



## MINUTES

**Meeting of the Corporate Governance Committee  
of the Board of Trustees of the  
State Universities Retirement System  
1:00 p.m., Thursday, June 10, 2010  
The Northern Trust, London Room B9  
50 South LaSalle Street, Chicago, Illinois 60603**

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

Others present were: Ms. Judith Parker, Interim Executive Director; Mr. Daniel L. Allen, Chief Investment Officer; Mr. Douglas C. Wesley, Deputy Chief Investment Officer; Ms. Kimberly Pollitt, Senior Investment Officer; Ms. Lou Ann Fillingham, Mr. Tony Lee, and Mr. Joe Duncan, Investment Officers; Ms. Marilyn Branson, Investment Governance and Compliance Officer; Ms. Lori Kern 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 the Self-Managed Plan; Mr. Steve Hayward, Director of Internal Audit; Mr. Russell Ivinjack and Ms. Laurel Nicholson, Ennis Knupp & Associates; Ms. Leslie Thompson, Gabriel, Roeder, Smith & Company; Ms. Patti Somerville-Koulouris, The Northern Trust Company; Ms. Ann Yerger, Council of Institutional Investors; and Ms. Katherine Combs, Society of Corporate Secretaries and Governance Professionals.

Trustee Vogel called the meeting to order at approximately 1:00 p.m.

Roll call attendance was taken. Trustee Beaulieu, present; Trustee Berns, absent; 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, absent.

Trustee Williams arrived immediately after roll call.

Trustee Patricia Cassidy was unable to physically attend the meeting due to employment commitments. Trustee Hightman moved that:

- Trustee Cassidy be allowed to participate via teleconference.

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

### **APPROVAL OF THE MINUTES OF THE MARCH 10, 2010 CORPORATE GOVERNANCE COMMITTEE MEETING**

Trustee Vogel presented the Minutes from the Corporate Governance Committee meeting of March 10, 2010. Trustee Giertz moved that:

- The Minutes from the March 10, 2010, Corporate Governance Committee meeting be approved as presented.

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

### **CHAIRPERSON'S REPORT**

Trustee Vogel provided a summary of the conferences represented by SURS Trustees in recent months. A summary of the Council of Institutional Investors (CII) Conference in Washington DC was emailed by staff to all Committee members. Trustee Vogel specifically noted the presentation given at CII by Elizabeth Warren regarding the Consumer Financial Protection Act. Trustee Vogel also provided a brief summary of the Capital Matters: Managing Labor's Capital Conference conducted at the Harvard University Law School. In addition, Trustee Vasquez participated on a panel entitled "The Unique Role of Emerging Managers in the New Decade" at the 5<sup>th</sup> Annual Illinois Public Employee Retirement Systems Summit. Discussion followed regarding benefit changes at the Colorado Public Pension Systems. Trustee Vogel mentioned that the Illinois Constitution affords protection to SURS members.

### **COUNCIL OF INSTITUTIONAL INVESTORS ROLE AND CORPORATE PERSPECTIVE ON CORPORATE GOVERNANCE**

Ms. Ann Yerger, Executive Director of the Council of Institutional Investors, and Ms. Katherine Combs, Chair-Elect of the Society of Corporate Secretaries and Governance Professionals, provided a joint presentation on the roles of their respective organizations, views on corporate governance, and current proxy voting issues. The CII presentation entitled "Council of Institutional Investors' Role and Corporate Governance Principles" is attached hereto as [Exhibit 1](#).

Trustee Berns joined the meeting during the presentation.

In the following discussion, Trustee Williams noted that proxy voting is a risk mitigation strategy. The Committee also discussed SURS' fiduciary duty with respect to proxy voting, the delegation of proxy voting, and the prudence that is needed to establish proxy voting guidelines.

Trustee Cassidy joined the meeting via teleconference.

Copies of CII's Corporate Governance Policies and the report by the Investors' Working Group, "U.S. Financial Regulatory Reform: The Investors' Perspective" are incorporated as a part of these Minutes as [Exhibit 2](#) and [Exhibit 3](#).

### **RECOMMENDATION TO COMMENCE PROXY VOTING SERVICE PROVIDER SEARCH**

Ms. Marilyn Branson noted that SURS' contract with the Marco Consulting Group (MCG) is due to expire September 30, 2010. MCG was hired in 2007 to assist with the development of proxy voting guidelines, to vote all of SURS' domestic proxies, and to provide reporting. MCG cast over 26,000 proxy votes for SURS in 2008 and over 25,000 votes in 2009. Ms. Branson remarked that staff recommended a search be approved to identify a proxy voting service provider. If approved, staff anticipates the request for proposal (RFP) will gather information and estimated costs for proxy policy review, domestic and international proxy voting, and reporting services. Ms. Branson also noted that finalist presentations before the Committee would be scheduled for the September 2, 2010, meeting.

During the discussion, it was noted that Illinois Public Act 96-0006 applies to contracts with investment managers, not contracts with proxy voting service providers. Various questions were recommended for inclusion in the RFP and Trustee Hightman requested that a draft RFP be circulated to the Committee prior to being published.

Trustee Hightman moved that:

- That a search be conducted for a provider of institutional proxy voting and reporting services and that a Request For Proposal be issued after review by the Board of Trustees, that reserves the right to contract for all, any part or none of the services requested.

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

A copy of the staff memorandum, entitled "Recommendation to Conduct Proxy Voting Service Provider Search" is incorporated as a part of these Minutes as [Exhibit 4](#). Copies of SURS Proxy Policy Statement and excerpts of SURS Investment Policy are incorporated as a part of these Minutes as [Exhibit 5](#) and [Exhibit 6](#).

**INFORMATIONAL ITEMS NOT REQUIRING COMMITTEE ACTION**

1. [Exhibit 7](#) - Staff's memorandum entitled "Governance Update."
2. [Exhibit 8](#) - Staff's memorandum entitled "Marco Consulting Group Proxy Voting Summary Report."
3. [Exhibit 9](#) - Memorandum from The Marco Consulting Group entitled "Review of Issue Summary Report for First Quarter, 2010."
4. [Exhibit 10](#) - MCG Issue Summary Report for First Quarter 2010.

There being no further business to come before the Committee, Trustee Hightman moved that the meeting be adjourned. The motion was seconded and carried.

Respectfully submitted,



Ms. Judith A. Parker  
Secretary, Board of Trustees

JAP:ssr