



## **MINUTES**

**Meeting of the Administration Committee  
of the Board of Trustees of the  
State Universities Retirement System  
9:00 a.m., Thursday, December 11, 2014  
The Northern Trust  
50 South LaSalle Street, Global Conference Center  
Chicago, Illinois 60603**

The following Trustees were present: Mr. Antonio Vasquez, Chair; Ms. Lindsay Anderson, Dr. John Engstrom, Mr. Richard Figueroa, Mr. Paul R. T. Johnson Jr., Mr. Andrew Matthews, Mr. Craig McCrohon; Mr. Peter Newell and Mr. Mitchell Vogel.

Others present: Mr. William Mabe, Executive Director; Mr. Michael Weinstein, General Counsel; Mr. Daniel Allen, Chief Investment Officer; Mr. Douglas Wesley, Deputy Chief Investment Officer; Ms. Kimberly Pollitt and Mr. Joseph Duncan, Senior Investment Officers; Mr. Alex Ramos and Mr. Shane Willoughby, Investment Officers; Ms. Phyllis Walker, Chief Financial Officer; Mr. Steve Hayward, Director of Internal Audit; Ms. Marilyn Branson, Investment Governance and Compliance Officer; Ms. Lori Kern, Executive Assistant; Ms. Mary Pat Burns of Burke, Burns & Pinelli; Mr. Douglas Moseley, Ms. Kristin Finney-Cooke, Mr. Sean Ruhmann and Mr. Michael Yang of NEPC; Mr. Seungkoo Yoon and Mr. Bill Suh of the Northern Trust Company.

Administration Committee roll call attendance was taken. Trustee Berger, absent; Trustee Engstrom, present; Trustee Figueroa, present; Trustee Matthews, present; Trustee Miller, absent; Trustee Newell, present; Trustee Vasquez, present.

## **APPROVAL OF MINUTES**

Trustee Antonio Vasquez presented the Minutes from the Administration Committee meeting of September 19, 2014. Trustee Andrew Matthews made the following motion:

- That the Minutes from the September 19, 2014 Administration Committee meeting be approved, as presented.

Trustee Richard Figueroa seconded and the motion carried with all Trustees present voting in favor.

Trustee Vasquez presented the Minutes from the Administration Committee meeting of October 30, 2014. Trustee Matthews made the following motion:

- That the Minutes from the October 30, 2014 Administration Committee meeting be approved, as presented.

Trustee Paul R. T. Johnson Jr. seconded and the motion carried with all Trustees present voting in favor.

### **APPROVAL OF THE CLOSED SESSION MINUTES**

Trustee Vasquez then presented the closed session Minutes from the Administration Committee meeting of September 19, 2014 and Trustee Matthews moved that:

- The closed session minutes from September 19, 2014 Administration Committee meeting be approved and opened.

Trustee Figueroa seconded and the motion carried with all Trustees present voting in favor.

### **SEMI-ANNUAL REVIEW OF CLOSED SESSION MINUTES**

Trustee Vasquez then presented the semi-annual review of the closed session Minutes from the Personnel & Resource Committee meetings of March 21, 2014, and June 12, 2014.

Trustee Figueroa moved that:

- The closed session Minutes from March 21, 2014 be opened.
- The closed session Minutes from June 12, 2014 be opened.

Trustee Peter Newell seconded and the motion carried with all Trustees present voting in favor.

### **CHAIRPERSON'S REPORT**

In the interest of time, Trustee Vasquez deferred the Chairperson's Report.

### **REVIEW AND RECEIPT OF THE FISCAL YEAR 2014 ACTUARIAL VALUATION REPORT**

Ms. Phyllis Walker introduced Ms. Leslie Thompson, Ms. Amy Williams and Ms. Kristen Brundirks of Gabriel Roeder Smith & Company (GRS). GRS presented the Fiscal Year 2014 Actuarial Valuation Report. Ms. Thompson noted that in October they discussed the preliminary valuation. Then she proceeded to discuss the recommendations from the state actuary audit completed by Cheiron. In this audit, Cheiron recommended that SURS conduct an actuarial audit. Ms. Walker noted that we had previously provided a copy of the 2012 Actuarial Audit Report to Cheiron.

Cheiron recommended a concept of using a conservative approach to assumption recommendations. A concern was expressed by GRS in being conservative due to funding methods, which are out of SURS control. Mr. Mabe expressed concern with the tone of the report and Trustee John Engstrom agreed that SURS' response should be worded appropriately. Mr. Mabe will work with legal counsel and GRS on a formal response to Cheiron. Discussion continued regarding demographic assumptions and ranges. Ms. Thompson noted that GRS will be making a presentation at the February Investment Committee meeting on the mortality assumption recommendation.

Ms. Williams presented the valuation results for the year, including the funding ratio, which takes into account actuarial smooth value of assets. Ms. Williams also discussed the statutory contribution amounts, and projections based upon questions from the last meeting on how SURS is expected to get from current funding to the 90% funding level. Ms. Williams noted that demographic risk will impact the funding ratio.

Trustee Mitch Vogel moved:

- That the Fiscal Year 2014 Actuarial Valuation Report be received and filed.
- That the Cheiron preliminary Report regarding review of assumptions and methods used in the June 30, 2014 Actuarial Valuation be received and filed.
- That the Board certify to the Governor and the General Assembly the required net State contribution for Fiscal Year 2016 in the amount of \$1,601,480,000 based upon the Fiscal Year 2014 Actuarial Valuation Report conducted by Gabriel Roeder Smith & Company.

Trustee Engstrom seconded and the motion carried with all Trustees present voting in favor except for Trustee Craig McCrohon who opposed.

Copies of staff memorandums, "State Actuary Preliminary Report - Cheiron," and "Fiscal year 2014 Actuarial Valuation Report," are incorporated as part of these Minutes as [Exhibit 1](#) and [Exhibit 2](#). Copies of the GRS presentation "June 30, 2014 Valuation Results," and the "Actuarial Valuation Report as of June 30, 2014," are incorporated as part of these Minutes as [Exhibit 3](#) and [Exhibit 4](#).

#### **APPROVAL OF FISCAL YEAR 2016 RECOMMENDATION FOR NORMAL COST RATE AND EFFECTIVE RATE OF INTEREST**

Ms. Walker presented the Fiscal Year 2016 recommendation for normal cost rate, noting that the administrative expenses component of the normal cost has not changed much from year to year. However, the current change is mostly due to the interest rate assumption change. Ms. Walker remarked that the cost of the automatic annual increase is approximately 3.65% of pay.

Mr. Dan Allen presented the effective rate of interest (ERI) recommendation. He remarked that the recommended ERI is appropriate and conservative in nature.

Trustee Matthews moved:

- That the Employer Normal Cost Rate of 12.69% be approved for Fiscal Year 2016.

Trustee Vasquez seconded and the motion carried with all Trustees present voting in favor.

Trustee Vogel moved:

- That the Effective Rate of Interest remain at 7.0% for Fiscal Year 2016, to be used for all purposes other than the Rule 2 (money purchase) calculation.

Trustee Matthews seconded and the motion carried with all Trustees present voting in favor.

Copies of staff memorandums, “Normal Cost Recommendation,” and the GRS memorandum, “Breakdown of Normal cost for FY 2015-2016,” are incorporated as part of these Minutes as [Exhibit 5](#) and [Exhibit 6](#). Copies of staff memorandums, “Effective Rate of Interest Recommendation – Fiscal Year 2016,” and “Effective Rate of Interest Recommendation – Fiscal Year 2016,” are incorporated as part of these Minutes as [Exhibit 7](#) and [Exhibit 8](#).

#### **CERTIFICATION OF UNCOLLECTIBLE OVERPAYMENTS**

Ms. Walker presented the certification of uncollectible overpayments, noting that in 2008, JCAR established procedures for SURS to recover overpayments. Discussion was held on the process, suggested improvements for collecting overpayments, and the working with the Attorney General’s Office to refer cases for collection. The Board noted that they were impressed with the level of overpayments that SURS is able to collect. The Committee expressed interest in finding out how SURS compares to other retirement systems in Illinois on recovery efforts, results and amounts collected or not collected.

Trustee Johnson moved:

- That the benefit overpayments presented by Staff be certified as uncollectible in accordance with 80 Ill. Adm. Code §1600.450.

Trustee Newell seconded and the motion carried with all Trustees present voting in favor.

Copies of staff memorandums, “Certification of Write-off of Benefit Overpayments,” and “Benefit Overpayment Collection Processing Improvements,” are incorporated as part of these Minutes as [Exhibit 9](#) and [Exhibit 10](#).

#### **INFORMATIONAL ITEMS NOT REQUIRING COMMITTEE ACTION**

The following items were provided for reference and are incorporated as a part of these Minutes:

1. [Exhibit 11](#) - GRS Money Purchase Benefit Comparison.
2. [Exhibit 12](#) - GRS NewsScan from November 20, 2014.
3. [Exhibit 13](#) - GRS memorandum to SURS and Cheiron entitled “Stress Testing Scenario Based on Actuarial valuation Results as of June 30, 2014.”
4. [Exhibit 14](#) - COGFA Newsletter - November 2014.
5. [Exhibit 15](#) - Fiscal Years 2015-16 Summary Work Plan Administration Committee Schedule.

### **PUBLIC COMMENT**

There were no public comments presented to the Administration Committee.

Since there was no further business before the Committee, Trustee Vogel moved that the meeting be adjourned. The motion was seconded by Trustee Johnson and carried with all Trustees present voting in favor.

Respectfully submitted,

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

Mr. William E. Mabe  
Secretary, Board of Trustees

WEM:lk