



MINUTES

Meeting of the Investment Committee of the Board of Trustees of the State Universities Retirement System 11:30 a.m., Thursday, April 23, 2009 1901 Fox Drive, Champaign Illinois Main Conference Room

The following Trustees were present: Ms. Christine Boardman (Chair), Mr. Mark Donovan, Mr. Michael Mackey, Dr. Alice Palmer, Mr. Antonio Vasquez, Mr. Mitchell Vogel 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; Ms. Kimberly Pollitt, Senior Investment Officer; Ms. Lou Ann Fillingham and Mr. Tony Lee, Investment Officers; 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, Ms. Stacy Smith, Executive Assistants; Ms. Mary Patricia Burns, Burke, Burns & Pinelli; Mr. Gary Guibert, Ms. Amy Sproull, The Northern Trust; Mr. Russell Ivinjack, Ms. Laurel Nicholson, Ennis Knupp + Associates; Ms. Linda Brookhart, SUAA.

Ms. Christine Boardman 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.

REPORT FROM THE MARCH 12, 2009 INVESTMENT COMMITTEE MEETING

Mr. Daniel Allen presented the Report from the March 12, 2009 Investment Committee Meeting which is incorporated as part of these Minutes as **Exhibit 1**. Mr. Allen also commented on the Fiscal Year to Date Chart which is incorporated in these Minutes as **Exhibit 2**. Ms. Boardman noted that SURS has outperformed other pension funds, and for the months of December 2008 and March 2009, SURS had positive returns. Mr. Allen gave a brief overview of the March meeting along with the eighteen motions that

were made. Mr. Allen also remarked that the Principles for Responsible Investments were approved by the Governmental Affairs Committee and the Board.

APPROVAL OF MINUTES

Ms. Boardman moved that the Minutes from the March 12, 2009, Investment Committee meeting be approved as presented. The motion was seconded and the motion carried.

PORTFOLIO REBALANCING STRATEGY UPDATE

Mr. Allen and Mr. Douglas Wesley presented a memorandum, entitled “Portfolio Rebalancing Update”, which is incorporated as part of these Minutes as **Exhibit 3**. Mr. Wesley introduced the following guest speakers from Barclays Global Investors (BGI): Mr. Scott Dohemann, CFA; Mr. Carl Gilchrist, Mr. Sunder Ramkumar, CFA; and Mr. Ravi Goutam.

Mr. Gilchrist briefly addressed the board about the potential sale of BGI’s Exchange Traded Funds business (ETFs), which he advised would not have any impact to SURS. He also stated that there has been discussion of BGI being for sale; Mr. Gilchrist stated that BGI is not for sale. He added, however, that if there are parties willing to make a very attractive bid, the offer would be evaluated.

A copy of the report presented by Barclays Global Investors (BGI) entitled, “Portfolio Rebalancing in the Current Market Environment”, is incorporated as a part of these Minutes as **Exhibit 4**. Ms. Boardman moved:

- 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.

Motion was seconded and it carried.

U.S. EQUITY STRUCTURE OVERVIEW

Ms. Laurel Nicholson presented an overview of the U.S. equity portfolio, which accounts for nearly 30% of SURS’ total portfolio assets. Ms. Nicholson noted that the U. S. Equity portfolio structure is composed of 58% passive, 35% enhanced (structured active) and 6% active strategies. She stated that the passive component has been the anchor to U.S. equity market exposure and, over the long term, the stock market exposure will offer capital appreciation and protection against inflation. The Active component of the portfolio, which consists primarily of managers in the Manager Development Program, is used to identify managers that add value. The Structured Active component of the equity portfolio experienced additional diversification by the utilization of stock selection managers. Ms. Nicholson also commented on the current structure of the U.S. equity portfolio and the performance of the managers. Discussion followed. It was decided that a historical comparison of the portfolio structure be completed for the past ten years to measure each of the three components; this would be presented at the June 2009 Board meeting.

A copy of the EKA memorandum, “U.S. Equity Structure Overview”, is incorporated as a part of these Minutes as **Exhibit 5**.

U.S. EQUITY ASSET CLASS MANAGER REVIEWS

Ms. Kimberly Pollitt presented the Executive Summary of the U.S. Equity Asset Class and Manager Reviews. Ms. Pollitt noted that the active managers provided a -45.88% return for the one year period ended February 28, 2009; however, the equity market has rebounded somewhat since then, with the Wilshire 5000 up approximately 16% as of April 23, 2009. Ms. Pollitt reported on notable organizational issues at the U.S. Equity investment management firms and also discussed performance of the managers relative to benchmark. Ms. Pollitt stated that SURS continues to have confidence in each of the firms. Discussion followed.

A copy of the memorandum, “Executive Summary of the U.S. Equity Asset Class”, is incorporated as a part of these Minutes as **Exhibit 6**. The annual U.S. equity manager reviews are incorporated as follows: Progress Investment Management as **Exhibit 7**, Paradigm Asset Management as **Exhibit 8**, Jacobs Levy Equity Management as **Exhibit 9**, T. Rowe Price Associates as **Exhibit 10** and Piedmont Advisors as **Exhibit 11**. Ms. Boardman moved:

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

The motions were seconded and they carried.

TIAA –CREF ANNUAL REVIEW

Ms. Lou Ann Fillingham presented the TIAA-CREF Annual Review. Ms. Fillingham noted that TIAA-CREF has been a provider since the inception of the Self-Managed Plan (SMP) eleven years ago. Ms. Fillingham reported that, as of February 28, 2009, TIAA-CREF managed approximately \$202 million, or 47.5%, of SMP assets.

A copy of the memorandum, “TIAA-CREF Annual Review”, is incorporated as a part of these Minutes as **Exhibit 12**. Mr. Donovan moved:

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

The motion was seconded and it carried.

STATUS UPDATE ON INFRASTRUCTURE MANAGER SEARCH

Mr. Allen remarked that SURS is in the midst of the infrastructure search and that the due date for responses is May 6, 2009. Mr. Allen also noted that the request for proposal (RFP) is included in the trustee book. Mr. Allen introduced Mr. Russell Ivinjack who discussed the search in further depth. Mr. Ivinjack advised that approximately 30 responses are expected. Discussion followed.

A copy of the memorandum, "Status Update of Infrastructure Search", is incorporated as a part of these Minutes as **Exhibit 13**. The Request for Proposal is also part of these Minutes as **Exhibit 14**.

COMPLIANCE REQUIREMENTS REGARDING PUBLIC ACT 96-0006 AND MODIFICATIONS TO THE SURS INVESTMENT POLICIES

Mr. Allen stated that, as a result of the ethics legislation (Public Act 96-0006), there are issues that need to be resolved within sixty days. Mr. Wesley reviewed the summary document and the modifications proposed to the investment policy in order to comply with the procurement requirements of the new legislation. The legislation sets forth requirements regarding the adoption of procurement policy and the collection of fee disclosure information from each investment manager. To be compliant SURS must complete both items within sixty days from the effective date of the legislation. Mr. Wesley noted that the red-lined version of the investment policy is in the trustee book. Discussion followed. Mr. Vogel moved:

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

Motion was seconded and it carried.

A copy of the memorandum, "Compliance with New Ethics Legislation (Public Act 96-0006)", is incorporated as a part of these Minutes as **Exhibit 15**, and the Investment Policy is also incorporated as **Exhibit 16**.

GOVERNANCE UPDATE

Ms. Marilyn Branson provided an update on governance activities. She advised that the revised proxy policy statement approved by the Board has been posted on the corporate governance section of the SURS website. Ms. Branson remarked on the Council of Institutional Investors (CII) spring meeting that she attended in Washington D.C. with Mr. Allen, Mr. Vogel and Mr. Vasquez, and she discussed the changes to CII's corporate governance policies that were proposed by the Policies Committee. Mr. Vogel conveyed his appreciation to Ms. Branson for her assistance at the CII conference. Ms. Branson also reported that she received confirmation from the Marco Consulting Group that proxies were voted on SURS behalf against all of the nominees for the Bank of America Board. Discussion followed.

A copy of the memorandum, "Governance Update", is incorporated as a part of these Minutes as [Exhibit 17](#) and a copy of the "Proposed Policies", is incorporated as a part of these Minutes as [Exhibit 18](#).

GENERAL DISCUSSION

Mr. Allen remarked that PIMCO submitted a request for modifications to the investment guidelines. Mr. Allen advised that discussion occurred between Ennis Knupp + Associates and SURS, and a copy of the related correspondence is incorporated in these Minutes as [Exhibit 19](#). Mr. Allen also reviewed memorandums regarding organizational issues from Capital Guardian, Northern Trust and Western Asset Management Company; which are incorporated as part of these Minutes as [Exhibit 20](#), [Exhibit 21](#) and [Exhibit 22](#). Finally, Mr. Allen reminded the trustees of the annual Ennis Knupp + Associates Client Conference, and he noted that prior approval is required for trustee travel expenses. Ms. Boardman moved:

- 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.
- 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.

Motion was seconded and it carried with all trustees voting in favor except for Mr. Mark Donovan.

The 2009 Investment Compliance Activities, Ennis Knupp + Associates Fiscal Year 2009-2010 Work Plan, Schedule of Formal Reviews for SURS Investment Managers 2009, Schedule of Investment Committee Meetings and the SURS Funding Status are incorporated as part of these Minutes as [Exhibit 23](#), [Exhibit 24](#), [Exhibit 25](#), [Exhibit 26](#) and [Exhibit 27](#).

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

Respectfully submitted,



Ms. Judith A. Parker
Interim Executive Director

JAP:hns