

**MINUTES OF THE
DEFINED CONTRIBUTION COMMITTEE**

Thursday, September 29, 2022 – 12:30 P.M.
180 N. LaSalle St., Suite 2015
Chicago, IL 60601

Present:	<u>Committee Members</u>	Committee Chairman Senator Robert Martwick Treasurer Michael Frerichs Comptroller Susana Mendoza (via audio conference) Elizabeth Sanders Judge Debra Walker
	<u>Board Members</u>	Board Chairman Terrence Healy Michael Tarnoff
	<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 (via audio conference) Illinois Central Management Services Chris Colantino State Employees' Retirement System Tim Blair (via audio conference) RVK, Inc. Tony Johnson

Stephen Budinsky (via audio
conference)
Eric Painting (via audio conference)

ROLL CALL

Committee Chairman Martwick called the meeting to order at 12:37 p.m. at the Illinois State Board of Investment office, 180 N. LaSalle St., Suite 2015, Chicago. Mr. Mehta called the roll and noted that a quorum was present.

Trustee Frerichs moved that Trustee Mendoza be allowed to participate in the meeting via audio conference pursuant to Section 7(a) of the Open Meetings Act. Trustee Sanders seconded, and the motion passed unanimously.

APPOINTMENT OF STANDING COMMITTEE

Pursuant to the Board Bylaws, Board Chairman Healy appointed the following members to the Defined Contribution Committee: Trustee Martwick, Trustee Mendoza, Trustee Walker, Trustee Frerichs, and Trustee Sanders.

REPORT OF THE DEFINED CONTRIBUTION COMMITTEE CHAIR

None.

CONSIDERATION AND APPROVAL OF PREVIOUS MEETING MINUTES

Trustee Sanders moved to approve the minutes from the June 23, 2022 meeting of the Defined Contribution Committee. Trustee Frerichs seconded, and the motion passed unanimously, with Trustee Walker abstaining.

Trustee Sanders moved to approve and keep closed the Executive Session minutes from the June 23, 2022 meeting of the Defined Contribution Committee, pursuant to the recommendation of Fiduciary Counsel. Trustee Frerichs seconded, and the motion passed unanimously, with Trustee Walker abstaining.

Trustee Walker noted for the record that she planned to abstain from all votes to approve previous meeting minutes, as she was not in attendance at the previous meetings.

REPORT BY CONSULTANT – RVK, INC.

Deferred Compensation Performance Review as of June 30, 2022

Mr. Johnson referred trustees to the presentation materials and gave a capital markets review, covering the current economic downturn. Next, Mr. Johnson gave an overview of the Deferred Compensation Plan, discussing plan statistics by participant balances, demographics, and loan information. Mr. Johnson also reviewed the asset allocation and performance, noting that while

balances have seen some depression due to the recent unfavorable market conditions, RVK has no concerns with performance of the target date funds or current investment options relative to their respective benchmarks. Finally, Mr. Johnson noted that overall, the plan's fees are very low and compare favorably amongst peers. Trustee Sanders asked for more detail on the glidepaths of the target date fund options, which Mr. Johnson provided. There were no further questions.

AUTO-ESCALATION IMPLEMENTATION – RVK, INC.

Mr. Budinsky referred trustees to the presentation materials and provided background on auto-escalation. Specifically, Mr. Budinsky reviewed Public Act 102-0219, which contained the legislative mandate for auto-escalation, and covered previous action taken by the Board with regard to auto-escalation. Mr. Budinsky then discussed RVK's recommendation for the administrative approach to auto-escalation, covering which participants the program would apply to, when it would go into effect, and the timing of automatic increases. Finally, Mr. Budinsky discussed the various types of communications that would be sent to participants regarding automatic escalation as well as general plan and savings information.

Committee Chairman Martwick asked further clarifying questions about which participants would be automatically escalated, as well as the specifics on the planned communications with participants. Mr. Budinsky and Ms. Farhadieh provided the requested detail, and stated that in future reports, additional statistical information on auto-escalation would be provided. Trustee Walker asked further questions on the original automatic enrollment legislation, and Committee Chairman Martwick and Ms. Farhadieh provided background. There were no further questions.

RECORDKEEPER IMPLEMENTATION UPDATE

Mr. Budinsky provided the recordkeeper implementation update, stating that the implementation was successfully concluded in July of 2022. Mr. Budinsky stated that participant records were transferred to Empower Retirement effective July 1, 2022, and that recordkeeping and administrative activities have transferred to Empower on an ongoing basis. Mr. Budinsky discussed efforts by Empower to assist participants during the transition, including webinars and increased call center capacity. Finally, Mr. Budinsky discussed several minor issues with the data transfer to Empower and detailed how they were resolved. Committee Chairman Martwick asked if there were any questions and there were none. Trustees thanked the representatives from RVK and ISBI staff for their hard work.

REPORT OF PLAN ADMINISTRATOR – CENTRAL MANAGEMENT SERVICES (CMS)

Consideration and Approval of Revisions to Deferred Compensation Loan Policy

Mr. Colantino directed trustees to the updated Loan Policy. Mr. Colantino explained that the proposed changes included updates to accommodate several administrative changes required by the recordkeeper transition, as well as general modernizing updates recommended by CMS, RVK,

ISBI staff, and the Plan's Deferred Compensation Counsel. Trustee Sanders asked several questions regarding documentation from the recordkeeper and partial loan repayments. Mr. Budinsky and Ms. Farhadieh provided more detail on recordkeeper processes and repayments. There were no further questions. Trustee Frerichs moved that the committee, consistent with the recommendation of CMS, approve the revised Deferred Compensation Loan Policy, as presented. Trustee Walker second, and the motion passed unanimously.

SECURE Act Update

Mr. Colantino provided an update on the SECURE Act of 2019, giving an overview of the required minimum distribution (RMD) provisions and the Board's previous elections regarding participant options under those provisions. Mr. Colantino then noted that the IRS is in the process of releasing updated guidance regarding those provisions. Mr. Colantino informed the Board that CMS plans to propose updates to the plan's Administrative Code, maintained by the Joint Committee on Administrative Rules (JCAR), once the IRS finalizes its guidance. Committee Chairman Martwick asked if there were any questions and there were none.

Consideration and Approval of JCAR Revisions

Mr. Colantino directed trustees to the presentation materials and outlined the proposed revisions to JCAR, which included implementation measures for auto-escalation, changes to the loan section, updates to match federal law, and updates to the rollover provisions. Committee Chairman Martwick asked for more information on current rollover requests, and Mr. Colantino provided additional detail. Chairman Healy inquired regarding any further revisions, and ISBI's General Counsel clarified that any substantive changes would be brought to the Board's attention. There were no further questions. Trustee Frerichs moved to approve the revisions to JCAR, including any further revisions deemed necessary by ISBI's General Counsel. Trustee Sanders seconded the motion, and it passed unanimously.

LEGISLATIVE UPDATE – RVK, INC.

Mr. Budinsky referred trustees to the presentation materials and gave a legislative and regulatory update. Specifically, Mr. Budinsky discussed the pending SECURE 2.0 legislation, several proposed rules from the United States Department of Labor, ESG regulatory actions, and several ongoing ERISA lawsuits. Several trustees asked clarifying questions on specific provisions contained in the SECURE 2.0 legislation, which Mr. Budinsky answered with further detail. Committee Chairman Martwick asked whether staff, RVK, or Fiduciary Counsel had any additional observations regarding the ERISA lawsuits. Mr. Budinsky and Ms. Boeckman explained that the circumstances at issue in those cases do not apply to ISBI or the Deferred Compensation Plan, and stated that ISBI has robust oversight procedures and regularly reviews both performance and fees for the plan. Ms. Farhadieh stated that ISBI staff, RVK, and Fiduciary Counsel would continue to review the ongoing cases and settlements. Committee Chairman Martwick asked if there were any further questions and there were none.

NEW BUSINESS/OLD BUSINESS

None.

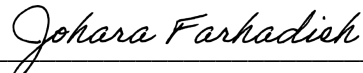
PUBLIC COMMENT

None.

NEXT MEETING AND ADJOURNMENT

Committee Chairman Martwick noted that the next meeting was tentatively scheduled for December 15-16, 2022. At 2:10 p.m., there being no further business to come before the committee, Trustee Walker moved to adjourn the meeting. Trustee Sanders seconded, and the meeting was adjourned.

Respectfully submitted,



Johara Farhadieh, Executive Director/
Chief Investment Officer