



MINUTES

**Meeting of the Legal & Legislative Committee
of the Board of Trustees of the
State Universities Retirement System
3:00 p.m., Thursday, December 11, 2014
The Northern Trust
50 South LaSalle Street, Global Conference Center
Chicago, Illinois 60603**

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

Others present: Mr. William Mabe, Executive Director; Mr. Michael Weinstein, General Counsel; Mr. Daniel Allen, Chief Investment Officer; Mr. Douglas Wesley, Deputy Chief Investment Officer; Ms. Kimberly Pollitt and Mr. Joseph Duncan, Senior Investment Officers; Mr. Alex Ramos and Mr. Shane Willoughby, Investment Officers; Ms. Phyllis Walker, Chief Financial Officer; Mr. Steve Hayward, Director of Internal Audit; Ms. Brenda Dunn, Director of Human Resources; Mr. Albert Lee, Associate General Counsel; Mr. Jeffrey Houch, Legislative Liaison; Ms. Marilyn Branson, Investment Governance and Compliance Officer; Ms. Lori Kern, Executive Assistant; Ms. Mary Pat Burns of Burke, Burns & Pinelli; Mr. Douglas Moseley, Ms. Kristin Finney-Cooke, Mr. Sean Ruhmann and Mr. Michael Yang of NEPC; Mr. Steve Zahn of Governmental Consulting Solutions; and Ms. Janet Jones of Janet Jones Consulting.

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 Legal and Legislative Committee meeting of September 19, 2014 and Trustee Craig McCrohon made the following motion:

- That the Minutes from the September 19, 2014 Legal and Legislative Committee meeting be approved, as presented.

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

SEMI-ANNUAL REVIEW OF CLOSED SESSION MINUTES

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

Trustee Craig McCrohon 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

In the interest of time, Trustee Anderson deferred the Chairperson's Report.

Trustee Richard Figueroa joined the meeting during the Chairperson Report at 2:53 p.m.

LEGISLATIVE UPDATE

Mr. Weinstein gave an update on the status of the pension reform litigation and the *Kanerva* case (2% withholding of annuitant insurance premiums), which the Supreme Court has now decided should be refunded to annuitants. The Court will hear oral arguments in March on the pension reform litigation and it is unknown how long a decision will take. The Attorney General has until January 12, 2015 to file a brief and the plaintiff's reply can be filed within 35 days thereafter.

Mr. Weinstein then provided a brief update on the *Kanerva* case. Discussion continued regarding fees, interest payments and whether or not the State of Illinois will have to pay for the attorney fees. Mr. Weinstein reported that he is comfortable with SURS involvement in the case to date.

Mr. Houch and Mr. Zahn discussed two bills that passed during the veto session, one of which is SB 2809, which concerns felony related forfeiture of benefits. The Attorney General can now proceed with a civil action to enjoin the benefit payment of a member of a public retirement system that has been convicted of any felony relating to, or arising out of, or connection with, that person's service as an employee. The second bill that passed during the veto session was SB 2887, which provides that the provisions of Public Act 97-968 (Return to Work – Affected Annuitants) shall not apply to SURS annuitants that are receiving an annualized retirement annuity of less than \$10,000.

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

Mr. Houch then presented the proposed SURS Technical Corrections Bill. Mr. Houch remarked that SURS staff has identified three changes that they would like to see made to

Article 15 of the Illinois Pension Code that would aid in the administration of the System. He then provided a brief overview of these changes.

Trustee McCrohon moved:

- That the proposed Technical Corrections Bill be approved as presented.

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

A copy of the staff memorandum entitled “SURS Proposed Technical Corrections Bill,” is incorporated as part of the Minutes as [Exhibit 2](#).

Finally, Mr. Houch noted that he will be leaving SURS and will be moving to the State Employees Retirement Systems (SRS). He expressed his appreciation for the opportunity to work for SURS and the Board and noted that SURS is a world-class organization. Chairperson Anderson thanked Mr. Houch for the contributions he has made to SURS.

RULEMAKING UPDATE

Mr. Lee presented the proposed rulemakings for compliance with the Internal Revenue Code (IRC). There are two rulemakings to enhance compliance with federal law requirements under the IRC. The first is: “Rules for Compliance with Final Treasury Regulations under Internal Revenue Code Section 415.” The second is: “Rules to Formalize Commingling of SURS Defined Benefit Plan and Self-Managed Plan Disability/Employer Contribution Assets.”

Mr. Weinstein presented the draft January 2015 Regulatory Agenda for approval. He noted that twice each year, in January and July, a regulatory agenda must be filed with the Secretary of State’s Office in Springfield.

Trustee Paul R.T. Johnson Jr. moved:

- That the Legal & Legislative Committee approve the submission of the proposed rulemakings to the Joint Committee on Administrative Rules (JCAR) substantially in the form presented.
- That the December 2014 Regulatory Agenda be approved as presented.

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

Copies of the staff memorandum entitled “Proposed Rulemakings for Compliance with the Internal Revenue Code,” and the “January 2015 Regulatory Agenda are incorporated as part of the Minutes as [Exhibit ____](#) and [Exhibit ____](#).

STATUS OF EXTERNAL LOBBYIST SEARCH

Trustee Anderson and Mr. Mabe noted that the search is ongoing and that SURS staff is recommending that the contracts with Governmental Consulting Solutions and Janet Jones & Associates, Inc. be renewed one more time until a replacement is hired for Mr. Houch. Mr. Mabe noted that it is possible that interviews for the Legislative Liaison position will take place within the next week or so.

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 February 28, 2015.

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

PUBLIC COMMENT

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

Since there was no further business before the Committee, Trustee Johnson 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

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