

MINUTES OF THE
ILLINOIS STATE BOARD OF INVESTMENT

Friday November 16, 2018 - 10:00 a.m.
180 N. LaSalle St., Suite 2015
Chicago, IL 60601

Present:

Board Members

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

Staff

Genette Bacon-Cordova
Shawn Evans
Johara Farhadieh
Mitchell Green
James Karls
Dipesh Mehta
Scott Richards
Atul Talwar
David Zaloga

Guests

Burke Burns & Pinelli, Ltd.
Sarah Boeckman

Illinois State Comptroller's Office
Chasse Rehwinkel
Kathleen Stralka

Illinois State Treasurer's Office
Rodrigo Garcia
Allen Mayer

Rock Creek Group, LP
Sudhir Krishnamurthi
Siddarth Sudhir
Matthew Bullough

Meketa Investment Group, Inc.

Alli Wallace

Ghiane Jones

Tim Atkins

ROLL CALL

Chairman Levine called the meeting to order at 10:16 a.m. in the Boardroom of the Illinois State Board of Investment office at 180 North LaSalle Street, Suite 2015, in Chicago. Mr. Mehta called the roll and noted that a quorum was present.

Senator Clayborne moved that Trustee Woehrle be allowed to participate in the meeting by conference call pursuant to Section 7(a) of the Open Meetings Act. Justice Schostok seconded, and the motion passed unanimously.

REPORT OF THE CHAIR

Chairman Levine congratulated Comptroller Mendoza and Treasurer Frerichs on their recent re-election for their respective State of Illinois positions.

CONSIDERATION AND APPROVAL OF MULTI-SECTOR CREDIT ALLOCATION AND REVISIONS TO GUIDELINES

Presentation by Rock Creek Group LP

Rock Creek representative Mr. Krishnamurthi referred Board Members to the presentation materials. He discussed the current partnership with the Illinois State Board of Investment and Rock Creek's vision for the Multi-Sector Credit Allocation. Trustee Hennessy inquired if other pensions plans use a bundled approach and Mr. Krishnamurthi replied other plans do use this approach and confirmed it was sound strategy for ISBI's portfolio. Rock Creek representative Mr. Bullough informed Trustees about the Rock Creek's technology when sourcing deals. He also stated that Rock Creek conducts research by using both a top-down and bottoms-up investment scope.

Presentation by Meketa Investment Group Inc.

Meketa representatives Ms. Wallace and Mr. Atkins referred Board Members to the presentation materials. Both representatives from Meketa reviewed their recommendations to the Board. Senator Clayborne asked about investing with MWDBE firms and representatives from Rock Creek stated MWDBE firms will be included in their searches for credit managers. Trustee Reiches asked ISBI Staff about the process for monitoring the portfolio. Ms. Farhadieh replied the portfolio will be monitored internally as well as with Meketa. Additionally, the portfolio will also eventually be monitored using BlackRock's risk advisory software.

Trustee Hennessy moved to approve the recommendation of Staff and Meketa Investment Group, Inc. to appoint Rock Creek Group, LP to act as Discretionary Strategic Partner with respect to 4 1/2% of ISBI's multi-sector credit allocation and that Staff revise Rock Creek Group LP's Guidelines to reflect this additional allocation, at such time and in such manner as ISBI Staff deems prudent, subject to successful contract negotiations. Comptroller Mendoza seconded, and the motion passed unanimously.

Justice Schostok moved to approve the recommendation of Staff and Meketa Investment Group, Inc. to revise Brigade Capital Management LP's Guidelines as reflected on the record, at such time and in such manner as ISBI Staff deems prudent, subject to successful contract negotiations. Trustee Hennessy seconded, and the motion passed unanimously.

Comptroller Mendoza moved to approve the recommendation of Staff and Meketa Investment Group, Inc. to terminate Nomura Corporate Research and Asset Management Inc., Crescent

Capital Group LP's Bank Loan Account, THL Credit Senior Loan Strategies LLC, and to reduce ISBI's emerging market debt passive allocation by 1/3 as discussed on the record, at such time and in such manner as ISBI Staff deems prudent. Justice Schostok seconded, and the motion passed unanimously. Chairman Levine noted these managers were not being terminated due to performance or any other issues, but instead on a necessary funding basis to fund the Multi-Sector Credit Allocation.

Justice Schostok moved to approve the recommendation of Staff and Meketa Investment Group, Inc. to provide Staff with the authority to implement necessary rebalancing of unintended under or over exposures including, but not limited to the emerging markets debt allocation as discussed on the record, at such time and in such manner as deemed prudent. Trustee Reiches seconded, and the motion passed unanimously.

Justice Schostok moved to approve the recommendation of Staff and Meketa Investment Group, Inc. to re-classify Crescent Capital Group LP's Direct Lending Account from ISBI's bank loans aggregate allocation to ISBI's opportunistic debt aggregate allocation. Trustee Flores seconded, and the motion passed unanimously. Trustee Flores asked if Board approval is required for re-classifications. Fiduciary counsel responded that is not always necessary for Staff to receive Board approval for reclassifications of investment managers but because this particular reclassification is part of the broader recommendation regarding the multi-sector allocation, that it was appropriate for the Board to approve the re-classification.

REPORT BY GENERAL CONSULTANT – MEKETA INVESTMENT GROUP, INC.

Review of Strategic Partners – Opportunistic Credit

Ms. Wallace of Meketa referred Board Members to the presentation materials. She discussed current allocations and performance of the Opportunistic Credit Portfolio. She led a detailed discussion about the plan's three strategic partners. Trustee Reiches inquired about current and future allocations to this strategy. Mr. Richards informed Trustees the current portfolio is underweight to target, but it will rise to the target level as strategic partners continue to allocate funds to underlying managers.

Consideration and Approval of Reduction in Active Equity Exposure

Ms. Farhadieh referred Board Members to the presentation materials. She discussed the memorandum prepared by Meketa and the need for Staff to have flexibility to maintain the plan's passive and active splits. Trustee Reiches moved to approve the recommendation of Staff and Meketa Investment Group, Inc. to direct ISBI's Discretionary Strategic Partner, BlackRock, to reduce ISBI's equity exposure within ISBI's Legacy Active Portfolio to a range of 500-800 million as discussed on the record, at such time and in such manner as ISBI Staff and BlackRock deems prudent. Justice Schostok seconded. All in favor: Trustees Reiches, Schostok, Mendoza, Frerichs, Flores, Hennessy, and Levine. Nays: Senator Clayborne. Not present: Trustee Woehrle. The motion passed.

CONSIDERATION AND POSSIBLE ACTION REGARDING REVISIONS TO POLICIES

Board of Trustees' Code of Ethics

Mr. Mehta referred Board Members to the presentation materials. Mr. Mehta discussed the proposed revisions to the Code of Ethics. The revisions included clarifying and codifying expense procedures as well as procedures for time-sensitive Board matters consistent with the requirements of the Illinois Pension Code and the Open Meetings Act.

Justice Schostok moved that the Board, consistent with the recommendation of ISBI Staff, approve the proposed revisions to the Code of Ethics. Trustee Hennessy seconded, and the motion passed unanimously. Not present: Trustee Woehrl.

REPORT BY GENERAL COUNSEL

New Trustee On-Boarding Package

Mr. Mehta referred Board Member to the presentation materials. He highlighted a proposed package of documents that would be sent to new Board Members to assist in acclimating them to their new responsibilities as Board Members of the Illinois State Board of Investment.

NEW BUSINESS/OLD BUSINESS

None.

PUBLIC COMMENT

None.

NEXT MEETING AND ADJOURNMENT

Chairman Levine noted that the next meeting will take place on December 11, 2018. At 12:45 p.m., there being no further business to come before the Board, Trustee Hennessy moved to adjourn the meeting. Trustee Flores seconded, and the meeting was adjourned.

Respectfully submitted,



Johara Farhadieh, Executive Director/
Chief Investment Officer