

MINUTES OF THE  
ILLINOIS STATE BOARD OF INVESTMENT  
MEETING HELD  
Thursday, December 15, 2016 – 1:05 P.M.

Present:

Board Members

Marc Levine  
Mark Cozzi  
Ezequiel Flores  
Steven Powell  
Shari Greco Reiches  
Treasurer Michael Frerichs  
Justice Mary Seminara-Schostok  
Comptroller Susana Mendoza

Staff

William Atwood  
Genette Bacon  
Christopher Brannan  
Shawn Evans  
Tondalaya Lloyd  
Scott Richards  
Alise White

Guests

Burke Burns & Pinelli  
Mary Pat Burns

Financial News  
Amanda Buchanan

Illinois State Treasurer's Office  
Jay Rowell  
Garcia Rodrigo

Kivvit  
Max Bever

Meketa Investment Group  
Frank Benham  
Alli Wallace

Office of the Comptroller  
Lauren Peters

Absent:

Board Members

Senator James F. Clayborne



## ***ROLL CALL***

Chairman Levine called the meeting to order at 2:04 p.m. Mr. Brannan called the roll and noted that a quorum was present.

## ***REPORT OF THE CHAIRMAN***

Chairman Levine welcomed Comptroller Mendoza to the Board and referred members to the Resolution in honor of Trustee Munger. Trustee Reiches moved that the Board approve the Resolution honoring Trustee Munger for her service to ISBI and that the Resolution be entered into the permanent record of ISBI. Justice Schostok seconded and the motion passed unanimously.

## ***CONSIDERATION AND APPROVAL OF PREVIOUS MINUTES***

Trustee Powell moved that the minutes of the September 15, 2016 and November 15, 2016 Board meetings be approved. Trustee Flores seconded and the motion passed unanimously. Trustee Powell moved that that the Executive Session minutes of the September 15, 2016 Board meeting be approved and should remain closed pursuant to the recommendation by Fiduciary Counsel. Trustee Reiches seconded and the motion passed unanimously. Trustee Powell moved based on the recommendation of Fiduciary Counsel that the Board approves the Semi-Annual Review of the Closed Session Minutes and the Destruction of the Verbatim Records as outlined in the memorandum prepared by Fiduciary Counsel pursuant to Section 2.06(d) of the Open Meetings Act. Trustee Reiches seconded and the motion passed unanimously.

## ***CONSIDERATION AND APPROVAL OF STANDING COMMITTEES***

### **Investment Policy Committee**

ISBI Staff provided the report of the Investment Policy Committee from its December 14-15, 2016 meeting.

Chairman Levine requested that a motion be made by consent agenda to approve and ratify the following actions of the Investment Policy Committee (noted on the consent agenda as items 1-3). Trustee Powell moved to adopt the recommendations and ratify the following actions of the Investment Policy Committee. Trustee Cozzi seconded and the motion passed unanimously.

1. The recommendation of Hamilton Lane and ISBI Staff regarding the investment of \$40M in the Benefit Street Partners Fund IV at such time and in such matter as deemed prudent by ISBI Staff.
2. The recommendation of Meketa and ISBI Staff regarding the selection of Brigade Capital as the Portfolio's opportunistic high yield manager and allocating 50% of the Portfolio's high yield allocation to Brigade, at such time and in such matter as deemed prudent by ISBI Staff.
3. The recommendation of Meketa and ISBI Staff regarding the execution of IFM's Interest Election Form with respect to its proposed new fee structure is adopted and ratified.

### **Audit and Compliance Committee**

Justice Schostok provided the report of the Audit and Compliance Committee meeting from its December 15, 2016 meeting. Justice Schostok requested that a motion be made by consent

agenda to approve and ratify the following actions of the Audit and Compliance Committee (noted on the consent agenda as items 1-2). Trustee Powell moved to adopt the recommendations and ratify the following actions of the Audit and Compliance Committee. Chairman Levine seconded and the motion passed unanimously.

1. The approval of the Record of Vouchers and acceptance for filing as recommended by ISBI Staff.
2. The approval of the Agent Contact Report as recommended by ISBI Staff.

#### ***REPORT OF THE DEPUTY EXECUTIVE DIRECTOR-INVESTMENTS***

ISBI Staff referred Members to a memorandum "Deferred Compensation Policy". ISBI Staff noted that ISBI Staff and Meketa recommended changes to the Deferred Compensation Policy related to the upcoming changes to the Deferred Compensation Plan's (the "Plan") investment options.

Trustee Reiches moved that the Board approves revisions to the Deferred Compensation Policy to be consistent with previously approved revisions to the Deferred Compensation Plan as recommend by ISBI Staff and Meketa. Justice Schostok seconded and the motion passed unanimously.

Mr. Atwood discussed potential changes to the current recordkeeper fee paid by Deferred Compensation Plan participants ("Plan Participants"). Mr. Atwood summarized the two fee structures proposed by the Plan's recordkeeper, including ISBI Staff and Meketa's recommendation between the two. Treasurer Frerichs inquired about whether the fee change would have a disproportionate impact on Plan Participants with small account balances. Discussion ensued amongst Board Members regarding the impact this will have on various Plan Participants with varying account sizes. Meketa representatives noted that Plan Participants will pay no more than 1% in fees, so Participants with a lower balance will not be paying a relatively large portion of their asset base in fees. In addition, the aggregate recordkeeper and administrative fees would be less under the recommended option than the alternative fee structure proposed by the recordkeeper.

Trustee Reiches moved that the Board approves the revised recordkeeper fee consisting of the exiting recordkeeping fee of \$27 per plan participant plus (i) a \$25 annual loan maintenance fee and (ii) a \$20 fee on certain individual distributions as recommend by ISBI Staff and Meketa. Justice Schostok seconded and the motion passed unanimously.

ISBI Staff updated the Board on the current communications plan with Plan Participants related to the upcoming investment option changes and transitions in the Plan. Treasurer Frerichs inquired about ISBI's communications consultant's role in the Plan Participant communications. Discussion ensued as to whether ISBI Staff should manage the communications rather than the communications consultant. Ms. Burns noted that given ISBI Staff levels and the importance of Plan Participant communications, it was prudent to engage an external consultant. Discussion ensued about the communication consultant's role in relation to the Portfolio.

Treasurer Frerichs moved to limit the consultant's scope of services in the communications consultant contract to communications with Plan Participants. Comptroller Mendoza seconded and the motion passed unanimously.

***REPORT OF THE DIRECTOR OF OPERATIONS, ACCOUNTING AND AUDIT***

Ms. White referred Members to their presentation materials, "Actual vs. Projected Budget Forecast as of 06/30/2016." Ms. White then discussed the on-going transition with the Portfolio's new custodian. Chairman Levine thanked Ms. White for her hard work on the DB Plan custodian search process.

***REPORT OF THE EXECUTIVE DIRECTOR***

Mr. Atwood referred members to their presentation materials, "Merit Compensation Policy". Mr. Atwood summarized the policy and noted that the policy as drafted would provide merit compensation to certain members of ISBI Staff based on annual supervisor evaluations from amounts previously budgeted by the Board. Discussion ensued among Mr. Atwood, the Board Members, and Ms. Burns. Members suggested certain revisions to the policy and Mr. Atwood stated that ISBI Staff will make the recommended updates and bring the Merit Compensation Policy back to the Board for its consideration at its next meeting.

***REPORT OF THE GENERAL COUNSEL***

Mr. Brannan discussed current legislative matters applicable to ISBI. Discussion ensued regarding ISBI Staff's engagement with certain lawmakers and consultants about potential legislation. Mr. Brannan then referred Board Members to a memorandum summarizing the investment counsel search process that was performed by ISBI Staff. Mr. Brannan noted the search process resulted in the recommendation of four law firms to serve various roles as investment counsel.

Trustee Powell moved that the Board approves the selection of investment counsel as recommended by ISBI Staff. Chairman Levine seconded and the motion passed unanimously.

***NEW BUSINESS/OLD BUSINESS***

Trustee Cozzi moved to go into Executive Session pursuant to Section 2(c)(1) of the Open Meetings Act to discuss the employment of specific personnel. Trustee Powell seconded and the motion was called to a roll call vote. All in favor: Trustees Cozzi, Flores, Powell, and Reiches, Treasurer Frerichs, Justice Schostok, and Chairman Levine. Absent: Senator Clayborne and Comptroller Mendoza. The motion passed.

Chairman Levine moved to return to the open meeting. Trustee Cozzi seconded and the motion passed unanimously.

***PUBLIC COMMENT***

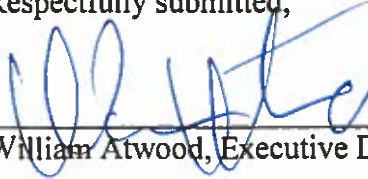
None.

***NEXT MEETING AND ADJOURNMENT***

Chairman Levine stated that the next meeting of the Board would be scheduled for March 17 1:00 P.M., official notices to be distributed at a later date. At 4:50 p.m., there being no further

business to come before the Board, Trustee Reiches moved to adjourn the meeting. Trustee Cozzi seconded and the meeting was adjourned.

Respectfully submitted,



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William Atwood, Executive Director