

MINUTES OF THE
ILLINOIS STATE BOARD OF INVESTMENT

Thursday & Friday, September 20-21, 2018 - 3:00 p.m.
180 N. LaSalle St., Suite 2015
Chicago, IL 60601

Present:

Board Members

Chairman Marc Levine
Ezequiel Flores
Treasurer Michael Frerichs
Katherine Hennessy
Shari Greco Reiches
Justice Mary Seminara-Schostok
Stacey Woehrle
Senator Clayborne
Treasurer Frerichs

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
Lauren Peters
Kathleen Stralka

Illinois State Treasurer's Office
Rodrigo Garcia
Allen Mayer

HighVista Strategies, LLC
Caroline Page
Luke Page
Adam Posner

Segal Marco Advisors

Maureen O'Brien

Parametric Portfolio Associates, LLC

Jennifer Sireklove

Greg Baranivsky

Aon Hewitt Investment Consulting

Meredith Jones

Meketa Investment Group, Inc.

Alli Wallace

Frank Benham

Brandon Colon

Prescott Group

Richie Butler

Absent:

Board Members

Comptroller Susana Mendoza

ROLL CALL (9/20/2018)

Chairman Levine called the meeting to order at 3:21 p.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 the following Trustees were present: Trustees Flores, Hennessy, Reiches, Schostok, Woehrle, and Levine. Mr. Mehta noted that a quorum was present.

REPORT OF THE CHAIR (9/20/2018)

None.

PRESENTATION BY ENVIRONMENTAL, SOCIAL, AND GOVERNANCE (ESG) PANEL(9/20/2018)

Mr. Mehta referred Members to the presentation materials. Mr. Mehta provided an overview of ESG, the methodology of ESG investing, and its applicability to public pensions plans. Mr. Mehta then asked ESG Panelists, Ms. Maureen O'Brien, Ms. Jennifer Sireklove, and Ms. Meredith Jones a series of ESG related questions.

At 4:17 p.m. Trustee Reiches moved that the Board Meeting be in recess until the following morning at 9:00 a.m., consistent with public notice. Trustee Hennessy seconded, and the motion passed unanimously.

ROLL CALL (9/21/2018)

Chairman Levine called the meeting to order at 9:06 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 the following Trustees were present: Trustees Clayborne, Flores, Frerichs, Hennessy, Reiches, Schostok, Woehrle, and Levine. Mr. Mehta noted that a quorum was present.

REPORT OF THE CHAIR (9/21/2018)

Chairman Levine read a resolution honoring Senator Clayborne's service as a Board Member of the Illinois State Board of Investment and requested that the resolution be entered on the permanent record of ISBI as a token of the Board and Staff's respect and gratitude to Senator Clayborne for his service.

Trustees and ISBI Staff thanked Senator Clayborne for all his work on specifically championing diversity initiatives. Senator Clayborne remarked he enjoyed his time serving on the Board and advised everyone, "The greatest loss is a missed opportunity."

Consideration and Approval of the 2019 Schedule of Meetings

Chairman Levine moved to approve the 2019 Schedule of Meetings, as presented. Trustees Flores seconded, and the motion passed unanimously.

CONSIDERATION AND APPROVAL OF MINUTES

Senator Clayborne moved to approve the June 29, 2018 and July 9, 2018 Board meeting minutes. Trustee Flores seconded, and the motion passed unanimously.

Trustee Woehrle moved to approve and keep closed the executive session minutes from the June 29, 2018 and July 9, 2018 Board meeting, pursuant to the recommendation of Fiduciary Counsel. Senator Clayborne 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.

Ms. Farhadieh read through the recommendation approved by the Investment Policy Committee at its September 20, 2018 meeting:

1. To approve the recommendation of Staff and Meketa Investment Group, Inc. to terminate the SSgA Domestic Equitization portfolio.

Trustee Flores moved to adopt and ratify the recommendation from the Investment Policy Committee at its September 20, 2018 meeting. Trustee Hennessy seconded, and the motion passed unanimously.

Emerging Manager Committee

Ms. Farhadieh provided the report of the Emerging Manager Committee.

Ms. Farhadieh read through the recommendation approved by the Emerging Manager Committee at its September 20, 2018 meeting:

1. To approve the recommendation of Staff to join the PREA Foundation as a signatory.

Trustee Flores moved to adopt and ratify the report from the Emerging Manager Committee at its September 20, 2018 meeting. Trustee Woehrle seconded, and the motion passed unanimously.

Audit and Compliance Committee

Justice Schostok provided the report of the Audit and Compliance Committee and read through the recommendations approved by the Audit and Compliance Committee at its September 20, 2018 meeting:

1. To approve and accept for filing, as presented, the Record of Vouchers.
2. To approve the Agent Contact Report.
3. To approve the conferences and trainings listed on the September 2018 list of Upcoming Training Opportunities, as presented and supplemented, pursuant to Section 1-150 of the Illinois Pension Code, and that all resulting allowable expenses incurred by Trustees be reimbursed, consistent with ISBI's policies.

Justice Schostok moved to adopt and ratify the recommendations of the Audit and Compliance Committee from its September 20, 2018 meeting. Senator Clayborne seconded, and the motion passed unanimously.

REPORT BY GENERAL CONSULTANT – MEKETA INVESTMENT GROUP, INC.

Deferred Compensation Plan Performance Review as of June 30, 2018

Ms. Wallace of Meketa referred Board Members to the presentation materials. She discussed current allocations and performance of the Deferred Compensation Portfolio. Ms. Wallace also discussed the plan's target date funds and its relative performance. Staff stated they will continue to monitor fees associated with the Deferred Compensation Portfolio.

Consideration and Approval of Recordkeeper Fee Changes

Ms. Farhadieh referred Board Members to the presentation materials. She discussed the memorandum, the change in fees, and current market fees for similar plans. Trustee Hennessy asked Staff to ensure plan participants were aware of the different options available and the respective fees. Trustee Flores moved to approve the revisions to the Deferred Compensation Recordkeeper Administrative Fees, effective January 1, 2019. Senator Clayborne seconded, and the motion passed unanimously.

Defined Benefit Portfolio Review as of June 30, 2018

Ms. Wallace of Meketa referred Board Members to the presentation materials. She discussed recent performance of the Defined Benefit Portfolio as well as the performance of individual asset classes versus their respective target allocations and benchmarks and performance attribution for each asset class. Trustees discussed performance of specific assets classes and the Strategic Partners.

Consideration and Approval of Revisions to Asset Allocation

Mr. Benham, a Meketa representative, referred Board Members to the presentation materials. He then provided the Board a general overview the plan's current asset allocation. Ms. Wallace discussed the plan's funding sources. Chairman Levine noted certain sectors were underweight, but that would be remedied in the future as allocations are made.

Justice Schostok moved to approve the revisions to the Asset Allocation consistent with the recommendations of Meketa Investment Group, Inc. and ISBI Staff. Trustee Reiches seconded, and the motion pass unanimously.

REPORT BY EXECUTIVE DIRECTOR/CHIEF INVESTMENT OFFICER

At 11:23 a.m., Senator Clayborne moved to go into Executive Session pursuant to Section 2(c)(1) of the Open Meetings Act to discuss personnel matters. Chairman Levine seconded, and the motion was called to a roll call vote. All in favor: Trustees Clayborne, Flores, Frerichs, Hennessy, Levine, Reiches, Schostok, and Woehrle. Nays: None. Absent: Mendoza. The motion passed unanimously.

At 12:02 p.m., Senator Clayborne moved to return to the open meeting. Trustee Reiches seconded, and the motion passed unanimously.

Senator Clayborne moved to approve the Fiscal Year 2019 Budget as presented consistent with recommendation of ISBI Staff. Chairman Levine seconded, and the motion passed unanimously.

Trustee Hennessy moved to approve the revisions to the Organization Chart and Job Descriptions as presented consistent with recommendation of ISBI Staff. Trustee Woehrle seconded, and the motion passed unanimously.

REPORT OF THE DIRECTOR OF OPERATIONS, ACCOUNTING AND AUDIT

Actual vs. Projected Budget Forecast as of 6/30/18

Mr. Zaloga referred Members to the Actual vs. Projected Budget Forecast as of June 30, 2018 in the meeting materials, which was previously provided to Members. Chairman Levine noted that asset growth drove an increase in management fees.

Consideration and Approval of Financial Statements (3/31/18)

Mr. Zaloga referred Members to the Financial Statements in the meeting materials, which were previously provided to Members.

Trustee Woehrle moved that the Financial Statements be approved and accepted for filing, as presented, consistent with the recommendation of ISBI Staff. Senator Clayborne seconded, and the motion passed unanimously.

CONSIDERATION AND POSSIBLE ACTION REGARDING EMPLOYEE DIRECTIVES MANUAL

Mr. Mehta referred Board Members to the presentation materials. Mr. Mehta discussed and highlighted changes to the Employee Directives Manual.

Trustee Flores moved that the Board, consistent with the recommendation of ISBI Staff, approve the proposed revisions to the Employee Directives Manual. Trustee Hennessy seconded, and the motion passed unanimously.

REPORT BY GENERAL COUNSEL

Diversity Policy Update

Mr. Mehta noted the Diversity Policy was not being updated at this time but noted that revisions may be necessary in the future once there is clarification with respect to the implementation of Public Act 100-0902.

JCAR Rulemaking Update

Fiduciary Counsel informed Board Members that the JCAR revisions to Deferred Compensation Plan were approved and filed with the Secretary of State. She also noted that it was her belief that the JCAR revisions to the Defined Benefit Plan were approved pursuant to the JCAR Committee meeting held that week. She stated that after she received formal notification that the JCAR revisions to the Defined Benefit Plan were approved, she would take appropriate action to ensure such revisions were filed with the Secretary of State.

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 12:40 p.m., there being no further business to come before the Board, Trustee Hennessy moved to adjourn the meeting. Senator Clayborne seconded, and the meeting was adjourned.

Respectfully submitted,



Johara Farhadieh, Executive Director/
Chief Investment Officer