

**GENERAL ASSEMBLY RETIREMENT SYSTEM OF ILLINOIS
MEETING NO. 265**

**MINUTES OF THE ANNUAL MEETING
OF THE BOARD OF TRUSTEES**

October 30, 2020

The annual meeting of the Board of Trustees of the General Assembly Retirement System was held on Friday, October 30, 2020, at 1:00 p.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 2020-59.

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

Senator Robert Martwick, Chairman
Representative Charles Meier
Representative Michael Zalewski
Senator Napoleon Harris

Absent was:

Senator Sue Rezin, Vice-Chairperson

Others in attendance were:

Timothy B. Blair, Secretary
Jeff Houch, Assistant to Secretary
Jim Stivers, SRS General Counsel
Angie Ackerson, GARS Manager
Johara Farhadieh, Executive Director, Illinois State Board of Investment (by videoconference)
Scott Richards, Senior Investment Officer, Illinois State Board of Investment (by phone)
Alex Rivera, Consulting Actuary, Gabriel, Roeder, Smith & Company (by videoconference)
Jeff Tebeau, Consulting Actuary, Gabriel, Roeder, Smith & Company (by videoconference)
Heidi Barry, Consulting Actuary, Gabriel, Roeder, Smith & Company (by videoconference)

With a quorum present, Chairman Martwick called the meeting to order at 1:30 p.m.

REPORT OF THE ILLINOIS STATE BOARD OF INVESTMENT (ISBI)

Johara Farhadieh, ISBI Director, started her presentation by announcing that ISBI was recognized by the American Investment Council as having the top-performing private equity portfolio of any public pension fund in the country. Of the 176 plans surveyed, she stated ISBI had the highest annualized rate of return of 16.7% over a 10-year period, while the median return of all funds was 13.7%. She added that she provides a quarterly report to the ISBI Emerging Managers Committee and recently reported that two minority-owned firms were on the list of top ten performing funds in the private equity portfolio. Director Farhadieh also informed the Trustees that ISBI puts out a request for proposals to retain a general consultant approximately every four to five years and recently retained Meketa Investment Group to continue in its role as the general consultant.

Director Farhadieh directed the Board's attention to the ISBI June 30, 2020, Performance Update, and highlighted the actual allocation of assets in comparison to the policy allocation previously approved by the Board. She noted the Rate Sensitive Composite remains overweight with 24.6% of the portfolio allocation compared to the policy of 22%, but this sector of the portfolio provided protection during the recent market downturn.

Director Farhadieh also stated ISBI continues to review the risk mitigation strategy due to current market volatility and the impact of the pandemic on the markets. She added that the fund's asset allocation is reviewed annually with the Board to ensure an appropriate level of risk is being taken and that asset allocation changes are made every three to five years to ensure the portfolio is well diversified. Director Farhadieh concluded her portion of the presentation by briefly reviewing ISBI's asset deployment strategy regarding active versus passive exposure in the portfolio.

Director Farhadieh then turned the presentation over to Scott Richards, ISBI Senior Investment Officer, to review the performance of the portfolio as of June 30, 2020. Mr. Richards reported that in FY 20 the total portfolio returned 4.6%, net of fees, slightly outperforming the benchmark return of 3.9%. He added the portfolio totaled more than \$19.8 billion on that date, up by \$637 million since June 30, 2019.

Mr. Richards continued by reviewing the FY 20 performance of selected asset classes, pointing out the Fixed Income portfolio returned 7.8%, net of fees, trailing the custom benchmark return of 7.9%, but ranking in the upper 25th percentile against peers. He noted the Global Equity portfolio returned 2.7%, outperformed the benchmark by 1.5%, and was in the upper 11th percentile, while the U.S. Equity portfolio returned 6.3%, trailing the custom benchmark of 6.5%.

Mr. Richards continued his report by informing that the Board the Non-U.S. Equity portfolio lost 2.9% in FY 20, but exceeded the benchmark return by 1.8%, while the Private Equity portfolio returned 7.9% and beat the benchmark by 10%. He concluded his report of the asset classes by adding the Infrastructure Composite returned 8.0% and outperformed the benchmark by 3.8%. Mr. Richards concluded his presentation by highlighting the Real Estate portfolio returned 2.3% in FY 20, net of fees, and trailed the benchmark of 3.9%. He attributed the underperformance to legacy non-core real estate which returned 0.4% compared to the benchmark of 5.3%.

Chairman Martwick thanked Director Farhadieh and Mr. Richards for their reports and excused them from the remainder of the meeting. Secretary Blair stated that Section 7(e)(6) of the Open Meetings Act requires all votes to be conducted by roll call, so each member's vote on each issue can be identified and recorded. Representative Meier moved to approve the ISBI report, and Senator Harris seconded the motion. Ms. Ackerson took roll call, and the motion was approved unanimously.

A copy of the June 30, 2020, Performance Review is maintained in the ISBI office and made part of these minutes as *Exhibit A*.

REPORT OF CONSULTING ACTUARIES

Alex Rivera, Jeff Tebeau, and Heidi Barry of Gabriel, Roeder, Smith & Company presented draft copies of the FY 20 GARS actuarial valuation. Mr. Rivera began by stating that the results of the actuarial valuation were stable from FY 19, and he added that the funded ratio increased slightly more than 1% from 16.03% to 17.10%, while the required State contribution increased from \$27.3 million in FY 21 to \$27.8 million in FY 22. Mr. Rivera then turned the presentation over to Jeff Tebeau to provide additional details on the valuation results.

Mr. Tebeau reported the accrued liability as of June 30, 2020 decreased by about 1% to \$373.5 million from \$374.6 million on June 30, 2019, and the market value of assets on June 30, 2020, was \$63 million, resulting in a funded ratio of 17.10%. He then noted that unfunded accrued liability was \$309.6 million, a decrease of almost \$5 million from June 30, 2019. Mr. Tebeau told the Board the decrease in liability can primarily be attributed to a drop in active membership, stating there were 124 active members on June 30, 2020, a decrease of 2 from the previous year.

Mr. Tebeau referred the Board to a slide showing that the funded ratio is expected to steadily increase about 1% annually to 29.9% in FY 33, when the State contribution cap is lifted, and then the funded ratio will rapidly increase to reach 90% funding status in FY 45. Mr. Tebeau stated that net cash flow is expected to be positive through FY 22 but noted that in FY 23 through FY 39, benefits are projected to exceed State and employee contributions. He added that from FY 24 to FY 32, the percentage of investment income needed to pay ongoing benefits is projected to increase from approximately 25% to 97%.

Mr. Tebeau concluded his presentation by summarizing the increase in the actuarially determined contribution of \$34.4 million or 350.609% of payroll in FY 21 to \$35.0 million or 359.953% of payroll in FY 22.

Secretary Blair requested the Board preliminarily certify the FY 22 State Contribution of \$27.82 million or 286.061% of projected payroll, with \$1.729 million for the employer's portion of the expected normal cost and the additional \$26.091 million being due to unfunded liabilities. Following a review of projected benefits and contributions over the remainder of the funding plan, Representative Zalewski moved to accept the draft FY 20 valuation and preliminarily certify the \$27.820 million FY 22 employer contribution. Representative Meier seconded the motion. Ms. Ackerson took roll call, and the motion was approved unanimously. Chairman Martwick thanked Mr. Rivera, Mr. Tebeau, and Ms. Barry and excused them from the remainder of the meeting.

A copy of the presentation is maintained in the GARS office and made part of these minutes as *Exhibit B*.

MINUTES OF PREVIOUS MEETING

Chairman Martwick presented the minutes of Meeting No. 264 held on April 29, 2020, for approval. Copies of the minutes were previously submitted to the trustees for preliminary review. Senator Harris moved to approve the minutes of the April 29, 2020 minutes as presented, and the motion was seconded by Representative Meier. Ms. Ackerson took roll call, and the motion was approved unanimously.

REPORT OF CHAIRMAN

Chairman Martwick offered no report.

REPORT OF ANY TRUSTEE

There were no reports offered.

REPORT OF ADMINISTRATIVE SECRETARY

June 30, 2020 and September 30, 2020 Financial Statements. Secretary Blair reviewed the financial statements for the year that ended June 30, 2020, and the quarter that ended September 30, 2020. He noted that for the year that ended June 30, 2020, GARS had receipts of almost \$28 million, including \$1.24 million in employee contributions and \$26.6 million in employer contributions. He added that in FY 20, GARS disbursements were almost \$26.2 million, with \$25.6 million in retirement and survivor annuities paid, while \$156,350.31 in refunds were paid, and administrative expenses totaled \$405,129.62.

Secretary Blair continued his report by reviewing the financial statements for the quarter that ended September 30, 2020. He noted total GARS receipts in the first quarter of FY 21 were \$7.1 million, including employer contributions of \$6.8 million. Total disbursements for the first quarter were \$6.45 million in monthly benefits to 318 annuitants, 11 QILDRO alternate payees, and 111 survivors. Senator Harris moved to adopt the June 30, 2020, and September 30, 2020, financial statements. Representative Meier seconded the motion. Ms. Ackerson took roll call, and the motion was approved unanimously. Official copies of these Financial Statements have been placed on file and made a part of these minutes as *Exhibit C*.

Shared Expenses Allocation Policy. Secretary Blair requested formal adoption by the Board of a policy that changed the allocation of shared expenses between GARS and JRS. The preliminary FY 21 GARS budget adopted in March reflected a decrease in the shared expense allocation for GARS from 25% to 20% due to JRS membership increasing to above 75% of the GARS and JRS combined membership since 2014. Based on the continued and projected relative increase in JRS membership, Secretary Blair recommended the board amend the current policy to require 20% of the shared administrative expenses be paid by GARS, effective July 1, 2021.

Final FY 2021 Budget Request. Secretary Blair reviewed the final FY 21 GARS administrative budget request of \$346,240, a decrease of \$66,085, or 16.03%, from the FY 2020 budget. The request was impacted by a \$37,875 decrease in the Personal Services line, a \$19,195 decrease in the Retirement line, a \$2,950 decrease in the FICA line and a \$6,200 decrease in the Group Insurance line. He also noted the budget request reflects GARS' proportion of shared administrative expenses decreasing from 25% to 20% in FY 21.

Representative Meier moved to approve the Shared Expenses Allocation Policy and the FY 21 budget request as presented. Senator Harris seconded the motion. Ms. Ackerson took roll call, and the motion was approved unanimously.

Public Comment Policy. Secretary Blair presented a proposed public comment policy for the trustees to consider. He briefly described the procedure for visitors to notify him of their

plans to attend, stated that public comments would be given a maximum time allotment of 20 minutes, and clarified that comments would be limited to agenda items.

Representative Zalewski recommended the public comments be at the beginning of the meeting rather than the end and made a motion to approve the public comment policy with this change. Senator Harris seconded the motion. Ms. Ackerson took roll call, and the motion was approved unanimously.

Felony Forfeiture Policy Amendment. Jeff Houch, Assistant to the Secretary, explained to the Board that the current policy contains a 5-day waiting period to notify the member that his or her benefit will be suspended. He noted the proposed changes to the policy provide a timeline of events that follow a guilty plea and how benefit payments are resumed if the office of the Attorney General deems a felony conviction is not job-related.

After a brief discussion, Representative Zalewski made a motion to approve the felony forfeiture policy amendment, and the motion was seconded by Senator Harris. Ms. Ackerson took roll call, and the motion was approved unanimously.

2021 Meeting Dates. Secretary Blair submitted a list of suggested GARS Board meeting dates for 2021. All Chicago meetings will be held in Room S721 of the Bilandic Building, 160 North LaSalle Street, and the Springfield meeting will be held in Room 627A of the Capitol Building.

Tuesday, January 12, 2021, 2:00 p.m. – Springfield
Wednesday, April 28, 2021, 9:00 a.m. – Springfield
Friday, October 29, 2021, 1:00 p.m. - Chicago

A motion was made by Senator Harris to approve the dates. Representative Meier seconded the motion. Ms. Ackerson took roll call, and the motion was approved unanimously.

FY 21 Funding Update. Secretary Blair stated that the Comptroller's Office is current in making the State contributions and that the November contribution had been received.

REPORT OF MANAGER

GARS Manager Angie Ackerson presented the annuities for approval. Since the last Board meeting, three new retirement annuities totaling \$10,448.02 per month and seven survivor annuities totaling \$44,596.90 per month were processed by GARS staff. She noted that there were no refunds processed. Senator Harris moved to approve the annuities as presented, and Representative Meier seconded the motion. Ms. Ackerson took roll call, and the motion was approved unanimously.

UNFINISHED BUSINESS

There was no unfinished business.

NEW BUSINESS

There was no new business.

PUBLIC COMMENTS

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

ADJOURNMENT

There being no further business, Chairman Martwick asked if there was a motion to adjourn. Senator Harris moved to adjourn at 2:30 p.m. His motion was seconded by Representative Meier. Roll call was taken, and the motion was approved unanimously.

Timothy B. Blair, Administrative Secretary

Date: _____

APPROVED:

Senator Robert F. Martwick, Chairman