

**GENERAL ASSEMBLY RETIREMENT SYSTEM OF ILLINOIS  
MEETING NO. 267  
MINUTES OF A REGULAR BOARD MEETING OF THE  
BOARD OF TRUSTEES**

**April 28, 2021**

A regular meeting of the Board of Trustees of the General Assembly Retirement System convened on Wednesday, April 28, 2021, at 9 a.m. in the System's Springfield Office at 2101 S. Veterans Parkway and by videoconference, as allowed under Section 7(e) of the Open Meetings Act (5 ILCS 120/7 (e)) and Executive Order 2020-7, as amended and reissued by Executive Orders 2020-33, 2020-44, and 2021-1.

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

- Senator Robert Martwick, Chairman
- Senator Dave Syverson, Vice-Chairman
- Senator Napoleon Harris
- Representative Jonathan Carroll
- Representative Michael Halpin
- Representative Charles Meier (added to the roll at 9:10 am)
- Representative Tom Ryder, Retired (in person at the System's Springfield Office)

Others in attendance were:

- Timothy B. Blair, Secretary
- Jeff Houch, Assistant to Secretary
- Jim Stivers, SRS General Counsel
- Angie Ackerson, GARS Manager
- Johara Farhadieh, Director, Illinois State Board of Investment (by video)
- Alex Rivera, Gabriel, Roeder, Smith & Company (by video)
- Heidi Barry, Gabriel, Roeder, Smith & Company (by video)
- Alli Wallace Stone, Principal, Meketa Investment Group (by video)

With a quorum present, Chairman Martwick called the meeting to order at 9:05 a.m.

**ELECTION OF 2021 OFFICERS – CHAIRPERSON AND VICE-CHAIRPERSON**

Chairman Martwick announced the annual election of officers for the ensuing year was in order and opened the meeting for nominations. Senator Harris nominated Chairman Robert Martwick to remain Chairman and the motion was seconded by Senator Syverson. After no further nominations were offered, Chairman Martwick asked if there was a motion to close the nominations; a motion to close nominations was made by Representative Halpin. Senator Syverson seconded the motion. Ms. Ackerson took roll call and the motion to elect Senator Martwick as Chairman was approved unanimously.

Chairman Martwick asked if there were any nominations for Vice-Chairperson. There was a brief discussion regarding whether the Board was required to fill the Vice-Chairperson role with a minority party member. Secretary Blair stated that it was not a requirement, but prior boards have historically chosen to award a leadership role to a trustee of the minority party. Chairman Martwick nominated Senator Syverson to serve as Vice-Chairman. The motion was seconded by Senator Harris. After no further nominations were offered, Chairman Martwick

asked if there was a motion to close the nominations. Representative Halpin made a motion to close nominations which was seconded by Representative Carroll. Ms. Ackerson took roll call, and Senator Syverson was unanimously elected to serve as Vice-Chairman.

## **PUBLIC COMMENTS**

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

## **REPORT OF CONSULTING ACTUARIES**

Annual Review of Economic Assumptions. Alex Rivera and Heidi Barry of Gabriel, Roeder, Smith & Company, presented the annual review of economic actuarial assumptions which had been electronically distributed to Trustees. Mr. Rivera stated the purpose of the annual review is to determine if the economic assumptions used in the June 30, 2020 actuarial valuation are still adequate. He stated they are recommending no changes to the current economic assumptions for the June 30, 2021 actuarial valuation. Mr. Rivera told the Board that after the June 30, 2021 a full experience study will be performed on all demographic and economic assumptions for the June 30, 2022 actuarial valuation.

Mr. Rivera then turned the presentation over to Heidi Barry to provide additional details on the economic assumption review. She stated they will continue to use the current GARS investment return assumption of 6.5%, the current price inflation assumption of 2.25%, and the current wage inflation assumption of 2.50% for the upcoming valuation. Ms. Barry directed the Trustees to the GRS report which provides a detailed analysis and supporting documentation for their recommendations. She indicated that GRS reviews Meketa's capital market assumptions and the short-term and long-term expectations in their analysis.

Ms. Barry then referred to a table comparing Meketa's and GRS's key results regarding the investment return assumption. She pointed out that Meketa's 20-year expected investment return is 6.85% with a 51% likelihood of exceeding an annual return of 6.75%. Ms. Barry added that GRS also looked at the capital market assumptions of 12 independent investment consulting firms' assumptions in their analysis and calculated an expected return of 6.72% over 20 years, a median return of 6.69%, a 53% likelihood of exceeding 6.5%, and a 49% likelihood of exceeding 6.75%. She further stated that the 10-year horizon reflects an expected return of 5.98% with a median of 5.92%, a 43% likelihood of exceeding an annual return of 6.5%, and a 41% likelihood of exceeding 6.75%.

At the conclusion of her presentation, Chairman Martwick thanked Mr. Rivera and Ms. Barry and excused them from the remainder of the meeting.

A copy of the GRS Economic Assumption Update Review for the June 30, 2021 Actuarial Valuation is maintained in the GARS office and made part of these minutes as *Exhibit A*.

## **REPORT OF ILLINOIS STATE BOARD OF INVESTMENT (ISBI)**

Johara Farhadieh, ISBI Director, distributed copies of the Quarterly Review dated December 31, 2020, and briefly reported to the Board that ISBI was continuing to make changes with the asset allocation. She briefly reviewed the Fund's exposure to the Rate Sensitive Composite allocation which contains high quality fixed income assets, such as long-term

treasuries and high-quality bonds. Director Farhadieh explained the Fund's exposure in the Rate Sensitive Composite asset class provides protection to the Fund in a down market and noted this allocation contributed to the Fund's top decile performance in March 2020 when the impact of the pandemic affected the markets. She referred to ISBI's continued efforts to formulate an asset allocation policy as a barbell approach which provides increased exposure to high-quality fixed income assets while also seeking returns to meet the 6.75% assumed rate of return by increasing exposure to private equity and higher risk returns in the public equity portfolio.

Ms. Farhadieh then addressed the public market equivalents for private markets where the Fund is underweight. She added that private market assets are allocated yearly and to account for the underweighted asset classes, the Fund deploys assets to a public market equivalent. Director Farhadieh noted that ISBI targets two-thirds exposure to passively managed index funds and one-third of the assets to active managers, and that this approach has allowed the Fund to perform well while minimizing active manager fees. Ms. Farhadieh then turned the presentation over to Ms. Alli Wallace-Stone from Meketa to review the Fund's performance.

Ms. Wallace-Stone began her presentation by reporting that the portfolio returned 13% for the year ended December 31, 2020 and noted the Fund's return was impressive considering the effects the pandemic had in the first quarter of 2020. She added the Fund's performance outperformed its custom and actual allocation benchmark of 11.9% and ranked roughly median relative to its peers. Ms. Wallace-Stone added the Fund is designed to underperform in a bull market and outperform in a down market and the Fund's overall performance has been strong relative to its peers. She noted the market value through April 28, 2021 was \$23.8 billion and earned an additional \$1.13 billion since 2020.

Ms. Wallace-Stone reported the Fixed Income Portfolio performed very strongly at 8.5% for the calendar year and outperformed the benchmark by nearly 1%. She attributed the performance to the long-term government bond portion of the Portfolio. She then reported the Credit Composite was up 4.7% and outperformed the custom benchmark by 1% and the Private Credit Composite was up 4.8%, outperforming the custom benchmark by 2%. Ms. Wallace-Stone noted the key drivers of performance included the Global Equity Composite which is ranked in the first percentile of the peer group for five- and ten-year periods and generated an average outperformance of 2.2% over the last ten years. She also reported the Private Equity Composite is ranked in the top percentile against its peers and generated an average of 17.2% annually over the preceding ten-year period. She concluded her presentation and asked if any Trustees had questions regarding the Fund's performance.

Senator Harris asked Director Farhadieh how the active versus passively managed assets compared in their investment performance and whether the asset allocation was motivated by performance or by a desire to reduce fees. Director Farhadieh responded that the asset allocation is regularly evaluated by ISBI to determine what portion of the portfolio should be allocated to active managers to generate strong performance and meet the assumed 6.75% annual investment return. She noted that while two-thirds of the portfolio is passively managed, the current structure has generated strong performance and is working well. Director Farhadieh added that in different points of the market cycle, ISBI re-evaluates asset allocation and makes changes as needed.

Director Farhadieh added that in terms of diversity, ISBI has been successful in making commitments to seven different active funds representing MWDBE managers, including Latino,

Asian-American, African-American and women-owned funds. Director Farhadieh also noted active manager allocations in the private market sector are smaller, ranging from \$30 - \$50 million, not because they are diverse managers but due to the Fund's allocations in the private market sector, and the fees being paid to these managers are significantly higher.

Director Farhadieh then informed the Board she was recently notified that ISBI had received an award from Trusted Insight based on their efforts on diversity, equity and inclusion and would provide more details at the next Board meeting. She then provided a brief update on their continued efforts around diversity and reported approximately 39% of the portfolio is committed to minority and women-owned managers. Director Farhadieh stated a more detailed breakdown of how the minority allocation is divided among the active managers will be provided at the next Board meeting, and highlighted new MWDBE active managers. She concluded her presentation by acknowledging the efforts of ISBI's partners, Hamilton Lane, Rock Creek, Meketa and High Vista, in advocating their pipelines of diverse managers for actively managed assets.

Chairman Martwick thanked Director Farhadieh and Ms. Wallace-Stone for their reports and excused them from the remainder of the meeting. Representative Carroll made a motion to accept the ISBI report, and the motion was seconded by Representative Halpin. Ms. Ackerson took roll call to record the votes, and all voted in the affirmative. A copy of the ISBI Quarterly Review is maintained in the ISBI office and made a part of these minutes as *Exhibit B*.

## **MINUTES OF PREVIOUS MEETING**

Chairman Martwick presented the minutes of Meeting No. 266 held on January 12, 2021, for approval. Copies of the minutes were previously submitted to the trustees for preliminary review. Senator Harris moved to approve the January 12, 2021 minutes as presented. Representative Meier seconded the motion. Roll call was taken and all were in favor.

## **REPORT OF CHAIRMAN MARTWICK**

Chairman Martwick provided a legislative update to the Board that Senator Harris serves as the Chairman of the Senate Special Committee on Pension Investment Diversity and recently passed a bill in the Senate to allow emerging managers to graduate from the Manager of Managers program to a direct manager if they have been in the program for at least 24 months and have received recommendation for graduation by the Manager of Managers program investment adviser. The provision aims to increase diversity and inclusion in the pension investments.

## **REPORT OF ANY TRUSTEE**

Senator Harris added that he looked forward to continuing improving diversity in the pension investment portfolios.

## **REPORT OF ADMINISTRATIVE SECRETARY**

FY 21 Supplemental Operations Budget Request. Secretary Blair requested an increase of \$6,800 to meet expected FY 21 obligations and purchase four new computers and a scanner to image member records. He noted the request included a \$2,500 increase in the Information Technology line for the purchase of the computers and scanner and a \$5,000 increase due to a significant increase in Group Insurance rates for the period July 1, 2020 through November 15, 2020. Secretary Blair added that Group Insurance premiums are based on experience and prior

fiscal years have averaged around \$4,800 per pay period for all staff. On July 1, 2020, the rates increased to \$6,700 per pay period, but were adjusted back to pre-pandemic levels after November 15, 2020. He added the requested increases were offset by a \$500 decrease in the Travel line and a \$200 decrease in the Contractual line.

Preliminary Review of FY 2022 Operations Budget. Secretary Blair presented the FY 22 Preliminary Operations Budget Request noting an increase of \$28,640, or 8.27%, from the FY 21 budget. The FY 22 GARS budget request totaled \$381,680. He reviewed the items having a cost impact on his request, including an increase of \$5,260 in the Personal Services line due to employee steps and COLAs of 3.95% in July 2021 for all employees to match the AFSCME COLA. The increase in Personal Services would result in an increase of \$3,720 in the Retirement line, and a \$400 increase in the FICA line. Secretary Blair added the employer contribution rate for State Employees' Retirement System (SERS) increased from 55.143% in FY 21 to 56.169% in FY 22. He also noted a \$22,840 increase in the Contractual line due to the comprehensive review of all actuarial assumptions. He added the increases were offset by a \$2,100 decrease in the IT line due to the purchase of four computers and a scanner in FY 21 and the payment of an FY 20 IT chargeback in FY 21.

Following discussion of the FY 22 operations budget preliminary review of \$381,680, Senator Harris motioned for approval. The motion was seconded by Representative Carroll. Ms. Ackerson took roll call, and all were in favor.

December 31, 2020 and March 31, 2021 Financial Statements. Secretary Blair reviewed the financial statements for the year ended December 31, 2020, and the quarter ended March 31, 2021. Over the first nine months of the fiscal year ending March 31, 2021, the System has received \$2.25 million a month in receipts, slightly above the monthly disbursements of \$2.2 million for benefit payments. He noted the cash balance increased during this fiscal year to \$6.8 million, adding that he expects GARS to have a net transfer of \$2 million to ISBI in FY 21. He attributed the positive cash balance to Comptroller Mendoza's commitment to timely State contributions. Secretary Blair added that no funds have been drawn down from ISBI to pay benefits during FY 21 and does not anticipate any withdrawals for the remainder of the fiscal year.

Secretary Blair informed the trustees that only two benefit recipients were receiving a benefit from the Excess Benefit Fund after recent death of an annuitant. He explained that members who retire at an early age with a large benefit receive both a W-2 and a 1099-R for their benefits due to an IRS requirement. He concluded his presentation of the financial statements by noting the market value of the Fund has increased from approximately \$42 million in FY 2016 to \$60.2 million in FY 21 and attributed the growth to the great job ISBI has done with the portfolio and the positive market performance.

Senator Harris moved to approve the December 31, 2020 and March 31, 2021 financial statements and the motion was seconded by Representative Halpin. Ms. Ackerson took roll call, and all voted in the affirmative. Official copies of these financial statements have been made a part of these minutes as *Exhibit C*.

Birth and Marriage Verification Policy. Jeff Houch provided a summary regarding the proposed policies to define the types of documents that could be accepted to verify birth and marriage dates. He noted that the pandemic has resulted in some members being unable to

obtain marriage and birth certificates and suggested GARS adopt a policy like SERS and TRS which allows other documents to be substituted when a marriage and/or birth certificate cannot be obtained. Mr. Houch indicated the alternate documents would be subject to review and approval by the GARS Manager.

After a brief discussion, Representative Halpin moved to approve the birth and marriage verification policies as presented, and the motion was seconded by Senator Harris. Ms. Ackerson took roll call to record the votes, and all voted in the affirmative.

Felony Forfeiture Policy Amendment. Mr. Houch noted that a Felony Forfeiture policy approved at the last Board meeting which modernized the policy neglected to clarify that the Board must approve the reinstatement of benefits if it is determined by the Attorney General that such felony conviction was not connected to the member's job. He proposed that the board adopt an amendment to the Felony Forfeiture policy to clarify that the Board must approve the reinstatement of benefits if it is determined that such felony conviction was not connected to the member's job.

Senator Harris asked if the Board had to wait to act until receiving confirmation from the Attorney General. Mr. Houch confirmed the System would not act on a pending case until receiving the Attorney General's opinion on whether the felony conviction was job-related. Senator Harris asked if GARS was required to pay interest on outstanding benefit payments that are held pending the Attorney General's determination. Mr. Houch indicated the System was not subject to paying interest on delayed benefit payments but that the System would pay all payments during the time the annuity was suspended.

If an event occurs where an opinion is not received by the Attorney General, Secretary Blair indicated the System does not have authority to begin benefit payments while waiting for the Attorney General's opinion. Senator Harris suggested that a time frame be established by the Board to allow benefit payments to begin if the Attorney General has not provided an opinion. Mr. Houch indicated the statute does not address the Attorney General providing an opinion to the System, but the practice has been in place for several years. Secretary Blair indicated they would follow up with the Attorney General's office to get a status update regarding the opinion.

Chairman Martwick requested an update to the Board regarding the status of the AG opinion and asked for a motion to approve the amendment to the felony forfeiture policy as presented. Senator Harris made a motion to approve the amendment; the motion was seconded by Representative Halpin. Ms. Ackerson took roll all, and all voted to approve the amendment.

FY 2021 Funding Update. Secretary Blair told the Board that the System has received all required employer contributions for FY 21, noting the Comptroller's Office is current in making the State contributions. Secretary Blair also noted the May contribution had already been received and he anticipates the timely receipt of the remaining FY 21 monthly contributions.

## **REPORT OF MANAGER**

Division Manager Angie Ackerson directed attention to the report reflecting seven new retirement annuities totaling \$31,349.32 per month and six survivors' annuities totaling \$20,273.37 per month. She reported there were three termination refunds totaling \$70,720.59, three survivor annuity contribution refunds totaling \$71,507.16 and one error refund totaling

\$9,096.60. After brief discussion, Senator Harris moved to approve the annuities and refunds for approval. The motion was seconded by Representative Halpin. Ms. Ackerson took roll call, and the motion passed unanimously.

**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, Representative Halpin moved to adjourn at 10:20 a.m. The motion was seconded by Senator Harris and passed with an affirmative vote of all trustees.

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Timothy B. Blair, Administrative Secretary

Date: \_\_\_\_\_

APPROVED:

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Senator Robert F. Martwick, Jr., Chairman