



MINUTES

**Meeting of the Governmental Affairs Committee
of the Board of Trustees of the
State Universities Retirement System
9:30 a.m., Thursday, September 3, 2010
The Northern Trust – London Room B9
50 S. LaSalle Street
Chicago, Illinois**

The following Trustees were present: Dr. Marva Williams, Chair; Mr. Matthew Berns, Dr. John Engstrom, Dr. J. Fred Giertz, Ms. Carrie Hightman, Ms. Dorinda Miller, Mr. Steven Rogers, Mr. Antonio Vasquez, and Mr. Mitchell Vogel.

Others present were: Mr. William Mabe, Executive Director; Ms. Judith Parker, Associate Executive Director; Mr. Daniel L. Allen, Chief Investment Officer; Mr. Douglas C. Wesley, Deputy Chief Investment Officer; Ms. Stefanie Rice, Executive Assistant; Mr. Terrin Krantz, Director of Human Resources; Ms. Mary Pat Burns, Burke, Burns & Pinelli; Ms. Shelley Porter, Chief Financial Officer; Mr. Steve Hayward, Director of Internal Audit; Ms. Patti Somerville-Koulouris, The Northern Trust Company; Curt Fielder, Morrill & Associates; Steve Zahn, Governmental Consulting Solutions; Mr. Dick Lockhart, State Universities Annuitant Association.

Trustee Williams called the meeting to order at approximately 9:30 a.m.

Roll call attendance was taken. Trustee Beaulieu, absent; Trustee Berns, present; Trustee Cassidy, absent; Trustee Engstrom, present; Trustee Giertz, present; Trustee Hightman, present; Trustee Miller, present; Trustee Rogers, present; Trustee Vasquez, present; Trustee Vogel, present; Trustee Williams, present.

APPROVAL OF MINUTES

Trustee Williams presented the Minutes from the Governmental Affairs Committee meeting of June 11, 2010. Trustee Rogers moved that:

- The Minutes of June 11, 2010, be approved as presented.

Motion seconded and carried with all Trustees present voting in favor.

CHAIR'S REMARKS

Trustee Williams provided a status report of legislative outreach activities relating to funding. The Committee, under the direction of former Trustee Alice Palmer, staff and Trustees have developed engagement tools to assist in communicating the underfunding issue to the General Assembly. Mr. William Mabe noted concerns pertaining to funding and encouraged the Committee to formulate a formal campaign to be presented and approved at the December 9, 2010, Board Meeting. Trustee Williams remarked that the next couple of months will provide staff and Trustees an opportunity to discuss objectives and goals, how to engage legislature, and how to influence public opinion. These objectives are inclusive of a communications plan in relation to media affairs, legislative outreach, events, presentations and staffing, as well as scheduling and timing of the campaign in relation to the legislature. Agents, consultants and partners will be identified to assist in shaping and delivering the messages. Conference calls will be scheduled over the next couple of months to discuss the campaign issue. The Committee discussed different ways to formulate a campaign and the type of message to be delivered and were encouraged to participate in upcoming conference calls.

Mr. Mabe suggested ways to bring forth underfunding issue to the legislature and how to educate them effectively. He emphasized the importance of the organization to communicate and accentuate the same message as well as address the issue of security for the participants. It is imperative to educate the legislature that the basis of the system is funding. A message needs to be formulated and delivered effectively. Mr. Mabe reminded the Committee of its fiduciary duty to speak forcefully about funding.

Mr. Steve Zahn remarked that the legislature needs to be educated about pensions. Once the contribution is certified in November an analysis of the fund can be conducted, which will show the long-term effects on the State of Illinois should SURS continue to be underfunded.

Mr. Curt Fiedler suggested reaching out to key constituencies to provide legislative leaders advance notice of the campaign. Funding and the scenarios of underfunding is a politically neutral message. Trustee Hightman advised that fund counsel and lobbyists be included in the conversations.

Mr. Mabe noted the need for commitment to the process and that the campaign has to be narrowed and focused. Trustee Hightman remarked that the universities will be contacted to make sure they understand the process and whether they will be engaged in the message.

LEGISLATIVE UPDATE

a. 2 Tier Legislation Trailer Bill Status

Mr. Mabe updated the Committee on the 2 Tier Legislation Trailer Bill and noted the inefficiency of the original bill due to its quick and spontaneous drafting. The focus of the trailer bill is to reconcile the differences between the different systems and their requirements. Ms. Judy Parker, Ms. Mary Pat Burns and Mr. Steve Zahn have been and continue to be involved in changing and/or correcting the language with a trailer bill. Ms. Burns further explained that not all of the pension funds have the same issues. If the different funds cannot agree on the technical corrections and submit something substantive, then the whole bill will die. It is important to obtain certain criteria in order to administrate appropriately. Ms. Burns identified and explained some of the issues in the original bill and remarked the possibility of having to go through Joint Committee on Administrative Rules (JCAR) in order to get SURS' rules in place. It is much more desirable to have the protection of the statute versus going through JCAR. Mr. Zahn remarked that legislative issues will not be reviewed until after the November elections. With the veto session beginning November 16, 2010, this only gives a marginal timeframe to react.

a. Update on FY 2011 State Contributions

Mr. Mabe noted the State contributions for 2011 totaled \$840 million. To date the system submitted vouchers for \$210 million and received \$24 million. It is not expected that there will be any additional contributions by the State until after the November elections. Ms. Shelly Porter advised that \$24 million will cover approximately six months worth of contributions for the Self-Managed Plan. By the end of the six months the Safe Pension Fund will be replenished and additional funds released.

UPDATE FROM SUAA

Mr. Dick Lockhart provided an update on the State Universities Annuitant Association (SUAA) and voiced the desire to unite with SURS in educating the legislature. He suggested the need to educate the members in order to communicate their point of view effectively to the legislators. SUAA has had and continues to have regional meetings in order to become an effective advocacy on legislation. There was some discussion on Senate Bill 1946 and its potential impact on future employees.

Mr. Zahn advised as to the position of some legislative officials on the pension system and what is being relayed to the press. SURS only needs to address the issues at hand. There was discussion as to how to respond to members and the need to join other organizations to formulate a strong message. A number of strategies were discussed and the Committee encouraged discussion and formulation of other strategies over the next few months.

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

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "William E. Mabe".

Mr. William E. Mabe
Secretary, Board of Trustees

WEM:ssr