



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

THIS IS THE BEGINNING OF MUR # 4399

DATE FILMED 8-26-97 CAMERA NO. 4

CAMERAMAN JmN

97043031603

SKADDEN, ARPS, SLATE, MEAGHER & FLOM

1440 NEW YORK AVENUE, N.W.

WASHINGTON, D.C. 20005-2111

FAX (202) 393-5760

(202) 371-7000

DIRECT DIAL
(202) 371-7000

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LOS ANGELES
NEWARK
NEW YORK
SAN FRANCISCO
WILMINGTON
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FRANKFURT
HONG KONG
LONDON
MOSCOW
PARIS
PRAGUE
SYDNEY
TORONTO

Pre-Mur 324

November 28, 1995

VIA HAND DELIVERY

Lois G. Lerner, Esq.
Associate General Counsel
Federal Election Commission
999 E Street, NW
Washington, D.C. 20463

Re: State Universities Retirement System
of Illinois

Dear Ms. Lerner:

This is a follow up to our recent discussion. Our client, the State Universities Retirement System of Illinois ("SURS"), a public entity under Illinois state law, discovered certain federal contributions made by SURS on behalf of or by repaying four of its employees. These contributions were discovered during an internal audit of certain payments made to those employees.

This audit revealed a total of \$4,345 in federal contributions made by SURS. The contributions and the employees on behalf of whom they were made are as follows:

Dennis Spice -- \$275 on 8/6/93 to Capital Conference Catering (in connection with NRSC event); \$1,000* on 8/23/93 to the Republican Senatorial Inner Circle (conference fee); \$100 on 9/7/93, \$320 on 3/17/94, and \$200 on 5/2/94 to Ewing for Congress; \$100* on 10/13/93 to NRSC (conference fee for federal legislative update); and \$180* on 10/19/93 to NRSC (legislative update meeting fee).

* These expenses were charged by Dennis Spice on a SURS credit card and paid for directly by SURS rather than by repaying Dennis Spice.

97043631604

Lois G. Lerner, Esq.
November 28, 1995
Page 2

Jim Beedie -- \$50 on 5/2/94 and \$35 on 8/26/94
to Ewing for Congress.

Tony Freveletti -- \$50 on 4/28/94 and \$35 on
9/1/94 to Ewing for Congress.

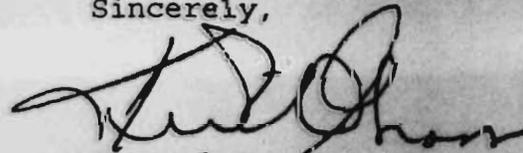
Suzann Duckworth -- \$1,000 on 11/18/93 and
\$1,000 on 9/26/94 to DNC (membership for
Women's Leadership Forum and annual confer-
ence).

Attached are available copies of checks made out by the
employees to make the contributions, checks made out by
SURS to repay the employees for contributions, and vouch-
ers submitted by employees in connection with these con-
tributions.

Please note that when submitting these vouch-
ers, the employees, who worked on legislative activities,
made a generic reference to "legislative conference" when
describing expenses related to any political activity.
In fact, these expenses were largely for attendance at
meetings and conferences, training, and educational mate-
rials regarding legislative activities. Moreover,
promptly following the audit, the employees who were
repaid by SURS for their federal contributions reimbursed
SURS for the entire amount of such repayments, i.e.,
\$4,345.

We are submitting this information to the
Federal Election Commission in the interest of full dis-
closure and voluntary compliance.

Sincerely,



Kenneth A. Gross

Attachments

9704331605

1276
40

MEMBERSHIP PAYMENT VOUCHER

PAYMENT FOR:

membership in the Women's
Leadership Forum
(\$1000 per yr.)

ACCOUNT NUMBER:

1276

DATE:

November 3, 1993

AMOUNT:

1,000.00

REQUESTED BY:

Suzann Duckworth

Name

Asst. GRO

Title

**SOCIAL SECURITY
NUMBER:**

APPROVED BY:

James E. Beadie

Name

Associate Executive Director

Title

FOR DISBURSEMENTS DEPARTMENT USE ONLY

VOUCHER NUMBER:

519741

DATE:

NOV 18 1993

PSS-020709

RECEIVED
NOV - 8 1993
STATE UNIV. RET. SYS.

TOTAL P.62

91043031600

SUZ M. DUCKWORTH

155

3808 ASHLEY LN.
SPRINGFIELD, IL 62707

Oct 5, 1971

70-28/71

PAY TO THE
ORDER OF

Democratic National cmtee.

\$1,000.00

One thousand + 10/100

DOLLARS

BANK ONE.

Bank One, Springfield
Springfield, Illinois 62701

MEMO _____

Suzanne Duckworth

97043831607

1236

STATE UNIVERSITIES RETIREMENT SYSTEM
University Drive, Champaign, Illinois 61820

INTEROFFICE PAYMENT VOUCHER

PAYMENT FOR: legislative Conference

ACCOUNT NUMBER: 1276 ENTERED _____
DATE: 09-26-94 SEP 27 1994 ks
AMOUNT: 1,000. DISBURSEMENTS

REQUESTED BY: Suzann Duckworth
Name
Asst. Comptroller Relations Ofcr.
Title

SOCIAL SECURITY NUMBER: _____
APPROVED BY: James S. Beedie J S Beedie
Name
Associate Executive Director
Title

FOR DISBURSEMENTS DEPARTMENT USE ONLY

VOUCHER NUMBER: 583899
DATE: SEP 20 1994

PSB-020789

1276

INTEROFFICE PAYMENT VOUCHER

PAYMENT FOR:

LEGISLATIVE MEETINGS

ACCOUNT NUMBER:

1276

DATE:

8-30-79

ENTERED

AMOUNT:

\$ 35.00

AUG 30 1994

DISBURSEMENTS

REQUESTED BY:

A. BEEDIE
Name

ASSOCIATE EXECUTIVE DIRECTOR
Title

SOCIAL SECURITY NUMBER:

APPROVED BY:

Dennis D. Spive
~~James J. Beedie~~ DENNIS D. SPIVE
Name

Associate Executive Director
Title

=====

FOR DISBURSEMENTS DEPARTMENT USE ONLY

VOUCHER NUMBER:

578913

DATE:

SEP 01 1994

97043831609

1274

INTEROFFICE PAYMENT VOUCHER

PAYMENT FOR:

LEGISLATIVE CONFERENCE

ACCOUNT NUMBER:

1276

DATE:

MAY 21, 1994

ENTERED

MAY 03 1994

AMOUNT:

50.

DISBURSEMENTS

REQUESTED BY:

J. Beattie
Name

ASSOCIATE EXEC. DIRECTOR
Title

SOCIAL SECURITY NUMBER:

[Redacted]

APPROVED BY:

Dennis D. Spive
Name

Associate Executive Director
Title

FOR DISBURSEMENTS DEPARTMENT USE (ONLY)
VOUCHERED FOR PAYMENT

VOUCHER NUMBER:

Date MAY 05 1994

DATE:

Voucher No. 551659

97043031610

97043831611

JAMES S. BEEDIE 02-84
1620 HICKORY LANE
MAHOMET, IL 61853

TAX DEDUCTIBLE ITEM

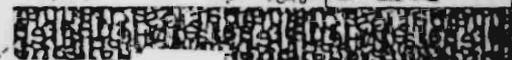
2111

70-7689/2711

UNIVERSITY OF
ILLINOIS EMPLOYEES
CREDIT UNION
2201 SOUTH FIRST STREET - CHAMPAIGN, ILLINOIS 61824

MAY 2 71
Evans Fin Company
Fifth and 1/2

BAL FOR D	262.85
THIS ITEM	50.00
BALANCE	
DEPOSIT	
OTHER	
BAL FOR D	212.85



NOT NEGOTIABLE

97043834612

JAMES S. BEEDIE 02-84
1620 HICKORY LANE
MAHOMET, IL 61853

TAX DEDUCTIBLE ITEM

2123

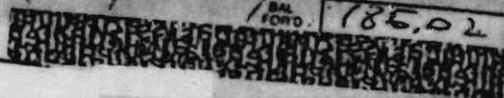
*Evening For Council
Thirty - Five and 1/2*

Aug. 26 99

70-7889/2711

BAL FORD	221.02
THIS ITEM	35.27
BALANCE	
DEPOSIT	
OTHER BAL FORD	185.02

UNIVERSITY OF ILLINOIS
EMPLOYEES CREDIT UNION
224 S. SOUTH FIRST STREET - CHAMPAIGN, ILLINOIS 61820



NOT NEGOTIABLE

97043831614

STATE UNIVERSITY OF ILLINOIS SYSTEM

578913

PAY TO THE ORDER OF

JAMES S. DEEDIE
1620 HICKORY LAKE
NANONET, IL 61855

Amount \$1.00

THE NORTHERN TRUST COMPANY / CHICAGO, ILL. 60610
NORTHERN TRUST BANK / SPRINGFIELD, ILL. 62782



1276

INTEROFFICE PAYMENT VOUCHER

PAYMENT FOR:

Capitol Conference Catering/ *to*
Senate Conference in Washington DC
on September 13-14, 1993

WRITE CHECK
TO DENNIS D. SPICE

ACCOUNT NUMBER:

#1276

DATE:

AMOUNT:

275⁰²

REQUESTED BY:

Dennis D. Spice
Name
EXECUTIVE DIRECTOR
Title

ENTERED
AUG 09 1993
DISBURSEMENTS

SOCIAL SECURITY NUMBER:

APPROVED BY:

James S. Beedie *Beedie*
Name
Associate Executive Director
Title

FOR DISBURSEMENTS DEPARTMENT USE ONLY

VOUCHER NUMBER:

502670(3)

DATE:

AUG 12 1993

9704381615

INTEROFFICE PAYMENT VOUCHER

PAYMENT FOR:

CONFERENCE FOR FEDERAL ^{KV}
LEGISLATIVE Update
(Infrastructure-Development Program)

ACCOUNT NUMBER:

1291

DATE:

9-7-93

AMOUNT:

\$ 100⁰⁰

REQUESTED BY:

Dennis D. Spice

Name

EXECUTIVE DIRECTOR

Title

SOCIAL SECURITY NUMBER:

APPROVED BY:

James S. Beadie

Name

Associate Executive Director

Title

FOR DISBURSEMENTS DEPARTMENT USE ONLY

VOUCHER NUMBER:

~~508038~~ 508038

DATE:

SEP 09 1993

1276

INTEROFFICE PAYMENT VOUCHER

PAYMENT FOR:

WASHINGTON LEGISLATIVE
CONFERENCE

ACCOUNT NUMBER:

1276

ENTERED

DATE:

3-14-94

MAR 14 1994

AMOUNT:

\$320⁰⁰

DISBURSEMENTS

REQUESTED BY:

Dennis Spice

Name

EXECUTIVE DIRECTOR

Title

SOCIAL SECURITY
NUMBER:

APPROVED BY:

James S. Beedie

Name

Associate Executive Director

Title

FOR DISBURSEMENTS DEPARTMENT USE ONLY

VOUCHER NUMBER:

541 526(2)

DATE:

MAR 17 1994

97043631617

1274

INTEROFFICE PAYMENT VOUCHER

PAYMENT FOR:

LOCAL LEGISLATIVE CONFERENCE

ACCOUNT NUMBER:

1276

ENTERED
MAR 16 1994
DISBURSEMENTS

DATE:

3-15-94

AMOUNT:

\$ 180⁰⁰ ⁰⁰/₁₀₀

REQUESTED BY:

Dennis Spice

Name

EXECUTIVE DIRECTOR

Title

SOCIAL SECURITY
NUMBER:

APPROVED BY:

James S. Beedie

Name

Associate Executive Director

Title

FOR DISBURSEMENT'S DEPARTMENT USE ONLY

VOUCHER NUMBER:

541526 (2)

DATE:

MAR 17 1994

97043831610

97043831619

147

STATE UNIVERSITIES RETIREMENT SYSTEM

Champaign Illinois 61825-2710

D 541520

PAID AT PER 6 MONTHS

DATE

3/17/94

DOLLARS CENTS

*****500.00

LENNIS D SPIEG
5034 W BLUEHILL RD
CHAMPAIGN, IL 61821



97043831620

STATE UNIVERSITIES RETIREMENT SYSTEM
 Champaign, Illinois 61825-2710

VOID AFTER 6 MONTHS

CHECK DATE: 5/03/96

PAY TO THE ORDER OF: DENNIS D SPICE

AMOUNT: \$200.00

MEMBER ID: R 41697102

MEMBER ADDRESS: 300 W BLUEBILL RD, CHAMPAIGN IL 61821

Signature: Dennis D. Spice

Account Number: 0000020000

STATE UNIVERSITY RETIREMENT SYSTEM
Party Drive, Champaign, Illinois 61820

1274

INTEROFFICE PAYMENT VOUCHER

PAYMENT FOR: legislative Conference

ACCOUNT NUMBER: 1276

DATE: April 28, 1994

AMOUNT: 50.00

REQUESTED BY: Anthony T. Frevelletti
Name
Govmt'l Relations Officer
Title

SOCIAL SECURITY NUMBER: _____

APPROVED BY: James S. Baudin
Name
Associate Executive Director
Title

FOR DISBURSEMENTS DEPARTMENT USE ONLY

ENTERED

MAY 04 1994

VOUCHER NUMBER: _____

DISBURSED *[initials]*

DATE: _____

VOUCHERED FOR PAYMENT

Date MAY 05 1994

RR 5 Box 284 55779
Number No.

FIS-930799

Springfield IL 62707

97043331621

1276

INTEROFFICE PAYMENT VOUCHER

PAYMENT FOR: Legislative Mtg.

ACCOUNT NUMBER: 1276

DATE: 8/30/94 ENTERED

AMOUNT: \$ 35.00 AUG 30 1994
DISBURSEMENTS

REQUESTED BY: ANTHONY T. FREVLETT
Name

GOVERNMENTAL RELATIONS OFFICERS
Title

SOCIAL SECURITY NUMBER: _____

APPROVED BY: James S. Beedie *James S. Beedie*
Name

Associate Executive Director
Title

===== FOR DISBURSEMENTS DEPARTMENT USE ONLY =====

VOUCHER NUMBER: 578955

DATE: SEP 01 1994

97043031622

ANTHONY T. FREVELLETTI

2284

PR 5 BOX 281
SPRINGFIELD, IL 62707

4/28 1994

Pay to the Order of Ernie for Congress \$ 50.00

FIRST OF AMERICA BANK
FIRST OF AMERICA BANK, SPRINGFIELD, ILL.
SPRINGFIELD, ILLINOIS

SSN 354 68-7137 360-48 7590

[Handwritten Signature]

For

343-56-3293

FIRST OF AMERICA BANK
SPRINGFIELD, ILL.

THREE H

DO NOT CASH AFTER 00

06/09/94

0° E



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20461

December 1, 1995

Kenneth A. Gross, Esq.
SKADDEN, ARPS, SLATE, MEADGER & FLOM
1440 New York Avenue, NW
Washington, DC 20005-211

RE: Pre-MUR 324

Dear Mr. Gross

This is to acknowledge receipt of your letter dated November 28, 1995, advising us of a possible violation of the Federal Election Campaign Act of 1971, as amended, by the State Universities Retirement System of Illinois. We will review the matter and notify you as soon as the Federal Election Commission takes action on your submission.

If you have any questions, please contact Alva E. Smith at (202) 219-3400. For your information, we have attached a brief description of the Commission's procedures for handling matters such as this.

Sincerely,

Mary L. Taksar

Mary L. Taksar, Attorney
Central Enforcement Docket

Enclosure
Procedures

97043831625

STATEMENT OF DESIGNATION OF COUNSEL

MUR _____

NAME OF COUNSEL: Kenneth A. Gross

ADDRESS: 1440 New York Avenue, NW

Washington, DC 20005

Skadden, Arps, Slate, Meagher & Flom

TELEPHONE: (202) 371-7007

The above-named individual is hereby designated as my counsel and is authorized to receive any notifications and other communications from the Commission and to act on my behalf before the Commission.

12/7/95
Date

John M. Kelly, Pres.
Signature

RESPONDENT'S NAME: State Universities Retirement System

ADDRESS: of Illinois

1901 Fox Drive

Champaign, IL 61820

HOME PHONE: _____

BUSINESS PHONE: (217) 378-8800

97043031626

SKADDEN, ARPS, SLATE, MEAGHER & FLOM

1440 NEW YORK AVENUE, N.W.
WASHINGTON, D.C. 20005-2111

FAX (202) 393-5760

(202) 371-7000

DIRECT DIAL
(202) 371-7007

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CHICAGO
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NEWARK
NEW YORK
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WILMINGTON

PM 324

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BRUSSELS
BUDAPEST
FRANKFURT
HONG KONG
LONDON
MOSCOW
PARIS
PRAGUE
SYDNEY
TOKYO
TORONTO

December 14, 1995

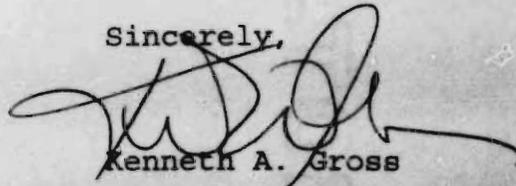
Lois Lerner, Esq.
Office of the General Counsel
Federal Election Commission
999 E Street, NW
Washington, D.C. 20463

Re: State Universities Retirement System
of Illinois "SURS"

Dear Lois:

Enclosed is a copy of a letter showing the refund of the contribution to Congressman Ewing's campaign. Also enclosed is the Designation of Counsel from SURS.

Sincerely,



Kenneth A. Gross

Enclosure

97043631627

RECEIVED
FEDERAL ELECTION
OFFICE OF THE
GENERAL COUNSEL
DEC 15 12 PM '95

PO. Box 766 • Pontiac. IL 61764



815/842-1168 • Fax 815/842-1168

COPIED

November 21, 1995

Robert L. Mandeville
Interim Executive Director
State Universities Retirement System of Illinois
1901 Fox Drive
Champaign, IL 61820

Dear Mr. Mandeville:

Pursuant to our telephone conversation and your letter dated November 15, 1995, enclosed is a check drawn on the Ewing for Congress Committee account made payable to SURS in the amount of \$790.00. This amount represents the sum of contributions made payable to my campaign, which you allege were not individual contributions.

As we discussed, my campaign received these contributions in the form of personal checks submitted by individuals and therefore, my committee was not aware that SURS was the actual contributor as you allege.

We will take the appropriate steps to clarify this matter with your counsel and the FEC.

Sincerely,

THOMAS W. EWING
Member of Congress

TWE/bg

Enclosure

cc: Kenneth Gross, Counsel, SURS ✓
Wm. Sulaski, Treasurer, Ewing for Congress

97043831620

COPY

EWING FOR CONGRESS COMMITTEE
P.O. BOX 766
PONTIAC, IL 61704

2893

70-347/711

Nov. 22 1995

PAY TO THE ORDER OF SIRS

\$ 790.00

Seven hundred ninety & 00/100

DOLLARS



Pontiac National Bank

and your friend's bank
200 N. 10th, Pontiac, IL 61704 Phone (815) 244-2171

FOR campaign contribution refunds

Jan A. Jones

⑆071103473⑆

⑆288 985⑆

2893

97043831629

SKADDEN, ARPS, SLATE, MEAGHER & MULLIN

1440 NEW YORK AVENUE, N.W.
WASHINGTON, D.C. 20005-2111

RECEIVED
FEDERAL ELECTION
COMMISSION
OFFICE OF GENERAL
COUNSEL

MAR 12 10 59 AM '96

FAX (202) 393-5760
DIRECT MAIL
(202) 371-7007

(202) 371-7000

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LONDON
MOSCOW
PARIS
PRAGUE
SYDNEY
TOKYO
TORONTO

March 6, 1996

Lois Lerner, Esq.
Office of the General Counsel
Federal Election Commission
999 E Street, NW
Washington, D.C. 20463

PRE-MUR 324

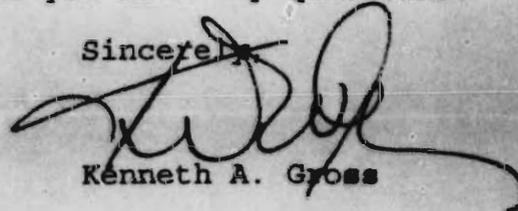
Re: State Universities Retirement System
of Illinois "SURS"

Dear Lois:

Enclosed please find a copy of a \$2,000 check from the DNC made payable to Suzann Duckworth. This check is a refund from the DNC to Ms. Duckworth concerning the above referenced matter. The check was refunded to Suzann Duckworth rather than to SURS because Suzann Duckworth has already reimbursed SURS for the contribution. Thus, no party is enriched as a result of the reimbursement.

Please call me if you have any questions.

Sincerely,



Kenneth A. Gross

Enclosure

97043631630

CHECK NO.	CHECK DATE	VENDOR
34938	02/09/96	DUCKWO

CHECK NO. 034938

NationsBank
NationsBank of D.C., N.A.

D.N.C. SERVICES CORPORATION
GENERAL FUND
430 South Capitol Street, S.E.
Washington, DC 20003

15-120/540
3001

CHECK AMOUNT
\$****2,000.00

TWO THOUSAND AND 00/100 DOLLARS

PAY
TO THE
ORDER OF

DUCKWORTH, SUZANN
3305 ASHLEY LANE
SPRINGFIELD IL 62707

[Signature]
AUTHORIZED SIGNATURE
[Signature]
TREASURER
AUTHORIZED SIGNATURE

⑈00034938⑈ ⑆054001204⑆ 262880 5⑈

97043831631

SKADDEN, ARPS, SLATE, MEAGHER & FLOM

1440 NEW YORK AVENUE, N.W.
WASHINGTON, D.C. 20005-2111

(202) 371-7000

RECEIVED
FEDERAL ELECTION
COMMISSION
OFFICE OF GENERAL
COUNSEL

MAR 21

1 06:27 AM '96
WASHINGTON
HOUSTON
LOS ANGELES
NEWARK
NEW YORK
SAN FRANCISCO
WILMINGTON
BEIJING
BRUSSELS
FRANKFURT
HONG KONG
LONDON
MOSCOW
PARIS
PRAGUE
SYDNEY
TOKYO
TORONTO

FAX: (202) 393-5760

DIRECT DIAL
(202) 371-7007

March 19, 1996

PRE-mur-324

Lois Lerner, Esq.
Office of the General Counsel
Federal Election Commission
999 E Street, NW
Washington, D.C. 20463

Re: State Universities Retirement System
of Illinois "SURS"

Dear Lois:

Enclosed please find a copy of a \$1,555.00 check from the National Republican Senatorial Committee ("NRSC") made payable to SURS. This check is a refund from the NRSC to SURS concerning the contribution by Dennis Spice. Mr. Spice has already been reimbursed by SURS for the contribution. Thus, no party is enriched as a result of the reimbursement.

Please call me if you have any questions.

Sincerely,

Kenneth A. Gross

Kenneth A. Gross

Enclosure

9704331632

**NATIONAL REPUBLICAN
SENATORIAL COMMITTEE**

71592

JR REF. NO.	YOUR INVOICE NO.	INVOICE DATE	INVOICE AMOUNT	AMOUNT PAID	DISCOUNT TAKEN	NET CHECK AMOUNT
00025 REFUND			1,555.00	1,555.00	.00	
5 SURS	E-071592	03/12/96				1,555.00

Refund of contribution by Dennis Spice

NATIONAL REPUBLICAN SENATORIAL COMMITTEE
 425 SECOND ST., NE.
 WASHINGTON, DC 20002-4987

01-SURS

71592

SIGNET BANK
 FALLS CHURCH, VA 22024
 88-408-560

DATE	CONTROL NO.	AMOUNT
03/12/96	071592	*****\$1,555.00

PAY *****1,555 DOLLARS AND 00 CENTS
 TO THE ORDER OF

SURS
 C/O SKADDEN, ARPS, SLATE, MEAGHER
 & FLOW, 1440 NEW YORK AVE., NW
 ATTN: KENNETH A. GROSS
 WASHINGTON DC 200052111

SA

⑆00071592⑆ ⑆056004089⑆ 651-7172927⑆

97043851633

Security features include: Details on back

PM 324

United States Attorney's Office
Central District of Illinois

Urbana Federal Building
& Courthouse
201 S. Vine Street
Room 226
Urbana, IL 61801
FAX NO. 217/373-5891



FAX Cover Sheet

DATE: May 16, 1996

MAY 16 11 34 AM '96

RECEIVED
FEDERAL ELECTION
COMMISSION
OFFICE OF GENERAL
COUNSEL

PLEASE DELIVER THE FOLLOWING PAGES TO:

NAME/Firm/Agency: Lois Lerner - FEC COUNSEL

City/State: _____ FAX No. 202 219 3923

FROM: FRANCES HULLIN, US ATTY

Remarks/Comments: PER YOUR REQUEST

This message may be a communication between an attorney and client and, as such, is privileged and confidential. If the reader of this message is not the intended recipient or any agent responsible for delivering this message to the intended recipient, you are hereby notified that you have received this document in error, and any review, dissemination, distribution or duplication of this message is strictly prohibited. If you have received this communication in error, please notify us immediately by telephone and return this original to us by mail at our expense. Thank you.

Total Number of Pages (Including This Cover Sheet): 2

If you do not receive all the pages, please call (217) 373-5875 as soon as possible.

97043831634

The News-Gazette

144th Year No. 275

Champaign-Urbana — April 28, 1966

Daily 35 Cents

Ex-pension worker gets immunity for testimony

By MARY SCHEMEL

News-Gazette Staff Writer

CHAMPAIGN — A former employee of the Illinois State University Retirement System has been granted immunity from prosecution in exchange for her testimony before a grand jury.

Federal election officials and Champaign County State's Attorney John Piland have said they are investigating questionable political contributions made by current and former employees of the system.

James Hacking, the pension fund's new executive director, has said that the Federal Election Commission has determined it has enough evidence to continue a probe into more than \$3,000



AP/WIDE

in federal contributions listed as "legislative conferences" on pension fund payment vouchers.

Piland is reviewing \$9,000 in contributions to state and local candidates by former Executive Director Dennis Spico and three aides.

State auditors discovered the contributions while reviewing expense records at the Cham-

See TESTIMONY, A-18

Testimony

Continued from A-4

ampaign-based pension fund last summer. Spico and his aides later reimbursed the fund for most of the contributions.

Champaign County Judge Harold Jensen today granted former Assistant Government Affairs Liaison Susan Duckworth, of Springfield, immunity.

The petition said immunity

should be granted to secure her testimony before the grand jury and "in the interest of justice."

Federal and state lawmakers are returning no contributions because the money came from a taxpayer-supported fund used to pay the pensions of retired college and university employees. None of the lawmakers did anything improper by accepting the cash, election officials say.

FEDERAL ELECTION COMMISSION
999 E Street, N.W.
Washington, D.C. 20463

FIRST GENERAL COUNSEL'S REPORT

RECEIVED
FEDERAL ELECTION COMMISSION
JAN 23 1996
SENSITIVE

PRE-MUR 324

DATE ACTIVATED: January 22, 1996

STAFF MEMBER: Holly J. Baker

SOURCE: Sua Sponte Submission

RESPONDENTS: State Universities Retirement System of Illinois, Dennis Spice, James Beedie, Tony Freveletti, and Suzann Duckworth

RELEVANT STATUTE: 2 U.S.C. § 441f

INTERNAL REPORTS CHECKED: FEC Indices

FEDERAL AGENCIES CHECKED: None

I. **GENERATION OF MATTER**

This matter arose from a sua sponte submission on the part of the State Universities Retirement System of Illinois ("SURS"), dated November 28, 1995. Attachment 1. In its letter to the Commission, SURS states that during an internal audit, it discovered that it had inadvertently made contributions, totaling \$4,345 in 1993 and 1994, in connection with federal elections when it paid for expenses of four employees' activities relating generally to legislative affairs conferences and materials. Attachment 1 at 1. The four employees are Dennis Spice, Executive Director; James Beedie, Associate Executive Director; Tony Freveletti, Government Relations Officer; and Suzann Duckworth, Assistant Government Relations Officer.

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II. FACTUAL AND LEGAL ANALYSIS

The Federal Election Campaign Act of 1971, as amended (the "Act") provides that no person shall make a contribution in the name of another or knowingly permit his name to be used to effect such a contribution. 2 U.S.C. § 441f. Commission regulations further specify that no person shall knowingly help or assist any person in making a contribution in the name of another. 11 C.F.R. § 110.4(b)(iii). Under the Act, the term "person" includes an individual, partnership, committee, association, corporation, labor organization, or any other group of persons, but it does not include the federal government. 2 U.S.C. § 431(11).

SURS is an executive agency of the State of Illinois and qualifies as a "person" under the Act. See MUR 3986 (Commission found reason to believe Commonwealth of Virginia made excessive contributions to Wilder for President Committee regarding use of state-owned aircraft and telephones) and MUR 1686 (Commission found reason to believe State of North Carolina made excessive contributions to Governor Jim Hunt's campaign for U.S. Senate regarding use of state-owned conveyances).

In its letter to the Commission, SURS indicated that four of its employees had submitted vouchers, generically labeled "legislative conference," without noting that the conferences they attended had also involved federal political activity and were sponsored by political committees: National Republic Senatorial Committee ("NRSC"), Democratic National Committee ("DNC"), and Ewing for Congress Committee. Attachment 1 at 2, 5, 6, 13-15, 18, 19. The expenses and activities at issue are as follows:

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<u>EMPLOYEE</u>	<u>DATE</u>	<u>AMOUNT</u>	<u>EVENT</u>
Dennis Spice	08-06-93	\$ 275	NRSC event, Capital Conference Catering
Dennis Spice	08-23-93	1,000*	Republican Senatorial Inner Circle, conference fee
Dennis Spice	09-07-93	100	Ewing for Congress
Dennis Spice	10-12-93	100*	NRSC, conference fee for federal legislative update
Dennis Spice	10-19-93	180*	NRSC, legislative update meeting fee
Suzann Duckworth	11-18-93	1,000	DNC, membership for Women's Leadership Forum and annual conference
Dennis Spice	03-17-94	320	Ewing for Congress
Tony Freveletti	04-28-94	50	Ewing for Congress
Dennis Spice	05-02-94	200	Ewing for Congress
Jim Beedie	05-02-94	50	Ewing for Congress
Jim Beedie	08-26-94	35	Ewing for Congress
Tony Freveletti	09-01-94	35	Ewing for Congress
Suzann Duckworth	09-26-94	1,000	DNC, membership for Women's Leadership Forum and annual conference

* Dennis Spice charged these expenses to a SURS credit card and SURS paid them directly.

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SURS indicates that promptly after the audit, the above-named individuals reimbursed SURS for the total amount of \$4,345. Attachment 1 at 2. SURS, however, did not submit copies of the employees' reimbursement checks. SURS also sought and received refunds from the recipient committees. Attachment 2.

Although SURS' letter to the Commission presents the individuals as "employees," Dennis Spice and James Beedie are also executives. James Beedie, Associate Executive Director, approved the reimbursement requests submitted by the other three individuals. Attachment 1 at 3, 5, 12-15, 18, 19. Dennis Spice, Executive Director, approved James Beedie's requests for reimbursement. Attachment 1 at 6, 7. Thus, it appears that SURS made, and James Beedie and Dennis Spice knowingly assisted SURS in making, contributions in the name of another in violation of 2 U.S.C. § 441f. It further appears that James Beedie and Dennis Spice each knowingly allowed their names to be used to effect such contributions. From the documents submitted, it appears that Suzann Duckworth and Tony Freveletti knowingly consented to the use of their names for effecting contributions by SURS in violation of 2 U.S.C. § 441f.

On May 16, 1996, Frances Hulin, United States Attorney from the Central District of Illinois, brought to this Office's attention the attached news article dated April 19, 1996 from THE NEWS-GAZETTE. Attachment 3. In that article, the reporter notes that Suzann Duckworth has been granted immunity from prosecution in exchange for her testimony before a state grand jury and that the Champaign County State's Attorney is investigating "questionable political contributions made by current and former employees" of SURS.

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The violations at issue here are serious ones -- contributions in the name of another .

Therefore, this Office recommends that the Commission open a MUR and find reason to believe that SURS, Dennis Spice, James Beedie, Suzann Duckworth, and Tony Freveletti, each violated 2 U.S.C. § 441f. Usually in a case of this type, this Office would recommend pre-probable cause conciliation at this point, this Office will wait until the individuals have submitted responses and this Office has had a chance to review them. See Attachment 3.

III. RECOMMENDATIONS

- 1. Open a MUR.
- 2. Find reason to believe that the State Universities Retirement System of Illinois, Dennis Spice, James Beedie, Suzann Duckworth, and Tony Freveletti each violated 2 U.S.C. § 441f.
- 3. Approve the attached Factual and Legal Analyses (5).
- 4. Approve the appropriate letters.

Lawrence M. Noble
General Counsel

6/4/96
Date

BY: 
Lois G. Lerner
Associate General Counsel

Attachments:

- 1. Sua Sponte submission
- 2. Reimbursements to SURS
- 3. News article
- 4. Factual and Legal Analyses (5)

9704383164C



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

MEMORANDUM

TO: LAWRENCE M. NOBLE
GENERAL COUNSEL

FROM: MARJORIE W. EMMONS/LISA R. DAVIS 
COMMISSION SECRETARY

DATE: JUNE 10, 1996

SUBJECT: PRE-MUR 324 - FIRST GENERAL COUNSEL'S REPORT
DATED JUNE 4, 1996.

The above-captioned document was circulated to the Commission
on: WEDNESDAY, JUNE 5, 1996 at 4:00 p.m.

Objection(s) have been received from the Commissioner(s) as
indicated by the name(s) checked below:

- Commissioner Aikens _____
- Commissioner Elliott xxx
- Commissioner McDonald _____
- Commissioner McGarry _____
- Commissioner Potter _____
- Commissioner Thomas _____

This matter will be placed on the meeting agenda for:
TUESDAY, JUNE 25, 1996

Please notify us who will represent your Division before the Commission
on this matter. Thank You!

97043831641

BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of)
) Pre-MUR 324 MUR 4399
State Universities Retirement)
System of Illinois;)
Dennis Spice;)
James Beedie;)
Tony Freveletti;)
Suzann Duckworth)

CERTIFICATION

I, Marjorie W. Emmons, recording secretary for the Federal Election Commission executive session on June 25, 1996, do hereby certify that the Commission decided by a vote of 5-0 to take the following actions with respect to Pre-MUR 324:

1. Open a MUR.
2. Find reason to believe that the State Universities Retirement System of Illinois, Dennis Spice, James Beedie, Suzann Duckworth, and Tony Freveletti each violated 2 U.S.C. § 441f.
3. Approve the Factual and Legal Analyses recommended in the General Counsel's June 4, 1996 report.

(continued)

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4. Approve the appropriate letters as recommended in the General Counsel's June 4, 1996 report.

Commissioners Aikens, Elliott, McDonald, McGarry,
and Thomas voted affirmatively for the decision.

Attest:

6-26-96
Date

Marjorie W. Emmons
Marjorie W. Emmons
Secretary of the Commission

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FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

July 8, 1996

Kenneth A. Gross, Esq.
Skadden Arps
1440 New York Ave, N.W.
Washington, D.C. 20005-2111

RE: MUR 4399
State Universities Retirement
System of Illinois

Dear Mr. Gross:

On June 25, 1996, the Federal Election Commission found that there is reason to believe the State Universities Retirement System of Illinois violated 2 U.S.C. § 441f, a provision of the Federal Election Campaign Act of 1971, as amended ("the Act"). The Factual and Legal Analysis, which formed a basis for the Commission's finding, is attached for your information.

You may submit any factual or legal materials that you believe are relevant to the Commission's consideration of this matter. Please submit such materials to the General Counsel's Office within 15 days of your receipt of this letter. Where appropriate, statements should be submitted under oath. In the absence of additional information, the Commission may find probable cause to believe that a violation has occurred and proceed with conciliation.

If you are interested in pursuing pre-probable cause conciliation, you should so request in writing. See 11 C.F.R. § 111.18(d). Upon receipt of the request, the Office of the General Counsel will make recommendations to the Commission either proposing an agreement in settlement of the matter or recommending declining that pre-probable cause conciliation be pursued. The Office of the General Counsel may recommend that pre-probable cause conciliation not be entered into at this time so that it may complete its investigation of the matter. Further, the Commission will not entertain requests for pre-probable cause conciliation after briefs on probable cause have been mailed to the respondent.

Requests for extensions of time will not be routinely granted. Requests must be made in writing at least five days prior to the due date of the response and specific good cause must be demonstrated. In addition, the Office of the General Counsel ordinarily will not give extensions beyond 20 days.

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This matter will remain confidential in accordance with 2 U.S.C. § 437g(a)(4)(B) and 437(a)(12)(A), unless you notify the Commission in writing that you wish the investigation to be made public.

For your information, we have enclosed a brief description of the Commission's procedures for handling possible violations of the Act. If you have any questions, please contact Holly J. Baker, the attorney assigned to this matter, at (202) 219-3400.

Sincerely,

Lee Ann Elliott
Lee Ann Elliott
Chairman

Enclosures
Factual and Legal Analysis
Procedures

97043831645

FEDERAL ELECTION COMMISSION

FACTUAL AND LEGAL ANALYSIS

RESPONDENT: State Universities Retirement System of Illinois MUR: 4399

This matter was generated from a sua sponte submission on the part of the State Universities Retirement System of Illinois ("SURS"), dated November 28, 1995, to the Federal Election Commission ("Commission"). See 2 U.S.C. § 437g(a)(2).

SURS states that during an internal audit, it discovered that it had inadvertently made contributions, totaling \$4,345 in 1993 and 1994, in connection with federal elections when it paid for expenses of four employees' activities relating generally to legislative affairs conferences and materials. The four employees are Dennis Spice, Executive Director; James Beedie, Associate Executive Director; Tony Freveletti, Government Relations Officer; and Suzann Duckworth, Assistant Government Relations Officer.

The Federal Election Campaign Act of 1971, as amended (the "Act") provides that no person shall make a contribution in the name of another or knowingly permit his name to be used to effect such a contribution. 2 U.S.C. § 441f. Commission regulations further specify that no person shall knowingly help or assist any person in making a contribution in the name of another. 11 C.F.R. § 110.4(b)(iii). Under the Act, the term "person" includes an individual, partnership, committee, association, corporation, labor organization, or any other group of persons, but it does not include the federal government. 2 U.S.C. § 431(11).

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SURS indicated that four of its employee had submitted vouchers, generically labeled "legislative conference," without noting that the conferences they attended had also involved federal political activity and were sponsored by political committees: National Republic Senatorial Committee ("NRSC"), Democratic National Committee ("DNC"), and Ewing for Congress Committee. The expenses and activities at issue are as follows:

<u>EMPLOYEE</u>	<u>DATE</u>	<u>AMOUNT</u>	<u>EVENT</u>
Dennis Spice	08-06-93	\$ 275	NRSC event, Capital Conference Catering
Dennis Spice	08-23-93	1,000*	Republican Senatorial Inner Circle, conference fee
Dennis Spice	09-07-93	100	Ewing for Congress
Dennis Spice	10-12-93	100*	NRSC, conference fee for federal legislative update
Dennis Spice	10-19-93	180*	NRSC, legislative update meeting fee
Suzann Duckworth	11-18-93	1,000	DNC, membership for Women's Leadership Forum and annual conference
Dennis Spice	03-17-94	320	Ewing for Congress
Tony Freveletti	04-28-94	50	Ewing for Congress
Dennis Spice	05-02-94	200	Ewing for Congress
Jim Beedie	05-02-94	50	Ewing for Congress
Jim Beedie	08-26-94	35	Ewing for Congress

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<u>EMPLOYEE</u>	<u>DATE</u>	<u>AMOUNT</u>	<u>EVENT</u>
Tony Freveletti	09-01-94	35	Ewing for Congress
Suzann Duckworth	09-26-94	1,000	DNC, membership for Women's Leadership Forum and annual conference

* Dennis Spice charged these expenses to a SURS credit card and SURS paid them directly.

SURS indicates that promptly after the audit, the above-named individuals reimbursed SURS for the total amount of \$4,345. SURS, however, did not submit copies of the employees' reimbursement checks. SURS also sought and received refunds from the recipient committees.

Although SURS' letter to the Commission presents the individuals as "employees," at least Dennis Spice and James Beedie are also executives. James Beedie, Associate Executive Director, approved the reimbursement requests submitted by the other three individuals. Dennis Spice, Executive Director, approved James Beedie's requests for reimbursement. Thus, it appears that SURS made, and James Beedie and Dennis Spice knowingly assisted SURS in making, contributions in the name of another.

Therefore, there is reason to believe that SURS violated 2 U.S.C. § 441f.

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FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

July 8, 1996

James F. Beedie
310 S. Michigan Ave.
Chicago, IL 60604-4207

RE: MUR 4399
James Beedie

Dear Mr. Beedie:

On June 25, 1996, the Federal Election Commission found that there is reason to believe you violated 2 U.S.C. § 441f, a provision of the Federal Election Campaign Act of 1971, as amended ("the Act"). The Factual and Legal Analysis, which formed a basis for the Commission's finding, is attached for your information.

You may submit any factual or legal materials that you believe are relevant to the Commission's consideration of this matter. Please submit such materials to the General Counsel's Office within 15 days of your receipt of this letter. Where appropriate, statements should be submitted under oath. In the absence of additional information, the Commission may find probable cause to believe that a violation has occurred and proceed with conciliation.

If you are interested in pursuing pre-probable cause conciliation, you should so request in writing. See 11 C.F.R. § 111.18(d). Upon receipt of the request, the Office of the General Counsel will make recommendations to the Commission either proposing an agreement in settlement of the matter or recommending declining that pre-probable cause conciliation be pursued. The Office of the General Counsel may recommend that pre-probable cause conciliation not be entered into at this time so that it may complete its investigation of the matter. Further, the Commission will not entertain requests for pre-probable cause conciliation after briefs on probable cause have been mailed to the respondent.

Requests for extensions of time will not be routinely granted. Requests must be made in writing at least five days prior to the due date of the response and specific good cause must be demonstrated. In addition, the Office of the General Counsel ordinarily will not give extensions beyond 20 days.

If you intend to be represented by counsel in this matter, please advise the Commission by completing the enclosed form stating the name, address, and telephone number of such

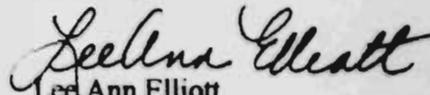
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counsel, and authorizing such counsel to receive any notifications and other communications from the Commission.

This matter will remain confidential in accordance with 2 U.S.C. § 437g(a)(4)(B) and 437(a)(12)(A), unless you notify the Commission in writing that you wish the investigation to be made public.

For your information, we have enclosed a brief description of the Commission's procedures for handling possible violations of the Act. If you have any questions, please contact Holly J. Baker, the attorney assigned to this matter, at (202) 219-3400.

Sincerely,



Lee Ann Elliott
Chairman

- Enclosures
- Factual and Legal Analysis
- Procedures
- Designation of Counsel

97043831650

**FEDERAL ELECTION COMMISSION
FACTUAL AND LEGAL ANALYSIS**

RESPONDENT: James Beedie

MUR: 4399

This matter was initiated by the Federal Election Commission ("Commission") pursuant to information ascertained in the normal course of carrying out its supervisory responsibilities. See 2 U.S.C. § 437g(a)(2). It involves contributions made by the State Universities Retirement System of Illinois ("SURS").

Information provided by SURS states that during an internal audit, it discovered that it had inadvertently made contributions, totaling \$4,345 in 1993 and 1994, in connection with federal elections when it paid for expenses of four employees' activities relating generally to legislative affairs conferences and materials. The four employees are Dennis Spice, Executive Director; James Beedie, Associate Executive Director; Tony Freveletti, Government Relations Officer; and Suzann Duckworth, Assistant Government Relations Officer.

The Federal Election Campaign Act of 1971, as amended (the "Act") provides that no person shall make a contribution in the name of another or knowingly permit his name to be used to effect such a contribution. 2 U.S.C. § 441f. Commission regulations further specify that no person shall knowingly help or assist any person in making a contribution in the name of another. 11 C.F.R. § 110.4(b)(iii).

SURS indicated that four of its employees had submitted vouchers, generically labeled "legislative conference," without noting that the conferences they attended had also involved federal political activity and were sponsored by political committees: National Republic

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Senatorial Committee ("NRSC"), Democratic National Committee ("DNC"), and Ewing for Congress Committee. The expenses and activities at issue are as follows:

<u>EMPLOYEE</u>	<u>DATE</u>	<u>AMOUNT</u>	<u>EVENT</u>
Dennis Spice	08-06-93	\$ 275	NRSC event, Capital Conference Catering
Dennis Spice	08-23-93	1,000*	Republican Senatorial Inner Circle, conference fee
Dennis Spice	09-07-93	100	Ewing for Congress
Dennis Spice	10-12-93	100*	NRSC, conference fee for federal legislative update
Dennis Spice	10-19-93	180*	NRSC, legislative update meeting fee
Suzann Duckworth	11-18-93	1,000	DNC, membership for Women's Leadership Forum and annual conference
Dennis Spice	03-17-94	320	Ewing for Congress
Tony Freveletti	04-28-94	50	Ewing for Congress
Dennis Spice	05-02-94	200	Ewing for Congress
Jim Beedie	05-02-94	50	Ewing for Congress
Jim Beedie	08-26-94	35	Ewing for Congress
Tony Freveletti	09-01-94	35	Ewing for Congress
Suzann Duckworth	09-26-94	1,000	DNC, membership for Women's Leadership Forum and annual conference

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* Dennis Spice charged these expenses to a SURS credit card and SURS paid them directly.

SURS indicates that promptly after the audit, the above-named individuals reimbursed SURS for the total amount of \$4,345. SURS, however, did not submit copies of the employees' reimbursement checks. SURS also sought and received refunds from the recipient committees.

Although SURS presents the individuals as "employees," at least Dennis Spice and James Beedie are also executives. James Beedie, Associate Executive Director, approved the reimbursement requests submitted by the other three individuals. Dennis Spice, Executive Director, approved James Beedie's requests for reimbursement. Thus, it appears that SURS made, and James Beedie knowingly assisted SURS in making, contributions in the name of another, and that James Beedie knowingly consented to the use of his name for effecting contributions by SURS in violation of 2 U.S.C. § 441f.

Therefore, there is reason to believe that James Beedie violated 2 U.S.C. § 441f.

97043631653



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

July 8, 1996

Dennis Spice
5008 W. Bluebill Road
Champaign, IL 61821-9512

RE: MUR 4399
Dennis Spice

Dear Mr. Spice:

On June 25, 1996, the Federal Election Commission found that there is reason to believe you violated 2 U.S.C. § 441f, a provision of the Federal Election Campaign Act of 1971, as amended ("the Act"). The Factual and Legal Analysis, which formed a basis for the Commission's finding, is attached for your information.

You may submit any factual or legal materials that you believe are relevant to the Commission's consideration of this matter. Please submit such materials to the General Counsel's Office within 15 days of your receipt of this letter. Where appropriate, statements should be submitted under oath. In the absence of additional information, the Commission may find probable cause to believe that a violation has occurred and proceed with conciliation.

If you are interested in pursuing pre-probable cause conciliation, you should so request in writing. See 11 C.F.R. § 111.18(d). Upon receipt of the request, the Office of the General Counsel will make recommendations to the Commission either proposing an agreement in settlement of the matter or recommending declining that pre-probable cause conciliation be pursued. The Office of the General Counsel may recommend that pre-probable cause conciliation not be entered into at this time so that it may complete its investigation of the matter. Further, the Commission will not entertain requests for pre-probable cause conciliation after briefs on probable cause have been mailed to the respondent.

Requests for extensions of time will not be routinely granted. Requests must be made in writing at least five days prior to the due date of the response and specific good cause must be demonstrated. In addition, the Office of the General Counsel ordinarily will not give extensions beyond 20 days.

If you intend to be represented by counsel in this matter, please advise the Commission by completing the enclosed form stating the name, address, and telephone number of such counsel, and authorizing such counsel to receive any notifications and other communications from the Commission.

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This matter will remain confidential in accordance with 2 U.S.C. § 437g(a)(4)(B) and 437(a)(12)(A), unless you notify the Commission in writing that you wish the investigation to be made public.

For your information, we have enclosed a brief description of the Commission's procedures for handling possible violations of the Act. If you have any questions, please contact Holly J. Baker, the attorney assigned to this matter, at (202) 219-3400.

Sincerely,

LeeAnn Elliott
LeeAnn Elliott
Chairman

- Enclosures
- Factual and Legal Analysis
- Procedures
- Designation of Counsel Form

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FEDERAL ELECTION COMMISSION

FACTUAL AND LEGAL ANALYSIS

RESPONDENT: Dennis Spice

MUR: 4399

This matter was initiated by the Federal Election Commission ("Commission") pursuant to information ascertained in the normal course of carrying out its supervisory responsibilities.

See 2 U.S.C. § 437g(a)(2). It involves contributions made by State Universities Retirement System of Illinois ("SURS").

Information provided by SURS states that during an internal audit, it discovered that it had inadvertently made contributions, totaling \$4,345 in 1993 and 1994, in connection with federal elections when it paid for expenses of four employees' activities relating generally to legislative affairs conferences and materials. The four employees are Dennis Spice, Executive Director; James Beedie, Associate Executive Director; Tony Freveletti, Government Relations Officer; and Suzann Duckworth, Assistant Government Relations Officer.

The Federal Election Campaign Act of 1971, as amended (the "Act") provides that no person shall make a contribution in the name of another or knowingly permit his name to be used to effect such a contribution. 2 U.S.C. § 441f. Commission regulations further specify that no person shall knowingly help or assist any person in making a contribution in the name of another. 11 C.F.R. § 110.4(b)(iii).

SURS indicated that four of its employees had submitted vouchers, generically labeled "legislative conference," without noting that the conferences they attended had also involved federal political activity and were sponsored by political committees: National Republic

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Senatorial Committee ("NRSC"), Democratic National Committee ("DNC"), and Ewing for Congress Committee. The expenses and activities at issue are as follows:

<u>EMPLOYEE</u>	<u>DATE</u>	<u>AMOUNT</u>	<u>EVENT</u>
Dennis Spice	08-06-93	\$ 275	NRSC event, Capital Conference Catering
Dennis Spice	08-23-93	1,000*	Republican Senatorial Inner Circle, conference fee
Dennis Spice	09-07-93	100	Ewing for Congress
Dennis Spice	10-12-93	100*	NRSC, conference fee for federal legislative update
Suzann Duckworth	11-18-93	1,000	DNC, membership for Women's Leadership Forum and annual conference
Dennis Spice	10-19-93	180*	NRSC, legislative update meeting fee
Dennis Spice	03-17-94	320	Ewing for Congress
Tony Freveletti	04-28-94	50	Ewing for Congress
Dennis Spice	05-02-94	200	Ewing for Congress
Jim Beedie	05-02-94	50	Ewing for Congress
Jim Beedie	08-26-94	35	Ewing for Congress
Tony Freveletti	09-01-94	35	Ewing for Congress
Suzann Duckworth	09-26-94	1,000	DNC, membership for Women's Leadership Forum and annual conference

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* Dennis Spice charged these expenses to a SURS credit card and SURS paid them directly.

SURS indicates that promptly after the audit, the above-named individuals reimbursed SURS for the total amount of \$4,345. SURS, however, did not submit copies of the employees' reimbursement checks. SURS also sought and received refunds from the recipient committees.

Although SURS presents the individuals as "employees," at least Dennis Spice and James Beedie are also executives. James Beedie, Associate Executive Director, approved the reimbursement requests submitted by the other three individuals. Dennis Spice, Executive Director, approved James Beedie's requests for reimbursement. Thus, it appears that SURS made, and Dennis Spice knowingly assisted SURS in making, contributions in the name of another, and that Dennis Spice knowingly allowed his name to be used to effect contributions by SURS in violation of 2 U.S.C. § 441f.

Therefore, there is reason to believe that Dennis Spice violated 2 U.S.C. § 441f.

97043831658



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

July 8, 1996

Suzann Duckworth
1 Candlewood Dr.
Springfield, IL 62704-5632

RE: MUR 4399
Suzann Duckworth

Dear Ms. Duckworth:

On June 25, 1996, the Federal Election Commission found that there is reason to believe you violated 2 U.S.C. § 441f, a provision of the Federal Election Campaign Act of 1971, as amended ("the Act"). The Factual and Legal Analysis, which formed a basis for the Commission's finding, is attached for your information.

You may submit any factual or legal materials that you believe are relevant to the Commission's consideration of this matter. Please submit such materials to the General Counsel's Office within 15 days of your receipt of this letter. Where appropriate, statements should be submitted under oath. In the absence of additional information, the Commission may find probable cause to believe that a violation has occurred and proceed with conciliation.

If you are interested in pursuing pre-probable cause conciliation, you should so request in writing. See 11 C.F.R. § 111.18(d). Upon receipt of the request, the Office of the General Counsel will make recommendations to the Commission either proposing an agreement in settlement of the matter or recommending declining that pre-probable cause conciliation be pursued. The Office of the General Counsel may recommend that pre-probable cause conciliation not be entered into at this time so that it may complete its investigation of the matter. Further, the Commission will not entertain requests for pre-probable cause conciliation after briefs on probable cause have been mailed to the respondent.

Requests for extensions of time will not be routinely granted. Requests must be made in writing at least five days prior to the due date of the response and specific good cause must be demonstrated. In addition, the Office of the General Counsel ordinarily will not give extensions beyond 20 days.

If you intend to be represented by counsel in this matter, please advise the Commission by completing the enclosed form stating the name, address, and telephone number of such counsel, and authorizing such counsel to receive any notifications and other communications from the Commission.

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This matter will remain confidential in accordance with 2 U.S.C. § 437g(a)(4)(B) and 437(a)(12)(A), unless you notify the Commission in writing that you wish the investigation to be made public.

For your information, we have enclosed a brief description of the Commission's procedures for handling possible violations of the Act. If you have any questions, please contact Holly J. Baker, the attorney assigned to this matter, at (202) 219-3400.

Sincerely,

Lee Ann Elliott
Lee Ann Elliott
Chairman

- Enclosures
- Factual and Legal Analysis
- Procedures
- Designation of Counsel Form

9704383166C

**FEDERAL ELECTION COMMISSION
FACTUAL AND LEGAL ANALYSIS**

RESPONDENT: Suzann Duckworth

MUR: 4399

This matter was initiated by the Federal Election Commission ("Commission") pursuant to information ascertained in the normal course of carrying out its supervisory responsibilities. See 2 U.S.C. § 437g(a)(2). It involves contributions made by the State Universities Retirement System of Illinois ("SURS").

Information provided by SURS states that during an internal audit, it discovered that it had inadvertently made contributions in 1993 and 1994 in connection with federal elections when it paid for expenses of employees' activities relating generally to legislative affairs conferences and materials, including Suzann Duckworth.

The Federal Election Campaign Act of 1971, as amended (the "Act") provides that no person shall make a contribution in the name of another or knowingly permit his name to be used to effect such a contribution. 2 U.S.C. § 441f.

SURS indicated that Suzann Duckworth had submitted vouchers without noting that the conferences involved federal political activity and were sponsored by a political committee, the National Democratic Committee ("DNC"). SURS reimbursed Ms. Duckworth for two vouchers, each of \$1,000 to the DNC for membership in the Women's Leadership Forum and annual conference, dated September 18, 1993 and September 26, 1994.

Therefore, there is reason to believe that Suzann Duckworth violated 2 U.S.C. § 441f by consenting to the use of her name for effecting political contributions by SURS.

97043631661



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

July 8, 1996

Anthony T. Freveletti
553 E. Midland Road
Springfield, IL 62707-9358

RE: MUR 4399
Anthony T. Freveletti

Dear Mr. Freveletti:

On June 25, 1996, the Federal Election Commission found that there is reason to believe you violated 2 U.S.C. § 441f, a provision of the Federal Election Campaign Act of 1971, as amended ("the Act"). The Factual and Legal Analysis, which formed a basis for the Commission's finding, is attached for your information.

You may submit any factual or legal materials that you believe are relevant to the Commission's consideration of this matter. Please submit such materials to the General Counsel's Office within 15 days of your receipt of this letter. Where appropriate, statements should be submitted under oath. In the absence of additional information, the Commission may find probable cause to believe that a violation has occurred and proceed with conciliation.

If you are interested in pursuing pre-probable cause conciliation, you should so request in writing. See 11 C.F.R. § 111.18(d). Upon receipt of the request, the Office of the General Counsel will make recommendations to the Commission either proposing an agreement in settlement of the matter or recommending declining that pre-probable cause conciliation be pursued. The Office of the General Counsel may recommend that pre-probable cause conciliation not be entered into at this time so that it may complete its investigation of the matter. Further, the Commission will not entertain requests for pre-probable cause conciliation after briefs on probable cause have been mailed to the respondent.

Requests for extensions of time will not be routinely granted. Requests must be made in writing at least five days prior to the due date of the response and specific good cause must be demonstrated. In addition, the Office of the General Counsel ordinarily will not give extensions beyond 20 days.

If you intend to be represented by counsel in this matter, please advise the Commission by completing the enclosed form stating the name, address, and telephone number of such

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counsel, and authorizing such counsel to receive any notifications and other communications from the Commission.

This matter will remain confidential in accordance with 2 U.S.C. § 437g(a)(4)(B) and 437g(a)(12)(A), unless you notify the Commission in writing that you wish the investigation to be made public.

For your information, we have enclosed a brief description of the Commission's procedures for handling possible violations of the Act. If you have any questions, please contact Holly J. Baker, the attorney assigned to this matter, at (202) 219- 3400.

Sincerely,

LeeAnn Elliott

LeeAnn Elliott
Chairman

- Enclosures
- Factual and Legal Analysis
- Procedures
- Designation of Counsel Form

97043831663

**FEDERAL ELECTION COMMISSION
FACTUAL AND LEGAL ANALYSIS**

RESPONDENT: Tony Freveletti

MUR: 4399

This matter was initiated by the Federal Election Commission ("Commission") pursuant to information ascertained in the normal course of carrying out its supervisory responsibilities. See 2 U.S.C. § 437g(a)(2). It involves contributions made by the State Universities Retirement System of Illinois ("SURS").

Information provided by SURS states that during an internal audit, it discovered that it had inadvertently made contributions in 1993 and 1994 in connection with federal elections when it paid for expenses of employees' activities relating generally to legislative affairs conferences and materials, including Tony Freveletti.

The Federal Election Campaign Act of 1971, as amended (the "Act") provides that no person shall make a contribution in the name of another or knowingly permit his name to be used to effect such a contribution. 2 U.S.C. § 441f.

SURS indicated that Tony Freveletti had submitted vouchers without noting that the conferences he attended involved federal political activity and were sponsored by a political committee, Ewing for Congress. Mr. Freveletti submitted two vouchers, one for \$50 dated April 28, 1994 and the other for \$35 dated September 1, 1994, that SURS reimbursed.

Therefore, there is reason to believe that Tony Freveletti violated 2 U.S.C. § 441f by consenting to the use of his name for effecting political contributions by SURS.

97043031664

DOBBINS, FRAKER, TENNANT, JOY & PERLSTEIN

A PROFESSIONAL CORPORATION
ATTORNEYS AND COUNSELORS
818 NORTH NEIL STREET
CHAMPAIGN, ILLINOIS 61820

TELEPHONE (217) 956-7883

FACSIMILE (217) 956-0548

FRANCE L. FRAKER
DONALD M. TENNANT
D. CAMERON DOBBINS
RICHARD M. JOY
MARY A. PERLSTEIN
TODD M. TENNANT
JOHN B. WENDELBY
KEITH E. EMMONS
GUY C. RAY
RICHARD L. MONFORT
JAMES D. CUTLER III
STEPHEN J. LESCHER
LAURA D. CLOWIER
CRED D. TUCKER
OF COUNSEL

WIRTH & DOBBINS 1994-1991
RAY & DOBBINS 1991-1918
DOBBINS & DOBBINS 1918-1898
DOBBINS, DOBBINS, BATH & THOMAS 1900-1997
DOBBINS, DOBBINS & THOMAS 1907-1946
DOBBINS, DOBBINS & FRAKER 1946-1994
DOBBINS & FRAKER 1958-1995
DOBBINS, FRAKER & TENNANT 1968-1990

DOBBINS & FRAKER 1910-1981

July 18, 1996

RECEIVED
FEDERAL ELECTION
COMMISSION
OFFICE OF GENERAL
COUNSEL
JUL 18 12 50 PM '96

FAXED TO: (202) 219-3923

Ms. Holly J. Baker
Federal Election Commission
Washington, DC 20463

Re: MUR 4399
Dennis Spice

Dear Ms. Baker:

This letter is to confirm our telephone conversation on July 18, 1996. At that time, I informed you that my client, Dennis Spice, received a letter dated July 8, 1996, from Lee Ann Elliott, Chairman, Federal Election Commission, on July 12, 1996. That letter came into my possession at a meeting with Mr. Spice on July 17, 1996. In addition, I reported to you that Mr. Spice will be out of the State of Illinois on a previously scheduled family vacation from July 22 to July 26, 1996.

Therefore, we would very much appreciate a brief extension of time to prepare a response otherwise governed by a 15 day deadline from Mr. Spice's receipt of the July 8, 1996, letter. We request that we be granted 15 days from July 29, 1996, or, more specifically, until Tuesday, August 13, 1996, to provide additional clarifying materials to the Commission. I would appreciate your judgment with respect to our request at your earliest convenience.

Thank you for your courtesy during our telephone conference and your anticipated consideration with respect to our request for a brief extension of time.

Cordially,

DOBBINS, FRAKER, TENNANT,
JOY & PERLSTEIN


Keith E. Emmons

97043631665

STATEMENT OF DESIGNATION OF COUNSEL

RECEIVED
FEDERAL ELECTION
COMMISSION
OFFICE OF GENERAL
COUNSEL

JUL 18 12 58 PM '96

NUM 4399

NAME OF COUNSEL: Keith E. Emmons

ADDRESS: Dobbins, Fraker, Tennant, Joy & Perlstein
215 N. Neil St.
Champaign, IL 61820

TELEPHONE: (217) 356-7233

The above-named individual is hereby designated as my
counsel and is authorized to receive any notifications and other
communications from the Commission and to act on my behalf before
the Commission.

July 18, 1996
Date

Dennis D. Spice
Signature

RESPONDENT'S NAME: Dennis D. Spice

ADDRESS: 5008 W. Bluebill Rd.
Champaign, IL 61821

HOME PHONE: _____

BUSINESS PHONE: (217) 359-0671

97043831666



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

July 17, 1996

Keith E. Emmons, Esq.
Dobbins, Fraker, Tennant,
Joy & Perlstein
215 North Neil St.
Champaign, IL 61820

RE: MUR 4399
Dennis Spice

Dear Mr. Emmons:

This is in response to your letter dated July 18, 1996, which we received by FAX on the same date, requesting an extension of 15 days until August 13, 1996 to respond to the Commission's reason to believe findings in the above-captioned matter. After considering the circumstances presented in your letter, the Office of the General Counsel has granted the requested extension. Accordingly, your response is due by the close of business on August 13, 1996.

If you have any questions, please contact me at (202) 219-3400.

Sincerely,

Holly J. Baker
Attorney

97043631667

PETERSON CONSULTING LLC

310 South Michigan Avenue
Suite 1900
Chicago, Illinois 60604
Main: (312) 922-9500
Direct: (312) 347-5903
Facsimile: (312) 922-6494
E-mail: jbeedie@pcit.com

JAMES F. BEEDIE
Chairman

July 19, 1996

Holly J. Baker
Federal Election Committee
999 E Street NW
Washington DC 20463

RECEIVED
FEDERAL ELECTION
COMMISSION
OFFICE OF GENERAL
COUNSEL
JUL 24 12 52 PM '96

Certified Mail

Dear Ms. Baker,

I believe you have the wrong James Beedie. I am not an employee of "SURS" State Universities Retirement System of Illinois. In fact, I have never heard of the organization or the other three people in your factual and legal analysis

If there is anything else I can provide to prove to you that I have never heard of the organization and am not an employee of the organization please feel free to call me at 312.347.5903.

Sincerely,

James F. Beedie

James F. Beedie

JFB/bf

91040031660

BECKETT & WEBBER, P.A.

Attorneys at Law

RECEIVED
FEDERAL ELECTION
COMMISSION
OFFICE OF GENERAL
COUNSEL

Jul 29 3 57 PM '96

J. Steven Beckett
Roger B. Webber
Peter T. Borich
Holly F. Clemons
Brett N. Olmstead
Carol A. Dison
Dedra L. Wright
Gary A. Webber

508 S. Broadway
P.O. Box 988
Urbana, IL. 61801-0988

Telephone: (217) 328-0263
800-770-0263
Fax: (217) 328-0290

July 25, 1996

Ms. Holly Baker
Federal Election Commission
Washington, D.C. 20463

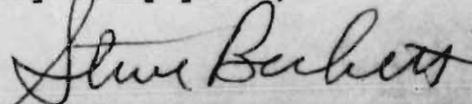
RE: MUR 4399
James Beedie

Dear Holly:

Enclosed please find my Statement of Designation of Counsel in the above-referenced matter.

Please contact me to discuss.

Very truly yours,



J. STEVEN BECKETT

JSB:jae
Enclosure

cc: James S. Beedie

9704331669

STATEMENT OF DESIGNATION OF COUNSEL

MUR 4399

NAME OF COUNSEL: J. Steven Beckett

ADDRESS: Beckett & Webber, P.C.
508 S. Broadway, PO Box 988

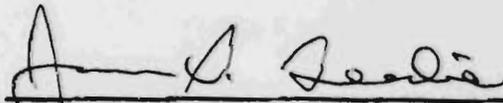
Urbana, IL 61801-0988

TELEPHONE: (217) 328-0263

FACSIMILE: (217) 328-0290

The above-named individual is hereby designated as my
counsel and is authorized to receive any notifications and other
communications from the Commission and to act on my behalf before
the Commission.

July 25, 1996
Date


Signature
James S. Beedie

RESPONDENT'S NAME: James S. Beedie

ADDRESS: 1620 Hickory Lane

Mahomet, IL 61853

HOME PHONE:

BUSINESS PHONE: (217) 378-8821

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BECKETT & WEBBER, P.C.
Attorneys at Law

RECEIVED
FEDERAL ELECTION
COMMISSION
OFFICE OF GENERAL
COUNSEL

AUG 6 11 58 AM '96

J. Steven Beckett
Roger B. Webber
Peter T. Borich
Holly F. Clemons
Brett N. Olmstead
Carol A. Dison
Dedra L. Wright
Gary A. Webber

508 S. Broadway
P.O. Box 988
Urbana, IL. 61801-0988

Telephone: (217) 328-0263
800-770-0263
Fax: (217) 328-0290

July 31, 1996

Holly Baker
Federal Elections Commission
Washington, D.C. 20463

**VIA FACSIMILE TRANSMISSION
AND FIRST CLASS MAIL**

RE: MUR 4399
My client, James Beedie

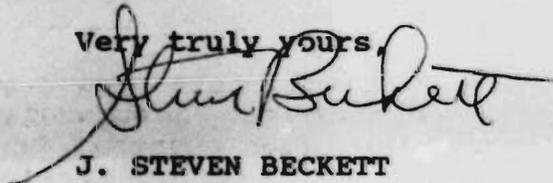
Dear Ms. Baker:

Confirming my telephone conversation with you following the submittal of the Designation of Counsel form, I will be representing Mr. Beedie regarding this matter. I realize the initial fifteen (15) day response period is running, but I am not yet in a position to determine exactly what course of action should be taken for my client's best interest.

The situation is further complicated by a Champaign County Grand Jury investigation into the State University Retirement System. My inclination would be to advise my client to request a Preprobable Cause Conciliation Agreement with the FEC; however, I understand that there may be some expectation that my client give some form of verified statement of his factual version of the events in question. In light of the pendency of the Grand Jury proceeding, that requires me to discuss the matter at some length with my client so that he may fully understand the ramifications of any decision that he might make.

Under the circumstances, I would respectfully request an additional fifteen (15) days for my client's response. I would believe that that would make his response due to your office by August 15, 1996. Kindly confirm if this extension has been granted.

Very truly yours,



J. STEVEN BECKETT

JSB:jae
cc: James Beedie

97043531671



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

August 1, 1996

J. Steven Beckett, Esq.
Beckett & Webber, P.C.
508 S. Broadway
P.O. Box 988
Urbana, IL 61801-0988

RE: MUR 4399
James Beedie

Dear Mr. Beckett:

This is in response to your letter dated July 31, 1996, which we received by FAX on the same date, requesting an extension of 15 days until August 15, 1996 to respond to the Commission's reason to believe findings in the above-captioned matter. After considering the circumstances presented in your letter, the Office of the General Counsel has granted the requested extension. Accordingly, your response is due by the close of business on August 15, 1996.

If you have any questions, please contact me at (202) 219-3400.

Sincerely,

Holly J. Baker
Attorney

97043631672

STATEMENT OF DESIGNATION OF COUNSEL

NUM 4399
NAME OF COUNSEL: JOHN THEO
ADDRESS: 29 S La Salle Suite 220
Chicago, IL 60603
TELEPHONE: 312-782-1021

The above-named individual is hereby designated as my
counsel and is authorized to receive any notifications and other
communications from the Commission and to act on my behalf before
the Commission.

8/6/96
Date

[Signature]
Signature

RESPONDENT'S NAME: ANTHONY T. FLEVELETTI
ADDRESS: 15 N. MICHIGAN AVE
ATLANTA IL 62413
HOME PHONE: _____
BUSINESS PHONE: 312-853-3131 x 2a

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COMMISSION
OFFICE OF GENERAL
COUNSEL
AUG 7 2 20 PM '96

97043831673

DOBBINS, FRAKER, TENNANT, JOY & PERLSTEIN

A PROFESSIONAL CORPORATION
ATTORNEYS AND COUNSELORS
218 NORTH NEIL STREET
CHAMPAIGN, ILLINOIS 61820

TELEPHONE (817) 956-7800
FACSIMILE (817) 956-0546

WELCH & BOWEN 1084-1801
RAY & DOBBINS 1061-1812
DUNNING & DOBBINS 1018-1808
DOBBINS, DOBBINS, BARK & THOMAS 1080-1807
DOBBINS, DOBBINS & THOMAS 1087-1846
DOBBINS, DOBBINS & FRAKER 1068-1808
DOBBINS & PERLSTEIN 1066-1808
DOBBINS, FRAKER & TENNANT 1090-1800

FRENCH L. FRAKER
DONALD N. TENNANT
D. CAMERON DOBBINS
RICHARD M. JOY
MARY A. PERLSTEIN
RODNEY M. TENNANT
KEITH E. DOBBINS
KRISTE E. DOBBINS
GUY C. BARK
STEPHEN L. MONROE
JAMES D. COTTRELL
STEPHEN J. LESNIER
LAURA D. CROWER
GREGORY D. TUCKER
OF COUNSEL

August 12, 1996

DONALD V. DOBBINS

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COMMISSION
OFFICE OF GENERAL
COUNSEL
AUG 12 1 49 PM '96

FAXED TO: (202) 219-3923

Ms. Holly J. Baker
Federal Election Commission
Washington, DC 20463

Re: MUR 4399
Dennis Spice

Dear Ms. Baker:

This letter is to confirm our recent telephone conversation concerning the above titled matter. I have conferred with my client and I have received additional materials from him to complete the response to the FEC letter of July 8, 1996. As you know, there is a pending investigation in the State of Illinois concerning State political contributions. On the basis of the pending investigation and on the basis of our continuing effort to complete a response to you, we respectfully request an additional 21 days in order to finalize our efforts.

If you have any questions or comments concerning this matter, please do not hesitate to contact me. We would appreciate your consideration in granting us the brief extension of time referenced above.

Cordially,

DOBBINS, FRAKER, TENNANT,
JOY & PERLSTEIN


Keith E. Emerson

KPE/lb
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FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

August 13, 1996

Keith E. Emmons, Esq.
Dobbins, Fraker, Tennant,
Joy & Perlstein
215 North Neil St.
Champaign, IL 61820

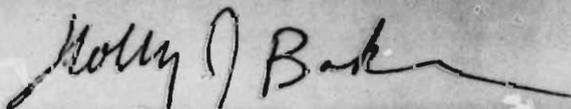
RE: MUR 4399
Dennis Spice

Dear Mr. Emmons:

This is in response to your letter dated August 12, 1996, which we received by FAX on the same date, requesting a second extension of an additional 15 days from August 13, 1996 to respond to the Commission's reason to believe findings in the above-captioned matter. After considering the circumstances presented in your letter, the Office of the General Counsel has granted the requested extension. Accordingly, your response is due by the close of business on August 28, 1996.

If you have any questions, please contact me at (202) 219-3400.

Sincerely,


Holly J. Baker
Attorney

97043331675

BECKETT & WEBBER, P.C.

Attorneys at Law

J. Steven Beckett
Roger B. Webber
Peter T. Borich
Holly F. Clemons
Brett N. Olmstead
Carol A. Dison
Dedra L. Wright
Gary A. Webber

P.O. Box 988
Urbana, IL 61803-0988

508 S. Broadway
Urbana, IL 61801

Telephone: (217) 328-0263
800-770-0263
Fax: (217) 328-0290

August 13, 1996

Holly Baker
Federal Election Commission
Washington D.C. 20463

RE: James S. Beedie, MUR 4399

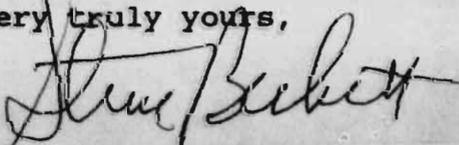
Dear Ms. Baker:

On behalf of Mr. Beedie I request the Office of General Counsel consider Preprobable Cause Conciliation in this matter.

In support of that request I attach the verified statement of James S. Beedie, as you recently requested.

I appreciate your consideration of this matter.

Very truly yours,



J. STEVEN BECKETT

JSB:jc
Enclosure

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FEDERAL ELECTION COMMISSION
FACTUAL AND LEGAL ANALYSIS

In Re the Matter of)
)
JAMES S. BEEDIE,)
)
Respondent.) MUR: 4399

STATEMENT OF JAMES S. BEEDIE

My name is James S. Beedie. I reside at 1620 Hickory Lane, Mahomet, Illinois. I am the Associate Executive Director of the State Universities Retirement System. I have been employed at the State Universities Retirement System approximately seventeen years.

Since 1991, Dennis Spice has been the Executive Director of the State Universities Retirement System and was my immediate supervisor until his departure in 1995. I was aware that the State Universities Retirement System, in accordance with its by-laws, was not to engage in political activity. Part of my duties and responsibilities is to countersign all vouchers submitted for payment of expenses associated with the normal operation of the State Universities Retirement System. In the event any expense has been initiated by me, any such voucher must be countersigned by the Executive Director of State Universities Retirement System.

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At some point Dennis Spice informed me that certain activity, including a political action committee and reimbursed contributions to individual State and Federal representatives, was going to occur. All such activity and all such contributions (some of which were the purchase of tickets to representative-sponsored events) were directed by Dennis Spice. I initiated no political activity nor did I initiate any contributions or payments for candidate-sponsored events. Any employment act that I performed, I performed at the direction of Dennis Spice. When I questioned Dennis Spice regarding the legality of any such political activity, he informed me that he had cleared any such activity with a named attorney and that such activity was lawful. Acting in reliance on the direction given to me by Dennis Spice, I followed his directions.

After being notified of audit findings, I made complete restitution to the State Universities Retirement System for any expenses reimbursed to me that were deemed to be inappropriate. I have only wanted to obey the law, not violate it.

I have been open with the Board of Directors of the State Universities Retirement System and its designated representatives who have asked me to describe this activity. At all times I have acted in the good faith belief that my actions, when performed were lawful.

I deeply regret any errors that I have made. I believe I have an exemplary reputation for being an honest and law abiding citizen.

Respectfully submitted,

James S. Beedie

James S. Beedie

SUBSCRIBED and SWORN to before me, a Notary Public, this 13th day of August, 1996.

Jody Campbell
NOTARY PUBLIC



97043631679

JOHN T. THEIS

ATTORNEY AT LAW

SUITE 220 - BARRISTER HALL
29 SOUTH LA SALLE STREET
CHICAGO, ILLINOIS 60603

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COMMISSION
OFFICE OF GENERAL
COUNSEL

AUG 26 12 37 PM '96

TELEPHONE (312) 782-1121
FACSIMILE (312) 782-2852

August 15, 1996

FAX & MAIL

Ms. Holly J. Baker
Office of the General Counsel
Federal Election Commission
999 E Street Northwest
Washington, D.C. 20463
(202) 219-3923

MUR 4399

RE: Anthony Freveletti

Dear Ms. Baker:

This is to confirm our conversation of Tuesday, August 13, 1996 in which I informed you that I would be requesting additional time to respond to the letter received by my client, Anthony Freveletti, concerning possible violation of the Federal Election Campaign Act of 1971. As I informed you, Mr. Freveletti lives in downstate Illinois, and I need an opportunity to meet with him to prepare a response to your letter. I believe that I would be able to sit down with Mr. Freveletti and transmit something in writing to you by Friday, August 30, 1996. I would be requesting an extension of time to respond to your letter until that time.

I hope to speak with you prior to your receipt of our response, in order to answer some of the questions which were raised in our meeting on the 13th. It was a pleasure meeting with you, and I hope to talk to you in the near future. Please do not hesitate to contact me if there is anything you need from Mr. Freveletti beyond those matters discussed in our meeting.

Very truly yours,


John T. Theis

JTT:pb

97040031680



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

August 20, 1998

John T. Theis, Esq.
Suite 220 - Barrister Hall
29 South La Salle St.
Chicago, IL 60603

RE: MUR 4399
Anthony Freveletti

Dear Mr. Theis:

This is in response to your letter dated August 15, 1996, which we received by FAX on August 16, requesting an extension until August 30, 1996 to respond to the Commission's reason to believe findings in the above-captioned matter. After considering the circumstances presented in your letter, the Office of the General Counsel has granted the requested extension. Accordingly, your response is due by the close of business on August 30, 1996. However, as noted during our meeting, basic background information, including Mr. Freveletti's resume, and materials about the events, copies of vouchers, voucher procedures, copies of checks for the events and Mr. Freveletti's reimbursement to SURS, as well as other available documents should be sent prior to August 30.

If you have any questions, please contact me at (202) 219-3400.

Sincerely,

Holly J. Baker
Attorney

9704331681

SKADDEN, ARPS, SLATE, MEAGHER & FLOM

1440 NEW YORK AVENUE, N.W.
WASHINGTON, D.C. 20005-2111

FAX (202) 393-5760

DIRECT DIAL
(202) 371-7007

(202) 371-7000

BOSTON
CHICAGO
HOUSTON
LOS ANGELES
NEWARK
NEW YORK
SAN FRANCISCO
WILMINGTON
—
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FRANKFURT
HONG KONG
LONDON
MOSCOW
PARIS
PRAGUE
SYDNEY
TOKYO
TORONTO

October 23, 1996

VIA HAND DELIVERY

Lawrence M. Noble, Esq.
General Counsel
Federal Election Commission
999 E Street, NW
Washington, D.C. 20463

Attn: Xavier McDonald, Esq.

Re: MUR 4399 - State Universities
Retirement System of Illinois

Dear Mr. Noble:

97043031682

This is in response to the letter dated July 8, 1996 notifying the State Universities Retirement System of Illinois ("SURS") of the Federal Election Commission's ("FEC's" or "Commission's") reason to believe finding against SURS. SURS is a state entity under Illinois law and is funded by the State of Illinois. It has a fiduciary duty to the employees of the State of Illinois to maintain their retirement funds in a responsible fashion. Under both state and federal law, SURS is obligated to use its funds solely for the payment of benefits and defraying the reasonable cost of fund administration. As you know, SURS voluntarily brought this matter to the attention of the Commission with the hope of resolving inadvertent violations of law with either a finding of reason to believe that a violation occurred and taking no further action or in the alternative, entering into a pre-probable cause conciliation agreement pursuant to 11 C.F.R. § 111.18(d). It is our hope that if the Commission chooses to pursue this matter through conciliation, that the Commission resolve this matter without a civil penalty. SURS is fully prepared to explain all that has occurred in this case and admit that the law was violated when its employees used SURS funds for federal political

Lawrence M. Noble, Esq.
October 23, 1996
Page 2

activities. Furthermore, the Commission should keep in mind the following mitigating factors.

1. **The payment of contributions by SURS was discovered as a result of a voluntary internal audit initiated by SURS.**

SURS discovered a total of \$4,345 in federal contributions it made on behalf of or by repaying four of its employees only after SURS voluntarily initiated an internal audit of payments made by SURS to certain employees. The contributions and the employees on behalf of whom they were made are as follows:

Dennis Spice -- \$275 on 8/6/93 to Capital Conference Catering (in connection with NRSC event); \$1,000* on 8/23/93 to the Republican Senatorial Inner Circle (conference fee); \$100 on 9/7/93, \$320 on 3/17/94, and \$200 on 5/2/94 to Ewing for Congress; \$100* on 10/13/93 to NRSC (conference fee for federal legislative update); and \$180* on 10/19/93 to NRSC (legislative update meeting fee).

Jim Beedie -- \$50 on 5/2/94 and \$35 on 8/26/94 to Ewing for Congress.

Tony Freveletti -- \$50 on 4/28/94 and \$35 on 9/1/94 to Ewing for Congress.

Suzann Duckworth -- \$1,000 on 11/18/93 and \$1,000 on 9/26/94 to DNC (membership for Women's Leadership Forum and annual conference).

Enclosed are available copies of checks made out by the employees to make the contributions, checks made out by SURS to repay the employees for contributions, and vouch-

* These expenses were charged by Dennis Spice on a SURS credit card and paid for directly by SURS rather than by repaying Dennis Spice.

97043831683

ers submitted by employees in connection with these contributions.

2. **After discovering the contributions in this case, SURS promptly and voluntarily disclosed those payments to the Commission.**

After discovering the contributions at issue in this case, SURS promptly and voluntarily disclosed the information to the FEC. Indeed, in the interest of full disclosure and voluntary compliance, SURS submitted a letter to the Commission on November 28, 1995 informing the Commission of the contributions listed above.

3. **SURS had no indication until the voluntary internal audit that it may have made impermissible contributions.**

SURS had no reason to believe at the time it made the payments at issue that they were for political contributions or in any way improper. The four employees listed above, who worked on legislative activities, made a generic reference to "legislative conference" or "legislative meeting" on their expense vouchers when describing expenses related to any political activity. In fact, those expenses were largely for attendance at meetings and conferences, training, and educational materials regarding legislative activities.

4. **The employees reimbursed SURS for its payments.**

Promptly following the voluntary internal audit, the employees who were repaid by SURS for their federal contributions reimbursed SURS for the entire amount of such repayments, i.e., \$4,345.

5. **SURS has taken comprehensive steps to prevent such violation from occurring in the future.**

After discovering SURS' payment of contributions during the voluntary internal audit, SURS took prompt and comprehensive steps to prevent any future violation of the Federal Election Campaign Act of 1971,

97043631684

as amended ("FECA"). Specifically, SURS took the following steps:

- a. SURS adopted a Code of Conduct which includes a provision prohibiting its Board or staff members from using SURS funds, resources or time for political activity.
- b. SURS is engaging in a voluntary ongoing in-house audit of all payments made by SURS to its Board members and top SURS executives.
- c. The new SURS Board has created an Audit Committee which reviews the ongoing audits directly with the in-house auditor.
- d. SURS requires pre-approval of all disbursement requests in excess of \$500.
- e. SURS produces a quarterly report which discloses and identifies all disbursements made by SURS and which is made public in conjunction with other financial reports that are reviewed by the SURS Board at its quarterly meeting.
- f. SURS has changed its disbursement approval process so that the Deputy Director for Finance or her designate in the accounting department must approve all disbursement requests.
- g. SURS has ceased all political contributions and lobbying activity at the federal level.
- h. SURS has terminated three of the four SURS staff members who were involved in violating FECA, including Dennis Spice who was the person principally responsible for the violations, and has disciplined the fourth staff member who was involved.

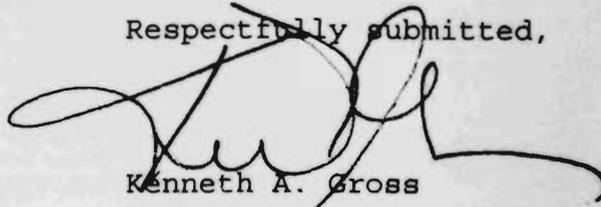
9704331685

Lawrence M. Noble, Esq.
October 23, 1996
Page 5

- i. SURS has prohibited the use by staff of any SURS credit card and has closed the credit card accounts.

Given SURS' voluntary compliance with FECA, its open disclosure of the violations, its lack of awareness of any violation until the voluntary audit, and its comprehensive remedial steps, the Commission should dismiss this case with a finding of reason to believe that a violation occurred or enter into a pre-probable cause conciliation agreement containing an admission of a violation but no civil penalty. I look forward to further discussing this matter with you.

Respectfully submitted,



Kenneth A. Gross

Enclosures

97043831686

1276
40

INTERIM PAYMENT VOUCHER

PAYMENT FOR:

membership in the Women's
Leadership Forum
(\$1000 per yr.)

ACCOUNT NUMBER:

1276

DATE:

November 3, 1993

AMOUNT:

1,000.00

REQUESTED BY:

Suzann Duckworth

Name

Asst. GRO

Title

SOCIAL SECURITY
NUMBER:

APPROVED BY:

James S. Zedler

Name

Associate Executive Director

Title

FOR DISBURSEMENT'S DEPARTMENT USE ONLY

VOUCHER NUMBER:

519741

DATE:

NOV 18 1993

PSE-020789

RECEIVED
NOV - 8 1993
STATE UNIV. RET. SYS.

TOTAL P.02

97043831687

SU7 M. DUCKWORTH

3305 ASHLEY LN
SPRINGFIELD, IL 62707

Lot 5 94

155

70-28/71

PAY TO THE
ORDER OF

Democratic National Center

\$1,000.00

One thousand + 00/100

DOLLARS

BANK ONE.

Bank One Springfield
Springfield Blvd 62701

MEMO

Suzanne Duckworth

97045831688

INTEROFFICE PAYMENT VOUCHER

PAYMENT FOR: legislative Conference

ACCOUNT NUMBER: 1276 ENTERED SEP 27 1994

DATE: 09-26-94 DISBURSEMENTS

AMOUNT: \$ 1,000.

REQUESTED BY: Suzann Duckworth
Name
Asst. Govmtl Relations Ofcr.
Title

SOCIAL SECURITY NUMBER: _____

APPROVED BY: James S. Beedie
Name
Associate Executive Director
Title

FOR DISBURSEMENTS DEPARTMENT USE ONLY

VOUCHER NUMBER: 583899

DATE: SEP 27 1994

F58-020789

97043031689

1276

INTEROFFICE PAYMENT VOUCHER

PAYMENT FOR:

LEGISLATIVE MEETINGS

ACCOUNT NUMBER:

1276

DATE:

8-30-99

ENTERED

AMOUNT:

35.00

AUG 30 1994

DISBURSEMENTS

REQUESTED BY:

A. BEEDIE
Name
ASSOCIATE EXECUTIVE DIRECTOR
Title

SOCIAL SECURITY NUMBER:

APPROVED BY:

~~James D. Beedie~~ Dennis D. Price
Name
Associate Executive Director
Title

=====

FOR DISBURSEMENTS DEPARTMENT USE ONLY

VOUCHER NUMBER:

578913

DATE:

SEP 01 1994

9704331690

INTEROFFICE PAYMENT VOUCHER

PAYMENT FOR:

LEGISLATIVE CONFERENCE

ACCOUNT NUMBER:

1276

DATE:

MAY 21, 1994

ENTERED

MAY 03 1994

AMOUNT:

50.

DISBURSEMENTS

REQUESTED BY:

Lin Beaudin
Name
ASSOCIATE EXEC. DIRECTOR
Title

SOCIAL SECURITY NUMBER:

APPROVED BY:

[Signature]
PENNIS D. STICE
James R. Beaudin
Name
Associate Executive Director
Title

FOR DISBURSEMENTS DEPARTMENT USE ONLY

VOUCHERED FOR PAYMENT

VOUCHER NUMBER:

Date MAY 05 1994

DATE:

Voucher No. 551659

97043831691

97043831692

JAMES S. BEEDIE 02-84
1620 HICKORY LANE 586-5514
MAHOMET, IL 61853

TAX DEDUCTIBLE ITEM

2111

70-7669/2711

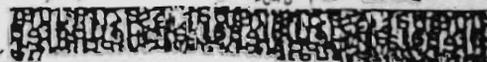
MAY 2 79

Even for ...

Fift ...



BAL FORW	262.85
THIS ITEM	
BALANCE	
DEPOSIT	
OTHER	
BAL FORW	212.85



NOT NEGOTIABLE

97043831693

JAMES S. BEEDIE 02-84
1620 HICKORY LANE 586-5514
MAHOMET, IL 61853

TAX DEDUCTIBLE ITEM

\$ 2123

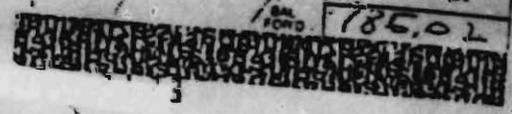
79-7689/2711

APR 26 99

*Check for Comm
Ther - For and inf*

UNIVERSITY OF
ILLINOIS
EMPLOYEES
CREDIT UNION
220 SOUTH FIRST STREET - CHAMPAIGN, ILLINOIS 61820

BAL FORD	221.02
THIS ITEM	35.27
BALANCE	
DEPOSIT	
OTHER	
BAL FORD	185.02



NOT NEGOTIABLE

STATE UNIVERSITIES RETIREMENT SYSTEM
Champaign, Illinois 61826-2710

0551659

VOID AFTER 6 MONTHS

DEPT. BMT

RS S LRS S LRS S LRS S LRS S LRS S LRS S

PAY TO THE ORDER OF

122413009

SUR

11/06/99

*****10.00

JAMES S. HEEVLY
1625 MICHELY LANE
NANOMET IL 61833

[Handwritten scribbles and illegible text]

RS S LRS S LRS S LRS S LRS S LRS S LRS S

70438316

[Small illegible text]

1276

INTEROFFICE PAYMENT VOUCHER

PAYMENT FOR:

Capitol Conference Catering/ *to*
Senate Conference in Washington DC
on September 13-14, 1993

WRITE CHECK
TO DENNIS D. SPICE

ACCOUNT NUMBER:

#1276

DATE:

AMOUNT:

\$275⁰²

REQUESTED BY:

Dennis D. Spice
Name
EXECUTIVE DIRECTOR
Title

ENTERED

AUG 09 1993

DISBURSEMENTS

SOCIAL SECURITY NUMBER:

APPROVED BY:

James S. Beadie
Name

Beadie

Associate Executive Director
Title

FOR DISBURSEMENTS DEPARTMENT USE ONLY

VOUCHER NUMBER:

502670(3)

DATE:

AUG 12 1993

9704301696

INTEROFFICE PAYMENT VOUCHER

PAYMENT FOR:

CONFERENCE FOR FEDERAL LEGISLATIVE Update
(Infrastructure-Development Program) KV

ACCOUNT NUMBER:

1291

DATE:

9-7-93

AMOUNT:

\$ 100⁰⁰

REQUESTED BY:

Dennis D. Spice

Name

EXECUTIVE DIRECTOR

Title

SOCIAL SECURITY NUMBER:

APPROVED BY:

James S. Beadie

Name

Associate Executive Director

Title

FOR DISBURSEMENTS DEPARTMENT USE ONLY

VOUCHER NUMBER:

508038

DATE:

SEP 02 1993

97043051697

1276

INTEROFFICE PAYMENT VOUCHER

PAYMENT FOR:

WASHINGTON LEGISLATIVE
CONFERENCE

ACCOUNT NUMBER:

1276

ENTERED

DATE:

3-14-94

MAR 14 1994

AMOUNT:

\$320⁰²

DISBURSEMENTS

REQUESTED BY:

Dennis Spice

Name

EXECUTIVE DIRECTOR

Title

SOCIAL SECURITY
NUMBER:

APPROVED BY:

James S. Beedie

Name

Associate Executive Director

Title

FOR DISBURSEMENTS DEPARTMENT USE ONLY

VOUCHER NUMBER:

541526(2)

DATE:

MAR 17 1994

97043031690

1274

INTEROFFICE PAYMENT VOUCHER

PAYMENT FOR:

LOCAL LEGISLATIVE CONFERENCE

ACCOUNT NUMBER:

1276

ENTERED

MAR 16 1994

DISBURSEMENTS

DATE:

3-15-94

AMOUNT:

180⁰⁰ ⁸⁵/₁₀₀

REQUESTED BY:

Dennis Spice

Name

EXECUTIVE DIRECTOR

Title

SOCIAL SECURITY
NUMBER:

APPROVED BY:

James S. Beedie

Name

Associate Executive Director

Title

FOR DISBURSEMENTS DEPARTMENT USE ONLY

VOUCHER NUMBER:

541526 (2)

DATE:

MAR 17 1994

97043031699

9704331700

103

STATE UNIVERSITIES RETIREMENT SYSTEM

CHampaign office 61825-2710

VOID AFTER MONTH

D 541526

3/17/94

COL. AMT. CHARG

*****500.00

LENNIS D. SPICE
3024 W. BLUEHILL RD
CHAMPAIGN IL 61821



9704333701

STATE UNIVERSITIES RETIREMENT SYSTEM D 552-84
 Champaign, Illinois 61825-2710
 VOIC AFTER 6 MONTHS

PAY TO THE ORDER OF **VERNA D SPICE**
 990 W BLUEHILL RD
 CHAMPAIGN IL 61822

5/03/96
 DOLLARS IN
 00000200.00

Handwritten signature: *Verna D. Spice*

Handwritten number: *41697102 2106.41*

Handwritten text: *RS*

STATE UNIVERSITY RETIREMENT SYSTEM
400 North First Street, Champaign, Illinois 61820

1274

INTERIM PAYMENT VOUCHER

PAYMENT FOR: legislative Conference

ACCOUNT NUMBER: 1276

DATE: April 28, 1994

AMOUNT: 50.00

REQUESTED BY: Anthony T. Frevelletti
Name
Govmt'l Relations Officer
Title

SOCIAL SECURITY NUMBER: _____

APPROVED BY: James S. Bondie
Name
Associate Executive Director
Title

9704331704

FOR DISBURSEMENTS DEPARTMENT USE ONLY

ENTERED

MAY 04 1994

VOUCHER NUMBER: _____

DISBURSED

DATE: _____

VOUCHERED FOR PAYMENT

Date MAY 05 1994

RA 5 Box 284 Voucher No. 557719

PSS-020709

Springfield IL 62707

INTEROFFICE PAYMENT VOUCHER

PAYMENT FOR:

Legislative Mtg.

ACCOUNT NUMBER:

1276

DATE:

8/30/94 **ENTERED**

AMOUNT:

\$ 35.00 **AUG 30 1994**
_____ **DISBURSEMENTS** *40*

REQUESTED BY:

ANTHONY T. FREVELETTI
Name

GOVERNMENTAL RELATIONS OFFICER
Title

SOCIAL SECURITY NUMBER:

APPROVED BY:

James S. Beedie *James S. Beedie*
Name

Associate Executive Director
Title

===== FOR DISBURSEMENTS DEPARTMENT USE ONLY =====

VOUCHER NUMBER:

578955

DATE:

SEP 01 1994

ANTHONY T. FREVELETTI 449

2284

RR 5 BOX 287
SPRINGFIELD ILL 62707

4/28 19 94

Pay to the order of Erving G. Chapman \$ 50.00
Zifty + Co Dollars

FIRST OF AMERICA BANK
FIRST OF AMERICA BANK, SPRINGFIELD
SPRINGFIELD ILLINOIS

SSN 354 88 7137 360 48 7500

[Signature]

For

343-56-3293

FIRST OF AMERICA BANK
SPRINGFIELD ILL

THREE H

DO NOT CASH AFTER 05/09/94

05/09/94

8°E

RECEIVED P.1
FEDERAL ELECTION
COMMISSION
OFFICE OF GENERAL
COUNSEL

SEP 6 5 29 PM '96

AFFIDAVIT

ANTHONY FREVELETTI, having first been duly sworn of oath, states as follows:

I, Anthony Freveletti, live at 15 Meadow Lane in Athens, Illinois. My date of birth is July 14, 1964. I am married and have one child. I graduated from the University of Illinois at Chicago with a degree in political science in 1988.

In December of 1992 I began working for the State University Retirement System in Illinois. I was hired as a Government Relations Officer. My supervisors included Executive Director Dennis Spice and Associate Executive Director James Beedle. My position had previously been filled by Keith Stas.

I was informed by Dennis Spice that if I bought tickets for political functions, I could submit an expense voucher and be reimbursed for those purchases. I followed this procedure on several occasions, including two functions sponsored by Ewing for Congress. I was informed by Dennis Spice that the reimbursement for such expenses was proper, although I later learned this information might be erroneous, and I reimbursed the pension fund for these vouchers.

97043031706


ANTHONY FREVELETTI

Subscribed and sworn to me this
10th day of September, 1996


NOTARY PUBLIC



DOBBINS, FRAKER, TENNANT, JOY & PERLSTEIN

A PROFESSIONAL CORPORATION
ATTORNEYS AND COUNSELORS
215 NORTH NEIL STREET
CHAMPAIGN, ILLINOIS 61820

TELEPHONE (217) 356-7233

FACSIMILE (217) 356-3548

WHITE & DOBBINS	1894-1901
RAY & DOBBINS	1901-1912
DOBBINS & DOBBINS	1912-1935
DOBBINS, DOBBINS, BARR & THOMAS	1935-1937
DOBBINS, DOBBINS & THOMAS	1937-1945
DOBBINS, DOBBINS & FRAKER	1945-1952
DOBBINS & FRAKER	1952-1966
DOBBINS, FRAKER & TENNANT	1966-1980

DONALD V. DOBBINS 1913-1961

FRENCH L. FRAKER
DONALD M. TENNANT
D. CAMERON DOBBINS
RICHARD M. JOY
MARY A. PERLSTEIN
TODD M. TENNANT
JOHN B. HENSLEY
KEITH E. EMMONS
GUY C. HALL
RENEE L. MONFORT
JAMES D. COTTRELL
STEPHEN J. LESUEUR
LAURA D. CLOWER

GREED D. TUCKER
OF COUNSEL

August 27, 1996

Ms. Holly J. Baker, Esq.
Federal Election Commission
999 E St., NW
Washington, DC 20463

Re: MUR 4399
Dennis Spice/State Universities Retirement System

Dear Ms. Baker:

Thank you for giving us an opportunity to respond to the Federal Election Commission's (FEC) July 8, 1996 letter. In preparing this response, we have reviewed all materials currently in Mr. Spice's possession. You should note that Mr. Spice has not served as Executive Director for the State Universities Retirement System (SURS) since his resignation on June 2, 1995. Therefore, Mr. Spice has had access only to his personal records and has had no access to SURS' materials other than those materials previously copied to him. Mr. Spice would be pleased to supplement his response should he be given access to materials solely in the possession of SURS.

Mr. Spice was appointed Executive Director for SURS on February 1, 1991. He had worked within the SURS system for 11 years prior to that appointment. The SURS Board of Trustees had identified two significant political issues which affected the system and the SURS Board required Mr. Spice and his staff to stay in close contact with both State and Federal Legislators to address SURS' interests. When Mr. Spice assumed the SURS Executive Directorship, the fund was underfunded in excess of \$4 billion and regarded as one of the worst retirement funds in the United States. An actuary had predicted that the system would go "technically" bankrupt in the year 2010. Mr. Spice and his staff were directed by the SURS Board to address the underfunding problem, in part, by making SURS' case for adequate funding to State Legislators. In addition, they worked very hard in Illinois to heighten public awareness of the underfunding issue and helped form a public action group known as Fund Illinois Retirement Systems Today (FIRST). FIRST was a coalition of retirement system members, both active and retired, as well as

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COMMISSION
OFFICE OF GENERAL
COUNSEL
Aug 28 10 02 AM '96

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Ms. Holly J. Baker
August 27, 1996
Page 2

administrators of all of the state supported public pension funds. There came a time when SURS, at its Board's direction, joined a lawsuit filed against the State of Illinois by representative members of the various public retirement systems for the State to meet mandated funding levels.

On the Federal level, the SURS Board was concerned that the Clinton Administration favored certain policies which would allow infrastructure improvement by tapping public pension funds as a capital resource. For your assistance in understanding the interaction between the SURS' staff and the Illinois and Federal Legislators, we have attached several issues of the SURS Trustee Update newsletters commencing on May 30, 1991 and extending through December 23, 1993. The Trustee Update was a mechanism for Mr. Spice and his staff to report their activities to the SURS Board. The Trustee Update issues reflect reports of conferences attended, testimony given and meetings with Legislators attended by Mr. Spice and members of the SURS staff. Further, the Trustee Updates were supplemented with appended newspaper articles, magazine articles and other materials to inform the Trustees on issues of current importance to the system. You will note that the Trustee Updates reference the meetings and conferences for which an entry fee was paid and which were later reported as SURS' contributions to the FEC voluntarily by SURS in their November 28, 1995 letter.

As reported in SURS' November 28, 1995 letter, an internal audit characterized the conference and meetings fees as a total of \$4,345 in Federal contributions made by SURS. SURS reported that Mr. Spice made the following contributions:

Dennis Spice -- \$275 on August 6, 1993 to Capital Conference Catering (in connection with NRSC event); \$1,000 by SURS credit card on August 23, 1993 to the Republican Senatorial Inner Circle (conference fee); \$100 on September 7, 1993; \$320 on March 17, 1994; and \$200 on May 2, 1994 to Ewing for Congress; \$100 on a SURS credit card on October 13, 1993 to NRSC (conference fee for Federal Legislative Update); and \$180 upon a SURS credit card on October 19, 1993 to NRSC (Legislative Update meeting fee).

As reported by SURS, the SURS credit card charges made by Mr. Spice were paid for directly by SURS rather than repaying Mr. Spice. Attached for your review are copies of interoffice payment vouchers prepared by Mr. Spice requesting reimbursement for sums expended and copies of checks from SURS to Mr. Spice reimbursing him in part for the amounts reflected on the payment vouchers. These documents have been previ-

9704361700

Ms. Holly J. Baker
August 27, 1996
Page 3

ously provided by SURS' counsel for FEC review. In addition, enclosed please find copies of two interoffice payment vouchers prepared by Mr. Jim Beedie, Associate Executive Director, and approved by Mr. Spice which are the subject of your July 8, 1996 letter. Again, copies of these materials were tendered to the FEC and Mr. Spice by SURS' counsel.

Enclosed for your review, please find copies of the following additional personal checks written by Mr. Spice:

Check number 107 dated August 6, 1993 made payable to Capital Conference Catering in the amount of \$275; check number 112 dated September 7, 1993 made payable to Ewing for Congress in the amount of \$100; check number 149 dated March 17, 1994 made payable to Ewing for Congress in the amount of \$320; and, check number 158 dated May 2, 1994 made payable to Ewing for Congress in the amount of \$200.

As you will note, the payments reflected in these checks were previously referenced in the SURS letter dated November 28, 1995.

As previously reported to you by SURS counsel, after the internal SURS audit characterized the payments in question as SURS contributions, Mr. Spice, even though he had resigned as SURS' Executive Director, reimbursed the system in the amount of \$2,795. Enclosed for your review is a copy of my letter dated August 31, 1995 to Dr. Robert Mandeville, Acting Executive Director of SURS, along with a copy of Mr. Spice's check number 8895 dated August 31, 1995 payable to State Universities Retirement System in the amount of \$2,795. Enclosed, also, is a document titled "Summary of Employee Conference Expenses for the period of June 1, 1993 through August 30, 1995" upon which Mr. Spice based his repayment to SURS.

Subsequent to Mr. Spice's reimbursement to SURS, it appears that SURS requested reimbursement from, *inter alia*, Congressman Thomas Ewing, Capital Conference Catering (US Senate Republican Campaign) and NRSC Conference by Republican Inner Circle. Enclosed for your review are copies of letters and checks sent to Mr. Spice from SURS referencing these reimbursements.

In summary, Mr. Spice and other members of his staff sought interaction with State and Federal Legislators and members of the State Executive Branch at the direction of the SURS Board. Less frequently, Mr. Spice and his staff interacted with Legislators at legislative conferences, functions or meetings where payments for admission were made by

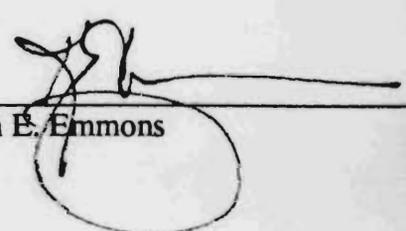
97043031709

Ms. Holly J. Baker
August 27, 1996
Page 4

Mr. Spice and other staff members and reimbursement was later sought from SURS. It does not appear that Mr. Spice and his staff distinguished this subset of their interactions with Legislators from contacts where admission fees or conference fees were not paid. It does not appear that Mr. Spice, his staff, the SURS Board of Trustees or counsel to SURS ever directly addressed the issue as to whether these payments and the SURS reimbursements might constitute violations of Federal or State Election Law. There was no intention on Mr. Spice's part to violate or circumvent Federal Election Laws in any of these activities. He clearly attended the events, occasionally paid an admission or conference fee, and sought the time of the Legislators and their staff present to press SURS' case. It appears that SURS, Mr. Spice and his staff made errors while working on SURS' behalf which were identified, corrected and reported to the FEC.

Yours very truly,

DOBBINS, FRAKER, TENNANT,
JOY & PERLSTEIN

By: 
Keith E. Emmons

KEE/ljs

Enclosures

ljs\dds\l-bak2b.doc

97043331710



May 30, 1991

Number 6

June Board Meeting In Springfield

The State Universities Retirement System's June Board meeting is scheduled for Wednesday and Thursday, June 5 & 6, 1991 in Springfield, Illinois. Over 75 invitations have been accepted for the Trustees Annual Springfield Reception to be held Wednesday evening.

May Speaking Engagements

I spent several days this month speaking to a variety of employee groups about funding and the current SURS operation. Below is a listing of the groups:

- May 1 University of Illinois Urbana-Champaign Non-academic Employees Advisory Council
- May 13 Illinois Retirees Legislative Advisory Council, Springfield, Illinois
- May 14 The University of Illinois at Chicago Non-academic Employees Advisory Council
- May 16 Governors State University
- May 23 The University of Illinois at Chicago State Universities Annuitants' Association

Image Briefing

The conversion of participant files is ahead of the projected schedule. It is possible the conversion will be completed by the first week of July. As of this date, 35,372 folders or 643,334 documents have been scanned. Upon completion of the participant files, we will begin the conversion of the annuity files. The conversion balancing (manual document count balanced with scanned document count) is up-to-date.

Purging and prepping of the annuity files continues, and will be completed the last week of August.

The users have adjusted to the Imaging System quite well.

The classifications for Image Processing Technician I, II, and III have been approved by the State Universities Civil Service System. Testing for these classifications is now available. The classifications for two of our staff have been changed to Image Processing Technician II.

We have stored information on one side of 21 optical platters. The jukebox has a capacity of 64 two-sided platters. We have used approximately 16 percent of the total capacity to store 25 percent of the participants' and annuitants' information.

In addition, SURS provided demonstrations during May to the University of Illinois and State Farm Insurance Company. Attached for your review is a copy of an article that appeared in the May 13, 1991, *Pensions & Investments* on the SURS Imaging Project, and use of other technologies in our pension administration system.

SURS Speaks to Illinois Community College Board

The State Universities Retirement System was invited to the Illinois Community College Board meeting on May 16 & 17 at Elgin Community College. I spoke to the Board about SURS's current accomplishments and our underfunding problems. Mr. Robert Sechler presided as Chairman of the Illinois Community College Board on both days.

Board of Higher Education Board Meeting Attended

I was a guest at the Illinois Board of Higher Education (IBHE) meeting on May 6 & 7 at Southern Illinois University, Carbondale. In the future, I plan to address the IBHE and discuss our funding problem.

CONTINUED ON REVERSE SIDE

**Underfunding Publicized
in Chicago Sun-Times**

I have attached the commentary section of the May 14, 1991, *Chicago Sun-Times* concerning our underfunding. This article is a result of our F.I.R.S.T. efforts.

**Senate Bills Heard by
Insurance Committee**

On May 2, 1991, Bill Jackson and I testified on the Senate Bills SURS had introduced this Session. A complete update on our 1991 Legislative Program will be presented at the June Board meeting.

**SURS Provides Testimony
in Washington, D.C.**

Bill Jackson and I traveled to Washington, D.C. on May 20, 1991 to testify before the Internal Revenue Service on proposed legislation which requires part-time employees to become members of SURS or pay FICA taxes. As you know, during March 1991, the Board approved bringing all part-time employees into SURS. We are attempting to do this in Illinois by introducing HB 1620 (which our Administrative Advisory Committee also agreed to). The IRS is currently attempting to change vesting requirements, in addition to many other plan provisions for these part-time employees. (See Executive Summary).

While in Washington, Bill and I visited every Illinois representative and senator's office to hand deliver our position paper (Tabs 2 and 8 of the Executive Summary). We met personally with Congressman Terry Bruce and his assistant, Joanna White. We also met with Mr. Jerome McDermott of Congressman Dan Rostenkowski's office and Mr. Martin Durbin of Senator Dixon's office.

**SURS Speaks at Public Retirement
Information System Conference**

Mr. Jim Beedie, Mrs. Nancy Drook, and I attended the PRISM Conference in San Francisco on May 7 & 8, 1991. Mr. Beedie made a presentation on BenefitLine, our 800 number. Public pension fund information system managers from around the United States were represented at this Conference. Mr. Beedie's presentation was very well received. As a side note, I also finished my two year term on the PRISM Board. Therefore, I will be able to concentrate on other issues in the future. Mr. Beedie and Mrs. Drook will continue to represent SURS in this organization.

Investment Committee Meeting

The SURS Investment Committee meeting was held on May 14, 1991, in Chicago, Illinois. You should have a copy of the Committee minutes by this time. A full Committee report will also be presented at the June Board meeting.

If you have any questions, please call me.

Dennis

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TRUSTEE



UPDATE

November 27, 1991

Number 13

VETO SESSION ENDS

I have attached a summary of the legislation that became law during the Veto Session which affected SURS.

I am sure the early retirement incentive will be back next spring. I have attached SURS position paper on this issue for your information.

PERSONNEL AND RESOURCE COMMITTEE MEETS

The Personnel and Resource Committee met in Bloomington, Illinois on November 9, 1991. The minutes of that meeting have been mailed to you. The next meeting is scheduled for 1:15 p.m. on December 12, 1991, at The Hyatt Regency, the day before our Board meeting.

EMPLOYER SEMINARS HELD

Each year, the State Universities Retirement System invites our employer representatives to Champaign for a one-day seminar covering all the benefits SURS provides their employees. Our attendees usually include benefit managers, personnel officers, insurance officers, and payroll personnel.

This year, Judy Rathgeber, Deputy Director - Participant Services, developed the program for November 12, 1991 and again on November 18, 1991. Both sessions were well attended with approximately 175 representatives of our universities and community colleges from around the State of Illinois present in total.

SPEAKING ENGAGEMENTS AROUND THE STATE

On November 1, 1991, I spoke to the Faculty Advisory Committee of the Illinois Board of Higher Education on SURS funding problem and the early retirement incentive.

On November 14, 1991, Bill Jackson and I attended the University of Illinois, Urbana-Champaign Campus Roundtable where I spoke on the issue of funding. (Roundtable is composed of University of Illinois staff identified as having broad administrative responsibilities. Its purpose is to promote exchange of ideas, further an understanding of basic university problems, and disseminate information on plans, policies, and programs.)

On November 15, 1991, Lee Bridges, Retirement Specialist, and I traveled to Southern Illinois University, Edwardsville, and I gave a funding presentation to the SIUE Annuity Association. Also, while I was at the meeting, I presented Dr. William Tudor his *Hall of Fame* trophy. Dr. Tudor's health did not permit him to travel to Champaign during September for our 50th Anniversary Celebration. For those of you who may be unaware, Dr. Tudor was instrumental in helping develop SURS and the Pension Laws Commission. It was an honor for me to present him with the award on the Board's behalf.

On November 22, 1991, I traveled to Chicago to give a presentation on funding to the Illinois Federation of Teachers Community College Council. There were approximately 75 people at this program. I was also asked by several community college representatives to speak at their campus next year on the funding issue. I am looking forward to visiting the many community colleges and campuses.

BOARD OF HIGHER EDUCATION MEETS

The Illinois Board of Higher Education met on November 25 and 26, 1991, in Chicago. Judy Rathgeber and I were present on behalf of the State Universities Retirement System.

STRATEGIC PLANNING CONTINUES

Jim Beedie continued his preparation of the executive team during this month with further discussions and the help of Professor Howard Thomas of the University of Illinois. We begin our actual planning session January 12, 13, and 14, 1992, in Bloomington, Illinois. We continue to focus on quality product, service, and on time delivery of our product. The Personnel and Resource Committee will be presented our completed plan soon after our January 1992 planning session.

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POLITICAL FUNCTION

On November 19, 1991, Dave Wiant and I attended an event for Representative Timothy Johnson (R), Champaign County. We also met with Senator Harry Babe Woodyard (R), Edgar County, and Congressman Thomas Ewing's Chief of Staff. Dave Wiant, Bill Jackson and I are preparing a legislative trip to Washington D.C. at the end of January 1992 (sponsored by the National Conference on Public Employee Pension Funds). The contact with Congressman Ewing's staff at this event was most beneficial.

F.I.R.S.T. UPDATE

The State Universities Retirement System has distributed over 7,000 F.I.R.S.T. packets throughout the State of Illinois. If you recall, F.I.R.S.T. stands for Fund Illinois Retirement Systems Today. The packet contains information and graphs on the SURS funding problem, as well as sample letters to write legislators. Our staff continues to provide these packets at each and every speaking engagement that is appropriate.

THANK YOU NOTE TO THE NORTHERN TRUST

In memory of Chas, The Northern Trust sent a \$1,000 memorial to The Charles P. Wolff Memorial Scholarship Fund. Attached is the letter from The Northern Trust along with a letter signed by Jim Gentry and me thanking them for their generous contribution.

ARTICLES OF CURRENT INTEREST

I have attached three articles recently published on early retirement from the Daily Illini and the Chicago Tribune. I have also included an article from the October 1991 issue of Community College Perspective, a newsletter published by the Illinois Federation of Teachers Community College Council for your information.

HOLIDAY APPROACHES

Our office will be closed November 28 and 29, 1991, for Thanksgiving. On behalf of the entire staff, I wish you and your families a wonderful holiday!

If you have any questions, please call me.

Dennis

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TRUSTEE



UPDATE

December 31, 1991

Number 14

MEETINGS WITH LEGISLATORS

In our continuing effort to keep communication lines open, we have had several meetings this month with various legislators.

On December 4, 1991, Jim Beedie, William Froom, and I met with Representative Brad Burzynski (R) in DeKalb. The focus of our discussion was on funding and the early retirement incentive.

On December 11, 1991, Dave Wiant, Jerry Bender, and I had dinner with Senator Emil Jones (D) in Chicago to discuss current legislative issues for the Spring Session.

On December 19, 1991, Dave Wiant and I met with Senator John Maitland (R) in Bloomington. Again, the discussion focused on funding and the early retirement incentive.

On December 30, 1991, Bill Jackson and I met with Representative Helen Satterthwaite (D) in Urbana, to discuss the early retirement incentive.

BOARD OF REGENTS HEARS ABOUT SURS

On December 5, 1991, Jim Beedie and I were the guests of the Board of Regents at Northern Illinois University. I discussed the many programs our Board has been working on i.e., imaging, building, etc., as well as our investment program. I spent a majority of our short time together discussing the current funding problem and the early retirement incentive. Chancellor Groves asked that SURS make a presentation to their Board on a regular basis.

IRLAC MEETS

On December 10, 1991, Dave Wiant, Bill Jackson, and I attended an Illinois Retirees Legislative Advisory Council meeting in Springfield. We reported on the progress we have made distributing F.I.R.S.T. packets and talking with our participants and annuitants about the funding issue. We also received updates from the other systems.

MEETING WITH UNION LEADERS

Dave Wiant and I met with Mitch Vogel, President of University Professionals of Illinois (UPI). Our discussion touched on many issues, including UPI's continued effort to change our Board's membership to 15 members, with elected trustees. Also, we discussed funding and the early retirement incentive.

Dave and I also met with Steve Culen, Executive Director of AFSCME and Hank Scheff, AFSCME, Director of Budget and Benefit Analysis. Our purpose was to let AFSCME know personally that our Board is not going to seek any new benefits this next session, unless we have proper funding. We also discussed the early retirement incentive and national issues that are of mutual concern to us.

SURS CONTINUES TO PREPARE FOR WASHINGTON TRIP

On December 16, 1991, Bill Jackson, Dave Wiant, and I met with Keith Sias, Legislative Liaison, Illinois Municipal Retirement Fund, in Champaign. Our purpose was to develop our separate position papers on national issues facing Illinois public pension funds, and to develop a strategy to visit personally with as many of the Illinois delegates as possible. I plan to send you our position paper once it is completed. Our trip is scheduled for the end of January 1992.

SPEAKING ENGAGEMENTS

On December 2, 1991, Lee Bridges and I traveled to Eastern Illinois University and spoke to approximately 200 faculty and staff on SURS funding and the early retirement incentive.

On December 10, 1991, I spoke to 250 University of Illinois junior and senior accounting students about SURS and our computer system. The theme of my lecture centered around how SURS has developed systems and staff to deliver quality service with minimum staff. I also emphasized that quality, cost effective, and government service are terms that do go together at SURS!

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**GOVERNOR'S CHRISTMAS PARTY
HELD IN CHICAGO**

The Governor hosted a Christmas party in Springfield and Chicago. I was a guest of Governor Edgar at his Chicago Christmas Party on December 17, 1991, at the Natural History Museum. This was a good time to visit with many old acquaintances and make many new ones. I was also able to schedule dinner that evening with Peter Fox. (By the way, I did discuss our funding problems and the early retirement incentive.)

MEETING WITH BOND MANAGER

Professor Gentry, Ken Codlin, and I had the pleasure of having breakfast with Henry Cisneros, former mayor of San Antonio. Henry has begun a new career managing money, and currently manages an active bond fund in Texas. It was a very interesting meeting.

**MEETING WITH ILLINOIS BOARD
OF HIGHER EDUCATION STAFF**

On December 19, 1991, Jim Beedle, Bill Jackson, Dave Wiant and staff attorney, Jane Henneman, met with Ross Hodel of the Illinois Board of Higher Education staff.

The meeting, at Mr. Hodel's request, was held in the SURS office. Alternative methods to the proposed five plus five early retirement incentive were discussed.

ARTICLES OF CURRENT INTEREST

I have enclosed an article for your information from the December 1991 *Government Finance Review* entitled "Public Pension Funds: A Balancing Act."

Also enclosed for your information is a listing from the December 30, 1991 *Crain's Chicago Business* ranking the top pension funds in Illinois.

1992 LEGISLATIVE PLATFORM

I have enclosed, for your information, the 1992 Legislative Platform for SURS as adopted by the Board at the December 1991 Board of Trustees meeting.

**SURS ASKED TO SPEAK IN
NEW YORK**

I have also enclosed the current conference brochure from The Institute for International Research on Employee Benefit Administration Technology which will be held in New York City on March 16 and 17, 1992. I will be presenting the Expert System that Bill Jackson developed for SURS. Bill will accompany me on this trip.

HOLIDAY PERIOD ENDING

As the holiday season comes to a close and we look ahead to the new year, the entire SURS Staff wishes you and your family a very Happy New Year!

If you have any questions, please call me.

Dennis

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STATE UNIVERSITIES RETIREMENT SYSTEM
50 Gerty Drive
P.O. Box 2710 - Station A
Champaign, IL 61825-2710

Main Office (217) 333-3660
Participant Services (217) 244-6342
Benefit Services (217) 244-6344
Medical Director (217) 333-9168
FAX (217) 333-8255

1992 LEGISLATIVE PLATFORM

The Board of Trustees of the State Universities Retirement System (SURS) endorses the following points as its 1992 Legislative Platform.

Funding

- SURS supports increasing the State of Illinois funding of the State Universities Retirement System to an actuarially sound level.
- SURS encourages the creation of a continuous appropriation for the funding of pension benefits.
- SURS opposes any tax relief that reduces funds available for pension funding.

Investments

- SURS opposes investment restrictions or mandates which would impair the System's fiduciary responsibilities under the Prudent Person Rule as specified in Section 1-109 of the *Illinois Pension Code*.

Federal Legislation

- SURS opposes the extension of mandatory Medicare and Social Security coverage to all participants.
- SURS supports the enactment of a Public Employees Retirement Income Security Act.

Benefits

- SURS supports the creation of an Independent Pension Laws Commission to review proposed legislative changes.
- SURS supports employers having an option to purchase additional disability coverage equal to 16 2/3% percent of salary.
- SURS supports future benefit improvements when linked with a funding mechanism.

Health Insurance

- SURS supports the extension of the State of Illinois Employees Group Insurance Program to annuitants of Community Colleges.

Board Structure

- SURS opposes any change in the composition, size, or method of appointment to the Board of Trustees.

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TRUSTEE



UPDATE

January 24, 1992

Number 15

BOARD OF REGENTS APPOINTS TRUSTEE

Ms. Sylvia Nichols has been appointed by the Board of Regents to the State Universities Retirement System (SURS) Board of Trustees. Ms. Nichols has been a member of the Board of Regents since 1985 and chairs the standing committee on academic and student affairs. Ms. Nichols knows higher education in this State and is also familiar with the structure and concept of SURS.

BOARD OF HIGHER EDUCATION MEETS

Ms. Judy Weathington, Deputy Director - Benefit Services, and I attended the Board of Higher Education Meeting in Chicago on January 7th. There was considerable discussion about the impending budget cut on higher education.

SURS TRAVELS TO LINCOLN

On January 6th, Dave Wiant and I traveled to Lincoln to discuss the SURS Board appointments with Mr. Brewster Parker, Chairman, Board of Regents. The outcome of that discussion has been reported, inasmuch as Ms. Sylvia Nichols was selected by Mr. Parker to replace Mr. Jerry Bender.

While in Lincoln, Dave and I spent some time with Senator Robert A. Madigan (R) to discuss our funding situation and the early retirement incentive.

STRATEGIC PLANNING COMPLETED

The executive staff spent two and one-half days working on the Strategic Plan for SURS. The meeting began on Sunday, January 12th and ended at noon on Tuesday, January 14th. (I was called away during these discussions for the Joint Appropriation Committee Hearings on budget cuts in Chicago and Springfield, which I will discuss later in this Update.) The Strategic Plan will be presented to the Personnel and Resource Committee on Saturday, February 22nd, in Bloomington.

JOINT APPROPRIATIONS COMMITTEE

Senator Howard Carroll (D - Chicago) asked me to be in Chicago on Monday, January 13th to testify on the impact of a three percent budget cut to SURS. I have attached a copy of our Fiscal Impact Note which was distributed to the Joint Committee on Tuesday, January 14th in Springfield. (The testimony ran so long on Monday that no one from higher education testified, and the entire hearing was moved to Springfield the next day.) Dave Wiant and I spent time, both days, discussing our concern about this cut with legislators, staff, and the Governor's Office. We also emphasized that our Board's Legislative Platform for 1992 called for no new benefits without funding, and SURS is developing a liquidation plan due to our negative cash flow situation. Further, we continue to discuss what an early retirement incentive without funding would do to SURS fiscal problem.

ILLINOIS COMMUNITY COLLEGE BOARD HEARS ABOUT SURS

On January 17th, Jeanne Valcik and I traveled to Springfield to jointly present our Annual Report with Mr. Robert Sechler. Bob reviewed the highlights of our 1991 financial activities. Jeanne discussed the recent money manager search and hiring. I presented an overview of our System and briefly discussed the funding situation.

MEETING WITH ASSET MANAGER

Professor Gentry and I had the pleasure of having lunch with Mr. Peter Fox and Mr. Ed Marin of Bear Stearns on Saturday, January 18th. They feel that their product may fill a niche in our portfolio. We explained the process developed by the Board for review of a firm like Bear Stearns, and they understand our process. It was a very informative meeting.

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**ADMINISTRATIVE ADVISORY
COMMITTEE MEETS**

On Tuesday, January 21st, the Administrative Advisory Committee met in Champaign. The issues discussed included optional retirement plans, the 1992 Legislative Platform, earnings limitations, and the early retirement incentive. It was a good meeting. A complete report on this Committee's work will be presented to the Board at our March 1992 meeting.

SPEAKING ENGAGEMENTS

I have written a letter to every Illinois Community College President asking to speak to their campus concerning the many issues facing SURS. I began my tour this month on January 22nd at Wright College. On January 23rd, I traveled to Olive-Harvey College in the morning and Daley College in the afternoon. F.I.R.S.T. Packets and SURS IN BRIEF were distributed at each meeting.

EXEMPT POSITION REVIEWS COMPLETE

I traveled to Rockford on Friday, January 24th, to visit with Mr. Robert Sechler, Chairman, Personnel and Resource Committee, about the three exempt reviews I have conducted for the Board. A self review of the Executive Director and Secretary was also presented. A complete report will be mailed to each Board member prior to the Personnel and Resource Committee meeting on February 22nd in Bloomington.

WASHINGTON, D.C. TRIP SET

On January 27th through 31st, Bill Jackson, Dave Wiant and I will be in Washington, D.C. lobbying the Illinois Delegation on issues affecting SURS. Also, we will be attending a legislative workshop sponsored by the National Conference on Public Employee Retirement Systems. On February 3rd through the 5th, I will be attending the national Government Finance Officers Association Committee on Public Pension Administration. For your information, I have attached SURS Position Papers which we will use while in Washington, D.C.

INFORMATION SYSTEMS REPORTS

Many of you ask me about our information systems because they are vital to the services we provide. I thought the

following report would be of interest to you. It was provided to SURS Staff by Cagle and Associates.

Over the course of time, it is interesting to look at the statistics which come out of the on-line system and see what is being done. This gives us an idea of the amount of work being done on the mainframe.

Over a two week period, we averaged 23,500 transactions per day. This comes down to every 2 seconds during the day someone is pressing the enter key on the 3270 session. During the same period, the on-line system has averaged 85,500 programs loaded into storage. This works out to 2 programs being loaded every second. The execution of these programs create, on the average, 36,313 records being read per day while adding 2,500 records, updating another 6,189, and only deleting 255 per day. This works out to reading 1.25 records every second, adding a new record every 12 seconds, while you are changing a record every 5 seconds.

For the number of on-line users on this system, you can see we have a lot of very busy people. These statistics do not take into account the work being done on Saturday, or the nightly batch work.

**THANK YOU NOTES RECEIVED
FROM THE WOLFF FAMILY**

Professor Gentry and SURS Staff received thank you notes from Sheryl Wolff on behalf of the Board. Attached are copies for your information.

SECOND "HIT PARADE" LETTER SENT

I have attached the second letter in a series of information being sent to every Illinois Legislator. These articles are designed to keep our communication lines open with the General Assembly and present a positive attitude about SURS. We call it our "SURS Hit Parade". This sample letter is for your information only.

**INFORMATIVE ARTICLES
OF CURRENT INTEREST**

I have attached two articles, The Great Pension Robbery from the January 13, 1992 Fortune magazine and an article from the January 18, 1992 issue of The News Gazette in Champaign-Urbana on the early retirement incentive.

If you have any questions, please call me.

Dennis

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THE GREAT PENSION ROBBERY

States and cities are plundering employee pension funds to ease their budget crises. Taxpayers may be stuck if the plans can't meet their future obligations. ■ by Alan Deutschman

WHILE BANKS, S&Ls, insurance companies, and nearly everyone else in the financial services industry has a case of the shorts, America's public employee pension funds have an embarrassment of riches. And like a lot of wealthy folks, they are becoming the victims of holdup artists. With ever more states and cities facing nasty budget deficits, the politicians who run them are trying to grab some of the \$878 billion set aside to pay for the retirement of teachers, firefighters, police, sanitation workers, and other public employees.

The pilfering of the golden nest eggs is alarmingly widespread. In the past two years more than a third of the states have cut or delayed contributions to their pension funds, seized money outright from pension accounts, or begun to debate simi-

lar measures. This is no time to be confiscating pension assets. While contributions have fallen slightly over the past three years, payouts to pensioners have been rising sharply (see chart). As a result, cash flow—the difference between annual contributions and benefits paid over the year—has narrowed for the public funds, to \$6 billion from \$16 billion. According to Chris McNickle of Greenwich Associates, a research firm that compiles data on pension funds, the gap could shrink to \$2 billion or less by the end of 1991.

The immediate victims of any cut in contributions or attachment of assets are the public employees whose retirement funds are being raided. But taxpayers may be on the hook too: They could have to make up the difference if, thanks to the raids, public plans lack the wherewithal to

pay retirement benefits in the future.

The most egregious assault on pension funds occurred in California last summer. As the July 1 start of the fiscal year neared, Republican Governor Pete Wilson was staring at a \$14 billion budget deficit. So to help make ends meet, Wilson decided to take \$1.6 billion from the coffers of the \$6.5 billion California Public Employee Retirement System. Known as Calpers, the fund covers most state workers except teachers, who have their own plan. Wilson also tried to replace the 13-member Calpers board with a new nine-member group that he would control. Dale Hanson, the system's rate chief executive, called this scheme a "hostile takeover."

The backlash against the governor came immediately. State employees blocked the driveway to the capitol's garage in protest, looting the fund and pushing the board, and they overwhelmed their representatives with calls, telegrams, and visits. Wilson threatened them with salary reductions, furloughs, and layoffs of up to 20,000 workers if they succeeded in forcing his plans. Robbery and blackmail, cried Fairway H. Start, the liberal Democratic Congressman from Oakland. He accused Wilson of conspiring to turn workers savings into a "great flesh fund" that would "hide the real cost of government."

In the end, the California legislature prevented Wilson from reconfiguring the board but let him have the \$1.6 billion from the pensioners' cost-of-living account anyway. California's Third District Court of Appeals will decide on the constitutionality of the legislators' action by March or April.

The Illinois Supreme Court is hearing a similar case. As the hot Springfield summer wore on, Illinois legislators, anxious to adjourn, were desperately hunting for money to comply with the state's balanced-budget requirement. Rather than making tough choices, they told Republican Governor



The big funds: California Governor Wilson told the state pension plan for \$1.6 billion to patch his budget.

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Jim Edgar to take up to \$50 million from the state's 250 "special funds," which under the law must be spent on specific purposes like schools, roads—or pensions. Edgar seized \$21 million from the five state retirement systems, making no promise to repay the money and used it to shore up the general-revenue account. A court ruling on the constitutionality of this move is expected soon.

The Illinois snafu is particularly nasty because the public employee pension plans, unlike Calpers, were underfunded to start with. Assets covered only 46% of the present value of projected obligations for judges on up to 65% for teachers. By comparison the national average for public retirement systems is around 80%; private pensions, which are subject to the tough Employment Retirement Income Security Act rules, must strive to be fully funded. Ironically, Illinois passed a law in 1989 requiring itself to push toward full funding of its public plans by 1996, and then fell short by a total of \$500 million in employer contributions in 1989 and 1990.

MOST ATTEMPTS to siphon money out of public employee pension funds are far more subtle than those in California and Illinois. Typically a city or state will play around with actuarial assumptions on which the funding and the investment objectives of its plan are based to reduce the contributions required. Here's how this works: With the help of historical tables on life expectancies, inflation rates, and so forth, actuaries determine how much money a pension plan will need years from now in order to pay benefits to future retirees. This work requires developing complex forecasting models based on an array of assumptions. For example, how much will salaries increase? Will employees opt for early retirement in ever greater numbers?

One of the most crucial projections is the annual rate of return on the pension plan's invested assets. The power of compound interest means that a seemingly small improvement in annual returns—say, 8.25% vs. 8%—adds up to a lot over 25 or 30 years. Thus, a marginally higher projection for the rate of return means that an employer can drastically reduce the sums it must put into a plan. A basic rule of thumb: If you increase the expected rate of capital appreciation by one percentage point over 30 years, an employer can cut its

REPORTER ASSOCIATE MARK D. ADER



Not so fast: New York comptroller Regan says pension assets should not be used for budget balancing.

current contributions to the fund by 20%.

Louisiana saved \$11 million last year in contributions to its teachers' retirement system by upping the projected return from 7.5% to 8.25%. Missouri netted some \$20 million by going from 8% to 8.5% last year on its state employees fund. New York City boosted its rate-of-return assumption for city employees from 8.25% to 9% in the winter of 1990, which saved \$40 million for the Transit Authority alone and enabled it to hold bus and subway fares to \$1.15.

Years from now, if the projections for investment returns turn out to have been too optimistic and the plans no longer have enough money to pay benefits, the politicians who instigated the changes will no longer be in office. Taxpayers could well be stuck writing the monthly pension checks for legions of retired civil servants. But it is difficult for employee advocates to fight these changes because actuarial math does not make for vivid public debate. Depending on the full set of assumptions—salary and payroll increases, early retirement, retiree mortality—a range of returns could be deemed reasonable to provide sufficient funding for the future. In 1989 the targets used by public retirement systems varied from 5.5% a year to 9%, with 7.8% as the mean.

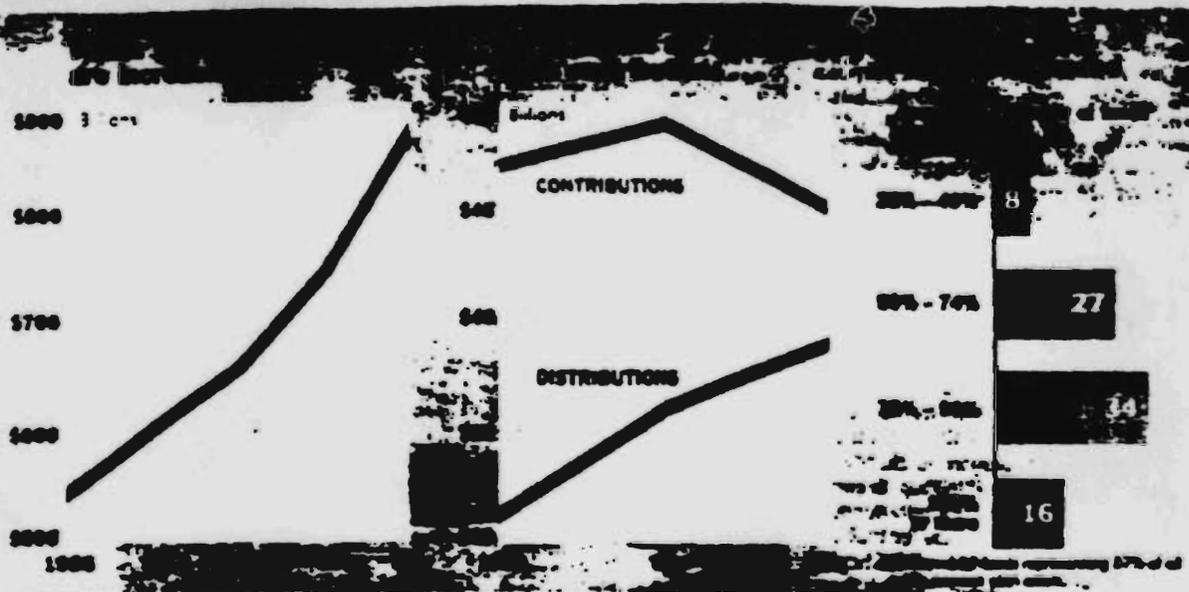
Clearly, 5.5% is too conservative. And, granted, a shrewd outfit like Calpers earned a hefty 12% annually over the last

half of the Eighties. But is it so certain that the historic 1980s run-up in stock and bond prices will be repeated in the Nineties and beyond? Hot decades for stocks are usually followed by cool decades, and corporate pension managers certainly haven't rushed to increase their projected returns. Most recent adjustments in public-fund contributions bear the unmistakable mark of the worst kind of politics. In a fall 1991 survey by *City & State* newspaper, 11 out of 23 of the largest funds said their actuarial assumptions were adjusted upward over the past two years, many in response to political pressure.

TEACHERS, the beneficiaries of several of the largest pension systems, have been especially hard hit by political shenanigans. In 1990, New York State, facing a \$3 billion deficit, withheld \$850 million of contributions to teacher pensions. By switching to a new way of calculating the funding, California is reducing payments to its teachers' retirement system for ten years, increasing a \$22 million cut this year, while planning to make up for the shortfall through sharply higher contributions after 2001. Talk about passing a burden to future generations!

Texas is reducing contributions to teacher pensions by \$85 million over the next two years, boosting the system's unfunded liability to almost \$4 billion. The state comp-

MONEY & MARKETS



treasurer has even tried to wrest control over state pensions from an independent board and give it to a committee consisting of the governor, lieutenant governor, and—yes you guessed it—the comptroller himself.

THE QUESTION of whether politicians have the right to put their hands in these cookie jars begs a more fundamental question: To whom does the public employee pension-fund money really belong? The answer: to the beneficiaries and to no one else—not to the state or to the public at large. A pension fund's assets represent deferred employee compensation and thus constitute private property. Pension trustees are the guardians of this property.

But the trustees are often appointed by elected officials or must run for office themselves, so they are apt to give in to pressures that allow the funds to serve political objectives at the expense of the pensioners. Wrongly so, argues Edward Regan, New York State's Republican comptroller and sole trustee of the state's \$44 billion retirement system: "Do public officials have a right to use pension fund assets for budget balancing and other government purposes? The answer is a clear no," Regan, however, is at odds with Governor Mario Cuomo, a Democrat, who is eager to have pension funds make investments for the purpose of enhancing the economy of New York State.

In bona fide fiscal emergencies, the enlightened self-interest of current employees and retirees might dictate lending some pension plan assets to their underfunded employers. Otherwise, the bankrupt state or city might not be able to pay benefits to its retirees at all—and might have to fire large numbers of government workers. New York City's pension funds invested in municipal bonds as part of Gotham's mid-1970s rescue. But the trustees were able to demand a 9 1/2% rate of interest, several percentage points higher than the prevailing rate for tax-exempt issues. They also received federal guarantees of repayment and special immunity from their fiduciary obligations that would normally prevent them from investing in a related party or one with a poor credit rating. The arrangement clearly worked out well for the city and for the pension funds.

Detroit essentially copied the New York example during its financial crisis of 1981. So did Philadelphia in 1991. Its credit rating having fallen below investment grade, Philadelphia could not continue its annual practice of selling short-term tax-exemption notes in the fall and paying them off in the spring when its revenues flowed in. So the city turned to its pension funds in January for \$37.5 million in loans to stopgap financing. The pension trustees, serving as leaders of last resort, enacted a brutal toll: the prime

rate plus fees equating around 2 1/2% of the principal. The city paid off the loans by April 15, giving the pension funds an annualized return of 27%. Without that exceptionally high return, the fiduciaries would not have been able to justify the risk.

J. Chester Johnson, president of Government Finance Associates, a New York City consulting firm, advised Philadelphia on the transaction. In his previous job as a Deputy Assistant Treasury Secretary, he oversaw the federal government's loans to New York City in the 1970s. He says that governments should consider borrowing from pension funds only in "desperate circumstances." Such cases would include helping out a municipality close to bankruptcy or an issuer that had lost its investment-grade rating and had dirt (sub-flow) bonds with no access to capital markets.

Does either of these circumstances fit California, the eye of the current storm? It is hard to believe Governor Wilson, who justifies the pension raid as "emergency legislation," when he argues in his brief to the court of appeals that California's fiscal crisis threatens the state's "ability to provide and fund for essential services." Although recently downgraded by Standard & Poor's, California still has that coveted triple-A credit rating from Moody's. It all goes to show that politicians will say almost anything to get their hands on somebody else's cash.

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February 28, 1992

Number 16

SURS TRAVELS TO WASHINGTON, D.C.

On January 27, Bill Jackson, Dave Wiant and I traveled to Washington, D.C. to attend the National Council on Public Employee Retirement Systems' (NCPERS) Legislative Conference. While in Washington, we also lobbied the Illinois delegation concerning national pension issues and met with representatives of national pension associations. The following is an outline of our activities.

Dave attended the National Association of Pension Attorneys (NAPA) Federal Legislative Conference. This informative meeting, conducted at the Steptoe & Johnson Law Offices, was an update of Federal pension issues from a legal perspective.

We met with Ms. Sarah Teslik, Executive Director of the Council of Institutional Investors. Topics of discussion included the intervention of the Council in helping SURS with the funding problem, pending Federal legislation, bankruptcy, and the upcoming membership meeting. Ms. Teslik arranged for Ms. Francis Hill, a tax attorney with Jones, Day, Reavis & Pogue, to discuss potential changes in business Federal income tax regulations and its impact on SURS investments.

Dave and I met with Ms. Cindi Moore, NCTR Washington Counsel, concerning the Association's position on PERISA legislation.

Dave and I also had dinner with Representative Ewing to discuss SURS position on Federal matters. Further meetings were held with Representative Ewing, staff members from Senator Dixon's and Senator Simon's offices, staff members from Representative Rostenkowski's and Representative Bruce's offices, as well as the staff of the Joint Committee on Taxation. Areas of discussion included Section 415 limitations, PERISA legislation and taxes on electronic funds transfer.

Representatives of the State Employees' Retirement System (SERS), Illinois Municipal Retirement Fund (IMRF), and I met with Mr. Sly Schieber of the Washington office of The Wyatt Company. Discussions indicated that technical research and legislative assistance could be obtained through the Chicago Wyatt office.

A meeting was held with Mr. Adrien R. LaBombarde of Milliman & Robertson, Inc. Mr. LaBombarde, a consult-

ing actuary, is an expert on pension nondiscrimination issues.

In addition, a copy of the SURS Federal Position Papers was hand delivered to each office of the Illinois legislative delegation.

I visited the Washington, D.C. facility of HQ. HQ is the company which SURS has contracted to serve our participants and annuitants in the Chicago and northern area. Our HQ lease allows SURS to use offices at any HQ facility in the United States. The Washington, D.C. facility gives SURS the ability to conduct meetings as needed in the area, as well as provide secretarial and general office support services.

I attended the Winter Standing Committee meeting of the Government Finance Officers Association (GFOA) on February 4 and 5. In addition to the Committee meetings, congressmen and staff members discussed medical and other Federal policy issues facing public funds today. The Women's Network of GFOA hosted a dinner meeting for new committee members of GFOA.

Further, I attended the GFOA's Committee on Retirement Benefit Administration (CORBA). The following items were discussed in detail with administrators from public pension funds throughout the country:

- Section 415 relief.
- Stock transfer tax.
- Taxation of pension earnings.
- Limitations on deferrals.
- Corporate taxation revisions.

Also, health care reform was discussed at length. Breakfast and luncheon meetings included congressional representatives from the House and Senate speaking on matters pertinent to public pension funds. I have been assigned to the GFOA-CORBA Subcommittee on Training. The Subcommittee conducts workshops throughout the United States to train personnel in the area of public pension fund administration.

Bryan Bloom has been appointed to the Accounting and Reporting Subcommittee to work with the GFOA and the Governmental Accounting Standards Board (GASB). This Subcommittee will help develop future public pension reporting standards.

CONTINUED ON REVERSE SIDE

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I also attended a joint meeting of the Public Pension Coordination Council, a coalition of National Association of State Retirement Administrators (NASRA), National Council on Teacher Retirement (NCTR), National Council on Public Employee Retirement System (NCPERS), and Government Finance Officers Association (GFOA).

SURS NEW TRUSTEE ORIENTATION HELD

On February 10, Ms. Sylvia Nichols was in Champaign and spent the day learning about the SURS Investment Program. President Gentry met with Ms. Nichols for a luncheon meeting and discussion about the SURS Board. The day was completed with a tour of the SURS facility and brief meetings with various members of the staff.

FUNDING CAMPAIGN CONTINUES

Last month, I reported that I had written all of the community colleges and had requested to speak on the funding of the State Universities Retirement System. I have received very good response from the schools. Following, is a listing of the campuses and organizations Bill Jackson and I have attended. Also, Bev Ward, Northern Office Retirement Specialist, has attended many of the Chicago campuses to become better acquainted with the members.

- February 6 Illinois Central College, East Peoria
(Mr. Emil Haeflinger hosted this workshop)
- February 7 The Illinois Education Association Executive Committee
(representing Illinois Community Colleges, Bloomington)
- February 11 Triton College, River Grove
- February 13 Highland Community College, Freeport
- February 17 Illinois Valley Community College, Oglesby
- February 18 McHenry College, Crystal Lake
- February 19 Malcolm X College, Chicago
- February 25 Southeastern Illinois College, Harrisburg
- February 27 Shawnee College, Ulen
(Judy Rathgeber attended this alone)

SURS TESTIFIES ON GOVERNMENT BOND TRADING

During my trip to Washington, D.C. earlier this month, I met

with Ms. Sarah Tealik, Council of Institutional Investors. Ms. Tealik called SURS during February and asked if we would testify on February 19 before the Telecommunications and Finance Subcommittee of the Energy and Commerce Committee of the U.S. House of Representatives. I have attached a copy of my testimony and a copy of the press release. Basically, this Subcommittee is attempting to regulate the trading of government bonds by providing a mechanism for an open market system. SURS agrees with this idea as my testimony points out.

PERSONNEL AND RESOURCE COMMITTEE MEETS

Mr. Robert Sechler, Chairman of the SURS Personnel and Resource Committee, held a Committee meeting on February 22 in Bloomington. The issues discussed included salaries, strategic planning and fiduciary insurance coverage. A complete report will be made at the March 13 Board meeting in Chicago.

MEETING WITH PANTAGRAPH PUBLISHER

On February 24, I met with Mr. John Goldrick, Publisher of *The Pantagraph*, Bloomington-Normal. My purpose was to continue to build good communication lines with the press. We discussed our funding situation and other hot topics such as the early retirement incentive. It was a good meeting and I believe we have a solid foundation to build from in the future.

SURS SPEAKS OUT ON FUNDING VIA RADIO

On February 27, in lieu of traveling to Shawnee College with Judy Rathgeber, I was in DeKalb to participate in a call-in radio program (WLBK 1390 AM). The topic surrounded funding of SURS.

RUIZ ACCEPTS CHAIR OF LEGISLATIVE COMMITTEE

Mr. Robert Ruiz has accepted the Chairmanship of the Legislative Committee. Dave Wiant, Bill and I met with Mr. Ruiz on February 21 in Chicago to discuss the preliminary Legislative Committee agenda. The Legislative Committee will meet on March 12 at 12:00 Noon at The Hyatt Regency Chicago. This meeting will be just prior to the Investment Committee meeting scheduled to begin at 3:00 p.m.

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NORWOOD REELECTED

On February 13, the Board of Trustees of Southern Illinois University reelected Mr. William R. Norwood, to serve as the Board's representative on the Board of Trustees of the State Universities Retirement System. Mr. A.D. VanMeter, Jr., was reelected Chairman of the Board of Trustees of SIU.

MEETING WITH GOVERNOR'S STAFF

Dave Wiant and I met with Mr. Erhard Chorle, Executive Assistant to the Governor. Mr. Chorle is responsible for Illinois pensions. The purpose of our meeting was to keep Mr. Chorle up-to-date with what has been happening at SURS regarding funding and our work in Washington, D.C. The meeting was a very cordial one.

GOVERNOR ASKED TO ATTEND SURS JUNE BOARD MEETING

I have attached a copy of a letter I received from the Governor's Office in response to our request asking the Governor to attend SURS June Board meeting. I will keep you informed as to our progress in this area.

ANNUAL BENEFIT SUMMARY STATEMENTS MAILED

Each year, we mail all annuitants and survivors an Annual Verification Form and their 1099R. This year, we have combined the two into one mailing and also added a Benefit Summary Statement. Attached is a current sample for Julie E. Washburn (fictitious person) for your information. Bryan Bloom has been instrumental in putting this product together in the new format.

ARTICLES OF INTEREST

I have attached an article entitled, *Who's In Charge Here Anyway?* from the February 1992 Institutional Investor. Also, I have enclosed a Congressional Research Service Report for Congress entitled, *Public Pension Plans: A Status Report*. Both of these items are for your information only.

If you have any questions, please call me.

Dennis

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STATE UNIVERSITIES RETIREMENT SYSTEM
50 Garty Drive
P.O. Box 2710 - Station A
Champaign, IL 61825-2710

Main Office (217) 333-3660
Participant Services (217) 244-8342
Benefit Services (217) 244-8344
Medical Director (217) 333-9188
FAX (217) 333-8255

TESTIMONY OF DENNIS D. SPICE
EXECUTIVE DIRECTOR
STATE UNIVERSITIES RETIREMENT SYSTEM OF ILLINOIS
BEFORE THE
TELECOMMUNICATIONS AND FINANCE SUBCOMMITTEE
OF THE ENERGY AND COMMERCE COMMITTEE
OF THE U.S. HOUSE OF REPRESENTATIVES
FEBRUARY 19, 1992

As the executive director of one of the nation's 100 largest pension funds, I want to thank you for this opportunity to testify about a subject which directly affects the fairness and efficiency of the markets of which we are such a large part.

Our system, the State Universities Retirement System of Illinois, is responsible for the current or future retirement income for over 105,000 Americans. I must emphasize to you that our assets—currently more than \$4.6 billion—are the basic grocery money of our members' retirement years: we thus take our obligations to protect and enhance the value of these assets very, very seriously.

Many of our assets are in government securities or related investments. We currently hold \$118 million long-term treasury bonds and \$23 million short-term treasury bonds. We have \$110 million with Fannie Mae and have a \$226 million position in treasury bond futures.

We are long-term holders. We depend upon fair low cost markets to provide means to pay benefits to over 20,000 retired members. We therefore, have a strong interest in preserving fair markets, since our participants are placed at risk by unfair market practices. We also, however, care about efficient and liquid markets. We have to meet continuing demands for members' retirement checks, and our members would be hurt by actions that would place expensive or unnecessary restrictions on our ability to trade to meet these obligations.

We, and other institutions like us who represent and protect the basic income of millions of Americans, have been the ones placed at risk by

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recently revealed wrongs in the government securities markets. We therefore applaud your efforts to seek reform in these markets; we applaud your putting so much time into the thankless and time-consuming effort of gathering information and opinion concerning possible reforms--including your holding of hearings such as this; and we applaud your effort to put forth specific reform proposals that both focus the debate and move the process forward.

We, like you, recognize that there will be no across-the-board agreement as to every specific proposed reform to these very complicated markets. But everyone must recognize the careful balancing that has gone into your legislation. Section 6 of this legislation, concerning price dissemination is a good example: by proposing that regulators be given back-up authority to require price dissemination, rather than proposing that this dissemination be required on a routine basis, you create a remedy that is available if needed. The remedy itself--sunshine--is widely accepted as being one of the most effective and least invasive cures for inappropriate, damaging, and illegal market behavior.

Section 6 is important to us as institutional investors for another reason as well. For years, because of the unavailability of price information on the trading of government securities by the primary dealers and interdealer brokers, we have been unable to participate directly in these interdealer secondary markets, but have participated indirectly at a competitive disadvantage. Discussions with our fixed income managers suggest that the current private initiative is not an adequate solution to the problem. Section 6 would give the Commission the authority to make this information available to a wider circle of qualified investors. We believe, in general, that this is good public policy because it encourages both fair and efficient markets. We believe, particularly, that this is good public policy because it would make possible direct access to these markets by the institutions that most directly represent the average American.

Again, we support your efforts to seek ways to eradicate fraud and abuse in the government securities markets and stand ready to assist you in developing whatever information you need to help build sufficient consensus to ensure that the proper reforms are adopted, and adopted without delay.

Thank you.

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EDWARD J. MARKEY
CHAIRMAN

U.S. HOUSE OF REPRESENTATIVES
Subcommittee on Telecommunications and Finance
of the
Committee on Energy and Commerce
Washington, DC 20515

FORM NO. 100
MAY 1980 EDITION
GPO: 1980 O-288-888
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NEWS RELEASE

FOR IMMEDIATE RELEASE
Feb. 17, 1991

CONTACT: Mike Connolly
(202) 226-2424

MARKEY PANEL TO EXPLORE WHETHER SEC SHOULD HAVE STANDBY AUTHORITY TO FIX INFORMATION DISPARITIES IN THE GOVERNMENT SECURITIES MARKET

WASHINGTON -- The House Telecommunications and Finance Subcommittee has scheduled a hearing at 9:30 a.m., February 19, in 2123 RHOB to explore whether the Securities and Exchange Commission should be allowed the standby authority to fix information disparities in the government securities marketplace.

"The issue before us is whether investors in the government securities marketplace should be continued to be divided into the information rich and the information poor," said Rep. Edward J. Markey (D-MA), chairman of the Telecommunications and Finance Subcommittee.

"Today, investors in the government securities market still lack access to all of the information they need to make informed investment choices, protect themselves against excessive markups or manipulative activity," Markey said. "These limitations on access to information available on broker's screens have left many investors at a distinct disadvantage."

The Securities and Exchange Commission (SEC), the General Accounting Office (GAO), and many investors have complained about a lack of "price transparency" in the government securities marketplace. Price transparency in a securities market refers to the degree to which real-time trade and quotation information and other market-related information, such as information about the depth of the market, is available to all market participants.

In a 1987 report, for example, the GAO found that the issue of "price transparency" took on an added importance because of the unique role that was played by government securities: "This market affects all other financial markets because it affects the structure of interest rates through the economy. Furthermore, it is directly linked to markets in futures, options, and options on futures for Treasury securities because it establishes the current market price for securities."

And in its subsequent 1990 report, the GAO concluded that regulatory action was needed to ensure the availability of market price information for investors.

Allowing the SEC to have standby authority to fix information discrepancies in the government securities marketplace is one of the elements in H.R. 1927, the "Government Securities Reform Act of 1991," by Reps. Markey and Matthew J. Rinaldo (R-NJ).

In addition to price transparency, other elements of H.R. 1927 include: comprehensive SEC authority to create an electronic audit trail; authorization for the SEC to develop rules for monitoring large traders; an expansion of SEC authority over fraudulent and manipulative practices; mandated supervisory procedures to be in place at all registered government securities dealer firms and conventional broker-dealer firms; expanded authority for the National Association of Securities Dealers to institute sales practice rules; and, an extension of the Treasury's current rulemaking authority over capital adequacy and general bookkeeping requirements for five years (until Oct. 1, 1996).

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TRUSTEE



UPDATE

April 30, 1992

Number 18

SURS MEETS WITH STATE TREASURER

On April 2, Ken Codlin, Jim Beedie and I met with State Treasurer Patrick Quinn in Chicago to discuss SURS and our current investment program. Ken and I gave a short presentation on our fund. The meeting went very well. The next day, April 3, Ken Codlin, Jim Beedie, Dave Want, William Froom, Robert Ruiz and I attended a conference of Illinois Public Pension Funds to discuss *Best New Ideas in Residential-Housing Investments*. This was a half day program that proved to be most interesting. I believe we all learned more about this newly emerging idea.

FUNDING CAMPAIGN UPDATE

On April 6, Lee Bridges and I traveled to Malta and spoke with two separate employee groups from Kishwaukee College on funding.

On April 7, Governor Edgar presented his Budget message to the Illinois General Assembly which I sent to you earlier this month. As you are aware, the Governor has addressed the funding of the pension funds in this message. The Illinois General Assembly now must react to the Governor's remarks. Hence, with concurrence of the Executive Committee of the SURS Board, I will maintain a *lower profile* on funding until this legislative session ends. SURS is no longer distributing F.I.R.S.T. (Fund Illinois Retirement Systems Today) packets. The SURS Staff is continuing to visit our colleges and universities. Our future goal is to move the distribution of F.I.R.S.T. packets to the State Universities Annuitants Association.

SURS EMPLOYEES ADVISORY COMMITTEE MEETS

On April 7, the Employees Advisory Committee to the Board of Trustees of the State Universities Retirement system met in Champaign. Judy Rathgeber, Deputy Director - Participant Services, coordinated a very good meeting with our employee representatives from the

community colleges and universities in the State. A complete report of the Committee's action will be reported to the Board at the June 1992 Annual meeting.

COUNCIL OF INSTITUTIONAL INVESTORS MEET IN WASHINGTON, D.C.

As you learned from the April 15 Investment Update, Ken Codlin and I attended the Council of Institutional Investors' annual meeting on April 8 and 9 in Washington, D.C. This is a tremendously valuable organization and I am proud that SURS is a member. It is also interesting to note that our own Ken Codlin was one of the founding members of the organization. With Ken's forethought and insightfulness, the Council has grown into a very well respected national organization. The next meeting is scheduled for September 24 and 25, 1992 in San Francisco. I will be a speaker at the program to discuss the SURS funding situation.

SURS SPEAKS TO EXECUTIVE MBA

On April 10, President James A. Gentry and I spoke to the University of Illinois Executive MBA class. Our topic was the *Relationship Between Boards and CEO's of Non-Profit Organizations*. The Executive MBA's are required to work with various non-profit organizations during the summer. SURS was asked to speak to the class to give them insight as to the function of our organization.

ANOTHER FEDERAL LOBBYIST FIRM INTERVIEWED

Dave Want, Keith Sias and I met with the firm of Sidley & Austin in Chicago on April 17 to discuss the possibility of their firm being considered as a Federal lobbyist for SURS. Mr. William Conlon was the partner who contacted SURS. This issue will be discussed further at the SURS Legislative

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Committee meeting scheduled for 10 a.m., Tuesday, June 3 in Springfield (the same date as SURS Annual Board meeting).

SURS ATTENDS GOVERNOR'S RECEPTION

On April 13, Dave Wiant, Keith Sias and I attended a reception for Governor Edgar in Springfield. We were able to talk with several of the Governor's staff and key legislators.

TRUSTEE BOYLE VISITS SURS OFFICE

Kenneth R. Boyle, University of Illinois representative to the SURS Board, visited SURS on April 22. Ken Codlin and Jeanne Valcik gave Mr. Boyle an update on the SURS investment program. President Gentry, Mr. Boyle and I had lunch, after which Mr. Boyle received a tour of the SURS Office in Champaign. President Gentry appointed Mr. Boyle to the SURS Legislative Committee. Mr. Boyle's extensive legislative background makes him a wonderful addition to this Committee.

SURS TESTIFIES ON THREE BILLS

On April 23, Jim Beedie and I traveled to Springfield to testify on three bills, SB1849, HB2730 and HB2732. Jim provided testimony on HB2730 before the subcommittee of the House Personnel and Pension Committee. I provided testimony on SB1849 to the Subcommittee of the House Appropriations Committee. Further, I testified in support of HB2732, before the Pension Personnel Committee. Enclosed with this Update, please find a copy of SURS Position Paper on SB1849 and HB2730. I have also attached a copy of HB2732 for your information. Also attached are copies of Jim Beedie's testimony and my testimony (I had no prepared remarks on HB2732, but spoke on the funding situation and the impact of an early retirement incentive to the System). All of the hearings went very well. The next appropriate hearing is scheduled for May 6 at 10:00 a.m.

MEETING WITH IBHE

Dr. Richard Wagner, Director of the Illinois Board of Higher Education, asked to meet with me while I was in Springfield. On April 23, Jim Beedie and I met with Dr. Wagner at the IBHE Office. Dr. Wagner was concerned that our Board did not support early retirement without funding when in the past, our Board had supported benefit

improvements without funding. I explained to him that our Board's position on benefit improvements had been consistent for the past year. Our current projected negative cash flow coupled with inadequate funding necessitated this position.

Dr. Wagner also criticized the Board for its current expenditures, i.e., systems, etc. I explained to Dr. Wagner that our Board and the SURS Staff conduct extensive cost benefit analysis prior to implementation of any new system or project. Further, the services we provide today are consistent with what other public pension funds provide in the United States.

Dr. Wagner seemed to be most annoyed by our position on early retirement. We closed the meeting by assuring him that the Board and Staff will continue to operate the System in a prudent manner. We will maintain our stance on benefit improvements with proper funding as diligent fiduciaries to all our members!

SURS RECEIVES GFOA AWARD FOR EXCELLENCE IN FINANCIAL REPORTING

Attached is a copy of the GFOA letter to President Gentry notifying our System that the State Universities Retirement System has qualified for the Certificate of Achievement for Excellence in Financial Reporting for the eighth consecutive year. There are over 6,000 public employee retirement systems in the United States. Of those, only 50 have received this Award. Of the 50 systems, only seven or eight have received the Award as many times as SURS.

SURS TO SPEAK IN NEW YORK

Enclosed is a brochure from The Institute for International Research announcing a Conference entitled *Re-Engineering Employee Benefits/Human Resources Service and Delivery* to be held July 22 and 23, 1992, in New York. I have been asked to speak the morning of July 23 on *Innovative Uses of Technology in the Re-Engineering Process for Improved Efficiency...A Problem Solving Approach*. Again, SURS is the only public sector organization speaking to these representatives of *Fortune 500* companies.

LUNCHEON WITH ADMINISTRATIVE ADVISORY COMMITTEE

On April 28, Jim Beedie and I met with the SURS Administrative Advisory Committee for lunch in Urbana. The advisory group also serves as advisory to the State Universities Civil Service System. SURS did not have adequate items on the agenda to necessitate a full committee meeting

at this time. Jim and I had lunch with the group while meeting on Civil Service matters. An update was given on the early retirement incentive by each System head. We, collectively, pledged to keep each other informed as the early retirement issue moves forward in the General Assembly.

ARTICLES OF INTEREST

Enclosed for your information is an article from *Today's Chicago Woman* on Susan Getzendanner.

Also enclosed, for your information, is an article from the April 1992 *Government Finance Review* written by Jim Beedle, Bryan Bloom and myself about *BenefitLine*.

If you have questions, please call me.

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July 29, 1992

Number 21

IBHE MEETS

Jim Beedie and I attended the Illinois Board of Higher Education (IBHE) meeting held July 7th, at Governors State University.

The major topic of discussion continues to be the reorganization of Illinois higher education. Early retirement was briefly mentioned in a legislative report pertaining to all of higher education.

TRUSTEE VISITS

This month, I had the pleasure of personally visiting with several of our Board members.

On July 3rd, I was in Rockford and spent some time with Mr. Bob Sechler reviewing his notes from the Investment Institute he recently attended.

On July 6th, Jim Beedie and I had lunch with Mr. Don Grabowski in Oakbrook Terrace. We were able to personally update Don on our quality and productivity efforts at SURS.

Mr. Bill Norwood and Professor Jim Gentry visited SURS on July 16th. As our new President of the SURS Board of Trustees, Bill reviewed the current issues before SURS and set the direction for SURS staff this next year. Both Bill and Jim received a tour of our new building, which we will be moving into on August 28th.

CANADIAN VISIT SUCCESSFUL

On July 9th, Ken Codlin, Jeanne Valcik, Professor Jim Gentry, Mr. Bob Sechler, and Mr. Bob Ruiz, along with Ms. Joanne Hickman of Ennis, Knupp & Associates, traveled to Toronto and Montreal, Canada, to

visit the Cadillac Fairview properties. The last Investment Update provided an itinerary of our travel.

I believe the visit was extremely important and very productive. The trip strengthened my impression of Cadillac Fairview management and JMB. We own some of the very best properties on the North American continent and have, in my opinion, some of the best management available managing these properties.

CONGRESSMAN EWING VISITS CHAMPAIGN

Congressman Tom Ewing (Republican, 15th District), visited Champaign on July 16th. I was able to briefly talk with Congressman Ewing about SURS's visit to Washington, DC, in October. We are planning to discuss several issues with Congressman Ewing at that time. It was nice to visit with the Congressman in his district.

SURS SPEAKS IN NEW YORK

On July 23rd, I spoke at the International Research Institute Conference on *Re-Engineering Employee Benefits/Human Resources Service and Delivery*. There were over 120 private sector companies at the conference; no public sector organizations were present. However, companies such as Eastman Kodak, Sears, General Electric, United Technologies, and other Fortune 500 firms were represented.

(Continues on reverse side)

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My presentation related how SURS has used technology to maintain its high level of service to a growing membership. Jim Beedie and Nancy Drock also attended the presentation which was well received. The American Express Company has asked to visit SURS and learn more about how we have used technology to re-engineer our business.

SURS VISITS WITH GOVERNOR'S STAFF

On July 27th, Dave Wiant and I hosted a dinner in Chicago for Mr. and Mrs. Erhard Chorle. Mr. Chorle is Executive Assistant to Governor Edgar on pension matters.

Our purpose is to discuss our current funding situation and the FY 93 budget. In short, we are continuing to protect SURS's assets.

TRUSTEE COMMITTEE ASSIGNMENTS

Having trouble remembering who is on what SURS committee? The attached sheet will bring you up-to-date on SURS's committee membership since our reorganization at the June Board meeting.

If you have any questions, please call me.

Dennis

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STATE UNIVERSITIES RETIREMENT SYSTEM

BOARD OF TRUSTEES & COMMITTEES

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Mr. William R. Norwood, President
Dr. Arthur L. Alkman
Mr. Kenneth R. Boyle
Mr. Eugene T. Flynn
Dr. William P. Froom
Professor James A. Gentry
Mr. Donald W. Grabowski
Mr. Emil C. Haeflinger
Ms. Sylvia R. Nichols
Mr. Robert J. Ruiz
Mr. Robert E. Sechler

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Robert E. Sechler, Vice-President
Arthur L. Alkman, Treasurer
Dennis D. Spice, Secretary

Executive Committee

William R. Norwood, President
William P. Froom
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Claims Committee

Eugene T. Flynn
Jane H. Henneman
Dennis D. Spice

Investment Committee

James A. Gentry, Chair
Donald W. Grabowski
William R. Norwood
Robert J. Ruiz
Robert E. Sechler

Legislative Committee

Robert J. Ruiz, Chair
Arthur L. Alkman
Kenneth R. Boyle
Eugene T. Flynn
William P. Froom

Personnel & Resource Committee

Robert E. Sechler, Chair
William P. Froom
James A. Gentry
Emil C. Haeflinger
Sylvia R. Nichols



October 29, 1992

Number 24

Dr. Rives briefed on SURS

As is our tradition, Dr. Rives was briefed on the activities of SURS' investment program October 1st at the Champaign office by Ken, Jeanne and I. Dr. Rives has an excellent background and familiarity with SURS through his tenure as former president of Eastern Illinois University. We had a wonderful discussion!

SURS attends Illinois Black Caucus Conference

As reported to you earlier this month, Jeanne and I traveled to Springfield on October 2, 1992, to meet with members of the Illinois Black Caucus. You should have also received Mr. Norwood's response to Senator Emil Jones concerning this conference. These issues will be discussed further at the Investment Committee meeting to be held in Champaign on December 10, 1992.

Trustee visits

This month, I had the privilege of visiting with several Trustees at or near their homes.

On October 3, 1992, my wife and I spent the day with Bill and Molly Norwood in Rolling Meadows.

On October 25, 1992, Jim and I traveled to Carbondale to install a fax machine in Dr. Aikman's home. We had a very nice dinner with Art and Sammie.

On October 26, 1992, Jim and I met Ms.

Nichols in St. Louis for lunch and provided her with an update on the System's activities.

SURS open house a success

On Sunday, October 4, 1992, the System *officially* opened its doors to the public from 2-4 p.m. We had approximately 200 visitors from around the State, including Senator Stanley Weaver and other local candidates for State office.

We had *no* negative comments about the new facility. In fact, of the 105,000 active members and annuitants, I have only received three written inquiries to date about *why SURS built a new building*. The Board's low profile approach to this project has worked very well.

A copy of the video tape we used at the open house is enclosed for addition to your video library.

SURS hosts SUAA executives

On October 5, 1992, Jim and I were the luncheon guests of the Executives of the local chapter of the State Universities Annuitants Association. That same afternoon, SURS hosted this group (approximately 60 people) at our new building. We provided a tour and refreshments. Everyone was impressed with the technology and the layout of our new office.

IBHE meets at College of Lake County

The Illinois Board of Higher Education met October 6, 1992, at the College of Lake County in Grayslake, Illinois. Bryan and I attended the meeting.

The focus of the discussion surrounded the PQP initiative. There was no formal discussion on early retirement or a 2.2% formula enhancement.

SURS was well represented at the meeting inasmuch as Mr. Sechler was representing the Illinois Community College Board and Mr. Ruiz was representing the Board of Governors' universities.

The Northern Trust visits SURS

On Wednesday, October 7, 1992, Ms. Susan Gilpin and Ms. Mary Gries visited SURS. Susan has taken over new responsibilities at The Northern Trust and Mary will be working directly on the SURS account. She has been at the bank for a number of years and will be a great addition to the *team*.

SURS begins looking at executive compensation

In an effort to help the Board look at the executive compensation issue, but yet keep a *low profile*, we have begun working with The Wyatt Company using data that SURS collects and information that Ken, Jeanne, Jim and I provided to Mr. Bill Westwood of The Wyatt Company. The results of our work will be presented to the Personnel Resource Committee at the beginning of 1993, along with my recommendations for the SURS' Board consideration.

Campus Roundtable visited

As Executive Director of SURS, I am a member of the University of Illinois Campus Roundtable, a group of campus administrators that meet nine times a year for lunch on campus. This month, Mr. Hugh Satterlee, Ombudsman for the University, was the speaker. It was a great program and a good time to visit with many of my friends on campus.

EIU Alumni Board meets

On October 9, 1992, my wife and I traveled to Eastern Illinois University for my first meeting of the EIU Alumni Board, of which I am a newly appointed member. It was a good meeting.

I was able to meet Dr. David Jorns, EIU's new president. I also visited with Dr. Rives and saw a picture in the Union of a familiar distinguished alumni, Dr. Aikman.

(By the way, Eastern beat Indiana State on Saturday to complete the weekend.)

SURS visits with former Governor Thompson

SURS had received a letter from the former governor, Jim Thompson, as a partner in the law firm of Winston & Strawn. He invited us, with other Chicago pension funds, to a luncheon to explore the level of interest in initiating a series of meetings to address issues of concern to us (such as real estate reviews). Jeanne and I attended the meeting.

It was pointed out at the beginning of the luncheon that this was a marketing effort by the firm. Jeanne made it clear that SURS has been reviewing our real estate program with legal counsel since the program began. Further, we pointed out that SURS employed the firm of Skadden, Arps, Slate, Meagher and Flom and Susan Getzendanner handled our account. The

other fund in the room also expressed that the real estate deals they had put together had *already* been reviewed by legal counsel.

The luncheon ended on a cordial note.

SURS meets with GASB

On September 30, 1992, Ms. Penelope Wardlow, Research Manager for the Governmental Accounting Standards Board (GASB), met with Ken, Jeanne, Bryan, Mr. Haeflinger, Professor Gentry and I to discuss our views on pension reporting. I have enclosed a letter from Penelope, for your information, thanking SURS for its help.

SURS lobbies Illinois delegation

On October 14, 1992, Mr. Wiant, Linda Grindley and I traveled to Washington, D.C. to lobby the Illinois delegation. A copy of our Position Paper is enclosed.

We met with staff from Congressman Rostenkowski's office, Congressman Durbin, Congressman Ewing, Senator Simon and Congressman Moore. We also met with Ms. Sarah Tealik, Executive Director of the Council of Institutional Investors and Ms. Cindy Moore with the National Council on Teachers Retirement.

We set up our operation through an *identity office* in the HQ facilities (the company that provides SURS' office space in Chicago). It worked perfectly. We had a fax, a telephone, and computer hookup.

Our meetings were extremely productive. SURS is establishing a presence in Washington, D.C.

SURS hosts employer seminars

Judy Rathgeber and her staff annually invite the employer representatives to Champaign for a one day training session at SURS. Discussion includes reporting requirements, legislative update, investments, and some remarks from me.

Our training center was the facility used for the meetings held on October 21st and again on October 22nd. Next month, two more groups will be hosted on November 4th and 12th. We have university and community college representation from around the State at SURS. They are excellent forums for discussion.

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SURSMAC meets

On October 14, 1992, the newly named *State Universities Retirement System Members Advisory Committee (SURSMAC)*, formerly the Employees Advisory Committee, met at SURS. I was out of town that day, but had video taped my presentation for viewing by the group. A complete report from this committee will be given at the December Board meeting.

ICCTA and SURS conduct telephone conference

On October 27, 1992, I was asked to speak about early retirement incentives with trustees and community college presidents from the southern region of Illinois in Marion, Illinois. I was scheduled to be in Chicago that evening for a meeting the next day, so the Illinois Community College Trustees Association (ICCTA) arranged a telephone conference call for me. I spoke to the audience of approximately 50 attendees via telephone. They could then ask questions at the end of my presentation. It was an extremely productive and useful dialogue.

Technology is allowing me to be several places at the same time.

SURS joins Executives' Club of Chicago

I was invited to join this organization, which provides a forum to meet, hear, and question leading figures from the worlds of politics, business, banking, the media, and international affairs.

Membership in this organization is providing me an opportunity to interact with Chicago's business leaders,

as well as show that SURS is a *statewide* organization, which happens to be headquartered in Champaign.

(Note: I was appointed to the Education Committee which met for breakfast on October 28, 1992, in Chicago. Another good meeting.)

IRLAC meets

On October 27, 1992, the Illinois Retired Legislative Advisory Council (IRLAC) met at SURS' Springfield office. Judy Rathgeber and I attended this meeting to give an update on SURS' activities both in Springfield and Washington, D.C.

AAC meets in Champaign

On October 29, 1992, the Administrative Advisory Committee (AAC) met at SURS to get an update on the issues surrounding the State Universities Retirement System. These included legislative, investment and benefit briefings.

As a reminder, the AAC is composed of one member from each of the five governing boards: Board of Regents, Board of Governors, Southern Illinois University, University of Illinois, and the Illinois Community College Board.

Jim is SURS' liaison to this group and will provide a complete report on the committee's activities at the December board meeting.

If you have any questions about the current issues or the course we are taking, please call me.

Dennis

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November 25, 1992

Number 25

SUAA continues F.I.R.S.T. initiative

On November 6th, Linda Grindley and I delivered 1,000 F.I.R.S.T. (Fund Illinois Retirement Systems Today) packets to Dr. Robert Crane, Executive Director of the State Universities Annuity Association. Dr. Crane plans to distribute the information throughout the State of Illinois via the local Annuity Association chapters.

Employer conference held

On November 4th and November 12th, Judy Rathgeber and her staff hosted the final two Employer Training Conferences in Champaign.

As mentioned last month, these sessions include information about reporting requirements, investments, legislative update, and some remarks from me.

Again, both community college and university staff from around the State attend the programs. We had an excellent turnout both days.

Trustee visits

This month, I had the pleasure of visiting with two Trustees.

On November 13th, Professor Gentry and I had lunch in Champaign, and on November 23rd, Mr. Grabowski and I had lunch in Chicago. Both meetings provided me an opportunity to give a personal update of the System's activities.

IBHE meets in Chicago

The Illinois Board of Higher Education met in Chicago on November 24th. The main topic of discussion was the PQP initiative. It was also interesting to note that the Faculty Advisory Committee and Student Advisory Committee came out in support of full funding for SURS.

Veto session begins

The veto session of the Illinois General Assembly began on November 17th and ran through November 19th. They will reconvene on December 1st through December 3rd.

As I reported to you earlier by letter, the Higher Education Community was able to agree upon a benefit enhancement which is funded. We call it the *10 and 30 plan*. You add 10% to the formula benefit at retirement, if 26% of final salary is paid to SURS (20% by the employer and 6% by the employee). If it is not paid, the 10% is not added in. Secondly, if you have 30 years of service you may retire at any age without a penalty. (This has no cost to the System.)

These changes are expected to be acted upon by the General Assembly during December. Dave and I will keep you updated on our progress.

Executives' Club of Chicago meets

On November 18th, the Executives' Club met and featured the *New Management Gurus of the 90's*: Dr. William Davidow, co-author of *The Virtual Corporation*, Dr. Edward E. Lawler III, author of *The Ultimate Advantage*, and Dr. David A. Nadler, co-author of *Prophets in the Dark: How Xerox Reinvented Itself and Drove Back the Japanese*.

These gentlemen provided a forum for discussion about managing America's business

in the 21st Century. It was a stimulating discussion which provided some excellent insight for me as SURS begins developing its 5 year strategic plan. I am sure we will incorporate some of the ideas shared with the Club at our meeting.

Articles of interest

Now that the presidential election is behind us, I thought you would like to read an article from the November 12, 1992 *Washington Post* entitled *Clinton Eyes Pension Fund Investments*. I have attached it for your information. Also, I have enclosed a November 16, 1992 article from *The New York Times* on early retirement for your review.

Further, enclosed is a copy of an article from the December 1992 *Employee Benefits Journal*, entitled *The Possibility of Federal Regulation of State and Local Governmental Retirement Plan* for your information. Please note the Sklodowski case is mentioned in this article.

Benefit Summary Statement mailed

Friday, November 20, 1992, Benefit Summary Statements were sent to every active member. The statement provides among other things, estimates of SURS benefits. For the first time an individual's account value was calculated and presented. The account value represents a member's contribution toward retirement, the imputed employer contributions (9.1% of earnings) used in the retirement calculation and interest these amounts have earned.

A sample copy of the Benefit Summary Statement is enclosed for your review. Julie Washburn is a fictitious person used for sample purposes only. So, please feel free to open the statement and review Julie's account.

I hope you and your family have a very happy Thanksgiving and I look forward to seeing you next month (December 10th and 11th) at our quarterly Board meeting.

If you have any questions about the current issues or the course we are taking, please call me.

Dennis

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Clinton Eyes Pension Fund Investments

Infrastructure Plan Stirs Some Worries

By David A. Vise
Washington Post Staff Writer

President-elect Clinton has a bold idea that excites some people and makes others nervous: Tapping the retirement funds of millions of Americans to help boost the sagging economy and contribute to rebuilding the nation's roads, bridges and highways.

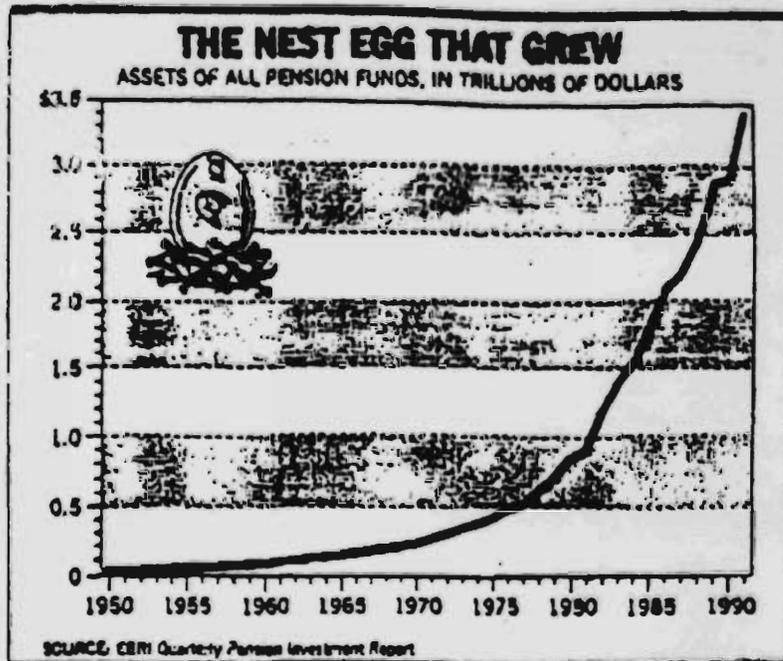
During the election campaign, Clinton said he would turn to the retirement funds to supplement spending by the federal government. In contrast to the federal budget's massive deficit, pension funds, with more than \$3 trillion in cash, stocks and other investments, look like a giant honey pot.

Following Clinton's election two weeks ago, members of a previously appointed bipartisan government commission suddenly find themselves developing a cutting-edge economic idea at an opportune moment, and they are busy finishing up a detailed pension proposal to give the new president in January.

"We are trying to bring the largest base of capital in the country into infrastructure. You are talking about \$30 billion to \$40 billion of pension fund money," said Thomas V. Flanagan, a local consultant who is heading the federal Infrastructure Investment Commission. Flanagan said he has briefed some of Clinton's advisers on the details of his nearly completed pension proposal.

"They think we are right on track," he said.

Clinton has said that he has made no final decisions on his program to boost investment in the nation's infrastructure, of which the pension proposal is a part. He outlined his ideas on pensions



in his book, "Putting People First," which he has said continues to be his blueprint.

Public pension funds have invested money to meet economic needs in some states, including Arkansas.

But Clinton's idea is politically sensitive because of fears among some financial experts and older Americans about the safety of pension fund money and because it poses a challenge to the traditional practice of investing solely for the financial benefit of retirees, rather than to meet any other social or political goal.

"We're very leery of it because pension funds are the last big pot of money in the country," said Mark Ugeretz, who heads the ERISA Industry Committee, a Washington-based association of large employer pension funds. "People are nervous about the sanctity of pension funds."

Gordon Gould, principal in the Los Angeles office of the Towers Perrin Co. consulting firm, said he routinely advises corporations to invest pension fund money solely for the benefit of retirees. His firm recently issued a statement saying Clinton is likely to encourage investment of pension fund money in communications, transportation and environmental systems, and conversion of the defense industry.

Asked what advice he would have

for Clinton on pensions, Gould replied, "I'd advise him to keep his hands off."

Any Clinton plan on pension funds next year is likely to address major concerns by including two key features, according to Felix Rohatyn, the senior partner of the Wall Street firm Lazard Freres & Co., who has advised Clinton on economic issues.

Rohatyn and others said that rather than mandating pension investments, Clinton likely would adopt a voluntary approach, leaving the final decision about investments up to individual money managers. In addition, Rohatyn said any bonds or other infrastructure investments offered to pension funds would have to offer financial returns competitive with other investments.

Rohatyn said a mandatory program was not a good idea and was unnecessary because Clinton could use "moral suasion" to urge pension-fund money managers "will feel some kind of moral responsibility to participate in the rebuilding of our country."

Momentum for such a proposal on pensions also is building within the Department of Labor, which over the years has had a strict policy directing pension fund managers to make investment decisions for the "exclusive benefit" of retirees. A Labor Department task force on pension invest-

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Clinton Sees Potential in Pension Funds

PENSIONS, From F1

ments completed a draft recommendation last week calling for the agency to take a more flexible approach that would encourage money managers to consider investments that provide economic benefits to a region or an industry, without sacrificing returns for retirees.

The Labor Department initiative on corporate pension plans was spurred in part by the growing popularity of "economically targeted investments" by union, city and state pension plans across the country.

"We are doing good and doing well at the same time," said New York City Comptroller Elizabeth Holtzman, who has nearly \$1 billion of city pension money in investments that create jobs, provide money for small businesses and affordable housing, and, she emphasized, provide solid returns for retirees too. The New York funds have gone toward an array of projects ranging from renovating a historic neighborhood and jazz club in Harlem to helping an immigrant from Ecuador open a shoe store in Manhattan.

"The president has a huge deficit and not a lot of maneuvering room," Holtzman said. "... Private pension funds would be invested in Singapore or Hong Kong or Argentina. What about putting it to work in our cities? This is the biggest pool of capital in the country and we need to figure out how to mobilize it."

Clinton has had positive experience steering pension fund money in Arkansas toward in-state investments, according to interviews with Arkansas government officials.

In 1985, Gov. Clinton signed a bill that encouraged public employee pension funds in Arkansas to invest more than 5 percent but less than 10 percent of their money within the state.

Since that time, tens of millions of dollars of pension fund money has been invested in everything from small businesses to mega-retailer Wal-Mart Stores Inc. to a start-up medical clinic in Arkansas.

"We are looking more at investments that will create jobs," said Larry Dickerson, who manages millions of dollars of state employee pension money as chief financial officer of the Arkansas Highway Department. "If we can do that in a way that protects the assets of the fund, while also creating jobs, then that is what we would rather do." Dickerson said the financial returns on in-state investments in the Highway Fund have been competitive with other investment options.

Those who oppose Clinton's plans for pensions say they worry about the spread of the kinds of multimillion-dollar losses suffered by the Kansas state employees pension fund after a decision was made to invest more to help local businesses in that state. They also cite the precedent that would be set for potentially damaging political directives for pension plans in the future.

Pension plans may have plenty of cash and other holdings today, but government officials have said that weaknesses in the pension system may end up costing taxpayers billions of dollars in the future. That figure could grow if pension fund money is invested unprofitably in infrastructure projects and if the funds are called upon next to help solve some of the nation's other problems.

"When you talk about using that money for broader social purposes, you may be creating an inherent conflict between what is good for the [retirees] and what may be good for some social policy," said David Sertner, legislative representative for the American Association of Retired Persons.

Ugoretz warned, "You are doing

something similar to the pension industry that you did to the savings and loan industry. You are opening up the door."

In his book "Putting People First," Clinton said he wanted to steer investment toward infrastructure by creating a Rebuild America Fund with a \$20 billion annual federal investment for the next four years that would be "leveraged" by other sources, including "pension fund contributions."

Robert Reich, the Harvard University professor Clinton picked last week to oversee economic policy for his transition team, has said billions of dollars should be aimed at "people and infrastructure"—better educating the work force and creating stronger transportation and communication systems.

Asked about the role retirement money would play in Clinton's infrastructure investment program, Reich was reluctant to respond. He declined to answer several questions about the status and details of any Clinton pension proposal and then said, "There was some discussion during the campaign, but in the 12 hours I've been here at Little Rock, the issue has not come up once."

Flanagan said he thought increasing amounts of retirement money would be used to meet the needs of the country in the next few years. "The politics are changing," he said. "People are starting to look to pension funds more and more."

Staff writer Ruth Marcus contributed to this report.



December 29, 1992

Number 26

Executives' Club of Chicago holds reception

On December 2nd, I was invited to a reception hosted by the Executives' Club of Chicago. This event was held to honor all of the new members to the Club. I was able to meet many of Chicago's leading executives from the Fortune 500 companies.

EIU Alumni Board meets

On December 4th and 5th, my wife and I traveled to Chicago for a joint meeting with the EIU Foundation and Alumni Board. As you may remember, I am a new member of the Alumni Board. This was my second meeting. We enjoyed meeting the members of the Foundation Board.

Meeting with Senator Weaver

On December 11th, Dave Wiant, Tony Freveletti and I visited Senator Weaver in Urbana to introduce Tony to the Senator, as well as present Senator Stanley Weaver with a framed picture of himself with Mr. Norwood and I receiving the Resolution our Board passed during the September Board meeting.

Meeting with Director Ingerski

While we were in Urbana on December 11th, Dave Wiant, Tony Freveletti, and I dropped in on Mr. Walter Ingerski, Director of the State Universities Civil Service System. Our purpose was to introduce Tony to Mr. Ingerski.

Staff training begins

Jim Beedie and his staff have begun staff training. These sessions will be held on a regular basis. They are designed for the staff to better understand the various aspects of SURS. Also, fire safety training was conducted during the month of December for all SURS and Cagle & Associates employees.

Meeting with PMA Financial Network, Inc.

On December 16th, Kenneth Codlin and I met in the SURS Champaign office with Mr. Robert English and Mr. Michael English from PMA Financial Network, Inc. We learned more about their company and the services they could provide to us.

Civil Service Audit

On December 17th and 18th, the State Universities Civil Service System visited SURS to conduct their bi-annual audit of our personnel and records. Jim Beedie and Dreads Dunn handle this area for the System. The results of their audit should be known within the next few weeks.

Chicago Bar Association show attended

On December 19th, my wife and I attended the Chicago Bar Association's show. This is an annual event put on by the attorneys who are members of the Chicago Bar Association. The skits cover every major political event both at the national and local scene. The attorneys who perform in the show only have two weeks to prepare. It was very funny and a wonderful evening!

Lawsuit update

Susan Geizendanner's letter dated December 16, 1992 is enclosed for your information.

Letter of interest

I have enclosed a letter from Dr. Froom. I thought you should each have a copy of Bill's Swan Song for your own. (For those not at our Board dinner honoring the Frooms, Bill sang this song to the tune of Thanks for the Memories.) It was an evening none of us will soon forget.

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Articles of interest

I have enclosed two articles concerning President-elect Clinton's plans for rebuilding the infrastructure in the United States. One from the December 1, 1992 USA Today and one from the December 14, 1992 Business Week. These are both for your information.

Finally, I have enclosed a copy of an article from the December 1992 Institutional Investor entitled *Countdown in Illinois* for your review.

I hope each of you and your families have a very happy holiday!

A handwritten signature in black ink, appearing to read "Dennis", written in a cursive style with a long horizontal stroke underneath.

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SKADDEN, ARPS, SLATE, MEAGHER & FLOM

333 WEST WACKER DRIVE
CHICAGO, ILLINOIS 60606-1285

(312) 407-0700

FAX: (312) 407-0411

DIRECT DIAL
(312) 407-

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WILMINGTON

December 16, 1992

Mr. Dennis Spice
State Universities Retirement System
P. O. Box 2710
Station A
Champaign, Illinois 61825-2710

Dear Dennis:

Enclosed is the article concerning Clint Krislov's big fee. As you can see, the Circuit Court Judge ripped the Firemen's Annuity & Benefit Fund of Chicago for contesting Krislov's fee and for being represented in the litigation by the Corporation counsel, who, as the Judge noted, "was the attorney for the very same fox who was ravishing their hen house."

This opinion reinforces SURS' decision to appear in the case by separate counsel. It also should prompt the other state funds in our case that are not separately represented to immediately get separate counsel. While I am sure your counterparts at the other funds will become aware of this decision you might want to call them.

I love being right.

Sincerely,

Susan Getzendanner

Enclosure

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Chicago Daily Law Bulletin

Since 1854

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Friday, December 15, 1992

Twenty-eight pages in three sections

60 cents

Judge awards \$1.9 million fee in city pension fund lawsuit

By DAVID BAILEY
Law Bulletin staff writer

Calling for a return to contingent fees in class-action lawsuits, an angry Judge Richard L. Curry Monday awarded \$1.9 million in fees and criticized a city pension fund's conduct in challenging the fee petition of its prevailing trial lawyer.

In a scathing opinion and order, Curry, presiding judge of the Cook County Circuit Court Chancery Division, awarded fees to attorney Clayton A. Krislov, based on his recovery in the 16-year-old suit, and called for an end to the hours-times-rate method of calculating fees.

Krislov won an award of about \$33 million on behalf of four city pension funds against the City of Chicago, which had delayed turning

In lively opinion, Judge Curry urges return to contingent fees in class actions

over pension tax money and retained the interest and income derived from those taxes.

The suit was filed on behalf of participants in Firemen's Annuity & Benefit Fund of Chicago, but was not joined by the fund for several years. Krislov sought \$27 million from the fund after winning the suit.

Curry called rate-times-hour compensation, or the lodestar/multiplier method, unworkable in the case and suggested returning to computing fees based on a percentage of the recovery.

"Illinois has no reason to continue its adherence to lodestar, no

blame to shoulder, no pride of authorship to defend, no apology for an experiment gone sour, no justification to delay a return to the fee-setting process utilized in this state for all but the last 12 years of our history," Curry wrote.

Curry awarded Krislov one-third of the \$5.98 million recovery won by him on behalf of the fund. Krislov had received approximately \$22 million in fees from settlements with the other three funds.

"So inattentive to their trust duties and so lacking in vigilance for the fund's best interest was the Board of Trustees of the Firemen's Fund that it permitted the city's

Corporation Counsel (attorney for the very same fox who was ravishing their hen house) to represent the fund throughout the Appellate Court proceedings — a more apparent conflict of interest is difficult to imagine," Curry wrote.

The Appellate Court ordered restitution of all earnings upon withheld funds — amounting to \$8.6 million for all four pension funds from January 1979 through Oct. 10, 1984. Its further reversal of the trial court's 30-day grace period, its computation of interest due, its addition of two years subsequent to October 1984 and its corrected calculations resulted in an agreed par-

tial judgment of \$19,334 million through Oct. 31, 1986.

Curry wrote that Krislov has been treated more as an enemy to the fund than its benefactor, an intruder than its architect and more as a nuisance than its single most effective advocate.

"Under the guise of protecting its annuitants and participants from a 'groovy' lawyer, the Firemen's Fund has made this fee petition more than a 'second major litigation,' they have made it a crusade," Curry wrote.

"Having been shown to be a lap dog for a city administration which was picking the fund's pocket in

order to maintain its own feeable cash flow, the board of Firemen's Fund has belatedly turned into a pit-bull, not only biting the hand that fed it \$6 million but willfully inflicting as much additional expense, delay and incivility as possible," Curry wrote.

"The only plausible explanation for this degree of hostility to plaintiff's counsel, this unrelenting belittlement of past accomplishment in the case, this heightened incivility and mindless opposition to a reasonable fee is resentment by the Board of Trustees of the Firemen's Fund that this case has exposed that board as being inattentive and incompetent at best or disloyal and

Continued on page 16
FEEs

In-house counsel keeping work inside

By LAURA DUNCAN
Law Bulletin staff writer

While it's beginning to look a lot like recessionary times are waning, a recent survey indicates that more corporate law departments are keeping to themselves work usually reserved for law firms.

That's the conclusion of an annual survey conducted by Price Waterhouse on the spending habits of corporate law departments at 140 Fortune 500 companies.

More than 40 percent of the respondents said that they had spent less on outside counsel during fiscal year 1991, compared with just 22 percent indicating a decrease during the previous year. The survey found that corporations slashed their budgets by an average of 24 percent for outside counsel spending during fiscal year 1991, the most recently available figures.

respondents reported that they had increased internal legal expenditures.

Despite corporations' focus on quality, through programs like total quality management, executives' No. 1 priority is to strip excess legal costs out of their budgets, Bellis said.

Meanwhile, the median salaries of corporate lawyers jumped by 5 percent during 1992, the highest increase in at least three years, Bellis said. Last year, corporate lawyers saw only a 1 percent gain in their salaries.

The increase in compensation signals that companies are not simply replacing law firm hours with a proportionate increase in inside counsel, Bellis said.

"What I'm seeing more is a qualitative improvement inside," he said. "If you're going to try and generate the rubber inside, that's

The highest paid lawyers responding to the survey were those in administrative and antitrust/trade regulation practice areas. The lowest paying practice areas were telecommunications and consumer affairs.

The mail in survey, which has been conducted since 1984, measured the practices of 5,000 lawyers.

The research also revealed that corporate spending on legal services ranged from 1.02 percent of revenues by companies with total income of more than \$1 billion to 0.28 percent of revenues by companies with more than \$10 billion. Legal services included internal and external legal costs.

When divided by industry, companies in chemical/pharmaceutical and diversified financial companies spent the most on legal services and utilities and insurance companies spent the least.



Fees

Continued from page 1

collusive at worst," Curry wrote. Through his efforts on behalf of the fund, Kristov has righted a serious wrong, secured restitution for past misconduct, created a climate that will assure fidelity in transmitting future pension fund tax receipts, delivered a handsome recovery, enhanced that recovery by ferreting out auditing mistakes, secured an award of compound interest and engaged in collateral litigation to protect the benefits gained by the fund, Curry wrote.

Curry also vacated a preliminary order that denied Kristov attorney fees for the time he has spent fighting in court to receive his fees.

In finding that the lodestar should not be applied, Curry wrote that although it seems "eminently common-sensical on first impression," it melts away on closer examination.

"Its illusion of objectivity, which arises from the mathematics of hours times rate, is destroyed by the entirely subjective multiplier which purports to measure the degree of difficulty, the benefit which accrued to the class and the contingent nature of the undertaking," Curry wrote.

"Fees should not be the product of a pretense that the undoable has in fact been done, i.e. that Kristov's 5,700 hours have been closely scrutinized, that duplication and fat has been eliminated and that only 'quality' time is being compensated," Curry wrote. "It would take a major leap of faith to see credibility rather than guesswork in such a process — fact-finding is not guesswork."

"The point is not that a lodestar analysis of 5,700 hours is impossible (indeed other courts have done it) but rather that, in this setting, it would be folly because the results of such an undertaking can never hope to achieve credibility," Curry wrote.

Curry wrote that Kristov's undertaking in the case was highly contri-

gent because he received no support in his suit from the four pension funds, he won the litigation rather than achieving the benefit through a settlement and engaged in satellite litigation to protect the benefit.

"The public generally, and those in the legal marketplace particularly, are familiar with and have accepted the concept of percentage contingency fee arrangements," Curry wrote.

Curry wrote that it would "defy reality" that any lawyer would take on a case of that magnitude for less than one-third of the recovery. Fees awarded Monday, when coupled with the settlements Kristov reached with the other three funds, approximate only about 13 percent of the recovery.

The benefit conferred by the lawyer and not the hours spent should primarily drive the fee-setting mechanism in common-fund cases, Curry wrote. In large benefits, the length of litigation, experience of the lawyer and amount of work should be secondary, he wrote. Small benefits should also "dictate the attorneys' fees potential regardless of the time spent or degree of difficulty involved in generating the result," he wrote.

"The elephant who gives birth to an ant has little to trumpet about and most will agree that both the courts and the profession are made to look foolish and self-serving when the class members get poorer and the lawyer gets rich," Curry wrote.

Maynard B. Russell, Alvin D. Meyers and James A. Roth of Fogel & Haber represent the fund. The police fund is represented by David R. Kugler of Kugler, Cohen & Sammarco while the municipal and labor funds are represented jointly by Frederick P. Heiss of Boyle and Heiss Ltd. and William A. Marovitz of Marovitz & Edelstein.

Ryan v. City of Chicago, et al.
No. 83 CH 390.

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February 1, 1993

Number 27

GOVERNOR SIGNS SENATE BILL 1650

On January 25th, Governor Edgar signed SB1650 which incorporated the early retirement change. All of the provisions reported to you earlier this month in our Legislative Update were in this Bill. The Governor also released the \$50 million promised the five State funded pension plans, of which \$13 million will come to SURS.

SURS Staff and Mr. Flynn met with the Governor and other legislative leaders on this Bill in Chicago on January 5th and again in Springfield on January 11th.

IBHE MEETS IN CHICAGO

Jim Beedie, Tony Freveletti and I attended the Illinois Board of Higher Education meeting in Chicago on January 5th. The Board voted on the FY94 Budget for Higher Education. This year, the budget request for SURS was reduced by IBHE prior to it being sent to the Bureau of the Budget (when it is typically reduced). IBHE's action has been reviewed by Susan Getzendanner. The IBHE does not have the authority to reduce our amount under the current Statutes. I am working with the SURS Executive Committee on this matter and will keep you posted.

SURS STRATEGIC PLANNING COMPLETED

On January 8th through 10th, SURS Executive Team met in Springfield to update the Strategic Plan for the next five years, as well as compile a one year plan. The Personnel and Resource Committee will meet on March 11th in Champaign, at which time the updated plan will be presented.

IRLAC MEETS

The Illinois Retirees Legislative Advisory Council (IRLAC) met in Springfield on January 14th. SURS hosted this event. Dave Miant, Tony Freveletti, Linda Grindley and I were present to update the group on SURS activities in Springfield, as well as in Washington, D.C. The group developed their Legislative Platform for 1993. It was a good meeting.

SURS UPDATES ICCE

I was the guest of the Illinois Community College Board on January 15th in Springfield. I was asked to make a presentation on SURS. I spoke on the early retirement legislation and our continued underfunding issue. Mr. Sechler also made a presentation on the SURS Annual Report.

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SUAA EXECUTIVE COMMITTEE MEETS

On the afternoon of January 15th, I was asked to speak to the Executive Committee of the State Universities Annuitants' Association in Springfield. Tony Freveletti was also present on SURS behalf. I gave a brief update on the Legislative Veto Session and our current funding situation. SUAA continues to be a strong supporter of our Board.

BRINSON PARTNERS VISIT

On January 19th, Bill Forsyth, Jr. visited Ken and me. We were able to review Brinson's account and give Bill a tour of our new building.

CIVIL SERVICE ADVISORY COMMITTEE

On January 13th and 14th, SURS hosted the Civil Service Advisory Committee. The Committee used our Training Room for their meeting. Jim Beedie and I welcomed the group on the first day before they began their sessions. The members are from universities throughout the State of Illinois. Mr. Walter Ingerski, Director of the State Universities Civil Service System, and his staff were also in attendance.

SURS WORKS IN D.C.

On January 22nd, I traveled to Washington, D.C. for the annual meeting of the Government Finance Officers' Association Committee on Retirement and Benefit Administration. While in Washington, I was asked to interview with Reader's Digest. They are writing a story on the underfunding of pension plans in the United States, and had been told to talk with SURS first! The article will be published later this year to over 15 million readers in the United States and 100 million readers worldwide.

On January 23rd, Dave Wiant, Tony Freveletti, Bryan Bloom and I met with representatives of the California Public Employees' Retirement System to discuss their funding problems and the current issues facing CALPERS.

On January 25th, the Public Pension Coordinating Council met. This group represents the Government Finance Officers' Association, the National Council on Teacher Retirement, the National Association of State Retirement Administrators and the National Conference on Public Employee Retirement Systems. Bryan Bloom and I heard the following speakers:

David Wilhelm
Chairman, Democratic National Committee

Daniel Flanagan
Director, Infrastructure Investment Commission

Congressman Pat Williams

Mildred Worrell
Tax Counsel Ways and Means Committee

While Bryan and I were attending this Conference, Dave and Tony visited Congressman Richard Durbin's office and the AARP offices.

On the afternoon of the 25th, Dave, Tony and I met with Sarah Tealik, Executive Director of the Council of Institutional Investors. Tony and I have been invited back to Washington on February 17th to speak at a

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breakfast meeting of all the new congressmen and their staff. It is hosted by the Council of Institutional Investors. My topic will be, "How SURS Lobbies in Washington." Sarah believes that SURS does one of the best jobs of lobbying she has seen in Washington.

We also visited with Congressman Michaels' staff in the late afternoon.

On January 26th, Bryan continued to represent SURS at the GFOA Committee meeting where they discussed Intergovernmental Infrastructure issues, the 1993 Tax Bill, and many other issues affecting public pension plans.

Dave, Tony, Bryan and I met with Cindy Moore, Legislative Liaison, for the National Council on Teacher Retirement.

We also met with Congressman Rostenkowski's staff, Lynn Coleman, our Washington contact with Skadden, Arps, et. al., Congressman William Lipinski and Congressman Tom Ewing.

On January 27th, GFOA ended the Conference with a session on "Lobbying the 103rd Congress." Speakers were Phyllis Borzi, Counsel to the House Subcommittee on Labor Management, and Joy Johnson-Wilson, Director Health Committee, National Conference of State Legislators.

SURS had prepared position papers on 415 limits, repeal of the 20 percent withholding of refunds and a paper on the State Universities Retirement System of Illinois so that discussions could center around infrastructure issues and public pension reform at the Federal level. Copies of these papers are attached for your information. I have also enclosed an Interim Report from the Infrastructure Investment Commission. SURS is not opposed to investments in infrastructure as long as we can make a market rate of return and participation remains voluntary.

All of our Washington meetings went extremely well. I believe we are making some progress on the important issues facing SURS.

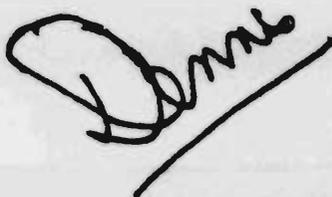
REVIEW OF EXECUTIVE COMPENSATION

Jim Beedie and I met with Bill Westwood, The Wyatt Company, on January 29th in Champaign to review his work on SURS Executive Compensation. Mr. Westwood will present his report to the Personnel and Resource Committee on March 11th.

EIU ALUMNI BOARD MEETS

On January 30th, the Eastern Illinois University Alumni Board met in Charleston. We had a good meeting. It was nice visiting the campus again.

If you have any questions or concerns regarding the direction SURS is headed, please call me.



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Infrastructure Investment Commission

INTERIM REPORT

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December 16, 1992

I. Introduction

The Commission to Promote Investment in America's Infrastructure was established by the Congress in Section 1081 of the Intermodal Surface Transportation Efficiency Act of 1991

"... to conduct a study on the feasibility and desirability of creating a type of infrastructure security to permit the investment of pension funds in funds used to design, plan, and construct infrastructure facilities in the United States. Such study may also include an examination of other methods of encouraging public and private investment in infrastructure facilities."

A list of Commission members follows as Appendix A.

The Commission began its work with a survey of America's infrastructure needs, drawing on the previous research of other groups, commissions and studies. There appears to be a consensus on three primary points.

1. New investment in infrastructure is vital to our nation's productivity, competitiveness and quality-of-life.
2. New investment will cost money, but the highest cost to Americans will be a failure to address our infrastructure needs.
3. Our foreign economic competitors are investing more heavily in relative terms in their infrastructures than we are in ours.

II. Findings & Conclusions

The Commission heard from 47 witnesses in seven public sessions held in September, October and November 1992. A list of Commission witnesses follows as Appendix B. Early in its deliberations the Commission was made aware both of encouraging opportunities and difficult parameters relating to infrastructure investment.

1. There is a wide gap in the level of current infrastructure finance and projected needs. Capital-intensive, long-term projects with histories of federal and state grant financing — particularly environmental projects — face immediate financial shortfalls.

U.S. public spending on infrastructure is over \$100 billion annually, but projections of need range from \$40 to \$80 billion more annually. The U.S. Department of Transportation estimates that to improve the national highway system to meet traffic and safety standards all levels of government would require twice the \$33 billion now spent annually on highways, bridges and tunnels. Yet, some observers term the 1991 Intermodal Surface Transportation Efficiency Act "the last great highway bill."

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The U.S. Environmental Protection Agency estimates there are \$200 billion worth of unfinanced improvements needed to bring states and localities into compliance with current clean air and clean water mandates. Yet, EPA intends to end its grant programs in 1994. As monies for grant programs diminish, states and localities will require self-renewing sources of finance, which are accessible to large pools of capital, such as pension funds.

Private investment in infrastructure, including telecommunications and utilities, continues to face a bewildering thicket of federal, state and local taxes and regulations that can discourage new investment and new technologies.

2. The \$3 trillion in assets in 22,000 pension funds represent a new source of capital for infrastructure finance. But any new pension fund investment would have to be voluntary and fully consistent with fiduciary duties and existing ERISA regulations.

The pension fund assets of more than \$3 trillion (about 26 percent of total financial assets in America) include over \$1 trillion in fixed income investments (\$925 billion in bonds and \$112 billion in mortgages). Even three percent of these fixed investment dollars would bring \$30 billion into infrastructure finance.

Experts indicate no changes in ERISA, fiduciary duties or governance would be necessary if the infrastructure investment vehicle pays a fair rate of return relative to risk, furthers portfolio diversity and offers sufficient liquidity. Tax-exempt bonds do not normally offer pension funds a competitive rate of return.

3. Current infrastructure finance programs - government grant programs, state and local tax-exempt bond markets, government tax programs - can be strengthened and made more effective.

Though tax-exempt bonds are seen as the most efficient method of finance for much of our infrastructure needs, there are legal, policy and market constraints on the bond market filling the gap. Tax-exempt bonds, as noted above, are not attractive to tax-exempt pension fund investors.

In 1992, a record \$225 billion in new bonds were issued, but estimates are that only \$30 billion represents net new infrastructure finance - \$10 billion for transportation, \$12 billion for water and sewer and \$8 billion for other environmental and economic development categories.

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4. New financial structures could provide a steady, sustainable, positive contribution to finance the country's infrastructure needs.

Federal dollars increasingly will be used to leverage other funds, because absolute demand will outstrip public dollars available for direct investment. Congress and policy-makers have recognized this in many ways. EPA allows states the flexibility to use grants to capitalize state revolving funds for environmental projects. The 1991 Intermodal Surface Transportation Efficiency Act authorized greater flexibility at the state level in using federal funds for highway and transit projects.

There are successful existing programs which can serve as structural models for leveraging funds and assisting in new investment. The self-sustaining College Construction Loan Insurance Association (Connie Lee) was authorized by Congress to insure and reinsure college building bonds up to AAA caliber. Because of their startup nature and due to capacity constraints with private credit enhancers, many new infrastructure projects currently lack such an opportunity.

The Overseas Private Investment Corporation (OPIC) provides investment finance (direct loans and loan guarantees), insures projects against political and other risks and provides investor services for American companies investing in more than 120 countries abroad, but there is no domestic counterpart for investment in infrastructure.

5. There are some barriers to be overcome to facilitate the flow of new private capital into infrastructure investments.

More infrastructure projects are being financed with user fees or other revenue stream attached. Two out of every three tax-exempt bond issues are now revenue bonds. Revenue-based financing opens up the potential for institutional investment. For institutional investors to rely on the credit ratings and revenue potential to evaluate risks and rewards, financial markets must improve their abilities to rate the credit-worthiness of infrastructure projects that have a revenue stream.

Private capital generally flows where return is commensurate with risk. It, therefore, can help prompt innovation and spawn new technologies in infrastructure, as it has in technologies, management and operations in other sectors of the American economy. Investors and users are deliberate in appreciating and adopting new financing mechanisms.

All parties look to the federal government for leadership in removing the impediments to private capital investment in infrastructure. Procedural impediments, such as an extended and often unending environmental permitting process, and arcane tax, rate-of-return and depreciation rules stifle private investment. Private investors look to states and localities for new flexibility in evaluating projects, making priority decisions and assisting in the permitting process.

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III. Recommendations

To attract tens of billions of new dollars to finance infrastructure needs in the next decade, the Commission prepared recommendations to structure additional financing options for all levels of government and the private sector, to attract pension fund monies as a new source of finance and to strengthen existing financing tools and programs.

Recommendation 1. Structure additional financing options for all levels of government and private sources of capital.

1.1 A national infrastructure corporation would be able to implement national infrastructure priorities, leverage other dollars with federal funds and employ innovative financing techniques to get priority projects underway.

A national infrastructure corporation will provide new leadership and supplementary approaches for the multiple departments, agencies and authorities involved in infrastructure finance. This federal government focal point for infrastructure is essential to boost the quality and speed of a national policy response.

The corporation, capitalized by an increment of the gasoline tax, by direct appropriation or through investments from existing government entities (for example, the Department of Transportation and EPA as shareholders), would be authorized to promote infrastructure investment by offering several forms of financial assistance.

An infrastructure insurance company could provide a mix of direct insurance and reinsurance to issuers of bonds for infrastructure projects that existing bond insurers and other credit enhancers cannot or will not insure.

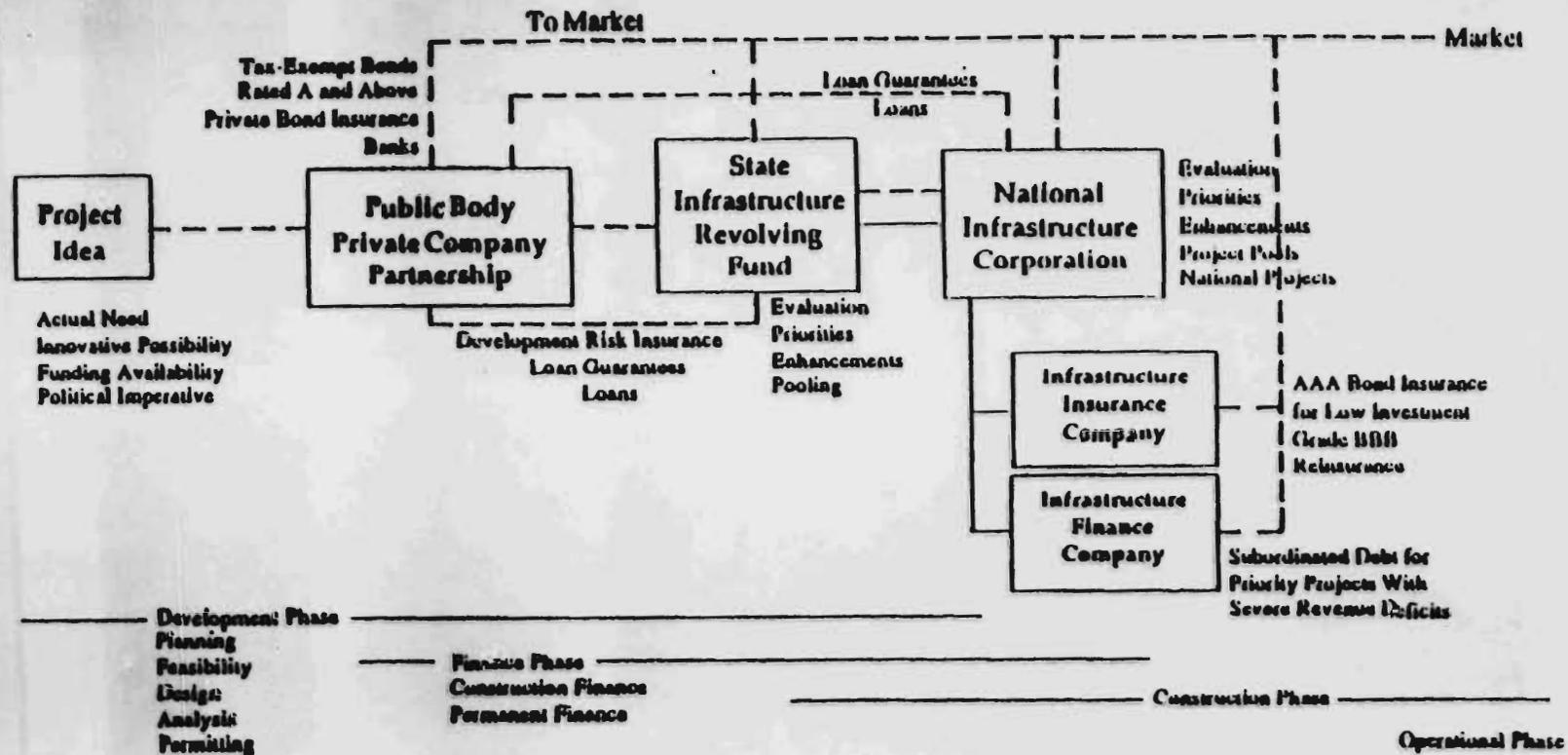
An infrastructure finance company could use borrowed or appropriated funds to lend to priority projects that have credit-worthy revenue projections, but lack historical operating results.

As states agreed, the corporation could facilitate partnerships and help capitalize state infrastructure revolving funds (SIRFs). SIRFs, together with state departments of transportation and the environment, would work to meet state project priorities, evaluate project revenue potential and shepherd projects through the riskiest development and construction stages. (See Table 1. *New Structures for Infrastructure Finance* for a presentation of how a project might work through this new structure.) Small states could agree to work on a regional or a multi-state basis.

The corporation will seek to become self-sustaining through charging guarantee fees receiving repayments of its loans and dedicating revenue streams from project pools. Among the new approaches the corporation would consider are development loans, loan guarantees, subordinated debt positions, capital for state revolving funds and national

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Table 1. New Structures for Infrastructure Finance



Congress creates a National Infrastructure Corporation (NIC) authorized to promote infrastructure investment by offering several forms of financial assistance. State Infrastructure Revolving Funds (SIRFs) are set up voluntarily by states in order to participate in NIC programs. SIRFs begin to share developer risk where projects are economically viable and a priority. An Infrastructure Insurance Company (IIC) and an Infrastructure Finance Company (IFC) use new tools move projects toward private sector finance. Federal funds in these companies always leverage private, state and local funds and create a self-sustaining funding mechanism. User fees from projects, loan repayments and insurance premiums are revenue streams for SIRF and NIC operations. Pension funds can buy NIC debt instruments which may be backed by project pools or invest directly in projects whose securities are insured by the IIC. SIRFs and the NIC work in tandem act as domestic OPICs, providing risk insurance, loan guarantees, loans and other services. Small states can pool projects on a regional or multi-state basis. Involvement of rating agencies will provide market checks to limit the exposure of the IFC.

project finance where financing is scarce. It would supplement existing programs and funding at the federal, state and local levels. Along with state infrastructure revolving funds, the corporation would select projects through an evaluation process to establish credit worthiness and revenue potential. (See Table 2. *Alternative Methods to Support \$20 Billion in Infrastructure Projects* for relative leveraging estimates.)

Table 2. *Alternate Methods to Support \$20 Billion in Infrastructure Projects*

<u>Financial Assistance Technique</u>	<u>Percent of Project Costs Funded/Guaranteed</u>	<u>Leverage Ratio Project-Federal</u>	<u>Federal Funds Required To Support \$20 b</u>
Outright Grants (1) Existing Programs	80 % of Total Project Costs	1:4	\$ 16.0 billion
Credit Enhancement (2) AAA-Rated Bond Insurance	100 % of Total Project Costs	18:1	\$ 1.1 billion
Credit Enhancement (3) AAA-Rated Bond Insurance	25 % (Non-Senior Debt Only)	72:1	\$ 0.275 billion
Funding Loans (4) with Appropriation	33 % (Non-Senior Debt Only)	3:1	\$ 6.67 billion
Funding Loans (5) with Debt Proceeds	33 % (Non-Senior Debt Only)	16:1	\$ 1.2 billion
Funding Grants to (6) Capitalize State Revolving Funds	16% (Non-Senior Debt Only)	6:1	\$ 3.33 billion
Insurance for (7) Development Costs	1%	100:1	\$ 0.2 billion

(1) An existing federal categorical grant program matches 80 percent federal funding of project costs with 20 percent of project costs by states.

(2) Infrastructure insurance company could issue bond insurance either on an entire issue or (3) on only the riskiest portion (non-senior debt) of project funding.

(4) Infrastructure finance company would fund \$1 billion of subordinated debt at 8 percent for each \$1 billion of appropriations. With 33 percent of total project costs, this \$1 billion would induce \$3 billion of projects. Loan repayments over ten years would allow an additional \$1.5 billion in subordinated loans (\$4.5 billion more in projects) for a total of \$7.5 billion in project activity.

(5) Infrastructure finance company would loan the proceeds of the issue of taxable securities by the national infrastructure corporation. Project loan repayments would support debt service and a guarantee fee.

(6) National infrastructure corporation capital grants to match states 50/50. State revolving funds could then take 33 percent subordinated debt positions. Due to the state contribution, the federal requirement would then be only half needed under (4) and (5).

(7) National infrastructure corporation, through a domestic OPIC program, insures 80 percent of development costs (preliminary engineering, feasibility, permitting, etc.) for a premium. Claim is paid only if there is no actual project financing forthcoming.

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An important function for the state funds and the national corporation would be to work in tandem as domestic versions of the Overseas Private Investment Corporation (OPIC), serving to provide guarantees, loans, development risk insurance and other investor services to both public and private infrastructure development efforts. In many cases the SIRFs would be the first point of contact for projects, particularly those in the development stage.

The infrastructure insurance company would work to provide primary insurance or reinsurance where currently there is thin coverage or none at all. Reinsurance would expand the capacity of the private firms to cover other infrastructure projects. Projects would be reviewed and evaluated first by private rating agencies, then taken up by the insurance company if rated at or near lower investment grade. The bond issuer would purchase the company's insurance for a fee to get the highest credit rating (AAA) and move into the taxable or tax-exempt bond market. The infrastructure bond guaranty company would refer projects with lower credit ratings to the national infrastructure corporation. Reinsurance would involve projects already evaluated as credit-worthy by private rating and insurance firms.

Recommendation 2. Attract pension funds as a new source of finance.

2.1 A type of infrastructure security, backed by dedicated revenue streams or a government guarantee and offering a taxable market rate of return, will attract institutional investors.

Pension funds clearly indicated the desire to have an option to invest in a new infrastructure security paying a competitive, taxable, market rate of return. The Commission envisions the national infrastructure corporation issuing securities backed by project specific debt insured by the infrastructure insurance company, by the straight debt of the national infrastructure corporation or by loans carried by the corporation from projects or project pools. Purchases of the security would be on a purely voluntary basis in accordance with the fiduciary duties of fund trustees and managers of qualified retirement plans.

2.2 A tax-advantaged security for retirement assets whose benefits flow through to fund beneficiaries at the time of distribution could attract investments from defined contribution pension programs, 401(k) plans and individual retirement accounts.

Additional tax advantages for fund beneficiaries would provide an additional return that could facilitate investments at tax-exempt rates. 401(k) plans are the fastest growing of these plans.

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Recommendation 3. Strengthen existing financing tools and programs.

3.1 Modifications to the federal restrictions on the use of tax-exempt bonds for infrastructure projects could stimulate additional infrastructure bond finance activity.

Tax-exempt bonds are used by more than 16,000 issuing authorities as primary tools for financing infrastructure projects. Where abuse is unlikely and the potential revenue cost to the Treasury is limited, greater flexibility in state volume caps on environmental projects, looser arbitrage rebate rules where proceeds return to support infrastructure projects, and lifting of some restrictions on private activity and small issuers will strengthen market selection of infrastructure projects and continue important leveraging of federal tax expenditures. It also might contribute to greater policy consistency and emphasize that a new cooperative effort among various levels of government is underway.

3.2 Restoring tax incentives for private infrastructure investment, particularly extension of the investment tax credit and less restrictive depreciation rules, where private capital flows into infrastructure investments could prompt additional private sector activity.

Private infrastructure investment will be particularly critical for telecommunications and energy systems of the future. Tax incentives (and continued regulatory reforms) that are consistent with larger federal and state budget strategies can leverage significant new private investment in these areas.

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Appendix A. Members of the Infrastructure Investment Commission

Daniel V. Flanagan, Jr.
President, The Flanagan Group, Inc.
1600 Wilson Boulevard, Suite 200
Arlington, VA 22209-2505

Chairman
Appointed by
The Speaker of the House

The Honorable Neil Goldschmidt
President, Goldschmidt, Inc.
222 Southwest Columbia Street, Suite 1850
Portland, OR 97201

Member
Appointed by
The Speaker of the House

Frank Hanley
General President
International Union of Operating Engineers
1125 17th Street, NW
Washington, DC 20036

Member
Appointed by
The Senate Majority Leader

The Honorable Kay Bailey Hutchison
Treasurer, State of Texas
P.O. Box 12608, Capital Station
Austin, TX 78711

Member
Appointed by
The President

F. Woodman Jones
Chairman, Atlantic Capital Corporation
P.O. Box 9715
Portland, ME 04104

Member
Appointed by
The Senate Majority Leader

Francis X. Lilly
President, Bear, Stearns Fiduciary Services, Inc.
805 15th Street, NW
Washington, DC 20005

Member
Appointed by
The House Minority Leader

Ralph L. Stanley
Bechtel Enterprises, Inc.
30 Beale Street
San Francisco, CA 94105

Secretary
Appointed by
The Senate Minority Leader

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Appendix B. **Working Schedule of the Infrastructure Investment Commission**

September 24, 1992
Senate Committee on Environment &
Public Works
406 Dirksen Senate Office Building
2:00 p.m. - 4:00 p.m.

Ann C. Stern
President & Chief Executive Officer
Financial Guaranty Insurance Corporation

R. Fenn Putnam
Managing Director
Lehman Brothers

Ted Sobol
Vice President
Kidder, Peabody & Co.

Joseph Giglio, Jr.
Smith, Barney, Harris Upham & Co.

Gerald McBride
Executive Vice President
Prudential Securities
Public Securities Association

September 25, 1992
Senate Committee on Environment &
Public Works
406 Dirksen Senate Office Building
10:00 a.m. - 12:00 noon

Michael J. Wynne
Associate Director
Barclays Bank plc

William Chew
Vice President
Standard & Poors

Martin K. Clapper
Vice President, Project Finance
Canadian Imperial Bank of Commerce

Markus Christian
Head of Global Project Finance
Credit Suisse

Scott Davis
Head of Public Finance
Credit Suisse

Barry P. Gold
Vice President, Project Finance
Citibank

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October 8, 1992
House Committee on Public Works &
Transportation
2167 Rayburn House Office Building
10:00 a.m. - 12:00 noon

Joseph Peilegrino
Vice President
Aluminum Corporation of America
Committee on Investment of Employee
Benefit Assets

Roy Dickinson
Executive Assistant to the General Secretary
International Brotherhood of Electrical
Workers

Stephen Coyle
Chief Executive Officer
AFL-CIO Pension Investment Program

1:00 p.m. - 4:00 p.m.

Jack Johnson
Finance Director
International Union of Operating
Engineers Central Pension Fund

Daniel J. Fuss
Executive Vice President
Loomis, Sayles & Co., Inc.

Bruce Kennedy
STW Fixed Income Management

Steve Cummings
Ennis, Knupp & Associates

Joyce Mader, Esq.
O'Donoghue & O'Donoghue

Judy Mazer, Esq.
The Segal Company, Inc.

Martin Levenson
Segal Advisors, Inc.

October 9, 1992
House Committee on Public Works &
Transportation
2167 Rayburn House Office Building
10:00 a.m. - 12:00 noon

William Allen
Senior Vice President
Parsons Brinckerhoff, Inc.
American Road & Transport Builders
Association

Robert Band
Vice President, Project Development
Perini Corporation

Hans Been
Vice President
Bechtel Enterprises, Inc.

William Peterson
Director, Government Affairs
Construction Industry Manufacturers'
Association

Mark W. Thompson
Manager, Project Development
Morrison Knudsen Corporation

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October 29, 1992
U.S. Department of Transportation
400 Seventh Street, SW, Room 4436
10:00 a.m. - 12:00 noon

Christian Holmes
Assistant Administrator and Chief
Financial Officer
U.S. Environmental Protection Agency

Carol O'Cleireacain
Commissioner of Finance
City of New York

Philip Shapiro
Chief Financial Officer
Massachusetts Water Resources Authority

Robert L. Mitchell
President, Mitchell Communications Circle
Former Chairman, Michigan Task Force on
Public Investment

1:45 p.m. - 4:00 p.m.

Oliver R. Sockwell
President & Chief Executive Officer
College Construction Loan Insurance
Association (Connie Lee)

Ian Lanoff
Partner
Bredhoff & Kaiser

Richard Lobron
President, Lobron Consultancy, Ltd.

Art Heilman
Bureau of Revenue, Cash Flow & Debt
Commonwealth of Pennsylvania

October 30, 1992
U.S. Department of Labor
200 Constitution Avenue, NW, Room C-
2313
10:00 a.m. - 12:00 noon

Marshall Greger
Solicitor
U.S. Department of Labor

Patricia Eckert
Public Utilities Commission
State of California

Stephen S. Smith
Deputy State Treasurer
State of Oregon

Norman Benedict
Deputy Executive Director for Investments
Colorado Public Employees Retirement
Association

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November 19, 1992
Senate Committee on Banking, Housing &
Urban Affairs
338 Dirksen Senate Office Building
2:00 p.m. - 5:00 p.m.

The Honorable Beryl Anthony
U.S. House of Representatives
The Anthony Commission

Thomas R. Donahue
Secretary-Treasurer
AFL-CIO

Peter Tufo
Chairman & Chief Executive Officer
New York State Thruway Authority

The Honorable Lucille Maurer
Treasurer, State of Maryland
Rebuild America Coalition

The Honorable John Horsley
Commissioner, Kitsap County,
Washington
Rebuild America Coalition

Teresa Ghilarducci
Department of Economics
University of Notre Dame

Micah S. Green
Executive Vice President
Public Securities Association

John A. Tatom
Assistant Vice President
Federal Reserve Bank of St. Louis

Steven Steckler
Senior Manager
Price Waterhouse

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February 26, 1993

Number 28

U OF I APPOINTS TRUSTEES TO SURS BOARD

On February 23rd, the University of Illinois Board of Trustees appointed Thomas R. Lamont and Kenneth R. Boyle to the SURS Board. Mr. Lamont will replace Mr. Grabowski on our Board effective February 23rd. Mr. Lamont is an attorney and lives in Springfield, Illinois.

WASHINGTON TRIP SUCCESSFUL

On February 16th and 17th, Tony Freveletti and I traveled to Washington, D.C. I spoke with the new members of Congress and their staff on "How SURS Lobbies in Washington" at the request of the Council of Institutional Investors. My presentation was made the morning of February 17th.

On February 16th, Tony and I met with Congressman Rostenkowski's staff and Phyllis Borzi, General Counsel to Congressman Pat Williams, Chairman of the Labor and Management Subcommittee. Our contacts in Washington feel that if any type of public pension reform legislation is to be initiated, it will be through this subcommittee. On the evening of the 16th, we had dinner with Ann Hansen, Public Relations Director for the Council of Institutional Investors.

On the afternoon of February 17th, we met with Joseph Sandier, General Counsel for David Wilhelm, Chairman of the Democratic National Committee. We spent our time together discussing the funding of public pension plans throughout the nation, as well as the current situation in Illinois. Later that same afternoon, we met with Lynn Coleman of Skadden, Arps, Slate, Meagher & Flom. Mr. Coleman has helped SURS determine the awareness level of not only the Illinois delegation, but Congress as a whole, in regards to the problem many states face in the funding of public pensions.

I believe we had another successful trip. I will be speaking at the spring meeting of the Council of Institutional Investors next month in Washington, D.C. on "How SURS Battles for Funding."

BRINSON PARTNERS VISITED

On February 4th, I traveled to Chicago to visit with Bill Forsyth of Brinson Partners at their new office location. I also had an opportunity to personally visit with Gary Brinson for a few moments in his office. Brinson's new location is very nice and their computer systems are very impressive. Ken Codlin joined us that evening for dinner.

CONTINUED ON REVERSE SIDE

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THE ECONOMIC CLUB OF CHICAGO MEETS

On the evening of February 9th, I was a guest of The Economic Club of Chicago. The speaker was Michael A. Miles, Chairman of the Board and Chief Executive Officer of Philip Morris Companies, Inc. It was a great evening and wonderful presentation.

PERSONNEL AND RESOURCE COMMITTEE PREPARES TO MEET

The SURS Personnel and Resource Committee is scheduled to meet at 9:00 a.m. on March 11th. Several issues will be on the agenda including the exempt salary survey conducted by The Wyatt Company. On February 10th, William Norwood, Jim Beedie, Bill Westwood, Wyatt Company consultant, and I met at The Wyatt Company office in Chicago to review the results of the study.

On February 20th in Chicago, Robert Sechler also received Mr. Westwood's report as well as a complete review of the Personnel and Resource Committee agenda.

Each Board member will receive a confidential copy of the report along with the entire agenda next week.

SURS TRUSTEE MEETINGS AROUND THE STATE

On February 9th, Tony Freveletti and I had lunch with Robert Ruiz in Chicago to begin plans for the April 14th Legislative Reception and SURS Legislative Committee meeting.

On February 24th, Jim Gentry and I had breakfast in Urbana to discuss the April Investment Committee meeting.

SURS MEETS WITH THE GOVERNOR'S OFFICE

On February 10th, I met with Erhard Chorle, Executive Assistant to the Governor, in Chicago. Our discussions centered around the funding of our System and future benefit enhancements for our members. We continue to have a good working relationship with Mr. Chorle.

SURS AND UPI MEET

On February 9th, Tony and I met with Mitch Vogel, President of the University Professionals of Illinois (UPI). We discussed the UPI legislation agendas in Illinois for this session. We also discussed the funding situation in Illinois. We noted that future benefit improvements must be fully funded.

LOBBYING SEMINAR AT SANGAMON STATE UNIVERSITY

On February 12th, Jim Beedie, Tony Freveletti, and I attended a lobbying seminar at Sangamon State University. We learned some new methods to use, as well as verified that what we are doing now is a solid approach.

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MEMORIAL SERVICE ATTENDED

On February 14th, Jim Beedie and I attended a memorial service for Joan Crane, Robert Crane's wife. As you know, Dr. Crane is the Executive Director of the State Universities Annuitants' Association, and shares SURS office space in Springfield. The Board did contribute to a memorial fund established in Mrs. Crane's memory.

MEETING IN SPRINGFIELD

On February 18th, I traveled to Springfield. Tony Freveletti and I had lunch with Robert Crane, Executive Director of the State Universities Annuitants' Association. We discussed our legislative strategy for SUAA helping SURS on the funding issue. We also discussed the office operation in Springfield.

That afternoon, I met with Senator John Maitland (R), Chairman of the Senate Appropriations Committee. I also met with Comptroller Dawn Clark Netsch. In both meetings, we spent a considerable amount of time discussing the funding situation of Illinois' pension funds.

CONGRESSMAN EWING VISITS CHAMPAIGN

On February 22nd, Congressman Ewing was in Champaign. I was able to visit with him and discuss SURS concerns surrounding President Clinton's use of public pension funds for infrastructure investments.

LEGISLATIVE STRATEGY DISCUSSED

On February 27th, Tony Freveletti, Jim Beedie, and I are meeting in Springfield to discuss the legislative strategy SURS should adopt. The outcome of our meeting will be presented to the Legislative Committee on April 14th.

SURS BOARD MEETING SET

The SURS Board meeting will be held in Champaign convening at 9:00 a.m. on March 12th. The Personnel and Resource Committee will meet at 9:00 a.m. on March 11th, with the Investment Committee meeting convening at 1:00 p.m. on the same day. I look forward to seeing each of you at that time.

If you have any questions or concerns regarding the direction SURS is headed, please call me.



97043331766



April 1, 1993

Number 29

ACTUARY HOSTS MEETING WITH GOVERNOR'S OFFICE

On March 1st, The Wyatt Company hosted a dinner in Chicago; Erhard Chorle, Executive Assistant to the Governor, was the guest of honor. Also in attendance were Tony Freveletti, Norm Losk and Mike Busby of The Wyatt Company, and me. The purpose of the meeting was to help the Governor's staff better understand how an actuarial valuation is prepared. This was a very good meeting. Follow-up meetings will be scheduled in the future on the same subject.

SURS ATTENDS IBHE MEETING

On March 2nd, I attended the Illinois Board of Higher Education meeting in Chicago. The main theme of the meeting centered around PQP. There was no discussion of early retirement or any other pension issues.

SURS TRUSTEES VISITED

On March 5th, Jim Beedie and I traveled to Carbondale to update Art Aikman on current SURS issues. We had a delightful lunch with Art and Samye on the SIU campus.

That evening, we had dinner in Edwardsville with Sylvia Nichols to bring her up-to-date on SURS events. We had a great discussion and dinner.

The next day, March 6th, we had lunch with Stan Rives in Mattoon. Again, we had a wonderful lunch and a good review of the current issues.

On the morning of March 22nd, Jim Beedie and I had breakfast with Gene Flynn to discuss several current issues surrounding our system. It was another good meeting.

LEGISLATORS KEPT INFORMED

On March 8th, Gene Flynn and I had lunch with Senator Stan Weaver in Urbana. We updated the Senator on the current funding situation at SURS and our Board's position on the other issues surrounding our fund. It was a very good meeting.

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CONTINUED ON REVERSE SIDE

On March 9th, Tony Freveletti, Jim Beedie and I met with Representative Bill Edley, Chairman of the House Personnel and Pension Committee. Later that day, we met with Senator John Cullerton. During both visits, we were able to give an update on the SURS funding situation.

On the afternoon of March 9th, we met with Speaker Michael Madigan for a photo session. The photos will be in the next issue of The Advocate. The Speaker is very concerned about SURS funding and continues to work closely with our office.

On March 10th, Tony Freveletti and I attended a House Republican reception in Springfield where we were able to meet several key legislators and discuss SURS funding situation.

On March 15th, Tony Freveletti and I met with Representative Laurel Prussing in Champaign. Our purpose was to introduce her to SURS and bring her up-to-date on the funding situation, as well as early retirement costs.

On March 17th, Tony Freveletti and I met with President Pate Philip to discuss the State Universities Retirement System. It was a good meeting.

MEETING HELD WITH OTHER ILLINOIS PENSION FUND DIRECTORS

On March 16th, I traveled to Springfield and met with Mike Mory, Director of the State Retirement Systems, and Bob Daniels, Director of the State Teachers' Retirement System. The purpose of the meeting was to see what our Boards' positions were on the current issues surrounding Illinois pension funds.

I presented SURS Board's position on all the issues. Mr. Daniels stated that he supported SURS' views. Mr. Mory stated that they were going to continue to push for the 2.2 percent formula enhancement. The meeting did allow for all points of view to be discussed. We all left on a cordial note.

SURIS KEEPS SUAA UPDATED

On March 17th, Robert Crane, Executive Director of the State Universities Annuitants' Association (SUAA) was SURS guest at a dinner meeting in Springfield. I updated Dr. Crane on the Board's position with regard to early retirement and other issues discussed at our March Board meeting. SUAA is very committed to helping SURS get adequate funding. They are a strong SURS supporter.

DINNER MEETING WITH GOVERNOR'S ASSISTANT

On March 19th, my wife, Linda, and I had dinner with Erhard Choric, and his wife, Lori, in Chicago. We continue to discuss the possibility of developing a funding source for our pension plan. It was a good evening. However, funding of pensions will continue to be dinner conversation for some time.

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SURS SPEAKS IN WASHINGTON, D.C.

On March 22nd, I traveled to Washington, D.C. My trip had several purposes.

First, I spent two days with the California Public Employees' Retirement System (CALPERS) Board of Administration discussing the funding situation in Illinois. We spent a day at a briefing conducted by the CALPERS's federal lobbyist. Later that day, we went on the Hill and lobbied key California legislators. One of the best meetings was with Congressman Pete Stark. I believe the sharing of ideas with other funds such as CALPERS is very useful. We are attempting to do two things: 1) To begin the development of a national member and retirees group and 2) To develop federal legislation which would prevent raids on public pension funds. The two days with the CALPERS Board were extremely productive!

On March 25th, the Council of Institutional Investors met. Ken Codlin, Jim Gentry, and I represented SURS at the conference. I was a speaker on a panel at the meeting. My topic was the "Battle for Funding." There were many, many good panel discussions and speakers. On Friday, March 26th, Secretary of Labor, Robert Reich, was our luncheon speaker to conclude the two action-packed days. SURS is still seen as a leader in the battle for funding! The support our Board has given to this issue is highly regarded nationally.

On March 29th, I was a speaker in Washington, D.C., again, on the "Battle for Funding." This conference was hosted by EFI actuaries and entitled "Public Retiree Benefit Conference." This conference was also well attended. I was only able to stay for my part in the program because I needed to return to Illinois to testify on our appropriation bill the next day.

SURS TESTIFIES BEFORE THE SENATE APPROPRIATION COMMITTEE

On March 30th, Jim Beedie, Bryan Bloom, and I traveled to Springfield to testify before the Senate Appropriation Committee. Our appropriation bill is SB1099. A copy of our position paper on this bill is attached for your review. This year, under current Illinois law, SURS should receive \$100 million. The Governor has recommended \$101 million. This is \$3 million less than last year's appropriation of \$104 million.

OTHER POSITION PAPERS

I have enclosed two other position papers for your information. One is on the current early retirement bill before the Illinois General Assembly, and the other is on SURS position with regard to a 2.2 percent formula increase.

If you have any questions or concerns with the direction SURS is headed, please call me.

Dennis

97040031769



May 24, 1993

Number 31

GFOA CONFERENCE A SUCCESS

On May 1st through May 5th, Bryan and I attended the Government Finance Officers Association Annual Conference in Vancouver, B.C. On May 1st, the Committee on Retirement and Benefits met in an eight hour session to discuss a variety of pension and health insurance issues. The conference had many sessions on pension issues including the funding of public pension plans.

SURS TESTIFIES BEFORE THE HOUSE APPROPRIATIONS COMMITTEE

On May 6th, Jim Beedie, Judy Weathington, and Tony Freveletti testified before the House Appropriations Committee with regard to SURS FY 94 appropriation. As a result of the testimony, the House Committee added \$10 million to SURS appropriation. It is unclear whether or not the additional money will stay in the bill. Jim Beedie did a great job representing SURS! If we get the extra \$10 million, I may stay out of the U.S. each year at appropriation time!

EXECUTIVE COMPENSATION STUDY CONTINUES

On May 10th, Professor Gentry, Mr. Haefflinger, Norm Lesk, and Randy Harrison met in Champaign with Jim Beedie and myself to continue the review of SURS executive compensation. Since our last Board Meeting, Mr. Bill Westwood has joined another company, and Mr. Harrison has continued the project for the Wyatt Company. Mr. Haefflinger and Professor Gentry have developed an Executive Compensation Policy for the Personnel/Resource Committee to review on June 2nd. The meeting was held to review their policy and finalize a manual which has been mailed to each of you. If you have any questions about the policy, please call Mr. Haefflinger at his office prior to our meeting in June.

SURS ATTENDS SPEAKER'S RECEPTION

Speaker Michael Madigan held a reception in Springfield on May 11th. Mr. Jim Beedie, Tony Freveletti, Susan Duckworth and myself attended the event. It gave us a chance to speak with several legislators in a casual setting about the current funding situation of SURS.

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WASHINGTON, D.C. TRIP

On May 13th through May 15th, my wife and I traveled to Washington, D.C. with several other couples from the 15th Congressional district, including Dave and Jo Wiant, to visit with Congressman Ewing. Once we arrived we joined with constituents of Congressman Mastert of the 14th district. We spent our time touring Washington and attending briefings. Governor Edgar was in Washington and spoke to us at lunch on May 14th along with Jack Kemp, Congressman Crane, and several other representatives from the Midwest. We also had a briefing at the Heritage Foundation, a Washington think tank. Other stops included the White House, Russian Embassy, Mexican Cultural Center and State Department. I had ample time during my visit to discuss the funding of Illinois pensions with the Congressmen and their staff.

MEETING WITH ECONOMIC AND FISCAL COMMISSION

On May 17th Tony and I met with Mr. Bill Hall, Director of the Economic and Fiscal Commission, and his staff. We discussed the current fiscal situation of the State Universities Retirement System.

F.I.R.S.T. DAY RALLY

On May 18th, the Illinois Retired Teachers Association, State Universities Annuitants Association, and the Illinois Retired State Employee Association held a Fund Illinois Retirement Systems Today rally in Springfield. SURS was a part of this event which saw over 500 Annuitants and members in the rotunda of the State Capitol. Tony helped with an SUAA legislative brief prior to the rally. I was one of the speakers in the Capitol. Comptroller Dawn Clark Netsch was the featured speaker for the day. It was the first rally for funding, and I believe we will see more of this type of activity in the future. I have enclosed a F.I.R.S.T. button for you which SUAA members and SURS staff wore that day.

CHAIRMAN AND CEO OF BANKAMERICA CORPORATION SPEAKS

On May 21st, I traveled to Chicago for an Executives' Club of Chicago luncheon meeting. The speaker was Mr. Richard M. Rosenberg, Chairman and CEO of BankAmerica Corporation. BankAmerica is the second largest bank holding company in the United States. It was an excellent meeting.

PRE-COMMITTEE MEETINGS SCHEDULED

On May 25th, Jim Beedie and I will travel to Rockford to review the Personnel/Resource Committee Agenda with Mr. Sechler, Chairman of the Committee.

On May 26th, Ken and I have planned a breakfast meeting with Professor Gentry to review the Investment Committee Agenda.

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SPRINGFIELD VISIT

On May 27th, I plan to be in Springfield to visit several legislators' offices with Tony. Also, Kristie, my daughter, will be an honorary page for the day in the House.

BOARD MEETING IN CHAMPAIGN

The Annual Board Meeting of the State Universities Retirement System will be held in Champaign on Thursday June 3rd, 1993. The Personnel/Resource Committee and the Investment Committee will be meeting at the SURS office building on Wednesday, June 2nd, 1993. Please use the parking spaces in the circular drive at the front of the building for your car.

ARTICLE OF INTEREST

I have enclosed an article from the April 1993 Plan Sponser Magazine entitled, "The Last Great Untapped Source of Capital" for your information.

If you have any question or concerns with the direction SURS is headed, please call me.

Dennis

97043831772



July 30, 1993

Number 33

VISIT WITH COMPTROLLER'S STAFF

On July 1st, Tony Freveletti and I had lunch with Mr. Jim Ofcarcik in the Comptroller's office. Jim has been instrumental in helping SURS get the vouchers processed from our institutions so that checks can be issued to SURS. We continue to work with the Comptroller's office to improve the processing of these vouchers.

CONGRESSMAN EWING VISITS BLOOMINGTON

On July 7th, my wife Linda and I attended a reception for Congressman Tom Ewing in Bloomington. Congressman Ewing has been very helpful to SURS in Washington and we had a photo taken for inclusion in the next issue of The Advocate. Ms. Nancy Froelich and her husband Bill were present to introduce Congressman Ewing to the constituents of the 15th District. Also in attendance were Dave and Jo Wiant, who Linda and I had the pleasure of having dinner with later that evening.

ILLINOIS GENERAL ASSEMBLY ADJOURNED JULY 13TH

Tony Freveletti has already mailed to you a review of what happened in the 88th General Assembly. SURS received \$101.5 million which was \$500 thousand more than the Governor recommended, but \$94 million less than the amount required under current Illinois law.

Senate Joint Resolution 44 passed. It calls for the creation of a task force to study and propose solutions to the problem of public pension underfunding. Also included in the resolution was a provision that no new unfunded benefits be adopted until the funding problem is addressed. As of this update, I have not been contacted as to when the task force plans to have its first meeting.

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Additionally, SURS should benefit from the restructuring of the Unclaimed Property Act. Currently, the money the State receives from unclaimed properties is put into the State Pension Fund and is divided among the State's five public retirement systems. The law was redrafted this session to encourage and increase voluntary compliance. We believe there will be an increase in the amount turned over to the State as a result of this legislation. How this will affect SURS is unclear at this time.

SURS ON LOCAL TV NEWS

On July 16th, Channel 15 News, an NBC affiliate in Champaign, asked SURS for their comments on the new budget passed by the Illinois General Assembly. It was a short piece, but it did let the local community know that SURS continues to be underfunded by the State of Illinois.

SURS ATTENDS CONFERENCE ON THE FUTURE OF THE AMERICAN WORKPLACE

On July 25th and 26th, the President of the United States, along with the Secretary of Labor and the Secretary of Commerce, invited SURS to participate in a conference consisting of several round table discussions looking at changes in the workplace.

The Council of Institutional Investors in Washington, D.C. had been asked to recommend three institutional investors to participate in these discussions. The State Universities Retirement System of Illinois, the Illinois State Board of Investment and the State of Wisconsin Investment Board were sent invitations. Also, the California Public Employees Retirement System was present through a separate invitation.

Institutional investors were being asked if they would invest in a company to make them more productive. Hence, use our institutional clout to force change of management style within companies. My comment to the issue was, "We certainly want all companies in America productive and able to produce quality goods and services."

The reception held on July 25th gave me an opportunity to meet Secretary of Labor, Robert Reich; Secretary of Commerce, Ronald Brown; and Assistant Secretary of Labor, Olena Berg. Also, I met Senator Simon and Senator Braun, Mayor Daley, Comptroller Netsch, Attorney General Burris, and Congressman Rush.

I believe SURS has helped redesign the governmental workplace through the use of technology and people. Therefore, I have invited the President to visit SURS to see how a governmental agency is preparing for the 21st Century.

SURS UNDERFUNDING A TOPIC OF LOCAL TV PROGRAM

On July 28th, Dave Wiant and I were guests of a local TV station, Channel 15, an NBC affiliate. We taped a half-hour talk show, Channel 15 RoundTable, which will be shown at 11:00 a.m., Sunday, August 1st. The entire program focused on the underfunding of the State Universities Retirement System of Illinois. Dave was invited to give the annuitants' point of view and provide additional background information for discussion.

It was an excellent forum to get the message out across East Central Illinois about the current funding problems at SURS.

NEW TRUSTEE ORIENTATION CONDUCTED

On July 29th, Ms. Nancy Froelich visited with Ken Codlin, Jeanne Valcik, and myself to review the current investment program of SURS, tour our new building in Champaign, and get a current update on our Board's activities. We had a very productive meeting. President Norwood has asked Nancy to serve on the Investment Committee and Legislative Committee.

EIU ALUMNI BOARD MEETS

The Eastern Illinois University Alumni Board met in Peoria on July 31st. This was my last meeting as a member of the Board. I submitted my letter of resignation to the Alumni Board because I have been asked to serve on the EIU Foundation Board.

FINAL NOTE

Vacation went well, with very few telephone and fax interruptions. Bill Norwood was right - "Vacations are important!" SURS staff is still rotating vacations throughout the month of August. I hope each of you are enjoying the summer too!

If you have any questions or concerns with the direction SURS is headed, please call me.

Dennis

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TRUSTEE



UPDATE

August 31, 1993

Number 34

SURS CONTINUES TO SPEAK OUT FOR FUNDING

On August 1st, Dave Wiant, State Universities Annuitants Association Legislative Liaison, and I were the guests of a Champaign TV station (Channel 15). The program is called Roundtable and the topic for the 30 minute segment was the funding situation at SURS. I have previously sent a video copy of this program to each Board member.

On August 18th, I was the guest of WSOY-AM talk radio/call-in program in Decatur, Illinois. The program aired for 60 minutes. Copies of the broadcast have been mailed to each Board member. Again, the topic of discussion ranged from funding to early retirement. The call-in questions kept me on my toes, but overall we felt it was a good show.

On August 25th, Jim Beedie, Bill Veach and I spoke to the Editorial Board of the Southern Illinoisan in Carbondale concerning the SURS funding problem. We have been told that the paper will print an article on our issue within the next seven to ten days. I will provide you copies of any articles that are printed.

On August 27th, I taped a 15 minute radio program in Champaign on WLRW-FM, and WIXY-FM, again, regarding the funding of SURS. The program aired on the morning of Sunday, August 29th on both stations at different times. On Monday, August 30th, the news broadcasts of both stations aired segments regarding the SURS underfunding problem.

Our plan is to continue these interviews on SURS funding situation with the media throughout the State of Illinois. I will keep you updated on our progress.

TRUSTEE VISITS

On August 9th, Stan and Sandy Rives had lunch in Champaign with Jim Beedie and me. We had an opportunity to review the current issues at SURS.

On August 25th, Jim Beedie, Bill Veach, and I traveled to Carbondale and updated Art Aikman regarding the current SURS issues as well as reviewing our legislative program with the Chairman of SURS Legislative Committee.

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HOUSE REPUBLICAN RECEPTION ATTENDED

On August 3rd, Tony Freveletti and I attended the House Republican reception in Chicago. We were able to visit many of the House members regarding the funding of the State Universities Retirement System.

NORTHERN OFFICE VISIT

On August 5th, Jim Beedie and I visited the SURS northern office located at 2 Mid America Plaza, Suite 800 South, in Oakbrook Terrace. As you may remember, the Board had approved adding another counselor and office space at that location. We now have two office spaces and two counselors, Bev Ward, Manager, and Lee Bridges, who moved from our Champaign office to the Chicago area. The office space is very nice, and we now have our image system in place so that the Chicago office may view imaged files. The Chicago office has all the capabilities that are in the Champaign office.

RETIREMENT LUNCHEON

On August 6th, Ann Swartz retired from SURS after over 20 years of service to the system. Ann was the Manager of our Mail/Reception area. We held a luncheon in her honor at the Radisson Suite Hotel. I thanked her, on behalf of the entire Board, for her many, many years of dedicated service.

VISIT WITH CONGRESSMAN EWING'S STAFF

On August 10th, Bill Veach, Tony Freveletti, and I had lunch in Champaign with Terry Greene, Congressman Ewing's Press Secretary. We continued to discuss the funding situation at the State Universities Retirement System.

MEETING WITH SENATOR MAITLAND

On August 11th, I traveled to Bloomington to meet with Senator John Maitland over lunch. Senator Maitland is the Chairman of the Senate Appropriation Committee. Mr. Dave Wiant was also present. We had a good discussion of the current financial situation in Illinois. As always, the funding of SURS was a topic.

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SURS ATTENDS LOCAL OFFICIALS DAY AT ILLINOIS STATE FAIR

On August 14th, my family and I traveled to Springfield as a guest of Governor Edgar for Local Officials Day at the Illinois State Fair. I did talk with several people about the underfunding of the State Universities Retirement System. By the way, Governor Edgar was attending the National Governors Conference. Lt. Governor Kustra filled in for the Governor.

SUAA VISITS SURS

On August 23rd, the new Executive Officers of the various Illinois State Annuitant Chapters met in Champaign for the day. Their meeting was held in our training center. Jim Beedie, Bryan Bloom and I were on hand to greet them. I also made some opening remarks to the group before the formal meeting began.

ARTICLES OF INTEREST

This month I have enclosed three articles for your information. One from the August 9, 1993 Business Week entitled For a Real Budget: Buster... The second from the August 23, 1993 issue of Crain's Chicago Business entitled Pension Funds Rev It Up. The third is an article from the August 1993 Institutional Investor entitled Raid!

END NOTE

As you can see, from the activities in August, our staff has begun to "gear up" for fall activities when we really get busy. I look forward to seeing all of you next month at our quarterly Board meeting on Friday, September 17th. We will begin with the Investment Committee meeting at 7:30 a.m. and adjourn by 11:30 a.m. for the Annual SURS Employee Awards Luncheon. The Board meeting will begin around 2:00 p.m. and we should adjourn by 5:00 p.m. An informal cookout has been planned at the SURS building that evening. Each of you have been invited to Dr. Ikenberry's residence on Saturday, September 18th for lunch prior to the football game between Arizona and Illinois.

If you have any questions or concerns with the direction SURS is headed, please call me.

Dennis



September 30, 1993

Number 35

RECIPROCAL CONFERENCE HELD IN CHICAGO

On September 8th and 9th, the Annual Illinois Reciprocal Conference was held in Chicago. This annual meeting brings together the staff and administrators of the 13 Illinois public pension funds covered by the Reciprocal Act. (In other words, those funds who can combine service credit to receive a pension as though the member worked for one employer.) The topics ranged from Federal legislation to detailed analysis of pending legislation in Illinois surrounding Qualified Domestic Relations Orders. In addition to these technical sessions, our staff had an opportunity to visit with their counterparts in the other pension funds. Staff from various SURS departments did attend, including: Information Systems, Customer Service, Claims and Benefit Counseling. I was elected President last year to preside over the meeting and will continue in that capacity through next year's meeting which will be held in Chicago during the month of September.

WASHINGTON VISIT PRODUCTIVE

On September 11th, Bill Veach and I travelled to Washington, D.C. I was invited to participate in the Senate Republican Inner Circle Conference which was held on September 13th and 14th. I was able to visit with Senator Bob Dole and Senator Phil Gramm. The featured speaker during the two day event was Lady Margaret Thatcher. During the conference, I was able to discuss the underfunding of public pension plans with many, many staff and fellow conference attendees.

Bill and I were able to meet with Congressman Tom Ewing and Mr. David Vienna of David Vienna Associates, the California Public Employees Retirement System's Federal Lobbyist.

Bill also visited the HQ facility. (If you remember, this is the building that SURS may use, if necessary, as office space while in Washington, D.C. We have this relationship through our Chicago office contract with HQ.) We did not use the office on this trip, but I wanted Bill to view the layout.

Finally, I was issued my Building Access Card for the 103rd Congress. This card allows me access to restricted areas/buildings in Washington.

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CONGRESSMAN EWING HOLDS RECEPTION

On September 18th, Congressman Ewing held a tailgate prior to the Illinois/Arizona game. Linda and I stopped by briefly to visit with Mrs. Ewing and the Congressman's staff.

On September 20th, Bill Veach and I travelled to Pontiac, Illinois to visit personally with Congressman Ewing and his staff. We were also able to visit with Representative Tim Johnson.

During both events, I was able to discuss the funding situation of our pension system and our concern surrounding the use of public pension funds to rebuild the U.S. Infrastructure. Further, I talked about my meeting with President Clinton earlier this year and the caution public pension funds should use in developing relationships with U.S. companies, i.e., relationship investing.

EIU FOUNDATION BOARD MEETING

On September 24th, the Eastern Illinois University Foundation met in Charleston. As you may remember, I was recently appointed to the EIU Foundation Board. This was my first meeting.

ACTUARY VISITS SURS

On September 25, 1993, Norm Losk, and his wife, Connie were guests of my wife, Linda, and me at the Illinois vs. Oregon football game. It was a very wet day. Thus, we chose to visit Mahomet and look through the local antique stores. We did talk about the funding of SURS, too!

EXECUTIVES' CLUB OF CHICAGO MEETS

On September 29th, the Executives' Club of Chicago met at the Palmer House for lunch. The featured speaker was Mr. Helmut Schmidt. Mr. Schmidt is the former chancellor of the Federal Republic of Germany. I also spoke with several people at the luncheon about the underfunding of SURS.

SWIDERSKI ELECTRONICS, INC. DEVELOPS AN APPLICATIONS UPDATE

I have enclosed an "Applications Update" developed by Swiderski Electronics, Inc., which features the SURS Training Center and Conference Room. Swiderski helped design, develop, and install the electronic equipment configuration used in both these rooms of the SURS office building. They work closely with Bryan Bloom on keeping both areas State of the Art. We were honored that they would use SURS and our staff as a feature in the "Applications Update."

ARTICLES OF INTEREST

I have enclosed three articles for your information. One item was sent to me by Art Aikman from the American Association of Retired Persons newspaper entitled "Public Retiree Pensions Need to be Protected." The second article is from the September 1, 1993 Southern Illinoian editorial page. The third is from the September 7, 1993 editorial page of the Daily Illini.

If you have any questions or concerns with the direction SURS is headed, please call me.

Dennis

97043831781



October 29, 1993

Number 36

U OF I EMBA INTERVIEW CONDUCTED

On October 4th, the Executive MBA Program of the University of Illinois conducted an interview with me at SURS about the EMBA Program. The results of the interview and a picture will be in the next EMBA course catalog published by the University of Illinois. Once in print, I will forward a copy to each of you.

EIU HONOR STUDENTS HOSTED BY SURS

On the evening of October 4th, Eastern Illinois University was the guest of SURS as EIU conducted a program for area high school honor students. The EIU staff used SURS training center for the event. Bill Veach and I were on hand as alumni from EIU and acted as the local hosts for the students.

PENNSYLVANIA STATE EMPLOYEE'S RETIREMENT SYSTEM VISITS SURS

On October 5th, Pennsylvania SERS visited SURS to better understand how to utilize technology in managing their pension fund. PASERS spent the entire day of October 5th with SURS staff. PASERS is much larger than SURS in that they manage \$12.4 billion for 189,000 members. I have attached a copy of a letter their Director, John Brosius sent me for your information.

COUNCIL OF INSTITUTIONAL INVESTORS MET IN NEW YORK

On October 7th and 8th, the Council of Institutional Investors met in New York. Our own Ken Codlin was a speaker at the Conference. Ken was on a panel which discussed the history of the Council. If you didn't know, Ken was one of the founding fathers of the Council. He did a great job!

There were also presentations on "The Leading Indicators of Long Term Corporate Performance," "Proxy Voting Workshop," as well as many other programs. The featured speaker was Secretary of Labor, Robert Reich.

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SURS PARTICIPATES IN LABOR LAW REFORM FORUM

On October 14th, SURS was invited to participate in a Labor Law Reform Forum on Working Women. The event was hosted by the U.S. Department of Labor. There were over 200 participants on hand for this "invitation only" event. The Secretary of Labor, Robert Reich, was the luncheon speaker. Throughout the day, there were many various speakers who had been instrumental in the labor movement. I believe SURS received an invitation to the event due to our active commitment to ensure "inclusion not exclusion" in our investment programs. Further, over 80% of SURS staff are women and this too could have been why SURS was invited. I found the forum to be very interesting, and I did learn a lot. SURS was the only institutional investor at the program.

SURSMAC MEETS

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On October 19th, the State Universities Retirement System Member Advisory Committee (SURSMAC) met in our Champaign office. A report was given by the funding sub-committee Chairperson of SURSMAC which indicated that the part of the funding problem at SURS was due in part to the "below average" investment performance of the SURS fund. Since SURS staff were not aware that this report was going to be presented, we were able to respond only to the basic questions raised. Ken has scheduled a meeting with the sub-committee Chairperson and the Chairman of SURSMAC to discuss the issue. At the next SURSMAC meeting, in April, a complete and detailed report on the SURS Investment Program will be presented to the group. I do not believe the entire committee feels our portfolio is doing poorly. I believe that one or two people have decided to make this an issue. One of these members is a licensed securities dealer who continually mentioned a specific mutual fund as his benchmark. I will keep you updated on this situation.

A complete report on the SURSMAC meeting will be presented to the SURS Board at our December meeting.

EXECUTIVES' CLUB OF CHICAGO MEETS

On October 22nd, Mr. Ross Perot was the guest luncheon speaker at the October meeting of the Executives' Club of Chicago. Mr. Perot spent most of his time discussing NAFTA.

ECONOMIC CLUB OF CHICAGO INVESTMENT SUB-COMMITTEE MEETINGS HELD

As many of you may remember, I was nominated to apply for membership in the Economic Club of Chicago. On October 22nd, I began meeting with each

member of the Investment sub-committee as part of the membership process. I had further meetings on October 25th and October 29th in Chicago. I should know the outcome of these interviews within the next month. I will keep you posted on my progress.

BRINSON PARTNERS HOSTS DINNER

On the evening of October 22nd, Linda and I were the guests of Mr. Sam Anderson of Brinson Partners at the "Dinner of the Decades." This was a fundraising event for the Ravinia Festival by the James Beard Foundation. We had a wonderful evening and some great food prepared by chefs from across the United States. Sam and I also had a chance to reminisce, since he was the former Executive Director of the Teacher's Retirement System of Illinois.

CHARLESTON VISIT PRODUCTIVE

On October 26th, Bill Veach and I were in Charleston to tape a 30 minute program at the WEIU TV station on the funding of SURS. A 5 minute spot was also taped by the student staff.

The same day, we met with the editor of the Charleston Times Courier to discuss the funding problems at the State Universities Retirement System.

This is a continuation of our efforts to keep the Illinois taxpayers informed about the underfunding of the SURS pension plan.

SURS MEETS WITH THE PRESIDENT OF THE SENATE

On October 27th, I travelled to Springfield to have a photo taken with Senator James "Pete" Philip, President of the Senate. This photo will appear in the next issue of the SURS Advocate.

ARTICLE OF INTEREST

I have attached an article from the October 1993 Institutional Investor entitled "When I'm 64." This article discusses the unfunded liabilities of the European government pension funds. It is for your information only.

If you have any questions or concerns with the direction SURS is headed, please call me.

Dennis

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TRUSTEE



UPDATE

November 30, 1993

Number 37

WASHINGTON D.C. TRIP SUCCESSFUL

On November 5th, I travelled to Washington, D.C. to continue work on several federal issues surrounding changes in the Internal Revenue Code that affect public funds. I met with staff from the Council of Institutional Investors who have been helping SURS with these issues.

On November 8th, Mr. Jim Beedie and Mr. Tony Freveletti joined me and we met with Mr. Lynn Coleman and Mr. Brian Flynn, of Skadden, Arps, Slate, Meagher, and Flom, who work on federal legislative issues for SURS. Most of our time together was spent updating one another on the issues in Illinois and in Washington, D.C. We also developed a strategy for letting the Illinois delegation know our concern for passage of HR 3419 - a bill which would favorably change Section 415 of the Internal Revenue Code for SURS members.

We had lunch with Mr. Chuck Pizer, Congressman Rostenkowski's Legislative Director. We also met with Congressman Mel Reynold's staff.

On the evening of November 8th, we had dinner with several staff from the Council of Institutional Investors.

On November 9th, we met with staff from AARP and the Legislative Director for Senator Dan Coats. Indiana Senator Coats is a member of the Labor and Human Resource Committee which handles some federal public pension issues. Other meetings included Kemper's federal relations staff and a visit with Mr. Daryl Dennis of Wedgewood Capital Management, Inc.

I conducted a telephone interview with The Wall Street Journal on the funding of public pensions while in Washington. The article is scheduled to be published in the near future.

We continue to build valuable relationships in Washington.

NEW TRUSTEE JOINS SURS

As you know, on November 11th, SURS was notified that Mr. Carl Kasten was appointed by the Board of Regents to the SURS Board. I met with Mr. Kasten in Springfield that same day to introduce myself and the System to him.

CONTINUED ON REVERSE SIDE

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On November 29th, Carl visited SURS office in Champaign. At that time, Ken, Jeanne and I reviewed the SURS investment program and we were able to give him a tour of our office.

Mr. Kasten will be present at our December Board meeting in Chicago. I know you will enjoy meeting him at that time.

VENTURE CAPITAL JOURNAL INTERVIEWS SURS

On November 12th, I conducted a telephone interview with Venture Capital Journal on the SURS venture capital program. It was a good opportunity to discuss our Board's recent selection process and the hiring of Ark Capital. Hence, how a public fund, such as SURS, believes that minority and women owned firms add value to a portfolio. Further, it allowed me to discuss the funding situation in Illinois. I was able to explain the negative impact that the continued underfunding of SURS will have on our investment program, specifically our venture capital program. As soon as the article is published, I will forward each of you a copy.

KEMPER VISITS SURS

On November 16th, John Anglo, Federal Kemper Marketing, visited SURS office in Champaign. We had a good meeting about SURS in general, the public pension funding problems in Illinois, and ways Kemper could help SURS with this matter.

TRUSTEE VISITS

On November 17th, Ms. Suzi Duckworth, SURS Assistant Governmental Relations Officer, and I travelled to Carbondale and met with Dr. Arthur L. Aikman, Chairman of SURS Legislative Committee. We reviewed the upcoming Legislative Committee agenda over lunch. The Committee will meet in Chicago on December 9th, 1993.

On November 23rd, Mr. Jim Beedie and I travelled to Bloomington and had lunch with Ms. Nancy Froelich. We also gave her an update on the System's activities. That same day, we drove to Rockford to pick up Mr. Sechler's fax machine, Trustee Handbook, and Executive Compensation Manual. Mr. Sechler was not available due to a late work schedule that day. However, we will be inviting Bob and Donna to our March Board Meeting for dinner and presentation of a Resolution from our Board.

97043031786

DIRECTOR OF CIA SPEAKS IN CHICAGO

On November 19th, The Executives' Club of Chicago met at the Palmer House Hilton to hear Mr. R. James Woolsey, Director of the CIA, speak. It was made quite clear that corporate espionage by foreign governments would not be tolerated. This comment, along with other background material on the CIA, made the presentation extremely interesting.

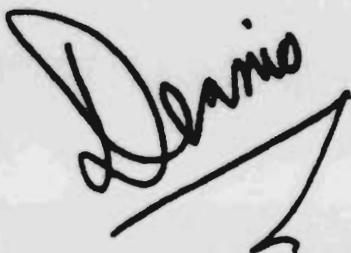
ELECTION TO THE ECONOMIC CLUB OF CHICAGO RECEIVED

As many of you know, I had applied earlier this year for membership in The Economic Club of Chicago. I just received notification that my election has been approved. On November 30th, I was in Chicago for my first luncheon meeting with the Club. The topic was "The Nation's Budget Deficit." The panelists were Dr. Robert Eisner, Northwestern University Professor of Economics, Mr. Peter Peterson, Chairman and Founding Partner of The Blackstone Group, and Mr. C. Gary Gerst, Chairman Emeritus, LaSelle Partners Limited.

OTHER ITEMS OF INTEREST

I have attached a November 11th letter from Ms. Susan Getzendanner and the Chicago Sun-Times Editorial cartoon she forwarded to me. I thought you would find both of interest. In that same regard, also attached is a cartoon from the November 23rd USA Today editorial page.

If you have any questions or concerns with the direction SURS is headed, please call me.



97043831787

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November 11, 1993

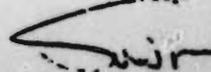
Mr. Dennis D. Spice
Executive Director
State Universities Retirement System
P.O. Box 2710
Champaign, IL 61825-2710

Dear Dennis:

I am enclosing the editorial page from the Sun-Times, November 10th issue. This is for your collection of underfunding publicity. Note the political cartoon. It refers to debt, human services, schools and pension underfunding as major money problems of the State.

Our campaign is paying off. The editorial writers and cartoonists usually set the pace on issues like pension underfunding.

Sincerely,



Susan Getzendanner

Enclosure

NOV 12 1993

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Commentary

CHICAGO SUN-TIMES

WEDNESDAY, NOVEMBER 10, 1993

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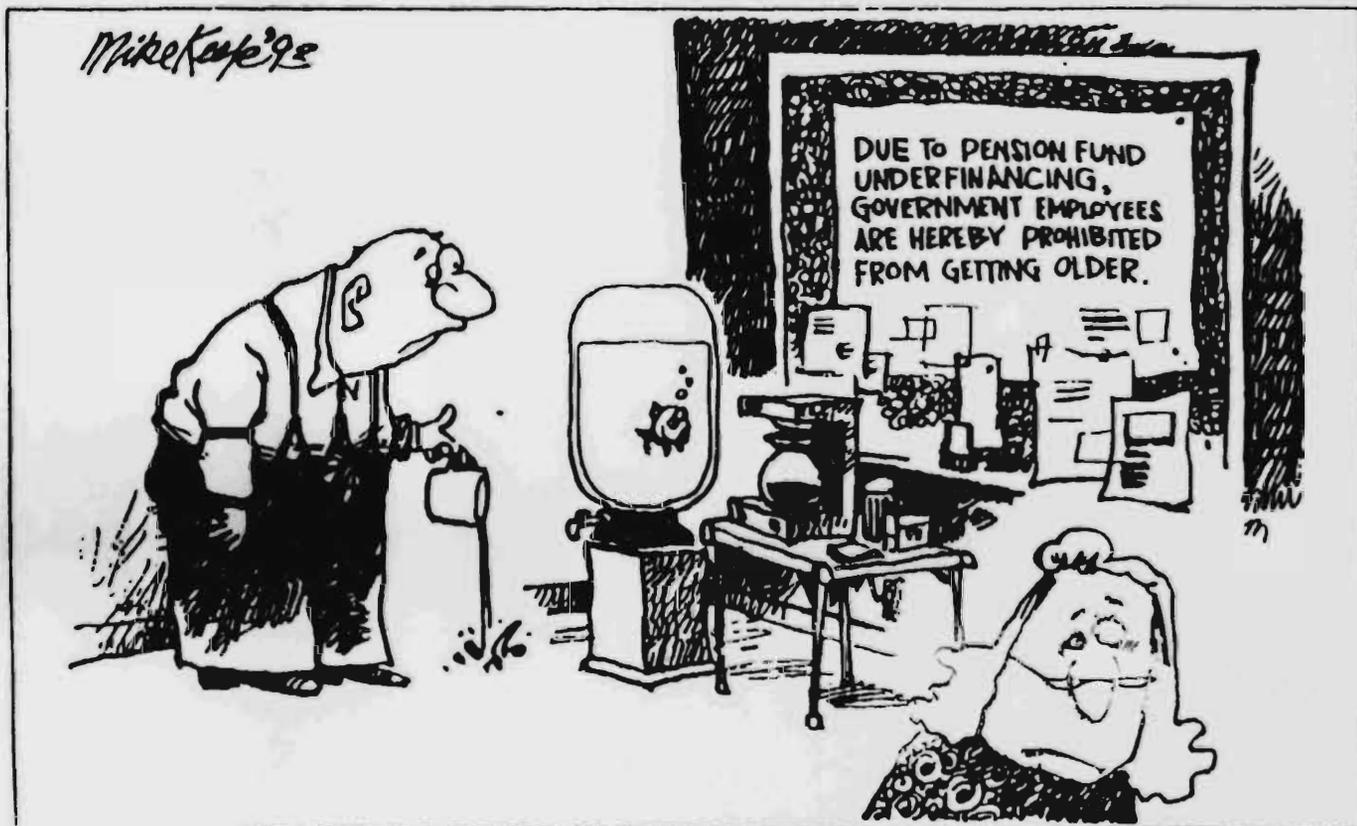


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10A • TUESDAY, NOVEMBER 23, 1993 • USA TODAY

THE EDITORIAL PAGE



By Mike Keefe for USA TODAY

TRUSTEE



UPDATE

December 23, 1993

Number 38

TRUSTEES VISITED PRIOR TO BOARD MEETING

I attempted to visit with every Trustee prior to our Board meeting. On December 1st, Mr. Jim Beedie and I met with Dr. Stan Rives to review the current matters to be discussed at the December Board meeting. Stan was unable to attend the meeting due to outpatient surgery. He is at home now and doing fine.

On December 2nd, Mr. Jim Beedie and I met with Mr. Gene Flynn to review the Board Agenda. On December 3rd, Mr. Ken Codlin, Ms. Jeanne Valcik, and I met with Professor Jim Gentry to review the Investment Committee Agenda. We also discussed other issues to be presented at the Board meeting.

NEW TRUSTEE ORIENTATION COMPLETED

Mr. Jack Schultz joined the SURS Board during December. On December 3rd, Mr. Ken Codlin, Ms. Jeanne Valcik, Mr. Jim Beedie and I reviewed the current SURS program with Jack in the SURS Champaign office.

STATE UNIVERSITIES CIVIL SERVICE RECEIVES UPDATE

On December 7th, Mr. Jim Beedie and I met with Mr. Walter Ingerski, Director of the State Universities Civil Service System, and Mr. Emil Peterson, Deputy Director. We discussed all the current issues facing SURS and the Civil Service System.

U OF I TOURS SURS CHAMPAIGN FACILITY

On December 8th, Mr. Jim Beedie provided a tour of the SURS' office building to Dr. Craig Bazzani, Vice President of Finance and Administration at the University of Illinois. Craig had not seen our entire facility until this tour. He was extremely impressed with the volume of work that our "small" staff accomplishes. Our technology allows us to remain extremely efficient.

EIU FOUNDATION BOARD MEETS

On December 10th, I travelled to St. Louis to attend the Eastern Illinois University Foundation Board meeting. The Board met on Saturday, December 11th.

CONTINUED ON REVERSE SIDE

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TASK FORCE MEETING STILL NOT SET

As you know, Senate Joint Resolution 44 established a Task Force to study the underfunding of the five state pension systems. A date for the first meeting has not been set. I have been trying to meet with everyone who is appointed to the Task Force to familiarize them with the State Universities Retirement System's situation. On December 13th, Mr. Jim Beedie and I met with Mr. Ken Bruce, a Task Force appointee, to discuss SURS and the current funding problems.

CONGRESSMAN EWING VISITS CHAMPAIGN

Congressman Tom Ewing (R) 15th District, was the featured breakfast speaker at the Champaign Chamber of Commerce on December 16th. Mr. Jim Beedie and I attended the event. We were able to spend some time prior to the speech talking with Congressman Ewing's staff.

ECONOMIC CLUB OF CHICAGO MEETS

On December 16th, The Economic Club of Chicago held its 266th Black Tie dinner meeting. The featured speaker was Dr. P. Roy Vegelos, Chairman and Chief Executive Officer of Merck & Company, Inc. Dr. Vegelos' remarks were directed to how his company operates. He also spent a considerable amount of time discussing the Clinton Health Care Plan. I met many interesting business leaders from Chicago. I was able to explain the Illinois pension funding issue with most of them.

EXECUTIVES' CLUB OF CHICAGO MEETS

On December 17th, The Executives' Club of Chicago luncheon meeting was held. The featured speaker was Mr. Bert C. Roberts, Jr., Chairman and Chief Executive Officer of MCI. It was an interesting presentation on how MCI has carved out their niche in the communication industry. I was also the host of several college students that the club invites to each meeting. The students at my table were from Barat College in Lake Forest, Illinois. I also talked with several businessmen about the underfunding of the State Universities Retirement System.

SURS CHRISTMAS PARTY HELD

On December 15th, the SURS Annual Christmas party was held at the SURS office building in Champaign. Each staff member brought a "gag" gift and each department brought a "good" gift for our tree. After lunch, an auction was held to raffle off the gifts. All money raised this year went to Red Cross Flood Relief. It was a wonderful afternoon!!

ARTICLES OF INTEREST

I have enclosed three articles with this update. The first is from the December 3rd, 1993 edition of The Wall Street Journal entitled "Underfunded Pension Plan? Don't Panic Yet." It gives a point of view that corporate plans can fix the problem. Hence, why can't public plans use similar techniques? As you know, we are working on this issue right now.

The second item is from the December 13th, 1993 Business Week entitled "It's Time To Start Thinking About Tomorrow."

The third item is from the December 18th, 1993 Chicago Tribune. It is an editorial that I wrote in response to an article on the underfunding of pension plans in Europe.

HOLIDAY NOTE

SURS offices will be closed on December 24th and 31st for Christmas and New Year's holiday. In addition, many of our staff take extra time off to be with their families at this time of year. I will be on vacation Thursday, December 30th, but should be available the remainder of the holiday. I hope each of you and your families have a very happy holiday season.

If you have any questions or concerns with the direction SURS is headed, please call me.

97043831793
Happy Holidays!!
Dennis

MONEY & INVESTING

Underfunded Pension Plan? Don't Panic Yet

By ELLEN E. SCHLITZ

Wall Reporter at The Wall Street Journal

For millions of people counting on company pensions to see them through the golden years of retirement, the news last week from the Pension Benefit Guarantee Corp. was chilling.

The government agency, which insures private pension plans, said the already serious problem of underfunding in many corporate plans grew a lot worse last year. At the 50 most-underfunded private pension plans, it said, the gulf between the benefits promised to future retirees and the money set aside to pay for those benefits widened by nearly a third in 1992—to a whopping \$38.05 billion.

At a time when many workers' sense of security has already been severely undermined by wave after wave of mergers, buyouts and corporate restructurings, the news could only fuel anxiety. But does the report really mean that employees of companies with underfunded plans face penalty, instead of a secure pension, in their old age?

Not likely. "It's really only a reporting illusion," says Drew Demakis, director and senior consultant with Rogers, Casey & Associates, a pension-consulting firm.

To understand why, you have to look behind all the scary headlines. Part of the story is that the nation's balance-sheet watchdogs, the Financial Accounting Standards Board and the Securities and Exchange Commission, have toughened up the assumptions that companies must use to forecast future pension obligations. When the new accounting standards were applied, the paper losses of pension funds soared.

But the real root of the current underfunding problem isn't corporate chicanery or neglect, but the sharp drop in interest rates during the past few years. Different interest-rate assumptions can radically change the "present value" of companies' future pension costs. The lower the interest rate, the more money a company must set aside today in order to cover a given pension liability tomorrow.

This is only slightly more complicated than understanding instructions on how to program a VCR. But for the sake of illustration, compare a pension plan with the situation of the hypothetical Young family, who have started a college savings plan to fund college tuition expenses for their newborn child.

The Youngs figure that a four-year college educa-

tion will cost \$150,000 by the time their child starts classes in 2011. Imagine that long-term interest rates were still 10% as they were just a few years ago: The Youngs could have bought \$7,000 of zero-coupon Treasury bonds yielding 10%, which would mature in 18 years at a face value of \$150,000. Interest on zero-coupon bonds isn't paid out in cash, but is discounted from the bond's price in such a way that they reach face value at maturity.

Unfortunately for the Youngs, however, rates are no longer in double-digit territory. At today's rates of less than 7%, they'd have to put \$45,000 in zero-coupon bonds today to meet those same tuition costs by the time junior gets to college. The result: All things being equal, falling interest rates have caused the present value of the Youngs' tuition liability to rise by 60%.

By the same token, when interest rates change, actuaries have to change the amount of money that must be earmarked to offset companies' future pension liabilities. And because pension liabilities tend to be quite long-term, they quickly inflate as interest rates fall.

Internal Revenue Service sets \$2,000 annual limits on Mr. Young's contributions to his individual retirement account, the IRS also puts "full-funding limitations" on tax-deductible contributions companies make to pension plans. Contributions can't significantly exceed the amounts needed to keep the plans fully funded. Indeed, a large percentage of plans were fully funded, until a stroke of an actuary's pen pushed them into the red.

"People get confused by what they're reading regarding the accounting requirements," says Ms. O'Connell. "They're confusing the financial reporting with the funding," and jumping to the conclusion that a change in the accounting reflects a change in the actual funding levels.

The confluence of these two trends—declining interest rates and declining contributions—may have gone unnoticed (except by actuaries), had the SEC not become concerned about underfunding. Because of sinking interest rates, the SEC announced it wants companies to reduce a key rate used to calculate future liabilities to 7% from the 8% of those that many companies currently use.

So what's the bottom line for would-be retirees? Corporations that come up short have several ways to return their pension plans to fully funded status. Like the Youngs, who might decide over time that college was really going to cost more than the \$150,000 they predicted, many companies could save more. In fact, as long as a company is still a going concern, it's required by law to set aside additional contributions if its pension plan is underfunded.

But most companies also have other ways to deal with the problem. For instance, they might change certain assumptions used to figure their long-term liabilities—such as salary growth rates and the tenure of their workers.

In fact, many companies probably will do just that, since they currently use very generous assumptions about wage increases and other factors that tend to overstate their future pension costs.

"Typically, companies forecast wage growth rates of 9%, reflecting a history of higher inflation," says Mr. Demakis of Rogers Casey. In the future, he says, "They may not experience the salary growth they're forecasting."

Then, of course, there's always the possibility that interest rates will simply go back up, causing companies to become fully funded, or even overfunded, without lifting a finger. "When inflation rises, and interest rates go up, this whole situation will go into reverse."

Please Turn to Page C7E, Column 3

Underfunded Pension Plan Isn't Necessarily A Cause for Anxiety

Continued From Page C1
says Scott Elliott, manager of qualitative consulting for Callan Associates Inc., a pension consulting firm.

Because companies have so much room to maneuver, being an employee in an underfunded plan really is "only an issue if the plan terminates," Coopers & Lybrand's Ms. O'Connell says. "If your employer is a viable, going concern, you have little to worry about." And even if

Guarantee Corp. would cover a lot of the unfmet liabilities.

Thus, workers at most companies may have little to worry about, and should get used to the natural cycle of underfunding and overfunding, experts say. As interest rates go through their normal cycle of rising and falling, this dance between regulators and pension actuaries will recur. But such controversy is likely to accelerate the trend among employers to dissolve their company pension plans and replace them—either with nothing at all, or with "defined contribution" plans, where employees, not the companies, take on the risk of not having enough to retire on.

Long-term career employees would be better off with a company pension than



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BusinessWeek

DECEMBER 13, 1993

A MCGRAW HILL PUBLICATION

\$2.75

IT'S TIME TO START 'THINKING ABOUT TOMORROW'

Take aging baby boomers, now hitting their late 40s, with mansion-size mortgages and shantytown savings accounts. Add corporate downsizing, career uncertainties, and the resulting turmoil in pension coverage. For good measure, throw in Social Security, whose day of insolvency gets closer every time two gray heads pulling a U-Haul cross the Florida state line.

If that brew makes you feel more than a bit queasy, you're far from alone. Economists looking ahead at the baby boomers' prospects for retirement are finding them to be grim. And there is precious little cause for optimism in recent pension news. On Nov. 22, the Pension Benefit Guaranty Corp. (PBGC) disclosed that the gap between promised benefits and assets in the 50 most underfunded traditional pension plans grew by 30% last year, to \$38 billion, in part because lower interest rates are shrinking the earnings of pension portfolios. In light of those low rates, the Securities & Exchange Commission may soon force even healthy retirement plans to adjust their balance sheets. That could accelerate compa-

ny moves away from paternalistic guaranteed pension benefits and toward plans that turn over retirement investment decisions to workers themselves. **1993 OUTLOOK.** Baby boomers, who will start turning 65 in just 18 years, aren't making up for shakier pensions by socking away more savings. Instead, they face a huge gap between their bank balances and what they need for a comfortable old age (chart). "People are just awakening to the news that they've got to take responsibility for their own retirement," says Dallas L. Salisbury, president of the Employee Benefit Research Institute.

Washington knows that retirement fears fuel the public's growing discontent with the economy and government. But some of the capital's sharpest politicians see an opportunity as well as a threat. They predict that "retirement security" will be the next hot button on the domestic agenda. "If health

reform is the issue of today, pension reform is the issue of tomorrow," says House Ways & Means Committee Chairman Dan Rostenkowski (D-IL). In the Senate, New Jersey Democrat Bill Bradley is planning hearings next year on retirement issues. "We need to strengthen on the pension system today rather than wait for it to falter tomorrow," Bradley warns.

baby boomers' retirement. That's "a second-term issue," they confide.

Delay could be dangerous, though Washington last thought seriously about retirement policy 20 years ago. Ever since, it's been tinkering without a blueprint, and those haphazard changes are the cause of many of the pension system's current problems. In the 1970s, companies boosted their contributions to old-fashioned, defined benefit pension plans in response to pension-friendly corporate tax breaks. But in the 1980s, Congress and the White House started whittling away those incentives, and pension coverage fell.

Having trampled on the carrots, some politicians think the answer now is the stick. Senator Howard M. Metzenbaum (D-Ohio) will soon offer a bill that would tilt pension benefits toward lower income workers. And other liberal Democrats want to resurrect the Carter-era notion of mandating a new payroll tax to fund pensions for all workers. Such an approach would tempt companies to dump their pensioners onto the government, turning the corporate retirement safety net into a new national liability.

Instead, lawmakers pursuing pension reform should focus on three themes that would direct the debate toward sensible solutions.

1. First, retirement policy must be considered on its own merits—not as a poor cousin to budget politics. For the past decade, Washington has treated pensions as a cash cow for deficit reduction and undermined pension funding. In 1987, for example, Congress lowered the lid on businesses' tax-deductible pension contributions to pick up \$3.1 billion over three years in new revenue. As a result, employers were barred from putting new money into an estimated 60% of big pension plans. But while contributions were frozen, pension obligations continued to grow, so many employers now face a stiff bill to bring their plans into balance. They have a choice: "Rather than pay more, some of these sponsors are just

going to terminate" the plans, says Research Director Sylvester J. Schieber of Wyatt Co., a benefits consultant. The result: Workers' benefits would no longer grow, and Congress' short-term deficit cut could cost the economy billions in lost savings.

2. The second theme is a touchy one: To ensure a good retirement for workers, Washington has to permit better pensions for bosses. Pension law tries to balance tax incentives with fairness: Executives can participate in workers' pension plans but are subject to tough rules ensuring that benefits are spread fairly to all covered employees. But recent tax bills—including President Clinton's tax hike—have tilted that balance, putting the squeeze on contributions for highly compensated employees. Those limits "are divorcing top executives from their companies' mainstream pension plans," argues James A. Klein, executive director of the Association of Private Pension & Welfare Plans, which lobbies on benefits issues. When managers don't share in workers' benefits, those benefits don't get the same attention—or funding Congress must reduce its obsession with equity if it wants to harness bosses' self-interest on workers' behalf.

3. The third theme is flexibility. While company-run, defined benefit plans stagnate, the growth in pensions is in self-directed investment programs, such as 401(k)s. These plans offer greater portability to meet the changing needs of a more mobile work force, but they're also more likely to be left languishing in low-yielding investments—or spent when workers switch jobs. Pension paternalism can't be resurrected, but new policies should help ensure that workers hang on to their savings. Congress could boost the tax penalties for spending retirement funds. And businesses should offer more savings options, backed by investment education that helps workers learn how to handle their nest eggs.

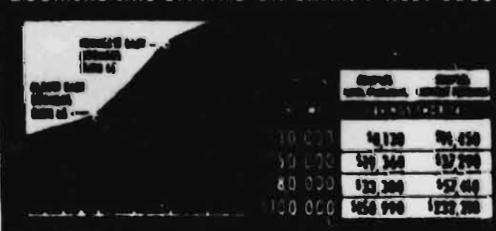
Rewriting pension rules won't guarantee a sound retirement for the massive baby-boom generation. Security requires savings—current sacrifice for future comfort—and Americans haven't done very well on that front over the past 20 years. As Rostenkowski says: "We've yet to discover an issue involving actuarial data that stirs the imagination." But pension reform can make the requisite sacrifice less painful, and the payoff could be huge. Boosting retirement savings, as Bradley notes, will set in motion "a virtuous circle of economic growth and job creation, which are the only long-term answers to our problems." Baby boomers—just beginning to realize that they, too, can age—can't afford to sit this debate out.



BRADLEY: AHEAD OF THE ADMINISTRATION ON PENSION SECURITY

Rostenkowski and Bradley are just beginning to frame the issue. But they are still far ahead of the Clinton Administration. The gang that campaigned to the strains of Don't Stop Thinking About Tomorrow hasn't even started thinking about pension policy. Labor Secretary Robert B. Reich has offered a PBGC reform plan to force companies to bring their underfunded pension plans into balance. But underfunding is an old problem, and Labor officials refuse even to talk about the greater challenges of the

BOOMERS ARE SITTING ON SKIMPY NEST EGGS



Chicago Tribune

FOUNDED JAN. 24, 1837

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22 Section 1

Saturday, December 18, 1993

Voice of the people

Fund pension plans before it's too late

CHAMPAIGN—I read with interest Ray Moseley's article "Pension sticker shock in Europe" (Nov. 23). As the executive director of the State Universities Retirement System of Illinois, I can identify with the comments regarding the Swedish pension system. In fact, right here in Illinois, as in Sweden, our public pension systems are "breaking down very fast."

Each of our state's five public pension systems is facing a severe unfunded liability that threatens their very existence. As an example of this, the system that provides retirement, disability and survivor benefits for employees of Illinois' public universities and community colleges is predicting a technical bankruptcy in the year 2000. Some Illinois public pension systems are predicting system failure even sooner.

In simple terms, the system, like many public and private pension plans in the U.S., generates money (assets) from three sources: employee contributions, employer contributions and investment income. Each member contributes 8 percent of pay to the system through payroll deduction. The investment returns have been good, both short and long-term. The problem arises when we look at the employer (in this case the State of Illinois) contribution.

Despite growing obligations faced by this system, it received less funding this year than last year. In fact, this year the system received about \$94 million less than the amount that was required by law. The result of this perennial

shortfall is that the system now faces an unfunded liability that is approaching \$4 billion.

The benefits promised to today's public employees are guaranteed by the state's constitution. Therefore, if definite action to correct this problem isn't taken soon, the taxpayers of tomorrow are going to face a huge problem.

It truly is a case of paying to correct the problem now, or paying considerably more to correct the problem later. Adequate funding levels today, coupled with the system's sound investment practices, can solve this problem. Ignoring the problem now only serves to put a tremendous tax burden on future taxpayers.

Worldwide, people are living longer and expect to live out their retirement years with comfort and dignity, not as a burden to society. Here in Illinois, our public employees have contributed their fair share (8 percent of their wages) to ensure a secure future without overtaxing the next generation. As citizens of the state, we must make certain the employer's (state's) contribution to the system is paid.

We cannot permit our lawmakers to continue to delay addressing this issue. Today's failure to act not only magnifies the problem in the future. The only responsible course of action is to fund the system, now.

Dennis D. Spice

Executive Director
STATE UNIVERSITY RETIREMENT SYSTEM OF ILLINOIS

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1274

INTEROFFICE PAYMENT VOUCHER

PAYMENT FOR: legislative Conference

ACCOUNT NUMBER: 1276

DATE: April 28, 1994

AMOUNT: \$ 50.00

REQUESTED BY: Anthony T. Freveletti
Name
Govmt'l Relations Officer
Title

SOCIAL SECURITY NUMBER: _____

APPROVED BY: James E. Fendle James E. Fendle
Name
Associate Executive Director
Title

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PAYMENT FOR:

Legislative Mtg.

ACCOUNT NUMBER:

1276

DATE:

8/30/94 ENTERED

AMOUNT:

\$ 35.00 AUG 30 1994
DISBURSEMENTS ✓

REQUESTED BY:

ANTHONY T. FREVLETT
Name
GOVERNMENTAL RELATIONS OFFICER
Title

SOCIAL SECURITY NUMBER:

APPROVED BY:

James S. Beadie *James S. Beadie*
Name
Associate Executive Director
Title

FOR DISBURSEMENTS DEPARTMENT USE ONLY

VOUCHER NUMBER:

578955

DATE:

SEP 01 1994

1276

INTEROFFICE PAYMENT VOUCHER

PAYMENT FOR:

Capital Conference Catering/
Senate Conference in Washington DC
on September 13-14, 1993

to

WRITE CHECK TO DENNIS D. SPICE

ACCOUNT NUMBER:

#1276

DATE:

AMOUNT:

\$275⁰²

REQUESTED BY:

Dennis D. Spice
Name
EXECUTIVE DIRECTOR
Title

ENTERED
AUG 09 1993
DISBURSEMENTS

SOCIAL SECURITY NUMBER:

APPROVED BY:

James S. Beadie
Name
Associate Executive Director
Title

Beadie

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502670(3)

DATE:

AUG 12 1993

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1291

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CONFERENCE FOR FEDERAL
LEGISLATIVE Update
(Infrastructure-Development Program)

KV
D

ACCOUNT NUMBER:

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DATE:

9-7-93

AMOUNT:

\$ 100⁰⁰

REQUESTED BY:

Dennis D. Spice

Name

EXECUTIVE DIRECTOR

Title

SOCIAL SECURITY
NUMBER:

APPROVED BY:

James S. Beedie

Name

Associate Executive Director

Title

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~~508038~~ 508038

DATE:

SEP 09 1993

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WASHINGTON LEGISLATIVE
CONFERENCE

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1276

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DATE:

3-14-94

MAR 14 1994

AMOUNT:

\$320⁰²

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EXECUTIVE DIRECTOR

Title

SOCIAL SECURITY
NUMBER:

APPROVED BY:

James S. Beadie

Name

Associate Executive Director

Title

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VOUCHER NUMBER:

541 526(2)

DATE:

MAR 17 1994

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1274

INTEROFFICE PAYMENT VOUCHER

PAYMENT FOR:

LOCAL LEGISLATIVE CONFERENCE

ACCOUNT NUMBER:

1276

ENTERED
MAR 16 1994
DISBURSEMENTS

DATE:

3-15-94

AMOUNT:

180⁰⁰ ⁸⁵/₁₀₀

REQUESTED BY:

Dennis Spice

NAME

EXECUTIVE DIRECTOR

TITLE

SOCIAL SECURITY NUMBER:

APPROVED BY:

James S. Beadie

NAME

Associate Executive Director

TITLE

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ATTORNEYS AND COUNSELORS
818 NORTH NEIL STREET
CHAMPAIGN, ILLINOIS 61820**

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FACSIMILE (217) 356-0648

FRENCH L. FRAKER
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—
GREGG D. TUCKER
OF COUNSEL

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RAY & DOBBINS 1981-1988
DOBBINS & DOBBINS 1975-1985
DOBBINS, DOBBINS, JARR &
THOMAS 1968-1987
DOBBINS, DOBBINS & THOMAS 1967-19-68
DOBBINS, DOBBINS & FRAKER 1948-1988
DOBBINS & FRAKER 1938-1948
DOBBINS, FRAKER & TENNANT 1938-1938
—
DONALD V. DOBBINS 1918-1928

August 31, 1995

Dr. Robert Mandeville
Acting Executive Director
State Universities Retirement System
1901 Fox Drive
Champaign, IL 61820

Dear Dr. Mandeville:

Pursuant to discussions between our firm and your counsel, Susan Getzendanner, enclosed please find Mr. Spice's check payable to State Universities Retirement System in the amount of \$2,795.00. The amount of this check corresponds to the total found on the document titled "Summary of Employee Conference Expenses for the Period of June 1, 1993—April 30, 1995" provided by your counsel.

Cordially,

**DOBBINS, FRAKER, TENNANT,
JOY & PERLSTEIN**

By: _____

Keith E. Emmons
Keith E. Emmons

KEE/lb

Enclosure:
Check

97043031800



DENNIS D. SPICE
 LINDA K. SPICE
 3008 WEST BLUEBILL ROAD
 CHAMPAIGN, IL 61821

8895

August 31 19 95

78-7038/2711

Pay to the
 Order of

State Universities Retirement System

\$ 2,795.00

Two Thousand Seven Hundred Ninety-Five and no/100—Dollars



FIRST FEDERAL
 OF CHAMPAIGN-URBANA
 CHAMPAIGN, IL 61820

For

Linda K. Spice

97043031806

**SUMMARY OF EMPLOYEE CONFERENCE EXPENSES
FOR THE PERIOD OF JUNE 1, 1993 - APRIL 30, 1994**

Employee	Source	CHECK DATE	CHECK NUMBER	1276 CONF FEES	PURPOSE
Dennis Spica	CK	08/24/93	492067	250.00	legislative conference
	CK	08/12/93	502670	275.00	Senate conference
	CK	08/09/93	508038	100.00	con. for federal legislative update
	CK	11/18/93	518722	75.00	legislative conference
	CK	03/17/94	541528	320.00	Washington legislative conference
	CK	04/17/94	548385	250.00	legislative conference
	CK	04/14/94	548573	150.00	legislative conference
	CK	04/21/94	548927	125.00	legislative conference
	CK	05/03/94	551484	200.00	conference registration fee
	CK	06/23/94	557903	125.00	pension conference
	CK	07/12/94	562998	300.00	legislative conference
	CK	07/28/94	567543	100.00	legislative conference
	CK	07/28/94	567543	125.00	pension fund conference
	CK	08/11/94	568248	150.00	legislative conference
	CK	08/25/94	588021	250.00	legislative conference
	Total				2,785.00

97043031807

RECEIVED
BY MAIL
BY HAND

JUL 24 1995

SKADDEN, ARPS, SLATE,
MEAGHER & FLOM



State Universities Retirement System of Illinois

Serving Illinois Community Colleges and Universities

March 28, 1996

1901 Fox Drive • Champaign, IL 61820
1-800-ASK SURS • (217) 378-8800 (C-U)
(217) 378-9800 (FAX)

Mr. Dennis Spice
5008 W Bluebill Road
Champaign, IL 61821

Dear Mr. Spice:

SURS reimbursed you for various political contributions made by the System, but in your name. At the conclusion of an internal audit in the summer of 1995, you repaid SURS for these contributions.

Recently, SURS received reimbursement from the political organizations. Since SURS has been repaid by you for the following contributions totaling \$1,445.00, we are returning your repayment. Enclosed please find a check for \$1,445.00. The following is a breakdown of transactions:

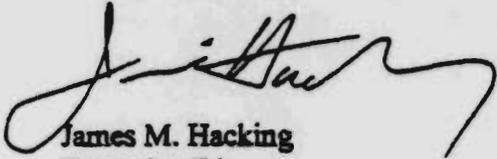
<u>Employee Check Date</u>	<u>Employee Check Amount</u>	<u>Payee</u>
June 21, 1993	\$250.00	Illinois House Republican Campaign Com.
April 11, 1994	\$150.00	Illinois House Republican Campaign Com.
July 7, 1994	\$300.00	Illinois House Republican Campaign Com.
November 15, 1993	\$75.00	Citizens for Steigmann
August 10, 1994	\$150.00	Friends of Michael J. Madigan
April 15, 1994	\$125.00	Illinois House Democratic Majority
June 16, 1994	\$125.00	Citizens for Granberg
August 6, 1993	\$270.00	Capital Conf. Catering (US Senate Rep. Campaign) NRSC Conference by Republican Senatorial Inner Circle

97043031810

Mr. Dennis Spice
March 27, 1996
Page 2

Please contact me at (217) 378-8825 if you have any questions concerning this matter.

Sincerely yours,



James M. Hacking
Executive Director

JMH:km

Enclosure

cc: Mr. Steve Hayward

97043631811

State Universities Retirement System

DATE	INVOICE NO.	DESCRIPTION	ACCOUNT	INVOICE AMOUNT	DEDUCTION	PAYMENT
3/25/96	INTER-1	REIMB POLITICA		700.00		700.00
3/25/96	INTER-2	REIMB POLITICA		75.00		75.00
3/25/96	INTER-3	REIMB POLITICA		150.00		150.00
3/25/96	INTER-4	REIMB POLITICA		125.00		125.00
3/25/96	INTER-5	REIMB POLITICA		125.00		125.00
3/25/96	INTER-6	REIMB POLITICA		270.00		270.00
TOTALS >				1445.00		1445.00

CHECK DATE 3/26/96 CHECK NUMBER 4011 TOTALS > 1445.00 PAYMENT 1445.00

PLEASE DETACH AND RETAIN FOR YOUR RECORDS

THE FACE OF THIS DOCUMENT HAS A COLORED BACKGROUND ON WHITE PAPER



State Universities Retirement System
 1901 Fox Drive
 Champaign, Illinois 61820

The Northern Trust Company
 Chicago, IL
 Payable Through
 Northern Trust Bank
 DuPage / Oak Brook, IL

70-2382
 719

DATE March 26, 1996 CHECK NO. 4011 AMOUNT \$*****1,445.00

Pay: *****One thousand four hundred forty-five dollars and no cents

PAY TO THE ORDER OF DENNIS SPICE
 5008 W BLUEBILL ROAD
 CHAMPAIGN, IL 61821

John M. Schultz
James M. [Signature]

THE BACK OF THIS DOCUMENT CONTAINS AN ARTIFICIAL WATERMARK WHICH IS NOT VISIBLE TO VIEW



State Universities Retirement System of Illinois

Serving Illinois Community Colleges and Universities

1901 Fox Drive • Champaign, IL 61820
1-800-ASK SURS • (217) 378-8800 (C-U)
(217) 378-9800 (FAX)

January 11, 1996

Mr. Dennis Spice
5008 Bluebill Road
Champaign, IL 61821

Dear Mr. Spice:

SURS reimbursed you for various political contributions made by the System, but in your name. At the conclusion of an internal audit in the summer of 1995, you repaid SURS for these contributions.

Recently, SURS received reimbursement from the Ewing for Congress political organization. Since SURS has been repaid by you for the following contributions totaling \$620.00, we are returning your repayment. Enclosed please find a check for \$620.00. The following is a breakdown of transactions:

<u>Employee Check Date</u>	<u>Employee Check Amount</u>	<u>Payee</u>
May 2, 1994	\$200.00	Ewing for Congress
September 7, 1993	\$100.00	Ewing for Congress
March 17, 1994	\$320.00	Ewing for Congress

Please contact me at (217) 378-8825 if you have any questions concerning this matter.

Sincerely,

Robert L. Mandeville

Dr. Robert L. Mandeville
Interim Executive Director

RLM: km

Enclosure

cc: Mr. Steve Hayward

9704331813

State Universities Retirement System

DATE	INVOICE NO.	DESCRIPTION	ACCOUNT	INVOICE AMOUNT	DEDUCTION	PAYMENT
12/26/95		INTEROFF-2 REIMB. POLITIC		620.00		620.00
CHECK DATE	1/04/96	CHECK NUMBER	3402	TOTALS >	620.00	620.00

PLEASE DETACH AND RETAIN FOR YOUR RECORDS

THE FACE OF THIS DOCUMENT HAS A COLORED BACKGROUND ON WHITE PAPER

State Universities Retirement System
1901 Fox Drive
Champaign, Illinois 61820

The Northern Trust Company
Chicago, IL
Payable Through
Northern Trust Bank
DuPage / Oak Brook, IL

70-2382
719

DATE CHECK NO. AMOUNT
January 4, 1996 3402 \$*****620.00

Pay: *****Six hundred twenty dollars and no cents

PAY DENNIS SPICE
TO THE 5008 W BLUEBILL ROAD
ORDER OF CHAMPAIGN, IL 61821

John M Schuttz
R. J. Mandel

THE BACK OF THIS DOCUMENT CONTAINS AN ARTIFICIAL WATERMARK - TURN IT AT AN ANGLE TO VIEW

97045031814

BECKETT & WEBBER, P.C.
Attorneys at Law

RECEIVED
FEDERAL ELECTION
COMMISSION
OFFICE OF GENERAL
COUNSEL

MAR 17 2 13 PM '97

J. Steven Beckett
Roger B. Webber
Peter T. Borich
Brett N. Olmstead
Carol A. Dison
Dedra L. Wright
Gary A. Webber

P.O. Box 988
Urbana, IL 61803.0988

508 S. Broadway
Urbana, IL 61801

Telephone: (217) 328-0263
800-770-0263
Fax: (217) 328-0290

March 10, 1997

Xavier K. McDonnell
Federal Election Commission
Washington D.C. 20463

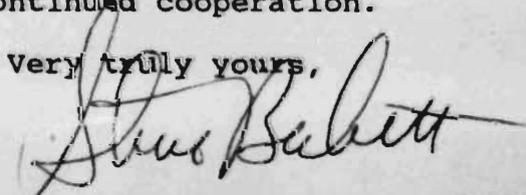
RE: James S. Beedie, MUR 4399

Dear Mr. McDonnell:

As a follow up to the interview of James S. Beedie, I enclose his signed supplemental statement dated March 5, 1997. I include two (2) signed originals for your review and use.

Should you have any other follow up questions, please be assured of my client's continued cooperation.

Very truly yours,



J. STEVEN BECKETT

JSB:jc
Enclosure
pc: J. Beedie

97040001010

FEDERAL ELECTION COMMISSION

FACTUAL AND LEGAL ANALYSIS

MAR 17 2 13 PM '97

RECEIVED
FEDERAL ELECTION
COMMISSION
OFFICE OF GENERAL
COUNSEL

In Re the Matter of

JAMES S. BEEDIE,

Respondent.

)
)
)
)
)

MUR: 4399

Supplemental Statement of James S. Beedie

My name is James S. Beedie. I reside at 1620 Hickory Lane, Mahomet, Illinois. I am Associate Director of the State Universities Retirement System. I was interviewed by an official of the Federal Election Commission on Friday, February 28, 1997 and it was requested that I make a Supplemental Statement addressing issues discussed in that interview. I have been furnished with fourteen (14) pages of attachments which are attached to this Supplemental Statement as Exhibit A and are referred to as Page 1 through Page 14)

Pages 1, 2 and 3 relate to a ticket to a Tom Ewing Event which I believe was held before a University of Illinois home football game. My boss, Executive Director of the State Universities Retirement System, Dennis D. Spice, came to me at the office and said that he had tickets for a Tom Ewing Tailgate. A tailgate is a pre-game party outside of the football stadium.

9 / 0 4 3 3 1 8 1 6

Most tailgates are fund raisers of one kind or another. I understood this Ewing Tailgate to be a fund raiser for Tom Ewing.

Pages 4, 5 and 6 of Exhibit A relate to a ticket to a Ewing Fundraiser that I believe was held on a farm near St. Joseph, Illinois. In this instance, similar to the football game, my boss Dennis D. Spice came to me at the office and said that he had a ticket to a Ewing Event that he wanted me to purchase. I asked Mr. Spice why it was that he wanted me to buy a ticket for a Tom Ewing Event since Tom Ewing is a congressman. Dennis Spice informed me that Tom Ewing could do the system a lot of good in having a funding bill past by the State Legislature in Springfield, Illinois.

I previously had a conversation with Dennis Spice in which I asked him about the legality of political activity. He told me that he had checked with the System's attorney and that such activity was legal. Based on these representations and the fact that Dennis D. Spice was in superior authority over me, I followed his direction and purchased a ticket both to the St. Joseph Ewing Event and the football tailgate event. I did not attend either event. I do not even recall if I received and kept the ticket to the event.

Each of the payment vouchers (Page 1 of Exhibit A and Page 4 of Exhibit A) is a preprinted form entitled "Interoffice Payment Voucher". This is a form that is used to reimburse staff at the State Universities Retirement System for expenses that the staff

97040001010

person has incurred. The forms are preprinted with my name because my job responsibility is to approve every payment made by State Universities Retirement System. When it is an expense that I have incurred, then the Executive Director (in this case Dennis D. Spice) is required to approve the repayment to me.

Exhibit 2 and Exhibit 6 are the State Universities Retirement System payments reimbursing me for my personal checks (Pages 3 and 5 of Exhibit A). Mr. Spice informed me that the tickets for the Ewing events had to be bought by individuals. I did not question him further regarding why the State University Retirement System was not paying for the tickets. I followed his direction because I believed based on his representations to me that it was lawful. With respect to the Interoffice Payment Vouchers for Suzann Duckworth (Pages 8 and 9 of Exhibit A), I authorized the reimbursement to Suzann of those amounts. As with the Ewing vouchers, these were categorized in account No. 1276 which is an account that is used for reimbursement of expenses relating to professional and legislative conferences and meetings. Dennis Spice informed me that this was the appropriate account to use for this type of expense. It is not unusual that no exact account exists to cover expenses that may arise in the ordinary course of business. What we do at the State Universities Retirement System is try to determine the appropriate account that most closely fits the type of expense. That is why that I

ultimately acceded to the assertion by Mr. Spice that account NO. 1276 should be used for all of these payments.

Suzann Duckworth in fact attended, in 1993, a conference in New Orleans. In 1994 I do not recall whether or not she attended a conference, but my best recollection is that she probably did. Both of these expenses then I felt were associated with attendance and membership at that conference. I did not realize that in any fashion these funds were contributed to the Democratic National Committee.

With respect to Pages 9 and 10 of Exhibit A, these expenses relate to tickets for Tom Ewing Events, purchased by Anthony Freveletti. These expenses were for the same type of tickets that I purchased to the St. Joseph Fundraiser and the University of Illinois Tailgate Event. I had no personal knowledge of Tony's purchase of these tickets, which would have occurred by contact between Dennis D. Spice and Tony Freveletti.

With respect to Pages 11, 12, 13 and 14 of Exhibit A these were Interoffice Payment Vouchers submitted to me by Dennis Spice. Dennis Spice would travel to Washington, D.C. on numerous occasions. He was my boss and if he told me that this was proper and that he should be reimbursed, I would have followed his direction. His responsibility would be to report these expenses and his activity to the Board of Trustees that employed him for the State Universities Retirement System.

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The above and foregoing statement is given to the best of my knowledge. I continue to be available to answer any and all questions relating to this matter.

Respectfully submitted,

James S. Beedie
JAMES S. BEEDIE

SUBSCRIBED and SWORN to before me, a Notary Public, this 5th day of March, 1997.

Maureen S. Newman
NOTARY PUBLIC

"OFFICIAL SEAL"
MAUREEN S. NEWMAN
Notary Public, State of Illinois
My Commission Expires 8-14-00

97040001620

1276

INTEROFFICE PAYMENT VOUCHER

PAYMENT FOR:

LEGISLATIVE MEETINGS

ACCOUNT NUMBER:

1276

DATE:

8-30-99

ENTERED

AMOUNT:

35.00

AUG 30 1994

DISBURSEMENTS

REQUESTED BY:

Name

A. BADDIE

Title

ASSOCIATE EXECUTIVE DIRECTOR

SOCIAL SECURITY NUMBER:

APPROVED BY:

Name

Dennis D. Price

Associate Executive Director

Title

FOR DISBURSEMENT DEPARTMENT USE ONLY

VOUCHER NUMBER:

578913

DATE:

SEP 01 1994

ATTACHED

97043003102

97043031823

JAMES S. BEEDIE 02-84
1620 HICKORY LANE 508-8514
MADISON, IL 61852

TAX DEDUCTIBLE ITEM

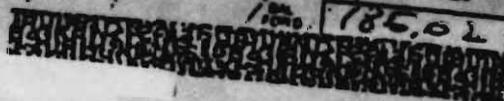
2123

70-78892711

*Check for loan
This - Five and 1/2*

UNIVERSITY OF
ILLINOIS
SCHOOL OF
COMMERCIAL BANKING
AND FINANCIAL SERVICES
CHICAGO, ILLINOIS

BAL FWD	221.02
THIS ITEM	35.27
BALANCE	
DEPOSIT	
OTHER	
BAL FWD	185.02



NOT NEGOTIABLE

ATTACHED

3

1276

INTEROFFICE PAYMENT VOUCHER

PAYMENT FOR:

LEGISLATIVE CONFERENCE

ACCOUNT NUMBER:

1276

DATE:

MAY 21, 1994

ENTERED

MAY 03 1994

AMOUNT:

50.00

DISBURSEMENTS

REQUESTED BY:

[Signature]
Name
ASSOCIATE EXEC. DIRECTOR
Title

SOCIAL SECURITY NUMBER:

[Signature]

APPROVED BY:

[Signature]
DENNIS D. STICE
Name
ASSOCIATE EXECUTIVE DIRECTOR
Title

FOR DISBURSEMENTS DEPARTMENT USE ONLY

VOUCHER # FOR PAYMENT

VOUCHER NUMBER:

Page MAY 05 1994

DATE:

Voucher No. 551659

FSS-020789

97043331824

ATTACHMENT

Page

17 of 74

97043831825

JAMES S. BEEDIE 02-84
1620 HICKORY LANE 586-5514
MAHOMET, IL 61853

TAX DEDUCTIBLE ITEM

2111

70-7689/2711

May 2 79
Even for ...
F.H. ...

UNIVERSITY OF
ILLINOIS EMPLOYEES
CREDIT UNION

BAL FOR D	262.85
THIS ITEM	
BALANCE	
DEPOSIT	
OTHER	
BAL FORD	212.85



NOT NEGOTIABLE

~~ATTACHMENT~~

~~5-11-79~~

STATE UNIVERSITIES RETIREMENT SYSTEM

Champaign, Illinois 61826-2710

0551659

10th AFTER 6 MONTHS

CHECK DATE

3/57

RS SURS SURS SLRS SU 11/08/04 LRS S

PAY TO THE ORDER OF

122413089

0000058.00

SLR SURS SURS SLR

JAMES S. STEEDS
1620 NICHOLS LANE
ALHAMBRA IL 61833

[Handwritten signature]

[Faint, mostly illegible text]

SLRS SLR

704182

6/14

STATE UNIVERSITY RETIREMENT SYSTEM
1000 University Drive, Champaign, Illinois 61820

INTEROFFICE PAYMENT VOUCHER

PAYMENT FOR: Legislative Conference

ACCOUNT NUMBER: 1276 ENTERED SEP 27 1994
DATE: 09-26-94 DISBURSEMENTS
AMOUNT: 1,000.

REQUESTED BY: Suzann Duckworth
Name
Asst. Comptroller Relations Ofcr.
Title

SOCIAL SECURITY NUMBER: _____
APPROVED BY: James S. Beadie
Name
Associate Executive Director
Title

FOR DISBURSEMENTS DEPARTMENT USE ONLY

VOUCHER NUMBER: 583899
DATE: SEP 27 1994

FSB-020789

ATTACHMENT
7-11

77040001027

1276
\$

INTERIM PAYMENT VOUCHER

PAYMENT FOR:

membership in the Women's
Leadership Forum
(\$1000 per yr.)

ACCOUNT NUMBER:

1276

DATE:

November 3, 1993

AMOUNT:

1,000.00

REQUESTED BY:

Suzann Duckworth

Name

Asst. GRO

Title

SOCIAL SECURITY
NUMBER

APPROVED BY:

James S. Beale

Name

Associate Executive Director

Title

FOR DISBURSEMENTS DEPARTMENT USE ONLY

VOUCHER NUMBER:

519741

DATE:

NOV 18 1993

758-020700

RECEIVED
NOV - 8 1993
STATE UNIV. RET. SYS.

TOTAL P.02

97043031820

ATTACHMENT

FOR

1274

INTEROFFICE PAYMENT VOUCHER

PAYMENT FOR:

LOCAL LEGISLATIVE CONFERENCE

ACCOUNT NUMBER:

1276

DATE:

3-15-94

AMOUNT:

\$ 180⁰⁰ ⁰⁰/₁₀₀

REQUESTED BY:

Dennis Spice

Name

EXECUTIVE DIRECTOR

Title

SOCIAL SECURITY NUMBER:

APPROVED BY:

James S. Beadie

Name

Associate Executive Director

Title

FOR DISBURSEMENTS DEPARTMENT USE ONLY

VOUCHER NUMBER:

541526 (2)

DATE:

MAR 17 1994

F58-020789

ENTERED

MAR 16 1994

DISBURSEMENTS

97043031829

ATTACHMENT

1/1 of 1/1

1274

INTEROFFICE PAYMENT VOUCHER

PAYMENT FOR: legislative Conference

ACCOUNT NUMBER: 1276

DATE: April 28, 1994

AMOUNT: 50.00

REQUESTED BY: Anthony T. Freveletti
Name
Govmt'l Relations Officer
Title

SOCIAL SECURITY NUMBER: _____

APPROVED BY: James D. Boudie
Name
Associate Executive Director
Title

FOR DISBURSEMENTS DEPARTMENT USE ONLY

VOUCHER NUMBER: _____ ENTERED
MAY 04 1994

DATE: _____ DISBURSED
VOUCHERED FOR PAYMENT
Date MAY 05 1994

RR 5 Box 28 Postbox No. 55719
Springfield IL 62707

PSR-920709

97043331830

[Signature]

1276

INTEROFFICE PAYMENT VOUCHER

PAYMENT FOR: Legislative Mtg.

ACCOUNT NUMBER: 1276

DATE: 8/30/94 ENTERED

AMOUNT: \$ 35.00 AUG 30 1994
DISBURSEMENTS

REQUESTED BY: ANTHONY T. FREVELL III
Name
GOVERNMENTAL RELATIONS OFFICER
Title

SOCIAL SECURITY NUMBER: _____

APPROVED BY: James S. Beadie *James S. Beadie*
Name
Associate Executive Director
Title

===== FOR DISBURSEMENTS DEPARTMENT USE ONLY =====

VOUCHER NUMBER: 578955

DATE: SEP 01 1994

ATTACHMENT
[Handwritten signature]

97043000100

1276

INTEROFFICE PAYMENT VOUCHER

PAYMENT FOR:

Capitol Conference Catering /
Senate Conference in Washington DC
on September 13-14, 1993

WRITE CHECK
TO DENNIS D. SPICE

ACCOUNT NUMBER:

#1276

DATE:

AMOUNT:

275⁰²

REQUESTED BY:

Dennis D. Spice

ENTERED

Name

AUG 09 1993

EXECUTIVE DIRECTOR

DISBURSEMENTS

Title

SOCIAL SECURITY NUMBER:

APPROVED BY:

James S. Beadie

Name

Associate Executive Director

Title

FOR DISBURSEMENTS DEPARTMENT USE ONLY

VOUCHER NUMBER:

502670(3)

DATE:

AUG 12 1993

F58-020789

970430832

ATTACHMENT

INTEROFFICE PAYMENT VOUCHER

PAYMENT FOR:

CONFERENCE FOR FEDERAL ^{KV}
LEGISLATIVE Update
(Infrastructure-Development Program)

ACCOUNT NUMBER:

1291

DATE:

9-7-93

AMOUNT:

\$ 100⁰⁰

REQUESTED BY:

Dennis D. Spice

Name

EXECUTIVE DIRECTOR

Title

SOCIAL SECURITY NUMBER:

APPROVED BY:

James S. Beadie

Name

Associate Executive Director

Title

FOR DISBURSEMENT'S DEPARTMENT USE ONLY

VOUCHER NUMBER:

██████████ 508038

DATE:

SEP 09 1993

RECEIVED
SEP 7 1993
[Handwritten initials]

1276

INTEROFFICE PAYMENT VOUCHER

PAYMENT FOR:

WASHINGTON LEGISLATIVE
CONFERENCE

ACCOUNT NUMBER:

1276

ENTERED

DATE:

3-14-94

MAR 14 1994

AMOUNT:

320⁰²

DISBURSEMENTS

REQUESTED BY:

Dennis Spice

Name

EXECUTIVE DIRECTOR

Title

SOCIAL SECURITY
NUMBER:

APPROVED BY:

James S. Beedie

Name

Associate Executive Director

Title

FOR DISBURSEMENTS DEPARTMENT USE ONLY

VOUCHER NUMBER:

541 526(2)

DATE:

MAR 17 1994

FEB-020789

ATTACHMENT

13

97043031834

BEFORE THE FEDERAL ELECTION COMMISSION

RECEIVED
FEDERAL ELECTION
COMMISSION
SECRETARIAT

JUN 6 1 42 PM '97

In the Matter of

State Universities Retirement System of Illinois)
Dennis Spice)
James Beedie)
Suzann Duckworth)
Tony Freveletti)

MUR 4399

SENSITIVE

GENERAL COUNSEL'S REPORT

I. **BACKGROUND**

On June 25, 1996, the Commission found reason to believe that the State Universities Retirement System of Illinois ("SURS"), James Beedie, Suzann Duckworth, Tony Freveletti and Dennis Spice violated 2 U.S.C. § 441f. The findings relate to contributions totaling \$4,345 made by SURS during 1993 and 1994 in the names of Beedie, Duckworth, Freveletti and Spice. Responses to the Commission's findings have been received. Attachments A - E.¹ This Office recommends that the Commission grant SURS' request for pre-probable cause conciliation, that it enter into pre-probable cause conciliation with Dennis Spice, and approve the attached conciliation agreements with those respondents. Attachments A-B. In addition, for the reasons stated herein, this Office recommends that the Commission take no action and close the file as it relates to James Beedie, Suzann Duckworth and Tony Freveletti.

¹ As set forth in a Report signed on January 2, 1997, the Champaign County District Attorney's Office ("DA"), which is prosecuting criminal violations by SURS and some of these other respondents with respect to \$8,000 in contributions they made to state candidates, informed this Office that former SURS Executive Director Spice, or his counsel, suggested that he had evidence of more widespread violations by SURS and/or its Board of Directors. This Office therefore held this matter in abeyance pending its receipt of such information or evidence. On February 10, 1997, the DA informed this Office that a meeting with counsel for Spice yielded no new evidence of violations of any kind; and on March 10, 1997, this matter was transferred to current staff. Accordingly, this Office will now proceed in this matter.

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II. SUMMARY OF RESPONSES

The responses confirm that in 1993-94, SURS made \$4,345 in contributions that were reportedly given by SURS' officers Dennis Spice, Suzann Duckworth, James Beedie and Tony Freveletti. Specifically, Mr. Spice, the former Executive Director of SURS, used his SURS' credit card or was reimbursed for contributions totaling \$2,175. Those contributions were given to Ewing for Congress, the National Republican Senatorial Committee ("NRSC"), and other federal political committees. See Attachments A-B. Suzann Duckworth, a former Assistant Government Relations Officer, was reimbursed \$2,000 from SURS for two \$1,000 contributions that she issued to the Democratic National Committee ("DNC"). James Beedie, who is currently SURS' Associate Executive Director, was reimbursed \$85 for two contributions totaling that amount given to Ewing for Congress. Attachment C. Tony Freveletti, SURS' Government Relations Officer during the time at issue, was reimbursed \$85 for checks to Ewing for Congress. Attachment E.

Most of the contribution checks were issued directly to named political committees. For example, the contribution checks from Messrs. Beedie and Freveletti were issued to "Ewing for Congress," both of Ms. Duckworth's checks were issued to the "DNC," and three of Mr. Spice's checks, totaling \$620, were issued directly to "Ewing for Congress." These checks were given in connection with events sponsored by political committees, such as the NRSC and the DNC, and a tailgate party fundraiser for the Ewing campaign. See Attachment C. However, SURS' interoffice vouchers for the contributions do not include the named political committees. Instead, SURS' vouchers indicate that the payments/reimbursements were for "Legislative meetings," "Legislative Conferences," "Membership in the Women's Leadership Forum." Attachment A at 6, 8, 9-10, etc.

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According to Mr. Spice's response, SURS' Board of Directors required that he and his staff stay in close contact with state and federal legislators to address SURS' interests.

Mr. Spice's response indicates that the SURS pension fund was short of cash and that he was tasked with increasing the size of the fund and protecting the fund from legislation that was not in SURS' interest. Attachment B at 1.

Beedie Response

James Beedie, who signed eight of the SURS vouchers for reimbursements totaling \$2,860, states that he did not initiate any political activity "or payments for candidate-sponsored events." Attachment C at 2.² Mr. Beedie avers that "[a]ll such activity and all such contributions (some of which were for the purchase of tickets to representative-sponsored events) were directed by Dennis Spice." *Id.* According to Mr. Beedie: "[a]ny employment act that I performed, I performed at the direction of Dennis Spice." *Id.* Further, Mr. Beedie states that Mr. Spice informed him which reimbursement account to designate, specifically, the SURS account "relating to professional and legislative conferences and meetings." Attachment D at 3.

Mr. Beedie states that he was aware that SURS' bylaws prohibited it from engaging in political activity, and he apparently raised this issue with Mr. Spice. *Id.* at 2-3. Mr. Beedie states, "When I questioned Dennis Spice regarding the legality of any such political activity, he informed me that he had cleared any such activity with a named attorney and that such activity was lawful." Attachment at 2.

Mr. Beedie avers that Mr. Spice informed him that the two contributions he made to Ewing for Congress represented tickets purchased for two Ewing campaign fundraising events

² Of the ten vouchers provided, Mr. Beedie signed eight. Mr. Spice signed the two vouchers for Mr. Beedie's reimbursements. Attachment A at 6, 8, 9-10, 15-18, 21-22.

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(at a tailgate party and a St. Joseph farm). Attachment D, at 1-2. Mr. Beedie testifies that when he asked about their political support for Tom Ewing, Mr. Spice explained that the Congressman could influence passage of SURS' funding bill in the Illinois state legislature. *Id.* at 2.

Freveletti Response

In his affidavit, Tony Freveletti states that he was "informed by Dennis Spice that if he bought tickets to political functions, [he] could submit an expense voucher and be reimbursed for those purchases." Attachment E. Mr. Freveletti also avers that "he was informed by Dennis Spice that the reimbursement for such expenses was proper." *Id.*

Duckworth Response

In a telephone interview, Suzann Duckworth stated that she wrote two personal checks for the DNC's annual women's conference, and was later reimbursed. She said that she participated in the conference at Mr. Spice's suggestion; that he thought this would be a good conference for her to attend on behalf of SURS. The conference involved issues, targeting voters, and how to get-out-the-vote for Democrats. Ms. Duckworth stated that she could not have paid the conference fees without assurance of reimbursement. She said she never discussed whether her attendance at the partisan meeting was proper. She indicated that the SURS staff made no distinctions between campaign events and other legislative contacts.

Spice Response

Dennis Spice's response acknowledges that errors may have been made. Attachment B at 4. Explaining the specific contributions, counsel contends that Mr. Spice and his staff did not distinguish interactions with legislators where fees were required from those interactions where fees were not required. *Id.* Mr. Spice's response also indicates that the SURS' staff and counsel

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never directly addressed the issue of whether these reimbursements might violate Federal election law. He asserts there was no intent to circumvent the law.³ *Id.*

SURS Response

In its response, SURS does not dispute that the contributions were made, but states that it was not aware of the political aspect of the payments until its own internal audit uncovered them. Attachment A at 2. It also brings to the Commission's attention certain mitigating factors: 1) this matter was filed *sua sponte*, 2) the employees repaid SURS for the contributions, and 3) SURS has taken steps to prevent a recurrence of such violations. *Id.* at 2-5. However, the *sua sponte* submission in November 28, 1995, is tempered somewhat because the contributions at issue had received press attention as early as September 23, 1995. SURS requests that the Commission take no further action or in the alternative, enter into conciliation prior to a finding of probable cause. *Id.* at 1 and 5.

III. ANALYSIS

None of these respondents denies that SURS made these contributions in the names of the four SURS officers or employees, or that SURS reimbursed them for such contributions; nor do they deny that political committees received the contributions. Indeed, most of the contributors' checks they submitted were issued directly to named political committees. Moreover, Messrs. Beedie and Freveletti aver that they were informed their contributions were for political fundraisers, not legislative conferences. Yet SURS' internal records never included the names of the political committees, nor disclosed the political nature of the events. Instead, SURS'

³ According to press reports, because of his actions regarding these issues, Mr. Spice was forced to resign from SURS in 1995. As a result, he is now under investigation by the State of Illinois.

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vouchers identified the purposes of such reimbursements as payments for "legislative conferences," etc.

As noted, the Commission's reason to believe findings involved SURS, Dennis Spice, Mr. Beedie, Ms. Duckworth, and Mr. Freveletti. According to the testimonies of Messrs. Beedie and Freveletti, and oral statements of Ms. Duckworth, they made these contributions or paid for the conferences at the behest of Mr. Spice who encouraged their participation. Mr. Spice informed them that obtaining reimbursements for such contributions was lawful and, it appears, he approved all such payments, directing that reimbursements be made from a SURS account designated for "legislative conferences." Indeed, Mr. Beedie, whose signature appears on most of the activity vouchers, avers that he questioned Mr. Spice about the legality of this practice, and was assured that counsel had approved it. And although Ms. Duckworth's payments contributed nearly half the total, it appears she acted solely on Mr. Spice's directions and with assurance of SURS' reimbursement. To narrow and allow quickest resolution of this case involving 1993-94 activity, and given that Beedie, Freveletti and Duckworth were acting on Spice's directions and guidance, this Office recommends that the Commission take no further action against them and close the file as to these respondents. Their closing letters will include an admonition.⁴

This Office recommends the Commission enter into pre-probable cause conciliation with respect to Dennis Spice. As for SURS, although it appears that its Board learned of these improper activities through an internal audit, its Executive Director carried out the scheme to advance SURS' agenda. Accordingly, this Office recommends that the Commission reject

⁴ Both Ms. Duckworth and Mr. Freveletti testified before the state grand jury and have been given immunity from prosecution for violations of any state law.

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SURS' request to take no further action, and instead grant SURS' alternative request for pre-probable cause conciliation.

IV. DISCUSSION OF PRE-PROBABLE CAUSE CONCILIATION

Attached is a proposed conciliation agreement with respect to Dennis Spice.

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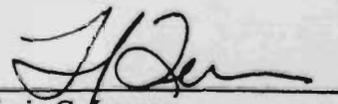
V. RECOMMENDATIONS

1. Deny the State Universities Retirement System of Illinois' request to take no further action and close the file.
2. Grant the State Universities Retirement System of Illinois' request to enter into conciliation prior to a finding of probable cause to believe.
3. Enter into conciliation prior to a finding of probable cause to believe with Dennis Spice.

- 4. Approve the attached agreements with the State Universities Retirement System of Illinois and Dennis Spice.
- 5. Take no further action against James Beedie, Tony Freveletti and Suzann Duckworth, and close the file as it pertains to them.
- 6. Approve the appropriate letters.

Lawrence M. Noble
General Counsel

6/5/97
Date

BY: 
Lois G. Lerner
Associate General Counsel

Attachments

- A. SURS response
- B. Dennis Spice Response
- C. James Beedie Response
- D. James Beedie Supplement
- E. Tony Freveletti Response
- F. Conciliation Agreements (2)

Staff Assigned: Frances B. Hagan

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FEDERAL ELECTION COMMISSION
Washington, DC 20463

MEMORANDUM

TO: LAWRENCE M. NOBLE
GENERAL COUNSEL

FROM: MARJORIE W. EMMONS/BONNIE ROSS 
COMMISSION SECRETARY

DATE: JUNE 12, 1997

SUBJECT: MUR 4399 - GENERAL COUNSEL'S REPORT

The above-captioned document was circulated to the Commission
on Monday, June 09, 1997.

Objection(s) have been received from the Commissioner(s) as
indicated by the name(s) checked below:

Commissioner Aikens	—
Commissioner Elliott	XXX
Commissioner McDonald	—
Commissioner McGarry	—
Commissioner Thomas	XXX

This matter will be placed on the meeting agenda for
Tuesday, June 17, 1997.

Please notify us who will represent your Division before the Commission on this
matter.

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BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of)
) MUR 4399
State Universities Retirement)
System of Illinois;)
Dennis Spice;)
James Beedie;)
Suzann Duckworth;)
Tony Freveletti)

CERTIFICATION

I, Marjorie W. Emmons, recording secretary for the Federal Election Commission executive session on June 24, 1997, do hereby certify that the Commission took the following actions in MUR 4399:

1. Failed in a vote of 3-2 to pass a motion to:
 - a) Deny the State Universities Retirement System of Illinois' request to take no further action and close the file.
 - b) Grant the State Universities Retirement System of Illinois' request to enter into conciliation prior to a finding of probable cause to believe.
 - c) Enter into conciliation prior to a finding of probable cause to believe with Dennis Spice.
 - e) Approve the agreements with the State Universities Retirement System of Illinois and Dennis Spice as recommended in the General Counsel's June 5, 1997 report.

(continued)

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- f) Take no further action against James Beedie, Tony Freveletti, and Suzann Duckworth, and close the file as it pertains to them.
- g) Approve the appropriate letters as recommended in the General Counsel's June 5, 1997 report.

Commissioners McDonald, McGarry, and Thomas voted affirmatively for the motion; Commissioners Aikens and Elliott dissented.

2. Decided by vote of 4-1 to

- a) Deny the State Universities Retirement System of Illinois' request to take no further action and close the file.
- b) Grant the State Universities Retirement System of Illinois' request to enter into conciliation prior to a finding of probable cause to believe.
- c) Enter into conciliation prior to a finding of probable cause to believe with Dennis Spice.
- e) Approve the agreements with the State Universities Retirement System of Illinois and Dennis Spice as recommended in the General Counsel's June 5, 1997 report

(continued)

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- f) Take no further action against James Beedie, Tony Freveletti, and Suzann Duckworth, and close the file as it pertains to them.
- g) Approve the appropriate letters as recommended in the General Counsel's June 5, 1997 report.

Commissioners Aikens, Elliott, McDonald, and Thomas voted affirmatively for the decision; Commissioner McGarry dissented.

Attest:

6-25-97
Date

Marjorie W. Emmons
Marjorie W. Emmons
Secretary of the Commission

97043831847



FEDERAL ELECTION COMMISSION
Washington, DC 20463

June 30, 1997

John T. Theis, Esq.
29 South La Salle Street
Suite 220
Chicago, Illinois 60603

RE: MUR 4399
Tony Freveletti

Dear Mr. Theis:

After considering the circumstances of the matter, the Commission determined on June 24, 1997, to take no further action against your client, Tony Freveletti, and close the file as it pertains to him. The file will be made public within 30 days after this matter has been closed with respect to all other respondents involved.

You are advised that the confidentiality provisions of 2 U.S.C. § 437g(a)(12)(A) remain in effect with respect to all respondents still involved in this matter. The Commission will notify you when the entire file has been closed.

The Commission reminds you that knowingly permitting your name to be used to effect contributions by SURS, appears to be a violation of 2 U.S.C. § 441f. You should take steps to ensure that this activity does not occur in the future.

If you have any questions, please contact me at (202) 219-3690.

Sincerely,

A handwritten signature in cursive script, appearing to read "Jonathan Bernstein".

Jonathan Bernstein
Assistant General Counsel

97043631846



FEDERAL ELECTION COMMISSION
Washington, DC 20463

June 30, 1997

Ms. Suzann Duckworth
108 Maple Grove Lane
Springfield, Illinois 62707

RE: MUR 4399
Suzann Duckworth

Dear Ms. Duckworth:

After considering the circumstances of the matter, the Commission determined on June 24, 1997, to take no further action and close the file as it pertains to you. The file will be made public within 30 days after this matter has been closed with respect to all other respondents involved.

You are advised that the confidentiality provisions of 2 U.S.C. § 437g(a)(12)(A) remain in effect with respect to all respondents still involved in this matter. The Commission will notify you when the entire file has been closed.

The Commission reminds you that knowingly permitting your name to be used to effect contributions by SURS, appears to be a violation of 2 U.S.C. § 441f. You should take steps to ensure that this activity does not occur in the future.

If you have any questions, please contact me at (202) 219-3690.

Sincerely,

Jonathan Bernstein
Assistant General Counsel

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FEDERAL ELECTION COMMISSION
Washington, DC 20463

June 30, 1997

J. Steven Beckett, Esq.
Beckett & Webber, P.C.
Attorney at Law
508 S. Broadway
Urbana, IL 61801

RE: MUR 4399
James S. Beedie

Dear Mr. Beckett:

After considering the circumstances of the matter, the Commission determined on June 24, 1997, to take no further action against your client, James S. Beedie, and close the file as it pertains to him. The file will be made public within 30 days after this matter has been closed with respect to all other respondents involved.

You are advised that the confidentiality provisions of 2 U.S.C. § 437g(a)(12)(A) remain in effect with respect to all respondents still involved in this matter. The Commission will notify you when the entire file has been closed.

The Commission reminds you that Mr. Beedie's assisting of SURS in making contributions in the name of another person and knowingly permitting his name to be used to effect such contributions, appears to be a violation of 2 U.S.C. § 441f. Your client should take steps to ensure that this activity does not occur in the future.

If you have any questions, please contact me at (202) 219-3690.

Sincerely,

Jonathan Bernstein
Assistant General Counsel

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FEDERAL ELECTION COMMISSION
Washington, DC 20463

June 30, 1997

Keith E. Emmons, Esq.
Dobbins, Fraker, Tennant, Joy & Perlstein
215 North Neil Street
Champaign, Illinois 61820

RE: MUR 4399
Dennis Spice

Dear Mr. Emmons:

On June 25, 1996, the Federal Election Commission found reason to believe that your client, Dennis Spice, violated 2 U.S.C. §441f. On June 24, 1997, the Commission determined to enter into negotiations directed towards reaching a conciliation agreement in settlement of this matter prior to a finding of probable cause to believe.

Enclosed is a conciliation agreement that the Commission has approved in settlement of this matter. If your client agrees with the provisions of the enclosed agreement, please sign and return it along with the civil penalty to the Commission. In light of the fact that conciliation negotiations, prior to a finding of probable cause to believe, are limited to a maximum of 30 days, you should respond to this notification as soon as possible.

If you have any questions or suggestions for changes in the agreement, or if you wish to arrange a meeting in connection with a mutually satisfactory conciliation agreement, please contact me at (202) 219-3690.

Sincerely,

Jonathan A. Bernstein
Assistant General Counsel

Enclosure
Conciliation Agreement

97043631851



FEDERAL ELECTION COMMISSION
Washington, DC 20463

June 30, 1997

Kenneth A. Gross, Esq.
Skadden Arps, Slate, Meagher & Flom
1440 New York Avenue, N.W.
Washington, DC 20005-2111

RE: MUR 4399
State Universities Retirement
System of Illinois

Dear Ken:

On June 25, 1996, the Federal Election Commission found reason to believe that your client, State Universities Retirement System of Illinois, violated 2 U.S.C. §441f. At your request, on June 24, 1997, the Commission determined to enter into negotiations directed towards reaching a conciliation agreement in settlement of this matter prior to a finding of probable cause to believe. On that same date, the Commission decided to deny your request to take no further action and to close the file.

Enclosed is a conciliation agreement that the Commission has approved in settlement of this matter. If your client agrees with the provisions of the enclosed agreement, please sign and return it along with the civil penalty to the Commission. In light of the fact that conciliation negotiations, prior to a finding of probable cause to believe, are limited to a maximum of 30 days, you should respond to this notification as soon as possible.

If you have any questions or suggestions for changes in the agreement, or if you wish to arrange a meeting in connection with a mutually satisfactory conciliation agreement, please contact me at (202) 219-3690.

Sincerely,

Jonathan A. Bernstein
Assistant General Counsel

Enclosure
Conciliation Agreement

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RECEIVED
FEDERAL ELECTION
COMMISSION
SECRETARIAT

BEFORE THE FEDERAL ELECTION COMMISSION

JUL 23 4 23 PM '97

In the Matter of

State Universities Retirement System of Illinois)
Dennis Spice)

MUR 4399

SENSITIVE

GENERAL COUNSEL'S REPORT

I. BACKGROUND

On June 24, 1997, the Commission entered into pre-probable cause conciliation with, and approved conciliation agreements for the State Universities Retirement System of Illinois ("SURS") and Dennis Spice, while taking no further action with respect to the remaining respondents. By letter dated June 30, 1997, the proposed agreements were sent to counsel for SURS and counsel for Dennis Spice. After exchanges with counsel (Attachment 1), attached are two signed conciliation agreements that this Office recommends the Commission accept to resolve this matter (Attachments 2 & 3).

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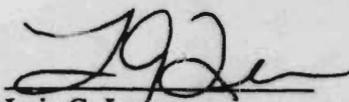
This Office recommends the Commission accept these counteroffers with SURS and with Dennis Spice and close the file in this matter. Checks for the civil penalties have not yet been received.

II. RECOMMENDATIONS

1. Accept the attached conciliation agreement with State Universities Retirement System of Illinois.
2. Accept the attached conciliation agreement with Dennis Spice.
3. Close the file.
4. Approve the appropriate letters.

Lawrence M. Noble
General Counsel

7/28/97
Date

BY: 
Lois G. Lerner
Associate General Counsel

- 1--Conciliation correspondence
- 2--Signed Conciliation Agreement with SURS
- 3--Signed Conciliation Agreement with Dennis Spice (fax with original being mailed)

Staff Assigned: J. Bernstein

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BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of)
)
State Universities Retirement System) MUR 4399
of Illinois;)
Dennis Spice.)

CERTIFICATION

I, Marjorie W. Emmons, Secretary of the Federal Election Commission, do hereby certify that on August 1, 1997, the Commission decided by a vote of 5-0 to take the following actions in MUR 4399:

1. Accept the conciliation agreement with State Universities Retirement System of Illinois, as recommended in the General Counsel's Report dated July 28, 1997.
2. Accept the conciliation agreement with Dennis Spice, as recommended in the General Counsel's Report dated July 28, 1997.

(continued)

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3. Close the file.

4. Approve the appropriate letters, as recommended in the General Counsel's Report dated July 28, 1997.

Commissioners Aikens, Elliott, McDonald, McGarry, and Thomas voted affirmatively for the decision.

Attest:

8-1-97
Date

Marjorie W. Emmons
Marjorie W. Emmons
Secretary of the Commission

Received in the Secretariat: Mon., July 28, 1997 4:23 p.m.
Circulated to the Commission: Tues., July 29, 1997 11:00 a.m.
Deadline for vote: Fri., Aug. 01, 1997 4:00 p.m.

bjr

97043031856



FEDERAL ELECTION COMMISSION

Washington, DC 20463

John T. Theis, Esq.
29 South La Salle Street
Suite 220
Chicago, Illinois 60603

August 5, 1997

RE: MUR 4399
Tony Freveletti

Dear Mr. Theis:

This is to advise you that this matter is now closed. The confidentiality provisions at 2 U.S.C. § 437g(a)(12) no longer apply and this matter is now public. In addition, although the complete file must be placed on the public record within 30 days, this could occur at any time following certification of the Commission's vote. If you wish to submit any factual or legal materials to appear on the public record, please do so as soon as possible. While the file may be placed on the public record before receiving your additional materials, any permissible submissions will be added to the public record upon receipt.

If you have any questions, please contact me at (202) 219-3690.

Sincerely,

A handwritten signature in cursive script that reads "Jonathan Bernstein".

Jonathan Bernstein
Assistant General Counsel

97043831857



FEDERAL ELECTION COMMISSION
Washington, DC 20463

August 5, 1997

Suzann Duckworth
108 Maple Grove Lane
Springfield, Illinois 62707

RE: MUR 4399

Dear Suzann:

This is to advise you that this matter is now closed. The confidentiality provisions at 2 U.S.C. § 437g(a)(12) no longer apply and this matter is now public. In addition, although the complete file must be placed on the public record within 30 days, this could occur at any time following certification of the Commission's vote. If you wish to submit any factual or legal materials to appear on the public record, please do so as soon as possible. While the file may be placed on the public record before receiving your additional materials, any permissible submissions will be added to the public record upon receipt.

If you have any questions, please contact me at (202) 219-3690.

Sincerely,

A handwritten signature in cursive script that reads "Jonathan Bernstein (By BM)".

Jonathan Bernstein
Assistant General Counsel

97043631858



FEDERAL ELECTION COMMISSION
Washington, DC 20463

August 5, 1997

J. Steven Beckett, Esq.
Beckett & Webber, P.C.
Attorney at Law
508 S. Broadway
Urbana, IL 61801

RE: MUR 4399
James S. Beedie

Dear Mr. Beckett:

This is to advise you that this matter is now closed. The confidentiality provisions at 2 U.S.C. § 437g(a)(12) no longer apply and this matter is now public. In addition, although the complete file must be placed on the public record within 30 days, this could occur at any time following certification of the Commission's vote. If you wish to submit any factual or legal materials to appear on the public record, please do so as soon as possible. While the file may be placed on the public record before receiving your additional materials, any permissible submissions will be added to the public record upon receipt.

If you have any questions, please contact me at (202) 219-3690.

Sincerely,

Jonathan Bernstein
Assistant General Counsel

97043031859



FEDERAL ELECTION COMMISSION
Washington, DC 20463

August 5, 1997

Keith E. Emmons, Esq.
Dobbins, Fraker, Tennant, Joy & Perlstein
215 North Neil Street
Champaign, Illinois 61820

RE: MUR 4399
Dennis Spice

Dear Mr. Emmons:

On August 1, 1997, the Federal Election Commission accepted the signed conciliation agreement submitted on your client's behalf in settlement of a violation of 2 U.S.C. § 441f, a provision of the Federal Election Campaign Act of 1971, as amended ("the Act"). Accordingly, the file has been closed in this matter.

The confidentiality provisions at 2 U.S.C. § 437g(a)(12) no longer apply and this matter is now public. In addition, although the complete file must be placed on the public record within 30 days, this could occur at any time following certification of the Commission's vote. If you wish to submit any factual or legal materials to appear on the public record, please do so as soon as possible. While the file may be placed on the public record before receiving your additional materials, any permissible submissions will be added to the public record upon receipt.

Information derived in connection with any conciliation attempt will not become public without the written consent of the respondent and the Commission. ~~Sec~~ 2 U.S.C. § 437g(a)(4)(B). The enclosed conciliation agreement, however, will become a part of the public record.

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Enclosed you will find a copy of the fully executed conciliation agreement for your files.
If you have any questions, please contact me at (202) 219-3690.

Sincerely,

Jonathan A. Bernstein (xm)

Jonathan A. Bernstein
Assistant General Counsel

Enclosure
Conciliation Agreement

97043031861

BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of)	
)	MUR 4399
Dennis Spice)	

CONCILIATION AGREEMENT

This matter was initiated by the Federal Election Commission ("Commission"), pursuant to information ascertained in the normal course of carrying out its supervisory responsibilities. The Commission found reason to believe that Dennis Spice ("Respondent") violated 2 U.S.C. § 441f.

NOW, THEREFORE, the Commission and the Respondent, having participated in informal methods of conciliation prior to a finding of probable cause to believe, do hereby agree as follows:

I. The Commission has jurisdiction over the Respondent and the subject matter of this proceeding, and this agreement has the effect of an agreement entered pursuant to 2 U.S.C. § 437g(a)(4)(A)(i).

II. Respondent has had a reasonable opportunity to demonstrate that no action should be taken in this matter.

III. Respondent enters voluntarily into this agreement with the Commission.

IV. The pertinent facts in this matter are as follows:

1. Respondent is an individual who served as Executive Director of the State Universities Retirement System ("SURS") of the State of Illinois from February 1, 1991 until June 2, 1995.

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2. The Federal Election Campaign Act of 1971, as amended (the "Act") provides that no person shall make a contribution in the name of another or knowingly permit his name to be used to effect such a contribution. 2 U.S.C. § 441f. Commission regulations further specify that no person shall knowingly help or assist any person in making a contribution in the name of another. 11 C.F.R. § 110.4(b)(iii). Under the Act, the term "person" includes an individual, partnership, committee, association, corporation, labor organization, or any other group of persons, but it does not include the federal government. 2 U.S.C. § 431(11).

3 During 1993 and 1994, Illinois' State Universities Retirement System made contributions totaling \$4,345 in connection with federal elections.

4. The contributions were paid to reimburse SURS officers who attended or paid for political party-sponsored events or federal candidate fundraisers in the course of their employment. The contributions were made to advance SURS' funding agenda; the reimbursement method hid the source of the contributions from public accountability.

5. The four persons who SURS reimbursed for contributions were Dennis Spice, Executive Director; James Boedie, Associate Executive Director; Tony Freveletti, Government Relations Officer; and Suzann Duckworth, Assistant Government Relations Officer.

6. SURS reimbursed funds or used its credit card to make contributions in the names of its officers as follows:

<u>EMPLOYEE</u>	<u>DATE</u>	<u>AMOUNT</u>	<u>EVENT</u>
Dennis Spice	08-06-93	\$ 275	NRSC event, Capital Conference Catering
Dennis Spice	08-23-93	1,000*	Republican Senatorial Inner Circle, conference fee
Dennis Spice	09-07-93	100	Ewing for Congress
Dennis Spice	10-12-93	100*	NRSC, conference fee for federal legislative update

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<u>EMPLOYEE</u>	<u>DATE</u>	<u>AMOUNT</u>	<u>EVENT</u>
Dennis Spice	10-19-93	180*	NRSC, legislative update meeting fee
Suzann Duckworth	11-18-93	1,000	DNC, membership for Women's Leadership Forum and annual conference
Dennis Spice	03-17-94	320	Ewing for Congress
Tony Freveletti	04-28-94	50	Ewing for Congress
Dennis Spice	05-02-94	200	Ewing for Congress
Jim Beedie	05-02-94	50	Ewing for Congress
Jim Beedie	08-26-94	35	Ewing for Congress
Tony Freveletti	09-01-94	35	Ewing for Congress
Suzann Duckworth	09-26-94	1,000	DNC, membership for Women's Leadership Forum and annual conference

* Dennis Spice charged these expenses to a SURS credit card and SURS paid them directly.

7. The \$4,345 in contributions, and the reimbursements of such contributions were made under Respondent's direction, as an agent of SURS.

8. The political committees have refunded the contributions and the officers have reimbursed SURS.

V. Respondent, then SURS' Executive Director, knowingly permitted his name to be used to effect contributions by SURS in the names of others, and knowingly assisted others in such activity in violation of 2 U.S.C. § 441f. See also 11 C.F.R. § 110.4(b)(iii).

VI. Respondent will pay a civil penalty to the Federal Election Commission in the amount of Seven Thousand, Five Hundred dollars (\$7,500), pursuant to 2 U.S.C. § 437g(a)(5)(A).

VII. The Commission, on request of anyone filing a complaint under 2 U.S.C. § 437g(a)(1) concerning the matters at issue herein or on its own motion, may review compliance with this agreement. If the Commission believes that this agreement or any requirement thereof

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has been violated, it may institute a civil action for relief in the United States District Court for the District of Columbia.

VIII. This agreement shall become effective as of the date that all parties hereto have executed same and the Commission has approved the entire agreement.

IX. Respondent shall have no more than 30 days from the date this agreement becomes effective to comply with and implement the requirement contained in this agreement and to so notify the Commission.

X. This Conciliation Agreement constitutes the entire agreement between the parties on the matters raised herein, and no other statement, promise, or agreement, either written or oral, made by either party or by agents of either party, that is not contained in this written agreement shall be enforceable.

FOR THE COMMISSION:

Lawrence M. Noble
General Counsel

BY:


Lois G. Lepler
Associate General Counsel

8-5-97
Date

FOR THE RESPONDENT:


Dennis Spice

July 23, 1997
Date

97043651865

DENNIS D SPICE
LINDA K SPICE
ROUTE 3 BOX 39
CHAMPAIGN, IL 61821

2019

July 24 19 97 97-7188
1240

PAY TO THE ORDER OF Federal Election Commission

\$ 7,500.00

Seven Thousand Five Hundred and no/100----- DOLLARS

IDS Deposit Corp.
6985 Union Park Center
Salt Lake City, Utah 84117

Member FDIC

FOR _____

Linda K. Spice

INTERCHECKS

97043631866



FEDERAL ELECTION COMMISSION
Washington, DC 20463

August 8, 1997

Kenneth A. Gross, Esq.
Skadden Arps, Slate, Meagher & Flom
1440 New York Avenue, N.W.
Washington, DC 20005-2111

RE: MUR 4399
State Universities Retirement
System of Illinois

Dear Ken:

On August 1, 1997, the Federal Election Commission accepted the signed conciliation agreement submitted on your client's behalf in settlement of a violation of 2 U.S.C. §441f, a provision of the Federal Election Campaign Act of 1971, as amended ("the Act"). Accordingly, the file has been closed in this matter.

The confidentiality provisions at 2 U.S.C. § 437g(a)(12) no longer apply and this matter is now public. In addition, although the complete file must be placed on the public record within 30 days, this could occur at any time following certification of the Commission's vote. If you wish to submit any factual or legal materials to appear on the public record, please do so as soon as possible. While the file may be placed on the public record before receiving your additional materials, any permissible submissions will be added to the public record upon receipt.

Information derived in connection with any conciliation attempt will not become public without the written consent of the respondent and the Commission. See 2 U.S.C. § 437g(a)(4)(B). The enclosed conciliation agreement, however, will become a part of the public record.

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Enclosed you will find a copy of the fully executed conciliation agreement for your files. Please note that the civil penalty is due within 30 days of the conciliation agreement's effective date. If you have any questions, please contact me at (202) 219-3690.

Sincerely,

Jonathan A Bernstein (By JM)

Jonathan A. Bernstein
Assistant General Counsel

Enclosure
Conciliation Agreement

97043031868

BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of)
) MUR 4399
 State Universities Retirement System)
 of Illinois)

CONCILIATION AGREEMENT

This matter was initiated by the Federal Election Commission ("Commission"), pursuant to information ascertained in the normal course of carrying out its supervisory responsibilities. The Commission found reason to believe that State Universities Retirement System of Illinois ("Respondent" or "SURS") violated 2 U.S.C. § 441f.

NOW, THEREFORE, the Commission and the Respondent, having participated in informal methods of conciliation prior to a finding of probable cause to believe, do hereby agree as follows:

I. The Commission has jurisdiction over the Respondent and the subject matter of this proceeding, and this agreement has the effect of an agreement entered pursuant to 2 U.S.C. § 437g(a)(4)(A)(i).

II. Respondent has had a reasonable opportunity to demonstrate that no action should be taken in this matter.

III. Respondent enters voluntarily into this agreement with the Commission.

IV. The pertinent facts in this matter are as follows:

1. Respondent is an executive agency of the State of Illinois and qualifies as a "person" under the Federal Election Campaign Act of 1971, as amended (the "Act"). See 2 U.S.C. § 431(11).

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2. The Act provides that no person shall make a contribution in the name of another or knowingly permit his name to be used to effect such a contribution. 2 U.S.C. § 441f.

Commission regulations further specify that no person shall knowingly help or assist any person in making a contribution in the name of another. 11 C.F.R. § 110.4(b)(iii). Under the Act, the term "person" includes an individual, partnership, committee, association, corporation, labor organization, or any other group of persons, but it does not include the federal government. 2 U.S.C. § 431(11).

3. In a *sua sponte* submission to the Commission, Respondent stated that an internal audit revealed contributions it made in connection with federal elections during 1993 and 1994.

4. SURS either directly paid political party committee contributions on behalf of SURS officers, or reimbursed SURS officers who attended political party-sponsored events or federal candidate fundraisers. Those payments totaled \$4,345.

5. The four individuals were Dennis Spice, Executive Director (at the time); James Beedie, Associate Executive Director; Tony Freveletti, Government Relations Officer; and Suzann Duckworth, Assistant Government Relations Officer.

6. The officers/employees submitted vouchers generically labeled "Legislative Conference," "Legislative Meeting," and "Membership in the Women's Leadership Forum," without noting that the events were sponsored by political committees.

7. Respondent reimbursed funds or used its credit card to make contributions in the names of its officers, as follows:

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<u>EMPLOYEE</u>	<u>DATE</u>	<u>AMOUNT</u>	<u>EVENT</u>
Dennis Spice	08-06-93	\$ 275	NRSC event,
Dennis Spice	08-23-93	1,000*	Capital Conference Catering Republican Senatorial Inner Circle, conference fee
Dennis Spice	09-07-93	100	Ewing for Congress
Dennis Spice	10-12-93	100*	NRSC, conference fee for federal legislative update
Dennis Spice	10-19-93	180*	NRSC, legislative update meeting fee
Suzann Duckworth	11-18-93	1,000	DNC, membership for Women's Leadership Forum and annual conference
Dennis Spice	03-17-94	320	Ewing for Congress
Tony Freveletti	04-28-94	50	Ewing for Congress
Dennis Spice	05-02-94	200	Ewing for Congress
Jim Beedie	05-02-94	50	Ewing for Congress
Jim Beedie	08-26-94	35	Ewing for Congress
Tony Freveletti	09-01-94	35	Ewing for Congress
Suzann Duckworth	09-26-94	1,000	DNC, membership for Women's Leadership Forum and annual conference

* Dennis Spice charged these expenses to a SURS credit card and SURS paid them directly.

8. The political committees have refunded the contributions.

V. Respondent made contributions in the names of others in violation of 2 U.S.C. § 441f.

VI. Respondent will pay a civil penalty to the Federal Election Commission in the amount of three thousand dollars (\$3,000), pursuant to 2 U.S.C. § 437g(a)(5)(A).

VII. The Commission, on request of anyone filing a complaint under 2 U.S.C. § 437g(a)(1) concerning the matters at issue herein or on its own motion, may review compliance with this agreement. If the Commission believes that this agreement or any requirement thereof

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has been violated, it may institute a civil action for relief in the United States District Court for the District of Columbia.

VIII. This agreement shall become effective as of the date that all parties hereto have executed same and the Commission has approved the entire agreement.

IX. Respondent shall have no more than 30 days from the date this agreement becomes effective to comply with and implement the requirement contained in this agreement and to so notify the Commission.

X. This Conciliation Agreement constitutes the entire agreement between the parties on the matters raised herein, and no other statement, promise, or agreement, either written or oral, made by either party or by agents of either party, that is not contained in this written agreement shall be enforceable.

FOR THE COMMISSION:

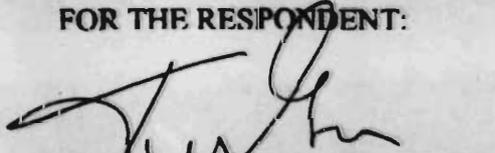
Lawrence M. Noble
General Counsel

BY:


Lois G. Lerner
Associate General Counsel

8/5/97
Date

FOR THE RESPONDENT:


(Name) Kenneth A. Gross
(Position) Attorney for Respondents

7/16/97
Date

19970430318721



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

THIS IS THE END OF MUR # 4399

DATE FILMED 8-26-67 CAMERA NO. 4

CAMERAMAN JmW

97043831873



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

Date: 5/4/98

 Microfilm

 Press

THE ATTACHED MATERIAL IS BEING ADDED TO CLOSED NUR 4399

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SKADDEN, ARPPS, SLATE, MEAGHER & FLOM LLP

1400 NEW YORK AVENUE, N.W.

WASHINGTON, D.C. 20005-2111

TELEPHONE 202-371-7000

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- SYDNEY
- TOKYO
- TORONTO

FAX 202-393-5760

DIRECT DIA
202-371-7007

DIRECT FAX
202-371-7956

September 3, 1997

VIA HAND DELIVERY

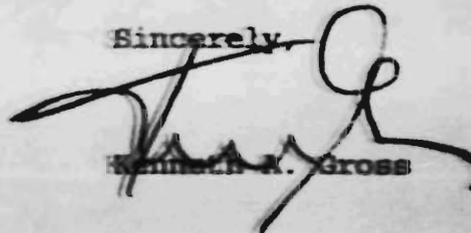
Jonathan A. Bernstein, Esq.
 Assistant General Counsel
 Federal Election Commission
 999 E Street, N.W.
 Room 657
 Washington, D.C. 20463

Re: MOR 4399 State Universities Retirement System of Illinois

Dear Jonathan:

Enclosed please find the civil penalty check in the above-referenced matter.

Sincerely,



Kenneth A. Gross

Enclosure

9 8 0 4 3 8 0 3 1 7

THIS DOCUMENT HAS AN ARTIFICIAL WATERMARK PRINTED ON THE BACK
ABSENCE OF THIS FEATURE WILL INDICATE A COPY

0711



Bank Illinois

100 West University Ave.
Champaign, Illinois 61820
Member FDIC

4804270500

REMITTER

JAMES S. BEEDIE

DATE

AUG. 21, 1997

75-1532910

PAY TO THE
ORDER OF

FEDERAL ELECTION COMMISSION

*******3,000.00**

THREE THOUSAND AND 00/100

CASHIER'S CHECK

NLP

AUTHORIZED SIGNATURE

PAYABLE THRU FIRSTAR BANK BLOOMINGTON, MN

⑆09⑆0⑆522⑆⑆00480 42705006⑈

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FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

File

SEP 8 10 28 AM '97

September 5, 1997

TWO WAY MEMORANDUM

TO: OGC Docket
FROM: Leslie D. Brown *ldb*
Disbursing Technician
SUBJECT: Account Determination for Funds Received

We recently received a check from **James S. Beedle**, check number **4804270500**, dated **August 21, 1997**, for the amount of **\$3,000.00**. A copy of the check and any correspondence is being forwarded. Please indicate below which account the funds should be deposited and give the MUR/Case number and name associated with the deposit.

=====

TO: Rosa E. Swinton Leslie D. Brown
Accounting Technician Disbursing Technician

FROM: OGC Docket

SUBJECT: Disposition of Funds Received

In reference to the above check in the amount of \$3,000.00 the MUR/Case number is 4399 and in the name of State Union Retirement Systems. Place this deposit in the account indicated below:

- Budget Clearing Account (OGC), 95F3875.16
- Civil Penalties Account, 95-1099.160
- Other: _____

Retha Klipon
Signature

9-9-97
Date

9804000319