

MINUTES OF THE
ILLINOIS STATE BOARD OF INVESTMENT

Friday, June 14, 2019 - 9:30 a.m.
180 N. LaSalle St., Suite 2015
Chicago, IL 60601

Present:

Board Members

Chairwoman Justice Mary Seminara-Schostok
Gisela Attlan
Ezequiel Flores (via Telephone)
Treasurer Michael Frerichs
Comptroller Susana Mendoza
Representative Robert Martwick
Ronald Powell
Jaye Williams

Staff

Genette Bacon-Cordova
Shawn Evans
Johara Farhadieh
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
Patrick Corcoran
KC Stralka

Illinois State Treasurer's Office
Allen Mayer
Rodrigo Garcia
Jennifer Clark

Meketa Investment Group, Inc.
Ghiane Jones
Alli Wallace
Christy Gahr

RVK, Inc.
Jennifer Sandburg
Mikaylee O'Connor

BlackRock Financial Management, Inc.
Andrea Picard
Yevgeny Gelfand
Jonathan McBride

Hamilton Lane Advisors, LLC
Andrea Kramer
Matt Silverio
Sean Barber

The Rock Creek Group, LP
Afsaneh Beschloss
Siddarth Sudhir
John Coombe

HighVista Strategies, LLC
Andre Perold
Raphael Schorr
Caroline Page

KPMG LLP
Cathy Baumann
Anthony Solano

State Employees' Retirement System
Tim Blair (via Telephone)

Governmental Consulting Solutions
Steve Zahn

Mesirow Financial
Craig Goesel

Guest
Phillipe Welter
Jim Baker
Michael Tarnoff

Not Present: Board Member

ROLL CALL

Board Chairwoman Schostok called the meeting to order at 9:35 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 Atlan, Frerichs, Mendoza, Martwick, Powell, and Williams. Mr. Mehta noted that a quorum was present.

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

REPORT OF THE CHAIR

Appointment of Standing Committees

Pursuant to the Board Bylaws, Chairwoman Schostok appointed the following members to the Audit and Compliance Committee: Chairwoman Schostok as Chair of the Audit and Compliance Committee, Trustee Powell, Trustee Mendoza, and Trustee Tarnoff.

Chairwoman Schostok appointed the following members to the Emerging Manager Committee: Trustee Atlan as Chair of the Emerging Manager Committee, Trustee Frerichs, Trustee Williams, Trustee Martwick, and Trustee Mendoza.

Chairwoman Schostok appointed the following members to the Investment Policy Committee: Trustee Tarnoff as Chair of the Investment Policy Committee, Trustee Atlan, Trustee Williams, and Chairwoman Schostok.

Chairwoman Schostok appointed the following members to the Defined Contribution Committee: Trustee Martwick as Chair, Trustee Frerichs, Chairwoman Schostok, Trustee Mendoza, and Trustee Powell.

Election of Officers

Consistent with the requirements of the Board Bylaws and due to the vacancy of the Vice Chair and the Recording Secretary offices, Chairwoman Schostok nominated Trustee Frerichs as Vice Chair and Trustee Atlan as Recording Secretary. Trustee Williams moved that the Board approve the appointments to the Executive Committee. Trustee Powell seconded, and the motion passed unanimously.

Presentation and Approval of Board Resolution Honoring Trustee Reiches

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

Presentation and Approval of Board Resolution Honoring Trustee Hennessy

Chairwoman Schostok referred Members to the Resolution in honor of Trustee Hennessy. Trustee Frerichs moved that the Board approve the Resolution honoring Trustee Hennessy for her service

to ISBI and that the Resolution be entered into the permanent record of ISBI. Trustee Martwick seconded, and the motion passed unanimously.

CONSIDERATION AND APPROVAL OF MINUTES

Treasurer Frerichs moved to approve the March 15, 2019 Board meeting minutes, as presented. Trustee Atlan seconded, and the motion passed unanimously.

Trustee Mendoza moved to approve and keep closed the executive session minutes from the March 15, 2019 Board meeting, pursuant to the recommendation of Fiduciary Counsel. Trustee Frerichs 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 June 14, 2019 meeting:

1. To approve the Financial Statements from December 31, 2018.
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 June 2019 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 Powell moved to adopt and ratify the recommendations of the Audit and Compliance Committee from its June 14, 2019 meeting. Trustee Williams seconded, and the motion passed unanimously.

PRESENTATION BY FIDUCIARY COUNSEL – BURKE BURNS & PINELLI, LTD.

Ms. Sarah Boeckman of Burke Burns & Pinelli, LD., referred Board Members to the presentation materials and outlined the Board's fiduciary responsibilities. Ms. Boeckman explained the fiduciary standards and the duties applicable to the Board.

PRESENTATION ON FIDUCIARY LIABILITY BY MESIROW

Mr. Craig Goesel of Mesirow Financial referred Board Members to the presentation materials and discussed Mesirow's fiduciary liability. Board Chairwoman Schostok asked if the level of coverage provided was appropriate for the size and structure of ISBI. Mr. Goesel confirmed that

in his expert opinion the recommended fiduciary liability policy was appropriate and provided coverage that is consistent with similarly situated public pension funds.

Trustee Powell moved that the Board approve the renewal of ISBI's Fiduciary Liability Insurance Policy pursuant to the terms discussed on the record. Trustee Mendoza seconded and the motion passed unanimously.

PRESENTATION AND OVERVIEW OF STRATEGIC PARTNER MODEL (EDUCATION SESSION)

Ms. Farhadieh gave an overview and explanation of how ISBI invests its assets. Mr. Mehta and Ms. Boeckman explained the role of General Counsel and Fiduciary Counsel within the model. Chairwoman Schostok asked the Trustees if there were any questions regarding the presentation and there were none.

REPORT BY STRATEGIC PARTNER – HAMILTON LANE ADVISORS, LLC

Representatives of Hamilton Lane introduced themselves to the Board. Mr. Silverio referred the Board to the presentation materials and gave an overview of Hamilton Lane's partnership with ISBI. Mr. Silverio discussed the goals and objectives of the portfolio and Hamilton Lane's commitment to diversity.

REPORT OF THE EXECUTIVE DIRECTOR/CHIEF INVESTMENT OFFICER

Actual and Projected Budget Forecast as of 3/31/19

At 11:43 a.m., Trustee Powell moved to go into Executive Session pursuant to Section 2(c)(7) of the Open Meetings Act to discuss specific investment contracts. Trustee Atlan seconded, and the motion was called to a roll call vote. All in favor: Trustees Frerichs, Mendoza, Martwick, Williams, and Schostok. Nays: None. The motion passed unanimously.

At 1:48 p.m., Trustee Powell moved to return to the open meeting. Trustee Mendoza seconded, and the motion passed unanimously.

Consideration and Approval of Proposed Fiscal Year 2020 Budget

Trustee Powell moved to approve the Proposed Fiscal year 2020 Budget, consistent with the recommendations of ISBI staff. Trustee Mendoza seconded, and the motion passed unanimously.

CONSIDERATION AND APPROVAL OF ISSUANCE OF REQUEST FOR COMPETITIVE PROPOSAL FOR STRATEGIC PARTNER: DISCRETIONARY PRIVATE EQUITY MANAGER

Justice Schostok moved to approve issuance of an RFP for a Discretionary Private Equity Manager, consistent with the recommendation of ISBI Staff at such time and in such manner as deemed prudent by ISBI Staff. Trustee Frerichs seconded, and the motion passed unanimously.

At 1:53p.m., Chairwoman Schostok moved to go into Executive Session pursuant to Section 2(c)(7) of the Open Meetings Act to discuss specific investment contracts. Trustee Powell seconded, and the motion was called to a roll call vote. All in favor: Trustees Frerichs, Mendoza, Martwick, Williams, and Schostok. Nays: None. The motion passed unanimously.

At 2:31 p.m., Trustee Powell moved to return to the open meeting. Trustee Atlan seconded, and the motion passed unanimously.

STATE OF ILLINOIS DEFERRED COMPENSATION PLAN

Quarterly Report by General Consultant – RVK, Inc.

Ms. Sandberg and Ms. O'Connor of RVK, Inc. introduced themselves to the Board. Ms. O'Connor referred Trustees to the presentation materials. Ms. O'Connor described the deferred compensation plan participant demographics and plan statistics. Trustee Williams inquired about their methodology for data gathering and statistics.

Recommendation Regarding Deferred Compensation Record Keeper Search

Ms. Sandberg discussed RVK's recommendation to not issue an RFP for a Record Keeper. Ms. Sandberg explained how ISBI's current record keeper's fee structure is beneficial to ISBI and its participants. Chairwoman Schostok asked if there were any questions from the Trustees, and there were none.

Consideration and Possible Approval of Defined Contribution Committee and Revisions to Board Bylaws and JCAR

Trustee Martwick moved to approve the recommendation of ISBI staff to approve the Defined Contribution Committee and revise the Board of Trustees' Bylaws and JCAR, as presented. Trustee Williams seconded, and the motion passed unanimously.

CONSIDERATION AND POSSIBLE ACTION REGARDING REVISIONS TO BOARD POLICIES

Records Retention Policy

Trustee Martwick moved to approve the Record Retention Policy as recommended by ISBI staff. Trustee Powell seconded, and the motion passed unanimously.

Watch List Policy

Trustee Martwick moved to approve the Watch List Policy as recommended by ISBI staff. Trustee Powell seconded, and the motion passed unanimously.

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.

NEW BUSINESS/ OLD BUSINESS

None.

PUBLIC COMMENT

Mr. Jim Baker from the Private Equity Stakeholder Project made public comments regarding an investment manager. Chairwoman Schostok thanked Mr. Baker for his comments and asked ISBI staff to look into the matter.

NEXT MEETING/ MOTION TO ADJOURN

Chairwoman Schostok noted that the next meeting will take place June 14, 2019. At 3:24 p.m., there being no further business to come before the Board, Trustee Martwick moved to adjourn the meeting. Trustee Powell seconded, and the meeting was adjourned.

Respectfully submitted,



Johara Farhadieh, Executive Director/
Chief Investment Officer

