

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

Friday, September 20, 2019 - 1:35 p.m.
180 N. LaSalle St., Suite 2015
Chicago, IL 60601

Present:

Board Members

Chairwoman Justice Mary Seminara-Schostok
Treasurer Michael Frerichs
Comptroller Susana Mendoza
Senator Robert Martwick
Ronald Powell (via Telephone)
Michael Tarnoff
Jaye Williams
Elizabeth Sanders

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
Andrew Ranck

Illinois State Treasurer's Office
Allen Mayer
Rodrigo Garcia

Meketa Investment Group, Inc.
Frank Benham
Ghiane Jones
Alli Wallace

State Employees' Retirement System
Tim Blair

Governmental Consulting Solutions
Steve Zahn

Guest
Thomas Barron, The Tortoise Firm

Not Present: Board Members

Gisela Attlan

ROLL CALL

Board Chairwoman Schostok called the meeting to order at 2:19 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 Frerichs, Mendoza, Martwick, Sanders, Tarnoff, Williams, and Schostok. Mr. Mehta noted that a quorum was present.

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

REPORT OF THE CHAIR

Election of Officers

Pursuant to the Board Bylaws, Trustee Mendoza nominated Justice Schostok as Chairperson of the Board. Trustee Tarnoff seconded, and the motion passed unanimously.

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 Atflan as Recording Secretary. Trustee Martwick moved that the Board approve the appointments to the Executive Committee. Trustee Tarnoff seconded, and the motion passed unanimously.

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 Atflan 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 Atflan, Trustee Sanders, 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, Trustee Sanders, Trustee Williams, and Trustee Powell.

Presentation and Approval of Board Resolution Honoring Trustee Flores

Chairwoman Schostok referred Members to the Resolution in honor of Trustee Flores. Trustee Mendoza moved that the Board approve the Resolution honoring Trustee Flores for his service to

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

Consideration and Approval of the Proposed 2019-20 Schedule of Meetings

Trustee Tarnoff moved to approve the Schedule of Meetings for the 2019-2020 year. Trustee Williams seconded, and the motion passed unanimously.

Chairwoman Schostok suggested moving Committee meetings to Thursdays before each Quarterly Board Meeting, to allot for more time for discussion. After some discussion of the advantages and disadvantages, Board agreed they would consider moving Committee meetings.

CONSIDERATION AND APPROVAL OF MINUTES

Treasurer Mendoza moved to approve the June 14, 2019 Board meeting minutes, as presented. Trustee Williams seconded, and the motion passed unanimously.

Trustee Mendoza moved to approve and keep closed the executive session minutes from the June 14, 2019 Board meeting, pursuant to the recommendation of Fiduciary Counsel. Trustee Williams 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 September 20, 2019 meeting:

1. To approve the Financial Statements from March 31, 2019.
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 September 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 Mendoza moved to adopt and ratify the recommendations of the Audit and Compliance Committee from its September 20, 2019 meeting. Trustee Williams seconded, and the motion passed unanimously.

STATE RETIREMENT SYSTEMS PRESENTATION BY TIM BLAIR, EXECUTIVE SECRETARY (EDUCATION SESSION)

Mr. Tim Blair of the State Retirement Systems of Illinois referred Board Members to the presentation materials and outlined the background and funding of the System Retirement Plans.

REPORT BY GENERAL CONSULTANT – MEKETA INVESTMENT GROUP, INC

Ms. Wallace of Meketa referred Board Members to their presentation materials. Ms. Wallace discussed Meketa's recent MWDBE activities, as well as the recent quarterly performance of the Defined Benefit Portfolio. Ms. Wallace discussed the performance of the individual asset classes versus their respective target allocations and benchmarks and performance attribution for each asset class. Ms. Wallace noted that while ISBI was underweight in certain asset classes, assets were within their target ranges and generally performing in line with expectations.

CONSIDERATION AND APPROVAL OF EXTENSION TO GENERAL CONSULTANT AGREEMENT

Ms. Farhadieh provided an overview of ISBI's relationship with Meketa. Chairwoman Schostok inquired about the terms of the renewal. Ms. Farhadieh noted that the renewal would be for one additional year and a request for competitive proposal would be issued next year, in compliance with the Pension Code. Ms. Farhadieh stated that ISBI would likely begin the RFP process in early 2020.

Trustee Williams moved to approve the extension to the General Consultant Agreement, consistent with the recommendations of ISBI Staff. Trustee Mendoza seconded, and the motion passed unanimously.

ACTUAL VS PROJECTED BUDGET FORECAST AS OF 6/30/19

Mr. Zaloga referred Members to the Actual vs. Projected Budget Forecast as of June 30, 2019 in the meeting materials. Mr. Zaloga that expenses were within expected ranges. Chairwoman Schostok asked the Board if there were any questions and there were none.

CONSIDERATION AND POSSIBLE ACTION REGARDING REVISIONS TO BOARD POLICIES

Investment Policy

Mr. Mehta discussed the revisions of the Investment Policy that were updated to reflect the recently passed Sustainable Investment Act and ISBI's efforts to incorporate ESG Factors.

Trustee Tarnoff moved to approve the Investment Policy as recommended by ISBI staff. Trustee Sanders seconded, and the motion passed unanimously.

Update to Agency Directives Manual

Mr. Mehta discussed the revisions to the Agency Directives Manual that were made to reflect the updated parental leave policy for State of Illinois employees.

Trustee Tarnoff moved to approve the updates to the Agency Directives Manual as recommended by ISBI staff. Trustee Sanders 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 legislation, focusing on legislation most relevant to ISBI as well as the possible impacts on ISBI.

UPDATE AND POSSIBLE ACTION REGARDING PERSONNEL MATTER

At 3:32 p.m., Chairwoman Schostok moved to go into Executive Session pursuant to Section 2(c)(1) of the Open Meetings Act to discuss specific personnel. Trustee Tarnoff seconded, and the motion was called to a roll call vote. All in favor: Trustees Frerichs, Trustee Mendoza, Trustee Martwick, Trustee Tarnoff, Trustee Sanders, Trustee Williams, and Chairwoman Schostok.

At 3:45 p.m., Chairwoman Schostok moved to return to the open meeting. Trustee Tarnoff 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 December 13, 2019. At 3:47 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