



## MINUTES

**Special Meeting of the Investment Committee  
of the Board of Trustees of the  
State Universities Retirement System  
Tuesday, December 19, 2017, 3:00 p.m.  
Burke, Burns & Pinelli  
70 W. Madison St., Chicago, IL**

The following trustees were present: Mr. Mark Cozzi, Chair; Mr. Tom Cross, Mr. Craig McCrohon, and Dr. Steven Rock via conference call.

Others present: Mr. Martin Noven, Executive Director; Mr. Doug Wesley, Chief Investment Officer; Ms. Brenda Dunn, Director of Human Resources; Ms. Mary Pat Burns and Ms. Sarah Boeckman of Burke, Burns & Pinelli; Ms. Bianca Green, General Counsel, via conference call; and Ms. Kelly Carson, Executive Assistant, via conference call.

Investment Committee roll call attendance was taken. Trustee Cozzi, present, Trustee Cross, present; Trustee Cullen, absent; Trustee Giertz, absent; Trustee Johnson, absent; Trustee McCrohon, present; and Trustee Rock, present via conference call.

### DISCUSSION OF INVESTMENT PROCUREMENT POLICY

Trustees discussed the background of the current investment procurement process used by SURS and the purpose of the special meeting. Trustee Craig McCrohon noted the need for staff to be able to assess the market, identify prospects and present investment opportunities to the board in a more efficient manner. Trustees and staff reviewed proposed additional changes to the draft of the proposed investment procurement policy with the goal of presenting the proposed draft procurement policy to the Investment Committee and to the board of trustees for consideration during the February SURS meetings.

A copy of the “Investment Procurement Policy - Draft” is incorporated as part of these minutes as [Exhibit 1](#).

There was no further business brought before the committee and Trustee Steven Rock moved that the meeting be adjourned. The motion was seconded by Trustee Tom Cross and carried with all trustees present voting in favor.

Respectfully submitted,

Mr. Martin Noven  
Secretary, Board of Trustees

*BBP DRAFT  
SUBJECT TO REVISION  
12.05.2017*

**STATE UNIVERSITIES RETIREMENT SYSTEM  
OF ILLINOIS**

*INVESTMENT PROCUREMENT  
POLICY*



Adopted by the Board of Trustees  
\_\_\_\_, 2017

## 1. Introduction

This policy addresses the general procedures of the State Universities Retirement System (“SURS”) in soliciting bids and surveying the market for investment advisers, consultants and other investment services. The selection and appointment of firms to provide advisory, consulting and other investment services by the Board shall be made and awarded in accordance with the Illinois Pension Code (the “Code”) and all other relevant authority under the Illinois Compiled Statutes.

## 2. Definitions

“Board” means the Board of Trustees of SURS.

“Consultant” means any person or entity retained or employed by the Board to make recommendations in developing an investment strategy, assist with finding appropriate investment advisers or monitor the Board’s investments. “Consultant” does not include non-investment related professionals or professionals offering services that are not directly related to the investment of assets, such as legal counsel, actuary, proxy-voting services, services used to track compliance with legal standards and investment fund of funds where the Board has no direct contractual relationship with the investment advisers or partnerships. A Consultant must be registered as an investment adviser under the federal Investment Advisers Act of 1940 or as a bank, as defined in the federal Investment Advisers Act of 1940. Included in the definition of a Consultant is a “Specialty Consultant”. A “Specialty Consultant” means a Consultant selected by the Board pursuant to a RFP process that specializes in one or more investment areas of expertise.

“Expenditure” means any investment, expense, or cost relating to Investment Services.

“Investment Adviser” is any person or firm who: (1) is a fiduciary appointed by the Board in accordance with Section 1-109.1 of the ~~Illinois Pension~~ Code; (2) has the power to manage, acquire or dispose of any asset of SURS; (3) has acknowledged in writing that he or she is a fiduciary with respect to SURS; (4) is registered as an investment adviser under the federal Investment Advisers Act of 1940 or as a bank, as defined in the federal Investment Advisers Act of 1940.

“Investment Committee” means a duly authorized ~~c~~Committee of the Board formed to assist the Board in the development of investment strategies and the review of prospective investments with the goal of supporting the Board in the prudent investment of SURS’ assets. The “Investment Committee Chair” shall mean the Chairman appointed by the Investment Committee.

“Investment Services” means services provided by an Investment Adviser or a Consultant pursuant to Section 1-113.14 of the ~~Illinois Pension~~ Code.

“RFP” means a request for proposal.

“SURS” has the meaning given in Section 1 (Introduction).

“Staff” means the investment staff at SURS, including the designated Chief Investment Officer (the “CIO”).

## 2. *Applicability of RFP Procedures*

### a. *General applicability.*

The RFP procedures in this Policy apply to all Expenditures, including but not limited to, hiring of Consultants, Investment Advisers, custodians, proxy voting service providers and defined contribution service providers other than (i) emergency procurements, and (ii) at the discretion of the Board, contracts that are nonrenewable and one year or less in duration, so long as the contract has a value of less than \$20,000. All exceptions granted under this section must be published on the SURS web site, shall name the person authorizing the procurement, and shall include a brief explanation of the reason for the exception.

### b. *Additional Expenditures Covered by this Policy*

Notwithstanding any exemption under Illinois statutes, the following Expenditures shall be subject to this Policy [unless specifically waived by the Board]:

- i. fund-of-funds investments;
- ii. any follow-on funds that are managed in distinct entities from prior investments; ~~provided, however, that the Board will not be required to fulfill the RFP procurement requirements of this Policy for a follow-on fund if the follow-on fund is specifically recommended by a Specialty Consultant hired by the Board; and~~
- iii. any other category of Investment Services otherwise exempt from the application of the procurement procedures under any statute, rule, regulation or law.

### c. *Expenditures Exempt from the Procurement Procedures of this Policy*

Notwithstanding anything provided in this Section, the Board will not be required to fulfill the RFP procurement requirements of this Policy for a follow-on fund or any investment if the follow-on fund or investment is specifically recommended by a Specialty Consultant and if such Specialty Consultant has adhered to the procurement requirements specifically outlined in this Policy for a Specialty Consultant.

Formatted: Indent: Left: 0"

Formatted: Font: Italic

## 3. *Procurement Procedures and Schedule*

The following are the general procurement actions that shall be taken by SURS when considering Expenditures. SURS shall develop and use uniform documents for the solicitation, review and acceptances of all Investment Services. References to actions by the Staff in this

Policy shall mean the Staff in consultation with any applicable Consultant ~~or Specialty Consultant~~ retained by SURS.

~~a. The Staff or Board shall formally determine a good faith interest in making any potential Expenditure. [Do we need?]~~

Formatted: Indent: Left: 0.5", No bullets or numbering

~~b.a.~~ Prior to issuance of a RFP, Staff shall compile a list of potential qualified respondents for such Expenditure, unless the Investment Committee determines that such compilation of information would impose an extraordinary cost on SURS. Staff is expected to consult with third parties and potential respondents prior to the proposed RFP.

~~e.b.~~ Members of the Board may communicate with third parties and potential respondents, provided that any such Board Member makes a good faith effort, in advance, to notify the CIO or SURS' General Counsel ~~the Chairman of the Investment Committee~~ of such communication, or provide reasonably prompt notice thereafter.

~~d.c.~~ Following initial due diligence by Staff and/or members of the Board, Staff shall prepare the RFP for the Expenditure. The RFP shall contain all information statutorily required, as well as such information as necessary for, or related to, any potential Expenditure. Staff shall provide a form of the RFP, specifically including a list of questions to be included in the RFP, to the Investment Committee or the Board, as may be applicable. The Investment Committee/Board ~~shall~~ may recommend or approve the issuance of the RFP; provided, however, that the Investment Committee/Board may conclude that the issuance of the RFP is not in the best interest of SURS and may decline to approve its issuance. Staff shall also provide the Investment Committee with a tentative time-line for all actions relating to the RFP. Such time-line shall include, but not be limited to, the RFP issuance date, the date all responses are due and the date of the expected final decision.

~~e.d.~~ Staff, in consultation with the Board, shall establish a date on which a formal RFP shall be publicly announced following approval of the RFP by the Board. In general, such date shall be established not less than ten (10) days or more than thirty (30) days following the Board's formal approval of the RFP.

~~f.e.~~ At a minimum, Staff shall post the RFP on the SURS website, advertise the RFP in Pensions and Investments a nationally circulated investment publication and any other publication deemed appropriate by Staff or as required by law. Staff is expected to make a good faith effort to: (i) contact as many potential qualified respondents as reasonably practicable in order to notify them of the issuance of the RFP and (ii) disseminate such RFP to as many potential qualified respondents as reasonably practicable.

~~g.f.~~ The RFP shall provide that questions regarding the solicitation shall be submitted in writing by respondents to the designated point of contact and by the date stated in the RFP. SURS shall post responses to all questions on its website. The deadline for submission of proposals shall be not less than fourteen (14) days following the posting of the RFP.

~~h.g.~~ The deadline for submission of proposals shall be not less than fourteen (14) days following the posting of the RFP. RFP responses received by the deadline stated in the RFP shall be recorded and receipted by Staff. Staff shall review and analyze the responses to the RFP as expeditiously as reasonably practical within the RFP specifications. Staff shall verify information submitted and resolve or confirm any discrepancies. Staff will eliminate any response that fails to conform to the minimum qualifications outlined in the RFP. Staff will prepare a report outlining how all RFP responses conform to these categories and submit such report to the Investment Committee for review (the “Initial RFP Response Report”).

~~h.h.~~ The Investment Committee will review the Initial RFP Response Report and/or any RFP response documentation and make such recommendations as the Committee deems appropriate.

~~j.~~ Staff shall meet or conduct phone interviews with representatives of each firm to obtain an independent assessment of the firm’s capabilities. ~~Interviews by Staff of selected firms shall be open to the members of the Investment Committee, unless the Investment Committee determines otherwise.~~

~~i.~~ Following the interview process, Staff shall identify one or more qualified firms and recommend to the Investment Committee one or more RFP respondents, with a goal of presenting no less than three qualified firms, for possible engagement by the Board.

Formatted: Justified, Space After: 0 pt, Line spacing: single, Numbered + Level: 1 + Numbering Style: a, b, c, ... + Start at: 1 + Alignment: Left + Aligned at: 0.25" + Indent at: 0.5"

~~h.k.~~ Following Staff’s recommendation, the Investment Committee shall interview the respondents recommended by Staff or direct that additional respondents be invited for interview. The Investment Committee shall approve a recommendation to the Board for selection of a respondent for the Expenditure. The Investment Committee may, in good faith, decline to recommend any respondent following such interviews. The Investment Committee may recommend a recommencement of the RFP process for such potential Expenditure, or terminate the search entirely.

~~m.l.~~ The Board may approve or disapprove the recommendation of the Investment Committee with respect to any proposed Expenditure. If practical, at the time of selection the Board shall identify a second-choice respondent in the event that the Staff cannot negotiate terms with the first-choice respondent that are, in the opinion of Staff and the Board, prudent and in the best interests of SURS and consistent with the requirements of the ~~Illinois Pension~~ Code.

~~m.m.~~ Staff shall, in conjunction with its legal counsel, negotiate the contract with the first-choice respondent. If required by the Code, Such contract must at a minimum contain the specific requirements found in Section 1-113.14 of the ~~Illinois Pension~~ Code. Staff shall promptly provide a report to the Investment Committee in the event Staff is unable to negotiate contract terms with the first-choice respondent that meet the requirements of the ~~Illinois Pension~~ Code before engaging in negotiations with the second-choice respondent.

SURS shall post the name(s) of the successful respondent(s) on SURS' web site, along with a disclosure including the total amount applicable to the contract, the total fees paid or to be paid, and a description of the factors that contributed to the selection of the respondent consistent with the requirements of the ~~Illinois Pension~~ Code.

**4. Procurement Requirements for a Specialty Consultant**

The following are the general procurement requirements for any investment recommended by a Specialty Consultant hired by the Board; provided, however that any procurement or due diligence requirement in the contract between such Specialty Consultant and the Board and any specific directive from the Board to such Specialty Consultant regarding a proposed investment takes precedence over the general requirements of this Section.

- Formatted: Font: Not Bold, Not Italic
- Formatted: Font: Not Bold, Not Italic
- Formatted: Justified
- Formatted: Font: Not Bold, Not Italic
- Formatted: Font: Not Bold, Not Italic

a. In recommending any investment to the Investment Committee/Board for consideration, the Specialty Consultant shall develop and utilize a consistent and uniform competitive process for analyzing and vetting potential investments that shall be substantially similar to the competitive process outlined in Article 35 of the Illinois Procurement Code.

- Formatted: List Paragraph, Justified, Numbered + Level: 1 + Numbering Style: a, b, c, ... + Start at: 1 + Alignment: Left + Aligned at: 0.25" + Indent at: 0.5"
- Formatted: Font: Not Bold, Not Italic

b. The Specialty Consultant shall ensure that any potential investment and its terms are in compliance with the Code and any applicable law, regulation or directive of the Board, including SURS' Investment Policy and approved asset allocation.

- Formatted: List Paragraph, Justified
- Formatted: List Paragraph, Justified, Numbered + Level: 1 + Numbering Style: a, b, c, ... + Start at: 1 + Alignment: Left + Aligned at: 0.25" + Indent at: 0.5"

c. The Specialty Consultant shall conduct such competitive process in a transparent and streamlined manner to ensure the Specialty Consultant is recommending potential investments to the Board in a timely manner.

- Formatted: List Paragraph, Justified
- Formatted: List Paragraph, Justified, Numbered + Level: 1 + Numbering Style: a, b, c, ... + Start at: 1 + Alignment: Left + Aligned at: 0.25" + Indent at: 0.5"

d. In recommending any investment to the Investment Committee/Board, the Specialty Consultant shall prepare a detailed report for the Investment Committee/Board outlining the utilized competitive process and its due diligence of the potential investment.

- Formatted: Font: (Default) Times New Roman, 12 pt
- Formatted: Left, Indent: Left: 0.5", Space After: 10 pt, Line spacing: Multiple 1.15 li, No bullets or numbering

e. The Specialty Consultant should endeavor to recommend one or more qualified firms to the Investment Committee/Board on a quarterly basis, if consistent with SURS' Investment Policy and approved asset allocation.

- Formatted: List Paragraph, Justified, Numbered + Level: 1 + Numbering Style: a, b, c, ... + Start at: 1 + Alignment: Left + Aligned at: 0.25" + Indent at: 0.5"
- Formatted: List Paragraph, Justified

**5. Other RFP Requirements**

a. The RFP process shall comply with all relevant sections of State and Federal law, including the ~~Illinois Pension~~ Code and applicable case law.

b. It shall be the goal for Staff to recommend at least three respondents to the Investment Committee/Board for interviews by the Investment Committee/Board. If in any case an "emerging investment manager" (as such term is defined in the ~~Illinois Pension~~ Code) submits a RFP response that meets the requirements for a specific search then the "emerging investment manager" shall receive an invitation to present to the Investment Committee/Board. In the case where multiple "emerging investment managers" meet the

- Formatted: List Paragraph, Justified, Numbered + Level: 1 + Numbering Style: a, b, c, ... + Start at: 1 + Alignment: Left + Aligned at: 0.25" + Indent at: 0.5"
- Formatted: Font: (Default) Times New Roman, 12 pt

criteria of the search, the most qualified firm or firms shall be selected to present to the Investment Committee/Board.

c. Any recommendation to retain a RFP respondent that is not the lowest-cost provider shall be documented by the Staff and said documentation shall be incorporated in the minutes for the applicable meeting.

d. SURS shall not enter into a contract with a Consultant that exceeds ~~five-three (35)~~ years in duration, unless approved by the Board and consistent with the requirements of the Code. No contract to provide consulting services may be renewed or extended. At the end of the term of a contract, however, the Consultant is eligible to compete for a new contract as permitted in the ~~Illinois Pension~~ Code.

e. Within certain asset classes (primarily private equity and closed-end real estate), investment managers raise capital during specific periods of time. Given the nature of these types of investments, Staff will make a reasonable attempt to annually post on SURS website, at or near the end of each calendar year, SURS' intentions regarding new investments over the next year in private equity, real estate, and other similarly-structured investment vehicles at such time as Staff deems prudent. Investment managers raising capital in relevant asset classes during this time period are encouraged to keep SURS abreast of the timing of such investment opportunities. Staff is expected to make a good faith effort to contact as many investment managers as reasonably practicable in order to notify them of SURS' intentions regarding new investments over the next year prior to compiling a RFP for the Board's consideration.

**Comment [SAB1]:** Does this belong in the Investment Policy vs. Procurement Policy?

f. Any report, documentation, or list compiled or received by Staff or a Consultant relating to a RFP or Expenditure shall be promptly made available to the Board, or an individual Board member, upon request.

**Formatted:** Font: (Default) Times New Roman, 12 pt

~~f.g.~~ Nothing in this Policy is meant to prohibit or discourage any Board Member from being involved in any part of the procurement process; provided that such Board Member provides prior notice of his/her intent to participate to Staff in order to ensure such participation is in compliance with applicable law.

**Formatted:** Left, Indent: Left: 0.5", Space After: 10 pt, Line spacing: Multiple 1.15 li, No bullets or numbering

h. No Board member, SURS employee or SURS vendor shall knowingly cause or advise the Board to engage in an investment transaction with a vendor when the Board member, SURS employee, SURS consultant or any of their spouses (i) has any direct interest in the income, gains or profits of the investment vendor through which the investment transaction is made or (ii) has a relationship with that investment vendor that would result in a pecuniary benefit to the Board member, SURS employee or SURS vendor or any of their spouses as a result of the investment transaction. References to the "investment vendor" include an employee or agent of such firm who has greater than 7.5% ownership of the consulting firm.

**Formatted:** Font: (Default) Times New Roman, 12 pt

**Formatted:** Left, Indent: Left: 0.5", Space After: 10 pt, Line spacing: Multiple 1.15 li, No bullets or numbering

**6. Market Check Research**

Not less than every four (4) years, the SURS board shall review the performance of any investment relative to its peers, even if no RFP is to be solicited. Such market checks shall include information from industry and SURS databases ranking, if any are available, such investment or service provider. The format and substance of such presentation shall be as determined by the Staff in consultation with the Board. Staff shall recommend to the Board whether SURS should retain such investment fund or service provider, or commence a search for an alternative provider.

Formatted: Justified

Comment [SAB2]: Does this belong in the Investment Policy vs. Procurement Policy?

Formatted: No bullets or numbering

5

DRAFT

DRAFT