

MINUTES
MEETING OF THE
ILLINOIS STATE BOARD OF INVESTMENT
March 20, 2015 – 10:15 A.M.

Present:

Board Members

Roderick Bashir
James Clayborne
Mark Cozzi
Michael Frerichs
Marc Levine
Leslie Munger
Steven Powell
Shari Reiches
Mary Seminara-Schostok

Staff

Andrew Armonaitis
William Atwood
Genette Bacon-Cordova
Johara Farhadieh
Timothy Kominiarek
Tondalaya Lewis-Hozier
Katherine Novel
Linsey Payne
Scott Richards
Alise White

Guests

Marquette Associates
Brian Wrubel, Dave Smith, Nichole Roman-Bhatty

Absent:

Board Member

ROLL CALL

Chairman Powell called the meeting to order at 10:30 a.m. The Secretary called the roll and noted that a quorum was present.

COMMUNICATIONS

Resolutions for Former Board Members

Chairman Powell referred Members to the three Resolutions, as previously distributed, recognizing the services of former Board Members: Devon Bruce, Michele Bush and John Casey. Senator Clayborne moved to adopt the Resolutions. Justice Schostok seconded and the motion passed unanimously. (Official minutes contain attachments.)

June 2015 Meeting Date Revision

Discussion ensued over the scheduled location for the June Board meeting, currently set for Peoria, IL. Comptroller Munger motioned to change the location of the June Board meeting to Chicago. Senator Clayborne seconded and the motion passed unanimously.

Election of Member at Large

In light of the vacancy to the position, Chairman Powell moved to elect Mr. Levine as the Board's Member at Large. Justice Schostok seconded and the motion passed unanimously.

REPORT OF THE CHAIRMAN

Chairman Powell welcomed the newly appointed Board Members and reminded everyone that the Board is a non-partisan investment board and its sole duty is to act on behalf of the underlying participants and their beneficiaries.

MINUTES OF PREVIOUS MEETING

Mr. Bashir moved to approve the minutes of the Board meetings held February 6, 2015 and March 3, 2015, in the forms previously submitted. Justice Schostok seconded and the motion passed unanimously.

REPORT OF STANDING COMMITTEES

Emerging Manager Committee

Chairman Clayborne stated that the Emerging Manager Committee had met prior to this meeting and reported the following actions:

- Committee approved the minutes of the December 5, 2015 meeting.
- Committee heard a presentation from Herndon Capital in accordance with the Board's Watch List Policy.
- Committee approved the Minority Brokerage Report for quarter ended December 31, 2014.

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

Director Atwood stated that the Investment Policy Committee had met the previous afternoon and reported the following actions:

- Committee elected Chairman Powell as Chairman.
- Committee approved the minutes of the December 4, 2014 meeting.
- Committee approved the continued retention of T.Rowe Price as Recordkeeper for the Deferred Compensation Plan.

Justice Schostok moved to accept the recommendations and ratify the actions of the Investment Policy Committee. Mr. Bashir seconded and the motion passed unanimously.

Audit & Compliance Committee

Chair Schostok stated that the Audit & Compliance Committee had met the previous afternoon and reported the following actions:

- Committee Justice Schostok as Chair.
- Committee approved the minutes of the December 4, 2014 meeting.
- Committee approved the December 31, 2014 Commission Recapture Report.
- Committee approved the Record of Vouchers for the months of October, November, December 2014.
- Committee approved the Placement Agent Report for 3Q15.

Following review, Mr. Cozzi moved to approve the above recommendations and ratify the actions of the Audit & Compliance Committee. Comptroller Munger seconded and the motion passed unanimously.

DEFERRED COMPENSATION

Report of Consultant – Marquette Associates

Ms. Roman-Bhatty, Marquette Associates, referred Members to the “Illinois State Board of Investment Deferred Compensation Executive Summary” for the quarter December 2014. Ms. Roman-Bhatty gave a brief overview of the Plan summary and investment performance, stating that there were no matters related to existing managers or managers to add to the Plan’s Watch List. (Official minutes contain attachments.)

Update on Reenrollment

Ms. Farhadieh updated Members on the Plan reenrollment, scheduled for April 24, 2015.

REPORT OF CONSULTANT – MARQUETTE ASSOCIATES

Investment Performance Report – December 2014

Mr. Wrubel reported that the Investment Performance Report for the quarter ending December 2014 had previously been distributed and reviewed. (Official minutes contain attachments.)

REPORT OF THE DIRECTOR

Chairman Powell stated that the Board would go into Executive Session to discuss specific investment contracts (5 ILCS 120/2(c)(7)). Justice Schostok moved to go into Executive Session for the above-stated purposes. Mr. Cozzi seconded and the motion passed unanimously.

Guests and Staff were excused from the meeting with the exception of Director Atwood, Messrs. Armoniatas, Richards, and Kominiarek and Meses. Farhadieh, Novel, Payne and White.

Upon returning to Open Session, Director Atwood continued with his report.

Matters Relating to Existing Managers

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

Watch List

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

Legal Matters

Ms. Payne stated there was nothing to report.

Update on Securities Lending – Quarter Ended 12/31/14

Ms. Farhadieh referred Members to the memorandum “Securities Lending Quarterly Reporting – December 31, 2014,” as previously distributed, and reviewed. (Official minutes contain attachment.)

Review of Transaction Cost Analysis

Ms. Farhadieh referred Members to the memoranda, “Transaction Cost Analysis Summary Report – Equity” and “Transaction Cost Analysis Summary Report – Fixed Income” for the period ended December 31, 2014, as previously distributed, and reviewed. (Official minutes contain attachment.)

Review of FX Cost Analysis

Ms. Novel stated that the FX Summary Report for the quarter ended December 31, 2014 was previously submitted, and reviewed. (Official minutes contain attachment.)

Review of Transition

Ms. Farhadieh referred Members to the memorandum, “List of Transition Activity – Calendar Year 2014,” as previously distributed, and reviewed. (Official minutes contain attachment.)

Budget Comparison

Ms. White stated that the Budget Comparison for the quarter ended December, 2014 was previously distributed. (Official minutes contain attachment.)

Review of Financial Statements

Ms. White referred Members to the Financial Statements, ending September 30, 2014, as previously distributed, and reviewed. Justice Schostok moved to approve the Financial Statements. Mr. Bashir seconded and the motion passed unanimously. (Official minutes contain attachment.)

Legislative Update

Director Atwood informed Members that Staff is currently following legislation regarding divestment of companies boycotting Israel and will continue to keep the Board apprised.

SEC Update

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

Update on Corporate Governance Matters

Ms. Hozier-Lewis referred Members to the memorandum, "2015 Boardroom Accountability Project Update," as previously distributed. (Official minutes contain attachment.)

Update Vendor Disclosure Policy

Ms. Payne referred Members to the revised Vendor Disclosure Policy, as previously distributed, and reviewed. (Official minutes contain attachment.) Mr. Bashir moved to amend the Vendor Disclosure Policy as indicated. Justice Schostok seconded and the motion passed unanimously.

REPORT OF ANY BOARD MEMBER

Mr. Bashir, noting that his term expires in June, thanked everyone for the opportunity to serve the Board.

UNFINISHED BUSINESS

None.

NEW BUSINESS

None.

NEXT MEETING AND ADJOURNMENT

Chairman Powell noted that the next regularly meeting of the Board is scheduled for June 19, 2015; however, a Special Meeting of the Board will be scheduled for May, formal notices to be distributed at a later date. At 12:00 p.m., there being no further business to come before the Board, Justice Schostok moved to adjourn. Mr. Cozzi seconded and the meeting was adjourned.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Steven Powell", written over a horizontal line.

Steven Powell, Chairman