



MINUTES

**Quarterly Meeting of the Board of Trustees of the
State Universities Retirement System
10:45 a.m., Friday, September 3, 2010
The Northern Trust, London Room B9
50 South LaSalle Street, Chicago, Illinois 60603**

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

Others present were: Mr. William Mabe, Executive Director; Ms. Judith Parker, Associate Executive Director; Mr. Daniel L. Allen, Chief Investment Officer; Mr. Douglas C. Wesley, Deputy Chief Investment Officer; Ms. Stefanie Rice, Executive Assistant; Mr. Terrin Krantz, Director of Human Resources; Ms. Mary Pat Burns, Burke, Burns & Pinelli; Ms. Shelley Porter, Chief Financial Officer; Mr. Steve Hayward, Director of Internal Audit; Ms. Patti Somerville-Koulouris, The Northern Trust Company; and Mr. Dick Lockhart, State Universities Annuitant Association.

Trustee Hightman called the meeting to order at approximately 10:45 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, absent; Trustee Vasquez, present; Trustee Vogel, present; Trustee Williams, present.

APPROVAL OF MINUTES

Trustee Hightman presented the Minutes from the Board of Trustees meeting of June 11, 2010. Trustee Rogers moved that:

- The Minutes from the June 11, 2010, Board meeting be approved as presented.

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

CHAIR'S REPORT

Trustee Hightman welcomed the new Executive Director, Mr. William Mabe, and noted changes he has made within the organization. The Board recognized Ms. Judy Parker for her efforts serving as Interim Executive Director during the search for a new Executive Director. Trustee Hightman noted a strong return of 15% on investments for 2010. She indicated that every effort is being made to acquire the certified contributions from the State. The organization continues to focus on risk management. Current projects include the 2 Tier Legislation Trailer Bill, the general counsel search, and the completion of the risk management assessment. SURS staff was acknowledged for their teamwork efforts to provide for the members of the organization.

EXECUTIVE DIRECTOR'S REPORT

Mr. Mabe expressed eagerness to work with the SURS organization. He emphasized, for effectiveness, the need for uniformity on the funding message. The organization began the strategic planning process in order to provide a more balanced performance framework and to assist with the identification of priorities. Mission and vision statements are being formulated and new financial and operating reports have been created. Mr. Mabe explained the importance of strengthening the reporting requirements of the organization and noted that monthly department reports will be generated for the Board's review. It would be beneficial to compare SURS' benchmarks and aspirations to other systems.

After much discussion, the Board appointed the Executive Committee to oversee the first phase of the strategic plan. A draft plan will be prepared for the Board at the next Board meeting.

A copy of the presentation entitled "SURS Strategic Planning Project" is made a part of these Minutes as [Exhibit 1](#).

REPORT FROM POLICY REVIEW SUBCOMMITTEE

Trustee Hightman reported that the Policy Review Subcommittee met via teleconference along with Ms. Burns since the last Board meeting. Mr. Mabe indicated that the policies were reviewed and inventoried. Redundant policies currently in the bylaws were eliminated and outdated policies were updated. A Board manual will be prepared and presented at the December Board meeting.

APPROVAL OF BOARD TRAVEL

Mr. Mabe noted that the Board approved travel for fiscal year 2011 at the June Board meeting. However, there is an additional conference scheduled for September 21, 2010, where SURS will co-host the Illinois Regional Minority, Female, Disabled, and Veteran-

Owned Brokerage Symposium. Mr. Allen advised that this conference is in conjunction with IMRF, Public School Teachers' Pension and Retirement Fund of Chicago and Cook County Employees' Annuity & Benefit Funds. The conference's purpose is to address the utilization of such brokerage firms with the investment managers. Brokers have indicated to the legislature the importance of such conferences. Mr. Allen also advised that two investment managers provided for the cost of the symposium. Board attendance is encouraged. There will be various panels on the brokerage process and Mr. Allen will be presenting along with the Chief Investment Officers of IMRF and Chicago Teachers to discuss their commitment to the brokerage selection process.

Additionally, Trustee Giertz requested that any travel required for the consultant search be approved as well.

Trustee Vogel moved that:

- The Board of Trustees travel to attend the Illinois Regional Minority, Female, Disabled and Veteran-owned Brokerage Symposium as well as any and all meetings for the consultant search and all resulting travel expenses allowable be approved.

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

REVIEW OF COMMITTEE ACTION

Corporate Governance Committee

On behalf of the Corporate Governance Committee, Trustee Vogel moved that:

1. Marco Consulting Group be retained contingent on successful contract negotiations, to provide institutional proxy voting and reporting services for domestic securities for SURS.

Motion carried with all Trustees present voting in favor.

Investment Committee

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

1. Metropolitan West Asset Management be retained as an active fixed income manager.
2. Chicago Equity Partners be retained as an active fixed income manager, with an initial funding amount of up to \$250 million, contingent on successful contract negotiations.
3. BlackRock Core Plus be terminated as a core plus fixed income manager.
4. BlackRock BTC Core Active Fund be terminated as a core fixed income manager.
5. BlackRock Enhanced be terminated as a structured active fixed income manager.

6. BlackRock Equity Plus be terminated as a U.S. equity manager.
7. \$250 million be invested in the Northern Trust U.S. equity index fund.
8. The remaining proceeds from the BlackRock terminations be allocated to the passive fixed income account managed by State Street Global Advisors.
9. The resolution dated September 3, 2010, with The Northern Trust Company be approved.
10. The revised Investment Policy document for the defined benefit plan be approved as presented.
11. The revised Investment Policy document for the Self Managed Plan (SMP) be approved as presented.
12. Credit Suisse be retained as a securities lending provider.
13. Consent to the assignments of the existing EnnisKnupp contract be approved pending legal review.

Motions carried with all Trustees present voting in favor.

Audit Committee

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

1. The Internal Audit Plan for Fiscal Years 2011 and 2012 be approved as presented.
2. The Board of Trustees concur with the appointment of Steve Hayward for a term of five years as the Chief Internal Auditor of SURS.

Motions carried with all Trustees present voting in favor.

SET MEETING DATES FOR 2011

Trustee Hightman presented the proposed 2011 schedule of Board Meetings. Trustee Williams requested on behalf of Trustee Rogers a change for the March 2011 Committee and Board meetings. Discussions were had by the Board and Mr. Zahn. Mr. Zahn indicated that the legislature will not resume until January 12, 2011, and that the legislative schedule will be determined at that time. The Board agreed, contingent on the legislative schedule, to adjust the March 2011 meeting dates to Tuesday, March 8, 2011, and Wednesday, March 9, 2011. Trustee Giertz proposed an adjustment to the start times of the Investment Committee meetings in April and October. By agreement of the Board, the times have been adjusted to begin at 11:00 a.m. Friday, April 22, 2011, and Friday, October 28, 2011.

A copy of the 2011 Schedule of Board Meetings is made a part of these Minutes as [Exhibit 2](#).

REVIEW OF CLOSED SESSION MINUTES,
SEMI-ANNUAL REVIEW OF CLOSED SESSION MINUTES

Trustee Hightman presented the closed session minutes from December 1, 2009, and June 11, 2010. The Board discussed whether the minutes can be opened or should remain closed. Ms. Mary Pat Burns indicated that the minutes can be opened since the Executive Director position has been filled.

Trustee Vogel moved that:

- The closed session Minutes of June 11, 2010, be approved as presented and be opened.
- The closed session Minutes of December 1, 2009, be opened.

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

Ms. Burns presented the general counsel report noting the resolution of the Chen matter and updated the Board as to the status of the Alstom Litigation.

INFORMATIONAL ITEMS NOT REQUIRING COMMITTEE ACTION

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

1. [Exhibit 3](#) – Interim General Counsel’s FOIA Report
2. [Exhibit 4](#) - Comparative Financial Reports and Budget Variance
3. [Exhibit 5](#) – Report on Refunds, Disability, Death, Survivor, Disability Retirement Allowance Claims
4. [Exhibit 6](#) – Self-Managed Plan (SMP) Update for the Quarter Ending March 31, 2010

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

Respectfully submitted,



Mr. William E. Mabe
Secretary, Board of Trustees

WEM:ssr