



MINUTES

**Meeting of the Board of Trustees of the
State Universities Retirement System
2:00 p.m., Thursday, May 2, 2013
The Northern Trust
50 South LaSalle Street, London Room B9
Chicago, Illinois 60603**

The following Trustees were present: Ms. Carrie Hightman, Chairwoman (via teleconference); 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. Daniel Allen, Chief Investment Officer; Mr. Douglas Wesley, Deputy Chief Investment Officer; Ms. Marilyn Branson, Investment Governance and Compliance Officer; Mr. Michael Weinstein, General Counsel; Ms. Kimberly Pollitt and Mr. Joseph Duncan, Senior Investment Officers; Ms. Lou Ann Fillingham and Mr. Gabriel Ayoroa, Investment Officers; Ms. Beth Spencer, Communications Manager; Ms. Angela Lieb, Director of Member Services; Mr. Michael Sheppard, Assistant Deputy Director of SMP; Ms. Lori Kern and Ms. Karen Hipskind, Executive Assistants; Mr. Jeffrey Houch, Legislative Liaison; Ms. Mary Pat Burns of Burke, Burns & Pinelli; Ms. Patti Somerville-Koulouris of the Northern Trust Company and Mr. Larry Sallberg.

Roll call attendance was taken. Trustee Berger, absent; Trustee Engstrom, present; Trustee Figueroa, present; Trustee Hightman, present; Trustee Johnson, present; Trustee Matthews, present; Trustee McCrohon, present; Trustee Miller, present; Trustee Vasquez, absent; and Trustee Vogel, present.

[Chairwoman Hightman continues to be allowed to participate by telephone for the Committee and Board meetings, pursuant to Section 7 of the Illinois Open Meetings Act; her physical absence being due to employment purposes as previously voted upon in the Investment Committee Meeting earlier in the day.]

CHAIRPERSON'S REPORT

Chairwoman Carrie Hightman reserved her comments in order to allow sufficient time for the Legislative Update.

REVIEW OF COMMITTEE ACTION

After asking if any Trustees had any item he or she wanted to remove from the agenda, Trustee Mitchell Vogel made the following motions in the form of a consent agenda as suggested by fiduciary counsel.

Investment Committee

Self-Managed Plan (SMP) Review

- That Fidelity Investments be retained as an investment service provider for the SURS Self-Managed Plan.
- That TIAA-CREF be retained as an investment service provider for the SURS Self-Managed Plan.

U. S. Equity Asset Class Manager Review

- That CastleArk Management be retained as a domestic equity manager;
- That Profit Investment Management be retained as a domestic equity manager;
- That Lombardia Capital Partners be retained as a domestic equity manager;
- That Fiduciary Management Associates be retained as a domestic equity manager;
- That EARNEST Partners be retained as a domestic equity manager;
- That Holland Capital Management be retained as a domestic equity manager;
- That Channing Capital Management be retained as a domestic equity manager;
- That Jacobs Levy Equity Management be retained as a structured active U.S. equity manager;
- That PIMCO be retained as a structured active U.S. equity manager;
- That Piedmont Investment Advisors be retained as a structured active U.S. equity manager;
- That T. Rowe Price Associates be retained as a structured active U.S. equity manager;
- That Progress Investment Management be retained as a manager of emerging managers;
- That NCM Capital Management be terminated as a domestic equity manager.

The above motions carried with all Trustees present voting in favor.

It was decided that the motion pertaining to the “Investment Consultant Search” would be removed from the consent agenda and presented for vote separately.

After a brief discussion regarding the recommendation to conduct an investment consultant search, Trustee Vogel made the following motion:

- That a search be conducted to identify a qualified investment consultant.

The above motion carried with all Trustees present voting in favor.

LEGISLATIVE UPDATE

Mr. Jeff Houch provided a legislative update as of April 29, 2013, and gave a brief update of the most recent progress and changes pertaining to Senate Bill 1 (SB 1). Speaker Madigan has filed a House amendment to SB 1 that now provides unilateral cuts and changes to the plan, which include reducing and delaying automatic annual increases, establishing a pensionable salary cap and increasing retirement age for those individuals under the age of 45. One of the key differences is that the amendment reforms automatic annual increases provided to Tier 1 participants and Tier 1 retirees. In addition to the introduction of a cap in the calculation of automatic annual increases, members would not be eligible for an increase until the January 1st following attainment of age 67 or the January 1st following the 5th anniversary of the annuity start date. Automatic annual increases received prior to the effective date of the legislation would be protected and would not be diminished. Discussion continued regarding legislative issues that could have an impact on SURS. Mr. Houch and Mr. Michael Weinstein assured the Board that as things progress over the coming weeks, they will keep the Board informed in a timely fashion.

Copies of Mr. Houch's memorandums, "SB 1 – Comprehensive Pension Reform" and "Legislative Update as of April 29, 2013," are incorporated as a part of these Minutes as [Exhibit 1](#) and [Exhibit 2](#). A copy of the Governmental Consulting Solutions memorandum, "SB 1: House Pension Reform," is incorporated as part of these minutes as [Exhibit 3](#).

CLOSED SESSION

Chairwoman Hightman moved that:

- The Board to go into closed session under the Open Meetings Act to consider employment of William Mabe pursuant to §2(c)(1).

Trustee Paul R.T. Johnson seconded and motion carried in a roll call vote:

Berger	absent
Engstrom	aye
Figueroa	aye
Hightman	aye
Johnson	aye
Matthews	aye
McCrohon	aye
Miller	aye
Vasquez	absent
Vogel	aye

The Board resumed in open session.

OPEN SESSION

Trustee Vogel moved:

- To delegate the authority to the Executive Committee to enter into negotiations and formalize an agreement with the Executive Director for extension of his contract and to share data with all of the trustees, pursuant to the Illinois Open Meetings Act, via email regarding said negotiations.

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

CHANGES IN HEALTHCARE

Trustee Vogel expressed his concern with recent correspondence that CMS sent out regarding health insurance changes. CMS informed members that effective January 1, 2014, Medicare primary retirees, annuitants and survivors will be required to enroll in a State-sponsored Medicare plan. The notification further informed members that they would be charged a percentage of their combined annuity value to cover the costs of the basic program of group health benefits, which will be 1%-2% of their annual annuity from all five State retirement systems. This is a result from Public Act 97-0695 – State Retiree Health Insurance Reform was signed into law on June 21, 2012. May is Benefit Choice month for SURS members and SURS staff is preparing to assist and educate members with this process. SURS staff will be traveling to several benefit fairs throughout the state to help supplement what CMS is doing.

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

Respectfully submitted,



Mr. William E. Mabe
Secretary, Board of Trustees

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