

**GENERAL ASSEMBLY RETIREMENT SYSTEM OF ILLINOIS
MEETING NO. 261
MINUTES OF A REGULAR BOARD MEETING OF THE
BOARD OF TRUSTEES**

May 1, 2019

A regular meeting of the Board of Trustees of the General Assembly Retirement System convened at 9 a.m. on Wednesday, May 1, 2019, in Room 627A of the Capitol Building, Springfield, Illinois.

The following trustees were in attendance:

- Representative Robert Martwick, Chairman
- Senator Sue Rezin, Vice-Chairperson
- Senator Don Harmon
- Senator Napoleon Harris
- Representative Charles Meier
- Representative Michael Zalewski
- Representative Daniel Pierce, Retired

Others in attendance were:

- Timothy B. Blair, Secretary
- Jeff Houch, Assistant to Secretary
- Angie Ackerson, GARS Manager
- Alex Rivera, Gabriel, Roeder, Smith & Company
- Jeff Tebeau, Gabriel, Roeder, Smith & Company
- Stephen J. Bochenek, System Attorney
- Dipesh Mehta, General Counsel/Chief Compliance Officer, Illinois State Board of Investments
- Alli Stone, Meketa Investment Group
- Representative William Laurino, retired annuitant

Since the previous Chairman and Vice-Chairman were no longer members of the Board, Secretary Blair asked Senator Don Harmon to call the meeting to order as the senior trustee. With a quorum present, Senator Don Harmon called the meeting to order at 9:00 am.

ELECTION OF 2019 OFFICERS

Senator Harmon asked if there were any nominations for the vacant positions of Chairman and Vice-Chair. Representative Zalewski made a motion to nominate Representative Martwick as Chairman and Senator Rezin as Vice-Chairperson. After no further nominations were offered, Senator Harmon closed the nominations. The motion was seconded by Representative Pierce, and all were in favor.

PUBLIC COMMENTS

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

REPORT OF ILLINOIS STATE BOARD OF INVESTMENT

Alli Stone of Meketa Investment Group, accompanied by Dipesh Mehta, General Counsel and Chief Compliance Officer of ISBI, distributed copies of the Quarterly Review dated December 31, 2018. Ms. Stone began her presentation by reporting the Fund balance was approximately \$17.4 billion at the end of the second quarter of FY 2019, down with a negative return of 5.8%. Since December 31, 2018, the Fund is up 8.3%, resulting in a 4.3% positive performance for the fiscal year to date.

Ms. Stone continued her report by briefly reviewing selected asset classes, noting the Fixed Income Portfolio trailed the benchmark by 0.7%, and adding the Opportunistic Debt class was the strongest performing fixed income asset class, gaining 3.0% over the three-month period. He then pointed out that International Equities were down 10.8% but outperformed the benchmark of -11.9%. The Domestic Equity Portfolio was down 14.0% but outperformed the U.S. equity market index by 0.3%. Ms. Stone concluded her review by reporting that Private Equity advanced 5.0% while Infrastructure was up 1.6% and Real Estate returned 1.9%. She then offered to answer questions.

After a few questions and some discussion, Representative Zalewski moved to approve the report of the Illinois State Board of Investment. Senator Rezin seconded the motion and it passed unanimously.

REPORT OF CONSULTING ACTUARIES

Experience Review for the Period July 1, 2015 to June 30, 2018. Alex Rivera and Jeff Tebeau, consulting actuaries, distributed copies of the Experience Review which compared actual experience with the actuarial assumptions for the period from 2015 through 2018. Mr. Rivera began the presentation by providing an overview of the economic assumptions including investment return, inflation, payroll growth and individual salary rates. He recommended lowering the interest rate assumption from 6.75% to 6.5%, decreasing the inflation assumption from 2.50% to 2.25%, and decreasing wage inflation from 2.75% to 2.50%, effective for the June 30, 2019 valuation. He noted the recommended changes would have a very minor positive impact on the financial condition of GARS.

Mr. Tebeau presented an overview of the demographic assumptions and recommended using newly published mortality tables specific to public sector employees (Pub-2010 Above-Median General Mortality). He also recommended lowering overall projected retirement rates to better reflect observed experience and increasing the turnover rate from 5% to 6%. Mr. Tebeau recommended maintaining the current assumption of 10% of inactive members participating in reciprocal systems and 50% of future members will elect to opt out of participation in the pension system.

After a few questions and some discussion, Senator Harmon moved to approve the recommended assumption changes. Representative Zalewski seconded the motion, and all were in favor.

APPEAL OF REPRESENTATIVE WILLIAM LAURINO

Secretary Blair introduced retired Representative William Laurino and provided an overview to the Board regarding Representative Laurino's appeal to reduce the interest period charged to repay a survivor annuity refund. Secretary Blair provided historical documentation regarding the appeal and offered to answer any questions. Previous annual statements sent to Representative Laurino indicated he may have a survivor benefit even though he

had previously taken a refund the survivor annuity contributions prior to his retirement. After discussion and review of the documentation and testimony by Representative Laurino, Representative Laurino exited the meeting and the Board discussed the dynamics of this appeal.

Representative Laurino returned to the meeting to answer questions from board members. After discussion, the Board offered Representative Laurino an 18-month period to repay the balance owed to re-establish a survivor annuity for his spouse with no additional interest accruing after May 1, 2019. Steve Bochenek, GARS attorney, was directed to work with GARS staff to finalize the terms of the agreement and provide Representative Laurino a written document summarizing the agreement. Representative Zalewski motioned to approve the repayment agreement for up to 18 months with no further interest being assessed on the outstanding balance. The motion was seconded by Senator Harmon and all were in favor, except Senator Rezin who abstained from the vote.

MINUTES OF PREVIOUS MEETING

Chairman Martwick presented the minutes of Meeting No. 260 held on January 8, 2019, for approval. Copies of the minutes were previously submitted to the trustees for preliminary review. Senator Harmon moved to approve the January 8, 2019 minutes as presented. Senator Rezin 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, 2018 and March 31, 2019 Financial Statements. Secretary Blair briefly reviewed the financial statements and noted for the Board that in the third quarter, disbursements exceeded \$2 million per month and attributed the increase to a rise in the number of monthly benefits being paid from 310 in second quarter to 322 in third quarter. He indicated that historically, contributions by participants and employers have closely tracked monthly disbursements. In addition, he reported a \$45,000 transfer to the Excess Benefit Fund occurred in the third quarter to pay benefits in accordance with IRC Section 415. Secretary Blair noted that GARS began the first quarter of FY 19 with approximately \$52.6 million in assets and held just under \$4.1 million in cash at March 31, 2019.

Senator Harmon moved to approve the financial statements. The motion was seconded by Senator Harris, and all were in favor. Official copies of these Financial Statements have been made a part of these minutes as *Exhibit A*.

Preliminary Review of FY 2020 Operations Budget. Secretary Blair presented the FY 20 Preliminary Operations Budget Request noting the request is a decrease of \$3,300, or 0.92%, from the FY 19 budget. The FY 20 GARS budget request totaled \$396,425. He reviewed the items having a cost impact on the FY 20 budget, including an increase of \$3,900 for employer contributions to the State Employees' Retirement System (SERS) due to the employer contribution rate increasing from 51.614% in FY 19 to 54.290% in FY 20. The request also includes an increase of \$3,750 in the Group Insurance line and a decrease of \$12,400 in the Contractual line, mainly due to a reduction in projected actuarial services.

Following discussion of the FY 20 preliminary budget request, Senator Rezin moved to approve as presented. Representative Meier seconded the motion, and all were in favor.

FY 19 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 19. He added that GARS received the May state contribution on April 25, 2019.

Member Requested Benefit Suspension Policy. Executive Secretary Blair reported to the Board that a GARS retiree, Senator John M. Sullivan, had requested to voluntarily suspend his GARS pension after being appointed to serve as Director of the Illinois Department of Agriculture. Secretary Blair added that GARS staff had been authorized to suspend his benefit effective April 1, 2019, pending board approval. Mr. Blair offered additional details regarding the suspension and clarified that Senator Sullivan would be considered a GARS retiree during the period of suspension and would continue eligibility for health insurance and survivor benefits. After a brief discussion, Senator Harmon made a motion to approve the voluntary suspension of Senator John M. Sullivan's GARS pension and that upon written request to reinstate his pension benefits, the amount of the retirement annuity shall equal the level it would have been had such benefit never been suspended, including the annual increases. The motion was seconded by Senator Harris and all were in favor.

Optional Service Purchases Employer Normal Cost Policy. Jeff Houch provided an explanation of the current employer normal cost policy which blends both Tier 1 and Tier 2 cost factors to arrive at a current employer cost of 23.41%. He also noted that the current employer's normal cost for a Tier 1 member is 36.8% while a Tier 2 member is 7.36% for optional service purchases that include employer normal cost factors. These types of service include military service, service transfers from other reciprocal retirement systems, and elected county, township or municipal office service that could not be established under Article 7. Mr. Houch offered two alternatives for the Board's consideration. The first option presented was to calculate Tier 2 service purchases using the Tier 2 employer normal cost rate. The second option presented was to discontinue using the blended rate for service credit purchases and replace the blended rate with the rate associated with the member's tier. Senator Harmon made a motion to defer the discussion until the next Board meeting, which was seconded by Representative Pierce and the motion passed unanimously.

REPORT OF MANAGER

Division Manager Angie Ackerson directed attention to the report reflecting sixteen new retirement annuities totaling \$68,524.50 per month and two survivors' annuities totaling \$2,985.16 per month. She reported there were no termination refunds, but three survivor refunds totaling \$61,501.06 and three error refunds totaling \$3,194.04. After a brief discussion, Senator Rezin moved for approval. Senator Harmon seconded the motion, and all were in favor.

UNFINISHED BUSINESS

There was no unfinished business.

NEW BUSINESS

There was no new business.

ADJOURNMENT

There being no further business to be brought before the Board, Senator Harmon moved to adjourn at 11:30 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