

MINUTES OF THE
ILLINOIS STATE BOARD OF INVESTMENT

Friday, March 15, 2019 - 12:05 p.m.
180 N. LaSalle St., Suite 2015
Chicago, IL 60601

Present:

Board Members

Chairwoman Justice Mary Seminara-Schostok
Ezequiel Flores
Treasurer Michael Frerichs
Katherine Hennessy
Comptroller Susana Mendoza (via Telephone)
Stacey Woehrle

Staff

Genette Bacon-Cordova
Shawn Evans
Johara Farhadih
Mitchell Green
Maryann Hong
James Karls
Dipesh Mehta
Jessica Revilla
Scott Richards
Atul Talwar
David Zaloga

Guests

Burke Burns & Pinelli, Ltd.
Sarah Boeckman

Illinois State Comptroller's Office
Chasse Rehwinkel

Illinois State Treasurer's Office
Allen Mayer

Meketa Investment Group, Inc.
Ghiane Jones
Alli Wallace
Todd Silverman

State Employees' Retirement System
Tim Blair (via Telephone)

Governmental Consulting Solutions

Steve Zahn

Mesirow Financial

Craig Goesel

ROLL CALL

Chairwoman Schostok called the meeting to order at 12:05 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, and Woehrle. Mr. Mehta noted that a quorum was not present. In accordance with the direction from Mr. Mehta and Fiduciary Counsel, the Board Chairwoman noted that the Board would go out of the regular order of business indicated on the agenda to first address informational items on the agenda that did not require Board action.

At 1:06PM, Treasurer Frerichs joined the meeting. Mr. Mehta noted that a quorum was now present.

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

REPORT OF THE CHAIR

Presentation and Approval of Board Resolution Honoring Trustee Woehrle

Chairwoman Schostok referred Members to the Resolution in honor of Trustee Woehrle. Trustee Hennessy moved that the Board approve the Resolution honoring Trustee Woehrle for her service to ISBI and that the Resolution be entered into the permanent record of ISBI. Trustee Flores seconded, and the motion passed unanimously.

Presentation and Approval of Board Resolution Honoring Trustee Levine

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

CONSIDERATION AND APPROVAL OF MINUTES

Trustee Flores moved to approve the December 11, 2018 Board meeting minutes. Trustee Woehrle seconded, and the motion passed unanimously.

Justice Schostok moved to approve and keep closed the executive session minutes from the December 11, 2018 Board meeting, pursuant to the recommendation of Fiduciary Counsel. Trustee Woehrle seconded, and the motion passed unanimously.

CONSIDERATION AND APPROVAL OF REPORTS AND RECOMMENDATIONS OF STANDING COMMITTEES

Audit and Compliance Committee

Chairwoman Schostok provided the report of the Audit and Compliance Committee and read through the recommendations approved by the Audit and Compliance Committee at its March 15, 2019 meeting:

1. To approve the Fiscal Year 2018 Annual Report.
2. To approve and accept for filing, as presented, the Record of Vouchers.
3. To approve the Agent Contact Report.
4. 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.

Chairwoman Schostok moved to adopt and ratify the recommendations of the Audit and Compliance Committee from its March 14, 2019 meeting. Trustee Woehrle seconded, and the motion passed unanimously.

PRESENTATION BY AND POSSIBLE APPROVAL OF DEFERRED COMPENSATION PLAN CONSULTANT

At 1:42PM, Trustee Woehrle moved to go into Executive Session pursuant to Section 2(c)(7) of the Open Meetings Act to discuss specific investment contracts. Trustee Hennessy seconded, and the motion was called to a roll call vote. All in favor: Trustees Flores, Frerichs, Hennessy, Mendoza, Schostok, and Woehrle. Nays: None. The motion passed unanimously.

At 2:59 p.m., Trustee Woehrle moved to return to the open meeting. Chairwoman Schostok seconded, and the motion passed unanimously.

Trustee Flores moved to appoint RVK as ISBI's Deferred Compensation Plan's General Consultant to provide non-discretionary consulting services consistent with the recommendation of ISBI Staff; subject to legal review and successful contract negotiations. Trustee Frerichs seconded, and the motion passed unanimously.

REPORT BY GENERAL CONSULTANT – MEKETA INVESTMENT GROUP, INC.

Consideration and Approval of Strategic Partner Public Markets Allocation

Trustee Hennessy moved to approve the revised Strategic Partner Public Markets Asset Allocation, consistent with the recommendation of Meketa Investment Group and ISBI Staff. Trustee Woehrle seconded, and the motion passed unanimously.

Consideration and Approval of Passive Fixed Income Portfolio Benchmark

Trustee Hennessy moved to approve the replacement of the 50% JP Morgan EMBI Global Diversified/50% JP Morgan CEMBI Benchmark with the 100% JP Morgan EMBI Global Diversified Benchmark, consistent with the recommendation of Meketa Investment Group and ISBI Staff. Trustee Woehrle seconded, and the motion passed unanimously.

Review of Strategic Partners – Private Equity

Todd Silverman of Meketa referred Board Members to their presentation materials. Mr. Silverman discussed the recent quarterly performance of the Private Equity Portfolio. Chairwoman Schostok inquired about ISBI's ability to communicate and give input to ISBI's Strategic Partners. Ms. Farhadieh noted that ISBI has weekly meetings with the Strategic Partners to address any concerns and provide input subject to the Strategic Partners' discretion over their respective investment allocations.

REVIEW OF TRANSITION MANAGEMENT – MEKETA INVESTMENT GROUP, INC

Consideration and Approval of Current Transition Manager Pool

Trustee Hennessy moved to approve the Current Transition Manager Pool, consistent with the recommendations of Meketa Investment Group and ISBI Staff. Treasurer Michael Frerichs seconded, and the motion passed unanimously.

PORTFOLIO PERFORMANCE REVIEW – MEKETA INVESTMENT GROUP, INC

Defined Benefit Portfolio Review as of September 30, 2018

Ms. Jones of Meketa referred Board Members to their presentation materials. Ms. Jones 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. Ms. Jones noted that while ISBI was underweight in certain asset classes, assets were within their target ranges.

Deferred Compensation Plan Performance Review as of September 30, 2018

Ms. Wallace of Meketa referred Board Members to the presentation materials. She discussed current allocations and the quarterly performance of the Deferred Compensation Portfolio.

REPORT OF THE EXECUTIVE DIRECTOR/CHIEF INVESTMENT OFFICER

Consideration and Possible Action Related to Investment Watch List Notifications

None.

Review Matters Relating to Existing Managers/Strategic Partners

Mr. Richards gave a summary of the progress and status of ISBI's Existing Managers/ Strategic Partners.

Update regarding Executive Order 2019-01

Mr. Mehta gave a description of the State of Illinois Executive Order 2019-01, "Strengthening the State's Commitment to Effective and Transparent Government in Compliance with the Laws" issued to all agencies under the jurisdiction of the Illinois Executive Branch. Mr. Mehta noted that while ISBI is not an agency under the jurisdiction of the Governor, ISBI is submitting the report in the spirit of transparency.

PRESENTATION ON FIDUCIARY LIABILITY & FIDELITY BOND INSURANCE BY MESIROW

Mr. Craig Goesel of Mesirow Financial referred Board Members to the presentation materials and discussed Mesirow's fiduciary liability and fidelity bond policy. Chairwoman Schostok inquired into further details about the terms of the recommended fiduciary liability policy. Mr. Goesel confirmed that in his expert opinion the recommended fiduciary liability policy provided coverage that is consistent with similarly situated public pension funds. Ms. Goesel also provided recommendations to the Board and ISBI's staff for the insurance plan that would best fit ISBI's needs.

LEGISLATIVE UPDATE – STEVE ZAHN

Mr. Zahn referred Board Members to his presentation materials. Mr. Zahn discussed the contents and status of potential legislation, as well as the possible impacts on ISBI.

REPORT BY GENERAL COUNSEL

Update regarding Environmental, Social, and Governance investing (ESG)

Mr. Mehta described ISBI's ongoing efforts in exploring Environmental, Social and Governance investing principles, including meeting with various ESG focused groups including Thirty Percent Coalition, UAW Midwest Diversity Initiative, and the Sustainability Accounting Standards Board Foundation (SASB). ISBI intends to further research ESG focused standards and membership groups throughout 2019 and consider how these factors could benefit or enhance ISBI's functions and portfolios.

Consideration and Approval of Hardship Appeal Recommendation from Hearing Officer

ISBI's General Counsel served as the Hearing Officer in the Hardship Appeal titled 19-011. 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. Trustee Woehrle moved to approve the recommendation provided by the Hearing Officer with respect to H/S 19-011. Trustee Hennessy seconded, and the motion passed unanimously.

CONSIDERATION AND POSSIBLE ACTION REGARDING REVISIONS TO BOARD POLICIES

Communications Policy

Justice Schostok moved to approve updates to the Communications Policy as recommended by ISBI Staff. Trustee Flores seconded, and the motion passed unanimously.

Public Comment Policy

Trustee Flores moved to approve the Public Comment Policy as recommend by ISBI Staff. Justice Schostok seconded, and the motion passed unanimously.

Board Bylaws

Trustee Hennessy moved to approve updates to the Board Bylaws as recommended by ISBI Staff. Justice Schostok seconded, and the motion passed unanimously.

Agency Directives Manual

Trustee Hennessy moved to approve updates to the Agency Directives Manual as recommended by 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 12/31/18

Ms. Farhadieh referred Members to the Actual vs. Projected Budget Forecast as of December 31, 2018 in the meeting materials, which was previously provided to Members.

Consideration and Approval of Financial Statements (9/30/18)

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

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

NEW BUSINESS/ OLD BUSINESS

None.

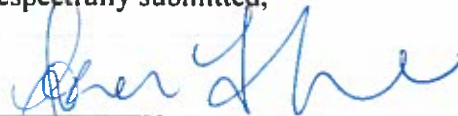
PUBLIC COMMENT

None.

NEXT MEETING/ MOTION TO ADJOURN

Chairwoman Schostok noted that the next meeting will take place June 14, 2019. At 4:24 p.m., there being no further business to come before the Board, Trustee Woehrle moved to adjourn the meeting. Trustee Mendoza seconded, and the meeting was adjourned.

Respectfully submitted,



Johara Farhadieh, Executive Director/
Chief Investment Officer