

ILLINOIS MUNICIPAL RETIREMENT FUND
MINUTES OF
REGULAR MEETING NO. 13-09
SEPTEMBER 27, 2013

ILLINOIS MUNICIPAL RETIREMENT FUND

MEETING NO. 13-09

REGULAR MEETING

OF THE

BOARD OF TRUSTEES

The Regular Meeting of the Board of Trustees was held at 9:00 a.m., September 27, 2013, in the Fund Office at 2211 York Road, Suite 400, Oak Brook, Illinois.

Mr. Stafford presided as Chair and called the meeting to order.

Ms. Enright called the roll:

Present: Stulir, Thompson, Copper, Henry, Kuehne, Nannini, Piechocinski, Stafford
Absent: None

Ms. Becker-Wold and Mr. Ball from Callan Associates, Ms. Widlus from Seyfarth Shaw LLP., and representatives from Loop Capital and Pension and Investments were also present.

(13-09-01) (Investment Manager Activities - Callan and Associates) Ms. Becker-Wold gave the following report to the Board on the activities of IMRF's investment managers:



Monthly Performance Review

August 2013

Janet Becker-Wold, CFA
Senior Vice President

Ryan Ball, CFA
Vice President

IMRF Performance Highlights*

August 2013

- Total Fund assets at the end of August were \$30.07 billion, down from \$30.67 billion at the end of July.
- The Fund fell 1.60% for the month lagging the benchmark return of -1.39%. Over the last year, the Fund is up 13.35%, exceeding the benchmark by 2.67%.
- As of August 31, Domestic Equity exceeded its target allocation by 6.8%. All other asset classes were within the allowable rebalancing range (+/- 4%).
 - Chief Investment Officer and Consultant do not recommend any changes to asset allocation at this time.
- Equity returns were negative with international equity outperforming the U.S.
 - U.S large cap equity returned -2.57% versus -2.76% for the Russell 1000 Index
 - U.S. small caps lost 2.50% (Russell 2000: -3.18%)
 - International equity fell 1.53%, behind the ACWI ex-U.S. Index return of -1.38%
- Fixed income returns were negative for the month. Active core fixed income outperformed core plus (-0.58% and -0.61%, respectively). Both composites lagged the BC Aggregate Index return of -0.51%.

*Total fund performance is preliminary

Economic Overview

August 2013

- Economic growth in the U.S. is moderate: first quarter GDP was 1.1% and second quarter GDP was 2.5%.
- Inflation continues to be a non-issue
 - CPI for August was 1.5%, down from July's 2.0% (year-over-year).
- Employment improved with the addition of 169,000 jobs in August.
 - The unemployment rate edged down to 7.3% as of August 31st.
- Global equity markets suffered over concerns of rising tensions in Syria and the prospect of Fed Tapering of quantitative easing
- U.S. equities fell in August (DJ US TSMI: -2.9%), detracting from the strong year (up 16.9%).
- Non-U.S. equities posted better (albeit negative) returns this month as the ACWI ex-US Index lost 1.4%.
- Yields rose (significantly for intermediate maturities), depressing fixed income returns.
 - Barclays Aggregate Bond Index fell 0.51%.
 - Yield on 5 Year Treasury started August at 1.49% and ended at 1.62%.

Market Overview – Broad Market Index Returns

Periodic Table of Investment Returns
for Periods Ended August 31, 2013

Best



Worst

	Last Month	Last 3 Months	Last Year	Last 3 Years	Last 5 Years	Last 10 Years
BC:Aggregate	Russell:2000 Index	Russell:2000 Index	Russell:2000 Index	Russell:2000 Index	Russell:2000 Index	Russell:2000 Index
(0.5%)	3.1%	26.3%	20.5%	8.0%	8.8%	
MSCI:ACWI x US (Net)	DJ US Total Market Index	DJ US Total Market Index	DJ US Total Market Index	DJ US Total Market Index	DJ US Total Market Index	MSCI:ACWI x US (Net)
(1.4%)	1.1%	20.2%	18.9%	7.8%	8.3%	
Russell:1000 Index	Russell:1000 Index	Russell:1000 Index	Russell:1000 Index	Russell:1000 Index	Russell:1000 Index	DJ US Total Market Index
(2.8%)	1.0%	19.8%	18.7%	7.6%	7.8%	
DJ US Total Market Index	MSCI:ACWI x US (Net)	MSCI:ACWI x US (Net)	MSCI:ACWI x US (Net)	BC:Aggregate	Russell:1000 Index	
(2.9%)	(1.5%)	13.0%	6.9%	4.9%	7.5%	
Russell:2000 Index	BC:Aggregate	BC:Aggregate	BC:Aggregate	MSCI:ACWI x US (Net)	BC:Aggregate	
(3.2%)	(1.9%)	(2.5%)	2.6%	1.5%	4.8%	

Market Overview – U.S. Equity Returns

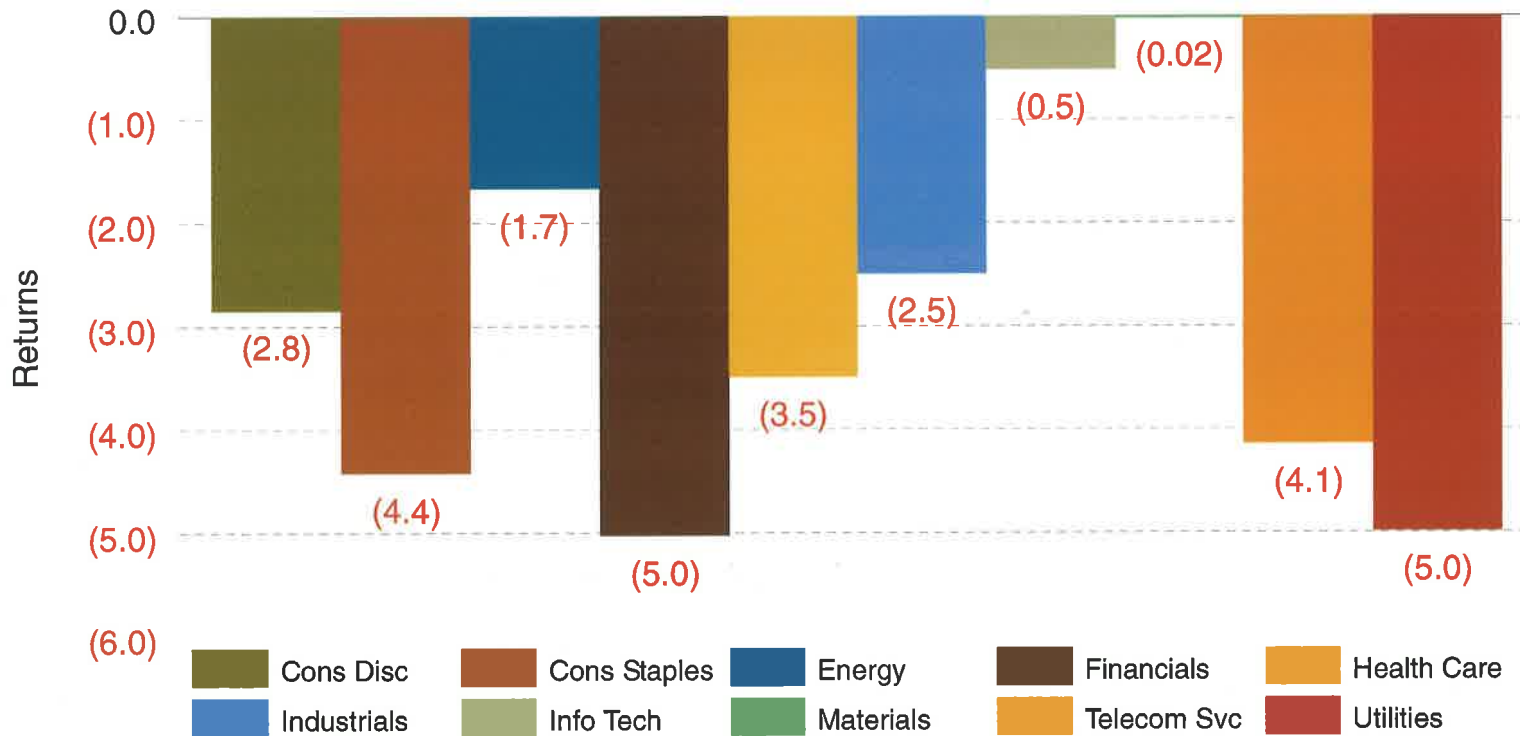
Returns

for Periods Ended August 31, 2013

Index	Last Month	Last 3 Months	Last Year	Last 3 Years	Last 5 Years	Last 10 Years
DJ:US Total Mkt Ix	(2.86)	1.11	20.16	18.88	7.77	7.81
Russell:1000 Index	(2.76)	1.05	19.84	18.74	7.60	7.50
Russell:1000 Growth	(1.71)	1.55	16.43	19.20	8.40	7.24
Russell:1000 Value	(3.79)	0.51	23.10	18.20	6.69	7.61
Russell:Midcap Index	(2.66)	1.74	24.91	19.73	9.08	10.14
Russell:2000 Index	(3.18)	3.07	26.27	20.50	7.98	8.76
Russell:2000 Growth	(1.95)	4.81	28.14	22.59	9.01	8.84
Russell:2000 Value	(4.42)	1.31	24.38	18.36	6.88	8.55

Market Overview – U.S. Equity Sector Returns

S&P 500 Sector Returns for Month Ended August 31, 2013

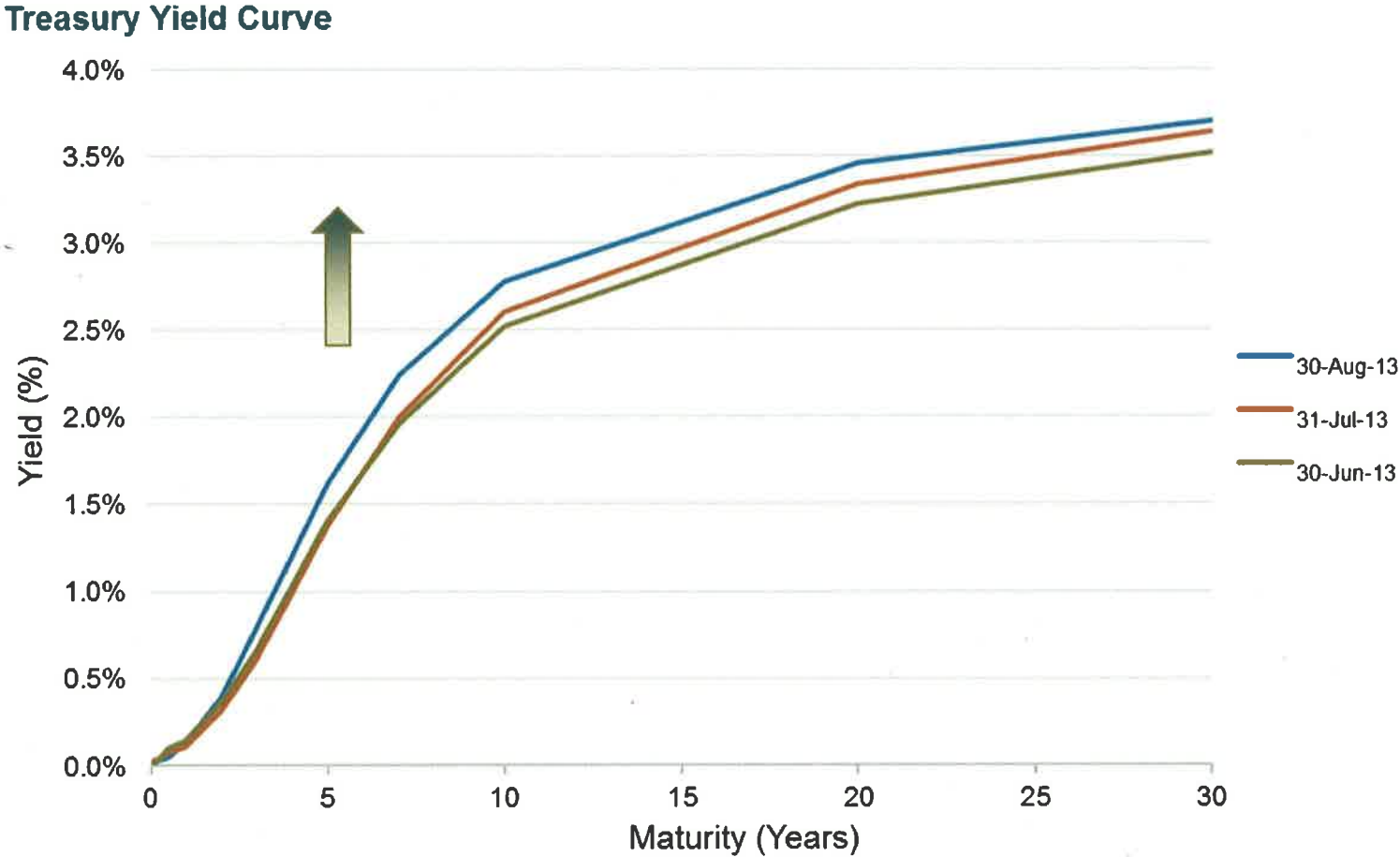


Market Overview – Non-U.S. Equity Returns

Returns for Periods Ended August 31, 2013

Index	Last Month	Last 3 Months	Last Year	Last 3 Years	Last 5 Years	Last 10 Years
MSCI:ACWI ex-US (Net)	(1.38)	(1.52)	12.98	6.93	1.48	8.34
MSCI:ACWI ex US Gr	(1.51)	(1.95)	13.15	7.75	1.72	8.40
MSCI:ACWI ex US Val	(1.21)	(0.95)	13.78	7.03	2.14	9.16
MSCI:EAFE US\$	(1.32)	0.19	18.66	9.28	1.62	7.57
MSCI:EAFE Hedged	(1.71)	(1.50)	20.71	6.16	(0.43)	3.39
MSCI:Emer Markets	(1.68)	(6.88)	0.87	1.41	2.20	12.53
MSCI:ACWI ex-US Small Cap (Net)	(0.86)	(1.23)	16.79	8.43	5.37	10.82
Regional Returns						
MSCI:Europe	(1.28)	0.88	19.32	10.00	1.20	7.93
MSCI:Japan	(2.15)	0.16	24.18	7.63	1.05	4.60
MSCI:Pacific ex Jpn	(0.07)	(2.96)	8.36	9.35	6.06	12.33
MSCI:EM Europe	(2.24)	(6.74)	(0.72)	0.54	(4.44)	10.04
MSCI:EM Lat Am	(3.12)	(12.72)	(11.30)	(5.48)	(2.14)	16.94
MSCI:EM Asia	(1.16)	(5.60)	6.58	3.89	5.10	11.46

Market Overview – U.S. Treasury Yield Curve



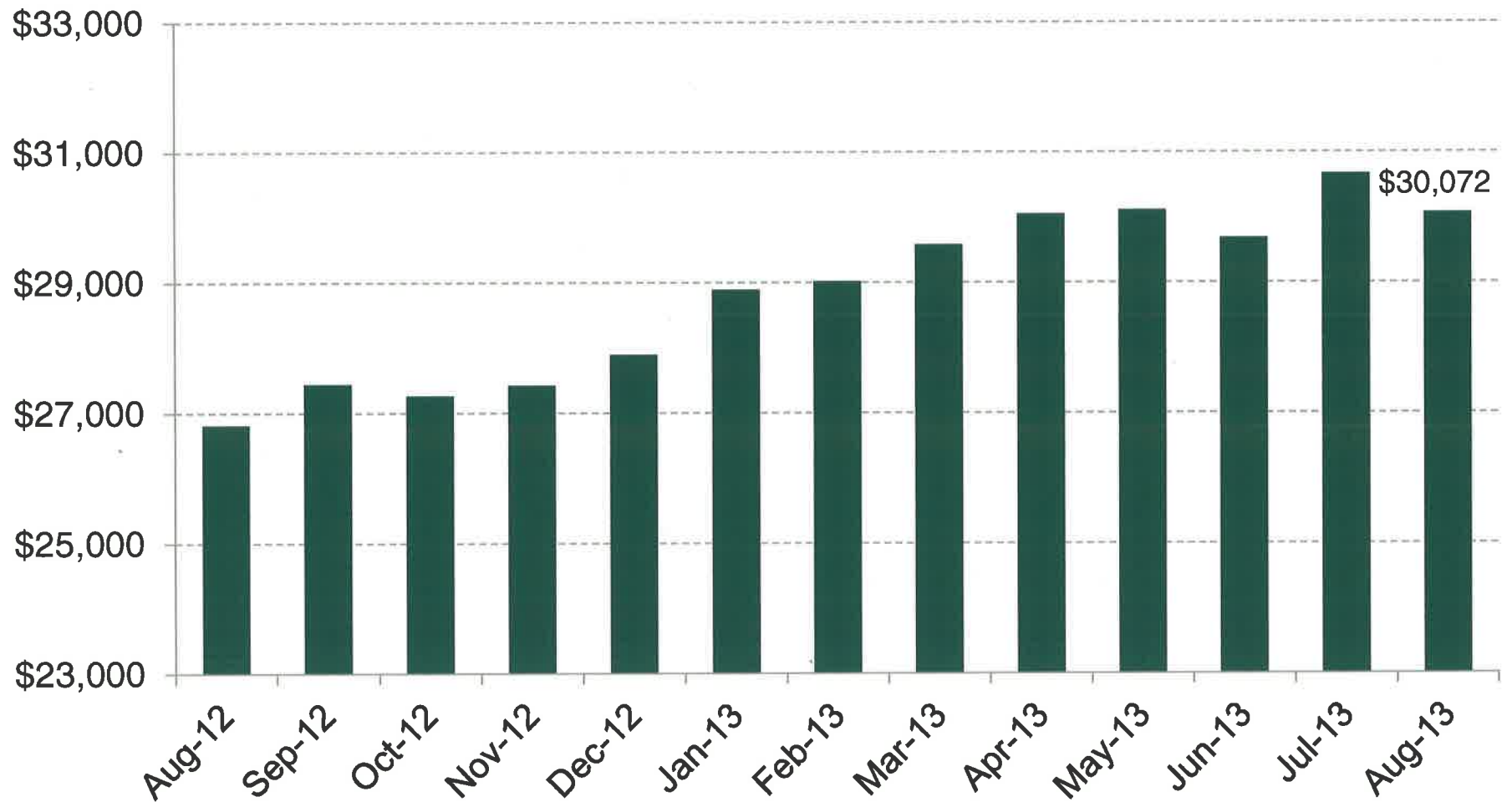
Market Overview – U.S. Fixed Income Returns

Returns for Periods Ended August 31, 2013

Index	Last Month	Last 3 Months	Last Year	Last 3 Years	Last 5 Years	Last 10 Years
Barclays:Aggregate Index	(0.51)	(1.92)	(2.47)	2.58	4.93	4.77
Barclays:Govt Index	(0.48)	(1.66)	(2.91)	1.91	3.94	4.40
Barclays:Credit	(0.81)	(2.95)	(2.12)	4.07	6.90	5.47
Barclays:Mortgage Idx	(0.29)	(1.33)	(2.37)	2.04	4.53	4.78
Barclays:US TIPS Index	(1.45)	(4.29)	(6.97)	3.73	4.19	5.42
ML:High Yield CP Idx	(0.61)	(1.43)	7.44	9.52	11.05	8.81
3 Month T-Bill	0.00	0.02	0.11	0.10	0.22	1.71

IMRF Rolling 12-Month Asset Balances (\$ millions)

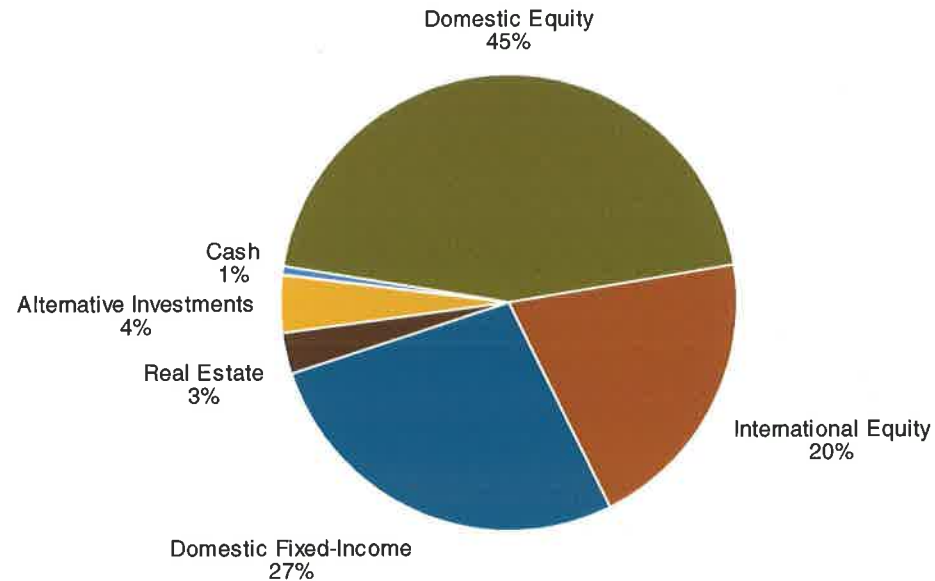
Period Ended August 2013



Asset Distribution

August 2013

Actual Asset Allocation



Asset Class	\$Millions Actual	Percent Actual	Percent Target	Percent Difference	\$Millions Difference
Domestic Equity	13,468	44.8%	38.0%	6.8%	2,041
International Equity	6,099	20.3%	20.0%	0.3%	84
Domestic Fixed-Income	8,211	27.3%	29.0%	(1.7%)	(510)
Real Estate	885	2.9%	6.0%	(3.1%)	(919)
Alternative Investments	1,219	4.1%	6.0%	(1.9%)	(585)
Cash	190	0.6%	1.0%	(0.4%)	(111)
Total	30,072	100.0%	100.0%		

Asset Class Composite Returns & Total Fund Return

Periods Ending August 31, 2013

	Last Month	Last 3 Months	Year to Date	Last 12 Months
Domestic Equity (12/31/81)	(2.53%)	2.45%	18.78%	23.24%
DJ U.S. Total Stock Market Index	(2.86%)	1.11%	16.92%	20.16%
Domestic Equity - Net (12/31/04)	(2.56%)	2.39%	18.58%	22.96%
International Equity (08/31/86)	(1.53%)	(1.17%)	6.23%	16.81%
MSCI ACWI x US (Net)	(1.38%)	(1.52%)	2.90%	12.98%
International Equity - Net (12/31/04)	(1.57%)	(1.24%)	6.01%	16.44%
Domestic Fixed-Income (12/31/81)	(0.57%)	(2.08%)	(2.16%)	(0.71%)
BC Aggregate Index	(0.51%)	(1.92%)	(2.81%)	(2.47%)
Domestic Fixed-Inc. - Net (12/31/04)	(0.58%)	(2.11%)	(2.27%)	(0.88%)
Real Estate (04/30/85)	(0.13%)	1.05%	5.74%	9.17%
Blended Benchmark**	1.34%	4.08%	10.01%	14.02%
Real Estate - Net (12/31/04)	(0.13%)	1.05%	5.58%	8.86%
Alternative Investments (01/31/86)	0.06%	0.51%	5.88%	7.98%
Alternatives Custom Benchmark***	0.72%	2.18%	5.91%	9.00%
Alternative Investments - Net (12/31/04)	0.06%	0.48%	5.60%	7.71%
Absolute Return (12/31/01)	(0.68%)	(1.11%)	2.35%	4.18%
HFR Fund-of-Funds Index	(0.98%)	(1.40%)	3.37%	5.65%
Private Equity (01/31/86)	0.86%	1.84%	7.43%	8.30%
Alternatives Custom Benchmark***	0.72%	2.18%	5.91%	9.00%
Agriculture (09/30/97)	(0.01%)	0.14%	16.06%	28.14%
Blended Benchmark**	1.34%	4.08%	10.01%	14.02%
Timberland (09/30/92)	(0.25%)	3.71%	4.49%	2.96%
Blended Benchmark**	1.34%	4.08%	10.01%	14.02%
Total Fund (12/31/81)	(1.60%)	0.33%	8.83%	13.35%
Total Fund Benchmark	(1.39%)	(0.03%)	6.96%	10.68%
Total Fund - Net (12/31/04)	(1.63%)	0.31%	8.74%	13.14%

• See full Monthly Performance report for explanation of notes.

(13-09-02) (Domestic Equity Recommendations) The Chief Investment Officer presented the following recommendations to the Board regarding IMRF's domestic equity portfolio:

- Partial withdrawal of \$200 million from Progress Investment Management large cap core;
- Full withdrawal from Piedmont Investment Advisors large cap core (\$168 million as of 09/20/13); and,
- Use the withdrawals from Progress and Piedmont for cash needs.

She noted the above recommendations accomplish several goals including: raising \$368 million in cash for funding needs; reducing the over-allocation to domestic equity; changing the active/passive mix of the large cap core strategy; and, reducing annual management fees paid to active core managers.

After questions and discussion, it was moved by Mr. Nannini, seconded by Ms. Henry, to approve the above recommendations presented by the Chief Investment Officer.

Vote: Unanimous Voice Vote
Absent: None

(13-09-03) (Consent Agenda) The Chair presented an agenda consisting of a Consent Agenda. The following items remained on the Consent Agenda since no Board member asked for their removal.

Approval of Minutes

Regular Meeting #13-08-23

Schedules - Dated September 27, 2013

- Schedule A - Benefit award listing of retirement, temporary disability, death benefits, and refund of employee contributions processed during the preceding calendar month under Article 7 of the Illinois Pension Code.
- Schedule B - Adjustment of Benefit Awards showing adjustments required in benefit awards and the reasons therefore.
- Schedule C - Benefit Cancellations.
- Schedule D - Expiration of Temporary Disability Benefits terminated under the provisions of Section 7-147 of the Illinois Pension Code.
- Schedule E - Total and Permanent Disability Benefit Awards recommended by the Fund's medical consultants as provided by Section 7-150 of the Illinois Pension Code.
- Schedule F - Benefits Terminated.
- Schedule G - Administrative Benefit Denials.
- Schedule P - Administrative Denial of Application for Past Service Credit.

Schedule R - Prior Service - New Governmental Units

Schedule S - Prior Service Adjustments

Administration - Master Trustee Report

The Master Trustee Report for the month of July was prepared by The Northern Trust Company.

Participation of New Unit of Government

Sherrard Public Library District

County: Mercer

2013 Rate: 9.27%

Effective Participation Date: October 1, 2013

Number of Participating Employees: 5

It was moved by Ms. Henry, seconded by Ms. Copper, to approve the items on the Consent Agenda.

Vote: Unanimous Voice Vote

Absent: None

(13-09-04) (Financial Reports) The Chair presented the following financial reports for approval.

- Review of September Financial Reporting Package
- July Interim Financial Statements
- Impact of 2013 Year-To-Date Investment Income on Employer Reserves, Funding Status and Average Employer Contribution Rates
- Schedule T - Report of Expenditures

It was moved by Ms. Thompson, seconded by Ms. Henry, to approve the Financial Reports as presented.

Vote: Unanimous Voice Vote

Absent: None

(13-09-05)(Certification of Candidates for Executive Trustee Election) The following IMRF members submitted nominating petitions with signatures from at least three IMRF employers for the 2013 Executive Trustee Election (signed by either the Authorized Agent or governing body; one position; 5-year term):

- David C. Miller, Assistant General Manager and Deputy Director
North Shore Sanitary District
- Sue Stanish, Director of Finance and Treasurer
Naperville Park District

It was moved by Ms. Copper, seconded by Mr. Kuehne, that David C. Miller and Sue Stanish be certified as candidates for the 2013 Executive Trustee Election (5-year term).

Vote: Unanimous Voice Vote
Absent: None

(13-09-06) (Report of the Benefit Review Committee) The Chair of the Benefit Review Committee reported on the meeting held on September 26, 2013.

It was moved by Ms. Copper, seconded by Mr. Kuehne, to accept the following recommendations of the Benefit Review Committee:

- To overturn staff's determination to deny the application for total and permanent disability benefits filed by Michael Stuhr.
- To uphold staff's determination that a prepayment of benefits to David Pilcher totaling \$33,760.29 exists and that such prepayment was correctly calculated by offsetting David Pilcher's temporary disability benefits by his Industrial Commission settlement minus deductions set forth on page two of the settlement agreement.
- To uphold staff's determination that IMRF is not obligated to accept a lesser amount than \$33,760.29 in satisfaction of the prepayment of benefits to David Pilcher in order to compensate his attorneys.

Vote: Unanimous Voice Vote
Absent: None

(13-09-07) (Report of the Policy Review Committee) The Chair of the Policy Review Committee presented a report on the Committee Meeting that was held on September 26, 2013.

The Chair noted the Committee approved the Minutes of the May 30, 2013 Policy Review Committee Meeting.

The Committee reviewed the revisions to Tabs 16; 18; 20-22 of the Governance Manual, and instructed staff to provide a second draft of the recommended changes to Tabs 16; 18 and 20.

Next the Committee reviewed Tab 19; and Tabs 28; 33 and 40 of the Governance Manual and instructed Staff to provide a draft of the recommended changes at the next Policy Review Committee Meeting.

The Committee reviewed the revised Executive Committee Charter and instructed Staff to provide a second draft of the recommended changes at the next Policy Review Committee Meeting.

It was moved by Ms. Thompson, seconded by Ms. Henry, to accept the report of the Policy Review Committee.

Vote: Unanimous Voice Vote
Absent: None

(13-09-08) (Implementation of Public Act 98-0218) General Counsel presented a resolution for Board approval regarding the implementation of P.A. 98-0218 (regarding Voluntary Additional Contributions).

She stated that P.A. 98-0218 amends section 7-173(d) of the Illinois Pension Code, which provides for refunds of Voluntary Additional member contributions, to ensure the statute conforms to the requirements of the Internal Revenue Code.

General Counsel noted it is necessary for the Board to adopt rules for the administration of this provision.

After questions and discussion, it was moved by Ms. Henry, seconded by Ms. Copper, to adopt the following resolution:

WHEREAS, Section 7-198 of the Illinois Pension Code authorizes the Board of Trustees of the Illinois Municipal Retirement Fund to establish rules necessary or desirable for the efficient administration of the fund; and

WHEREAS, Section 7-173(d) of the Pension Code, as amended by P.A. 98-0218, provides for withdrawal of Voluntary Additional member contributions at any time, "to the extent permitted by the federal Internal Revenue Code of 1986, as now or hereafter amended."; and

WHEREAS, the Internal Revenue Code does not allow refunds of interest earned on the IMRF Voluntary Additional contributions while a member remains employed by the IMRF-participating unit of government; and

WHEREAS, it is necessary that the Board of Trustees adopt policies regarding refunds of Voluntary Additional contributions to conform to the requirements of the Internal Revenue Code.

THEREFORE BE IT RESOLVED that the following policies shall govern refunds of Voluntary Additional member contributions and interest:

A) Refunds of Voluntary Additional member contributions plus interest are not allowed while the member is employed with an IMRF-participating unit of government.

B) A member may take a refund of Voluntary Additional contributions WITHOUT interest while still employed with an IMRF participating unit of government. The interest must stay on deposit until the member terminates employment. The interest will continue to earn interest until the member withdraws it after termination.

C) At retirement, a member may annuitize the Voluntary Additional account if the account balance is \$4,500 or more.

D) The effective date of this IMRF Board policy is February 1, 2014.

Vote: Unanimous Voice Vote
Absent: None

(13-09-09) (Approval of Strategic Plan Objectives) The Deputy Executive Director presented to the Board for approval five proposed Strategic Objectives for the 2014-2016 Strategic Plan that were developed by staff.

After questions and discussion, it was moved by Ms. Thompson, seconded by Mr. Nannini, to approve the following Strategic Objectives for 2014-2016. The Board also discussed corresponding measures and key strategies.

- To achieve and maintain a funding level that sustains the Plan;
- To meet or exceed our actuarial assumed rate of return and outperform the total portfolio benchmark;
- To provide world class customer service;
- To foster and maintain an engaged workforce; and,
- To implement efficient and effective business solutions.

Vote: Unanimous Voice Vote
Absent: None

(13-09-10) (Litigation Update) The following is an update of the currently pending litigation:

VRAKAS, et al. v. COUNTY OF WILL, et al.

Summary: Fifty-eight (58) full-time correctional deputies, sergeants and lieutenants have sued Will County seeking a determination that they were "sheriff's law enforcement employees" with respect to their pre-December 1, 2005 enrollments, as such, in IMRF. Just as in the *Stevens* case, IMRF has been named as a "necessary party" to the lawsuit so that any judgment can be properly enforced.

Status: On February 7, 2013, the parties appeared before the Court where the County indicated that it had changed its mind and was no longer interested in settling the case. The Plaintiffs have filed a motion to enforce the settlement agreement. The hearing on that motion that was set for April 2, 2013 was postponed. The County has now hired a private law firm as a special assistant state's attorney to represent them. The parties are back in court on September 27, 2013 with a February trial date.

JOSEPH PRAZEN v. IMRF

Summary: This is an administrative review action involving an ERI return to work situation. The IMRF Board determined that Plaintiff's creation of s corporation was a guise to avoid the ERI forfeiture provisions contained in 7-141.1(g).

Status: Petition for Leave to appeal granted on November 28, 2012. IMRF's brief was filed on January 2, 2013. Oral argument before the Illinois Supreme Court was held on May 22, 2013. Waiting for opinion.

IN RE TRIBUNE CO, ET AL. , THE OFFICIAL COMMITTEE OF UNSECURED CREDITORS OF TRIBUNE CO, ET AL. VS. FITZSIMONS, ET AL.

Summary: The unsecured creditors in the Tribune bankruptcy have sued investors who sold their Tribune stock at the time of the buyout. The plaintiff's theory is that the buyout was fraudulent and therefore a portion of those stockholders' proceeds from the stock sale was due to the fraud and should be returned to the Tribune's bankruptcy estate.

Status: IMRF has joined with other public plans and is using a shared counsel (Ice Miller LLP). A motion to dismiss was argued on May 23, 2013. We are awaiting a decision.

LEHMAN BROS. SPECIAL FINANCING, INC. V. BANK OF AMERICA NATIONAL ASSOC., ET AL.

Summary: This case was filed in the Lehman Bros. Bankruptcy matter. IMRF owned a bond, purchased by one of the Progress managers, for which we were paid in full at the time Lehman became insolvent. In this case, certain of the parties in the Lehman bankruptcy are attempting to recoup the proceeds of our bond, as well as others.

Status: This adversary proceeding in the bankruptcy matter is currently stayed (on hold) while the proper defendants are determined.

VILLAGE OF OAK BROOK V. THOMAS SHEAHAN, ET. AL. (13 MR 942)

Summary: This is an administrative review action challenging the Board's decision upholding the granting of MEABF and Deerfield credit transfers to Thomas Sheahan, the former police chief of Oak Brook and deny the Village's request to recalculate their liability excluding the service credits transferred from MEABF and Deerfield. The Village is also seeking a declaratory judgment that Section 8-226.7 is unconstitutional special legislation.

Status: Case was filed on June 6, 2013. Appearance, administrative record and motion to dismiss were filed on July 11, 2013. Hearing set for October 3, 2013.

ESTATE OF MICHAEL STAMPER V. IMRF (2013 CH 1805) DUPAGE CO.

Summary: Decedent's mother and administrator of his estate is suing IMRF requesting the judge issue a temporary restraining order and an injunction issue preventing IMRF from paying out a benefit pursuant to a 1978 6.11 form which names her son's friends as his beneficiaries.

Status: Case was filed on June 26, 2013. IMRF has filed a motion to dismiss for failure to name necessary parties and cross claim for interpleader. Hearing set for October 1, 2013.

(13-09-11) (Report of Executive Director)

Representation of IMRF

The Executive Director reviewed the meetings that he attended, as a representative of IMRF, since his August report.

(13-09-12) (Appreciation of Service - Louis W. Kosiba) Members of the Board of Trustees congratulated the Executive Director, Louis W. Kosiba, for celebrating his 25th Anniversary at IMRF.

(13-09-13) (Trustee Forum) The Chair reported the following Trustee requested authorization from the Board to attend the following conference:

Jeffrey Stulir "Midwest Pension Conference"
IPPFA
October 1-4, 2013
Lake Geneva, WI

It was moved by Mr. Piechocinski, seconded by Ms. Copper, to approve the above Trustee request.

Vote: Unanimous Voice Vote
Absent: None

(13-09-14) (Adjournment) It was moved by Ms. Copper, seconded by Ms. Henry, to adjourn the Board Meeting at 10:17 a.m., to reconvene in the Fund offices, 2211 York Road, Suite 400, Oak Brook, Illinois, at 9:00 a.m. on October 25, 2013.

Vote: Unanimous Voice Vote
Absent: None

President

Date

Secretary

Date

Schedules A, B, C, D, E, F, G, P, R and S are omitted from this copy of Minutes. These schedules are identical to schedules attached to Minutes distributed to Board of Trustees prior to meeting.

ILLINOIS MUNICIPAL RETIREMENT FUND

MEETING NO. 13-09

REGULAR MEETING

OF THE

BOARD OF TRUSTEES

The Regular Meeting of the Board of Trustees was held at 9:00 a.m., September 27, 2013, in the Fund Office at 2211 York Road, Suite 400, Oak Brook, Illinois.

Mr. Stafford presided as Chair and called the meeting to order.

Ms. Enright called the roll:

Present: Stulir, Thompson, Copper, Henry, Kuehne, Nannini, Piechocinski, Stafford
Absent: None

Ms. Becker-Wold and Mr. Ball from Callan Associates, Ms. Widlus from Seyfarth Shaw LLP., and representatives from Loop Capital and Pension and Investments were also present.

(13-09-01) (Investment Manager Activities - Callan and Associates) Ms. Becker-Wold gave the following report to the Board on the activities of IMRF's investment managers:



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Senior Vice President

Ryan Ball, CFA
Vice President

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- The Fund fell 1.60% for the month lagging the benchmark return of -1.39%. Over the last year, the Fund is up 13.35%, exceeding the benchmark by 2.67%.
- As of August 31, Domestic Equity exceeded its target allocation by 6.8%. All other asset classes were within the allowable rebalancing range (+/- 4%).
 - Chief Investment Officer and Consultant do not recommend any changes to asset allocation at this time.
- Equity returns were negative with international equity outperforming the U.S.
 - U.S large cap equity returned -2.57% versus -2.76% for the Russell 1000 Index
 - U.S. small caps lost 2.50% (Russell 2000: -3.18%)
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- Employment improved with the addition of 169,000 jobs in August.
 - The unemployment rate edged down to 7.3% as of August 31st.
- Global equity markets suffered over concerns of rising tensions in Syria and the prospect of Fed Tapering of quantitative easing
- U.S. equities fell in August (DJ US TSMI: -2.9%), detracting from the strong year (up 16.9%).
- Non-U.S. equities posted better (albeit negative) returns this month as the ACWI ex-US Index lost 1.4%.
- Yields rose (significantly for intermediate maturities), depressing fixed income returns.
 - Barclays Aggregate Bond Index fell 0.51%.
 - Yield on 5 Year Treasury started August at 1.49% and ended at 1.62%.

Market Overview – Broad Market Index Returns

Periodic Table of Investment Returns
for Periods Ended August 31, 2013

Best



Worst

	Last Month	Last 3 Months	Last Year	Last 3 Years	Last 5 Years	Last 10 Years
BC:Aggregate	BC:Aggregate	Russell:2000 Index	Russell:2000 Index	Russell:2000 Index	Russell:2000 Index	Russell:2000 Index
	(0.5%)	3.1%	26.3%	20.5%	8.0%	8.8%
MSCI:ACWI x US (Net)	DJ US Total Market Index	DJ US Total Market Index	DJ US Total Market Index	DJ US Total Market Index	DJ US Total Market Index	MSCI:ACWI x US (Net)
	(1.4%)	1.1%	20.2%	18.9%	7.8%	8.3%
Russell:1000 Index	Russell:1000 Index	Russell:1000 Index	Russell:1000 Index	Russell:1000 Index	Russell:1000 Index	DJ US Total Market Index
	(2.8%)	1.0%	19.8%	18.7%	7.6%	7.8%
DJ US Total Market Index	MSCI:ACWI x US (Net)	MSCI:ACWI x US (Net)	MSCI:ACWI x US (Net)	MSCI:ACWI x US (Net)	BC:Aggregate	Russell:1000 Index
	(2.9%)	(1.5%)	13.0%	6.9%	4.9%	7.5%
Russell:2000 Index	BC:Aggregate	BC:Aggregate	BC:Aggregate	BC:Aggregate	MSCI:ACWI x US (Net)	BC:Aggregate
	(3.2%)	(1.9%)	(2.5%)	2.6%	1.5%	4.8%

Market Overview – U.S. Equity Returns

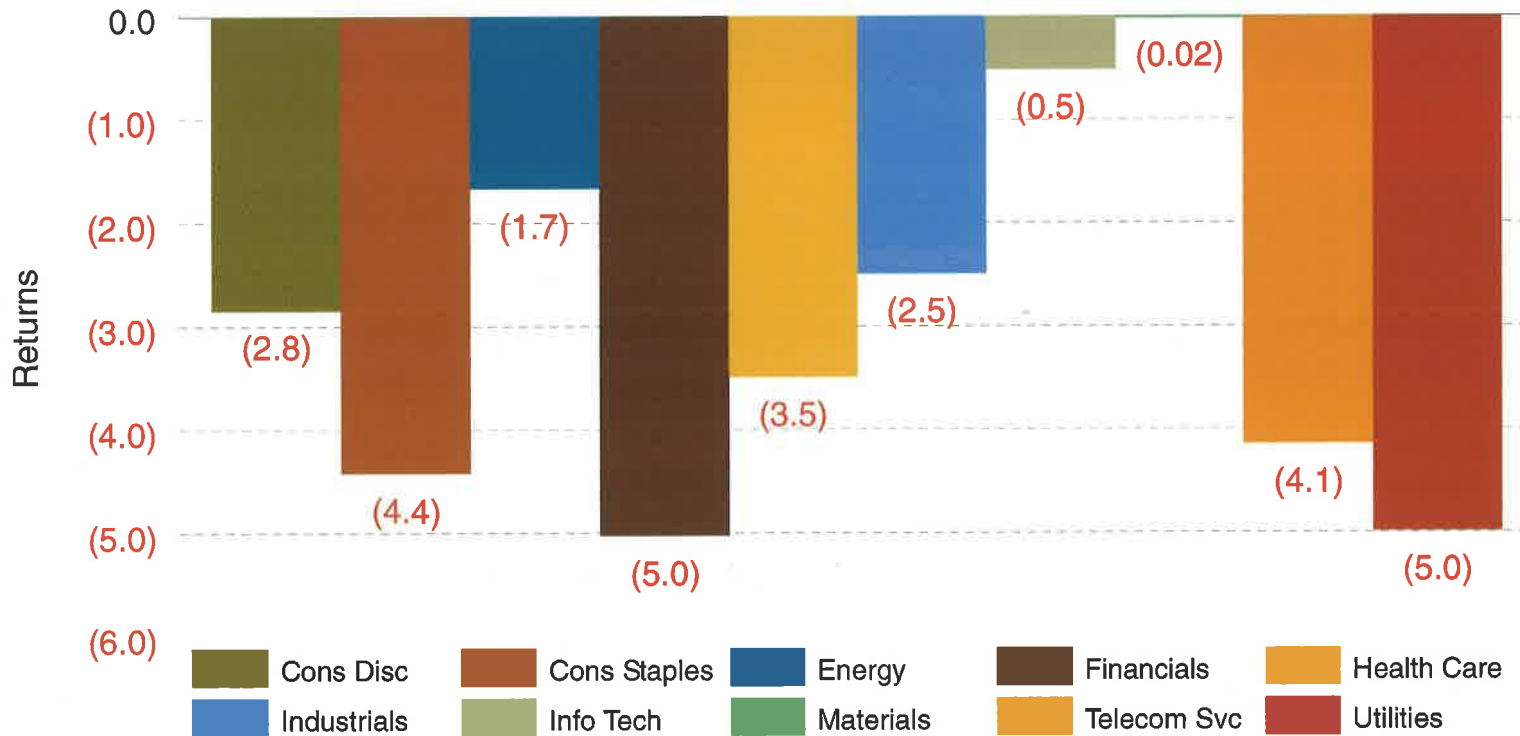
Returns

for Periods Ended August 31, 2013

Index	Last Month	Last 3 Months	Last Year	Last 3 Years	Last 5 Years	Last 10 Years
DJ:US Total Mkt Ix	(2.86)	1.11	20.16	18.88	7.77	7.81
Russell:1000 Index	(2.76)	1.05	19.84	18.74	7.60	7.50
Russell:1000 Growth	(1.71)	1.55	16.43	19.20	8.40	7.24
Russell:1000 Value	(3.79)	0.51	23.10	18.20	6.69	7.61
Russell:Midcap Index	(2.66)	1.74	24.91	19.73	9.08	10.14
Russell:2000 Index	(3.18)	3.07	26.27	20.50	7.98	8.76
Russell:2000 Growth	(1.95)	4.81	28.14	22.59	9.01	8.84
Russell:2000 Value	(4.42)	1.31	24.38	18.36	6.88	8.55

Market Overview – U.S. Equity Sector Returns

S&P 500 Sector Returns for Month Ended August 31, 2013

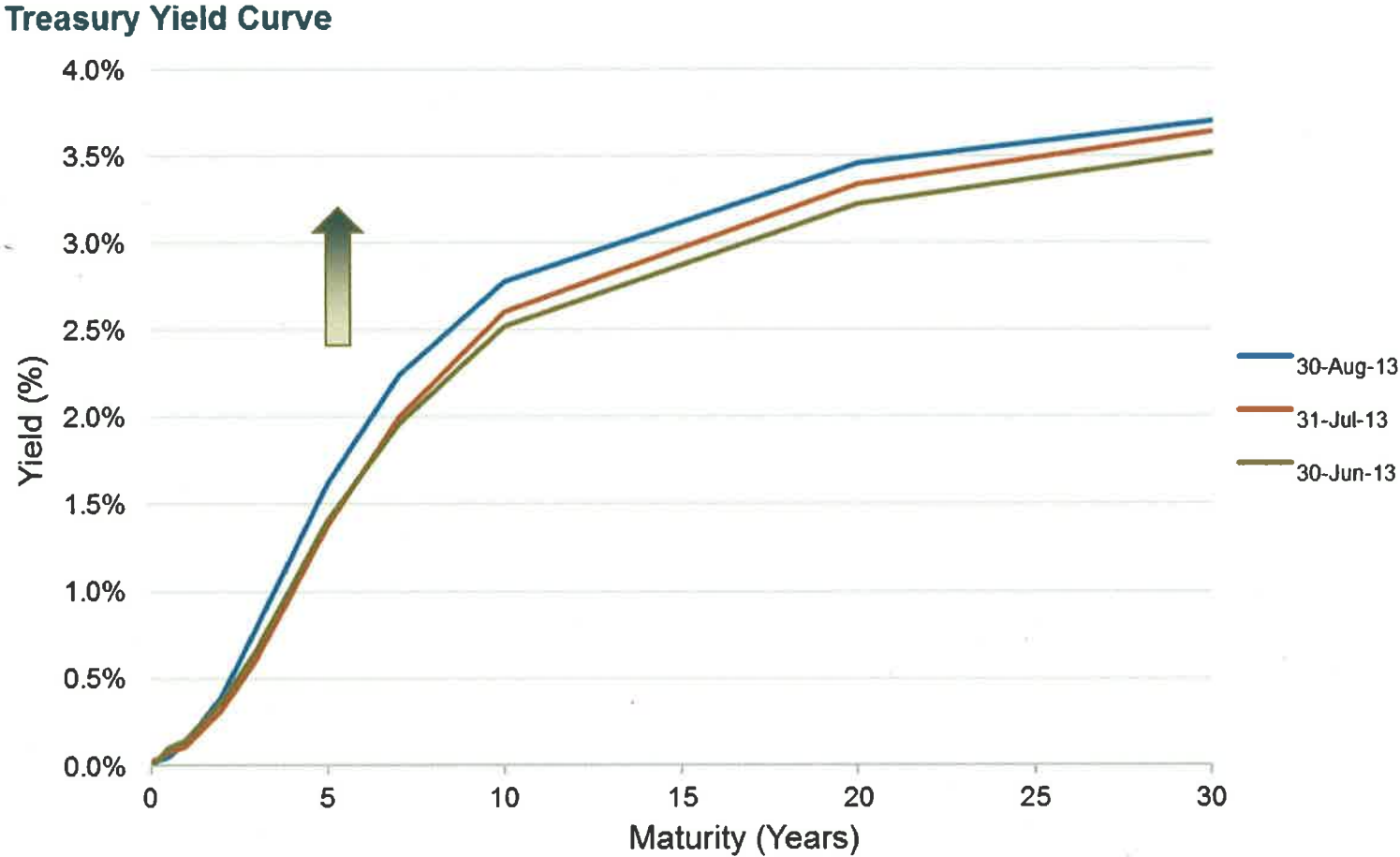


Market Overview – Non-U.S. Equity Returns

Returns for Periods Ended August 31, 2013

Index	Last Month	Last 3 Months	Last Year	Last 3 Years	Last 5 Years	Last 10 Years
MSCI:ACWI ex-US (Net)	(1.38)	(1.52)	12.98	6.93	1.48	8.34
MSCI:ACWI ex US Gr	(1.51)	(1.95)	13.15	7.75	1.72	8.40
MSCI:ACWI ex US Val	(1.21)	(0.95)	13.78	7.03	2.14	9.16
MSCI:EAFE US\$	(1.32)	0.19	18.66	9.28	1.62	7.57
MSCI:EAFE Hedged	(1.71)	(1.50)	20.71	6.16	(0.43)	3.39
MSCI:Emer Markets	(1.68)	(6.88)	0.87	1.41	2.20	12.53
MSCI:ACWI ex-US Small Cap (Net)	(0.86)	(1.23)	16.79	8.43	5.37	10.82
Regional Returns						
MSCI:Europe	(1.28)	0.88	19.32	10.00	1.20	7.93
MSCI:Japan	(2.15)	0.16	24.18	7.63	1.05	4.60
MSCI:Pacific ex Jpn	(0.07)	(2.96)	8.36	9.35	6.06	12.33
MSCI:EM Europe	(2.24)	(6.74)	(0.72)	0.54	(4.44)	10.04
MSCI:EM Lat Am	(3.12)	(12.72)	(11.30)	(5.48)	(2.14)	16.94
MSCI:EM Asia	(1.16)	(5.60)	6.58	3.89	5.10	11.46

Market Overview – U.S. Treasury Yield Curve



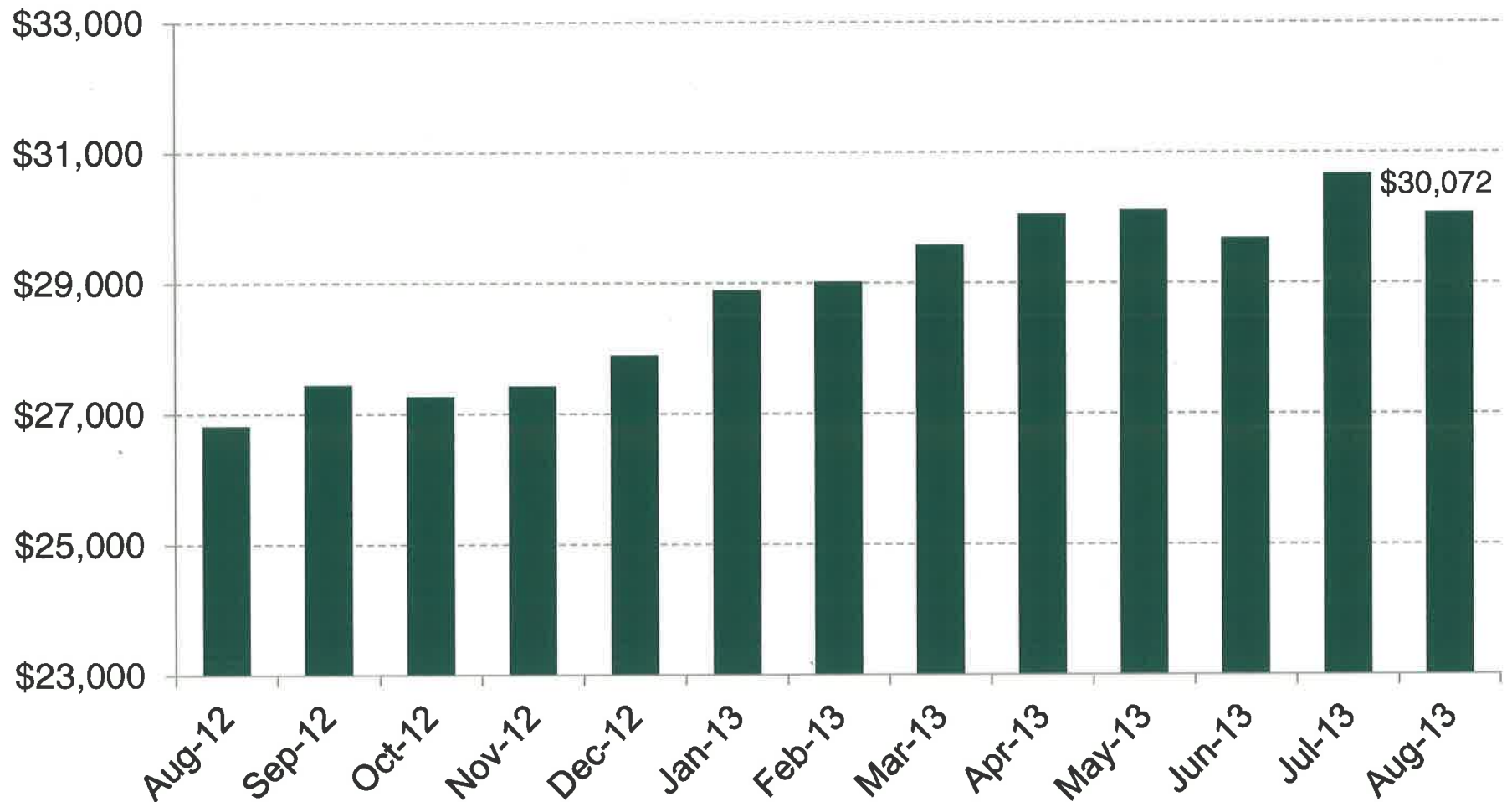
Market Overview – U.S. Fixed Income Returns

Returns for Periods Ended August 31, 2013

Index	Last Month	Last 3 Months	Last Year	Last 3 Years	Last 5 Years	Last 10 Years
Barclays:Aggregate Index	(0.51)	(1.92)	(2.47)	2.58	4.93	4.77
Barclays:Govt Index	(0.48)	(1.66)	(2.91)	1.91	3.94	4.40
Barclays:Credit	(0.81)	(2.95)	(2.12)	4.07	6.90	5.47
Barclays:Mortgage Idx	(0.29)	(1.33)	(2.37)	2.04	4.53	4.78
Barclays:US TIPS Index	(1.45)	(4.29)	(6.97)	3.73	4.19	5.42
ML:High Yield CP Idx	(0.61)	(1.43)	7.44	9.52	11.05	8.81
3 Month T-Bill	0.00	0.02	0.11	0.10	0.22	1.71

IMRF Rolling 12-Month Asset Balances (\$ millions)

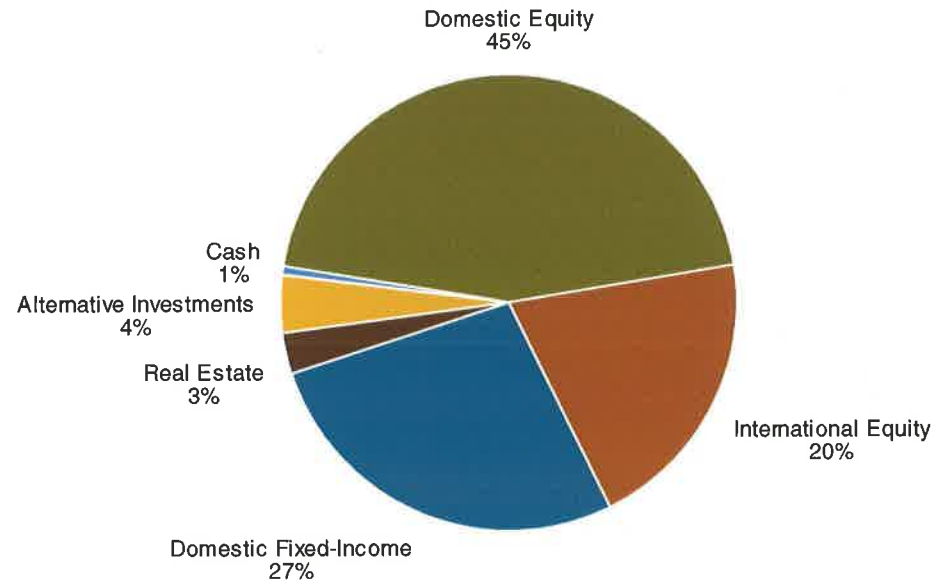
Period Ended August 2013



Asset Distribution

August 2013

Actual Asset Allocation



Asset Class	\$Millions Actual	Percent Actual	Percent Target	Percent Difference	\$Millions Difference
Domestic Equity	13,468	44.8%	38.0%	6.8%	2,041
International Equity	6,099	20.3%	20.0%	0.3%	84
Domestic Fixed-Income	8,211	27.3%	29.0%	(1.7%)	(510)
Real Estate	885	2.9%	6.0%	(3.1%)	(919)
Alternative Investments	1,219	4.1%	6.0%	(1.9%)	(585)
Cash	190	0.6%	1.0%	(0.4%)	(111)
Total	30,072	100.0%	100.0%		

Asset Class Composite Returns & Total Fund Return

Periods Ending August 31, 2013

	Last Month	Last 3 Months	Year to Date	Last 12 Months
Domestic Equity (12/31/81)	(2.53%)	2.45%	18.78%	23.24%
DJ U.S. Total Stock Market Index	(2.86%)	1.11%	16.92%	20.16%
Domestic Equity - Net (12/31/04)	(2.56%)	2.39%	18.58%	22.96%
International Equity (08/31/86)	(1.53%)	(1.17%)	6.23%	16.81%
MSCI ACWI x US (Net)	(1.38%)	(1.52%)	2.90%	12.98%
International Equity - Net (12/31/04)	(1.57%)	(1.24%)	6.01%	16.44%
Domestic Fixed-Income (12/31/81)	(0.57%)	(2.08%)	(2.16%)	(0.71%)
BC Aggregate Index	(0.51%)	(1.92%)	(2.81%)	(2.47%)
Domestic Fixed-Inc. - Net (12/31/04)	(0.58%)	(2.11%)	(2.27%)	(0.88%)
Real Estate (04/30/85)	(0.13%)	1.05%	5.74%	9.17%
Blended Benchmark**	1.34%	4.08%	10.01%	14.02%
Real Estate - Net (12/31/04)	(0.13%)	1.05%	5.58%	8.86%
Alternative Investments (01/31/86)	0.06%	0.51%	5.88%	7.98%
Alternatives Custom Benchmark***	0.72%	2.18%	5.91%	9.00%
Alternative Investments - Net (12/31/04)	0.06%	0.48%	5.60%	7.71%
Absolute Return (12/31/01)	(0.68%)	(1.11%)	2.35%	4.18%
HFR Fund-of-Funds Index	(0.98%)	(1.40%)	3.37%	5.65%
Private Equity (01/31/86)	0.86%	1.84%	7.43%	8.30%
Alternatives Custom Benchmark***	0.72%	2.18%	5.91%	9.00%
Agriculture (09/30/97)	(0.01%)	0.14%	16.06%	28.14%
Blended Benchmark**	1.34%	4.08%	10.01%	14.02%
Timberland (09/30/92)	(0.25%)	3.71%	4.49%	2.96%
Blended Benchmark**	1.34%	4.08%	10.01%	14.02%
Total Fund (12/31/81)	(1.60%)	0.33%	8.83%	13.35%
Total Fund Benchmark	(1.39%)	(0.03%)	6.96%	10.68%
Total Fund - Net (12/31/04)	(1.63%)	0.31%	8.74%	13.14%

• See full Monthly Performance report for explanation of notes.

(13-09-02) (Domestic Equity Recommendations) The Chief Investment Officer presented the following recommendations to the Board regarding IMRF's domestic equity portfolio:

- Partial withdrawal of \$200 million from Progress Investment Management large cap core;
- Full withdrawal from Piedmont Investment Advisors large cap core (\$168 million as of 09/20/13); and,
- Use the withdrawals from Progress and Piedmont for cash needs.

She noted the above recommendations accomplish several goals including: raising \$368 million in cash for funding needs; reducing the over-allocation to domestic equity; changing the active/passive mix of the large cap core strategy; and, reducing annual management fees paid to active core managers.

After questions and discussion, it was moved by Mr. Nannini, seconded by Ms. Henry, to approve the above recommendations presented by the Chief Investment Officer.

Vote: Unanimous Voice Vote
Absent: None

(13-09-03) (Consent Agenda) The Chair presented an agenda consisting of a Consent Agenda. The following items remained on the Consent Agenda since no Board member asked for their removal.

Approval of Minutes

Regular Meeting #13-08-23

Schedules - Dated September 27, 2013

- Schedule A - Benefit award listing of retirement, temporary disability, death benefits, and refund of employee contributions processed during the preceding calendar month under Article 7 of the Illinois Pension Code.
- Schedule B - Adjustment of Benefit Awards showing adjustments required in benefit awards and the reasons therefore.
- Schedule C - Benefit Cancellations.
- Schedule D - Expiration of Temporary Disability Benefits terminated under the provisions of Section 7-147 of the Illinois Pension Code.
- Schedule E - Total and Permanent Disability Benefit Awards recommended by the Fund's medical consultants as provided by Section 7-150 of the Illinois Pension Code.
- Schedule F - Benefits Terminated.
- Schedule G - Administrative Benefit Denials.
- Schedule P - Administrative Denial of Application for Past Service Credit.

Schedule R - Prior Service - New Governmental Units

Schedule S - Prior Service Adjustments

Administration - Master Trustee Report

The Master Trustee Report for the month of July was prepared by The Northern Trust Company.

Participation of New Unit of Government

Sherrard Public Library District

County: Mercer

2013 Rate: 9.27%

Effective Participation Date: October 1, 2013

Number of Participating Employees: 5

It was moved by Ms. Henry, seconded by Ms. Copper, to approve the items on the Consent Agenda.

Vote: Unanimous Voice Vote

Absent: None

(13-09-04) (Financial Reports) The Chair presented the following financial reports for approval.

- Review of September Financial Reporting Package
- July Interim Financial Statements
- Impact of 2013 Year-To-Date Investment Income on Employer Reserves, Funding Status and Average Employer Contribution Rates
- Schedule T - Report of Expenditures

It was moved by Ms. Thompson, seconded by Ms. Henry, to approve the Financial Reports as presented.

Vote: Unanimous Voice Vote

Absent: None

(13-09-05)(Certification of Candidates for Executive Trustee Election) The following IMRF members submitted nominating petitions with signatures from at least three IMRF employers for the 2013 Executive Trustee Election (signed by either the Authorized Agent or governing body; one position; 5-year term):

- David C. Miller, Assistant General Manager and Deputy Director
North Shore Sanitary District
- Sue Stanish, Director of Finance and Treasurer
Naperville Park District

It was moved by Ms. Copper, seconded by Mr. Kuehne, that David C. Miller and Sue Stanish be certified as candidates for the 2013 Executive Trustee Election (5-year term).

Vote: Unanimous Voice Vote
Absent: None

(13-09-06) (Report of the Benefit Review Committee) The Chair of the Benefit Review Committee reported on the meeting held on September 26, 2013.

It was moved by Ms. Copper, seconded by Mr. Kuehne, to accept the following recommendations of the Benefit Review Committee:

- To overturn staff's determination to deny the application for total and permanent disability benefits filed by Michael Stuhr.
- To uphold staff's determination that a prepayment of benefits to David Pilcher totaling \$33,760.29 exists and that such prepayment was correctly calculated by offsetting David Pilcher's temporary disability benefits by his Industrial Commission settlement minus deductions set forth on page two of the settlement agreement.
- To uphold staff's determination that IMRF is not obligated to accept a lesser amount than \$33,760.29 in satisfaction of the prepayment of benefits to David Pilcher in order to compensate his attorneys.

Vote: Unanimous Voice Vote
Absent: None

(13-09-07) (Report of the Policy Review Committee) The Chair of the Policy Review Committee presented a report on the Committee Meeting that was held on September 26, 2013.

The Chair noted the Committee approved the Minutes of the May 30, 2013 Policy Review Committee Meeting.

The Committee reviewed the revisions to Tabs 16; 18; 20-22 of the Governance Manual, and instructed staff to provide a second draft of the recommended changes to Tabs 16; 18 and 20.

Next the Committee reviewed Tab 19; and Tabs 28; 33 and 40 of the Governance Manual and instructed Staff to provide a draft of the recommended changes at the next Policy Review Committee Meeting.

The Committee reviewed the revised Executive Committee Charter and instructed Staff to provide a second draft of the recommended changes at the next Policy Review Committee Meeting.

It was moved by Ms. Thompson, seconded by Ms. Henry, to accept the report of the Policy Review Committee.

Vote: Unanimous Voice Vote
Absent: None

(13-09-08) (Implementation of Public Act 98-0218) General Counsel presented a resolution for Board approval regarding the implementation of P.A. 98-0218 (regarding Voluntary Additional Contributions).

She stated that P.A. 98-0218 amends section 7-173(d) of the Illinois Pension Code, which provides for refunds of Voluntary Additional member contributions, to ensure the statute conforms to the requirements of the Internal Revenue Code.

General Counsel noted it is necessary for the Board to adopt rules for the administration of this provision.

After questions and discussion, it was moved by Ms. Henry, seconded by Ms. Copper, to adopt the following resolution:

WHEREAS, Section 7-198 of the Illinois Pension Code authorizes the Board of Trustees of the Illinois Municipal Retirement Fund to establish rules necessary or desirable for the efficient administration of the fund; and

WHEREAS, Section 7-173(d) of the Pension Code, as amended by P.A. 98-0218, provides for withdrawal of Voluntary Additional member contributions at any time, "to the extent permitted by the federal Internal Revenue Code of 1986, as now or hereafter amended."; and

WHEREAS, the Internal Revenue Code does not allow refunds of interest earned on the IMRF Voluntary Additional contributions while a member remains employed by the IMRF-participating unit of government; and

WHEREAS, it is necessary that the Board of Trustees adopt policies regarding refunds of Voluntary Additional contributions to conform to the requirements of the Internal Revenue Code.

THEREFORE BE IT RESOLVED that the following policies shall govern refunds of Voluntary Additional member contributions and interest:

A) Refunds of Voluntary Additional member contributions plus interest are not allowed while the member is employed with an IMRF-participating unit of government.

B) A member may take a refund of Voluntary Additional contributions WITHOUT interest while still employed with an IMRF participating unit of government. The interest must stay on deposit until the member terminates employment. The interest will continue to earn interest until the member withdraws it after termination.

C) At retirement, a member may annuitize the Voluntary Additional account if the account balance is \$4,500 or more.

D) The effective date of this IMRF Board policy is February 1, 2014.

Vote: Unanimous Voice Vote
Absent: None

(13-09-09) (Approval of Strategic Plan Objectives) The Deputy Executive Director presented to the Board for approval five proposed Strategic Objectives for the 2014-2016 Strategic Plan that were developed by staff.

After questions and discussion, it was moved by Ms. Thompson, seconded by Mr. Nannini, to approve the following Strategic Objectives for 2014-2016. The Board also discussed corresponding measures and key strategies.

- To achieve and maintain a funding level that sustains the Plan;
- To meet or exceed our actuarial assumed rate of return and outperform the total portfolio benchmark;
- To provide world class customer service;
- To foster and maintain an engaged workforce; and,
- To implement efficient and effective business solutions.

Vote: Unanimous Voice Vote
Absent: None

(13-09-10) (Litigation Update) The following is an update of the currently pending litigation:

VRAKAS, et al. v. COUNTY OF WILL, et al.

Summary: Fifty-eight (58) full-time correctional deputies, sergeants and lieutenants have sued Will County seeking a determination that they were "sheriff's law enforcement employees" with respect to their pre-December 1, 2005 enrollments, as such, in IMRF. Just as in the *Stevens* case, IMRF has been named as a "necessary party" to the lawsuit so that any judgment can be properly enforced.

Status: On February 7, 2013, the parties appeared before the Court where the County indicated that it had changed its mind and was no longer interested in settling the case. The Plaintiffs have filed a motion to enforce the settlement agreement. The hearing on that motion that was set for April 2, 2013 was postponed. The County has now hired a private law firm as a special assistant state's attorney to represent them. The parties are back in court on September 27, 2013 with a February trial date.

JOSEPH PRAZEN v. IMRF

Summary: This is an administrative review action involving an ERI return to work situation. The IMRF Board determined that Plaintiff's creation of s corporation was a guise to avoid the ERI forfeiture provisions contained in 7-141.1(g).

Status: Petition for Leave to appeal granted on November 28, 2012. IMRF's brief was filed on January 2, 2013. Oral argument before the Illinois Supreme Court was held on May 22, 2013. Waiting for opinion.

IN RE TRIBUNE CO, ET AL. , THE OFFICIAL COMMITTEE OF UNSECURED CREDITORS OF TRIBUNE CO, ET AL. VS. FITZSIMONS, ET AL.

Summary: The unsecured creditors in the Tribune bankruptcy have sued investors who sold their Tribune stock at the time of the buyout. The plaintiff's theory is that the buyout was fraudulent and therefore a portion of those stockholders' proceeds from the stock sale was due to the fraud and should be returned to the Tribune's bankruptcy estate.

Status: IMRF has joined with other public plans and is using a shared counsel (Ice Miller LLP). A motion to dismiss was argued on May 23, 2013. We are awaiting a decision.

LEHMAN BROS. SPECIAL FINANCING, INC. V. BANK OF AMERICA NATIONAL ASSOC., ET AL.

Summary: This case was filed in the Lehman Bros. Bankruptcy matter. IMRF owned a bond, purchased by one of the Progress managers, for which we were paid in full at the time Lehman became insolvent. In this case, certain of the parties in the Lehman bankruptcy are attempting to recoup the proceeds of our bond, as well as others.

Status: This adversary proceeding in the bankruptcy matter is currently stayed (on hold) while the proper defendants are determined.

VILLAGE OF OAK BROOK V. THOMAS SHEAHAN, ET. AL. (13 MR 942)

Summary: This is an administrative review action challenging the Board's decision upholding the granting of MEABF and Deerfield credit transfers to Thomas Sheahan, the former police chief of Oak Brook and deny the Village's request to recalculate their liability excluding the service credits transferred from MEABF and Deerfield. The Village is also seeking a declaratory judgment that Section 8-226.7 is unconstitutional special legislation.

Status: Case was filed on June 6, 2013. Appearance, administrative record and motion to dismiss were filed on July 11, 2013. Hearing set for October 3, 2013.

ESTATE OF MICHAEL STAMPER V. IMRF (2013 CH 1805) DUPAGE CO.

Summary: Decedent's mother and administrator of his estate is suing IMRF requesting the judge issue a temporary restraining order and an injunction issue preventing IMRF from paying out a benefit pursuant to a 1978 6.11 form which names her son's friends as his beneficiaries.

Status: Case was filed on June 26, 2013. IMRF has filed a motion to dismiss for failure to name necessary parties and cross claim for interpleader. Hearing set for October 1, 2013.

(13-09-11) (Report of Executive Director)

Representation of IMRF

The Executive Director reviewed the meetings that he attended, as a representative of IMRF, since his August report.

(13-09-12) (Appreciation of Service - Louis W. Kosiba) Members of the Board of Trustees congratulated the Executive Director, Louis W. Kosiba, for celebrating his 25th Anniversary at IMRF.

(13-09-13) (Trustee Forum) The Chair reported the following Trustee requested authorization from the Board to attend the following conference:

Jeffrey Stulir "Midwest Pension Conference"
 IPPFA
 October 1-4, 2013
 Lake Geneva, WI

It was moved by Mr. Piechocinski, seconded by Ms. Copper, to approve the above Trustee request.

Vote: Unanimous Voice Vote
Absent: None

(13-09-14) (Adjournment) It was moved by Ms. Copper, seconded by Ms. Henry, to adjourn the Board Meeting at 10:17 a.m., to reconvene in the Fund offices, 2211 York Road, Suite 400, Oak Brook, Illinois, at 9:00 a.m. on October 25, 2013.

Vote: Unanimous Voice Vote
Absent: None

President

Date

Secretary

Date

Schedules A, B, C, D, E, F, G, P, R and S are omitted from this copy of Minutes. These schedules are identical to schedules attached to Minutes distributed to Board of Trustees prior to meeting.