

**MINUTES OF THE
DEFINED CONTRIBUTION COMMITTEE**

Thursday, May 14, 2020 – 9:00 A.M.
Remote Board Meeting
Per Executive Order 2020-33

Present:

<u>Committee Members</u>	Committee Chairman Senator Robert Martwick Board Chairwoman Justice Mary Seminara-Schostok Treasurer Michael Frerichs Comptroller Susana Mendoza Elizabeth Sanders Jaye Williams
<u>Board Members</u>	Gisela Attlan
<u>Staff</u>	Johara Farhadieh Mitchell Green Maryann Hong Dipesh Mehta Atul Talwar
<u>Guests</u>	Burke Burns & Pinelli, Ltd. Sarah Boeckman Illinois State Comptroller’s Office Andrew Ranck Illinois State Treasurer’s Office Allen Mayer Rodrigo Garcia Illinois Central Management Services (CMS) Chris Colantino Shiloah Tubbs RVK, Inc. Jennifer Sandberg Mikaylee O’Connor

Matt Sturdivan
Stephen Budinsky

BlackRock Financial Management, Inc.
Emily Foote
Andrea Picard
Craig Voelker

Governmental Consulting Solutions
Steve Zahn

Members of the Public

Matt McCue, Financial News

ROLL CALL

Committee Chairman Martwick called the meeting to order at 9:04 a.m. Ms. Hong noted that given the COVID-19 public health emergency, Illinois Governor Pritzker issued a disaster proclamation response. According to Governor Pritzker's executive order 2020-33, meetings of public bodies may take place without a quorum of trustees being physically present for the meeting. As such, the ISBI May Defined Contribution Committee Meeting would be conducted by virtual means. Mr. Mehta called the roll and noted a quorum was present.

REPORT OF THE DEFINED CONTRIBUTION COMMITTEE CHAIR

None.

CONSIDERATION AND APPROVAL OF PREVIOUS MEETING MINUTES

Trustee Frerichs moved to approve the meeting minutes from the December 12, 2019 meeting of the Defined Contribution Committee. Trustee Mendoza seconded, and the motion passed unanimously.

AUTO-ENROLLMENT UPDATE (PUBLIC ACT 101-0277)

Ms. O'Connor from RVK directed Trustees to the presentation materials and discussed updates regarding Auto-Enrollment. Ms. O'Connor stated that the implementation was going as planned and that certain updates were on track to be employed this summer. Ms. O'Connor detailed the ongoing communication between T. Rowe Price and the Illinois Department of Central Management Services (CMS) regarding the adjustments made to account for the ongoing COVID-19 pandemic. Ms. O'Connor also noted ISBI's plans to amend the Joint Committee on Administrative Rules (JCAR) regulations to reflect the changes. Board Chairwoman Schostok asked how RVK planned to distribute information about these updates to participants, and whether the retirement systems could assist in anyway. Ms. O'Connor noted that RVK would review and follow up at a later time. Ms. O'Connor asked if there were any further questions and there were none.

CONSIDERATION AND APPROVAL OF PROPOSED AMENDMENT TO THE AUTO-ENROLLMENT BILL

Mr. Mehta discussed the proposed changes to Section 24-105.2 of the Illinois Pension Code, which included technical adjustments to allow for more flexibility, including changes to simplify participant eligibility, acquiring participant data for enrollment, and refunding participant deferrals. Several Trustees inquired about the reasoning and background information regarding the changes, and Committee Chairman Martwick explained the proposed changes enhance the current law. Ms. O'Connor from RVK noted that these changes were in line with industry standard. Committee Chairman Martwick directed Trustees to Mr. Mehta for any additional suggested changes. Committee Chairman Martwick asked if there were any further questions and there were none.

Board Chairwoman Schostok moved that the Board, consistent with the recommendation of ISBI Staff, approve the proposed Amendment, substantially in form and subject to possible revisions,

and directing ISBI's Legislative Liaison to introduce language amending Section 24-105.2 of Illinois Pension Code. Trustee Mendoza seconded, and the motion passed unanimously.

CONSIDERATION AND APPROVAL OF BENEFICIARY ELECTION PROCEDURES

Ms. O'Connor directed Trustees to the presentation materials and discussed the beneficiary election procedures for the Deferred Compensation Plan (the "DC Plan" or "Plan"), which allows participants to designate one or more primary beneficiaries. While currently, participants complete their beneficiary designation through a paper form that is submitted to CMS, RVK is recommending that the Plan shift the beneficiary designation to T. Rowe Price. Ms. O'Connor discussed the benefits, including allowing participants to complete the forms online and would also allow T. Rowe Price to provide a consolidated source of information for each Plan participant. Ms. O'Connor noted T. Rowe Price's confirmation that there would not be any additional fees associated with processing beneficiary designations. Ms. O'Connor asked if there were any further questions and there were none.

Board Chairwoman Schostok moved that the Board, consistent with the recommendation of ISBI Staff and RVK, approve the Beneficiary Election Procedures, as presented. Trustee Williams seconded, and the motion passed unanimously.

CONSIDERATION AND APPROVAL OF IMPLEMENTATION OF CARES ACT

RVK Presentation of CARES Act Impact on DC Plans

Ms. O'Connor directed Trustees to the presentation materials and explained the recently passed Coronavirus, Aid, Relief and Economic Security Act ("CARES Act") and its application to the DC Plan. Ms. O'Connor explained that the bill was passed on an emergency basis as part of the federal government's response to the COVID-19 pandemic and described the details of several provisions directly related to DC Plans, including Coronavirus-Related Distributions, Expanded Loan Amounts and Repayment Flexibility, and Waived Required Minimum Distributions ("RMDs"). Trustee Sanders asked whether there had been an increase in loan requests. Mr. Colantino of CMS noted that there had been a limited number of requests. Trustee Williams also inquired whether there was any information generally available about overall participant access and plan implementation. Ms. O'Connor noted that many similarly situated public Boards were making these decisions now as well and she would update the Board when more information was available.

CMS Recommendations Pertaining to CARES Act Administration

Mr. Colantino from CMS introduced himself and directed Trustees to the presentation materials. Mr. Colantino discussed the optional Coronavirus-Related Distributions ("CRD") provisions of the CARES Act. Mr. Colantino discussed CMS's recommendation that the Board approve the CRD provision of the CARES Act, noting that it was comparable to other emergency related distributions that have been allowed by Congress after recent natural disasters, and many comparable governmental DC Plans have adopted or are considering adopting this provision. Finally, Mr. Colantino noted that this provision would allow participants that have been financially impacted by the pandemic to receive immediate economic relief.

Mr. Colantino also discussed the optional Loan Repayment Suspension provision of the CARES Act, which allows eligible participants to delay loan repayments due through December 31, 2020 for up to one year. Mr. Colantino explained the requirements for participants to be considered eligible.

Several Trustees inquired about participant distribution options. The Trustees discussed the possible benefits and drawbacks of implementing additional safeguards, rather than allowing participants the full withdrawal amount. Ms. Farhadieh stated that ISBI staff would work with RVK, T. Rowe Price, and CMS, to address the Trustees concerns regarding the CRD provisions, and the approval of the CRD Provisions of the CARES Act would be considered at a later date.

Board Chairwoman Schostok moved that the Board, consistent with recommendation from CMS, approve the implementation of the Loan Provisions of the CARES Act and prepare and file the necessary revisions to JCAR regarding such implementation at such time and in such manner as ISBI Staff deems prudent. Trustee Sanders seconded, and the motion passed unanimously.

CMS Recommendation Pertaining to Administration of Indirect Rollovers

Mr. Colantino directed Trustees to the presentation materials and discussed the Required Minimum Distribution (“RMD”) Waiver provision of the CARES Act, which waives RMDs for calendar year 2020. As a result, distributions received in 2020 that would have been considered an RMD are now eligible for an indirect rollover within 60 days of distribution. Mr. Colantino explained that the DC plan does not currently allow indirect rollovers, and recommended the Board approve a general Plan design change to allow all indirect rollovers. Mr. Colantino noted that, if accepted, that the applicable Joint Committee on Administrative Rules (JCAR) regulations would need to be amended. Mr. Colantino asked if there were any additional questions and there were none.

Board Chairwoman Schostok moved that the Board, consistent with the recommendation of CMS, approve the change to the Deferred Compensation Plan to allow all indirect rollovers as presented and prepare and file necessary revisions to JCAR regarding such implementation at such time and in such manner ISBI Staff deems prudent. Trustee Williams seconded, and the motion passed unanimously.

CONSIDERATION AND APPROVAL FOR RECORD KEEPING AGREEMENT

Mr. Mehta directed Trustees to the presentation materials and discussed the update to the Record Keeping Agreement with T. Rowe price. The update solely focused on representative appearance and webinar fees. Mr. Mehta asked if there were any additional questions and there were none

Board Chairwoman Schostok moved that the Board, consistent with the recommendation of ISBI Staff, approve the revisions to the Record Keeping Agreement, subject to legal review and successful contract negotiations. Trustee Sanders seconded, and the motion passed unanimously.

REPORT BY CONSULTANT – RVK

Deferred Compensation Performance Review as of December 31, 2019 and March 31, 2020

Ms. Sandberg directed Trustees to the presentation materials and gave an update on the Deferred Compensation Plan's performance as of December 31, 2019. Ms. Sandberg stated that the plan was performing well and in line with expectations. Ms. Sandberg directed Trustees to the Deferred Compensation Plan's performance as of March 31, 2020. Ms. Sandberg noted that the quarter started on a strong note, however, given the COVID-19 pandemic, markets began to evolve significantly. However, overall, ISBI's portfolio was doing well despite market volatility. Ms. Sandberg asked the Trustees if they had any additional questions and there were none.

PRESENTATION BY AND POSSIBLE APPROVAL OF DC PASSIVE INVESTMENT MANAGEMENT MANAGER

Presentation by BlackRock Financial Management, Inc.

At 10:55 a.m., Board Chairwoman Schostok moved to go into Executive Session pursuant to Section 2(c)(7) of the Open Meetings Act to discuss specific investment contracts. Trustee Mendoza seconded, and the motion was called to a roll call vote. All in favor: Committee Chairman Martwick, Board Chairwoman Schostok, Trustee Frerichs, Trustee Mendoza, Trustee Sanders, and Trustee Williams. Nays: None. The motion passed unanimously.

At 11:22 a.m., Board Chairwoman Schostok moved to return to the open meeting. Trustee Mendoza seconded, and the motion passed unanimously.

Board Chairwoman Schostok moved that the Board, consistent with the recommendation of ISBI Staff and RVK, approve BlackRock Financial Management, Inc., as one of ISBI's Deferred Compensation Passive Investment Managers, and take all necessary accompanying actions for implementation, subject to legal review and successful contract negotiations. Trustee Mendoza seconded, and the motion passed unanimously.

CONSIDERATION AND APPROVAL TO CONSOLIDATE CAPITAL PRESERVATION OPTIONS

Ms. Sandberg directed Trustees to the presentation materials. Ms. Sandberg explained that RVK's recommendation for the Plan to offer one capital preservation option. Ms. Sandberg explained that given the higher utilization of the Invesco Stable Return Fund and the better long-term risk/return profile, RVK recommended removing the Vanguard Treasury Money Market Fund and mapping the assets to the Invesco Stable Return Fund. Ms. Sandberg further explained that participants would be notified at least 30 days prior to the change and would be provided an opportunity to move their existing balance and deferrals in the Vanguard Fund to another investment option. Ms. Sandberg asked if there were any questions and there were none.

Trustee Williams move that the Board, consistent with the recommendation of ISBI Staff and RVK, approve the termination of the Vanguard Treasury Money Market Fund and map the applicable assets to the Invesco Stable Return, to be implemented by ISBI Staff after a reasonable and prudent time, including the proper notification to Plan participants. Board Chairwoman Schostok seconded, and the motion passed unanimously.

CONSIDERATION AND APPROVAL OF WHITE-LABELING INVESTMENT OPTIONS

Ms. O'Connor directed Trustees to the presentation materials. Ms. O'Connor reviewed the concept of "white-labeling", which Ms. O'Connor explained as involving the custom-naming of investment options within a DC Plan. Ms. O'Connor reviewed RVK's recommendation to update the Plan's investment menu fund names. Trustee Sanders asked several questions relating to the naming of the funds, and Ms. O'Connor explained the reasoning and how the names were intended to reduce confusion to participants. Committee Chairman Martwick noted that he thought this was very useful, and that white-labeling did not eliminate any information but provide more easily digestible information for participants to invest their options. Committee Chairman Martwick asked if there were any further questions and there were none.

Justice Schostok moved that the Board, consistent with the recommendation of ISBI Staff and RVK, approve the White-Labeling Investment Options, as presented and implemented by ISBI Staff after a reasonable and prudent time, including proper notification to Plan Participants. Trustee Sanders seconded, and the motion passed unanimously.

NEW BUSINESS/OLD BUSINESS

None.

PUBLIC COMMENT

None.

NEXT MEETING AND ADJOURNMENT

Committee Chairman Martwick noted that the next meeting was scheduled for June 25, 2020 and Committee Members will be notified of the time at a later date. At 11:38 a.m., there being no further business to come before the Committee, Board Chairwoman Schostok moved to adjourn the meeting. Trustee Mendoza seconded, and the meeting was adjourned.

Respectfully submitted,



Johara Farhadieh, Executive Director/
Chief Investment Officer