

**GENERAL ASSEMBLY RETIREMENT SYSTEM OF ILLINOIS  
MEETING NO. 259  
MINUTES OF THE ANNUAL MEETING OF THE  
BOARD OF TRUSTEES**

October 26, 2018

The annual meeting of the Board of Trustees of the General Assembly Retirement System convened at 1 p.m. on Friday, October 26, 2018, in Room S721 of the Bilandic Building, Chicago, Illinois.

Roll Call was taken with the following trustees present:

- Senator Don Harmon
- Representative Robert Martwick
- Senator Sue Rezin
- Representative Daniel Pierce, Retired Trustee (attended by phone)
- Senator James Clayborne, Jr., Chairman

Absent was:

- Representative Michael Zalewski
- Representative David Harris, Vice-Chairman

Others in attendance were:

- Timothy B. Blair, Secretary
- Angie Ackerson, GARS Manager
- Jeff Houch, Assistant to Secretary
- Joharah Farhadieh, Executive Director, Illinois State Board of Investment
- Scott Richards, Senior Investment Officer, Illinois State Board of Investment
- Alex Rivera, Consulting Actuary, Gabriel, Roeder, Smith & Company
- Ryan Gunderson, Consulting Actuary, Gabriel, Roeder, Smith & Company

With a quorum present, the meeting was called to order by Chairman Clayborne at 1 p.m. Senator Rezin moved to allow Representative Pierce to participate by phone and Representative Martwick seconded the motion, which passed unanimously.

**PUBLIC COMMENTS**

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

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

Johara Farhadieh, ISBI Executive Director, referred the Board to a document detailing changes made by ISBI to simplify the portfolio, reduce fees and increase transparency. Director Farhadieh also referred the Board to a document detailing the ISBI utilization of emerging and minority investment managers as of June 30, 2018. On that date, she reported that 25.6% of assets were managed by emerging and minority managers.

Scott Richards, Senior Investment Officer of ISBI, distributed copies of the Quarterly Review dated June 30, 2018 and reported that in FY 2018 the total portfolio returned 7.6%, net

of fees, slightly outperforming the benchmark return of 7.4%. He added the portfolio totaled more than \$18.3 billion on that date, up by more than a \$1 billion since June 30, 2017.

Mr. Richards continued his report by reviewing the performance of selected asset classes, first pointing out the Fixed Income portfolio returned 0.9%, net of fees, in FY 2018, outperforming the benchmark return of -0.3%, while the U.S. Equity portfolio returned 14.3% in FY 2018, trailing the benchmark return of 14.8%.

Mr. Richards continued his report by noting the Private Equity portfolio gained 20.6%, net of fees, in FY 2018, outperforming the benchmark return of 16.4%; the Real Assets Composite portfolio significantly outperformed the benchmark return, 8.6% net of fees, compared to -0.3%. The Hedge Fund allocation is now only 0.4% of the fund's assets compared to 4.8% last year.

Chairman Clayborne thanked Director Farhadieh and Mr. Richards for their reports and excused them from the remainder of the meeting. Representative Martwick moved to approve the ISBI report and Senator Rezin seconded the motion, which passed unanimously. A copy of the June 30, 2018 Quarterly Review 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. 258 held on April 18, 2018, for approval. Copies of the minutes were previously submitted to the trustees for preliminary review. Representative Martwick moved to approve the minutes of the April 18, 2018 Board meeting. Senator Rezin seconded the motion and all were in favor.

#### **REPORT OF CONSULTING ACTUARIES**

Alex Rivera and Ryan Gunderson of Gabriel, Roeder, Smith & Company, distributed draft copies of the FY 2018 GARS actuarial valuation. Mr. Rivera began by reminding the Board that pursuant to Public Act 99-0232, GARS is required to conduct an actuarial experience review every three years, with the next experience study for the period July 1, 2015 through June 30, 2018. He noted the FY 2019 contributions that were re-certified at the July Board meeting were used in the FY 2018 valuation. Mr. Rivera reported the funded ratio, on a market value basis, increased from 14.66% at June 30, 2017, to 15.12% at June 30, 2018, and the State contribution requirement increased from \$23,221,000 in FY 2019 to \$25,754,000 in FY 2020.

Following a review of projected benefits and contributions over the remainder of the funding plan, Representative Martwick moved to accept the draft valuation and certify the \$144.2 million FY 2020 employer contribution. Senator Rezin seconded the motion and all were in favor. Chairman Clayborne thanked Mr. Rivera and Mr. Gunderson and excused them from the remainder of the meeting.

#### **REPORT OF CHAIRMAN**

Chairman Clayborn did not offer a report.

#### **REPORT OF ANY TRUSTEE**

No other trustees offered a report.

## REPORT OF ADMINISTRATIVE SECRETARY

2019 Meeting Dates. Secretary Blair submitted a list of suggested GARS Board meeting dates for 2019. A motion was made by Senator Rezin to approve the dates.

Tuesday, January 8, 2019, 10:00 a.m. – Springfield  
Wednesday, April 17, 2019, 9:00 a.m. – Springfield  
Friday, October 25, 2019, 1:00 p.m. - Chicago

Senator Harmon seconded the motion, and all were in favor.

June 30, 2018 and September 30, 2018 Financial Statements. Secretary Blair reviewed the financial statements for the year ended June 30, 2018, and the quarter ended September 30, 2018. For the year ended June 30, 2018, GARS had receipts of \$24.5 million, including \$1.2 million in employee contributions, and \$23.1 million in employer contributions. In FY 2018, GARS disbursements were \$24.3 million, with \$23.2 million in retirement and survivor annuities paid. In addition, \$49,416 in refunds were paid, \$700,000 was transferred to ISBI, and administrative expenses amounted to \$356,212.

Secretary Blair continued his report by reviewing the financial statements for the quarter ended September 30, 2018. He noted total GARS receipts in the first quarter of FY 2019 amounted to almost \$5.8 million, including employer contributions of \$5.4 million. Total disbursements for the first quarter were \$6 million, including the payment of almost \$5.9 million in benefits. Senator Rezin moved to adopt the June 30, 2018 and September 30, 2018 financial statements. Representative Martwick 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 B*.

Final FY 2019 Budget Request. Secretary Blair reviewed the final FY 2019 GARS administrative budget request of \$399,725, an increase of \$18,700 or 4.91%, from the FY 2018 budget. The request was impacted by a \$19,450 increase in the Contractual line due to the addition of a fiduciary insurance premium of \$22,200, which was partially offset by small decreases in other contractual items. The Retirement line was increased by \$3,875 due to the SERS employer contribution rate increasing from 47.342% in FY 2018 to 51.614% in FY 2019. A \$2,450 decrease in the Personal Services line was due to a \$9,800 decrease in shared JRS/GARS payroll from FY 2018 to FY 2019. Senator Harmon moved to approve the FY 2019 budget as presented. Representative Martwick seconded the motion and all were in favor.

Inclusion Policy Amendment. Secretary Blair presented the Board with an amended inclusion policy as it relates to GARS procurement processes for the inclusion of increased diversity of GARS employees and fiduciaries, consistent with 40 ILCS 5/1-109 and 40 ILSC 5/1-109.1. Secretary Blair informed the Board that employment diversity associations will be notified of any job postings and MWDBE firms will be notified of upcoming Request for Proposals (RFP) or an Invitation to Bid (IFB).

Chairman Clayborne suggested additional language be added to the policy to hold accountable firms that committed to utilizing MWDBE subcontractors. Such provision would provide that if a vendor does not utilize a MWDBE subcontractor as agreed to in the contract, then the total amount payable to that vendor under that contract could not include amounts that would have been paid to the MWDBE subcontractor had that subcontractor been utilized as

agreed to in the contract. Secretary Blair noted those changes will be incorporated into the policy and presented at the next board meeting. Representative Martwick moved to approve the Inclusion Policy Amendment and Senator Rezin seconded the motion, which passed unanimously.

FY 2019 Funding Update. Secretary Blair informed the Board the System has received all employer contributions for Fiscal Year 2019 and added the Comptroller's Office has indicated the November contribution will be made prior to the end of October.

Tier 2 Member Statement Correction. Secretary Blair explained to the Board that previous Tier 2 annual statements have indicated members were not eligible for disability without eight years of service credit. Based on further review of statute, Secretary Blair and Mr. Houch determined the statute does not provide disability benefits for Tier 2 members. Changes will be made to the Tier 2 annual statements to remove any reference to disability benefits.

There was discussion regarding how a Tier 1 GARS member qualifies for a disability benefit. Mr. Houch explained that after eight years of GARS service, a Tier 1 member can retire at any age without an age discount due to a disability. This benefit is rarely, if ever, utilized. Senator Harmon asked if GARS has ever paid a disability benefit. Secretary Blair offered to provide a follow-up regarding this question.

**REPORT OF MANAGER**

GARS Manager Angie Ackerson presented Annuities for approval. Since the last Board meeting, seven new retirement annuities totaling \$36,198.90 per month and one survivor annuity of \$913.31 per month were processed by GARS staff. In addition, Ms. Ackerson noted one survivor contribution refund of \$23,677.52 had been processed. Senator Harmon moved to approve the annuities and refunds as presented. Senator Rezin 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, Chairman Clayborne moved to adjourn at 2:30 p.m. His motion was seconded by Senator Rezin and passed unanimously.

\_\_\_\_\_  
Timothy B. Blair, Administrative Secretary

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

APPROVED:

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Senator James Clayborne, Jr., Chairman