

STATE EMPLOYEES' RETIREMENT SYSTEM OF ILLINOIS
MINUTES OF THE REGULAR MEETING
OF THE BOARD OF TRUSTEES

July 30, 2024

A regular meeting of the Board of Trustees of the State Employees' Retirement System of Illinois convened on Tuesday, July 30, 2024, at 10:00 a.m. at 4th floor Peoria Room, 555 West Monroe, Chicago, Illinois with a videoconference location at the System's Springfield Office, 2101 South Veterans Parkway, Springfield, Illinois.

The following trustees attended at the Chicago location:

Susana A. Mendoza, Chairperson
Barbara Baird, Elected Retired Trustee
Mona Naser, Appointed Trustee
Mohamad Nasir, Appointed Trustee

The following trustees attended at the Springfield location:

Arnold Black, Vice-Chairperson
John Day, Elected Active Trustee
Jack Matthews, Elected Active Trustee
Danny Silverthorn, Appointed Trustee

The following trustees participated virtually:

John Tilden, Elected Retired Trustee

The following trustees were absent:

Ray Koenig III, Appointed Trustee
Jameson Ramirez, Appointed Trustee
Melverta Wilkins, Appointed Trustee

Others in attendance were:

Timothy Blair, Executive Secretary
Jeff Houch, Associate Executive Secretary
Casey Evans, Chief Internal Auditor
Robert Cooper, Manager, Administrative Services Division
Samantha Goetz, SERS General Counsel
Jessica Blood, Recording Secretary
Jennifer Koelle, Senior Investment Officer, Illinois State Board of Investment
Dan Sekera, Investment Officer II, Illinois State Board of Investment
Alex Rivera, Consulting Actuary, Gabriel, Roeder, Smith & Co.
Heidi Barry, Consulting Actuary, Gabriel, Roeder, Smith & Co.
Jeff Tebeau, Consulting Actuary, Gabriel, Roeder, Smith & Co.
Chris Maley, Illinois Office of the Comptroller
Ryan Trevor, Illinois Office of the Comptroller
Martha Merrill, AFSCME Council 31
David Morris, SERS Retiree

Chairperson Mendoza called the meeting to order at 10:00 a.m. with a quorum present.

APPROVAL OF EXECUTIVE COMMITTEE MINUTES

All trustees had previously been furnished with copies of the April, May, and June 2024 Executive Committee minutes for review. After a brief discussion regarding the Executive Committee's action regarding the eligibility of the active elected trustee issue, Trustee Day moved to approve the April, May, and June 2024 Executive Committee minutes as presented. Trustee Baird seconded the motion, and the motion passed unanimously.

CERTIFICATION OF ELECTED TRUSTEE

Executive Secretary Blair informed the Board that one of the trustee elects whose term was to begin July 15th had separated from State employment on April 30th. He noted the external counsel's opinion that the trustee elect was not eligible to serve because she is no longer an active contributing member of SERS. Chairperson Mendoza requested a motion to officially seat John Day for a five-year term ending July 15, 2029. Trustee Naser moved to certify Trustee Day's election to the Board and Trustee Silverthorn seconded. The motion passed unanimously. Chairperson Mendoza then requested a motion to not seat the ineligible active trustee elect. Vice-Chairperson Black made the motion and Trustee Baird seconded. The motion passed unanimously.

REPORT OF THE ILLINOIS STATE BOARD OF INVESTMENT

Jennifer Koelle, Senior ISBI Investment Officer, began the ISBI report 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. She then provided an overview of the portfolio, noting the portfolio's value was \$25.8 billion, an increase of \$2 billion in the 12 months ended March 31, 2024. Ms. Koelle then reviewed the asset allocation and structure of the portfolio. She told the Board the portfolio returned 10% in the prior 1-year period and concluded her report by introducing Dan Sekera to review the performance of various asset classes.

Dan Sekera, ISBI Investment Officer II, continued the ISBI report by noting the Fund returned 3.2% for the quarter ended March 31, 2024, equaling the Policy Benchmark and trailing the Allocation Benchmark by 30 basis points. He added the portfolio returned 10% over the year ended March 31, 2024, underperforming both benchmarks. Mr. Sekera continued the performance review by stating the Fixed Income portfolio outperformed the benchmarks for the quarter and year ended March 31, 2024.

Mr. Sekera continued by reporting the Global Equity Portfolio returned 6.6% in the quarter and 18.7% in the year ended March 31, 2024 with the U.S Equity portfolio returning 29.4% for the year and outperforming the relevant benchmark by 10 basis points. Mr. Sekera reviewed a few other asset classes and noted the portfolio continues to perform well over the long-term and offered to answer questions.

Chairperson Mendoza asked if anyone had questions regarding the ISBI report. Hearing none, she asked for a motion to approve the ISBI report. Trustee Baird moved to approve. The motion was seconded by Trustee Day, and all voted in the affirmative. A copy of the March 31, 2024, Performance Report is maintained in the ISBI office and made part of these minutes as *Exhibit A*.

REPORT OF CONSULTING ACTUARIES

Annual Review of Economic Assumptions. Alex Rivera, Heidi Berry and Jeff Tebeau, Consulting Actuaries of Gabriel, Roeder, Smith & Company, provided the annual economic assumption review and stated the review is needed to determine if the economic assumptions used for the June 30, 2023, actuarial valuation are still adequate. He stated that based on the GRS analysis they are recommending no changes to the current economic assumptions for the June 30, 2024.

Mr. Rivera then reviewed the methodology used to analyze the adequacy of the 6.75% investment return assumption, 2.25% price inflation assumption, and 2.75% wage inflation assumption, and offered to answer any questions on the methodology or assumptions. No questions were offered.

At the conclusion of the presentation, Chairperson Mendoza thanked the actuaries for their presentation and excused them from the remainder of the meeting. A copy of the GRS Economic Assumption Update Review for the June 30, 2024, actuarial valuation is maintained in the SERS office and made part of these minutes as *Exhibit B*. No motion was required because no assumption changes were recommended.

MINUTES OF THE APRIL 14, 2024 BOARD MEETING

The minutes of the Board meeting held April 14, 2024, were presented by Chairperson Mendoza. Copies of the minutes were previously provided to each trustee for review. Vice-Chairperson Black moved to approve the minutes as presented and Trustee Matthews seconded the motion. A voice vote was taken, and the motion passed unanimously.

REPORT OF CHAIRPERSON MENDOZA

Chairperson Mendoza began her presentation by telling the Board that for the fiscal year that ended June 30, 2024, the General Revenue Fund adjusted cash balance was a record high of \$1.677 billion and that FY 24 had 125 days with a GRF adjusted cash balance above \$0, the most in 23 years.

Chairperson Mendoza stated that the Budget Stabilization Fund totaled a record high of \$2.101 billion. She noted that GRF accounts payable was \$81 million, the lowest to end a fiscal year since 2007, and total accounts payable of \$416 million. She stated that as of today, accounts payable totals \$1.975 billion and one year ago it was \$662 million. She explained that the current accounts payable includes \$700 million in vouchers from the retirement systems, which her office requested to be submitted, and \$400 million in medical bills. Chairperson Mendoza reported that the current General Revenue Fund payment

cycle is 13 days and reminded the Board that each day's accounts payable is only a snapshot in time.

Chairperson Mendoza reiterated her commitment to paying SERS vouchers each month, noting that the FY 25 Budget Implementation Act includes a provision to allow for the advanced payment of employer contributions to the retirement systems. She stated that the first pension pre-payments were made on July 15th, adding that pre-payments will allow the retirement systems to keep more funds invested over longer periods of time and provide more stability in managing payments to retirees. Chairperson Mendoza added that prepaying \$422 million of the State's monthly pension contribution could generate approximately \$7 million.

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 on the conclusion of the FY 23 Compliance examination, noting three findings. He noted that the findings did not point to vulnerabilities that need addressed, but rather the need to maintain more detailed documentation for some IT operations. Mr. Evans then reported that the Committee approved the two-year internal audit charter and risk-based audit plan for FY 25 and FY 26. He noted the two-year audit plan includes IT disaster recovery and business continuity, cash receipts and optional service purchase. He added that the Committee discussed current risks and objectives of the System as well as the System's conversion to the more secure ILogin portal for member services.

Mr. Evans concluded his report by offering to answer any questions. None were offered.

REPORT OF RULES & PERSONNEL COMMITTEE

Jeff Houch, Associate Executive Secretary, noted that the Rules and Personnel Committee meeting scheduled for Monday, July 29, 2024, had been cancelled.

REPORT OF THE EXECUTIVE SECRETARY

Third Quarter FY 24 Financial Statements. Secretary Blair presented the third quarter FY 24 financial statements, noting total receipts of \$880 million. He pointed to the drawdown of \$110 million in assets from ISBI, which was necessary to pay benefits. Secretary Blair noted the payout of over \$852 million in total benefits, refunds of over \$6 million and administrative expenses of approximately \$5 million, with an ending cash

balance of \$331 million at the end of the third quarter. He then noted the fiscal year to date total receipts of \$2.592 million and total disbursements of \$2.553 million.

Secretary Blair touched briefly on the breakdown of excess retirement benefits. He then informed the Board that the actual drawdown of assets for fiscal year to date are \$250 million and this amount is projected to total \$380 million by the end of the 4th quarter.

Vice-Chairperson Black moved to approve the third quarter FY 24 financial statements as presented and Trustee Silverthorn 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*.

Final FY 25 Operations Budget. Secretary Blair presented the final FY 25 operations budget request, noting an increase of \$1,536,402, or 6.94% over the FY 24 budget request. He stated the increase is due to staffing needs, including an additional call center representative, 3 additional Pension Benefit Technicians and a Chief Compliance Officer. He noted a \$958,157 increase in the IT line due to the addition of 4 new ISA IIs, one ISS I and one IS Intern.

Trustee Baird moved to approve the final FY 25 operations budget request as presented and Trustee Day seconded the motion. A voice vote was taken, and the motion passed unanimously.

FY 25 Funding Update. Secretary Blair reported that the July contribution was received early, along with half of the November contribution which amounted to approximately \$75 million. Secretary Blair noted that August vouchers had already been submitted with the potential for payment at the end of July or early August, adding that the timely receipt of funds has resulted in the cancellation of asset drawdowns for August and September.

Buyout Update. Secretary Blair informed the Board that he would provide them with a buyout update via email after the meeting.

Legislative Update. Jeff Houch briefly reviewed Public Act 103-0588, the FY 25 Budget Implementation Act, which authorized the State Comptroller to request the retirement systems to submit vouchers the monthly state contribution before the statutory submission date.

Mr. Houch discussed Public Act 103-0589, which appropriated the full FY 25 certified contribution that includes \$1.758 billion from the General Revenue Fund (GRF). He noted that he does not expect legislation regarding plan design changes to advance prior to the next board meeting and concluded his report by offering to answer any questions. No questions were offered.

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. There was no new business.

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 Matthews moved to adjourn. Trustee Baird seconded the motion, which passed unanimously. The meeting was adjourned at 10:55 a.m.

Susana A. Mendoza, Chairperson

Date: _____

ATTEST:

Timothy Blair, Executive Secretary

Date: _____