



MINUTES

**Meeting of the Governmental Affairs Committee
of the Board of Trustees of the
State Universities Retirement System
11:00 a.m., March 21, 2014
State Universities Retirement System
1901 Fox Drive, Main Conference Room
Champaign, Illinois 61820**

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

The following Trustees were absent: Ms. Jacqueline Berger, Mr. Richard Figueroa and Mr. Mitchell Vogel.

Others present: Mr. William Mabe, Executive Director; Mr. Michael Weinstein, General Counsel; Mr. Daniel Allen, Chief Investment Officer; Ms. Phyllis Walker, Chief Financial Officer; Mr. Steve Hayward, Director of Internal Audit; Mr. Albert Lee, Associate General Counsel; Mr. Jeff Houch and Mr. Steve Zahn, Legislative Liaisons; Ms. Beth Spencer, Communications Manager; Ms. Angela Lieb, Director of Member Services; Ms. Pamela Butler, Director of Outreach; Mr. Chris Hansen, Director of Operations; Mr. Doug Steele, Director of Application Development/Research; Ms. Brenda Dunn, Director of Human Resources; Ms. Lori Kern and Ms. Karen Hipskind, Executive Assistants; Ms. Mary Pat Burns of Burke, Burns & Pinelli; and Ms. Patti Summerville of Northern Trust.

Governmental Affairs 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 meetings of December 12, 2013 and February 6, 2013. Trustee Craig McCrohon moved:

- That the Minutes from the December 12, 2013 Governmental Affairs Committee meeting be approved as presented.
- That the Minutes from the February 6, 2013 Governmental Affairs Committee meeting be approved as presented.

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

Trustee Lindsay Anderson presented the Closed Session Minutes from the Governmental Affairs Committee meeting of February 6, 2013. Trustee Craig McCrohon moved:

- That the Minutes from the February 6, 2013 Closed Governmental Affairs Committee meeting be approved and remain closed.

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

CHAIRPERSON'S REPORT

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

LEGISLATIVE UPDATE AND LEGISLATIVE EVENT

Mr. Houch and Mr. Zahn updated the Governmental Affairs Committee and Trustees present on the most recent legislative update and highlighted the following proposed bills:

Senate Bill 3486 includes language concerning Senate confirmation for the following staff at all retirement systems: Executive Director, Chief Investment Officer, and Chief Financial Officer. This bill proposes that effective January 1, 2015, every person appointed as executive director, chief investment officer, or chief financial officer or an equivalent position shall be subject to Senate confirmation and shall be appointed to serve for a term of no more than four years.

Senate Bill 3486 also codifies goals for asset classes managed by minority and female investment firms, establishes goals for the retirement systems utilization of Illinois based minority-owned and female-owned businesses, along with minority and female business inclusion training for Illinois retirement systems.

House Bill 5816, which amends the general provisions of the Illinois Pension Code by providing that if a member of a retirement system is convicted of certain crimes, then the retirement annuity payment, is forfeited. Such crimes shall include the following: intimidation of a public official, official misconduct, bribery, kickbacks, deception related to certification of disadvantaged business enterprises, and theft of governmental property. HB 5816 also provides that if a member of a retirement system is convicted of a felony, then his or her pension is to be suspended for the length of that member's incarceration, but shall be reinstated upon the conclusion of that incarceration period.

Senate Bill 2887 has been introduced and would provide further flexibility on the return to work/affected annuitant bill that was created in 2012. SB 2887 would exempt annuitants earning less than \$10,000 annually from the provisions of the return to work bill.

A complete summary of Mr. Houch's "Legislative Update" is incorporated as a part of these Minutes as [Exhibit 1](#).

Mr. Houch updated the Governmental Affairs Committee and Trustees present on the Legislative Event which is scheduled for April 1, 2014, from 5:00 p.m. to 7:00 p.m. at the Sangamo Club in Springfield, Illinois. SURS is co-hosting this event, which is being sponsored by SUAA. Ms. Lori Kern can assist Trustees with any travel arrangements that are needed. Chairperson Anderson and Trustee Engstrom encouraged Trustees to attend if their schedules permit.

Mr. Zahn updated the Governmental Affairs Committee and Trustees present on the status of the technical corrections trailer legislation, which relates to the money purchase minimum provision of the pension reform legislation passed in December 2013.

RULEMAKING UPDATE

Proposed Trustee Election Rule

Mr. Hayward and Mr. Weinstein presented the proposed Trustee Election Rule noting that since the Board indicated a desire to allow for other voting options, SURS drafted changes to the Election Administrative Rules to guide and control these new voting methods. Mr. Hayward then presented the highlights of the changes which include the authority and timeline, the electronic voting process, and the advantages of electronic voting.

A copy of the staff memorandum entitled "Trustee Election Administrative Rule Changes" and a red-line version of the proposed changes are incorporated at part of these Minutes as [Exhibit 2](#) and [Exhibit 3](#).

Trustee Matthews moved:

- That the Board approves the proposed draft rulemaking allowing for electronic voting in Trustee Elections, substantially in the form presented.

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

Proposed Rule Amendments

Mr. Lee presented two proposed rule amendments. One amendment pertains to the Annualized Earnings Rule and the second amendment pertains to the Procurement Rule.

Mr. Lee reported that the proposed rule for the Annualized Earnings Rule is expected to attract the attention of many SURS members and reminded the Governmental Affairs Committee and Trustees present that if they receive any feedback on the rule during the First Notice Period (or any pending rule), they should report the feedback as "ex-parte

communication” and forward that to SURS General Counsel, Mr. Weinstein. Mr. Weinstein has to report those comments to the Executive Ethics Commission on behalf of SURS.

Trustee McCrohon moved:

- That the Board approve the proposed draft rulemaking defining the phrase “annualized rate of earnings” substantially in the form presented.

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

A copy of the staff memorandum entitled “Proposed Rule Defining Annualized Rate of Earnings under P.A. 98-599 is incorporated at part of these Minutes as [Exhibit 4](#).

Mr. Lee then presented the draft proposed rulemaking concerning procurement. Although SURS is not subject to the Illinois Procurement Code, SURS is recommending changes that will increase the small procurement threshold and contract requirement limits to be increased to stay in line with procurement law and policies applicable to other Illinois state agencies, particularly those involving institutions of higher education.

Trustee McCrohon moved:

- That the Board approve the proposed draft rulemaking increasing the small procurement and contract requirement limits to \$50,000 and \$25,000, respectively, substantially in the form presented.

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

A copy of the staff memorandum entitled “Proposed Rulemakings – Procurement Rule, 80 Ill. Adm. Code §1600.130” is incorporated as a part of these Minutes as [Exhibit 5](#).

Mr. Lee updated the Governmental Affairs Committee and Trustees present on the status of current pending rules noting that the Administrative Hearing Rule was approved on February 11, 2014, and the rulemakings approved by the Board in December 2013 are under the First Notice Period with the Secretary of State’s office.

STATUS OF EXTERNAL LOBBYIST RFP

Mr. Weinstein reported that the current consulting agreements with our external lobbyists expire June 30, 2014. SURS will be issuing a Request for Proposals (RFP) in the near future. It is expected that the process would be completed in time for a selection to be made at the June 2014 Board Meeting. Mr. Weinstein noted that now that SURS employs a full-time, in-house Legislative Liaison, the Board may want to consider reviewing the type of legislative services currently being provided. Mr. Weinstein noted that there are three options:

1. Continue the current practice of employing two outside firms, chosen after a Request for Proposal (RFP) process;
2. Employ only one outside firm, chosen after a RFP process; or
3. Employ no outside firms and instead rely upon the SURS Executive Director and internal Legislative Liaison.

Discussion ensued about the current method of legislative liaison services being provided and Mr. Weinstein assured the Committee that he would be looking to them for guidance at the June meeting.

A copy of the staff memorandum entitled "RFP for Outside Legislative Liaison Services" is incorporated into these Minutes as [Exhibit 6](#).

INFORMATIONAL ITEMS NOT REQUIRING COMMITTEE ACTION

Mr. Weinstein reported that the Annual Statement of Economic Interest forms were recently mailed to all Board Members and reminded the Committee that all forms must be completed and returned to SURS for review by General Counsel. The forms should be mailed to Ms. Lori Kern at SURS. Ms. Kern will then forward them to the Office of the Secretary of State.

Mr. Weinstein also noted that the Annual Ethics Training Materials have been distributed to the Board of Trustees. All Board Members need to complete the training course and sign the last page of the document acknowledging that they have read and understood its content. The signed "Acknowledgement of Participation in 2014 Ethics Training for Appointees to State of Illinois Boards" form should be submitted to Ms. Kern at their earliest convenience.

PUBLIC COMMENT

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

ADJOURN

There being no further business to come before the Committee, Trustee McCrohon moved that the meeting be adjourned. This 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