

MINUTES OF THE  
ILLINOIS STATE BOARD OF INVESTMENT  
MEETING HELD  
Friday, March 3, 2017 – 1:15 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  
Senator James F. Clayborne

Staff

William Atwood  
Genette Bacon  
Christopher Brannan  
Shawn Evans  
Johara Farhadieh  
Tondalaya Lewis-Hozier  
Scott Richards

Guests

Burke Burns & Pinelli  
Mary Pat Burns

Illinois State Treasurer's Office  
Jay Rowell  
Rodrigo Garcia

Meketa Investment Group  
Alli Wallace  
Frank Benham

Pension & Investments  
Richard Baert

Fin Daily  
Matthew Dambrogio

Financial News  
Elizabeth Balmos

### ***ROLL CALL***

Chairman Levine called the meeting to order at 1:15 p.m. Mr. Brannan called the roll and noted that a quorum was present.

Justice Schostok moved to permit Treasurer Frerichs to participate by phone due to matters relating to his employment, as permitted by Section 7(a) of the Open Meetings Act. Senator Clayborne seconded and the motion passed unanimously.

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

Chairman Levine asked that a Resolution of Appreciation for ISBI Staff Member Alise M. White be read to the Board members. Mr. Brannan read the resolution. Justice Schostok made a motion to approve the Resolution of Appreciation. Chairman Levine seconded and the motion passed unanimously.

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

At the request of Chairman Levine, the Board deferred the approval of the December 15, 2016 meetings minutes to the next meeting.

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

#### **Audit and Compliance Committee**

Justice Schostok provided the report of the Audit and Compliance Committee meeting from its March 3, 2017 meeting, including an update with respect to the audit and a potential audit finding concerning vendor disclosures. Justice Schostok commended Alise White for her service to ISBI. Justice Schostok moved to adopt the recommendations and ratify the actions of the Audit and Compliance Committee. Senator Clayborne seconded and the motion passed unanimously.

#### **Investment Policy Committee**

Ms. Farhadieh provided the report of the Investment Policy Committee from its March 3, 2017 meeting. Ms. Farhadieh read through all of the recommendations approved by the Investment Policy Committee (set forth below).

- The recommendation from ISBI Staff and Hamilton Lane to invest \$50 million dollars in the Cornell Capital Partners Fund III, at such time and in such manner as deemed prudent by ISBI Staff, consistent with the recommendation of Hamilton Lane and ISBI Staff. Senator Clayborne moved to approve and ratify this action by the Investment Policy Committee. Trustee Cozzi seconded and the motion passed unanimously.
- The recommendation from ISBI Staff and Hamilton Lane to invest \$50 million dollars in the Silver Lake Partners Fund V, at such time and in such manner as deemed prudent by ISBI Staff. Trustee Cozzi moved to approve and ratify this action by the Investment Policy Committee. Trustee Flores seconded. All in favor: Chairman Levine, Trustee Cozzi, Trustee Flores, Trustee Reiches, and Justice Schostok. All opposed: Senator Clayborne and Treasurer Frerichs. The motion passed.

- The recommendation from ISBI Staff to invest \$30 million dollars in the Hamilton Lane Venture Capital Fund (Series 2017), at such time and in such manner as deemed prudent by ISBI Staff. Trustee Cozzi moved to approve and ratify this action by the Investment Policy Committee. Trustee Reiches seconded. All in favor: Chairman Levine, Trustee Cozzi, Trustee Flores, Trustee Reiches, and Justice Schostok. All opposed: Senator Clayborne and Treasurer Frerichs. The motion passed.
- The recommendation from ISBI Staff and Meketa to terminate Fort Washington, select Nomura Asset Management, and allocate 50% of the portfolio's high yield debt allocation to Nomura, at such time and in such manner as deemed prudent by ISBI Staff. Trustee Reiches moved to approve and ratify this action by the Investment Policy Committee. Trustee Cozzi seconded and the motion passed unanimously.

#### Emerging Manager Committee

Senator Clayborne provided the report of the Emerging Manager Committee meeting from its March 3, 2017 meeting. Trustee Reiches moved to adopt and ratify the report and actions made by the Emerging Manager Committee as presented by Senator Clayborne. Senator Clayborne seconded and the motion passed unanimously.

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

Ms. Farhadieh discussed the Deferred Compensation Implementation Changes, including the communications made to plan participants involving live and virtual presentations by the Deferred Compensation Plan's recordkeeper. Ms. Farhadieh noted that changes to the investment options to the Deferred Compensation Plan will occur at the end of the month.

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

##### Review of 9/30/2016 Financial Statements

Mr. Atwood referred Members to their presentation materials, "Financial Statements and Supplementary Financial Information." Mr. Atwood discussed the September 30, 2016 financial statements. Chairman Levine noted that the Board will approve these financial statements at the next Board meeting.

##### Operating Expenses v. Budget for the period ending 12/31/2016

Mr. Atwood noted that ISBI is currently under budget for the fiscal year.

Mr. Atwood then discussed the Custodian transition process with Northern Trust. Mr. Atwood noted that ISBI Staff and Northern Trust are working hard on this transition implementation, which is almost complete and without major issue so far.

#### ***REPORT OF THE EXECUTIVE DIRECTOR***

Mr. Atwood discussed recent personnel matters, including the recent hiring of an ISBI investment staff member. Ms. Farhadieh discussed the interview and selection process. Mr. Atwood then discussed the departure of ISBI's Director of Operations, Accounting and Audit. Trustee Cozzi asked the Board to consider potentially splitting the job description to two separate positions. Mr. Atwood discussed the current search process in regard to finding a short term, temporary employee, as well as a long-term replacement.

Mr. Rowell noted that ISBI Staff should reach out to Board members for applicant references in order to achieve a well-qualified, diverse applicant pool.

Comptroller Mendoza joined the meeting at 1:40 p.m.

***REPORT OF THE GENERAL COUNSEL***

Mr. Brannan discussed various proposed legislative items that may impact ISBI. Discussion ensued amongst Members related to various pieces of legislation.

***REPORT OF FIDUCIARY COUNSEL***

Ms. Burns led Members through a Fiduciary presentation concerning conflicts of interest, the Open Meetings Act and SEC Rule 206(4)-5. Ms. Burns noted that Members should contact Fiduciary Counsel or ISBI's General Counsel to assist Members in identifying and managing a potential conflict of interest involving their service as a Board Member of ISBI.

***NEW BUSINESS/OLD BUSINESS***

Treasurer Frerichs inquired about the status of the contract changes with ISBI's communications consultant, as discussed at the previous Board meeting. Trustee Cozzi noted the importance and prudence of having a communications consultant such as Kivvit. Ms. Burns stated that the communications consultant has been working under the more limited scope of services as previously approved by the Board and has agreed to work on a capped fee structure, billing at an hourly rate. Treasurer Frerichs then inquired of the recent calendar year financial performance of the Portfolio. Discussion ensued amongst Members. Meketa representatives noted that the portfolio's legacy hedge fund portfolio, much of which was previously terminated by the Board, has hindered performance. Meketa representatives noted that the previously approved target asset allocation would have yielded significantly higher results (7.7% vs. 6.4%) and that the transition to the new target allocation is on-going and nearly complete. Ms. Farhadieh noted that this was a big transition year and that the Board should consider the Portfolio's long-term performance.


***PUBLIC COMMENT***

None.

***NEXT MEETING AND ADJOURMENT***

Chairman Levine stated that the next meeting of the Board would be scheduled for June 15, 2017, official notices to be distributed at a later date. At 3:15 p.m., there being no further business to come before the Committee, Senator Clayborne moved to adjourn the meeting. Trustee Cozzi seconded and the meeting was adjourned.

Respectfully submitted,

  
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William Atwood, Executive Director