

**GENERAL ASSEMBLY RETIREMENT SYSTEM OF ILLINOIS  
MEETING NO. 273**

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

**January 10, 2023**

A regular meeting of the Board of Trustees of the General Assembly Retirement System was held on Tuesday, January 10, 2023, at 9:00 a.m. in the Stratton Building, Section C – Main Conference Room, Springfield Illinois 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 in person or by videoconference:

- Senator Robert Martwick, Chairman
- Senator Dave Syverson, Vice-Chairman
- Senator Napoleon Harris (videoconference)
- Representative Jonathan Carroll (videoconference)
- Representative Charles Meier
- Representative Michael Halpin
- Representative Tom Ryder, Retired (videoconference)

Others in attendance were:

- Timothy Blair, Secretary
- Jeff Houch, Assistant to Secretary
- Angie Ackerson, GARS Manager
- Johara Farhadieh, Executive Director, Illinois State Board of Investment
- Jennifer Koelle, Investment Officer, Illinois State Board of Investment (by videoconference)

With a quorum present, Chairman Martwick called the meeting to order at 9:05 a.m. Chairman Martwick asked for a motion to allow remote Board members to participate. Representative Halpin offered the motion, and it was seconded by Representative Meier. Chairman Martwick then introduced Executive Director Farhadieh to present the ISBI report.

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

Johara Farhadieh, Executive Director of the Illinois State Board of Investment (ISBI), directed the Board to the ISBI September 30, 2022, Performance Update and stated the portfolio lost 14.2% since January 1, 2022, and totaled \$22.2 billion on September 30, 2022. She reviewed the current asset allocation in comparison to the policy allocation and noted the Private Equity composite is no longer underweighted, but the Private Credit, Infrastructure, and Real Estate remain underweight. Director Farhadieh summarized ISBI's asset deployment strategy regarding active versus passive exposure in the portfolio.

Director Farhadieh then provided a brief update to the Board regarding their diversity efforts, noting that 42.5% of the portfolio is committed to minority- and woman-owned investment firms. She summarized ISBI's other diversity initiatives such as encouraging minority- and woman-owned brokers, ensuring diversity among vendors and ISBI staff, and an initiative to advocate for the use of minority- and woman-owned investment banks, which often have lower fees and other advantages.

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 lost 10.3% during the prior year, outperforming the custom benchmark by 40 basis points over the one-year period ending September 30, 2022. For the quarter ended September 30, 2022, the portfolio lost 4.4% and lagged the benchmark by 20 basis points.

Ms. Koelle stated the fixed income portfolio lost 10.9% for the year ending September 30, 2022, exceeding the benchmark by 4%. She attributed the performance to the private credit composite portfolio, which returned 7.9% for the year ending September 30, 2022, and outperformed the custom benchmark by 11.8%. The rate sensitive portfolio lagged the benchmark by 80 basis points, reflecting ISBI's relatively conservative position in treasuries. For the quarter ended September 30, 2022, the rate sensitive composite lagged the benchmark by 60 basis points.

Ms. Koelle reported the Global Equity composite lost 16.3% for the one-year period and beat the benchmark by 4.9%. There were negative returns in fixed income, international equity, and emerging market composites, but all outperformed their benchmarks. For the one-year period, the domestic equity composite lost 19%, lagging the broad U.S. equity market by 140 basis points. The private equity portfolio continues to be a key contributor to performance and returned 17% for the prior one-year period and 6.7% for the calendar year to date, significantly exceeding the benchmarks. She added that infrastructure was up 9.2% and real estate returned 24.9%. Ms. Koelle concluded her report by offering to answer any questions from the Board. No questions were offered.

Chairman Martwick asked the Board if there were any questions. Senator Syverson directed a question to Director Farhadieh on the Fund's benchmark policy. After discussion on the choice and use of benchmarks, Chairman Martwick thanked Director Farhadieh and Ms. Koelle and excused them from the remainder of the meeting.

Representative Halpin moved to approve the ISBI Quarterly Review for the period ended September 30, 2022 and Representative Meier 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. 272 held on October 28, 2022, for approval. Copies of the minutes were previously submitted to the trustees for review. Representative Halpin moved to approve the 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**

State Actuary's 2022 Report and System Responses. Secretary Blair reviewed the State Actuary's report. He noted the State Actuary recommended a less complicated funding plan that finances annual normal cost and amortizes unfunded liabilities over a reasonable period. He noted the Board adopted an Actuarially Determined Contribution (ADC) policy in 2015 that is consistent with the recommendation.

The State Actuary also recommended smoothing the financial impact of assumption changes over a three-year period to align with the experience studies that are performed every three years. Secretary Blair stated the System concurs with this recommendation as well and added that changing the current funding plan and smoothing the effect of assumption changes over three years requires statutory changes.

Secretary Blair noted other recommendations of the State Actuary include adding stress testing to the actuarial valuation, disclosing the retirement age assumption for deferred vested members and disclosing whether members who leave active employment are assumed to elect a deferred annuity or a refund of contributions. He referred the Board to a response letter from the System's actuaries which indicated GRS would consider the recommendations and make changes to the 2023 actuarial valuation report, as appropriate.

FY 22 Actuarial Valuation and FY 24 Employer Certification. Secretary Blair told the Board there were no changes to the final FY 22 valuation when compared to the draft valuation reviewed in October and that the FY 24 employer contribution is also unchanged. He noted the need to approve the final FY 22 actuarial valuation and certify the FY 24 employer contribution of \$26,474,000, or 267.71% of projected payroll. Representative Halpin moved to approve the June 30, 2022 actuarial valuation and certify the FY 24 State contribution. Representative Meier seconded the motion. A roll call vote was taken, and the motion passed unanimously.

FY 23 Funding Update. Secretary Blair stated that the Comptroller's Office is current in making the State contributions and that the IOC has indicated they intend to continue to make timely payments. He noted that GARS was able to transfer \$2 million in assets to ISBI.

## **REPORT OF MANAGER**

GARS Manager Angie Ackerson presented the annuities and refunds for approval. Since the last Board meeting, two retirement annuities totaling \$7,494.61 per month and two survivor annuities totaling \$8,616.04 per month were processed. She noted that two refunds were processed totaling \$3,019.94. Representative Halpin 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.

**ADJOURNMENT**

There being no further business, Chairman Martwick asked if there was a motion to adjourn. Representative Halpin moved to adjourn at 9:51 a.m. His motion was seconded by Representative Meier. Roll call was taken, and the motion was approved unanimously.

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Timothy B. Blair, Administrative Secretary

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

APPROVED:

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Senator Robert F. Martwick, Chairman