



## *ROLL CALL*

Vice Chairman Montgomery called the meeting to order at 9:15 a.m. The Secretary called the roll and noted that a quorum was present. Ms. Bush moved to allow Chairman Casey to participate via telephone, Mr. Bashir seconded and the motion passed unanimously.

## *COMMUNICATIONS*

Vice Chairman Montgomery called on Director Atwood to recognize Ms. Nwodu; Ms. Nwodu was recently hired to fill the Chief Fiscal Officer position.

## *REPORT OF THE CHAIRMAN*

Chairman Casey stated that there was nothing to report.

## *MINUTES OF PREVIOUS MEETING*

Mr. Bashir moved to approve the minutes of the Board meeting held December 17, 2010, in the form previously submitted. Ms. Bush seconded and the motion passed unanimously.

## *REPORT OF STANDING COMMITTEES*

### Executive Committee

Ms. Spinato reported that the Executive Committee had met on January 20, 2011 for the purpose of reviewing deferred compensation hardship appeal cases.

### Audit & Compliance Committee

Ms. Bush stated that the Audit & Compliance Committee had met prior to this meeting and reported the following actions:

- The fiscal year 2010 financial audit was reviewed and approved.
- Ms. Spinato reported there were no exceptions to report to the Staff's Monthly Personal Transactions Report through December 31, 2010.
- The Commission Recapture Report for the quarter ending December 2010 was reviewed and approved.
- The Records of Vouchers for the months of October, November and December 2010 were reviewed and approved.
- The Committee reviewed the report on placement agent contacts for FY 2011 3rd Quarter.
- Ms. Schoemehl requested appointed Board Members to submit quarterly timesheets.

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

### Emerging Manager Committee

Director Atwood stated that the Emerging Manager Committee had met on January 26, 2011 and reported the following actions and recommendations by the Emerging Manager Committee:

- The Committee reviewed and discussed the performance of Buford Dixon Harper & Sparrow. It was the consensus of the Committee to have Director Atwood communicate to the Board the Committee's concerns regarding Buford Dixon Harper & Sparrow and recommended terminating the manager.

Treasurer Rutherford moved to terminate Buford Dixon Harper & Sparrow, as recommended by the Emerging Manager Committee. Mr. Bashir seconded and the motion passed unanimously.

### ***DEFERRED COMPENSATION***

#### Consultant – Investment Manager Performance Review

Mr. Wrubel of Marquette Associates referred the Board Members to the "Illinois State Board of Investment Deferred Compensation Executive Summary" for the 3<sup>rd</sup> quarter December 31, 2010 and an updated report dated February 28, 2011, and reviewed.

Further, Mr. Wrubel reported that Arial and Acorn remained on Alert Status.

#### Report on Status of RFP Custody Responses

Mr. Wrubel updated the Board regarding the status of the RFP for custody services to the Deferred Compensation Plan and informed the Board that a recommendation will be presented at the Board's next regularly scheduled meeting.

#### Update on Loan Policy and Roth IRA Status

Ms. Schoemehl stated that ISBI was working with the other agencies involved and was in the process of conducting a survey to determine what changes were necessary to agencies' respective payroll systems in order to implement the Loan and Roth IRA policies.

#### Participant Hardship Appeal Request

Vice Chairman Montgomery stated that Hardship Appeal requests had been received and copies of the recommendation of the hearing officer were distributed.

Following review and discussion, Mr. Bruce moved to approve and accept the recommendation of the Hearing Officer and approve a partial distribution of \$8,860.00 in the case of Robert Waldron (H/S11-038). Chairman Casey seconded and the motion passed unanimously. (Official minutes contain attachment.)

Following review and discussion, Mr. Bruce moved to deny the recommendation of the Hearing Officer and grant Beverly Gordon (H/S11-035) 60 days to provide the Hearing Officer with the

documentation evidencing her hardship. Treasurer Rutherford seconded and the motion passed unanimously. The Hearing Officer will report to the Board at its next regularly scheduled meeting. (Official minutes contain attachment.)

Following review and discussion, Mr. Bashir moved to approve and accept the recommendation of the Hearing Officer and approve a partial distribution in the amount of \$5,070.00 in the case of Agyeiwa Bonsu-Agyeman (H/S11-039). Mr. Bruce seconded and the motion passed unanimously. (Official minutes contain attachment.)

Following review and discussion, Judge Hoffman moved to approve and accept the recommendation of the Hearing Officer and approve a partial distribution in the amount of \$11,859.88 in the case of Karl Suhling (H/S11-033). Judge Hoffman seconded and the motion passed unanimously. (Official minutes contain attachment.)

### ***REPORT OF CONSULTANT – MARQUETTE ASSOCIATES***

Investment Performance Report – December 2010 and February 2011 Interim Report  
Mr. Wrubel reported that the Investment Performance Report for the quarter ending December 2010 had previously been distributed. Mr. Wrubel distributed the Flash Report for February 28, 2011, and reviewed. Following detailed review and answering questions posed by Board Members, the Vice Chairman thanked Mr. Wrubel for the report. (Official minutes contain attachments.)

#### Financial and Economic Impact of the Japanese Earthquake

Mr. Wrubel directed the Board to a report on investment stewardship in Japan. Following detailed review and answering questions posed by Board Members, the Vice Chairman thanked Mr. Wrubel for the report.

#### FX Reporting

Mr. Wrubel reported on the Board's policy regarding foreign exchange ("FX") transactions. Mr. Wrubel agreed to report on the execution of FX transactions to the Investment Policy Committee on a quarterly basis to ensure that the Board's managers are achieving best execution, as set forth in the Board's investment guidelines.

### ***PRESENTATION: FRANKLIN PARK***

#### Private Equity Review

Vice Chairman Montgomery invited Brad Atkins of Franklin Park to join the meeting. Mr. Atkins referred the Board Members to a written presentation "Introduction to Franklin Park and ISBI's Private Equity Portfolio". (Official minutes contain attachment.) Mr. Atkins discussed the valuation process. Director Atwood explained that ISBI utilizes both realizations and unrealizations when evaluating the value of an investment.

Ms. White addressed the inconsistencies with the private equity reporting and explained to the Board Members that the lag in reporting is primarily due to the recent disruptions in the market, which has caused the private equity managers to more carefully review their reports prior to releasing the information.

Following review and discussion, the Vice Chairman thanked Mr. Atkins for the informative presentation.

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

Vice Chairman Montgomery stated that the Board would go into Executive Session to discuss specific investment manager contracts (5 ILCS 120/2(c)(7)) and current Board litigation (5 ILCS 120/2(c)(11)). Mr. Bashir moved to go into Executive Session for the above-stated purposes. Mr. Bruce seconded and the motion passed unanimously.

Guest and staff were excused from the meeting with the exception of Director Atwood, Ms. Schoemehl and Mr. Kominiarek.

Mr. Bashir moved to return to the open meeting. Ms. Bush seconded and the motion passed unanimously.

#### Watch List

Mr. Richards reviewed the previously distributed "Watch List" stating that J for Jobs and Amalgamated Bank Construction Loan Fund remained on the list and were both previously discussed. In addition, Buford Dixon Harper & Sparrow, IronBridge, Profit, and Globeflex were added to the Watch List due to poor performance. (Official minutes contain attachment.)

#### Matters Relating to Existing Managers

Mr. Richards reviewed the previously distributed memorandum "Matters Relating to Existing Managers" dated March 7, 2011 and reviewed. (Official minutes contain attachment.)

#### Review of RFP Foreign Tax Consultant Responses and Recommendation

Director Atwood informed the Board that Staff, in consultation with Consultant, is in the process of reviewing the responses to the RFP and will recommend a tax consultant at the next regularly scheduled meeting.

#### Update on Securities Lending

Director Atwood informed the Board Members that the securities lending program had been successfully transitioned from State Street Bank & Trust to Credit Suisse.

#### Status on Bonds Proceeds

Director Atwood called upon Mr. Richards to direct the Board to the memorandum "Bond Proceeds/Portfolio Rebalancing" dated March 8, 2011 and discussed. In addition, Mr. Richards

provided the Board Members with data setting forth the proceeds for each of the respective retirement systems. (Official minutes contain attachment.)

#### Discussion on Capital Stewardship

Director Atwood called upon Ms. Schoemehl to review the memorandum "Corporate Governance" dated March 8, 2011. (Official minutes contain attachment.)

Mr. Bashir called upon Mr. Hernandez to discuss the importance of capital stewardship groups such as Change to Win and their role in monitoring corporate governance issues.

Judge Hoffman expressed concern over the expenses relating to proxy voting and corporate governance reform.

#### Minority Brokerage Usage Report

Ms. El-Harazin stated that the "Minority Brokerage Usage Report" for the period ended December 31, 2010 had previously been distributed and reviewed. (Official minutes contain attachment.)

#### Financial Statements

Ms. White stated that the Financial Statements for the quarter ending September 30, 2010 had been distributed previously. Following review, Mr. Bashir moved to approve the Financial Statements for the quarter ending September 30, 2010, as submitted. Vice Chairman Montgomery seconded and the motion passed unanimously. (Official minutes contain attachment.)

#### Budget Comparison

Ms. White stated that the preliminary Budget Comparisons for the quarter ending December 31, 2010 had previously been submitted. Following review, there being no questions or comments, the Budget Comparison for December 2010 was ordered filed. (Official minutes contain attachment.)

#### Legislative Update

Director Atwood directed the Board Members to the memorandum "Legislative Update" dated March 8, 2011 and informed the Board that Staff is currently working with Representative Franks to ensure that House Bill 145 is amended to contain language which would provide for practical implementation. In addition, Director Atwood informed the Board Members that the General Assembly has yet to determine how it will fund the pensions for fiscal year 2012. (Official minutes contain attachment.)

#### Investment Procedures Manual

Director Atwood called upon Ms. Scott to review the memorandum "Investment Procedures Manual" dated March 8, 2011. (Official minutes contain attachment.)

*REPORT OF ANY BOARD MEMBER*

None.

*UNFINISHED BUSINESS*

None.

*NEW BUSINESS*

None.

*NEXT MEETING AND ADJOURNMENT*

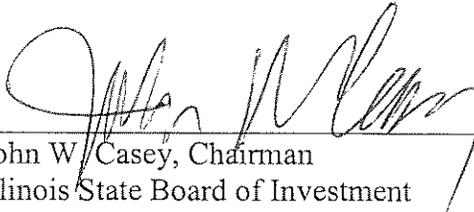
Vice Chairman Montgomery stated that the next meetings of the Audit & Compliance Committee and Board were scheduled to be held Friday, June 24, 2011 at 9:00 a.m. and 9:15 a.m., respectively.

At 12:30 p.m., there being no further business to come before the Board, Mr. Bruce moved to adjourn. Vice Chairman Montgomery seconded and the meeting was adjourned.

Respectfully submitted,



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



John W. Casey, Chairman  
Illinois State Board of Investment