

**GENERAL ASSEMBLY RETIREMENT SYSTEM OF ILLINOIS
MEETING NO. 252
MINUTES OF A REGULAR MEETING OF THE
BOARD OF TRUSTEES**

JANUARY 15, 2016

A regular meeting of the Board of Trustees of the General Assembly Retirement System convened at 1 p.m. on Friday, January 15, 2016, in Room S721 of the Bilandic Building, Chicago, Illinois.

Roll Call was taken with the following trustees present:

Senator James Clayborne, Jr., Chairman
Representative David Harris, Vice-Chairman
Senator Don Harmon
Representative Michael Zalewski
Representative Elaine Nekritz
Representative Daniel Pierce, Retired

Absent was:

Senator Bill Brady

Others in attendance were:

Timothy B. Blair, Secretary
Jeff Houch, Assistant to Secretary
William Atwood, Director, Illinois State Board of Investment
John Amdor, Legislative Director for Representative Nekritz

With a quorum present, Chairman Clayborne called the meeting to order at 1:00 p.m.

PUBLIC COMMENTS

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

REPRESENTATIVE CONSTANCE HOWARD FELONY SUSPENSION AND FORFEITURE

Secretary Blair referred the Board to a letter dated December 18, 2015, from Attorney General Lisa Madigan. He noted that pursuant to the policies and procedures of the System, GARS staff had requested the Attorney General's opinion on whether Representative Howard's felony conviction was related to her service as a member of the Illinois General Assembly. The Attorney General's opinion provided the felony conviction was related to service as a member of the General Assembly.

Following a brief discussion, Chairman Clayborne asked if there were any questions. Hearing none, Representative Harris moved to terminate the retirement annuity of Representative Howard, based on the Attorney General's opinion. Representative Nekritz seconded the motion and it passed unanimously. Secretary Blair noted that Representative

Howard, consistent with Board policies, would be notified in writing of the Board's decision to terminate her GARS benefits.

REPORT OF THE ILLINOIS STATE BOARD OF INVESTMENT (ISBI)

William Atwood, Director of the Illinois State Board of Investment (ISBI), distributed copies of the Quarterly Review for the period ending September 30, 2015, and informed the Board the report was prepared by ISBI's new general consultant, Meketa Group. He began his report by noting that for the one year period ended September 30, 2015, the entire portfolio returned 0.6% (net of fees) over the period, while the benchmark lost 0.4%.

Director Atwood continued by reporting that for the year ended September 30, 2015, the Fixed Income portfolio lost 1.9% and the U.S. Equity portfolio lost 0.9%. Both portfolios underperformed their benchmarks, which returned 2.3% and -0.5%, respectively. He then reviewed the returns of several other asset classes, noting that some asset classes, and the portfolio as a whole, outperformed the relevant benchmarks.

Director Atwood informed the Board that the Meketa Group was preparing an asset allocation study for ISBI, to be presented at a special Board meeting scheduled for January 29, 2016. He said that he expects the Board to reduce the utilization of active managers and increase the utilization of passive managers in the equity portfolio. In addition, the Board may consider reducing allocations to the value and small cap equity portfolios to more accurately reflect the global equity markets and reduce overall equity exposure. Other possible ISBI actions include reducing hedge fund exposure below 10%, increasing private equity exposure from the current 5% allocation and creating some exposure to inflation-linked U.S. treasuries in order to provide protection against inflation.

Director Atwood referred the Board to the ISBI annual report on minority utilization. He briefly reviewed the report and noted it is filed annually pursuant to statute. Chairman Clayborne asked if there were any questions. Hearing none, Representative Pierce moved to approve Director Atwood's presentation of the ISBI Quarterly Review for the period ending September 30, 2015. Senator Harmon seconded the motion and it passed unanimously. A copy of the report is maintained in the ISBI office and made a part of these minutes as Exhibit A.

Chairman Clayborne thanked Director Atwood for his report and excused him from the remainder of the meeting.

MINUTES OF PREVIOUS MEETING

Chairman Clayborne presented the minutes of Meeting No. 251 held on October 30, 2015, for approval. Copies of the minutes were previously submitted to the trustees for preliminary review. Representative Nekritz moved to approve the minutes of the October 30, 2015 GARS Board meeting, as presented. Representative Harris seconded the motion and all were in favor.

REPORT OF CONSULTING ACTUARIES

Alex Rivera and Ryan Gunderson of Gabriel, Roeder, Smith & Company (GRS), Consulting Actuaries, were not in attendance due to a scheduling conflict. Secretary Blair reviewed the State Actuary's report, including the GRS/GARS response, and presented the final version of the

FY 2015 Actuarial Valuation and the FY 2017 certified State contribution. He noted the review of updated stress testing would be deferred until the April meeting.

FY 2015 Actuarial Valuation and FY 2017 Employer Contribution Certification. Secretary Blair distributed the final draft of the FY 2015 Actuarial Valuation and reviewed the documents that will be used to certify the FY 2017 State contribution of \$21,721,000, or 194.949% of projected payroll. Chairman Clayborne asked if there were any questions. Seeing none, he asked for a motion to approve the FY 2015 Actuarial Valuation and the FY 2017 employer contribution amount. Representative Nekritz moved to approve the FY 2015 actuarial valuation and the FY 2017 employer contribution, as presented. Vice-Chairman Harris seconded the motion and all present voted in the affirmative.

State Actuary's Report. Secretary Blair began his review by noting the State Actuary's report concluded that the assumptions and methodology used for the FY 2015 valuation are reasonable and that the certified contributions were calculated in accordance with State law. The State Actuary recommended GARS complete a full replication actuarial audit. Secretary Blair voiced his agreement with the recommendation and advised the Board that staff was preparing a Request for Proposal (RFP) to find an actuarial firm to perform the audit, with the goal of having the audit completed prior to June 30, 2016.

Secretary Blair then reviewed the remainder of the State Actuary's recommendations and noted all would be addressed prior to the June 30, 2016 actuarial valuation. The letter outlining the State Actuary's recommendations and the GRS/GARS response to these recommendations is attached and made a part of these minutes as Exhibit B.

Stress Testing. Secretary Blair noted the consulting actuaries would present the recently updated stress testing at the GARS Board meeting to be held April 13, 2016, in Springfield.

REPORT OF CHAIRMAN CLAYBORNE

Chairman Clayborne followed up on the report of Director Atwood by noting significant changes would be considered by ISBI at the January special meeting.

REPORT OF ANY TRUSTEE

There were no reports offered.

REPORT OF ADMINISTRATIVE SECRETARY

FY 2016 Funding Update. Secretary Blair informed that Board that Comptroller Munger, who serves as Chairperson of the State Employees' Retirement System (SERS), told the SERS Board at the most recent Board meeting that she hoped to provide all FY 2016 funding to all the State-funded retirement systems by the end of the fiscal year, with the plan being to make the missed November State contribution in April.

Accounting Cost Allocation Methodology. Secretary Blair explained the purpose of the Accounting Cost Allocation Methodology is the fair and adequate allocation of the personnel costs associated with the SRS Accounting Division between the Judges' Retirement System (JRS), GAR and SERS. He explained that for all three systems, the Accounting Division produces

financial statements and reports, processes cash deposits, and reviews and maintains active member accounts.

Previously, JRS and GARS had fully funded an Accounting Division position that worked on SERS related issues to a large extent and the person in that position had recently retired. Rather than JRS and GARS funding an entire position, the proposed accounting cost allocation methodology provides a more reasonable and documentable way to allocate accounting costs among the systems and parallels the cost allocation methodology put into place during FY 2015 for the IT modernization costs. Effectively, the methodology allocates costs based on a five year rolling average of the total membership served by each system.

Senator Harmon moved to approve the methodology and Representative Zalewski seconded the motion. All present voted in the affirmative.

REPORT OF MANAGER

Jayne Waldeck, Division Manager, was unable to attend the meeting. Secretary Blair reported one retirement annuity for approval in the amount of \$5,892.06 per month and two survivor annuities in the amount of \$582.23 per month. In addition, two Survivor Annuity Refunds totaling \$12,714.05 and one Death Benefit Refund of \$66,775.22 were presented. Representative Zalewski moved to approve the annuities and refunds as presented. Representative Nekritz seconded the motion and it passed unanimously.

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, Senator Harmon moved to adjourn at 3:45 p.m. His motion was seconded by Vice-Chairman Harris and passed unanimously. Chairman Clayborne reminded the Board the next meeting is scheduled for April 13, 2016, in Springfield.

Timothy B. Blair, Administrative Secretary

Date: _____

APPROVED:

Senator James Clayborne, Jr., Chairman