

**GENERAL ASSEMBLY RETIREMENT SYSTEM OF ILLINOIS
MEETING NO. 256
MINUTES OF THE ANNUAL MEETING OF THE
BOARD OF TRUSTEES**

October 20, 2017

The annual meeting of the Board of Trustees of the General Assembly Retirement System convened at 1 p.m. on Friday, October 20, 2017, in Room S721 of the Bilandic Building, Chicago, Illinois.

Roll Call was taken with the following trustees present:

Representative David Harris, Vice-Chairman
Senator Don Harmon
Representative Bob Martwick
Representative Michael Zalewski
Senator Sue Rezin
Representative Daniel Pierce, Retired Trustee

Absent was:

Senator James Clayborne, Jr., Chairman

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 Vice-Chairman Harris at 1 p.m.

PUBLIC COMMENTS

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

ELECTION OF 2018 OFFICERS

Vice-Chairman Harris announced the election of officers for calendar year 2018 was in order and opened the meeting for nominations. Representative Pierce moved to nominate Chairman Clayborne and Vice-Chairman Harris for re-election. Representative Martwick seconded the motion. There being no other nominations, nominations were closed and all present voted to re-elect Chairman Clayborne and Vice-Chairman Harris. 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 Quarterly Review dated June 30, 2017 and began by reporting that in FY 2017 the total portfolio returned 12.3%, net of fees, slightly outperforming the benchmark return of 12.0%. He added the portfolio totaled more than \$17.3 billion on that date and had increased to almost \$18 billion by October 19, 2017.

Director Atwood reported the Fixed Income portfolio returned 0.9%, net of fees, in FY 2017, equaling the benchmark return, while the U.S. Equity portfolio returned 20.2% in FY 2017, significantly outperforming the benchmark return of 18.7%.

Director Atwood continued his report by noting the Non-U.S. Equity portfolio gained 22.1%, net of fees, in FY 2017, outpacing the benchmark return of 20.4%, while in FY 2017 the Hedge Fund of Funds portfolio significantly outperformed the benchmark return, 11.7% net of fees, compared to 6.5%. He reminded the Board that ISBI was in the process of reducing the Hedge Fund Allocation from 10% of the portfolio to 3% of the portfolio. Director Atwood referred the Board to a document detailing the ISBI utilization of emerging and minority investment managers, as of June 30, 2017. On that date, he reported that 24.8% of assets were managed by emerging and minority managers.

Mr. Atwood offered to answer questions from the Board. Following some discussion regarding portfolio performance and ISBI changes, Representative Pierce moved to approve the ISBI Report. Representative Martwick seconded the motion and all were in favor. Vice-Chairman Harris thanked Director Atwood and excused him from the meeting. A copy of the June 30, 2017 Quarterly Review is maintained in the ISBI office and made part of these minutes as *Exhibit A*.

MINUTES OF PREVIOUS MEETING

Vice-Chairman Harris presented the minutes of Meeting No. 255 held on April 26, 2017, for approval. Copies of the minutes were previously submitted to the trustees for preliminary review. Representative Pierce moved to approve the minutes of the April 26, 2017 Board meeting. Representative Zalewski seconded the motion and all were in favor.

REPORT OF CONSULTING ACTUARIES

Fiscal Year 2018 Preliminary Recertification. Mr. Rivera and Mr. Gunderson of Gabriel, Roeder, Smith & Company, directed the Board's attention to two documents related to the Fiscal Year 2018 contribution recertification required by Public Act 100-0023. The Act included a provision requiring GARS to "smooth" the impact of actuarial assumption changes over a 5 year period. They noted this change reduces the FY 2018 State contribution by \$5.5 million when compared to the original FY 2018 certification. After the conclusion of the report Representative Zalewski motioned to recertify an FY 2018 State contribution of \$21,155,000. Senator Rezin seconded the motion and it passed unanimously. Official copies of the recertification documents are made a part of these minutes as *Exhibit B*.

Fiscal Year 2019 Preliminary Certification. Mr. Rivera and Mr. Gunderson distributed draft copies of the FY 2017 GARS actuarial valuation. Mr. Rivera began his remarks by noting the funded ratio, on a market value basis, increased from 13.50% at June 30, 2016, to 14.66% at June 30, 2017, and pointed out the employer contribution requirement increased from \$21.2 million in FY 2018 to \$23.2 million in FY 2019.

Following a review of projected benefits and contributions, Representative Martwick moved to accept the draft valuation and certify the \$23.2 million FY 2019 employer contribution. Representative Pierce seconded the motion and all were in favor. Vice-Chairman Harris thanked Mr. Rivera and Mr. Gunderson and excused them from the remainder of the meeting. Senator Harmon arrived at the meeting.

REPORT OF CHAIRMAN

Vice-Chairman Harries did not offer a report.

REPORT OF ANY TRUSTEE

No other trustees offered a report.

REPORT OF ADMINISTRATIVE SECRETARY

2018 Meeting Dates. Secretary Blair submitted a list of suggested GARS Board meeting dates for 2018. A motion was made by Representative Zalewski to approve the dates.

January 12, 2018, 1:00 p.m. – Chicago

April 18, 2018, 9:00 a.m. – Springfield

October 26, 2018, 1:00 p.m. - Chicago

Representative Martwick seconded the motion and all were in favor.

June 30, 2017 and September 30, 2017 Financial Statements. Secretary Blair reviewed the financial statements for the year ended June 30, 2017, and the quarter ended September 30, 2017. For the year ended June 30, 2017, GARS had receipts of \$23.7 million, including \$1.6 million in employee contributions, \$19.6 million in employer contributions, and \$2.55 million in withdrawals from ISBI. For FY 2017, GARS disbursements were \$24.8 million, with almost \$22.3 million in retirement and survivor annuities paid. In addition, \$126,111 in refunds were paid, \$2 million was transferred to ISBI, and administrative expenses amounted to \$361,513.

Secretary Blair continued his report by reviewing the financial statements for the quarter ended September 30, 2017. He noted total GARS receipts in the first quarter of FY 2017 amounted to almost \$8.6 million, including employer contributions of almost \$8.3 million. Total disbursements for the first quarter were \$5.8 million, including the payment of almost \$5.7 million in benefits. Representative Zalewski moved to adopt the June 30, 2017 and September 30, 2017 financial statements. Senator Harmon seconded the motion and it passed unanimously. Official copies of these Financial Statements have been placed on file and made a part of these minutes as *Exhibit C*.

Final FY 2018 Budget Request. Secretary Blair briefly reviewed the final FY 2018 GARS administrative budget request of \$381,025, noting this amounted to an 11.87% decrease from the FY 2017 budget. Discussion was held and Representative Zalewski moved to approve the FY 2017 budget as presented. Senator Harmon seconded the motion and all were in favor.

REPORT OF MANAGER

GARS Manager Jayne Waldeck presented the Annuities for approval. Since the last Board meeting, four new retirement annuities totaling \$14,415.29 per month and two survivor annuities of \$3,731.04 per month were processed by GARS staff. In addition, Ms. Waldeck noted one termination refund of \$4,560.18 and one survivor contribution refund of \$8,689.99 had been processed. Representative Martwick moved to approve the annuities and refunds as presented. Representative Pierce seconded the motion and all 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, Vice-Chairman Harris moved to adjourn at 2:15 p.m. His motion was seconded by Representative Zalewski and passed unanimously. Vice-Chairman Harris reminded the Board the next meeting is scheduled for January 12, 2018 at 1 p.m. in Chicago.

Timothy B. Blair, Administrative Secretary

Date: _____

APPROVED:

Senator James Clayborne, Jr., Chairman