



MINUTES

**Meeting of the Administration Committee
of the Board of Trustees of the
State Universities Retirement System
8:30 a.m., Thursday, February 5, 2015
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, Trustee Dennis Cullen (via Conference Call), Dr. John Engstrom, Mr. Richard Figueroa, Mr. Paul R. T. Johnson Jr., Mr. Andrew Matthews, Ms. Dorinda Miller, Mr. Craig McCrohon 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. Brenda Dunn, Director of Human Resources; Ms. Kristen Houch, Legislative Liaison; Ms. Lori Kern, Executive Assistant; Ms. Mary Pat Burns of Burke, Burns & Pinelli; Mr. Douglas Moseley, Ms. Kristin Finney-Cooke and Mr. Kevin Leonard of NEPC; Ms. Leslie Thompson, Ms. Kristen Brundirks and Mr. Lance Weiss of Gabriel Roeder Smith & Company; Ms. Patti Somerville-Koulouris of the Northern Trust Company; Mr. Mark Levine of the Illinois State Board of Investment.

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

At this point, Trustee Lindsay Anderson requested a motion to permit Trustee Berger and Trustee Cullen, who were unable to physically attend the meeting, to join the meeting by conference call in pursuant to Section 7(c) of the Open Meetings Act.

Trustee John Engstrom made the following motion:

- That Trustee Berger and Trustee Cullen be allowed to participate via conference call for all meetings on Thursday, February 5, 2015 and Friday, February 6, 2015, pursuant to Section 7(c) of the Open Meetings Act.

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

Thereafter, Trustee Cullen joined the meeting via conference call.

CHAIRPERSON'S REPORT

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

Trustee Mitchell Vogel joined the meeting at 8:45 a.m.

REVIEW AND RECEIPT OF THE FISCAL YEAR 2014 EXPERIENCE STUDY

Ms. Phyllis Walker introduced Ms. Leslie Thompson, Ms. Kristen Brundirks and Mr. Lance Weiss of Gabriel Roeder Smith & Company (GRS). GRS then presented the Fiscal Year 2014 Experience Study. Mr. Weiss remarked that the purpose of the experience study is to examine actual experience of the plan and compare the actual experience to the assumptions to make sure the assumptions are appropriate and then recommendations are made for the actuarial assumptions to be used in the upcoming actuarial valuation. He explained that the study looks at two primary areas of assumptions which are economic assumptions and demographic assumptions. Mr. Weiss summarized the demographic and economic findings and then discussed their recommendations as a result of the experience study.

Mr. Weiss then reviewed the financial impact of implementing the recommended assumptions noting that it is fairly minimal due to offsetting nature of the changes. Mr. Weiss summarized the impact of recommended assumptions using the liability broken out by active members and retirees. He further stated that the real difference is shown with the liability of the retirees due to improved mortality rates. He also confirmed the net impact to the plan will be more money going into the plan which will increase and improve the funded status of the plan.

Ms. Thompson reflected on the state actuary report wherein they recommended choosing assumptions on the conservative side. She assured the Board that the recommended direction towards a two-dimensional generational mortality is conservative, with the theory that the mechanism built in automatically changes with generations. She also briefly reviewed the different areas within the plan administration wherein the factors will need to be updated to reflect new interest rate and mortality assumptions. Discussion continued in respect to the money purchase conversion factors which are needed since the prescribed rate (investment return assumption) and mortality assumptions have been revised. Concern was raised about whether or not this was enough time to educate the members. Ms. Walker assured the committee that after discussions with staff, she is confident that the implementation date of

January 4, 2016 provides adequate time to educate members and allow them to make knowledgeable decisions. She further remarked that staff is fully prepared to incorporate the new factors into future retirement projections later this month. Trustee Engstrom commended the staff for their efforts and stated that this gives him great comfort in knowing that the members will hear about this and have plenty of time to make their decisions.

Ms. Walker remarked that in the past, we have focused on “head count” in terms of SMP participation and the GRS chart refers to payroll which is slightly different. SURS performed calculations in house and found that there are approximately 20,000 tier II people, of those tier II individuals, there were 4,400 that elected SMP. We further narrowed the query and found that 571 people exceeded the tier II cap and approximately 400 of those individuals chose SMP. This information supports the fact that the people that are tier II and are exceeding the limit, are choosing to maximize their benefit by electing SMP.

Ms. Walker then proposed that the Board receive and file the June 30, 2010 – June 30, 2014, Actuarial Experience Study report and also approve the assumptions as a result thereof.

Trustee Richard Figueroa moved:

- That the June 30, 2010 – June 30, 2014, Actuarial Experience Study report be received and filed.
- That the economic and demographic assumptions as stated in the Fiscal year 2010 – 2014 Actuarial Experience Study be approved for use effective in the June 30, 2015, Actuarial Valuation.

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

Copies of the staff memorandums “Fiscal Year 2010 – Fiscal Year 2014 Actuarial Experience Study Report” and “Summary of the Fiscal Year 2010 – Fiscal Year 2014 Actuarial Experience Study Results” are incorporated as part of these Minutes as [Exhibit 1](#) and [Exhibit 2](#). Copies of the GRS presentation “2014 Experience Review Covering the Period June 30, 2010 to June 20, 2014” and the “2015 Experience Review” are incorporated as a part of these Minutes as [Exhibit 3](#) and [Exhibit 4](#).

REVIEW AND RECEIPT OF THE SMP DISABILITY STUDY

Ms. Thompson provided the results of the Self-Managed Plan (SMP) Disability Benefits Valuation and recommendations for rate change. Ms. Thompson noted that based on the SMP disability plans favorable actuarial experience, it is in a position to reduce the contribution rate. GRS recommends decreasing the current SMP disability contribution rate from 0.40 percent of pay to 0.30 percent of pay, with reviews to be conducted routinely.

Trustee Mitch Vogel moved:

- That the June 30, 2014, Self-Managed Plan Disability Study be received and filed.

- That the Self-Managed Plan Disability Contribution Rate of 0.30% be approved for Fiscal Year 2016 (beginning July 1, 2015) and Fiscal Years following.

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

Copies of staff memorandum entitled “Self-Managed Plan Disability Study Report and Contribution Rate” and the GRS letter dated January 8, 2015, entitled “Valuation of SMP Disability Benefits and Recommendation for Rate Change” with supporting documentation are incorporated as part of these Minutes as [Exhibit 5](#) and [Exhibit 6](#).

INFORMATIONAL ITEMS NOT REQUIRING COMMITTEE ACTION

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

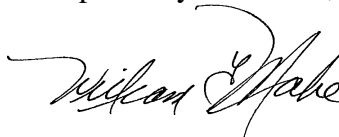
1. [Exhibit 7](#) - GRS *News Scan* publication dated January 9, 2015
2. [Exhibit 8](#) - GRS *Perspectives* publication dated December 2014
3. [Exhibit 9](#) - Copy of staff memorandum “Money Purchase Factor Change Education”
4. [Exhibit 10](#) - Copy of staff memorandum “History of the Implementation of the Money Purchase Factors”
5. [Exhibit 11](#) - Copy of “CalSTRS 2014 Funding Plan – Overview of AB 1469”
6. [Exhibit 12](#) - “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 Miller moved that the meeting be adjourned. The motion was seconded by Trustee Figueroa and carried with all Trustees present voting in favor.

Respectfully submitted,



Mr. William E. Mabe
Secretary, Board of Trustees

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