

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

JULY 22, 2008

A regular meeting of the Board of Trustees of the State Employees' Retirement System of Illinois was held on Tuesday, July 22, 2008, 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
Comptroller Daniel Hynes
John Frigo, Proxy for Ginger Ostro, Director,
Governor's Office Of Management and Budget
Michele Cusumano
Lori Laidlaw

Absent was:

Joyce King

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
Nicholas Merrill, Manager, Accounting Division
Cheryl Bullerman, Recording Secretary
Ross Buie, Retired State Employees Association

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

Copies of a draft Executive Summary for the period ending June 30, 2008 were distributed by William Atwood, Director of the Illinois State Board of Investment. In addressing the Board, he advised that the portfolio was down 5.5% for the fiscal year ending June 30, 2008. He followed with a review of the performance of the various asset classes, advising that the numbers are preliminary at this point.

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

Vice Chairman Iglarsh moved acceptance of the report of the Illinois State Board of Investment for the period ending June 30, 2008. Trustee Frigo 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 April 22, 2008 were presented by Chairman Mazzotti for approval. Copies of these minutes were previously sent to all trustees for review.

There being no additions or corrections to the minutes, Trustee Cusumano moved approval of the April 22, 2008 minutes as submitted. Trustee Laidlaw 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 quarterly report.

Mr. Stone reported he had completed all audits required under the Fiscal Control and Internal Auditing Act for fiscal year 2008.

In a review of the Chicago office, the procedures manual was found to need updating. Workshop evaluations also need to be completed. These issues were disclosed in previous reviews.

No audit issues were found in his reviews of property, plant & equipment, petty cash, and purchasing, contract and leasing. The annual internal control certifications were completed as required.

The death match resulted in identifying \$48,072 in overpayments.

Mr. Stone requested the Ethics Training for Board members be completed and the appropriate signature page be returned to him.

Mr. Stone concluded his report with a review of the audit priorities for fiscal year 2009.

Trustee Cusumano moved acceptance of the report presented by the Internal Auditor, as well as the FY 09 audit plan. Trustee Frigo seconded the motion, and all were in favor.

REPORT OF EXECUTIVE SECRETARY

Legislation Acting Secretary Blair advised the trustees that the social security offset bill, which the Board and staff have supported for many years, failed in the Senate. It may be considered again in the fall session.

A discussion ensued regarding the employer contributions paid to the System and the FY 09 funding issues.

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, 2007 through April 30, 2008. The recap schedule of shared services indicated that JRS/GARS performed a net \$1,168 more in services for SERS on a monthly basis. The previous survey for the period of May 1, 2007 through April 30, 2008 reported that JRS/GARS performed a net \$708 more in services for SERS on a monthly basis.

There being no questions, Vice Chairman Iglarsh moved to accept the allocation of shared services for the twelve month period of May 1, 2007 through April 30, 2008. The motion was seconded by Trustee Laidlaw, and unanimously passed by an affirmative vote of all trustees present.

THIRD QUARTER FINANCIAL STATEMENTS

Nicholas Merrill, Manager of the Accounting Division, directed attention to the FY 08 third quarter financial reports. This report included significant changes subsequent to his last report as well as administrative expenses for the quarter.

Mr. Merrill explained how the receipt of employer contributions impacts the transfer of funds from the Illinois State Board of Investment.

Following a review of the third quarter statements, Trustee Cusumano moved to accept the financial report as presented. The motion was seconded by Vice Chairman Iglarsh, 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 2009

Acting Executive Secretary Blair referred to the budget presentation reviewed by the Board during their April meeting. The revised budget reflects an increase in FICA for contractual service employees, group insurance premiums due to the filling of vacancies and contractual services

due to an external auditor fee increase, Termination pay, retirement and FICA will result in a decrease in the EDP line item.

The FY 09 budget of \$12,329,200 is a 11.11% increase to the FY 08 budget, and a 26.70% increase to the FY 08 projected expenditures.

Following review and discussion, Trustee Frigo presented a motion to accept the revised fiscal year 2009 administrative budget as submitted. Vice Chairman Iglarsh seconded the motion, which prevailed by an affirmative vote of all trustees present.

EXECUTIVE COMMITTEE MINUTES

Copies of the minutes of the Executive Committee meetings held in April, May, and June, 2008, which were previously mailed to all Board members for review, were presented for approval.

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

NEW BUSINESS,

Acting Secretary Blair informed the trustees of the retirement of Jim Spears, Harvey Teitler & Laura Drnjevic, all staff members of the EDP Division, as of May 31, 2008, and Cheryl Bullerman as of August 31, 2008. He also advised that Al Allen also of the EDP Division, will be leaving state government on July 31, 2008.

Chairman Mazzotti advised trustees that his term had expired July 14, and he will continue to serve as Chairman until he is replaced.

Chairman Mazzotti requested the record to reflect his support of the appointment of Tim Blair to the Executive Secretary position. Chairman Mazzotti indicated he has enjoyed working with him, as well as all of the Board members.

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 Cusumano, seconded by Trustee Laidlaw, and by unanimous vote, the meeting adjourned at 10:50 A.M.

The next meeting of the Board will be held on Tuesday, October 21, 2008, at 9:30 A.M. in the System's Springfield office.

Gordon John Mazzotti
Vice Chairman

Date: _____

ATTEST:

Timothy Blair, Acting Executive Secretary

Date _____