

STATE EMPLOYEES' RETIREMENT SYSTEM OF ILLINOIS

MINUTES OF A REGULAR MEETING
OF THE BOARD OF TRUSTEES

July 29, 2025

A regular meeting of the Board of Trustees of the State Employees' Retirement System of Illinois convened on Tuesday, July 29, 2025, at 10:04 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 the Chicago location:

Susana A. Mendoza, Chairperson
Barbara Baird, Elected Retired Trustee
John Tilden, Elected Retired Trustee

The following trustees participated remotely:

Ray Koenig III, Appointed Trustee
Mona Naser, Appointed Trustee
Mohamad Nasir, Appointed Trustee
Melverta Wilkins, Appointed Trustee

Others attending at the Springfield location:

Casey Evans, Chief Internal Auditor
Jeff Houch, Associate Executive Secretary
Samantha Goetz, SERS General Counsel
Jessica Blood, Recording Secretary
Ryan Trevor, Illinois Office of the Comptroller

Others attending at the Chicago location:

Timothy Blair, Executive Secretary
Chris Maley, Illinois Office of the Comptroller

Others attending remotely:

Dipesh Mehta, Executive Director, Illinois State Board of Investment
Scott Richards, Senior Investment Officer, Illinois State Board of Investment
Alex Rivera, Consulting Actuary, Gabriel, Roeder, Smith & Co.
Heidi Barry, Consulting Actuary, Gabriel, Roeder, Smith & Co.
Martha Merrill, AFSCME Council 31

Following roll call at 10:04 a.m. that confirmed a quorum of nine trustees present, Trustee Silverthorn moved to allow trustees to participate remotely. The motion was seconded by Trustee Matthews and passed unanimously by roll call vote.

REPORT OF THE ILLINOIS STATE BOARD OF INVESTMENT

Director Dipesh Mehta began the ISBI report by noting there was a lot of volatility in the markets for the period ending March 31, 2025. He stated the portfolio was valued at \$27 billion on March 31, 2025, but had since increased to \$28.6 billion. Mr. Mehta explained the importance of asset allocation and reviewed the current asset allocation and structure of the portfolio. He concluded his report by telling the Board that the portfolio returned 6.8% over the preceding ten-year period, beating the policy and allocation benchmark and the 6.75% assumed rate of return. Mr. Mehta then introduced Scott Richards to review the performance of selected asset classes.

Scott Richards, Senior Investment Officer, reported the portfolio returned 3.3% for the first 9 months of FY 25, lagging the benchmark return of 3.7% for the period. He attributed the underperformance to a large portion of the portfolio being invested in private markets and the reported returns of those asset classes lag the public market asset returns by 3 months. Mr. Richards began the review of individual asset classes by reporting the Fixed Income portfolio returned 4.9% during the first 9 months of FY 25, lagging the benchmark return by 10 basis points. The U.S Equity portfolio returned 4.2% for the period, exceeding the 3.9% benchmark return for the period. He attributed the performance to the 10.4% return of High Vista, an ISBI strategic partner, who outperformed the benchmark by 9.3% for the period.

Mr. Richards continued his review by reporting the Non-U.S. Equity portfolio returned 3.0% for the first 9 months of FY 25, underperforming the benchmark return of 4.5% over the same period, with the Emerging Market portfolio being the main reason for trailing the benchmark. He concluded his report by reviewing the performance of the Private Markets portfolio, which lagged the benchmark return due to underperformance by the Real Assets portfolio and the Real Estate portfolio, and offered to answer questions.

Trustee Ramirez asked for examples of the ISBI portfolio's global public equities allocations. Mr. Richards responded that most global public equity assets are deployed in index funds and named the money managers for the active portion of the global public equity portfolio. He offered to provide Trustee Ramirez with the full allocation list. Trustee Ramirez asked if more detailed investment information was available and Mr. Richards offered to provide him with this information.

Trustee Baird then asked about how ISBI is managing the portfolio during the ongoing tariff issue. Mr. Mehta offered that as stewards of the portfolio they monitor current issues but focus on the long-term. He added that every year the asset allocation is reviewed to project the performance of the portfolio over the next 20 years, and no changes have been made because of tariff uncertainty. Mr. Mehta noted the ISBI trustees would review asset allocation at the September 2025 meeting and consider adjustments to the policy.

Chairperson Mendoza asked if anyone had further questions regarding the ISBI report and hearing none, requested a motion to approve the report. Trustee Schultz moved to approve the ISBI report ending March 31, 2025. The motion was seconded by Trustee Ramirez and all voted in the affirmative. A copy of the March 31, 2025, Performance Report is maintained in the ISBI office and made part of these minutes as *Exhibit A*.

REPORT OF CONSULTING ACTUARIES

Alex Rivera referred the Board to the summary presentation of the results of the review of actuarial assumptions, as required by statute. He noted the review covers the period of July 1, 2021, through June 30, 2024, and the recommended assumptions adopted by the Board would be used in the June 30, 2025, actuarial valuation. After a brief overview of the recommended changes, Mr. Rivera noted a 1.7% increase in accrued liability if all changes are adopted. He then introduced Heidi Barry to continue the review.

Ms. Barry reviewed the data used to measure the accuracy of the mortality, retirement and termination assumptions. The review resulted in recommendations to maintain the current mortality assumptions, decrease the normal retirement rates, and increase termination rates. In addition, the recommendation was to maintain the current COLA buyout assumptions and increase the Total Buyout assumption from 3% to 4%. Ms. Barry concluded by noting the recommended change in the Actuarially Determined Contribution Policy to extend the amortization period from 16 years to 20 years and provided a comprehensive review of the financial impact if all recommended changes are adopted.

Chairperson Mendoza asked if there were any questions regarding the presentation, and Trustee Ramirez asked about his earlier reference to data credibility. Mr. Rivera explained the weighting of data credibility used in the review and that the salary increases over the last three years were the biggest surprise. Trustee Day followed up with a question regarding recent inflation data and Mr. Rivera explained the various types of data used to project the inflation rate over future time periods.

Hearing no further questions, Chairperson Mendoza requested a motion to adopt the changes in actuarial assumptions as recommended. Trustee Ramirez moved to adopt the changes and Trustee Schultz seconded the motion. The motion passed unanimously. A copy of this document is made part of these minutes as *Exhibit B*.

MINUTES OF THE APRIL 29, 2025 BOARD MEETING

The minutes of the Board meeting held April 29, 2025, were presented by Chairperson Mendoza. Copies of the minutes were previously provided to each trustee for review. Trustee Tilden moved to approve the minutes as presented and Trustee Day seconded the motion. The motion passed unanimously.

REPORT OF CHAIRPERSON MENDOZA

Chairperson Mendoza began her report by noting that for the fiscal year ending June 30, 2025, the General Revenue Fund cash balance was a record high of \$1.891 billion with

an adjusted cash balance of \$1.234 billion. She added that the Budget Stabilization Fund totaled a record high of \$2.357 billion. She noted that IOC accounts payable totaled \$658 million with total accounts payable of \$1.386 billion for the fiscal year ending June 30, 2025. She added that as of this morning, total accounts payable is \$2.004 billion compared to one year ago at \$1.975 billion. She stated that the current GRF billing cycle is 11 business days and reminded the Board that accounts payable is a snapshot in time.

Chairperson Mendoza reiterated her commitment to paying retirement vouchers each month, noting that her office had pushed for legislation to allow pension systems to submit more than one month of vouchers at a time to allow contributions to be paid early. She added that for the second consecutive year, her office took advantage of this law and prepaid the November payment early and noted that of the \$1.756 billion in July payments to the systems, \$878 million were prepayments allowing assets to remain invested several months longer and potentially generate an additional \$20 million.

Chairperson Mendoza then discussed the bond debt tracker on the IOC website. This website tracks the bonds issued in 2017 to significantly cut the bill backlog and pay bills that were accruing interest and the pension obligation bonds issued in 2003 to help fund the pension systems. The website also tracks the bonds issued to fund the COLA and full pension buyouts. She noted the importance of this tracking tool not only as a matter of fiscal responsibility but added that the state contributions appropriated to the pension systems are reduced by the debt service owed for that year, noting debt service is nearly \$128 million in FY 26. She added that when the 2003 pension obligation bonds are fully paid in 2034, the systems will no longer have to pay debt service on those bonds.

Chairperson Mendoza concluded her report by encouraging the Board to have a look at the IOC website and offered to answer any questions. No questions were offered.

REPORT OF ANY TRUSTEE

Chairperson Mendoza asked if any trustees had a report. None were offered.

REPORT OF AUDIT & COMPLIANCE COMMITTEE

Chief Internal Auditor Casey Evans reported that the Committee approved the internal audit charter and the two-year risk assessment plan for FY 26 and FY 27. He noted that the FY 26 internal audits include IT disaster recovery, business continuity efforts, cyber security and data inventory risk.

Mr. Evans the reported on two new system reviews that are planned, specifically testing systems dealing with termination refunds and death benefits after retirement. He touched on upcoming internal audits of benefit adjustments, disability benefit conversions and offsets.

Mr. Evans concluded his report by noting that the Committee had discussed internal audit activity for the fourth quarter of FY 25 and offered to answer any questions from the Board. No questions were offered.

REPORT OF RULES & PERSONNEL COMMITTEE

Jeff Houch, Associate Executive Secretary, stated that the Rules and Personnel Committee approved rulemaking to provide codification of several processes at SERS, specifically on the clarification of the temporary disability benefit conversion process.

Mr. Houch added that the Committee also approved clarification on the QILDRO process, noting that when the requirement of a QILDRO calculation order is superfluous to SERS processing, SERS will not require that document.

The Committee also approved rulemaking to address the issue of the cost of court reporters being requested by members at their Executive Committee hearings. Mr. Houch noted that the approved rulemaking clarifies that the system will only cover this cost in certain circumstances.

Mr. Houch reported on HB 3193, which requires the first retirement annuity payments for alternative formula members within 30 days of separating from service. He explained the proposed rules establishing steps a member needs to take before that 30-day clock begins.

Finally, the Committee approved rules to clarify that members with debt or an arrearage owed to the system are required to repay the debt before being allowed to purchase optional service credit.

Mr. Houch concluded the report of the Rules and Personnel Committee by offering to answer any questions from the Board. Following discussion regarding the potential impact of HB 3193, no further questions were offered.

REPORT OF THE EXECUTIVE SECRETARY

Third Quarter FY 25 Financial Statements. Secretary Blair presented the third quarter FY 25 financial statements, noting total receipts of \$807 million, including employer contributions of \$693 million and member contributions of \$84 million. He reported expenditures of \$899 million in the quarter, including benefit payments of \$875 million, including COLA buyout payments, refunds and administrative expenses of nearly \$12 million, and an ending cash balance of \$381.3 million.

Secretary Blair then noted to the recent history of the value of the system's investment portfolio. He then reviewed the FY 25 ISBI transfers by quarter, stating that \$30 million was drawn down in the first quarter and that the projected drawdown for the fourth quarter was reduced from \$50 million to \$20 million. Secretary Blair stated that the timely contributions and sizeable GRF reconciliation payment in November reduced the yearly drawdown from over \$400 million to \$50 million. He offered to answer any questions regarding the third quarter FY 25 financial statements. No questions were offered.

Trustee Day made a motion to adopt the third quarter FY 25 financial statements and Trustee Schultz 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*.

Final FY 26 Operations Budget Request. Secretary Blair presented the final FY 26 operations budget request. He noted an increase of \$939,580, or 3.97% over the FY 25 budget, adding the increase was due to several factors, including an increase in the Personal Services line that included contractual AFSCME steps and a 3.95% COLA in July for all employees, and a \$475,000 increase in the Group Insurance line.

Secretary Blair detailed the decrease in the Contractual line, which was impacted by a \$217,300 increase for the 2026 trustee election, and a \$70,000 increase for Social Security appeals, noting that this decreases the cost of the SERS disability program. A \$156,000 decrease in contractual employees contributed to the decrease in the line. He noted a \$62,909 decrease in the IT line, primarily due to the decrease in retirement contributions from FY 2F to FY 26.

Following some discussion regarding the nonrenewal of guard services, Chairperson Mendoza requested a motion to approve the budget request. Trustee Schultz moved to approve the preliminary FY 26 operations budget request. The motion was seconded by Trustee Baird and passed unanimously. A copy of this budget is maintained in the SERS office and made a part of these minutes as *Exhibit D*.

FY 25 Funding Update. Secretary Blair reiterated that the July and November contributions were made in early July and that the vouchers for the August contributions and half of the October contributions would be submitted to the Comptroller's Office early as requested, with their stated intent being to pay these vouchers in early August.

Buyout Update. Secretary Blair informed the Board that the COLA buyout program continues to be very popular, with all groups participating above the assumed rates. He noted Total Buyout payments of over \$31 million and COLA Buyout payments of over \$610 million. Secretary Blair reminded the Board that program would sunset in June 2026 unless extended by the legislature and Governor.

Legislative Update. Jeff Houch, Associate Executive Secretary, reported on pending legislation impacting SERS, noting that Public Act 104-0003 appropriated the full certified contribution of \$1,792,315,020 for FY 26 from the General Revenue Fund.

Mr. Houch then touched on the Public Act 104-0002, which creates the Tier 2 Social Security Wage Base Reserve Fund in the case that any regulatory body mandates that the Tier 2 be increased to meet Safe Harbor Retirement Plan requirements.

Mr. Houch added that Public Act 104-0008 increased the bond authorization for the Buyout Programs by \$200 million to meet the expected funding demands through FY 26. He concluded his report and offered to answer any questions. No questions were offered.

APPROVAL OF EXECUTIVE COMMITTEE MINUTES

All trustees had previously been furnished with copies of the April, May and June 2025 Executive Committee minutes. Trustee Baird moved to approve the April, May and June 2025 Executive Committee minutes as presented. Vice-Chairperson Black seconded the motion, and it 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. 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 Silverthorn moved to adjourn. Trustee Day seconded the motion, which passed unanimously. The meeting was adjourned at 11:40 a.m.

Susana A. Mendoza

Date: _____

ATTEST:

Timothy Blair, Executive Secretary

Date: _____