

MINUTES OF THE  
**DEFINED CONTRIBUTION COMMITTEE**

Friday, September 20, 2024 – 9:40 A.M.  
180 N. LaSalle St., Suite 2015  
Chicago, IL 60601

Present:	<u>Committee Members</u>	Committee Chairman Senator Robert Martwick (via audio conference) Matthew Brewer Treasurer Michael Frerichs Elizabeth Sanders
	<u>Board Members</u>	Board Chairman Terrence Healy
	<u>Staff</u>	Genette Bacon-Cordova Mary Cahill Jennifer Koelle Kawing Lee Samantha McHugh Dipesh Mehta David Schneider Dan Sekera Atul Talwar
	<u>Guests</u>	Burke Burns & Pinelli, Ltd. Sarah Boeckman  Illinois Central Management Services Chris Colantino  RVK, Inc. Stephen Budinsky Tony Johnson
Not Present:	<u>Committee Members</u>	Comptroller Susana Mendoza

## ***ROLL CALL***

Committee Chairman Martwick called the meeting to order at 9:47 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.

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

## ***REPORT OF THE DEFINED CONTRIBUTION COMMITTEE CHAIR***

None.

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

Trustee Brewer moved to approve the minutes from the June 27, 2024 meeting of the Defined Contribution Committee. Trustee Frerichs seconded, and the motion passed unanimously.

Trustee Brewer moved to approve and keep closed the Executive Session minutes, as presented, from the June 27, 2024 meeting of the Defined Contribution Committee, pursuant to the recommendation of Fiduciary Counsel. Trustee Frerichs seconded, and the motion passed unanimously.

## ***PRESENTATION BY VANGUARD – TARGET DATE FUND UPDATE***

Mr. Wallace and Mr. Palazzi introduced themselves and directed trustees to the presentation materials. Mr. Wallace thanked trustees for the partnership and provided a firm update. Mr. Palazzi then reviewed the target date fund industry and Vanguard's approach to constructing target date portfolios. Trustee Sanders inquired further into the process for setting the glidepath landing point, and Mr. Palazzi explained Vanguard's approach in more detail. Mr. Palazzi then reviewed performance, noting strong performance relative to peers on a risk-adjusted basis. Finally, Mr. Palazzi gave an overview of a new target date option offered by Vanguard, which maintains a higher equity landing point at retirement age. Mr. Palazzi asked if there were any questions and there were none.

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

### **Deferred Compensation Performance Review as of June 30, 2024**

Mr. Johnson referred trustees to the presentation materials and gave a capital markets review. Mr. Johnson then proceeded to review Plan statistics, including participant balances, demographics,

and loan information. Mr. Johnson also reviewed asset allocation, performance, and peer rankings, stating RVK had no concerns at this time. Mr. Johnson also covered plan utilization, discussing trends among participants over time. Trustee Sanders inquired into certain trends and whether they are mirrored in the private sector, and Trustee Frerichs asked additional follow-up questions regarding plan participants. Mr. Johnson provided the requested information. Finally, Mr. Johnson noted that fees continue to be very competitive compared to peers. Mr. Johnson asked if there were any further questions and there were none.

### Target Date Fund Review

Mr. Budinsky provided the review, stating that RVK undertakes a periodic review to ensure that the Plan's default investment alternative continues to be the best option for the Plan. Mr. Budinsky reviewed the market for plan sponsor default investment alternatives, including target date fund providers and recent trends. Mr. Budinsky then provided the stoplight review, demonstrating the Plan's robust evaluation process. Mr. Budinsky also reviewed the Vanguard team and strategy, including asset allocation, glidepath, performance, and fees, which remain highly competitive. Mr. Budinsky stated that Vanguard's target date retirement funds ("TDFs") remain the best option. Mr. Budinsky also discussed two new TDF trusts, which RVK recommends for ISBI's Plan. Mr. Budinsky provided details on the recommended additions, which include a 2070 trust, targeting retirement in the year 2070, and the Income & Growth trust, which targets a higher equity landing point in retirement. Trustee Sanders asked a follow-up question regarding implementation with participants, and Mr. Budinsky clarified. Discussion ensued amongst trustees regarding the proposed additional vintages, focusing on timing of implementation and participant education. Mr. Budinsky asked if there were any additional questions, and there were none.

Trustee Brewer moved that the committee approve adding the Income & Growth and the 2070 trusts to the Deferred Compensation investment lineup as soon as administratively feasible, consistent with the recommendation of RVK and ISBI staff. Board Chairman Healy seconded, and the motion passed unanimously.

### Legislative Update

Mr. Budinsky referred trustees to the presentation materials and gave a legislative and regulatory update. Specifically, Mr. Budinsky reviewed potential SECURE 2.0 follow-up legislation and provided a SECURE 2.0 implementation update. Mr. Budinsky also discussed recent relevant regulatory guidance and provided a litigation update on notable ERISA cases in the retirement industry. Mr. Budinsky asked if there were any questions and there were none.

## ***REPORT OF PLAN ADMINISTRATOR – CENTRAL MANAGEMENT SERVICES***

### Consideration and Approval of Recommendation Regarding Mandatory Cash Out Distributions

Mr. Colantino referred trustees to the presentation materials and proceeded to describe the proposed change, which would allow the plan to distribute account balances under \$1,000 when certain other conditions are met, in accordance with the Internal Revenue Code. Mr. Colantino

discussed the rationale for this change, noting that most such accounts have extremely low balances and that cost savings are expected from this change. Trustee Frerichs inquired further into the factors leading to low balances, and Mr. Colantino provided additional information. Mr. Colantino asked if there were any further questions and there were none.

Trustee Sanders moved that the committee, consistent with the recommendation of CMS, approve the adoption of Mandatory Cash Out Distributions and related revisions to JCAR, including any further revisions deemed necessary by ISBI's ED/CIO. Trustee Brewer seconded the motion. Trustee Brewer asked a clarifying question regarding the JCAR process, which Ms. Cahill answered. Board Chairman Healy asked a question regarding certain terminated participants, and Mr. Colantino and Mr. Budinsky provided the requested information. The motion passed unanimously.

#### Consideration and Approval of Recommendation Regarding Catch Up Contributions

Mr. Colantino referred trustees to the presentation materials and proceeded to describe the proposed change, which would increase the catch-up contribution limit for eligible participants between ages 60-63, in accordance with provisions of the SECURE 2.0 Act. Chairman Healy asked for more information regarding the age range allowance, which Mr. Colantino provided. Mr. Colantino asked if there were any further questions and there were none.

Trustee Brewer moved that the committee, consistent with the recommendation of CMS, approve the adoption of Age 60-63 Catch Up Contributions and related revisions to JCAR, including any further revisions deemed necessary by ISBI's ED/CIO. Trustee Frerichs seconded, and the motion passed unanimously.

#### Consideration and Approval of Recommendation Regarding Secure 2.0 Disaster Recovery Provision

Mr. Colantino referred trustees to the presentation materials and proceeded to describe the proposed change, which would allow participants impacted by a federally declared disaster to request distributions from their account, in accordance with provisions of the SECURE 2.0 Act. Mr. Colantino asked if there were any questions and there were none.

Trustee Sanders moved that the committee, consistent with the recommendation of CMS, approve the adoption of Qualified Disaster Recovery Distributions and related revisions to JCAR, including any further revisions deemed necessary by ISBI's ED/CIO. Trustee Frerichs seconded, and the motion passed unanimously.

#### ***REPORT OF THE EXECUTIVE DIRECTOR/CHIEF INVESTMENT OFFICER AND INVESTMENT TEAM***

None.

***NEW BUSINESS/OLD BUSINESS***

None.

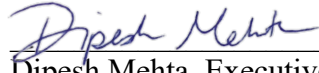
***PUBLIC COMMENT***

None.

***NEXT MEETING AND ADJOURNMENT***

Mr. Mehta noted that the next meeting was tentatively scheduled for December 13, 2024. At 11:34 a.m., there being no further business to come before the committee, Committee Chairman Martwick moved to adjourn the meeting. Trustee Frerichs seconded, and the meeting was adjourned.

Respectfully submitted,



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Dipesh Mehta, Executive Director/Chief  
Investment Officer