



## **MINUTES**

### **Meeting of the Board of Trustees of the State Universities Retirement System 10:00 a.m., Thursday, April 23, 2009 1901 Fox Drive, Champaign, Illinois SURS Main Conference Room**

The following Trustees were present: Mr. Mitchell Vogel (President), Ms. Christine Boardman, Mr. Mark Donovan, Mr. Michael Mackey, Dr. Alice Palmer, Mr. Antonio Vasquez, and Dr. Marva Williams.

Others present were: Ms. Judith 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. Steve Hayward, Internal Auditor; Mr. Bryan Perrero, Assistant General Counsel; Mr. Douglas Steele, Director of Applications Development & Research; Ms. Angela Lieb, Director of Member Services; Mr. Michael Sheppard, Assistant Deputy Director of SMP; Mr. Terrin Krantz, Human Resources Manager; Ms. Hanea Schluter, Ms. Lori Kern and Ms. Stacy Smith, Executive Assistants; Ms. Mary Patricia Burns, Burke, Burns & Pinelli; Mr. Gary Guibert and Ms. Amy Sproull, The Northern Trust; Mr. Russell Ivinjack and Ms. Laurel Nicholson, Ennis Knupp + Associates; and Ms. Linda Brookhart, SUAA.

Mr. Mitchell Vogel called the meeting to order at the time and location set forth in the notice of the meeting.

Roll call attendance was taken. Trustee Boardman, present; Trustee Donovan, present; Trustee Mackey, present; Trustee Palmer, present; Trustee Pizzuto, absent; Trustee Vasquez, present; Trustee Vogel, present; Trustee Williams, present.

### **PRESIDENT'S REPORT**

Mr. Mitchell Vogel advised the Board that he would like to talk about the Executive Director search, but would do so later in the meeting.

### **APPROVAL OF MINUTES**

Mr. Vogel presented the Minutes from the Board meeting of March 12-13, 2009. Dr. Marva Williams moved to approve these Minutes, the motion was seconded and it carried.

## **APPROVAL OF TRAVEL**

Ms. Parker reported that Public Act 96-0006 requires that all Board travel and educational missions be approved by a majority of the Board, prior to the travel. As a result, action is necessary to approve travel to this meeting, April 23, 2009, in Champaign, and the Annual Board meeting scheduled for June 11-12, 2009, to be held in Chicago. Ms. Parker also suggested that any trustee planning to travel between now and the annual meeting request approval at this time.

Dr. Palmer suggested that staff consider taking measures to have an exemption for regularly scheduled meetings included in the language of Public Act 96-0006. Mr. Jenkins reported that he has provided various suggested corrections to the primary drafter of Public act 96-0006; one of the suggestions was exempting travel to regularly scheduled meetings.

Mr. Jenkins indicated that staff would be prepared at the June meeting to present a list of upcoming meeting dates and locations for approval. Mr. Jenkins clarified that the Executive Committee cannot approve travel; it must be approved by a majority of the Board.

Mr. Vogel reported that he is speaking as the President of the Board to a State Universities Annuitants group at the College of DuPage on April 25, 2009. Dr. Williams requested that the proposed motion be amended to include approval of Mr. Vogel's travel to College of DuPage on April 25, 2009.

After further discussion Mr. Donovan moved:

- That Board travel to attend the SURS Board of Trustees meeting on April 23, 2009, and the Board of Trustees annual meeting on June 11 and 12, 2009, be approved and that all resulting travel expenses allowable under the Board Travel Approval and Expense Reimbursement Policy be approved. It was further moved that the President's travel expenses to a meeting at the Governor's office, the President's travel to the Executive Committee meeting on April 13, 2009, at Mr. Mark Donovan's office, and the President's upcoming travel on April 25, 2009, to speak to the State Universities Annuitants Association chapter at the College of DuPage be approved.

The motion was seconded and it carried.

Mr. Vogel suggested that staff develop a process for obtaining approval for travel.

## **UPDATE FOR EXECUTIVE DIRECTOR SEARCH**

Mr. Donovan provided a report from the Executive Director Search Subcommittee. The Subcommittee met with Ms. Mary Hobson of EFL & Associates recently to discuss the

search process and the effect of Public Act 96-0006. Ms. Hobson advised that a few of the finalist candidates expressed concern with the legislative changes and the restructuring of the SURS Board of Trustees. The possibility of a second tier of benefits being legislated and the effect that it might have on recruitment was also discussed. After further discussion, Mr. Donovan made the following motion:

- That the Executive Director search be suspended pending the appointment of the newly constituted Board of Trustees.

The motion was seconded and it carried.

Ms. Mary Pat Burns reported that Ms. Hobson expressed interest in conducting the search once the new Board is in place, if that is the pleasure of the Board. However, a new fee would need to be negotiated.

### **DISCUSSION OF THE SURS BUDGET**

Ms. Parker reminded that the administrative expense and capital budgets for the next fiscal year are typically approved at the annual meeting of the Board which is held in June. However, due to the passage of Public Act 96-0006, it may not be appropriate for the current Board to approve the budget for the next fiscal year.

In light of recent legislative activities, Ms. Parker requested the Board's opinion if they would have concerns about approving a fiscal year 2010 budget. Trustee Boardman thought it would be prudent to delay the budget approval process until the new trustees are seated. However, it also would be appropriate for the current Board to pass a motion that allows SURS to continue with normal and customary business until the new Board can approve the budget. Mr. Donovan thought the temporary budget would be a good concept as well. Ms. Parker suggested that the fiscal year 2009 budget be utilized as a guide.

Dr. Palmer posed the concept of authorizing a special audit in order to formally document the closing of the current Board's term. Mr. Hayward remarked that the internal travel and administrative expense audit and the annual external audit might serve this purpose. Mr. Mackey suggested that the Board authorize Ms. Burns as Board counsel to retain a firm to perform such a review. The firm selected should, in their final report, include a written statement indicating that the members of the Board fulfilled their duties as fiduciaries of the System. Dr. Palmer made the following motion:

- That the Board fiduciary counsel be authorized to retain a firm to conduct an operational review and provide a report indicating that the Board has met their fiduciary responsibilities.

The motion was seconded and it carried.

## **REVIEW OF GOVERNOR'S BUDGET PROPOSAL**

Ms. Parker reminded the Board that at the last meeting discussion was held regarding the Governor's potential second tier of benefits proposal. Ms. Parker asked that the Board take a look at the proposal and discuss. The Governor's proposal is incorporated as part of these Minutes as **Exhibit 1**. Ms. Parker stated that, in addition to a second tier of benefits, the Governor has proposed reduced funding for the state-funded systems. The proposal states that the appropriated amount for the last quarter (April, May and June) of the fiscal year would not be paid. However, Ms. Parker noted that SURS did receive the monthly appropriation payment for April. The Governor also proposed that only normal cost be paid to the systems for fiscal year 2010. Mr. Donovan proposed that the Governor be invited to speak with the SURS Board. At that time, the Board can express its concerns. Ms. Boardman suggested that a formal letter be sent to the offices of the Speaker of the House, the Governor and the Senate President stating that SURS is ready and available for discussions. Ms. Parker stated that the Governor's office has reached out to initiate conversation with SURS regarding funding. Discussion followed. Ms. Boardman made the following motion:

- That a formal letter from the President of the SURS Board be sent to the offices of the Speaker of the House, the President of the Senate and the Governor, informing them that should they decide to have discussions with stakeholders regarding the funding of the pension systems and the content of the pension benefits, SURS is ready and available to participate in those discussions.

The motion was seconded and it carried.

Dr. Palmer urged that the legislative district maps and the membership demographic information be distributed to the Governor, the Speaker of the House and the Senate President so they will understand who SURS represents.

## **UPDATE ON THE IMPLEMENTATION OF PUBLIC ACT 96-0006**

Mr. Kelly Jenkins directed the Board to his memorandum entitled "Emergency Rules for Implementation of Trustee Election Procedures". Mr. Jenkins reported that the Executive Committee previously considered and adopted the SURS Trustee Election Policy, which is incorporated as a part of these Minutes as **Exhibit 2**. The Policy is an internal document in effect for staff. Mr. Jenkins distributed the proposed Emergency Rules for Implementation of Trustee Election Procedures, which is also incorporated as a part of these Minutes as **Exhibit 3**. Mr. Jenkins stated that the election date has been set for June 17, 2009.

The Board discussed the cost associated with holding the election. After discussion, Mr. Donovan moved that the staff be authorized to spend the amount necessary to cover the cost of the election. The motion was seconded and it carried.

Mr. Donovan suggested that we ask the state legislature for special appropriations to cover the cost of the SURS election. Mr. Vogel agreed and suggested that we ask our lobbyists to follow up on this in Springfield. Ms. Boardman made the following motion:

- That an emergency situation that reasonably constitutes a threat to the public interest or welfare exists that requires adoption of a rule more quickly than the regular rulemaking procedure allows in that:
  - a. The legislature has passed Public Act 96-006 as a retirement system ethics reform measure.
  - b. Public Act 96-0006 provides that: “The terms of all [State Universities Retirement System] trustees holding office under this subsection (c) on the effective date of this amendatory Act of the 96th General Assembly shall terminate on that effective date [April 3, 2009]. \* \* \* A trustee sitting on the board on the effective date of this amendatory Act of the 96th General Assembly may not hold over in office for more than 90 days after the effective date of this amendatory Act of the 96th General Assembly.” 40 ILCS 5/15-159(c) (as amended by P.A. 96-0006, effective April 3, 2009).
  - c. Public Act 96-0006 further provides that as of July 1, 2009, the State Universities Retirement System Board of Trustees will be constituted to include six elected trustees, who “shall be elected within 90 days after the effective date of this amendatory Act of the 96<sup>th</sup> General Assembly [by July 2, 2009] ....” 40 ILCS 5/15-159(e) (as amended by P.A. 96-0006, effective April 3, 2009).
  - d. That the procedures used to conduct the necessary elections are a matter of public interest or welfare because a majority of the trustees of the State Universities Retirement System Board of Trustees are to be chosen by these elections.
  - e. That lack of uniform, enforceable procedures to conduct the necessary elections would reasonably constitute a threat to the public interest or welfare in that the State Universities Retirement System Board of Trustees’ ability to function would be compromised.

The motion was seconded and carried

Mr. Donovan made the following motion:

- That staff is authorized to file proposed emergency rules (numbered a. through k.) substantially as presented:
  - a. 1600.700 Nomination of Candidates
  - b. 1600.705 Election Date/Election Day – Defined
  - c. 1600.710 Petitions
  - d. 1600.715 Eligible Voters
  - e. 1600.720 Election Materials
  - f. 1600.725 Marking of Ballots

- g. 1600.730 Return of Ballots and Ballot Counting Process
- h. 1600.735 Observation of Ballot Counting
- i. 1600.740 Certification of Ballot Counting
- j. 1600.745 Challenges to Ballot Counting
- k. 1600.750 Special Election to Fill Elected Trustee Seats Initially

The motion was seconded and carried.

Mr. Donovan suggested that additional compensation be considered for Ms. Parker as the Interim Executive Director. Mr. Antonio Vasquez concurred. Mr. Donovan moved:

- That consideration for additional compensation for Ms. Parker will be discussed at the June Executive Committee Meeting.

The motion was seconded and carried.

Mr. Vogel suggested at the June meeting that a celebration be conducted to acknowledge the accomplishments that this Board has achieved. Mr. Vogel also suggested we extend an invitation to others who have served on the Board. Dr. Palmer suggested that the Board prepare a letter of appreciation to acknowledge staff, Ennis Knupp + Associates, and others.

### **RECESS**

Mr. Donovan motioned to recess the meeting of the Board of Trustees. The motion was seconded and it carried.

### **RECONVENE**

Mr. Vogel reconvened the meeting at the time and location set forth in the notice of the meeting.

### **STAFF SALARY**

Mr. Vogel confirmed that the staff salary increase should be included in the tentative budget that is being developed.

### **REPORT FROM THE INVESTMENT COMMITTEE**

On behalf of the Investment Committee, Ms. Christine Boardman presented the following motions from the April 23, 2009.

#### **Portfolio Rebalancing**

1. That a compliance exception related to the 3% asset allocation bands of the investment policy be approved until the June 12, 2009, Board of Trustees meeting.

**U. S. Equity Asset Class Manager Review**

2. That Progress Investment Management be retained as a manager of emerging managers.
3. That Paradigm Asset Management be retained as a U.S. equity manager.
4. That Jacobs Levy Equity Management be retained as a structured active U.S. equity manager.
5. That T. Rowe Price Associates be retained as a structured active U.S. equity manager.
6. That Piedmont Investment Advisors be retained as a structured active U.S. equity manager.

**TIAA-CREF Self-Managed Plan (SMP) Review**

7. That TIAA-CREF be retained as an investment provider for the SURS Self-Managed Plan.

**Investment Policies**

8. That the revised Investment Policy be approved, as presented.
9. That the revised Self-Managed Plan Investment Policy be approved, as presented.

**Approval of Trustee Travel Expenses**

10. That Board trustee travel to attend the 2009 Ennis Knupp + Associates Client Conference in Chicago on May 27 and 28, 2009, be approved and that all resulting travel expenses allowable under the Board Travel Approval and Expense Reimbursement Policy be approved.
11. That Board trustee travel to attend the Adams Street Partners 2009 Chicago Client Conference on June 3 and 4, 2009, be approved and that all resulting travel expenses allowable under the Board Travel Approval and Expense Reimbursement Policy be approved.

The motions carried with all trustees present voting in favor except that Mr. Donovan voted no on the trustee travel expenses.

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

Respectfully submitted,



Ms. Judith A. Parker  
Interim Executive Director

JAP:hns