

Sudhir Krishnamurthi
Alifia Doriwala
Ronald von der Wouden
Siddarth Sudhir

Meketa Investment Group
Tim Asselin
Brandon Colon
Frank Benham
Alli Wallace

State of Illinois Treasurer's Office
Jay Rowell

Absent:

Committee Members

None

ROLL CALL

Chairman Levine called the meeting to order at 9:00 a.m. Ms. Lewis-Hozier called the roll and noted a quorum was present. Trustee Cozzi moved pursuant to Section 7(a) of the Open Meetings Act to allow Treasurer Frerichs, as a Board Member, to participate via telephone due to his absence as a result of matters relating to his employment. Trustee Reiches seconded and the motion passed unanimously.

REPORT OF THE INVESTMENT POLICY COMMITTEE CHAIR

Chairman Levine thanked everyone for joining the meeting and announced that ISBI Staff launched a new portal where Board Members can access their Board materials in advance of the meetings. Chairman Levine thanked Tondalaya Lewis-Hozier and Sarah Boeckman for their work to launch the Board portal. He encouraged all Board members to utilize the Board portal and to submit all suggestions for improvement to ISBI Staff.

Chairman Levine thanked Trustee Cozzi, Ms. Farhadieh and Meketa Investment Group for organizing the “Hedge Fund Day” educational meeting with ISBI’s hedge fund managers in conjunction with the Board’s new asset allocation.

CONSIDERATION AND APPROVAL OF PREVIOUS MINUTES

Trustee Cozzi moved to approve the minutes of the December 17, 2015 and January 28, 2016 Investment Policy Committee meetings as presented. Justice Schostok seconded and the motion passed unanimously. (Official minutes contain attachment.)

Trustee Cozzi moved to approve the minutes of the January 28, 2016 Executive Session of the Investment Policy Committee as presented. Trustee Flores seconded and the motion passed unanimously. (Official minutes contain attachment.)

Trustee Cozzi moved to approve the revised minutes of the June 18, 2015 Investment Policy Committee meeting as presented. Trustee Flores seconded and the motion passed unanimously. (Official minutes contain attachment.)

REPORT OF THE DIRECTOR

Investment Watch List

Mr. Komiarek referred Members to the memorandum “Matters Relating to Existing Managers/Investments” previously distributed to Members. (Official minutes contain attachments.)

Director Atwood stated that he and Chairman Levine had an informative meeting with Clarion regarding its recent ownership change and the history of Clarion’s relationship with ISBI. Chairman Levine added that he is aware of the Board’s concern regarding ISBI’s exposure in the

concentrated Clarion separate account and stated that in his opinion the current structure with Clarion is not prudent. Trustee Cozzi suggested inviting Clarion to appear at the Committee's April meeting to address the Members' questions and concerns regarding the portfolio they are managing.

Chairman Levine inquired as to the status of Franklin Park's resignation and its effect, if any, its resignation may have on the fund of funds program. Mr. Kominiarek stated that ISBI is locked in for the life of the respective funds which average a seven to ten year lifespan. Mr. Kominiarek additionally stated that he will research the issue and issue a report to the Board. Trustee Cozzi expressed concerns over ISBI's future obligations as they relate to unfunded commitments and whether Franklin Park can still invest those unfunded commitments after they resign. As it pertains to the underlying funds, Chairman Levine noted that all existing unfunded commitments to underlying Private Equity firms will of course be met but suggested that ISBI contact Franklin Park to halt any new commitments if possible. Mr. Kominiarek noted that Franklin Park is not currently charging any fees to ISBI and they will continue not to charge fees during the wind-up of their resignation. Trustee Cozzi directed Staff to request that Franklin Park memorialize in writing its commitment to not charge fees. Trustee Cozzi also inquired as to the amount of money ISBI currently has with Franklin Park. Director Atwood suggested Counsel and Staff review the current relationship with Franklin Park and advise the Committee at its next meeting.

Mr. Richards referred Member to the memorandum, "Matters Relating to Existing Managers", previously distributed and reviewed. (Official minutes contain attachments.) Following discussion, Trustee Reiches moved to terminate Vontobel and to transfer the assets to the SSgA MSCI ACWI ex US account consistent with the recommendation provided by Meketa and Investment Staff. Trustee Cozzi seconded and the motion passed unanimously.

REPORT OF INVESTMENT CONSULTANT: MEKETA INVESTMENT GROUP

Asset Allocation Implementation Overview (Education Session)

Meketa representatives referred Members to a memorandum, the "Asset Allocation Implementation Plan". (Official minutes contain attachment.) As it pertains to new allocations, Mr. Richards recommended that the Board implement the proposed new benchmarks at its July meeting because of the timeline involved for submitting redemption requests. Mr. Cozzi inquired as to which passive indices Meketa used or would suggest using and Mr. Benham stated that Meketa typically utilizes the MSCI index. Following discussion and comments from Members, the following motions were presented consistent with the Board's approved asset allocation:

Trustee Cozzi moved that the recommendation from Meketa and Investment Staff regarding issuing a Request for Proposal for an Emerging Market Debt (Active) Investment Manager as

presented by Investment Staff and consistent with the Board's previously approved asset allocation be approved. Trustee Reiches seconded and the motion passed unanimously.

Trustee Flores moved that the recommendation from Meketa and Investment Staff regarding issuing two Requests for Proposals for up to two Emerging Market Debt (Passive) Investment Managers as presented by ISBI Staff and consistent with the Board's previously approved asset allocation be approved. Trustee Reiches seconded and the motion passed unanimously.

Trustee Reiches moved that the recommendation from Meketa and Investment Staff regarding issuing a Request for Proposal for a Barclays Aggregate (Passive) Investment Manager as presented by ISBI Staff and consistent with the Board's previously approved asset allocation be approved. Trustee Flores seconded and the motion passed unanimously.

Trustee Reiches moved that the recommendation from Meketa and Investment Staff regarding issuing a Request for Proposal for a Barclays Intermediate and Long-term (Passive) Investment Manager as presented by Investment Staff and consistent with the Board's previously approved asset allocations be approved. Trustee Cozzi seconded and the motion passed unanimously.

Trustee Reiches moved that the recommendation from Meketa and Investment Staff regarding issuing a Request for Proposal for a Barclays TIPs (Passive) Investment Manager as presented by Investment Staff and consistent with the Board's previously approved asset allocation be approved. Trustee Flores seconded and the motion passed unanimously.

Trustee Cozzi moved that the recommendation from Meketa and Investment Staff regarding the funding of the new Emerging Market Debt, the Barclays Aggregate (Passive), the Barclays Intermediate & Long-term (Passive) and the Barclays TIPS (Passive) investments be made from existing allocations in a manner consistent with the Board's previously approved asset allocation be approved. Trustee Flores seconded and the motion passed unanimously.

Trustee Cozzi moved that the recommendation from Meketa and Investment Staff regarding the funding of the Russel 1000 Growth (Passive), the Russell Mid Cap Core (Passive) and the increased allocation to the Russel 1000 Value (Passive) investments be made from existing allocations in a manner consistent with the Boards previously approved asset allocation, be approved. Trustee Reiches seconded and the motion passed unanimously.

Trustee Reiches moved that the recommendation from Meketa and Investment Staff regarding terminating the SSgA Mid Cap Growth (Passive) and the Rhumblin Russel 2000 Value investment, consistent with the Board's previously approved asset allocation, at such time and in such manner as Investment Staff determine to be prudent, be approved. Trustee Flores seconded and the motion passed unanimously.

Trustee Flores moved that the recommendation from Meketa and Investment Staff regarding issuing a Request for Proposal for a MSCI EAFE Small Cap Passive Investment Managers as presented by ISBI Staff and consistent with the Board's previously approved asset allocation, be approved. Trustee Cozzi seconded and the motion passed unanimously.

Trustee Reiches moved that the recommendation from Meketa and Investment Staff regarding issuing a Request for Proposal for a MSCI Emerging Markets Passive Investment Manager as presented by ISBI Staff and consistent with the Board's previously approved asset allocation be approved. Trustee Flores seconded and the motion passed unanimously.

Trustee Cozzi moved that the recommendation from Meketa and Investment Staff regarding the funding of the MSCI EAFE Small Cap (Passive), the MSCI Emerging Markets (Passive) and MSCI EAFE (Passive) from exiting allocation in a manner consistent with the Board's previously approved asset allocation be approved. Trustee Flores seconded and the motion passed unanimously.

Trustee Reiches inquired whether Meketa would be able to quantify the cost savings that will be realized from reducing the hedge fund allocation. Mr. Benham stated that at this time he didn't have an answer but he would provide an answer at the next Board meeting. He further stated that he expects the savings to be significant.

Following a review of materials, and comments from Members, Chairman Levine thanked Meketa for their time and their work on the implementation of the Board's approved asset allocation. Mr. Benham then introduced Mr. Colon who gave an introductory presentation regarding the hedge funds managers.

HEDGE FUND PRESENTATIONS (Education Session)

Rock Creek Group

Representatives from Rock Creek Group were invited to join the meeting. Ms. Beschloss from Rock Creek Group referred Members to the Rock Creek Group materials. Ms. Beschloss and her team discussed Rock Creek's hedge fund portfolio and noted that Rock Creek has hedge fund alternatives with significantly lower fees. The team also discussed unique fixed income investments. Ms. Beschloss pointed out that Rock Creek has successfully transitioned over \$2.5B in hedge fund assets at no cost to ISBI. Following review of materials, previously distributed, and comments from Members, the Rock Creek representatives thanked the members for their time and excused themselves from the meeting. (Official minutes contain attachment.)

Entrust

Representatives from Entrust Capital were invited to join the meeting and referred Members to the materials. In its presentation, Entrust discussed its opportunistic strategies for the Board's consideration. Discussion amongst the Members ensued. Trustee Cozzi and Mr. Hymowitz discussed appropriate benchmarks. Mr. Hymowitz told the Committee that Entrust invests with the smartest managers and Chairman Levine responded that indexed portfolios also invest in outstanding companies. Following review of materials, previously distributed, and comments from members, the Entrust representatives thanked the Members for their time and excused themselves from the meeting. (Official minutes contain attachment.)

At 4:57 p.m. Chairman Levine called for a recess and indicated the Investment Policy Committee would reconvene the following morning at 8:00 a.m. to hear the remaining presentations from the hedge fund of fund managers.

ROLL CALL

Chairman Levine reconvened the meeting 8:12 a.m. Ms. Lewis-Hozier called the roll and noted a quorum was present. All Members from the previous day's meeting were present with the exception of Treasurer Frerichs.

Mesirow

Representatives from Mesirow Financial were invited to join the meeting. Mr. Macina referred Members to materials and discussion amongst the Members ensued. Mr. Macino noted the fee structure provided to ISBI in relation to the portfolio and noted that equities represent the most liquid part of any portfolio. Following review of materials, previously distributed, and comments from Members, the representatives from Mesirow thanked the Members for their time and excused themselves from the meeting. (Official minutes contain attachment.)

Appomattox

Representatives from Appomattox were invited to join the meeting. Members discussed the definition of "Emerging Manager" in the Board's Investment Policy pursuant to Illinois law and whether ISBI's investments currently address the intent of the emerging manager mandate. Ms. Farhadieh noted that Appomattox utilizes underlying emerging managers that meet the definition under Illinois law. Following review of materials, previously distributed, and comments from Members, the Appomattox representatives thanked the Members for their time and excused themselves from the meeting. (Official minutes contain attachment.)

REPORT OF INVESTMENT CONSULTANT: MEKETA INVESTMENT GROUP

Recommendation relating to Hedge Fund Allocation

Mr. Benham referred members to the memorandum "Hedge Fund Consolidation Recommendation". (Official minutes contain attachment.) As part of their presentation Meketa referenced its recommendations regarding the termination of certain of ISBI's current hedge fund of fund managers. Meketa representatives and Investment Staff discussed ISBI's history with

Rock Creek and their confidence with Rock Creek handling the transition of hedge fund assets following the recommended terminations of certain hedge fund managers. ISBI Staff Scott Richards described Entrust investment and operational performance as disappointing and unsatisfactory. Both Mr. Richards and Johara Farhadieh noted that their experience with working with Rock Creek has been excellent. Trustee Cozzi discussed the Entrust presentations and highlighted the innovative opportunistic strategies presented by Entrust representatives. Trustee Powell agreed that Entrust presented interesting opportunistic strategies but stated that the recommendation from Investment Staff and Meketa involves terminating ISBI's relationship with Mesirow, Appomattox and Entrust and utilizing Rock Creek for the transition of hedge fund assets consistent with the Board's approved asset allocation. Trustee Cozzi noted his frustration that ISBI's current staff levels make it difficult to consider opportunistic strategies that require investment discretion by ISBI and that as a result of that expertise at the Staff level, ISBI was losing out on opportunistic opportunities. After discussion amongst the Members, the following motions were presented consistent with the Board's approved asset allocation:

Mr. Flores moved that the recommendation from Meketa and Investment Staff regarding the termination of Mesirow, consistent with the Board's previously approved asset allocation, be approved. It was further moved by the Investment Policy Committee regarding utilizing Rock Creek for the purposes of managing the liquidation and/or transfers of the Mesirow portfolio be approved. Chairman Levine seconded and the motion passed unanimously.

Ms. Reiches moved that the recommendation from Meketa and Investment Staff regarding the termination of Appomattox, consistent with the Board's previously approved asset allocation, be approved. It was further moved by the Investment Policy Committee regarding utilizing Rock Creek for the purposes of managing the liquidation and/or transfers of the Appomattox portfolio be approved. Mr. Powell seconded and the motion passed unanimously.

Chairman Levine moved that the recommendation from Meketa and Investment Staff regarding the termination of Entrust, consistent with the Board's previously approved asset allocation, be approved. It was further moved by the Investment Policy Committee regarding utilizing Rock Creek for the purposes of managing the liquidation and/or transfers of the Entrust portfolio be approved. Mr. Flores seconded and the motion passed unanimously.

Ms. Reiches moved that the recommendation from Meketa and the Investment Staff that the assets realized from the termination of Mesirow and Entrust be transferred to Rock Creek Group, LP and that the assets realized from the Appomattox account be transferred to Rock Creek Group, LP Emerging Manger account, with authorization to Rock Creek Group, LP to invest such assets, consistent with Rock Creek Group's existing investment guidelines, in a manner that optimizes value while managing liquidity and cost, be approved. Mr. Powell seconded and the motion was called to a roll call vote. All in favor were: Chairman Levine, Mr. Flores and Ms. Reiches. All opposed were: Mssers. Cozzi and Powell. The motion passed.

Mr. Flores moved that the recommendation from Meketa and Investment Staff that Rock Creek Group LP's assets be reduced consistent with the Board's previously approved asset allocation and that Rock Creek continue to invest the remaining assets consistent with Rock Creek's

existing investment guidelines in a manner that optimizes value while managing liquidity and cost, be approved. Chairman Levine seconded and the motion passed unanimously.

NEW BUSINESS/OLD BUSINESS

None.

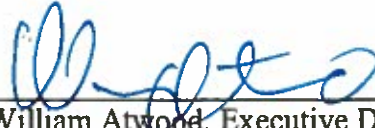
PUBLIC COMMENT

None.

NEXT MEETING AND ADJOURMENT

Chairman Levine stated that the next meeting of the Investment Policy Committee would be scheduled for the last week in April, official notices to be distributed at a later date. At 1:42 p.m., there being no further business to come before the Committee, Mr. Powell moved to adjourn the meeting. Justice Schostok seconded and the meeting was adjourned.

Respectfully submitted,



William Atwood, Executive Director