

**GENERAL ASSEMBLY RETIREMENT SYSTEM OF ILLINOIS
MEETING NO. 272**

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

October 28, 2022

The annual meeting of the Board of Trustees of the General Assembly Retirement System was held on Friday, October 28, 2022, 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)).

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

- Senator Robert Martwick, Chairman
- Senator Dave Syverson, Vice-Chairman
- Representative Charles Meier
- Representative Michael Halpin
- Representative Tom Ryder, Retired (in person at the system's Springfield Office)

Absent:

- Senator Napoleon Harris
- Representative Jonathan Carroll

Others in attendance were:

- Timothy B. Blair, Secretary
- Jeff Houch, Assistant to Secretary
- Samantha Goetz, SRS General Counsel
- Angie Ackerson, GARS Manager
- Johara 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
- Jeff Tebeau, Consulting Actuary, Gabriel, Roeder, Smith & Company
- Heidi Barry, Consulting Actuary, Gabriel, Roeder, Smith & Company

With a quorum present, Chairman Martwick called the meeting to order at 1:10 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 the top-performing private equity portfolio of any public pension fund in the country for the third year in a row. She noted a Diversity Policy Review as of June 30, 2022 was distributed to trustees and indicated she would not be discussing the document during the meeting.

Director Farhadieh directed the Board's attention to the ISBI June 30, 2022, Performance Update and stated the portfolio lost 6.3% in FY 22, ranking in the 10th percentile of the public fund peer group over the one-year period, totaling \$23.2 billion on June 30, 2022. She

then highlighted the actual allocation of assets in comparison to the policy allocation. Director Farhadieh noted the Private Equity composite is no longer underweight due to the market downturn, but Private Credit, Infrastructure and Real Estate remain underweight. She concluded her portion of the presentation by briefly reviewing ISBI's asset deployment strategy regarding active versus passive exposure in the portfolio.

Director Farhadieh turned the presentation over to Scott Richards, ISBI Senior Investment Officer, to review the performance of individual asset classes. He began by pointing out the Fixed Income portfolio lost 6.9%, net of fees, for the year ended June 30, 2022, outperforming the benchmark by 4%. Mr. Richards added the Core Fixed Income portfolio and the Treasury Inflation Protected Securities Composite (TIPS) lost 10.9% and 5.1%, respectively, while the Multi Asset Credit portfolio lost 2%, outperforming the benchmark by 5.8%. He noted the Private Credit portfolio returned 7.9%, outperforming the benchmark by 12.1%, and the Global Equity portfolio lost 11.9% and the U.S. Equity portfolio declined 14.9%.

Mr. Richards continued his report by informing the Board the Non-U.S. Equity portfolio fell 18.5% for the 12 months ended June 30, 2022, but exceeded the benchmark return by 1.4%, while the Private Equity portfolio advanced 21.7% underperforming the benchmark by 5%. He concluded his review of the asset classes by adding the Infrastructure Composite returned 12.7% and the Real Estate portfolio was the best performing asset class with a return of 26.3% in FY 22, net of fees.

Chairperson Martwick thanked Director Farhadieh and Mr. Richards for the reports and excused them from the remainder of the meeting. Representative Halpin moved to approve the ISBI report, and Representative Meier seconded the motion. Ms. Ackerson took roll call, and the motion was approved unanimously. A copy of the June 30, 2022 Quarterly 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 22 JRS actuarial valuation. Mr. Rivera stated the purpose of the actuarial valuation is to measure the funded status of the System on June 30, 2022, and to determine the State's FY 24 contribution. He added that Public Act 100-0023, effective July 6, 2017, modified the funding plan to smooth State contribution rate increases or decreases due to changes in actuarial assumptions, including the investment return assumption, over a five-year period in equal annual amounts. Mr. Rivera turned the presentation over to Ms. Barry.

Ms. Barry began her presentation by discussing the valuation results and noted the actuarial accrued liability decreased from \$373.7 million on June 30, 2021, to \$363.2 million on June 30, 2022. She indicated the market value of assets decreased due to the FY 22 negative return and the funded ratio on a market value basis remained flat at 21.3%. Ms. Barry noted that despite the negative return, due to smoothing the actuarial value of assets increased from \$72.2 million to \$79.7 million, and the funded ratio based on the actuarial value of assets increased from 19.31% to 21.95%, and the State contribution decreased from \$27.2 million in FY 23 to \$26.5 million in FY 24. Ms. Barry then turned the presentation over to Mr. Tebeau.

Mr. Tebeau began his presentation by stating that for FY 22, employer contributions totaled \$28.5 million, employee contributions were \$1.2 million, and the benefits and expenses were \$27.3 million, leaving a positive net cash flow of approximately \$2.4 million. He indicated that in fiscal years 2024 through 2040, benefits are projected to exceed State and employee contributions, resulting in a negative cash flow. He added that from 2024 to 2033, the percentage of investment income needed to pay ongoing benefits is projected to increase from approximately 19% to 102%, which means a lower level of investment income will be available for potential asset growth.

Mr. Tebeau then stated the State Contribution rate decreased from 278.648% of payroll in FY 23, or \$27.2 million, to 267.710% of payroll in FY 24, or \$26.5 million. He stated the actuarially determined contribution in FY 24 is \$34.7 million, or almost \$8.3 million more than the amount calculated under the statutory funding plan.

Mr. Tebeau then addressed the actuarial experience review for the period July 1, 2018 through June 30, 2021, and effective for the 2022 valuation. He indicated the study resulted in an update to most demographic assumptions which decreased the actuarial accrued liability by \$5.3 million, decreased the employer normal cost by \$42 thousand and decreased the FY 24 statutory contribution rate by 2.6% of capped payroll, or about \$250 thousand. He noted the next experience review will be for the period from July 1, 2021, through June 30, 2024, and will be completed after the June 30, 2024 actuarial valuation with the recommended assumptions used for the June 30, 2025, actuarial valuation.

Mr. Tebeau concluded his presentation by summarizing the investment gains in FY 21 increased the funded ratio slightly and decreased the State's contribution requirement. He noted the funded ratio is projected to increase slowly from 22% in 2022 to 31% in 2033, and then increases rapidly to 90% by 2045. He noted the updated actuarial assumptions decreased the System's liabilities by 1.4%. Mr. Tebeau concluded his report by asking if there were any questions regarding the actuarial valuation or the preliminary FY 24 State contribution certification.

Following a brief review of projected benefits and contributions over the remainder of the funding plan, Representative Halpin moved to accept the draft FY 22 actuarial valuation and preliminarily certify the FY 24 employer contribution of \$26.474 million. Representative Meier seconded the motion. Ms. Ackerson took roll call, and the motion was approved unanimously. Chairperson 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 JRS office and made part of these minutes as *Exhibit B*.

MINUTES OF PREVIOUS MEETING

Chairman Martwick presented the minutes of Meeting No. 271 held on April 27, 2022, for approval. Copies of the minutes were previously submitted to the trustees for preliminary review. Representative Halpin moved to approve the minutes of the April 27, 2022 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, 2022 and September 30, 2022 Financial Statements. Secretary Blair began his presentation by stating that in FY 22 total receipts were nearly \$30 million, with disbursements of almost \$30.5 million, including a \$3.2 million transfer to ISBI in the fourth quarter. He noted that excluding the \$3.2 million transfer to ISBI, receipts are about \$2.5 million higher than disbursements in FY 22, and the cash balance was nearly \$4.8 million at the end of FY 22.

Secretary Blair then reviewed the financial statements for the quarter that ended September 30, 2022. He noted total GARS receipts in the first quarter of FY 23 were \$7.5 million, including employer contributions of \$7.2 million. Total disbursements for the first quarter were \$6.76 million in monthly benefits to 315 annuitants, 13 QILDRO alternate payees, and 117 survivors. He noted the cash balance held locally continues to grow and he expects transfers to ISBI will be slightly less in FY 2024.

Secretary Blair noted that per the actuarial valuation, State contributions are expected to decline marginally each year due to General Assembly members opting out of participation in the System. He stated that total actuarial liability is expected to decrease annually, from \$370 million to \$200 million by the end of the funding plan in FY 45. He added there will be cash flow issues due to the decreasing number of participants and reiterated the importance of keeping a cash balance locally should there be delays in State contributions. Secretary Blair concluded his presentation and offered to address any questions from Board members.

Seeing there were no questions, Chairman Martwick asked for a motion to approve the June 30, 2022 and September 30, 2022 financial statements. Representative Halpin moved to adopt the June 30, 2022 and September 30, 2022 financial statements. Representative Meier seconded the motion. Ms. Ackerson took roll call, and all voted in favor.

Final Review of FY 23 Operations Budget. Secretary Blair requested \$375,400 for the FY 23 operations budget, a decrease of \$32,080, or 7.87%, from the FY 22 operations budget. He indicated there was a marginal increase in the Personal Services line, but the Contractual line decreased \$42,940 due to the full scope actuarial audit in FY 22 and the comprehensive review of all actuarial assumptions in FY 22. He added that there will be no actuarial audit in FY 23 and a review of the demographic actuarial assumptions only in FY 23, resulting in a \$37,000 reduction in FY 23 actuarial expenses. Secretary Blair indicated the audit fee is expected to decline from \$44,000 in FY 22 to \$30,000 in FY 23 as there will only be a financial audit in FY 23.

Chairman Martwick asked if there were any questions on Secretary Blair's report on the FY 23 operations budget request. Seeing none, Chairman Martwick asked for a motion to approve Secretary Blair's report. Representative Halpin moved to adopt the FY 23 operations

budget request of \$375,400. 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*.

2023 Meeting Dates. Secretary Blair submitted a list of suggested GARS Board meeting dates for 2023. The 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 10, 2023, 9:00 a.m. – Springfield
Wednesday, April 26, 2023, 9:00 a.m. – Springfield
Friday, October 27, 2023, 1:00 p.m. - Chicago

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

FY 23 Funding Update. Secretary Blair stated that the Comptroller's Office is current in making the State contributions and that the November contribution was received on October 24, 2022.

Proposed policy to substantiate a disabled dependent eligible child's eligibility for survivor's benefits. Jeff Houch, Assistant to Executive Secretary, provided a summary to the Board that Section 2-121 (d)(3) of the Illinois Pension Code provides that the son or daughter of a deceased GARS member qualifies for a survivor's annuity if he or she was dependent on that member by reason of a physical or mental disability. To administer these statutory eligibility conditions in accordance with fiduciary duties, Mr. Houch stated that staff proposed amending the board policies by clarifying the elements of these requirements.

To validate that an individual qualifies for survivor's benefits as an eligible child under Section 2-121(d)(3) of the Illinois Pension Code, he or she shall submit acceptable proof to the Board that the member was providing at least one-half of his or her financial support at the time of the member's death. A copy of the deceased member's income tax filing for the tax year immediately preceding the year of the member's death shall be accepted as proof of dependency. Additionally, the survivor must provide on an annual basis, his or her tax return document for the preceding tax year and if requested by the System, additional documentation that identifies the survivor's employment wages earned by pay period.

A survivor who qualifies for a survivor's benefit under Section 2-121(d)(3) of the Illinois Pension Code, shall provide to the Board on annual basis, a medical report from a licensed healthcare professional that substantiates the survivor is not able to perform substantial employment by reason of a medically determinable physical or mental impairment which can be expected to result in death or which has lasted or can be expected to last for a continuous period of not less than 12 months. This requirement shall not apply to a survivor who provides a medical report from a licensed healthcare professional that substantiates in an acceptable

manner to the System, that the impairment permanently prevents the survivor from obtaining substantial employment.

Chairman Martwick asked if there were any questions for Mr. Houch regarding the proposed policy. There being none, he asked for a motion to approve the proposed policy. Representative Halpin motioned to approve the proposed policy to substantiate a disabled dependent eligible child's eligibility for survivor's benefits and the motion was seconded by Representative Meier. Ms. Ackerson took roll call, and all voted in favor.

REPORT OF MANAGER

GARS Manager Angie Ackerson presented the annuities for approval. Since the last Board meeting, one new retirement annuity totaling \$1,701.94 per month and three survivor annuities totaling \$12,769.69 per month were processed by GARS staff. She noted that no refunds were processed since the last meeting. 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.

PUBLIC COMMENTS

Chairman Martwick asked if there were any members of the public in attendance who wished to make comments. There were none and no comments were submitted.

ADJOURNMENT

There being no further business, Chairman Martwick asked if there was a motion to adjourn. Representative Halpin moved to adjourn at 2:30 p.m. His motion was seconded by Representative Meier. Chairman Martwick reminded the Trustees the next Board meeting would be held in Springfield on Tuesday, January 13, 2023 at 9 a.m. and the meeting was adjourned.

Timothy B. Blair, Administrative Secretary

Date: _____

APPROVED:

Senator Robert F. Martwick, Chairman