

**MINUTES OF THE
DEFINED CONTRIBUTION COMMITTEE**

Wednesday, March 23, 2022 – 9:25 A.M.
Remote Board Meeting
Per Public Act 101-0640

Present:

<u>Committee Members</u>	Committee Chairman Senator Robert Martwick Treasurer Michael Frerichs Comptroller Susana Mendoza Justice Mary Seminara-Schostok
<u>Board Members</u>	Board Chairman Terrence Healy Gisela Attlan Michael Tarnoff
<u>Staff</u>	Mary Cahill Johara Farhadieh Jansen Hein Maryann Hong Jennifer Koelle Dipesh Mehta Alex Somolski Atul Talwar Genette Bacon-Cordova Nadia Oumata
<u>Guests</u>	Burke Burns & Pinelli, Ltd. Sarah Boeckman Illinois State Comptroller's Office Andrew Ranck State Employees' Retirement System Tim Blair Illinois Central Management Services (CMS) Chris Colantino

RVK, Inc.

Tony Johnson

Stephen Budinsky

Sarah Boctor

Erik Painting

Members of the Public

Matt McCue, Financial News

Member of the Public, 63-32-252-1006

Not Present:

Committee Members

Elizabeth Sanders

Jaye Williams

ROLL CALL

Committee Chairman Martwick called the meeting to order at 9:26 a.m. Ms. Hong noted that, in accordance with the Open Meetings Act, ISBI's Chairperson and Executive Director had determined that an in-person meeting would be unfeasible. As such, the ISBI March Defined Contribution Committee meeting would be conducted by virtual means. Ms. Hong also noted for the record that ISBI's General Counsel was physically present at the office. Mr. Mehta called the roll and noted that a quorum was present.

REPORT OF THE DEFINED CONTRIBUTION COMMITTEE CHAIR

None.

CONSIDERATION AND APPROVAL OF PREVIOUS MEETING MINUTES

Trustee Mendoza moved to approve the meeting minutes from the December 17, 2021, meeting of the Defined Contribution Committee. Trustee Schostok seconded, and the motion was called to a roll call vote. All in favor: Committee Chairman Martwick, Trustee Schostok, Trustee Frerichs, and Trustee Mendoza. The motion passed unanimously.

REPORT BY CONSULTANT – RVK, INC.

Deferred Compensation Performance Review as of December 31, 2021

Representatives from RVK joined the meeting. Mr. Johnson directed Trustees to the presentation materials and gave a general overview of market performance and a Capital Markets Review. Next, Mr. Johnson gave an overview of the DC Plan and gave an update on plan statistics, including discussion on participant balances, demographics, loan information, and contributions. Mr. Johnson also reviewed Plan utilization, asset allocation and performance, describing the differences from the previous quarter and noting that ISBI's portfolio was performing within expectations. Mr. Johnson also reviewed the quarterly cash flows by Fund, as well as the Funds' fees, and stated that the fees compared very favorably amongst peers. Mr. Johnson asked if there were any further questions and there were none.

REPORT ON RETIREMENT INCOME ANALYSIS, PART 2

Mr. Budinsky referred Trustees to the presentation materials and reviewed RVK's three-step process for evaluating the retirement income needs of participants, described at the previous meeting. Mr. Budinsky stated that the goal of this presentation was to provide insight into expected retirement income security for future DC Plan retirees, including a discussion of retirement income base projections and how certain circumstances may impact retirement income and retirement income security. Ms. Boctor then directed Trustees to RVK's Retirement Income Model and discussed the key findings in RVK's Retirement Income Projections, broken down by employee

demographics. Ms. Boctor also discussed Retirement Income Adequacy for Tier 1 and Tier 2 beneficiaries and described how Tier 2 participants could improve retirement readiness, including increasing their annual contribution to the DC Plan through the automatic escalation feature. Ms. Boctor stated that overall, participation in the DC Plan is important to support retirement readiness for all State of Illinois employees. Ms. Boctor stated at the next presentation, RVK would explore additional steps that the Board could take in leveraging the DC Plan, in order to support State of Illinois employees' income needs in retirement. Committee Chairman Martwick inquired about the details of auto-escalation, and whether participants would escalate their retirement contributions on their own prior to automatic enrollment. Mr. Budinsky explained that participants generally did not escalate contributions on their own and highlighted the benefits of auto-escalation. Committee Chairman Martwick thanked RVK for their comprehensive analysis.

a. Consideration and Approval of Implementation of Auto-Escalation

Mr. Budinsky gave an overview of auto-escalation, including the legislative background and the potential benefits to participants. Trustees asked questions about participant options, including whether they could elect to not receive automatic increases in their contributions, and Mr. Budinsky confirmed that they could make that election. Discussion ensued among the Trustees over the best ways to benefit participants, including whether participants who opted out of auto-escalation could re-enroll each year. Ms. Farhadieh noted that the next steps after approval would be discussion with RVK and CMS on how to implement auto-escalation and how to best serve participants. Trustees thanked RVK and ISBI Staff for all of their work.

Trustee Mendoza moved that the Board maintain the current default contribution rate of 3% of compensation and implement an auto-escalation of 1% annually to a cap of 10% of compensation, consistent with the recommendation of RVK and ISBI Staff, including any revisions to agreements or JCAR as deemed necessary by ISBI's General Counsel, subject to implementation as recommended by RVK, and at such time and manner as ISBI Staff deems prudent. Trustee Schostok seconded, and the motion was called to a roll call vote. All in favor: Committee Chairman Martwick, Trustee Schostok, Trustee Frerichs, and Trustee Mendoza. The motion passed unanimously.

INVESTMENT MENU AND INVESTMENT POLICY STATEMENT REVIEW

Mr. Budinsky directed Trustees to the Investment Menu Review part of the presentation. Mr. Budinsky explained the investment menu design framework and philosophy, and how it was structured to help participants create successful outcomes. Mr. Budinsky also reviewed the DC Plan's Investment Policy Statement and the Plan's Administrative Code, noting that the Plan's investment menu complied with both. Mr. Budinsky reviewed RVK's recommendation that the Board approve the proposed changes to the DC Plan's Investment Policy.

Next, Mr. Johnson reviewed the Vanguard Target Retirement Trust Vintage Changes, including the upcoming addition of the Vanguard Target Retirement 2070 Trust. Mr. Johnson also reviewed the current investment line up, noting that no changes were recommended at this time, but that RVK, ISBI Staff, and CMS would continue to review and provide additional updates to the Board as needed.

Mr. Budinsky gave an Inflation and Real Assets Review, discussing inflation and real assets considerations for DC Plan Sponsors. Mr. Budinsky concluded that the Target Retirement Trusts provide participants with the ability to invest in a diversified portfolio that appropriately addresses inflation risks and that adding a real assets/inflation sensitive investment option to the core menu was not necessary at this time. Mr. Budinsky stated that RVK and ISBI Staff will continue to review and provide additional updates to the Board on this topic as needed. Finally, Mr. Budinsky reviewed Investment Menu Utilization and discussed participant investment trends in Target Date Fund (TDF) investors. Mr. Budinsky asked if there were any further questions, and there were none.

a. Consideration and Approval of Updates to Investment Policy Statement

Trustee Mendoza moved that the Board, consistent with the recommendation of ISBI Staff and RVK, approve the revised Deferred Compensation Investment Policy, as presented. Trustee Frerichs seconded, and the motion was called to a roll call vote. All in favor: Committee Chairman Martwick, Trustee Schostok, Trustee Frerichs, and Trustee Mendoza. The motion passed unanimously.

RECORDKEEPER IMPLEMENTATION UPDATE

Mr. Budinsky provided an update on recordkeeper implementation. Mr. Budinsky described the Phase 1 efforts of planning and discovery, and the progress into Phase 2 of implementation and testing. Mr. Budinsky briefly gave a summary of key accomplishments, the status of ongoing projects, and upcoming steps. Mr. Budinsky noted that overall, RVK and ISBI staff were pleased with the progress made with Empower's team. Committee Chairman Martwick thanked RVK and ISBI staff for all of their work.

NEW BUSINESS/OLD BUSINESS

None.

PUBLIC COMMENT

None.

NEXT MEETING AND ADJOURNMENT

Committee Chairman Martwick noted that the next meeting was tentatively scheduled for June 22-23, 2022, and Committee Members will be notified of the time at a later date. At 11:24 a.m., there being no further business to come before the Committee, Trustee Schostok moved to adjourn the meeting. Trustee Mendoza seconded, and the meeting was adjourned.

Respectfully submitted,

Johara Farhadieh

Johara Farhadieh, Executive Director/
Chief Investment Officer