Fiduciary Education*

Jessica Culotti of Reinhart Boerner Van Deuren presented education on responsible contractor policies. Documentation is on file.

Board Travel Requests

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

To approve travel for Trustees David Miller and Larry Pfeiffer to attend the National Conference on Public Employee Retirement Systems (NCPERS) Legislative Conference in Washington, D.C., on January 22-24, 2024.

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

Approval of Executive Session Minutes

A draft of the August 15, 2023 Executive Session meeting minutes was sent to the trustees for prior review. Documentation is on file. On a motion by Trustee Miller, seconded by Trustee Goetz, the minutes were approved by unanimous voice vote. Documentation is on file.

Trustee Comments

Trustee Miller noted the Investment Working Group met virtually earlier in the week with Ghiané Jones, Deputy Chief Investment Officer, joining the meeting.

Trustee Hunt noted the Technology Working Group met virtually the prior week.

Trustee Strand expressed desire for all school districts to report through Gemini.

Adjournment

There being no further business to be brought before the Board, a motion was made by Trustee Jazo-Harris, seconded by Trustee Peronto, to adjourn the meeting at 1:33 PM. Motion passed by unanimous voice vote.



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Stan Rupnik, Executive Director & Chief Investment Officer

Approved: December 12, 2023