

**GENERAL ASSEMBLY RETIREMENT SYSTEM OF ILLINOIS
MEETING NO. 264
MINUTES OF A REGULAR BOARD MEETING OF THE
BOARD OF TRUSTEES**

April 29, 2020

A regular meeting of the Board of Trustees of the General Assembly Retirement System convened on Wednesday, April 29, 2020, at 9 a.m. in the Boardroom of the State Retirement Systems, 2101 S. Veterans Parkway, Springfield, Illinois. Per Executive Orders 2020-07 and 2020-18, trustees were permitted to participate via teleconference.

Roll Call was taken with the following trustees in attendance by telephone:

Senator Robert Martwick, Chairman
Senator Sue Rezin, Vice-Chairperson
Senator Napoleon Harris
Representative Michael Zalewski

Others in attendance were:

Timothy B. Blair, Secretary
Jeff Houch, Assistant to Secretary
Jim Stivers, SRS General Counsel
Angie Ackerson, GARS Manager
Alex Rivera, Gabriel, Roeder, Smith & Company (by telephone)
Heidi Barry, Gabriel, Roeder, Smith & Company (by telephone)
Jeff Tebeau, Gabriel, Roeder, Smith & Company (by telephone)
Johara Farhadieh, Executive Director, Illinois State Board of Investment, (by telephone)

With a quorum present, Chairman Martwick called the meeting to order at 9 a.m.

PUBLIC COMMENTS

Chairman Martwick thanked the Board and asked if there were any members of the public participating who wished to make comments. There were none.

REPORT OF ILLINOIS STATE BOARD OF INVESTMENT (ISBI)

Johara Farhadieh, ISBI Executive Director, presented the Quarterly Review dated December 31, 2019, which was electronically distributed to Trustees, noting the portfolio's one-year return was 17.9%, ranking in the 72nd percentile compared to its peers. She attributed the percentile rank to its conservative positioning in a market that has rewarded riskier investments, adding that the Rate Sensitive Composite is comprised 24% of the ISBI portfolio while it comprised approximately 19% of the portfolios of public fund peers.

Director Farhadieh stated that due to extreme market volatility, preliminary figures indicate the portfolio lost 9.96% in the quarter that ended March 31, 2020. She added that ISBI is focused on long-term investment strategies, while remaining aware of short-term market changes. She added the portfolio's structure and diversification fares better in down markets when compared to the peer group.

Chairman Martwick stated that as Chair of the Senate pensions working group, he applauded ISBI for their exceptional performance in comparison to other retirement systems in the State. A copy of the ISBI Quarterly Review is maintained in the ISBI office and made a part of these minutes as *Exhibit A*.

REPORT OF CONSULTING ACTUARIES

Annual Review of Economic Assumptions. Heidi Barry, consulting actuary, presented the annual review of economic assumptions which had been electronically distributed to Trustees. She stated the purpose of the annual review is to determine if the economic assumptions used in the June 30, 2019 actuarial valuation are still adequate. She reminded the Board the current GARS investment return assumption is 6.5%, the current price inflation assumption is 2.25%, and the current wage inflation assumption is 2.50%.

Ms. Barry noted the review did not consider the impact of the COVID-19 pandemic, but this impact would be considered in the 2021 assumption review. She added the study includes the impact of a 0% return in FY 20 and a 10% loss in FY 20, with 6.5% returns thereafter. Due to the statutory funding policy and the System's 16% funded ratio, there will not be a material impact on required State contributions or funded status from the assumed lower FY 20 returns. She concluded by stating the review determined the current economic assumptions are reasonable.

Chairman Martwick asked about the difference in the investment return assumption of 6.5% for GARS and Judges' Retirement System (JRS) and the 6.75% assumption for State Employees' Retirement System (SERS), since the funds from all three Systems are comingled and managed by ISBI. Mr. Jeff Tebeau, consulting actuary, responded that the variation in the assumed investment returns between SERS and GARS/JRS is a result of the cash flow profile of each fund and the amount of funds available to invest.

MINUTES OF PREVIOUS MEETING

Chairman Martwick presented the minutes of Meeting No. 263 held on January 10, 2020, for approval. Copies were previously submitted to the trustees for preliminary review. Senator Rezin moved to approve the January 10, 2020 minutes as presented. Representative Zalewski seconded the motion, and all were in favor.

REPORT OF CHAIRMAN MARTWICK

Chairman Martwick offered no report.

REPORT OF ANY TRUSTEE

There were no reports offered.

REPORT OF ADMINISTRATIVE SECRETARY

December 31, 2019 and March 31, 2020 Financial Statements. Secretary Blair reviewed the financial statements, noting approximately \$6.3 million of employer contributions and \$300,000 of employee contributions were received quarterly, while benefit payments averaged slightly more than \$2 million per month. He added that only 145 participants are contributing to GARS, while 324 retirement annuities and 106 survivor annuities are paid monthly. Secretary Blair added that monthly benefit payments increased in the third quarter due to the automatic annual increases that occur in January.

Secretary Blair noted that while no cash has been transferred from ISBI during the current fiscal year, State revenue is expected to decrease by an estimated \$10 billion in the next fourteen months due to the COVID-19 pandemic, potentially impacting the timeliness of State contributions to the System. Senator Rezin moved to approve the financial statements. The motion was seconded by Representative Zalewski and all were in favor. Official copies of these Financial Statements have been made a part of these minutes as *Exhibit B*.

FY 20 Supplemental Budget Request. Secretary Blair requested a net increase of \$6,700 to meet expected FY 20 obligations. He noted his prior budget request did not include a one-time lump sum payment for retroactive step increases to an employee who retired in September 2019. Secretary Blair added the budget request was partially offset by a decrease in the Group Insurance, Travel and Contractual lines. After brief discussion, Chairman Martwick asked for a motion to approve a \$6,700 increase in the FY 20 budget. Representative Zalewski moved to approve the request. Senator Harris seconded the motion, and all were in favor.

Preliminary Review of FY 2021 Operations Budget. Secretary Blair presented the FY 21 Preliminary Operations Budget Request noting the request is a decrease of \$68,405, or 16.59%, from the FY 20 budget. The FY 21 budget request totaled \$343,920, a \$38,015 decrease in the Personal Services line, a \$20,375 decrease in the Retirement line, a \$2,870 decrease in the FICA line, and a \$6,000 decrease in the Group Insurance line. The proposed budget reflects GARS' proportion of shared administrative expenses decreasing from 25% to 20%.

Secretary Blair referred to a document of the historical comparison between GARS and JRS since 1980, which showed that benefit payments attributable to GARS have decreased from 38.01% to 25.8%, while the active/inactive membership has declined from 30.59% to 16.57%. He pointed out that the number of active participants in GARS declined from 238 to 126 in the 40-year span while the number of active participants in JRS grew from 700 to almost 1000. Following brief discussion of the FY 21 preliminary budget request, Representative Zalewski moved for approval. Senator Rezin seconded the motion, and all were in favor.

FY 20 Funding Update. Secretary Blair told the Board that the Comptroller's Office is current in making the state contributions and there have been no delayed payments in FY 20. He added that GARS received the May contribution on April 24, 2020.

REPORT OF MANAGER

Division Manager Angie Ackerson directed attention to the report reflecting three new retirement annuities totaling \$12,096.65 per month and four survivors' annuities totaling \$8,079.48 per month. She reported there was one error refund of \$507.92. After brief discussion, Senator Rezin moved for approval. Representative Zalewski seconded the motion, and all were in favor.

UNFINISHED BUSINESS

Secretary Blair provided a summary of options available to fill the seat formerly held by elected trustee Representative Daniel Pierce, who passed away on February 13, 2020. He explained the Board could function with five trustees or the vacancy could be filled by appointment of the Board of Trustees, noting the next Trustee election will be held in January 2021.

NEW BUSINESS

There was no new business offered.

ADJOURNMENT

There being no further business to be brought before the Board, Representative Zalewski moved to adjourn at 9:45 a.m. The motion was seconded by Senator Rezin and passed with an affirmative vote of all trustees.

Timothy B. Blair, Administrative Secretary

Date: _____

APPROVED:

Senator Robert F. Martwick, Jr., Chairman