

MINUTES
MEETING OF THE
ILLINOIS STATE BOARD OF INVESTMENT
September 17, 2015 – 1:45 P.M.

Present:	<u>Board Members</u>	James Clayborne (via telephone) Mark Cozzi Ezequiel Flores Michael Frerichs Marc Levine Leslie Munger Steven Powell Shari Reiches Mary Seminara-Schostok
	<u>Staff</u>	William Atwood Genette Bacon-Cordova Johara Farhadieh Ciara Jackson Timothy Kominiarek Tondalaya Lewis-Hozier Katherine Novel Linsey Payne Scott Richards Alise White
	<u>Guests</u>	Marquette Associates Brian Wrubel, Dave Smith, Nichole Roman- Bhatty, Kelli Schrade
Absent:	<u>Board Member</u>	None

ROLL CALL

Chairman Powell called the meeting to order at 1:45 p.m. The Secretary called the roll and noted that a quorum was present. Treasurer Frerichs motioned to allow Senator Clayborne to participate via telephone due to matters relating to his employment pursuant to 7(a) of the Open Meetings Act. Trustee Cozzi seconded and the motion passed unanimously.

COMMUNICATIONS

Election of Officers

Trustee Cozzi moved to elect Mr. Levine as Chairman. Trustee Reiches seconded and the motion passed unanimously.

Chairman Levine moved to elect Trustee Cozzi as Vice Chairman. Trustee Reiches seconded and the motion passed unanimously.

Chairman Levine moved to elect Justice Schostok as Recording Secretary. Trustee Cozzi seconded and the motion passed unanimously.

Chairman Levine moved to elect Trustee Reiches as Member at Large. Justice Schostok seconded and the motion passed unanimously.

REPORT OF THE CHAIRMAN: PROPOSED 2016 SCHEDULE OF MEETINGS

Chairman Levine thanked Members for their support and the opportunity to serve as the Board's Chairman.

Chairman Levine referred the Members to the proposed 2016 Schedule of Meetings; following discussion, Chairman Levine stated that approval of the proposed 2016 schedule of meetings would be postponed until the Board's December meeting.

MINUTES OF PREVIOUS MEETING

Justice Schostok moved to approve the minutes of the Board meetings held June 19, 2015, July 7, 2015, and July 21, 2015, in the forms previously submitted and reviewed. Trustee Powell seconded and the motion passed unanimously.

REPORT OF STANDING COMMITTEES

Emerging Manager Committee

Ms. Farhadieh stated that the Emerging Manager Committee had met on September 15, 2015 and reported the following actions:

- Committee approved the minutes of the June 18, 2015 meeting.
- Committee approved a real estate investment of up to \$40M to European Property Investors Special Opportunities 4 LP subject to legal review and contract negotiations.
- Committee approved the Diversity Policy.

Justice Schostok moved to approve the recommendations and ratify the actions of the Emerging Manager Committee. Chairman Levine seconded and the motion passed unanimously.

Investment Policy Committee

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

- Committee approved the minutes of the June 18, 2015 meeting.
- Committee heard presentations from Wellington Global Fixed Income and Wellington Diversified Growth Fund, in accordance with the Board's Watch List Policies.
- Committee heard a presentation from Courtland Partners and approved Courtland Partners' recommendation regarding changes to the Board's real estate investment policy provided however that the Board previously directed Courtland to prohibit Clarion Lion Fund from investing in new transactions on behalf of the Board.

Trustee Cozzi moved to accept the recommendations and ratify the actions of the Investment Policy Committee. Comptroller Munger seconded and the motion passed unanimously.

Audit & Compliance Committee

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

- Committee approved the minutes of the June 19, 2015 meeting.
- Committee approved the Record of Vouchers for the months of April, May, and June 2015.
- Committee approved the Placement Agent Report for 1Q16.

Comptroller Munger moved to ratify the actions of the Audit & Compliance Committee. Trustee Reiches 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 ending June 2015. Ms. Roman-Bhatty gave a brief overview of the Plan summary and investment performance and discussed matters relating to existing investment options and the Plan's Watch List. (Official minutes contain attachments.)

Update on Implementation of Roth Contributions and In-plan Rollovers

Ms. Farhadieh informed Members that she is continuing to work with Central Management Services, the Plan's Recordkeeper, and Ms. Payne to ensure that implementation remains on schedule for rollout next year. Communication to Plan Participants will begin in October.

Adoption of Revised Deferred Compensation Investment Policy

Ms. Farhadieh referred Members to the revised Deferred Compensation Investment Policy, as previously distributed, and reviewed. Discussion ensued. Trustee Powell moved to approve the revised Deferred Compensation Investment Policy. Justice Schostok seconded and the motion passed unanimously. (Official minutes contain attachments.)

REPORT OF CONSULTANT – MARQUETTE ASSOCIATES

Investment Performance Report – June 2015

Mr. Wrubel reported that the Investment Performance Report for the quarter ending June 2015 had previously been distributed and reviewed. Discussion ensued. (Official minutes contain attachments.)

REPORT OF THE DIRECTOR

Chairman Levine stated that the Board would go into Executive Session to discuss specific investment contracts involving investment managers on the Board's Watch List pursuant to Board policy (5 ILCS 120/2(c)(7)), employment of specific employees (5 ILCS 120/2(c)(1)), and testimony presented during a closed meeting (5 ILCS 120/2(c)(4)). Trustee Powell moved to go into Executive Session for the above-stated purposes. Trustee Cozzi seconded. All in favor were: Chairman Levine, Mssers. Cozzi, Flores, and Powell, Senator Clayborne, Treasurer Frerichs, Comptroller Munger, Trustee Reiches, and Justice Schostok. The motion passed unanimously.

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

Upon returning to Open Session, Chairman Levine requested the Board's consideration of the managers on the Watch List per Board policy. Chairman Levine motioned to terminate the ULLICO-J for Jobs Separate Account pursuant to the Board's Watch List policy and transition such assets to the Board's existing fixed income Account with Garcia Hamilton. Trustee Cozzi seconded the motion; following discussion, Chairman Levine called the motion to a vote. All in favor were Chairman Levine, Mssers. Cozzi and Flores, Comptroller Munger, Trustee Reiches and Justice Schostok; all opposed were Senator Clayborne, Treasurer Frerichs and Trustee Powell. The motion passed.

Chairman Levine motioned to terminate the Ariel Micro Cap Value Account pursuant to the Board's Watch List policy and transition such assets to the Board's existing R.2000 Value Index Account with Rhumblin. Trustee Cozzi seconded the motion; following discussion, Chairman Levine called the motion to a vote. All in favor were Chairman Levine, Mssers. Cozzi, Flores, and Powell, Treasurer Frerichs, Comptroller Munger, Trustee Reiches and Justice Schostok; all opposed were Senator Clayborne. The motion passed.

Chairman Levine motioned to terminate the Herndon Capital Management Account pursuant to the Board's Watch List policy and transition such assets to the Board's existing S&P 500 Index Account with Rhumblin. Trustee Cozzi seconded the motion; following discussion, Chairman Levine called the motion to a vote. All in favor were Chairman Levine, Mssers. Cozzi and Flores, Comptroller Munger, Trustee Reiches and Justice Schostok; all opposed were Senator Clayborne, Treasurer Frerichs and Trustee Powell. The motion passed.

Chairman Levine motioned to terminate the Wellington Global Aggregate Bond Fund Account pursuant to the Board's Watch List policy and transition such assets to a passive global fixed income account, pending a successful competitive bidding process. Trustee Cozzi seconded the motion; following discussion, Chairman Levine called the motion to a vote. All in favor were Chairman Levine, Mssers. Cozzi, Flores, and Powell, Treasurer Frerichs, Comptroller Munger, Trustee Reiches and Justice Schostok; all opposed were Senator Clayborne. The motion passed.

Senator Clayborne stated that he opposed all motions because he did not feel comfortable with the Chairman's process regarding manager evaluation.

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.

Hardship Appeal

Ms. Payne stated that the matter was discussed during Executive Session. Trustee Cozzi moved to approve the recommendation provided by the Hardship Officer. Comptroller Munger seconded and the motion passed unanimously.

Proposed FY16 Budget

Chairman Levine stated that action on the matter would be postponed until the next meeting of the Board.

Implementation of Public Act 099-0128

Chairman Levine stated that action on the matter would be postponed until the next meeting of the Board.

REPORT OF ANY BOARD MEMBER

None.

UNFINISHED BUSINESS

None.

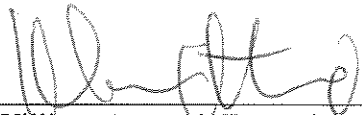
NEW BUSINESS

None.

NEXT MEETING AND ADJOURNMENT

Chairman Levine noted that the next regular meeting of the Board is scheduled for December 18, 2015, formal notices to be distributed at a later date. At 5:00 p.m., there being no further business to come before the Board, Justice Schostok moved to adjourn. Trustee Powell seconded and the motion was passed unanimously to adjourn the meeting.

Respectfully submitted,



William Atwood, Executive Director