

GENERAL ASSEMBLY RETIREMENT SYSTEM OF ILLINOIS

MEETING NO. 241

MINUTES OF THE REGULAR MEETING OF THE

BOARD OF TRUSTEES

OCTOBER 26, 2011

A regular meeting of the Board of Trustees of the General Assembly Retirement System was held on Wednesday, October 26, 2011, and convened at 9 a.m. in Room A-1 of the Stratton Office Building, Springfield, Illinois.

Roll call was taken with the following trustees present:

Senator James Clayborne, Jr., Chairman
Senator Don Harmon
Representative Elaine Nekritz
Representative Philip Collins, Retired
Representative David Harris
Senator Bill Brady
Representative Kevin A. McCarthy

Others in attendance were:

Timothy B. Blair, Executive Secretary
Jayne L. Waldeck, Manager
William Atwood, Illinois State Board of Investment
Ray Long, Chicago Tribune

With a quorum present, the meeting was called to order by Chairman Clayborne. Chairman Clayborne welcomed Representative Harris to the Board of Trustees.

REPORT OF THE ILLINOIS STATE BOARD OF INVESTMENT

William Atwood, Executive Director of the Illinois State Board of Investment (ISBI), addressed the Board. He referred the Board's attention to the Flash Report dated September 30, 2011. The total portfolio's market value was \$10,309,408,847, which includes the commingled funds of the State Employees' Retirement System (SERS) and the Judges' Retirement System (JRS).

Mr. Atwood then directed the Board's attention to the portion of the report showing a -9.0% return for the first three months of FY 12 and a -3.5% return for the calendar year to date. The FY 12 total portfolio benchmark totaled -9.2% while the calendar year to date benchmark was -5.3%. Director Atwood pointed out the portfolio outperformed the benchmark, and noted the recent extreme volatility in the financial markets. He also reminded the Board the portfolio returned 21.7% in FY 11 and pointed

out that until recently the current recovery had been the only one in history that had not had a 10% correction in the stock market.

Director Atwood briefly reviewed the performance of the various asset classes and answered questions from the Board. Senator Clayborne thanked him for his informative report and excused him from the remainder of the meeting.

MINUTES OF PREVIOUS MEETING

Chairman Clayborne presented the minutes of Meeting No. 240 held on May 3, 2011, for approval. Copies of the minutes were previously submitted to the trustees for preliminary review.

With no further discussion, Trustee Nekritz moved to approve the minutes as submitted. Trustee Collins seconded the motion which prevailed by the affirmative vote of all trustees present.

ACTUARIAL VALUATION AS OF 6/30/2011

Sandor Goldstein, of Goldstein & Associates, reviewed the valuation of the financial condition and funding requirements of the GARS as of June 30, 2011. He first reviewed the membership data used in the valuation and the actuarial value of the assets, which totaled \$63.2 million at June 30, 2011. At that time, the actuarial liability totaled \$298.4 million, resulting in a June 30, 2011 funded ratio of 21.2%.

Senator Harmon arrived to the meeting.

Mr. Goldstein continued his report by informing the Trustees that the required State contribution for FY13 was 94.96% of total projected payroll, or \$14,150,000. Questions pertaining to the unfunded liability and actuarial assumptions used for the valuation were entertained by Mr. Goldstein. Trustee Collins moved to adopt the report and certify the contribution of \$14,150,000. Trustee Nekritz seconded the motion and all were in favor. Chairman Clayborne thanked Mr. Goldstein for his report to the Board and excused him for the remainder of the meeting.

REPORT OF CHAIRMAN

Chairman Clayborne had nothing to report.

REPORT OF SECRETARY

2012 Meeting Calendar. Secretary Blair reviewed the GARS Meeting Schedule for 2012 indicating that the Board of Trustees will meet on April 18, 2012 and on the First Wednesday of the Fall Veto Session. The meetings will be held in Room A-1 Stratton Office Building beginning at 9 a.m. Motion was made by Trustee Harmon to adopt the meeting schedule and seconded by Trustee Harris. All were in favor.

Financial Statements and Report of Administrative Expenses. The financial statements for the period ending June 30, 2011, and September 30, 2011, were submitted by Secretary Blair.

Trustee Brady arrived at the meeting.

Secretary Blair referred to the Statement of Cash Receipts, Disbursements and Balances to show the Board it was necessary to draw down slightly more than \$4.5 million in assets from ISBI to pay benefits in FY11. He informed those present that the GARS has received FY12 State contributions for July, August and part of September from the Comptroller's Office. Even so, the system has withdrawn approximately \$3.3 million from ISBI in FY12 to pay benefits. Secretary Blair reminded the Board that staff tries to maintain enough cash at the system to pay two months of benefits.

Secretary Blair continued his report covering the Financial Statements through September 30, 2011, drawing the Board's attention to the FY12 Budget of \$303,620.00. Following review of the Statement of Budget, Expenses and Balances through September 30, 2011, questions were entertained. Trustee Collins moved to approve the Financial Statements and Report of Administrative Expenses for the periods ending June 30, 2011, and September 30, 2011. His motion was seconded by Trustee Nekritz and all were in favor. The reports are attached as Exhibit A.

FY12 Budget Changes. Secretary Blair called the trustees' attention to the memorandum from Dave O'Brien providing a detailed breakdown of the changes to the FY12 budget. In addition to the Group Insurance Line item increasing due to higher insurance premiums and the Retirement Line item being reduced due to the rate change, the budget for FY12 is based on a 75/25% allocation agreed to by the Judges' Retirement System Board of Trustees. This is different from the approved April budget which provided a 70/30% allocation. The budget changes resulted in a \$25,810 decrease in the FY12 GARS Budget.

Trustee McCarthy arrived to the meeting.

On motion by Trustee Harris and seconded by Trustee Harmon, the Board agreed to adopt the FY12 GARS Budget as presented by Secretary Blair. All were in favor.

Felony Forfeiture. Trustee Brady recommended that the Board of Trustees reconvene prior to Governor Blagojevich's sentencing. Secretary Blair indicated that once GARS staff receives an application from a convicted felon, he will contact the Board members for direction at that time. Trustee Harmon moved to request advice from the Attorney General regarding the felony forfeiture issue and how it relates to Governor Blagojevich. Trustee Brady seconded the motion and all were in favor

REPORT OF MANAGER

Annuities and Refunds for Approval. Division Manager Jayne Waldeck directed the trustees' attention to the reports reflecting thirteen retirement annuities totaling \$63,682.62. Also reviewed were three survivor annuities paid since the last board meeting totaling \$8,492.62 per month. In addition, two survivor refunds were processed totaling \$10,119.03 as well as two error refunds totaling \$232.14. There being no questions regarding the payments, Trustee Nekritz moved for approval of the

payment of annuities and refunds. Trustee McCarthy seconded the motion and all were in favor. The above reports are attached as Exhibit B.

UNFINISHED BUSINESS

There was no unfinished business to be discussed.

NEW BUSINESS

Secretary Blair submitted a Resolution to be presented to the family of Trustee Beaubien for his service as a member of the GARS Board of Trustees. Trustee Harmon moved to adopt the Resolution with Trustee Collins seconding the motion. All were in favor.

ADJOURNMENT

There being no further business to be brought before the Board, Trustee Collins moved to adjourn at 10:25 a.m. The motion was seconded by Trustee Nekritz and passed with an affirmative vote of all trustees present.

The next regularly scheduled meeting will be held April 18, 2012.

Secretary

Date: _____

APPROVED:

Chairman