

**ISBI** ILLINOIS STATE  
BOARD OF  
INVESTMENT

BYLAWS

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BYLAWS OF THE ILLINOIS STATE BOARD OF INVESTMENT

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### Meetings

The Board of Trustees (the “Board”) of the Illinois State Board of Investment (“ISBI”) shall have regular meetings at least once each calendar quarter, on a date and at a time specified by the Chair. The annual meeting of the Board shall be held in the month of September, unless otherwise specified by the Chair or agreed upon by the Board. Special meetings may be called by the Chair or the Vice Chair or by any three members of the Board. The Board will conduct its meetings in accordance with the Illinois Open Meetings Act.

### Quorum & Voting

A majority of the Board shall constitute a quorum for the transaction of business at any regular or special meeting of the Board or any duly authorized Committee of the Board. A smaller number may meet and adjourn to some other time or until a quorum is obtained; provided, however that no motion, resolution or other action shall be effective unless a quorum is present. If required at any meeting of a Committee for purposes of establishing a quorum, the Chair may serve as a member of the Committee for that meeting. If a quorum of the Board or any Committee is physically present, a majority of those physically present may allow a member of the Board to attend the meeting by other means (video or audio conference) consistent with the provisions of the Illinois Open Meetings Act.

Assuming a quorum is present, any action that the Board or Board Committee is authorized to take must be approved by a majority of the members in attendance. The Chair or any member may request a roll call on any motion or resolution. The vote of each member in attendance shall then be recorded in the minutes of the meeting.

### Officers

The elective officers of the Board shall consist of a Chair, a Vice-Chair, a Recording Secretary and a Member at Large. The elective officers shall be elected by the Board biennially at the annual meeting in each odd-numbered year from amongst the members of the Board. Any vacancy occurring during a biennial period shall be filled in like manner for the unexpired term of office.

### The Chairperson

The Chair shall be the chief executive officer of the Board and shall execute all responsibilities assigned by statute to the Chair of the Board. The Chair shall preside at all meetings; announce the business before the Board; announce the question under consideration and the result of the vote taken; request a roll call upon any action or resolution as herein provided. He or she shall appoint all necessary committees and see that they perform their assigned duties. The Chair may certify, and sign if necessary, all written contracts and agreements, warrants, checks or drafts in accordance with the actions of the Board authorizing payments for benefits, expenses, and investments out of

funds belonging to ISBI; [provided, however that Legal Counsel shall approve all contracts as to form.] The Chair shall exercise general supervision over the operations of the agency.

#### Vice-Chairperson

The Vice-Chair shall preside at all meetings of the Board and any Committee at which the Chair would otherwise preside but from which the Chair is absent. The Vice-Chair shall assume all of the duties of the Chair if the Chair becomes statutorily ineligible to serve in that capacity, is legally incapacitated, or dies. The Vice-Chair shall relinquish those duties when a new Chair is properly qualified.

#### Recording Secretary

The Recording Secretary shall authenticate with his or her signature any resolutions of the Board and shall perform such other duties as may be proscribed by the Board.

#### The Executive Director

The Executive Director shall administer the affairs of the Board pursuant to the provisions of the statute governing the Board, subject to and under supervision of the Board. Consistent with the budget approved by the Board, the Executive Director may employ such personnel, professional or clerical, as may be desirable and necessary, and fix their compensation. The Executive Director shall be in complete charge of all records, books, files, papers and documents belonging to the Board. The Executive Director shall present to the Board bills for expenses; shall request any information and reports that may be required during the course of operations to effectuate the objectives of the Board; and shall prepare periodic statements and reports to fully carry out the expressed and implied requirements of applicable law. He or she shall perform such other duties that are called for by the rules, orders, directives and resolutions of the Board. The Director shall prepare a budget for the period commencing July 1 and ending the following June 30 and present such budget to the Board for approval prior to the end of the fiscal year. The Director shall submit a quarterly report to the Board setting forth by designated categories the cumulative amount of expenditure for the fiscal year to date and the total amount budgeted for each category.

#### Communications

The Board has developed and implemented a Communication Policy in order to ensure that ISBI has a clear, timely and effective policy in place for communication with all stakeholders. Consistent with that policy, the Executive Director shall generally serve as the Spokesperson for ISBI, unless the Chairman selects a designee to serve as the Spokesperson.

### Parliamentary Procedure

Robert's Rules of Order shall govern the procedure for all meetings of the Board and its Committees, except to the extent otherwise provided in these bylaws or the Illinois Compiled Statutes.

### Executive Committee

The Chairperson, the Vice-Chairperson, the Recording Secretary and the Member at Large shall constitute the Executive Committee. The Chair shall be the chair of the Executive Committee. Vacancies occurring for any reason, including by reason of an increase in the number of members of the Executive Committee, shall be filled by the Chair upon the occurrence of any such vacancy. The Executive Committee shall possess all the powers of the Board when in session, except that it may not overrule, revise, or modify any previous acts of the Board; provided, however that it shall have the power to revise or modify a previously investment act of the Board in an emergency situation only if it is not feasible for the full Board to conduct a special Board meeting. The Executive Committee may not invade the jurisdiction of any permanent or special committee of the Board, and shall not have the power to lease, sell or purchase real estate, unless previously specifically authorized by the Board in session by a majority of the members individually in writing. The Executive Committee shall submit to the Board at its next regularly meeting a written report of all actions taken since the previous meeting of the Board. Such record shall thereupon be incorporated into the Minutes of the Board as an integral part thereof.

### Standing Committees

At the annual meeting, the Chair shall appoint the members of each of the following committees: the Audit and Compliance Committee, the Investment Policy Committee, Emerging Manager Committee, and the Defined Contribution Committee. Each Committee shall consist of not less than three members of the Board. Any member of a Committee may resign at any time by giving written notice to the Chair and unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective. A vacancy on any Committee may be filled by the Chair's appointment. Each Committee may fix its own rules or procedures which shall not be inconsistent with these bylaws or applicable law. Each Committee shall keep regular minutes of its proceedings and shall report to the Board at the meeting of the Board following the Committee's meeting of all actions taken by or recommended by the Committee. The Committee may appoint a subcommittee from the members of the Committee, which is responsible to and reports to the Committee. The designation of the various Board Committees and the delegation thereto of authority shall not operate to relieve the Board, or any member thereof, of any responsibility imposed by law.

The Standing Committees shall meet when necessary. Special meetings of each Committee may be called by any member thereof consistent with the requirements of the Open Meetings Act. Each

Standing Committee of the Board will have its own Committee Charter provided herein. Each Committee shall act in accordance with its applicable Charter. The Charters will set forth the purposes, goals and responsibilities of the respective Committee, as well as any qualifications for Committee membership, procedures for Committee Member appointment and removal, Committee structure and operations and manner of reporting to the Board. The Board may review and amend the Charter of any Committee at any time.

#### Amendments to the Bylaws

These bylaws may be amended or repealed at any regular meeting or special meeting of the Board by a majority vote of record of all the members of the Board, provided that copies of the amendments and notice of repeal shall be submitted in writing or by email to each member of the Board with the notice of such meeting.

## COMMITTEE CHARTERS

### Executive Committee

There shall be an Executive Committee of the Board consisting of the Chair, the Vice-Chair, the Recording Secretary and the Member at Large. The Chair shall be the chair of the Executive Committee. Vacancies occurring for any reason, including by reason of an increase in the number of members of the Executive Committee, shall be filled by the Chair upon the occurrence of any such vacancy. The Executive Committee shall exercise the powers of the Board in relation to matters that arise between regularly scheduled meetings of the Board or when it is not practical or feasible for the Board to meet. The Committee is delegated the authority to act as the full Board when exercising the powers and authorities delegated herein, subject to the limitations provided herein.

The Executive Committee shall meet upon the call of the Chair or of any three members of the Committee. Three members shall constitute a quorum. Meetings of the Committee are subject to the Open Meetings Act and, consistent with the requirements of the Open Meetings Act, may be held by means of conference telephone or other communications equipment, by means of which all persons participating in the meeting can hear and speak to each other. The act of a majority of the Committee members in attendance at a meeting at which a quorum is present shall be the act of the Committee.

The Committee shall undertake the following responsibilities, which are set forth as a guide. The Committee is authorized to carry out these activities and other actions reasonably related to the Committee's purposes or assigned by the Board from time to time. To fulfill its purposes, the Committee shall:

1. Possess all the powers of the Board when in session, except that it may not overrule, revise, or modify any previous acts of the Board, invade the jurisdiction of any permanent or special committee of the Board, and shall not have the power to lease, sell or purchase real estate, unless previously specifically authorized by the Board in session by a majority of the members individually in writing;
2. Review the recommendation of the Board's delegated Hardship Officer and accept/reject his or her recommendation regarding any Hardship Appeal submitted to the Board for review consistent with the State of Illinois Employees' Deferred Compensation Plan;
3. Conduct an annual personnel evaluation of the Executive Director based on criteria approved by the Board;

4. Submit to the Board at its next regular meeting a written report of all actions taken since the previous meeting of the Board. Such record shall thereupon be incorporated into the Minutes of the Board as an integral part thereof; and
5. Conduct another other duties as assigned by the Board.



## Investment Committee

There shall be an Investment Committee of the Board consisting of such members of the Board as the Chair of the Board shall appoint, and who shall serve a term to end at the time of the next annual meeting of the Board following the election of officers. The Chair of the Committee shall be appointed by a majority of the members of the Committee.

In general, the Investment Committee shall assist the Board in the development of investment strategies and the review of prospective investments with the goal of supporting the Board in the prudent investment and expenditure of ISBI's assets. The Committee provides investment oversight in support of the Board through the review of investment policies and practices and the performance of investment vehicles.

The Investment Committee shall meet on a regularly scheduled basis, as necessary as circumstances dictate. The Committee shall keep regular minutes of its proceedings and shall report to the Board at the meeting of the Board following the Committee's meeting of all actions taken or recommended by the Committee. Meetings of the Committee are subject to the Open Meetings Act and consistent with the requirements of the Open Meetings Act, may be held by means of conference telephone or other communications equipment, by means of which all persons participating in the meeting can hear and speak to each other. A majority of the members of the Committee shall constitute a quorum. The act of a majority of the Committee members in attendance at a meeting at which a quorum is present shall be the act of the Committee.

The Committee shall undertake the following responsibilities, which are set forth as a guide. The Committee is authorized to carry out these activities and other actions reasonably related to the Committee's purposes or assigned by the Board from time to time. To fulfill its purposes, it shall be the responsibility of the Committee:

1. To oversee the investment of assets of ISBI and to recommend investment policy to the Board in the judgment of the Committee to be necessary or desirable for ISBI;
2. Review strategic asset allocation, Strategic Partner plans, Strategic Partner investment guidelines and benchmarks and make recommendations for approval by the Board in relation to same;
3. Review asset allocation to ensure the market based, strategic and investment speculation risk is prudently managed;
4. Monitor the management of the assets of ISBI to ensure compliance with investment policies and guidelines and the attainment of ISBI's investment performance objectives;

5. Make recommendations for approval by the Board in relation to the selection and performance review of Board consultants, investment counsel, investment managers and Strategic Partners who provide investment-related expertise and services to the Board;
6. Provide oversight of the cost effectiveness of the ISBI investment program; and
7. Conduct any other duties as assigned by the Board.

### Audit and Compliance Committee

There shall be an Audit and Compliance Committee of the Board, consisting of such members of the Board as the Chair of the Board shall appoint, and who shall serve a term to end at the time of the next annual meeting of the Board following the election of officers. The Chair of the Committee shall be appointed by a majority of the members of the Committee.

The Audit and Compliance Committee shall generally assist the Board in providing oversight with respect to the financial reporting process, the system of risk management, the system of internal controls, internal and external audit functions and ensure compliance with applicable laws, rules, regulations and policies.

The Committee shall meet on a regularly scheduled basis, as necessary as circumstances dictate. The Committee shall keep regular minutes of its proceedings and shall report to the Board at the meeting of the Board following the Committee's meeting of all actions recommended by the Committee. Meetings of the Committee are subject to the Open Meetings Act and, consistent with the requirements of the Open Meetings Act, may be held by means of conference telephone or other communications equipment, by means of which all persons participating in the meeting can hear and speak to each other. A majority of the members of the Committee shall constitute a quorum. The act of a majority of the Committee members in attendance at a meeting at which a quorum is present shall be the act of the Committee. The Committee may invite members of management, external auditors or other third parties to attend meetings and provide pertinent information the Committee deems appropriate to carry out its responsibilities.

The Committee shall undertake the following responsibilities, which are set forth as a guide. The Committee is authorized to carry out these activities and other actions reasonably related to the Committee's purposes or assigned by the Board from time to time. To fulfill its purposes, the Committee shall:

1. Review and oversee the work of the audit, including review of all audit reports and management's follow-up activities, approval and completion of the annual audit plan, ensure compliance with professional standards and ensure that the audit unit's independence and objectivity are maintained;
2. Review audit findings and recommendations, management's responses and actions taken to implement the audit recommendations;
3. Review audit work completed by the auditors, including audit scope and approach, annual audit reports, accounting, compliance and financial reporting issues, difficulties encountered during the audit and all matters required to be communicated to the Board under generally accepted audited standards;

4. Review the effectiveness of ISBI's system for monitoring compliance with laws, regulations, rules, policies and procedures and the results of management's investigation and follow-up of any instances of noncompliance;
5. Oversee responsibility for all matters relating to the ISBI's Ethics Policy;
6. Work with ISBI's Compliance Officer and the Executive Director to ensure all required ISBI reporting has been completed in compliance with relevant laws, regulations, rules, policies and procedures;
7. Provide oversight of ISBI's fiscal operations; and
8. Conduct any other duties as assigned by the Board.

### Emerging Manager Committee

There shall be an Emerging Manager Committee of the Board, consisting of such members of the Board as the Chair of the Board shall appoint, and who shall serve a term to end at the time of the next annual meeting of the Board following the election of officers. The Chair of the Committee shall be appointed by a majority of the members of the Committee.

The Emerging Manager Committee shall generally assist the Board in providing oversight of ISBI's utilization of emerging investment managers, as such term is defined in 40 ILCS 5/1-109.1(4), and its utilization of minority-owned, women-owned, and person with a disability owned business enterprises (collectively referred to in this Charter as "MWDBE"), as defined in the Illinois Business Enterprise for Minorities, Women, and Persons with Disabilities Act.

The Committee shall meet on a regularly scheduled basis, as necessary as circumstances dictate. The Committee shall keep regular minutes of its proceedings and shall report to the Board at the meeting of the Board following the Committee's meeting of all actions recommended by the Committee. Meetings of the Committee are subject to the Open Meetings Act and, consistent with the requirements of the Open Meetings Act, may be held by means of conference telephone or other communications equipment, by means of which all persons participating in the meeting can hear and speak to each other. A majority of the members of the Committee shall constitute a quorum. The act of a majority of the Committee members in attendance at a meeting at which a quorum is present shall be the act of the Committee. The Committee may invite members of management or other third parties to attend meetings and provide pertinent information the Committee deems appropriate to carry out its responsibilities.

The Committee shall undertake the following responsibilities, which are set forth as a guide. The Committee is authorized to carry out these activities and other actions reasonably related to the Committee's purposes or assigned by the Board from time to time. To fulfill its purposes, the Committee shall:

1. Assist the Board in increasing access to and business with emerging managers consistent with ISBI's Investment Policy;
2. Assist the Board to maximize utilization of MWDBE broker dealers by the Board's investment managers and MWDBE service providers consistent with ISBI's Investment Policy;
3. Monitor the utilization of emerging managers, MWDBE broker dealers and MWDBE contracts and service providers and report such utilization to the Board; and
4. Conduct other duties as assigned by the Board.

### Defined Contribution Committee

There shall be a Defined Contribution Committee of the Board consisting of such members as the Chair of the Board shall appoint. Members shall serve a term to the end at the time of the next annual meeting of the Board following the election of officers. The Chair of the Committee shall be appointed by a majority of the members of the Committee.

The Defined Contribution Committee shall assist the Board in performing all duties necessary to manage and oversee the Deferred Compensation Plan. The Committee provides oversight in support of the Board through the review of and administration of the policies, practices, and performance of the Deferred Compensation Plan. The Committee shall be advised by and or consider the recommendations from ISBI staff and the Deferred Compensation Plan Investment Consultant.

The Defined Contribution Committee shall meet on a regularly scheduled basis and as necessary as circumstances dictate. The Committee shall keep regular minutes of its proceedings and shall report to the Board at the meeting of the Board following the Committee's meetings of all actions recommended by the Committee. Meetings of the Committee are subject to the Open Meetings Act. Consistent with the requirement of the Open Meetings Act, meetings may be held by means of conference telephone or other communications equipment, by means of which all persons participating in the meeting can hear and speak to each other. A majority of the members of the Committee physically present at the Committee meeting shall constitute a quorum.

The Defined Contribution Committee shall undertake the following responsibilities, which are set forth as a guide. The Committee is authorized to carry out these activities and other actions reasonably related to the Committee's purposes or assigned by the Board from time to time. The Committee's responsibilities include the following duties:

#### **Oversee the Deferred Compensation Plan's Investment functions -**

1. Review the Deferred Compensation Plan Investment Policy at least annually and make modifications as necessary.
2. Determine the permitted asset classifications for the Deferred Compensation Plan's investment menu.
3. Monitor and evaluate investment performance at least annually and on an ongoing basis.
4. Determine the number of investment options offered in the Deferred Compensation Plan.
5. Determine the underlying structure of investment options
6. Select and/or replace investment funds and/or underlying investment funds in the Deferred Compensation Plan's investment menu.

7. Determine appropriate fund-to-fund mapping strategies for transitions that occur within the Deferred Compensation Plan.
8. Determine the benchmarks used in the evaluation of investment options.
9. Determine whether self-directed brokerage accounts and/or custom target date funds are appropriate for the Deferred Compensation Plan.
10. Assess the viability of custom target date funds and self-directed brokerage accounts; if necessary, select and/or replace the service provider(s).

**Oversee the Deferred Compensation Plan's administration and operational functions –**

1. Monitor and negotiate all Deferred Compensation Plan expenses including investment management fees, administrative fees, recordkeeping fees, consultant fees, and all other expenses incurred by the Plan.
2. Monitor and evaluate the Deferred Compensation Plan's participation rates, participant savings rates, income replacement ratios, investment outcomes and other relevant measures.
3. Review and respond to recommendations from ISBI Staff and the Consultant regarding participant fees or other matters.
4. Determine through periodic review whether an action of participant re-enrollment to the default investment option, concurrent with other Plan changes, supports the goal of improving participant outcomes.
5. Select custodians to hold assets of the Plan in accordance with section 457(g) of the IRS code.
6. Monitor the Deferred Compensation Plan's Qualified Default Investment Option (QDIA) to ensure its suitability for participants.
7. Ensure that participants receive investment performance reporting for their Deferred Compensation Plan investments at least quarterly.
8. Promote communication and education to help participants understand the objectives of each investment option so that they may make investment decisions aligned with their objectives.