

ROLL CALL

Chairman Bruce called the meeting to order at 9:30 a.m. The Secretary called the roll and noted that a quorum was present. The Chairman thanked everyone for attending.

COMMUNICATIONS

Director Atwood acknowledged the retirement of Ms. Spinato, effective January 1, 2013. Chairman Bruce presented Ms. Spinato with a resolution, recognizing her 40 years of employment with the Board. Mr. Bashir moved to adopt the resolution. Mr. Casey seconded and the motion passed unanimously. In light of Ms. Spinato's retirement, Director Atwood recommended the Board appoint Ms. White as Acting Deputy Executive Director. Judge Hoffman moved to appoint Ms. White as Acting Deputy Executive Director. Mr. Bashiir seconded and the motion passed unanimously. (Official minutes contain attachments.)

REPORT OF THE CHAIRMAN

Chairman Bruce stated there was nothing to report.

MINUTES OF PREVIOUS MEETING

Mr. Bashir moved to approve the minutes of the Board meeting held September 28, 2012, in the form previously submitted. Mr. Casey seconded and the motion passed unanimously.

REPORT OF STANDING COMMITTEES

Emerging Manager Committee

Chairman Clayborne stated that the Emerging Manager Committee had met the previous afternoon and reported the following action:

- Committee heard a presentation and recommends an allocation of \$20 million to the Ariel Investments microcap value product. Senator Clayborne and Comptroller Topinka recused themselves from the vote.
- The minutes of the Emerging Manager Committee meetings held April 27, 2012 and June 14, 2012, were approved.

Following review, Mr. Casey moved to approve the above recommendations and ratify the action of the Emerging Manager Committee. Ms. Bush seconded and the motion passed unanimously. Senator Clayborne abstained.

Investment Policy Committee

Chairman Bruce stated that the Investment Policy Committee had also met the previous afternoon and reported the following actions:

- Committee reviewed the Board's portfolio at length with Consultants.

- The minutes of the Investment Policy Committee meetings held June 14, 2012, were approved.
- Committee recommends adopting the revised investment guidelines proposed by Clarion Partners for all future purchases. The current guidelines were constructed in 2006 and are not reflective of the current market environment. The changes will allow Clarion to be more nimble in the current market environment.
- Contingent on contract and term negotiations, Committee recommends transitioning the assets held in the CBRE managed separate account to the new CBRE U.S. Core Partners, LP fund.
- Committee recommends allocating \$125 million to the Clarion Partners' Lion Properties Fund.
- Committee recommends inviting ULLICO to present at the March Board meeting to discuss their performance.

Following review, Senator Clayborne moved to approve the above recommendations and ratify the actions of the Investment Policy Committee. Mr. Casey seconded and the motion passed unanimously.

Audit & Compliance Committee

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

- Committee heard an update on the FY2012 financial audit; everything is on schedule and there are no material findings to report.
- The minutes of the Audit and Compliance Committee meeting held June 15, 2012, were approved.
- Ms. Spinato reported there were no exceptions to report to the Staff's Monthly Personal Transactions Report through September 2012.
- The Commission Recapture Report for the quarter ending September 2012 was reviewed and approved.
- The Records of Vouchers for the months of July, August, and September 2012 were reviewed and approved.
- Committee approved a third party travel reimbursement for Mss. Schoemehl and El-Harazin.
- Committee approved the 2012 Annual Report of the Board.
- Committee reviewed and accepted the report on placement agent contacts and ex parte communications for FY 2013 2nd Quarter.
- Ms. Bush requested appointed Board Members to submit their quarterly timesheets.

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

DEFERRED COMPENSATION

Report of Consultant – Marquette Associates

Ms. Roman-Bhatty, Marquette Associates, referred the Board Members to the “Illinois State Board of Investment Deferred Compensation Executive Summary” for the quarter September 2012. (Official minutes contain attachments.)

Ms. Schoemehl reported that the Administrative Rules relating to the Deferred Compensation Loan Policy had been adopted and loans would be available to Plan participants beginning January 2, 2013. Ms. Schoemehl recommended the Board to adopt a revised Loan Program Policy, previously distributed and reviewed, to reflect the newly adopted Administrative Rules. Mr. Powell moved to approve the revised Loan Program Policy, as submitted. Mr. Bashir seconded and the motion passed unanimously. (Official minutes contain attachments).

REPORT OF CONSULTANT – MARQUETTE ASSOCIATES

Investment Performance Report – August 2012 and September Interim Report

Mr. Wrubel reported that the Investment Performance Report for the quarter ending September 2012 had previously been distributed. Mr. Wrubel distributed an update for September 2012. (Official minutes contain attachments.)

REPORT OF THE DIRECTOR

Chairman Bruce stated that the Board would go into Executive Session to discuss specific investment manager contracts (5 ILCS 120/2(c)(7)), approve closed session minutes (5 ILCS 120/2 (21)) discuss matters presented during an open hearing (5 ILCS 120/2(c)(4)), and discuss current Board litigation (5 ILCS 120/2(c)(11)). Mr. Bashir moved to go into Executive Session for the above-stated purposes. Ms. Bush seconded and the motion passed unanimously.

Guests and Staff were excused from the meeting with the exception of Director Atwood Messrs. Richards and Kominiarek, and Ms. Schoemehl.

Mr. Powell moved to return to Open Session. Mr. Bruce seconded and the motion passed unanimously.

Following Executive Session, Mr. Powell moved to deny the Hearing Officer’s recommendation for the hardship appeal as discussed in Executive Session. Mr. Bruce seconded and the motion passed unanimously.

Mr. Bashir moved to approve the minutes of the Executive Session meetings held August 9, 2012, September 27, 2012 and September 28, 2012. Ms. Bush seconded and the motion passed unanimously.

Matters Relating to Existing Managers

Director Atwood stated that this was discussed in Executive Session.

Revision to Rock Creek Investment Guidelines

Mr. Wrubel referred the Members to the memorandum "Rock Creek Group" dated November 29, 2012 and reviewed. Ms. Bush motioned to approved the investment guideline changes as set forth in the memorandum. Mr. Casey seconded and the motion passed unanimously. (Official minutes contain attachments.)

Watch List

Mr. Richards reported that the Watch List was previously distributed and reviewed. (Official minutes contain attachment.)

Legal Matters

Director Atwood stated that this was discussed during the Executive Session.

Approval of FY2012 Annual Report

Ms. White distributed copies of the FY2012 Annual Report, which was approved at the meeting of the Audit and Compliance Committee earlier that morning.

Update on Securities Lending – Quarter Ended 09/30/12

Ms. El-Harazin referred the Members to a memorandum "Securities Lending Reporting – September 30, 2012" dated November 15, 2012 and reviewed. (Official minutes contain attachment.)

Minority Broker Usage Report

Ms. El-Harazin reviewed the minority brokerage commissions for the quarter ended September 30, 2012, as outlined in the memorandum "Minority Broker Commission Report as of September 30, 2012." Senator Clayborne moved to accept the report. Mr. Bashir seconded and the motion passed unanimously. (Official minutes contain attachment.)

Review of Transaction Cost Analysis

Ms. El-Harazin referred the Board Members to "Transaction Cost Analysis (TCA) Summary Report – Equity and Fixed Income Reports" for the period ended September 30, 2012, and reviewed. (Official minutes contain attachment.)

Review of FX Cost Analysis

Ms. El-Harazin stated that the FX Summary Report for the quarter ended September, 2012 was previously submitted, and reviewed. (Official minutes contain attachment.)

Budget Comparison

Ms. White stated that the Budget Comparison for the quarter ended September, 2012 was previously distributed. The Chairman ordered the report filed. (Official minutes contain attachment.)

Financial Statements

Ms. White stated that the Board's financial statements for the period ended September, 2012 were previously submitted and reviewed. Senator Clayborne moved to approve the financial statements for the period ended September, 2012. Mr. Bashir seconded and the motion passed unanimously. (Official minutes contain attachments).

Legislative Update

Director Atwood reported that no legislative action was taken by the Illinois General Assembly on pension reform and the matter would possibly be considered during the January lame duck session.

Update on Corporate Governance Matters

Ms. Schoemehl informed Members of the ongoing engagements regarding board declassification via the Harvard Law School Shareholder Rights Project. Ms. Schoemehl further reported that the Board is currently working with other institutional investors to engage companies on various issues, including the implementation of policies regarding political contribution disclosures. (Official minutes contain attachments).

Update on Portuguese Tax Matter

Ms. Schoemehl referred Members to a memorandum "Portuguese Tax Matters" dated November 26, 2012 and reviewed. Ms. Bush motion to allow reinvestment in companies domiciled in Portugal upon the Board's receipt of certain tax refunds. Mr. Bashir seconded and the motion passed unanimously. (Official minutes contain attachments).

REPORT OF ANY BOARD MEMBER

None.

UNFINISHED BUSINESS

None.

NEW BUSINESS

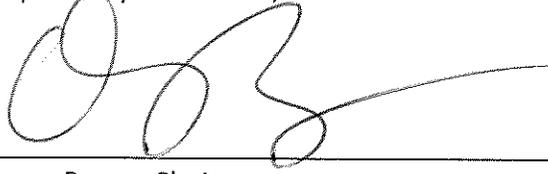
None.

NEXT MEETING AND ADJOURNMENT

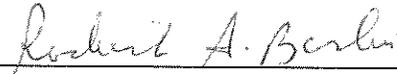
Chairman Bruce stated that the next meetings of the Audit & Compliance Committee and Board were scheduled to be held Friday, March 22, 2013 at 9:00 a.m. and 9:15 a.m., respectively.

At 11:00 a.m., there being no further business to come before the Board, Judge Hoffman moved to adjourn. Mr. Bashir seconded and the meeting was adjourned.

Respectfully submitted,

A handwritten signature in black ink, appearing to be 'Devon Bruce', written over a horizontal line.

Devon Bruce, Chairman
Illinois State Board of Investment

A handwritten signature in black ink, appearing to be 'Roderick A. Bashir', written over a horizontal line.

Roderick Bashir, Vice Chairman
Illinois State Board of Investment