



## MINUTES

**Meeting of the Investment Committee  
of the Board of Trustees of the  
State Universities Retirement System  
9:30 a.m., Thursday, October 30, 2014  
The Northern Trust  
50 South LaSalle Street, Global Conference Center  
Chicago, Illinois 60603**

The following Trustees were present: Mr. Craig McCrohon, Chair; Ms. Lindsay Anderson, Ms. Jacqueline Berger, Dr. John Engstrom, 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; Ms. Kimberly Pollitt and Mr. Joseph Duncan, Senior Investment Officers; Mr. John Cross, Mr. Alex Ramos and Mr. Shane Willoughby, Investment Officers; Ms. Phyllis Walker, Chief Financial Officer; Ms. Lou Ann Fillingham, Senior Investment Accounting Officer; Mr. Jeffrey Houch, Legislative Liaison; Ms. Marilyn Branson, Investment Governance and Compliance Officer; Ms. Lori Kern, Executive Assistant; Ms. Mary Pat Burns of Burke, Burns & Pinelli; Mr. Douglas Moseley, Ms. Kristin Finney-Cooke and Mr. Kevin Cress of NEPC; Ms. Patti Somerville-Koulouris of the Northern Trust Company; Ms. Sharon Piet of Podesta & Co.; Ms. Angela Myers of Loop Capital; Mr. Patrick McGarvey and Mr. Jared Berk of Grosvenor Capital Management.

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

## APPROVAL OF MINUTES

Trustee Craig McCrohon presented the Minutes from the Investment Committee meeting of September 18, 2014, and from the Trustee Educational Workshop and the Emerging Manager and Diversity Matters Subcommittee meeting held on September 15, 2014. Trustee Paul R.T. Johnson Jr. made the following motions:

- That the Minutes from the September 18, 2014 Investment Committee meeting be approved, as presented.

- That the Minutes from the September 15, 2014 Trustee Educational Workshop be approved, as presented.
- That the Minutes from the September 15, 2014 Emerging Manager and Diversity Matters Subcommittee meeting be approved, as presented.

After remarking that some of the September 18, 2014 Investment Committee meeting motions may need adjustment to phraseology, although not to intent, Trustee McCrohon seconded the motions. There was no further discussion and the motions carried with all Trustees present voting in favor.

A copy of the staff memorandum, "Report from the September 18, 2014 Investment Committee Meeting, September 15, 2014 Trustee Educational Workshop and Emerging Manager and Diversity Matters Subcommittee," is incorporated as a part of these Minutes as [Exhibit 1](#). A copy of the staff memorandum, "Investment Contracts Approved," is incorporated as a part of these Minutes as [Exhibit 2](#).

### **CHAIRPERSON'S REPORT**

Trustee McCrohon gave a short presentation on the topic of hedge funds that outlined the various types of hedge funds and typical strategies involved, as well as the characteristic structure of such investments and comparisons with other asset classes. Trustee McCrohon acknowledged the concerns that exist among SURS' members, remarking that NEPC will discuss hedge funds in greater depth later in the meeting. Trustee McCrohon also extended his appreciation to Mr. Douglas Moseley for his assistance with the slide presentation.

A copy of the slide presentation, "Hedge Funds – Selected Highlights," is incorporated as a part of these Minutes as [Exhibit 3](#).

### **CHIEF INVESTMENT OFFICER REPORT**

Mr. Daniel Allen remarked on the volatility of the markets over the last few months and advised that the portfolio's investment return was -1.4% net of fees for the quarter ended September 30, 2014. For the 2015 fiscal year period as of the current date, the return has been flat. Mr. Allen also discussed performance compared to the Illinois public pension fund peer group, observing that SURS' ranking relative to the peer group is very strong for the five and ten year periods ended June 30, 2014.

### **PIMCO ORGANZATIONAL UPDATE**

Mr. Allen introduced the discussion regarding PIMCO's recent leadership change, noting that staff is monitoring the situation closely and the firm has been invited to speak to the Board.

Mr. Moseley and Ms. Kristin Finney-Cooke reviewed the background related to the organizational changes occurring at PIMCO. Ms. Finney-Cooke advised that NEPC's due diligence has resulted in placing the firm on client review, a heightened level of watch, and she reviewed NEPC's analysis regarding the impact of the leadership changes on the firm as

well as the specific strategies in which SURS is invested. As PIMCO's Unconstrained product is perceived to be more highly impacted by the changes at the firm, Ms. Finney-Cooke advised that a formal review is recommended to be conducted during the Fixed Income manager review at the February 2015 meeting and Mr. Moseley discussed the performance of the Unconstrained product in further detail.

Ms. Kimberly Pollitt noted that PIMCO was added to the SURS Watch List earlier this year due to high level personnel departures. Approximately \$1.6 billion of SURS' total investment portfolio is managed by PIMCO and the Total Return Fund is also an option for participants in the Self-Managed Plan. Ms. Pollitt advised that Sudi Mariappa has replaced Bill Gross as the Total Return and StocksPlus portfolio manager for SURS. Redemptions and other situation dynamics were also discussed. Ms. Pollitt and Mr. Moseley noted that the firm will be closely monitored and any significant developments will be communicated to the Board. Staff and NEPC recommended that PIMCO remain on the Watch List at present. Ms. Mary Pat Burns also recommended that procedures be ready in case action needs to be taken quickly. Ms. Burns remarked that an emergency phone call is possible under the Open Meetings Act, or delegation to the Executive Committee, and noted that she prefers to be involved in order to document as needed.

The following representatives of PIMCO then gave a presentation regarding their firm that covered the recent changes that have occurred and the firm's focus going forward, its economic outlook, brokerage practices and diversity program:

- \* Mr. Jay Jacobs
- \* Mr. Michael Chandra
- \* Mr. Ignacio Galaz
- \* Mr. Tony Crescenzi

Copies of the NEPC memorandum, "NEPC Recommendation Regarding PIMCO Products," the staff memorandums, "PIMCO Organizational Changes" and "Portfolio Manager Change for PIMCO Total Return Fund, a Self-Managed Plan Option," and the PIMCO presentation, "The Next Phase of PIMCO's Portfolio Management Leadership," are incorporated as a part of these Minutes as [Exhibit 4](#), [Exhibit 5](#), [Exhibit 6](#) and [Exhibit 7](#).

#### **NON-U.S. EQUITY AND GLOBAL EQUITY ASSET CLASS** **PORTFOLIO REVIEWS**

Mr. Shane Willoughby presented the review of the Global Equity asset class, which had a market value of approximately \$1.5 billion as of June 30, 2014. The portfolio's performance has exceeded the benchmark for the one-, three- and five-year periods ending June 30, 2014, and slightly trailed the benchmark for the ten-year period. Mr. Willoughby also noted that the portfolio is more heavily weighted to the U.K. and U.S. markets versus the benchmark and the Sudan and Iran restrictions had a negative impact of approximately 20 basis points for the fiscal year 2014 period.

Mr. John Cross presented the review of the Non-U.S. Equity asset class, which was valued at approximately \$3.8 billion as of June 30, 2014. Mr. Cross remarked on the differences between the active, structured active and passive components of the portfolio and Trustee McCrohon suggested that an information sheet on the structured active category be emailed to the Board. Mr. Allen noted that definitions could be included in the Investment Policy as well.

Mr. Cross advised that the Non-U.S. Equity portfolio returned 22.4% for the one-year period ended June 30, 2014, surpassing the benchmark, and returns for the three- and five-year periods also exceeded the benchmark. In addition, the Sudan and Iran restrictions had a positive impact of approximately 21 basis points on the Non-U.S. Equity portfolio for the fiscal year 2014 period.

Copies of the staff memorandum, “Global Equity Asset Class Review” and “International Equity Asset Class Portfolio Review,” are incorporated as a part of these Minutes as [Exhibit 8](#) and [Exhibit 9](#).

### **CONSENT AGENDA – NON-U.S. EQUITY AND GLOBAL EQUITY ASSET CLASS ANNUAL MANAGER REVIEWS**

Mr. Allen introduced the consent agenda, remarking that staff and NEPC recommend retention of all the current Global and Non-U.S. equity managers except for Martin Currie. Mr. Allen invited discussion and advised that, if terminated, \$25 million of the proceeds from Martin Currie would be funded to Ativo Capital Management and \$60 million to Strategic Global Advisors. Mr. Joseph Duncan reviewed Martin Currie’s performance, which for the year ended June 30, 2014, lagged the benchmark by 889 basis points, as well as the factors leading to the underperformance and other contributors to the recommendation to terminate.

Trustee Johnson made the following motions which formed the consent agenda:

#### **Consent Agenda Topics**

##### *Global Equity Manager Reviews*

- That Mondrian Investment Partners be retained as a global equity manager.
- That Wellington Management be retained as a global equity manager.
- That Calamos Advisors be retained as a global equity manager.
- That T. Rowe Price be retained as a global equity manager.

##### *Non-U.S. Equity Manager Reviews*

- That Ativo Capital Management be retained as an International Equity Manager, and be funded an additional \$25 million.
- That GlobeFlex Capital be retained as an International Equity Manager.
- That Herndon Capital Management be retained as an International Equity Manager.
- That Strategic Global Advisors be retained as an International Equity Manager, and be funded an additional \$60 million.
- That BlackRock be retained as a Structured International Equity Manager.
- That Pyramis be retained as a Structured International Equity Manager.
- That Martin Currie be terminated as an International Equity Manager.

Trustee McCrohon seconded and the consent agenda carried with all Trustees present voting in favor.

Copies of the staff memorandums, “Consent Agenda for the Global Equity Asset Class,” “Consent Agenda for the International Equity Asset Class,” and “Martin Currie Non-U.S. Equity Manager Annual Review,” are incorporated as a part of these Minutes as [Exhibit 10](#), [Exhibit 11](#) and [Exhibit 12](#). A copy of the NEPC memorandum, “Martin Currie Commentary & Recommendation,” is incorporated as a part of these Minutes as [Exhibit 13](#).

### **STATUS OF FIXED INCOME EMERGING MARKET DEBT SEARCH**

Ms. Pollitt remarked that 55 investment managers responded with 85 different products to the Request For Proposal (RFP) that was issued in August for the emerging market debt search. The field was narrowed to 20 firms with 31 different products, additional information was requested from each and after review, the candidate pool was reduced to 10 firms with 15 products. Semi-finalist interviews have been scheduled on November 10, 11 and 12, 2014, at the offices of NEPC in Chicago. Ms. Pollitt invited trustee involvement in the process, advising it is anticipated that four firms will be recommended and finalist presentations will be scheduled at the December meeting.

Discussion followed regarding trustee attendance at the semi-finalist interviews, the preferred method of making the final selections and the time commitment involved. Trustee Johnson and Trustee Andrew Matthews expressed interest in attending the semi-finalist interviews. Trustee Lindsay Anderson requested that staff report back when the level of trustee attendance at the semi-finalist interviews has firmed so that appropriate plans can be made for the finalist presentations at the December meeting.

Copies of the staff memorandum, “Emerging Market Debt Search Update,” and the list of semi-finalist candidate firms are incorporated as a part of these Minutes as [Exhibit 14](#) and [Exhibit 15](#).

### **DISCUSSION OF ASSET ALLOCATION IMPLEMENTATION PLAN**

Mr. Moseley discussed the implementation plan developed by staff and NEPC to achieve the new asset allocation policy targets that were approved and the funding sources for the three new strategies. Approximately \$1.7 billion is anticipated to be moved out of U.S. equity and Non-U.S. equity over the next 12-18 months, the majority from the passive U.S. equity portfolios managed by Northern Trust Asset Management and RhumbLine Advisers and lesser amounts from the U.S. structured active equity portfolio. Since eight to ten new managers will be added across the three new categories of emerging market debt, commodities and hedged equity, Mr. Moseley observed the possibility of trimming managers in some areas. Impacts to minority-, female- and persons with a disability-owned investment managers were also noted and Mr. Allen remarked that the issue might be a topic for the February workshop.

Discussion of the plan and the effect on investment management fees followed. Mr. Allen and Mr. Moseley remarked that fees will increase but volatility will be dampened by reducing the equity exposure and introducing asset classes that are less correlated. Considerable discussion of the projected increase to investment management fees followed. Trustee McCrohon remarked on the need for greater transparency and understanding of the fees and recommended that more detail and clearer data be provided to the Board. Other fee issues, such as carried interest, the potential for pension funds that invest in similar funds to pay different fees and the utility of most favored nation clauses, were also discussed. Mr. Allen noted the concerns that were expressed, advising that staff and NEPC will address, possibly as an educational topic.

A copy of the NEPC memorandum, "Asset Allocation Implementation Plan for New Policy Targets," is incorporated as a part of these Minutes as [Exhibit 16](#).

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

Mr. Moseley reviewed the private equity investment being considered with Pantheon, remarking that Pantheon's fees have decreased due to the history of the SURS relationship and also because their overall fees have been trending down. Mr. Moseley also discussed the Orange County Employees Retirement System's initiative to develop a fund of funds structure that allows multiple pension funds to participate and he noted that Pantheon was hired for the assignment based on their track record and price. NEPC's analysis of the opportunity was provided; however, due to certain constraints, Mr. Moseley advised that a commitment to Pantheon's multi-strategy vehicle is recommended given its access to the same managers and equally attractive fee schedule. Further discussion of the fees associated with private equity investments followed. In addition, Mr. Moseley remarked on the Preqin database of private equity performance and NEPC's evaluation process with regard to performance analysis.

The following representatives of Pantheon then gave a presentation regarding their firm and the specific fund under consideration, which included discussion of the diversity profile of Pantheon's staff and underlying managers as well as its incorporation of environmental, social and governance factors into investment decisions:

- \* Ms. Susan Long McAndrews
- \* Ms. Yokasta Segura-Baez

After the presentation concluded, Mr. Allen remarked that staff and NEPC recommend commitment of \$125 million to the Pantheon Global Select 2014 strategy.

Trustee Johnson made the following motion:

- That a commitment of \$125 million be authorized, contingent on successful contract negotiations, to the Pantheon Global Select 2014, L.P., including the default allocation to secondaries and co-investments.

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

Copies of the Pantheon presentation, “Pantheon Access: Global Select,” the staff memorandum, “Pantheon Global Fund,” and the NEPC Fund Tear Sheet are incorporated as a part of these Minutes as [Exhibit 17](#), [Exhibit 18](#) and [Exhibit 19](#). A copy of the NEPC document that was distributed, “Private Equity Supplemental Information – Preqin Database Comparison,” is incorporated as a part of these Minutes as [Exhibit 20](#).

### **RECAP OF THE SENATE PUBLIC PENSIONS AND STATE INVESTMENTS COMMITTEE HEARING/SUBCOMMITTEE DISCUSSION**

Trustee McCrohon opened discussion of the hearings that were held yesterday by the Senate Committee on Public Pensions and State Investments, which Mr. William Mabe, Mr. Allen, Mr. Jeffrey Houch, Mr. Alex Ramos and Ms. Finney-Cooke attended on behalf of SURS. Some of the key takeaways from the hearings included concerns with Latino representation within the ranks of investment managers, trustees and investment consultants, greater accountability that may emphasize trustee involvement, utilization of Illinois-based investment managers and direct investment with managers rather than through fund of funds. Mr. Allen commended the Board for forming the Emerging Manager and Diversity Matters Subcommittee and organizing the Diversity Workshop that was held in September. The issue of fiduciary duty, the Illinois statutory definition of emerging managers, potential new legislation and challenges related to moving into alternative asset classes were also discussed and consideration was given to scheduling the next meeting of the Emerging Manager and Diversity Matters Subcommittee and possible next steps.

Copies of the staff memorandum, “Outputs from the September 15, 2014 Emerging Manager and Diversity Matters Subcommittee Meeting,” SURS response to the Senate Committee on Public Pensions and State Investments’ September 2014 questionnaire and the staff memorandum, “Annual Review of Minority-, Female- and Persons with a Disability- Owned Broker/Dealer Usage by SURS Investment Managers,” are incorporated as a part of these Minutes as [Exhibit 21](#), [Exhibit 22](#) and [Exhibit 23](#).

### **(Educational Topic) – HEDGED STRATEGIES**

The educational session commenced at 2:30 p.m., lasted for 55 minutes and concluded at 3:25 p.m.

Mr. Moseley led the educational session regarding hedge funds, in which he addressed common preconceptions about the asset class and the distinguishing characteristics of the various sub-strategies as well as the capacity for an allocation to hedge funds to reduce portfolio risk, protect capital and earn competitive returns. The benefits of fund of funds structures that provide assistance with due diligence, fee negotiation, reporting and transparency were noted, which Mr. Moseley recommended as the best way to access the asset class initially. The historical risk-return comparison with traditional asset classes, the outlook for future returns and other aspects of investing in hedge funds were also examined. Mr. Moseley remarked the importance of identifying emerging managers in the hedge fund

category, which would likely be one of the evaluation criteria for selecting a fund of funds manager. Discussion of the asset class followed and consideration was given to issues such as complexity, liquidity, transparency and control. In closing, Trustee Anderson observed that the Board has decided on an asset allocation and must do what is best for the retirement system, but should also continue to listen and respond to correspondence.

A copy of the NEPC presentation, "Hedge Fund Education and Discussion," is incorporated as a part of these Minutes as [Exhibit 24](#).

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

The Resolutions of the Investment Committee which pertain to the actions approved at this meeting are presented in Appendix A and Appendix B.

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

1. [Exhibit 25](#) - SURS Projected Funding Status through September 2014.
2. [Exhibit 26](#) - Illinois Public Pension Funds Total Fund Performance as of 6/30/14.
3. [Exhibit 27](#) - Staff memorandum entitled "Non-Core Real Estate Manager Search Update."
4. [Exhibit 28](#) - Staff memorandum entitled "Investment Manager Watch List Update" dated September 2, 2014.
5. [Exhibit 29](#) - Smith, Graham & Co. Investment Advisors letter regarding CIO resignation dated June 19, 2014.
6. [Exhibit 30](#) - Staff memorandum entitled "June 2014 Investment Manager Watch List."
7. [Exhibit 31](#) - Staff memorandum entitled "Self-Managed Plan (SMP) Participant and Annuitant 2014 Survey Results."
8. [Exhibit 32](#) - Service Employees International Union letter to SURS dated September 25, 2014.
9. [Exhibit 33](#) - SURS response to Service Employees International Union dated October 3, 2014.
10. [Exhibit 34](#) - Investment Compliance Activities 2014/2015.
11. [Exhibit 35](#) - Fiscal Years 2015-16 Summary Work Plan Investment Committee Schedule.
12. [Exhibit 36](#) - Summary of Investment Projects.
13. [Exhibit 37](#) - Schedule of Formal Reviews for SURS Investment Managers: Defined Benefit Plan & SMP.
14. [Exhibit 38](#) - 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 John Engstrom moved that the meeting be adjourned. The motion was seconded by Trustee Johnson and carried with all Trustees present voting in favor.

Respectfully submitted,

A handwritten signature in cursive script, reading "William E. Mabe". The signature is written in black ink and is positioned centrally below the text "Respectfully submitted,".

Mr. William E. Mabe  
Secretary, Board of Trustees

WEM:mb

RESOLUTION OF THE BOARD OF TRUSTEES  
STATE UNIVERSITIES RETIREMENT SYSTEM OF ILLINOIS  
Adopted October 30, 2014

**RECITALS:**

1. The SURS Investment Policy, dated September 19, 2014 (the “Investment Policy”), Section VIII(D) (Investment Manager and Fund Monitoring), permits the Staff or Consultant to present managers to the Board for termination by the Board. The Investment Policy provides that the Staff may recommend “changes in funding for an investment manager, outside the rebalancing process.”
2. The Staff has elected to review the performance of each of its Global and Non-U.S. Equity securities managers, as identified in Schedule 1 to this Resolution (the “Global and Non-U.S. Equity Securities Managers”).
3. The Staff has reviewed the performance of the equity mandates and risk measures relative to performance benchmarks as deemed appropriate by the Staff. The Staff has further reviewed the turnover of key management of each of the Global and Non-U.S. Equity Securities Managers, changes in the total assets under management, and other factors identified in Sections VIII(D) and X (Investment Manager Termination Guidelines) of the Investment Policy. Selected information regarding such review has been presented to the Board for review and discussion.
4. Each manager is the subject of agreements permitting termination with less than 90 days notice.
5. The Staff recommends that, as of the date of this Resolution, SURS retain and not terminate the Global and Non-U.S. Equity Managers as listed in Schedule 1.
6. The Staff recommends that Martin Currie Investment Management be terminated for investment performance in the non-U.S. equity strategy over time, and fund level asset allocation changes per Section X of the SURS Investment Policy (Schedule 2).
7. Capitalized terms used, but not defined, in this Resolution shall have the meanings given in the Investment Policy.

**RESOLUTIONS:**

Now, Therefore, be it resolved as follows:

The Investment Committee of SURS recommends that the Board approve the retention, with additional funding as noted, of the Global and Non-U.S. Equity Securities Managers by SURS and that SURS shall maintain its investments with the Equity Securities Managers. Such decision shall be subject to periodic or other review as the Staff or the Board may deem appropriate (Schedule 1).

The Investment Committee of SURS recommends that the Board approve the termination of Martin Currie Investment Management by SURS. Reasoning for the decision includes investment performance, and fund level asset allocation changes utilized by SURS (Schedule 2).

**SCHEDULE 1:  
GLOBAL AND NON-U.S. EQUITY SECURITIES MANAGERS**

Mondrian Investment Partners

Wellington Management

Calamos Advisors

T. Rowe Price

Ativo Capital Management with an additional funding of \$25 million.

GlobeFlex Capital

Herndon Capital Management

Strategic Global Advisors with an additional funding of \$60 million.

BlackRock Institutional Trust Company

Pyramis Global Advisors Trust Company

**SCHEDULE 2:  
NON-U.S. EQUITY SECURITIES MANAGERS**

Martin Currie Investment Management

RESOLUTION OF THE INVESTMENT COMMITTEE  
STATE UNIVERSITIES RETIREMENT SYSTEM OF ILLINOIS  
Adopted October 30, 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 19, 2014 (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 2002, SURS has committed nearly \$1 billion to private equity investments with Pantheon Ventures, LP. Of this amount, \$778 million in capital has been called, \$734 million has been distributed back to SURS as of March 31, 2014 and the existing market value of the investments managed by Pantheon Ventures for SURS is more than \$540 million.
6. Over the years, SURS has invested in several Pantheon Ventures Limited Partnerships, including the Pantheon Europe Funds III, VI and VII, Pantheon USA Funds VIII and IX, and the Pantheon Global Secondary Fund II.
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 \$125 million to Pantheon Global Select 2014. 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 \$125 million to Pantheon Global Select 2014, 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 THE Pantheon Global Select 2014**

Target Fund Size:	\$1 billion across funds and separate accounts				
Target Investment Return:	MSCI World Index + 3-5%				
Final Close	December 31, 2015				
Target Commitment Period:	December 31, 2018				
Capital Contributions:	At least 5 days notice given				
Distributions	Expected to be all in cash				
Fund Term	13 years after Final Commitment Date, may be extended for up to three additional one-year periods				
Fund Management Fees:	<table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left; border-bottom: 1px solid black;">Annual Fee</th> <th style="text-align: left; border-bottom: 1px solid black;">Subscription Amount</th> </tr> </thead> <tbody> <tr> <td>55 basis points</td> <td>Committed Capital</td> </tr> </tbody> </table> <p>On the eighth anniversary of the end of the first accounting period and in respect of each year following, the Management Fee will be reduced to 90% of the amount paid in the previous year</p> <p>Effective fee for 15-yr term is 45 bps</p>	Annual Fee	Subscription Amount	55 basis points	Committed Capital
Annual Fee	Subscription Amount				
55 basis points	Committed Capital				
Carried Interest:	10% carried interest on secondary and co-investment purchases, subject to an 8% preferred return				
Key Individuals	Chris Meads, Susan Long McAndrews, Elly Livingstone, Helen Steers, and Dennis McCrary				
Manager Commitment:	Expected to be 1.0% of Fund Size				

The General Partner acknowledges that under the Illinois Pension Code, with respect to the Investor's Capital Contributions, it is (i) a "fiduciary" and (ii) an "investment adviser."