

STATE EMPLOYEES' RETIREMENT SYSTEM OF ILLINOIS

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

JANUARY 22, 2008

A regular meeting of the Board of Trustees of the State Employees' Retirement System of Illinois convened on Tuesday, January 22, 2008, 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 Gaston

Others in attendance were:

Timothy Blair, Acting Executive Secretary
Larry Stone, Internal Auditor
Nicholas Merrill, Manager, Accounting Division
William Atwood, Director, Illinois State Board of Investment
Cheryl Bullerman, Recording Secretary

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, addressed the Board sharing the ISBI Board's perspective on the real estate market and he explained the housing market, mortgages, and real estate investments.

Director Atwood then distributed copies of a draft of the Executive Summary for the period ending December 31, 2007, and called attention to the portion of the report reflecting a 0.0% return for the fiscal year to date; however, an 8.1% return was realized for the calendar year.

Director Atwood advised the trustees of the recommendations made by the ISBI Board regarding changes in the portfolio. He 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 Executive Summary of the Illinois State Board of Investment for the period ending December 31, 2007. 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 OCTOBER 16, 2007 BOARD MEETING

The minutes of the annual meeting of the Board of Trustees held October 16, 2007, 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 to the October 16, 2007 minutes, Trustee Cusumano moved to approve the minutes as submitted. Trustee King seconded the motion, and all were in favor.

REPORT OF THE CHAIRMAN

Chairman Mazzotti indicated he had no report.

REPORT OF INTERNAL AUDITOR

The System's Internal Auditor, Larry Stone, addressed the Board, and summarized his accomplishments subsequent to his last report. Mr. Stone advised that there were no audit issues found in his biannual review of claims, which included a review of the creation and collection of overpayments of nonoccupational disability benefits due to retroactive social security disability awards.

A death match was completed in December, 2007 with \$63,262.83 in overpayments being identified.

Mr. Stone advised he had met with John Davidson, Director of Information Technology for the State Comptroller's Office. He distributed a copy of a memo he and Mr. Davidson had prepared outlining their recommendations for the next step to be considered for the future line of business system. Mr. Stone advised it was felt that SERS should hire a Business Analyst to determine the user requirements of the line of business system in order to identify and describe significant functions to be performed within the new system. A lengthy discussion ensued regarding this recommendation, as well as the hiring of a Chief Information Officer (CIO).

Trustee Cusumano moved acceptance of the Internal Auditor's report for this period. She further moved approval of the recommendation to hire a Business Analyst to perform the functions outlined in the January 22, 2008 memo. Vice Chairman Iglarsh seconded both motions which prevailed by the affirmative vote of all trustees present.

The Board instructed Acting Executive Secretary Blair to proceed with the hiring of a Business Analyst.

REPORT OF EXECUTIVE SECRETARY

Resolution At the request of the Board, a resolution was prepared honoring Trustee Joseph Pisano who passed away on September 29, 2007. The resolution, which expresses gratitude and appreciation by the Board of Trustees and the staff of the State Employees' Retirement System for his many years of dedicated service, will be presented to Mr. Pisano's family.

A copy of the resolution has been made a part of the minutes of this meeting.

Legislation. Acting Executive Secretary Blair informed trustees that only three bills have been introduced to date. One proposal would allow an annuitant to return to service to replace an employee who has been called to active duty in the Armed Forces for a period not to exceed two years. The other proposals provide for the purchase of service credit for employees who have terminated service or have been laid off and have returned to work.

Board members were also advised the System has not received a response to their request for an opinion from the Attorney General's office regarding the sunset of benefit increases.

FIRST QUARTER FINANCIAL REPORT

Nicholas Merrill, Manager of the Accounting Division, presented the financial report for the first quarter of Fiscal Year 2008.

Mr. Merrill indicated that the amount required to be transferred from ISBI decreased during this period (\$144,000,000) as a result of increased employer contributions.

It is hoped the Comprehensive Annual Report as of June 30, 2007 can be completed by January 31, 2008, now that the Illinois State Board of Investment has finalized their report.

Following questions, on motion by Trustee Frigo, seconded by Trustee Gaston, and by unanimous vote, the Board approved the financial

reports as presented for the period July 1, 2007 through September 30, 2007.

A copy of the financial report is attached as Exhibit A.

EXECUTIVE COMMITTEE MEETING MINUTES

The trustees had previously been furnished with copies of the October, November, and December, 2007 Executive Committee meeting minutes for review.

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

NEW BUSINESS

Video Conference Equipment Board members were advised that the System is looking into leasing video conference equipment. This equipment would be used for Executive Committee meetings as well as Field Services Division seminars, resulting in a substantial savings in travel costs.

Change in Next Scheduled Board of Trustees Meeting Following discussion, on motion by Vice Chairman Iglarsh, seconded by Trustee Cusumano, and by affirmative vote of all trustees present, the March 18, 2008 meeting was changed to April 22, 2008.

OLD BUSINESS

There was no old business to be discussed.

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 Gaston.

Trustees were reminded that the next regular meeting which was scheduled for March 18, has been changed to April 22, at which time the preliminary FY 2009 budget will be reviewed.

Gordon John Mazzotti, Chairman

Date: _____

ATTEST:

Timothy Blair, Acting Executive Secretary

Date: _____