

**GENERAL ASSEMBLY RETIREMENT SYSTEM OF ILLINOIS
MEETING NO. 244**

**MINUTES OF THE ANNUAL MEETING OF THE
BOARD OF TRUSTEES**

APRIL 17, 2013

The annual meeting of the Board of Trustees of the General Assembly Retirement System was held on Friday, April 17, 2013, and convened at 9 a.m. in Room A-1 Stratton Building, Springfield, Illinois.

Roll call was taken with the following trustees present:

Senator James Clayborne, Jr., Chairman
Senator Don Harmon
Representative David Harris
Representative Elaine Nekritz

Absent were:

Senator Bill Brady
Representative Dan Burke
Representative Philip Collins, Retired

Others in attendance were:

Timothy B. Blair, Secretary
Jayne L. Waldeck, Manager
Scott Richards, Illinois State Board of Investment
Alex Rivera, Gabriel Roeder Smith & Company
Paul Wood, Gabriel Roeder Smith & Company
Curtis Smith, Senate Republican Staff

With a quorum present, the meeting was called to order by Chairman Clayborne. At the request of Executive Secretary Blair, Trustee Harris moved to add the presentation of the Consulting Actuaries' Experience Analysis to the agenda. His motion was seconded by Trustee Harmon and passed unanimously.

PUBLIC COMMENTS

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

REPORT OF THE ILLINOIS STATE BOARD OF INVESTMENT (ISBI)

Scott Richards, Senior Portfolio Manager of the ISBI addressed the Board. He referred the Board's attention to the ISBI Executive Summary dated February 28, 2013 and noted the portfolio's total market value at that time was \$12.470 billion. Mr. Richards pointed out to the Board that the Fund is

up 10.6% in FY 2013 through February 28, 2013, compared to the benchmark return of 9.3%, and continued by reviewing for the Board the performance of several of the asset classes over that time period. The Fixed Income portfolio was up 3.6% while the U.S. Equity portfolio (excluding hedge funds) was up 15.0%, compared to their respective benchmark returns of 2.5% and 13.8%. During the same time period, the Hedge Fund portfolio was up 9%, compared to a benchmark return of 7.6%.

Mr. Richards continued the review of the asset classes by noting the Non-U.S. Equity portfolio was up 19.4% (benchmark up 17.5%) while the Real Estate portfolio was up 1.9% (benchmark up 8.0%). In addition, the Real Asset portfolio was up 7.8% (benchmark up 2.5%) and the Private Equity portfolio was up 5.2%.

Trustee Harmon asked Mr. Richards to comment on the 7% Investment Return Assumption that is used by the actuaries. Following a brief discussion, Trustee Harmon indicated that based on the ISBI report, investments are currently outperforming the 7% interest rate. Further brief discussion was held and Trustee Harmon moving to approve the ISBI Report. Trustee Harris seconded the motion and all were in favor.

Chairman Clayborne thanked Mr. Richards for his informative report and excused him from the remainder of the meeting. A copy of this report is maintained in the office of the Illinois State Board of Investment and attached to these minutes as Exhibit A.

ACTUARIAL EXPERIENCE REVIEW

Alex Rivera and Paul Wood of Gabriel, Roeder, Smith and Company (GRS), the Board's Consulting Actuaries, appeared before the Board to present the results of their Experience Review. This review was completed at the request of the Board to validate current actuarial assumptions and recommend changes, as needed. In reviewing the Economic Assumptions, GRS recommended maintaining the current inflation assumption of 3% and the current investment return assumption of 7%. In regard to the Salary Increase Assumption, GRS recommended decreasing it from 4% annually to 3.5% annually, as well as assuming no pay increases for the next two years. Additionally, GRS recommended applying a 10% "load" on inactive vested liabilities to account for future pay increases for inactive GARS members who are members of a reciprocal system.

Recommendations were made regarding demographic assumptions, including longer assumed life expectancies (gender distinct assumptions) and separate rates for pre-retirement and post-retirement mortality. GRS also recommended maintaining the current retirement and termination rates and eliminating the disability assumption. And as new members of the General Assembly continue to opt out of GARS participation, GRS recommended assuming an active population of 150 active members.

The Consulting Actuaries then noted that changing the assumptions as recommended would increase GARS' accrued liability. This liability increase is mainly attributable to the recommended changes in the mortality assumption, as members are assumed to live longer. But, there is also a projected decrease in future annual normal cost, which is primarily attributable to the recommended changes in the salary increase assumption. Mr. Rivera concluded the GRS presentation by noting that the funded ratio remains dangerously low and is projected to decrease for the next 20 years before improving.

Following the presentation, Mr. Rivera and Mr. Wood offered to entertain questions regarding the recommended assumptions. After a brief discussion, Trustee Harmon moved to adopt the assumptions as recommended by GRS. Trustee Harris seconded the motion and all were in favor.

ELECTION OF OFFICERS

Chairman Clayborne announced the annual election of officers for the year was in order and opened the meeting for nominations. Trustee Harmon moved to nominate Senator Clayborne for reelection to the office of Chairman and Trustee Harris to the office of Vice Chairman. Trustee Nekritz seconded the motion and there being no further nominations, the motion passed unanimously.

MINUTES OF PREVIOUS MEETING

Chairman Clayborne presented the minutes of Meeting No. 243 held on October 26, 2012, for approval. Copies of the minutes were previously submitted to the trustees for preliminary review. Trustee Harris moved for acceptance of the minutes. Trustee Harmon seconded the motion and all were in favor.

REPORT OF CHAIRMAN

Chairman Clayborne had nothing to report.

REPORT OF TRUSTEES

The trustees had nothing to report.

REPORT OF SECRETARY

Financial Statements and Report of Administrative Expenses. The financial statements for the period ending December 31, 2012 and March 31, 2013 were submitted by Secretary Blair. He briefly reviewed each schedule and told the Board that employer contributions have continued to be received timely. Following a review of the reports submitted, Trustee Harmon moved to adopt the Statement of Cash Receipts, Disbursements and Balances as well as the various Financial Reports of December 31, 2012 and March 31, 2013. Trustee Harris seconded the motion and all were in favor. These reports are attached as Exhibit B.

FY 2013 Administrative Budget – Supplemental Request. Secretary Blair referred the trustees' attention to the memorandum regarding a supplemental request to FY 2013 Administrative Budget. A request for an FY 2013 budget increase of \$19,970 was reviewed in detail for the trustees. Following a brief discussion, Trustee Harmon moved to approve the requested increase of \$19,970 in the FY 2013 budget, with Trustee Harris seconding the motion. All were in favor.

FY 2014 Preliminary Budget Request. Secretary Blair referred the trustees to the line items detailing the FY 2013 budget, the projected FY 2013 spending, and the FY 2014 preliminary budget request. Specifically, the Personal Services, Group Insurance and Contractual line items reflect the biggest change in the budget from FY 2013 to FY 2014. Following a brief discussion, Trustee Harris moved to approve the FY 2014 Preliminary Budget. Trustee Harmon seconded the motion, which passed unanimously.

REPORT OF MANAGER

Annuities and Refunds for Approval. Division Manager Jayne Waldeck directed the trustees' attention to the reports reflecting twenty-one new retirement annuities totaling \$75,963.74 per month. Also reviewed were three survivor annuities paid since the last board meeting totaling \$10,467.46 per month. In addition, two survivor contribution refunds totaling \$27,105.36 and one error refund of \$512.34 were paid since the last meeting. There being no questions regarding the payments, Trustee Harris moved for approval of the payment of annuities and refunds. Trustee Harmon seconded the motion and all were in favor. The above reports are attached as Exhibit C.

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, Trustee Harris moved to adjourn at 10:15 a.m. His motion was seconded by Trustee Harmon and passed with an affirmative vote of those trustees present.

The next regularly scheduled meeting will be held in October 2013.

Secretary

Date: _____

APPROVED:

Chairman