



MINUTES

**Closed Session Meeting of the Personnel & Resource Committee
of the Board of Trustees of the
State Universities Retirement System
9:00 a.m., March 21, 2014
State Universities Retirement System
1901 Fox Drive, Main Conference Room
Champaign, Illinois 61820**

Upon motion by Trustee Antonia Vasquez, seconded by Trustee Mitch Vogel and a unanimous roll call vote of all Trustees present, the Personnel & Resource Committee went into closed session under the Open Meetings Act pursuant to §2(c)(1) to discuss employee matters relating to compensation and budget.

The following Trustees were present: Mr. Antonio Vasquez, Chair, Ms. Lindsay Anderson, 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. Mitch Vogel.

The following Trustee was absent: Ms. Jacqueline Berger.

Others present: Mr. William Mabe, Executive Director; Ms. Brenda Dunn, Director of Human Resources; Ms. Lori Kern, Executive Assistant; and Ms. Mary Pat Burns of Burke, Burns & Pinelli.

COMPENSATION STUDY

Ms. Brenda Dunn introduced Ms. Ruth Ann Eledge of Segal Waters Consulting. Ms. Dunn and Ms. Eledge reported that the SURS Compensation Study is not complete at this time and only preliminary information is available; however, SURS felt that it was important to take this opportunity to update the Committee on the progress of the project. Ms. Eledge then remarked that when starting out on a study of this nature, certain guiding principles are used to make sure that they are developing something that will work well for the organization. In doing this study, Segal Waters Consulting felt that their recommendations needed to be consistent with organizational structure, internally equitable, externally equitable, easily understood, flexible to meet SURS changing needs, financially sound, and effectively and efficiently administered.

Ms. Eledge reported that the job position evaluation system to establish internal equity is now complete and she explained all compensable factors that were used to evaluate these positions in order to create an internal hierarchy of jobs. This internal hierarchy will define relative value, which could then be placed into a pay structure. Segal Waters Consulting has contacted twelve systems that they determined were similar to SURS in size, structure and complexity. They also considered local private sector data by using the “Economic Research Institute” which was regionalized to the Champaign area and they aged the data to the effective date of implementation. All of this was used to calculate the average cost of incumbent pay among the twelve organizations and is called “weighted average salaries”. They will then look at every incumbent in similar types of positions and calculate an average rate of pay for each position.

Ms. Eledge noted that when recommending structure design changes for SURS; they will use geographically adjusted, weighted average salaries as midpoint target for structures, the job evaluation/hierarchy for placement of positions within these structures, incorporate market data to develop a structure competitive with market benchmark average salaries, and will also suggest updated range spreads to reflect market trends.

The next step is to determine where SURS wants to be and how to get there. Segal Waters Consulting did look at other organizations and what they were projecting in regards to pay so that SURS can be placed in a position relative to what other organizations are planning on doing. Overall, they found that in 2013, pay moved 3% on average and it is projected to move another 3.5% for 2014. The overall trend is that salaries are starting to increase. Although this is good for employees, it can be challenging for the organization in trying to determine how to balance fiscal responsibility with the demand for changes in pay.

Segal Waters recently presented the first draft of their preliminary recommendations to SURS for review and Ms. Eledge commented that the preliminary costs for actual implementation of the proposed pay structure which would include a 3% general adjustment, if desired, appear to be between 4-5%. SURS expects to have a final report available for Committee review at the June Board Meeting.

SUCCESSION PLANNING

The Committee continued discussion regarding SURS Succession/Critical Position Planning. Mr. Mabe reported that a recent review of our organization suggests that there is potential for loss in regards to many positions at not only the leadership level, but others deep within the organization with vast institutional knowledge. Mr. Mabe reported that in order to properly address these organizational challenges, SURS needs to strengthen staff training and development across the organization, add staff in key areas, realign certain functions to achieve better cross training and service, expand individual responsibilities to groom potential leaders and managers; and to optimize the use of vendor contracts to fill skill gaps where needed. Discussion ensued regarding realignment of job duties/functions in order to move forward with this plan with little, if any, cost to the system.

Mr. Mabe then identified potential candidates for the Executive Director position and other key leadership roles within the organization. Mr. Mabe recommended expanding an executive's role to Associate Executive Director, or promote/hire a Chief Operations Officer, or to maintain the current reporting relationship but increasing self-development of selected individuals. In any of these scenarios SURS would be developing the critical financial, legal, political, and operational skills necessary to lead this organization in the future. Mr. Mabe noted, in all cases, an external search should be conducted for viable candidates prior to ever filling the Executive Director position.

Discussion continued in regards to the need to commit the appropriate resources to this succession/critical position plan. It was the overall consensus of the Committee that they agree with the direction that SURS wants to move at this time. Mr. Mabe assured the Committee that in order to mitigate costs of the new hires, SURS will be very mindful when moving selected employees to fill positions and will thoughtfully consider not replacing positions as individuals leave the organization.

CEM BENCHMARKING STUDY

Mr. Mabe gave a brief overview of the current status of the CEM Benchmarking Study that SURS has been involved in. The purpose of this study is to measure our relative performance to our peers and what actions SURS needs to take to improve overall performance in terms of cost and service, if any. Mr. Mabe further explained that they focus on understanding SURS business, obtain standardized performance metrics from SURS and then compare SURS' cost and services of key activities to its peers. Mr. Mabe noted that this project has been very labor intensive for staff over the last several months and he then discussed the preliminary results. SURS Staff will be working with CEM over the next couple of months to finalize the study and an update on the final report is expected to be presented at the June meeting.

RETURN TO OPEN SESSION

Upon motion by Trustee Paul R.T. Johnson Jr. that was seconded by Trustee Vasquez and carried, the Personnel & Resource Committee resumed its meeting in open session.

CLOSED SESSION

Upon motion by Trustee John Engstrom, seconded by Trustee Dorinda Miller and a unanimous roll call vote of all Trustees present, the Personnel & Resource Committee again went into closed session under the Open Meetings Act pursuant to §2(c)(11) to discuss pending litigation.

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

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

Others present: Mr. William Mabe, Executive Director; Mr. Michael Weinstein, General Counsel; Mr. Albert Lee, Associate General Counsel; Mr. Daniel Allen, Chief Investment Officer; Ms. Lori Kern, Executive Assistant; and Ms. Mary Pat Burns of Burke, Burns & Pinelli.

Discussion was held regarding the possibility of whether or not a stay of execution will be requested. Trustee Vogel believes that the SURS Board should convey to the Attorney General that SURS staff is capable of implementing anything that they are asked and that the expense and hardship of reconciling benefits if parts of the law are found unconstitutional would be a great expense to the system in terms of time and resources. Therefore, he would like the Committee to consider asking the Attorney General to not stand in the way if a stay of execution was requested.

Consideration was given to the potential implications for the system if a stay of execution was made. Mr. Mabe stated that from an operational standpoint, the stay would not help ease administrative burdens on staff. SURS would have paid out benefits and then have to reconcile the benefits if parts of the law are found unconstitutional. This would be very challenging to implement. Mr. Mabe feels that it is best to work with the Attorney General's office to come up with an administrative solution to protect the interests of all beneficiaries and annuitants of the system.

Mr. Mary Pat Burns advised the trustees that they are required to presume the law is constitutional and as fiduciaries, they are required to apply the law. Mr. Weinstein also reminded the trustees of the provision to Public Act 98-598 which specifically states that the Attorney General shall represent SURS in litigation took away SURS' powers for representation of outside legal counsel and the consequences of that are very clear.

After further discussion, it was the consensus of the board to return to open session so that a motion could be considered.

RETURN TO OPEN SESSION

Upon motion by Trustee Engstrom that was seconded by Trustee Andrew Matthews and carried, the Personnel & Resource Committee resumed its meeting in open session.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "William E. Mabe".

Mr. William E. Mabe
Secretary, Board of Trustees

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