



## **MINUTES**

**Meeting of the Legal & Legislative Committee of  
the Board of Trustees of the  
State Universities Retirement System  
8 : 3 0 a .m., Friday, March 11, 2016**

**State Universities Retirement System  
1901 Fox Drive  
Main Conference Room  
Champaign, Illinois**

The following Trustees were present: Mr. Tom Cross, Chair; Mr. Aaron Ammons, Mr. Dennis Cullen (by conference call), Dr. John Engstrom, Dr. Fred Giertz, Mr. Francis Idehen Jr., Mr. Paul R.T. Johnson Jr., Mr. Craig McCrohon (by conference call), Ms. Dorinda Miller, Dr. Steven Rock, Mr. Antonio Vasquez (by conference call).

Others present: Mr. W. Bryan Lewis, Executive Director; Mr. Andrew Matthews, Chief Operating Officer; Ms. Phyllis Walker, Chief Financial Officer; Ms. Brenda Dunn, Director of Human Resources; Ms. Bianca Green, General Counsel; Mr. Albert Lee, Associate General Counsel; Mr. Steve Hayward, Director of Internal Audit; Mr. Doug Steele, Director of IT Applications; Mr. Chris Hansen, Director of Operations; Ms. Angie Lieb, Director of Member Services; Ms. Allison Kushner, Compliance and Governance Officer; Ms. Kristen Houch, Legislative Liaison; Ms. Lori Kern and Ms. Monique Cullotta, Executive Assistants; Ms. Mary Pat Burns of Burke, Burns & Pinelli; Ms. Linda Brookhart of State Universities Annuitants' Association; Lyndon Taylor, Renee Neri and Sally Beatty of Heidrick & Struggles (by conference call); Steve Zahn of Zahn Governmental Solutions; Janet Jones and Michael Lieteau of Janet Jones Consulting.

Legal & Legislative Committee roll call attendance was taken. Trustee Cross, present; Trustee Giertz, present; Trustee Rock, present.

Per the motion approved at the Investment Committee meeting on March 10, 2016, Trustees may be allowed to participate via conference call for all meetings on March 10, 2016 and March 11, 2016, pursuant to Section 7(c) of the Open Meetings Act.

## **APPROVAL OF MINUTES**

Trustee Tom Cross presented the Minutes from the Legal and Legislative Committee meeting of September 11, 2015, and Trustee Steven Rock made the following motion:

- That the Minutes from the December 11, 2015, Legal and Legislative Committee meeting be approved, as presented.

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

## **CHAIRPERSON'S REPORT**

Trustee Cross did not have a formal Chairperson's Report at this time.

### **LEGISLATIVE UPDATE, PENSION REFORM & LEGISLATIVE EVENT**

Ms. Kristen Houch, Mr. Steve Zahn of Zahn Governmental Solutions, and Ms. Janet Jones of Janet Jones Consulting provided the legislative update. They discussed the following topics with the SURS Board of Trustees:

- The status of the Fiscal Year 2016 and Fiscal Year 2017 budgets, including Senate Bill 2789, which allows the Governor to delay payments under statutory continuing appropriations, with the exception of debt service, for Fiscal Year 2016 and Fiscal Year 2017.
- Two pension reform concepts under consideration by the General Assembly: the offer and consideration proposal and the voluntary buyout proposal (contained in House Bill 4427 and House Bill 5625).
- House Bill 6030, which gives SURS access to information in the State Vital Records Database to help identify and stop payments to deceased members.

The recommendation was made that SURS support an amendment to House Bill 6030 giving the System access to all of the information in the State Vital Records Database to help alleviate a repeat audit finding, eliminate waste, fraud, and abuse, and enhance the efficient administration of the System.

- House Bill 4397, which prohibits unused sick and vacation time from counting in the calculation of pensions for individuals who first become participants of SURS on and after the effective date of the legislation.
- House Bill 4532, which codifies the default investment alternative under the Self-Managed Plan.
- Senate Bill 2156, which removes housing allowances, vehicle allowances, club memberships or dues, and bonuses from the calculation of pensions for individuals who first become participants of SURS on and after the effective date.

Details on the upcoming SURS/SUAA annual legislative outreach event and the status of a resolution commemorating SURS' 75<sup>th</sup> Anniversary (House Joint Resolution 137) were also provided.

Trustee Johnson made the following motion:

- That the SURS Board of Trustees directs the Legislative Team to oppose any legislation that would adversely affect the amount or timing of the annual State contribution to the System.

The motion was seconded by Trustee Vasquez with all trustees present voting in favor of the motion.

Additionally, Trustee Vasquez made the following motion:

- That the SURS Board of Trustees directs the Legislative Team to support House Bill 6030 to enhance the efficient administration of the System.

The motion was seconded by Trustee Johnson with all trustees present voting in favor of the motion.

## **RULEMAKING UPDATE**

General Counsel, Bianca Green and Associate General Counsel, Albert Lee reported that SURS recently completed the First Notice publication stage for three amendments and two new administrative rules as is required by the Joint Commission on Administrative Rules (JCAR). The amendments and new rules at issue are as follows:

<u><b>Rule Number</b></u>	<u><b>New/Amendment</b></u>	<u><b>Description</b></u>
1600.202	Amendment	This relates to the Return to Employment statute. The amendment is intended to remove redundant definitions, reorganize the rule and add a specific definition of “highest annual earnings.”
1600.203	Amendment	This relates to Independent Contractors and the amendment is intended to incorporate the Tier 2 Return to Work and Affected Annuitants provisions in the requirement that an independent contractor seeking to avoid the application of any return-to-work provisions should file a Form SS-8 with SURS.
1600.270	Amendment	This relates to employer contributions for benefits increases resulting from earnings increases exceeding 6%. This amendment is intended to require employer appeals of 6% matters to go through the new employer appeals process under new Section 1600.510.
1600.275	New Rule	This rule creates rules concerning Section 15-139.5 of the Pension Code that relates to Affected Annuitants. The new rule provides definitions for various terms, reporting requirements and permits employer appeals under new Section 1600.510.
1600.510	New Rule	This rule creates an appeal mechanism for any SURS staff decisions that adversely affect employers such as the 6% rule or the Affected Annuitant rule. The initial appeal will be to the Director of Member Services within 35 days of the staff decision. The next appeal will be to the Executive Committee within 35 days of the Director of Member Services decision. A decision by the Executive Committee will be the final administrative decision by the Board for purposes of the Administrative Review Law. The rule also provides for certain remedies relating to payment due dates and interest accrual if the employer is successful on appeal and/or if payments are made in protest.

These rules are now ready to move to the Second Notice publication stage. The Committee confirmed that SURS should proceed to the Second Notice publication stage toward the goal of finalizing the approval of these matters.

**PUBLIC COMMENT**

There were no public comments presented to the Legal and Legislative Committee.

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

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Mr. W. Bryan Lewis". The signature is fluid and cursive, with the first letters of each word being capitalized and prominent.

Mr. W. Bryan Lewis  
Secretary, Board of Trustees

WBL:bg/kh