

**University of Illinois**  
**Urbana-Champaign Senate**  
Final;Information

SUR.11.01 Report on SURSMAC\* Meeting October 12, 2010

SURSMAC met at the SURS headquarters in Champaign from 10:30 a.m. to 1:25 p.m. The focus was informational presentations by SURS staff, particularly the new Executive Director William E. Mabe, followed by a brief business meeting.

SURSMAC chair, Jake Baggott, SIUC, welcomed the participants, members introduced themselves, and the minutes of the April 6, 2010, meetings were approved.

William Mabe, Executive Director of SURS, provided an overview of the current environment, issues, and potential responses of SURS. He stressed the difficulties past, present and future given the volatility of current financial markets. The return on SURS investments is increasingly tied to global markets. The solvency of SURS is tied to legislative appropriations. "The next three to five years are absolutely critical" and the legislature must act now to provide the needed funding. SURS has less and less ability to respond: with its funds diminishing investment decisions must be more conservative to ensure the ability to meet required pension payouts. Further, more people are retiring and retiring earlier than projected.

There are greater demands placed on SURS for information and education given recent changes in pension legislation affecting new hires, needed greater transparency, and greater use of a variety of communication media. Hence, SURS must continue to invest heavily in technology to manage risks: legal, operational and in communication. It is essential that SURS maintain its credibility.

Given the environment and issues confronting SURS, a strategic plan is being established with five goals and the various steps needed to accomplish them.

(1) Key goal: to provide a financially sound pension fund sustainable over time. This means adjusting investment strategies to ensure liquidity and to manage market volatility at the lowest costs. SURS must obtain sustainable funding from the legislature! Hence, SURS supports SB 3514 which authorizes a public bond issue to provide the FY2011 certified contributions to state retirement systems and urges its members to contact legislators in support of that bill.

(2) Enhance the various retirement plans with a goal of less complexity: complexity often the result of legislation governing all five systems not easily adapted to SURS. Further, an array of exceptions and even abuses to the plans have developed within SURS and must be dealt with.

(3) Customer Service: While generally there is a high satisfaction level with service to participants, SURS needs to make continuous improvements in service, particularly education re the various plans to aid new hires in making sound decisions in selecting among the options SURS offers. (Choosing or defaulting to the traditional plan may not be the best option for new hires given the legislative changes to the pension plans.)

(4) Human Resources Concerns: Need to focus on development of human capital—the SURS staff. SURS has a very mature workforce: 80% could retire in the next five years so SURS faces a “human capital deficit.”

(5) Risk Management: Protecting SURS assets requires good, accurate audits by internal and external auditors to insure improvement including governance and ethical activity.

In the Q and A period the Director stressed we must obtain the legally required state funding and an understanding of its urgency—one role SURSMAC should serve. Given the “noise” of election campaigns, action must wait until the election is over. The press is not helpful—they have a set story of high pension costs and do not report SURS offers modest benefits and that retirees do not qualify for social security in positions covered by SURS. There is a tension between operating budgets versus pension payments. Failure to make the pension payments puts the future of Illinois education on the line.

SURS is participating in developing a “trailer bill” to clarify elements in the “pension reform” legislation as it affects SURS.

Dan Allen presented the investment update. SURS had a very good year--15% return--compared with other systems. SURS has a return of 8.9% averaged over 25 years. While the investment program did its job and met its goals, the state funding did not. To ensure low costs, half of SURS funds are in passive investments. The funding ratio as of June 2010 was 43.7%.

The business meeting was a short one. Jake Baggott was reelected chair. In reports, the benefits subcommittee stressed the importance of preserving our health benefits. The legislative relations committee is developing a plan for the spring to offer sample drafts and specific data that faculty senates, groups and individuals could use in communicating with legislators, for Op Ed pieces, letters to the editor, and other efforts to convey the urgency of legislative action. The next regular meeting of SURSMAC is April 5, 2011.

Ken Andersen, H.F. (Bill) Williamson  
UIUC Senate Representatives

\*SURSMAC is the State University Retirement System members Advisory Committee to the SURS Board of Trustees. Members are faculty and staff representing the various institutions and agencies affected by SURS: public universities and community colleges, state surveys, and retiree organizations. It normally meets twice a year in October and April at SURS headquarters at 1901 Fox Drive in Champaign.