



## **MINUTES**

**Meeting of the Board of Trustees of the  
State Universities Retirement System  
3:30 p.m., Thursday, October 17, 2013  
The 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, 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. Albert Lee, Associate General Counsel; Ms. Kimberly Pollitt and Mr. Joseph Duncan, Senior Investment Officers; Ms. Lou Ann Fillingham and Mr. Gabriel Ayoroa, Investment Officers; Ms. Marilyn Branson, Investment Governance and Compliance Officer; Mr. Jeffrey Houch, Legislative Liaison; Ms. Lori Kern and Ms. Karen Hipskind, Executive Assistants; and Ms. Mary Pat Burns of Burke, Burns & Pinelli;

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, absent; Trustee Vasquez, present; Trustee Vogel, present.

### **REVIEW OF INVESTMENT COMMITTEE ACTION**

After asking if any Trustees wished to remove any item from the agenda, Trustee Craig McCrohon suggested reviewing the following committee actions in the form of a consent agenda as suggested by fiduciary counsel.

On behalf of the Investment Committee Trustee McCrohon moved:

#### **Investment Consultant Search**

- That NEPC be retained as general investment consultant for a five-year term, subject to successful completion of contract negotiations.

### **Required State Contributions for Fiscal Year 2015**

- That based upon the results of the preliminary actuarial valuation, conducted by Gabriel Roeder Smith & Company (GRS), as well as their recommendation, that the amount of \$1,544,200,000 be certified for Fiscal Year 2015 as the proposed net State Contribution.
- That based upon the projected payroll provided by the Illinois Community College Board, that the amount of \$4,459,547 be certified for Fiscal Year 2015 to the Community College Health Insurance Security Fund

### **Legal and Investment Contracts**

- That a Request for Proposal be issued for the retention of one or more outside legal counsel.

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

### **SET MEETING DATES FOR 2014**

Trustee Lindsay Anderson presented the calendar of suggested meeting dates for 2014. Due to a conflict with the October 2014 date, Trustee Anderson suggested an alternative date of October 30, 2014. Discussion was held regarding the meeting dates and locations. Currently, with the exception of the March meeting, all meetings are held in Chicago. Trustee Andrew Matthews suggested moving one of the quarterly meetings to the SURS Champaign office so that it could coincide with the SURS Annual Employee Awards Luncheon. After discussion, the group agreed that this should be an option; however, they would like to revisit the discussion at a later date.

Trustee Johnson moved:

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

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

The approved meeting dates for 2014 are incorporated as part of these Minutes as [Exhibit 1](#).

Mr. William Mabe suggested the possibility of developing a Board Calendar for major decisions or discussions that the Board needs to have throughout the year. He stated that this is a good way to keep track of updating the Board Policies and Bylaws and to find out what type of information the Board wants access to. Staff wants to make sure that the Trustees have all of the pertinent information that they want and need to do their jobs effectively. Trustee McCrohon suggested that SURS create a possible "Data Room" and other Trustees agreed. Mr. Mabe suggested the possibility of creating a Board Governance Committee and he informed the Trustees that he would gather more information and work with the Chair on how to proceed with this issue.

### **RECOMMENDATION OF SECURITIES LITIGATION COUNSEL**

Mr. Michael Weinstein reported on the 2013 Securities Litigation Counsel RFP that was recently conducted. The last RFP was conducted in 2007 in which SURS retained a stable of five firms at that time. Mr. Weinstein noted that there have been many changes to the securities litigation setting since the last search. Mr. Weinstein specifically mentioned the 2010 U.S. Supreme Court decision in *Morrison v. National Australia Bank* in which the Court held that in order to allege a violation of SEC Rule 10b-5 (*i.e.*, fraud committed by a company during the course of selling its securities) an investor must have purchased the securities on an American stock exchange. Mr. Weinstein noted that SURS purchases many securities on foreign exchanges and its fiduciary obligations require that it maintain relationships with entities that have access to foreign legal forums and can properly inform SURS of these litigations, and/or potential litigations, involving such securities purchases on foreign exchanges. Thus, it is very important to select firms that can help with these foreign cases.

SURS received 21 timely responses to the RFP. Of those responses, 10 fully met the criteria set forth in the RFP. After review of the responses and consultation with Ms. Burns, Mr. Weinstein presented his recommendation that SURS contract with three securities litigation firms. Mr. Weinstein stated that the current use of five firms is cumbersome and inefficient.

After further discussion, Trustee John Engstrom moved:

- That the law firms of Berman DeValerio, Robbins Geller Rudman and Dowd, LLP and Labaton Sucharow be retained for securities litigation and monitoring services for a five-year term, subject to successful completion of contract negotiations.

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

### **TRAILER BILL RECOMMENDATION**

Mr. Weinstein presented the Draft Trailer Bill that he hopes will be passed in the fall veto session but if not, it will be reintroduced in the spring. This past spring, the Illinois General Assembly passed HB 2993, which became Public Act 98-0092 upon the Governor's signature. The Act brought Tier 2 retirement plan into the SURS Article (Article 15) of the Pension Code which created a few uncertainties within the Bill that SURS feels could best be clarified through the passage of "trailer" legislation. The "trailer" bill would clarify the following three items:

- SURS Tier 1 members that migrate to any reciprocal system or after January 1, 2011 are to be treated as Tier 1 members within those systems and funds.
- The vesting requirements, conditions, and lump sum payment for Tier 1 survivor beneficiaries also applies to Tier 2 survivor beneficiaries. (This actually clarifies an ambiguity in the original Tier 2 legislation)
- Tier 1 members of certain retirement systems (GARS, JARS, and Local Police and Firefighters' Pension Funds) who migrate to SURS after January 1, 2011 are

included within the definition of Tier 2 member as defined under the SURS Article.

Mr. Jeff Houch also conferred the need for the Trailer Bill and explained the differences between Tier 1 and Tier 2 members. Mr. Houch noted that this Bill is scheduled to be heard in the scheduled fall veto session; however, he believes it may have to wait until spring. A copy of the Trailer bill recommendation for veto session is incorporated as part of these Minutes as [Exhibit 2](#).

### **INFORMATIONAL ITEMS NOT REQUIRING COMMITTEE ACTION**

Trustee Engstrom mentioned that the State of Illinois is requiring all Medicare-primary retirees, annuitants and survivors to move to a State-sponsored Medicare Advantage Plan. The SURS member must select one of the providers or risk losing coverage all together. CMS is also conducting a dependent eligibility audit to ensure that only eligible dependents are covered under the State Employees Group Insurance Program. In order to keep dependents from being terminated, members must submit an IRS tax transcript. This process is being complicated by the Federal government shut down. This is causing delays in processing these requests and causing a lot of angst for SURS annuitants.

Mr. Mabe also addressed these concerns noting that phone calls and walk-ins to the SURS office have, and will continue to increase over the coming weeks. Mr. Mabe noted that the entire SURS organization is busy preparing for this surge and will be prepared to assist the SURS membership throughout this entire process.

Trustee Vogel took a moment to express his sincere appreciation for the condolences extended to him and his family after the recent passing of his mother.

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

Respectfully submitted,



Mr. William E. Mabe  
Secretary, Board of Trustees

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