



MINUTES

**Meeting of the Investment Committee
of the Board of Trustees of the
State Universities Retirement System
2:00 p.m., Thursday, March 12, 2009
SURS Main Conference Room
1901 Fox Dr., Champaign, Illinois**

The following Trustees were present: Ms. Christine Boardman (Chair), Mr. Mark Donovan, Mr. Michael Mackey, Dr. Alice Palmer, Mr. Michael Pizzuto, 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. Douglas C. Wesley, Deputy Chief Investment Officer; Mr. Kelly A. Jenkins; General Counsel, Ms. Kimberly Pollitt, Senior Investment Officer; Ms. Lou Ann Fillingham and Mr. Tony Lee, Investment Officers; Ms. Marilyn Branson, Investment Governance and Compliance Officer; Ms. Hanea Schluter, Ms. Lori Kern and Ms. Stacy Smith, 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 SMP, Mr. Steve Hayward, Internal Audit Director; Mr. Bryan Perrero, Assistant General Counsel; Ms. Angie Lieb, Director of Member Services; Mr. Douglas Steele, Application Development Manager; Mr. Chris Hansen, Information Systems & Building Services Manager; Ms. Brenda Dunn, Human Resource Officer; Ms. Kendra Iffland, Publications Editor; Mr. Russell Ivinjack, Ms. Laurel Nicholson, Ennis Knupp + Associates; Ms. Leslie Thompson, Gabriel Roeder Smith & Company; Mr. Gary Guibert, The Northern Trust Company; Mr. Don Pollak, Northern Trust Investments, Ms. Janice Gonzalez, Channing Capital Management; Ms. Angela Myers, Loop Capital Markets and Mr. Chirag Mehta, Service Employees International Union.

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, present; Trustee Vasquez, present; Trustee Vogel, present; Trustee Williams, present.

REPORT FROM THE FEBRUARY 4, 2009 INVESTMENT COMMITTEE MEETING AND FEBRUARY 5, 2009 TRUSTEE EDUCATIONAL FORUM

Mr. Daniel Allen expressed his appreciation for the participation of the speakers at the Trustee Educational Forum conducted on February 5, 2009. He subsequently presented the report for the February 4, 2009 Investment Committee meeting and the Trustee Educational Forum conducted on February 5, 2009. In addition to noting the motions approved at the recent meeting, he presented a status update on items from prior meetings requiring further action. Mr. Allen remarked that legal documentation has been completed for the real estate investment with Dune Capital Management. During legal review, counsel recommended SURS participate in the Dune Real Estate Parallel Fund II structure. Mr. Allen's "Report from the February 4, 2009 Investment Committee Meeting" and his memorandum entitled "Investment Contracts Approved" dated February 27, 2009, are incorporated as a part of these Minutes as [Exhibit 1](#) & [Exhibit 2](#).

APPROVAL OF MINUTES

Mr. Mitchell Vogel moved:

- That the Minutes from the February 4, 2009 Investment Committee meeting and the February 5, 2009 Trustee Educational Forum be approved as presented.

The motion was seconded and the motion carried.

SUMMARY REVIEW OF SURS INVESTMENT PROGRAM

Ms. Laurel Nicholson presented a review of SURS Investment Program which is incorporated as a part of these Minutes as [Exhibit 3](#). The review discussed the following asset classes: Equities, REITs, Direct Real Estate, Fixed Income, Total Fund Results as well as specific manager issues that staff and consultant are closely monitoring. Discussion followed.

PORTFOLIO REBALANCING PLAN

Mr. Allen and Mr. Douglas Wesley discussed the Portfolio Rebalancing Plan and directed the Trustees to the memos which are incorporated as part of these Minutes as [Exhibit 4](#), [Exhibit 5](#) and [Exhibit 6](#). Ms. Boardman then made the following motions:

- That the compliance exception related to the 3% asset allocation bands of the investment policy be approved until the April 23, 2009 Investment Committee meeting.
- That the passive U.S. TIPS portfolio be transitioned into the U.S. Equity Index fund managed by Northern Trust and the BGI International Equity Index fund.

The motions were seconded and carried.

RECOMMENDATION OF ECONOMIC ASSUMPTION UPDATE

Ms. Leslie Thompson presented for Gabriel Roeder Smith & Company the Economic Assumption Update Study Recommendation. The presentation is incorporated as part of these Minutes as [Exhibit 7](#). Discussion followed. Ms. Boardman then made a motion:

- That Gabriel Roeder Smith & Company conduct an economic assumption update.

The motion was seconded and carried.

STATUS OF THE MANAGER DEVELOPMENT PROGRAM (MDP)

Mr. Allen presented the Status Report of SURS Manager Development Program Expansion, which is incorporated as part of these Minutes as [Exhibit 8](#). Mr. Allen noted the continued expansion of the MDP as well as goals for utilizing emerging, minority and women-owned investment firms.

MANAGER DEVELOPMENT PROGRAM ANNUAL REVIEW

Mr. Tony Lee presented the Executive Summary of the Manger Development Program which is incorporated as part of these Minutes as [Exhibit 9](#). Mr. Lee provided a brief overview of how the MDP program was initiated at SURS and how it is currently structured. Mr. Lee remarked that there are currently 17 investment managers in the Manager Development Program. Seven of these manage domestic equities, three manage fixed income, and three manage non-U.S. equities. Ms. Boardman made the following motions:

- That Buford, Dickson, Harper & Sparrow be retained as a domestic equity manager.
- That Channing Capital Management be retained as a domestic equity manager.
- That Holland Capital Management be retained as a domestic equity manager.
- That Lombardia Capital Management be retained as a domestic equity manager.
- That NCM Capital Management be retained as a domestic equity manager.
- That Profit Investment Management be retained as a domestic equity manager.
- That Attucks Asset Management be terminated as a passive domestic equity manager.
- That Holland Capital Management be allocated an additional \$10 million.
- That Lombardia Capital Management be allocated an additional \$10 million.
- That Channing Capital Management be allocated an additional \$15 million.
- That Atlanta Life Investment Advisors be retained as a Non-U.S. equity manager.
- That Strategic Global Advisors be retained as a Non-U.S. equity manager.

- That Ativo Capital Management be retained as a Non-U.S. equity manager through Progress Investment Management in a separate account structure.

The motions were seconded and carried.

SELF MANAGED PLAN (SMP) ANNUAL REVIEW

Mr. Michael Sheppard presented the Self-Managed Plan (SMP) Annual Review. Mr. Sheppard reported that the Self-Managed Plan (SMP) has experienced steady growth in participation and overall assets since its inception. As of December 31, 2008, the SMP had 15,524 participants. The Self-Managed Plan (SMP) Annual Review is incorporated as part of these minutes as [Exhibit 10](#).

GOVERNANCE REPORT

Ms. Marilyn Branson provided an update regarding governance activities since the December Investment Committee meeting. Ms. Branson advised that SURS signed onto a letter distributed last December to members of Congress by the Council of Institutional Investors (CII), which called for inclusion of corporate governance improvements in upcoming financial regulation reform. Ms. Branson also discussed the “Principles of Financial Regulation Reform”, a document developed by a group of institutional investors organized by CalPERS and CalSTRS, and she presented a copy of the March 10, 2009, press release announcing these principles.

Copies of Ms. Branson’s memorandum, entitled “Governance Update”, and the CII letter to the Honorable Nancy Pelosi, dated December 2, 2008, are incorporated as a part of these Minutes as [Exhibit 11](#) and [Exhibit 12](#). Copies of the draft “Principles of Financial Regulation Reform” and the associated March 10, 2009, press release are incorporated as a part of these Minutes as [Exhibit 13](#) and [Exhibit 14](#).

APPROVAL OF MARCO CONSULTING GROUP PROXY POLICY STATEMENT

Ms. Branson remarked that a copy of the Marco Consulting Group’s updated proxy policy statement was included in the February Investment Committee meeting agenda. Ms. Branson presented a copy of the proxy policy statement approved by the Board in 2007, redlined to highlight new wording, for the Committee’s consideration, and she noted that SURS staff recommends approval of the revised statement.

Ms. Boardman made the following motion:

- That the revised Marco Consulting Group proxy policy statement as customized for SURS be approved as presented.

The motion was seconded and the motion carried.

Copies of the memorandum by Mr. Allen and Ms. Branson, entitled “Marco Consulting Group Proxy Policy Statement as customized for SURS”, and the redlined proxy policy statement are incorporated as a part of these Minutes as [Exhibit 15](#) and [Exhibit 16](#).

GENERAL DISCUSSION

Mr. Allen remarked that the next Investment Committee meeting is scheduled to be held in Champaign on April 23, 2009.

The 2009/2010 Work Plan, the Schedule of Formal Reviews for SURS Investment Managers, and the Schedule of Investment Committee Meetings are incorporated as part of these Minutes as [Exhibit 17](#), [Exhibit 18](#) and [Exhibit 19](#).

STANDARD REPORTS

Ms. Lou Ann Fillingham presented the standard investment reports as of December 31, 2008, which are incorporated as part of these Minutes as [Exhibit 20](#).

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

Respectfully submitted,



Ms. Judith A. Parker
Interim Executive Director

JAP:hns