

Pension System Modernization Task Force Board Meeting Minutes  
June 18, 2009  
10:30 a.m.  
Governor's Executive Mansion – Springfield, IL

Don McNeil opened the meeting introducing himself as Chairman of the Pension System Modernization Taskforce. He then read House Joint Resolution Number 65, which created the task force. Specifically, the taskforce is to meet at least once a month between June and October of 2009 regarding Pension Benefit changes to modernize the systems and report its findings to the General Assembly and the Governor on or before November 1, 2009.

David Vaught, Governor's Office, gave information on the underfunding of the pension system, pension debt and pension reform.

Chairman McNeil asked the members present to introduce themselves. Rep. Kevin McCarthy, Rep. Elaine Nekritz, female representing Sen. Kwame Raoul, Sen. Raoul joined the meeting in progress, someone representing Sen. Schoenberg, Rep. Raymond Poe, Rep. Roger Eddy, Eric Dillman (?) representing Sen. Lauzen, Sen John Jones, Will Lovett, Nick Yelverton, John Cameron, representing Hank Scheff, Bill Perkins, Doris Lowry, Eden Martin, Tom Wisner, Laurence Msall, Bill Franklin, and Ed Rosenthal. Chairman McNeil noted those who were in the room and had an interest in the Task force and had something to contribute was welcome to participate.

Chairman McNeil asked for the election of a Vice-Chair of the committee. Rep. McCarthy volunteered for the position. He then asked if there was anyone else who would like the position. Since there was none, Chairman McNeil asked for a motion, Laurence Msall made the motion, second by Doris Lowry call for aye's and any opposed, none opposed. Rep. McCarthy will serve as Vice-Chair. Following the motion David Vite, representing Rob Karr, introduced himself.

Chairman McNeil stated that everyone should have received various forms that need to be completed and turned into the Governor's Office. He suggested that if you did not get the forms to see David Vaught.

Chairman McNeil discussed the creation of subcommittees. He asked if anyone had any opposition to forming subcommittees. A question was raised about agreeing upon what the subcommittees would be. He proceeded to outline his thoughts about the committees: collective bargaining, asset transfers, funds investment policies, existing benefits/benefits for annuitants, and a dual benefits system. Chairman McNeil asked if anyone doesn't think that any of the topics he discussed should be a subcommittee. Discussion followed. Nick Yelverton proposed 4 subcommittees, funding, benefits, investments and collective bargaining in replacement of those recommended by Chairman McNeil. Additional discussion followed. Prior to voting on the subcommittees the question was asked about the structure of the subcommittees, who will name members, how many members. Chairman McNeil asked that each of the constituencies have at least one member on each subcommittee and that they are small

enough to be workable and the function would be to make recommendations to the Task Force. Chairman McNeil asked for a motion that four subcommittees be formed, Funding, Benefits, Collective Bargaining, and Investment. Motion made by \_\_\_\_\_, second Nick Yelverton. Call for aye's those opposed, none. A question was raised after the vote. David Vite asked if the Benefits subcommittee should be divided and establish a fifth category. Rename Benefits subcommittee to benefits current employees and benefits future employees. Chairman McNeil asked, what is the negative about having one subcommittee addressing both issues. Nick Yelverton and Rep. McCarthy continued to discuss the topic with David Vite. A question was raised about the difference in the Funding and Investment subcommittees. Chairman McNeil responded funding is where the money comes from investment and making the money grow.

## II. Confirmation of Chairman/Vice Chairman

Don and the members of the task force agreed that since the Governor already named the Chair and Vice Chair and filed by the Secretary of State, the committee did not have to confirm these two positions.

## III. Initial Steps of Review.

Chairman McNeil stated this had already been covered.

## IV. Presentation by David Vaught, Senior Advisor to Governor Pat Quinn

David introduced the Governor's staff, OMB employee and the CMS staff that were in the room and had provided assistance in setting up the task force meeting. He proceeded to go through his power point presentation. During the presentation David mentioned a proposal for Pension Obligation Notes for FY10, which has been discussed in various meetings. Rep.\_\_(he was on the phone) requested a copy of the draft legislation for the FY10 proposal. Eden Martin gave comments on the Pension Obligation Notes and stated their opposition to the proposal. David Vite asked if there was a financial analysis of how this would affect the outflow dollars in the General Revenue Fund over the course of five years. David's response was nothing had been put together yet. David Vite requested a copy the information once it was put together as well as a copy of the FY10 proposal. A member raised a question regarding the theory of the cash flow strategy that would fund the payment to the system this year by using a different type of borrowing strategy for a shorter term note than a bonding note. Another member asked what the range of interest rate on the notes is. David stated they are still trying to develop those numbers, possibly between 1 to 2 percent above the treasuries but have not pinned it down and the GRF would be responsible for the debt services on the notes, with the intent of a level payment structure. Sen. John Jones voiced his concern regarding the timing of the proposal, he asked where did this proposal come from and this appeared to be similar to what Gov. Blagojevich proposed several years ago with the pension bonding sale. Laurence Msall echoed Sen. Jones' concern as well as the lack of detail of the information presented. Additional concerns and questions were discussed and raised. David spoke up and said the Governor's office is willing to cooperate and assist the committee members with information that they needed.

Chairman McNeil asked the committee members for discussion regarding the detailed points of the subcommittees:

Funding:

1. What not to do.
2. Look at current structure explain why it does not work and give solutions. Possible use of bonds, see how other states fund their pension system
3. Actuaries
4. If benefits not changed, what will occur
5. Assets – Lottery Contribution
6. Hard debt, soft debt
7. What is the true cost of the current system

Benefits:

1. Become familiar with the current system
2. Remember Rep. McCarthy's bill
3. Compare our system with other state's system
4. How to retain state employees, quality employees
5. Research State v. private market – benefits as well as salary
6. Look at the 5 plans in the state system
  - the resolution does not advise discussion of two of the 5 plans. This needs to be clarified
  - how will the committees function if there is:
    - Dissention
    - how to reach consensus
    - will there be a minority report
    - how to resolve issues
7. Why does the state provide these benefits-committee should answer that question using an evidence based approach?
8. All of the committees should keep the big picture in mind.

C. Collective Bargaining

1. Identify and clarify any restrictions
2. Identify what prohibits
3. Have outside counsel – what effects these changes
4. Need resources, lawyers, actuaries, comparisons to other states

D. Investment

1. What types of investments are appropriate?
2. Oversight – how to handle
3. Born by trustees not committee

4. Best practices from other states
5. Training

Chairman McNeil stated that that these are suggestions and these are not limiting the subcommittees regarding what they have to do.

The dates and times and were set for the future task force meetings as follows: July 15 in Chicago, August 19 in Springfield, September 16 in Chicago and October 21 in Springfield. The meetings will be held at 1:00 p.m. Subcommittees can meet in the morning prior to the 1:00 p.m. full task force meeting as well as other dates and times prior to the morning before the full task force meeting. Chairman McNeil stated that, at the initial task force meeting, the subcommittees can give oral and not written reports. This would be given by the Chairperson of the subcommittee.

The subcommittees will be comprised of someone from each of the constituencies. Each subcommittee will address the issue of Chair or Co-chair of each committee. If there is an impasse regarding the selection of a Chair or Co-Chair, Chairman McNeil or Co-chair McCarthy will decide. The subcommittee chair will determine need for outside counsel. The Chair and Co-chair would perhaps serve as ex-officio members of all committees. A question was asked if the subcommittees schedule would be published. Chairman McNeil responded yes. Rep. Nekritz asked if someone from the Commission on Government Forecasting and Accountability (COGFA) was in attendance today, Dan Hankiewicz introduced himself. Rep Nekritz wanted to ensure the subcommittee members knew they were available to provide assistance to as well as staff from the caucuses and the Governor's Office.

The members of the task force are to email Chairman McNeil and Rep. McCarthy regarding which committee they want to serve on. Chairman McNeil will oversee the Collective Bargaining and Funding subcommittees and Rep. McCarthy will oversee the Investment and Benefits subcommittees. Rep. Nekritz asked who will coordinate the initial subcommittee meetings. Chairman McNeil responded they will use the resources from the General Assembly, Governor's staff and COGFA to assist in this area. Chairman McNeil asked if there was anything else to bring before the Task Force. A member participating via phone requested copies of the materials distributed at the meeting. Chairman McNeil stated the Governor's Office would be responsible for getting the handouts to those participating via phone. Nick Yelverton had questions about alternate members. Rep. McCarthy stated that alternates are open to all. These individuals will serve as a substitute, not in addition to, and will have full power. Senator Jones had additional questions about subcommittees meeting dates. Rep. McCarthy and Chairman McNeil clarified these issues for him. Chairman McNeil made a motion to adjourn, motion made, motion passed. Task force committee adjourned.