

MINUTES OF THE
DEFINED CONTRIBUTION COMMITTEE

Friday, December 16, 2022 – 11:00 A.M.
180 N. LaSalle St., Suite 2015
Chicago, IL 60601

Present:

Committee Members

Committee Chairman Senator Robert
Martwick
Treasurer Michael Frerichs
Elizabeth Sanders
Justice Debra Walker

Board Members

Board Chairman Terrence Healy
Gisela Attlan
Michael Tarnoff (via audio conference)

Staff

Genette Bacon-Cordova
Koula Berlin
Mary Cahill
Johara Farhadieh
Jansen Hein
Maryann Hong
Jennifer Koelle
Dipesh Mehta
Nadia Oumata
Alex Somolski
Atul Talwar

Guests

Burke Burns & Pinelli, Ltd.
Sarah Boeckman (via audio
conference)

Illinois Central Management Services
Chris Colantino

RVK, Inc.
Stephen Budinsky
Eric Painting

The Vanguard Group, Inc.
Jason Smull

Tim Walsh

State Employees' Retirement System
Tim Blair (via audio conference)

Not Present: Committee Members

Comptroller Susana Mendoza

ROLL CALL

Committee Chairman Martwick called the meeting to order at 11:00 a.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.

REPORT OF THE DEFINED CONTRIBUTION COMMITTEE CHAIR

None.

CONSIDERATION AND APPROVAL OF PREVIOUS MEETING MINUTES

Trustee Frerichs moved to approve the minutes from the September 29, 2022 meeting of the Defined Contribution Committee. Trustee Walker seconded, and the motion passed unanimously.

REPORT BY CONSULTANT – RVK, INC.

Deferred Compensation Performance Review as of September 30, 2022

Mr. Budinsky referred trustees to the presentation materials and gave a capital markets review, discussing the ongoing difficult market conditions. Next, Mr. Budinsky gave an overview of the Deferred Compensation Plan, discussing plan statistics by participant balances, demographics, and loan information. Mr. Budinsky also reviewed asset allocation and performance, noting that while balances have seen some depression due to the recent unfavorable market conditions, the target date funds and investment options are performing in line with benchmarks and RVK has no concerns at this time. Finally, Mr. Budinsky noted that fees continue to be very competitive and reasonable compared to peers. Board Chairman Healy inquired as to ongoing communications with participants, and Ms. Farhadieh and Mr. Colantino provided additional information on the current process in place with the plan recordkeeper, Empower Retirement. There were no further questions.

Target Date Fund Review

Mr. Budinsky gave an overview of the market for plan sponsor default investment alternatives, reviewing target date fund providers and recent trends. Mr. Budinsky then reviewed the Plan's investment menu and Vanguard's target date retirement funds, covering asset allocation, strategy, and performance. Mr. Budinsky stated that the Vanguard funds are meeting performance objectives and continue to have highly competitive fees, and remain an appropriate default investment alternative for the plan. Several trustees inquired about a variety of topics, including the market shares of providers, individual target date fund performance, future vintages, and retirement age associated with funds. Mr. Budinsky provided additional information and outlined RVK's approach where relevant. There were no further questions.

PRESENTATION BY THE VANGUARD GROUP, INC. – TARGET DATE FUNDS

Mr. Walsh introduced himself and Mr. Smull to the Board. Mr. Smull gave an overview of Vanguard’s leadership and approach to investing. Mr. Smull then outlined Vanguard’s strategy for constructing target date portfolios with appropriate risk and return considerations, which adjust with the age of the participant. Mr. Smull then gave a performance review, noting strong performance relative to peers and Vanguard’s approach to risk mitigation. Trustee Sanders inquired about the role of specific asset classes and Mr. Smull went into greater detail on Vanguard’s strategy. Mr. Walsh then concluded by discussing Vanguard’s stewardship efforts, including engagement, public advocacy, and proxy voting. Trustees inquired further about Vanguard’s approach to proxy voting and ESG, and Mr. Smull discussed Vanguard’s philosophy regarding both.

NEW BUSINESS/OLD BUSINESS

None.

PUBLIC COMMENT

None.

NEXT MEETING AND ADJOURNMENT

Committee Chairman Martwick noted that the next meeting was tentatively scheduled for March 23-24, 2023. At 12:14 p.m., there being no further business to come before the committee, Trustee Walker moved to adjourn the meeting. Trustee Frerichs seconded, and the meeting was adjourned.

Respectfully submitted,



Johara Farhadieh, Executive Director/
Chief Investment Officer