



MINUTES

**Meeting of the Board of Trustees of the
State Universities Retirement System
10:30 a.m., Friday, July 10, 2009
SURS Main Conference Room
1901 Fox Dr., Champaign, Illinois**

The following Trustees were present: Ms. Carrie J. Hightman (Chairperson), Mr. Jeffrey R. Beaulieu, Mr. John H. Engstrom, Dr. J. Fred Giertz, Ms. Dorinda K. Miller, Mr. Antonio A. Vasquez, Mr. Mitchell Vogel (via teleconference).

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; Mr. Steven Hayward, Internal Audit Director; Ms. Shelley Porter, Chief Financial Officer; Ms. Angela Lieb, Director of Member Services; Mr. Douglas Steele, Director of Application Development and Research; Mr. Chris Hansen, Director of Operations; Mr. Terrin Krantz, Director of Human Resources; Mr. Michael Sheppard, Assistant Deputy Director of SMP; Ms. Stacy Smith and Ms. Lori Kern, Executive Assistants; and Ms. Mary Pat Burns, Burke, Burns & Pinelli.

Chairperson Hightman called the meeting to order at 11:00 a.m. at the location set forth in the notice of the meeting.

Roll call attendance was taken. Trustee Beaulieu, present; Trustee Boardman, absent; Trustee Cassidy, absent; Trustee Engstrom, present; Trustee Giertz, present; Trustee Hightman, present; Trustee Miller, present; Trustee Rogers, absent; Trustee Vasquez, present, Trustee Vogel, absent (connected via teleconference); Trustee Williams, absent.

Trustee Giertz moved that Trustee Vogel, who is unable to physically attend the meeting of the Board of Trustees due to professional reasons, be allowed to attend the meeting by audio conference. The motion was seconded and it carried. Trustee Vogel was recorded as being present.

CHAIRPERSON'S REPORT

Chairperson Hightman welcomed everyone to the first meeting of the newly constituted Board of Trustees. She thanked the SURS staff and Ms. Mary Patricia Burns for the all

the hard work put into the orientation session that was held earlier that morning and the previous day.

BOARD GOVERNANCE

Chairperson Hightman turned the meeting over to Ms. Parker who outlined the purpose of the Board Governance item on the Agenda. Ms. Parker suggested that the Board have a discussion regarding dates of upcoming meetings, location of the meetings, and other topics of that nature. Ms. Parker indicated that the staff would appreciate some guidance on how this Board would like to conduct its business.

Discussion was held regarding the schedule of upcoming meetings, the current structure of the meetings, and the meeting locations. Currently the Board of Trustees and the standing committees meet quarterly in March, June, September, and December. The March and September meetings have been held in Champaign while the June and December meetings are typically held in Chicago. The Investment Committee holds additional meetings during the months of February, April, and October. Chairperson Hightman noted that she has scheduling conflicts with the meeting dates previously set and she would like the Board to consider holding more meetings in Chicago, unless attendance via teleconference is acceptable. The additional cost of holding meetings in Chicago versus Champaign was briefly discussed. Chairperson Hightman stated that the purpose of this discussion was not to minimize the importance of the meetings but instead to determine the most efficient way to conduct business. Chairperson Hightman suggested that the Board consider containing the quarterly meetings to one day instead of one and a half days. Allowing the committees to be more active and meet separate and apart from the Board meeting was also suggested.

After discussion, it was decided that the September 2009 meeting will remain on September 10-11, 2009. The format will remain as in the past, with the committees being held on the first day and the Board meeting to be held the following morning. It was also decided that the September meeting will be held in Chicago rather than Champaign as originally planned. The Trustees were asked to provide Ms. Parker with their availability for the October Investment Committee meeting and the December quarterly meetings, as well as any day of the week preferences, so that those meetings can be scheduled and arrangements can be made. Chairperson Hightman suggested December 1st, 2nd, and/or 3rd for the December quarterly meeting.

The 2010 meeting dates will be discussed at the September meeting; the Trustees were asked to bring their calendars to assist in the scheduling discussion.

Trustee Giertz suggested that the press release posted for the meetings show a begin time for all meetings being held that day. This would allow some flexibility in calling a meeting to order earlier than originally scheduled, in the event that the previous meeting ended ahead of schedule.

EXECUTIVE DIRECTOR SEARCH

Trustee Vogel summarized the search efforts to-date. Trustee Vogel reported that the previous Board hired EFL Associates to conduct a national search for an Executive Director following Mr. Dan Slack's departure in late 2008. EFL Associates, along with the Executive Director Search Subcommittee, narrowed the pool of candidates to four candidates. During that same time however, the Board was informed that legislation was being drafted that would effectively reconstitute the SURS Board. The Subcommittee felt that it would be prudent for the new Board of Trustees to hire the Executive Director once in place, so the Subcommittee recommended to the Board of Trustees that the search for an Executive Director cease.

After discussion, Chairperson Hightman summarized the three options before the Board: 1) Allow EFL Associates to continue on with previous efforts and resume discussions with the candidates identified prior to the cessation of the search. 2) Amend the contract with EFL Associates to include a continuation of the Executive Director Search and look at possible new candidates for a fee of \$39,000. 3) Direct the staff to issue a Request for Proposal in order to identify an executive search firm to conduct the search for an Executive Director.

Chairperson Hightman appointed Trustee Vasquez, Trustee Vogel, and herself to serve on the Executive Director Search Committee. Chairperson Hightman will serve as the Chairperson of the Committee. Trustee Giertz requested that he be informed of the meetings of the Executive Director Search Committee so that he has the option to attend.

Trustee Beaulieu requested that the Board be provided with a summary of candidate information that was developed in the first phase of the search. Trustees Vasquez and Trustee Vogel both stated that they were pleased with the service provided by EFL Associates. The Trustees will also be provided with the job description of the Executive Director to be used by the search firm.

After further discussion, Trustee Beaulieu moved that the contract with EFL Associates be amended to include a continuation of the Executive Director search at a fee of \$39,000. The motion was seconded and it carried.

EFL Associates' Executive Search Summary dated May 22, 2009, is incorporated as a part of these Minutes as [Exhibit 1](#).

FIDUCIARY LIABILITY INSURANCE

Mr. Jenkins reported that the previous Board had a fiduciary liability insurance policy that contained language that terminated the coverage if there were to be a shift of Board membership of more than 50%. Since that did occur, the previous Board purchased a run off policy that will cover ex-members for the next six years. Mr. Jenkins reported that the Board Bylaws allow the Trustees to be indemnified. However, indemnification is not required by statute. The previous Board carried coverage of \$5 million.

Ms. Shelley Porter stated that staff has obtained a quote from AIG for \$106,656 for \$5 million in coverage. If purchased, this policy would become effective July 2, 2009, and it is a one-year policy. Ms. Porter did inquire about a higher amount of coverage and found that this carrier is only comfortable quoting up to \$10 million coverage total (not per member) at a cost of \$202,808.

Ms. Mary Pat Burns reported that Illinois pension funds have been obtaining coverage at \$10 million due to issues concerning the funding status. While not all Illinois pension funds have fiduciary insurance, some that do carry \$10 million in coverage and another \$5 million of excess coverage. Ms. Burns noted that a company called ULLICO has been providing pension funds with excess coverage.

Ms. Porter noted that a review of the policy was conducted at the request of a former Trustee, Michael Mackey. The sustainability of AIG was considered and the insurance subsidiaries of AIG continue to have solid ratings.

Trustee Giertz asked whether it would be possible to purchase a rolling five-year run off policy. This type of policy would provide protection as Trustees go off the Board for the five year statute of limitation period for violation of fiduciary responsibility.

Trustee Vogel moved that the Board purchase fiduciary insurance coverage at \$10 million limit on previous terms from July 2, 2009, through June 30, 2010. The motion was seconded and it carried.

Trustee Beaulieu further moved that additional research be done in order to make a determination as to the appropriate amount of fiduciary insurance to obtain, and also to consider alternatives such rolling run off coverage. The motion was seconded and it carried.

Ms. Porter reported that the insurance policy contains a Waiver of Recourse clause that will require each Trustee to pay a fee of \$25. This allows each individual Trustee to be covered as opposed to just the Board as a whole.

APPROVAL OF BOARD TRAVEL

The Board discussed travel for the fiscal year. Chairperson Hightman suggested that the Board consider and approve all regular business meeting travel for all meetings of the fiscal year during the first meeting of the year. All members of the Board are allowed two out-of-state trips each fiscal year. The Council of Institutional Investors fall and spring meetings, the Ennis Knupp + Associates client educational conferences, and Stanford's Fiduciary College were identified as being very worthwhile options.

After discussion, Trustee Vogel moved that trustee travel to attend the SURS Board of Trustees meetings for fiscal year ended June 30, 2010, including any orientation meetings, travel to Council of Institutional Investors fall or spring meetings, Ennis Knupp

+ Associates client educational conferences, and Stanford's Fiduciary College, be approved and that all resulting travel expenses allowable under the Board Travel and Expense Reimbursement Policy be approved. The motion was seconded and it carried.

Trustee Giertz further moved that all necessary travel in connection with the Search for an Executive Director be approved. The motion was seconded and it carried.

ELECTION OF OFFICERS

Discussion was held regarding the election of officers. Chairperson Hightman indicated that all members of the Board have not had the opportunity consider what committees or offices might be of interest to them. Mr. Jenkins reported that the Board Bylaws requires that the election of officers be held during the annual meeting of the Board, which is the June meeting, or, if there is a vacancy, the election may be at the next regular meeting or a meeting called for the purpose.

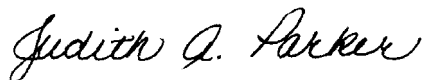
Consensus was reached that a temporary election of officers should take place so that the Executive Committee could act on behalf of the Board, if action were required before the next meeting. The Chairperson, the Vice-Chairperson, and the Treasurer make up the Executive Committee. It was agreed that the Vice-Chairperson and the Treasurer elected through this temporary process would resign immediately prior to the next meeting so that a permanent election could take place.

Trustee Giertz nominated Trustee Vasquez to serve as Vice Chairman of the Board and Trustee Engstrom to serve as Treasurer of the Board. The motion was seconded and it carried.

Ms. Parker and Mr. Jenkins recommended that a committee be appointed to approve the meeting minutes of the past Board of Trustees. Pursuant to Section 4 of the Board of Trustees Bylaws, Chairperson Hightman appointed a special committee for the purpose of necessary approval of the minutes of the Board and committee meetings prior to July 2, 2009, consisting of Trustee Vogel, Trustee Vasquez and Trustee Williams. Of these, Trustee Vogel will serve as the Chairman of the committee.

There being no further business to come before the Board, the meeting adjourned.

Respectfully submitted,



Ms. Judith A. Parker
Secretary, Board of Trustees

JAP:ss