



MINUTES

**Meeting of the Board of Trustees of the
State Universities Retirement System
11:00 a.m., Friday, September 19, 2014
State Universities Retirement System
1901 Fox Drive, Main Conference Room
Champaign, Illinois 61820**

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. Peter Newell, 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; Ms. Phyllis Walker, Chief Financial Officer; Mr. Steve Hayward, Director of Internal Audit; Mr. Albert Lee, Associate General Counsel; Ms. Angela Lieb, Director of Member Services; Mr. Chris Hansen, Director of Operations; Mr. Douglas Steele, Director of Application Development/Research; Ms. Suzanne Mayer, Interim Director of Outreach; Ms. Brenda Dunn, Director of Human Resources; Ms. Lori Kern, Executive Assistant; Ms. Mary Pat Burns of Burke, Burns & Pinelli, and Ms. Renaye Manley of Service Employees International Union.

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 Newell, present; Trustee Vasquez, present; Trustee Vogel, present.

APPROVAL OF MINUTES

Trustee Lindsay Anderson presented the Minutes from the Board meeting of June 14, 2014.

Trustee Paul R.T. Johnson, Jr. moved:

- That the Minutes from the June 14, 2014 Board meeting be approved, as presented.

Trustee Antonio Vasquez 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.

REVIEW OF COMMITTEE ACTION

Investment Committee

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

- That Trustee Richard Figueroa, Trustee Andrew Matthews, and Trustee Antonio Vasquez be appointed to the Emerging Manager and Diversity Matters Subcommittee, with Trustee Figueroa serving as the Chairperson (*Motion from Monday, September 15, 2014 Investment Committee*).
- That the proposed fixed dollar pricing structure of \$59 per participant, the creation of a plan expense reimbursement account to be used for the exclusive benefit of plan participants and the improved education plans that were offered by Fidelity Investments for the Self-Managed Plan be accepted as presented.
- That the proposed fixed dollar pricing structure of \$79 per participant, the creation of a plan expense reimbursement account to be used for the exclusive benefit of plan participants and the improved education plans that were offered by TIAA-CREF for the Self-Managed Plan be accepted as presented.
- That an RFP for SMP providers be conducted in 2015.
- That the SURS Fiscal Year 2015 Investment Plan be approved, as presented.
- That a multi-year Real Estate Funding Plan be approved for calendar years 2015, 2016 and 2017 at a level of \$100 million each year. In addition, any uncommitted amounts from a preceding calendar year may be included in the following years through 2017.
- That a search be conducted to identify qualified non-core real estate managers.
- That the revised Investment Policy document for the defined benefit plan be approved, as presented.
- That the revised Investment Policy document for the Self-Managed Plan (SMP) be approved, as presented.
- That Deutsche Bank be retained as a securities lending provider.
- That the consent to the assignment of the investment management agreement with Wellington Management Company, LLP be approved, pending legal review.
- That the consent to the assignment of the investment management agreement, along with any additional documents associated with the change in ownership, for Martin Currie, Inc. be approved, pending legal review.

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

Corporate Governance – No Action.

Audit Committee

On behalf of the Audit & Risk Committee, Trustee John Engstrom moved:

- That the Internal Audit Plan for FY '15 & '16 be approved as presented.

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

Legal & Legislative Committee

On behalf of the Legal & Legislative Committee, Trustee Anderson moved:

- That the contracts for Governmental Consulting Solutions and Janet Jones & Associates that are currently in place be extended on a month-by-month basis through December 31, 2014.

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

Administration Committee

On behalf of the Administration Committee, Trustee Vasquez moved:

- That the SURS goal for contracts and purchases from businesses owned by minorities, women and persons with a disability be 25% for Fiscal Year 2015.
- A Subcommittee of the Board be established that consists of Trustee Anderson, Trustee Engstrom, and Trustee Johnson to assist in selection of an Executive Search Firm.
- That an RFP for a search firm be approved.

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

Board Governance Committee

On behalf of the Board Governance Committee, Trustee Anderson moved:

- That the Board approve and adopt the Board Charters as presented.
- That the Board approve and adopt the SURS Board of Trustees' Annual Agenda.
- That the Board approve and adopt the SURS Pension Trustee Education Program.
- That the Board approve internet and phone voting for the 2015 annuitant and contributing member elections.
- That VR Election Services be retained as election services provider, subject to successful completion of contract negotiations.

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

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 McCrohon moved:

- That the Board of Trustees travel to attend conferences or trainings listed in the September 2014 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.
- That the Board of Trustees travel to attend Board and Committee meetings, Claims Panel hearings, meetings with SURS staff, and other SURS-related business or functions be approved for Fiscal Year 2015 and that all resulting allowable expenses be reimbursed.

Trustee Vasquez 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 September 2014 are incorporated as a part of these Minutes as [Exhibit 1](#).

2015-2016 MEETING DATES

Trustee Lindsay Anderson presented the calendar of suggested meeting dates for 2015 & 2016. Discussion was held regarding the meeting dates and locations. The proposed Calendar lists the March and September meetings in Champaign and all other meeting in Chicago. After discussion, it was the concensus of the group to move the March meeting to Springfield as in years past. Trustee Anderson noted that there may be a potential conflict with the February 2015 date and although she is in favor of approving these dates, she wanted to let everyone know that the February date may change and if that were the case, it would be communicated through Lori Kern via email.

Trustee Mitchell Vogel moved:

- That the meeting dates proposed for 2015-2016 be approved as revised moving the March meetings to Springfield.

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

A copy of the amended 2015 - 2016 meeting dates schedule is attached as part of the Minutes as [Exhibit 2](#).

FIDUCIARY LIABILITY INSURANCE

Ms. Mary Pat Burns introduced Mr. Craig Goesel from Mesirow Financial Insurance Services (Mesirow). Mesirow is an Illinois based insurance broker that was selected earlier this year through SURS formal procurement process to continue providing Fiduciary Liability Insurance

to the Board of Directors, Trustees, SURS Staff and the fund for allegations of breaches of fiduciary duties. Mr. Goesel then provided a brief summary of the proposed insurance policy for SURS stating that based upon the plans' asset base, participant count, peer purchasing data and other contributing data, they continue to recommend renewal of the current fiduciary insurance policy in the amount of \$15 million. Mr. Goesel noted that Cyber Liability is a new provision built into the policy this year which was not provided in the previous policy and this policy allows for "continuity of coverage", meaning that the incumbent (expiring) coverage is maintained, without a chronological gap, if the insurance is renewed year-over-year. Mesrirow is confident that this is adequate coverage for the challenges faced by our Board. Ms. Burns reminded the Trustees that, in addition to this fiduciary insurance policy, SURS also provides each Trustee with an indemnification agreement.

Trustee Vogel moved:

- That the fiduciary insurance policy be renewed at the existing coverage levels for Fiscal Year 2015 based on the recommendation of the insurance broker.

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

CLOSED SESSION

Since it was decided that confidential discussion of the General Counsel's Litigation Report and the Fraud Referrals was not necessary, the Board remained in open session.

OPEN SESSION

General Counsel's Litigation Report

Mr. Weinstein presented the March 2014 Litigation Report updating the Board on pending litigation matters.

Fraud Referrals

Mr. Weinstein informed the Board that he believes there is a "reasonable suspicion" that a false statement or falsified record has been submitted to SURS and he is recommending that the matter be referred to the appropriate State's Attorney for further action, pursuant to Section 1-135 of the Pension Code. There was no further discussion.

Trustee Johnson moved:

- The Board directs delivery of Fraud Referral Letters pursuant to Section 40 ILCS 5/1-135.

Trustee Vasquez 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 3](#) - General Counsel's FOIA Report
2. [Exhibit 4](#) - Comparative Financial Reports and Budget Variance
3. [Exhibit 5](#) - Quarterly Administrative Expenses
4. [Exhibit 6](#) - Quarterly Expense Certification
5. [Exhibit 7](#) - Report on Refunds, Disability, Death, Survivor and Disability Retirement Allowance Claims
6. [Exhibit 8](#) - Self-Managed Plan Update for the Quarter ending December 31, 2013

PUBLIC COMMENT

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

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

Respectfully submitted,



Mr. William E. Mabe
Secretary, Board of Trustees

WEM:lk