



MINUTES

**Meeting of the Governmental Affairs Committee
of the Board of Trustees of the
State Universities Retirement System
9:00 a.m., Tuesday, December 1, 2009
The Northern Trust – London Room B9
50 S. LaSalle Street
Chicago, Illinois**

The following Trustees were present: Dr. Marva Williams, Chair; Dr. Jeffrey Beaulieu, Ms. Patricia Cassidy, Mr. Matthew Berns, Dr. John Engstrom, Dr. J. Fred Giertz, Ms. Dorinda Miller; Mr. Antonio Vasquez, and Mr. Mitchell Vogel.

Others present were: Ms. Judith A. Parker, Interim Executive Director; Mr. Daniel L. Allen, Chief Investment Officer; Mr. Kelly A. Jenkins, General Counsel; Mr. Douglas C. Wesley, Deputy Chief Investment Officer; Mr. Steve Hayward, Director of Internal Audit; Ms. Shelley Porter, Chief Financial Officer; Mr. Doug Steele, Director of Application Development & Research; Mr. Chris Hansen, Director of Operations; Mr. Terrin Krantz, Director of Human Resources; Ms. Angela Lieb, Director of Member Services; Mr. Michael Sheppard, Assistant Deputy Director of SMP; Ms. Lori Kern and Ms. Stacy Smith, Executive Assistants; Ms. Mary Pat Burns, Burke, Burns & Pinelli; Ms. Patricia Somerville-Koulouris, The Northern Trust; Ms. Linda Brookhart, State Universities Annuitants Association; Mr. Jake Baggott, SURSMAC; Mr. Steve Zahn, Governmental Consulting Solutions; and Mr. Steve Morrill and Mr. Curt Fiedler, Morrill & Associates.

Roll call attendance was taken. Trustee Beaulieu, present; Trustee Berns, present; Trustee Cassidy, absent; Trustee Engstrom, present; Trustee Giertz, present; Trustee Hightman, absent; Trustee Miller, present; Trustee Rogers, absent; Trustee Vasquez, present; Trustee Vogel, present; Trustee Williams, present. (Trustee Cassidy joined the meeting during the Legislative Platform discussion.)

APPROVAL OF MINUTES

Trustee Williams noted a correction on page 157 under “Update from SUAA” to change Linda Brookhart as “Executive Director of SURS” to “Executive Director of State Universities Annuitants Association (SUAA).”

Trustee Giertz moved that:

- The Open Meeting Minutes from the September 10, 2009, Governmental Affairs meeting be approved with the amendment noted on page 157 to change “Executive Director of SURS” to “Executive Director of State Universities Annuitants Association.”

Motion seconded and carried with all Trustees present voting in favor except Trustee Berns who voted present.

CHAIRPERSON’S REPORT

Trustee Williams indicated that preparation for the legislative outreach event scheduled for March 10, 2010, will begin in February. Trustee Williams suggested that SURS work in conjunction with other stakeholders and other systems in order to establish a communication campaign in support of pension funding. Trustee Williams asked staff to schedule a conference call to be held in January for the purpose of brainstorming effective ideas. Interested Trustees and the members of the lobby team will participate.

2010 LEGISLATIVE STRATEGIES

Ms. Judy Parker stressed that one of the Committee’s most important duties was to review the Legislative Platform and determine what changes should be made, if any. A copy of the Legislative Platform is incorporated as part of these Minutes as [Exhibit 1](#). The Platform is broken into three parts: legislative principles, legislative proposals and issue positions with the most pertinent being the legislative principles.

Mr. Kelly Jenkins provided a brief history of the Legislative Platform and specifically mentioned that the legislative principles would override legislative proposals and issue positions, in the event of a conflict.

Legislative principles are essential in that they are established by the Board to provide staff with a framework for consistent evaluation of legislative proposals that arise during a legislative session. The staff can then assist the Trustees in determining what position to take on a piece of legislation.

The legislative proposals include technical corrections to Article 1 and Article 15 of the Illinois Pension Code. Mr. Jenkins presented a detailed overview of the changes proposed in the SURS’ technical corrections legislation. A copy of Mr. Jenkins’ memorandum entitled “Explanation of Technical Corrections Legislative Proposals” and the Draft SURS Technical Corrections Bill are incorporated as part of these Minutes as [Exhibit 2](#) and [Exhibit 3](#). Along with the technical corrections bill, the Board, on an annual basis, submits a bill requesting the certified contribution from the State to SURS. The contribution amount for 2010 is approximately \$848.1 million. The last part of the Platform contains issue positions. The question posed to the Board is whether the current issue positions are still appropriate.

Trustee Cassidy arrived during the discussion on the Legislative Platform.

The Committee discussed at length the issue positions and whether or not it is the role of the Board of Trustees to take a position on benefit-related issues. Mr. Jenkins and Ms. Burns commented that it depends on the Board's philosophy on carrying out their fiduciary duty. The legislature can set policy and the Board can administer the plan to the best of its ability. Trustee Vogel indicated that in the past SURS has been involved in legislative activities through education rather than actively lobbying. Trustee Williams suggested bringing back the Legislative Platform to the next Board meeting in March to take a closer look at developing principles that define the Board's relationships and to clarify open communications, compliance with all statutes and regulations. Mr. Baggott indicated that most of these issues represent equity corrections. From the member and SURSMAC perspective, it is helpful for the Board to recognize and address certain issues as well as to educate the legislature the issues and their effects.

Mr. Steve Zahn from Governmental Consulting Solutions mentioned that Governor Quinn is expected to make a budget address in March and will probably have some sort of pension benefit and funding proposals at that time. Mr. Curt Feidler advised that the legislature will be reconvening in January 12, 2010. Many deadlines for the introduction and filing of bills end in mid-February. During that time SURS will be asked what position they stand on a certain bills.

Mr. Jenkins suggested that the Trustees move forward on the legislative principles and proposals and hold over and further review the issue positions at the next meeting of the Governmental Affairs Committee. Trustee Williams concurred with Mr. Jenkins' suggestion.

Trustee Giertz moved that:

- The SURS Legislative Platform - legislative principles and legislative proposals – be approved as presented.

Motion seconded and it carried.

Trustee Williams suggested discussing the issue position at the next meeting in March in order to entertain a broader discussion with supporting information on each issue. Trustee Vogel requested that SUAA and SURSMAC provide staff with each of their positions on the issue positions. Trustee Berns requested further research for more detail on each of the issues in order to make a more informed decision. Ms. Parker indicated that she will work with SUAA and SURSMAC to gather the information to be provided at the next meeting.

SURS RULEMAKING

Mr. Jenkins noted that the letter from the Joint Committee on Administrative Rules (JCAR) dated November 17, 2009, had no objection to the proposed changes to 80 Ill. Adm. Code 1600. A copy of the letter is incorporated as part of these Minutes as [Exhibit 4](#).

Mr. Jenkins explained the Notice of Proposed Amendments which is incorporated as part of these Minutes as [Exhibit 5](#). The proposed amendments will specify how to process disability claims. He suggested submitting these proposed amendments to JCAR for review. Trustee Giertz inquired whether disputed disability claims have increased over the past few years. Ms. Angela Lieb responded that there has been a slight increase, but nothing remarkable. The current proposal primarily relates to worker compensation claims that are off-set due to corresponding disability claims. Statute provides some guidance; however, the proposed amendments will provide more staff support when processing these types of claims.

Trustee Miller moved that:

- Staff is authorized to file the proposed Disability Claims Procedure Rule amendment substantially as presented.

Motion seconded and it carried.

Mr. Jenkins referred to the SURS January 2010 Regulatory Agenda incorporated as a part of these Minutes as [Exhibit 6](#). The Regulatory Agenda is required to be filed every six months with the legislature to keep track of the issues that are significant to the organization.

Trustee Giertz moved that:

- The SURS January 2010 Regulatory Agenda be approved as presented.

Motion seconded and it carried.

SURSMAC UPDATE

Mr. Baggott presented an update to the Board beginning with the background as to the formation of SURSMAC. In 1941 SURS was established by law. The President of the University of Illinois created a body to advise him as to certain matters wherein he would then take the concerns to the SURS system. In 1953 the Board was expanded to represent all institutions in the State. In 1966 there was a further review of the Board and its composition. It was decided at that time that there should be a number of representatives based on the population of the institution that were members. Representation was established in both academic and nonacademic sectors. In 1971 the committee added representation from SUAA. In 1992 the Employee Advisory Committee was renamed the SURS Member Advisory Committee also known as SURSMAC.

SURSMAC has two meetings a year – one in October and one in April. There are two active subcommittees that meet in between the regular committee meetings. These subcommittees discuss issues related to benefits and legislation. SURS staff provides these subcommittees with updates on pending legislation, portfolio reviews, investment performance and related concerns.

Mr. Baggott mentioned that SURSMAC serves as a conduit between members and SURS. With the assistance of Ms. Parker, significant improvements in claims processing has occurred. SURS staff has provided informative and critical information that has been invaluable in assisting the committee when making recommendations and afford resolutions. According to the bylaws, any action taken by SURSMAC is to be recommended, reviewed and voted on by the Board. In October 2009 there were two resolutions prepared for the Board's consideration. The first resolution addressed the system to be fully funded by the State. This included establishing a date for the sale of bonds, the legislature and the Governor insure timely contributions to SURS until the proceeds from the bonds are available, and that in the future all funds due to SURS to be paid in full on the stipulated due dates. The second includes a concern by SURSMAC individuals being appointed by legislature for dual roles on various boards and committees. Perhaps there are no immediate conflicts, but there could be potential conflicts in the future.

SUAA UPDATE

Ms. Linda Brookhart of the State Universities Annuitants Association (SUAA) provided an update to the Board. SUAA has been very active with unpaid healthcare claims by the state healthcare insurance, more specifically, Quality Care recipients.

SUAA conducted a survey via email regarding the effect of non-payment of healthcare claims upon the members. The survey was received with an overwhelming response. Ms. Brookhart made an appointment with Governor Quinn's Senior Advisor, David Roth, to address the concerns of the members. She suggested to Mr. Roth that the State's health insurance fund was not being funded properly and inquired as to where the healthcare premiums were going. The law mandates that members' healthcare premiums be deposited into a fund for payment of claims. Mr. Roth was unable to fully answer the question but did indicate that he thought it was going into the general revenue fund. She also inquired as to where retirees' dental insurance premiums were going indicating that they should go towards paying the dental claims. Mr. Roth was able to answer with certainty that those premiums were going into the general revenue fund. He stated that eventually the dental claims would be paid as well as the healthcare claims. Ms. Brookhart pointed out problems members were having with creditors pursuing them due to these unpaid claims. Mr. Roth relayed to Ms. Brookhart that there is a breakdown in the healthcare network.

Ms. Brookhart noted that Kishwaukee Hospital and Clinic has sent a letter to CMS and to Governor Quinn advising that in December they will determine whether to withdraw

from the network. This would greatly impact the Northern Illinois University area. Kishwaukee may be the first of hospitals and clinics withdrawing from the plan. The Illinois Auditor General, Bill Holland, indicated there being no oversight and no fiduciary responsibility. The comptroller's office indicated they are locating the funds in order to make the payments. CMS state payments are 120 days in arrears. Many members are facing a 15% interest charge. The State pays the healthcare 9% on their arrears. If members make payments up front, reimbursement by the State is not always guaranteed. When SUAA discovered SURS was not fully funded, letters were sent to the legislature and the Governor urging them to fully fund SURS.

Ms. Brookhart advised the Board that SUAA offers a website that provides legislative information, scoop sheets, committee briefing and, beginning in January, will offer conference calling to answer members' questions.

CLOSED SESSION

Trustee Vasquez moved that:

- The Committee go into closed session pursuant to the Open Meetings Act to discuss closed session minutes pursuant to Section 2(c)(21).

Motion was seconded and carried in a roll call vote:

Trustee Beaulieu	aye
Trustee Berns	aye
Trustee Cassidy	aye
Trustee Engstrom	aye
Trustee Giertz	aye
Trustee Hightman	absent
Trustee Miller	aye
Trustee Rogers	absent
Trustee Vasquez	aye
Trustee Vogel	aye
Trustee Williams	aye

Upon the Committee's return to open session, Trustee Giertz moved that:

- The previously approved closed session minutes of March 13, 2008, hereby be opened.

The motion was seconded and carried with all Trustees present voting in favor except Trustee Berns who voted present.

There being no further business to come before the Committee, Trustee Giertz moved that the meeting adjourn. The motion was seconded and it carried.

Respectfully submitted,

Judith A. Parker

Ms. Judith A. Parker
Secretary, Board of Trustees

JAP:ssr