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Illinois State Board of Investment Eliminates Hedge Fund Asset Class, Moves to Shareholder Value Proxy Voting

Opportunistic credit allocation increased

CHICAGO, IL – The Illinois State Board of Investment (ISBI) unanimously voted to remove hedge funds as an asset class today, the final step in a process that, over the last eighteen months, has terminated relationships with 65 hedge fund managers. ISBI plans to retain several high-performing managers; these were previously classified as hedge funds but will now be allocated to the asset class that they invest in.

“We are going to hold managers accountable to appropriate benchmarks. A hedge fund manager in the equity space will be measured against equity benchmarks,” said ISBI Chairman Marc Levine.

“Comparing these managers to the HFRI (Hedge Fund Research, Inc.) benchmark is meaningless,” Levine added.

In another move, ISBI increased its allocation to opportunistic credit from four percent to eight percent and reduced its allocation to private equity from nine percent to seven percent.

Additionally, ISBI replaced its Taft Hartley proxy voting guidelines with the widely accepted Glass Lewis guidelines, with the goal of exercising ISBI’s shareholder rights to maximize the value of the funds’ holdings.

“In line with U.S. Department of Labor guidance, ISBI is focused on voting its shares for the sole benefit of its participants and beneficiaries,” said Christopher Brannan, ISBI’s General Counsel and Chief Compliance Officer.

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