

**GENERAL ASSEMBLY RETIREMENT SYSTEM OF ILLINOIS  
MEETING NO. 253**

**MINUTES OF A REGULAR MEETING OF THE  
BOARD OF TRUSTEES**

**APRIL 13, 2016**

A regular meeting of the Board of Trustees of the General Assembly Retirement System convened at 9:00 a.m. on Wednesday, April 13, 2016, in Room 627A Capitol Building, Springfield, Illinois.

Roll call was taken with the following trustees present:

Representative David Harris, Vice-Chairman  
Representative Michael Zalewski  
Representative Daniel Pierce, Retired  
Senator Don Harmon (arrived after roll call)  
Representative Elaine Nekritz (arrived after roll call)

Absent was:

Senator James Clayborne, Jr., Chairman  
Senator Bill Brady

Others in attendance were:

Timothy Blair, Secretary  
Jeff Houch, Assistant to Secretary  
Jayne Waldeck, GARS Manager  
Steve Bochenek, GARS Legal Counsel  
William Atwood, Illinois State Board of Investment  
Alex Rivera, Gabriel Roeder Smith & Company  
Joseph Topinka

Chairman Clayborne was unable to attend. Roll call was taken and without a quorum present, the meeting was called to order by Vice-Chairman Harris at 9:17 a.m. The report of the consulting actuaries was moved to the first agenda item in order to allow additional trustees to arrive for the appeal of Joseph Topinka.

**REPORT OF THE CONSULTING ACTUARIES**

Alex Rivera, Consulting Actuary, Gabriel Roeder Smith and Company, distributed to the Board an Experience Review for the three fiscal years ended June 30, 2015. The Review included an analysis of the investment return, inflation and salary growth assumptions, as well as the retirement, termination and mortality assumptions.

Representative Nekritz and Senator Harmon arrived during Mr. Rivera's report and were added to the roll.

Mr. Rivera noted the key recommendations of the review are reducing the investment return assumption from 7.00% to 6.75%, adopting a mortality table that includes provisions for generational mortality improvements and increasing retirement and termination rates, including the creation of Tier 2 retirement and termination rates. The recommended assumptions would increase the unfunded liability of GARS by an estimated \$35.7 million and the required State contribution to GARS by almost \$4.5 million in FY 2018.

After a discussion of the recommended assumptions and the methodology used in the investment return analysis, Representative Pierce moved to adopt the assumptions as presented. Representative Zalewski seconded the motion and all were in favor.

## **PUBLIC COMMENTS**

Vice-Chairman Harris asked if there were any members of the public in attendance who wished to make comments. There were none.

## **APPEAL OF JOSEPH TOPINKA – DENIAL OF DEATH BENEFIT REFUND**

Joseph Topinka appeared to appeal the denial of a GARS death benefit refund after the death of his mother, Comptroller Judy Baar Topinka. He began by thanking the Board for the opportunity to appeal the staff decision and distributing a letter to the members of the Board. Mr. Topinka presented his appeal by reviewing the distributed letter and his interaction with system staff since the death of his mother in December 2014.

He concluded his appeal by asking the Board to favorably consider his request for a death benefit refund in the amount of slightly more than \$60,000, representing the amount contributed to GARS by Comptroller Topinka during the period of time she returned from retirement to serve as State Comptroller, noting that if his appeal were denied he would pursue administrative review as provided by the Administrative Procedures Act.

The appeal was referred to the System's attorney, Steve Bochenek, acting as hearing officer for the Board, to consider all relevant statutes and policies, as well as the testimony of the petitioner, and draft a recommendation for the Board to consider at the October Board meeting. The letter of Joseph Topinka is attached to these minutes as Exhibit A.

## **REPORT OF THE ILLINOIS STATE BOARD OF INVESTMENT (ISBI)**

William Atwood, ISBI Executive Director, referred the Board's attention to the ISBI Quarterly Review dated December 31, 2015 and noted the ISBI portfolio was up 0.8%, net of fees, for the year ended December 31, 2015, equaling the benchmark return over the same period. He continued by noting the Fixed Income portfolio lost 2.2%, net of fees, and the U.S. Equity portfolio lost 2.3%, both underperforming their respective benchmark returns of 0.4% and 0.5%. The Hedge Fund of Funds portfolio lost 0.5%, compared to a benchmark return of -0.3%.

Director Atwood continued the review of the asset classes by noting for the year ended December 31, 2015, the Non-U.S. Equity portfolio had returned 1.0% (benchmark lost 4.6%) while the Real Estate portfolio was up 12.7% (benchmark up 10.4%). He concluded his report by pointing out the Real Asset portfolio was up 6.0% (benchmark up 0.4%) and the Private Equity portfolio was up 9.6%.

Vice-Chairman Harris thanked Director Atwood for his report and excused him from the remainder of the meeting. Representative Nekritz moved to accept the ISBI report as presented by Director Atwood. Representative Zalewski seconded the motion and all were in favor. A copy of this report is maintained in the ISBI Office and attached to these minutes as Exhibit B.

#### **MINUTES OF PREVIOUS MEETING**

Vice-Chairman Harris presented the minutes of Meeting No. 252 held on January 15, 2016, for approval. Copies of the minutes were previously submitted to the trustees for preliminary review. Representative Nekritz moved for acceptance of the minutes as presented. Representative Pierce seconded the motion and all were in favor.

#### **REPORT OF CHAIRMAN**

Vice-Chairman Harris had nothing to report.

#### **REPORT OF TRUSTEES**

No trustee offered a report.

#### **REPORT OF SECRETARY**

Financial Statements and Report of Administrative Expenses. The financial statements for the period ending December 31, 2015 were submitted by Secretary Blair. He briefly reviewed each schedule and informed the Board the employer contributions continue to be received in a timely manner. He noted the State contribution that was not made in November is expected to be made before the end of April, according to information from the staff at the Comptroller's Office. Following a review of the other reports and discussion, Representative Pierce moved to adopt the financial statements of December 31, 2015. Representative Nekritz seconded the motion and all were in favor. These reports are made a part of these minutes as Exhibit C.

Financial Audit Review. Due to time constraints, the review of the financial audit was deferred until the October meeting.

FY 2016 Supplemental Request. Secretary Blair referred the Board to a memo detailing a request for \$21,612 to be added to the FY 2016 operations budget. The supplemental request would increase the FY 2016 GARS budget from \$377,600 to \$399,212. After brief discussion, Representative Zalewski moved to approve the FY 2016 supplemental request. Representative Nekritz seconded the motion and all trustees voted in the affirmative.

FY 2017 Preliminary Budget Request. Secretary Blair referred the trustees to the items detailing the FY 2016 budget, projected FY 2016 spending, and the FY 2017 preliminary budget request. The FY 2017 request includes \$30,000 for a full scope actuarial audit, as recommended by the State Actuary, and an additional \$5,000 for actuarial services provided by GRS, the System's consulting actuary. FY 2017 attorney's fees are increased by \$3,000 and Auditor General's audit fee are increased by \$1,000. These requested increases are partially offset by a requested reduction in the Personal Services line (\$7,100), the Retirement line (\$8,400) and the IT line (\$15,256).

Overall, the preliminary FY 2017 GARS budget is \$423,925. This is an increase of \$24,713, or 6.2%, over the FY 2016 budget of \$399,212. Following discussion, Representative Zalewski moved to

approve the FY 2017 Preliminary Budget. Representative Pierce seconded the motion and it passed unanimously.

**REPORT OF MANAGER**

Annuities and Refunds for Approval. Division Manager Jayne Waldeck directed the trustees' attention to the reports reflecting two new retirement annuities totaling \$7,158.87 per month, and three survivors' annuities totaling \$8,179.14 per month. In addition, two error refunds (\$7,801.19) were paid since the last meeting. There being no questions regarding these annuities and refunds, Senator Harmon moved for approval. Representative Nekritz seconded the motion and all were in favor. These reports are attached to these minutes as Exhibit D2.

**UNFINISHED BUSINESS**

There was no unfinished business to be discussed.

**NEW BUSINESS**

There was no new business to be discussed.

**ADJOURNMENT**

There being no further business to be brought before the Board, Representative Nekritz moved to adjourn at 10:30 a.m. Her motion was seconded by Representative Pierce and passed with an affirmative vote of all trustees. Vice-Chairman Harris reminded the Board the next meeting is scheduled for October 28, 2016.

\_\_\_\_\_  
Secretary

Date: \_\_\_\_\_

APPROVED:

\_\_\_\_\_  
Senator James Clayborne, Jr., Chairman