

**GENERAL ASSEMBLY RETIREMENT SYSTEM OF ILLINOIS
MEETING NO. 269**

**MINUTES OF A REGULAR MEETING
OF THE BOARD OF TRUSTEES**

January 11, 2022

A regular meeting of the Board of Trustees of the General Assembly Retirement System was held on Tuesday, January 11, 2022, at 9:00 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 videoconference:

- Senator Robert Martwick, Chairman
- Senator Dave Syverson, Vice-Chairman
- Senator Napoleon Harris
- Representative Johnathan Carroll
- Representative Charles Meier
- Representative Michael Halpin
- 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
- Jim Stivers, SRS General Counsel
- Angie Ackerson, GARS Manager
- Johara Farhadieh, Executive Director, Illinois State Board of Investment (by videoconference)
- Jennifer Koelle, Investment Officer, Illinois State Board of Investment (by videoconference)
- 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)
- Aaron Evans, External Counsel

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

REPORT OF THE ILLINOIS STATE BOARD OF INVESTMENT (ISBI)

Johara Farhadieh, Executive Director of the Illinois State Board of Investment (ISBI), began the ISBI presentation by reporting the portfolio's asset value was \$24.7 billion on September 30, 2021, noting a \$2.2 billion increase since January 1, 2021.

Director Farhadieh reminded the Board that ISBI uses a barbell approach to provide downside protection within the rate sensitive asset classes. She added that this approach was instrumental in the portfolio's performance during the height of the pandemic. She then reviewed the portfolio's active and passive allocations, reminding the Board that passive investments allow for inexpensive, broad market exposure and actively managed assets allow ISBI to choose a fund manager that will outperform a benchmark and add value.

Director Farhadieh turned the presentation over to Jennifer Koelle, ISBI Investment Officer, to review the performance of individual asset classes. Ms. Koelle began her review by noting that the portfolio returned 19.6% return during the prior year, which corresponds to 2.2% excess returns relative to the custom benchmark over the one-year period ending 30 September 2021. For the quarter ended September 30, 2021, the portfolio declined 0.2% and lagged the custom benchmark and allocation benchmark by 130 and 80 basis points respectively.

Ms. Koelle stated the fixed income portfolio had a strong performance for the year ending September 30, 2021, exceeding the benchmark by 3.5%, and attributed the strong performance to the credit composite portfolio. The rate sensitive portfolio lagged the benchmark by 60 basis points, reflecting ISBI's relatively conservative position in treasuries. For the quarter ended September 30, 2021, the rate sensitive composite outperformed the benchmark by 20 basis points. Ms. Koelle reiterated that the rate sensitive composite continues to provide down market protection and is performing in line with ISBI's expectations.

Ms. Koelle continued by reporting the Global Equity composite delivered a 31.5% return for the one-year period and beat the benchmark by 2.6%. The portfolio saw robust returns from international equity and emerging market composites, both of which outperformed their benchmarks. For the one-year period, the domestic factor composite returned 25.9%, but was 5% under the custom benchmark. This under performance was offset by strong performance in the rest of the domestic equity portfolio. The private equity portfolio continues to be a key contributor to performance and returned 56.3% for the one-year period and 42.1% for the calendar year to date, significantly exceeding the applicable benchmarks. Ms. Koelle added that the private equity portfolio has generated strong excess returns over all annualized periods since inception and has delivered consistent with ISBI's expectations.

Ms. Koelle noted the real asset composite posted 14.7% return for the one-year period ending September 30, 2021, outperforming the benchmark by 6.7%. Ms. Koelle concluded her report by offering to answer any questions from the Board. No questions were offered.

Director Farhadieh concluded the ISBI report by highlighting diversity initiatives, noting that 35.5% of the portfolio is committed to minority and woman owned investment managers. She added that ISBI made allocations to two such managers since the last SERS board meeting. She summarized ISBI's other diversity initiatives such as encouraging minority and woman owned brokerage dealers for trading, ensuring diversity among vendors, the ISBI board and staff, as well as a new initiative to advocate for the use of minority and female owned investment banks, which often have lower fees and other advantages.

Representative Carroll moved to approve the ISBI Quarterly Review for the period ended September 30, 2021 and Representative Halpin seconded the motion. A roll call vote was taken, and the motion passed unanimously. A copy of the report is maintained in the GARS office and made a part of these minutes as *Exhibit A*.

PUBLIC COMMENTS

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

MINUTES OF PREVIOUS MEETING

Chairman Martwick presented the minutes of Meeting No. 268 held on October 29, 2021, for approval. Copies of the minutes were previously submitted to the trustees for review. Representative Halpin suggested minor edits to the minutes. Secretary Blair agreed the changes would be incorporated into the minutes and Chairman Martwick asked if there was a motion to approve the minutes as amended. Representative Halpin moved to approve the minutes of the October 29, 2021 minutes as amended, and the motion was seconded by Senator Harris. 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.

PROPOSED AMENDED TO THE MEMBER APPEAL PROCESS, SUBMITTAL DEADLINE POLICY

Chairman Martwick asked Secretary Blair to provide a summary to the Board regarding the proposal to amend the member appeal process, specifically relating to the submittal deadline policy. Secretary Blair stated that under current Board Policy, if a member seeks to appeal to the Board regarding an adverse administrative decision, he or she must request an appeal at least 15 days before the Board meeting. Secretary Blair added that staff believe this policy is outdated and that a 5-day lead time is adequate to allow time to prepare the agenda and related materials. He stated that staff is proposing that lead time in Board policy be reduced to 5 days.

Representative Ryder asked if the proposal was effective immediately upon Board approval. After brief discussion, Representative Halpin made a motion to amend the Board policy requiring a member to request a written appeal or personal hearing from at least 15 days to 5 days before the Board meeting, effective immediately. The motion was seconded by Representative Carroll. Ms. Ackerson took roll call, and the motion was approved unanimously.

REPORT OF ADMINISTRATIVE SECRETARY

FY 21 Actuarial Valuation and FY 23 Employer Certification. Secretary Blair told the Board there were no significant changes in the final FY 21 valuation when compared to the preliminary report reviewed in October and that the FY 23 employer contribution amount also remain unchanged. He expressed the need to approve the final FY 21 actuarial valuation and certify the FY 23 employer contribution of \$27,174,000, or 278.648% of projected payroll. Representative Ryder moved to approve the June 30, 2021 actuarial valuation and certify the FY 23 State contribution. Representative Halpin seconded the motion. A roll call vote was taken, and the motion passed unanimously.

FY 22 Funding Update. Secretary Blair stated that the Comptroller's Office is current in making the State contributions and that the IOC intends to continue to make timely payments for the remainder of FY 22. He noted that GARS was able to transfer \$3 million in assets to ISBI because the monthly State contributions have been more than monthly benefits and expenses.

Felony Updates: Representative Arroyo and Representative Acevedo Benefit Suspension. Secretary Blair told the Board that former Representative Luis Arroyo pleaded guilty to one count of wire fraud on November 3, 2021 and was notified by GARS on November 5th by letter and email that his pension benefit was suspended beginning November 2021, pending the receipt of an Attorney General's opinion and Board consideration. He added that Representative Arroyo was provided his appeal rights and the GARS Felony Forfeiture policy.

Mr. Blair then informed the Board that former Representative Edward Acevedo's pension benefit was suspended due to a guilty plea for tax evasion on December 14, 2021. Representative Acevedo was notified by GARS on December 15th by letter and email that his benefits were suspended beginning January 2022. He added that Representative Acevedo was provided with his appeal rights and the GARS Felony Forfeiture policy.

Secretary Blair noted that per Board policy, the benefit suspensions continue until receipt of the Attorney General's opinion and Board consideration.

Representative Acevedo Personal Hearing to Appeal Benefit Suspension. Secretary Blair informed the Board that on January 5, 2022, Representative Acevedo spoke by phone with multiple employees of GARS regarding the suspension of his pension and State Group Insurance coverage. He noted that Representative Acevedo told GARS staff that he did not receive the notification letter or email and wanted to pursue an appeal related to such suspension. Mr. Acevedo submitted a request for appeal contending that his pension should not have been suspended because such charges were related to actions that occurred after he left the General Assembly. Secretary Blair informed the Board that Representative Acevedo and his attorney were waiting in the virtual meeting room to appear before the Board and present the appeal through a personal hearing.

After discussion among the trustees, Chairman Martwick asked if an official motion would be offered to allow the 15-day appeal requirement to be waived for Representative Acevedo. Representative Carroll made a motion to waive the 15-day appeal requirement for Representative Acevedo. The motion was seconded by Senator Harris. Ms. Ackerson took roll call, and all voted in favor.

After additional discussion surrounding the Board's current benefit suspension policy, Representative Arroyo and his attorney, Gabrielle Sansonetti, entered the meeting to begin the personal hearing. Ms. Sansonetti provided a summary of Representative Acevedo's appeal and stated Representative Acevedo's benefit suspension would create a hardship to provide for his basic needs. Ms. Sansonetti and Representative Acevedo exited the virtual meeting at the conclusion of the personal hearing and additional discussion followed. Jeff Houch, Assistant to Secretary Blair, provided the Trustees with the background of the current Board policy and indicated it has been established policy for over six years, and in such time, the Board has not disregarded the policy.

Further discussion continued among Board members. Chairman Martwick asked if there was a motion to defer a decision on Representative Acevedo's petition to reinstate his pension benefits and continue the benefit suspension until the Attorney General's opinion is received. Representative Carroll made a motion to defer a decision on Representative Acevedo's petition

to reinstate his benefits and continue with current Board policy that requires the Attorney General's opinion before a decision is made to reinstate the benefits. The motion was seconded by Senator Syverson. Ms. Ackerson took roll call, and the motion was unanimously approved.

Representative Arroyo Benefit Suspension. Secretary Blair informed the Board that a vote must be taken to accept the decision of GARS staff to suspend benefits based on Representative Arroyo's guilty plea on December 14, 2021. Chairman Martwick asked if there was a motion to approve Representative Arroyo's benefit suspension until the Attorney General's opinion is received for Board consideration. Representative Ryder made a motion to continue the benefit suspension and the motion was seconded by Representative Halpin. Ms. Ackerson took roll call, and the motion was unanimously approved.

REPORT OF MANAGER

GARS Manager Angie Ackerson presented the annuities and refunds for approval. Since the last Board meeting, one retirement annuity totaling \$2,905.47 per month and one survivor annuity totaling \$5,816.54 per month were processed. She noted that there were no refunds processed. Senator Harris moved to approve the annuities as presented, and Representative Carroll 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.

ADJOURNMENT

There being no further business, Chairman Martwick asked if there was a motion to adjourn. Representative Carroll moved to adjourn at 10:25 a.m. His motion was seconded by Senator Harris. Roll call was taken, and the motion was approved unanimously.

Timothy B. Blair, Administrative Secretary

Date: _____

APPROVED:

Senator Robert F. Martwick, Chairman