



## **MINUTES**

**Meeting of the Corporate Governance Committee  
of the Board of Trustees of the  
State Universities Retirement System  
3:45 p.m., March 20, 2014  
State Universities Retirement System  
1901 Fox Drive  
Champaign, Illinois 61821**

The following Trustees were present: Mr. Mitchell Vogel, Chair; Ms. Lindsay Anderson, Dr. John Engstrom, Mr. Richard Figueroa, Mr. Paul R. T. Johnson Jr., Mr. Andrew Matthews, Mr. Craig McCrohon, Ms. Dorinda Miller, Mr. Peter Newell and Mr. Antonio Vasquez.

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; Ms. Kimberly Pollitt and Mr. Joseph Duncan, Senior Investment Officers; Ms. Lou Ann Fillingham, Investment Officer; Ms. Marilyn Branson, Investment Governance and Compliance Officer; Mr. Chris Hansen, Director of Operations; Mr. Doug Steele, Director of Applications Development; Ms. Lori Kern and Ms. Karen Hipskind, Executive Assistants; Ms. Mary Pat Burns of Burke, Burns & Pinelli; Mr. Douglas Moseley, Mr. Kevin Leonard and Ms. Kristin Finney-Cooke of NEPC; Ms. Patti Summerville of the Northern Trust Company.

Corporate Governance Committee roll call attendance was taken. Trustee Berger, absent; Trustee Johnson, present; Trustee Vogel, present.

### **APPROVAL OF MINUTES**

Trustee Mitchell Vogel presented the Minutes from the Corporate Governance Committee meeting of February 6, 2014. Trustee Paul R.T. Johnson moved that:

- The Minutes from the February 6, 2014 Corporate Governance Committee meeting be approved, as presented.

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

## **CHAIRPERSON'S REPORT**

Trustee Vogel mentioned a recent article, entitled "Ranking Asset Managers," which discusses a report issued by the American Federation of Teachers regarding investment managers that have corporate governance policies adverse to public pension funds. Trustee Vogel noted the positive actions that have been taken by some firms that were named, which it now appears will work to develop a public relations campaign to defend public pension funds.

## **GOVERNANCE UPDATE**

Ms. Marilyn Branson provided a brief overview of the OPERS Corporate Governance Forum that she recently attended in Columbus, Ohio. Ms. Branson remarked that Professor Charles Elson, Director of the Corporate Governance Center at the University of Delaware, identified independence and significant stock ownership as essential for company directors.

Ms. Branson then presented the Governance Update, noting that the *Halliburton Co. v. Erica P. John Fund, Inc.* case currently pending before the Supreme Court could have an impact on securities litigation class actions. Essentially the "fraud on the market" presumption of reliance, which has been a fundamental principle in such cases, is being challenged and an opinion from the Court on this issue is expected this summer.

Ms. Branson also reported on news regarding companies' response to shareholders concerns, specifically noting Apple Inc. Apple Inc. represented SURS' largest U.S. equity holding as of the end of fiscal year 2013 and Ms. Branson noted that the company has recently made a commitment to actively increase diversity within its board.

Ms. Branson advised that registration is currently open for the Council of Institutional Investors Spring Conference, which is scheduled to convene on May 7-9, 2014, in Washington, DC. A brief outline of the agenda is included in the staff memorandum, entitled "Governance Update," which is incorporated as a part of these Minutes as [Exhibit 1](#).

## **ANNUAL REVIEW OF PRINCIPLES FOR RESPONSIBLE INVESTMENT**

Ms. Branson presented the annual review of the Principles for Responsible Investment (PRI). After providing a brief history of the organization and its mission to incorporate consideration of environmental, social and governance factors into the investment decision-making process, Ms. Branson advised that the number of SURS' investment managers that are PRI signatories stands at thirteen as of December 31, 2013. These thirteen firms managed approximately \$9.2 billion, or 56.4%, of the total fund as of December 31, 2013. One of the requirements for signatories is participation in the annual PRI Reporting Framework and beginning this year, a certain portion of the responses of each signatory will be published on the PRI website. Ms. Branson advised that SURS staff has completed the responses for the Reporting Framework and will finalize submission next week prior to the deadline.

Trustee Vogel suggested that in discussions with Macquarie, SURS Staff should inquire about their interest in becoming a signatory of PRI. Mr. Allen commented that staff could reach out informally to Macquarie to make the inquiry.

A copy of the staff memorandum, entitled “Principles for Responsible Investment (PRI) Annual Review,” is incorporated as a part of these Minutes as [Exhibit 2](#).

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

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

1. [Exhibit 3](#) - Staff memorandum, entitled “Marco Consulting Group Proxy Vote Summary Report,” and attached Marco Consulting Group memorandum, entitled “Review of Vote Summary Report for Fourth Quarter 2013.”
2. [Exhibit 4](#) - Marco Consulting Group’s Proxy Vote Summary Report for Calendar Year 2013.
3. [Exhibit 5](#) - Fiscal Year 2014/2015 Work Plan – Corporate Governance Committee Schedule.

### **PUBLIC COMMENT**

There were no public comments presented to the Corporate Governance Committee.

There being no further business to come before the Committee, Trustee Johnson moved that the meeting be adjourned. The motion was seconded by Trustee Vogel 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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