

BOARD MANUAL

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INTRODUCTION AND PURPOSE

The Teachers' Retirement System of the State of Illinois ("TRS" or the "System") was established by the state legislature effective July 1, 1939 to provide retirement, disability, and survivor benefits for educators employed in public schools outside the City of Chicago in positions requiring licensure by the Illinois State Board of Education. TRS benefits are set forth in Article 16 of the Illinois Pension Code.¹ TRS operates a governmental tax-qualified plan under Internal Revenue Code (the "Code") Sections 414(d) and 401(a). TRS also administers an optional deferred compensation plan qualified under Code section 457(b).

TRS is governed by a 15-member Board of Trustees (the "Board"). The Board is the fiduciary of TRS, and Board Trustees play a vital role in the administration of TRS. As fiduciaries, the Board is required to discharge its duties solely in the interest of the TRS participants and beneficiaries.²

The Board recognizes that prudent governance practices are essential to fulfilling its fiduciary duties. Part of prudent governance is establishing a governance framework. This Board Manual has been prepared to explain the roles, responsibilities, policies, procedures and activities of the Board and provide a framework the Board may use to set policies and oversee TRS. The Board also intends for this Manual to serve as orientation guidance for new Trustees and an ongoing resource for all Trustees and TRS staff. To ensure the Manual continues to be a resource, the Board will periodically review the Manual and update, as appropriate. The Board has also adopted a Board Policy Manual that includes all Board policies. Trustees are expected to review and be familiar with those policies.

TRS is governed by applicable provisions of the Illinois Pension Code³, Illinois Administrative Code⁴, other applicable state laws, and certain federal laws pertaining to plan qualification. The deferred compensation plan is governed by the Supplemental Savings Plan Document. To the extent this Board Manual conflicts with any applicable laws, rules, or the plan provisions, those laws, rules, or provisions will govern.

THE BOARD OF TRUSTEES

The Board is comprised of 15 Trustees. The names, pictures and contact information for current Board Trustees are available on the TRS website at www.trsil.org/trustees/board-of-trustees.

The Superintendent of Education is an ex officio voting member of the Board.⁵

¹ 40 ILCS 5/16

² 40 ILCS 5/1-109

³ See Articles 1, 16, and 20 of the Illinois Pension Code, 40 ILCS 5.

⁴ Ill. Admin. Code tit. 80, § 1650.

⁵ 40 ILCS 5/16-163

The Governor of Illinois, with the advice and consent of the Senate, appoints seven individuals to the Board who are not members of TRS and do not hold elected State office.⁶ In addition, these appointed individuals must reside in and be taxpayers in the territory covered by TRS, be interested in public school welfare, and experienced and competent in financial and business management.⁷

Of the remaining seven Trustees, five are teachers⁸ who are elected by the contributing TRS members, and two are retired TRS members elected by the TRS retirees.⁹ Elections for the teacher and retired Trustee positions are held pursuant to 40 ILCS 5/16-165 and Administrative Code Title 80, sections 1650.1000 through 1650.1090. The law restricts the number of elected teacher Trustees who may be active members of the same statewide teaching organization.

Trustees are appointed or elected to a 4-year term.¹⁰ A vacancy in the term of an appointed Trustee may be filled for the unexpired term by appointment of the Governor.¹¹ A vacancy that occurs with less than 6 months remaining in the term of an elected Trustee may be filled by a qualified individual who is selected by the remaining elected Trustees.¹² If more than 6 months is remaining in a term at the time of vacancy, TRS will hold an election in accordance with its administrative rules to fill the vacancy unless the Board's Secretary determines there is insufficient time to hold an election.¹³

The President of the Board is appointed by the Governor from among the Trustees,¹⁴ and the Board elects a Vice President from among its members. The Board appoints an Executive Director who serves as Secretary of the Board and is responsible for day-to-day operations of TRS.

OVERVIEW OF TRS

TRS administers a defined benefit plan that provides retirement benefits to members based on a statutory formula¹⁵ that takes into account a member's years of service credit, final average salary, and age at retirement. Membership in the defined benefit plan is mandatory for educators meeting the statutory definition of "teacher". Certain other individuals employed in

⁶ 40 ILCS 5/16-163

⁷ 40 ILCS 5/16-164

⁸ As defined in 40 ILCS 5/16-106.

⁹ 40 ILCS 5/16-163

¹⁰ 40 ILCS 5/16-164; 40 ILCS 5/16-165

¹¹ 40 ILCS 5/16-164

¹² 40 ILCS 5/16-165(f)

¹³ 40 ILCS 5/16-165(f); Administrative Code, tit. 80, § 1650.1090

¹⁴ 40 ILCS 5/16-163

¹⁵ As described in 40 ILCS/5 Article 16.

positions relating to education also qualify for TRS membership.¹⁶ TRS further provides disability and survivor benefits in accordance with Pension Code Article 16.

TRS is funded through member contributions, investment earnings, employer contributions, and State appropriations. TRS assets are invested by the Board and TRS staff in accordance with the Illinois Pension Code. Investment decisions are governed by the Board's fiduciary duties, including the prudent person standard, which requires investments to be managed solely in the interest of TRS members.

TRS also offers the TRS Supplemental Savings Plan ("SSP"), a 457(b) plan, an optional deferred compensation plan that TRS members may contribute to as an additional avenue for retirement savings. The benefits from the SSP are based on each participant's contributions, any contributions an employer may elect to make, and investment returns. The Board, with advice from TRS staff and service providers, select the available investments for the SSP. These investment decisions are also governed by the Board's fiduciary duties, including the prudent person standard.

¹⁶ 40 ILCS 5/106.

BYLAWS OF THE BOARD OF TRUSTEES

Article I: Business Office of the Board

The business office of the Board and staff shall be maintained and located in Springfield, Illinois. At such office all accounts, records, files, books, reports, correspondence, and other data or documents relating to the operation of the System shall be kept, and all administrative matters shall be processed under the direction and authority of the Executive Director & Chief Investment Officer, assisted by adequate administrative personnel.

Article II: Assuming Office

Section 1: Oath of Office

An Oath of Office shall be completed by each Trustee prior to assuming office and filed with the Secretary of State, Index Department. The Governor's Office notifies the Secretary of State who sends Oath of Office forms to the Governor's appointees. The Secretary to the Board sends Oath of Office forms to elected and ex-officio Trustees. Signed and notarized Oath of Office forms should be returned in duplicate to the Secretary of State, Index Department, 111 East Monroe, Springfield, IL 62756. The Index Department will return an executed copy to the Secretary to the Board for filing with the Board's records.

Section 2: Training and Trustee Trading Policy Compliance

All Trustees are expected to timely complete all training required by state law as well as certifications required by the Trustee Personal Trading Policy and provide verification to the Secretary to the Board or their designee.

Article III: Meetings

Section 1: Regular Meetings

The Board shall meet at least four times a year.¹⁷ Regular meetings of the Board shall be scheduled at the beginning of each fiscal year. The Board shall vote to approve the meeting calendar for the next 12-18 months at a meeting to occur prior to the beginning of each fiscal year.

Section 2: Place, Hour and Conduct of Meetings

Meetings of the Board and committees of the Board shall be held at an hour fixed by the President, or a majority of the members of the Board or committee at a convenient location approved by the majority of the Board or committee. All meetings of the Board and committees of the Board shall be conducted in accordance with the Open Meetings Act. Virtual meetings may be held as allowed by law.

¹⁷ 40 ILCS 5/16-168

Robert's Rules of Order shall govern the Board's actions to the extent they are not inconsistent with this Manual, a Board policy or applicable law.¹⁸

Section 3: Agenda, Notice and Cancellation of Meetings

Board meeting agendas are prepared by the Executive Director & Chief Investment Officer and approved by the President. Any Trustee may request that an item be placed on the agenda by contacting the Executive Director & Chief Investment Officer or the President in writing with such a request.

TRS staff endeavor, to the extent possible, to post the agendas and materials through the Board portal at least two weeks in advance of a meeting.

Notice of a meeting, stating the date, time, and place, will be provided to the Board through the Board portal and posted on the TRS website as required by law.

A regular meeting of the Board may be cancelled by the President upon a determination that there is a lack of business, or there will not be a quorum present. Written or verbal notice of a cancellation will be given to each Board member prior to the scheduled meeting.

Section 4: Attendance

Trustees should make every effort to attend all meetings of the Board and committees in person. If a Trustee will be unable to attend a meeting, notice should be sent to the Board President, Executive Director & Chief Investment Officer, and Executive Administrator as soon as possible to permit the System to confirm quorum requirements will be met.

When personal attendance is not possible due to personal illness, disability, employment purposes, TRS business, or a family or other emergency, participation by telephone or video or audio conference is permissible in accordance with the Open Meetings Act, but only if a quorum of Trustees is physically present at the meeting location.

A Trustee who wishes to attend by telephone or video or audio conference shall request approval during the roll call of the meeting. A majority of the Trustees attending in person must concur to allow that Trustee to attend by telephone or video or audio conference.

When attendance is prevented for a personal reason such as a graduation, wedding, or vacation instead of an absence covered under the Open Meetings Act such as personal illness, disability, employment purposes, TRS business, or a family or other emergency, a Trustee may request to observe the meeting via telephone, video, or audio conference; however, the observing Trustee cannot be counted as being in attendance for quorum requirements. The observing Trustee may engage in the meeting discussion but cannot vote on any action items.

Except as specifically provided above, the Board and its committees shall not conduct business via telephone call, video or audio conference, or electronic means such as electronic mail,

¹⁸ Administrative Code, tit. 80, § 1650.810,

electronic chat, instant or text messaging, or any other means of contemporaneous interactive communication that does not require physical presence at the meeting location.

Section 5: Special and Emergency Meetings

Special meetings may be called at any time by the President of the Board, either at the President's own demand or at the written request of a majority of the Trustees.

Notice shall be given to each Trustee of the time and place of each special meeting at least 72 hours prior to the date of the meeting, by overnight courier, by electronic mail, by facsimile transmission if the Trustee has a facsimile number on file with the System, or by telephone. Such notice shall contain information as to the subject matter for consideration at the meeting. Notice of a special meeting shall not be valid until a sufficient number of Trustees to constitute a quorum have confirmed with the Executive Director & Chief Investment Officer's office in writing, including by electronic mail, or by telephone that the Trustee has received notice of the special meeting.

Emergency meetings will only be called in the event of a bona fide emergency, subject to the limitations imposed by the Open Meetings Act.

Section 6: Quorum

A majority of the Trustees presently serving on the Board shall constitute a quorum for the transaction of business at any official meeting.

Section 7: Voting

Each Trustee shall have one vote on any question coming before the Board during any regular or special meeting which he or she attends in person or telephone, video or audio conference in accordance with Article III Section 4 of these Bylaws. Concurring votes by a majority of the Trustees presently serving on the Board shall be necessary for the adoption of any resolution or action by the Board. A tie vote fails.

Notwithstanding the foregoing, a Trustee shall recuse themselves in accordance with the requirements in the Code of Ethics and Conduct and shall not vote on any matter pursuant to which the Trustee has a conflict.

Section 8: Roll Calls

On all motions or resolutions involving an expenditure of monies or the creation of a liability to the System, the vote of each Trustee present shall be recorded in the minutes of the meeting. On any other motion or resolution, such a record shall be made at the request of any member present.

Section 9: Record of Proceedings

The Board and its committees shall keep written minutes of all proceedings, whether open or closed, in which shall be recorded the date, time, and place of the meeting, whether each Trustee was physically present, participated by telephone or video or audio conference, or was absent, a summary of all matters discussed, and a record of any votes taken. Board proceedings shall be

transcribed into written minutes, which shall be submitted to the Board for approval at the next meeting.

The Executive Director & Chief Investment Officer shall ensure that a draft of minutes of the previous meeting and materials for each meeting are forwarded to all Trustees on a timely basis, generally at least two weeks prior to the meeting date or as soon as reasonably possible.

Minutes of meetings open to the public shall be posted on the TRS website within 10 days of Board approval and remain posted for at least two years.

A Trustee may access executive session minutes not yet released for public inspection at the TRS administrative office, and in the presence of the Executive Director & Chief Investment Officer or designee. The minutes shall not be removed from the TRS office location.

Executive sessions shall be recorded by audio medium. Audio recordings of executive sessions shall be retained no fewer than 18 months after completion of the executive session and may be destroyed only after the Board has approved written minutes of the executive session and has approved destruction of the particular audio recording.

A Trustee may access executive session recordings at the TRS administrative office, and in the presence of the Executive Director & Chief Investment Officer or designee. Requests shall be made to the Executive Director & Chief Investment Officer or Board President. Before making such request, the Trustee should consider whether such request is germane to their TRS trustee responsibilities. While a Trustee is listening to a recording, it shall not be re-recorded or removed from the TRS office location.

Section 10: Trustee Concerns

At the end of each Board or committee meeting agenda, a block of time for Trustee concerns will be allocated.

Section 11: Public Comment and Recordings

The Open Meetings Act (5 ILCS 120/2.06) requires any person be permitted an opportunity to address public officials, subject to reasonable rules established by the public body. The Board is committed to hearing from and listening to its constituents and other interested parties. Public comment at meetings is particularly welcome subject to the following:

1. Public comment shall be a listed agenda item on public meeting agendas for regular meetings of the Board and committees.
2. Public comment shall be limited to issues pertaining to the System's business excluding administrative review or personnel matters.
3. Any individual who would like to speak to the Trustees must sign in on the sign-in sheet prior to the commencement of the Committee or Board meeting at which they wish to speak. The individual shall then be recognized by the Chair and be allowed to speak to the Committee or Board.

4. Public comment may be limited to five minutes per speaker with a cumulative total of twenty minutes for all speakers at the discretion of the presiding Chair to allow sufficient time to conduct the meeting agenda.

The Open Meetings Act (5 ILCS 120/2.05) allows any person to record proceedings that are required to be public under the Act, subject to reasonable rules established by the public body. The Board's policy is to allow members of the public to record meetings so long as the recording is not disruptive to the meeting and follows the procedures outlined below.

1. Any person who wishes to record the proceedings or photograph any slide or portion of a Board or Committee meeting must sign in at the meeting and indicate on the sign-in sheet that they may record or photograph during the proceedings prior to commencement of the Committee or Board meeting.
2. If any individual's recording or photography is disruptive to the proceedings, the Board or Committee Chair may, at their discretion, require the person to stop recording or photographing the meeting.

Section 12: Executive Session

The Board or any committee thereof may vote to adjourn into a closed executive session during a portion of an open meeting, only if the subject matter to be discussed falls under one of the exceptions contained in the Illinois Open Meetings Act, 5 ILCS 120. The procedure for adjourning into executive session, and the executive session itself, will be conducted in accordance with all requirements imposed by the Open Meetings Act. No final action may be taken during any executive session.

Article IV: Officers, Trustees and Their Duties

Section 1: President

The President shall be appointed by the Governor from among the trustees. The President's duties include, but are not limited to, the following:

1. Presiding over Board meetings and ensuring adequate time is provided for effective study and discussion of business being considered by the Board;
2. Announcing the business before the Board;
3. Announcing the question under consideration and the result of the vote taken;
4. Requesting a roll call upon any action or resolution as herein provided; and
5. Other duties as provided herein or as authorized by resolution of the Board.

Should the President be absent from a Board meeting, the Vice President shall serve as President.

Section 2: Vice President

The Vice President shall be elected by the Trustees at the Board's last meeting of the fiscal year in even-numbered years for a two-year term beginning July 15 or any other meeting if a vacancy occurs in the office of the Vice President. He or she shall preside over meetings in the absence of the President.

Section 3: Secretary

The Executive Director & Chief Investment Officer shall serve as the Secretary to the Board. He, she, or a designee shall give proper and timely notice of all meetings of the Board. He or she shall authenticate with his or her signature any resolutions of the Board, shall notify the Board when the oath of office has been administered to new trustees, and shall perform such other duties as may be assigned by the Board.

Section 4: Trustees

Trustees shall perform those duties set forth in Articles 1 and 16 of the Illinois Pension Code. As provided in the Pension Code, the Board of Trustees is charged with oversight and governance of the System, including the investment of TRS assets, the adoption of actuarial assumptions and adoption and amendment of Administrative Rules to govern TRS.¹⁹ The Board is also responsible for the appointment of the Executive Director & Chief Investment Officer, who is responsible for the day-to-day administration of TRS. The Executive Director & Chief Investment Officer is the Board's only direct report.

An individual Trustee has no authority with respect to the System apart from his or her Board Membership and shall refrain from representing that he or she has unilateral authority to act on behalf of the System. Trustees shall comply with the Board Communications Policy.

Trustees shall complete all statutorily required training per year concerning ethics, fiduciary duty, investment issues, or any other matters important for the administration of the System.²⁰ The Board shall annually certify that all Trustees have completed all training as required by law.

Section 5: Delegation and Signatory Power

As noted above, the Board is charged with oversight and governance of TRS and has certain powers and duties. The Board also has the authority to delegate certain duties to others, including the Executive Director & Chief Investment Officer, which delegation shall be documented by a Power of Attorney (POA) executed by the Board President. The POA may be relied on as evidence of proper delegation of authority from the Board to the Executive Director & Chief Investment Officer with respect to day-to-day operations of the System.

Upon authorization by the Board, the President, the Executive Director & Chief Investment Officer, or the Executive Director & Chief Investment Officer's designee may sign any contracts or agreements, including but not limited to stock or bond powers.

Section 6: Indemnification

Board trustees, including prior trustees and future trustees, will be defended and indemnified for alleged violations of Illinois law or the Internal Revenue Code and for acts within the scope of the

¹⁹ 40 ILCS 5/16-171 through 16-181.2 details the Board's authority and responsibilities.

²⁰ 40 ILCS 5/1-113.18; 5 ILCS 430/5-10 and 5-10.5; 20 ILCS 450/25.

trustees' duties to the extent provided by law.²¹ Trustees will not be indemnified for willful misconduct and gross negligence.

Article V: Committees

Section 1: Standing and Ad Hoc Committees

There shall be six standing committees of the Board; namely, the Investment Committee, the Legislative Committee, the Rules and Personnel Committee, the Claims Hearing Committee, the Audit Committee, and the Deferred Compensation Plan Committee. Each committee shall be composed of members of the Board as described below.

Each standing committee shall have a charter setting forth its responsibilities and other relevant details regarding the committee's function.

The President and Vice President will, taking into account the expressed areas of interest and backgrounds of individual Trustees, recommend committee members for Board review and approval at the last meeting of the fiscal year in even years. At that meeting, the Board will also elect committee chairs and vice-chairs. Committee appointments must comply with the membership provisions in the respective committee charter and should seek to have balance between elected and appointed Trustees. In the event of a vacancy or a new Trustee, the President and Vice President will recommend committee members for Board review and approval at a future meeting determined by the President and Vice President.

Committee assignments including committee chairs and vice chairs shall be for two-year terms beginning July 15, unless otherwise specified in the committee charter. In the event that the committee chair position becomes vacant, the vice chair will fill the vacancy for the remaining term. With regard to their assigned Board committees, committee chairs will:

1. Coordinate committee meetings, including reviewing and approving committee meeting agendas;
2. Preside over committee meetings in a manner consistent with applicable law;
3. Regularly report to the Board on activities of the committee; and
4. Carry out such other functions and duties as prescribed by the Board.

To the extent a committee chair is unavailable, the vice chair shall act as committee chair.

Ad hoc committees may be appointed by the Board as the need arises to carry out specified tasks that do not fall within the assigned function of a standing committee. The President shall be a voting member of each ad hoc committee. When the task is completed, the ad hoc committee automatically ceases to exist unless otherwise determined by a resolution of the Board. Ad hoc

²¹ 40 ILCS 5/1-107.

committees are comprised of less than a majority of a quorum of trustees presently serving on the Board and thus do not constitute committees.

For vacancies that occur mid-year or for a special election, a newly elected or appointed Trustee will fill the committee vacancies created by the outgoing trustee. The Trustee will fill the committee vacancies at the first meeting in which he or she is entitled to participate as a Trustee. If there are no committee vacancies, the President shall call for volunteer committee resignations for the purpose of creating a vacancy.

The Board may also establish working groups to facilitate the prudent conduct of the System's business and interaction between Trustees and staff between board meetings. Working groups are not committees of the Board. To ensure compliance with the Open Meetings Act, the maximum number of Trustees serving on any working group must be less than a majority of a quorum of all Trustees currently serving on the Board.

Section 2: Special Meetings

Special meetings of any committee may be called at any time by the committee chair, either at the committee chair's own demand or at the written request of a majority of the Trustees serving on the committee. Notice shall be given to each committee member of the time and place of each special committee meeting at least 72 hours prior to the date of the meeting, by overnight courier, by electronic mail, by facsimile transmission if the Trustee has a facsimile number on file with the System, or by telephone. Such notice shall contain information as to the subject matter for consideration at the meeting. Notice of a special committee meeting shall not be valid until a sufficient number of Trustees serving on the committee to constitute a quorum have confirmed with the Executive Director & Chief Investment Officer's office in writing, including by electronic mail, or by telephone that the committee member has received notice of the special committee meeting.

Section 3: Quorum

A majority of the Trustees presently serving on the committee shall constitute a quorum for the transaction of business by any committee.

Section 4: Voting

Each Trustee serving on a committee shall have one vote on any question coming before the committee during any committee meeting which he or she attends in person or by telephone or video or audio conference in accordance with Article III Section 4 of these Bylaws. Concurring votes by a majority of the committee members presently serving on the committee shall be necessary for the adoption of any motion, resolution or action by a committee. A tie vote fails.

Article VI: Executive Director & Chief Investment Officer, General Counsel, Fiduciary Counsel, External Counsel and Actuary

Section 1: Executive Director & Chief Investment Officer

The Executive Director & Chief Investment Officer serves as the Secretary of the Board and the System's chief executive officer and is responsible for the detailed day-to-day administration of

the System. The Executive Director & Chief Investment Officer shall perform all duties prescribed by the Illinois Pension Code or by rule, order, or resolution of the Board. The Executive Director & Chief Investment Officer's performance review is conducted annually.

The Executive Director & Chief Investment Officer shall attend all closed executive session meetings except when the Executive Director & Chief Investment Officer's performance or compensation is being discussed, or as otherwise excused by the Board President.

If the Executive Director & Chief Investment Officer is incapacitated or otherwise unavailable to perform his or her duties, the General Counsel shall serve as interim Executive Director until such time as the Executive Director & Chief Investment Officer resumes his or her duties or the Board otherwise takes action.

Section 2: General Counsel

The General Counsel serves as the System's internal legal advisor and is responsible for providing legal advice and representation to the System's Executive Director & Chief Investment Officer and staff on a daily basis. The General Counsel is responsible for monitoring the provision of legal services by external counsel, rendering legal opinions at the request of the Board and performing all other duties the Board or the System's Executive Director & Chief Investment Officer may assign. General Counsel shall also serve as the TRS Ethics Officer.

General Counsel shall attend all closed executive session meetings unless excused by the Board President from such session meeting.

Section 3: External Counsel

When deemed in the best interest of the System, external counsel may be retained to represent the System, to draft legal instruments required to transact the business of the System, to render legal opinions at the request of the Board, the Executive Director & Chief Investment Officer, or General Counsel, or perform such other duties the Board, the Executive Director & Chief Investment Officer, or General Counsel may assign. Individual trustees are not authorized to assign legal work to external counsel without Board, Committee, or Executive Director & Chief Investment Officer approval. To ensure proper monitoring of legal services, the Board, Committee, or Executive Director & Chief Investment Officer will notify General Counsel of any legal work it may assign to external counsel.

The Attorney General of the State of Illinois represents the System in all lawsuits, litigation, or related actions.²² The General Counsel shall refer all litigation matters to the Attorney General, monitor the provision of legal services by the Attorney General's Office, and take actions or provide assistance as appropriate to protect the interests of the System.

Section 4: Fiduciary Counsel

The Board in its discretion may retain fiduciary counsel to provide advice regarding the Board's fiduciary duties, to answer individual Trustees' fiduciary questions, upon request to attend Board meetings, or to render legal opinions regarding fiduciary matters at the request of the Board,

²² 40 ILCS 5/16-171.

Committee, the Executive Director & Chief Investment Officer, or General Counsel. Trustees shall have access to fiduciary counsel to address questions or concerns but should be mindful of expending TRS resources. If a Trustee has an issue or question that will require research or review by fiduciary counsel, the Trustee should coordinate the project with General Counsel, the Executive Director & Chief Investment Officer or make a request for such review at a Board or a Committee meeting.

Section 5: Actuary

The Actuary shall be a technical advisor to the Board and prepare an annual actuarial valuation, and mortality, interest, and other required tables necessary to the operation of the System. The Actuary shall also perform such other duties as directed by the Board, the Executive Director & Chief Investment Officer, or the Executive Director & Chief Investment Officer's designee.

Article VII: Board Approval of Contracts

Administrative and professional services contracts shall be approved by the Board in accordance with TRS Operating Policy: Expenditure Management. Omnibus approval for contracts and expenditures may be provided through the annual budget approval process.

Investment contracts shall be approved by the Board in accordance with TRS Operating Policy: Expenditure Management, the Investment Policy and the System's administrative rules governing investment procurement, as applicable.²³

Article VIII: Review and Updates

The Board will periodically review the Bylaws and update, as appropriate.

COMMITTEE CHARTERS

Claims Hearing Committee Charter

Purpose

The purpose of the Claims Hearing Committee is to assist the Board in reviewing and providing recommendations for member appeals of staff decisions regarding claims for benefits or other interpretations of Pension Code provisions.

Membership

The Claims Hearing Committee shall be comprised of five members, three of whom shall be Trustees appointed as described in Article V, Section 1 of the Bylaws, and one of whom shall be an outside attorney retained by the System to serve as the Committee's Presiding Hearing Officer. The Board shall elect the chair and the vice chair of the Committee from the Trustees elected to the Committee. An alternate trustee shall also be appointed to serve in the event a regular

²³ Administrative Code, tit. 80, §1650.3000 – 3045.

Trustee Committee member is unavailable or otherwise disqualified from participating in an administrative review proceeding.

Meetings

The Claims Hearing Committee shall meet periodically as needed to resolve pending administrative review matters. Committee members should make every effort to attend all meetings in person. When personal attendance is not possible due to personal illness, disability, employment purposes, TRS business, or a family or other emergency, participation by telephone or video or audio conference is permissible, but only if a quorum of Claims Hearing Committee members is physically present at the meeting location.

A committee member who wishes to participate by telephone or video or audio conference shall request approval during roll call of the meeting. A majority of the Claims Hearing Committee members attending in person must concur to allow that committee member to participate by telephone or video or audio conference.

Except as specifically provided above, the Claims Hearing Committee shall not conduct business via telephone call, video or audio conference or electronic means such as electronic mail, electronic chat, instant or text messaging, or any other means of contemporaneous interactive communication that does not require physical presence at the meeting location.

All meetings shall be conducted in accordance with the Illinois Open Meetings Act.

Policy and Responsibilities

It is the policy of the Claims Hearing Committee to provide a full and fair hearing through the administrative review process to ensure uniform application of law and administrative rules to TRS members, annuitants, disability benefit recipients, beneficiaries, and TRS-covered employers who seek review of a TRS staff determination.

The Board provides all necessary power and authority to the Claims Hearing Committee to perform the duties and responsibilities as set forth in TRS Administrative Rules, title 80, sections 1650.610 – 1650.650. Nothing in this Charter shall be construed as giving the Committee the authority to take any action in conflict with the administrative review rules.

Reporting

Following a Committee meeting or where requested, the Committee Chair shall provide a verbal or written report to the Board at the next regularly scheduled Board meeting to update the Board as to its activities, findings, recommendations, and any other relevant issues. Following an administrative review hearing, the Committee shall provide its Recommended Decision for Board consideration as required by TRS Administrative Rule, Title 80, sections 1650.610-1650.650. Committee meeting minutes shall be distributed to the Board.

Policy Updates

The Committee should review this charter periodically and update, as appropriate.

Investment Committee Charter

Purpose

The purpose of the Investment Committee is to assist the Board in fulfilling its responsibilities related to the investment and management of TRS assets.

Membership

The Investment Committee shall be comprised of all TRS Board members. The Board shall elect the chair and the vice chair of the Committee.

Meetings

The Investment Committee shall meet as a committee of the whole periodically as needed. Committee members should make every effort to attend all meetings in person. When personal attendance is not possible due to personal illness, disability, employment purposes, TRS business, or a family or other emergency, participation by telephone or video or audio conference is permissible, but only if a quorum of Investment Committee members is physically present at the meeting location.

A committee member who wishes to participate by telephone or video or audio conference shall request approval during roll call of the meeting. A majority of the Investment Committee members attending in person must concur to allow that committee member to participate by telephone or video or audio conference.

Except as specifically provided above, the Investment Committee shall not conduct business via telephone call, video or audio conference or electronic means such as electronic mail, electronic chat, instant or text messaging, or any other means of contemporaneous interactive communication that does not require physical presence at the meeting location. All meetings shall be conducted in accordance with the Illinois Open Meetings Act.

Responsibilities

The Investment Committee shall have the following responsibilities:

1. Oversee the investment of assets of the System.
2. Formulate investment policies and guidelines to govern the investment of assets of the System.
3. Monitor the management of the assets of the System to ensure compliance with investment policies and guidelines and the attainment of the System's investment performance objectives.
4. Select or ratify, as necessary, the external investment managers and advisors.
5. Consider new investment vehicles to ensure diversification of the assets of the System and maximization of investment returns.

6. Review and concur in the appointment, replacement, or dismissal of the Chief Investment Officer.

The Board provides all necessary power and authority to the Investment Committee to perform the duties and responsibilities enumerated herein or as otherwise may be provided by the Board from time to time. Except as expressly granted herein, nothing in this Charter shall be construed as giving the Investment Committee the authority to take any final action on behalf of the Board without first obtaining the approval of the Board.

Reporting

Where requested, the Investment Committee Chair shall provide a written or verbal report to the Board at the next regularly scheduled Board meeting to update the Board as to its activities, findings, recommendations, and any other relevant issues. Committee meeting minutes shall be distributed to the Board.

Policy Updates

The Investment Committee should review this Charter periodically and update, as appropriate.

Legislative Committee Charter

Purpose

The purpose of the Legislative Committee is to assist the Board in considering legislation that could impact TRS and developing the Board's Legislative Platform.

Membership

The Legislative Committee shall be comprised of five TRS Trustees appointed as described in Article V, Section 1 of the Bylaws. The Board shall elect the chair and the vice chair of the Committee.

Meetings

The Legislative Committee shall meet periodically as needed. Committee members should make every effort to attend all meetings in person. When personal attendance is not possible due to personal illness, disability, employment purposes, TRS business, or a family or other emergency, participation by telephone or video or audio conference is permissible, but only if a quorum of Legislative Committee members is physically present at the meeting location.

A committee member who wishes to participate by telephone or video or audio conference shall request approval during roll call of the meeting. A majority of the Legislative Committee members attending in person must concur to allow that committee member to participate by telephone or video or audio conference.

Except as specifically provided above, the Legislative Committee shall not conduct business via telephone call, video or audio conference or electronic means such as electronic mail, electronic chat, instant or text messaging, or any other means of contemporaneous interactive

communication that does not require physical presence at the meeting location. All meetings shall be conducted in accordance with the Illinois Open Meetings Act.

Responsibilities

The Legislative Committee shall have the following responsibilities:

1. Recommend to the Board any changes or additions to the Legislative Platform.
2. Consider all legislative proposals that have a known or potential impact on TRS.
3. Provide recommendations to the Board relative to the positions taken by TRS on proposed legislation.

The Board provides all necessary power and authority to the Legislative Committee to perform the duties and responsibilities enumerated herein or as otherwise may be provided by the Board from time to time. Except as expressly granted herein, nothing in this Charter shall be construed as giving the Legislative Committee the authority to take any final action on behalf of the Board without first obtaining the approval of the Board.

Reporting

Following a Legislative Committee meeting or where requested, the Committee Chair shall provide a written or verbal report to the Board at the next regularly scheduled Board meeting to update the Board as to its activities, findings, recommendations, and any other relevant issues. Committee meeting minutes shall be distributed to the Board.

Policy Updates

The Legislative Committee should review this charter periodically and update, as appropriate.

Audit Committee Charter

Purpose

The purpose of the Audit Committee is to assist the Board in fulfilling its oversight responsibilities for financial reports, internal controls and internal and external auditing.

Membership

The Audit Committee shall be comprised of five Trustees appointed as described in Article V, Section 1 of the Bylaws. The Board shall elect the chair and the vice chair of the Audit Committee.

Meetings

The Audit Committee shall meet at least quarterly. Committee members should make every effort to attend all meetings in person. When personal attendance is not possible due to personal illness, disability, employment purposes, TRS business, or a family or other emergency, participation by telephone or video or audio conference is permissible, but only if a quorum of Audit Committee members is physically present at the meeting location.

A committee member who wishes to participate by telephone or video or audio conference shall request approval during roll call of the meeting. A majority of the Audit Committee members attending in person must concur to allow that committee member to participate by telephone or video or audio conference.

Except as specifically provided above, the Audit Committee shall not conduct business via telephone call, video or audio conference or electronic means such as electronic mail, electronic chat, instant or text messaging, or any other means of contemporaneous interactive communication that does not require physical presence at the meeting location. All meetings shall be conducted in accordance with the Illinois Open Meetings Act.

At least once a year, or more often, if requested by an Audit Committee member or the internal audit department, the Committee chair will meet with the internal audit department to review the System's internal audit activities and to discuss any concerns of the internal audit department.

Responsibilities

The Audit Committee will carry out the following responsibilities:

1. Review and approve the risk assessment and related internal audit plan.
2. Review results and recommendations of the external auditors on completion of the annual audit.
3. Review the system of internal controls of the System.
4. Review the performance of the System's internal audit function including compliance with professional standards for the practice of internal auditing.
5. Review with management and the internal audit department significant findings and management's response.
6. Review any additional reports on additional audit work engaged by management or internal audit department.
7. Meet separately on a regular basis with the internal audit department to discuss any matters that the Audit Committee or the internal audit department believes should be discussed.
8. Ensure there are no unjustified restrictions or limitations placed upon the internal audit department auditor functions, including the obligation to report any alleged illegal activity or violation of Board policy by the Executive Director & Chief Investment Officer to the President and Vice President of the Board.
9. Review and concur in the appointment, replacement, or dismissal of the Director of Internal Audit.

The Board provides all necessary power and authority to the Audit Committee to perform the duties and responsibilities enumerated herein or as otherwise may be provided by the Board from time to time. Except as expressly granted herein, nothing in this Charter shall be construed as giving the Audit Committee the authority to take any final action on behalf of the Board without first obtaining the approval of the Board.

Reporting

Following an Audit Committee meeting or where requested, the Audit Committee Chair shall provide a written or verbal report to the Board at the next regularly scheduled Board meeting to update the Board as to its activities, findings, recommendations, and any other relevant issues. Committee meeting minutes shall be distributed to the Board.

Policy Updates

The Audit Committee should review this charter periodically and update, as appropriate.

Rules and Personnel Committee Charter

Purpose

The purpose of the Rules and Personnel Committee is to assist the Board in reviewing and providing recommendations related to the Executive Director & Chief Investment Officer position including compensation, personnel issues, and TRS Administrative Rules.

Membership

The Rules and Personnel Committee shall be comprised of five TRS Trustees appointed as described in Article V, Section 1 of the Bylaws. The Board shall elect the chair and the vice chair of the Committee.

Meetings

The Rules and Personnel Committee shall meet periodically as needed. Committee members should make every effort to attend all meetings in person. When personal attendance is not possible due to personal illness, disability, employment purposes, TRS business, or a family or other emergency, participation by telephone or video or audio conference is permissible, but only if a quorum of Rules and Personnel Committee members is physically present at the meeting location.

A committee member who wishes to participate by telephone or video or audio conference shall request approval during the roll call of the meeting. A majority of the Rules and Personnel Committee members attending in person must concur to allow that committee member to participate by telephone or video or audio conference.

Except as specifically provided above, the Rules and Personnel Committee shall not conduct business via telephone call, video or audio conference or electronic means such as electronic mail, electronic chat, instant or text messaging, or any other means of contemporaneous interactive communication that does not require physical presence at the meeting location. All meetings shall be conducted in accordance with the Illinois Open Meetings Act.

Responsibilities

The Rules and Personnel Committee shall have the following responsibilities:

1. Assist the Board with the annual performance review of the Executive Director & Chief Investment Officer as described in the Executive Director Annual Performance Review Process.
2. Review and recommend revisions to the administrative rules governing TRS.
3. Receive periodic reports of trustees' training and trading policy compliance status.

The Board provides all necessary power and authority to the Rules and Personnel Committee to perform the duties and responsibilities enumerated herein or as otherwise may be provided by the Board from time to time. Except as expressly granted herein, nothing in this Charter shall be construed as giving the Rules and Personnel Committee the authority to take any final action on behalf of the Board without first obtaining the approval of the Board.

Reporting

Following a Rules and Personnel Committee meeting or where requested, the Committee Chair shall provide a written or verbal report to the Board at the next regularly scheduled Board meeting to update the Board as to its activities, findings, recommendations, and any other relevant issues. Committee meeting minutes shall be distributed to the Board.

Policy Updates

The Rules and Personnel Committee should review this charter periodically and update, as appropriate.

Deferred Compensation Plan Committee Charter

Purpose

The purpose of the Deferred Compensation ("DC") Plan Committee is to assist the Board in administering the TRS Supplemental Savings Plan ("SSP") and provide recommendations related to the SSP.

Membership

The DC Plan Committee shall be comprised of five TRS trustees appointed as described in Article V, Section 1 of the Bylaws. The Board shall elect the chair and the vice chair of the Committee.

Meetings

The DC Plan Committee shall meet periodically as needed. Committee members should make every effort to attend all meetings in person. When personal attendance is not possible due to personal illness, disability, employment purposes, TRS business, or a family or other emergency, participation by telephone or video or audio conference is permissible, but only if a quorum of DC Plan Committee members is physically present at the meeting location.

A committee member who wishes to participate by telephone or video or audio conference shall request approval during roll call of the meeting. A majority of the DC Plan Committee members attending in person must concur to allow that committee member to participate by telephone or video or audio conference.

Except as specifically provided above, the DC Plan Committee shall not conduct business via telephone call, video or audio conference or electronic means such as electronic mail, electronic chat, instant or text messaging, or any other means of contemporaneous interactive communication that does not require physical presence at the meeting location. All meetings shall be conducted in accordance with the Illinois Open Meetings Act.

Responsibilities

The DC Plan Committee shall have the following responsibilities:

1. Provide updates and recommendations to the Board for the TRS Supplemental Savings Plan (SSP). Review and maintain an up-to-date plan document.
2. Establish and maintain Committee Charter and Investment Array.
3. Recommend to the Board any changes to the plan.
4. Oversee administration of the plan and delegate responsibility to staff as necessary and appropriate for prudent day-to-day administration and operation of the plan in accordance with the plan document.

The Board provides all necessary power and authority to the DC Plan Committee to perform the duties and responsibilities enumerated herein or as otherwise may be provided by the Board from time to time. Except as expressly granted herein, nothing in this Charter shall be construed as giving the DC Plan Committee the authority to take any final action on behalf of the Board without first obtaining the approval of the Board.

Reporting

Following a DC Plan Committee meeting or where requested, the Committee Chair shall provide a written or verbal report to the Board at the next regularly scheduled Board meeting to update the Board as to its activities, findings, recommendations, and any other relevant issues. Committee meeting minutes shall be distributed to the Board.

Policy Updates

The DC Plan Committee should review this charter periodically and update, as appropriate.



TEACHERS' RETIREMENT SYSTEM OF THE STATE OF ILLINOIS

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