

**MINUTES OF THE
INVESTMENT POLICY COMMITTEE**

Thursday, September 29, 2022 – 2:00 P.M.
180 N. LaSalle St., Suite 2015
Chicago, IL 60601

Present:

<u>Committee Members</u>	Committee Chairman Michael Tarnoff Elizabeth Sanders Judge Debra Walker
<u>Board Members</u>	Board Chairman Terrence Healy Senator Robert Martwick
<u>Staff</u>	Genette Bacon-Cordova Mary Cahill Johara Farhadieh Jansen Hein Maryann Hong Jennifer Koelle Dipesh Mehta Nadia Oumata Alex Somolski Atul Talwar
<u>Guests</u>	Burke Burns & Pinelli, Ltd. Sarah Boeckman (via audio conference)
	Meketa Investment Group, Inc. Alli Wallace Stone Frank Benham Gloria Hazard
	Franklin Park Associates Brad Atkins Ryan Mann
	Hamilton Lane Advisors Matt Silverio Sean Barber

State Employees' Retirement System
Tim Blair (via audio conference)

Not Present:

Committee Members

Gisela Attlan
Jaye Williams

ROLL CALL

Committee Chairman Tarnoff called the meeting to order at 2:25 p.m. at the Illinois State Board of Investment office, 180 N. LaSalle St., Suite 2015, Chicago. Mr. Mehta called the roll and noted that a quorum was present.

APPOINTMENT OF STANDING COMMITTEE

Pursuant to the Board Bylaws, Board Chairman Healy appointed the following members to the Investment Policy Committee: Trustee Tarnoff, Trustee Walker, Trustee Williams, Trustee Attlan, and Trustee Sanders.

REPORT OF THE INVESTMENT POLICY COMMITTEE CHAIR

None.

CONSIDERATION AND APPROVAL OF MINUTES

Committee Chairman Tarnoff moved to approve the minutes, as presented, from the June 22, 2022 meeting of the Investment Policy Committee. Trustee Sanders seconded, and the motion passed unanimously, with Trustee Walker abstaining.

Committee Chairman Tarnoff moved to approve and keep closed the Executive Session minutes, as presented, from the June 22, 2022 meeting of the Investment Policy Committee, pursuant to the recommendation of Fiduciary Counsel. Trustee Sanders seconded, and the motion passed unanimously, with Trustee Walker abstaining.

INVESTMENT SNAPSHOT ENDING JUNE 30, 2022

Committee Chairman Tarnoff discussed the Investment Snapshot, describing ISBI's performance in relation to its policy benchmark. He highlighted the importance of long-term metrics in measuring performance, and applauded the Fund's performance over such long-term periods, despite a difficult quarter. Committee Chairman Tarnoff also noted that the Fund's active vs. passive ratio allows it to maintain a low-cost structure while achieving high performance. There were no questions.

REPORTS BY STRATEGIC PARTNERS & CONSULTANT – FRANKLIN PARK ASSOCIATES, HAMILTON LANE ADVISORS, AND MEKETA INVESTMENT GROUP

At 2:31 p.m., Committee Chairman Tarnoff moved to go into Executive Session pursuant to Section 2(c)(7) of the Open Meetings Act to discuss specific investments and investment contracts.

Trustee Walker seconded, and the motion was put to a roll call vote. All in favor: Committee Chairman Tarnoff, Trustee Walker, and Trustee Sanders. The motion passed unanimously.

At 4:19 p.m., Trustee Walker moved to return to the open meeting. Trustee Sanders seconded, and the motion was put to a roll call vote. All in favor: Committee Chairman Tarnoff, Trustee Walker, and Trustee Sanders. The motion passed unanimously.

Trustee Walker moved that the committee approve the revised Asset Allocation Policy and Total Fund Policy Benchmark, consistent with the recommendation of Meketa Investment Group and ISBI staff, including increasing the target allocations to Private Equity and Private Credit by 1% each and taking necessary implementation actions to fund the new allocations, at such time and manner as ISBI staff deems prudent. Trustee Sanders seconded, and motion passed unanimously.

REPORT OF EXECUTIVE DIRECTOR/CHIEF INVESTMENT OFFICER AND SENIOR INVESTMENT OFFICER

Update on Portfolio Transition to Russell 3000 Mandate

Ms. Koelle provided an update to the committee, stating that the transition went smoothly and was completed on June 24, and costs were minimal. Committee Chairman Tarnoff asked if there were any questions and there were none.

Consideration and Approval of Revisions to Investment Policy

Ms. Farhadieh referred trustees to the updated Investment Policy and stated that the proposed changes came as part of staff's standard review of the policy. Ms. Farhadieh gave an overview of the recommended changes, which included updates to the sections covering risk, clarifying language regarding ISBI's performance benchmark and passive-equivalent strategies, and additional context on ISBI's active vs. passive target ratio. Ms. Farhadieh thanked Trustee Sanders for her recommendations regarding the clarifying changes. There were no questions.

Trustee Walker moved that the committee approve the revised Investment Policy, as presented, consistent with the recommendation of ISBI staff. Trustee Sanders seconded, and the motion passed unanimously.

Consideration and Approval of Request for Proposal for Global Equity Factor Investment Management Services

Ms. Farhadieh referred trustees to the presentation materials and presented ISBI staff's recommendation for the issuance of a Request for Competitive Proposals (RFP) from investment management firms qualified to provide ISBI with global equity factor investment management services. Ms. Farhadieh explained that this recommendation followed the analysis and due diligence presented to the Board at the September 28, 2021, Investment Policy Committee meeting, which highlighted several potential areas that staff and Meketa had identified to refine

and enhance ISBI's existing factor portfolio. Ms. Farhadieh provided additional details on the RFP and its timeline. Ms. Farhadieh asked if there were any questions and there were none.

Trustee Walker moved that the committee approve the issuance of an RFP for a qualified investment management firm to provide Global Equity Factor Investment Management Services for the Defined Benefit Plan, consistent with the recommendation of Meketa and ISBI staff. Trustee Sanders seconded, and the motion passed unanimously.

NEW BUSINESS/OLD BUSINESS

None.

PUBLIC COMMENT

None.

NEXT MEETING AND ADJOURNMENT

Committee Chairman Tarnoff noted that the next meeting was tentatively scheduled for December 15-16, 2022. At 4:36 p.m., there being no further business to come before the committee, Trustee Sanders moved to adjourn the meeting. Trustee Walker seconded, and the meeting was adjourned.

Respectfully submitted,



Johara Farhadieh, Executive Director/
Chief Investment Officer