MINUTES
OF THE
EMERGING MANAGER COMMITTEE
HELD
THURSDAY, DECEMBER 13, 2012 – 1:00 P.M.

Present:	Emerging Manager Committee Members	Roderick Bashir John Casey James Clayborne Judy Baar-Topinka (via telephone)
	Board Members	Devon Bruce Michele Bush Steven Powell
	Staff	Andrew Armonaitis William Atwood Johara El-Harazin Linsey Schoemehl Katherine Spinato Alise White
	Guests	Marquette Associates Brian Wrubel, Elizabeth Francis, David Smith Ariel Investments John Rogers, David Maly, Melody Hobson Credo Capital Ted Alexander and George Sakellari
	Emerging Manager Committee Members	Dan Rutherford

ROLL CALL

Chairman Clayborne called the meeting to order at 1:15 p.m. The Secretary called the roll and noted that a quorum was present.

MINUTES OF PREVIOUS MEETING

Mr. Casey moved to approve the minutes of the Emerging Manager Committee meetings held on April 27, 2012 and June 14, 2012, in the forms previously submitted. Mr. Bashir seconded and the motion passed unanimously.

REPORT OF THE CHAIRMAN

Chairman Clayborne stated that he had nothing to report.

RECOMMENDATION FOR EMERGING/MINORITY SMALL CAP CORE SEARCH

Ms. El-Harazin reviewed the RFP process pertaining to the emerging/minority small cap search and Mr. Wrubel, Marquette Associates, distributed a written report, recommending a $20 million allocation to the Ariel Investments microcap value product. Ms. El-Harazin stated that a Latino-owned firm had been considered for the search; however, Staff felt as though the product offered by Ariel Investments was the best selection for the Board. (Official minutes contain attachment.)

Ms. Schoemehl stated that in the preceding five (5) years ended June 30, 2012, Ariel made a political contribution to Senator James F. Clayborne ($1,000 on May 27, 2011). Under the Securities and Exchange Commission's rules enacted March 14, 2011, a registered investment adviser is prohibited from receiving compensation from a government entity for a period of two (2) years after making a contribution to an official who can directly or indirectly influence the hiring of such adviser by the government entity. As such, Ariel has agreed to waive investment management fees for its microcap value product until May 27, 2013. Senator Clayborne further disclosed that his son had previously worked for Ariel Investments as an intern.

Messrs. Rogers and Maly and Ms. Hobson, Ariel Investments, were invited to join the meeting. Following introductions, written copies of the presentation were distributed. Following review and answering questions posed by the Members, the Ariel representatives thanked the Members for their time and excused themselves from the meeting. (Official minutes contain attachment.)

Following the discussion, Mr. Bashir moved to recommend to the Board approval of Staff and Consultant's recommendation to allocate approximately $20 million to Ariel Investments for a microcap value mandate, subject to successful contract negotiations. Mr. Casey seconded and the motion passed unanimously. Senator Clayborne and Comptroller Tompinka abstained. (Official minutes contain attachment.)

REEVIEW OF EMERGING/MINORITY MANAGER PROGRAM

Ms. El-Harazin referred the Committee Members to the Emerging & Minority Program Review report for September 30, 2012, which had previously been distributed. (Official minutes contain attachment.) Mr. Wrubel reviewed the report and answered questioned posed by the Members.

PRESENTATION

Messrs. Alexander and Sakellari, Credo Capital, were invited to join the meeting to address overall underperformance by their firm. Following introductions, written copies of the presentation were distributed. Following review and answering questions posed by the Members, the Credo representatives thanked the Members for their time and excused themselves from the meeting. (Official minutes contain attachment.) Discussion ensued to which the Members agreed to re-examine Credo's performance at its three-year mark (March 2013).

UPDATE ON MINORITY CERTIFICATION

Ms. El-Harazin distributed a list of ISBI's emerging and minority investment managers to illustrate progress on the certification process. (Official minutes contain attachment.) Following review and answering questions posed by the Members, Ms. El-Harazin stated that she would report the final status of each manager's certification at the next meeting of the Emerging Manager Committee.

UNFINISHED BUSINESS

None.

NEW BUSINESS

Mr. Casey inquired about the recent Senate Committee Hearings; specifically, he asked Chairman Clayborne how the Board's utilization of emerging and minority managers compared to other Illinois public funds. Chairman Clayborne responded that the only area of concern is the Board's lack of Latino-owned investment managers; however, he confirmed that overall, the Board's utilization of emerging and minority investment managers and broker/dealers exceeds other Illinois public funds.

NEXT MEETING AND ADJOURNMENT

Chairman Clayborne stated that the next meetings of the Emerging Manager Committee would be scheduled for March 21, 2013.

At 2:25 p.m., there being no further business to come before the Committee, Mr.Casey moved to adjourn. Mr. Bashir seconded and the meeting was adjourned.

Respectfully submitted,

James Clayborne, Chairman
Emerging Manager Committee

Roderick Bashir, Vice Chairman
Illinois State Board of Investment