

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

**JULY 24, 2007**

A regular meeting of the Board of Trustees of the State Employees' Retirement System of Illinois was held on Tuesday, July 24, 2007, in the System's Springfield office, located at 2101 South Veterans Parkway.

The following trustees were in attendance:

Loren Iglarsh, Vice Chairman, Proxy for Comptroller Hynes  
John Frigo, Proxy for Ginger Ostro, Director, Governor's  
Office Of Management and Budget  
Michele Cusumano  
Joyce King  
Lori Gaston  
Joseph Pisano

Absent was:

Gordon John Mazzotti, Chairman

Others in attendance were:

Timothy Blair, Acting Executive Secretary  
William Atwood, Director, Illinois State Board of Investment  
David O'Brien, Manager, Administrative Services Division  
Larry Stone, Internal Auditor  
Cheryl Bullerman, Recording Secretary

In the absence of Chairman Mazzotti, Vice Chairman Iglarsh called the meeting to order at 9:30 A.M., with a quorum present.

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

Copies of a draft Executive Summary for the period ending June 30, 2007 were distributed by William Atwood, Director of the Illinois State Board of Investment. In addressing the Board, he advised that the preliminary total fund return for fiscal year 2007 is 16.6%. He proceeded with a review of the performance of the various asset classes.

Mr. Atwood entertained questions throughout his presentation. Vice Chairman Iglarsh thanked him for his informative report and excused him from the remainder of the meeting.

Trustee Gaston moved acceptance of the report of the Illinois State Board of Investment for the period ending June 30, 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 PREVIOUS BOARD MEETING**

The minutes of the regular meeting of the Board held March 20, 2007 were presented by Vice Chairman Iglarsh for approval. Copies of these minutes were previously sent to all trustees for review.

There being no additions or corrections to the minutes, Trustee Frigo moved approval of the March 20, 2007 minutes as submitted. Trustee Gaston seconded the motion, which prevailed by an affirmative vote of all trustees present.

## **REPORT OF THE CHAIRMAN**

There was no report.

## **REPORT OF INTERNAL AUDITOR**

The System's Internal Auditor, Larry Stone, directed attention to his report which summarizes his accomplishments subsequent to his last report.

Mr. Stone reported he had reviewed the EDP application conversion and found it to be over 8,000 hours behind schedule. Outstanding issues from the Baseline Assessment will not be started due to the resource requirements of the conversion. Three major Baseline Assessment Audit issues not dependent on the conversion will be completed.

A lengthy discussion ensued regarding the conversion and Baseline Assessment. The Board instructed Acting Executive Secretary Blair to provide transition documentation at their next meeting scheduled in October 16, 2007.

Mr. Stone continued with a review of the Service and Refunds audit of high risk accounts, expenditure control and petty cash. The certification of the annual Internal Fiscal and Administrative Controls of the System was also completed.

Trustees were provided with a a copy of his internal audit plan and priorities for FY 2008.

Trustee Cusumano moved acceptance of the report presented by the Internal Auditor. Trustee King seconded the motion, and all were in favor.

## **REPORT OF EXECUTIVE SECRETARY**

**Allocation of Shared Expenses.** Acting Executive Secretary Blair reviewed a report regarding the allocation of shared personal services between systems which had been updated for the twelve month period from May 1, 2006 through April 30, 2007. The recap schedule of shared

services indicated that JRS/GARS performed a net \$708 more in services for SERS on a monthly basis. The previous survey for the period of May 1, 2005 though April 30, 2006 reported that JRS/GARS performed a net \$898 more in services for SERS on a monthly basis.

There being no questions, Trustee Cusumano moved to accept the allocation of shared services for the twelve month period of May 1, 2006 through April 30, 2007. The motion was seconded by Trustee Gaston, and unanimously passed by an affirmative vote of all trustees present.

**Legislation.** Acting Executive Secretary Blair reviewed bills which have passed both chambers of the 95th General Assembly:

House Bill 0049 removes the requirement that adoption proceedings must have commenced one year prior to the member's date of death in order for an adopted child to be eligible for a widow/survivor's benefit.

House Bill 0804 increases the amount of military service credit that can be purchased from 2 years to 4 years.

House Bill 1960 allows for the purchase of up to 2 years of service credit for participation in the University of Illinois Graduate Public Service Internship Program.

Senate Bill 0065 allows for the transfer of service credit by certain police positions to SERS under the alternative formula.

Senate Bill 1201 allows current employees of the Chicago Metropolitan Agency on Planning who have been members of SERS while employed by the Chicago Area Transportation Study to elect to continue participation in SERS.

Senate Bill 1481 allows DHS Client Assessment Unit Nurses to purchase contractual service credit for service prior to becoming state employees, with the service credit to be purchased by July 1, 2008

This bill also allows SERS members to purchase up to 2 years of service credit for periods spent on approved leaves of absence to be employed by or represent a statewide labor organization which covers SERS members.

Mr. Blair advised that no response has been received from the Attorney General's office regarding the System's request for a legal opinion on Public Act 94-0004; however, he plans to meet with the other retirement systems affected by this Act, and will again discuss the issues with the System's attorney. The Board instructed Acting Executive Secretary Blair to again attempt to obtain an opinion from the Attorney General's office.

### **THIRD QUARTER FINANCIAL STATEMENTS**

Acting Executive Secretary Blair directed attention to the FY 07 third quarter financial reports. Significant financial changes reviewed included an increase in member contributions and employer contributions, as well as an increase in interest earned on cash balances. The report also reflected an increase in retirement annuities due largely to the annual cost of living increases.

Trustee Frigo requested the trustees be furnished with the Statement of Investment Account for the same period in the previous fiscal year.

Following a review of the expenditures for the third quarter, Trustee Gaston moved to accept the financial report for the third quarter as presented. The motion was seconded by Trustee Frigo, and passed by unanimous vote. A copy of this report is made a part of these minutes as Exhibit A.

### **FINAL BUDGET REVIEW FOR FY 2008**

Acting Executive Secretary Blair referred to the budget presentation reviewed by the Board during their March meeting. The revised budget reflects an increase in personal services and related line items to provide for a 75 day employee and overtime. It was also noted that the group

insurance line item increased due to the premiums for FY 2008 being more than anticipated. Other increases include postage costs and equipment. The EDP line will increase as a result of higher insurance premiums as well as the filling of vacancies, and the purchase of a technician workstation.

The FY 08 budget of \$11.096,000 is a 13.49% increase to the FY 07 budget, and a 25.43% increase to the FY 07 projected expenditures.

Following review and discussion, Trustee Pisano presented a motion to accept the revised fiscal year 2008 administrative budget as submitted. Trustee King seconded the motion, and Vice Chairman Iglarsh called for a roll call vote:

Trustee Frigo	aye
Trustee Cusumano	aye
Trustee Pisano	aye
Trustee King	aye
Trustee Gaston	aye
Vice Chairman Iglarsh	aye

The motion carried.

## **EXECUTIVE COMMITTEE MINUTES**

Copies of the minutes of the Executive Committee meetings held in March, April, May, and June, 2007, which were previously mailed to all Board members for review, were presented for approval.

There being no corrections to these minutes, Trustee Cusumano presented a motion to approve the minutes as submitted. Trustee Gaston seconded this motion, and all were in favor.

## **NEW BUSINESS,**

No new business was brought before the Board during this meeting.

**OLD BUSINESS.**

There was no old business to be discussed at this time.

**ADJOURNMENT**

There being no further business to be brought before the Board, on motion by Trustee Gaston, seconded by Trustee Frigo, and by unanimous vote, the meeting adjourned at 11:45 A.M.

The next meeting of the Board will be held on Tuesday, October 16, 2007, at 9:30 A.M. in the System's Springfield office.

\_\_\_\_\_  
Loren Iglarsh  
Vice Chairman

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

ATTEST:

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

Date \_\_\_\_\_