

ILLINOIS MUNICIPAL RETIREMENT FUND
MINUTES OF
REGULAR MEETING NO. 24-08
AUGUST 30, 2024

ILLINOIS MUNICIPAL RETIREMENT FUND

MEETING NO. 24-08

REGULAR MEETING

OF THE

BOARD OF TRUSTEES

The Regular Meeting of the Board of Trustees was held at 9:00 a.m. August 30, 2024, in the Fund Office at 2411 York Road, Suite 400, Oak Brook, Illinois.

Mr. Stefan presided as Chair and called the meeting to order.

Ms. Herman took a roll call:

Present: Copper, Cycholl, Henry, Kosiba, Kuehne, Miller, Stanish, Stefan

Absent: None

Also Present: Ms. Joanna Bewick and Mr. Ali Kazemi from Wilshire Associates were also present.

(24-08-01) (Public Comments) Ms. Heidi Neu, Human Resources Director for the Village of Mt. Prospect, addressed the Board with the issues many employees (including herself), and retirees are facing with IMRF's new Horizon system. She mentioned that while she has had great past experiences with IMRF, the recent system change has damaged IMRF's reputation. She read some negative comments posted on social media that include long hold times for phone calls, no return phone calls, being given conflicting information, lack of response via Secure Messaging, lack of accuracy, and lack of communication. She asked that IMRF try to remedy these issues and communicate better with the members/retirees.

(24-08-02) (President's Discussion - Initiative #1 - Developing a More Dynamic and Flexible Assumed Investment Rate of Return Assumption) Board President, Pete Stefan, explained his proposed initiative of developing a more dynamic and flexible Assumed Investment Rate of Return Assumption. He explained that through 2009, IMRF was one of the more conservative funds in terms of its 7.50% assumed rate of return falling in the lower 10% or so of all funds. However, due to the various hiccups and shocks experiences in the markets since that time such as the bursting of the housing bubble, the Great Recession, the pandemic, etc., coupled with only one 0.25% reduction in IMRF's assumed rate of return, as of 2022 IMRF now appears to be one of the more aggressive funds in terms of its 7.25% assumed rate of return falling in the top 20% of all funds. It is his opinion that the previous nature of IMRF's assumed rate of return is one of the primary reasons for its 98% funded status and we should strive to return to the more conservative group of funds who currently reside at a 6.5% assumed rate of return level.

He further explained that, although changes in the assumed investment rate of return are certainly not frequent in nature as 25 years had passed

between the last two changes in 1993 and 2018, the magnitude of those changes did have a noticeable impact on employer funding rates.

He believes IMRF could develop a long-term assumption that could actually change on an annual basis but would also make slow and methodical progress toward attaining that level in small annual increments of 5 basis points that could move in either direction (increases or decreases) based on investment results in any particular year. Even at the seemingly negligible pace, progress would be made in the long term and would be much more palatable to employers compared to the previous one-time 25 basis points adjustments approved in the recent past.

Mr. Stefan his proposal to ease the burden on employer budgets the next time the assumed investment rate of return needs to be lowered could be as simple as phasing the change in over a 5-year period. But he would like to take it a step further and have some flexibility built in that would almost give the process a life of its own while still following a sound policy established by the Board. Simply put, the Board would need to establish only two criteria - its long-term target, that very well could be a moving target, and how fast it wanted to reach that target.

In regard to the long-term target, rather than selecting flat 0.25% increments in one direction or the other and hoping that would sustain the fund for the long-term, he suggests relying on the expertise of our investment consultants and selecting either the Wilshire IMRF 10-year Assumption Return or the Wilshire IMRF 30-year Assumption Return.

Once a long-term target is selected, the next decision is how fast to get there. Realizing the controversial nature that accompanies changes in the assumed rate of return, specifically decreases in the rate, he would suggest that annual increases or decreases only be made in small 5 basis point increments. Furthermore, those small 5 basis point increments would only be allowed to be made in the direction dictated by that year's gross returns.

He ended by stating it is not as complicated as it seems. It is as simple as allowing for a 5-basis point reduction in the assumed rate of return in "good" gross return years while also allowing for a 5-basis point increase in the assumed rate of return in "bad" gross return years. Additionally, those 5 basis point movements would become effective the same year that employer rates would be impacted by the gross return generated for that year whether those be positive or negative impacts (i.e., a two-year lag).

Discussion ensued regarding Mr. Stefan's proposal. Mr. Kosiba suggested asking the actuaries to review this proposal and bring their input back to the November or December Board meetings. Mr. Miller does not see the immediate need to adjust the rate of return, but he is not opposed to considering it. Mr. Kuehne thinks it is a good idea to start looking into this and he agrees to send the proposal to the actuaries for their opinion. Several other Board members provided input as well. The Board directed staff to give Mr. Stefan's proposal to the actuaries and financial consultants and bring back their input to discuss at the November or December Board meeting.

(24-08-03) (2nd Quarter 2024 Investment Manager Report) Ms. Bewick and Mr. Kazemi from Wilshire were present and explained the 2nd Quarter 2024 Investment Manager Report. They informed the Board that there are 3

managers on the "watch" list. The first is Ativo (since August 2023). The second is Brown (since March 2023). Both firms are on the watch list due to turnover on the management team. The third manager on the watch list is Western Asset (since August 2024) due to the co-CIO taking a leave of absence while an investigation regarding trading takes place. They confirmed that IMRF's accounts are not involved. IMRF currently has \$1 billion in investments with Western. Wilshire assured that they will continue to monitor all three of these managers.

Ms. Bewick and Mr. Kazemi then presented a summary of IMRF's performance for the 2nd Quarter of 2024.

Highlights of the presentation included:

- IMRF ended June 2024 with a market value of \$54 billion.
- IMRF total fund return for 2Q 2024 is .73% versus the Total Fund Benchmark return of 2.28%.
- US Equity markets posted positive returns for the quarter, although many sectors performed negatively.
- IMRF U.S. Equity Portfolio underperformed the benchmark during the quarter, returning 1.01% versus 3.05%.
- International equity markets were mixed for the quarter, with emerging markets outperforming developed.
- IMRF International Equity Portfolio underperformed the benchmark during the quarter, returning .89% versus .96%.
- Fixed income markets were generally positive for the quarter with credit spreads being noticeably down.
- During the quarter, the U.S. Treasury yield curve was up most of the maturity spectrum and credit spreads were up with high yield bond spreads up 10 basis points after falling below 3% in March.
- IMRF Fixed Income Portfolio outperformed the benchmark during the quarter, returning .49% versus .34%.
- All asset class allocations remain within the rebalancing range in the Investment Policy.

(24-08-04) (Investment Reports) Ms. Angela Miller-May, CIO for IMRF, reported the following changes to asset classes for the month-to-date period ending August 28, 2024:

- Domestic Equity increased 2.6% from \$19,699 million to \$20,211 million
- International Equity increased by 4.67% from \$10,643 million to \$11,140 million
- Fixed Income increased by 2.25% from \$12,042 million to \$12,313 million
- Private Real Estate assets increased by 1.99% from \$5,083 million to \$5,184 million
- Alternative Investments increased by 4.01% from \$6,128 million to \$6,374 million
- Cash decreased by -446.65% from \$448 million to \$239 million
- The overall fund saw an increase of 2.62% going from \$54,044 million to \$55,462 million

Furthermore, the following benchmark returns were reported:

S&P 500	1.39% (MTD)
Custom U.S. Equity Benchmark	1.22%
93% Russell 3000 Index	

7% FTSE Global Core Infrastructure 50/50 Index (Net)

MSCI ACWI Ex-U.S. 2.51%
Broad International equity market benchmark

Bloomberg Barclays Aggregate 1.84%
Broad U.S. bond market benchmark

Ms. Miller-May reminded everyone of IMRF's Investment Philosophy which includes the following:

- IMRF is a long-term and patient investor that has exceeded its expected rate of returns over the long investment horizon.
- Asset allocation is the primary driver of long-term total fund returns and IMRF is disciplined to their Asset Allocation Targets.
- Strategic Decisions will prevail in determining asset allocation rather than tactical or short-term market timing decisions.
- Investment Structure and Rebalancing is vital in complying with asset allocation targets.
- Diversification is key across all asset classes and is the main defense against realizing losses.

Also included in the reports was the Wilshire Monthly Investment Summary. Highlights from that report are:

- IMRF ended June 2024 with a market value of \$54.04 billion, up for the month by approximately \$479 million. IMRF returned 0.73% during the month, underperforming the Total Fund Benchmark, which returned 1.42%. Returns in June slowed from the strong results in May, but both growth and defensive assets achieved positive returns for the month while real assets and commodities posted losses.
- The broad U.S. Equity market was positive for the month, while Large Cap stocks outperformed Small Cap. The U.S. Equity Portfolio underperformed its benchmark during June, returning 1.88% versus 2.69%. The portfolio's allocation to Small Cap was the largest contributor to relative underperformance.
- Non-U.S. Equity markets were mixed in June, with Developed Markets returning -1.61% while Emerging Markets were positive, returning 3.94% for the month. The International Equity portfolio underperformed the benchmark during the month, returning -0.42% versus -0.10%. In aggregate, investment manager performance in International Large Cap Value and Emerging Markets were the largest contributors to relative underperformance.
- In the midst of ongoing interest rate uncertainty, the Fixed Income Portfolio slightly outperformed the benchmark during the month, returning 0.89% versus 0.88%. Active Fixed Core and Bank Loans managers were the largest contributors to relative outperformance.
- As of June month-end, all underlying asset class allocations in the Portfolio are within the stated four percentage point rebalancing range as outlined by the current Statement of Investment Policy.

(24-08-05) (Appreciation of Service) Executive Director Brian Collins presented the following resolutions for approval for Ken Teague and Andy Engels.

Resolution for Appreciation of Service - Ken Teague

WHEREAS, Ken Teague, Network Analyst, has faithfully served IMRF from July 1989 through August 2024, and;

WHEREAS, Ken Teague held positions in the Office Services Department and Information Services Department, first as a Senior Mail Center Clerk, then as a Computer Operator, then as a Senior Computer Operator, and since December 2017 as a Network Analyst, and;

WHEREAS, Ken Teague supported SPECTRUM operations and managed daily tasks run in SPECTRUM that were critical to IMRF's business operations, and;

WHEREAS, Ken Teague, as part of a team, played an important role keeping the data center running properly and on scheduled, including during the coronavirus pandemic, and;

WHEREAS, Ken Teague participated in the Change Champion program, representing the Information Services team in promoting intra-department unity and promoting our migration to the Horizon solution, and;

WHEREAS, Ken Teague supported the IMRF print operations making sure that all our correspondence was printed and delivered on time to the various departments, and;

WHEREAS, Ken Teague supported datacenter maintenance activities, including hardware maintenance, cleaning, air conditioning, etc., and;

THEREFORE, BE IT RESOLVED, that the IMRF Board of Trustees recognizes and honors Mr. Teague for his significant contributions and excellent service to the Illinois Municipal Retirement Fund.

Resolution for Appreciation of Service - Andy Engels

WHEREAS, Andy Engels, Information Services Team Leader - Technical Services, has faithfully served IMRF from August 2006 through July 2024, and;

WHEREAS, Andy Engels was responsible for maintaining the mainframe in all capacities, including maintenance, support, and hardware management activities, and;

WHEREAS, Andy Engels was the primary administrator for SPECTRUM, including data management operations, and;

WHEREAS, Andy Engels was responsible for managing all data center operations, and;

WHEREAS, Andy Engels played a critical role in supporting the data conversion processes and migration of SPECTRUM data to the Horizon solution, and;

WHEREAS, Andy Engels was instrumental in developing and supporting our Disaster Recovery Plan, including the yearly DR drills and tabletop disaster planning, and;

WHEREAS, Andy Engels demonstrated IMRF's values of Respect and Empathy by being very customer focused, and;

THEREFORE, BE IT RESOLVED, that the IMRF Board of Trustees recognizes and honors Andy Engels for his significant contributions and excellent service to the Illinois Municipal Retirement Fund.

It was moved by Mr. Kosiba, seconded by Ms. Copper to adopt the above resolutions for Appreciation of Service for Ken Teague and Andy Engels.

VOTE:

ALL VOTED AYE - MOTION CARRIED

8 AYES; 0 ABSENT

(24-08-06) (Avaya Cloud Office and Avaya Experience Platform Proof of Concept) IS Director Keyla Vivas that the IS Department sought single source quotes for a proof of concept (POC) that will evaluate the potential replacement of on-premises telephony components with Avaya Cloud Office (ACO) and Avaya Experience Platform (AXP). As part of Horizon 1.0 development, IMRF Information Services integrated a multi-vendor on-premises telephony enhancement solution that, while custom, has proven difficult to update and sensitive to change. This introduced a host of new issues including but not limited to scalability, cybersecurity concerns, complexity, and increasingly high costs to maintain and upgrade. Two years ago, IMRF was also forced to configure a basic telephony call flow using ACO and AXP as the replacement to Sungard's metro center, after their sudden bankruptcy.

Alongside this effort, we are looking to test newer model desk phones to replace all staff phones eventually. The existing Avaya phones are used by all staff utilize aging technology that requires them to connect to and register with an on-premises Avaya Gateway. This gateway requires a connection via a Public Switched Telephony Network (PSTN) circuit provider for which IMRF continues to be biller higher monthly recurring and usage-based costs to maintain.

The intent of this effort is to expand on the existing ACO/AXP configuration via a Proof of Concept (POC) by setting up additional services, integrate this telephony solution with the Horizon Development (DEV) environment, and using the test results to make a determination if this configuration should be promoted to other Horizon environments (UAT, ITR, MNT, and ultimately, PRD) at a later date. In addition, IMRF would like to test newer J-Series phones that can register staff phones directly to ACO/AXP via our Internet Service Provider (data) circuit. This would eliminate the need for the PSTN circuit.

IMRF solicited single source proposals from TELUS Health and Bluewire Communications as the integrators of the existing Horizon Pension Administration and the backup ACO/AXP setup. TELUS provided an estimate at a rate of \$265.53 per hour up to 250 hours. This would be charged time and materials up to a maximum of \$66,382.50. Bluewire Communications provided a proposal totaling \$408,366.55. This includes professional services, ACO/AXP seat upgrades, and phone equipment to support this effort.

While there is a small risk for a "No Go" decision at the end of this POC, the outlook is positive that this all-in-one service will meet our future

needs. Since the bulk of the work will have been completed during the POC, if a "Go" decision is made, promoting the changes to support other IMRF environments will be supplementary, requiring a lot less effort. We may also not have a choice in the future as Avaya continues to push their customers into subscription-based plans or risk not receiving support.

Staff recommends that the proposals from TELUS and Bluewire for \$474,749.05 be approved by the Board of Trustees pending legal review.

It was moved by Mr. Miller and seconded by Ms. Stanish to approve the proposals from TELUS and Bluewire for \$474,749.05, pending legal review.

VOTE:

ALL VOTED AYE - MOTION CARRIED

8 AYES; 0 ABSENT

(24-08-07) (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.

Schedules - Dated May 2024

- (A) 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 - Expiration of Temporary Disability Benefits approved under the provisions of Section 7-147 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

Schedules - Dated June 2024

- 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 - Expiration of Temporary Disability Benefits approved under the provisions of Section 7-147 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

Schedules - Dated July 2024

- 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 - Expiration of Temporary Disability Benefits approved under the provisions of Section 7-147 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

(B) Approval of Minutes

Regular Meeting minutes from May 31, 2024

(C) Bids

Sitecore Support Services 2024
Sole Source: Perficient, Inc.
Approved Bid: \$72,000

API-Enabled Email Security
Approved Bidder: Guidepoint Security LLC
Approved Bid: \$27,996.40

ContactPro Maintenance Renewal
Sole Source: Waterfield Technologies, Inc.
Approved Bid: \$36,000

FortiNAC Upgrade and Maintenance Renewal
Approved Bidder: Software House International (SHI)
Approved Bid: \$30,197.60

Netwrix Auditor
Approved Bidder: vPrime Tech
Approved Bid: \$52,867.45

2024 Nimble Maintenance Renewal
Sole Source: American Digital Corporation
Approved Bid: \$250,879.68

2023 Service Express Hardware Maintenance - Addendum 1
Sole Source: Continuum Solutions
Approved Bid: \$100,000 (new NTE amount)

Tungsten Automation Renewal
Sole Source: Windmill
Approved Bid: \$50,000.00 (NTE amount)

Board Governance Consulting
Sole Source: JN Consulting
New Ceiling Amount: \$42,125 (NTE amount)

(D) Participation of New Unit of Government - Helvetia Township

Helvetia Township
County: Madison
2024 Employer Rate: 8.36%
Effective Participation Date: January 1, 2025
Number of Employees: 3

Participation of Township - Village of Wonder Lake

Village of Wonder Lake
County: McHenry
2024 Employer Rate: 8.13%
Effective Participation Date: September 1, 2024
Number of Employees: 12

Participation of New Unit of Government - Town of Chatsworth

Town of Chatsworth
County: Livingston
2024 Employer Rate: 4.38%
Effective Participation Date: September 1, 2024
Number of Employees: 6

Participation of New Unit of Government - Kendall Township

Kendall Township
County: Kendall
2024 Employer Rate: 10.77%
Effective Participation Date: January 1, 2025
Number of Employees: 3

Participation of New Unit of Government - South Grove Township

South Grove Township
County: DeKalb
2024 Employer Rate: 18.27%
Effective Participation Date: January 1, 2025
Number of Employees: 1

Participation of New Unit of Government - Reagan Mass Transit District

Reagan Mass Transit District
County: Lee
2024 Employer Rate: 7.27%
Effective Participation Date: September 1, 2024
Number of Employees: 25

Participation of New Unit of Government - Logan County VAC

Logan County VAC
County: Logan
2024 Employer Rate: 12.54%
Effective Participation Date: September 1, 2024
Number of Employees: 1

Participation of New Unit of Government - St. Anne Unit School District #24

St. Anne Unite School District #24

County: Kankakee
2024 Employer Rate: 6.83%
Effective Participation Date: July 1, 2024
Number of Employees: 34

(E) Review of June, July, and August Financial Reporting Packages

(F) Impact of 2024 Year-To-Date Investment Income of Employer Reserves, Funding Status and Average Employer Contribution Rate (June, July & August 2024)

(G) Statement of Fiduciary Net Position

(H) Schedule T - Report of Expenditures

It was moved by Mr. Kuehne, seconded by Ms. Copper, to approve items A-H on the consent agenda.

**ALL VOTED AYE - MOTION CARRIED
8 AYES; 0 ABSENT**

(24-08-08) (Benefit Review Committee Report) The Chair of the Benefit Review Committee, Ms. Copper, reported on the Benefit Review Committee meeting that was held on August 29, 2024, at 1:00p.m. She reported that the Committee approved the meeting minutes of the May 30, 2024 Benefit Review Committee meeting.

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

- To deny total and permanent disability benefits in the Jennifer Lajewski case. Ms. Lajewski appeared via videoconference. After deliberation, the Committee recommends that the Board affirm the staff decision denying total and permanent disability benefits. Based on the medical documentation provided by Ms. Lajewski and the expert reports, Ms. Lajewski does not meet IMRF's definition of total and permanent disability. Further, Ms. Lajewski's condition does not prevent her from performing gainful activity. Therefore, the Committee finds that Ms. Lajewski does not meet the eligibility requirements for total and permanent disability benefits as set forth in Section 7-150.
- To overturn the findings and conclusions of the IMRF Hearing Officer in the Christopher Collins case. The Committee recommends that a separation of service finding not be made in this case based on the unique facts and circumstances presented.
- To adopt the findings and conclusion of the IMRF Hearing Officer in the John Williams and William Pennock cases (Village of Sauget).
- To adopt the findings and conclusion of the IMRF Hearing Officer in the Antioch School District #34.
- To adopt the findings and conclusions of the IMRF Hearing Officer in the Pamela Phetteplace case.
- To adopt the findings and conclusions of the IMRF Hearing Officer in the Dana Cross case.
- To adopt the findings and conclusions of the IMRF Hearing Officer in the Larry Sebens case.

- To approve staff's recommended changes to the Disability Appeal procedures.

ALL VOTED AYE - MOTION CARRIED
8 AYES; 0 ABSENT

(24-08-09) (Investment Committee Meeting) The Chair of the Investment Committee, Ms. Stanish, reported on the Investment Committee Meeting that was held on August 29, 2024, at 9:00a.m.

The Investment Committee approved the meeting minutes from the May 30, 2024 meeting.

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

For Alternatives Recommendations

Authorize the following commitments subject to satisfactory legal due diligence:

- A commitment of up to \$30 million to Vensana Capital Fund III, L.P.
- A commitment of up to \$50 million to Summit Partners Growth Equity Fund XII, L.P.
- Authorize Staff to complete all documentation necessary to execute these recommendations.

It was moved by Ms. Henry, seconded by Ms. Copper to accept the recommendations of the Investment Committee.

For Investment Committee Consulting and Performance Measurement Services

- Appoint Callan LLC to serve as IMRF's Investment Consultant and Performance Measurement Services provider for a five-year term, commencing on January 1, 2025.
- Authorize staff to complete all required documentation necessary to execute this recommendation, subject to satisfactory contract negotiations and legal due diligence.

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

ALL VOTED AYE - MOTION CARRIED
8 AYES; 0 ABSENT

Ms. Stanish thanked Ms. Bewick and Mr. Kazemi from Wilshire for their services and successes over the last five years.

(24-08-10) (Litigation Update) Associate Counsel, Liz Beyer, presented the following update of the currently pending or recently concluded litigation:

CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM ET AL, v.
PETROBRAS-PETROLEO BRASILEIRO S.A. (MARKET ARBITRATION CHAMBER,

ARBITRAL PROCEEDING No. 72/2016)

Summary: A group of investors is seeking recovery through arbitration proceedings against Brazilian corporation, Petrobras, related to the overstatement of the corporation's assets and earnings along with potential liabilities that the corporation was exposed to as a result of a widespread bribery and kickback scheme. Once knowledge of the bribery and kickback scheme became public, the price of Petrobras securities declined significantly, causing substantial losses for investors.

Status: A U.S. District Court for the Southern District of New York declined to exercise jurisdiction over claims related to Petrobras shares traded in Brazil. Therefore, these claims are pending before the Market Arbitration Chamber of the Brazilian Stock Exchange. IMRF has participated in proceedings to establish its right to a claim, but the actual calculation of individual damages for each claimant has not yet been addressed. The parties have recently agreed to a list of qualified experts. The experts will assist the arbitration panel in resolving questions of econometric causation and calculation of alleged damages. On November 28, 2023, a hearing before the arbitration panel was held to discuss the liability, standing, and a plan for prosecution.

KEITH GARDNER v. BOARD OF TRUSTEES OF IMRF et al.
(DUPAGE COUNTY 2021 MR 1377; THIRD DISTRICT APPELLAGE COURT 3-22-0404)

Summary: Gardner was a sheriff's deputy for the Kane County Sheriff's Office. He then received temporary disability benefits for a number of months. Upon evaluation of his claim for total and permanent disability benefits, IMRF received new information showing that Gardner had refused to attempt to return to work with medical accommodations offered by Kane County. Therefore, the IMRF Board retroactively terminated Gardner's temporary disability benefits rendering the question of total and permanent disability benefits moot. Gardner appealed the decision.

Status: The retroactive denial of temporary disability benefits to Mr. Gardner was affirmed by the Circuit Court. Mr. Gardner appealed the Circuit Court's decision. The Appellate Court issued its decision on October 16, 2023, which reversed the decision of the Circuit Court. The Appellate Court determined that IMRF should not have retroactively denied Mr. Gardner temporary disability benefits. IMRF determined not to pursue an appeal to the Supreme Court. The case was remanded back to the Circuit Court, who in turn remanded it back to IMRF on December 13, 2023. IMRF is now reviewing the member's eligibility for total and permanent disability benefits. The court has left the case open in the event the total and permanent disability application is denied and the member wishes to pursue an appeal of that determination. No future status date has been sent.

GLENCORE PLC (UNITED KINGDOM INVESTOR GROUP ACTION)

Summary: A group of investors is seeking recovery through the UK's Financial Services and Markets Act against multinational commodity trading and mining company, Glencore PLC. The claim is based on alleged misstatements and omissions concerning Glencore's operations in the Democratic Republic of Congo. Specifically, the entity failed to disclose that its business operations in the DRC were secured through possibly corrupt means. Once knowledge of the bribery and corruption scheme became public, the price of

Glencore's securities declined significantly, causing substantial losses for investors.

Status: IMRF has opted to participate in one of the investor group actions. The action is still gathering qualified investors for the group action and pleadings have not yet been filed. The litigation of these claims will be handled by an outside English counsel. Staff is working with English counsel and IMRF's investment managers to establish standing for each group of shares that may be recoverable in this action. The first case management conference was held on May 21-24, 2024, and a second conference is expected to be held in late 2024 or January 2025.

VERONICA MONTOYA v. BOARD OF TRUSTEES OF IMRF et al.
(DUPAGE COUNTY 2022 MR 756; THIRD DISTRICT APPELLATE COURT 3-23-0666)

Summary: Montoya was the transportation coordinator for Rockford School District 205. She applied for and was granted temporary disability benefits from IMRF for the maximum statutorily permitted amount of time. Upon evaluation for total and permanent disability benefits and after an administrative hearing, the IMRF Board denied Montoya's claim for total and permanent disability benefits. Montoya appealed the decision.

Status: The Court issued its decision on October 18, 2023, which reverses IMRF's denial of total and permanent disability benefits. IMRF has filed an appeal with the Appellate Court at the Board's direction. All briefs have been filed. The Appellate Court heard oral argument by the parties on July 17, 2024. IMRF currently awaits the decision of the Appellate Court.

GIVENS v. IMRF (U.S. EEOC 440-2022-09088; N.D. ILL. 1:23-CV-14101)

Summary: This is a charge of discrimination by a current employee through the U.S. Equal Employment Opportunity Commission.

Status: Plaintiff's counsel has filed an amended complaint. In turn, IMRF filed a responsive pleading. The parties are currently in the midst of discovery.

RUBEL CHOWDHURY v.
ILLINOIS DEPARTMENT OF EMPLOYMENT SECURITY; IMRF et al.
(COOK COUNTY 2024 L 050019)

Summary: Chowdhury worked in maintenance for Glenbrook School District #225. He applied for and was granted temporary disability benefits from January 23, 2021 through July 31, 2022. Upon evaluation for continued temporary disability benefits and after an administrative hearing, the IMRF Board denied Chowdhury's claim for continued temporary disability benefits. Chowdhury appealed the decision.

Status: This suit was incorrectly filed as an employment security case, and incorrectly names IMRF as his employer as well as the Illinois Department of Employment Security ("IDES"), the Director of IDES, and the Board of Review. In March, the Law Division judge transferred the case to the Chancery division. The Chancery judge granted IMRF's motion to dismiss, and Mr. Chowdhury filed an amended complaint, which was dismissed by the judge on July 9, 2024. Mr. Chowdhury filed a second amended complaint which also contains errors. IMRF intends to file a motion to dismiss in response. The next status date is September 19, 2024.

JULI BRUZZDZINSKI v. BOARD OF TRUSTEES OF IMRF, et al.
(DUPAGE COUNTY 2024 MR 412)

Summary: Bruzdziński retired from IMRF effective July 1, 2023, and disputed application of the 125% rule to her retirement benefit. The 125% rule is an anti-pension-spiking provision of the Pension Code which caps certain wages in the final three months of the final rate of earnings period from consideration in the pension calculation. After hearing before the IMRF hearing officer, the IMRF Board denied Bruzdziński's request for an exception to the Pension Code, leaving her pension as statutorily calculated. Bruzdziński appealed the decision.

Status: Bruzdziński filed her complaint on July 2, 2024. Since many individual IMRF defendants, such as the administrative hearing officer, were named in the suit, IMRF filed a motion to dismiss the individual defendants from the suit. A briefing schedule on the motion has been set, and the next hearing date is scheduled for October 4, 2024.

PAUL JAEGER v. BOARD OF TRUSTEES OF IMRF et al.
(COOK COUNTY 2024 ch 6823)

Summary: Jaeger was a custodian for Evergreen Park School District 231. He applied for temporary disability benefits from IMRF based upon generalized anxiety and unspecified psychological development disorder. Upon evaluation for temporary disability benefits and after an administrative hearing, the IMRF Board denied Jaeger's claim for temporary disability benefits. Jaeger appealed the decision.

Status: The case was filed on July 22, 2024. IMRF has filed a motion to dismiss for failure to state a sufficient claim, due to the deficiencies contained in the initial complaint. A motion presentment date is set for September 5, 2024.

THOMAS SHEEHAN v. IMRF
(JO DAVIESS COUNTY 2024 MR 9)

Summary: Sheehan was a police chief for the Village of Stockton. He applied for and was granted temporary disability benefits from IMRF for the maximum statutorily permitted amount of time. Upon evaluation for total and permanent disability benefits and after an administrative hearing, the IMRF Board denied Sheehan's claim for total and permanent disability benefits. Sheehan appealed the decision.

Status: The case was filed on July 31, 2024, however, no summons has yet been issued by the clerk. IMRF waits to be properly served before filing an appearance and responsive pleading.

(24-08-11) (Request for Blind Mailing) General Counsel Vladimir Shuliga explained that the IMRF Board recently amended the procedures for third party blind mailings with the adoption of Board Resolution 2024-02-05(b). the primary change was to expand the basis on which IMRF could reject a proposed mailing.

He explained that blind mailings are used by outside organizations, such as related labor groups, or prospective IMRF trustee candidates, to provide information directly to the IMRF population without compromising IMRF member data. IMRF members also have the ability to opt-out of the mailing list.

Prior to the February 2024 amendment, the blind mailing procedures provided that IMRF would review all blind mailing correspondence to ensure the content is not illegal. Because the review for illegality required a legal determination, the determination was made by the IMRF General Counsel. A proposed blind mailing did not go to the Board for approval.

The February 2024 amendment expanded the scope of IMRF's review for content that is illegal or deceptive, or any content that may reflect negatively on IMRF. With the editorial review expanding beyond just illegality, staff is seeking further direction from the Board whether the initial review and determination for a proposed blind mailing is still conducted by staff. If staff is authorized to make the initial determination, these questions can be resolved quickly between Board meetings. If, on the other hand, the Board makes the primary determination on the blind review, the Board will always have knowledge of the correspondence before it goes out.

The recommendation is for staff to be authorized to make the initial determination as to whether a piece of correspondence complies with Board Resolution 2024-02-05(b). If a piece of correspondence is rejected for the blind mailing process, the party seeking the blind mailing may appeal that staff determination to the Board.

After further discussion, the Board agreed with the recommendation to leave the initial determination in staff's hands.

It was moved by Mr. Kuehne, seconded by Mr. Kosiba to authorize staff to make the initial determination as to whether a piece of correspondence complies with Board Resolution 2024-02-05(b). If a piece of correspondence is rejected for the blind mailing process, the party seeking the blind mailing may appeal that staff determination to the Board.

**ALL VOTED AYE - MOTION CARRIED
8 AYES; 0 ABSENT**

(24-08-12) (Policy on Refunds of Voluntary Additional Contributions) General Counsel Vladimir Shuliga explained that the current Board Resolution 2013-09-08 sets forth the rules regarding refunds of voluntary additional contributions ("VAC"). Based on significant increases in the number of VAC refund applications and to enhance the efficient administration of the Fund, it is desirable to set limits on the amount of refunds which may be taken each year.

Active IMRF members may make after-tax voluntary additional contributions in an amount up to 10% of reportable earnings. 40 ILCS 5/7-173(a)(2). VAC are granted interest (currently 7.25%, as set by the Board) at the end of each calendar year, based upon the VAC balance at the beginning of the year. Upon termination of IMRF participation, the member receives a refund of VAC plus interest. Upon retirement, the member can choose to take the refund, or, of the VAC balance is \$4,500 or more, the member can choose to annuitize the VAC refund.

The Pension Code permits an employee to withdraw their contributions "at any time" prior to retirement. 40 ILCS 5/7-173(d). Under IRS and Board rules, any VAC refunds taken while still employed with the IMRF employer do not include interest on the VAC. Any interest previously earned on the VAC remains in the account and continues to accrue interest. However, in many cases, a member who takes an in-service refund of VAC has not earned interest and has not received financial benefit from the VAC program.

In 2023, VAC refund applications reached a record high of 4,253. This constitutes an over 70% increase in refund applications since 2019, when IMRF processed 2,489 refunds. The amount of VAC refunds processed in each of the last five years are:

2019: 2,489
2020: 2,778
2021: 3,160
2022: 3,785
2023: 4,253

This trend indicates that members are using the VAC program as a short-term savings vehicle, rather than retirement planning. Due to the significant staff demand to process these applications and lack of member benefit to in-service refunds, staff recommends limiting the number of these in-service refunds. The proposed resolution limits a member to two in-service VAC refunds in each calendar year. The amendment also allows additional refunds to be granted in exceptional circumstances. The proposed resolution will increase the ability of the Benefits Department to timely process all benefits applications. It will also encourage members to leave contributions on file in order to earn interest and ultimately realize the benefits and fulfill the public policy purpose of the VAC program, which is to encourage IMRF members to save for retirement.

Staff recommends for the Board to adopt Resolution 2024-05-XX which supersedes Resolution 2013-09-08.

Discussion ensued. Mr. Kosiba feels this is beyond the Board's authority by resolution because it takes away a right. He would prefer to drop the issue but if the Board prefers to move forward, then he would like to pursue legislation. Ms. Copper does not support this policy/resolution because she feels it is not IMRF's business in regard to a member's financial status. Mr. Miller feels IMRF is not a bank and should not allow banking services to be part of IMRF's scope of services.

Mr. Kuehne added VAC's purpose is for long-term investments and he agrees IMRF would have to pursue legislation to change the maximum allowance of withdrawals.

There were two motions pertaining to the policy on refunds of Voluntary Additional Contributions:

It was moved by Mr. Kosiba, seconded by Ms. Copper to not change Board Resolutions relative to Voluntary Additional Contributions.

ROLL CALL -

AYE - COPPER, CYCHOLL, HENRY, KOSIBA, KUEHNE, MILLER, STANISH, STEFAN
NAY - NONE

MOTION CARRIED

8 AYES; 0 NAYS; 0 ABSENT

It was moved by Mr. Kuehne, seconded by Mr. Miller to ask staff to put together legislation to limit the amount of Voluntary Additional Contributions withdrawals to two.

ROLL CALL -

AYE - KUEHNE, MILLER, STEFAN

NAY - COPPER, CYCHOLL, HENRY, KOSIBA, STANISH

MOTION FAILED

3 AYES; 5 NAYS; 0 ABSENT

(24-08-13) (IMRF Board Endorsements) General Counsel Vladimir Shuliga provided information to the Trustees regarding several legal risks in continuing an endorsement model for retiree health insurance. The Board discussed the risks and potential changes to IMRF's handling of retiree health insurance.

It was moved by Mr. Miller, seconded by Mr. Kuehne to rescind IMRF's endorsement of Doyle Rowe programs for retiree health insurance and take no further steps than to direct staff to investigate further options.

ROLL CALL -

AYE - CYCHOLL, HENRY, KUEHNE, MILLER, STANISH, STEFAN

NAY - COPPER, KOSIBA

MOTION CARRIED

6 AYES; 2 NAYS; 0 ABSENT

The Board then discussed the possibility of an IMRF endorsed 457 plan for members. Mr. Miller stated that he can see how endorsing a 457 plan can benefit members. He feels IMRF has more staff expertise to research and endorse this option rather than the health insurance endorsement. Mr. Kosiba commented that IMRF's purpose is investing and he is concerned about not getting fair pricing.

It was moved by Ms. Stanish, seconded by Mr. Kosiba to not further pursue a 457 defined contribution plan endorsed by IMRF.

ROLL CALL -

AYE - COPPER, CYCHOLL, HENRY, KOSIBA, KUEHNE, STANISH

NAY - MILLER, STEFAN

MOTION CARRIED

6 AYES; 2 NAYS; 0 ABSENT

THE BOARD TOOK A BREAK FROM 10:53AM-11:03AM

(24-08-14) (CEM Presentation) Organizational Excellence Officer Michael Everett presented the results from the 2023 CEM Benchmarking report, noting that it was pre-Horizon results. The key takeaways from the report are:

Service - IMRF's total service score was 84. This was above the peer median of 79. These results put IMRF in the top quartile of the CEM universe.

Cost - IMRF's total pension administration cost of \$99 per active member and annuitant was \$43 below the peer average of \$142, all while operating within one of the highest cost environments.

In essence, IMRF continues to offer **high service levels** at a **median cost** to our members and employers.

(24-08-15) (Building Our Future Program) Executive Director Brian Collins explained the Building Our Future Program that was initiated by the Strategic Planning Process. The program's core team worked with Mercer to assess IMRF's current workplace and develop a road map for the next several years. The program's core team assessed the findings and created a scope for the following Organization-wide and Department-specific projects:

Learning Management - to adopt a technology platform to centrally manage staff learning and development programs. HR Director Cara Bannon oversees this project, but it has not started yet.

Technology Evaluation - to create a formal process to assess IMRF's technology needs primarily coming from non-IT departments. IS Director Keyla Vivas oversees this project.

Performance Measures - to create a formal process to select organizational performance measures, and to utilize this new process to create Horizon core business scorecards. Organizational Excellence Officer Michael Everett oversees this project.

Vision & Values - to evaluate and potentially update IMRF's Vision statement and organizational Values to ensure they are achieving the desired business purpose. Communications Officer John Krupa oversees this project.

Workspace Improvement - to evaluate and improve IMRF's physical workspace to ensure it is meeting the changing needs of the organization and our culture. General Counsel Vladimir Shuliga oversees this project which is underway. Mr. Shuliga continued to explain the foundation of this project noting the following facts:

- IMRF's primary office has been here in this building since 1993
- The world and office market have changed significantly over this time span
- **IMRF's current lease expires at the end of 2025.**

So, staff launched an RFP for a real estate consultant and signed the consultant contract in April 2024; and then kicked off the project in May 2024. In order to define the desired workspace, staff worked with the consultant to receive input from leaders and employees. They conducted individual interviews, a commute analysis, current state assessment, and a priority assessment. It is now time for the Directors and certain staff to conduct site visits. The next steps include engaging an architect to develop potential floor layouts, conducting a cost analysis, and providing the Board with a recommendation to either renovate or relocate.

Mr. Kosiba asked if we are considering purchasing or a building or leasing. Mr. Shuliga confirmed it would be a lease, most likely a 10-year lease.

(24-08-16) (Horizon Update) Executive Director Brian Collins presented an update on the Horizon project. Some highlights include:

- From March 4th until present, \$1,392,222,773 in pension payments was made and total contributions received from employers is \$581.4 million.
- From March 4th until August 28th there were 6,714 employer access registrations; 92,026 member access registrations, and 259,290 self-service registrations.
- Hold times for employers was less than 5 minutes; and email response times were less than 24 hours.
- The amount of retirement claims processed per month has reached or exceeded the average processing amounts from 2022.
- As productivity is increasing, volume is stabilizing.
- There are a total of 2,232 outstanding claims to be processed as of August 28th (with 50% actionable by IMRF).

IMRF has created a plan to reach equilibrium by the end of the 4th Quarter of 2024. The plan includes:

- Hiring additional IMRF personnel
 - Full-time staff
 - Temps
- Innovating IMRF's training process
 - New tailored training plan to expedite productivity
- Reallocating additional IMRF personnel
 - Leverage staff from other business units
- TELUS & Provaliant processing support
 - Updated support plan
 - Additional TELUS personnel
 - Reallocated Provaliant personnel

In order to implement this plan, staff is asking the Board to approve a change order in the amount of \$1,997,051 for ongoing support and claims processing assistance through the end of 2024.

Discussion ensued. Some Board members commented about the complaints they have received relating to staffing issues, the call-back feature not working properly, retirees not receiving checks, etc. IS Director Keyla Vivas addressed the concerns about call-back wait times and told the Board that she can change the recording for the Call Back Assist. The Board asked Brian Collins and staff to create a video of the presentation he just gave to communicate all this information to Authorized Agents who can then communicate it to members. Mr. Collins will work with staff to create a video with the updated information.

It was moved by Mr. Kosiba, seconded by Ms. Copper to approve Change Order 08/2024 authorizing \$1,997,071 for ongoing support and claims processing assistance through the end of 2024.

ALL VOTED AYE - MOTION CARRIED
8 AYES; 0 ABSENT

(24-08-17) (Report of the Executive Director) Executive Director Brian Collins presented the highlights and the progress of the strategic

objectives and key strategies during the second quarter of 2024 that support IMRF's 2023-2025 Strategic Plan.

The Executive Director also provided information on FOIA requests and personnel.

(24-08-18) (Trustee Forum) The Chair reported the following Trustees requested authorization from the Board for the following conferences:

Sue Stanish Public Funds Forum
ValueEdge
September 2-5, 2024
Laguna Beach, CA

Dave Miller P2F2 2024
Public Pension Financial Forum
October 26-31, 2024
Indianapolis, IN

It was moved by Mr. Miller, seconded by Ms. Copper to approve the Trustees' requests to attend the specified conferences listed above.

**ALL VOTED AYE - MOTION CARRIED
8 AYES; 0 ABSENT**

A chart of conferences approved, as well as conferences requesting approval, was included as information. A list of future 2024-2025 conferences was also given to the Board, as well as a chart listing accumulated trustee training hours.

As part of Trustee Comments, Ms. Copper requested that the Responsible Contractor Policy be discussed at the November meeting.

(24-08-19) (Adjournment) It was moved by Ms. Copper, seconded by Mr. Kuehne to adjourn the Board Meeting at 12:46 p.m., and to reconvene in the Fund offices, 2211 York Road, Suite 400, Oak Brook, IL, at 9:00am, on November 22, 2024.

**ALL VOTED AYE - MOTION CARRIED
8 AYES; 0 ABSENT**



President

11/22/2024

Date



Secretary

11/22/2024

Date

