

MINUTES  
SPECIAL MEETING OF THE  
ILLINOIS STATE BOARD OF INVESTMENT  
October 19, 2015 – 8:00 A.M.

Present:	<u>Board Members</u>	James Clayborne (via telephone) Mark Cozzi Ezequiel Flores Michael Frerichs (via telephone) Marc Levine Leslie Geissler Munger (via telephone for a portion) Steven Powell Shari Greco Reiches Mary Seminara-Schostok
	<u>Staff</u>	William Atwood Johara Farhadieh Ciara Jackson Tim Kominiarek Tondalaya Lewis-Hozier Katherine Novel Linsey Payne Scott Richards Alise White
	<u>Guests</u>	Burke Burns & Pinelli, Ltd. Mary Pat Burns  Marquette Associates Brian Wrubel, Dave Smith, Kelli Schrade, Greg Leonberger  Meketa Investment Group Peter Woolley, Frank Benham, Alexandra Wallace  RVK, Inc. Tony Johnson, Christian Eicher
Absent:	<u>Board Members</u>	None

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***ROLL CALL***

The Special Meeting was called by Chairman Levine. Chairman Levine called the meeting to order at 8:00 a.m. Ms. Payne called the roll and noted that a quorum was present.

Trustee Powell moved pursuant to Section 7(a) of the Open Meetings Act to allow Senator Clayborne, Treasurer Frerichs and Comptroller Munger to participate in the meeting via telephone due to absences as a result of their respective employment obligations. Trustee Cozzi seconded and the motion passed unanimously.

***APPROVAL OF EXTERNAL FIDUCIARY COUNSEL FOR THE BOARD***

Trustee Reiches moved for the Board to utilize the services of Burke Burns and Pinelli, Ltd., already under contract with the Board, to provide legal services regarding its operations and investments pursuant to a 2012 RFP process, to act as fiduciary counsel to the Board and assist the Board in complying with applicable state law and best practices for the operation and governance of the Fund. 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, Senator Clayborne, Treasurer Frerichs, Comptroller Munger, and Trustee Reiche. All opposed were: Justice Schostok. The motion passed.

Mary Pat Burns, of Burke Burns and Pinelli, Ltd., introduced herself to the Members.

***GENERAL CONSULTANT RFP FINALIST PRESENTATIONS***

Ms. Payne reported that the three RFP finalist had completed the Board's Vendor Disclosure Policy Statement; the disclosures were distributed to the Board for review and considered by Staff and there was nothing material to report.

Marquette Associates ("Marquette")

Mssers. Wrubel, Smith, and Leonberger and Ms. Schrade, Marquette, were invited to join the meeting. Following review of materials previously distributed and comments from Members, the Marquette representatives thanked the Members for their time and excused themselves from the meeting. (Official minutes contain attachment.)

Meketa Investment Group ("Meketa")

Mssers. Woolley and Benham and Ms. Wallace, Meketa, were invited to join the meeting. Following review of materials previously distributed and comments from Members, the Meketa representatives thanked the Members for their time and excused themselves from the meeting. (Official minutes contain attachment.)

RVK, Inc. ("RVK")

Mssers. Johnson and Eicher, RVK, were invited to join the meeting. Following review of materials previously distributed and comments from Members, the RVK representatives thanked the Members for their time and excused themselves from the meeting. (Official minutes contain attachment.)

Chairman Levine asked if there was a motion that the Board move into Executive Session pursuant to Section 2(c)(7) of the Open Meetings Act to discuss investment contracts (5 ILCS

120/2(c)(7)). Trustee Cozzi moved to go into Executive Session. Trustee Powell seconded the motion and the motion was called to a vote pursuant to the Open Meetings Act. All in favor were: Chairman Levine, Messrs. 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, Mr. Richards and Meses. Burns, Farhadieh, Novel, Payne and White.

Upon returning to Open Session, Trustee Cozzi moved to retain Meketa for general investment consulting services subject to legal review and successful contract negotiations. Trustee Reiches seconded the motion and discussion ensued.

Trustee Cozzi stated that given the size and complexity of the Board, the Board requires the best services available and he believes that Meketa is positioned to provide these services.

Trustee Powell stated that he opposes the retention of Meketa over the Board's current provider, Marquette, since there is no cause for termination of Marquette, Marquette is an Illinois based firm, and because he believed Meketa failed to fully disclose their involvement with certain regulatory issues to his satisfaction.

Trustee Flores stated that his role as a fiduciary includes supporting the recommendation of Staff and that he was interested in Staff's recommendation which was to choose Meketa

Justice Schostok stated that she would like to continue to retain Marquette for the following reasons: the Board has exceeded its performance benchmark while utilizing Marquette for general investment consulting services, Marquette has built a good relationship with Staff, Marquette's location provides Staff with easy access to critical resources and Marquette submitted the lowest fee proposal.

Trustee Reiches acknowledged Marquette's positive impact on the Board's portfolio and stated that on a forward looking basis, she is confident with what Meketa has to offer the Board. Similar to Trustee Flores, Trustee Reiches stated that she was relying in part upon the recommendation of Staff.

Treasurer Frerichs pointed out that Staff scored Marquette highest in their review of the submitted proposals and stated that he is not comfortable with the procurement process that was implemented. Treasurer Frerichs further noted that he was uncomfortable with the higher fees proposed by Meketa and noted his concerns with terminating an Illinois firm. He requested that if upon determination by Staff and Ms. Burns that material information was withheld by Meketa in their response relating to the disclosure issues, the issue then would be brought to the Board for further review.

The Executive Director clarified that Staff scored Marquette highest in the initial review of the RFP responses before the meetings with the specific finalists.

Comptroller Munger stated that while she is concerned by the higher fees proposed by Meketa, she would also rely upon the recommendation provided by Staff; she also noted that Meketa will be opening an office in Illinois.

Ms. Burns summarized the general concerns of the Board regarding the disclosure issue and indicated she would contact the Department of Labor to see what facts she could learn and if it appeared there were material nondisclosures she would bring the issue back to the Board. Ms. Burns also said that given some of the Board Members' concerns regarding Meketa's fees it would be consistent with the Board's fiduciary responsibilities to allow Staff to seek to negotiate lower fees with Meketa.

Chairman Levine noted the importance of the Board hiring a general consultant with clients similar in size and portfolio to that of ISBI. Chairman Levine noted that Meketa had an excellent client listing and that ISBI's incumbent general consultant did not have any clients with a similar size and portfolio to that of ISBI and in fact ISBI was by far its largest client. Chairman Levine stated that after spending a significant amount of time with the three finalists, he was impressed with the level of creativity offered by Meketa. He further stated that the savings in fees that will be realized by the Board under Meketa's proposed concentrated portfolio justifies the fee proposed by Meketa. Chairman Levine noted that the incumbent general consultant had served ISBI for over twelve years. He noted, that in his opinion, a fresh look from a new general consultant would be prudent and that the Board's essential vendors should be periodically reviewed on a regular schedule.

Following discussion, Trustee Powell called the motion for a roll call vote. All in favor were: Chairman Levine, Mssers. Cozzi and Flores, Comptroller Munger and Trustee Reiches. All opposed were: Senator Clayborne, Treasurer Frerichs, Trustee Powell and Justice Shostok. The motion passed.

***UNFINISHED BUSINESS***

None.

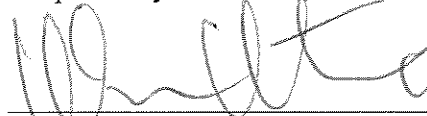
***NEW BUSINESS***

None.

***NEXT MEETING AND ADJOURNMENT***

At 11:00 a.m., there being no further business to come before the Board, Trustee Powell moved to adjourn. Justice Schostok seconded, and all those present voting in favor, the meeting was adjourned.

Respectfully submitted,



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William Atwood, Executive Director