



MINUTES

**Meeting of the Corporate Governance Committee
of the Board of Trustees of the
State Universities Retirement System
Friday, September 11, 2009
The Northern Trust – London Room B9
50 S. LaSalle Street
Chicago, Illinois**

The following Trustees were present: Mr. Mitchell Vogel, Chair; Dr. Jeffrey Beaulieu, Ms. Patricia Cassidy, Dr. John Engstrom, Dr. J. Fred Giertz, Ms. Carrie Hightman, Ms. Dorinda Miller, Mr. Steven Rogers, Mr. Antonio Vasquez, 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. 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. Don Pollak, Northern Trust Investments; Mr. Edgar Hernandez, SEIU; and Mr. Barry Burr, Pensions & Investments.

Trustee Mitchell Vogel called the meeting to order at 9:00 a.m.

Roll call attendance was taken. Trustee Beaulieu, present; Trustee Cassidy, present; Trustee Engstrom, present; Trustee Giertz, present; Trustee Hightman, present; Trustee Miller, absent; Trustee Rogers, present; Trustee Vasquez, present; Trustee Vogel, present; Trustee Williams, present. Trustee Miller joined the meeting at approximately 9:15 a.m.

OVERVIEW OF CORPORATE GOVERNANCE EFFORTS

Trustee Vogel welcomed the members of the Board to the inaugural meeting of the Corporate Governance Committee. Trustee Vogel provided some history on why the Corporate Governance Committee was established, stating that SURS has become significantly more involved in the area of corporate governance over the past few years. SURS has taken an active role in proxy voting and securities litigation cases have become more frequent. Also, SURS has occasionally written letters to corporations on behalf of

shareholders in an attempt to curb damaging practices. In addition, the SURS Board of Trustees joined with a number of other large funds and became a signatory to the United Nations' Principles for Responsible Investments (PRI). Trustee Vogel noted that the creation of the Corporate Governance Committee will allow the Investment Committee to focus solely on issues directly related to the fund's investments.

At the suggestion of Trustee Vogel, the agenda was altered and Ms. Marilyn Branson was then asked to present the Governance Update.

GOVERNANCE UPDATE

Ms. Branson reported that the Securities and Exchange Commission (SEC) voted recently to approve a New York Stock Exchange proposal which would prohibit uninstructed broker votes from being included in director elections. This change will take effect January 1, 2010. Ms. Branson directed the Committee to her memorandum entitled "Governance Update", which is incorporated as a part of these Minutes as [Exhibit 1](#). Ms. Branson noted that the memorandum provides explanation of three areas of corporate governance reform that continue to be top priority for shareholders, including proxy access, majority voting for election of directors, and independent board chair.

In the area of proxy access, the SEC's recent proposal specifies that shareholders that own at least 1% of the company's shares for one year be allowed to place their nominees on the corporate proxy card. Ms. Branson distributed a comment letter that Marco Consulting Group (Marco) sent to the SEC regarding this proposal. Ms. Branson noted that Marco's letter (incorporated as [Exhibit 2](#)) urges the SEC to adopt rules that provide, among other things, a uniform minimum proxy access standard, a two-year holding period requirement for shareholder nominations, and a tiered-ownership scheme. While there is opposition to the SEC proposal, Ms. Branson indicated that some form of the proposal is expected to pass.

Trustee Hightman commented that there is another point of view to consider, that of the public corporation attempting to do the right thing and increase value for its' shareholders. Trustee Giertz suggested that the Board consider expanding the investment consultant's mandate to include consultation to the Corporate Governance Committee. This would allow the Committee access to an independent view of the operations of various corporations. After further discussion, Trustee Vogel stated that solutions to these issues continue to be a work in progress and will likely be a topic of discussion at the upcoming meeting of the Council of Institutional Investors (CII). Trustee Vogel mentioned that both he and Ms. Branson plan to attend the meeting next month, and he encouraged other trustees to attend future CII meetings.

Ms. Branson reported that during the 2nd quarter of 2009, Marco Consulting Group voted 18,742 proxies on SURS' behalf. The report, including a breakdown of votes by topic, is incorporated as a part of these Minutes as [Exhibit 3](#). It was noted that Trustee Vogel, Mr. Allen, and Ms. Branson recently met with representatives of Marco Consulting Group. As a result of discussion at the meeting, Marco will begin providing the Board with an

executive summary of proxies voted during the quarter, in addition to the report mentioned above.

Continuing with her update, Ms. Branson remarked that SURS has been a long-time member and supporter of the Council of Institutional Investors. CII is a non-profit association of public, union, and corporate pension funds with combined assets of over \$3 trillion. Ms. Branson provided the Committee with CII's Statement on the Value of Corporate Governance, which is incorporated as a part of these Minutes as [Exhibit 4](#).

Ms. Branson noted that SURS has been active in securities litigation, and since 2003, has successfully recovered approximately \$15.7 million in losses through class action suits as well as through suits filed separately by SURS.

Discussion followed regarding the possible overlap in responsibilities between the Investment Committee and Corporate Governance Committee.

CONSIDERATION OF INSTITUTIONAL PROXY VOTING PROVIDER RELATIONSHIP

Trustee Vogel provided further comment regarding the recent meeting with Marco Consulting Group. Marco Consulting Group's contract expires on December 31, 2009; however, due to the recent Board restructuring, staff recommended that a search for proxy voting and reporting services be deferred at this time, and that Marco's contract be extended for a period of nine months. Further details are provided in a memorandum from Mr. Allen and Ms. Branson entitled "Marco Consulting Group Institutional Proxy Voting and Reporting Services", which is incorporated as a part of these Minutes as [Exhibit 5](#).

Discussion was held regarding the length of the recommended contract extension. Mr. Wesley commented that the nine months recommended by staff takes into consideration the busy proxy voting season, which is typically April, May and June.

After further discussion, Mr. Vogel moved that the existing agreement with Marco Consulting Group, to provide institutional proxy voting and reporting services for domestic securities, be extended for a period of nine months, commencing January 1, 2010, contingent on successful contract negotiations. The motion was seconded and it carried.

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

Respectfully submitted,



Ms. Judith A. Parker
Secretary, Board of Trustees

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