



## *ROLL CALL*

Chairman Goetz called the meeting to order at 2:15 p.m. The Secretary called the roll and noted that a quorum was present.

Mr. Davis moved to allow Ronald Powell to participate in the meeting via telephone. Mr. Mazzotti seconded and the motion passed unanimously.

## *COMMUNICATIONS*

None.

## *MINUTES OF PREVIOUS MEETING*

Mr. Mazzotti moved to approve the minutes of the Board meeting held September 26, 2008, in the form previously submitted. Treasurer Giannoulis seconded and the motion passed unanimously.

## *REPORT OF STANDING COMMITTEES*

### Executive Committee

Ms. Spinato reported that the Executive Committee had met on October 28, 2008 and reviewed a Deferred Compensation Hardship Appeal, amended the Deferred Compensation Investment Policy to include minority investment manager usage and terminated Western Asset Management. Also, the Executive Committee had met on December 18, 2008 and approved a commitment of \$10 million to the Franklin Park Venture Series 20009 Fund.

### Investment Policy Committee

Director Atwood reported that the Committee had heard investment review presentations from the Board's investment consultants: Marquette Associates, The Townsend Group and Franklin Park.

### Audit & Compliance Committee

Chairman Goetz stated that the Audit & Compliance Committee had met prior to this meeting and referred to Mr. Alongi to report on the Committee's actions. Mr. Alongi reported the following actions by the Audit & Compliance Committee:

- The minutes of the Audit & Compliance Committee meeting held September 26, 2008 were approved.
- Alise White reported that the financial audit had been completed and that the compliance audit was in process and the final report would be released shortly.

Ms. White stated that a copy of the financial audit had been previously distributed.

- Staff reported there were no exceptions to report to the Staff's Monthly Personal Interest Statements through September 2008.
- The Commission Recapture Report for the quarter ended September 2008, and the Record of Vouchers for the months of July, August and September 2008 were reviewed and approved.

Judge Hoffman moved to approve and ratify the actions of the Audit & Compliance Committee as outlined above. Mr. Davis seconded and the motion passed unanimously.

### *REPORT OF THE CHAIRMAN*

Chairman Goetz reported that he had attended the Council of Institutional Investors meeting last week in Washington D.C. at no expense to the Board.

Chairman Goetz stated that Senator James Clayborne, Jr. was new to the Board as the Chairman of the General Assembly Retirement System, replacing Representative Granburg.

The Chairman appointed Senator Clayborne to the Emerging Manager Committee and reassigned Ronald Powell to the Audit & Compliance Committee. (Official minutes contain attachment.)

### *REPORT OF THE STATE TREASURER*

Treasurer Giannoulis initiated discussion on the proposed Illinois Public Employees Retirement Systems, reviewed the proposal and stated that the deadline for consultant bids to review the Illinois Public Employees Retirement Systems proposal was March 6 after which the cost savings numbers would be reviewed. The Treasurer stated that he was planning to meet with each member of the Board individually to explain his proposal. The Treasurer thanked the Board for their time.

### *DEFERRED COMPENSATION – ADMINISTRATIVE RULES*

Director Atwood stated that the proposed Administrative Rules for the Deferred Compensation Plan were previously distributed and reviewed. Following detailed discussion, Judge Hoffman moved to approve the Deferred Compensation Administrative Rules as submitted and authorized the Director to possibly make non-material amendments, if necessary, to the rules during the Joint Committee on Administrative Rules filing process. Senator Clayborne seconded and the motion passed unanimously. (Official minutes contain attachment.)

Ms. Bonneville stated that the Department of Central Management Services had an interest in the Rules and requested a copy.

### ***REPORT OF THE DIRECTOR***

#### Watch List

Mr. Richards reviewed the previously distributed "Watch List" stating that Martingale, NWQ and Howland had been terminated at the December 18, 2008 Executive Committee meeting.

#### Matters Relating to Existing Managers

Mr. Richards referred the members to his memorandum "Matters Relating to Existing Managers" dated December 10, 2008 and reviewed. (Official minutes contain attachment.)

Tim Kominiarek reviewed his memorandum "Matters Relating to Existing Managers/Investments" dated December 10, 2008 which had previously been distributed. (Official minutes contain attachments.)

#### List of Scrutinized Securities Adoption

Ms. Reid reviewed the referred the Members to the memorandum "List of Scrutinized Companies – Public Act 95-616" dated December 10, 2008. Following review and discussion, Mr. Davis moved to approve the list of scrutinized companies in accordance with Public Act 95-616 and the Board's Iran Divestment Policy. Treasurer Giannoulis seconded and the motion passed unanimously. (Official minutes contain attachment.)

#### Financial Statements for the Quarters Ended June 30 and September 30, 2008

Ms. Spinato stated that the financial statements for the quartered ended June 30 and September 30, 2008 had previously been distributed. (Official minutes contain attachments.) Senator Clayborne moved to approve the financial statements for the quarters ended June 30 and September 30, 2008, as previously submitted. Mr. Alongi seconded and the motion passed unanimously.

#### Annual Report

Ms. Spinato reported that the 2008 Annual Report had previously been distributed. Mr. Mazzotti moved to approve the 2008 Annual Report and distribution thereof. Treasurer Giannoulis seconded and the motion passed unanimously. (Official minutes contain attachment.)

#### Legislative Update

Ms. Reid referred the Members to the memorandum "HB 824/Executive Order 3-2008" dated December 10, 2008 and conducted a detailed review. Following review, Judge Hoffman moved to approve ISBI's voluntary compliance with Executive Order 3-2008 as recommended by staff and outlined in the memorandum. Mr. Alongi seconded and the motion passed unanimously. (Official minutes contain attachment.)

Ms. Reid reported that HB 157 related to the Deferred Compensation Plan and staff would be monitoring it.

Director Atwood recommended that ISBI retain the services of a lobbyist for the upcoming legislative session. The Director stated that he had held discussions with Governmental Consulting Solutions and stated that the estimated cost would be approximately \$30,000. Further, the Director stated that anyone who had recommendations for firms should contact him with the names. Following discussion, Mr. Powell moved to authorize Director Atwood to select and retain the services of a lobbyist to assist during the upcoming legislative session at a cost not to exceed \$30,000. Senator Clayborne seconded and the motion passed unanimously.

#### Legal Matters

Ms. Reid reported public information regarding the Amcore litigation.

Ms. Schoemehl referred the Board Members to her memorandum "Retention of Reinhart Boerner Van Deuren s.c." dated December 10, 2008 and reported that the law firm of Reinhart Boerner Van Deuren had been retained for legal advice and assistance regarding the securities lending account at State Street. Further, Ms. Schoemehl reported that Bryan Cave, the Board's retained counsel, had a conflict of interest with State Street.

Director Atwood reported that State Street had been directed to transition ISBI's collateral in the securities lending program from the Quality D Fund to the Navigator Fund and there had been no progress through year end due to liquidity constraints. Further, the Director reported that Marquette and staff confer with State Street on a regular basis and that the liquidity situation was improving.

Director Atwood informed that Board that due to cash flow and benefit payment issues, the AFL-CIO HIT account had been liquidated and requested approval to terminate the manager. Following discussion, Mr. Mazzotti moved to approve termination of the AFL-CIO HIT Fund. Mr. Alongi seconded and the motion passed unanimously.

#### Minority Brokerage Usage

Ms. Garcia stated that the "Minority Brokerage Usage Report" for the period ended September 30, 2008 had previously been distributed and stated that all managers, with the exception of Loomis Sayles, NWQ and William Blair, had exceeded the 20% usage of minority broker/dealers. There being no questions or comments, the report was ordered filed. (Official minutes contain attachment.)

#### Budget Comparison

Ms. White stated that a draft of the Budget Comparisons for the quarter ended September, 2008 had previously been submitted. There being no questions or comments, the Budget Comparison were ordered filed. (Official minutes contain attachments.)

*REPORT OF CONSULTANT – MARQUETTE ASSOCIATES*

Investment Performance Report

Mr. Wrubel referred to the Investment Performance Report for the period ended September 30, 2008 and the Interim Performance Report for the period ended December, 2008. Detailed review and discussion ensued regarding investment performance. (Official minutes contain attachments.)

*REPORT OF ANY BOARD MEMBER*

None.

*UNFINISHED BUSINESS*

None.

*NEW BUSINESS*

None.

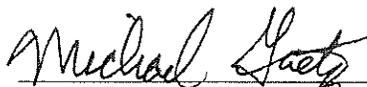
*NEXT MEETING AND ADJOURNMENT*

Chairman Goetz stated that the next meetings of the Audit & Compliance Committee and Board were scheduled to be held Friday, March 20, 2009 at 9:30 a.m. and 9:45 a.m., respectively. At 3:30 p.m., there being no further business to come before the Board, Mr. Mazzotti moved to adjourn. Mr. Alongi seconded and the meeting was adjourned.

Respectfully submitted,



Thomas E. Hoffman, Recording Secretary  
Illinois State Board of Investment



Michael Goetz, Chairman  
Illinois State Board of Investment