

ROLL CALL

Chairman Bruce called the meeting to order at 9:15 a.m. The Secretary called the roll and noted that a quorum was present. The Chairman thanked everyone for attending. Mr. Bashir moved to allow Treasurer Rutherford to participate via telephone due to matters relating to Treasurer Rutherford's employment. Ms. Bush seconded and the motion passed unanimously.

COMMUNICATIONS

Chairman Bruce noted that all Committee memberships from 2013 would continue through 2014, with the addition of Justice Schostok to the Emerging Manager and Investment Policy Committees.

REPORT OF THE CHAIRMAN

Chairman Bruce referred the Members to the proposed 2014 Schedule of Meetings, which reflects a revision to the December meeting date. Mr. Casey moved to approve the Schedule of Meetings, as revised. Ms. Bush seconded and the motion passed unanimously.

MINUTES OF PREVIOUS MEETING

Mr. Bashir moved to approve the minutes of the Board meeting held September 27, 2013, in the form previously submitted. Ms. Bush seconded and the motion passed unanimously.

REPORT OF STANDING COMMITTEES

Emerging Manager Committee

Ms. El-Harazin stated that the Emerging Manager Committee had met the previous afternoon and reported the following actions:

- Committee approved the minutes of the September 26, 2013 meeting.
- Committee recommended the termination of Globeflex.
- Committee heard presentations from the RFP finalists for the international equity search and recommended the following allocations: (i) \$105M to Ariel Investments and (ii) \$75M to Lombardia.
- Committee recommended revisions to the Fiduciary Diversification Policy.
- Committee recommended revisions to the investment guidelines for Ariel Investment (micro cap account).

Following review, Justice Schostok moved to approve the above recommendations and ratify the actions of the Emerging Manager Committee. Mr. Bashir seconded and the motion passed unanimously.

Investment Policy Committee

Chairman Bruce stated that the Investment Policy Committee had also met the previous afternoon and reported the following actions:

- Committee approved the minutes of the September 26, 2013 meeting.

- Committee heard presentations from the RFP finalists for the emerging market small cap search and recommended the following allocations: (i) \$125M to Ashmore and (ii) \$125M to William Blair for the mandate.
- Committee recommended revisions to the Real Estate Investment Policy.
- Committee recommended the following real estate allocations: (i) \$40M to Morgan Stanley Prime Property Fund and (ii) \$30M to Latitude Management Real Estate Capital, Fund III.
- Committee recommended the private equity allocation of \$20M to Odyssey Investment Partners V.
- Committee recommended revisions to the investment guidelines for Crescent in order to allow for direct lending.
- Committee recommended revision of the classification for Amalgamated Bank from fixed income to real estate.

Following review, Mr. Bashir moved to approve the above recommendations and ratify the actions of the Investment Policy Committee. Mr. Casey seconded and the motion passed unanimously.

Audit & Compliance Committee

Ms. Bush stated that the Audit & Compliance Committee had met prior to this meeting and reported the following actions:

- Committee approved the minutes of the September 27, 2013 meeting.
- Committee accepted the FY2013 Annual Report.
- Ms. Schoemehl reported there were no exceptions to report to the Staff's Monthly Personal Transactions Report through September 2013.
- Committee recommended approval of the Commission Recapture Report for the quarter ending September 2013.
- Committee recommended approval of the Records of Vouchers for the months of September, October, November 2013.
- Committee reviewed and accepted the report on placement agent contacts and ex parte communications for FY 2014 2nd Quarter.
- Committee recommended approval of the third party travel reimbursement for Director Atwood.
- Chairman Bush requested appointed Board Members to submit quarterly timesheets.

Chairman Bruce moved to approve and ratify the actions of the Audit & Compliance Committee as outlined above. Mr. Casey seconded and the motion passed unanimously.

DEFERRED COMPENSATION

Report of Consultant – Marquette Associates

Ms. Roman-Bhatty, Marquette Associates referred the Board Members to the "Illinois State Board of Investment Deferred Compensation Executive Summary" for the quarter September 2013. (Official minutes contain attachments.)

Ms. Roman-Bhatty reviewed the Watch List. (Official minutes contain attachments.) Chairman Bruce suggested inviting Lord Abbett to the March meeting of the Board, consistent with the Board's Watch List Policy.

Hardship Appeal

Director Atwood indicated that the Hardship Appeal matter would be discussed in Executive Session.

REPORT OF CONSULTANT – MARQUETTE ASSOCIATES

Investment Performance Report – September 2013

Mr. Wrubel reported that the Investment Performance Report for the quarter ending September 2013 had previously been distributed. (Official minutes contain attachments.) Mr. Wrubel further noted that the asset allocation changes approved at the June Board Meeting have been implemented.

REPORT OF THE DIRECTOR

Chairman Bruce stated that the Board would go into Executive Session to discuss specific investment manager contracts (5 ILCS 120/2(c)(7)), review of closed session minutes (5 ILCS 120/2 (21)), matters presented during an open hearing (5 ILCS 120/2(c)(4)), and current Board litigation (5 ILCS 120/2(c)(11)). Mr. Casey moved to go into Executive Session for the above-stated purposes. Ms. Bush seconded and the motion passed unanimously.

Guests and Staff were excused from the meeting with the exception of Director Atwood, Mr. Richards, and Mses. Schoemehl and White.

Upon returning to Open Session, Ms. Bush moved to (i) maintain the confidentiality of the minutes of the Executive Session meetings, (ii) terminate Janus as a Deferred Compensation Investment Option, and (iii) deny the Hardship Appeal (H/S 13-060). Mr. Powell seconded and the motion passed unanimously.

Revised Watch List Policy and Watch List

Director Atwood referred Members to the revised Watch List Policy, as previously distributed, and reviewed. (Official minutes contain attachment). Ms. Bush moved to approve the revised Watch List Policy. Mr. Powell seconded and the motion passed unanimously.

Mr. Richards reported that the Watch List was previously distributed and reviewed. (Official minutes contain attachment.) Consistent with the Board's revised Watch List Policy, Chairman Bruce asked that William Blair and Segall, Bryant & Hamill be invited to present at the March Board meeting.

Matters Relating to Existing Managers

Director Atwood stated that the matter was discussed during Executive Session. (Official minutes contain attachment.)

Legal Matters

Director Atwood stated that the matter was discussed during Executive Session.

Review of Transitions

Ms. El-Harazin referred the Members to three memoranda regarding the liquidation of the Ironbridge Capital Management, Credo Capital, LLC, and State Street Global Advisors accounts, as previously distributed, and reviewed. (Official minutes contain attachment)

Update on Securities Lending – Quarter Ended 09/30/13

Ms. El-Harazin referred the Members to a memorandum “Securities Lending Reporting – September 30, 2013” dated November 4, 2013 and reviewed. (Official minutes contain attachment.)

Minority Broker Usage Report – Quarter Ended 09/30/13

Ms. El-Harazin reviewed the minority brokerage commissions for the quarter ended September 30, 2013, as outlined in the memorandum “Minority Broker Commission Report as of June 30, 2013.” Mr. Powell moved to accept the report. Ms. Bush seconded and the motion passed unanimously. (Official minutes contain attachment.)

Review of Transaction Cost Analysis

Ms. El-Harazin referred the Members to “Transaction Cost Analysis (TCA) Summary Report – Equity and Fixed Income Reports” for the period ended September 30, 2013, and reviewed. (Official minutes contain attachment.)

Review of FX Cost Analysis

Ms. Scott stated that the FX Summary Report for the quarter ended September, 2013 was previously submitted, and reviewed. (Official minutes contain attachment.)

Budget Comparison

Ms. White stated that the Budget Comparison for the quarter ended September, 2013 was previously distributed. The Chairman ordered the report filed. (Official minutes contain attachment.)

Legislative Update

Director Atwood reported that pension reform legislation had been passed but would likely be challenged in the courts. Director Atwood further reported that as part of the reform, certain employees would be offered the option to participate in a defined contribution plan; ISBI Staff is in the process of working with the Board’s external counsel to prepare for implementation of such a plan.

Approval of Revised Securities Litigation Policy

Ms. Schoemehl referred the Members to the memorandum "Revised Securities Litigation Policy," as previously distributed, and reviewed. (Official minutes contain attachment). Ms. Bush moved to approved the revised Securities Litigation Policy. Justice Schostok seconded and the motion passed unanimously.

Update on Corporate Governance Matters

Ms. Schoemehl informed the Members that the Board will continue its work with the Harvard Law School Shareholder Rights Project (the "SRP") for the 2014 proxy season. Chairman Bruce suggested inviting Professor Lucian Bebchuk to the Board's meeting in March to present the work of the SRP. Ms. Schoemehl further updated the Members of her work, on the Board's behalf, with other institutional investors to engage Wal-Mart and other similar retailers regarding human capital issues. Finally, Ms. Schoemehl discussed the importance of providing SEC commentary in certain circumstances and the Board agreed that this was action which Staff should be granted discretionary authority.

REPORT OF ANY BOARD MEMBER

None.

UNFINISHED BUSINESS

None.

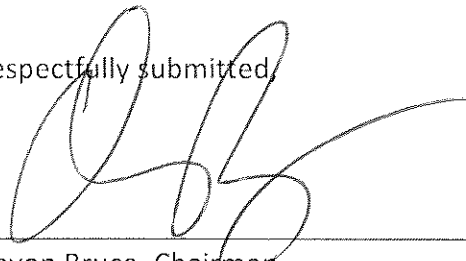
NEW BUSINESS

None.

NEXT MEETING AND ADJOURNMENT

Chairman Bruce noted that the next meeting of the Board is scheduled for March 21, 2014 at 9:15 a.m. At 10:45 a.m., there being no further business to come before the Board, Mr. Casey moved to adjourn. Ms. Bush seconded and the meeting was adjourned.

Respectfully submitted,



Devon Bruce, Chairman
Illinois State Board of Investment