



## **MINUTES**

**Meeting of the Investment Committee  
of the Board of Trustees of the  
State Universities Retirement System  
9:00 a.m., Thursday, March 20, 2014  
State Universities Retirement System  
1901 Fox Drive, Main Conference Room  
Champaign, Illinois 61820**

The following Trustees were present: Mr. Craig McCrohon, Chair; Ms. Lindsay Anderson, Dr. John Engstrom, Mr. Richard Figueroa, Mr. Paul R. T. Johnson Jr., Mr. Andrew Matthews, 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; Mr. Douglas Wesley, Deputy Chief Investment Officer; Ms. Kimberly Pollitt and Mr. Joseph Duncan, Senior Investment Officers; Ms. Lou Ann Fillingham, Investment Officer; Ms. Marilyn Branson, Investment Governance and Compliance Officer; Ms. Phyllis Walker, Chief Financial Officer; Mr. Steve Hayward, Director of Internal Audit; Mr. Albert Lee, Associate General Counsel; Mr. Chris Hansen, Director of Operations; 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 Somerville-Koulouris of the Northern Trust Company; Mr. Jason Parks of Loop Capital.

Investment Committee roll call attendance was taken. Trustee Engstrom, present; Trustee Figueroa, absent; Trustee Johnson, present; Trustee Matthews, present; Trustee McCrohon, present; Trustee Vasquez, present; Trustee Vogel, present.

Board Chairwoman Lindsay Anderson welcomed Mr. Peter Newell as a new member of the SURS Board of Trustees.

## **APPROVAL OF MINUTES**

Trustee Craig McCrohon presented the Minutes from the Investment Committee meeting of February 6, 2014, and the Trustee Educational Forum of February 7, 2014. After recommending a slight modification to the former, the addition of the word “certain” in the second sentence of the Chairperson’s Report, Trustee Paul R. T. Johnson Jr. moved that:

- The Minutes from the February 6, 2014 Investment Committee Meeting be approved as presented including the recommended modification.
- The Minutes from the February 7, 2014 Trustee Educational Forum be approved as presented.

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

Trustee McCrohon also presented the Minutes of the Closed Session Investment Committee meeting of February 6, 2014. Ms. Mary Pat Burns recommended that the Minutes be kept closed until after the Fairview transaction has been finalized. Trustee McCrohon moved that:

- The Minutes from the February 6, 2014 Closed Session Investment Committee Meeting be approved as presented and remain closed pending the delivery of signed documents and the formal closing of the transaction.

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

Trustee Richard Figueroa joined the meeting at 9:10 a.m. immediately after the approval of the minutes.

Copies of the staff memorandums, entitled “Report from the February 6, 2014 Investment Committee Meeting and February 7, 2014 Trustee Educational Forum” and “Investment Contracts Approved,” are incorporated as a part of these Minutes as [Exhibit 1](#) and [Exhibit 2](#).

### **CHAIRPERSON’S REPORT**

Trustee McCrohon presented a brief discourse on the construct and use of standard deviation as one of the statistical measures of risk typically utilized to monitor and evaluate investments. Trustee McCrohon noted that a phone call will be arranged for those trustees who would like more information on standard deviation and other measures of risk. During the following discussion, Mr. Kevin Leonard advised that NEPC routinely uses regression and correlation analyses in asset allocation forecasting and manager return stream analysis.

### **CHIEF INVESTMENT OFFICER REPORT**

Mr. Daniel Allen reported that, net of fees, an investment return of 17.0% was achieved for calendar year 2013 and 12.9% for fiscal year 2014 as of February 28, 2014. Mr. Allen noted that the Fairview Capital Partners transaction will close this week and he also thanked the investment staff for their efforts while Mr. Douglas Wesley was out of the office.

### **CONSIDERATION OF PRIVATE EQUITY INVESTMENT STRATEGY**

Ms. Kimberly Pollitt remarked that the private equity funding plan approved by the Board in March of 2012 proposed commitment of \$650 million to the asset class over a three-year period. As \$400 million has already been committed and \$250 million remains for the

calendar year, Ms. Pollitt advised that staff and NEPC recommend \$100 million be committed to the Adams Street Partners (ASP) 2014 Global Fund in order to continue implementation of the current funding plan. Ms. Pollitt noted that the investment would follow-on to previous investments in the ASP 2012 and 2013 Global Funds and she provided a brief review of the history of the ASP relationship.

The following representatives of Adams Street Partners provided a presentation regarding their firm and the current fund under consideration:

- Mr. Bon French
- Ms. Elizabeth Christensen
- Mr. Miguel Gonzalo

After the presentation concluded, Mr. Allen remarked that the firm has delivered strong returns as well as access to a diversified portfolio of top-tier funds. Mr. Douglas Moseley noted that the universe of private equity firms with the requisite resources, expertise and performance is limited. Given that ASP has consistently ranked in the second quartile and the fees quoted for the investment are quite attractive, Mr. Moseley advised that NEPC is very supportive of the proposed allocation.

Trustee Johnson made the following motion:

- That a commitment of \$100 million be authorized, contingent on successful contract negotiations, to the Adams Street 2014 Global Fund LP.

Trustee Mitchell Vogel seconded the motion. Discussion of the merits of the investment followed. Trustee McCrohon recommended that carried interest fees be monitored and that historical fee data be requested from ASP. Consideration was given to the amount of the allocation and the need for continual commitment to private equity to maintain the established 6% target allocation. Consensus formed in favor of the investment; however, the contribution to the Board's diversity goals was raised and stronger request for indication of the firm's commitment to diversity was suggested.

Trustee McCrohon requested that Ms. Burns draft a formal resolution reflecting the analysis provided in support of the investment for inclusion in the meeting minutes. The formal resolution regarding the Adams Street 2014 Global Fund LP investment is presented in Appendix A.

After the discussion ended, the motion carried with all Trustees present voting in favor.

Copies of the staff memorandum, "Adams Street Partners 2014 Global Fund," the NEPC memorandum, "Adams Street 2014 Global Fund Commitment," and the NEPC Fund Tear Sheet are incorporated as a part of these Minutes as [Exhibit 3](#), [Exhibit 4](#) and [Exhibit 5](#).

## **CONSIDERATION OF INFRASTRUCTURE INVESTMENT STRATEGY**

Mr. Joseph Duncan provided a brief history of the fund's investment in infrastructure and the performance of the investment in Macquarie Infrastructure Partners (MIP) II initiated in 2009.

The following representatives of Macquarie Group (Macquarie) provided a presentation regarding their firm and the current fund under consideration:

- Mr. Karl Kuchel
- Mr. Michael Glascott

After the presentation, Mr. Allen remarked that Macquarie is a very competent firm and the largest infrastructure manager in the industry. Mr. Allen noted that the prior investment in MIP II has been successful and that MIP III, which has raised approximately \$3 billion, will close in the next two months. Mr. Moseley also provided NEPC's perspective with regard to the infrastructure asset class, Macquarie and the particular fund under consideration. NEPC maintains a neutral rating for Macquarie and given the fund raising cycles of other diversified managers, Mr. Moseley advised they recommend the proposed allocation to MIP III to continue to build out the portfolio's 1% target allocation to infrastructure.

Consideration of the investment followed during which the nature of infrastructure and the distinguishing characteristics of asset class, as well as the structure and fee schedule of the specific investment opportunity, were discussed. Mr. Moseley noted that MIP III is a single fund that will have a relatively concentrated portfolio and a long time horizon. The appropriate frequency of issuing a request for proposal for infrastructure managers was discussed and question was also raised regarding the most effective role of the Board in the overall investment selection process. After hearing consensus to review the level of Board involvement with investment selection decisions, Mr. William Mabe recommended that the subject be discussed during the Board Governance Committee meeting.

Trustee John Engstrom moved:

- That a commitment of \$50 million be authorized, contingent on successful contract negotiations, to the Macquarie Infrastructure Partners III, L.P. Fund.

Trustee Vogel seconded the motion.

In response to Trustee Anderson's inquiry about the firm's diversity, Mr. Duncan advised that the issue is routinely raised with Macquarie in meetings as well as in the annual manager questionnaire. Mr. Moseley noted that NEPC is not currently aware of any infrastructure managers that are at least 51% owned by minorities, females and persons with a disability (MFDB). Ms. Burns recommended to continue searching for MFDB firms and to keep an official record. Trustee McCrohon observed that there has been discussion of developing screens for the Board to document investment decisions and he noted that one of these could relate to MFDB firms.

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

The formal resolution reflecting the analysis provided in support of the Macquarie Infrastructure Partners III, L.P. Fund investment is presented in Appendix B.

After the motion carried, Trustee Anderson confirmed that discussion of the Board's involvement in the manager selection process, the manner in which future decisions are made and the RFP process going forward would be continued tomorrow at the Board Governance Committee meeting.

Copies of the staff memorandum, "Macquarie Infrastructure Partners III, L.P.," the NEPC memorandum, "Macquarie Infrastructure Partners III Commitment," and the NEPC Fund Tear Sheet are incorporated as a part of these Minutes as [Exhibit 6](#), [Exhibit 7](#) and [Exhibit 8](#).

### **CONSIDERATION OF CASH OVERLAY INVESTMENT STRATEGY**

Trustee McCrohon advised that the cash overlay investment manager search resulted in the selection of two finalist candidate firms.

Presentations were provided by the following representatives of each of the firms under consideration for the role of cash overlay investment manager:

Parametric Clifton - Mr. Jack Hansen, Ms. Amanda Barhite Carter and  
Mr. Gregory Baranivsky

Russell Investments - Mr. Charles Anselm, Mr. Mike Thomas and  
Mr. Graham Seagraves

After the conclusion of the presentations, Mr. Allen remarked that he rates both firms as highly qualified but Parametric Clifton shows a slight edge due to the fees quoted and the fit of the team. Mr. Allen also noted the uncertainty that exists regarding the ownership of Russell Investments due to the potential sale of the business by its parent company. Mr. Moseley advised that NEPC recommends both firms to its clients but he agreed with the points made by Mr. Allen. Discussion followed during which consideration was given to the difference in the fee schedules, existing organizational issues, responses that were provided to the request for proposal and other relevant factors.

Trustee Andrew Matthews made the following motion:

- That Parametric Clifton be retained as cash overlay services provider, contingent on successful contract negotiations.

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

Trustee Johnson noted that the cash overlay manager candidates were asked about using options for the rebalancing process and he recommended that available strategies be reviewed.

Copies of the staff memorandum, “Cash Overlay Search Recommendation,” the SURS Cash Overlay Search Summary of Candidates, the NEPC memorandum, “Overlay Manager Candidate Fee Comparison” and the NEPC report, “Overlay Manager Search,” are incorporated as a part of these Minutes as [Exhibit 9](#), [Exhibit 10](#), [Exhibit 11](#) and [Exhibit 12](#).

### **ASSET / LIABILITY STUDY DISCUSSION AND EDUCATION**

Mr. Moseley remarked that the Asset/Liability study seeks to find the optimal combination of risk and return given the fund’s liability structure and that impacts of the current and recommended asset allocation mixes on the liabilities and cash flow needs of the fund will be discussed at the April meeting. Mr. Moseley noted that the recommended mixes introduce either a 3% or 5% allocation to emerging markets debt, 5% to hedged equity and 2% to commodities. The new allocations would modify the existing public equity allocation from 63% to either 48% or 50% of the total portfolio, allowing for lower volatility and nearly the same level of expected return. Mr. Moseley noted that an implementation schedule would be discussed at the April meeting if a new asset allocation policy were to be approved.

Discussion of the recommendations followed. The availability of MFDB investment managers with expertise in emerging markets debt and the existence of different types of hedged equity strategies were noted. The NEPC team remarked that education regarding the new asset classes would necessarily be a key part of the process. After discussion of the issue of public perception as well as of the need for education, consensus formed to move forward with consideration of the recommended asset allocation changes.

A copy of the NEPC presentation, “Asset Allocation Discussion,” is incorporated as a part of these Minutes as [Exhibit 13](#).

### **UPDATE OF SURS INVESTMENT PERFORMANCE AND RISK MANAGEMENT REPORTS**

Mr. Leonard and Ms. Kristin Finney-Cooke provided a review of the portfolio’s 4<sup>th</sup> quarter 2013 performance results. As of December 31, 2013, total assets amounted to \$16.3 billion and returns were 17.3% for the one-year period, 10.3% for the three-year period and 13.6% for the five-year period (gross of fees). The portfolio benefited from an overweight to U.S. equities in 2013; however, NEPC remarked that lower equity returns are projected over the next five to seven years. Also, the annualized standard deviation or volatility of the portfolio for the five-year period ended December 31, 2013, was high relative to the public fund peer universe due to greater exposure to traditional equity. NEPC noted that the fund has returned 7.8% annualized over the last ten years, which outperformed 92% of the public funds in the peer universe. Trustee Vogel requested that the twenty-year return also be included in future performance reports. NEPC advised that they recommend trying to mitigate volatility risk going forward although more median-like returns will likely result outside of down or steady

market environments. Discussion followed regarding past and present returns, as well as various considerations and scenarios related to the issue of reducing portfolio risk.

Mr. Duncan presented the key findings from the Executive Summary of the SURS Risk Report for the quarter ended December 31, 2013. As of the end of the period, total plan risk was measured at 11.59% versus 12.3% for the previous quarter, indicating that over the next one-year period, the return of the portfolio is expected to be between +11.59% and -11.59% based on a normal distribution of outcomes and a one standard deviation confidence level (68% of the time). Although total equity continues to be the largest contributor to risk in the portfolio, tracking error is low because a large percentage of the equity allocation is indexed. Mr. Duncan also reviewed current risk statistics regarding diversification, correlation and key rate duration and he discussed the newly added historical scenario analysis.

Copies of the staff memorandum, “Executive Summary of Risk Report,” and the Northern Trust Investment Risk Services report as of December 31, 2013, are incorporated as a part of these Minutes as [Exhibit 14](#) and [Exhibit 15](#).

### **DISCUSSION OF LEGISLATIVE REQUEST – SPECIAL COMMITTEE ON PUBLIC PENSIONS & STATE INVESTMENTS**

Mr. Allen presented the response that was provided to the recent request from Senator Iris Martinez of the Senate Committee on Pensions and Investments. Discussion followed. Trustee Anderson acknowledged the Board’s continued commitment to the utilization of MFDB service providers. Trustee Figueroa noted that he has reached out to Senator Martinez to gain more understanding and he will update the Board if they meet at some point.

Copies of the staff memorandum, “Response to Request from Senator Iris Martinez,” the letters from Senator Martinez dated January 17, 2014, and January 27, 2014, the questionnaire and SURS responses dated February 27, 2014, are incorporated as a part of these Minutes as [Exhibit 16](#), [Exhibit 17](#), [Exhibit 18](#), [Exhibit 19](#) and [Exhibit 20](#).

### **STATUS UPDATE OF OUTSIDE LEGAL COUNSEL**

Mr. Michael Weinstein reported that the outside legal counsel search committee has narrowed the pool of candidates to five firms and interviews have been scheduled during the week beginning April 7, 2014, at the offices of Burke, Burns and Pinelli in Chicago. Mr. Weinstein noted that Trustee McCrohon and Trustee Anderson have indicated that they will participate and he remarked that other trustees are also welcome to attend. Mr. Weinstein also advised that a recommendation of one or more of the firms is planned to be presented to the Investment Committee at the April meeting. Mr. Mabe remarked that he will refrain from participating in the interviews because he is represented by one of the candidate firms.

A copy of the staff memorandum, “Status Update of Outside Counsel Search,” is incorporated as a part of these Minutes as [Exhibit 21](#).

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

Mr. Allen referenced the various informational items that were included in the agenda materials. Trustee McCrohon noted that a more robust list of training opportunities will be provided and he advised that the National Conference on Public Employee Retirement Systems has relocated its 2014 annual conference to Chicago.

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

1. [Exhibit 22](#) - SURS Projected Funding Status through February 2014.
2. [Exhibit 23](#) - Illinois Public Pension Funds Total Fund Performance as of 12/31/13.
3. [Exhibit 24](#) - NEPC memorandum entitled "An Update on MFIRE's Recent Organizational Changes."
4. [Exhibit 25](#) - MFIRE quarterly letter (4Q13).
5. [Exhibit 26](#) - Staff memorandum entitled "Investment Manager Watch List Update" updated January 29, 2014.
6. [Exhibit 27](#) - PIMCO transition notification dated January 21, 2014.
7. [Exhibit 28](#) - Staff memorandum entitled "December 2013 Investment Manager Watch List."
8. [Exhibit 29](#) - Staff memorandum entitled "Reporting of Manager Presentation Materials."
9. [Exhibit 30](#) - Investment Compliance Activities 2014.
10. [Exhibit 31](#) - Fiscal Years 2014-15 Summary Work Plan Investment Committee Schedule.
11. [Exhibit 32](#) - Schedule of Formal Reviews for SURS Investment Managers: Defined Benefit Plan & SMP.
12. [Exhibit 33](#) - Staff memorandum "Schedule of Investment Committee Meetings."

## **PUBLIC COMMENT**

There were no public comments presented to the Investment Committee.

Since there was no further business before the Committee, Trustee Matthews 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:mb

RESOLUTION OF THE INVESTMENT COMMITTEE  
STATE UNIVERSITIES RETIREMENT SYSTEM OF ILLINOIS  
Adopted March 20, 2014

**RECITALS:**

1. In March, 2012 the Board approved the adoption of a three-year private equity funding plan that included funding annual allocations of \$300 million in 2012, \$100 million in 2013 and \$250 million in 2014.
2. SURS' objective is to continue making commitments to achieve the current private equity funding plan of \$650 million in total during calendar years 2012-2014.
3. Pursuant to Section IV of the SURS Investment Policy, dated September 13, 2013 (the "Investment Policy"), the Board is empowered to take action with regard to investments upon recommendations that come from its Investment Committee when it determines such investments are in the best interests of SURS.
4. Section V(B) of the Investment Policy specifies target allocation percentages for various areas of investment, known as "asset classes", and specifies minimum and maximum percentages for each asset class. The strategic policy target allocation for private equity investments is 6%.
5. Staff and NEPC, SURS' outside investment consultants, have reported to the Board that since 1990, SURS has committed over \$1.5 billion to private equity investments with Adams Street Partners and its predecessor organizations. Of this amount, \$1.2 billion in capital has been called, \$1.5 billion has been distributed back to SURS as of September 30, 2013 and the existing market value of the investments managed by Adams Street Partners for SURS is more than \$510 million.
6. Over the years, SURS has invested in several Adams Street Partners funds, including the Venture Partnership Acquisition Fund II, L.P., the Brinson Non-U.S. Partnership Fund Trust, the Adams Street Partners 2004 Non-U.S. Fund, and the Adams Street Global Opportunities Secondary Fund, L.P.
7. Based on the foregoing recitals, and after conducting additional due diligence relating to this most current funding request, the Staff and NEPC have recommended a commitment of \$100 million to Adams Street 2014 Global Fund LP. Key terms of this fund are included in Schedule A to this Resolution.
8. Capitalized terms in used, but not defined, in this Resolution shall have the meanings given in the Investment Policy.

**RESOLUTIONS:**

Now, Therefore, be it resolved as follows:

Based on the recommendations of Staff and outside consultants NEPC, the Investment Committee of SURS recommends that the Board approve a commitment of \$100 million to the Adams Street 2014 Global Fund LP subject to the successful negotiation of a contract for such investment. The foregoing investment shall be subject to periodic review as specified in Section VIII (D) of the Investment Policy or other review as the Staff or the Board may deem appropriate.

**SCHEDULE A:  
KEY TERMS OF ADAMS STREET 2014 GLOBAL FUND LP**

Target Fund Size:	\$800 million to \$1 billion	
Target Investment Return:	12% net IRR; MSCI World Index + 4%	
Target Commitment Period:	3 to 4 years	
Capital Contributions:	Made over 8 to 9 years; 10 days notice given	
Distributions	Expected to be all in cash	
Fund Term	12 years plus three one-year extensions (Partnership Funds) 10 years plus two one-year extensions (Direct)	
Partnership Fund** Management Fees:	<u>Annual Fee</u>	<u>Subscription Amount</u>
	100 basis points	Up to \$25 million
	90	Over \$25 million up to \$50 million
	75	Over \$50 million up to \$100 million
	50	Over \$100 million up to \$150 million
	40	Over \$150 million
	Investors charged 50% of applicable annual fee in year 1 and 75% of applicable annual fee in year 2. Fees tail down to 90% of the regular fee in year 8, 80% in year 9, etc.	
	Effective rate over 15-yr term: 67 bp for \$50 mm subscription 60 bp for \$100 mm subscription	
Carried Interest:	10% carried interest on secondary and co-investment purchases 20% carried interest on direct investments	
Credit for Prior Subscriptions:	A credit amount for prior subscriptions will be applied to new subscription amounts and applied against the management fee schedule. Credit amount equals 75% of the 2013 subscription plus 50% of the 2012 subscription (including subscriptions to Adams Street Global Secondary Fund 5 LP) plus 25% of the 2011 subscription.	
Direct Fund Management Fees:	The portion of a participant's subscription that is allocated to the Direct Fund will be assessed an annual fee of 2%. In addition, Adams Street Partners will receive a 20% carried interest on direct investments. Fees tail down to 90% of the regular fee in year 7, 80% in year 8, etc.	
Geographic Focus:	50% in the U.S. Fund, 25% in the Developed Markets Fund, 15% in the Emerging Markets Fund, and 10% in the Direct Fund	
Manager Commitment:	Estimated to be \$5 - \$7 million (minimum 0.25% of Fund Size)	

\*Adams Street 2014 Global Fund LP solely invests in the US Fund, Developed Markets Fund, Emerging Markets Fund and Direct Fund.

\*\*The term Partnership Fund refers to the US Fund, Developed Markets Fund and the Emerging Markets Fund.

RESOLUTION OF THE INVESTMENT COMMITTEE  
STATE UNIVERSITIES RETIREMENT SYSTEM OF ILLINOIS  
Adopted March 20, 2014

**RECITALS:**

1. Pursuant to Section IV of the SURS Investment Policy, dated September 13, 2013 (the “Investment Policy”), the Board may take action with regard to investments upon recommendations that come from its Investment Committee.
2. Section V(B) of the Investment Policy specifies target allocation percentages for various areas of investment, known as “asset classes”, and specifies minimum and maximum percentages for each asset class. The strategic policy target allocation for Opportunity Fund investments is currently established as being 1%.
3. In June, 2011 the Board of Trustees approved an Asset/Liability study that established the current target allocation to the Opportunity Fund at 1%. As of December 31, 2013, the Opportunity Fund was valued at \$60 million, representing a 0.4% allocation.
4. Infrastructure investments are currently the only component within the Opportunity Fund which was first included as an asset class within SURS’ Investment Policy in March, 1999 in order to encourage investment in innovative ideas or approaches.
5. In September, 2008, the Board conducted a search for qualified infrastructure managers which culminated in the selection of two infrastructure funds one of which was Macquarie Infrastructure Partners II (“MIP II”).
6. Pursuant to that selection process, the Board awarded Macquarie Group a commitment of \$40 million to MIP II in October, 2009. MIP II had a total of 56 limited partners with commitments of approximately \$1.6 billion. Since inception, MIP II has a net IRR of 12.83% as of December 31, 2013.
7. Based on the foregoing, the Staff and outside consultants NEPC have recommended a commitment of \$50 million to Macquarie Infrastructure Partners III, L.P. Fund (MIP III) which will target core and core-plus infrastructure investments in the United States and Canada and seek to acquire positions of control or significant influence in order to drive the implementation of value-enhancing initiatives. Key terms of the MIP III fund are included in Schedule A to this Resolution.
8. Capitalized terms in used, but not defined, in this Resolution shall have the meanings given in the Investment Policy.

**RESOLUTIONS:**

Now, Therefore, be it resolved as follows:

Based on the recommendations of Staff and outside consultants NEPC, the Investment Committee of SURS recommends that the Board approve a commitment of \$50 million to the MIP III fund, subject to the successful negotiation of a contract for such investment. The investment shall be subject to periodic review as specified in Section VIII (D) of the Investment Policy or other review as the Staff or the Board may deem appropriate.

**SCHEDULE A:  
KEY TERMS OF MACQUARIE INFRASTRUCTURE PARTNERS III, L.P. FUND (MIP III)**

Fund Size (Target/Cap):	\$2 billion / \$3 billion
Target Investment Returns:	14% to 16% gross IRR from Portfolio Investments. 11% to 13% net IRR to Limited Partners
Target Yield:	4% to 6% average annual gross yield from Portfolio Investments to MIP III from the end of the Investment Period to the end of MIP III
Management Fee:	0.75% per year on Uninvested Capital 1.50% per year on Invested Capital
Carried Interest:	20% of net profits, subject to a preferred Limited Partner return of 8% and 50/50 catch-up, calculated on a whole-of-fund basis.
Term:	10 years from final close
Investment Period:	4 years from final close
Geographic Focus:	United States and Canada
Investment Limits:	20% Partnership limit on single Portfolio investments 25% Partnership limit on greenfield projects
Principal Transactions:	No purchase or sale of investments to/from Macquarie-managed Funds; ability for Macquarie to warehouse assets for MIP III solely with LPAC consent.
Manager Commitment:	\$50 million