

STATE EMPLOYEES' RETIREMENT SYSTEM OF ILLINOIS

MINUTES OF THE REGULAR MEETING
OF THE BOARD OF TRUSTEES

January 14, 2025

A regular meeting of the Board of Trustees of the State Employees' Retirement System of Illinois convened on Tuesday, January 14, 2025, at 10:00 a.m. with videoconference locations in the System's Springfield office located at 2101 South Veterans Parkway and the 4th floor Peoria Room at 555 West Monroe, Chicago, Illinois.

The following trustees attended at the Springfield location:

Arnold Black, Vice-Chairperson
John Day, Elected Active Trustee
Jack Matthews, Elected Active Trustee
Jameson Ramirez, Appointed Trustee
David A. Schultz, Elected Active Trustee
Danny Silverthorn, Appointed Trustee

The following trustees attended at the Chicago location:

Barbara Baird, Elected Retired Trustee
Mohamad Nasir, Appointed Trustee

The following trustees participated remotely:

Mona Naser, Appointed Trustee
John Tilden, Elected Retired Trustee

The following trustees were absent:

Susana A. Mendoza, Chairperson
Ray Koenig III, Appointed Trustee
Melverta Wilkins, Appointed Trustee

Others in attendance were:

Timothy Blair, Executive Secretary (Chicago)
Casey Evans, Chief Internal Auditor (Springfield)
Jeff Houch, Associate Executive Secretary (Springfield)
Samantha Goetz, SERS General Counsel (Springfield)
Jessica Blood, Recording Secretary (Springfield)
Dipesh Mehta, Deputy Director, Illinois State Board of Investment (Chicago)
Jennifer Koelle, Investment Officer, Illinois State Board of Investment (Chicago)
Chris Maley, Illinois Office of the Comptroller (Springfield)
Ryan Trevor, Illinois Office of the Comptroller (Springfield)
Martha Merrill, AFSCME Council 31 (Chicago)

Vice-Chairperson Black called the meeting to order at 10:05 a.m. with a quorum present. He asked for a motion to allow Trustees Naser and Tilden to participate remotely. Trustee Schultz offered the motion. It was seconded by Trustee Ramirez and passed unanimously.

REPORT OF THE ILLINOIS STATE BOARD OF INVESTMENT (ISBI)

ISBI Executive Director Dipesh Mehta began by reminding the Board that ISBI invests the funds of the State Retirement Systems, including SERS, the Judges' Retirement System and the General Assembly Retirement System. He provided an overview of the portfolio, noting that market value increased by \$3.6 billion in the year ending September 30, 2024. Director Mehta then reviewed asset allocation and structure of the portfolio and introduced Jennifer Koelle to continue the ISBI report.

Jennifer Koelle, ISBI Senior Investment Officer, directed the Board's attention to the September 30, 2024, Performance Update, noting that the Fund returned 16.8% during the year ending September 30, 2024, outperforming both the custom and allocation benchmarks.

Ms. Koelle stated the Fixed Income portfolio returned 11.5% for the year ending September 30, 2024, underperforming the benchmark by 60 basis points. The Treasury Inflation Protected Securities portfolio returned 9.8% over the 12 months, matching the benchmark. The Private Credit portfolio posted a 10.5% return, lagging the benchmark by 1.7%. She noted the Core Fixed Income and Multi-Sector portfolios posted strong returns of 12% and 13.4%, respectively, for the year ending September 30, 2024.

Ms. Koelle reported that the public equity portfolio posted strong returns with the U.S. Equity portfolio posting the highest return across asset classes at 35%, while the non-U.S. composite returned 24.7% over the 1-year period, slightly underperforming the benchmark. Emerging markets yielded 24%, trailing the benchmark by 2.1%. She noted that Private Equity lagged its benchmark by 1.0% and stated that the Infrastructure portfolio returned 11.1%, significantly outperforming the benchmark return of 5.1%.

Vice-Chairperson Black asked if anyone had questions regarding the ISBI report. Hearing none, he asked for a motion to approve the ISBI report. Trustee Silverthorn moved to approve. The motion was seconded by Trustee Day and all voted in the affirmative. A copy of the September 30, 2024, Performance Update is maintained in the ISBI office and made part of these minutes as *Exhibit A*.

MINUTES OF THE OCTOBER 29, 2024 BOARD MEETING

The minutes of the Board meeting held October 29, 2024, were presented by Vice-Chairperson Black. Copies of the minutes were previously provided to each trustee for review. Trustee Ramirez moved to approve the minutes as presented and Trustee Schultz seconded the motion. A voice vote was taken, and the motion passed unanimously.

REPORT OF CHAIRPERSON MENDOZA

Chris Maley presented the Chairperson's report. He began by telling the Board that the general funds accounts payable is \$1.6 billion. One year ago, accounts payable totaled \$2.1 billion. He stated that the current General Revenue Fund payment cycle is 8 business days compared to 13 business days one year ago. Mr. Maley reminded the Board that

accounts payable is a snapshot in time and changes daily with the ebb and flow of revenues to expenditures.

Mr. Maley reiterated the Comptroller's commitment to paying SERS vouchers as quickly as possible each month, noting that the January SERS voucher had been paid ahead of time. He concluded his report by offering to answer any questions. No questions were offered.

REPORT OF ANY TRUSTEE

Vice-Chairperson Black asked if there were any trustees who would like to offer a report. No reports were offered.

REPORT OF AUDIT & COMPLIANCE COMMITTEE

Chief Internal Auditor Casey Evans reported that there were still some Board members who need to complete the annual ethics training and stated he would be emailing reminders. He reminded the Board of the requirement to annually file statements of economic interest, and that emails requesting these statements would be sent in March.

Mr. Evans then reported on scams that the System is currently monitoring whereby people claiming affiliation with the state or federal government attempt to offer investment advice. He stated that the System is considering adding more educational content and an explanatory video to the website to mitigate this issue.

Mr. Evans reported on current internal audits, noting IT disaster recovery, optional service purchase and member contribution refund audits. He then briefed the Board on the System's digital report design efforts to address common benefit and payroll issues, with the intent of detecting these issues in a more timely manner.

Mr. Evans mentioned that the external financial audit report was released with no findings, adding that the annual financial report would be released soon. He concluded his report by offering to answer any questions from the Board. No questions were offered.

REPORT OF RULES & PERSONNEL COMMITTEE

Vice-Chairperson Black informed the Board that the Rules and Personnel Committee did not meet.

REPORT OF THE EXECUTIVE SECRETARY

State Actuary's FY 2024 Report and System Responses. Secretary Blair explained the annual State Actuary process and referred the Board to a document noting the system's responses to the State Actuary's recommendations. He directed the Board's attention to the status of the responses to the 2023 report, citing the recommendations to employ a more actuarially sound funding plan and to sync up the impact of assumption changes over a three-year period to match the experience reviews of all assumptions that are completed every three years. Secretary Blair noted the Board agrees with these recommendations but

cannot implement them because they require a legislative change. He added that the recommendations that the System had control over all had been implemented except one recommendation that was partially implemented.

Secretary Blair directed the Board's attention to the FY 2024 recommendations and the responses. He reiterated the Board's agreement with the repeated recommendation to change the statutory funding plan to fully fund accrued liabilities over a reasonable period as evidenced by the adoption of an Actuarially Determined Contribution (ADC) policy in 2015. Secretary Blair reviewed two additional recommendations, first that the Board annually review the economic assumptions, which it already does and second that GRS disclose more information regarding their analysis, to which GRS agreed to consider in future actuarial valuations.

Approval of FY 24 Valuation and FY 26 Employer Certification. Secretary Blair referred the Board to the certification documents for the FY 26 employer contribution. He noted that the review of the State Actuary resulted in no substantive changes to the draft actuarial valuation approved at the October Board meeting and the FY 26 employer contribution that was preliminarily certified at that meeting did not change.

Secretary Blair stated the FY 26 certified rate is 46.486% of projected payroll, or \$2,725,121,000. The certification includes \$2,597,558,000 for the State contribution to SERS and \$127,563,000 for debt service on the 2003 pension obligation bonds. Of the \$2,597,558,000 for the SERS contribution, \$589,472,000 is for the employer's portion of the expected FY 26 normal cost and \$2,008,086,000 is due to unfunded liabilities. He added that if the state followed the 2015 ADC policy adopted by the Board, the FY 26 ADC would be \$3,293,438,275, or \$695.9 million higher than the amount calculated under the statutory funding plan.

After discussion regarding potential changes to the statutory funding plan and remaining debt service, Trustee Silverthorn moved to approve the FY 24 actuarial valuation and to certify the FY 26 employer contribution of \$2,725,121,000, or 46.486% of projected payroll. Trustee Schultz seconded the motion. A roll call vote was taken, and all were in favor. A copy of the valuation is maintained in the SERS office and made a part of these minutes as *Exhibit B*.

First Quarter FY 25 Financial Statements. Secretary Blair referred the Board to the first quarter FY 25 financial statements, noting a beginning cash balance of \$284.4 million. He reported total employer contributions of \$933.6 million, adding that the Comptroller's office paid 4.5 months of contributions in the first quarter of FY 25.

Secretary Blair then reported benefit payments of \$837 million, refunds of \$5.5 million, administrative expenses of \$6 million and bond principal and interest payments of \$12.6 million, for a total of approximately \$861.7 million in disbursements in the first quarter of FY 25, resulting in an ending cash balance of nearly \$510 million.

Secretary Blair noted a drawdown of \$30 million in assets in July, adding that he made the request prior to knowing the Comptroller's office would accelerate the payment of monthly contributions. He added that no drawdowns are expected in the second and third quarters of FY 25 but that drawdowns of \$90 million are projected in the fourth quarter. He concluded his report by offering to answer any questions. No questions were offered.

Trustee Day offered a motion to adopt the first quarter FY 25 financial statements and Trustee Ramirez seconded the motion. A roll call 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*.

FY 25 Funding Update. Secretary Blair reiterated that contributions from the IOC continue to be made on time, and recently ahead of schedule.

Buyout Update. Secretary Blair informed the Board that the COLA buyout program continues to be very popular, with 27.9% of retirees choosing a lump sum payment rather than a Tier 1 COLA, with a total of \$554 million paid to 4,449 retirees. He provided the participation rate by type of member, with a participation rate of 21.4% among regular formula members, exceeding the assumption of 20%. Coordinated alternative formula members participated at a rate of 43.2%, exceeding the assumption of 40%, while non-coordinated alternative formula members participated at a rate of 47.3%, exceeding the assumption of 45%. He noted that more than \$28 million has been paid in total buyouts to 164 members.

He concluded his report by offering to answer questions. No questions were offered.

APPROVAL OF EXECUTIVE COMMITTEE MINUTES

All trustees had previously been furnished with copies of the October, November and December 2024 Executive Committee minutes. Trustee Matthews moved to approve the October, November and December 2024 Executive Committee minutes as presented. Trustee Silverthorn seconded the motion. A voice vote was taken, and the motion passed unanimously.

OLD BUSINESS

Vice-Chairperson Black asked if there was any old business. There was no old business reported.

NEW BUSINESS

Vice-Chairperson Black asked if there was any new business. There was no new business reported.

PUBLIC COMMENTS

Vice-Chairperson Black asked if there were any public comments. None were offered.

ADJOURNMENT

There being no further business, Vice-Chairperson Black asked for a motion to adjourn. Trustee Schultz moved to adjourn. Trustee Ramirez seconded the motion, which passed unanimously by voice vote. The meeting was adjourned at 10:45 a.m.

Arnold Black, Vice-Chairperson

Date: _____

ATTEST:

Timothy Blair, Executive Secretary

Date: _____