MINUTES

Special Meeting of the Board of Trustees of the State Universities Retirement System
October 16, 2019, 9:00 a.m.
Meketa Investment Group
1 E. Wacker Dr., 20th Floor Conference Room
Chicago, Illinois

The following trustees were present: Mr. John Atkinson, chair, Mr. Aaron Ammons, Mr. Richard Figueroa, Ms. Jamie-Clare Flaherty, Dr. Fred Giertz, Dr. Steven Rock, Mr. Collin Van Meter, Mr. Antonio Vasquez and Mr. Mitch Vogel (via conference call).

Others present: Mr. Martin Noven, Executive Director; Ms. Bianca Green, General Counsel; Ms. Kelly Carson and Ms. Annette Ackerman, Executive Assistants.

Board of trustees roll call attendance was taken. Trustee Ammons, present; Trustee Atkinson, present; Trustee Figueroa, present; Trustee Flaherty, present; Trustee Giertz, present; Trustee Lyons, absent; Trustee Rock, present; Trustee Van Meter, present; Trustee Vasquez, present; and Trustee Vogel, present.

Trustee Vasquez made the following motion:

- That Trustee Mitch Vogel be allowed to participate via conference call for the special meeting on October 16, 2019, pursuant to Section 7(a) of the Open Meetings Act due to his unavailability because of personal illness, employment purposes or family or other emergencies.

Trustee Van Meter seconded and the motion carried with all trustees present voting in favor.

CLOSED SESSION

Trustee Ammons moved that the board of trustees go into closed session pursuant to §2(c)(1) of the Open Meetings Act. Trustee Vasquez seconded and the motion carried on a roll call vote:

<table>
<thead>
<tr>
<th>Trustee</th>
<th>Vote</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trustee Ammons</td>
<td>aye</td>
</tr>
<tr>
<td>Trustee Atkinson</td>
<td>aye</td>
</tr>
<tr>
<td>Trustee Figueroa</td>
<td>aye</td>
</tr>
<tr>
<td>Trustee Flaherty</td>
<td>aye</td>
</tr>
<tr>
<td>Trustee Giertz</td>
<td>aye</td>
</tr>
<tr>
<td>Trustee Lyons</td>
<td>absent</td>
</tr>
<tr>
<td>Trustee Rock</td>
<td>aye</td>
</tr>
<tr>
<td>Trustee Van Meter</td>
<td>aye</td>
</tr>
<tr>
<td>Trustee Vasquez</td>
<td>aye</td>
</tr>
<tr>
<td>Trustee Vogel</td>
<td>aye</td>
</tr>
</tbody>
</table>
RETURN TO OPEN SESSION

Upon motion by Trustee Rock that was seconded by Trustee Atkinson and carried, the board of trustees resumed the meeting in open session.

FIDUCIARY LIABILITY INSURANCE

Trustee Atkinson discussed the updated proposal from Alliant/Mesirow Insurance Services which included carrier responses, coverage exclusions, renewal options, and coverage limits.

Trustee Gietz made the following motion.

- To approve the procurement and an increase in fiduciary liability insurance with combined coverage limits of $30 million dollars and separate coverage limits for employment practices liability (EPL).

A copy of the presentation titled “SURS Proposal 2019 Revised” is included as part of these minutes as Exhibit 1.

Trustee Flaherty physically left the meeting at 4:35 p.m.

CLOSED SESSION

Trustee Van Meter moved that the board of trustees go into closed session pursuant to §2(c)(1) of the Open Meetings Act. Trustee Ammons seconded and the motion carried on a roll call vote:

- Trustee Ammons - aye
- Trustee Atkinson - aye
- Trustee Figueroa - aye
- Trustee Flaherty - absent
- Trustee Gietz - aye
- Trustee Lyons - absent
- Trustee Rock - aye
- Trustee Van Meter - aye
- Trustee Vasquez - aye
- Trustee Vogel - aye

RETURN TO OPEN SESSION

Upon motion by Trustee Gietz that was seconded by Trustee Figueroa and carried, the board of trustees resumed the meeting in open session.

Trustee Ammons made the following motions.

- To approve an increase in compensation for the chief investment officer of 3.5 percent, retroactive to the beginning of FY2020.
• To approve an increase in compensation for the executive director of 3.5 percent, retroactive to the beginning of FY2020.

Trustee Rock seconded and the motions carried with all trustees present voting in favor.

Trustee Rock made the following motion.

• To approve the proposed Employment Agreement for the executive director, as presented.

Trustee Van Meter seconded and the motion carried with all trustees present voting in favor.

Trustees then deliberated on the process and timeline of the evaluation process for the executive director.

Trustee Vogel made the following motion.

• To direct the board to engage a third party to conduct a performance review of the executive director by February 1, 2020.

Trustee Vasquez seconded and the motion carried with all trustees present voting in favor.

PUBLIC COMMENT

There were no public comments presented to the Surs Board of Trustees.

There was no further business brought before the committee and Trustee Ammons moved that the meeting be adjourned. The motion was seconded by Trustee Figueroa and carried with all trustees present voting in favor.

Respectfully submitted,

Mr. Martin Noven
Secretary, Surs Board of Trustees

MMN:kc
State Universities Retirement System of Illinois

Fiduciary Liability
(and similar Management Liability Insurance Coverage)

Policy Period:
September 30, 2019 to September 30, 2020

Presented by:
Craig Goesel
Senior Vice President

Clayton Casale
Account Executive

Original Presentation: September 12, 2019
(Revised September 26, 2019)
All coverages and exclusions are not included within this proposal. Please refer to policy for all applicable terms and conditions.
Alliant Insurance Services, Inc. appreciates the opportunity to present our Management Liability insurance capabilities to State Universities Retirement System of Illinois.

Alliant’s experience with large public entity exposures and the development of group purchase programs dates back to 1977 when our public entity division was established. Over the past 40 years we have become a nationally recognized leader in this specialized market sector.

As we developed a variety of programs for the public sector we knew that our model and concept could be duplicated nationally for management liability coverage of retirement systems.

As a result, we created the first ever fiduciary and management liability program in the country designed to allow systems to band together and drive down the insurance marketplace in addition to leveraging broader coverage than what typically can be obtained as a standalone entity.

Our strategic alliance with both NASRA and NCPERS allow their members to access our exclusive program, resulting in significant savings to some of the largest systems in the country.

We understand the complexity of retirement exposures and are leading experts in designing coverage that is specifically tailored for our clients’ needs. We have an entire claims division that handles claim situations that arise.

We author articles on management liability and the exposures faced by the public sector, we continually keep abreast of public pension issues and consult with our clients on those issues as it relates to insurance exposures and risk management and finally, we are regular speakers at conferences regarding risk management for pension fund trustees for both NASRA and NCPERS.
Representative Clients

- State Retirement System of Illinois (SRS)
- Judges Retirement System of Illinois (JRS)
- State University Retirement System of Illinois (SURS)
- California Public Employees’ Retirement System (CalPERS)
- The Chicago Municipal Annuity and Benefit Fund
- The Chicago Laborers’ Annuity and Benefit Fund
- The Chicago Policemen Annuity and Benefit Funds
- The Chicago Firemen Annuity and Benefit Funds
- Illinois State Board of Investments (ISBI)
- State of Kentucky Teachers’ Retirement System
- State of South Carolina Public Employees’ Retirement System & Deferred Comp Plan
- Orange County Employees’ Retirement System
- Contra Costa County Employees’ Retirement System
- Missouri Department of Transportation and Patrol Employees’ Retirement System
- Napa County Deferred Comp Plan
- Fresno County Employees’ Retirement System
- Merced County Employees’ Retirement System & Deferred Comp Plan
- Imperial County Employees’ Retirement System
- Mendocino County Employees’ Retirement System
- Sacramento County Benefit Plans
- San Bernardino County Employees’ Retirement System
- Santa Barbara County Employees’ Retirement System
- Sonoma County Employees’ Retirement System
- The Retirement Plan for Chicago Transit Authority Employees (CTA Retirement Plan)
- Illinois Secure Choice Savings Program

State Universities Retirement System of Illinois

All coverages and exclusions are not included within this proposal. Please refer to policy for all applicable terms and conditions.
Why Alliant Insurance Services

• We are an employee-owned insurance broker, employing over 3,800 employees among our affiliates

• Alliant Insurance Services is an independent, full-service insurance broker (placing Fiduciary Liability Insurance Coverage Summary, Property, Casualty, Life & Health insurance programs)

• We have direct access to all of the major players in the Public Pension insurance marketplace. We do not utilize costly wholesalers to place this business

• We have a Practice Group dedicated to Organized Labor (including multi-employer, Taft-Hartley and public pension clients)

• Our experienced staff of professionals consists of former underwriters who can better tailor products to meet the evolving needs of Trustees

• Our team leader, Craig Goesel, has over 20 years of experience in underwriting and placing Management Liability insurance for clients

• We are an industry expert; with over 500 clients and $5,000,000 premium placed nationally, we are the largest broker in the nation for Public Pension clients

• We partner with state and national agencies and associations – including NASRA, IPPFA, IPPAC, MAPERS and TEXPERS - to help Trustees better understand their liability, insurance options and how to reduce their exposures. Alliant is a CorPERS member of the National Conference on Public Employee Retirement Systems (NCPERS)

• We act as a procurement agency for clients, ensuring that they receive the most comprehensive and favorably priced program through a competitive bid process

• We provide helpful guidance on coverage provisions, market selection and limits analysis in a clear, easy to understand, proposal presentation

• We have a network of positive relationships in the management liability space (clients, attorneys, consultants, etc.) that would provide favorable references

• Alliant Insurance Services has challenged a number of carriers (including ULLICO, Euclid, AIG, and Chubb) in coverage development to ensure the most comprehensive coverage meets the unique needs of our clients

• We have a dedicated claim advocacy team, and have been successful in reversing denials of coverage on behalf of our Taft-Hartley and Public Pension clients

State Universities Retirement System of Illinois
Procurement Request for Fiduciary Liability Insurance


Dear Underwriter:

Alliant Insurance Services, Inc. requests the participation of your firm in the procurement of Fiduciary Liability Insurance for State Universities Retirement System of Illinois. Alliant Insurance Services, Inc. will present terms on to the Board of Trustees before the renewal. As such, I am looking for your responses early August so we can properly draft the presentation and summarize the results in writing prior to the meeting.

Alliant Insurance Services, Inc. requires our carriers to be admitted to offer this insurance coverage within the State of Illinois and to hold an AM Best’s rating of at least {A- (VII)}. As such, we have only provided this submission to those carriers that currently hold these designations. If your firm's designations fall below these thresholds during the submission process, please immediately alert Alliant Insurance Services, Inc.

The State Universities Retirement System of Illinois currently purchases a Fiduciary Liability program:

I attach the following documents for your consideration:

- Annual CAFR
- Most recent investment performance report / financial statement
- Renewal application

Alliant Insurance Services, Inc. is not utilizing a wholesaler, procurement firm, mid-broker or other intermediary to secure these renewal terms. As such, we request that you provide only to MIS the renewal terms offered and no compensation is due to other such parties.

I would be happy to discuss this submission further. Please let me know if you have any questions or concerns.

Thank You & Best Regards,

Craig Goesel
Senior Vice President
v 312.595.8146
e cgoesel@alliant.com

State Universities Retirement System of Illinois

All coverages and exclusions are not included within this proposal. Please refer to policy for all applicable terms and conditions.
### Procurement Request: Carrier Responses

<table>
<thead>
<tr>
<th>Insurance Company</th>
<th>AM Best’s Rating</th>
<th>Carrier Response</th>
</tr>
</thead>
<tbody>
<tr>
<td>Arch Insurance Co., Axis Insurance Co., AIG Insurance Group, CNA Insurance Co., Hartford Insurance Co., Houston Casualty Insurance Co., Travelers Insurance Co.,</td>
<td>(Various) A - A+ (XV)</td>
<td>All of these carriers were unwilling to provide primary or excess options for coverage. They cited the underfunding, poor financial position of the state, size of the system and concern over “headline risk” as reasoning for their declinations.</td>
</tr>
<tr>
<td>Beazley Insurance Co.</td>
<td>A++ (XV)</td>
<td>Quoted the Cyber Liability (declined the Fiduciary)</td>
</tr>
<tr>
<td>Euclid/Hudson Insurance Co.</td>
<td>A (XV)</td>
<td>Quoted primary &amp; excess program</td>
</tr>
<tr>
<td>Lloyds of London</td>
<td>A (XV)</td>
<td>Not willing to quote primary due to class of business (IL-based and an affiliate of the public pension industry)</td>
</tr>
<tr>
<td>RLI Insurance Co.</td>
<td>A+ (XV)</td>
<td>Not willing to quote primary due to class of business (IL-based and an affiliate of the public pension industry)</td>
</tr>
<tr>
<td>RSUI Indemnity Co.</td>
<td>A+ (XV)</td>
<td>Not willing to quote primary due to class of business (IL-based and an affiliate of the public pension industry)</td>
</tr>
<tr>
<td>Starr Indemnity &amp; Liability Co.</td>
<td>A (XV)</td>
<td>Not willing to quote primary due to class of business (IL-based and an affiliate of the public pension industry)</td>
</tr>
<tr>
<td>Ullico/Markel Ins Co.</td>
<td>A (XIV)</td>
<td>Quoted primary program</td>
</tr>
<tr>
<td>XL Specialty Insurance Co.</td>
<td>A (XV)</td>
<td>Quoted terms; require a $100K retention and the pricing would be apx 30% more than the lead market</td>
</tr>
</tbody>
</table>

State Universities Retirement System of Illinois

*All coverages and exclusions are not included within this proposal. Please refer to policy for all applicable terms and conditions.*
### Important Policy Provision: Comparison of Key Carriers

<table>
<thead>
<tr>
<th>Coverage Provision</th>
<th>ULLICO</th>
<th>EUCLID</th>
</tr>
</thead>
<tbody>
<tr>
<td>Name insured to include past/present/future Trustees &amp; employees of the Fund</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Claims Made Policy</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Duty to Defend</td>
<td>Optional (Responsibility of Defense is decided by the Insured)</td>
<td>Optional (Responsibility of Defense is decided by the Insured)</td>
</tr>
<tr>
<td>Coverage for Spouses, Estates, Heirs, Legal Representatives or Assigns of an Insured Person</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Provides coverage for past acts (provided the policy will not respond to previously known incidents that could reasonably give rise to a claim)</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Trustee Expense Coverage</td>
<td>Yes ($1,000,000)</td>
<td>Yes ($1,000,000)</td>
</tr>
<tr>
<td>Client’s Choice of Counsel</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Non-Cancellable by carrier (except for non-payment of premium)</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>HIPAA fines &amp; penalties</td>
<td>Yes ($10,000,000)</td>
<td>Yes ($1,500,000)</td>
</tr>
<tr>
<td>Punitive Damages</td>
<td>Where Insurable Under Law</td>
<td>Where Insurable Under Law</td>
</tr>
<tr>
<td>Severability (Exclusions and Application)</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Consent to Settle Clause</td>
<td>Removed</td>
<td>Removed</td>
</tr>
<tr>
<td>Waiver of Recourse</td>
<td>Yes (a $25 fee-per-trustee does NOT need to be collected)</td>
<td>Yes (a $25 fee-per-trustee does NOT need to be collected)</td>
</tr>
<tr>
<td>Employment Practices Liability</td>
<td>Yes ($1,000,000 limit; $25k retention)</td>
<td>Yes ($100,000 Limit)</td>
</tr>
<tr>
<td>Cyber Liability</td>
<td>Yes ($1,000,000 limit; $25k retention)</td>
<td>Yes ($100,000 Limit)</td>
</tr>
</tbody>
</table>

State Universities Retirement System of Illinois

All coverages and exclusions are not included within this proposal. Please refer to policy for all applicable terms and conditions.
# Important Exclusions

<table>
<thead>
<tr>
<th>Coverage Exclusion</th>
<th>ULLICO</th>
<th>EUCLID</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personal Profit/ Illegal Remuneration</td>
<td>Excluded (although defense for allegations of such will be defended until the act is finally adjudicated)</td>
<td>Excluded (although defense for allegations of such will be defended until the act is finally adjudicated)</td>
</tr>
<tr>
<td>Criminal/Fraudulent Acts/Willful violation of any law</td>
<td>Excluded (although defense for allegations of such will be defended until the act is finally adjudicated)</td>
<td>Excluded (although defense for allegations of such will be defended until the act is finally adjudicated)</td>
</tr>
<tr>
<td>Bodily Injury, Personal Injury and Property Damage</td>
<td>Excluded</td>
<td>Excluded</td>
</tr>
<tr>
<td>Violations of any Workers Compensation, Unemployment Insurance, Social Security or similar Disability Benefits Law</td>
<td>Excluded</td>
<td>Excluded</td>
</tr>
<tr>
<td>A demand, suit or other proceeding rendered against the Insured prior to the first date of inception of coverage</td>
<td>Excluded (multiple allegations that stem from a single wrongful act will be treated as one claim under this policy, subject to the aggregate limit of liability)</td>
<td>Excluded (multiple allegations that stem from a single wrongful act will be treated as one claim under this policy, subject to the aggregate limit of liability)</td>
</tr>
<tr>
<td>Pollution or Pollutants</td>
<td>Excluded</td>
<td>Excluded</td>
</tr>
<tr>
<td>Contractual Liability of Others (other than contractual liability established by the Employee Benefit Plan)</td>
<td>Excluded</td>
<td>Excluded</td>
</tr>
<tr>
<td>Benefits Due</td>
<td>Excluded (provided this exclusion will allow coverage for claims expenses and the portion of the claim that may become a personal obligation of an Insured Person)</td>
<td>Excluded (provided this exclusion will allow coverage for claims expenses and the portion of the claim that may become a personal obligation of an Insured Person)</td>
</tr>
<tr>
<td>Specific debt instruments or investments</td>
<td>Not Excluded</td>
<td>Not Excluded</td>
</tr>
</tbody>
</table>

**State Universities Retirement System of Illinois**

All coverages and exclusions are not included within this proposal. Please refer to policy for all applicable terms and conditions.
## Program Renewal Options

### Expiring
- **Primary $10M Insurance Carrier:** Markel American Ins. Co
- **Excess Insurance Carrier (in order of layer):** Hudson Ins. Co

### Renewal Option 1:
- **Primary $10M Insurance Carrier:** Markel American Ins. Co
- **Excess Insurance Carrier (in order of layer):** Hudson Ins. Co

### Renewal Option 2:
- **Primary $10M Insurance Carrier:** Markel American Ins. Co
- **Excess Insurance Carrier (in order of layer):** Hudson Ins. Co

### Renewal Option 3:
- **Primary $10M Insurance Carrier:** Markel American Ins. Co
- **Excess Insurance Carrier (in order of layer):** Hudson Ins. Co

### Renewal Option 4:
- **Primary $10M Insurance Carrier:** Markel American Ins. Co
- **Excess Insurance Carrier (in order of layer):** Hudson Ins. Co / RLI Insurance Co / RSUI Indemnity Co / Lloyd's of London

### Liability of Limit
- **Fiduciary Liability:** $20,000,000
- **Cyber Liability:** $1,000,000
- **Employment Practices (EPL):** $1,000,000

### Retentions/ Deductible
- **Fiduciary (Non-Indemnifiable):** $0
- **Fiduciary (Indemnifiable):** $25,000
- **Cyber:** $25,000
- **EPL:** $25,000

### Premiums
- **Fiduciary Premium:** $290,936
- **Cyber Premium:** $12,404
- **EPL Premium:** $4,800
- **Annual Premium:** $308,140

### Changes
- **Change:** 5% 12% 27% 75%

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State Universities Retirement System of Illinois

All coverages and exclusions are not included within this proposal. Please refer to policy for all applicable terms and conditions.
Program Renewal Options – Notes

1) Annual aggregate limit of liability for all trustees

2) Retention/deductible applies to each claim

3) All renewal options include a separate stand-alone limit of liability for the EPL (an EPL claim would not erode the fiduciary liability limit)

4) We removed CyberLiability coverage from the renewal (this coverage was procured through another source)

5) Assuming a $100K retention (for indemnifiable claims) would reduce any option above by $11,000

6) Assuming a $250K retention (for indemnifiable claims) would reduce any option above by $16,500

7) A $40M Fiduciary Liability limit would cost a Total Annual Premium of $470,025 (a change of 52%)

The Following Information Required to Issue Policies:

1. Completed, signed and dated EPL application

2. Fiduciary Renewal application executed and currently dated

State Universities Retirement System of Illinois

All coverages and exclusions are not included within this proposal. Please refer to policy for all applicable terms and conditions.
**Peer Group:** Public Pension Funds (including state & municipal); between $5B and $25B in Total Assets; Fiduciary Liability Insurance; peer group size = 102

**Limit Profile:**
- 50% of peers purchase limits greater than $10M
- 26% of peers purchase limits >$5M up to and including $10M
- 24% of peers purchase limits $5M or lower

**Limit Analysis:**
As the largest provider of fiduciary liability insurance to public pension funds, we conducted an analysis of the buying habits of other funds of State Universities Retirement System of Illinois size & scope. The benchmarking would suggest $20M is an adequate limit for the trustees.
## Benchmarking

<table>
<thead>
<tr>
<th>Type</th>
<th>Fund Size(^{(1)})</th>
<th>Limit of Liability(^{(2)})</th>
<th>Aprox. Premium</th>
<th>Aprox. Rate(^{(3)})</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chicago</td>
<td>$1 Billion</td>
<td>$15,000,000</td>
<td>$150,000</td>
<td>1.00%</td>
</tr>
<tr>
<td>Chicago</td>
<td>$1.5 Billion</td>
<td>$15,000,000</td>
<td>$150,000</td>
<td>1.00%</td>
</tr>
<tr>
<td>Chicago</td>
<td>$3 Billion</td>
<td>$15,000,000</td>
<td>$150,000</td>
<td>1.00%</td>
</tr>
<tr>
<td>Chicago</td>
<td>$5 Billion</td>
<td>$15,000,000</td>
<td>$200,000</td>
<td>1.33%</td>
</tr>
<tr>
<td>County Fund</td>
<td>$10 Billion</td>
<td>$15,000,000</td>
<td>$150,000</td>
<td>1.00%</td>
</tr>
<tr>
<td>State Fund</td>
<td>$14 Billion</td>
<td>$15,000,000</td>
<td>$200,000</td>
<td>1.33%</td>
</tr>
<tr>
<td>State Fund</td>
<td>$18 Billion</td>
<td>$20,000,000</td>
<td>$250,000</td>
<td>1.25%</td>
</tr>
<tr>
<td>State Fund</td>
<td>$20 Billion</td>
<td>$20,000,000</td>
<td>$300,000</td>
<td>1.50%</td>
</tr>
</tbody>
</table>

(1) Fund Size comprehends the total assets of Pension Fund
(2) Limit of Liability is the Annual Aggregate Limit of Liability
(3) Rates are defined by dividing the "Aprox. Premium" by "Limit of Liability"
**Waiver of Recourse**

With the enactment of ERISA in 1974, Trustees of employee benefit plans became personally liable for their acts on behalf of the participants of those plans. Fiduciary Liability Policies became very popular, but ERISA only allowed the Trust Funds themselves to purchase insurance to protect the funds - not the respective trustees. Therefore, a nominal fee was charged directly to the Trustees as a way to circumvent this provision.

Although Public Pension Funds are not subject to ERISA law, the various state pension codes often follow in the “spirit of ERISA”. In addition, as the Fiduciary Liability policies were originally drafted to protect ERISA plans, the waiver provision followed across Non-ERISA plans. With that said, we have been successful in petitioning the carriers to waive their recourse to the trustees without having to charge, unless there is a requirement within the respective governing code. As Public Pension Codes typically have no such provision, we no longer need to charge the trustees for the waiver of recourse. The trustees still retain the same full coverage as provided in the past.

**Compensation**

Alliant Insurance Services, LLC is compensated for our risk management, insurance placement, marketing, policy issuance and other insurance services for this insurance program using a commission based compensation plan. As the different carriers provide distinct commission schedules, we have outlined the *standard* commission schedules from carriers that provide this insurance coverage. Please note that commissions paid do not influence our recommendations for coverage placements:

<table>
<thead>
<tr>
<th>Insurance Company</th>
<th>Standard Commission % Paid</th>
</tr>
</thead>
<tbody>
<tr>
<td>Arch</td>
<td>15%</td>
</tr>
<tr>
<td>Axis</td>
<td>15%</td>
</tr>
<tr>
<td>AIG</td>
<td>15%</td>
</tr>
<tr>
<td>Chubb</td>
<td>15%</td>
</tr>
<tr>
<td>CNA</td>
<td>12.5%</td>
</tr>
<tr>
<td>Euclid</td>
<td>15%</td>
</tr>
<tr>
<td>Hartford</td>
<td>15%</td>
</tr>
<tr>
<td>Tokio Marine (HCC)</td>
<td>15%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Insurance Company</th>
<th>Standard Commission % Paid</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ullico</td>
<td>15%</td>
</tr>
<tr>
<td>XL Specialty</td>
<td>12.5%</td>
</tr>
<tr>
<td>Beazley</td>
<td>15%</td>
</tr>
<tr>
<td>Lloyd’s of London (various)</td>
<td>10%</td>
</tr>
<tr>
<td>Starr Indemnity</td>
<td>10%</td>
</tr>
<tr>
<td>RLI</td>
<td>15%</td>
</tr>
<tr>
<td>Travelers</td>
<td>15%</td>
</tr>
</tbody>
</table>

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Fiduciary Liability Insurance for Public Pension Funds

Fiduciary Liability Insurance for Public Pension Funds
Trustees and staff members of governmental, municipal and quasi-governmental pension plans face increased exposure in their fiduciary roles. Allegations of breaches of duty are costly to defend, and may result in personal liability of the trustees. Alliant Insurance Services experts provide the following summary of typical fiduciary liabilities, and offer solutions to lessen your fiduciary exposure.

PENSION CODE STANDARDS & FIDUCIARY DUTIES
The fiduciary duties under most State Pension Codes mirror standards similar to those outlined in ERISA. These duties include acting solely in the interest of the participants & beneficiaries, adhering to the so-called “prudent investor” standard and other provisions of the State Pension Code.

ENFORCING PROVISIONS & LIMITATIONS ON LIABILITY
State Pension Codes, and ERISA law, typically provide that participants, beneficiaries, fiduciaries and/or the Attorney General may bring suits to enforce fiduciary duties and other provisions of the respective Pension Code. These Pension Codes often do not provide limitations, or at least not complete limitations, on liability. They also make clear that litigation against fiduciaries is permissible. Fiduciaries that breach their duty can be held personally liable to make good to such Fund any losses resulting from such breach.

INSURANCE AUTHORIZATION & INDEMNIFICATION PROVISIONS
Each board and pension fund is often authorized to purchase insurance to protect against liability of trustees, staff and employees which may arise as a result of claims.

State Pension Codes generally permit, but do not guarantee, the indemnification of trustees and employees of the Fund – however, this indemnification is provided for allegations other than willful misconduct or gross negligence (properly structured insurance programs will not exclude allegations of willful misconduct or gross negligence).

IN SUMMARY
State Pension Codes require fiduciaries to adhere to many of the same standards outlined in ERISA. Breaches of established fiduciary duties may translate into personal liability for the trustees of public pension funds. These same Pension Codes allow for the purchase of insurance to protect the plan, the trustees and the staff from such liability.

Our professionals at Alliant Insurance Services, Inc. are experienced in prudently structuring comprehensive fiduciary liability insurance programs to provide trustees with added protection in their roles as fiduciaries of public pension funds.

State Universities Retirement System of Illinois
Fiduciary Liability Insurance for Public Pension Funds

**NAMED INSURED**
The Pension Fund and/or Retirement Fund
Past, present and futures trustees, directors & officers (including spouses and legal estate).
Past, present and futures employees, staff, plan administrator (including spouses and legal estate).

**INSURED WRONGFUL ACTS**
Breach of Fiduciary duties; violation of the responsibilities, obligations or duties imposed by Municipal, State or similar Pension Code
Any act error of omission in the performance of counseling participants, providing interpretations, handling records or effecting enrollment.

**COVERAGE EXTENDS TO CLAIMS**
Written demand for monetary and injunctive relief
Criminal or civil proceedings commenced by service of complaint, return of an indictment and/or agency or regulatory proceeding

**LOSSES COVERED INCLUDE**
Damages; judgments; settlements; pre- & post- judgment interest
Defense expense
Civil penalties associated with CAP, HIPPA, 502I or 502i

**OTHER POLICY PROVISIONS**
Annual policy period; annual aggregate limits of liability; higher limits available than those presented
Claims-Made coverage (provides coverage for claims arising from prior acts)
Defense costs within the annual limit

**NOTABLE EXCLUSIONS**
Coverage does not extend to: outside service vendors; benefits due the participants; fraudulent acts or illegal personal profit; failure to collect contributions; bodily or property damage; failing to comply with Workers Comp, unemployment, Social Security.

State Universities Retirement System of Illinois

All coverages and exclusions are not included within this proposal. Please refer to policy for all applicable terms and conditions.
We reference the below as an example of changing legislation that can affect the responsibilities, and therefore liabilities, of Trustees. The below is an amendment to the responsibilities imposed upon fiduciaries by the IL State Pension Code. As the Fiduciary Liability policy is intended to cover board members (and employees) for breaches of these stated responsibilities, defense coverage would be provided for alleged breaches of such duties/responsibilities.

Public Act 97-0651 Further amends the Illinois Pension Code. Provides that any reasonable suspicion by any appointed board member of a retirement system created under the Code of a false statement/record being submitted or permitted by a person under the Code shall be immediately referred to the board of trustees or the State's Attorney of the jurisdiction where the alleged fraudulent activity occurred. The board of trustees of this retirement system or shall immediately notify the State's Attorney of the jurisdiction where any alleged fraudulent activity occurred for investigation.

State Universities Retirement System of Illinois
Claims Reporting and Important Disclosures

Claim Reporting
The ramification of the current insurance market condition from the claims prospective is that insurance carriers are much stricter in claims being reported promptly. Therefore, we recommend all of our clients inform us (or your appropriate carrier) as soon as possible when first made aware of an incident, accident, lawsuit, or circumstance which could give rise to a claim.

What could happen if you delay reporting a new claim?
- The carrier could reserve rights against you and offer less than 100% of what is due.
- The claim could be denied in its entirety.

Prompt claim reporting begins with the immediate investigation into the facts and circumstances of an accident, work related injury or allegation. Every such incident, no matter how minor, should be investigated as soon as possible. In order to assist you in preparing and reporting claims, Alliant Insurance Services maintains a directory of accident investigation forms and contact numbers for your insurers claim departments.

These comprehensive forms along with Claim Handling Tips and reporting instructions for your insurer’s claims departments can be accessed by visiting our website: http://www.alliant.com/property/claimreporting/default.jsp

If you have difficulty reporting any claim, you can also contact our claim department who will assist in filing the matter with the insurance company. You may call, fax or email your claim materials to our office:

Phone: 312.595.6200 (available 24/7)
Fax: 312.595.6506
Email: claimsreporting@alliant.com

Important Disclosures
Our proposal is an outline of the coverage offered by the insurers, based on the information provided by your company – including but not limited to the insurance Application, which we have relied upon in preparing this proposal. If changes need to be made, please notify our office immediately. All changes are subject to review and acceptance by the insurance company. This proposal does not constitute a contract and does not include all the terms, coverage, exclusions, limitations, or conditions of the actual contract language. You must read the policies for those details. For your reference, policy forms will be made available upon request.

In addition to fees, commissions or other compensation retained by Alliant Insurance Services, Inc. it is understood that in some circumstances other parties necessary to arrange placement of coverage may earn usual and customary commissions and/or fees in the course of providing insurance products. In addition, as is a common practice in the industry, Alliant Insurance Services, Inc. benefits from programs implemented by certain insurers, wholesale brokers (property & casualty) and administrators (benefits) providing for compensation, in addition to commissions and fees, to be paid to Alliant Insurance Services, Inc. based upon differing factors. This additional compensation may include non-cash awards and benefits. The insurance you purchase through Alliant Insurance Services, Inc. may be issued by an insurer, wholesale broker (property & casualty) or administrator (benefits) who has such a program. Further, Alliant Insurance Services, Inc. may receive fees from premium finance transactions (property & casualty). Additionally, Alliant Insurance Services, Inc. may share non-identifiable commercial insurance program data with third-parties for benchmarking purposes (property & casualty). Should you have specific questions concerning Alliant Insurance Services, Inc.’ compensation or data sharing, please contact your Alliant Insurance Services, Inc. executive.

State Universities Retirement System of Illinois

All coverages and exclusions are not included within this proposal. Please refer to policy for all applicable terms and conditions.
Best’s Insurance Reports

Best’s Insurance Reports, published annually by A. M. Best Company, Inc., presents comprehensive reports on the financial position, history, and transactions of insurance companies operating in the United States and Canada. Companies licensed to do business in the United States are assigned a Best’s Rating which attempts to measure the comparative position of the company or association against industry averages.

A Best’s Financial Strength Rating (FSR) is an opinion of an insurer’s ability to meet its obligations to policyholders. The Best’s Financial Strength Rating is based on analysis, which gives consideration to a number of factors of varying importance. While the analysis is believed to be reliable, we cannot guarantee the accuracy of the rating or the financial stability of the insurance company.

A copy of the Best’s Insurance Report on the insurance companies quoted is available upon request.

### Best’s Ratings

<table>
<thead>
<tr>
<th>Grade</th>
<th>Description</th>
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</thead>
<tbody>
<tr>
<td>A++, A+</td>
<td>Superior</td>
</tr>
<tr>
<td>A, A-</td>
<td>Excellent</td>
</tr>
<tr>
<td>B++, B+</td>
<td>Good</td>
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<tr>
<td>B, B-</td>
<td>Fair</td>
</tr>
<tr>
<td>C++, C+</td>
<td>Marginal</td>
</tr>
<tr>
<td>C, C-</td>
<td>Weak</td>
</tr>
<tr>
<td>D</td>
<td>Poor</td>
</tr>
<tr>
<td>E</td>
<td>Under Regulatory Supervision</td>
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<tr>
<td>F</td>
<td>In Liquidation</td>
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<td>S</td>
<td>Rating Suspended</td>
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### Financial Strength Rating

<table>
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<th>Class</th>
<th>Description</th>
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<tbody>
<tr>
<td>Class I</td>
<td>$ 0 - $1,000,000</td>
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<tr>
<td>Class II</td>
<td>$1,000,000 - $2,000,000</td>
</tr>
<tr>
<td>Class III</td>
<td>$2,000,000 - $5,000,000</td>
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<tr>
<td>Class IV</td>
<td>$5,000,000 - $10,000,000</td>
</tr>
<tr>
<td>Class V</td>
<td>$10,000,000 - $25,000,000</td>
</tr>
<tr>
<td>Class VI</td>
<td>$25,000,000 - $50,000,000</td>
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<tr>
<td>Class VII</td>
<td>$50,000,000 - $100,000,000</td>
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<tr>
<td>Class VIII</td>
<td>$100,000,000 - $250,000,000</td>
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<tr>
<td>Class IX</td>
<td>$250,000,000 - $500,000,000</td>
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<tr>
<td>Class X</td>
<td>$500,000,000 - $750,000,000</td>
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<tr>
<td>Class XI</td>
<td>$750,000,000 - $1,000,000,000</td>
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<tr>
<td>Class XII</td>
<td>$1,000,000,000 - $1,250,000,000</td>
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<td>Class XIII</td>
<td>$1,250,000,000 - $1,500,000,000</td>
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<tr>
<td>Class XIV</td>
<td>$1,500,000,000 - $2,000,000,000</td>
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<tr>
<td>Class XV</td>
<td>$2,000,000,000 or more</td>
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### Rating Modifier

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<tr>
<th>Modifier</th>
<th>Descriptor</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>u</td>
<td>Under review</td>
<td>A modifier that generally is event-driven (positive, negative or developing) and is assigned to a company whose Best’s rating opinion is under review and may be subject to change in the near-term, generally defined as six months.</td>
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<tr>
<td>pd</td>
<td>Public data</td>
<td>Assigned to insurers that do not subscribe to Best’s interactive rating process. Best’s “pd” Ratings reflect qualitative and quantitative analyses using public data and information.</td>
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<td>s</td>
<td>Syndicate</td>
<td>Assigned to syndicates operating at Lloyd’s.</td>
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</table>
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