



MINUTES

**Meeting of the Legal & Legislative Committee
of the Board of Trustees of the
State Universities Retirement System
8:30 a.m., Friday, September 19, 2014
State Universities Retirement System
1901 Fox Drive, Main Conference Room
Champaign, Illinois 61820**

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. Peter Newell, Mr. Tony Vasquez, 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; Ms. Angela Lieb, Director of Member Services; Mr. Chris Hansen, Director of Operations; Mr. Douglas Steele, Director of Application Development/Research; Ms. Suzanne Mayer, Interim Director of Outreach; Mr. Jeff Houch, Legislative Liaison; Ms. Lori Kern, Executive Assistant; Ms. Mary Pat Burns of Burke, Burns & Pinelli; Ms. Renaye Manley of Service Employees International Union; Mr. Steve Zahn of Governmental Consulting Solutions; Ms. Janet Jones and Mr. Michael Lieteau of Janet Jones Associates, Inc., and Ms. Jessica Gilbert and Mr. Clif Carey of Ratio Architects.

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

APPROVAL OF MINUTES

Trustee Lindsay Anderson presented the Minutes from the Legal and Legislative Committee meeting of June 13, 2014, and after inviting discussion, Trustee Andrew Matthews made the following motion:

- That the Minutes from the June 13, 2014 Legal & Legislative Committee Meeting be approved as presented.

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

CHAIRPERSON'S REPORT

Trustee Dorinda Miller joined the meeting at 8:38 a.m.

Trustee Anderson, Chair had no items to discuss for her Chairperson's report.

SURS COMPLIANCE PROJECT

Mr. Michael Weinstein and Mr. Albert Lee provided an overview of the SURS Compliance Project. Mr. Weinstein noted that Ms. Marilyn Branson, SURS Investment Compliance Officer was moved to the Legal Department earlier this year in order to bring all compliance functions under the Legal Department. In conjunction with that, SURS staff is working on a compliance project to ensure that SURS compliance requirements are up to date and performed timely. Mr. Lee explained that this web-based program will help oversee all compliance related activities and will allow compliance to be done centrally and automatically. Mr. Lee stated that as staff members retire from SURS, a lot of institutional knowledge is lost and he believes that this project will help SURS retain that knowledge. Mr. Lee then provided a visual presentation of the current compliance project.

Trustee Craig McCrohon joined the meeting at 9:10 a.m.

RULEMAKING

Mr. Weinstein provided the Committee an update on rulemaking noting that all Administrative rules pending in June were approved by the Joint Committee on Administrative Rules (JCAR). Mr. Weinstein reported that the emergency rule on the computation of the minimum money purchase annuity was approved by JCAR as well and will expire on October 5, 2014, but because the stay has been ordered on the pension reform legislation, that rule cannot be implemented at this time. If the pension reform legislation is ruled constitutional, then the rule will be re-submitted to JCAR for the normal approval process.

A copy of the staff memorandum entitled "Rulemaking Update" is incorporated as part of the Minutes as [Exhibit 1](#).

LEGISLATIVE AND PENSION REFORM UPDATE

Mr. Weinstein updated the Committee on the status of the pension reform litigation. There was a status hearing held on September 4, 2014, in front of Judge Belz in Sangamon County Circuit Court. Judge Belz indicated that the decision in the Kanerva case had some bearing on pension reform and set a deadline of October 3, 2014, for the Attorney General's office to file everything they want to file with respect on the constitutionality of the law. Another court date on October 8, 2014 was scheduled so that the remaining briefing schedule could be set. It is hoped that the final decision will come before the end of the year and it is expected that the decision will be issued based on the briefings filed with no testimony being required.

Mr. Weinstein reported that the Kanerva case is back in the trial court and the Judge handling that case has noted that a formal order has not been entered at this time, but all that remains is for the refunds to be processed.

Mr. Weinstein then introduced Mr. Jeff Houch; SURS Legislative Liaison, Mr. Steve Zahn of Governmental Consulting Solutions.

Mr. Houch and Mr. Zahn provided a brief update on pending legislation stating that SB452 was signed into law in August, becoming PA 98-1022. Due to SB1 litigation and pending election, issues impacting the retirement systems and plan design have been placed on hold. It is expected that will change in November, when the certification of needed contributions are due. A decreased assumed rate of investment return increases the contribution needed by the retirement systems. Mr. Zahn discussed the upcoming election in November and education efforts that SURS will make with the members of the General Assembly on the contribution certification. Discussion was held on cost shifting.

Mr. Houch commented that the Senate Hearing on Investments is scheduled for October 28 and 29, 2014, and SURS is expected to testify the first day. Mr. Houch introduced Ms. Janet Jones and Mr. Michael Lieteau and they discussed the upcoming Senate Hearing and potential questions that SURS may need to address at the hearing.

Mr. Houch also noted that SURS staff members have been putting together a list of technical corrections that they would like to be made and it is expected that will be addressed at the December Board meeting.

A complete summary of Mr. Houch's "Legislative Update" is incorporated as a part of these Minutes as [Exhibit 2](#).

UPDATE ON ANNUITANT HEALTH INSURANCE

Ms. Lieb updated the Committee on the annuitant health insurance. Starting July 2013, all annuitants started paying a percentage of their monthly annuity towards insurance premiums which were 1% and 2%. In June of 2014, CMS filed an emergency rule to begin deducting increased percentages of 2% and 4%, which SURS did deduct from annuitant checks. In July 2014, the Supreme Court ruled that health insurance benefits were protected under the Illinois Constitution and the case was returned to the trial court. On August 11, 2014, CMS withdrew their emergency rule and SURS had to revert to withholding the old percentages of 1% and 2%. For July and August 2014, SURS deducted the increased premiums of 2% and 4%, and then on August 28, 2014, the Sangamon County Circuit Court Judge ruled that the state should stop deducting insurance premiums altogether. However, due to the late timing of the notice, SURS September annuity payments had already been processed with the 1% and 2% withheld. For October 2014, SURS is withholding 0% and will be notifying SURS annuitants of these changes through email blasts and the SURS website.

Ms. Lieb stated that SURS does not send check stubs to annuitants on a monthly basis, they are sent only during months when there is a change to their monthly checks. Normally stubs are sent in January and July each year for tax, automatic annual increases and insurance changes. For 2014, there will be 4 mailings, which will increase system and postage expenses. Ms. Lieb expressed her appreciation to the SURS staff for all of their work in implementing these changes. Discussion regarding the refund process continued.

Ms. Lieb then provided an update on the Medicare Advantage enrollment which will be October 15, 2014 through November 15, 2014, and is effective January 1, 2015. Last year Health

Alliance was not selected as a provider; however, this year they are being offered as a provider, but not in Champaign County. This is due to the fact that Champaign County already has an HMO provider. This change will impact several counties in Illinois and many SURS annuitants. Ms. Lieb reported that SURS Staff is prepared for increased phone calls and walk-ins from annuitants who will need assistance with their forms.

STATUS OF LOBBYIST RFP

Mr. Steve Zahn, Ms. Janet Jones and Mr. Michael Lieteau exited the meeting prior to the discussion of the status of the Outside Legislative Liaison Services RFP.

Trustee Anderson provided a status update on the SURS Outside Legislative Liaison Services RFP noting that since the election is only a few weeks away, she is recommending that the Board continue to extend the contracts of our existing lobbyists on a month-by-month basis until after the November election. Trustee Matthews asked if there has been any discussion on creating a pool of lobbyists similar to the pool of legal counsel firms that SURS can use as necessary. Discussion regarding the billing structure and contractual requirements of lobbyists was discussed and Trustee Anderson indicated that this concept may be a possibility and she would be open to having more discussion on the subject at the December meeting.

After discussion, Trustee Mitchell Vogel moved:

- That the contracts for Governmental Consulting Solutions and Janet Jones & Associates, Inc. that are currently in place be extended on a month-by-month basis through December 31, 2014.

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

PUBLIC COMMENT

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

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

Respectfully submitted,



Mr. William E. Mabe
Secretary, Board of Trustees

WEM: lk