

MINUTES OF THE
MEETING
OF THE
AUDIT & COMPLIANCE COMMITTEE
FRIDAY, DECEMBER 18, 2009 – 9:30 AM.

Present: Committee Members Michele Bush
 James Clayborne, Jr. (via telephone)
 Thomas Hoffman
 Daniel Hynes
 Fred Montgomery

Board Members John Casey
 Ronald Powell

Staff William Atwood
 Johara El-Harazin
 Emily Reid
 Linsey Schoemehl
 Katherine Spinato
 Alise White

Guests Office of the Comptroller
 G. Allen Mayer
 State Retirement Systems
 Tim Blair
 Marquette Associates
 Brian Wrubel, Elizabeth Francis,
 Nichole Roman-Bhatty
 Government Consulting Solutions
 Steve Zahn

Absent: Committee Members None.

ROLL CALL

Chairman Bush called the meeting to order at 9:30 a.m. The Secretary called the roll and noted that a quorum was present.

ELECTION OF CHAIRMAN

Judge Hoffman assumed the Chair and called for nominations for Chairman of the Audit & Compliance Committee. Mr. Montgomery moved to nominate Michele Bush as Chairman of the Audit & Compliance Committee. Judge Hoffman seconded. There being no further nominations, Ms. Bush was unanimously elected Chairman of the Audit & Compliance Committee.

MINUTES OF PREVIOUS MEETING

Mr. Montgomery moved to approve the minutes of the Audit & Compliance Committee meeting held September 25, 2009, in the form previously submitted. Judge Hoffman seconded and the motion passed unanimously.

TRAVEL

Director Atwood referred Committee Members to a memorandum "Third Party Travel Reimbursement" dated December 7, 2009, that had previously been distributed and distributed "Third Party Travel Reimbursement dated December 15, 2009. Ms. Schoemehl reported that funding was not provided by any prohibited sources. Following discussion, Mr. Montgomery moved to approve Director Atwood's attendance at the Infrastructure Investors Forum Americas 2010 Conference in New York to be held February 23, 2010 and Ms. Schoemehl's attendance at the CERS Investor Summit on Climate Risk to be held January 14, 2010 and third party reimbursement for expenses as outlined. Judge Hoffman seconded and the motion passed unanimously. (Official minutes contain attachments.)

DISCUSSION ON REFERRAL PRACTICE PROCESS

Ms. Reid referred the Committee Members to her memorandum "Placement Agent Contact Report Q3 2009; Placement Agent Compensation" dated December 4, 2009. Ms. Reid initiated discussion on the Board's usage of placement agents and their compensation relating to Section 1-145 of Chapter 40 of the Illinois Pension Code. Following detailed discussion, it was the consensus of the Committee Members to recommend to the Board amending the Board and Staff's Ethics Codes. The amendments would require that Members and Staff memorialize in their ex-parte records all communications with placement agents, third-party marketing agents or similar persons or entities attempting to influence Board action, including communications with

agents attempting to influence Board action that are compensated by a person or entity on a non-contingent basis, and report such communications to the Board's Ethics Officer. (Official minutes contain attachment.)

FY 2009 STATUS OF AUDIT

Alise White reported that the audit had been completed and distributed copies of the draft findings. Following detailed discussion, regarding the finding on Alternative Investments, it was the consensus of the Committee Members to discuss this finding with the auditors at the Exit Conference and, if not able to resolve, schedule the auditors to attend the next meeting of the Audit & Compliance Committee.

STAFF PERSONAL TRANSACTION REPORTS

Ms. Spinato reported that there were no exceptions to report to the Staff's Monthly Personal Interest Statements for the quarter ending September 2009.

COMMISSION RECAPTURE REPORT

Ms. Spinato stated that the Commission Recapture Report for the quarter ending September 2009 had previously been distributed. Mr. Montgomery moved to approve the Commission Recapture Report for the quarter ending September 30, 2009. Judge Hoffman seconded and the motion passed unanimously. (Official minutes contain attachment.)

RECORD OF VOUCHERS

Ms. Spinato stated that the Record of Vouchers for the months of July, August and September 2009, were previously distributed. Following review of the Records of Vouchers, Mr. Montgomery moved to approve the Records of Vouchers for the months of July, August and September 2009. Ms. Bush seconded and the motion passed unanimously. (Official minutes contain attachments.)

UNFINISHED BUSINESS

None.

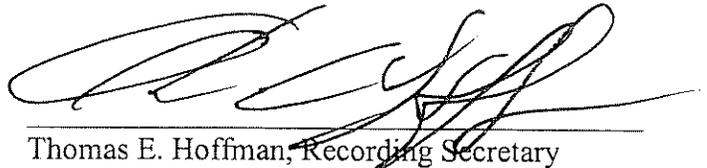
NEW BUSINESS

None.

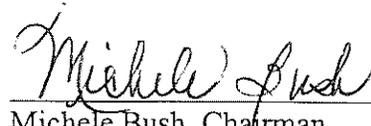
NEXT MEETING AND ADJOURNMENT

Chairman Bush stated that the next meeting of the Audit & Compliance Committee was scheduled to be held Friday, March 19, 2010. At 9:50 a.m., there being no further business to come before the Committee, Mr. Montgomery moved to adjourn. Judge Hoffman seconded and the meeting was adjourned.

Respectfully submitted,



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



Michele Bush, Chairman
Audit & Compliance Committee