



MINUTES

**Closed Meeting of the Administration Committee
of the Board of Trustees of the
State Universities Retirement System
11:00 a.m., Thursday, March 12, 2015
The Northern Trust
50 South LaSalle Street, Global Conference Center
Chicago, Illinois 60603**

Upon a motion by Trustee Mitchell Vogel, seconded by Trustee Paul R.T. Johnson, Jr. and a unanimous roll call vote, the Administration Committee went into closed session under the Open Meetings Act pursuant to §2(c)(1) to discuss employee matters relating to compensation and budget.

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

Others present: Mr. William Mabe, Executive Director; Ms. Brenda Dunn, Director of Human Resources; Ms. Lori Kern, Executive Assistant; and Ms. Mary Pat Burns of Burke, Burns & Pinelli.

Mr. William Mabe discussed the SURS Business and Operating Plans. He commented that all of the core processes within the organization are listed in the plans and each executive is accountable for the processes. The key performance indicators listed in the plans are then used to measure performance of not only the executive leadership team but the entire organization. He reminded the board that each month they are provided with a summary of the performance measures in the monthly board report. Ms. Burns voiced her concern that sometimes the trustees are getting so much information that they may not even realize what they are getting and she further stated that some decisions need to be made in regards to what is the best information to give the trustees on a regular basis. She suggested that the board consider creating a board strategic plan in order to mitigate fiduciary risk. The board concurred and it was determined that this is something that the board Governance Committee should address in the future.

Ms. Brenda Dunn provided the committee a historical review of SURS' salaries over the past ten years which included SURS salary data, length of service, salary ranges and percentage of payroll. She also reported on the current salary data noting that last year there were three employees who hit their range maximums and did not receive a full increase. This year, there

will be five additional employees who are 2.5 percent or less from reaching the maximum range for their position. Ms. Dunn remarked that in response to the compensation study a decision was made to decrease range maximums for thirteen classifications moving all pay range spreads to 65 percent. Discussion in regards to how salary ranges are determined and compensation practices continued.

Ms. Dunn explained the SURS Performance Recognition program which is used to recognize top performers annually. This is a one-time monetary award and is not built into the base salary.

Ms. Dunn remarked that salary budgets for 2015 project to be 3 percent higher across the board as reported by several Human Resource Consulting Firms. When polling other public pension systems in the state some of them are currently conducting compensation studies and do not have figures to share at this time; however, for those systems that responded, they are reporting anywhere from 2-3.5 percent. Ms. Dunn noted that she has been informed that it is still too early in the budget process to determine what kind of raises that the universities and community colleges will be giving. In summary, Ms. Dunn provided the following options for the board to consider funding:

- Moving the salary ranges
- Merit increases
- Promotional and reclassification changes
- Performance Recognition, Star Awards and Employee of the Year Programs

Discussion of these options and consideration of the costs involved followed. Mr. Mabe noted that these are items that the board normally approves; however, it was the consensus of the Committee to wait until the June meeting before making a decision.

Mr. Mabe presented the SURS Succession Plan and provided the board with a brief overview of the performance of all of his direct reports to date. Mr. Mabe then provided a brief performance review for General Counsel Mr. Michael Weinstein. Mr. Mabe stated that Mr. Weinstein has announced his retirement and will be retiring at the end of May and a search for a new general counsel will be conducted. The discussion then turned to the evaluation of Chief Investment Officer Mr. Daniel Allen. Trustee Johnson raised some concerns regarding the performance of the chief investment officer and he remarked that the he has discussed them with Trustee Anderson and Ms. Mary Patricia Burns. Mr. Mabe stated that in order to allow fairness and continuity, for all parties involved, a process for looking into these concerns should be followed. Trustee Anderson commented that although concerns have been raised, the consensus of the board is that Mr. Allen has had a strong track record over the past ten years and it was noted that he has made some improvements over the past year. With this being said, the next steps will be to set some very clear expectations and benchmarks for Mr. Allen and memorialize them in a written document that the entire board can be involved in creating. Trustee Anderson will work with the new executive director and Mr. Allen on communicating these expectations and establishing a clear evaluation plan going forward. Trustee Johnson agreed that he would like to have the opinion of the new executive director before discussing how to proceed with his concerns.

Upon motion by Trustee Engstrom that was seconded by Trustee Figueroa and carried, the meeting of the board of trustees resumed its meeting in open session.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "William E. Mabe". The signature is written in a cursive style with a large, prominent initial "W".

Mr. William E. Mabe
Secretary, Board of Trustees

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