

**GENERAL ASSEMBLY RETIREMENT SYSTEM OF ILLINOIS  
MEETING NO. 271  
MINUTES OF A REGULAR BOARD MEETING OF THE  
BOARD OF TRUSTEES**

**April 27, 2022**

A regular meeting of the Board of Trustees of the General Assembly Retirement System was held on Wednesday, April 27, 2022, 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)).

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 10:08 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
- Angie Ackerson, GARS Manager
- Johara Farhadieh, Executive Director, Illinois State Board of Investment (by video)
- Scott Richards, Senior Investment Officer, Illinois State Board of Investment (by video)
- Alex Rivera, Consulting Actuary, Gabriel, Roeder, Smith & Company (by video)
- Heidi Barry, Consulting Actuary, Gabriel, Roeder, Smith & Company (by video)
- Jeff Tebeau, Consulting Actuary, Gabriel, Roeder, Smith & Company (by video)

With a quorum present, Chairman Martwick called the meeting to order at 9:10 a.m.

#### **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, Heidi Barry and Jeff Tebeau of Gabriel, Roeder, Smith & Company, presented the review of actuarial assumptions. Mr. Rivera stated the experience review was conducted to compare actual experience over the three-year period from 2018 through 2021 with actuarial assumptions as required under PA 99-0232. He noted the review of assumptions is done to determine if the economic and demographic assumptions used in the June 30, 2021 actuarial valuation are still adequate.

Mr. Rivera stated they are recommending no changes to the current economic assumptions for the June 30, 2022 actuarial valuation and turned the presentation over to Heidi Barry to provide additional details on the economic assumption review. She stated they recommend continuing 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 FY 22 valuation. Ms. Barry directed the Trustees to the GRS report which provides a detailed analysis and supporting documentation for the recommendations. She indicated that GRS reviews Meketa's capital market assumptions and short-term and long-term expectations in the analysis.

Ms. Barry then turned the presentation over to Jeff Tebeau to provide additional details on the demographic assumption review. Mr. Tebeau noted they recommend updating the mortality tables to the Pub-2010 Above-Median Income General Healthy Retiree and Employee Mortality Tables with no adjustments and future mortality improvements using the MP-2021 scale. He added they are recommending increasing the normal retirement rates for Tier 2 to better reflect observed experience and increasing the current turnover rate of 6 percent to 7 percent for both Tier 1 and Tier 2 members. Mr. Tebeau stated they recommend lowering the assumption that future members will elect to opt out of the pension system from 50 percent to 45 percent. Mr. Tebeau then noted that if the recommended assumptions are adopted, the actuarial accrued liability would decrease by approximately \$5 million.

At the conclusion of his presentation, Mr. Tebeau asked if there were any questions from trustees. Seeing none, Chairman Martwick made a motion to approve the recommended actuarial assumptions as presented by GRS. The motion was seconded by Senator Harris. A roll call vote was taken, and the motion passed unanimously. Chairman Martwick thanked Mr. Rivera, Ms. Barry, and Mr. Tebeau and excused them from the remainder of the meeting.

A copy of the GRS 2021 Actuarial Experience Study for the period July 1, 2018 – June 30, 2021 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 Executive Director, distributed copies of the Quarterly Review dated December 31, 2021, and reported that for the year ending December 31, 2021, the portfolio increased \$3.3 billion, from \$22.6 billion to \$25.9 billion. She cautioned members that performance for the 1<sup>st</sup> quarter of 2022 would be negatively affected by ongoing market volatility and noted the portfolio is designed to protect assets during inflationary periods with approximately 57.0% invested in Equities, 32.1% in Fixed Income, and 11% in Real Assets.

Ms. Farhadieh then reviewed asset allocation, noting that the private market asset classes are underweight by 7.8%, in the areas of Private Equity, Private Credit, Infrastructure, and Real Estate. She stated that ISBI invests in public market equivalents until the assets can be deployed to private market equivalents. She also reviewed that ISBI continues to invest one-third of the fund with strategic partners who can outperform the market and two-thirds is passively invested. She then turned the presentation over to Scott Richards to review the portfolio's performance.

Mr. Richards began by noting the Portfolio's one-year return on December 31, 2021 was 14.9%, beating the custom benchmark of 12.4%. He stated the Fixed Income Composite was up 3.2% while the Bloomberg Universal Index lost 1.1%. He noted the Multi-Sector Credit Composite was up 8.2%, outperforming the custom benchmark by 5.5%, while the Private Credit Composite was up 19.4%, beating the index by 3.5%. Mr Richards continued the performance review with the Domestic Equity Composite, which returned 24.3%, trailing the benchmark by about 1.4%, and the Fixed Income Portfolio, returning 55.8% over the calendar year and outperforming the benchmark by 7.8%. He concluded his presentation by noting the Global Equity was up 9.4%, outperforming the world MSCI ACWII IMI index by 0.9%, and the U.S. Equity composite trailed the benchmark by 0.4%, performing 24.3% against the Russell 3000 of 25.7%.

Chairman Martwick thanked Director Farhadieh and Mr. Richards for the report 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 Senator Harris. 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 MEETINGS**

Chairman Martwick presented the minutes of Meeting No. 269 held on January 11, 2022, and Meeting No. 270 held on March 8, 2022, for approval. Copies of the minutes were previously submitted to the trustees for preliminary review. Representative Carroll moved to approve the minutes for the January 11, 2022 and March 8, 2022 meetings as presented. Senator Harris seconded the motion. Roll call was taken and all were in favor.

### **CONSIDERATION OF REPRESENTATIVE ACEVEDO BENEFIT SUSPENSION**

Chairman Martwick provided a brief overview of the suspension of Representative Acevedo's retirement benefit. Secretary Blair added that the Attorney General provided a follow-up opinion on April 8, 2022 that asserted after review of sentencing documents, the original opinion that Representative Acevedo's felony conviction was unrelated to his service in the General Assembly was unchanged.

After discussion, Chairman Martwick offered a motion to reinstate Representative Acevedo's retirement annuity and insurance benefits retroactive to January 1, 2022. The motion was seconded by Representative Ryder. Ms. Ackerson took roll call, and the motion was approved unanimously.

### **REPORT OF CHAIRMAN MARTWICK**

Chairman Martwick offered no report.

### **REPORT OF ANY TRUSTEE**

There were no reports offered.

### **REPORT OF ADMINISTRATIVE SECRETARY**

Review of Actuarial Audit of June 30, 2020 Valuation. Secretary Blair provided the results of a full scope actuarial audit conducted by Foster & Foster to review the June 30, 2020 actuarial valuation produced by Gabriel, Roeder, Smith & Company (GRS). He reported the audit was generally clean and found no major deficiencies. Foster & Foster agreed the valuation results were reasonable. He then shared the written response provided by GRS in which they agreed to issues surrounding the statutory funding policy but acknowledged the current methods are prescribed in statute and cannot change without legislative action.

GRS also agreed to consider recommendations from Foster & Foster to provide more details in defining how the actuarially determined contribution calculations are produced as well as the benefit provisions surrounding Tier 2 salary limitations.

Chairman Martwick stated he was aware the statutory funding standards didn't comply with actuarial best practices and requested a copy of the report to send the Senate Pension Committee members.

FY 22 Supplemental Operations Budget Request. Secretary Blair requested an increase of \$7,000 to meet expected needs in the Group Insurance line and the Contractual line. He noted the request included an \$2,000

increase in the Group Insurance line and a \$5,000 increase in the Contractual line, primarily for a large increase in the audit fee. He explained that a new audit standard requiring more robust census data testing resulted in a higher expenditure than originally budgeted. Secretary Blair added that he expects lapses of \$4,500 in other lines, so overall spending in FY 22 is expected to be approximately \$2,500 higher than in the FY 22 budget approved by the Board in October 2021.

Representative Carroll motioned to approve the FY22 supplemental operations budget request of \$7,000. The motion was seconded by Representative Meier. Ms. Ackerson took roll call, and all were in favor.

Preliminary Review of FY 2023 Operations Budget. Secretary Blair presented the FY 23 Preliminary Operations Budget Request of \$365,060, a decrease of \$42,420, or 11.62%, from the FY 22 budget. He reviewed the items having a cost impact on the request, including an increase of \$5,540 in the Personal Services line due to AFSCME steps and COLAs of 3.95% in July 2022 for all employees. Secretary Blair stated the Contractual line request decreased by \$49,140 due to the full scope actuarial and comprehensive review of all actuarial assumptions were both funded in the FY 22 budget. He indicated another actuarial audit would not be needed for five and the comprehensive assumption review would not be conducted for three years.

Following discussion of the proposed FY 23 operations budget preliminary review, Senator Harris motioned to approve the FY23 operations budget of \$365,060. The motion was seconded by Representative Ryder. Roll call was taken, and all were in favor.

December 31, 2021 and March 31, 2022 Financial Statements. Secretary Blair reviewed the financial statements for the quarters ended December 31, 2021, and March 31, 2022. He noted that no funds have been withdrawn from ISBI to pay benefits during FY 22 and added that he does not anticipate any withdrawals for the remainder of the fiscal year. Over the first nine months of the fiscal year ending March 31, 2022, the System received \$2.3 million a month in receipts, slightly above the monthly disbursements of \$2.2 million. Secretary Blair noted the locally held cash balance is approximately \$7.1 million and he expects transfers of \$3 million to \$4 million to ISBI in FY 22. He attributed the positive cash balance to Comptroller Mendoza's commitment to timely State contributions.

Representative Carroll moved to approve the December 31, 2021 and March 31, 2022 financial statements and the motion was seconded by Senator Harris. 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*.

FY 2022 Funding Update. Secretary Blair told the Board that the Comptroller's Office is current in making the State contributions and that May contributions had been received. He stated he anticipates the timely receipt of the remaining FY 22 monthly contributions and that GARS recently received an additional \$700,000 in appropriations after Governor Pritzker signed SB 2803.

## **REPORT OF MANAGER**

Division Manager Angie Ackerson presented the annuities and refunds for approval. Since the last Board meeting, six retirement annuities totaling \$17,575.49 per month and five survivors' annuities totaling \$17,635.15 per month were processed. She reported there were no refunds processed. Representative Carroll moved to approve the annuities for approval. The motion was seconded by Senator Harris. 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, Representative Carroll 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