

GENERAL ASSEMBLY RETIREMENT SYSTEM OF ILLINOIS
MEETING NO. 230
MINUTES OF THE REGULAR MEETING OF THE
BOARD OF TRUSTEES
NOVEMBER 15, 2006

The regular meeting of the Board of Trustees of the General Assembly Retirement System was held on Wednesday, November 15, 2006, and convened at 9:00 A.M. in Senate Conference Room 627 A of the State House, Springfield, Illinois.

Due to the delayed arrival of Chairman Granberg, Vice Chairman Clayborne called the meeting to order.

Roll call was taken with the following trustees present:

Senator James Clayborne, Jr., Vice Chairman
Senator Don Harmon
Senator Bill Brady
Representative Lee Daniels
Representative Richard Bradley
Representative Philip Collins

Representative Kurt Granberg, Chairman, arrived after the order of business was changed.

Others in attendance were:

Timothy Blair, Acting Administrative Secretary
David Rolf, Attorney for System
Jayne Waldeck, Acting Deputy Director,
General Assembly Retirement System
William Atwood, Director, Illinois State Board of Investment
Sandor Goldstein, Goldstein & Associates
Cheryl Bullerman, Recording Secretary
Governor James R. Thompson, Winston & Strawn, LLP

Kyle DeJung, Winston & Strawn, LLP
John Frier, Winston & Strawn, LLP
Robert Terzich, GARS member
Ray Long, Chicago Tribune
Sara Wojcicki, WICS TV
Stephanie Sievers, Small Newspaper Group
Andy Shaw, ABC Chicago

With a quorum present, the meeting proceeded with the business before the Board.

ORDER OF BUSINESS

Vice Chairman Clayborne advised that if there were no objections, the order of business would be changed in order to hear the suspension and forfeiture of pension benefits appeal on behalf of Governor George Ryan. With no objections, the meeting proceeded.

NEW BUSINESS

Governor George H. Ryan - Pension Forfeiture Determination

Governor James R. Thompson of the law office of Winston & Strawn, appeared before the Board to contest the suspension and forfeiture of Governor Ryan's pension benefits from the General Assembly Retirement System as a result of his felony convictions.

Governor Thompson informed Board members that the facts of this case are not in dispute. Governor Ryan served on the Kankakee County Board of Supervisors from 1966 to 1972. He then served in the Illinois General Assembly from 1972 until 1982, after which he was elected as Lieutenant Governor from 1982 to 1991. Governor Ryan was elected as Secretary of State in 1991, and was reelected to that position in 1995. He went on to be elected as Governor for one term in 1999.

Governor Ryan was indicted in 2003 by a federal grand jury on charges of racketeering conspiracy, mail fraud, false statements to the FBI and income tax evasion. He was found guilty on all counts; however, two charges were dismissed due to lack of evidence.

During Governor Ryan's service to the State of Illinois, he contributed to the General Assembly Retirement System, and transferred service credit and contributions from the Illinois Municipal Retirement Fund.

Governor Ryan was notified on September 19, 2006, that his pension benefits were being suspended as a result of his conviction.

Governor Ryan is not currently contesting the suspension and possible forfeiture of pension benefits earned during his service as Secretary of State and as Governor. However, the convictions are unrelated to his duties as a member of the General Assembly and as Lieutenant Governor. Therefore, since no nexus exists, Governor Ryan's position is that the benefits earned during those periods should not be subject to forfeiture.

Governor Ryan is requesting the complete suspension of his pension benefits be vacated, and that the forfeiture apply only to benefits earned during his tenure as Secretary of State and Governor.

Former Representative Robert Terzich requested and received permission from Chairman Granberg to speak on issues he believed were involved in Governor Ryan's appeal.

EXECUTIVE SESSION

Chairman Granberg moved that the Board go into Executive Session pursuant to Section 2(c)(4) of the Open Meetings Act to consider the evidence or testimony presented to this quasi-judicial body, the Board of Trustees of the General Assembly Retirement System (5 ILCS 120(2)(c)(4). Trustee Harmon seconded the motion. The roll call which followed resulted in the following votes:

Chairman Granberg	aye
Vice Chairman Clayborne	aye
Trustee Harmon	aye
Trustee Brady	aye
Trustee Bradley	aye
Trustee Daniels	aye
Trustee Collins	aye

A motion was made by Trustee Daniels, seconded by Trustee Bradley, and unanimously passed to resume the open session.

OPEN SESSION

On motion by Trustee Brady, seconded by Trustee Harmon, and unanimously passed, the Board affirmed the suspension of pension benefits of Governor George Ryan, and referred this matter to the System's attorney for a recommendation based on the facts and findings in the file for presentation at a special meeting to be held on Wednesday, November 29, 2006 at 4:00 P.M. in Senate Conference Room 627 A of the State House.

REPORT OF THE ILLINOIS STATE BOARD OF INVESTMENT

William Atwood, Director of the Illinois State Board of Investment, distributed copies of the September 30, 2006 Executive Summary, and addressed the Board.

Mr. Atwood advised that the total return for the fiscal year to date is 2.9%. A review of the performance of the various asset classes followed, as well as a review of the changes made in the portfolio.

Trustee Harmon moved for acceptance of the Executive Summary for the period ending September 30, 2006. Vice Chairman Clayborne seconded the motion, and all were in favor. A copy of this report is maintained in the office of the Illinois State Board of Investment.

MINUTES OF PREVIOUS MEETING

Chairman Granberg presented the minutes of Meeting No. 229 held on April 5, 2006, for approval. Copies of the minutes were previously submitted to the trustees for preliminary review.

Trustee Daniels moved that the minutes, as submitted, be approved. The motion was seconded by Vice Chairman Clayborne, and prevailed by the affirmative vote of all trustees present.

REPORT OF CHAIRMAN

Chairman Granberg indicated he had nothing to report at this time.

REPORT OF ADMINISTRATIVE SECRETARY

Calendar Year 2007 Meeting Dates In order to abide by the Open Meetings Act, it is necessary to post a schedule of meetings for the ensuing year in the System's offices as well as publish the schedule in a state newspaper.

The following meeting dates were agreed upon for calendar year 2007:

Wednesday, April 18
First Wednesday of Veto Session

All meetings are held in the Senate Conference Room, Room 317, of the Statehouse in Springfield unless otherwise posted.

Personnel & Salary Changes Chairman Granberg advised that due to a quorum not being available to attend a special meeting regarding personnel and salary changes, a memorandum was sent to all trustees regarding the matter along with a ballot. Trustees were requested to sign the ballot if they were in agreement with salary and personnel changes and return the ballot.

The State Retirement Systems consists of the State Employees' Retirement System (SERS), General Assembly Retirement System (GARS) and Judges Retirement System (JRS).

With the retirement of Robert Knox as Executive Secretary of the State Retirement Systems effective June 1, 2006, Timothy Blair was named as Acting Executive Secretary by the Board of Trustees of the State Employees' Retirement System. Mr. Blair requested a leave from his position of Deputy Director of the Judges and General Assembly Retirement Systems, and asked the Board to appoint him as the Acting Executive Secretary of the Judges Retirement System. This appointment would continue until such time as he is no longer Acting Executive Secretary of SERS and JRS. At that point of time, he would return to his position as Deputy Director of GARS.

Board members were informed that Jayne Waldeck has been the Assistant Division Manager of JRS/GARS for five years. Acting Executive Secretary Blair asked the Board to appoint her as Acting Deputy Director until such time as he returns to that position from his leave of absence. Ms. Waldeck will return to her position as Assistant Division Manager upon the termination of her temporary appointment.

Acting Executive Secretary Blair advised the trustees of the employees of SERS becoming covered by AFSCME and subject to the current collective bargaining agreement between AFSCME and the State of Illinois effective April 10, 2006. Union coverage and pay increases are retroactive to January 6, 2004. All step and cost of living increases have been denied for these staff members since July 1, 2003.

Three employees of the JRS/GARS were also denied pay increases and would be covered by the AFSCME contract if employed by SERS. In order to put these employees of the JRS/GARS on the same pay scale as SERS employees covered by AFSCME, the Board was requested to consider adopting the AFSCME pay scale, reduced by 4% to reflect the 4% employee retirement contributions for the current and future employees of JRS/GARS who would be covered by AFSCME if employed by SERS.

Five ballots were returned which resulted in all five trustees agreeing with personnel and salary changes; however, one trustee disagreed with the lump sum back wages. The ballots are made a part of the minutes as Exhibit A.

Financial Statements and Report of Administrative Expenses Acting Secretary Blair briefly reviewed the financial statements for the third and fourth quarters of fiscal year 2006 and the first quarter of fiscal year 2007.

Administrative expenses for the period January 1, 2006 through March 31, 2006 totaled \$67,885.54; for the period April 1, 2006 through June 30, 2006, \$93,280.46, lapse period, July 1, 2006 through August 31, 2006, \$5,329.59; and the period July 1, 2006 through September 30, 2006, \$45,246.00, were reported.

The trustees' attention was directed to the portion of the report reflecting the amount of funds transferred from the Illinois State Board of Investment in order to pay benefits.

There being no questions, Vice Chairman Clayborne moved approval of the FY 2006 third and fourth quarter financial statements and the FY 2007 first quarter financial statements as presented. Trustee Harmon seconded the motion, which passed unanimously.

Official copies of these financial statements have been placed on file and made part of the minutes of this meeting as Exhibit B.

Allocation of Shared Personal Services Acting Executive Secretary Blair reviewed a report regarding the allocation of shared personal services between systems which had been updated for the twelve month period from May 1, 2005 through April 30, 2006. The recap schedule of shared services indicated that JRS/GARS performed a net \$898 more in services for SERS on a monthly basis. The previous survey for the period of May 1, 2004 though April 30, 2005 reported that JRS/GARS performed a net \$1,453 more in services for SERS on a monthly basis.

There being no questions, Trustee Brady moved to accept the allocation of shared services for the twelve month period of May 1, 2005 through April 30, 2006. The motion was seconded by Trustee Bradley, and unanimously passed by an affirmative vote of all trustees.

Applications for Retirement and Survivor's Annuities and Refunds Acting Executive Secretary Blair directed the trustees' attention to the reports reflecting three retirement annuities as well as three survivors' annuities for approval.

Also reviewed at this time were one termination refund in the amount of \$19,326.30, three survivor annuity refunds in the amount of \$41,368.30, one death before retirement refund totaling \$126,494.75 and one error refund in the amount of \$8.40.

There being no questions regarding the payments, Trustee Bradley moved approval of the applications for annuity benefits and refunds, filed as Exhibit C. Trustee Daniels seconded the motion, and all were in favor.

ACCEPTANCE OF FY06 COMPLIANCE AUDIT

Prior to this meeting, the trustees were furnished with a copy of the June 30, 2005 compliance audit for review.

Following a brief discussion, on motion by Trustee Harmon, seconded by Vice Chairman Clayborne, and a unanimous vote, the Board accepted the June 30, 2005 compliance audit.

FY 2007 ADMINISTRATIVE BUDGET UPDATE

During the April 5, 2006 meeting, the Board tentatively approved the FY 2007 consolidated budget totaling \$808,500.

The overall final budget for FY 2007 totals \$806,300. Acting Executive Secretary Blair advised that the decrease is mainly due to personal services and related line items.

Following review and discussion, Trustee Brady moved to approve the final FY 07 administrative budget as submitted. Trustee Bradley seconded the motion, which prevailed by the affirmative vote of all trustees present.

ACTUARIAL VALUATION AS OF JUNE 30, 2006 & FOUR YEAR EXPERIENCE REVIEW - GOLDSTEIN & ASSOCIATES.

During his presentation of the preliminary June 30, 2006 actuarial valuation, Sandor Goldstein, consulting actuary, briefly reviewed the four year experience review performed as of June 30, 2006. Copies of this experience review had previously been furnished to each trustee.

He continued his report with a review of the June 30, 2006 actuarial valuation which he distributed to the trustees. The purpose of the valuation is to determine the financial position and funding requirements of the System. The actuarial assumptions used for the June 30, 2006 actuarial valuation are as reported in the four year experience review as of June 30, 2006.

Mr. Goldstein directed attention to Exhibit 1 which summarizes the System's membership data. Exhibit 2 reflects the actuarial value of assets, with Exhibit 3 following with the actuarial liability. Exhibit 4 reflects the employer's normal cost for the year beginning July 1, 2006, which was expressed as 19.42% of payroll.

Mr. Goldstein advised that the market value of the assets of the System, less the amount of liabilities, was used for purposes of this valuation. The resulting actuarial value of assets as of June 30, 2006 was \$82,254,832. The net rate of investment return earned by the net assets of the System, based on assets valued at market, was approximately 10% in comparison with the assumed rate of investment return of 8.0%. As of June 30, 2006, the total actuarial liability is \$221,713,300 and the unfunded actuarial liability is \$139,458,468.

Based on Public Act 88-0593 as amended by Public Acts 93-0002 and 94-0004, the required state contribution for fiscal year 2008 is \$6,809,800, and is not dependent on the

results of the June 30, 2006 actuarial valuation. This contribution rate is 52.91% of a projected payroll of \$12,871,000.

Following review, Trustee Daniels moved to accept the June 30, 2006 four year experience review and the actuarial valuation as presented by Sandor Goldstein. Vice Chairman Clayborne seconded the motion, and all were in favor.

CERTIFICATION OF FY 2008 STATE CONTRIBUTION RATE.

Following discussion, Trustee Harmon moved to certify the FY 2008 state contribution rate of \$6,809,800. Trustee Daniels seconded the motion, which prevailed by the affirmative vote of all trustees.

UNFINISHED BUSINESS

There was no unfinished business to be brought before the Board at this time.

ADJOURNMENT

There being no further business to be brought before the Board, Trustee Harmon moved to adjourn at 11:05 A.M. The motion was seconded by Trustee Daniels.

A special meeting has been called for Wednesday, November 29, 2006 at 4:00 P.M. The annual meeting of the General Assembly Retirement System Board of Trustees is scheduled for April 18, 2007. Should the scheduled date change for any reason, notices will be sent to all trustees in a timely manner.

Secretary

Date: _____

APPROVED:

Chairman