



MINUTES

**Meeting of the Governmental Affairs Committee
of the Board of Trustees of the
State Universities Retirement System
Thursday, June 11, 2009
The Northern Trust – London Room B9
50 S. LaSalle Street
Chicago, Illinois**

The following Trustees were present: Dr. Alice Palmer (Co-Chair), Dr. Marva Williams (Co-Chair), Mr. Mark Donovan, Mr. Michael Mackey, 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, Internal Auditor; 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. Hanea Schluter, Executive Assistants; Ms. Mary Pat Burns, Burke, Burns & Pinelli; Mr. Don Pollak, Ms. Amy Bacich, and Ms. Amy Sproull, The Northern Trust; Mr. Dick Johnson and Ms. Linda Brookhart, SUAA; Ms. Linda Baker, GII of Illinois; and Mr. Curt Fiedler, Morrill & Associates.

Trustee Alice Palmer called the meeting to order at the time and location set forth in the notice of the meeting.

Roll call attendance was taken. Trustee Boardman, absent; Trustee Donovan, present; Trustee Mackey, absent; Trustee Palmer, present; Trustee Pizzuto, absent; Trustee Vasquez, present; Trustee Vogel, present, and Trustee Williams, present.

Trustee Mackey joined the meeting after the roll call was taken.

APPROVAL OF MINUTES

Trustee Palmer presented the Minutes from the Governmental Affairs Committee meeting of March 12, 2009. Trustee Donovan moved to approve the Minutes, the motion was seconded and it carried.

CHAIRS' REMARKS

Trustee Alice Palmer took the opportunity to thank her colleagues, the staff, and the consultants for all their hard work. Trustee Williams also expressed her appreciation and stated that she hopes to be reappointed to the Board and continue with her service.

UPDATE FROM SURSMAC

Mr. Jake Baggott could not be present therefore no report from SURSMAC was provided.

UPDATE ON THE AAC

Ms. Parker reported that the Administrative Advisory Committee met on March 31, 2009. The Committee heard reports from staff regarding pending legislation, investments, benefits, and rulemaking.

UPDATE FROM SUAA

Trustee Palmer welcomed Ms. Linda Brookhart, Executive Director of the State Universities Retirement System (SUAA). Ms. Brookhart thanked the Committee for the opportunity to address them. Ms. Brookhart stated that the spring legislative session was quite busy. However, SUAA's attempt to secure the success of the College Insurance Program was unsuccessful. The parties involved failed to agree on how to provide solvency for the Community College Retirees Health Plan. House Bill 3652 (Curry) and Senate Bill 1638 (Trotter) were shelved of content in order to work out a solution. Currently, a ten-year plan is being considered by the Governor's office.

SUAA monitored the progress of Senate Bill 1734, the proposal to consolidate the investment function of the five state pension systems. Ms. Brookhart reported that SUAA lobbied in opposition to these efforts. SUAA introduced legislation that would provide a cost of living allocation to the pre-1980 retirees. The bills introduced were SB 2020 (Frerichs) and HB 2634 (Jakobsson). Neither bill was read in committee. SUAA plans to submit the legislation again next year, provided there is increased revenue in the State.

Ms. Brookhart provided a summary of other legislation that SUAA actively monitored. Ms. Brookhart reported that SUAA will be at the table during the Pension Modernization Task Force meetings. The Task Force was established through House Joint Resolution 65.

The SUAA Annual Meeting is being planned for June 23rd in Springfield. Ms. Parker has agreed to be the keynote speaker.

LEGISLATIVE UPDATE

Ms. Parker reported that the SURS Technical Corrections legislation passed out of committee and it is awaiting the Governor's signature. The legislation changes Article 1 in that it allows the retirement systems to do rollovers as required by federal tax law. Changes were also made to Article 15 will provide consistency to language relating to annuity payment period begin date.

House Joint Resolution 65 created the Pension System Modernization Task Force. This Task Force is charged with analyzing public policy implication on changing pension benefits, analyzing the current level of benefits compared to other systems in the geographic region, analyzing long-term costs, and analyzing whether pension benefits in Illinois should be modernized to something closer to that of a private sector employer. The Task Force will be made up of various groups, including pension system representatives, SUAA, members of the General Assembly, private sector, and labor unions. The Task Force will meet between June and October; their report will be due to the Governor and the General Assembly by November 1.

In addition to the Task Force, another pension working group is being put together. Ms. Parker noted that it is unclear as to whether retirement system representatives will be asked to participate.

Ms. Linda Baker and Mr. Curt Fiedler were present from the SURS lobby team in order to provide a summary of legislative activity. The written summary is incorporated as a part of these Minutes as [Exhibit 1](#).

Ms. Parker briefly noted that there is talk in Springfield regarding a possible bonding initiative in order to make the payments to the retirement systems. There are still a number of questions and issues being discussed, however discussions are ongoing.

Ms. Baker apologized for Mr. Chris Stone's absence and indicated that he is in Springfield representing SURS at a meeting called by the Speaker of the House's Chief of Staff. Ms. Baker reported that, according to Mr. Stone, most recent discussions indicate that \$2.2 billion in bonds would be issued to the retirement systems in lieu of the annual certified payment. SURS portion of the proceeds would be approximately \$400 million. A group of legislative staffers working on the bonding initiative has indicated that they would like to work with the systems in order to finalize a deal that is workable for all involved.

Mr. Fiedler apologized for Mr. Steve Morrill's absence. Mr. Fiedler reported that the recent legislative session was extremely busy for pension systems. During the session, approximately 230 chains of e-mails were exchanged between the lobby team and SURS

staff. Mr. Fiedler commended the efforts of Ms. Parker and Mr. Jenkins and noted that the Governor's office has been grateful for the time given them in working on various proposals.

Ms. Baker reiterated the comments of Mr. Fiedler. Ms. Baker reported that the Governor's budget proposal published earlier in the spring focused a good deal on pensions. The pension systems have been involved in discussions with legislators and staffers on many different topics such as pension holidays, restructuring the current funding ramp, a possible second tier of benefits for new hires, and increased member contributions. Ms. Baker discussed the seriousness of the State budget. It is very possible that the legislature will require overtime sessions in order to focus on ways to make cuts, increase revenue, and make progress towards balancing the budget.

Trustee Donovan asked whether it was possible to increase the member contributions by 2%. Mr. Jenkins noted that, in his belief, such action would be an unconstitutional impairment of contract.

The Committee discussed the possibility of a two-tiered system with reduced benefits, increased retirement age, and increased contributions. Trustee Palmer expressed her concern with this proposal, stating that SURS participants are not eligible for Social Security and these types change will likely detour people from a career in public service. Ms. Baker indicated that these proposals were not successful this session; however it is very possible that they will be back on the table as talks continue.

A discussion was held regarding defined benefit versus defined contribution plans. Mr. Fiedler commented that the legislature will continue to look to SURS for guidance in the area of defined contribution, since SURS is the only State system experienced in administering such a plan.

Trustee Vogel expressed his support for a bonding initiative where the State would sell the bonds and give the proceeds to the systems. A budget problem as severe as the one the State of Illinois is experiencing cannot be fixed without a sudden influx of income. Trustee Vogel requested that the lobby team provide a report on the discussions and outcome of the bond meeting being held in Springfield. In addition, Trustee Palmer requested that the team attempt to clarify what type bonds are being considered, pension obligation bonds, GO bonds, or short-term notes.

Trustee Palmer thanked the Mr. Feidler and Ms. Baker for their report and for their work in Springfield on behalf of SURS.

Trustee Williams indicated that one of the bigger challenges before the new Board is the negative public perception. Trustee Williams would be interested in a media campaign in support for full funding of the pension systems. Trustee Palmer concurred. Ms. Brookhart reported that SUAA has, through a coalition on retirement security, sent editorial letters in support of full funding to a few of the larger publications. However,

the letters have not made it to print. Ms. Brookhart stated that letters to smaller publications from individuals, rather than organizations, may be more productive.

CLOSED SESSION

Trustee Vogel moved that the Committee go into closed session under the Open Meetings Act to discuss closed session minutes pursuant to §2(c)(21). The motion was seconded and it carried in a roll call vote:

Trustee Boardman	absent
Trustee Donovan	aye
Trustee Mackey	aye
Trustee Palmer	aye
Trustee Pizzuto	absent
Trustee Vasquez	aye
Trustee Vogel	aye
Trustee Williams	aye

Upon returning to open session, Trustee Vogel moved that the Closed Session Minutes of March 13, 2008, remain closed. The motion was seconded and it carried.

The Trustees thanked Trustee Palmer and Trustee Williams for their dedicated work with the Governmental Affairs Committee, especially their efforts towards improved legislative outreach.

There being no further business to come before the Committee, the meeting adjourned.

Respectfully submitted,



Ms. Judith A. Parker
Secretary, Board of Trustees

JAP:ss