



## ***ROLL CALL***

Chairman Powell called the meeting to order at 8:55 a.m. The Secretary called the roll and noted that a quorum was present. The Chairman called for introductions by guests.

Chairman Powell stated that Senator Clayborne and Judge Hoffman were present telephonically. Ms. Bush moved to approve Senator Clayborne and Judge Hoffman participating in the meeting via telephone. Ms. Parish seconded and the motion passed unanimously.

## ***COMMUNICATIONS***

None.

## ***REPORT OF THE CHAIRMAN***

Chairman Powell stated that a revised 2010 Schedule of Meetings was previously distributed and that the meeting dates remained unchanged, however, the starting time of the Audit & Compliance Committee and the Board had been moved to 8:30 a.m. and 8:45 a.m., respectively. (Official minutes contain attachment.)

## ***MINUTES OF PREVIOUS MEETING***

Ms. Bush moved to approve the minutes of the meeting of the Board meetings held December 18, 2009 and February 17, 2010 in the forms previously submitted. Mr. Montgomery seconded and the motion passed unanimously.

## ***REPORT OF STANDING COMMITTEES***

### Audit & Compliance Committee

Chairman Powell stated that the Audit & Compliance Committee had met prior to this meeting and referred to Ms. Bush to report on the Committee meeting. Ms. Bush reported the following actions by the Audit & Compliance Committee:

- Minutes of the December 18, 2009 meeting were approved.
- Third party travel reimbursement was approved for Emily Reid to attend the Pension Plan De-Risking Summit in New York to be held May 19-21, 2010.
- The Committee reviewed and accepted the report on placement agent contacts for FY 2010 2<sup>nd</sup> Quarter.
- Ms. White reported that the fiscal year 2009 audit had been completed and the financial and compliance audit reports were reviewed.
- Ms. Spinato reported there were no exceptions to report to the Staff's Monthly Personal Interest Statements through December 2009.

- The Commission Recapture Report for the quarter ending December 2009 was reviewed and approved.
- The Records of Vouchers for the months of October, November and December 2009 were reviewed and approved.

Mr. Montgomery moved to approve and ratify the actions of the Audit & Compliance Committee as outlined above. Comptroller Hynes seconded and the motion passed unanimously.

### ***DEFERRED COMPENSATION***

#### Consultant – Investment Manager Performance Review

Ms. Roman-Bhatty of Marquette Associates referred the Board Members to the “Illinois State Board of Investment Deferred Compensation Executive Summary” for quarter ended December 2009 and an updated report dated February 2010, and reviewed. (Official minutes contain attachments.)

#### Public Act 96-806

Ms. Reid referred the Board Members to her memorandum “Deferred Compensation: PA96-806” dated March 5, 2010, and reviewed the proposed amendments to the Illinois State Employees’ Deferred Compensation Plan Administrative Rules. Following review and discussion, Mr. Montgomery moved to approve the amendments to the Illinois State Employees’ Deferred Compensation Plan Administrative Rules, as recommended by Staff and also allow further non-material changes at Staff’s discretion, as matters may arise. Comptroller Hynes seconded and the motion passed unanimously. (Official minutes contain attachment.)

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

#### Investment Performance Report – December 2009 and Interim Report – February 2010

Chairman Powell stated that representatives of Marquette Associates were in attendance and called on Brian Wrubel to review the investment performance. Mr. Wrubel reported that the Investment Performance Report for the quarter ending December 2009 had previously been distributed. Mr. Wrubel distributed the Flash Report for February 28, 2010, and reviewed. Following detailed review and answering questions posed by Board Members, the Chairman thanked Mr. Wrubel for the report. (Official minutes contain attachments.)

### ***PRESENTATION: Globeflex Capital Management***

Messrs. Anslow and Bretz of Globeflex Capital Management were invited to join the meeting. Following introductions, written copies of the presentation were distributed. Chairman Powell stated that the focus of the presentation was as follows:

Certification as a Minority Firm.  
Minority Broker/Dealer usage  
FX trading  
Responsiveness to issues  
Performance

Following review, the Globeflex representatives thanked the Board for its time and excused themselves from the meeting. (Official minutes contain attachment.)

### ***REPORT OF CONSULTANT – The Townsend Group***

Messrs. Kochis, Stenger and Ms. Wood joined the meeting. Mr. Kochis referred the Board Members to written report which was previously distributed and a memorandum “Real Estate – Townsend Recommendation” dated March 8, 2010. Following review of the report, consultant, in conjunction with staff, recommended commitments of \$100 million to each core separate real estate account and \$100 million to non-core strategies in 2010; amendments to the ISBI Core Separate Account Investment Program, as outlined in the report and rescinding of the JP Morgan Real Estate Fund withdrawal request. (Official minutes contain attachments.)

Following detailed discussion, Judge Hoffman moved to approve the recommendations of The Townsend Group as outlined in the presentation book, contingent on the renegotiation of CBRE’s fee structure. Ms. Bush seconded and the motion passed unanimously.

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

Chairman Powell stated that the Board would go into Executive Session to discuss investment contracts (5 ILCS 120/2(c)(7)) and current litigation (5 ILCS 120/2(c)(11)). Judge Hoffman moved to go into Executive Session for the above-stated purposes. Ms. Parish seconded and the motion passed unanimously.

Mr. Montgomery moved to return to the open meeting. Ms. Parish seconded and the motion passed unanimously.

#### Watch List

Mr. Richards reviewed the previously distributed “Watch List” (Official minutes contain attachment.)

#### Matters Relating to Existing Managers

Mr. Montgomery moved to terminate the investment management agreement with Lynmar Capital and transition the assets from that account to a Rhumblin large cap account.

Mr. Richards stated that a memorandum “Matters relating to existing managers” dated December 2, 2009 had previously been distributed. (Official minutes contain attachment.)

#### Revised Equal Employment Opportunity Plan (EEOP)

Ms. Schoemehl referred the Board Members to a memorandum "Equity Employment Opportunity Plan and Fiduciary Diversification Policy" dated March 5, 2010. Following review and discussion, Judge Hoffman moved to approve the adoption of the Fiduciary Diversification Policy previously submitted. Ms. Bush seconded and the motion passed unanimously. (Official minutes contain attachment.)

#### Revised Board and Staff Ethics Policies

Ms. Reid reported that Staff was preparing revised Ethics Policies for the Board and Staff Members which will be submitted for approval at the June 2010 meeting.

#### Proposed Investment Policy

Ms. Reid referred the Board Members to a memorandum "Investment Policy" dated March 8, 2010 and recommended adoption of the proposed Investment Policy. Following discussion, Mr. Montgomery moved to approve the Investment Policy as proposed by Staff. Ms. Parish seconded and the motion passed unanimously. (Official minutes contain attachment.)

#### Discussion on Minority Contracts/Services Utilization

Ms. El-Harazin referred and reviewed a memorandum "Follow up to Minority Contract/Service Utilization Policy" dated March 4, 2010. (Official minutes contain attachment.)

#### Review of Transition Manager Finalists

Ms. El-Harazin reviewed Transition Management Pool Finalists report prepared by Marquette Associates and requested approval to add Knight Transition, Mellon Transition, Northern Trust and State Street to the Board's approved pool list. Following review, Mr. Montgomery moved to approve the addition of Knight Transition, Mellon Transition, Northern Trust and State Street to the ISBI approved pool of Transition Managers. Ms. Bush seconded and the motion passed unanimously. (Official minutes contain attachment.)

#### Update on Custody and Securities Lending RFP's

Director Atwood reported that this matter was previously discussed in Executive Session.

#### Report on Private Equity and Real Estate Consultant RFP's

Director Atwood stated that a Special Meeting of the Board would be schedule in April and recommendations for Private Equity and Real Estate Consultants would be on that Agenda.

#### Minority Brokerage Usage Report – Quarter Ended December 31, 2009

Ms. El-Harazin stated that the "Minority Broker Commission Report as of December 31, 2009" dated March 4, 2010, had previously been distributed and stated that all domestic equity and fixed income managers surpassed the utilization goal of 20%. Further, Ms. El-Harazin reported that staff had begun monitoring the minority brokerage utilization for the international equity managers and four of the seven portfolio managers did not meet the minimum goal of 20%. (Official minutes contain attachment.)

#### Annual Report

Director Atwood stated that the Fiscal Year 2009 Annual Report has been previously distributed. Ms. Parish moved to approve the FY 2009 Annual Report and distribution.

Mr. Montgomery seconded and the motion passed unanimously. (Official minutes contain attachment.)

Financial Statements

Ms. White stated that the Financial Statements for the quarter ended September 30, 2009 had been mailed previously and distributed copies of the Financial Statements for the quarter ended December 31, 2009. Following review, Ms. Bush moved to approve the Financial Statements for the quarters ended September 30 and December 31, 2009, as submitted. Mr. Montgomery seconded and the motion passed unanimously. (Official minutes contain attachments.)

Budget Comparison

Ms. White stated that the Budget Comparison for the quarter ended September 30, 2009 had previously been submitted and distributed copies of the Budget Comparison for the quarter ended December 31, 2009. Following review the Chairman ordered the Budget Comparisons for the quarters September 30 and December 31, 2009 filed. (Official minutes contain attachments.)

Legislative Update

Ms. Schoemehl referred the Board Members to the memorandum "Legislative Update" dated March 5, 2010, which had previously been distributed and reviewed. (Official minutes contain attachment.)

***REPORT OF ANY BOARD MEMBER***

None.

***UNFINISHED BUSINESS***

None.

***NEW BUSINESS***

None.

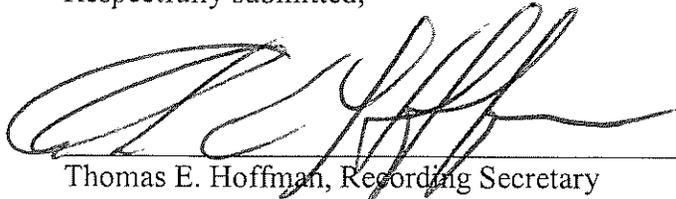
***NEXT MEETING AND ADJOURNMENT***

Chairman Powell stated that the next regularly scheduled meetings of the Audit & Compliance Committee and Board were scheduled to be held Friday, June 25, 2010 at 8:30 a.m. and 8:45 a.m., respectively.

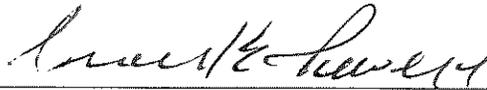
The Chairman stated that a meeting of the Emerging Manager Committee was scheduled for April 9, 2010 and a Special meeting of the Board was schedule to be held on April 20, 2010.

At 11:50 a.m., there being no further business to come before the Board, Ms. Parish moved to adjourn. Mr. Montgomery seconded and the meeting was adjourned.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'T. Hoffman', written over a horizontal line.

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

A handwritten signature in black ink, appearing to read 'R. Powell', written over a horizontal line.

Ronald E. Powell, Chairman  
Illinois State Board of Investment