

MINUTES
MEETING OF THE
EXECUTIVE COMMITTEE
HELD
FRIDAY, MARCH 22, 2013 – 10:15 A.M.

Present:

Committee Members

Roderick Bashir
Devon Bruce
Michele Bush

Board Members

Judy Baar-Topinka
John Casey (via telephone)
Dan Rutherford (via telephone)

Staff

Andrew Armonaitis
William Atwood
Johara El-Harazin
Timothy Kominiarek
Scott Richards
Linsey Schoemehl
Lorna Scott
Alise White

Guests

Marquette Associates
Brian Wrubel, Nichole Roman-Bhatty, Elizabeth
Francis, Dave Smith, Greg Leonberger

ROLL CALL

Chairman Bruce called the meeting to order at 10:15 a.m. The Secretary called the roll and noted that a quorum was present.

COMMUNICATIONS

None.

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 Executive Committee meeting held August 9, 2012, as well as the minutes of the Board meetings held on March 1, 2013 and December 14, 2012, in the forms previously submitted. Ms. Bush seconded and the motion passed unanimously.

REPORT OF THE STANDING COMMITTEES

Investment Policy Committee

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

- The minutes of the Investment Policy Committee meeting held December 13, 2012, were approved.
- Committee recommends allocating \$10 million to each the Franklin Park Venture Fund Series 2013 and the Franklin Park International Fund Series 2013.
- Committee recommends allocating \$20 million to the KPS Special Situations Fund IV.
- Committee recommends revisiting the Board's investment in ULLICO at the June Board meeting, in conjunction with the Consultant's asset allocation presentation.

Following review, Mr. Bashir moved to approve the above recommendations and ratify the actions of the Investment Policy Committee. Ms. Bush seconded and the motion passed unanimously.

Audit & Compliance Committee

Ms. Bush stated that the Audit & Compliance Committee had met prior to this meeting but had not obtained quorum; she further reported the following actions were reviewed but no action had been taken:

- Committee heard an update on the FY2012 financial audit.

- Ms. Schoemehl reported there were no exceptions to report to the Staff's Monthly Personal Transactions Report through December 2012.
- The Commission Recapture Report for the quarter ending December 2012 was reviewed.
- The Records of Vouchers for the months of October, November, and December 2012 were reviewed.
- Committee reviewed the report on placement agent contacts and ex parte communications for FY 2013 3rd Quarter.
- Ms. Bush requested appointed Board Members to submit their quarterly timesheets.

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

DEFERRED COMPENSATION

Loan Program Update

Ms. Schoemehl referred Members to the memorandum, "Deferred Compensation Loan Program Policy and Guidelines for Hardship Distribution," dated February 26, 2013, previously distributed, and review. (Official minutes contain attachments.) Following review, Ms. Bush moved to approve the revised Deferred Compensation Loan Program Policy and the Guidelines for Hardship Distribution. Mr. Bashir seconded and the motion passed unanimously.

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)), discuss matters relating to employment (5 ILCS 120/2(c)(1)), 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. Bashir moved to return to Open Session. Ms. Bush seconded and the motion passed unanimously.

Following Executive Session, Mr. Bush moved to approve the recommendations set forth in the Director's memorandum, "Revised Job Responsibilities," as distributed and discussed in Executive Session. Mr. Bashir seconded and the motion passed unanimously.

Matters Relating to Existing Managers

Director Atwood stated that this was discussed in Executive Session.

Watch List

Mr. Richards reported that the Watch List was previously distributed and reviewed. (Official minutes contain attachment.) Director Atwood referred Members to the memorandum, "Watch List Procedures," dated March 7, 2013, previously distributed, and reviewed. (Official minutes contain attachment.)

Legal Matters

Director Atwood stated that this was discussed in Executive Session.

Update on Securities Lending

Ms. El-Harazin referred Members to the memorandum, "Securities Lending Reporting – December 31, 2012," dated March 4, 2013 and reviewed. Further, Ms. El-Harazin referred Members to the memorandums, "Amended Securities Lending Policy" and "Amended Securities Lending Agreement," dated February 26, 2013, previously distributed, and reviewed. Ms. Bush moved to revise the Securities Lending Policy, as recommended by Staff. Chairman Bruce seconded and the motion passed unanimously. Further, Mr. Bashir moved to revise the Securities Lending Agreement, as recommended by Staff. Ms. Bush seconded and the motion passed unanimously. (Official minutes contain attachment.)

Minority Broker Usage Report

Ms. El-Harazin reviewed the minority brokerage commissions for the quarter ended December 31, 2012, as outlined in the memorandum, "Minority Broker Commission Report as of December 31, 2012," previously distributed. Ms. Bush moved to accept the report. Mr. Bashir seconded and the motion passed unanimously. (Official minutes contain attachment.)

Review of Transition Management

Ms. El-Harazin referred Members to the memorandums, "List of Transition Activity-Fiscal Year 2012" and "Review of Transition Management Pool," both dated March 4, 2012, previously distributed, and reviewed. (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 December 31, 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 December, 2012 was previously submitted, and reviewed. (Official minutes contain attachment.)

Budget Comparison

Ms. White stated that the Budget Comparison for the quarter ended December, 2012 was previously distributed. Further, Ms. White reported that the IT project has been fully implemented. Additionally, Ms. White communicated that Director Atwood hired a

Private Secretary and will need to hire a Chief Fiscal Officer to replace Adanna Ene, who has resigned. The Chairman ordered the report filed. (Official minutes contain attachment.)

Legislative Update

Director Atwood stated that there was nothing material to report; however, Staff would continue to closely monitor any and all pension reform legislation.

Update on Corporate Governance Matters

Ms. Schoemehl informed Members of the ongoing engagements regarding board declassification via the Harvard Law School Shareholder Rights Project.

REPORT OF ANY BOARD MEMBER

None.

UNFINISHED BUSINESS

Ms. Bush inquired as to the diversity of the internal staffing at Marquette Associates. Mr. Wrubel, Marquette Associates, distributed a handout illustrating the updated ISBI consulting team and noted the firm's ongoing effort to diversify its internal staff.

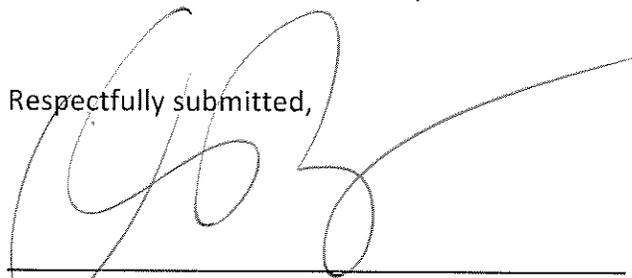
NEW BUSINESS

None.

NEXT MEETING AND ADJOURNMENT

At 11:45 a.m., there being no further business to come before the Board, Mr. Bashir moved to adjourn the meeting. Ms. Bush seconded and the motion passed unanimously.

Respectfully submitted,



Devon Bruce, Chairman
Illinois State Board of Investment



Roderick Bashir, Vice Chairman
Illinois State Board of Investment