

**GENERAL ASSEMBLY RETIREMENT SYSTEM OF ILLINOIS
MEETING NO. 255**

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

APRIL 26, 2017

A regular meeting of the Board of Trustees of the General Assembly Retirement System convened at 9:00 a.m. on Wednesday, April 26, 2017, in Room 627A Capitol Building, Springfield, Illinois.

Roll call was taken with the following trustees present:

Senator James Clayborne, Jr., Chairman
Representative David Harris, Vice-Chairman
Senator Bill Brady
Senator Don Harmon
Representative Michael Zalewski
Representative Bob Martwick
Representative Daniel Pierce, Retired

Others in attendance were:

Timothy Blair, Secretary
Jeff Houch, Assistant to Secretary
Jayne Waldeck, GARS Manager
Scott Richards, Illinois State Board of Investment
Alex Rivera, Gabriel Roeder Smith & Company
Ryan Gunderson, Gabriel Roeder Smith & Company
Hannah Miesel, Law360
Haley BeMiller – Chicago Tribune
Greg Bishop – Illinois Radio Network

Roll call was taken and with a quorum present, the meeting was called to order by Vice-Chairman Harris at 9:25 a.m. The report of the Illinois State Board of Investment was moved to the first agenda item to allow additional trustees to arrive for the written appeal of Dennis Hastert.

REPORT OF THE ILLINOIS STATE BOARD OF INVESTMENT (ISBI)

Scott Richards, ISBI Senior Investment Officer, referred the Board's attention to the ISBI Quarterly Review dated December 31, 2016 and noted the ISBI portfolio was up 4.0%, net of fees, for the six months ended December 31, 2016, beating the benchmark return of 3.9% over the same period. He continued that over the same 6 month period, the Fixed Income portfolio lost 1.9%, net of fees, compared to the benchmark return of -1.7%, and the U.S. Equity portfolio gained 9.3%, net of fees, compared to the benchmark return of 8.8%.

Mr. Richards continued his report by reminding the Board that ISBI had recently decided to transition out of Hedge Funds, but that it would take several months to complete the transition due to the nature of the investment. Over the last six months of 2016, the legacy hedge fund portfolio returned 5.5%, compared to a benchmark return of 3.2% over that period. He completed his portfolio

review by informing the Board that during the six month period the Non-U.S. Equity portfolio returned 5.8% (benchmark returned 5.4%), while the Real Estate portfolio was up 2.0% (benchmark up 4.0%).

Vice-Chairman Harris turned the meeting over the Chairman Clayborne, who thanked Mr. Richards for the report and excused him from the remainder of the meeting. Vice-Chairman Harris then moved to accept the ISBI report as presented by Mr. Richards. Representative Pierce seconded the motion and all were in favor. A copy of this report is maintained in the ISBI Office and attached to these minutes as *Exhibit A*.

PUBLIC COMMENTS

Chairman Clayborne asked if there were any members of the public in attendance who wished to make comments. There were none.

ELECTION OF 2017 OFFICERS

Chairman Clayborne announced the election of officers for 2017 was in order and opened the meeting for nominations for Chairman. Vice-Chairman Harris nominated Chairman Clayborne for re-election. Representative Zalewski seconded the motion and moved to close nominations. The nominations were closed and all present voted to re-elect Chairman Clayborne for 2017.

Chairman Clayborne then moved to nominate Vice-Chairman Harris for re-election and Representative Zalewski seconded the motion. There being no other nominations, nominations were closed and all present voted to re-elect Vice-Chairman Harris for 2017. Chairman Clayborne and Vice-Chairman Harris thanked the Board for the continued support.

WRITTEN APPEAL OF DENNIS HASTERT – FELONY FORFEITURE/REDUCTION

Chairman Clayborne asked Secretary Blair to review the status of Dennis Hastert's GARS benefit suspension and possible felony forfeiture. Secretary Blair reminded the Board of the decision at the October 21, 2016 Board meeting to delay the consideration of Mr. Hastert's felony forfeiture or reduction pending the resolution of his appeal with the Teachers' Retirement System (TRS) of Illinois and the receipt of the requested Attorney General's opinion.

Secretary Blair informed the Board that the TRS appeal had been settled, with TRS agreeing to forego the collection of more than \$220,000 in TRS benefits paid to Mr. Hastert since his retirement, and Hastert agreeing to not seek TRS benefits after April 27, 2016 (the date of the felony conviction). He added the Attorney General's opinion had been received as had a written appeal from Mr. Hastert's attorney.

Following discussion of the relevant documents and statutes, Vice-Chairman Harris moved to reinstate the benefits of Mr. Hastert at the amount recommended in the Attorney General's opinion. His motion failed due to the lack of a second. Further discussion was held and Representative Zalewski moved to terminate the benefit of Mr. Hastert, effective April 27, 2016. The motion was seconded by Representative Martwick and a roll call vote followed.

Vice-Chairman Harris	No	Senator Harmon	Yes
Representative Zalewski	Yes	Representative Pierce	No
Senator Brady	Yes	Representative Martwick	Yes
Chairman Clayborne	Yes		

The motion to terminate the benefits of Mr. Hastert passed five to two and Secretary Blair was instructed to inform Mr. Hastert of the Board's decision. A copy of the Attorney General's opinion is made a part of these minutes as *Exhibit B* and the written appeal of Mr. Hastert as *Exhibit C*.

MINUTES OF PREVIOUS MEETING

Chairman Clayborne presented the minutes of Meeting No. 254 held on October 26, 2016, for approval. Copies of the minutes were previously submitted to the trustees for preliminary review. Representative Martwick moved to approve the minutes as presented. Senator Brady seconded the motion and all were in favor.

REPORT OF CHAIRMAN

Chairman Clayborne had nothing to report.

REPORT OF TRUSTEES

No trustee offered a report.

REPORT OF THE CONSULTING ACTUARIES

Alex Rivera, Consulting Actuary, Gabriel Roeder Smith and Company, distributed to the Board the annual GARS Economic Assumptions Review, which provided an analysis of the investment return, inflation and salary growth assumptions.

Mr. Rivera explained the methodology used in the assumption review and noted that GRS recommends the System maintain the current economic assumptions, as they are reasonable based on the GRS analysis. A discussion followed regarding the salary growth assumption, given the absence of increases in legislative salaries for several years and the probable continuation of that trend for the foreseeable future. Following discussion, Representative Harris moved to adopt the assumptions as presented, except the salary growth assumption would be zero through FY 2020. Representative Zalewski seconded the motion and all were in favor.

REPORT OF SECRETARY

Due to time constraints, Secretary Blair's report only included the FY 2018 preliminary budget request. All other items in the Secretary's report were deferred until the October annual meeting.

FY 2018 Preliminary Budget Request. Secretary Blair referred the trustees to the FY 2018 preliminary budget request, noting the request is a decrease of \$2,753, or 0.65%, from the FY 2017 approved budget. He added the preliminary FY 2018 budget request totals \$420,900 and the final budget request will be presented at the October Board meeting. Representative Zalewski moved to approve the FY 2018 Preliminary Budget. Representative Harris seconded the motion and it passed unanimously.

REPORT OF MANAGER

Annuities and Refunds for Approval. Division Manager Jayne Waldeck directed attention to the report reflecting nine new retirement annuities totaling \$34,376.06 per month and five survivors' annuities totaling \$12,612.81 per month. In addition, she reported two termination refunds and two survivor annuity refunds totaling \$117,421.01 had been paid since the last meeting. There being no

questions regarding these annuities and refunds, Senator Brady moved for approval. Representative Pierce seconded the motion and all were in favor. These reports are attached to these minutes as *Exhibit D*.

UNFINISHED BUSINESS

There was no unfinished 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, Representative Zalewski moved to adjourn at 10:15 a.m. The motion was seconded by Representative Pierce and passed with an affirmative vote of all trustees. Chairman Clayborne reminded the Board the next meeting will be held in Chicago on October 20, 2017.

Timothy B. Blair, Administrative Secretary

Date: _____

APPROVED:

Senator James Clayborne, Jr., Chairman