



MINUTES

**Meeting of the Board Governance Committee
of the Board of Trustees of the
State Universities Retirement System
4:30 p.m., February 6, 2014
Chicago Board Options Exchange
The Options Institute
400 South LaSalle St.
Chicago, Illinois 60605**

The following Trustees were present: Ms. Lindsay Anderson, Chair, Ms. Jacqueline Berger, Dr. John Engstrom, Mr. Richard Figueroa, Mr. Paul R. T. Johnson Jr., Mr. Andrew Matthews, Mr. Craig McCrohon, Ms. Dorinda Miller and Mr. Mitchell Vogel.

Others present: Mr. William Mabe, Executive Director; Mr. Michael Weinstein, General Counsel; Mr. Daniel Allen, Chief Investment Officer; Ms. Phyllis Walker, Chief Financial Officer; Mr. Steve Hayward, Director of Internal Audit; Mr. Albert Lee, Associate General Counsel; Mr. Joseph Duncan, Senior Investment Officer; Ms. Lou Ann Fillingham, Investment Officers; Ms. Marilyn Branson, Investment Governance and Compliance Officer; Mr. Jeffrey Houch, Legislative Liaison; Ms. Karen Hipskind, Executive Assistant; Ms. Mary Pat Burns of Burke, Burns & Pinelli; Mr. Douglas Moseley, Mr. Kevin Leonard and Ms. Kristin Finney-Cooke of NEPC; Mr. Matt Moran of CBOE; Sharon Piet of Podesta & Co.; and Ms. Lari Dierks of Speaker Michael Madigan's staff.

Board Governance Committee roll call attendance was taken. Trustee Anderson, present; Trustee Engstrom, present; Trustee McCrohon, present; Trustee Vogel, present; Trustee Vasquez, absent.

CHAIRPERSON'S REPORT

Trustee Anderson indicated that there is no Chairperson report at this time.

BOARD ADMINISTRATION

Committee Structure

In December 2013, the Board accepted and acted on the recommendation establishing a Board Governance Committee. Mr. William Mabe presented Suggested Committee Structure for the newly configured Board Governance Committee. Upon further review of the Bylaws, Mr. Mabe felt that the duties of committees were not well-articulated and he believes that it would be beneficial to provide more clearly defined duties for each committee and the board

to assist current and future trustees in honoring their fiduciary obligations. Discussion regarding the suggested committee structures and roles continued. Mr. Mabe stated that these are suggested changes and he encouraged each committee chair as well as all trustees to review the suggested changes and provide feedback to him at their earliest convenience. The bylaws will be revised and presented to the Committee for consideration once the board and committee members are comfortable with the suggested changes.

A copy of staff memorandum entitled “Board Governance Committee” and the Board Governance Suggested Committee Structure – First Review are incorporated as part of these Minutes as [Exhibit 1](#) and [Exhibit 2](#).

Board Meeting Agenda Topics

Mr. Mabe presented the Draft of Current Board Calendar and the Suggested Additional Items for Consideration document. Mr. Mabe outlined the importance of these items and recommended they be incorporated into future board and committee agendas. Mr. Mabe foresees the Board Governance Committee considering these items, addressing them, prioritizing them, and placing them on an agenda. Further, Mr. Mabe suggested the possibility of using the newly defined duties for the board and committees as a policy checklist to ensure the board and committee agendas focus on the things that matter as trustees on a regular and consistent basis.

A copy of the DRAFT of Current Board Calendar with Suggested Additional Items for Consideration are incorporated as part of these Minutes as [Exhibit 3](#).

Board Meeting Dates and Times

Trustee Lindsay Anderson presented the amended calendar of suggested meeting dates for 2014. The proposed changes include moving the start time for meeting dates to 9:00 a.m. instead of 11:00 a.m. and expanding the duration of the meetings to allow all committees time to discuss complex issues at hand. In addition, this calendar also reflects the suggested change made at the December meeting moving the March meeting to March 20-21, 2014, and changing the meeting location to Champaign.

Trustee Vogel moved that:

- That the amended meeting dates and times proposed for 2014 be approved as presented.

Motion seconded by Trustee Johnson and carried with all Trustees present voting in favor.

A copy of staff memorandum entitled “Amended Schedule of 2014 Meeting Dates” is incorporated as part of these Minutes as [Exhibit 4](#).

Potential Education Topics

Mr. Mabe outlined potential Board Education and Self Development items for the Committee to consider. Mr. Mabe also mentioned that he enclosed some articles regarding board governance, best practice policies and principles and fiduciary duties for the Committee to read at their convenience noting that the Board will be receiving training on Fiduciary Duties at the Educational Forum the next day.

Ms. Burns suggested that as fiduciaries, it would be wise for the Trustees to consider all potential educational opportunities noting that it is their responsibility to ensure that all Trustees have a complete understanding of all decisions the Board is making.

A copy of the Possible Board Annual Education Calendar/Self Development document is incorporated as part of these Minutes as **Exhibit 5**.

Copies of the following articles were provided for reference and are incorporated as part of these Minutes as:

1. **Exhibit 6** - “The Role of the Chair: Orchestrating the Board”
2. **Exhibit 7** - “How Well Run Board Make Decisions”
3. **Exhibit 8** - “Best Practice Policies for Trustees and Pension Systems”
4. **Exhibit 9** - “The Clapman Report 2.0”

Mr. Mabe elected to move up the Advisory Committee discussion at this point in the meeting.

ADVISORY COMMITTEES

Mr. Mabe presented information regarding the State Universities Retirement System Members Advisory Committee (“SURSMAC”) noting that this is a long established member-driven group that is supposed to provide feedback directly to the SURS Board of Trustees. Mr. Mabe reported that during his tenure at SURS, they have not presented any requests for action or advice on behalf of the SURS membership. Mr. Mabe noted that in the SURSMAC Bylaws, the group appears to derive their authority from the SURS Board of Trustees; however, SURS has been unable to find any documentation to support this delegation of authority. Recently, it has come to SURS’ attention that this advisory board, which is required to comply with the Open Meetings Act, has not been in compliance with this Act. Mr. Mabe is suggesting that the Board evaluate said authority and determine whether or not they want them to be an advisory group to the Board of Trustees or to the Executive Director of SURS. By delegating authority to report to the Executive Director, this would remove any exposure that the Board has in regards to this group.

Mr. Mabe believes that if structured correctly, this committee could be quite useful to the organization. However, he feels that it is best for them to be an Advisory Committee to the Executive Director, instead of the Board of Trustees. Ms. Burns pointed out that to date, no documentation to support their delegated authority can be found and to date, the Board of Trustees has not managed SURSMAC; however, SURSMAC believes they are an Advisory Committee to the SURS Board of Trustees. She stated that one of two things needs to

happen; either the Board needs to begin formally managing this committee by asking them to comply with the Open Meetings Act and their stated Bylaws, or delegate their authority to the Executive Director, removing any exposure to the Board. Discussion ensued and Trustee Engstrom stated that he would like to work with Mr. Mabe on clarifying the role of this advisory committee and then determine how to best proceed before the next meeting.

Copies of staff memorandum entitled “SURSMAC”, the SURSMAC History document and the SURSMAC Constitution and Bylaws are incorporated as part of these Minutes as [Exhibit 10](#), [Exhibit 11](#), and [Exhibit 12](#).

BOARD ADMINISTRATION (CONTINUED)

Board Election Rules

Mr. Steve Hayward reported that in July 2013, Public Act 098-0092 was enacted which allows the adoption of rules providing for internet or phone balloting in addition, or as an alternative, to election by mail. At the December meeting, the Board gave staff direction to pursue other voting options by drafting changes to the current Trustee Election Rules. Mr. Hayward presented the proposed red-lined changes to the Trustee Election Rules noting that changes were made to three sections in regards to electronic voting: Section 1600.720 – Election Materials, Section 1600.725 – Marking of Ballots/Casting Votes, and Section 1600.730- Return of Ballots and Ballot Counting Process. Both Mr. Weinstein and Mr. Hayward encouraged all Trustees to review these changes and provide any input and comments to them by the end of February 2014. A final version of the proposed rules will be brought before the Committee at the March meeting.

Although this was initially intended as an action item, Mr. Mabe stated that the proposed motion regarding the Board Election Rules is not needed at this time.

Copies of the staff memorandum, entitled “Trustee Election Administrative Rule Changes” and a red-line version of the detailed changes to the Trustee Election Rules are incorporated as a part of these Minutes as [Exhibit 13](#) and [Exhibit 14](#).

PUBLIC COMMENT

There were no public comments presented to the Board Governance Committee.

There being no further business to come before the Committee, Trustee Johnson moved that the meeting be adjourned. Motion seconded by Trustee Matthews and carried.

Respectfully submitted,



Mr. William E. Mabe
Secretary, Board of Trustees