

GENERAL ASSEMBLY RETIREMENT SYSTEM OF ILLINOIS
MEETING NO. 240
MINUTES OF THE REGULAR MEETING OF THE
BOARD OF TRUSTEES
MAY 3, 2011

A regular meeting of the Board of Trustees of the General Assembly Retirement System was held on Wednesday, May 3, 2011, and convened at 9 a.m. in Room A-1 of the Stratton Office Building, Springfield, Illinois.

Roll call was taken with the following trustees present:

Senator James Clayborne, Jr., Chairman
Senator Don Harmon
Senator Bill Brady
Representative Elaine Nekritz
Representative Mark Beaubien, Jr., Vice Chairman
Representative Philip Collins, Retired

Absent was:

Representative Kevin A. McCarthy

Others in attendance were:

Timothy B. Blair, Executive Secretary
Jayne L. Waldeck, Manager
William Atwood, Illinois State Board of Investment

With a quorum present, the meeting was called to order by Chairman Clayborne.

REPORT OF THE ILLINOIS STATE BOARD OF INVESTMENT

William Atwood, of the Illinois State Board of Investment, addressed the Board. He referred the Board's attention to the Flash Report dated March 31, 2011. On that date, the total portfolio's market value was \$11,471,288,477. He indicated the entire portfolio has performed significantly better than our benchmarks. He commented to the Board that until last July, the SERS Board of Trustees had used an 8.5% rate of return assumption. The SERS Board reduced that assumption to 7.75% for the FY10 actuarial valuation.

Going through the various asset classes, he reviewed the fiscal year to date returns compared to the benchmark. Through March 31, 2011, the fixed income portfolio returned 3.6% compared to the benchmark return of 2.5%. The international equity portfolio performed very well during the period, returning 29.4% while the benchmark returned 28.6%. He then pointed out the real estate portfolio is lagging the benchmark with a 7.8% return, compared to a benchmark return of 8.7%.

Senator Brady arrived at the meeting.

Mr. Atwood informed the Board that bonds had been sold by the State of Illinois and that some of the proceeds had been forwarded to GARS in the amount of the FY12 certified contribution. He told the Board he believes the System will be funded in a timely manner for the foreseeable future.

After Mr. Atwood addressed questions raised by the Board, Trustee Harmon moved to accept the report presented by Mr. Atwood. The motion was seconded by Trustee Beaubien and all were in favor. A copy of this report is maintained in the ISBI office and is contained in these minutes as Exhibit A. Chairman Clayborne excused Mr. Atwood from the remainder of the meeting.

ELECTION OF OFFICERS

Chairman Clayborne opened the nominations for officers for the next year. For the position of Chairman, Trustee Harmon nominated Senator Clayborne to continue to serve as Chairman of the GARS Board of Trustees. Trustee Nekritz seconded the motion. There being no further nominations, nominations were closed for the position of Chairman. All trustees present voted in favor of retaining Senator Clayborne as Chairman.

Chairman Clayborne opened the nominations for the position of Vice-Chairman. A motion was made by Trustee Nekritz to nominate Trustee Beaubien as Vice-Chairman of the GARS Board. The motion was seconded by Trustee Brady. Nominations were closed for the position of Vice Chairman. Chairman Clayborne moved to record both votes as unanimous on the same roll call. His motion was seconded by Trustee Nekritz and all were in favor.

MINUTES OF PREVIOUS MEETING

Chairman Clayborne presented the minutes of Meeting No. 239 held on November 17, 2010, for approval. Copies of the minutes were previously submitted to the trustees for preliminary review.

With no further discussion, Trustee Collins moved to approve the minutes as submitted. Trustee Nekritz seconded the motion which prevailed by the affirmative vote of all trustees present.

REPORT OF CHAIRMAN

Chairman Clayborne had nothing to report.

REPORT OF SECRETARY

Financial Statements and Report of Administrative Expenses. The financial statements for the periods ending 12/31/10 and 03/31/11 were submitted by Secretary Blair. He informed those present that GARS has received the entire FY11 employer contribution from the State of Illinois. These contributions were transferred to ISBI upon receipt. He emphasized that staff attempts to maintain only two months of benefit payments on reserve. This is all good news since at the last Board meeting in November the system had received no employer contributions and by the end of March, all of the FY11 contributions had been received. The projected FY11 withdrawals from ISBI are now just over \$4.5 million. The FY11 budget is \$329,430 and we are expected to lapse approximately \$117,000.

Following discussion, Trustee Harmon moved and Trustee Collins seconded the motion to adopt the Financial Statements for the periods ending 12/31/10 and 03/31/11. These reports are attached to these minutes as Exhibit B.

Review of Investment Return Assumption. Secretary Blair called the trustees' attention to the documents prepared by Sandor Goldstein, the Board's actuary. Mr. Goldstein prepared information regarding ISBI's current target asset allocation policy for the Judges' Retirement System, adopted by the trustees of the ISBI based on an investment return assumption of 8% per year. Mr. Blair also submitted a copy of the actuarial report based on the actuarial valuation as of June 30, 2010, using an interest rate

assumption of 8% as well as an alternate actuarial valuation using an interest rate assumption of 7%. He compared the two valuations based on the different assumptions. He also reviewed the expected long-term return of each of the asset classes and portfolio, which ranged from 5.29% to 9.47% annually.

Out of 101 pension funds surveyed, the median interest rate assumption was 8%, which is the current GARS assumption. Following some discussion and review of the information presented, Trustee Brady questioned the State's contribution history as well as the mortality rate assumption. Following the discussion, Trustee Brady moved to lower the GARS interest rate assumption to 7%. Trustee Harmon seconded the motion and all were in favor.

Preliminary Review of FY12 Budget. Secretary Blair provided copies of the Combined FY-12 Budget for JRS and GARS as well as the individual FY12 Budget for each of the two systems. Common expenditures will be allocated 30% to the GARS and 70% to the JRS. Under the GARS budget for FY12, an increase of only \$15,210 from the FY11 budgeted amount. This increase is primarily due to an increase in Personal Services because the System is now fully staffed.

Following a brief discussion, upon motion by Trustee Collins, seconded by Trustee Beaubien, to approve the FY12 Budget as presented. The motion carried unanimously.

Financial Condition of GARS, JRS & SERS – 12/31/2010. Secretary Blair reviewed the financial condition of the three retirement funds, GARS, JRS and SERS as of 12/31/2010 as reported by the Illinois State Board of Investment. The ISBI report was provided to the Board members for informational purposes only. No action was necessary by the Board.

REPORT OF MANAGER

Annuities and Refunds for Approval. Division Manager Jayne Waldeck directed the trustees' attention to the reports reflecting fifteen retirement annuities totaling \$59,949.59. Also reviewed were four survivor annuities paid since the last board meeting totaling \$4,870.17 per month. In addition, one termination refund totaling \$43,842.10 was paid as well as five error refunds totaling \$8,972.49. There being no questions regarding the payments, Trustee Harmon moved for approval of the payment of annuities and refunds. Trustee Nekritz seconded the motion and all were in favor. The above reports are attached as Exhibit C.

Account Write-Off of Owen Pelt. Ms. Waldeck presented a request to write off an account of former Senator Owen D. Pelt who had served in the legislature for 24 months from 1/1/67 through 12/31/68. Senator Pelt died 9/16/68 leaving his remaining contributions of \$1,440.00 in GARS. Many attempts were made to contact his two living daughters with no response from them.

Following discussion, Trustee Harmon moved to direct staff to write-off the inactive account of Owen Pelt. Trustee Nekritz seconded the motion and all were in favor.

UNFINISHED BUSINESS

There was no unfinished business to be discussed.

NEW BUSINESS

There was no new business to report.

ADJOURNMENT

There being no further business to be brought before the Board, Trustee Beaubien moved to adjourn at 10:10 a.m. The motion was seconded by Trustee Nekritz and passed with an affirmative vote of those trustees present.

The next regularly scheduled meeting will be held October 26, 2011.

Secretary

Date: _____

APPROVED:

Chairman