



## **MINUTES**

**Meeting of the Board of Trustees of the  
State Universities Retirement System  
4:00 p.m., Thursday, February 5, 2015  
Northern Trust  
50 South LaSalle Street, Global Conference Center  
Chicago, Illinois 60603**

The following Trustees were present: Ms. Lindsay Anderson, Chair; Ms. Jacqueline Berger (by conference call), Mr. Dennis Cullen (by conference call), Dr. John Engstrom, Mr. Richard Figueroa, Mr. Paul R. T. Johnson Jr., 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. Steve Hayward, Director of Internal Audit; Ms. Brenda Dunn, Director of Human Resources; Ms. Kristen Houch, Legislative Liaison; Ms. Lori Kern, Executive Assistant; Ms. Mary Pat Burns of Burke, Burns & Pinelli; Mr. Derrick Buckingham of The Hollins Group, and Ms. Patti Somerville-Koulouris of the Northern Trust Company.

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

Per the motion approved at the earlier Administration Committee meeting, Trustee Jacqueline Berger and Trustee Dennis Cullen participated in the Board of Trustees meeting by conference call.

In light of the fact that Trustee Vasquez had to leave at 4:30 p.m. and in order to allow adequate time for discussion of the issue, Trustee Anderson recommended moving item #10 to the top of the agenda. There being no objection, the Board went out of the regular order of business to consider item #10 on the agenda.

## **UPDATE ON EXECUTIVE DIRECTOR SEARCH AND SELECTION OF FINALISTS**

### **CLOSED SESSION**

Trustee John Engstrom moved that the Board of Trustees go into closed session to discuss potential employment of an Executive Director under the Open Meetings Act pursuant to §2(c)(1). Trustee Craig McCrohon seconded and the motion carried in a roll call vote:

Anderson	aye
Berger	aye
Cullen	aye
Engstrom	aye
Figueroa	aye
Johnson	aye
Matthews	absent
McCrohon	aye
Miller	aye
Vasquez	aye
Vogel	aye

### **RETURN TO OPEN SESSION**

### **APPROVAL OF MINUTES**

Trustee Lindsay Anderson presented the Minutes from the Board meeting of December 12, 2014.

Trustee Dorinda Miller moved:

- That the Minutes from the December 12, 2014 Board meeting be approved, as presented.

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

### **CHAIRPERSON'S REPORT**

Trustee Anderson remarked that the March meeting is currently scheduled to convene in Springfield; however, the cost associated with holding the meeting in Springfield is higher than expected and additionally the legislature will adjourn on Thursday, thus not making it possible to schedule a legislative event on that Thursday. Thus, she proposed that the March meeting be moved to Champaign. Discussion continued and it was the consensus of the group to change the meeting location of the March meetings to Chicago and staff will continue to work with SUAA to plan a legislative event in Springfield for a date later in March or April that coincides with the legislative calendar.

Back in the fall, the attorney general's office won a very large settlement with The Bank of America. Recently, there was another significant settlement and Trustee Anderson felt that it is important to personally thank the Attorney General for all of her hard work on SURS behalf. Mr. William Mabe and Ms. Mary Patricia Burns will work on a letter for Trustee Anderson to send on behalf of the System.

## EXECUTIVE DIRECTOR'S REPORT

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

## REVIEW OF COMMITTEE ACTION

### **Administration Committee**

On behalf of the Administration Committee, Trustee Mitchell Vogel moved:

- That the June 30, 2010 – June 30, 2014, Actuarial Experience Study be received and filed.
- That the economic and demographic assumptions as stated in the Fiscal year 2010 – 2014 Actuarial Experience Study be approved for use effective in the June 30, 2015, Actuarial Valuation.
- That the June 30, 2014, Self-Managed Plan Disability Study be received and filed.
- That the Self-Managed Plan Disability Contribution Rate of 0.30% be approved for Fiscal Year 2016 (beginning July 1, 2015) and Fiscal Years following.

Trustee Paul R.T. Johnson, Jr. seconded and the motion carried with all Trustees voting in favor except for Trustee Craig McCrohon who opposed.

### **Investment Committee**

On behalf of the Investment Committee, Trustee McCrohon moved in the form of a consent Agenda:

- That a commitment of \$125 million be authorized, contingent on successful contract negotiations, to the Adams Street 2015 Global Fund LP.
- That Chicago Equity Partners be retained as a core fixed income manager.
- That Garcia Hamilton & Associates be retained as a core fixed income manager.
- That Pugh Capital Management be retained as a core fixed income manager.
- That Smith Graham & Company be retained as a core fixed income manager.
- That LM Capital Group be retained as a core plus fixed income manager.
- That Neuberger Berman be retained as a core plus fixed income manager.
- That PIMCO Total Return be retained as a core plus fixed income manager.
- That Taplin, Canida & Habacht be retained as a core plus fixed income manager.
- That TCW MetWest be retained as a core plus fixed income manager.
- That PIMCO Unconstrained be retained as an unconstrained fixed income manager.
- That Longfellow Investment Management be retained as TIPS manager.
- That New Century Advisors be retained as TIPS manager.
- That PIMCO U.S. TIPS be retained as TIPS manager.
- That the following emerging market debt investment managers be retained to manage a Blend Mandate, contingent on successful contract negotiations.

<b>Manager Name</b>	<b>Mandate Type</b>	<b>% of Asset Class</b>	<b>Estimated Allocation*</b>
BlueBay Asset Management	Blend Mandate	33.5%	\$175 million
Prudential Fixed Income	Blend Mandate	33.5%	\$175 million

- That the following emerging market debt investment manager be retained to manage a Local Mandate, contingent on successful contract negotiations.

Manager Name	Mandate Type	% of Asset Class	Estimated Allocation*
Colchester Global Investors	Local Mandate	20%	\$105 million

- That Progress Investment Management receives additional funding for an Emerging Market Debt allocation and that the Investment Guidelines for Progress Investment Management be amended as such.

Manager Name	Mandate Type	% of Asset Class	Estimated Allocation*
Progress Investment Management	Corporate Mandate	13%	\$65 million

- That the following sources be utilized to fund the Emerging Market Debt allocation:

Funding Sources	Account Type	Estimated Withdrawal*
From Non-U.S. Equity		
BlackRock ACWI ex US Fund	passive	\$50 million
From U.S. Equity		
Jacobs Levy	structured active	\$90 million
PIMCO StocksPLUS	structured active	\$80 million
Rhumblin	passive	\$100 million
Northern Trust	passive	\$200 million
Total Estimated Withdrawal		<b>\$520 million</b>

**\*Subject to change based on the actual asset allocation at the time of funding.**

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

### **Corporate Governance**

On behalf of the Corporate Governance Committee, Trustee Vogel moved that:

- That the revised Proxy Policy Statement be approved as amended.

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

### **Executive Director Search Firm Subcommittee**

On behalf of the Executive Director Search Firm Subcommittee, Trustee Anderson moved:

- That the Board of Trustees ratify the Executive Director Search Subcommittee recommendation that four finalist candidates will be presented to the Board for consideration at the February meeting. Further, candidates should meet with selected

members of the SURS Executive Leadership Team prior to the final interviews, and all candidates will be subject to reference checks prior to any further interviews and extension of offers.

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

### **BOARD BYLAW REVISION**

Ms. Burns reviewed the proposed revisions to the Board Bylaws that were suggested at the December meeting in regards to Appointments of Standing Committees. The Chair felt there had not been adequate notice provided regarding the proposed changes and suggested that discussion occur at a later 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.

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 Anderson remarked that while SURS is not a state agency, the budget challenges for the state are growing and she asked that everyone be mindful of unnecessary travel or additional costs at this time. Trustee Johnson remarked that he would like to have a formal discussion regarding the limitations placed on trustees for out-of-state travel. It was confirmed that this will be placed on the agenda for the March meeting.

Trustee Vogel moved:

- That the Board of Trustees travel to attend conferences or trainings listed in the Amended February 2015 Board Training Requirement and Travel memo 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 Miller seconded and the motions carried with all Trustees present voting in favor.

A copy of the staff memorandum, entitled "Board Training Requirements and Travel Approval" which includes the list of upcoming training opportunities as of December 2014 are incorporated as a part of these Minutes as [Exhibit 1](#).

## **EXTERNAL LOBBYIST UPDATE**

Mr. William Mabe introduced Ms. Kristen Houch as SURS new Internal Legislative Liaison.

Mr. Mabe reported that now that the Internal Legislative Liaison position has been filled, he is recommends retaining Zahn Consulting Solutions, LLC. and Janet Jones & Associates, Inc. for a one-year period. Trustee Anderson also noted that by entering into a one-year contract, this allows us the opportunity to open it back up again in a year, if we so choose.

Trustee Engstrom moved:

- That Zahn Consulting Solutions, LLC. and Janet Jones & Associates, Inc. be retained for a period of one year, contingent on successful contract negotiations.

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

Trustee Anderson asked that the if the Board has any comments as to how we can best utilize our external lobbyists, to please let her know so that she can convey that information to them when meeting with them to outline expectations for the next year.

## **BOARD ELECTION UPDATE**

Mr. Steve Hayward provided a brief Board Election Update noting that the petition signature gathering phase was completed on January 30, 2015, and staff has verified those petitions. At this time, it appears that two annuitants will be vying for one open annuitant position; therefore an election will be required. However, it appears as though a participating member election will not be necessary since there were only two candidates running for two open positions.

A copy of the staff memorandum, entitled “2015 Board of Trustees Election Update” is incorporated as part of these Minutes as [Exhibit 2](#).

## **PUBLIC COMMENT**

There were no public comments presented to the Board of Trustees.

## **RECESS**

With there being no further business before the Board of Trustees, the meeting recessed until 9:00 a.m. on Friday, February 6, 2014.

Respectfully submitted,



Mr. William E. Mabe  
Secretary, Board of Trustees

WEM:lk