

**MINUTES  
OF THE  
REGULAR MEETING OF THE BOARD OF TRUSTEES  
STATE EMPLOYEES' RETIREMENT SYSTEM OF ILLINOIS**

**APRIL 22, 2008**

A regular meeting of the Board of Trustees of the State Employees' Retirement System of Illinois was held on Tuesday, April 22, 2008. The meeting convened at 9:30 A.M. in the System's Springfield office located at 2101 South Veterans Parkway.

Roll call was taken with the following trustees present:

Gordon John Mazzotti, Chairman  
Loren Iglarsh, Vice Chairman,  
Proxy for Daniel Hynes, Comptroller  
John Frigo, Proxy for Ginger Ostro, Director,  
Governor's Office Of Management and Budget  
Lori Laidlaw  
Joyce King

Absent was:

Michele Cusumano

Others in attendance were:

Timothy Blair, Acting Executive Secretary  
Larry Stone, Internal Auditor  
Nicholas Merrill, Manager, Accounting Division  
David O'Brien, Manager, Administrative Services  
William Atwood, Director, Illinois State Board of Investment  
Cheryl Bullerman, Recording Secretary  
Ross Buie, Retired State Employees' Association

Chairman Mazzotti presided and called the meeting to order with a quorum present.

## **REPORT OF THE ILLINOIS STATE BOARD OF INVESTMENT**

William Atwood, Director of the Illinois State Board of Investment, distributed copies of a draft of the March 31, 2008 Executive Summary. Mr. Atwood advised that the total fund return for the current fiscal year to date is -4.6%. The performance of the various asset classes for the current quarter, as well as the fiscal year to date, were reviewed. A discussion ensued regarding the nation's economy and its affects on the various asset classes.

Questions raised by the trustees were addressed throughout the presentation. Chairman Mazzotti thanked Mr. Atwood for his informative report, and excused him from the remainder of the meeting.

On motion by Trustee Frigo, seconded by Vice Chairman Iglarsh, and by unanimous vote, the Board accepted the report of the Illinois State Board of Investment as of March 31, 2008. Official copies of this report are on file in the office of the Illinois State Board of Investment.

## **MINUTES OF PREVIOUS MEETING**

Chairman Mazzotti presented the minutes of the January 22, 2008 meeting of the Board of Trustees for approval. The trustees were previously furnished copies of the minutes for preliminary review.

There being no additions or corrections, Trustee King moved approval of the minutes as submitted. Vice Chairman Iglarsh seconded the motion, and all trustees were in favor.

## **REPORT OF THE CHAIRMAN**

Chairman Mazzotti advised that he had nothing to report at this time.

## **REPORT OF INTERNAL AUDITOR**

Larry Stone, Certified Information Systems Auditor, directed attention to his quarterly summary. He advised he had completed reviews of Payroll/Personnel and Field Services.

Mr. Stone has recommended that the Human Resources manual be divided into a generic manual available to all staff members and a confidential component which includes the Labor Relations duties. He also recommended an employee be required to repay the hours under worked. A report should be supplied to the Executive Secretary and Internal Auditor by EDP identifying employees who have access to SRS employee payroll information, and he recommended procedures be developed to restrict SRS employee disability files.

The objective of the Field Services audit was to determine the accuracy of the System's newsletters. It also included an examination of the administration adequacy of the workshop programs and controls which prevent financial planners from soliciting business. Mr. Stone recommended that all future contracts include a clause restricting financial planners from requesting any contact information of attendees.

The annual internal fiscal and administrative controls of the Retirement System has been completed and submitted to the Auditor General's office.

Total overpayments of \$58,753.27 were identified in the December death match.

In a miscellaneous audit, Mr. Stone found new retirees are receiving solicitations for business when receiving their statements. He has recommended the System's Directives include provisions restricting any for-profit solicitations in the System's mailings. The Board instructed Mr. Stone and Acting Executive Secretary Blair to draft a rule prohibiting business solicitations by for profit groups for presentation at the next meeting of the Board.

Trustee Laidlaw moved acceptance of the quarterly report of the internal auditor, seconded by Trustee Frigo. The motion passed by unanimous vote of all trustees present.

## **REPORT OF EXECUTIVE SECRETARY**

**Legislation** Acting Executive Secretary Blair advised the trustees of three bills being considered by the 95th General Assembly and requested the Board's position.

**House Bill 1702** adds certain employees of the Illinois Toll Highway Authority (ITHA) (approximately 700) and CMS and IDOT (approximately 150) to the alternative formula. The bill provides for ITHA funding for the increase in the liability due to adding the ITHA employees to the alternative formula.

Following discussion, Vice Chairman Iglarsh moved the Board take no position on HB 1702. Trustee King seconded the motion. The motion carried with an affirmative vote by Chairman Mazzotti, Vice Chairman Iglarsh, Trustee King, and Trustee Laidlaw. Trustee Frigo cast a negative vote and went on record as opposing the bill.

**House Bill 5011** allows the System to grant "earnings credit" when members purchase service credit for leaves of absence. In addition, the bill allows members to purchase "earnings credit" when there is no service to purchase from leaves of absence.

Following discussion, Trustee King moved the Board support HB 5011. Vice Chairman Iglarsh seconded the motion. The motion carried with an affirmative vote of Chairman Mazzotti, Vice Chairman Iglarsh, Trustee Laidlaw and Trustee King. Trustee Frigo abstained from the vote.

**Senate Bill 1985** removes the Social Security offset from survivor annuities (and retirement annuities) that commenced prior to January 1, 1998. In addition, allows current and future retirees to elect to reduce the retirement annuity in order to eliminate the social security offset for their survivors.

Following discussion, a motion was presented by Trustee Laidlaw and seconded by Trustee King to support SB 1985. The motion carried with the affirmative vote of Chairman Mazzotti, Vice Chairman Iglarsh, Trustee Laidlaw and Trustee King. Trustee Frigo abstained from the vote.

## **SECOND QUARTER FINANCIAL REPORT**

Nicholas Merrill, Manager of the Accounting Division, addressed the Board and directed attention to the report for the second quarter of FY 2008. He referred to the Statement of Cash Receipts, Disbursements and Balances and noted that the employee and employer contributions had increased.

Mr. Merrill distributed an analysis of significant changes from the second quarter in FY07. It reflects the reason for the increase in member contributions is primarily due to higher salaries. The increase in employer contributions is due to an increase in the employer contribution rate. Another significant change was a decrease in the sale of investments which is also due to a higher employer contribution rate.

Following a brief discussion, Trustee Frigo moved to accept the financial report for the second quarter as presented. The motion was seconded by Trustee Laidlaw, and passed unanimously. A copy of this report is on file as Exhibit A.

## **FY 2009 BUDGET REQUEST - FIRST REVIEW**

The preliminary budget for the fiscal year July 1, 2008 through June 30, 2009 was presented. Copies of the executive summary, as well as a detailed budget, were previously provided to the trustees for their review prior to this meeting. The final budget submission will occur at the July, 2008 meeting. Approval of the budget at this meeting will allow the staff to continue operating after July 1, 2008, until final approval later in July.

The proposed operating budget for FY 2009 is \$12,366,800, a 23.7% increase over the FY 2008 projected budget.

Personal Services will increase 22.5% over the FY 08 budgeted amount. Three new positions have been included in the budget. The Board certified rate of 21.049% will result in an increase in the Retirement line. Other items affecting the increase are group insurance, contractual services, telecommunications and electronic data processing. The travel,

commodities, printing, equipment, and automotive line items have been reduced for the next fiscal year.

The increase in telecommunications is due to the leasing of video conference equipment.

Following discussion, Trustee Frigo presented a motion to approve the preliminary FY 2009 budget request of \$12,366,800. Trustee Laidlaw seconded the motion.

### **EXECUTIVE COMMITTEE MINUTES**

Copies of the minutes of the January, February, and March 2008 Executive Committee meetings were previously mailed to all Board members for review.

There being no corrections or additions to the Executive Committee minutes, Trustee Frigo moved for adoption as submitted. Trustee Laidlaw seconded this motion, and all were in favor.

### **NEW BUSINESS**

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

### **OLD BUSINESS**

There was no old business to be discussed.

**ADJOURNMENT**

There being no further business to be brought before the Board, on motion by Trustee Frigo, seconded by Vice Chairman Iglarsh, and by unanimous vote, the meeting adjourned at 11:25 A.M.

The next regularly scheduled meeting of the board will be held on Tuesday, July 22, 2008, at 9:30 A.M. in the System's Springfield office.

\_\_\_\_\_  
Gordon John Mazzotti, Chairman

Date: \_\_\_\_\_

ATTEST:

\_\_\_\_\_  
Timothy Blair, Acting , Executive Secretary

Date \_\_\_\_\_