

**STATE EMPLOYEES' RETIREMENT SYSTEM OF ILLINOIS**

**MINUTES OF THE REGULAR MEETING  
OF THE BOARD OF TRUSTEES**

**April 28, 2009**

A regular meeting of the Board of Trustees of the State Employees' Retirement System of Illinois convened on Tuesday, April 28, 2009, at 9:30 A.M. in the System's Springfield office located at 2101 South Veterans Parkway.

The following trustees were in attendance:

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

Others in attendance were:

Timothy Blair, Acting Executive Secretary  
Nicholas Merrill, Manager, Accounting Division  
William Atwood, Director, Illinois State Board of Investment  
David O'Brien, Manager, Administrative Services Division  
Gerald Mitchell, Chief Information Services Officer  
Dawn Blakeman, Recording Secretary

Chairman Mazzotti presided, and called the meeting to order at 9:30 a.m. with a quorum present.

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

William Atwood, Director of the Illinois State Board of Investment distributed draft copies of the Flash Report (Executive Summary) for the period ending March 31, 2009, and addressed the Board. He called attention to the portion of the report reflecting a negative 25.3% return for the fiscal year to date.

Director Atwood concluded his report by answering questions raised by the trustees. Chairman Mazzotti thanked him for his informative report, and excused him from the remainder of the meeting.

Trustee Frigo moved to accept the Flash Report of the Illinois State Board of Investment for the period ending March 31, 2009. Trustee Cusumano seconded the motion, which passed unanimously. A copy of this report is maintained in the office of the Illinois State Board of Investment.

**MINUTES OF JANUARY 20, 2009 BOARD MEETING**

The minutes of the annual meeting of the Board of Trustees held January 20, 2009, were presented to the members by Chairman Mazzotti for approval. Copies of these minutes were previously mailed to each trustee for preliminary review.

There being no corrections or additions, Trustee Laidlaw moved to approve the minutes as submitted. Trustee King seconded the motion, and all were in favor.

### **REPORT OF THE CHAIRMAN**

Chairman Mazzotti thanked all members of the Board for their dedication to SERS.

### **REPORT OF INTERNAL AUDITOR**

The System's Internal Auditor was not in attendance. Tim Blair addressed the Board, and summarized Mr. Stone's accomplishments subsequent to his last report.

Mr. Stone completed the EDP Post –Implementation of the Mainframe Conversion. The results were:

- A. Functional changes were made without user approval.
- B. Total projected hours to complete the conversion 17,000 vs. estimated 6,150.

Mr. Stone's recommendation to correct the above changes has been accepted.

The death match for this period identified \$26,576 in overpayments.

The Annual Fiscal Control and Internal Auditing Filing with the Auditor General has been completed.

Trustee Cusumano moved acceptance of the Internal Auditor's report for this period. Vice Chairman Iglarsh seconded the motion, all were in favor.

### **PRELIMINARY REVIEW OF FY 2010 BUDGET**

The preliminary budget for the fiscal year July 1, 2009 through June 30, 2010 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, 2009 meeting. Approval of the budget at this meeting will allow the staff to continue operating after July 1, 2009, until final approval later in July.

The proposed operating budget for FY 2010 is \$14,312,800. This represents an increase of 16.09% **or \$1,983,300 more than the FY09 budget amount of \$12,329,200.**

Personal Services will increase \$302,400 to FY09 budgeted amounts, a 6.51% increase. Annual increases per the merit compensation pay plan are included in addition to a 2.5% cost of living adjustment in July and 2% COLA in January 2010 for collective bargaining staff. Termination pay for four employees and two 75 day employees are also included.

The Board certified employer contribution rate of 28.377% (from 21.049%) will result in an increase of \$426,000 in the retirement line when compared to the FY09 budgeted amount, a 43.59% increase.

Group Insurance premiums are budgeted with a 3% increase to the FY09 amount.

The IT department budget increases \$1,333,100 or 44.8% from the FY09 budget amount. This increase is the result of filling vacancies, adding two positions, the retirement rate increase,

insurance premiums, auditing/management services and employee training. The increase in the IT Budget is necessary for the technology modernization efforts the Board desires to pursue.

Following discussion, Trustee Cusumano presented a motion to approve the preliminary FY 2010 budget request. Trustee Laidlaw seconded the motion.

## **REPORT OF EXECUTIVE SECRETARY**

### **Legislation**

Public Act 95-1043: Acting Secretary Blair reported on the passage of P.A. 95-1043. The Act eliminates the Social Security offset for several thousand current SERS widows and survivors and allows current and future retirees to elect to eliminate the offset by electing to accept a reduced retirement annuity. Mr. Blair reported that the beginning stage of this process has been completed in a timely fashion.

Public Act 96-0006: Acting Secretary Blair requested SERS Attorney Steve Bochenek report on P.A. 96-006, which changes the SERS Board from seven trustees to thirteen, effective July 2, 2009. The Act provides that the new 13 member Board will consist of the Comptroller, who is to be the Chairperson, six persons appointed by the Governor, four active participants of the System who are elected and two annuitants of the System who are elected. The Act also provides that seven trustees shall constitute a quorum for the transaction of business and the affirmative vote of a majority of the trustees present, but at least seven trustees shall be necessary for action by the Board at any meeting.

## **SECOND QUARTER FINANCIAL REPORT**

Nicholas Merrill, Manager of the Accounting Division, presented the financial report for the second quarter of Fiscal Year 2009.

Mr. Merrill indicated that the amount required to be transferred from ISBI decreased during this period (\$23,000,000) from the same period last year as a result of increased employee and employer contributions.

Vice Chairman Iglarsh requested information on the inter-fund borrowing required by Public Act 96-0003. Mr. Merrill and Trustee Frigo discussed the legislative history and the resulting transfer to and from the Hospital Provider Fund within the statutory deadline. Mr. Blair suggested a solution to keep a similar transfer from happening in the future would be to request the Illinois State Board of Investment (ISBI) maintain higher amounts of cash on hand for cash flow, rather than the System.

Vice Chairman Iglarsh also requested information about the Continuing Appropriation issue for FY09 employer contribution appropriations. Mr. Merrill reported that the Office of the Comptroller (IOC) has worked with the various agencies who have indicated that they have either already exhausted, or will exhaust, their employer contribution appropriation balances, prior to the end of the fiscal year. The IOC has taken the steps necessary to establish Continuing Appropriation balances, and it appears that the process is working properly.

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

## **EXECUTIVE COMMITTEE MEETING MINUTES**

The trustees had previously been furnished with copies of the January, February, and March, 2009 Executive Committee meeting minutes for review.

There being no changes to these minutes, Chairman Mazzotti moved for adoption as submitted. Vice Chairman Iglarsh seconded the motion, which prevailed by the affirmative vote of all trustees present.

**OLD BUSINESS**

There was no old business to be discussed.

**NEW BUSINESS**

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

**ADJOURNMENT**

There being no further business to be brought before the Board, Trustee Cusumano moved for adjournment at **11:15** A.M. seconded by Trustee Laidlaw.

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

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

ATTEST:

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

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