

**GENERAL ASSEMBLY RETIREMENT SYSTEM OF ILLINOIS
MEETING NO. 251
MINUTES OF THE ANNUAL MEETING OF THE
BOARD OF TRUSTEES**

October 30, 2015

The annual meeting of the Board of Trustees of the General Assembly Retirement System convened at 1 p.m. on Friday, October 30, 2015, in Room S721 of the Bilandic Building, Chicago, Illinois.

Roll Call was taken with the following trustees present:

- Senator James Clayborne, Jr., Chairman
- Representative David Harris, Vice-Chairman
- Senator Don Harmon
- Representative Michael Zalewski
- Representative Elaine Nekritz
- Representative Daniel Pierce, Retired

Absent was:

- Senator Bill Brady

Others in attendance were:

- Timothy B. Blair, Secretary
- Jayne Waldeck, GARS Manager
- Jeff Houch, Assistant to Secretary
- William Atwood, Director, Illinois State Board of Investment
- Alex Rivera, Gabriel Roeder Smith & Company
- Ryan Gunderson, Gabriel Roeder Smith & Company

With a quorum present, the meeting was called to order by Chairman Clayborne at 1 p.m.

PUBLIC COMMENTS

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

ELECTION OF 2015 OFFICERS

Chairman Clayborne announced the election of officers for calendar year 2016 was in order and opened the meeting for nominations. Representative Nekritz moved to nominate Chairman Clayborne and Vice-Chairman Harris for re-election. Representative Zalewski seconded the motion. There being no other nominations, nominations were closed and all present voted to re-elect Chairman Clayborne and Vice-Chairman Harris. Chairman Clayborne and Vice-Chairman Harris thanked the Board for the continued support.

REPORT OF THE ILLINOIS STATE BOARD OF INVESTMENT (ISBI)

William Atwood, ISBI Director, distributed copies of the Executive Summary dated September 30, 2015 and noted that in addition to his normal report he would provide a report on the utilization of emerging and minority investment managers at ISBI. He began the portfolio review by specifying the portfolio's total market value on September 30, 2015, was \$14.969 billion.

Director Atwood continued his presentation by noting the portfolio returned 4.7% in FY 2015, net of fees, compared with the benchmark return of 4.0%. Net of fees, the Fixed Income portfolio lost 1.6% in FY 2015, while the U.S. Equity portfolio returned 6.3%, compared to their respective benchmark returns of 1.6% and 7.3%. The Hedge Fund portfolio was up 5.7% compared to the benchmark return of 4.0%. Director Atwood concluded his portfolio review by reporting the Non-U.S. Equity portfolio lost 1.5% (benchmark lost 4.6%) while the Real Estate portfolio was up 15.4% (benchmark up 13.4%).

Director Atwood noted that Marc Levine had been elected ISBI Chairman and following the release of a Request for Proposal (RFP), Meketa Investment Group was chosen to replace Marquette and Associates as the ISBI General Consultant. Director Atwood explained that six of the nine trustees have joined the board since the beginning of the year. The board chose Meketa in hopes to get a fresh look at the portfolio.

Director Atwood concluded his report by referring the Board to several documents detailing the ISBI utilization of emerging and minority investment managers and brokers. He provided that 43% of domestic equity brokerage fees went to minority brokers, while 47% of international equity brokerage fees and 42% of domestic fixed income brokerage fees went to minority brokers. The brokerage fees of all three of these assets classes surpassed the utilization goals adopted by ISBI.

Director Atwood offered to answer questions from the Board. Following a discussion of ISBI changes, Representative Pierce moved to approve Director Atwood's ISBI Report. Vice-Chairman Harris seconded the motion and all were in favor. Chairman Clayborne thanked Director Atwood and excused him from the meeting. A copy of the September 30, 2015, ISBI Flash Report is maintained in the ISBI office and made part of these minutes as *Exhibit A*.

MINUTES OF PREVIOUS MEETING

Chairman Clayborne presented the minutes of Meeting No. 250 held on April 15, 2015, for approval. Copies of the minutes were previously submitted to the trustees for preliminary review. Representative Nekritz moved to approve the minutes of the April 15, 2015 GARS Board meeting. Representative Pierce seconded the motion and all were in favor.

ACTUARIAL VALUATION AS OF JUNE 30, 2015

Alex Rivera and Ryan Gunderson, of Gabriel Roeder Smith & Company, Consulting Actuaries, were introduced and distributed copies of the preliminary June 30, 2015, actuarial valuation to the Board. Mr. Rivera started the presentation by noting the funded ratio based on the market value of assets decreased from 17.56% to 16.63% from June 30, 2014, to June 30,

2015, while the funded ratio based on the actuarial value of assets increased from 15.96% to 16.01% over the same time period.

Mr. Rivera continued by noting the employer contribution requirement increased from \$16.1 million, or 126.700% of payroll, in FY 2016 to \$21.7 million, or 194.949% of payroll, in FY 2017. He pointed out that under the current statutory funding plan, the funded ratio is projected to increase slowly to 22.3% in FY 2032 and then increase rapidly to 90% by the end of FY 2045. Mr. Rivera emphasized that cashflow problems continue, noting that all employer and employee contributions are used to make benefit payments and that until 2037 investment income will be used to pay ongoing and projected benefits.

Secretary Blair explained the Board must certify to the Governor, General Assembly and State Actuary, by November 1, 2015, the proposed FY 17 employer contribution. The proposed employer contribution and all supporting actuarial work is reviewed by the State Actuary. Following some discussion, Representative Zalewski moved to approve the preliminary FY 15 actuarial valuation and preliminarily certify the FY 17 employer contribution of \$21.7 million, or 194.949% of payroll. Senator Harmon seconded the motion and all were in favor.

REPORT OF CHAIRMAN

Chairman Clayborne reported that ISBI had terminated 3 investment managers and the General Consultant, Marquette and Associates, at the last meeting.

REPORT OF ANY TRUSTEE

No other trustees offered a report.

REPORT OF ADMINISTRATIVE SECRETARY

2016 Meeting Dates. Secretary Blair submitted a list of suggested GARS Board meeting dates for 2016. A motion was made by Representative Nekritz to approve the following dates:

January 15, 2016, 1:00 p.m. – Chicago
April 13, 2016, 9:00 a.m. – Springfield
October 28, 2016, 1:00 p.m. - Chicago

Vice-Chairman Harris seconded the motion and all were in favor.

June 30, 2015 and September 30, 2015 Financial Statements. Secretary Blair reviewed the financial statements for the year ended June 30, 2015, and the quarter ended September 30, 2015. For the year ended June 30, 2015, GARS had receipts of \$22.7 million, including \$1.5 million in employee contributions, \$15.7 million in employer contributions, and \$5.4 million in withdrawals from ISBI. For FY 2015, total GARS disbursements were \$22.5 million, with more than \$22.2 million in retirement and survivor annuities paid. In addition, \$211,000 in refunds were paid and administrative expenses amounted to \$368,000. Representative Nekritz moved to adopt the June 30, 2015, financial statements and Representative Pierce seconded the motion. It passed unanimously.

Secretary Blair continued his report by reviewing the financial statements for the quarter ended September 30, 2015. He noted total GARS receipts in the first quarter of FY 2016

amounted to \$5.6 million, including a withdrawal of \$1.3 million from ISBI. System staff estimate the need to withdraw \$5.7 million from ISBI in FY 2016 in order to pay projected benefits. Total disbursements for the first quarter were \$5.7 million, including the payment of more than \$5.4 million in benefits and \$106,000 in refunds. Senator Harmon moved to adopt the September 30, 2015 financial statements. Representative Zalewski seconded the motion and all trustees voted in the affirmative. Official copies of these Financial Statements have been placed on file and made a part of these minutes as *Exhibit B*.

Final Review of 2016 Administrative Budget. Secretary Blair reviewed the proposed FY 2016 GARS administrative budget. The proposed July changes to the preliminary GARS budget approved at the April Board meeting resulted in a final FY 2016 budget request of \$377,600, a 9.88% reduction from the FY 2015 budget. Brief discussion was held and Representative Zalewski moved to approve the final FY 2016 budget. Vice-Chairman Harris seconded the motion and all were in favor.

Return to Work Death in Service Policy. Secretary Blair referred the Board to a memo requesting guidance on the calculation of death benefits in the event a GARS retiree returns to work and subsequently dies while an active GARS member. Following a review of the relevant statutes, Senator Harmon moved that the death benefit for a GARS retiree who returns to service and again becomes covered by GARS, is equal to all employee contributions made as an active member, less total benefit payments made to the member as a retiree. Representative Nekritz seconded the motion and it passed unanimously.

GARS Inclusion Policy. Secretary Blair reviewed an Inclusion Policy that specifies GARS will promote diversity in the hiring and procurement processes. The Policy adopts an aspirational goal of 20% and requires tracking and reporting against the goal. Representative Nekritz moved for adoption of the Inclusion Policy and Representative Pierce seconded the motion, which passed unanimously.

REPORT OF MANAGER

Division Manager Jayne Waldeck presented the Annuities and Refunds for approval. Since the last Board meeting, four new retirement annuities totaling \$8,742.47 per month and three survivor annuities of \$11,412.13 per month had been processed by GARS staff. In addition, staff processed five termination refunds and a survivor annuity refund totaling \$187,064.44.

Representative Zalewski moved to approve the Annuities and the Refunds for Approval as presented. Representative Nekritz seconded the motion and all Trustees were in favor.

UNFINISHED BUSINESS

There was no unfinished business to be discussed.

NEW BUSINESS

There was no new business to be discussed.

ADJOURNMENT

There being no further business to be brought before the Board, Senator Harmon moved to adjourn at 2:50 p.m. His motion was seconded by Representative Nekritz and passed unanimously. Chairman Clayborne reminded the Board the next meeting is scheduled for January 15, 2016 at 1 p.m. in Chicago.

Timothy B. Blair, Administrative Secretary

Date: _____

APPROVED:

Senator James Clayborne, Jr., Chairman