

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

**Tuesday, December 11, 2018 - 2:05 p.m.  
180 N. LaSalle St., Suite 2015  
Chicago, IL 60601**

**Present:**

**Board Members**

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

**Staff**

**Genette Bacon-Cordova  
Shawn Evans  
Johara Farhadih  
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**

**Meketa Investment Group, Inc.  
Ghiane Jones  
Frank Benham  
Paul Cowie**

**State Employees' Retirement System**  
Tim Blair (via Telephone)

**Governmental Consulting Solutions**  
Steve Zahn

**Guest of ISBI**  
Maryann Hong

## ***ROLL CALL***

Chairman Levine called the meeting to order at 2:52 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 Clayborne, Flores, Hennessy, Reiches, Schostok, Woehrle, and Levine. Mr. Mehta noted that a quorum was present.

Trustee Flores moved that Comptroller Mendoza and Treasurer Frerichs 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***

### **Appointment of Standing Committees and other matters**

Chairman Levine, pursuant to his authority as Chairman under ISBI's Bylaws, noted that the same Committee appointments would be maintained for 2019 as in the prior year. Additionally, he noted that Members of the Executive Committee had completed the mid-term evaluation of the Executive Director/Chief Investment Officer.

### **Presentation and Approval of Board Resolution Honoring Senator Clayborne**

Chairman Levine referred Members to the Resolution in honor of Senator Clayborne. Trustee Flores moved that the Board approve the Resolution honoring Senator Clayborne for his service to ISBI and that the Resolution be entered into the permanent record of ISBI. Justice Schostok seconded, and the motion passed unanimously.

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

Trustee Woehrle moved to approve the August 31, 2018, September 20-21, 2018, and November 16, 2018 Board meeting minutes. Senator Clayborne seconded, and the motion passed unanimously.

Justice Schostok moved to approve and keep closed the executive session minutes from the August 21, 2018 and September 21, 2018 Board meeting, pursuant to the recommendation of Fiduciary Counsel. Senator Clayborne seconded, and the motion passed unanimously.

Justice Schostok moved that the Executive Session Minutes recommended by Fiduciary Counsel be opened to the public pursuant to Section 2.06(d) of the Open Meetings Act and that the verbatim records presented by Fiduciary Counsel be discarded pursuant to Section 2.06(c) of the Open Meetings Act. Trustee Woehrle 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 recommendations approved by the Investment Policy Committee at its December 11, 2018 meeting:

1. The recommendation from ISBI Staff and Hamilton Lane Advisors, LLC to approve the

- 2019 Strategic Annual Plan for its discretionary Investment Manager Hamilton Lane Advisors, LLC.
2. The recommendation from ISBI Staff to approve the revised Infrastructure Investment Guidelines for the discretionary Investment Manager Agreement with Hamilton Lane Advisors, LLC.
  3. The recommendation from ISBI Staff and The Rock Creek Group to approve the 2019 Strategic Annual Plan for its discretionary Investment Manager the Rock Creek Group, LP.

Justice Schostok moved to adopt and ratify the recommendations from the Investment Policy Committee at its December 11, 2018 meeting. Trustee Hennessy seconded, and the motion passed unanimously.

#### Emerging Manager Committee

Ms. Farhadieh provided the report of the Emerging Manager Committee's meeting on December 11, 2018.

Justice Schostok moved to adopt and ratify the report from the Emerging Manager Committee at its December 11, 2018 meeting. Trustee Woehrlé 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 December 11, 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 December 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.

Trustee Hennessy moved to adopt and ratify the recommendations of the Audit and Compliance Committee from its December 11, 2018 meeting. Chairman Levine seconded, and the motion passed unanimously.

#### ***REPORT BY GENERAL CONSULTANT – MEKETA INVESTMENT GROUP, INC.***

##### Defined Benefit Portfolio Review as of September 30, 2018

Mr. Benham and Ms. Jones of Meketa referred Board Members to the presentation materials. Mr. Benham discussed the recent quarterly 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. Chairman Levine noted ISBI is still underweight in certain asset classes. Mr. Benham stated as ISBI increases its allocation to those asset classes, performance will improve over the long term.

Deferred Compensation Plan Performance Review as of September 30, 2018

Mr. Cowie of Meketa referred Board Members to the presentation materials. He discussed current allocations and the quarterly performance of the Deferred Compensation Portfolio.

***REPORT BY EXECUTIVE DIRECTOR/CHIEF INVESTMENT OFFICER***

At 3:47 p.m., Trustee Hennessy moved to go into Executive Session pursuant to Section 2(c)(1) and (7) of the Open Meetings Act to discuss personnel matters and specific investment contracts. Trustee Woehrle 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 3:58 p.m., Trustee Reiches moved to return to the open meeting. Trustee Woehrle seconded, and the motion passed unanimously.

Justice Schostok moved to approve issuance of a RFP for the Deferred Compensation Plan Consultant consistent with the recommendation of ISBI Staff at such time and in such manner as deemed prudent by ISBI Staff. Trustee Hennessy seconded, and the motion passed unanimously.

Justice Schostok moved to approve the revised Fiscal Year 2019 Budget as presented consistent with the 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 9/30/18

Ms. Farhadieh referred Members to the Actual vs. Projected Budget Forecast as of September 30, 2018 in the meeting materials, which was previously provided to Members.

Consideration and Approval of Financial Statements (6/30/18)

Ms. Farhadieh referred Members to the Financial Statements in the meeting materials, which were previously provided to Members.

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

***REPORT BY GENERAL COUNSEL***

Consideration and Approval of Hardship Appeal Recommendation from Hearing Officer

ISBI's General Counsel served as the Hearing Officer in the Hardship Appeal titled 18-096. The Hearing Officer referred Members to the "Report of Hearing Officer's Findings" and "Recommendation of Hearing Officer." The Hearing Officer discussed the legal and factual findings leading to the recommendation to grant a partial distribution to the Appellant. Justice Schostok moved to approve the recommendation provided by the Hearing Officer with respect to H/S 18-096. Trustee Hennessy seconded, and the motion passed unanimously.

## ***LEGISLATIVE UPDATE***

Mr. Zahn referred Board Members to his presentation materials. Mr. Zahn discussed the recent veto session in Springfield, the election of new legislators, and potential legislation that impacts ISBI. Ms. Farhadieh noted ISBI had retained Zahn Governmental Solutions, LLC for a three year contract term.

## ***ELECTION OF OFFICERS/CHAIRMAN***

Chairman Levine stated he is resigning as Chairman but will remain as a Trustee of ISBI. He commented that ISBI's model of investing is state of the art and best practice for any institutional investor. He further stated he was proud of ISBI's accomplishments during his tenure as Chairman and applauded the Trustees for working together to benefit ISBI's participants and beneficiaries. Chairman Levine added he values all the relationships he made during his tenure including with other Trustees, ISBI Staff, Meketa, and Strategic Partners. Lastly, he remarked that it is his expectation that ISBI will continue to succeed under the stewardship of Ms. Farhadieh.

With respect to his recommendation for his replacement as Chair, Chairman Levine stated that Justice Schostok is someone who instinctively puts ISBI first in her decision-making and leadership on the Board. Chairman Levine moved that the Board appoint Justice Schostok as the Chairperson of the Board. Comptroller Mendoza seconded. A roll call vote was conducted. All in favor: Clayborne, Flores, Frerichs, Hennessy, Mendoza, Reiches, Schostok, Woehrle, and Levine. Nays: None.

Chairwoman Schostok thanked the other Members for the opportunity to serve ISBI's participants and beneficiaries as Chairwoman of the Board.

To fill Chairwoman Schostok's prior position as Recording Secretary, Trustee Levine moved that the Board appoint Trustee Hennessy as Recording Secretary of the Board. Chairwoman Schostok seconded and the motion passed unanimously.

## ***NEW BUSINESS/OLD BUSINESS***

None.

## ***PUBLIC COMMENT***

None.

## ***NEXT MEETING AND ADJOURNMENT***

Trustee Levine noted that the next meeting will take place March 15, 2018. At 4:37 p.m., there being no further business to come before the Board, Trustee Hennessy moved to adjourn the meeting. Woehrle seconded, and the meeting was adjourned.

Respectfully submitted,



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Johara Farhadieh, Executive Director/  
Chief Investment Officer