STATE EMPLOYEES' RETIREMENT SYSTEM OF ILLINOIS

MINUTES OF THE REGULAR MEETING
OF THE BOARD OF TRUSTEES

April 28, 2026

A regular meeting of the Board of Trustees of the State Employees' Retirement System of Illinois convened on Tuesday, April 28, 2026, at 10:00 a.m. in the System's Springfield Office, 2101 South Veterans Parkway, Springfield, Illinois.

The following trustees attended at the Springfield location:

Susana A. Mendoza, Chairperson
Arnold Black, Vice-Chairperson
Barbara Baird, Elected Retired Trustee
John Day, Elected Active Trustee
Jack Matthews, Elected Active Trustee
Jameson Ramirez, Appointed Trustee
David Schultz, Elected Active Trustee
Danny Silverthorn, Appointed Trustee
John Tilden, Elected Retired Trustee

The following trustees participated remotely:

Mohamad Nasir, Appointed Trustee
Melverta Wilkins, Appointed Trustee

The following trustees were absent:

Ray Koenig III, Appointed Trustee
Mona Naser, Appointed Trustee

Others attending at the Springfield location:

Timothy Blair, Executive Secretary
Casey Evans, Chief Internal Auditor
Jeff Houch, Associate Executive Secretary
Jacob Schlosser, SERS General Counsel
Jessica Blood, Recording Secretary
Chris Maley, Illinois Office of the Comptroller
Ryan Trevor, Illinois Office of the Comptroller

Others attending remotely:

Dipesh Mehta, Executive Director, Illinois State Board of Investment
Jennifer Koelle, Senior Investment Officer, Illinois State Board of Investment
Martha Merrill, AFSCME Council 31
David Morris, SERS Retiree

Chairperson Mendoza called the meeting to order at 10:03 a.m. with a quorum present.

VOTE TO ALLOW REMOTE PARTICIPATION

Chairperson Mendoza made a motion to allow trustees attending via videoconference to participate in the meeting remotely. Trustee Silverthorn seconded the motion, which passed unanimously by voice vote.

REPORT OF THE ILLINOIS STATE BOARD OF INVESTMENT

Director Dipesh Mehta began the ISBI report by noting the market volatility caused by higher interest rates, persistent inflation pressures and increased geopolitical risk, highlighting the value of diversification within the portfolio. He continued by providing a brief overview of the changes ISBI made to its asset allocation effective January 1, 2027 and noted that these changes give a higher probability of earning the 6.75% return while taking less risk. Director Mehta added that the value of the ISBI portfolio was $30.2 billion as of December 31, 2025, an increase in market value of over $3.25 billion in the last year.

Director Mehta continued by reviewing asset allocation and the active and passive allocations, as well as the private markets public market equivalents. He concluded his report by noting that the fund returned 8.2% over the ten-year period, beating the policy and allocation benchmarks, and above the 6.75% assumed rate of return, and introduced Jennifer Koelle to review the performance of selected asset classes.

Jennifer Koelle, Senior Investment Officer, reported that the portfolio returned 12.6% for the year ended December 31, 2025, trailing the policy benchmark by 0.8% and the allocation benchmark by 1.3%. She noted that while the Fund has trailed its policy benchmark over the 1- year and 3-year periods, long-term results have remained strong with outperformance over the 5-year and 10-year periods. Ms. Koelle reiterated the value of diversification and the mix of different asset classes within the portfolio.

Ms. Koelle then provided a brief overview of selected asset classes. She reported that the U.S. Equity portfolio returned 17.1% in the previous 1-year period, in line with the benchmark. She noted that although the Developed Foreign Equity and Emerging Markets Equity portfolios lagged their benchmarks, they performed very strongly for the period with 27.1% and 24.2% respectively.

Ms. Koelle noted that the Private Equity portfolio gained 6.2% for the year, lagging the relevant benchmark by 5% for the 1-year period. She stated that the Fixed Income Composite outperformed the benchmark by returning 7.7% for the period, while the Rate Sensitive portfolio lagged slightly behind the benchmark at 6.7%. Ms. Koelle continued by reporting that the Multi-Sector Credit and Private Credit portfolios had strong performances for the period, returning 7.2% and 10.3% respectively

Ms. Koelle reported that the Infrastructure portfolio had very strong returns with 10.4%, outperforming the benchmark by over 4%, while the Real Estate portfolio lagged slightly overall with Core Real Estate returning 2.1% and Non-Core Real Estate returning 1%. She concluded her report by offering to answer any questions from the Board.

Following questions regarding the Private Credit and Infrastructure investments and the planned changes to asset allocation, Chairperson Mendoza asked if there were further questions regarding the ISBI report. Hearing none, she asked for a motion to approve the ISBI report. Trustee Day moved to approve. The motion was seconded by Trustee Schultz and all voted in the affirmative. A copy of the December 31, 2025 Performance Report is maintained in the ISBI office and made part of these minutes as *Exhibit A*.

MINUTES OF THE JANUARY 13, 2026 BOARD MEETING

The minutes of the Board meeting held January 13, 2026, were presented by Chairperson Mendoza. Copies of the minutes were previously provided to each trustee for review. Trustee Schultz moved to approve the minutes as presented and Trustee Tilden seconded the motion. A voice vote was taken, and the motion passed unanimously.

REPORT OF CHAIRPERSON MENDOZA

Chairperson Mendoza began her presentation by noting that as of today, general funds accounts payable total $1.3 billion. One year ago, general funds accounts payable totaled $1.5 billion. She reminded the Board that this data is a snapshot in time, and these numbers change every day. She noted that the current General Revenue Fund payment cycle is 13 business days, while one year ago, the payment cycle was 14 business days.

Chairperson Mendoza reiterated her commitment to paying SERS vouchers as quickly as possible, adding that the passage of legislation allowing the pre-payment of pension payments has enabled the systems to generate more income. She concluded her report by offering to answer any questions. No questions were offered.

REPORT OF ANY TRUSTEE

Chairperson Mendoza asked if there were any trustees who wished to offer a report. No reports were offered.

REPORT OF AUDIT & COMPLIANCE COMMITTEE

Chief Internal Auditor Casey Evans reported that the Committee discussed several ongoing audits, detailing a campaign to educate State employees regarding a scam by State Pension Advisors targeting active members through their work emails. Mr. Evans noted that there is a lead-generator out of Florida that purports to provide pension-related advice and services, while selling services to financial advisors and life insurance agents. He noted the organization provides misleading and deceptive information in an effort to have members divert pension assets to external investments, potentially making them ineligible for their pensions. Mr. Evans added that the System filed reports with the Federal Trade Commission, the Florida Attorney General's and the Illinois Attorney General's offices to mitigate the situation.

Mr. Evans then reported on an audit of disability recipient tax returns, noting that so far 5 benefit recipients have been found to potentially be gainfully employed and thereby ineligible for SERS disability benefits.

Mr. Evans reported on the System's involvement with a Social Security Administration (SSA) investigation into the caretaker of a deceased retiree whose death was not reported for several years. He noted that the SSA is leading the investigation along with local police and would seek restitution for SERS.

Mr. Evans concluded his report by offering to answer any questions. Following some questions and discussion regarding the details and mitigation efforts of the email scam and the SSA investigation, no further questions were offered.

<u>REPORT OF RULES & PERSONNEL COMMITTEE</u>

Jeff Houch, Associate Executive Secretary, reported that the Committee did not meet.

<u>REPORT OF THE EXECUTIVE SECRETARY</u>

<u>Preliminary FY 27 Operations Budget.</u> Secretary Blair presented the preliminary FY 27 operations budget request of $25,458,105. After giving a brief explanation of the budget process, Secretary Blair noted an increase of $845,911, or 3.44% over the FY 26 budget. He stated the increase is due to several factors, including a $100,890 increase in the Personal Services line for contractual AFSCME steps and a 3.5% July COLA for all employees.

Secretary Blair noted a decrease in the Retirement line due to a decrease in the SERS employee contribution rate from 46.486% in FY 26 to 43.455% in FY 27, adding that this decrease was due primarily to a large increase in headcount and payroll from FY 24 to FY 26. He then noted the $625,000 increase in the Group Insurance line which reflects a budgeting shortfall from FY 25 as well as expected premium increases in FY 26.

Secretary Blair noted a decrease of $335,900 in the Contractual line due to decreases in various contractual and temporary employees. The Contractual line also includes decreases for election expenditures and Auditor General fees as there is no trustee election scheduled and only a financial audit scheduled for FY 27. He noted an additional decrease in the Printing line due to no trustee elections being scheduled for the fiscal year. Secretary Blair then pointed to the $695,921 increase in the IT line that includes full year funding for positions that were included in the FY 26 budget but have not yet been filled.

Following a brief breakdown of the budget request and some discussion regarding the lower employer contribution rate, Secretary Blair concluded his report by offering to answer any further questions. Hearing none, Chairperson Medoza requested a motion to approve the preliminary FY 27 budget. Trustee Day offered a motion to approve the preliminary FY 26 operations budget. The motion was seconded by Trustee Baird and passed unanimously by voice vote. A copy of this budget is maintained in the SERS office and made a part of these minutes as *Exhibit B.*

<u>December 31, 2025 Financial Statements.</u> Secretary Blair referred the Board to the second quarter FY 26 financial statements. He pointed to total receipts over $1.95 million for the 6-month period ending December 31, 2025, noting this includes two second quarter contributions paid ahead of time in Quarter 1. Secretary Blair discussed the $50 million drawdown of invested assets in the first quarter of FY 26, noting it was prearranged in

June 2025 prior to the System's knowledge of the planned expedited employer contributions in the first quarter of FY 26.

Secretary Blair noted benefit payments totaling nearly $1.8 billion, refunds of over $20 million and administrative expenses of $12 million. Following a brief explanation of the bond principal and interest payments, he stated that disbursements totaled over $1.835 billion resulting in a cash balance of $419.2 million for the quarter ending December 31, 2025. Secretary Blair then briefly touched on projected drawdowns from ISBI, noting that the previously projected drawdown of $260 million is now reduced to $210 million.

Trustee Ramirez moved to approve the second quarter FY 26 financial statements as presented and Trustee Schultz seconded the motion. A voice vote was taken, and the motion passed unanimously. A copy of the financial statements is maintained in the SERS office and made a part of these minutes as *Exhibit C*.

<u>Funding Update.</u> Secretary Blair stated that contributions continue to be made in a timely manner, adding that the system had already received the May contribution and that the Comptroller's Office had already requested the system submit vouchers for one half of the June contribution. He reiterated the benefits of receiving contributions ahead of time, noting the reduction of a scheduled $55 million drawdown form ISBI to $20 million.

<u>Buyout Update.</u> Secretary Blair informed the Board that the COLA buyout program continues to be popular, with 5,642 members choosing a lump sum payment rather than the 3% compounded Tier 1 COLA. To date, 5,347 members have been paid over $691 million. He outlined the participation rates by formula, noting that regular formula members participated at 22%, coordinated alternative formula members at 44.1% and non-coordinated alternative formula members at 49.2%. Secretary Blair noted that 228 members have elected a total buyout with total payments of over $42 million. Following a brief discussion regarding the participation rate over the history of the program, Secretary Blair concluded his report.

<u>Legislative Update.</u> Jeff Houch, Associate Executive Secretary, reported on pending legislation that would impact SERS. He informed the Board that HB 5196 extends the expiration date of the accelerated pension benefit payment programs to June 30, 2028, and increases the bond authorization to fund the programs by $1 billion.

Mr. Houch added the Senate version of the bill, SB 2950, extends the expiration date of the accelerated pension benefit payment programs to June 30, 2028, but increases the bond authorization to fund the programs by $700 million. He stated that the bill has overwhelming bipartisan support, and the program is expected to be extended.

Chairperson Mendoza asked if there were any questions regarding the report of the Executive Secretary. No questions were offered.

<u>APPROVAL OF EXECUTIVE COMMITTEE MINUTES</u>

All trustees had previously been furnished with copies of the January, February and March 2026 Executive Committee minutes for review. Trustee Baird moved to approve the

January, February and March 2026 Executive Committee minutes as presented. Trustee Day seconded the motion. A voice vote was taken, and the motion passed unanimously.

OLD BUSINESS

Chairperson Mendoza asked if there was any old business. There was no old business.

NEW BUSINESS

Chairperson Mendoza asked if there was any new business. Secretary Blair introduced the Board to Jacob Schlosser, who had recently been hired as SERS' General Counsel.

PUBLIC COMMENTS

Chairperson Mendoza asked if there were any public comments. None were offered.

ADJOURNMENT

There being no further business, Chairperson Mendoza asked for a motion to adjourn. Trustee Silverthorn moved to adjourn. Trustee Matthews seconded the motion, which passed unanimously by voice vote. The meeting was adjourned at 11:17 a.m.

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Susana A. Mendoza, Chairperson

Date: ________________________

ATTEST:

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Timothy Blair, Executive Secretary

Date: ____________________________