



MINUTES

**Meeting of the Board of Trustees of the
State Universities Retirement System
10:30 a.m., Friday, December 13, 2013
Northern Trust
50 South LaSalle Street, London Room B9
Chicago, Illinois 60603**

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, Mr. Antonio Vasquez and Mr. Mitchell Vogel.

Others present: Mr. William Mabe, Executive Director; Mr. Michael Weinstein, General Counsel; Mr. Daniel Allen, Chief Investment Officer; Mr. Douglas Wesley, Deputy Chief Investment Officer; Ms. Phyllis Walker, Chief Financial Officer; Mr. Steve Hayward, Director of Internal Audit; Mr. Albert Lee, Associate General Counsel; Mr. Jeffrey Houch, Legislative Liaison; Ms. Pamela Butler, Director of Outreach; Ms. Angela Lieb, Director of Member Services; Ms. Lori Kern and Ms. Karen Hipskind, Executive Assistants; Ms. Mary Pat Burns of Burke, Burns & Pinelli; Mr. Steve Zahn of Governmental Consulting, Inc.; Ms. Linda Brookhart of SUAA; Dr. John Shuler, of SURSMAC; Ms. Patti Somerville-Koulouris of the Northern Trust Company; and Ms. April VanBuren of WBEZ Radio.

Board of Trustee roll call attendance was taken. Trustee Anderson, present; Trustee Berger, present; Trustee Engstrom, present; Trustee Figueroa, present; Trustee Johnson, present; Trustee Matthews, present; Trustee McCrohon, present; Trustee Miller, present; Trustee Vasquez, present; Trustee Vogel, present.

APPROVAL OF MINUTES

Trustee Lindsay Anderson presented the Minutes from the Board meeting of September 13, 2013. Trustee Paul Johnson moved:

- That the Minutes from the September 13, 2013 Board meeting be approved, as presented.

Trustee Richard Figueroa seconded and the motion carried with all Trustees present voting in favor.

Trustee Lindsay Anderson presented the Minutes from the Board meeting of October 17, 2013. Trustee Johnson moved:

- That the Minutes from the October 17, 2013 Board meeting be approved, as presented.

Trustee Figueroa seconded and the motion carried with all Trustees present voting in favor.

CHAIRPERSON'S REPORT

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

EXECUTIVE DIRECTOR'S REPORT

Mr. Mabe indicated that there is no Executive Director report at this time.

BOARD GOVERNANCE

Mr. William Mabe discussed with the Board the idea of establishing a Board Governance Committee. This Committee would meet and examine areas of board oversight, governance practices, education, decision making, and communications with the purpose of looking for ways to improve and strengthen current practices while enabling the Board to become more effective in discharging their fiduciary duties. Both Ms. Burns and Mr. Mabe feel that it is prudent to have one single committee that would be focused around these issues. Mr. Mabe presented a "Sample Board Calendar" for review and discussion and he asked the Board to think about where they are currently spending a majority of their time. He presented a "Summary of SURS Investment Committee Time" for reference stating that he wants the Board to feel comfortable in the amount of time they are spending on important issues. Mr. Mabe stated that as the organization has grown over the years, it appears that the Committees have not. When looking through the bylaws and comparing them with the current Board Duties and Powers, it becomes evident that some items referred to in the bylaws are absent on a regular basis such as: I.T. Security or Business Continuity. He would like to take items such as these and get them on an annual agenda going forward. Discussion amongst the group continued about the benefits of forming a Board Governance Committee.

Trustee Mitch Vogel moved:

- That Section 14 of the Board bylaws be amended to create a Board Governance Committee and add Section 14.7 to the bylaws designating the powers to be granted to this Committee.

Trustee Paul Johnson seconded and the motion carried with all Trustees present voting in favor.

A copy of the staff memorandum entitled "Board Governance Committee," as well as associated documents entitled "Sample of the Current Board Calendar," "Summary of SURS

Investment Committee Time CY 2013,” “Current Board Duties/Powers,” and the “Current SURS Committee Structure” are incorporated as part of these Minutes as [Exhibit 1](#), [Exhibit 2](#), [Exhibit 3](#), [Exhibit 4](#), and [Exhibit 5](#). A copy of the staff memorandum entitled “Schedule of Routine Periodic Reporting” is also attached as part of these Minutes as [Exhibit 6](#).

Mr. Steve Hayward reached out for a general consensus from the Board regarding interest in allowing electronic voting methods for the next Trustee election in May 2015. Mr. Hayward noted that in July 2013, Public Act 098-0092 was enacted which allows the adoption of rules providing for internet or phone ballots in addition, or as an alternative, to election by mail. If the Board is in favor of offering electronic voting, it is envisioned that SURS would continue to send out voting materials to its members and annuitants via US Mail. Members could then vote using the paper ballot, internet or phone. Discussion regarding this process continued and there was some concern raised as to whether or not some of the SURS membership would be in favor of electronic voting. After further discussion, it was the consensus of the group that staff move forward on proposed changes to the rules to bring to the Board for consideration at the February meeting.

Copies of the staff memorandum entitled “Board Trustee Election Administrative Rule Changes,” the 2015 SURS Board of Trustee Election Timeline, and a Sample Electronic Voting Instructions/Ballot are incorporated as part of these Minutes as [Exhibit 7](#), [Exhibit 8](#), and [Exhibit 9](#).

REVIEW OF COMMITTEE ACTION

On behalf of the Investment Committee, Trustee McCrohon moved in the form of a consent Agenda as requested by Fiduciary Counsel:

Investment Committee

Global Equity Manager Reviews

1. That Mondrian Investment Partners be retained as a global equity manager.
2. That Wellington Management be retained as a global equity manager.
3. That Calamos Advisors be retained as a global equity manager.
4. That T. Rowe Price be retained as a global equity manager.

Non-U.S. Equity Manager Reviews

5. That Ativo Capital Management be retained as a Non-U.S. equity manager.
6. That GlobeFlex Capital be retained as a Non-U.S. equity manager.
7. That Herndon Capital Management be retained as a Non-U.S. equity manager.
8. That Martin Currie be retained as a Non-U.S. equity manager.
9. That Strategic Global Advisors be retained as a Non-U.S. equity manager.
10. That BlackRock Institutional Trust Company be retained as a structured active Non-U.S. equity manager.
11. That Pyramis Global Advisors be retained as a structured active Non-U.S. equity manager.

Real Estate Manager Reviews

12. That CBRE Clarion Securities be retained as a U.S. REIT manager.
13. That CBRE Clarion Securities be retained as a global REIT manager.

14. That UBS Trumbull Property Fund be retained as a direct real estate manager.
15. That JP Morgan Strategic Property Fund be retained as a direct real estate manager.
16. That Heitman America Real Estate Trust Fund be retained as a direct real estate manager.

Index Fund Provider Reviews

17. That Northern Trust Asset Management be retained as a U.S. equity index fund manager.
18. That BlackRock Institutional Trust Company be retained as an index fund manager.
19. That RhumbLine Advisers be retained as a U.S. equity index fund manager.
20. That State Street Global Advisors be retained as a U.S. fixed income index fund manager.

Fiscal Year 2014 Actuarial Valuation Report

21. That the Cheiron preliminary report regarding review of assumptions and methods used in the June 30, 2013 Actuarial Valuation be received and filed.
22. That the Board certify to the Governor and the General Assembly the required net State contribution for Fiscal Year 2015 in the amount of \$1,544,200,000, based upon the Fiscal Year 2013 Actuarial Valuation Report conducted by Gabriel Roeder Smith & Company.
23. That the Fiscal Year 2013 Actuarial Valuation Report be received and filed.

Normal Cost & Effective Rate of Interest

24. That the Employer Normal Cost Rate of 11.71% be approved for Fiscal Year 2015.
25. That the Effective Rate of Interest remain at 7.0% for Fiscal Year 2015, to be used for all purposes other than the Rule 2 (money purchase) calculation.

Actuarial Services Provider Search

26. That Gabriel Roeder Smith (GRS) be retained as actuarial services provider for a five-year term, subject to successful completion of contract negotiations.

Report to the Governor and General Assembly on Use of Emerging Investment Managers

27. That the annual Report to the Governor and General Assembly Regarding Use of Emerging Investment Managers for the period ending June 30, 2013, be received and filed.

Trustee Johnson seconded and the motions carried with all Trustees voting in favor.

Corporate Governance – No Action.

Audit Committee – No Action.

On behalf of the Governmental Affairs Committee, Trustee Anderson moved:

28. That the Board approve the filing of the proposed amendments to Title 80, Part 1600 of the Illinois Administrative Code substantially in the form presented with the Joint Committee on Administrative Rules and the Office of the Secretary of State.
29. That the January 2014 Regulatory Agenda be approved as presented.

Trustee Engstrom seconded and the motion carried with all Trustees voting in favor.

Personnel & Resource – No Action

BOARD MEETING DATES/LOCATION – UPDATE

Trustee Anderson wanted to clarify the dates/location of the March Board Meeting that was discussed earlier in the Governmental Affairs Committee. Trustee Anderson would like to propose that the March meetings be moved to March 20-21, 2014 and that the location be moved to Champaign. She asked that if any of the Trustees had an issue with this to let her know individually and as long as there are no major conflicts, this change would be finalized at the February meeting.

BOARD TRAVEL

Mr. Daniel Allen presented the Board with travel and conference opportunities for the Board's review and approval. He reported that pursuant to Public Act 96-0006, the Trustees are required to have 8 hours of annual training. A majority of the Board must approve all Board travel in order to qualify for reimbursement of expenses in accordance with the Board's Travel Approval and Expense Reimbursement Policy. Staff develops a list of upcoming training opportunities and this list is then presented to the Trustees with their regular meeting materials. Trustee Engstrom requested that the "American Accounting Association" conference be added to this list and Trustee Vasquez asked that the "Accredited Investment Fiduciary Training Program" be added. Ms. Burns agrees that it would be wise to add both of these conferences to the list of upcoming training opportunities.

Mr. Allen noted that if educational opportunities arise that the Board has not approved, please contact Ms. Lori Kern and she could provide the proper form and procedure for obtaining Board approval outside of the quarterly meeting.

Trustee Johnson moved:

- That the Board of Trustees travel to attend conferences or trainings listed in the December 2013 Board Training Requirement and Travel memo, as amended, be approved and that all resulting allowable expenses consistent with SURS travel policy be reimbursed.
- That the Board of Trustees travel to NEPC client and educational conferences be approved and that all resulting allowable expenses be reimbursed.

Trustee Figueroa seconded and the motion carried with all Trustees voting in favor

A copy of the staff memorandum entitled “Amended Board Training Requirements and Travel Approval” which includes the list of upcoming training opportunities as of December 2013 are incorporated as a part of these Minutes as [Exhibit 10](#).

RESTATEMENT OF SELF-MANAGED PLAN

Mr. Albert Lee provided a brief background of the SURS Self-Managed Plan (“SMP”) stating that the SMP plan document was first established in April 1998 and has been amended several times since then. The SMP plan document was restated in January 2006, incorporating all prior amendments except the fourth amendment which was repealed. Mr. Lee reviewed the substantive changes that he is recommending for the plan and noted that all other changes are non-substantive in nature, being either stylistic changes, or incorporation of the two latest amendments to the Restatement.

Trustee Johnson moved:

- That the Board adopt the proposed Second Restatement to the Self-Managed Plan, effective January 1, 2014, substantially in the form presented.

Trustee Figueroa seconded and the motion carried with all Trustees voting in favor.

A copy of the staff memorandum entitled “Second Restatement of the Self-Managed Plan” and a red-line version of the State Universities Retirement System Second Restatement of the Self-Managed Plan are incorporated as part of these Minutes as [Exhibit 11](#) and [Exhibit 12](#).

CERTIFICATION OF UNCOLLECTIBLE OVERPAYMENTS

Ms. Angela Lieb presented a listing of overpayments made to deceased SURS members noting that staff has made attempts to collect these overpayments and have been unsuccessful. At this time, both Ms. Lieb and Mr. Weinstein feel confident that all appropriate measures have been taken to recover these amounts and they are recommending that per 80 Ill. Adm. Code §1600.450, if SURS is unable to collect all, or part, of an overpayment, SURS staff may request that the Board certify the overpayment balance as uncollectible and as a result, no longer maintain the balance as an account receivable on SURS’ records. At this time, Ms. Lieb handed out the SURS Overpayment Recovery Rule and the current process was discussed. Ms. Burns stated that the Board has a specific, expressed, fiduciary duty in the statute to collect all monies owed to the fund. They have to be comfortable with the processes that SURS is using to collect this money as this is an “expressed fiduciary duty” in the statute. Ms. Burns requested and the Board agreed that going forward, this information be brought to the Board on an annual basis.

Trustee McCrohon moved:

- That the benefit overpayments presented by Staff be certified as uncollectible in accordance with 80 Ill. Adm. Code §1600.450.

Trustee Vasquez seconded and the motion carried with all Trustees voting in favor.

A copy of SURS Overpayment Recovery Rule is incorporated as part of these Minutes as [Exhibit 13](#). Copies of the staff memorandum entitled “Overpayments” and the list of Recommendations for Overpayments to be Written Off – Deceased Members are incorporated as part of these Minutes as [Exhibit 14](#) and [Exhibit 15](#).

CLOSED SESSION

Since it was decided that confidential discussion of the General Counsel’s Litigation Report and the Closed Session Minutes was not necessary, the Board remained in open session.

OPEN SESSION

GENERAL COUNSEL’S LITIGATION REPORT

Mr. Weinstein presented the December 2013 Litigation Report updating the Board on pending litigation matters.

SEMI-ANNUAL REVIEW OF CLOSED SESSION MINUTES

Trustee Johnson moved:

- That the closed session Minutes of March 14, 2013 Board meeting remain closed.
- That the closed session Minutes of May 2, 2013 Board meeting remain closed.

Trustee Matthews seconded and the motion carried with all Trustees voting in favor.

INFORMATIONAL ITEMS NOT REQUIRING BOARD ACTION

The following items were provided for reference and are incorporated as a part of these Minutes:

1. [Exhibit 16](#) - General Counsel’s FOIA Report
2. [Exhibit 17](#) - Comparative Financial Reports and Budget Variance
3. [Exhibit 18](#) - Quarterly Administrative Expenses
4. [Exhibit 19](#) - Quarterly Expense Certification
5. [Exhibit 20](#) - Report on Refunds, Disability, Death, Survivor and Disability Retirement Allowance Claims
6. [Exhibit 21](#) - Self-Managed Plan Update for the Quarter ending June 30, 2013

PUBLIC COMMENT

Ms. Linda Brookhart from the State Universities Annuitants Association (SUAA) presented her memo entitled “The State Universities Annuitants Quarterly Report to the State

Universities Retirement System” dated December 13, 2013. A copy of Ms. Brookhart’s memo has been incorporated as part of these Minutes as [Exhibit 22](#).

Mr. Mabe then introduced Mr. John Shuler, the new Chairperson of the State Universities Retirement System Member Advisory Committee (SURSMAC). Mr. Shuler stated that he excited about his new role with SURSMAC and he is looking forward to working with SURS in the future.

Since there was no further business before the Board, Trustee Vogel moved that the meeting be adjourned. The motion was seconded by Trustee Matthews and carried with all Trustees present voting in favor.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "William E. Mabe". The signature is written in a cursive style with a large initial "W".

Mr. William E. Mabe
Secretary, Board of Trustees

WEM:lk