

MINUTES OF THE
ILLINOIS STATE BOARD OF INVESTMENT
MEETING HELD
Tuesday, November 15, 2016 – 1:00 P.M.

Present:

Board Members

Mark Cozzi
Ezequiel Flores
Treasurer Michael Frerichs
Marc Levine
Comptroller Leslie Giessler Munger
(via telephone)
Shari Greco Reiches
Justice Mary Seminara-Schostok

Staff

William Atwood
Christopher Brannan
Shawn Evans
Johara Farhadieh
Tondalaya Lloyd
Scott Richards

Guests

Burke Burns & Pinelli, Ltd.
Mary Patricia Burns

Illinois State Treasurer's Office
Rodrigo Garcia

Meketa Investment Group
Frank Benham
Alli Wallace

Absent:

Senator James Clayborne
Steven Powell

Board Members

ROLL CALL

Chairman Levine called the meeting to order at 3:23 p.m. Mr. Brannan called the roll and noted that a quorum was present. Justice Schostok moved pursuant to Section 7(a) of the Open Meetings Act to allow Comptroller Munger to participate via telephone due to her absence as a result of matters related to her employment. Chairman Levine seconded and the motion passed unanimously.

REPORT OF THE CHAIRMAN

None.

CONSIDERATION AND APPROVAL OF REPORT OF THE INVESTMENT POLICY COMMITTEE

Ms. Farhadieh provided the report of the Investment Policy Committee from its November 15, 2016 meeting. Ms. Farhadieh read through all of the recommendations approved by the Investment Policy Committee (set forth below). Chairman Levine requested that a motion be made by consent agenda to approve and ratify the following actions of the Investment Policy Committee. Trustee Cozzi moved to adopt the recommendations and ratify the following actions of the Investment Policy Committee. Treasurer Frerichs seconded and the motion passed unanimously.

- The recommendation from ISBI Staff and Meketa to terminate Chicago Equity Partners and transition the proceeds to the SSgA Barclays Aggregate Index at such time and in such manner as ISBI Staff deems prudent.

The recommendation from ISBI Staff and Meketa to transition the allocation for the underweight in Infrastructure from the active core fixed income investment managers to the SSgA Barclays Aggregate Index at such time and in such manner as ISBI Staff deems prudent.

- The recommendation from ISBI Staff and Meketa to transition the SSgA Russell 2000 Index portfolio to track the SSgA S&P 600 Index benchmark at such time and in such manner as ISBI Staff deems prudent.
- The recommendation from ISBI Staff and Meketa to terminate Franklin Templeton and transition the proceeds to (i) the Ariel International Equity to the extent necessary for this account to manage 1.5% of the Portfolio, (ii) LSV International Equity to the extent necessary for this account to manage 1.5% of the Portfolio, and (iii) the remainder to the SSgA MSCI EAFE index at such time and in such manner as ISBI Staff deems prudent.
- The recommendation from ISBI Staff and Meketa to terminate the SSgA Non-U.S. Small Cap (active) account and transition the proceeds to the Northern Trust MSCI EAFE Small Cap Index at such time and in such manner as ISBI Staff deems prudent.
- The recommendation from ISBI Staff and Meketa to terminate Ashmore Emerging Markets Small Cap and transition the proceeds to the previously liquidated SSgA MSCI Emerging Markets Small Cap Index at such time and in such manner as ISBI Staff deems prudent.

- The recommendation from ISBI Staff and Meketa to authorize ISBI Staff to revise the investment guidelines of ISBI's public market active managers at such time and in such manner as ISBI Staff deem prudent; provided, however, that any material revisions to the investment guidelines will require further Board approval.

Trustee Flores moved to terminate LM Capital and allocate 50% of the proceeds to Garcia Hamilton and 50% to the SSgA Barclays Aggregate index at such time and in such manner as ISBI Staff deems prudent consistent with the recommendation of ISBI Staff and the Investment Consultant. Trustee Cozzi seconded. All those in favor were: Trustee Cozzi, Trustee Flores, Chairman Levine, Comptroller Munger, Trustee Reiches, and Justice Schostok. All opposed were: Treasurer Frerichs. The motion passed.

Chairman Levine moved to terminate the LSV Large Cap Value account and transition the proceeds to the SSgA Russell 1000 Value Index at such time and in such manner as ISBI Staff deems prudent, consistent with the recommendation of ISBI Staff and the Investment Consultant. Trustee Reiches seconded. All in favor were: Trustee Flores, Treasurer Frerichs, Chairman Levine, Comptroller Munger, Trustee Reiches. All opposed were: Justice Schostok. Trustee Cozzi voted "present." The motion passed.

HARDSHIP APPEAL

Mr. Brannan (the "Hearing Officer") discussed the background of the Hardship Appeal at issue before the Board. The Hearing Officer referred Members to his memoranda, "Report of Hearing Officer's Findings" and "Recommendation of Hearing Officer." (Official Minutes contain attachment.) The Hearing Officer discussed the legal and factual findings leading to his recommendation to uphold in part and deny in part the Hardship Committee's ruling. Justice Schostok moved to approve the recommendation provided by the Hearing Officer with respect to H/S 16-117. Comptroller Munger seconded and the motion passed unanimously.

NEW BUSINESS / OLD BUSINESS

Treasurer Frerichs noted that he looks forward to working with ISBI Staff to implement changes to the Investment Policy that would increase transparency as it pertains to fees and minority investments.

PUBLIC COMMENT

None.

NEXT MEETING AND ADJOURNMENT

Chairman Levine stated that the next meeting of the Board would be on December 15, 2016 with official notices to be distributed at a later date. At 3:45 p.m. there being no further business to come before the Board, Justice Schostok moved to adjourn the meeting. Treasurer Frerichs seconded and the meeting was adjourned.

Respectfully submitted,



William Atwood, Executive Director

