



MINUTES

**Meeting of the
Board of Trustees of the
State Universities Retirement System
10:45 a.m., Wednesday, March 11, 2010
President Abraham Lincoln Hotel
701 East Adams Street, Springfield, Illinois**

The following Trustees were present: Ms. Carrie Hightman, Chair; Dr. Jeffrey Beaulieu, Mr. Matthew Berns, Ms. Patricia Cassidy, Dr. John Engstrom, Dr. J. Fred Giertz, Ms. Dorinda Miller, Mr. Steven Rogers (via teleconference), Mr. Antonio Vasquez, Mr. Mitchell Vogel.

Others present were: Ms. Judith Parker, Interim Executive Director; Mr. Douglas C. Wesley, Deputy Chief Investment Officer; Ms. Stacy Smith and Ms. Stefanie Rice, Executive Assistants; Mr. Terrin Krantz, Director of Human Resources; Ms. Mary Pat Burns, Burke, Burns & Pinelli; Ms. Shelley Porter, Chief Financial Officer; Ms. Angie Lieb, Director of Member Services; Mr. Douglas Steele, Application Development Manager; Mr. Chris Hansen, Information Systems & Building Services Manager; Mr. Michael Sheppard, Assistant Deputy Director of SMP; Mr. Steve Hayward, Director of Internal Audit; Ms. Patti Somerville-Koulouris, The Northern Trust Company; Mr. George Wissmiller.

Trustee Hightman called the meeting to order at approximately 10:45 a.m.

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

Trustee Stephen Rogers was unable to physically attend the meeting due to employment commitments. Trustee Berns moved:

- To allow Trustee Rogers to participate via teleconference.

Motion seconded and carried with all Trustee present voting in favor.

CHAIR'S REMARKS

Trustee Hightman summarized the legislative events on March 10 - 11, 2010. She noted the reception on March 10 was very well attended as well as the HELC breakfast on March 11.

Trustee Hightman briefly discussed the Board's issue positions. Staff and the lobbyists were asked to provide more information on these positions. Trustee Giertz expressed a concern regarding House Bill 5418 and requested the bill to be provided to the actuary for review.

EXECUTIVE DIRECTOR'S REPORT

Ms. Judy Parker advised the Trustees that their Statement of Economic Interest need to be turned in by May 1, 2010.

Ms. Parker provided the Trustees an update on work being done towards the creation of a Diversity Outreach Program. Information is being gathered from other organizations using such diversity programs. Ms. Parker noted that Mr. Allen has had informational discussions with the University of Illinois regarding work they have done on a similar program. The Trustees will be apprised of any additional information.

APPROVAL OF MINUTES

Trustee Hightman presented the Minutes from the Board of Trustees meeting of December 1-2, 2009 and February 4, 2010. Trustee Vogel moved that:

- The Minutes of December 1-2, 2009, Board meeting be approved as presented.
- The Minutes from the February 4, 2010, Board meeting be approved as presented.

Motion seconded and carried with all Trustees present voting in favor.

Trustee Hightman presented the closed session Minutes from the Board of Trustees meeting of December 1, 2009. Trustee Vogel moved that:

- The closed session Minutes of December 1, 2009, be approved but remain closed as presented.

Motion seconded and carried with all Trustees present voting in favor.

REVIEW OF COMMITTEE ACTION

On behalf of the Audit Committee, Trustee Engstrom moved that:

1. The Internal Audit Charter, policies and procedures be approved as presented.

Motion seconded and carried with all Trustees present voting in favor.

On behalf of the Investment Committee, Trustee Giertz moved that:

1. Longfellow Investment Management be retained as a domestic Treasury Inflation-Protected Securities (TIPS) manager in the Manager Development Program, contingent on successful contract negotiations, with an initial allocation of \$100 million.
2. New Century Advisors be retained as a domestic Treasury Inflation-Protected Securities (TIPS) manager in the Manager Development Program, contingent on successful contract negotiations, with an initial allocation of \$75 million.
3. Buford, Dickson, Harper & Sparrow be retained as a domestic equity manager.
4. Channing Capital Management be retained as a domestic equity manager.
5. Holland Capital Management be retained as a domestic equity manager.
6. Lombardia Capital Partners be retained as a domestic equity manager.
7. NCM Capital Management be retained as a domestic equity manager.
8. Profit Investment Management be retained as a domestic equity manager.
9. That Board Trustee travel to attend the 2010 National Association of Securities Professionals (NASP) Annual Pension and Financial Services Conference in Chicago, Illinois from June 16th – 18th, 2010 and all resulting travel expenses allowable be approved.

Motion seconded and carried with all Trustees present voting in favor.

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

1. A 2% general increase for staff that meet performance expectations be awarded for fiscal year 2011.
2. The staff pay range minimums and maximums be increased by 2% effective the first pay period that includes July 1, 2010.
3. \$50,000 be allocated for individual performance recognition as recommended.
4. Compensation for fiscal year 2011 for the exempt staff as discussed in closed session be approved.

Motion seconded and carried with all Trustees present voting in favor.

LEGAL COUNSEL SERVICES

Ms. Parker advised that the contracts with Thomas, Mamer & Haughey; Mayer Brown & Platt; Burke, Burns & Pinelli; and Dan Gaumer will expire as of June 30, 2010. Each contract provided the option for an additional one-year extension. The Trustees requested Ms. Parker to conduct a review of legal counsel contracts to ascertain whether any of these contracts can be combined. The Trustees requested a summary of legal expenses for 2009.

Motion by Trustee Vogel that:

- The contract arrangements for Mayer Brown & Platt; Burke, Burns & Pinelli; and Dan Gaumer be extended for a 1-year period on the same terms and conditions as the existing contracts and that the contractual arrangement with Thomas, Mamer & Haughey be amended to add an additional year on the same terms and conditions as the existing contract.

Motion seconded and carried with all Trustees present voting in favor.

FIDUCIARY LIABILITY INSURANCE

Ms. Shelley Porter and Ms. Mary Pat Burns provided follow-up on their research of fiduciary liability insurance options. The current fiduciary liability insurance policy is for \$10 million coverage and, as long as it is in place, it will cover Board members and staff fiduciaries even after they leave the Board. At the last meeting, the Board considered the option of purchasing occurrence-based insurance. Ms. Porter indicated that, based on consultations with SURS' insurance broker, occurrence-based insurance is not available. However, the current policy could be enhanced to include a six-year run-off option to guarantee coverage for six years after members leave the Board. This enhancement would cost an additional \$50,000 per year.

The Board also considered supplementing the current policy with an indemnification agreement whereby SURS would contractually agree to provide indemnity to all Trustees. A form of such an agreement was drafted. However, Ms. Burns reported that her review of SURS' current fiduciary liability insurance policy made clear that any coverage provided by such policy would be negated if there was any contractual obligation to provide insurance coverage. In essence, this meant that a contractual undertaking likely would negate any coverage benefit provided by the insurance policy. This analysis centered on the definition in the current policy of a "non-indemnifiable loss." This language could prevent the policy from covering damages that were otherwise indemnified by such a contractual agreement.

The Board considered the options before them and after discussion directed Ms. Burns to review the options and attempt to negotiate terms of a policy that would allow the

insurance policy coverage to be primary despite having the indemnification agreement in place as a second layer of protection.

INFORMATIONAL ITEMS NOT REQUIRING COMMITTEE ACTION

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

1. [Exhibit 1](#) – General Counsel’s FOIA Report
2. [Exhibit 2](#) - Comparative Financial Reports and Budget Variance
3. [Exhibit 3](#) – Report on Refunds, Disability, Death, Survivor, Retirement and Disability
4. [Exhibit 4](#) – Self-Managed Plan (SMP) Update for quarter Ending December 31, 2009

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

Respectfully submitted,



Ms. Judith A. Parker
Interim Executive Director

JAP:ssr