



MINUTES

**Meeting of the Governmental Affairs Committee
of the Board of Trustees of the
State Universities Retirement System
12:00 p.m., February 6, 2014
Chicago Board Options Exchange
The Options Institute
400 South LaSalle St.
Chicago, Illinois 60605**

The following Trustees were present: Ms. Lindsay Anderson, Chair; Ms. Jacqueline Berger, Dr. John Engstrom, Mr. Paul R. T. Johnson Jr., Mr. Andrew Matthews, Mr. Craig McCrohon, Ms. Dorinda Miller and Mr. Mitchell Vogel.

The following Trustees were absent: Mr. Richard Figueroa and Mr. Antonio Vasquez.

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. Phyllis Walker, Chief Financial Officer; Mr. Steve Hayward, Director of Internal Audit; Mr. Albert Lee, Associate General Counsel; Ms. Kimberly Pollitt and Mr. Joseph Duncan, Senior Investment Officers; Ms. Lou Ann Fillingham, Investment Officer; Ms. Marilyn Branson, Investment Governance and Compliance Officer; Mr. Jeffrey Houch, Legislative Liaison; Ms. Karen Hipskind, Executive Assistant; Ms. Mary Pat Burns of Burke, Burns & Pinelli; Mr. Douglas Moseley, Mr. Kevin Leonard and Ms. Kristin Finney-Cooke of NEPC; Ms. Patti Somerville-Koulouris and Ms. Cristina Ilyes of the Northern Trust Company; Mr. Matt Moran of CBOE; Ms. Sharon Piet of Podesta & Co.; Ms. Lari Dierks of Speaker Michael Madigan's staff; Mr. Keith Lathan of Williams Capital; Mr. Michael Travaglini of Grosvenor Capital Management; and Ms. Lennine Occhino of Mayer Brown.

Governmental Affairs Committee roll call attendance was taken. Trustee Anderson, present; Trustee Matthews, present; Trustee McCrohon, present.

CHAIRPERSON'S REPORT

Trustee Anderson indicated that there is no Chairperson report at this time.

LEGISLATIVE UPDATE

Mr. Weinstein introduced Mr. Jeff Houch and asked him to give the Committee a brief Legislative Update. Mr. Houch directed the Committee to his Legislative Summary of Public Act 98-0599 (SB 1) dated February 6, 2014, which includes the financial impact that this Bill has on SURS. Mr. Houch pointed out that this impact was on SURS only and, as the report states, it is anticipated that this Bill will save SURS a little over \$29 billion over the next 30 years. At this time, it is not known what the total impact this Bill will have on all systems; however, it is anticipated to be approximately \$145 billion over the next 30 years.

Copies of Mr. Houch's complete Legislative Summary dated February 6, 2014, and the presentation from GRS on the Impact of Pension Reform are incorporated as part of these Minutes as [Exhibit 1](#) and [Exhibit 2](#).

Mr. Houch informed the Committee that there are some issues associated with SB 1 that do not reflect the legislative sponsors' intent but perhaps, a trailer bill this spring might correct these issues. In order to ease administrative burdens on SURS, there are several items that SURS would like to see clarified in a trailer bill. This is going to be one of the most challenging plan design changes ever encountered by SURS and it is further complicated by pending litigation. Mr. Houch directed Trustees to a memo highlighting three states that are further along in this process than is SURS. In every situation, those systems have moved forward in implementing the plan design, as altered by pension reform. Mr. Houch stated that it is SURS plan is to move forward in implementing the changes required by SB 1 as most changes take effect June and July 2014.

Michael Weinstein gave an update on the status of the four lawsuits that have been filed, as of January 28, 2014, in response to Public Act 98-0599. Three of the lawsuits have been filed in Sangamon County; one has been filed in Cook County and only two of the four filed to date involves SURS members. The Attorney General's office has filed a Motion to Consolidate all four cases in Cook County; however, the Plaintiffs have filed objections to consolidating the cases in Cook County. We are currently awaiting a decision by the Illinois Supreme Court on the Attorney General's Motion.

A copy of the staff memorandum regarding "Lawsuits related to pension reform enacted by Arizona, Colorado and Rhode Island" is incorporated as part of these Minutes as [Exhibit 3](#).

Mr. Weinstein reported that after SB 1 was passed, SURS created an ad hoc committee to implement the Bill. After significant review, staff identified several issues that we believe would be appropriate to address in the form of a technical corrections bill. Mr. Weinstein then asked Mr. Albert Lee, Associate General Counsel, to discuss the proposed technical corrections. Mr. Lee outlined the proposed improvements that would be brought forward by this trailer bill, noting that they are significant changes, especially at the staff level.

Trustee McCrohon inquired as to whether or not the proposed technical corrections are being coordinated with other plans. Mr. Houch replied that conversations have occurred with other systems and they would concur that harmonizing the effective date of July 1, 2014, and

obtaining an effective lead time, would be beneficial. These proposed changes are the core issues that SURS would like to see addressed in a trailer bill and it has been the consensus that other systems impacted by these particular changes are in favor of them.

Trustee Engstrom moved that:

- The Board of Trustees approves the submission of a technical corrections bill, and that the SURS legislative team seeks passage of such bill during the upcoming spring 2014 legislative session.

Motion seconded by Trustee Craig McCrohon.

Before voting, Trustee Anderson asked if staff anticipates any substantive proposals by other systems or groups or will it be limited to the technical corrections presented. Mr. Houch replied that all systems have great concern with the optional defined contribution plan defined by SB 1. Mr. Houch believes there could be further legislation filed at some point to make changes to the optional defined contribution plan. Ms. Burns indicated that legislature may not entertain such changes to SB 1. Ms. Burns also noted that in recent conversations with the Attorney General's office, they have indicated that their best estimate is a two-year process before litigation is resolved.

Mr. Mabe also mentioned that SURS, along with other systems, have been in touch with the Illinois Attorney General's office about the implications of asking for a stay of execution, and how it would affect the administration of the plan. At this time, a stay of execution has not been requested by any of the parties to the lawsuits.

After discussion, all Trustees present voted in favor of Trustee Engstrom's earlier motion regarding the technical corrections bill.

Copies of staff memorandum entitled "Trailer Bill to Public Act 98-599" and the amendatory language are incorporated as part of these Minutes as [Exhibit 4](#) and [Exhibit 5](#).

Trustee Vogel indicated that he has serious concerns about SURS not asking for a stay of execution, as well as the potential liability issues for the Trustees regarding the pending lawsuits. Ms. Burns stated that the insurance company has been notified of pending claims. If the pension fund is not represented by the Attorney General's Office or if the Trustees decided that they wanted their own counsel, they could discuss that with the insurance company at that time. Mr. Mabe suggests that we wait until discussions regarding a stay have progressed and update the Board at that time. It is hard to determine at this time if a stay can be implemented into the entire bill, parts of the bill, or whether escrowing payments is even possible. Mr. Mabe proposed that the Board take a position after an update is received.

Trustee Anderson asked for clarification on the status of a stay by the Attorney General's office. Mr. Weinstein reported that there has not been a formal request for a stay of execution and the Attorney General has not taken a position, but indications are that the

Attorney General's office will not ask for a stay. Mr. Mabe indicated it would be best to wait to address the subject until more definitive information has been received.

Trustee Anderson indicated that there is still a lot that is unknown and she has concerns about going to the Attorney General and requesting a stay of execution. Ms. Anderson stated that SURS is still learning about the administrative challenges with respect to implementing changes and asked Mr. Mabe to speak in regards to the challenges the system is currently facing. Mr. Mabe pointed out that the more the system looks at this option, the more challenging it becomes. Mr. Mabe indicated the biggest challenge for most plans is paying members now and then having to go back and recoup benefits that were paid at a later time. In any event, SURS must be prepared and is planning to move forward and implement pension reform.

Trustee Vogel inquired as to if SURS will be able to implement the changes by July. Mr. Mabe indicated that for the most part, despite challenges, he feels that it is possible for SURS to implement the changes by July 1, 2014. Mr. Mabe informed the Committee that one of the biggest challenges faced by SURS is educating members in order for them to make the decision of whether or not they should retire.

Trustee Matthews expressed concern as to what type of fiduciary role the Trustees play with respect to filing a stay of execution. Mr. Burns suggested that the Committee continue this discussion in Closed Session.

CLOSED SESSION

Trustee Matthews moved that the Committee go into closed session under the Open Meetings Act to consider pending, probable or imminent litigation pursuant to §2(c)(11). Trustee Johnson seconded and motion carried in a roll call vote:

Trustee Anderson	aye
Trustee Berger	aye
Trustee Engstrom	aye
Trustee Figueroa	absent
Trustee Johnson	aye
Trustee Matthews	aye
Trustee McCrohon	aye
Trustee Miller	aye
Trustee Vasquez	absent
Trustee Vogel	aye

RETURN TO OPEN SESSION

The Governmental Affairs Committee resumed in open session.

Trustee Vogel made the following motion:

- The SURS Board of Trustees defer to the Executive Committee on the question of asking for a stay on Senate Bill 1.

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

Mr. Weinstein noted that the 'We Are One Coalition' Lawsuit, which was recently filed is provided for reference and is incorporated as part of these Minutes as [Exhibit 6](#).

PUBLIC COMMENT

There were no public comments presented to the Governmental Affairs Committee.

There being no further business to come before the Committee, Trustee Matthews moved that the meeting be adjourned. Motion seconded by Trustee McCrohon and carried.

Respectfully submitted,



Mr. William E. Mabe
Secretary, Board of Trustees

WEM:lk