

MINUTES OF THE
ILLINOIS STATE BOARD OF INVESTMENT

Thursday, June 23, 2022 – 11:25 A.M.
Remote Board Meeting
Per Public Act 101-0640

Present:

Board Members

Board Chairman Terrence Healy
Treasurer Michael Frerichs
Senator Robert Martwick
Comptroller Susana Mendoza
Elizabeth Sanders
Michael Tarnoff
Jaye Williams

Staff

Genette Bacon-Cordova
Mary Cahill
Johara Farhadieh
Jansen Hein
Maryann Hong
Jennifer Koelle
Dipesh Mehta
Scott Richards
Alex Somolski
Atul Talwar
Nadia Oumata

Guests

Burke Burns & Pinelli, Ltd.
Sarah Boeckman

Illinois State Comptroller's Office
Patrick Corcoran

Illinois State Treasurer's Office
Joe Aguilar

Meketa Investment Group, Inc.
Alli Wallace Stone
Frank Benham

State Employees' Retirement System
Tim Blair

Alliant Insurance Services, Inc.
Craig Goesel

Bruno Amici

Glass Lewis & Co.
Courteney Keatinge

Members of the Public

BlackRock Inc., 212-810-5300
Alexis Elliott
Nicolas Greenwood
Rohan Mathur

Not Present:

Board Members

Gisela Atlan
Justice Mary Seminara-Schostok

ROLL CALL

Board Chairman Healy called the meeting to order at 11:30 a.m. Ms. Hong noted that, in accordance with the Open Meetings Act, ISBI's Chairperson and Executive Director determined that an in-person meeting would be unfeasible. As such, the June Board meeting would be conducted by virtual means. Ms. Hong also noted for the record that ISBI's General Counsel was physically present at the office. Mr. Mehta called the roll and noted a quorum was present.

REPORT OF THE CHAIR

Board Chairman Healy began the meeting by congratulating ISBI Staff and Trustees on some recent birthdays and personal milestones. Trustees and staff thanked Chairman Healy for his kind words.

CONSIDERATION AND APPROVAL OF MINUTES

Trustee Tarnoff moved to approve the March 23, 2022, Board meeting minutes, as presented. Trustee Williams seconded, and the motion was called to a roll call vote. All in favor: Board Chairman Healy, Trustee Frerichs, Trustee Sanders, Trustee Williams, and Trustee Tarnoff. The motion passed unanimously.

Trustee Sanders moved that the Executive Session Minutes recommended by Fiduciary Counsel be opened to the public pursuant to Section 2.06(d) of the Open Meetings Act and that the verbatim records presented by Fiduciary Counsel be discarded pursuant to Section 2.06(c) of the Open Meetings Act. Trustee Tarnoff seconded, and the motion was called to a roll call vote. All in favor: Board Chairman Healy, Trustee Frerichs, Trustee Sanders, Trustee Williams, and Trustee Tarnoff. The motion passed unanimously.

CONSIDERATION AND APPROVAL OF REPORTS AND RECOMMENDATIONS OF STANDING COMMITTEES

Investment Policy Committee

Trustee Tarnoff provided the report of the Investment Policy Committee and stated that there were no recommendations that needed to be approved by the Board.

Defined Contribution Committee

Ms. Farhadieh provided the report of the Defined Contribution Committee and read through the recommendations approved by the Defined Contribution Committee at its June 23, 2022 meeting:

1. To approve, consistent with the recommendation of RVK and ISBI Staff, the auto-escalation implementation measures discussed on the record at such time and manner as ISBI Staff deems prudent.
2. To approve the revisions to JCAR, including any revisions deemed necessary by ISBI's General Counsel, reflecting updates to the State of Illinois Deferred Compensation Plan's auto-enrollment provisions.

Trustee Tarnoff moved to adopt and ratify the recommendations of the Defined Contribution Committee. Trustee Williams seconded, and the motion was called to a roll call vote All in favor: Board Chairman Healy, Trustee Frerichs, Trustee Sanders, Trustee Williams, and Trustee Tarnoff. The motion passed unanimously.

Board Chairman Healy asked Ms. Boeckman, ISBI's Fiduciary Counsel, to provide more detail on the use of ISBI Staff in Board motions. Ms. Boeckman clarified that ISBI Staff generally referred to the specific ISBI staff members involved in making ISBI's recommendation to the Board, as supervised and approved by the Executive Director. Board Chairman Healy thanked Ms. Boeckman for her explanation.

PRESENTATION BY ALLIANT INSURANCE SERVICES, INC.

Mr. Goesel of Alliant referred Trustees to the presentation materials and discussed the proposed fiduciary liability policies for the Defined Benefit and Deferred Compensation Plans. Mr. Goesel explained the purpose of insurance and the coverage terms. Several Trustees inquired further about the liability limit and various sub-limits, and Mr. Goesel provided additional information about coverage for various scenarios. Ms. Boeckman also provided more detail on the process and layers of protection for the Fund and Trustees. Mr. Goesel confirmed that in his expert opinion, the recommended fiduciary liability policies were appropriate and prudent for a fund of ISBI's size and assets under management. Board Chairman Healy asked if there were any additional questions, and there were none.

Consideration and Approval of Fiduciary Liability Insurance Policies

Trustee Mendoza moved to approve the renewal of ISBI's Fiduciary Liability Insurance Policies pursuant to the terms discussed on the record. Trustee Tarnoff seconded, and the motion was called to a roll call vote. All in favor: Board Chairman Healy, Trustee Frerichs, Trustee Martwick, Trustee Mendoza, Trustee Sanders, Trustee Tarnoff, and Trustee Williams. The motion passed unanimously.

CONSIDERATION AND APPROVAL OF FINANCIAL STATEMENTS (12/31/21)

Mr. Hein referred Trustees to the Financial Statements from December 31, 2021. Mr. Hein asked if there were any questions, and there were none.

Trustee Mendoza moved that the Financial Statements from December 31, 2021 be approved and accepted for filing, as presented, consistent with the recommendation of ISBI Staff. Trustee Sanders seconded, and the motion was called to a roll call vote. All in favor: Board Chairman Healy, Trustee Frerichs, Trustee Martwick, Trustee Mendoza, Trustee Sanders, Trustee Tarnoff, and Trustee Williams. The motion passed unanimously.

CONSIDERATION FOR ACCEPTANCE AND FILING OF RECORD OF VOUCHERS (JANUARY, FEBRUARY, MARCH 2022)

Mr. Hein referred Trustees to the Record of Vouchers paid in January, February, and March 2022. Board Chairman Healy asked members of the Board if there were any further questions and there were none.

Trustee Mendoza moved that the Record of Vouchers be approved and accepted for filing, as presented, consistent with the recommendation of ISBI Staff. Trustee Williams seconded, and the motion was called to a roll call vote. All in favor: Board Chairman Healy, Trustee Frerichs, Trustee Martwick, Trustee Mendoza, Trustee Sanders, Trustee Tarnoff, and Trustee Williams. The motion passed unanimously.

ACTUAL VS PROJECTED BUDGET FORECAST AS OF 3/31/22

Mr. Hein referred Trustees to the Actual vs. Projected Budget Forecast as of March 31, 2022 in the meeting materials. Mr. Hein reviewed the report with the Trustees. Board Chairman Healy asked the Board if there were any questions and there were none.

ETHICS MATTERS

Consideration and Approval of Agent Contact Report

Mr. Mehta directed Trustees to the Agent Contact Report for the fourth quarter of Fiscal Year 2022.

Trustee Mendoza moved that the Agent Contact Report, as presented, be approved and accepted for filing as recommended by ISBI Staff. Trustee Sanders seconded, and the motion was called to a roll call vote. All in favor: Board Chairman Healy, Trustee Frerichs, Trustee Martwick, Trustee Mendoza, Trustee Sanders, Trustee Tarnoff, and Trustee Williams. The motion passed unanimously.

Consideration and Approval of Fiduciary Training Opportunities

Mr. Mehta referred Trustees to the June 2022 list of Upcoming Training Opportunities, previously provided, and noted that travel expenses are reimbursable if approved in advance, consistent with the requirements of the Illinois Pension Code and ISBI's policies. Mr. Mehta noted for the record that all Trustees have completed the hours of training required by the Illinois Pension Code, and all appointed Trustees have completed the required trainings for ethics, sexual harassment, and cybersecurity in 2022. Mr. Mehta noted that ISBI Staff will send information on required trainings for this upcoming year, which will also include a Diversity, Equity, and Inclusion training.

Trustee Mendoza moved that the conferences and trainings listed on the June 2022 list of Upcoming Training Opportunities, as presented, be approved pursuant to Section 1-150 of the Illinois Pension Code and that all resulting allowable expenses consistent with ISBI's policies be reimbursed. Trustee Williams seconded, and the motion was called to a roll call vote. All in favor: Board Chairman Healy, Trustee Frerichs, Trustee Martwick, Trustee Mendoza, Trustee Sanders, Trustee Tarnoff, and Trustee Williams. The motion passed unanimously.

REPORT BY GENERAL CONSULTANT – MEKETA INVESTMENT GROUP, INC.

Defined Benefit Performance Review as of March 31, 2022

Ms. Stone and Mr. Benham referred Trustees to the presentation materials and gave an overview of the Defined Benefit Plan's performance as of March 31, 2022. Mr. Benham discussed the current market and how inflation, the pandemic, and other factors were impacting the market

negatively. Ms. Stone reviewed Actual vs. Target Allocation and performance, noting that the portfolio saw negative performance the first quarter of 2022. However, the portfolio performed extremely well against its peers, ranking in the 8th percentile of its public fund peer group during the quarter, and outperformed its benchmark. Ms. Stone then provided more detailed performance information by asset class. Trustees inquired about specific performance of certain managers and Ms. Stone and Ms. Farhadieh provided additional context. Trustee Tarnoff stated that it was important to remain focused on the long-term investment horizon rather than negative performance in one quarter. Ms. Stone asked if there were any additional questions and there were none.

CONSIDERATION AND APPROVAL OF PROPOSED FISCAL YEAR 2023 BUDGET & AMENDMENT TO EMPLOYMENT AGREEMENT

At 12:31 p.m., Trustee Sanders moved to go into Executive Session pursuant to Section 2(c)(1) of the Open Meetings Act to discuss specific personnel issues. Trustee Tarnoff seconded, and the motion was called to a roll call vote. All in favor: Board Chairman Healy, Trustee Frerichs, Trustee Martwick, Trustee Mendoza, Trustee Sanders, Trustee Tarnoff, and Trustee Williams. The motion passed unanimously.

At 1:43 p.m., Trustee Tarnoff moved to return to the open meeting. Trustee Martwick seconded, and the motion was called to a roll call vote. All in favor: Board Chairman Healy, Trustee Frerichs, Trustee Martwick, Trustee Mendoza, Trustee Sanders, and Trustee Tarnoff. The motion passed unanimously.

Trustee Martwick moved that the Board approve the Proposed Fiscal Year 2023 Budget, revised organizational chart and Amendment to the Employment Agreement as presented. Trustee Mendoza seconded, and the motion was called to a roll call vote. All in favor: Board Chairman Healy, Trustee Frerichs, Trustee Martwick, Trustee Mendoza, Trustee Sanders, and Trustee Tarnoff. The motion passed unanimously.

REPORT BY PROXY VOTING SERVICE PROVIDER – GLASS LEWIS & CO (EDUCATION SESSION)

Ms. Hong outlined ISBI's Proxy Voting process and introduced Ms. Keatinge to the Trustees. Ms. Keatinge referred Trustees to the presentation materials and proceeded to give a detailed presentation on the proxy services that Glass Lewis provides for ISBI. Ms. Keatinge discussed her team's proxy research process, model for engagement with companies, new strategies for ESG research, as well as the technological capabilities provided to ISBI. Ms. Keatinge then gave a review of major themes from the 2022 proxy season. Finally, Ms. Keatinge provided an outline of the updates that Glass Lewis made to their US Proxy Guidelines for 2022, and highlighted their recommendations relating to gender and racial/ethnic diversity on boards.

Several Trustees asked for more detail on the proxy voting process. Ms. Keatinge and Ms. Farhadieh both outlined the process in regards to ISBI and Glass Lewis. Board Chairman Healy thanked Ms. Keatinge for her presentation.

LEGISLATIVE UPDATE

Ms. Cahill referred Board Members to the presentation materials. Ms. Cahill gave updates on legislation covered at the last meeting and described the state operating budget for upcoming Fiscal Year 2023. Ms. Cahill reported that the budget has been passed by the legislature and signed into law by the Governor, and stated that it fully funds the state retirement systems. Additionally, Ms. Cahill reported that the state retirement systems would be receiving an additional supplemental pension contribution. Ms. Cahill asked if there were any questions and there were none.

NEW BUSINESS/OLD BUSINESS

None.

PUBLIC COMMENT

None.

NEXT MEETING / MOTION TO ADJOURN

Chairman Healy noted that the next meeting will tentatively take place September 22-23, 2022. At 2:18 P.M., there being no further business to come before the Board, Trustee Mendoza moved to adjourn the meeting. Trustee Martwick seconded, and the meeting was adjourned.

Respectfully submitted,



Johara Farhadieh, Executive Director/
Chief Investment Officer