



MINUTES

**Meeting of the Administration Committee
of the Board of Trustees of the
State Universities Retirement System
Thursday, October 17, 2019, 2:30 p.m.
Northern Trust
50 S. LaSalle St., Global Conference Center
Chicago, Illinois**

The following trustees were present: Mr. Collin Van Meter, chair, Mr. Aaron Ammons, Mr. John Atkinson, Mr. Richard Figueroa, Ms. Jamie-Clare Flaherty, Dr. Fred Giertz, Dr. Steven Rock, Mr. Antonio Vasquez and Mr. Mitch Vogel (via conference call).

Others present: Mr. Martin Noven, Executive Director; Mr. Doug Wesley, Chief Investment Officer (CIO); Ms. Bianca Green, General Counsel; Ms. Kristen Houch, Head of Legislative Affairs; Ms. Tara Myers, Chief Financial Officer; Ms. Kelly Carson and Ms. Annette Ackerman, Executive Assistants; and Mr. Lance Weiss and Ms. Amy Williams of Gabriel Roeder Smith and Company.

Administration Committee roll call attendance was taken. Trustee Rock, present; Trustee Van Meter, present; and Trustee Vasquez, present.

APPROVAL OF MINUTES

Trustee Van Meter presented the minutes from the Administration Committee meeting of September 13, 2019. Trustee Rock made the following motion:

- That the minutes from the September 13, 2019 Administration Committee Meeting be approved as presented.

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

APPROVAL OF CLOSED SESSION MINUTES

Trustee Van Meter presented the Closed Session Minutes from the Administration Committee meeting of September 13, 2019. Trustee Vasquez made the following motion:

- That the Closed Session Minutes from the September 13, 2019 Administration Committee Meeting be approved as presented and remain closed.

Trustee Rock seconded and the motion carried with all trustees present voting in favor.

CHAIRPERSON'S REPORT

Trustee Van Meter did not have a chairperson's report.

DISCUSSION OF THE PRELIMINARY ACTUARIAL VALUATION REPORT

Ms. Tara Myers introduced Mr. Lance Weiss, Ms. Amy Williams and Ms. Kristen Brundirks of Gabriel Roeder Smith & Company (GRS) to present the Preliminary Actuarial Valuation Report as of June 30, 2019. The report includes their calculation of the proposed state contribution for fiscal year 2021. The presentation consisted of an overview of the valuation process, a reminder of the actuarial assumptions used and a presentation of the actuarial results.

A copy of the PowerPoint provided by GRS titled “Preview of June 30, 2019 Actuarial Valuation Results” and a copy of the GRS report titled “Actuarial Valuation Report as of June 30, 2019” are incorporated as part of these minutes as [Exhibit 1](#) and [Exhibit 2](#). A copy of the GRS memo titled “SURS Assumption Recommendations 2019” is also incorporated as [Exhibit 3](#).

CERTIFICATION OF PRELIMINARY STATE CONTRIBUTION FOR FISCAL YEAR 2021

After the actuarial discussion, Ms. Myers requested that the board certify \$1,996,686,000 as the certified proposed state contribution for fiscal year 2021.

Trustee Vasquez made the following motion:

- That based on the recommendation of Gabriel Roeder Smith & Company, the Administration Committee approve the amount of \$1,996,686,000 to be certified for fiscal year 2021 as the proposed state contribution.

Trustee Rock seconded and the motion carried with all trustees present voting in favor.

Trustee Ammons made the following motion:

- That based on the recommendation of SURS staff, the Administration Committee approve the amount of \$4,622,733 to be certified for fiscal year 2021 to the Community College Health Insurance Security Fund.

Trustee Rock seconded and the motion carried with all trustees present voting in favor.

Copies of the staff memorandums titled “FY2021 Certification of Statutory Contribution” and “FY2021 Certification of State CIP Contribution” are incorporated as part of these minutes as [Exhibit 4](#) and [Exhibit 5](#).

CERTIFICATION OF FISCAL YEAR 2021 NORMAL COST RATE

Ms. Myers presented and explained the employer normal cost as it applies to employers that pay employees through federal trust and grant contributions beginning with the pay period from July 1, 2020, through June 30, 2021. This normal cost rate will also be applied to the pensionable earnings of participating members that exceed the governor’s salary for this same period.

Trustee Rock made the following motion.

- That the Employer Normal Cost Rate of 12.70 percent be approved for fiscal year 2021.

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

Copies of the staff memorandum titled “Employer Normal Cost for Fiscal Year 2021” and a copy of the GRS memorandum titled “Breakdown of Normal Cost for FY 2020-2021” are incorporated as part of these minutes as [Exhibit 6](#) and [Exhibit 7](#).

CLOSED SESSION

Trustee Rock moved that the Administration Committee go into closed session under the Open Meetings Act, pursuant to §2(c)(1). Trustee Vasquez seconded and the motion carried on a roll call vote:

Trustee Rock	-	aye
Trustee Van Meter	-	aye
Trustee Vasquez	-	aye

RETURN TO OPEN SESSION

Upon motion by Trustee Giertz that was seconded by Trustee Ammons and carried, the Administration Committee resumed its meeting in open session.

Trustee Rock made the following motion.

- To approve a budgetary increase of \$284,000 to adjust the compensation and salary ranges for member service representatives, including the compression adjustment for nonexecutive positions.

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

Trustee Rock made the following motion.

- To approve a budgetary increase of \$27,000 to adjust the compensation and salary ranges for general staff, including the compression adjustment for nonexecutive positions, provided that the compression adjustment shall not result in an increase for any employee that exceeds \$5000.

Trustee Ammons seconded and the motion carried with all trustees present voting in favor.

Trustee Ammons made the following motion.

- To approve a budgetary increase of \$31,000 to permit the executive director to address the pay adjustment on the executive leadership team.

Trustee Atkinson seconded and the motion carried with a majority of trustees present voting in favor. Trustee Rock abstained.

PUBLIC COMMENT

There was no public comment.

There was no further business before the board and Trustee Ammons 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 "Martin Noven", with a long horizontal flourish extending to the right.

Mr. Martin Noven
Secretary, Board of Trustees

MMN; kc



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To: Administration Committee
 From: Tara R. Myers
 Date: October 17, 2019
 Re: Proposed State Contribution for Fiscal Year 2021

Overview

The proposed State contribution for Fiscal Year 2021 will be certified at \$1,996,686,000.

Section 15-165 (a-5) of the Illinois Pension Code requires the SURS Board of Trustees each year to certify to the State Actuary, Governor and the General Assembly by November 1st the proposed State contribution for the following fiscal year which begins July 1. The System anticipates receiving finalized financial information that is material which will require us to modify this contribution amount.

The Statutory contribution calculated by Gabriel, Roeder, Smith & Company (GRS) for Fiscal Year 2021 is \$2,054,715,000 (includes \$77,488,000 projected Self-Managed (SMP) State contribution).¹ The contribution is 41.98% of the \$4.7 billion, the assumed pensionable payroll Fiscal Year 2021.²

The Statutory contribution is increased by the projected excess benefit arrangement (EBA) contribution required. For Fiscal Year 2021 the EBA amount is projected to be \$18,000,000. The estimated trust, federal, and other funds is projected to be \$52,500,000 for Fiscal Year 2021. The State contribution is reduced by the projected trust, federal and other funds and the employer normal cost contribution of the pensionable earnings that exceed the Governor's salary.

Statutory defined benefit and SMP contribution calculated by GRS	\$2,036,715,000
Plus excess benefit arrangement (EBA) contribution	<u>18,000,000</u>
	2,054,715,000
Less projected trust, federal and other funds	52,500,000
Less projected contributions from earnings that exceed Governor's salary	<u>5,529,000</u>
Net State contribution to be certified	\$1,996,686,000

Recommendation

SURS staff recommends the amount not to exceed \$1,996,686,000 be certified for Fiscal Year 2021 as the proposed State Contribution.

¹This is the gross State contribution. The certified State Contribution will be this amount less amounts estimated to be received from "trust, federal, and other" funds including contributions from earnings that exceed Governor's salary.

²Table 15 of the GRS Actuarial Valuation as of June 30, 2019.



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To: Administration Committee
 From: Tara R. Myers
 Date: October 17, 2019
 Re: Required State Contribution to the Community College Health Insurance Security Fund for Fiscal Year 2021

Overview

The total amount to be certified for Fiscal Year 2021 to the Community College Health Insurance Security Fund is \$ 4,622,773.

Section 6.10 of the State Employees Group Insurance Act of 1971 (the "Group Insurance Act") requires the State Universities Retirement System (SURS) Board of Trustees to certify to the Governor, the Director of Central Management Services and the State Comptroller by November 15 of each year the estimate of the total amount of contributions that will be paid under subsection (a) of §6.10 for the next fiscal year.

Under subsection (a) of §6.10, every active contributor of SURS who is a full time employee of a community college district or an association of community college boards and who is not an employee as defined in §3 of the Group Insurance Act must make contributions at the rate of 0.50% of salary. The state appropriates a matching amount to the Community College Health Insurance Security Fund.

The Illinois Community College Board has provided SURS with the estimated annual payroll for Fiscal Year 2021 for such full-time community college employees. The estimated amount is \$ 942,778,119.

Section 6.10 of the State Employees Group Insurance Act of 1971 (through Public Act 94-839) require that the amount be either decreased or increased by the amount that the actual active employee contributions either fell short of or exceed the estimated used by the Board in making the certification for previous years. Below is a table reflecting this calculation:

Fiscal Year	Actual Employee Contributions	Projected - Employee Contributions	Actual - Certified (Over) / Under
2019	\$ 4,467,841	4,558,959	(91,118)
Total over-certified for 2019			(91,118)
Projected Contributions for Fiscal 2021			<u>4,713,891</u>
Total Certified for Fiscal Year 2021: (Projected + Total over-certified for 2019)			\$ 4,622,773

Recommendation

SURS staff recommends the amount of \$4,622,773 be certified for Fiscal Year 2021 to the Community College Health Insurance Security Fund.



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To: Administration Committee
From: Tara R. Myers
Date: October 17, 2019
Re: Employer Normal Cost for Fiscal Year 2021

At the October 17, 2019 Administration Committee meeting, Gabriel Roeder Smith & Company (GRS) will present the preliminary actuarial valuation results as of June 30, 2019. Attached for your review is the breakdown of the Employer Normal Cost rate by benefit type of the defined benefit plan for Fiscal Year 2021 which is allocated to employers. The normal cost is the pension cost assigned to fund the current year's portion of the expected total cost of future benefits for the average State Universities Retirement System (SURS) member. This employer normal cost is the employer contribution rate that is to be applied to all earnings paid from federal, grant and trust funds for any pay period beginning July 1, 2020 through June 30, 2021. This employer normal cost is also the employer contribution rate that will be applied to pensionable earnings for each participating member that exceeds the Governor's salary for this period. The Fiscal Year 2021 employer normal rate of 12.70% is a decrease from the previous fiscal year's rate of 13.02%. The GRS document follows this memorandum.

Recommendation

SURS staff recommends that the Employer Normal Cost Rate of 12.70% be approved for Fiscal Year 2021.