

**STATE EMPLOYEES' RETIREMENT SYSTEM OF ILLINOIS**

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

**July 21, 2009**

A regular meeting of the Board of Trustees of the State Employees' Retirement System of Illinois convened on Tuesday, July 21, 2009, at 9:30 A.M. in the System's Springfield office located at 2101 South Veterans Parkway.

The following trustees were in attendance:

Daniel W. Hynes, Chairman  
Lori Laidlaw, Vice Chairman  
Thomas Allison  
Renee Friedman  
Joyce King  
David Morris  
Michael Noser  
Patricia Ousley  
Maria Pelaez-Peterson  
Patricia Rensing  
Danny Silverthorn  
Harold Sullivan, Jr.  
Virginia Yates

Others in attendance were:

Timothy Blair, Acting Executive Secretary  
Steve Bochenek, Attorney  
Lawrence Stone, Internal Auditor  
Nicholas Merrill, Manager, Accounting Division  
William Atwood, Director, Illinois State Board of Investment  
David O'Brien, Manager, Administrative Services Division  
Loren Iglarsh, Office of the Comptroller  
Allan Mayer, Office of the Comptroller  
Dawn Blakeman, Recording Secretary  
Gregg Scott, Commission on Government  
Forecasting and Accountability  
Dan Hankiewicz, Commission on Government  
Forecasting and Accountability

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

**REPORT ON THE 2009 TRUSTEE ELECTION**

Acting Secretary Blair informed the Trustees of an issue regarding the recently completed 2009 Trustee election. Based on phone calls received after the mailing of the Trustee ballots, it was de-

terminated that members of SERS who were receiving disability benefits received 2 ballots for the active trustee election.

Steve Bochenek, attorney for the System, provided the trustees with options to address the duplicate ballot issue, which included holding another election or seating the 3 trustees who received the most votes in the election. Trustee Noser moved to seat the 3 trustees who received the most votes and Trustee Laidlaw seconded the motion, which passed on a vote of 9-1, with Chairman Hynes casting the only dissenting vote.

#### **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 May 31, 2009, and addressed the Board. He called attention to the portion of the report reflecting a negative 19.6% return for the fiscal year to date.

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

Trustee Ousley moved to accept the Flash Report of the Illinois State Board of Investment for the period ending May 31, 2009. Trustee Laidlaw 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 APRIL 28, 2009 BOARD MEETING**

The minutes of the meeting of the Board of Trustees held April 28, 2009, were presented to the members by Chairman Hynes for approval. Copies of these minutes were previously mailed to each trustee for preliminary review.

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

#### **REPORT OF THE CHAIRMAN**

**Election of Vice-Chairman** Chairman Hynes informed the Board members that the annual election of the Vice-Chairman for the remainder of 2009 was in order, and opened the floor for nominations.

Thereupon Chairman Daniel Hynes nominated Trustee Lori Laidlaw for election to this position. The motion was seconded by Trustee Rensing. There being no further nominations, the nominations were closed.

The vote which followed resulted in the unanimous election of Lori Laidlaw to the office of Vice-Chairman for the remainder of calendar year 2009.

**Appointment of Executive Committee** Chairman Hynes announced the annual appointments to the Executive Committee were in order. Thereupon, he reappointed Loren Iglarsh as the Committee's Chairman, Lori Laidlaw and Timothy Blair as Committee members. The Chairman expressed his appreciation for their time and effort serving on this Committee.

#### **REPORT OF INTERNAL AUDITOR**

The System's Internal Auditor, Larry Stone, addressed the Board, and summarized his accomplishments since his last report to the Board.

Mr. Stone completed a review of the 2009 Trustee election, which provided an overview of the election process and results and outlined the duplicate ballot issue. Mr. Stone's audit contained recommendations to develop a project plan for future elections to prevent future ballot issues.

The death match for this period identified \$7,482.64 in overpayments.

No audit issues were found in his reviews of employee fidelity, expenditure control, member accounts, revenues/receivables, petty cash, and service and refunds.

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

### **FINAL BUDGET REVIEW FOR FY 2010**

Acting Executive Secretary Blair referred to the budget presentation reviewed by the Board during the April meeting. The proposed operating budget for FY 2010 is \$14,034,100, an increase of 13.83% or \$1,704,900 more than the FY09 budget amount of \$12,329,200.

Personal Services will increase \$170,100 to FY09 budgeted amounts, a 3.66% increase. The budget includes no increases in merit compensation pay plan, but does include 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 \$388,500 in the retirement line when compared to the FY09 budgeted amount, a 39.75% increase.

The IT department budget increases \$1,285,200 or 43.19% from the FY09 budget amount. This increase is the result of filling vacancies, adding two positions, the retirement rate increase, 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 Laidlaw presented a motion to approve the final FY 2010 budget request. Trustee Freedman seconded the motion.

### **REPORT OF EXECUTIVE SECRETARY**

#### **Legislation**

Acting Secretary Blair presented the Trustees with a memo outlining legislation that had passed during the spring legislative session.

**HB 519:** HB 519 creates a 6 month window to allow various employees covered by the alternative formula to transfer service credit to SERS from Articles 3 (Downstate Police), 5 (Chicago Police), 7 (IMRF) and 9 (Cook County). The member is required to make the applicable employee and employer contributions (normal cost), plus interest at 8.5% annually from the date of the service to the date of payment, less any amount received from the transferring fund.

**HB 3606:** HB 3606 allows SERS members to establish up to 4 years of service credit for full-time contractual service rendered to the Illinois Institute of Natural Resources or the Illinois Department of Energy and Natural Resources. The member is required to make the applicable employee and employer contributions (normal cost), plus interest at 8.5% annually from the date of the service to the date of payment.

**HB 3964:** HB 3964 allows members who purchase service credit for periods of leaves of absence to have earnings credited during the period of leave. If no contributions are required to establish service

credit for the period of leave, the bill allows members to establish earnings credit for the period of leave by making the applicable employee and employer contributions (normal cost) , plus interest at 8.5% annually from the date the leave began to the date of payment.

**SB 214:** Senate Bill 214 allows members who rendered full-time contractual services to an Illinois Veterans Home operated by the Department of Veterans' Affairs to establish SERS service credit for up to 8 years of such service, if application to establish the service credit is made within 6 months of the effective date of the Amendatory Act. The member is required to make the applicable employee and employer contributions (normal cost), plus interest at 8.5% annually from the latest date of membership to the date of payment.

**SB 1479:** Senate Bill 1479 allows SERS members to establish service credit for up to five voluntary or involuntary furlough days that result from a State fiscal emergency. The furlough days must occur between July 1, 2008 and June 30, 2009, and the member must apply in writing to the System prior to July 1, 2012. The member is required to make the applicable employee and employer contributions (normal cost), plus interest at 8.5% annually from the latest date of membership to the date of payment.

After a brief discussion of the legislation, Chairman Hynes asked to be furnished with the System's procedures for dealing with legislation and the legislature. Acting Secretary Blair promised to provide Chairman Hynes with the requested information.

### **THIRD QUARTER FINANCIAL REPORT**

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

Mr. Merrill indicated that the amount required to be transferred from ISBI decreased during this period (\$42,000,000) from the same period last year as a result of increased employee and employer contributions.

Mr. Merrill then entertained several questions from the Trustees regarding the various types of receipts and disbursements detailed in the financial statements. Following the discussion, Trustee King moved to accept the financial report for the third quarter. The motion was seconded by Vice Chairman Laidlaw, 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 April, May and June, 2009 Executive Committee meeting minutes for review.

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

### **OLD BUSINESS**

There was no old business to be discussed.

### **NEW BUSINESS**

There was no new business to be discussed.

### **ADJOURNMENT**

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

\_\_\_\_\_  
Daniel W. Hynes, Chairman

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

ATTEST:

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

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