



MINUTES

**Meeting of the Executive Committee
of the Board of Trustees of the
State Universities Retirement System
Monday, June 29, 2009, 9:30 a.m.
University of Illinois at Chicago
1140 S. Morgan, Chicago, Illinois**

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 Donovan, present; Trustee Palmer, Present; Trustee Vogel, present.

The following Trustees were also present: Trustee Michael Mackey.

Others present were: Ms. Judith A. Parker, Interim Executive Director; Mr. Kelly Jenkins, General Counsel; Ms. Shelley Porter, Chief Financial Officer; Mr. Ed Burke, Burke Burns & Pinelli; Mr. Tony Ackerman, Wells Fargo Insurance Services.

FIDUCIARY LIABILITY INSURANCE POLICY

Ms. Shelley Porter reported that the Fiduciary Liability Insurance Policy, as currently written, contains a Change in Control clause that will cause the coverage to cease for acts after July 1, 2009. Ms. Porter noted that AIG has extended an offer to waive the Change in Control clause and provide insurance coverage through December 31, 2009, which would cover the current Board and the new Board for all actions, including those after July 1, 2009, when the new Board is in place.

Mr. Burke described the statute of limitations for acts made in violation of a trustee's fiduciary responsibility. Mr. Burke also stated that Illinois Statute and the Board Bylaws allow for the System to indemnify the Trustees. However, purchasing an insurance policy protects the current and retired members of the Board, the System employees, as well as the assets of the System. Third party consultants are not covered.

Mr. Burke explained that the policy contains a Waiver of Recourse clause that requires a \$25 fee be paid for each of the Trustees. The Trustees will each be asked to cover the minimal fee; however it could technically be paid by anyone but the trust. Mr. Burke

speculated that the reason for the clause is because, in his opinion, all State and local funds are subject to ERISA-like rules in the event of litigation. ERISA prohibits the payment for insurance by a trust fund.

After further discussion, Ms. Porter summarized that, in order for the current Board to retain its current policy coverage after July 1, 2009, the Committee must act to agree to accept AIG's offer to waive the Change in Control clause. Otherwise, the current policy will end on July 1, 2009, when the makeup of the Board will change by more than 50%. Alternatively, if the Change in Control clause remains effective, the Committee could act on behalf of the current Board to purchase "run-off coverage" which would cover those acts of the current Board prior to July 2 for a "run-off" period of months or years. If this alternative were taken, the newly constituted Board would need to purchase separate policy coverage for the period from July 2 forward.

Mr. Burke recommended that the current Board reaffirm the current coverage and extend it through "run-off coverage" for an additional five years to cover any potential future fiduciary liability claims. Mr. Ackerman reported that AIG has quoted coverage for six years for a cost of \$376,932. If the policy were extended, Mr. Ackerman indicated that the coverage is \$5 million aggregate, which includes the defense costs. Trustee Mackey concurred with Mr. Burke's recommendation. Trustee Mackey and Mr. Ackerman discussed the commission rate included in the policy quote. Trustee Mackey stated that he believes the current quote includes 15 point commission. Trustee Mackey asked Mr. Ackerman to reconsider the commission rate considering the fact that the new Board may also consider coverage through AIG. Trustee Mackey suggested that 5 points commission would be prudent. Mr. Ackerman stated that AIG would be willing to negotiate, and he would begin working with the underwriter.

In accordance with the recommendation of Board counsel, Trustee Donovan moved that, in order to protect the assets of the System, it would be prudent to extend the current fiduciary liability policy for six additional years, pending fee and commission renegotiation with the provider, and upon approval of the Board counsel. The motion was second and it carried.

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

[After negotiations, the Board purchased the six-year policy for at a fee of \$237,052, which included a 5% commission.]

Respectfully submitted,



Ms. Judith A. Parker
Secretary, Board of Trustees

JAP:ss