



MINUTES
Legislative Committee Meeting
February 19, 2015

A meeting of the Legislative Committee of the Board of Trustees of the Illinois Teachers' Retirement System was held on February 19, 2015 at the Springfield office of the Illinois Teachers' Retirement System, 2815 West Washington Street. Cinda Klickna, Chair, called the meeting to order at 1:03 p.m. A quorum was present.

Roll call attendance was taken with the following committee members present: Cinda Klickna (Chair), Bob Lyons, and Rainy Kaplan. Two vacancies currently exist on the Legislative Committee.

Trustees present: Mark Bailey, Sharon Leggett, Cynthia O'Neill, and Sonia Walwyn.

Others present: Dick Ingram, Executive Director; Stan Rupnik, Chief Investment Officer; Stefan Backus, Investment Officer; Ken Musick, Investment Officer; Dakin Sanert, Sr. Investment Analyst; Tim Hays, Investment Officer; Bob Jiroutek, Risk Manager; Tom Gray, General Counsel; Cynthia Fain, Sr. Assistant General Counsel; Gina Larkin, Director of Human Resources; Dave Urbanek, Director of Communications; Rich Frankenfeld, Director of Outreach; Sally Soderberg, Director of Member Services; Kathleen Farney, Director of Research; Stacy Smith, Director of Internal Audit; Tassi Maton, Sr. Internal Auditor; Christina Baker, Internal Auditor; Tammy Green, Assistant to the Executive Director; Pat O'Hara, Cavanagh & O'Hara (Fiduciary Counsel); Becky Gratsinger, Tony Johnson, Marcia Beard, RV Kuhns (Investment Consultant); Steve Novick, Jarrod Rapalje, and Jacqueline Smith, Courtland Partners (Real Estate Consultant); Mike Krems, TorreyCove (Private Equity Consultant); and Andrew Bodewes, Legislative Consultant.

Visitors present: Dennis Murfin, IRTA; Don Davis, IRTA; Christine Williamson, Pensions & Investments, and Kelly Gallagher, BNY Mellon.

Minutes

A draft of the December 10, 2014 Legislative Committee meeting minutes was sent to the committee members for review. On a motion by Bob Lyons, seconded by Rainy Kaplan, and by unanimous voice vote, the minutes were approved as printed.

Legislative Update

Andrew Bodewes, Legislative Consultant, provided an overview of Governor Rauner's first budget address to the General Assembly on February 18. The Governor's budget proposal represents a \$6.7 billion reduction in the next fiscal year from current spending levels and suggests shifting active TRS members and public employees on July 1 into the Tier 2 benefit structure, which was enacted in 2010 for new hires and provides reduced retirement benefits. The plan would not affect current retirees, and current active members would keep the pension benefits they've already earned. In addition, he proposed eliminating the Teachers' Retirement Insurance Program (TRIP) along with the annual state subsidy for the program. The trustees and Mr. Bodewes stressed that it is important for TRS members to not make any retirement decisions based on pending legislation.

Under current law, TRS's FY 16 state contribution is certified at \$3,742,702,000 but the governor suggested a lower contribution of \$2,497,247,300, which is a reduction of \$1,245,454,700 or 33 percent.

Mr. Bodewes provided an overview of current legislation of interest to TRS. Documentation is on file. A motion was made by Bob Lyons, seconded by Rainy Kaplan, that the committee recommend to the Board to support House Bill 254 - increases funding ratio from 90% to 100% by 2046 if Senate Bill 1 is found unconstitutional. The motion passed by a unanimous voice vote.

A motion was made by Bob Lyons, seconded by Rainy Kaplan, that the committee recommend to the Board to oppose House Joint Resolution Constitutional Amendment 0009 – repeals the Constitutional protections on pensions. The motion passed by a unanimous voice vote.

Disability Return to Work Statute

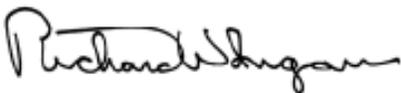
Sally Soderberg, Director of Member Services, expressed staff concerns with the Disability Return to Work statute. The statute allows persons on TRS disability return to work on limited basis with TRS and SURS employers. An unintended consequence of the law is that persons receiving a TRS disability are qualifying for a SURS annuity based upon the limited teaching allowed by the law. TRS staff has difficulty in separating the gainful employment versus the limited return to work. In addition, TRS disability recipients do not wait for the required one year and disqualify themselves for TRS disability benefits. Staff recommends removing the existing language of 40 ILCS 5/16-149.6. A motion was made by Bob Lyons, seconded by Rainy Kaplan, that the committee recommend to the Board to authorize staff to remove existing language of 40 ILCS 5/16-149.6 which currently allows members receiving TRS disability benefits to return to teaching service on a limited basis subject to certain eligibility requirements. The motion passed by a unanimous voice vote.

Teacher Recruiting and Retention Task Force Committee

Director Ingram provided an update of the Teacher Recruiting and Retention Task Force Committee. The committee was established by House Joint Resolution 27 in 2013 to determine the impact of Tier II on hiring and retaining teachers. The committee recently met and will file a report. TRS will provide information to the committee with focus on the Social Security safe harbor and Tier II cost and benefit structure. Director Ingram provided data on the comparison of employer normal cost for Tier I and Tier II based on the 2014 actuarial valuation report. Documentation is on file.

ADJOURNMENT

On a motion by Rainy Kaplan, seconded by Bob Lyons, and by unanimous vote, the meeting adjourned at 2:10 p.m.



Richard W. Ingram, Executive Director

Approved: 5/20/15