

UNIVERSITY OF ILLINOIS
URBANA-CHAMPAIGN SENATE

State University Retirement System Members Advisory Committee
(Final; Information)

SUR.15.02 Report on SURSMAC* Meeting June 18, 2015**

SURSMAC held its summer meeting at the SURS headquarters in Champaign beginning at 10 a.m. Two issues involved indirect discussions before and after the SURSMAC meeting. First, there were proposals to modify the SURSMAC bylaws. Secondly, it was noted that on May 8, 2015 the Illinois Pension Reform Act, S.B. 1, was determined to be unconstitutional per a unanimous decision of the Illinois Supreme Court in *Heaton v. Quinn*, 32 N.E. 3d 1 (2015). (New developments re *Heaton* are reported as an addendum to this report.)

Following the SURSMAC agenda, the minutes of the meeting of November 18, 2014 were approved. Then the SURS Executive Director Update noted that the new SURS Director is Bryan Lewis who assumed office in spring 2015, replacing William Mabe. Re-emphasized were the SURS missions to insure SURS financial security and to deliver retirement benefits to state employees. To enhance communications, SURS is now directing everyone to the SURS website for their initial contacts with SURS.

The Investment Update by Dan Allen reported that SURS pays \$2.1 billion per year in benefits, but the funding ratio for SURS is only 45%. This ratio needs to be improved by the State of Illinois, but political issues make an improved ratio unlikely for the near future. SURS is trying to reduce equity exposure, and to reduce risk SURS is investing more in emerging markets. SURS is also researching investing in hedge funds. SURS traditional has low management fees but SURS is going to hire a manager to manage other financial managers, which is supposedly a common strategy. SURS is trying to de-risk the SURS portfolio. Andrew Matthews also noted the first SMP search for providers in 15 years, and during the September SURS Board Meeting 2 to 7 SMP providers will be considered.

The Legislative Update was provided by Kristen Houch and Albert Lee. Interested parties are currently monitoring Chicago pension cases, including *Jones v. Municipal Employees*. Most of these cases propose to cut Cost of Living Adjustments (COLAs), more properly referred to in Illinois as Automatic Annual Increases (AAI). The Illinois cases and concomitant proposed legislation are also drafted to increase employee contributions, change actuarial calculations, and involve union leave issues.

The Joint Committee on Administrative Rules (JCAR), a 12-member legislative oversight committee, is expected to issue new Affected Annuitant Rules as updates—which could adversely affect annuitants.

Per the 2014 *Kanerva v. Weems* case, the Illinois Supreme Court (with only one dissenting justice), compelled the State of Illinois via Central Management Services (CMS) to reimburse annuitants for medical premiums improperly taken from annuitants. The State Universities Annuitants Association (SUAA) was instrumental in minimizing the legal fees which were charged to annuitants as part of the class action lawsuits to recoup the CMS take-aways.

Accordingly, SURS was tasked with an overwhelming organizational effort in refunding medical premiums to annuitants, but much to the credit of SURS staff, this task was performed in a timely manner.

At noon, the meeting adjourned for lunch, and during this timeframe there were small group discussions involving different ideas for modifying the SURSMAC bylaws.

Proposed modifications to the SURSMAC bylaws include:

1. Changing the reporting structure between SURSMAC and the SURS Executive Director,
2. Clarifying terms of service and criteria for representatives,
3. Simplifying elections processes and creates the position of SURSMAC Secretary,
4. Modifying the charge of an Executive Committee,
5. Aligning SURSMAC committees to meet current needs,
6. Adding a section on parliamentary procedure, and
7. Establishing better scheduling for meeting notices.

The meeting adjourned at 1:30 p.m. with the fall meeting scheduled for October 13, 2015.

Respectfully Submitted:

H.F. (Bill) Williamson
John Kindt
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, community colleges, state surveys, and retiree organizations. It normally meets twice a year in October or November and April at SURS headquarters at 1901 Fox Drive in Champaign.

**The assistance of Laura Czys from the University Office for Human Resources is gratefully acknowledged in the production of this report.