

MINUTES OF THE  
**DEFINED CONTRIBUTION COMMITTEE**

Thursday, June 23, 2022 – 9:00 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 Elizabeth Sanders Jaye Williams
<u>Board Members</u>	Board Chairman Terrence Healy
<u>Staff</u>	Genette Bacon-Cordova Mary Cahill Johara Farhadieh Jansen Hein Maryann Hong Jennifer Koelle Dipesh Mehta Nadia Oumata Alex Somolski Atul Talwar
<u>Guests</u>	Burke Burns & Pinelli, Ltd. Sarah Boeckman  Illinois State Treasurer's Office Joe Aguilar  Illinois State Comptroller's Office Patrick Corcoran  Illinois Central Management Services (CMS) Chris Colantino

RVK, Inc.

Tony Johnson

Stephen Budinsky

Jonathan Kowolik

Erik Painting

Empower Retirement

Heather Smith

Marybeth Daubenspeck

Laura Nelson

Beckett Butterfield

Members of the Public

BlackRock Inc., 212-810-5300

Alexis Elliott

Nicolas Greenwood

Rohan Mathur

Not Present:

Committee Members

Justice Mary Seminara-Schostok

## ***ROLL CALL***

Committee Chairman Martwick called the meeting to order at 9:10 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 June 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***

Committee Chairman Martwick noted that the committee would be going out of the regular order of business indicated on the agenda in order to address certain items.

## ***CONSIDERATION AND APPROVAL OF PREVIOUS MEETING MINUTES***

Trustee Mendoza moved to approve the meeting minutes from the March 23, 2022, meeting of the Defined Contribution Committee. Trustee Frerichs seconded, and the motion was called to a roll call vote. All in favor: Committee Chairman Martwick, Trustee Frerichs, Trustee Mendoza, Trustee Williams, and Trustee Sanders. The motion passed unanimously.

## ***CONSIDERATION AND APPROVAL OF AUTO-ESCALATION IMPLEMENTATION – RVK, INC.***

Representatives from RVK joined the meeting. Mr. Budinsky briefly summarized the auto-escalation discussion from the March 2022 Defined Contribution Committee meeting, during which Trustees voted to approve the implementation. Mr. Budinsky stated that RVK had conducted more research on industry practices and had identified differing options for implementation, specifically with regard to how participants opt out of auto-escalation.

After summarizing the options, Mr. Budinsky presented RVK and ISBI Staff's recommendation for implementation: to follow industry best practice and implement auto-escalation of auto-enrolled participants, which includes a one-time opt out election and targeted communication. Discussion ensued among Trustees regarding the intent behind the legislation and various options they believed would be most beneficial to participants, including potentially re-enrolling participants who had previously opted out of auto-enrollment.

Ms. Farhadieh clarified that RVK and ISBI Staff are currently only recommending the Board approve implementing the auto-escalation through the auto-enrollment at this time. She noted that the secondary questions about re-enrollment in auto-escalation deserved further due diligence and research, and that ISBI Staff and RVK would continue to review industry best practices and report back to the Board with additional recommendations. Committee Chairman Martwick and other Trustees noted their support for this approach and thanked Ms. Farhadieh and the ISBI team for their work. Discussion ensued among Trustees as far as legislative authority to implement the steps as discussed. Ms. Boeckman, as the Board's Fiduciary Counsel, noted that it would be prudent to implement according to industry best practices amongst

similarly situated DC Plans, which ISBI Staff and RVK have done with their current recommendation. Committee Chairman Martwick thanked ISBI Staff for their work and recommended the Committee continue forward with ISBI's recommendation.

Trustee Mendoza moved that the Board, consistent with the recommendation of RVK and ISBI Staff, approve the auto-escalation implementation measures discussed on the record, at such time and manner as ISBI Staff deems prudent. Trustee Williams seconded, and the motion was called for a roll call vote. All in favor: Committee Chairman Martwick, Trustee Frerichs, Trustee Mendoza, Trustee Williams, and Trustee Sanders. The motion passed unanimously.

Following the presentation, Committee Chairman Martwick asked Trustee Frerichs to act as interim Committee Chairman until he returned to the Meeting.

### ***REPORT BY CONSULTANT – RVK, INC.***

#### **Deferred Compensation Performance Review as of March 31, 2022**

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 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, highlighting the steady growth in average participant balances over time. Mr. Johnson noted that the recent period has seen some decrease due to unfavorable market conditions. However, Mr. Johnson stated that overall, performance is in line with expectations and there are no concerns with the structure of the Plan. 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 3***

Mr. Budinsky referred Trustees to the presentation materials and reviewed RVK's three-step process for evaluating the retirement income needs of participants. Mr. Budinsky stated that the goal of this presentation was to evaluate the role of the DC Plan in participants' overall retirement picture and provide recommendations for a long-term plan to support participant retirement readiness. Mr. Budinsky then presented RVK's retirement readiness roadmap, which lays out the steps toward developing a long-term plan. Mr. Budinsky reviewed the Plan's investment options in terms of retirement readiness, highlighting attractive features as well as providing areas for potential enhancements. Mr. Budinsky then handed the presentation over to Mr. Johnson, who discussed various options for Retirement Income Solutions, including providing pros and cons for both guaranteed and non-guaranteed solutions. Mr. Johnson then explained why RVK believes non-guaranteed solutions are the better fit for the DC Plan. Mr. Johnson concluded by stating that RVK would continue its research into the best options for the Plan, in partnership with ISBI Staff, and report back to the Committee. There were no questions and the Trustees thanked RVK for their thorough presentation.

## ***RECORDKEEPER IMPLEMENTATION UPDATE***

Mr. Budinsky provided the update, stating that implementation remains on track for a transition of assets on July 1, 2022. Mr. Budinsky indicated that participants have been notified of the transition as well as a website providing further details. Ms. Farhadieh thanked the ISBI and RVK teams for their hard work on the transition. Trustee Frerichs asked if there were any questions and there were none.

## ***REPORT OF PLAN ADMINISTRATOR – CENTRAL MANAGEMENT SERVICES (CMS)***

### Update on Administrative Matters during Empower Transition

Mr. Colantino directed Trustees to the presentation materials and described the administrative functions related to automatic enrollment that are impacted by the recordkeeper transition. Mr. Colantino explained the issues and the solutions that CMS has developed and instructed Empower to implement. Additionally, Mr. Colantino discussed an additional administrative issue with the loan fee process and stated that CMS and ISBI Staff would be seeking a change to JCAR rules in order to resolve this issue. Under the guidance of DC Counsel, Mr. Colantino stated that ISBI, RVK, Empower, and CMS would continue to work through the operational requirements of merging the current loan policy with Empower's operational abilities. Mr. Colantino asked if there were any questions and there were none.

### Consideration and Approval of Revisions to JCAR

Mr. Colantino directed Trustees to the presentation materials. Mr. Colantino explained that Public Act 102-0219 ("Act") amended the automatic enrollment section of the Illinois Pension Code and that changes made to statute by the Act would need to be reflected in the Plan rules. Mr. Colantino went over CMS' recommended changes to JCAR Rules, outlined in the memo. Trustee Frerichs asked if there were any questions and there were none.

Trustee Sanders moved that the Board approve the revisions to JCAR, including any revisions deemed necessary by ISBI's General Counsel, reflecting updates to the State of Illinois Deferred Compensation Plan's auto-enrollment provisions. Trustee Mendoza seconded, and the motion was called to a roll call vote. All in favor: Trustee Frerichs, Trustee Mendoza, Trustee Williams, and Trustee Sanders. The motion passed unanimously.

### Review of CMS DCP Budget

Mr. Colantino directed Trustees to the budget materials and reviewed estimated expenses for the upcoming fiscal year. Mr. Colantino noted that circumstances had changed since the budget materials were submitted and stated that CMS requires a 13.9% increase in operating expenses for FY23, in order to cover hiring two new employees. CMS is also reinstating the monthly administrative fee transfers, which will continue to be monitored under the Board-approved Administrative Fee Policy. Trustee Frerichs asked if there were any questions and there were none.

## ***ISBI DCP COST ALLOCATION REVIEW – RVK, INC.***

At 11:01 a.m., Trustee Mendoza moved to go into Executive Session pursuant to Section 2(c)(1) and (7) of the Open Meetings Act to discuss personnel and investment contracts. Trustee Williams seconded, and the motion was called to a roll call vote. All in favor: Trustee Frerichs, Trustee Mendoza, Trustee Williams, and Trustee Sanders. The motion passed unanimously.

At 11:07 a.m., Trustee Mendoza moved to return to the open meeting. Trustee Williams seconded, and the motion was called to a roll call vote. All in favor: Trustee Frerichs, Trustee Mendoza, Trustee Williams, and Trustee Sanders. The motion passed unanimously.

***NEW BUSINESS/OLD BUSINESS***

None.

***PUBLIC COMMENT***

None.

***NEXT MEETING AND ADJOURNMENT***

Trustee Frerichs noted that the next meeting was tentatively scheduled for September 22-23, 2022, and Committee Members will be notified of the time at a later date. At 11:08 a.m., there being no further business to come before the Committee, Trustee Mendoza moved to adjourn the meeting. Trustee Williams seconded, and the meeting was adjourned.

Respectfully submitted,

*Johara Farhadieh*

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Johara Farhadieh, Executive Director/  
Chief Investment Officer