

**MINUTES OF THE
ILLINOIS STATE BOARD OF INVESTMENT**

Tuesday, October 10, 2017 – 11:45 a.m.
180 N. LaSalle St., Suite 2015
Chicago, IL 60601

Present:

Board Members

Chairman Marc Levine
Senator James F. Clayborne
Ezequiel Flores
Treasurer Michael Frerichs
Katherine Hennessy
Comptroller Susana Mendoza
Shari Greco Reiches
Justice Mary Seminara-Schostok
Stacey Woehrle

Staff

William Atwood
Shannon Bond
Shawn Evans
Johara Farhadieh
Mitchell Green
Scott Richards
David Zaloga

Guests

Burke Burns & Pinelli, Ltd.
Mary Pat Burns
Sarah A. Boeckman

Illinois State Comptroller's Office
Chasse Rehwinkel
Lauren Peters
John Gay

Illinois State Treasurer's Office
Rodrigo Garcia
Jay Rowell
Keith Horton

State Employees Retirement System
Tim Blair

Meketa Investment Group, Inc.
Alli Wallace
Frank Benham

Perella Weinberg Partners Capital
Management LP

Chris Bittman
Kent Muckel

Progress Investment Management
Company, LLC

Thurman White, Jr.
Patricia Garrick
Jose Balagot
Mona Williams

Governmental Consulting Solutions,
Inc.

Steve Zahn

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Cassandra Hernandez

ROLL CALL

Chairman Levine called the meeting to order at 12:17 pm in the Board Room of the Illinois State Board of Investment at 180 North LaSalle Street, Suite 2015, in Chicago. Ms. Burns called the roll and noted that a quorum was present.

Trustee Schostok moved to allow participation by conference call. Trustee Reiches seconded, and the motion passed unanimously.

REPORT OF THE CHAIR

None.

CONSIDERATION AND APPROVAL OF MINUTES

Trustee Flores moved to approve the open meeting minutes from the June 15, 2017 and July 19, 2017 meetings of the Board. Trustee Schostok seconded, and the motion passed unanimously.

Trustee Hennessy moved to approve and keep closed the executive session minutes from the June 15, 2017 and July 19, 2017 meetings of the Board. Trustee Schostok seconded, and the motion passed unanimously.

CONSIDERATION AND APPROVAL OF REPORTS AND RECOMMENDATIONS OF STANDING COMMITTEES

Investment Policy Committee

Ms. Farhadieh provided the report of the Investment Policy Committee.

At 12:21 pm, Trustees Mendoza and Frerichs joined the meeting by conference call.

Ms. Farhadieh read through the recommendations approved by the Investment Policy Committee to (i) approve the amendment to the current investment advisory agreement with ING Clarion Partners, LLC subject to legal review and successful contract negotiations; and (ii) approve the revised asset allocation ranges and benchmarks, provided that such ranges are not used tactically and with the understanding that any rebalancing must continue to be brought to the Board for review. Trustee Hennessy moved to adopt and ratify the recommendations of the Investment Policy Committee from its October 10, 2017 meeting. Trustee Woehrle seconded, and the motion passed unanimously.

Emerging Manager Committee

Ms. Farhadieh provided the report of the Emerging Manager Committee. Ms. Farhadieh reviewed the diversity policy allocations and preparations for the Senate Hearing.

Executive Committee

Ms. Farhadieh provided the report of the Executive Committee. Ms. Farhadieh read through the recommendations approved by the Executive Committee to authorize and issue a Request for Competitive Proposals for a Discretionary Investment Manager and an Investment Report Service Provider. Trustee Hennessy moved to adopt and ratify the recommendations of the Executive

Committee from its July 31, 2017 meeting. Trustee Woehrle seconded, and the motion passed unanimously.

PRESENTATION AND APPROVAL OF DISCRETIONARY INVESTMENT MANAGER SEARCH FINALISTS

Ms. Farhadieh referred Members to the memorandum, “Discretionary Investment Manager Recommendation,” which was previously provided. Ms. Farhadieh discussed the purpose for the search, the goal of finding a discretionary investment manager who would complement the services provided by The Rock Creek Group, LP and Hamilton Lane Advisors, L.L.C., described the general method used to analyze the responses that were received, and provided an overview of the on-site visits that were made.

At 12:30 p.m., Trustee Clayborne moved to go into Executive Session pursuant to Section 2(c)(7) of the Open Meetings Act to discuss specific investment managers and applicable contracts. Trustee Woehrle seconded, and the motion was called to a roll call vote. All in favor: Trustees Clayborne, Flores, Frerichs, Hennessy, Levine, Mendoza, Reiches, Schostok, and Woehrle. Nays: None. The motion passed unanimously.

At 2:03 p.m., Trustee Schostok moved to return to the open meeting. Trustee Flores seconded, and the motion passed unanimously. Not voting were Trustees Frerichs and Mendoza, who temporarily disconnected from the conference call at 12:39 p.m. and 1:20 p.m., respectively.

Discussion ensued regarding the use of passive strategies and allocations to the new discretionary investment manager.

Trustee Schostok moved that the Board approve ISBI Staff’s recommendation to appoint Perella Weinberg Partners Capital Management LP to act as discretionary investment advisor for approximately \$420 million in public market assets with initial funding from passive strategies and transitioning to The Rock Creek Group LLC Legacy Account, The Rock Creek Group LLC Transition Account, The Rock Creek Group, LLC Alternative Strategies (specifically the Georgetown Multi-Strategy Fund Series LLC, and the Tybourne Equity U.S. Fund), and .5% of the allocation to GQG Partners LLC, at such time and in such manner as deemed prudent by Staff, subject to successful contract negotiations. It was further moved that the Board approve Staff’s recommendation to appoint Perella Weinberg Partners Capital Management LP to act as discretionary investment advisor over 1% of the opportunistic credit allocation currently allocated to The Rock Creek Group LLC and 1% of the opportunistic credit allocation currently allocated to Hamilton Lane Advisors, L.L.C. Trustee Reiches seconded, and the motion passed unanimously.

UPDATE ON INVESTMENT REPORTING SEARCH

Ms. Farhadieh discussed the status of the search process for an Investment Report Service Provider, explaining that Staff performed an initial review of the submittals from a wide variety of companies with different business models and determined it would be best to reissue the RFP in a different format to assist in better understanding the different offerings and capabilities of each service provider.

REPORT OF DEFINED BENEFIT CONSULTANT: MEKETA INVESTMENT GROUP, INC.

Portfolio Review as of June 30, 2017

Representatives of Meketa Investment Group, Inc. referred Board members to their presentation materials. Representatives discussed the effect of current events on the market and the Portfolio's progress towards the current target asset allocation. Representatives then discussed recent performance of the Portfolio, including the performance of individual asset classes versus their respective benchmarks. Discussion ensued regarding the benchmarks.

REPORT OF DEFERRED COMPENSATION PLAN CONSULTANT: MEKETA INVESTMENT GROUP, INC.

Plan Performance Review as of June 30, 2017

Representatives of Meketa Investment Group, Inc. referred Committee members to their presentation materials. Representatives discussed current allocations and performance since the transition from active to passive management in April.

LEGISLATIVE UPDATE

Mr. Zahn referred Board members to their presentation materials. Mr. Zahn discussed Public Act 100-23 and legislation expected to be considered during Fall Veto Session.

Discussion ensued regarding the Tier III Hybrid Plan and the optional enrollment by Tier 2 participants, referenced in Public Act 100-23. Mr. Zahn noted that once Tier III was selected by a participant, the choice would be irrevocable. Mr. Zahn further noted that he might have more information the following week, and he agreed to provide updated information when it became available.

Mr. Zahn noted that SB 1714, sponsored by Trustee Clayborne, and HB 3419, the result of a joint effort by Rep. Jaime Andrade and Trustee Frerichs, both had bipartisan support and motions to override their veto were expected.

UPDATE ON BUDGET AND FINANCIAL STATEMENTS

Mr. Zaloga referred members to the reports in their meeting materials, which were previously provided. Mr. Zaloga noted that operating expenses were less than budgeted. Trustee Flores requested that future reports show the percentage change. Mr. Zaloga stated that he will add that column in future.

Trustee Reiches moved that the Record of Vouchers, as presented, be approved and accepted for filing as recommended by ISBI Staff. Trustee Woehrle seconded, and the motion passed unanimously.

REPORT OF THE EXECUTIVE DIRECTOR

Personnel Updates

Mr. Atwood noted that Christopher Brannan resigned as General Counsel and Chief Compliance Officer, Mary Jane Muscari retired as Administrative Assistant, Shannon Bond is the new

Investment Compliance Officer, and Atul Talwar is the new Chief Information Officer. Mr. Atwood further noted that he is conferring with Ms. Burns about filling the vacated General Counsel position, Administrative Assistant duties are being handled by a temporary hire until a new hire is made, and human resource matters are being handled by Ms. Bond.

REPORT OF THE INTERIM GENERAL COUNSEL

Succession Guidelines

Ms. Burns referred members to their meeting materials. Ms. Burns noted that the Succession Guidelines, as presented, were revised by Mr. Brannan to provide clarity in the event the role of the Executive Director or a senior staff member needs to be filled.

Chairman Levine moved that the Succession Guidelines presented by Counsel be approved and formally replace the Succession Policy previously approved by the Board. Trustee Hennessy seconded, and the motion passed unanimously.

Fiduciary Training Opportunities

Ms. Burns referred members to the list of conferences previously provided to members and noted that travel expenses for conferences or educational training sessions are reimbursable if approved by a majority of the Board in advance.

Trustee Schostok moved that the conferences and trainings provided on the September 2017 list of Upcoming Training Opportunities be approved pursuant to Section 1-150 of the Illinois Pension Code and that all resulting allowable expenses incurred by Trustees consistent with ISBI's policies be reimbursed. Trustee Woehrle seconded, and the motion passed unanimously.

At 3:20 p.m., Trustee Mendoza rejoined the meeting by conference call.

CONSIDERATION AND POSSIBLE ACTION REGARDING PERSONNEL MATTER

At 3:21 p.m., Trustee Hennessy moved to go into Executive Session pursuant to Section 2(c)(1) of the Open Meetings Act to discuss the employment and performance of specific employees. Trustee Reiches seconded, and the motion was called to a roll call vote. All in favor: Trustees Clayborne, Flores, Hennessy, Levine, Mendoza, Reiches, Schostok, and Woehrle. Nays: None. The motion passed unanimously.

At 3:22 p.m., Trustee Frerichs rejoined the meeting by conference call.

At 4:35 p.m., Trustee Schostok moved to return to the open meeting. Trustee Flores seconded, and the motion passed unanimously.

ELECTION OF OFFICERS

Justice Schostok moved to elect Trustee Flores as Chair. Senator Clayborne seconded. Trustee Flores thanked Members of the Board for the opportunity but noted that he would be unable to serve as Chair because of personal and professional commitments.

Trustee Flores moved to elect Trustee Levine as Chair. Trustee Hennessy seconded. All in favor: Flores, Frerichs, Hennessy, Levine, Reiches, and Woehrle. Nays: Trustees Schostok, Clayborne, and Mendoza. The motion passed.

Chairman Levine moved to elect Trustee Reiches as Vice Chair. Trustee Clayborne seconded, and the motion passed unanimously.

Chairman Levine moved to elect Trustee Schostok as Recording Secretary. Trustee Reiches seconded, and the motion passed unanimously.

Chairman Levine moved to elect Trustee Flores as Member at Large. Trustee Reiches seconded, and the motion passed unanimously.

NEW BUSINESS/OLD BUSINESS

None.

PUBLIC COMMENT

None.

NEXT MEETING AND ADJOURNMENT

Chairman Levine noted that members will be notified of the time and date for the next meeting. At 4:52 p.m., there being no further business to come before the Committee, Trustee Schostok moved to adjourn the meeting. Trustee Hennessy seconded, and the meeting was adjourned.

Respectfully submitted,



William Atwood, Executive Director