

MINUTES OF THE  
VIDEO-CONFERENCE MEETING  
OF THE  
ILLINOIS STATE BOARD OF INVESTMENT  
FRIDAY, MARCH 20, 2009 – 9:45 A.M.

Present:        Board Members                      Guy Alongi  
   James Clayborne, Jr., via telephone  
   Allison Davis  
   Justice Thomas Hoffman, via telephone  
   Michael Goetz  
   Jack Mazzotti  
   Ronald Powell

Staff    William Atwood  
   Johara El-Harazin  
   Alejandra Garcia  
   Timothy Kominiarek  
   Emily Reid, via telephone  
   Scott Richards  
   Katherine Spinato  
   Alise White

Guests    Office of the State Treasurer  
   Scott Kennedy  
   State Retirement Systems  
   Tim Blair  
   Marquette Associates  
   Brian Wrubel, Elizabeth Francis  
   SEIU  
   Chirag Mehta  
   Mike Purcell  
   Channing Capital  
   Janice Gonzalez

Absent:        Board Members                      Alexi Giannoulis

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## ***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 Judge Hoffman to participate in the meeting via telephone. Mr. Powell seconded and the motion passed unanimously.

## ***COMMUNICATIONS***

Director Atwood reported that he had received a letter from Christine Boardman, President of Service Employees International Union Local 73 regarding a policy relating to the Employee Free Choice Act, and distributed copies. Following discussion, Mr. Goetz moved to adopt the SEIU policy supporting the Free Choice Act and communicate said policy to the ISBI investment managers. Mr. Powell seconded. Further discussion ensued after which a roll call vote was taken and the motion passed with Judge Hoffman voting nay stating that the Board should not be involved in political issues. (Official minutes contain attachment.)

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

Mr. Davis moved to approve the minutes of the Board meeting held January 30, 2009, in the form previously submitted. Mr. Mazzotti seconded and the motion passed unanimously.

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

### Executive Committee

Chairman Goetz reported that the Executive Committee had met on February 23 and March 19, 2009 and the following actions were taken:

#### *February 23, 2009*

A Deferred Compensation Hardship Appeal was considered and the Executive Committee approved the recommendation of the Hearing Officer to uphold the Hardship Committee's denial of the request.

#### *March 19, 2009*

A Deferred Compensation Hardship Appeal was considered and the Executive Committee approved the recommendation of the Hearing Officer to reverse the decision of the Hardship Committee and grant a lump sum hardship distribution to the participant.

Senator Clayborne joined the meeting via telephone. Mr. Davis moved to approve participation in the meeting by Senator Clayborne via telephone. Mr. Powell seconded and the motion passed unanimously.

### Emerging Manager Committee

Mr. Davis reported that the Emerging Manager Committee had met on March 19, 2009 to review the Emerging/Minority Managers. Further, Mr. Davis stated that the Committee recommended conducting a search for a Mid-Cap Growth Manager.

Following review and discussion, Mr. Powell moved to authorized staff and consultant to conduct a Mid-Cap Growth Manager search. Mr. Alongi seconded and the motion passed unanimously.

### 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 January 3, 2009 were approved.
- Alise White reported that the compliance audit had been completed and previously distributed.
- Staff reported there were no exceptions to report to the Staff's Monthly Personal Interest Statements through December 2008.
- The Commission Recapture Report for the quarter ended December 2008, and the Record of Vouchers for the months of October, November and December 2008 were reviewed and approved.

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

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

Chairman Goetz reported that he had attended the Annual Spring Council of Institutional Investors meeting held in April no expense to the Board.

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

#### Investment Performance Report

Mr. Wrubel referred to the Investment Performance Report for the period ended December 31, 2008 and the Interim Performance Report for the period ended February, 2009. Detailed review and discussion ensued regarding investment performance. (Official minutes contain attachments.)

Director Atwood informed the members that the annual Macquarie meeting was being held in Chicago at the Peninsula Hotel and stated that all Board members were welcome to attend.

Mr. Powell moved to go into Executive Session to discuss investment contracts. Mr. Davis seconded and the motion passed unanimously. Guests and staff were excused from the meeting with the exception of the Treasurer's representative and staff members

Atwood, Kominiarek, Reid, Richards, and Spinato. Shortly following, the consultants were excused from the meeting.

Following Executive Session, Mr. Powell moved to return to the Open Meeting. Mr. Alongi seconded and the motion passed unanimously.

Mr. Davis moved to approve the recommendation of Marquette Associates as follows:

- Establish a short-term fixed income account to manage liquidity and cash flow issues.
- Hire Chicago Equity Partners to manage the sort-term fixed income account (indexed to BarCap1-3 Year Government).
- Fund the short-term fixed income account by terminating Loomis Sayles high yield bond portfolio.
- Hire Fort Washington to transition and liquidate the Loomis Sayles Account in an orderly fashion and fund the sort-term fixed income account.
- Terminate Brandywine Asset Management as a large-cap value manager. Transition the assets to the RhumbLine Russell 1000 Value Index portfolio.
- Terminate Ivy Asset Management hedged equity fund of funds portfolio. Redistribute assets on a pro-rate basis to the other hedged equity fund of funds managers.

Mr. Powell seconded and the motion passed unanimously.

Mr. Davis moved to approve terminating the deferred compensation consulting agreement with Iron Capital Advisors and engage Marquette Associates as the deferred compensation consultant. Mr. Powell seconded and the motion passed unanimously.

### ***DEFERRED COMPENSATION***

Mr. Powell moved to approve the Deferred Compensation Hardship Distribution Appeal Policy as previously distributed. Mr. Mazzotti seconded and the motion passed unanimously. (Official minutes contain attachment.)

### ***REPORT OF THE DIRETOR***

#### Watch List

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

#### Revised Illinois Brokerage Policy

Director Atwood referred the members to and reviewed a memorandum from Linsey Schoemehl “Illinois Brokerage and Chicago Stock Exchange Policy Revision” dated March 9, 2009. (Official minutes contain attachment.)

Following discussion, Mr. Powell moved to approve the Minority Brokers and Money Managers Policy and Action Plan as recommended by staff. Mr. Davis seconded and the motion passed unanimously.

#### Financial Crisis Timeline

Director Atwood referred to an informational report prepared by Johara El-Harazin "The Current Financial Crisis and the Illinois State Board of Investment" dated March 10, 2009, and reviewed. (Official minutes contain attachment.)

#### Corporate Governance Report

Director Atwood referred the members to a report prepared by Linsey Schoemehl "Corporate Governance Report" dated March 10, 2009. The Director reviewed the report. (Official minutes contain attachment.)

#### Minority Brokerage Usage Report

Ms. Garcia stated that the "Minority Brokerage Usage Report" for the period ended December 31, 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 December, 2008 had been submitted. There being no questions or comments, the Budget Comparison were ordered filed. (Official minutes contain attachments.)

#### Financial Statements for the Quarters Ended December 31, 2008

Ms. White stated that the financial statements for the quarter ended December 31, 2008 had been distributed. (Official minutes contain attachments.) Mr. Powell moved to approve the financial statements for the quarter ended December 31, 2008, as previously submitted. Mr. Davis seconded and the motion passed unanimously.

#### Lobbyist Retention

Director Atwood referred the members to a memorandum "Retention of Lobbyist" dated March 10, 2009. Following review and discussion, Staff in consultation with the Chairman, retained the services of Governmental Consulting Solutions (GCS). Senator Clayborne and Treasurer Giannoulis disclosed that they were not involved in the selection process.

#### Legislative Update

Director Atwood reported that HB 489 had been introduced allowing health care providers to participate in the deferred compensation plan.

Further, Director Atwood reported that he had been asked to testify on HB 157. Detailed discussion ensued regarding the funding proposals. Tim Blair, State Retirement Systems reported that once legislation is introduced, he would be putting together data from actuaries to take a position on the legislation.

#### Matters Relating to Existing Managers

Mr. Richards referred the members to his memorandum "Matters Relating to Existing Managers" dated March 6, 2009 and reviewed. (Official minutes contain attachment.)

Tim Kominiarek reviewed his memorandum "Matters Relating to Existing Managers/Investments" dated March 13, 2009 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.)

Mr. Powell moved to go into Executive Session to discuss legal matters and personnel matters. Mr. Davis seconded and the motion passed unanimously.

***REPORT OF ANY BOARD MEMBER***

None.

***UNFINISHED BUSINESS***

None.

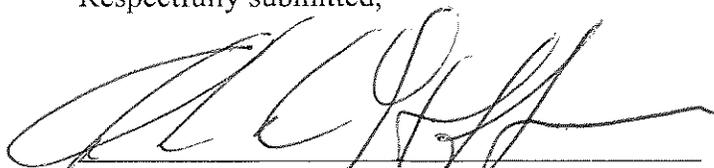
***NEW BUSINESS***

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, July 10, 2009 at 9:30 a.m. and 9:45 a.m., respectively. At 11:50 p.m., there being no further business to come before the Board, Mr. Powell moved to adjourn. Mr. Mazzotti 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