

MINUTES OF THE
ILLINOIS STATE BOARD OF INVESTMENT

Thursday, May 21, 2020 – 9:00 A.M.
Remote Board Meeting
Per Executive Order 2020-33

Present:

Board Members

Chairwoman Justice Mary Seminara-Schostok
Gisela Attlan
Treasurer Michael Frerichs
Comptroller Susana Mendoza
Senator Robert Martwick
Michael Tarnoff
Elizabeth Sanders
Jaye Williams

Staff

Johara Farhadieh
Mitchell Green
Maryann Hong
Dipesh Mehta
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.
Alli Wallace

Illinois Central Management Services
(CMS)
Chris Colantino

RVK, Inc.

Mikaylee O'Connor

T. Rowe Price
George Ebner
William Polinsky

Governmental Consulting Solutions
Steve Zahn

Members of the Public

Matt McCue, Financial News
Edgar Hernandez, SEIU

ROLL CALL

Board Chairwoman Schostok called the meeting to order at 9:03 a.m. Ms. Hong noted that given the COVID-19 public health emergency, Illinois Governor Pritzker issued a disaster proclamation response. According to Governor Pritzker's executive order 2020-33, meetings of public bodies may take place without a quorum of trustees being physically present for the meeting. As such, the ISBI May Board Meeting would be conducted by virtual means. Mr. Mehta called the roll and noted a quorum was present.

REPORT OF THE CHAIR

Chairwoman Schostok referred Members to the Resolution honoring Trustee Powell. Trustee Frerichs moved that the Board approve the Resolution honoring Trustee Powell for his 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

Trustee Frerichs moved to approve the December 13, 2019 Board meeting minutes, as presented. Trustee Martwick 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 May 12, 2020 meeting:

1. To approve the Fiscal Year 2019 Annual Report in the form as presented
2. To approve the Financial Statements from September 30, 2019.
3. To approve and accept for filing, as presented, the Record of Vouchers.
4. To approve the Agent Contact Report.
5. To approve the conferences and trainings listed on the May 2020 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 Sanders moved to adopt and ratify the recommendations of the Audit and Compliance Committee from its May 12, 2020 meeting. Trustee Williams seconded, and the motion passed unanimously.

Defined Contribution Committee

Chairwoman Schostok read through the recommendations approved by the Defined Contribution Committee at its May 14, 2020 meeting:

1. To approve the revisions to the proposed Amendment, substantially in form and subject to possible revisions, and directing ISBI's Legislative Liaison to introduce language amending Section 24-105.2 of the Illinois Pension Code.
2. To approve the Beneficiary Election Procedures, as presented.
3. To approve the implementation of the Loan Provisions of the CARES Act as presented and prepare and file necessary revisions to JCAR regarding such implementation at such time and in such manner as ISBI Staff deems prudent.
4. To approve the change to the Deferred Compensation Plan to allow all indirect rollovers as presented and prepare and file necessary revisions to JCAR regarding such implementation at such time and in such manner as ISBI Staff deems prudent.
5. To approve the Record Keeping Agreement, as presented, subject to legal review and successful contract negotiations.
6. To approve BlackRock Financial Management, Inc., as one of ISBI's Deferred Compensation Passive Investment Managers and take all necessary accompanying actions for implementation, subject to legal review and successful contract negotiations.
7. To approve the termination of the Vanguard Treasury Money Market Fund and map the applicable assets to the Invesco Stable Return; to be implemented by ISBI Staff after a reasonable and prudent time, including the proper notification to Plan participants.
8. To approve the White-Labeling Investment Options, as presented and implemented by ISBI Staff after a reasonable and prudent time, including the proper notification to Plan participants.

Trustee Martwick moved to adopt and ratify the recommendations of the Defined Contribution Committee from its May 14, 2020 meeting. Trustee Atflan seconded, and the motion passed unanimously.

Investment Policy Committee

Chairwoman Schostok read through the recommendations approved by the Investment Policy Committee at its May 19, 2020 meeting:

1. To approve the revisions to the Legacy Manager Agreement with BlackRock Financial Management Inc., subject to legal review and successful contract negotiations.
2. To approve Franklin Park as one of ISBI's strategic partners to manage a 2% private equity allocation on behalf of the Fund, at such time and in such manner as ISBI deems prudent subject to legal review and successful contract negotiations.

Trustee Tarnoff moved to adopt and ratify the recommendations of the Investment Policy Committee from its May 19, 2020 meeting. Trustee Mendoza seconded, and the motion passed unanimously.

REPORT BY GENERAL CONSILTANT – MEKETA INVESTMENT GROUP, INC.

Defined Benefit Performance Review as of December 31, 2019 and March 31, 2020

Ms. Wallace of Meketa referred Trustees to the presentation materials and gave an overview of the Defined Benefit Plan's performance as of March 31, 2020. Ms. Wallace stated that ISBI's portfolio was doing well despite market volatility. Ms. Wallace reviewed ISBI's Actual vs Target Allocation and described ISBI and Meketa's efforts to continually monitor fluctuations to determine whether rebalancing was necessary. Ms. Wallace noted that ISBI staff and Meketa did not move forward with rebalancing at this time but would continue to monitor the portfolio on a daily, weekly, and monthly basis. Ms. Wallace noted that overall, ISBI's portfolio was ranked among the strongest of all public funds. Ms. Wallace also discussed the performance of ISBI's strategic partners. Board Chairwoman Schostok asked about ISBI's strategic partners' actions related to risk and how they were addressing the current market volatility. Ms. Wallace responded that overall the strategic partners were performing well and continuously working with ISBI staff to mitigate risk and monitor the impacts of the COVID-19 pandemic. Ms. Farhadieh asked if there were any further questions and there were none.

CONSIDERATION AND APPROVAL OF ISSUANCE OF REQUEST FOR COMPETITIVE PROPOSAL FOR GENERAL CONSULTANT

Ms. Farhadieh informed the Trustees that a Request for Competitive Proposal for ISBI's General Consultant is required every five years under the Pension Code. Ms. Farhadieh noted that ISBI's contract with its general consultant, Meketa, was set to expire later this year. Ms. Farhadieh described ISBI's plans to issue a Request for Competitive Proposal on June 1, 2020 and planned to introduce the finalists at a future Board Meeting. Trustee Tarnoff inquired whether ISBI is required to change Consultants. Ms. Farhadieh noted that while ISBI must conduct a search every five years, it may choose to retain an existing Consultant if they were the best fit for ISBI. Trustee Sanders asked about the due diligence process and Ms. Farhadieh described ISBI's due diligence procedures and ISBI's staff's review process.

Trustee Tarnoff moved that the Board approve the issuance of an RFP for ISBI's Defined Benefit General Consultant, consistent with the recommendation of ISBI Staff, at such time and in such manner as deemed prudent by ISBI Staff. Trustee Mendoza seconded, and the motion passed unanimously.

ACTUAL VS PROJECTED BUDGET FORECAST AS OF 12/31/19

Mr. Zaloga referred Members to the Actual vs. Projected Budget Forecast as of December 31, 2019 in the meeting materials. Mr. Zaloga stated 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

Responsible Contractor Policy

Mr. Mehta referred Trustees to the presentation materials and discussed ISBI's efforts to update the Responsible Contractor Policy. Mr. Mehta described the various updates to Trustees, which included incorporating ISBI's updated Diversity Policy and Investment Policy.

Trustee Frerichs thanked the Staff for their diligent work on updating the Responsible Contractor Policy and moved to approve the Policy, as recommended by ISBI Staff. Chairwoman Schostok seconded, and the motion passed unanimously.

Investment Policy

Ms. Farhadieh referred Trustees to the presentation materials and discussed the updates to ISBI's Investment Policy. Ms. Farhadieh explained that the Investment Policy was updated to address the recent market volatility and possible effects on ISBI's portfolio. Ms. Farhadieh asked if there were any questions and there were none.

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

Agency Directives Manual

Mr. Mehta discussed the revisions to the Agency Directives Manual, which was updated to outline the standard reimbursement procedure for employee expenses related to ISBI.

Trustee Sanders moved to approve the Agency Directives Manual, as recommended by ISBI staff. Trustee Mendoza seconded, and the motion passed unanimously.

LEGISLATIVE UPDATE – STEVE ZAHN

Mr. Zahn referred Board Members to his presentation materials. Mr. Zahn described the contents and status of currently pending legislation, and the possible impact on ISBI.

UPDATE AND POSSIBLE CONSIDERATION AND APPROVAL OF IMPLEMENTATION OF CARES ACT

Ms. Farhadieh noted that this agenda item was a follow up from a discussion at the recent Defined Contribution Committee Meeting. Ms. Farhadieh thanked ISBI Staff, RVK, and CMS, for their hard work over the weekend to ensure all questions from the Defined Contribution Committee Meeting were addressed.

Mr. Colentino from CMS discussed CMS's updated recommendation regarding implementation of the CARES Act Coronavirus-Related Distributions Provision ("CRD Provision"). Mr. Colentino described several options, including distribution withdrawal limits and/or limiting the number of distributions allowed. Several Trustees asked questions about implementation time of the other options. Trustees also inquired about the average withdrawal rates, and what other similar situated plans had adopted. Trustee Martwick stated that he believed the original presented option in the CARES Act would be the best option going forward. Other Trustees noted that, after hearing the different options, they also believed the originally presented CRD Provision would be the best option.

Trustee Martwick moved to approve the implementation of the CARES Act, adopting the CRD provision that would use a distribution limit set forth in the CARES Act, as presented, and prepare file the necessary revisions to JCAR regarding such implementation at such time and in such manner as ISBI Staff deems prudent. Trustee Mendoza seconded, and the motion passed unanimously.

NEW BUSINESS/OLD BUSINESS

None.

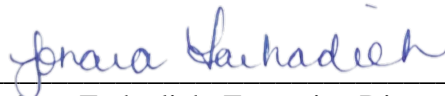
PUBLIC COMMENT

None.

NEXT MEETING/ MOTION TO ADJOURN

Chairwoman Schostok noted that the next meeting will take place June 26, 2020. At 10:57 a.m., there being no further business to come before the Board, Trustee Mendoza moved to adjourn the meeting. Trustee Frerichs seconded, and the meeting was adjourned.

Respectfully submitted,

A handwritten signature in blue ink, reading "Johara Farhadieh", written over a horizontal line.

Johara Farhadieh, Executive Director/
Chief Investment Officer