

GENERAL ASSEMBLY RETIREMENT SYSTEM OF ILLINOIS

MEETING NO. 243

MINUTES OF THE ANNUAL MEETING OF THE

BOARD OF TRUSTEES

OCTOBER 26, 2012

The annual meeting of the Board of Trustees of the General Assembly Retirement System was held on Friday, October 26, 2012, and convened at 1 p.m. in Room N-703, Bilandic Building, Chicago, Illinois with videoconferencing from the System's Offices at 2101 South Veteran's Parkway, Springfield, Illinois.

Roll call was taken with the following trustees present:

Senator James Clayborne, Jr., Chairman - Chicago
Senator Don Harmon - Chicago
Representative David Harris - Chicago
Representative Karen May - Chicago
Representative Philip Collins, Retired - Springfield

Absent was:

Senator Bill Brady
Representative Elaine Nekritz

Others in attendance were:

Timothy B. Blair, Secretary
Jayne L. Waldeck, Manager
William Atwood, Illinois State Board of Investment
Alex Rivera, Gabriel, Roeder, Smith & Company
Paul Wood, Gabriel, Roeder, Smith & Company

With a quorum present, the meeting was called to order by Chairman Clayborne. Due to technical difficulties, Trustee Collins was unable to participate by videoconference. On motion by Representative May and seconded by Senator Harmon, the Board approved Trustee Collins' participation in the Board Meeting via telephone from the System's Springfield office.

REPORT OF THE ILLINOIS STATE BOARD OF INVESTMENT

William Atwood, Director of the Illinois State Board of Investment (ISBI), addressed the Board. He referred the Board's attention to the ISBI Executive Summary dated September 30, 2012 and noted the total portfolio's market value at that time was \$11,770,153,886. Director Atwood noted for the Board the portfolio is currently up 15.6% for the year ended September 30, 2012. He then continued by explaining to the Trustees that the value of the entire portfolio and the returns of the various asset

classes are still volatile and will probably continue to be for the foreseeable future. Director Atwood pointed out the goal of the ISBI is to attain an annual return of 7.75%, which is the investment return assumption adopted by SERS, the holder of approximately 95% of ISBI's invested assets.

Director Atwood reviewed for the Board the investment mix of the ISBI portfolio: Fixed Income investments are approximately 20%; Domestic Equity is about 30%; International Equity is 20%; Real Estate is 10%; Real Assets are at 5%; Private Equity is 5% and Hedged Equity encompasses about 10%. Further discussion was held followed by Senator Harmon moving to approve the ISBI report presented by Director Atwood. Representative May seconded the motion and all were in favor.

Chairman Clayborne thanked Director Atwood for his informative report and excused him from the remainder of the meeting. A copy of the ISBI report is maintained in the ISBI office and attached to these minutes as Exhibit A.

MINUTES OF PREVIOUS MEETING

Chairman Clayborne presented the minutes of Meeting No. 242 held on April 18, 2012, for approval. Copies of these minutes were previously submitted to the trustees for preliminary review. Representative Harris moved for acceptance of the minutes. Senator Harmon seconded the motion and all were in favor.

JUNE 30, 2012 ACTUARIAL VALUATION

Alex Rivera and Paul Wood of Gabriel, Roeder, Smith and Company (GRS), the Board's Consulting Actuaries, briefly introduced themselves to the Board and then reviewed the highlights contained in the actuarial valuation as of June 30, 2012. Mr. Wood noted for the Board that the funded ratio dropped from 21.2% at June 30, 2011 to 18.5% on June 30, 2012. He further noted that under the current statutory funding plan, the funded ratio is projected to slowly decrease from 17.4% in 2012 to 6.2% in 2029, and then increase dramatically to 90% by 2045.

Based on a question by Senator Harmon, Mr. Wood noted the actuarial valuation and all projections use an annual salary increase assumption of 4% for active GARS members. Senator Harmon pointed out an experience study may be helpful as the actual salary increases of members of the General Assembly have recently been much lower than the 4% assumption and that maybe an adjustment to the actuarial model for the 12 furlough days per member taken each year should be applied.

Other details were discussed regarding the GARS salary increase assumption and it was the consensus of the Board to request GRS conduct a new experience study of the GARS salary increase assumption. Upon further questioning by Representative May, Mr. Rivera verified this experience analysis is under the scope of the FY 2013 contract between GARS and GRS.

Mr. Wood continued by noting the proposed FY 2014 employer contribution was \$14.150 million, or 94.954% of payroll, a slight decrease from the FY 2013 certified employer contribution of \$13.856 million, or 95.461% of payroll. Representative May moved to approve the preliminary certification of FY 2014 of the employer contribution as presented by Mr. Wood. Senator Harmon seconded the motion and all were in favor.

It was agreed to re-evaluate the salary increase assumption for the next meeting, when the final certification of the FY 2014 employer contribution will be considered.

REPORT OF CHAIRMAN

Chairman Clayborne had nothing to report.

REPORT OF ADMINISTRATIVE SECRETARY

2013 Meeting Dates. Secretary Blair presented the proposed Board Meeting schedule to the trustees for review. Senator Harmon moved to approve the schedule and Representative May seconded the motion, which passed unanimously.

Financial Statements and Report of Administrative Expenses. The financial statements for the period ending June 30, 2012, and September 30, 2012, were presented by Secretary Blair. He reviewed each schedule, specifically noting the cash balance as of September 30, 2012 of \$3,310,128.82. Secretary Blair briefly reviewed the schedule regarding the total projected fund transfers of \$6.5 million from ISBI during FY 2013. He then briefly reviewed first quarter receipts and explained the 415 excess benefit fund. Following some discussion and review of the reports submitted, Representative May moved to adopt the financial statements as presented. Representative Harris seconded the motion and all were in favor. These reports are attached as Exhibit B.

FY 2013 Administrative Budget. Secretary Blair called the trustees' attention to the memorandum regarding the July Budget Changes for FY 2013. The requested changes include an increase in the Group Insurance line item due to higher insurance premiums and more expensive health plans selected by employees. In addition, the Contractual Services line was increased due to higher annual external auditing fees, copying and printing charges. The final change in the FY 2013 budget is an increase in the Information Technology line for scanner and imaging software maintenance. The requested GARS budget is a 6.07% increase to the FY 2012 budget and a 5.95% increase to the FY 2012 projected expenditures. Following review of the budget changes, Representative May moved for approval of the FY 2013 Budget. Senator Harmon seconded the motion and all were in favor.

Fraud Reporting Policy. Secretary Blair presented a Fraud Reporting Statement of Purpose and Policy. Discussion was held and Representative Harris moved to approve the policy. Representative May 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 five new retirement annuities for approval totaling \$19,868.57 per month. She also presented four survivor annuities for approval totaling \$12,180.20 per month and two error refunds totaling \$13,644.62. There being no questions regarding the payments, Representative May moved for approval of the payment of annuities and refunds. Representative Harris 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

No new business to be discussed.

ADJOURNMENT

There being no further business to be brought before the Board, Trustee Harmon moved to adjourn at 2:20 p.m. His motion was seconded by Trustee Harris and passed with an affirmative vote of those trustees present.

The next regularly scheduled meeting will be held on January 8, 2013, at 9 a.m. in Room A-1 of the Stratton Building.

Secretary

Date: _____

APPROVED:

Chairman