

ILLINOIS MUNICIPAL RETIREMENT FUND
MINUTES OF
REGULAR MEETING NO. 21-03
MARCH 26, 2021

ILLINOIS MUNICIPAL RETIREMENT FUND

MEETING NO. 21-03

REGULAR MEETING

OF THE

BOARD OF TRUSTEES

The Regular Meeting of the Board of Trustees was held electronically via GoToWebinar at 9:00 a.m. on March 26, 2021. Per Executive Order 2021-05 and 5-ILCS 120/7(e). The Public was able to participate by registering at: www.imrf.org/03-2021-board.

Ms. Henry presided as Chair and called the meeting to order.

Ms. Enright took a roll call:

Present: Kosiba, Kuehne, Miller, Mitchell, Stefan, Copper, Henry
Absent: Stanish

Mr. Born from Wilshire Associates, along with members from the Public were also present via GoToWebinar.

(21-03-01) (Investment Manager Activities - Wilshire Associates) Mr. Born from Wilshire Associates presented a report on IMRF's Performance for the month of February 2021.

Mr. Born presented the following monthly performance highlights as of February 28, 2021:

- The market value of IMRF ended February 2021 with a market value of \$51.0 billion, up for the month by approximately \$1.0 billion. IMRF returned +2.27% during the month, outperforming the Total Fund Benchmark +1.23%.
- The U.S. Equity Portfolio outperformed the benchmark for the month of February returning +4.27% versus +3.13%.
- The Internally Managed Scientific Beta Portfolio performed in-line with the benchmark during the month, returning +2.57% versus +2.59%. Since inception, the strategy has returned +10.58% versus the benchmark of +10.33%.
- The Internally Managed GSAM-Factor Diversity Portfolio underperformed the benchmark during the month, returning +2.30% versus the benchmark of +2.76%. Since inception, the strategy has returned +16.34% versus the benchmark of +15.85%.
- The Public Real Estate Assets Portfolio underperformed its benchmark during the month returning -1.06% versus -0.70%.
- The International Equity Portfolio modestly trailed the benchmark during February, returning +1.90% versus +1.98%.
- The Fixed Income Portfolio outperformed the benchmark during February returning -1.34% versus -1.44%.

- As of February month-end, Domestic Equity and International Equity were 4.6% and 4.1%, respectively, over their targets. The Interim Chief Investment Office and Consultant do not recommend any rebalancing at this time to the strategic allocation targets.

The Investment Officer - Public Markets reported that for the month to date period ending March 24, 2021, The S&P 500 benchmark returned 2.16%; the Russell 3000 (Broad U.S. equity market benchmark) returned 1.22%; the MSCI ACWI Ex-U.S. (Broad international equity market benchmark) returned 0.28%; and, the Bloomberg Barclays Aggregate (Broad U.S. bond market benchmark) returned -0.88%. She further reported that the total fund value as of March 24, 2021 was \$50.8 billion, down -0.25%.

Questions and discussion followed.

Ms. Stanish joined the meeting at 9:15 a.m.

(21-03-02) (Consent Agenda) The Chair presented an agenda consisting of a Consent Agenda. The following items remained on the Consent Agenda since no Board member asked for their removal.

Approval of Minutes

Minutes of February 26, 2021 Board Meeting
 Minutes of February 26, 2021 Board Meeting Executive Session

Schedules - Dated March 2021

- Schedule A - Benefit award listing of retirement, temporary disability, death benefits, and refund of employee contributions processed during the preceding calendar month under Article 7 of the Illinois Pension Code.
- Schedule B - Adjustment of Benefit Awards showing adjustments required in benefit awards and the reasons therefore.
- Schedule C - Benefit Cancellations.
- Schedule D - Expiration of Temporary Disability Benefits terminated under the provisions of Section 7-147 of the Illinois Pension Code.
- Schedule E - Total and Permanent Disability Benefit Awards recommended by the Fund's medical consultants as provided by Section 7-150 of the Illinois Pension Code.
- Schedule F - Benefits Terminated.
- Schedule G - Administrative Benefit Denials.
- Schedule P - Administrative Denial of Application for Past Service Credit.
- Schedule R - Prior Service - New Governmental Units.

Schedule S - Prior Service Adjustments.

Bids

Sophos Security Maintenance Renewal

Approved Bidder: Zones, LLC.

Approved Bid: \$61,610.91.

5-Year Westlaw Subscription Renewal

Sole Source Vendor: Westlaw (Thomson Reuters)

Sole Source Bid: Not To Exceed a total amount of \$44,105.00

Avaya Telephony System Enhancements & Horizon *Addendum 4.0

Approved Vendor: Altura

Approved Bid: Increase ceiling by \$126,750 (total new ceiling amount of \$1,014,617.23)

Contact Center Wallboards

Sole Source Bidder: AVI-SPL, Inc.

Sole Source Bid: \$65,000.

Participation of New Unit of Government (1)

PrairieCat

County: Rock Island

2021 Rate: 14.02%

Effective Participation Date: July 1, 2021

Number of Employees: 11

March 2021 Financial Reporting Package

Impact of 2021 Year-To-Date Investment Income of Employer Reserves, Funding Status and Average Employer Contribution Rate

Statement of Fiduciary Net Position - January 2021

Schedule T - Report of Expenditures

It was moved by Mr. Kosiba, seconded by Mr. Kuehne, to approve the items on the consent agenda.

Roll Call Vote:

Aye: Kosiba, Kuehne, Miller, Mitchell, Stanish, Stefan, Copper, Henry

Nay: None

Absent: None

(21-03-04) (Benefit Review Committee Meeting) The Chair of the Benefit Review Committee reported on the Benefit Review Committee Meeting that was held via GoToWebinar on March 25, 2021.

It was moved by Ms. Copper, seconded by Mr. Kuehne, to accept the following recommendations of the Benefit Review Committee:

- To adopt the findings and conclusion of the IMRF hearing officer in the case of Daniel Beck.
- To adopt the findings and conclusion of the IMRF hearing officer in the case of Elizabeth Kallal.

Roll Call Vote:

Aye: Kosiba, Kuehne, Miller, Mitchell, Stanish, Stefan, Copper, Henry
 Nay: None
 Absent: None

(21-03-05) (Investment Committee Meeting) The Chair of the Investment Committee reported on the Investment Committee Meeting that was held via GoToWebinar on March 25, 2021.

The Executive Director and Interim Chief Investment Officer, and the IMRF Investment Officer - Private Markets, gave a Private Equity presentation to the Investment Committee that included recommendations, followed by presentations from three Private Equity managers, Inflexion Buyout Fund VI, L.P., NMS Fund IV, L.P., and LSVP SCF1, LLC.

It was the consensus of the Investment Committee to recommend the Board approve the following recommendations:

For Private Equity

- Authorize a commitment of up to £175 million to Inflexion Buyout VI, L.P., subject to satisfactory legal due diligence;
- Authorize a commitment of up to \$50 million to NMS Fund IV, L.P., subject to satisfactory legal due diligence;
- Authorize a commitment of up to \$20 million to LSVP SCF1, LLC., subject to satisfactory legal due diligence; and,
- Authorize Staff to complete all documentation necessary to execute these recommendations.

Next, the Executive Director and Interim Chief Investment Officer, and the IMRF Investment Officer - Private Markets, gave a Real Estate presentation to the Investment Committee that included recommendations, followed by a presentation from Real Estate Manager, CBRE Strategic Partners US value 9, L.P.

It was the consensus of the Investment Committee to recommend the Board approve the following recommendations:

For Real Estate

- Authorize a commitment of up to \$100 million to CBRE Strategic Partners U.S. Value 9, L.P., subject to satisfactory legal due diligence; and,
- Authorize Staff to complete all documentation necessary to execute these recommendations.

Lastly, the Investment Committee noted that the investments presented during the meeting were all with existing managers, and a question arose concerning the evaluation of new managers for private market investments. The Executive Director and Interim Chief Investment Officer noted that new private market investment firms are evaluated on a regular basis for investments with IMRF, including firms owned by minorities, women, and persons with a disability.

It was moved by Mr. Miller, seconded by Mr. Kuehne, to approve the recommendations of the Investment Committee.

Roll Call Vote:

Aye: Kosiba, Kuehne, Miller, Mitchell, Stanish, Stefan, Copper, Henry,

Nay: None

Absent: None

(21-03-06) (Report of the Legislative Committee Meeting) The Chair of the Legislative Committee gave a report on the meeting that was held via GoToMeeting on March 2, 2021.

The Chair reported that it was the consensus of the Legislative Committee to recommend the Board support on the following legislation that would affect IMRF:

- Senate Bill 296 - Require (rather than permit) funds to indemnify trustees and staff and permit indemnification of consultants.
- House Bill 3474 - Prohibits candidates who meet the criteria to serve as an IMRF Executive Trustee from serving as an IMRF Employee Trustee, if the bill is amended to clarify that it applies only to trustee elections occurring after the effective date.

Next, it was the consensus of the Legislative Committee to recommend the Board be neutral on the following legislation that would affect IMRF:

- House Bill 2973 - In the provision applicable to IMRF, excludes unused sick or vacation time from being used for reportable earnings or service credit (new members only); also creates a Tier 3 plan for the state-funded systems and makes various changes to other systems.
- House Bill 3004 - Prohibits trustees from being employed by a pension fund or fund vendor for five years after he or she is no longer a trustee and prohibits funds from paying membership dues to a membership organization that has a pecuniary interest with any entity that provides services to a pension fund; applies to all pension funds.
- HB 3062 - Requires the funds to develop a climate change risk minimization policy for fund investment policies and allow these policies to be used in their proxy policies; applies to all funds.

It was the consensus of the Legislative Committee to recommend the Board oppose the following legislation that would affect IMRF:

- House Bill 2847 - Sets a maximum allowable pension, indexed annually; applies to current and future members and annuitants of all pension systems.

- House Bill 2848 - Sets annual increases on annuities to the annual CPI-u; applies to current and future members and annuitants of all pension systems.
- House Bill 2849 - Increases the minimum age for pension eligibility; applies to current and future members of all pension systems.

Lastly, it was the consensus of the Legislative Committee to table taking a position on House Bill 2578 (creates a Task Force to study and make recommendations for changes to pension funds to reduce taxpayer burden and assure members are treated fairly).

After questions and discussion, it was moved by Mr. Kosiba, seconded by Mr. Kuehne, to oppose House Bill 3474 (Prohibits candidates who meet the criteria to serve as an IMRF Executive Trustee from serving as an IMRF Employee Trustee, if the bill is amended to clarify that it applies only to trustee elections occurring after the effective date), unless the bill is amended to clarify that it applies only to trustee elections occurring after the effective date.

Roll Call Vote:

Aye: Kosiba, Kuehne, Mitchell, Stanish, Copper, Henry
 Nay: Miller
 Abstain: Stefan
 Absent: None

It was moved by Ms. Stanish, seconded by Mr. Kuehne, to approve the recommendations of the Legislative Committee, as amended.

Roll Call Vote:

Aye: Kosiba, Kuehne, Miller, Mitchell, Stanish, Stefan, Copper, Henry
 Nay: None
 Absent: None

Next, the Chair of the Legislative Committee gave a report on the Legislative Committee Meeting that was held via GoToWebinar on March 9, 2021.

It was the consensus of the Legislative Committee to be neutral on the following legislation affecting IMRF:

- Senate Bill 611 - Adds veteran-owned firms to the type of firms that qualify as emerging investment managers and requires goals for veteran-owned firms to be established (applies to all pension systems).
- Senate Bill 2103 - In the provision applicable to IMRF, creates an automatic enrollment provision in the Voluntary Additional Contribution program for all new members. It also permits the Board to limit in-service withdrawals to no more than once per year; makes similar changes to SURS, SERS, TRS, and CTPF.
- Senate Bill 2104 - Requires the funds to develop a climate change risk minimization policy for fund investment policies and allow these policies to be used in their proxy policies; applies to all pension funds.
- Senate Bill 2211 - Limits retroactive service to no more than 30 days (new members only).

It was the consensus of the Legislative Committee to oppose the following legislation affecting IMRF:

- Senate Bill 1980 - Allows courts to award reasonable attorney's fees and costs in actions where the action arises from the Pension Code or the Pension Protection Clause of the Illinois Constitution (applies to all pension funds).

The Chair of the Legislative Committee reported that the Committee discussed House Bill 447 (would require pensions be suspended for SLEP members convicted of specific felonies, even if they are not job related. New members only and would apply to all public safety members in other systems.).

It was the consensus of the Legislative Committee not to recommend the Board take a position for House Bill 447.

It was moved by Ms. Stanish, seconded by Mr. Kosiba, to approve the recommendations of the Legislative Committee.

Roll Call Vote:

Aye: Kosiba, Kuehne, Miller, Mitchell, Stanish, Stefan, Copper, Henry
Nay: None
Absent: None

The Chair of the Legislative Committee gave a report on the Legislative Committee Meeting that was held via GoToWebinar on March 16, 2021.

It was the consensus of the Legislative Committee to recommend the Board take the following positions on legislation that would affect IMRF:

Oppose

- Senate Bill 2107 (as introduced) - adds the Firefighters' Investment Pension Fund as an IMRF participating instrumentality for the purposes of allowing its staff to opt in to IMRF participation, rather than mandating participation for all employees who meet the hourly standard.

Neutral

- Senate Bill 2107 (as amended) - allows the Board to retain authority to approve participation by the Firefighters' Pension Investment Fund for participation by its staff and makes participation mandatory by employees of that Fund who meet the hourly standard.

After questions and discussion, it was moved by Ms. Stanish, seconded by Mr. Kosiba, to approve the recommendations of the Legislative Committee.

Roll Call Vote:

Aye: Kosiba, Kuehne, Miller, Mitchell, Stanish, Stefan, Copper, Henry
Nay: None
Absent: None

(21-03-07) (Cybersecurity Consultant) General Counsel gave a presentation to the Board on the benefits of Cybersecurity Outsourcing, followed by a recommendation to approve a proposal from Sentinel Technologies, Inc.

After questions and discussion, it was moved by Ms. Stanish, seconded by Ms. Copper, to approve staff's recommendation to approve the proposal from Sentinel Technologies, Inc. for Cybersecurity Consulting services in the amount of \$226,800 per year.

Roll Call Vote:

Aye: Kosiba, Kuehne, Miller, Mitchell, Stanish, Stefan, Copper, Henry

Nay: None

Absent: None

(21-03-08) (Executive Director Compensation) It was moved by Mr. Kosiba, seconded by Ms. Copper, to approve a 2.0% increase for the Executive Director, effective January 1, 2021.

Roll Call Vote:

Aye: Kosiba, Kuehne, Miller, Mitchell, Stanish, Stefan, Copper, Henry

Nay: None

Absent: None

(21-03-09) (Legislative Update) The Legislative Liaison gave an update to the Board on current legislative activity.

The Legislative Liaison reported that both chambers met this week and are scheduled to be out of session until the week of April 12th. The House pension committee met last Friday, March 19th and is meeting again today. The Senate pension committee met on Wednesday, March 24th.

She stated that the Senate committee passed Senate Bill 2103, which, in the provision that applies to IMRF, would create a default enrollment in the IMRF VAC plan. While it passed unanimously, the sponsor noted there are additional amendments pending, so the bill will be going back to committee for additional discussion.

Senate Bill 2107, as introduced, adds the Firefighters' Pension Investment Fund to the list of eligible instrumentalities was posted in the Senate. IMRF identified concerns with the bill as drafted, but an amendment has been filed to address these concerns.

The Legislative Liaison further reported that all pending House bills affecting IMRF were posted to be heard by the House committee today. The committee passed both House Bill 3004, which creates a revolving door limitation for trustees to be employed as a member of the fund's staff or with a fund vendor and also limits membership in certain organizations, unless they make specific disclosures (applicable to all funds) and House Bill 3474, which restricts eligibility as an employee trustee for a participant eligible to serve as an executive trustee. A non-substantive amendment to clarify the language on House Bill 3004 is pending.

(21-03-10) (Litigation Update) The following is an update of the currently pending or recently concluded litigation:

IN RE TRIBUNE CO, ET AL. , THE OFFICIAL COMMITTEE OF UNSECURED CREDITORS OF TRIBUNE CO, ET AL. VS. FITZSIMONS, ET AL.

Summary: The unsecured creditors in the Tribune bankruptcy sued investors who sold their Tribune stock at the time of the buyout by the Sam Zell group. The plaintiff's theory is that the buyout was fraudulent and therefore a portion of those stockholders' proceeds from the stock sale was due to the fraud and should be returned to the Tribune's bankruptcy estate.

Status: IMRF was served in January of 2012 and shares defense counsel with a group of public pension funds. The stockholders' motion to dismiss the intentional fraudulent transfer claim was granted on January 6, 2017 and the claim against them was dismissed. Another portion of this claim against the stockholders was previously dismissed on motions and that decision was upheld on appeal. No claims are currently pending against the group of shareholders that IMRF is a part of, but there is a chance that some form of a claim could be revived as the result of further appeals. These chances recently became much slimmer as the Litigation Trustee's motion to amend the complaint to include a federal constructive fraudulent conveyance claim against the shareholders was denied. Review of this denial by the US Supreme Court is being sought and the shareholder group will be opposing this. IMRF continues to monitor this litigation.

THOMAS SHEAHAN v. MEABF AND IMRF (COOK COUNTY 17 CH 14040)

Summary: This is a case in which the Plaintiff is attempting to reinstate creditable service with the MEABF as a result of the prior *Village of Oak Brook v. Sheahan* and *Sheahan v. IMRF* litigation. IMRF was added as a co-defendant. MEABF also filed a cross-claim against IMRF for payment of interest on the disputed funds.

Status: The circuit court cancelled oral argument and ruled based on the written briefs. The Court ruled that MEABF must accept the return of funds from Sheahan's failed transfer to IMRF. IMRF has paid the judgment. Sheahan filed a post-judgment brief seeking for additional findings related to a potential MEABF pension, which was denied without prejudice, allowing Sheahan to file an amended version of the motion. As of this report, Sheahan has not filed an amended motion.

Subsequently, the court granted IMRF's motion for satisfaction of judgment thereby dismissing IMRF from this litigation. Sheahan's claim for a pension from MEABF remains in dispute, so staff will continue to monitor this litigation.

RICHARD CHAPPELL v. IMRF, ET AL. (COOK COUNTY 18 CH 12400)

Summary: This is administrative review of IMRF's final administrative decision to remove omitted service credit from the Plaintiff based on the employer conducting its own audit and determining that the Plaintiff was not an employee during the months in question. Plaintiff has named both IMRF and his former employer, River Forest Township, as defendants in the lawsuit.

Status: The Circuit Court reversed the IMRF administrative decision. The Circuit Court found that IMRF does not have the authority to revisit its granting of omitted service credit more than 35 days after it initially granted the service. Staff believes that the Court misapplied the 35-day

appeal deadline from the Administrative Review Law. The Appellate Court reversed the Circuit Court and affirmed the IMRF final administrative decision. The matter has been remanded to the Circuit Court for further proceedings on an alternative theory that the Plaintiff is pursuing against the Township. Staff will continue to monitor this litigation until the dispute is resolved between the member and employer.

GORDON v. IMRF (U.S. EEOC 440-2019-00509)

Summary: This is an EEOC charge of discrimination by a current employee.

Status: The EEOC dismissed this charge for lack of substantial evidence. The plaintiff has requested that the IDHR review the EEOC's determination in this matter. Staff is cooperating with the IDHR's investigation procedures.

NAMEOKI TOWNSHIP v. IMRF (MADISON COUNTY 2019 MR 1345); RANDALL PRESSWOOD v. IMRF (MADISON COUNTY 2019 MR 1346); TAMMY HANFELDER v. IMRF (MADISON COUNTY 2019 MR 1347)

Summary: This is administrative review of IMRF's decision to deny claims for retroactive service by the Township Supervisor and Assessor of Nameoki Township. The denials were based on the Township's failure to recertify the eligibility of the elected positions during the 2017 recertification cycle.

Status: The three separate cases have been consolidated to a single proceeding. This matter is fully briefed, and oral argument was held on June 19, 2020. After the case was moved to a couple of new judges, the circuit court has issued a decision reversing the IMRF Board's final administrative decision. The Court's ruling followed the reasoning in the Illinois Supreme Court's decision in *Williamson County v. IMRF*. Staff does not recommend appealing this decision as all of the necessary policy and procedural updates were made after the *Williamson County* decision was rendered.

MAINE TOWNSHIP v. IMRF and SUSAN MOYLEN-KREY (DUPAGE COUNTY 2020 CH 1)

Summary: In addition to the pending administrative review action filed by Maine Township Assessor Susan Moylen-Krey in Cook County, Maine Township has filed a declaratory judgment action in the Circuit Court for DuPage County challenging IMRF's authority to investigate and determine the eligibility for participation by elected officials. Maine Township currently has an administrative appeal pending with IMRF but is asking the Court to stop the administrative appeal through this lawsuit.

Status: Staff filed a motion to dismiss the Township's complaint in which a briefing schedule has been entered; however, the argument has been continued due to the pandemic. IMRF's motion to dismiss was granted based on the Township's failure to exhaust its administrative remedies. The Court directed the Township to proceed with its administrative appeal which is still pending before the administrative hearing officer. The appeal is now pending before the IMRF administrative hearing officer.

COLLINSVILLE AREA RECREATION DISTRICT v. IMRF, et al. (MADISON COUNTY 2018 MR 1093)

Summary: In the 2018 election, the voters approved a resolution to dissolve the Collinsville Area Recreation District ("CARD"). By law, it cannot legally dissolve until its debts are paid. It has ceased operating and

accruing additional debt, but CARD has a substantial amount of debt unrelated to its IMRF liability. CARD brought this action seeking a declaration from the court as to how it should continue to exist and operate while it pays down its substantial debt. IMRF, along with nearly all of the surrounding municipal entities, were named as nominal parties in order to bring all potentially interested parties before the court.

Status: IMRF has filed an appearance and will participate in the litigation. Staff believes that it will be able to resolve CARD's IMRF liability separate from its other substantial debts. The parties continue to work towards a solution which will effectuate an orderly winding down of the Plaintiff's operations.

BRANDIE EDWARDS v. IMRF (COOK COUNTY 2020 CH 6213)

Summary: IMRF denied Ms. Edwards' claim for temporary disability benefits at the August Board meeting. Ms. Edwards has filed a Complaint for Administrative Review seeking the reversal of the Board decision.

Status: IMRF staff has filed a motion to dismiss this complaint for, among other reasons, failure to file the claim within the 35-day appeal period required under the Administrative Review Law. The Court has set a briefing schedule on the motion and will notify the parties once the matter is set for argument.

(21-03-11) (Horizon Update) The Chief Information Services Officer, along with Mr. Smith, from our Independent Verification and Validation (IV&V) consultant, Provaliant, and Ms. Pettegrew from our Modernization Project vendor, Morneau Shepell, gave an update to the Board on IMRF's Horizon Modernization Project.

(21-03-12) (Report of Executive Director) The Executive Director updated the Board on IMRF's return to office plan, noting the staffing level in April will remain at 50% of staff being in the office on any one day.

(21-03-13) (Trustee Comments) Trustee Copper made a motion for the Board to reconsider its position and oppose HB 3474. The motion was seconded by Ms. Mitchell.

Roll Call Vote:

Aye: Miller, Copper, Mitchell
Nay: Kosiba, Kuehne, Stanish, Stefan, Henry
Absent: None

The motion failed due to a lack of 5 aye votes.

(21-03-14) (Adjournment) It was the moved by Ms. Stanish, seconded by Ms. Copper, to adjourn the Board Meeting at 11:00 a.m., to reconvene at 9:00 a.m. on May 28, 2021.

Roll Call Vote:

Aye: Kosiba, Kuehne, Miller, Mitchell, Stanish, Stefan, Copper, Henry
Nay: None
Absent: None

President

Date

Secretary

Date

Schedules A, B, C, D, E, F, G, P, R and S
are omitted from this copy of Minutes.
These schedules are identical to schedules
attached to Minutes distributed to Board of
Trustees prior to meeting.