



MINUTES

**Meeting of the Board of Trustees
of the State Universities Retirement System
December 1, 2009, 10:00 a.m.
The Northern Trust – London Room B9
50 S. LaSalle Street
Chicago, Illinois**

The following Trustees were present: Ms. Carrie Hightman, Chairwoman; Dr. Jeffrey Beaulieu, Mr. Matthew Berns, Dr. John Engstrom, Dr. J. Fred Giertz, Ms. Dorinda Miller, Mr. Steven Rogers, Mr. Antonio Vasquez, Mr. Mitchell Vogel, and Dr. Marva Williams.

Others present were: Ms. Mary Hobson, EFL Associates.

Trustee Carrie Hightman called the meeting to order at 10:00 a.m.

Roll call attendance was taken. Trustee Beaulieu, absent; Trustee Berns, present; Trustee Cassidy, absent; Trustee Engstrom, present; Trustee Giertz, present; Trustee Hightman, present; Trustee Miller, present; Trustee Rogers, present; Trustee Vasquez, present; Trustee Vogel, present; Trustee Williams, present.

Trustee Beaulieu joined the meeting immediately after the roll call attendance was taken.

CLOSED SESSION

Trustee Vogel moved that the Board go into closed session under the Open Meetings Act to consider the appointment, employment, compensation, discipline, performance, or dismissal of an Executive Director pursuant to Section 2(c)(1). The motion was seconded and it carried in a roll call vote:

Trustee Beaulieu	-aye
Trustee Berns	-aye
Trustee Cassidy	-absent
Trustee Engstrom	-aye
Trustee Giertz	-aye
Trustee Hightman	-aye
Trustee Miller	-aye
Trustee Rogers	-aye
Trustee Vasquez	-aye

Trustee Vogel -aye
Trustee Williams -aye

OPEN SESSION

The Board of Trustees returned to open session.

The following Trustees were present: Ms. Carrie Hightman, Chairwoman; Dr. Jeffrey Beaulieu, Mr. Matthew Berns, Ms. Patricia Cassidy, Dr. John Engstrom, Dr. J. Fred Giertz, Ms. Dorinda Miller, Mr. Antonio Vasquez, Mr. Mitchell Vogel, and Dr. Marva Williams.

Others present were: Ms. Judith A. Parker, Interim Executive Director; Mr. Daniel L. Allen, Chief Investment Officer; Mr. Kelly A. Jenkins, General Counsel; Mr. Douglas C. Wesley, Deputy Chief Investment Officer; Ms. Shelley Porter, Chief Financial Officer; Mr. Steven Hayward, Director of Internal Audit; Mr. Doug Steele, Director of Application Development & Research; Mr. Chris Hansen, Director of Operations; Mr. Terrin Krantz, Director of Human Resources; Ms. Angela Lieb, Director of Member Services; Mr. Michael Sheppard, Assistant Deputy Director of SMP; Ms. Marilyn Branson, Investment Governance and Compliance Officer; Ms. Lori Kern and Ms. Stacy Smith, Executive Assistants; Ms. Mary Pat Burns, Burke, Burns & Pinelli; Ms. Patricia Somerville-Koulouris, The Northern Trust; Mr. Steve Zahn, Governmental Consulting Solutions; Mr. Don Pollak, Northern Trust Investments; Mr. Edgar Hernandez, SEIU; and Mr. Barry Burr, Pensions & Investments.

CHAIRWOMAN'S REPORT

Trustee Hightman welcomed Trustee Matthew Berns to his first meeting of the Board.

Trustee Hightman provided an update on the letter that was sent to the Governor and legislative leaders in October. The Board's letter, which urged the timely sale of the pension obligation bonds, sparked a successful letter campaign from other various organizations and agencies. SURS recently learned that the bonds are expected to be sold in January of 2010, much sooner than initial indications of June.

UPDATE ON SEARCH FOR AN EXECUTIVE DIRECTOR

Trustee Hightman provided an update on the search for an Executive Director. The Executive Director Search Committee conducted semi-finalist interviews on November 18, 2009. The Committee selected two finalists, who interviewed before the full Board during the first part of this meeting.

In order to continue on with the process, Trustee Hightman moved that the Board grant authority to the Executive Committee to talk further with the candidate of consensus, and if satisfied with the outcome of the discussion, extend an offer and negotiate terms of an employment contract. The motion was seconded by Trustee Vogel and it carried.

FIDUCIARY LIABILITY INSURANCE

As requested by the Board at a previous meeting, Mr. Jenkins provided a summary of SURS' current fiduciary liability insurance coverage ([Exhibit 1](#)) as well as the results of a Statewide and national survey of other pension funds ([Exhibit 2](#)).

Ms. Porter reported that SURS obtained two quotes for coverage in excess of the current policy limits (\$10 million). Ms. Porter's memorandum entitled "Fiduciary Liability Insurance-Excess Coverage" is incorporated as a part of these Minutes as [Exhibit 3](#).

The Board discussed the proposed Indemnification Agreement drafted by Ms. Burns ([Exhibit 4](#)). Ms. Burns explained that while the insurance policy provides insurance coverage, the Board Bylaws allow for indemnification. An Indemnification Agreement would cover legal fees after the trustee's term has ended. The previous Board purchased a run-off policy that provides coverage for six years. Ms. Porter noted that staff has requested a quote for a rolling run-off policy. The broker is considering a quote however, they have indicated that such a policy has never been written.

After discussion, Ms. Burns recommended leaving the policy amounts at \$10 million and altering the Indemnification Agreement to include language that secures run-off coverage for all members going off the Board for the period of the Statute of Limitations.

Trustee Hightman moved that staff finalize a fiduciary liability indemnification agreement for Board trustees and staff fiduciaries for amounts in excess of the current insurance policy coverage. Trustee Hightman further moved that staff seek pricing for individual run-off coverage (or if run-off is not available modify the indemnification agreement for occurrence coverage) and the cost difference between occurrence-based coverage the current policy which is claims-based.

The motion was seconded and it carried.

CLOSED SESSION

Trustee Giertz moved that the Board go into closed session under the Open Meetings Act to consider pending litigation pursuant to Section 2(c)(11) and to discuss closed session minutes pursuant to Section 2 (c)(21). The motion was seconded and it carried in a roll call vote:

Trustee Beaulieu	-aye
Trustee Berns	-aye
Trustee Cassidy	-aye
Trustee Engstrom	-aye
Trustee Giertz	-aye
Trustee Hightman	-aye
Trustee Miller	-aye

Trustee Rogers	-absent
Trustee Vasquez	-aye
Trustee Vogel	-aye
Trustee Williams	-aye

The Board returned to open session.

Trustee Williams moved that the minutes of the closed meeting of September 11, 2009, be approved as presented and be opened; and that the minutes of September 12, 2008, remain closed. The motion was seconded and approved with Trustee Berns voting present.

Trustee Williams moved that the Board remove the restriction placed on authorized deductions to labor organizations, based on a legal opinion received from a third party law firm (Sorling Northrup). The motion was seconded and it carried.

RECESS

Trustee Giertz moved to recess the meeting of the Board of Trustees. The motion was seconded and it carried.

RECONVENE

Vice-Chairman Vogel reconvened the meeting of the Board of Trustees at approximately 11:15 a.m. on December 2, 2010.

The following Trustees were present: Dr. Jeffrey Beaulieu, Mr. Matthew Berns, Ms. Patricia Cassidy, Dr. John Engstrom, Dr. J. Fred Giertz, Ms. Dorinda Miller, Mr. Steven Rogers, Mr. Antonio Vasquez, Mr. Mitchell Vogel, and Dr. Marva Williams.

Roll call attendance was taken. Trustee Beaulieu, present; Trustee Berns, present; Trustee Cassidy, present; Trustee Engstrom, present; Trustee Giertz, present; Trustee Hightman, absent; Trustee Miller, present; Trustee Rogers, present; Trustee Vasquez, present; Trustee Vogel, present; Trustee Williams, present.

Others present were: Ms. Judith A. Parker, Interim Executive Director; Mr. Daniel L. Allen, Chief Investment Officer; Mr. Kelly A. Jenkins, General Counsel; Mr. Douglas C. Wesley, Deputy Chief Investment Officer; Ms. Shelley Porter, Chief Financial Officer; Mr. Steven Hayward, Director of Internal Audit; Mr. Doug Steele, Director of Application Development & Research; Mr. Chris Hansen, Director of Operations; Mr. Terrin Krantz, Director of Human Resources; Ms. Angela Lieb, Director of Member Services; Mr. Michael Sheppard, Assistant Deputy Director of SMP; Ms. Marilyn Branson, Investment Governance and Compliance Officer; Ms. Lori Kern and Ms. Stacy Smith, Executive Assistants; Ms. Mary Pat Burns, Burke, Burns & Pinelli; Ms. Patricia Somerville-Koulouris, The Northern Trust; Ms. Linda Brookhart, SUAA; and Mr. Steve Zahn, Governmental Consulting Solutions.

EXECUTIVE DIRECTOR'S REPORT

Ms. Parker reminded that Trustee timesheets for the quarter ended December 31, 2009, should be completed as soon as possible after the end of the year. Discussion was held regarding the reporting requirements. Mr. Jenkins advised that time should be reported to the nearest quarter of an hour.

During her comments, Ms. Parker thanked the Board for the confidence placed in her over the last year. Ms. Parker also thanked the staff for their assistance and support.

Ms. Parker reported that she attended a training session in Springfield for legislative liaisons. The training was put on by the Governor's Office. Ms. Parker and Trustee Rogers attended the New America Alliance's Latino Economic Forum that was held in late October.

Ms. Parker provided an update on the Pension Modernization Task Force. The Task Force's final report was released and was inconclusive.

Ms. Parker presented the Bylaws as revised during the September 11, 2009 meeting. A discussion was held regarding the changes made, specifically the deletion of Section 12 Order of Business. Since the required notice of amendments was not met with this change, Ms. Parker noted that a motion is required at this time if the Trustees wish to ratify their decision to remove Section 12 from the Bylaws.

After discussion, Trustee Vasquez moved that the Board's amendment deleting former Section 12 of the Bylaws (Order of Business) and renumbering of subsequent sections be ratified. The motion was seconded and it carried.

APPROVAL OF MINUTES

Trustee Vogel presented the minutes for approval. Trustee Vasquez moved that the open meeting minutes of the Minute Approval Committee of September 10, 2009, and the Board of Trustees of September 11, 2009, and October 20, 2009, be approved as presented. The motion was seconded and it carried. Trustee Berns voted present.

COMMITTEE REPORTS

Investment Committee

On behalf of the Investment Committee, Trustee Giertz moved:

1. That an allocation of \$40 million, contingent upon successful contract negotiations, be authorized to the Oaktree PPIP Private Fund, L.P., or a parallel

vehicle established for tax-exempt investors. The motion was seconded and it carried with all Trustees voting in favor except Trustee Vogel who voted no.

Trustee Giertz further moved:

2. That the Fiscal Year 2009 Actuarial Valuation Report be received and accepted.
3. That the Normal Cost Rate of 10.14% be approved for Fiscal Year 2011.
4. That the Effective Rate of Interest (ERI) be set at 7.5% to be applied to account balances for fiscal year 2011, beginning July 1, 2010.
5. That RREEF America II be retained as a direct real estate manager.
6. That RREEF America III be terminated as a direct real estate manager.
7. That UBS Realty Investors be retained as a direct real estate manager.
8. That an additional \$100 million be allocated to the UBS Trumbull Property Fund.
9. That the limited partnership interest in Dune Real Estate Parallel Fund II be retained.
10. That RREEF be retained as a U.S. and global REIT manager.
11. That ING Clarion Real Estate Securities be retained as a U.S. and global REIT manager.
12. That Capital Guardian be terminated as a global equity manager.
13. That Wellington Management be retained as a global equity manager.
14. That Aberdeen Asset Management be retained as a global equity manager.
15. That Aberdeen Asset Management be allocated an additional \$70 million in the global equity strategy.
16. That T. Rowe Price be retained as a global equity manager.
17. That T. Rowe Price be allocated an additional \$70 million in the global equity strategy.
18. That Payden & Rygel be retained as a global equity manager.
19. That Payden & Rygel be allocated an additional \$30 million in the global equity strategy.
20. That Calamos Advisors be retained as a global equity manager.
21. That Calamos Advisors be allocated an additional \$30 million in the global equity strategy.
22. That Barclays Global Investors be retained as an index fund manager.
23. That Northern Trust Investments be retained as an index fund manager.
24. That RhumbLine Advisers be retained as an index fund manager.
25. That the revised Investment Policy document for the defined benefit plan be approved, as presented.
26. That a search be conducted to identify qualified domestic Treasury Inflation-Protected Securities (TIPS) investment managers in the Manager Development Program.
27. That Cypress Asset Management be terminated as a fixed income manager in the Manager Development Program.
28. That Fidelity Investments be retained as an investment service provider for the SURS Self-Managed Plan.

29. That consent to the assignment of the investment management agreement with Holland Capital Management be approved, pending legal review, which will result from the expected acquisition of the 90% interest of Louis Holland.
30. That Bryan Cave LLP, be selected as external legal counsel, contingent upon successful contract negotiations, for document review and negotiation of the transaction with the Macquarie Infrastructure Partners II fund.

The motions carried.

Personnel & Resource Committee

On behalf of the Personnel & Resource Committee, Trustee Vasquez moved:

1. That the SURS Inclusion Policy be adopted as presented.
2. That the Board Travel Approval and Expense Reimbursement Policy be amended as presenter.
3. That Policy for Addressing the Board be adopted as amended.

The motions carried.

Governmental Affairs Committee

On behalf of the Governmental Affairs Committee, Trustee Williams moved:

1. That the SURS Legislative Platform, including the Legislative Principals and Legislative Proposals, be approved as presented.
2. That staff is authorized to file the proposed Disability Claims Procedure rule amendment substantially as presented.
3. That the SURS January 2010 Regulatory Agenda be approved as presented.

The motions carried.

INFORMATIONAL ITEMS NOT REQUIRING BOARD ACTION

Although the following items were not discussed, Ms. Parker noted that they are included for reference and any questions could be directed to the staff.

1. General Counsel's FOIA Report [Exhibit 5](#)
2. Comparative Financial Reports and Budget Variance [Exhibit 6](#)
3. Report on Refunds, Disability, Death, Survivor,
Retirement and Disability Allowance Claims [Exhibit 7](#)
4. Self-Managed Plan Reports [Exhibit 8](#)

There being no further business to come before the Board, Trustee Rogers moved that the meeting adjourn. The motion was seconded and it carried.

Respectfully submitted,

Judith A. Parker

Ms. Judith A. Parker
Secretary, Board of Trustees

JAP:ss