



MINUTES

**Meeting of the Legal & Legislative Committee
of the Board of Trustees of the
State Universities Retirement System
9:30 a.m., Friday, June 13, 2014
The Northern Trust
50 South LaSalle, London Room B9
Chicago, Illinois 60603**

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

Others present: Mr. William Mabe, Executive Director; Mr. Michael B. Weinstein, General Counsel; Mr. Albert J. Lee, Associate General Counsel; Mr. Jeff Houch, Legislative Liaison; Mr. Daniel Allen, Chief Investment Officer; Mr. Steve Hayward, Director of Internal Audit; Mr. Chris Hansen, Director of Operations; Ms. Lori Kern, Executive Assistant; Ms. Mary Pat Burns of Burke, Burns & Pinelli; Ms. Patti Somerville-Koulouris of the Northern Trust Company; Mr. Steve Zahn of Governmental Consulting; Ms. Janet Jones of Janet Jones Consulting; Mr. John Shuler of SURSMAC; and Ms. Linda Brookhart of SUAA.

Legal and Legislative Committee roll call attendance was taken. Trustee Anderson, present; Trustee Matthews, present; Trustee McCrohon, present.

APPROVAL OF MINUTES

Trustee Lindsay Anderson presented the Minutes from the Governmental Affairs Committee meeting of March 21, 2014. Trustee Craig McCrohon moved that:

- The Minutes from the March 21, 2014, Governmental Affairs Committee Meeting be approved as presented.

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

Trustee Anderson then presented the semi-annual review of the closed session Minutes from the Governmental Affairs Committee meeting of February 6, 2014. Trustee Matthews moved that:

- The closed session Minutes from February 6, 2014, remain closed.

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

CHAIRPERSON'S REPORT

Trustee Anderson remarked that she did not have a chair report at this time.

RULEMAKING

Mr. Michael Weinstein provided the Committee with the current Rulemaking status. The Joint Committee on Administrative Rules will be meeting on June 17, 2014, and will review two proposed sets of group rules for SURS (in addition to the Emergency Rule, noted below). The proposed rules include changes to the Freedom of Information Act, severance payments, definition of sick leave, beneficiary designations; final rate of earnings, interest accrual on overpayments; procurement threshold amounts and Board election rule changes.

On May 8, 2014, the Executive Committee approved an Emergency Rule concerning the calculation of money purchase annuities under Public Act 98-599. The rule was published in the Illinois Register on May 23, 2014. However, due to the court stay issued in the pension reform litigation, SURS has elected not to proceed with submitting this rule as a permanent rule at this time.

Mr. Weinstein then informed the Board that SURS is required to adopt a Regulatory Agenda for Administrative Rules every six months. The proposed Regulatory Agenda for July 2014 was then presented.

Trustee McCrohon moved that:

- The July 2014 Regulatory Agenda be approved as presented.

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

A copy of the staff memorandum entitled "Rulemaking Update and Proposed July 2014 Regulatory Agenda" are incorporated as a part of these Minutes as [Exhibit 1](#) and [Exhibit 2](#).

LEGISLATIVE AND PENSION REFORM UPDATE

Mr. Weinstein introduced Mr. Jeff Houch, Mr. Steve Zahn and Ms. Janet Jones.

Mr. Houch noted that HB 6096, which is SURS' Fiscal Year 2015 Contribution appropriation bill, passed the house on May 27, 2014, and passed the Senate on May 30, 2014. HB 6096 appropriates to SURS \$1,544,200,000 for fiscal year 2015. In addition, \$4,459,547 was

appropriated for the College Insurance Program (CIP) and represents the full fiscal year 2015 certified contribution to the CIP.

Mr. Houch also discussed SB 452, which addresses disclosure of information to retirement systems for contractual services. This proposed bill provides that beginning January 1, 2015, no contract for investment or consulting services or commitment to a private market fund shall be awarded by a retirement system unless such entity discloses the number and percentage of senior staff who are minority, female, or disabled; the number of contracts for services that the applying entity has with a minority owned business, female owned business, or business owned by a person with a disability; and the number of contracts for services that the applying entity has with business other than a minority owned business, female owned business, business owned by a person with a disability, and if more than 50% of the services under that contract are performed by a minority person, a female, or a person with a disability.

Mr. Zahn discussed the upcoming fall elections, the budget process and the expiration of the income tax on January 1st. Mr. Zahn noted that his firm continues to keep an eye on these issues, along with the pension reform litigation on behalf of SURS.

A complete summary of Mr. Houch's "Legislative Update" is incorporated as a part of these Minutes as [Exhibit 3](#).

Mr. Weinstein and Ms. Mary Patricia Burns discussed the status of the Pension Reform litigation noting that a fifth case was consolidated in Sangamon County with the other four cases. On May 14, 2014, there was a court hearing and a stay was issued. On May 15, 2014, the Attorney General filed their answers to the complaints and a court hearing was held on May 22, 2014. At that time, the court ordered that the plaintiffs file a motion for class certification. It is clear that the Judge would like to move the case along. The class certification filing was due on June 11, 2014. On June 24, 2014, the defendants can file a response. The next status hearing is scheduled for June 26, 2014. Mr. Weinstein noted that SURS remains in constant contact with the Attorney General's office concerning this case.

Mr. Weinstein and Ms. Burns also expressed some concerns with SURS being represented by the Attorney General's office in all litigation matters. The Attorney General's office feels that external counsel who monitors SURS' investments should continue to bring cases to SURS. SURS will forward those cases to the Attorney General and they will then make a recommendation as to how SURS should proceed. However, Ms. Burns remarked that the issue that needs to be addressed is how the Board wants to handle this if there is a need for SURS to be involved as lead plaintiff in a domestic or foreign securities litigation case when the Attorney General's office may feel that SURS should not become a lead plaintiff. Mr. Weinstein noted that the Attorney General's office will make recommendations; however, it is up to the Board as to whether or not they choose to follow those recommendations. Ms. Burns reported that there appears to be some confusion with the Attorney General's office in regards to SURS being a state agency. Ms. Burns remarked that SURS is not a state agency, further noting that this is a fundamental principle that flows through the Pension Code. Ms. Burns will reach out to Speaker Madigan's Chief Legal Counsel regarding this issue;

however, she also recommends that SURS consider a legislative clarification regarding this issue.

STATUS OF LOBBYIST RFP

Mr. Weinstein provided a status update on the Outside Legislative Liaison Search reporting that an RFP was issued on April 4, 2014, and the response deadline has been extended to June 16, 2014. Ms. Burns noted that Mr. Zahn's and Ms. Jones' contract expires June 30, 2014, and SURS could be left without outside legislative liaison services. Discussion followed. It was suggested that SURS extend the contracts on a month-by-month basis through the September meeting, in order to allow the search to be completed and the Board of Trustees an opportunity to make a decision regarding outside legislative liaison services.

Trustee John Engstrom moved that:

- The contracts for Mr. Zahn and Ms. Jones that are currently in place be extended on a month-by month basis through the September 2014 meeting.

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

A copy of the staff memorandum entitled "Status Update of Outside Legislative Liaison Search" is incorporated as a part of these Minutes as [Exhibit 4](#).

PUBLIC COMMENT

SUAA and SURSMAC presented to the Board during the public comment portion of the Legal and Legislative Committee.

Mr. Shuler and Ms. Brookhart acknowledged and expressed their gratitude to the entire SURS staff for their dedication and hard work in communicating to the SURS membership during pension reform.

Trustee Engstrom acknowledged SUAA for their continued efforts during the lawsuit process.

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

Respectfully submitted,



Mr. William E. Mabe
Secretary, Board of Trustees

WEM:lk