

MINUTES
MEETING OF THE
ILLINOIS STATE BOARD OF INVESTMENT
MARCH 21, 2014 – 9:15 A.M.

Present: Board Members

Devon Bruce
Roderick Bashir
Michele Bush
Mary Seminara-Schostok
Judy Baar Topinka
Dan Rutherford (via telephone)

Staff

Andrew Armonaitis
William Atwood
Genette Bacon
Johara El-Harazin
Timothy Kominiarek
Scott Richards
Linsey Schoemehl
Lorna Scott
Alise White

Guests

Marquette Associates
Brian Wrubel, Kelli Schrade, Nichole Roman-
Bhatty, Neil Capps

Absent: Board Member

James Clayborne
John Casey
Steven Powell

ROLL CALL

Chairman Bruce called the meeting to order at 9:30 a.m. The Secretary called the roll and noted that a quorum was present. The Chairman thanked everyone for attending. Justice Schostok moved to allow Treasurer Rutherford to participate via telephone due to matters relating to Treasurer Rutherford's employment. Mr. Bashir seconded and the motion passed unanimously.

COMMUNICATIONS

Chairman Bruce noted that due to scheduling conflicts, the June meeting of the Board would be moved to June 27, 2014, with the Investment Policy Committee meeting to be scheduled for June 26, 2014. The meetings will be held in Rockford, Illinois. Mr. Bashir moved to approve the Schedule of Meetings, as revised. Ms. Bush seconded and the motion passed unanimously.

REPORT OF THE CHAIRMAN

Chairman Bruce stated he had nothing to report.

MINUTES OF PREVIOUS MEETING

Comptroller Topinka moved to approve the minutes of the Board meeting held December 17, 2013, in the form previously submitted. Ms. Bush seconded and the motion passed unanimously.

REPORT OF STANDING COMMITTEES

Investment Policy Committee

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

- Committee approved the minutes of the December 16, 2013 meeting.
- Committee recommended revisions to the Board's Investment Policy regarding the real asset portfolio.
- Committee recommended the following private equity allocations: (i) \$10M to Franklin Park Venture Series 2014, (ii) \$10M to Franklin Park International Fund 2014, and (iii) \$30M to Vista Equity Partners, Fund V.

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

Audit & Compliance Committee

Ms. Bush stated that the Audit & Compliance Committee had met prior to this meeting but that a quorum was not present. As a result, Ms. Bush asked the Board to take the following action on behalf of the Committee:

- Approval of the Records of Vouchers for the months of October, November, December, 2013.
- Approval of the third party travel reimbursement for Ms. Schoemehl and Mr. Kominiarek.

Chairman Bruce moved to approve the Record of Vouchers for the months of October, November, December, 2013. Justice Schostok seconded and the motion passed unanimously. (Official minutes contain attachment. Mr. Bashir moved to approve the third party travel reimbursement for Ms. Schoemehl and Mr. Kominarek as set forth in the memorandum, "Third Party Travel Reimbursement" dated February 24, 2014. Justice Schostok seconded and the motion passed unanimously. (Official minutes contain attachment.)

DEFERRED COMPENSATION

Fiduciary Investment Education: DC Plan

Mses. El-Harazin and Roman-Bhatty were invited to join the meeting to discuss the State of Illinois Deferred Compensation Plan as part of the Board's Fiduciary Investment Education Program. Following review of materials, previously distributed, and answering questions posed by the Members, Mses. El-Harazin and Roman-Bhatty thanked the Members for their time. (Official minutes contain attachment.)

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 December 2013. (Official minutes contain attachments.)

REPORT OF CONSULTANT – MARQUETTE ASSOCIATES

Investment Performance Report – December 2013

Mr. Wrubel reported that the Investment Performance Report for the quarter ending December 2013 had previously been distributed. (Official minutes contain attachments.)

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)) and potential Board litigation (5 ILCS 120/2(c)(11)). Justice Schostok moved to go into Executive Session for the above-stated purposes. Mr. Bashir seconded and the motion passed unanimously.

Guests and Staff were excused from the meeting with the exception of Director Atwood, Messrs. Richards, Kominiarek, Wrubel and Mses. Schoemehl, White, and El-Harazin. Upon returning to Open Session, Director Atwood continued his report.

Revised Watch List Policy and Watch List

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

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.

RFP Update: Proxy Voting and ESG Advisory Services

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

Update on Securities Lending – Quarter Ended 12/31/13

Ms. El-Harazin referred the Members to a memorandum “Securities Lending Reporting – December 31, 2013” dated March 6, 2014 and reviewed. (Official minutes contain attachment.)

Minority Broker Usage Report – Quarter Ended 12/31/13

Ms. El-Harazin reviewed the minority brokerage commissions for the quarter ended December 31, 2013, as outlined in the memorandum “Minority Broker Commission Report as of December 31, 2013.” Ms. Bush moved to accept the report. Comptroller Topinka 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 December 31, 2013, and reviewed. (Official minutes contain attachment.)

Review of FX Cost Analysis

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

Review of Transitions

Ms. El-Harazin referred the Members to two memoranda regarding the transition of the Globeflex Capital Management account and an update to the status of State Street Global Markets- Portfolio Solutions Group Transition Management, as previously distributed, and reviewed. (Official minutes contain attachment.)

Budget Comparison

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

Review of Financial Statements

Ms. White reviewed the Financial Statements for the quarter ended September 30, 2013. Ms. Bush moved to approve the Financial Statements as submitted. Mr. Bashir seconded and the motion passed unanimously. (Official minutes contain attachment.)

Legislative Update

Director Atwood reported that Staff would continue to monitor the status of the pension reform legislation.

Approval of Amended Signature Resolution

Ms. Schoemehl referred the Members to the amended Signature Resolution, as previously distributed, and reviewed. (Official minutes contain attachment.) Justice Schostok moved to approve the amended Signature Resolution. Comptroller Topinka seconded and the motion passed unanimously.

SEC Comment Policy

Ms. Schoemehl referred the Members to the memorandum "SEC Comment Policy," as previously distributed, and reviewed. (Official minutes contain attachment). Justice Schostok moved to approve the SEC Comment Policy and amend the Board's Investment Policy to reflect the approval. Mr. Bashir seconded and the motion passed unanimously.

Update on Corporate Governance Matters

Ms. Schoemehl informed the Members that the Board is continuing to have success with its corporate engagement through 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 September 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 issues pertaining to Duke Energy; discussion ensued and the Board agreed to serve as a signatory to a letter being sent to the company on behalf of its shareholders.

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 June 27, 2014 at 9:15 a.m. in Rockford, Illinois; additional information and formal notices to be distributed at a later date. At 11:00 a.m., there being no further business to come before the Board, Comptroller Topinka moved to adjourn. Mr. Bashir seconded and the meeting was adjourned.

Respectfully submitted,


Devon Bruce, Chairman, Illinois State Board of Investment

