ANNUAL MEETING
NORTHERN ILLINOIS UNIVERSITY ANNUITANTS ASSOCIATION
June 2, 2010, 3:00 p.m.
Carl Sandburg Auditorium

Welcome and General Remarks: President Linda Schwarz called the meeting to order at 3:00 p.m. Linda welcomed all those present. She said that because of the state’s fiscal crisis this is perhaps one of the most critical annual business meetings of our history.

Approval of the Agenda: President Linda Schwarz submitted the agenda to the membership for their approval. Gary Gresholdt moved and Pat Vary seconded the motion to approve the agenda. The motion carried.

Approval of Minutes: President Linda Schwarz stated that if there were no objections to the minutes of the Annual Meeting held June 3, 2009, a motion to approve the minutes be made. A motion to approve the minutes as presented was made by Joe Koch and seconded by Bill Lundberg. The motion carried.

Treasurer’s Report: Treasurer John Engstrom provided a written report for the membership. He said that the statewide organization, SUAA, decided to change their fiscal year from the June 30 year end to December 31 year end and we decided to do the same thing. As a result, this report will cover from annual meeting to annual meeting – June 3, 2009 to June 2, 2010. He noted that we’re not earning a lot of interest, but neither is anyone else. He said that we did not break even on the Holiday Party this year, but we had enough money to cover it. He said we paid $1,000 to the February 14 Scholarship Fund. He said that during this year we had an excess of about $2,400 for a balance of about $9,000 in our checking account. Altogether we have about $24,000 which includes 2 CDs. A motion to accept the Treasurer’s Report was made by Pat Vary and seconded by Dorothea Bilder. The motion carried.

Membership Report: Chair Gary Gresholdt reported that this year membership in NIUAA has increased by 1.2% with the addition of 80 new members. Our chapter continues to receive recognition from SUAA for our efforts to sustain and increase our membership. We now have 1826 members. The largest growth this past year has been among current employees. Their numbers increased by 15.4% and now stands at 428 currently employed faculty and staff. We experienced a slight drop in retiree membership due to the passing of 37 of our retired membership. While we continue to recruit new members by writing to all new retirees and by our presence at university events such as retirement seminars and the NIU Wellness Fair and through association sponsored social events, word of mouth continues to be our best membership recruitment tool. I encourage you to invite your colleagues and friends who are not members to join the association.

Public Relations/Events Report: Chair Steven Johnson said that we sponsor coffee hours throughout the year which is a chance to get together to socialize. He sends out notices by e-mail and in the paper. The past year there were several trips to various locations such as the Gold Coast Art Fair in Chicago, Ravinia, the Milwaukee Public Museum, Chicago Botanic Gardens, the Chicago and the Lyric Operas. He is planning some of these again this year and invites you to suggest other locations and destinations. Steven also had available parking renewal forms for any retirees who need them.

Legislative Report: Jim Lockard reminded us that we print a lot of things about legislative issues in The NIU Annuitant. He wanted to highlight a few. The State of Illinois is in dreadful financial condition. We know that there is a huge deficit both in terms of current expenses and long range expenses such as the pension systems. We know that the State isn’t paying its bills to a lot of places, including our university.
We know that SURS was eventually funded during the 2010 fiscal year, but it didn’t happen early on or on a monthly basis, which affects earnings on that money within the SURS system. Benefits for future employees have been changed and are substantially different from what we have enjoyed. There has been much controversy whether or not it is legal or appropriate to change benefits for current employees and/or retirees. That issue is unresolved at this point. He said that the General Legislature is not in session right now but has awarded the Governor some unusual powers. These powers came from having a “non budget” because the General Assembly abrogated its responsibilities to decide a budget for the state and instead turned a lot of those responsibilities over to the Governor. Jim said it would be useful to know what he does working as Legislative Committee Chair and working with Linda in that capacity. The number one thing is to monitor legislation. The number of bills introduced in the General Assembly every year is staggering. A source of that information is the SURS web page; there is a tab in the upper right hand corner marked “legislation” where there are bills still under consideration and recently passed legislation sorted down to things that might be most relevant to us. He also gets information from the SURS Advisory Committee meetings held twice a year. At the SUAA.org website there is a lot of information on the front page telling you about legislation that is in the works. You can also find mini briefings and other documents that SUA produces each year available there. He follows the State Register Journal, the newspaper in Springfield, which has a tab on the home page called “the dome” which is very detailed coverage of what’s going on legislatively in Springfield. He also gets information from various sources around the state. One of the biggest issues in getting the legislative matters is timeliness. The best way that we can help you stay on top of things is to get information to you electronically. If you are not receiving electronic communications, e-mail messages, from NIUAA and SUAA, please let us know so that we can find out why. If you’re not involved in that kind of activity yourself, I hope you can find a friend, colleague, neighbor or someone to help you get access to that kind of information.

Jim said that the second thing that is extremely important is membership. We can be very proud that NIUAA membership is the second largest in the state. We could be much larger than we are. When it comes to influencing the legislative agenda, numbers speak. You can help us by helping recruit more members. The more the better providing that we also take action. Just being a member by paying your dues is not enough.

SUAA Action Committee Report: Chair Larry Sill said that SUAAction provides members and chapters ways to get involved in the political process that go beyond SUAA’s lobbying efforts in Springfield. These opportunities include everything from attending candidate fund raisers to getting involved in grass roots campaigning. By participating in fund raisers and campaigns, a member has an opportunity to educate and encourage support from a candidate on matters of concern to our membership. SUA legally cannot use money from your membership dues to support the election of a candidate. They need your contributions to SUAAction for that purpose. To date, 400 NIUAA members have made a contribution to SUAAction. They would like to increase that number, especially with the November elections on the horizon. Information on how to make a contribution is available on the SUAA website which is SUAA.org or by calling the SUAA office at 218-523-4040.

Change to NIUAA By-Laws: Linda Schwarz said that the proposed By-laws change moves the end of the NIUAA fiscal year from June 30 to December 31 to be in accord with the new SUAA calendar fiscal year, and to be in accord with the fact that our financial reports to the IRS are based on the calendar year rather than the state’s fiscal year. Accordingly, the audit report would be reported in the next rather than the November issue of the NIUAA newsletter, The NIU Annuitant. These changes were reported as proposed in the February and May issues of the newsletter. Jerry Meyer moved and Dorothea Bilder seconded a motion to approve the change in fiscal year ending. The motion carried.
**Presentation of Appreciation Award:** Gary Gresholdt reported that each year the NIU Annuitants Association has the opportunity to recognize an individual who has provided leadership and/or service to the chapter. The individual recognized need not be a member of the association. This year, the board has chosen to recognize Avonne Wilson, a Payroll Specialist in Human Resource Services. This past year, there was a slight increase in our membership dues. Avonne was extremely helpful to our chapter in making the necessary changes for members who pay dues through the dues deduct method.

**Recognition of Officers and Directors:** President Linda Schwarz recognized the following officers for all their hard work during the year: Vice President Jerry Meyer, out-going Treasurer John Engstrom, out-going Secretary Chris Welch, and Past President Joe Vaughn.

She recognized the Directors: Richard Dowen, Director and Benefits Committee Chair Kay Forest, outgoing Director and Membership Committee Chair Gary Gresholdt, outgoing Director and Publications Committee Member Joe Koch, Director and Legislative Committee Chair Jim Lockard, Director and VOICES Committee Chair and Holiday Party Co-Chair Bennetta Stearnes, and Director Ralph Wallis. Linda also recognized her mentor, the past president, the person to whom she often turns for advice, counsel, wisdom, and a bit of humor, Joe Vaughn.

She also recognized the chairs of the individual committees, those not previously named, who are ex officio members of the Board: out-going SUAAction Committee Chairs Larry Sill and Don Buckner, Chair of the Public Relations/Events Committee Steven Johnson, Co-Chairs of the Holiday Party Committee Bennetta Stearnes and Marge Rey, editor of the newsletter Sherrie Taylor, Alan Voelker, a member of the statewide Board of SUAAction, and NIUAA’s university liaison, Lee Ann Henry.

**Election of Officers and Board:** Chair of the Nominating Committee John Engstrom presented the following nominations for officers: for Treasurer, Doug Moore. Doug has been doing the audit for a long time, is a past comptroller, and held other positions at NIU as well; for Secretary, Lisa Parts, retired administrative assistant for the College of Health and Human Sciences; for Director, Sherilynn Spear, retired from the College of Health and Human Sciences; for Director, Bill Lundberg, retired business manager from the College of Health and Human Sciences; for Director, Margaret Phillips, retired coordinator from Student Housing and Dining. John asked if there were any nominations from the floor. Hearing none, he asked for a motion to approve the proposal of the Nominating Committee. A motion was made and seconded. The motion carried.

**SURS Report:** John Engstrom, Trustee of SURS, said that he appreciated the support from campus when he was running for the Trustee position about a year ago. Some of the responsibilities of a trustee are: making all of the major decisions about SURS finances and decisions about asset allocations; approving contracts with providers; approving investment managers; setting the discount rates. Our bank is Northern Trust. Our main responsibility as a fiduciary is to act in the best interests of the members of SURS and that’s our only objective in that position. He found out early in training that we can be sued, personally as well as other ways. Trustees also select an Executive Director, which they just did. His name is Bill Mabe. He had been with Nationwide Insurance for 25 years. He directed a lot of operations, including their pension operations and their nationwide health plans. He spent two years in the Ohio Bureau of Workmen Compensation in Columbus. The selection of the Executive Director was a long process. John is the Chair of the Audit Committee and is also on the Claims Panel, which means that he hears the claims of people who have been turned down. About a year from now he’ll be deciding about running again. SURS’ major problem is lack of funding from the state that has accrued over many years. Our funding ratio as of the end of March was 48.4%, which makes it the worst in the country in terms of the whole state. We’re a little better than some of the other state retirement systems.
A Reflection of the Past Year at NIU – President John G. Peters

Thank you so much for inviting me here once again. This is my tenth year at NIU and so this is the tenth time I’ve come before you. There are things that have happened in Illinois and NIU over the past ten years that couldn’t have been predicted – one governor in the federal prison and another one about to go in the federal prison; that our True North Campaign passed our goal of $150 to $160 million dollars; that the Huskies would beat the University of Alabama in Tuscaloosa. Some of it is not so good. President Peters talked about the serious financial problems that the State of Illinois is facing. He said that our general revenue for the university is lower in 2010 than it was in 2000. The people of NIU are tremendous. Everyone is working really hard. We’re not replacing people, and hard decisions have been made and still need to be made. It was unfortunate that we have to be worried about the pensions that you as employees and annuitants have contracted for with the state and had made your contributions. You’re counting on that and you’re counting on the COLA because most of you don’t have Social Security to rely on. And I know you’re concerned about health care because probably it is a bigger part of your budget than you ever thought.

University Budget: President Peters said that on his web site there is a budget status item and an item called “rumor of the week,” which was established so you could send in your rumor and we would try to answer it if we could on line. As far as next year’s budget is concerned, the budget officially states that universities will receive the same amount of money as they did last year; for us that was $107 million. Our total budget is almost a half a billion dollars. Tuition, grants, contracts, and private gifts have grown tremendously to the point where we’re about 26% state aided in total funding. The Governor has been given the authority to withhold federal stimulus money, and last year that was $6.7 million alone. And there’s no money to replace that. So that’s about a 6.2% cut for us, and we have been planning for that through attrition. We’re getting to the point where we can’t do it through attrition any more. It’s not out of the question that we could see further cuts next year. We remain committed to our austerity measures which means we’re very careful about hiring; and we have no general salary policy increments this year. Across the country there is tremendous support for public higher education because people know that today, even more so than in the past, you really do need a university education and beyond to have a reasonable chance for that start on a career ladder and a good life. On the other hand, people are angry because the cost and access to quality education more and more have become the sole responsibility of parents and students, and in public higher education there’s less of a subsidy from the state. People who administer at universities get caught in the middle because our response collectively is to raise tuition and fees. He looks at the future and our need of innovation and transformational ways of delivering public higher education. We have to change the way we operate both on the business side and academic side. NIU is well positioned, given our history and where we are, and who we serve in our area, to come out on top.

The Legislature has passed a bill giving universities the authority to borrow 75% of what they’re owed from the state, but there’s a lot of bureaucratic stuff to go through. He thinks it’s the worst public policy, but we’ll have to abide by it. It gets us in the same situation as the state. The Governor may or may not sign that and then our governing board would have to approve the authority to do that.

Pension Funding: Pension funding is still in limbo. The Senate may be called back to see if they’re going to vote to borrow money to pay the obligation. There are really no good solutions to any of this except to find a way to get a little more current with the reserve requirements.

Campus: President Peters said that we’re doing an overhaul of our housing stock. We haven’t built a new facility in 40 years and have not attended to our residence halls to make them modern and attractive to students. We are in a competitive environment for students. We are renovating one tower of Grant. We’re going to build a 1000-bed freshman residence hall complex probably where the old married student housing
is located. It’s a public private partnership; we use somebody else’s money to build it and we give them a land lease. We control it and guarantee occupancy and after a period of time we take possession of the building. This June, if the trustees approve, we are seeking authority to issue America Build Bonds, which are federal bonds that run out in December. The federal government will pay 35% of the annual interest payments on these bonds. The bonds will be used to renovate some of Grant, the Holmes Student Center, parking, and Gilbert Hall.

President Peters said that he’s worked on merging many of our university relations functions into one function. He brought together public affairs, media services, publications, and state/local/federal community relations into one unit and has reduced size and refocused. Today all the recruitment and media relations are pretty much electronic. We’re also doing a lot of video production, downloading to take our case directly to people rather than filtering it through media. Last year we changed the way we do enrollment. We are admitting students one by one, trying to convince them to come here rather than elsewhere. We’re getting the departments involved.

He said another thing that is ongoing is our academic strategic plan. We’re reviewing our baccalaureate program and our general education program. Forty percent of our students now come to us from community colleges. He’s really excited about what we’ve accomplished. About ten years ago, Stevens was the number one target for funding from the state and ten years later we got it thanks to Brad [Burzynski] and Bob [Pritchard], and we’re moving forward on those plans and on Cole Hall.

There are positive things going and we can’t lose heart. NIU folk are some of the finest folks he’s ever worked with. Like you, they’re concerned about their benefits, employment at NIU and the State of Illinois. Thanks to all of you. Enjoy the dinner. Pray for NIU and I’ll pray for you.

Legislative Recap

Senator Brad Burzynski: Senator Burzynski offered his congratulations to the organization and in particular to those who have served as officers and those who are now stepping down. He encouraged us to avail ourselves of the opportunities that we have out there to try to stay aware of what’s going on in the state, but recognize that things do change quickly and you might not always be able to keep up with that. Brad pointed out that we have the best individual that anyone can ask for serving on the SURS Board, John Engstrom. He said that we do have some major issues in the state of Illinois. Some issues are the borrowing bill for universities that he voted against. He said that President Peters was the last holdout on that borrowing bill but signed on to it in case he needed to do that. Another issue is the payment schedule and how bills are being paid in the state of Illinois. We know how much money is budgeted but the question is when we will receive payment for even this year’s budget. We passed legislation that now creates a penalty for the state if they do not pay in a timely fashion that took effect January 1. Another issue is that the 2011 budget included $1 billion general revenue funds over last year even though our revenues are decreasing. He said he thinks that we need to return government to the citizens. Senator Burzynski said there is anger and frustration among people. We have to hold the line on spending. He said that the legislators are taking 12 furlough days again this year which amounts to a little over 4% salary reduction. Please let him know if you need clarification about rumors you’ve heard. Let him know what is important to you. We will work on your behalf to protect and try to make sure we provide for your pensions. Those are promises and commitments made by the State of Illinois and we will do our best to protect you. He said that he will be meeting with the Midwest Higher Education Compact which is an organization working on behalf of higher education throughout the Midwest to provide services and provide a way for universities to provide services at a lower cost. He said he also serves on a committee that was formed last year called the P20 council (preschool through 20) and is trying to find a way to move forward in a positive way to have a positive effect on not
only higher education but elementary, secondary, and preschool as we look at articulation and as we look at problems of remediation that universities are facing today so that we have ample space for students to provide the quality of education that everyone deserves.

Representative Bob Pritchard: Representative Pritchard has served in the Legislature for seven years. He said that Jim Lockard has been doing a good job in keeping him informed about the annuitants’ concerns and he welcomes annuitants’ input as well. He is really troubled by some of the ideas that have been talked about and the apprehension about the future of the pension system and of our health care system. But when the Legislature gives the Governor as much authority to do the things that he wants to do, you never know what’s going to happen. The Governor stated publicly that he is not pursuing some of the ideas about increasing premiums that he had proposed, and he thinks all parties ought to come to the table about how we can control costs in not only health care but in other areas of our government. Pritchard said that we have to get down to the real issues of what’s important to people, what are the important services that the state ought to provide, and how do we fund those kinds of services. He thinks we can be optimistic because of what’s going to happen in about four months, when we are going to have our opportunity in a democratic society to elect people to serve in Springfield and Washington. He encouraged all to vote for the kind of leadership that they would like to see in the upcoming elections. He said there were a number of items that were passed in the budget this year, but he would like to add a few that he thought were significant. Senate Bill 3660, which passed, reinstituted the fact that appropriation committees should review with the agencies line by line spending and looking at what outcomes we would like to see in each of the agencies and programs, and evaluate how that spending has impacted the budget and the goals. He said we’re asking the Governor to not only post budget expenditures for the various agencies, but to give quarterly reports to the Legislature and be willing to speak before the Legislature quarterly. Some of Bob’s goals and objectives are: How government is going to continue to provide services for citizens. We can’t afford everything. We have to make difficult choices. Higher Education – the need to focus on job creation. We need a well-trained labor force in order to attract business in Illinois. We have to invest in higher education as well as K-12 education. We also need to look at how we’re spending those dollars. We have to invest in research. We need to focus more on the entrepreneurial spirit and invest in the great research programs that we have at NIU and other places in Illinois that have research programs. Once those ideas come forward, let’s try to keep them in Illinois as they go to market. That’s the way to provide jobs for our kids and grandkids so they’ll stay in Illinois and be a part of the solution in growing our economy. The Governor said in his State of the State address that we need to restructure our whole sources of revenue, our income system for state government. There are many elements that are outdated. For example, Illinois is not getting any sales tax revenue for sales that occur on the Internet. In fact, Internet sales compete with stores in DeKalb and it becomes problematic for stores to compete and stay in business. He said he also need to look at how we continue to rely on gambling as a source of revenue for the state – it’s not. We also need to look at property tax relief that’s been talked about for years. There are some positive things that are starting to happen. He encouraged all to get out and vote.

A Progress Update of the NIU Foundation: Mallory Simpson, President of the NIU Foundation, remarked that as she prepared for her talk she reflected on what you mean to this university community. She thanked the many regular and significant donors and some who chose to remain anonymous. We came through the year in good condition. Now we’re focusing on what we can do to help the university weather the stormy waters of the state budget crisis. This year we have found that a number of people are deferring some outright contributions; instead, some planned gifts or bequest intentions. Cash gifts are up about a million dollars this year from the same time last year due largely to some estate distributions. This year we had hoped to secure about $4 million in new bequest intentions and we’ve already secured $5 million. Down the road, this pipeline of bequests expectancies is going to make a significant difference to the university. In terms of our endowment after a very challenging investment environment, we’ve had some very strong
recovery through most of the year. The markets have been much more kind. The endowment return for the first three quarters of the fiscal year was about 18%. More than half of the funds that were under water last year look like they will have recovered so that there will be expendable distributions again next year. Our True North Campaign is coming to a close June 30. We reached our goal early but we continued the campaign. We exceeded our $150 million goal and will close off the campaign somewhere between $160 and $162 million. Current and retired NIU employees in just this fiscal year alone have given more than $551,000. The impact that you are having on the opportunities provided to NIU students is visible in many ways. This year we had our first ever concerted effort for faculty and staff giving through “a little kindness” campaign to get our participation up, not so much size of gift, but seeing that as many employees give as possible, and so far our participation rate is 28%, which is quite good for our first effort. Our deans and directors have been great working hard to receive 100% in their perspective units – a friendly rivalry going on. Our Huskie Athletic Department has hit the 100% mark of athletic staff members participating. The Foundation and Development team also achieved 100% participation; College of Business with 84% participation; and College of Law with 76% participation. Several annuitants this year have chosen to participate in our charitable gift annuity program. It allows the donor to make a significant gift that will benefit them in terms of their annual income stream and benefit the university down the road. There are tax benefits when charitable gift annuities are established. We’re looking ahead to late summer or early fall to celebrate the success of the True North Campaign with various constituencies.

Steve Cunningham, Associate Vice President, Administration and Human Resource Services: Steve said that the state of Illinois has the highest unfunded liability crisis in the nation. He congratulated John Engstrom on his election to SURS Board. State government has a big role to play. The hands of our current policy makers were played many years ago by decisions made by our general assemblies of previous decades – not funding obligations on a current basis. He mentioned that in Colorado the pension systems are close to 100% funded even with the economic conditions. The only difference there is that the state made its contributions. He said the NIUAA member outreach has been excellent. Steve reported that the second tier retirement system for major state employee groups and retirement systems was implemented this year. It was a very difficult decision to make. No change for current employees was something the general assembly was definite about. It does have an immediate effect on unfunded liabilities. The provisions of the new system were well publicized on the web site with significant changes in the retirement age being moved up to 67, with the final rate of earnings now being an eight year average instead of a four-year average. The cost of living in defined benefit is modeled after the social security system in terms of the income cap of $106,000. He said that’s a good income cap. Many employees will never be affected by that. He said that SURS is a very efficient system. It has the highest rate of return on assets among all the pension systems in the state, and very low administrative cost ratios. Higher education purposely in 1998 sought not to participate in the 5+5 or other very generous early retirement initiatives that were enacted for teachers and for state employees in other retirement systems because they knew that it would explode the unfunded liabilities into the future. SURS is an extremely efficient and middle of the road retirement system.

Steve said that another current issue is health insurance, and the ability of the state to pay claims, both to employees, annuitants, and the medical care providers. There was a meeting in March of the Kishwaukee Health Network System. Both Senator Burzynski and Representative Pritchard attended, along with hospital and physician groups, CIGNA representatives, and representatives from the state insurance department. The delay then was 209 days. We talked about the delays and the fact that the physicians and the clients are in the same spectrum, not one against the other. There was a commitment made to work together as best we can on this crisis, and the hospital is committed to continuing to serve state employees. They’re working with CIGNA to put together a memo to annuitants and employees to let them know what to expect and what their rights are. In 1998 the law was changed from a 5-year vesting to 20 years (5% for year of service) accrual for vesting. Now, given the state of the economy and the budget, that too is beginning to be, in terms
of public policy, a significant cost to the state. Retirees don’t have the option to go back in time and invest more. Approximately 10% of higher education employees aren’t Medicare eligible and totally rely on the state. Steve said there will be a survey of all annuitants and employees about their experiences with the health insurance program, physicians, and hospital networks. We’ll develop trends out of that and use that to have dialogue with the local physicians’ networks and our policy makers with respect to this topic. The survey will be going out very soon. Steve thanked the Annuitants Association for all their work this year.

**Human Resources Benefits Manager, Dennis DaVito.** Dennis said that regarding benefits choice – you have the same card; you don’t change your card. For everybody who has CIGNA, there’s nothing new. There are a few things that went up during benefits choice. The dental benefit went up to $2,500; orthodontic benefits for children went up to a lifetime maximum of $2,000. Vision care for those with contact lenses, there is a little more of a benefit. Vision care also has an increase in the out of network benefit. If you’re still working, one of the things to watch is flexible benefit accounts. Starting 2011, they changed the amounts and the types which you can have for over the counter medications without a prescription. CIGNA continues to be seven months behind. HMO’s are about two months behind. He doesn’t expect anything to change until after the election. After the election, there may be a second benefits choice time. What you might see is a slow unbundling of those things that we call our health plan. They’ll just take it apart and charge you a little bit at first and then they’ll keep reducing until you come down to a point where your health plan is free but you may have to pay for some of your vision care or some of your pharmaceuticals. With the start of the unbundling of dental that seemed to be the way to go.

**Motion to adjourn:** Marge Rey moved and Sam Bandy seconded a motion to adjourn. Motion carried.

**Adjournment:** 5:10 p.m.

Respectfully submitted,

Chris Welch