

ILLINOIS MUNICIPAL RETIREMENT FUND  
MINUTES OF  
REGULAR MEETING NO. 14-01  
JANUARY 24, 2014



ILLINOIS MUNICIPAL RETIREMENT FUND

MEETING NO. 14-01

REGULAR MEETING

OF THE

BOARD OF TRUSTEES

The Regular Meeting of the Board of Trustees was held at 9:00 a.m., January 24, 2014, in the Fund Office at 2211 York Road, Suite 400, Oak Brook, Illinois.

Ms. Copper presided as Chair and called the meeting to order.

Ms. Enright called the roll:

Present: Copper, Henry, Kuehne, Piechocinski, Stafford, Thompson

Absent: Stanish, Stulir

Ms. Becker-Wold and Mr. Ball from Callan Associates, Mr. Moss from Seyfarth Shaw LLP., a representative from Pensions and Investments and Loop Capital were also present.

(14-01-01) (Board of Trustees) The Executive Director reported that Bill Stafford and Sue Stanish had subscribed to the constitutional oath of office that was filed in the Fund's records.

(14-01-02) (Investment Manager Activities - Callan and Associates) Ms. Becker-Wold gave the following report to the Board on the activities of IMRF's investment managers:

December 31, 2013



**Illinois Municipal  
Retirement Fund  
Monthly Performance Report**

**Investment Measurement Service  
Monthly Review**

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The following report was prepared by Callan Associates Inc. ("CAI") using information from sources that include the following: fund trustee(s); fund custodian(s); investment manager(s); CAI computer software; CAI investment manager and fund sponsor database; third party data vendors; and other outside sources as directed by the client. CAI assumes no responsibility for the accuracy or completeness of the information provided, or methodologies employed, by any information providers external to CAI. Reasonable care has been taken to assure the accuracy of the CAI database and computer software. In preparing the following report, CAI has not reviewed the risks of individual security holdings or the compliance/non-compliance of individual security holdings with investment policies and guidelines of a fund sponsor, nor has it assumed any responsibility to do so. Copyright 2014 by Callan Associates Inc.

**Major Market Returns**

**Returns  
for Periods Ended December 31, 2013**

Index	Last Month	Year to Date	Last Year	Last 3 Years	Last 5 Years	Last 10 Years
DJ:US Total Mkt Ix	2.63	33.46	33.46	16.23	18.85	8.09
Russell:1000 Index	2.70	33.11	33.11	16.30	18.59	7.78
Russell:Midcap Index	2.98	34.76	34.76	15.88	22.36	10.22
Russell:2000 Index	1.97	38.82	38.82	15.67	20.08	9.07
MSCI:ACWI x US (Net)	0.88	15.29	15.29	5.14	12.81	7.57
MSCI:EAFE US\$	1.50	22.78	22.78	8.17	12.44	6.91
MSCI:Emer Markets	(1.44)	(2.27)	(2.27)	(1.74)	15.15	11.52
Barclays:Aggregate Index	(0.57)	(2.02)	(2.02)	3.26	4.44	4.55
NFI-ODCE Val Gross	1.17	14.37	14.37	13.75	3.76	7.20
NAREIT Equity Index	0.23	2.47	2.47	9.42	16.50	8.42

U.S. equities finished 2013 on a very strong note. The Russell 3000 Index gained more than 2.6% in December and soared 33.6% for the year, a return not seen since 1995. On the other hand, foreign equities (MSCI ACWI ex-US Index) gained a modest 0.9% for the month and 15.3% for the year, significantly lagging U.S. stocks. Suffering from historically low yields and a high degree of uncertainty regarding the Fed's quantitative easing program, fixed income markets were very choppy throughout the year. The Barclays Aggregate Bond Index was only able to deliver six positive monthly returns in 2013 and fell 0.6% in December and 2.0% for the year.

As was common throughout the year, all eyes were on the Federal Reserve and their ongoing efforts to combat a weak economy and the potential for deflation. The Fed announced in December their intent to begin scaling back QE on the order of \$10 billion a month. Starting in January, the Fed will purchase \$75 billion of Treasuries and mortgage-backed securities, down from the current \$85 billion per month. The Fed reiterated its intent to keep short term interest rates near zero well into the future.

The overall economy appears to be headed in the right direction, albeit December provided investors with mixed signals. Third quarter economic growth was revised upward to an impressive 4.1%. The unemployment rate also improved dramatically, falling from 7.0% to 6.7%. However, a deeper look at the numbers reveals that almost all of this came from the 347,000 people who left the workforce. In fact, the labor force participation rate hit 62.8%, its lowest level since February 1978. The housing market, which had an excellent year, is also showing signs of cooling off as mortgage rates rose.

\*Due to a lag in the reporting of NCREIF Property Index returns, the monthly return shown is deduced from the most recent quarterly return. This monthly return, when compounded over three months, equates to the quarterly return.

U.S. Equity Overview

Returns

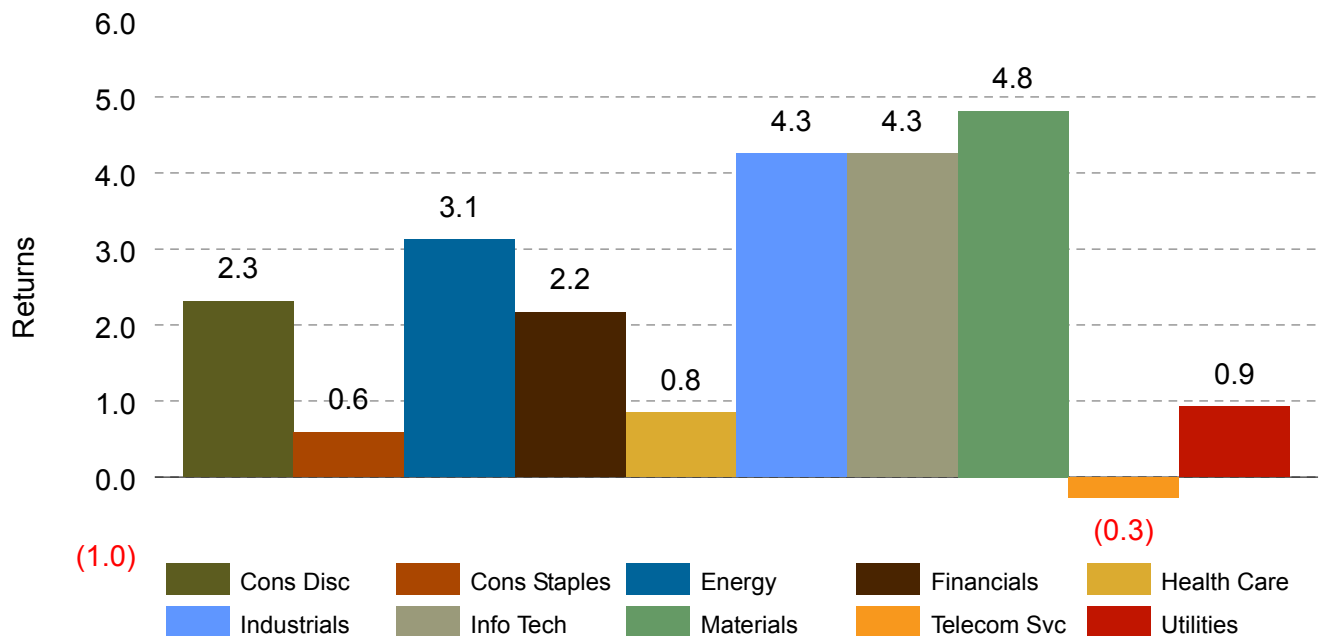
for Periods Ended December 31, 2013

Index	Last Month	Year to Date	Last Year	Last 3 Years	Last 5 Years	Last 10 Years
DJ:US Total Mkt Ix	2.63	33.46	33.46	16.23	18.85	8.09
Russell:1000 Index	2.70	33.11	33.11	16.30	18.59	7.78
Russell:1000 Growth	2.86	33.48	33.48	16.45	20.39	7.83
Russell:1000 Value	2.53	32.53	32.53	16.06	16.67	7.58
Russell:Midcap Index	2.98	34.76	34.76	15.88	22.36	10.22
Russell:2000 Index	1.97	38.82	38.82	15.67	20.08	9.07
Russell:2000 Growth	2.05	43.30	43.30	16.82	22.58	9.41
Russell:2000 Value	1.88	34.52	34.52	14.49	17.64	8.61

U.S. stocks enjoyed another month of the rally that began in September. The Dow Jones U.S. Total Stock Market Index gained 2.6% in December and 33.5% for the year. Materials (+4.8%), Information Technology (+4.3%) and Industrials (+4.3%) led all other sectors. Telecom lagged other sectors and was the only one to decline in December (-0.3%).

In the small cap space growth outpaced value (Russell 2000 Growth: 2.1%; Russell 2000 Value: 1.9%). For all of 2013, small cap stocks (Russell 2000 Index) beat large cap (Russell 1000 Index) and mid cap (Russell Midcap Index) stocks by 5.7% and 4.1%, respectively.

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



**Returns**  
**for Periods Ended December 31, 2013**

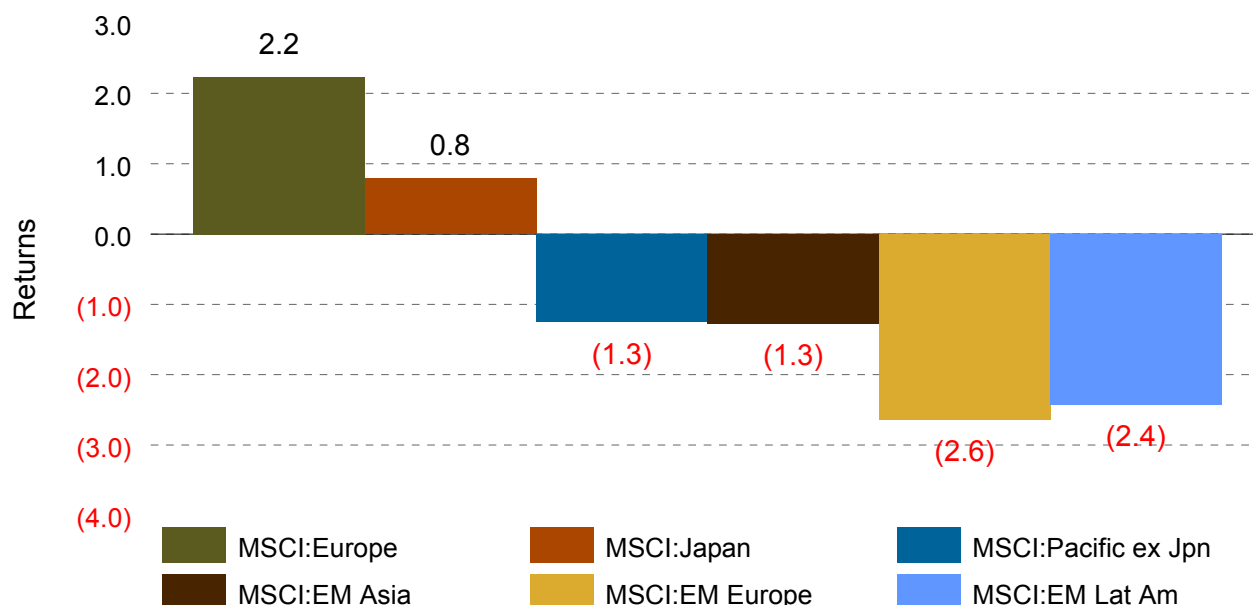
Index	Last Month	Year to Date	Last Year	Last 3 Years	Last 5 Years	Last 10 Years
MSCI:ACWI x US (Net)	0.88	15.29	15.29	5.14	12.81	7.57
MSCI:ACWI ex US Gr	1.04	15.86	15.86	5.29	13.28	7.70
MSCI:ACWI ex US Val	0.76	15.65	15.65	5.91	13.33	8.32
MSCI:EAFE US\$	1.50	22.78	22.78	8.17	12.44	6.91
MSCI:EAFE Hedged	1.28	23.23	23.23	6.13	8.40	3.79
MSCI:Emer Markets	(1.44)	(2.27)	(2.27)	(1.74)	15.15	11.52
MSCI:ACWI SC ex US	1.75	19.73	19.73	4.97	18.73	10.09

International equities again trailed U.S. equities in December, rising 0.9%. Over the course of 2013 foreign stocks underperformed domestic stocks by 18.2%. Small caps (MSCI ACWI ex-U.S. Small Cap (Net): 1.8%) led the broader market. The dollar marginally depreciated against a basket of foreign currencies during the month as U.S. dollar returns (+1.5%) lead hedged returns (+1.3%).

Major international regional performance was mixed as Europe and Japan gained ground (2.2% and 0.8%, respectively) while all other major regions declined. Emerging markets in Europe was the worst performer, falling 2.6%.

Emerging markets as a whole fell another 1.4% in December, pushing calendar year 2013 performance further into the red (-2.3%). Over the last ten years, emerging markets outpaced domestic and developed international equities by 3.4% (DJSTMI) and 4.6% (MSCI EAFE), respectively.

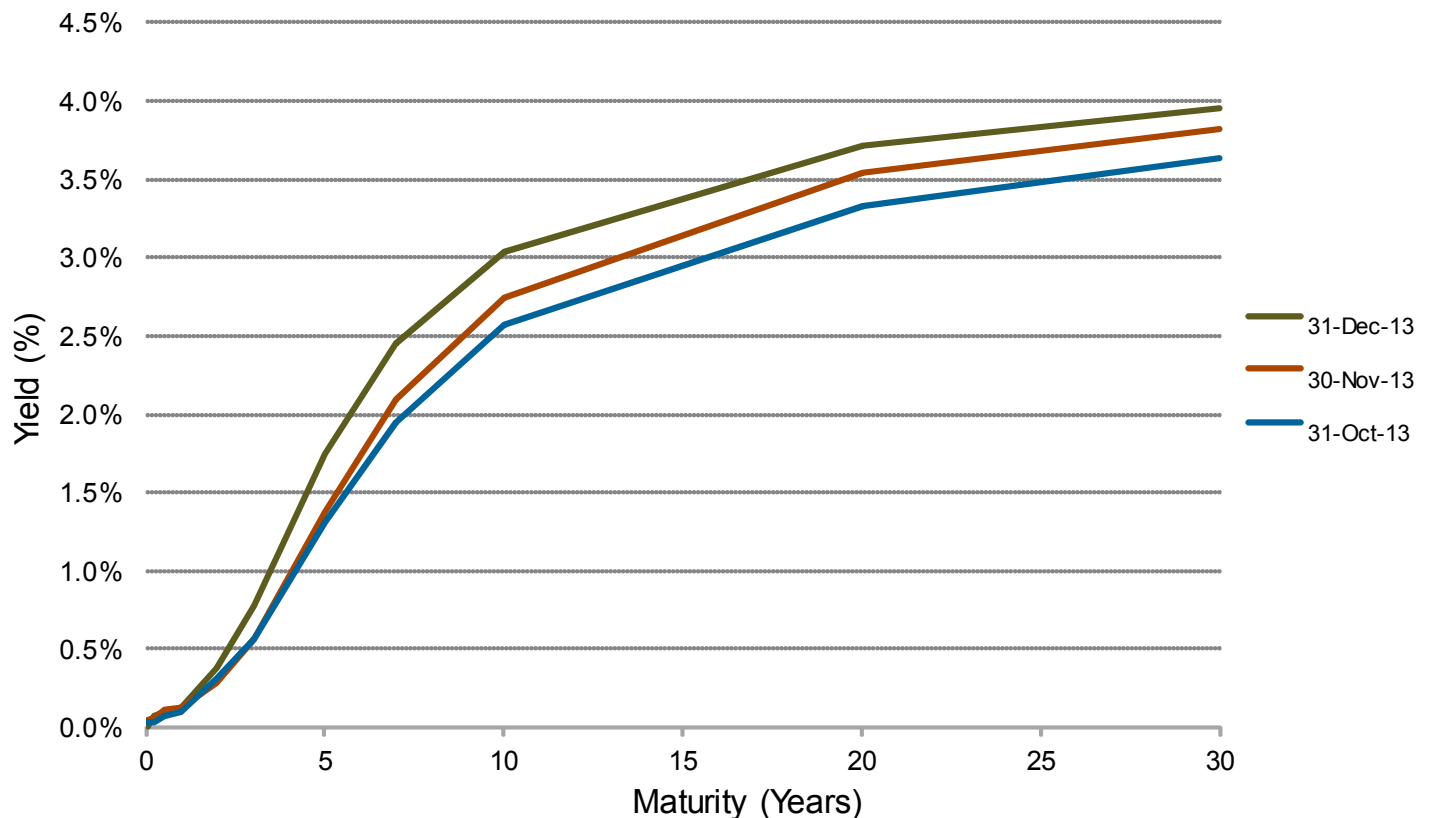
**Regional Returns for Month Ended December 31, 2013**



**Returns**  
**for Periods Ended December 31, 2013**

Index	Last Month	Year to Date	Last Year	Last 3 Years	Last 5 Years	Last 10 Years
Barclays:Aggregate Index	(0.57)	(2.02)	(2.02)	3.26	4.44	4.55
Barclays:Govt Index	(0.87)	(2.60)	(2.60)	2.70	2.26	4.14
Barclays:Credit	(0.25)	(2.01)	(2.01)	5.11	7.89	5.23
Barclays:Mortgage Idx	(0.47)	(1.41)	(1.41)	2.42	3.69	4.61
Barclays:US TIPS Index	(1.47)	(8.61)	(8.61)	3.55	5.63	4.85
ML:High Yield CP Idx	0.55	7.38	7.38	9.01	18.46	8.38
3 Month T-Bill	0.01	0.07	0.07	0.10	0.12	1.68

**Treasury Yield Curve**



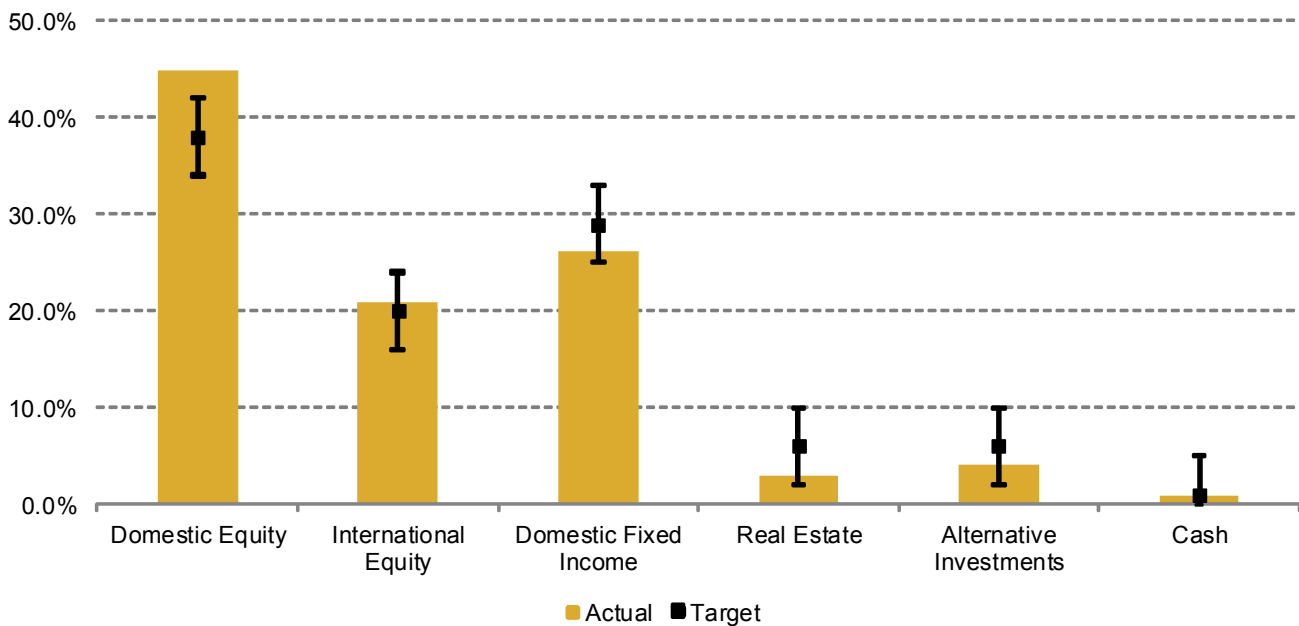
The yield curve rose as investors took in the news that the Federal Reserve will start tapering QE in January. Rising yields put downward pressure on returns in December causing the Barclays Aggregate Bond Index to fall 0.6%, capping off a volatile year (by fixed income standards). The Index declined 2.0% for the full year. High yield credit was the only sector to rise in a down market for bonds, gaining 0.6% in December and 7.4% for all of 2013. TIPS lagged all other sectors, declining 1.5% for the month and 8.6% for the year.



**Total Fund**

Total Fund assets at the end of December were \$33.12 billion, up from \$32.61 billion at the end of November. The Fund rose 1.40% for the month, outperforming the benchmark return by 27 basis points. Domestic equity, international equity and domestic fixed income beat their respective benchmarks. Over the last year, the fund is up 20.25% exceeding the benchmark by 4.32%.

Current policy states that when the actual allocations of the asset classes differ by more than four percentage points from their policy targets, a recommendation for rebalancing will be made to the Board of Trustees. As of December 31, domestic equity exceeded its target allocation by 6.9%. All other asset classes were within the allowable range. The Chief Investment Officer and Consultant do not recommend any rebalancing at this time.



**U.S. Equity**

Large Cap: In aggregate, the Fund's large cap managers gained 2.86%, leading the Russell 1000 Index by 0.16%. Growth outperformed value with a return of 3.12% and outperformed the Russell 1000 Growth Index by 26 basis points. BlackRock was the best performing manager with a return of 5.44%. Value portfolios collectively returned 2.77%, outperforming their benchmark by 24 basis points for the month. BMO was the best performing value manager with a return of 3.00%. The Large Cap Active Core segment gained 3.04%, beating the Dow Jones U.S. Total Stock Market Index's return of 2.63%.

Small Cap: The Small Cap portfolio advanced 2.81%, outperforming the Russell 2000 Index by 0.84%. Small Cap Growth and Value returned 3.08% and 2.25%, respectively. Pyramis was the best performing small cap growth manager and Dimensional Fund Advisors was the best in value. The Micro Cap segment returned a strong 3.42% in December. Wall Street was the top performer in the micro-cap segment increasing 5.02% for the month.

### **International Equity**

Large Cap: The IMRF international equity composite lagged its U.S. equity counterpart. International Large Cap managers rose 1.29%. This return was 41 basis points ahead of the MSCI ACWI ex-U.S. Index. International Large Cap Growth gained 1.91% with William Blair performing best (+2.45%). International Large Cap Value returned 0.24% for the month. Lazard (+1.61%) led all other value managers. The Large Cap Active Core Group grew 1.26% in December with Brown providing the strongest performance (+2.66%).

International Small Cap and Emerging Markets: The International Small Cap managers gained 1.95% and outperformed the ACWI Small Cap ex-U.S. Index by 20 basis points. The emerging markets portfolio, managed by Genesis, fell 0.31% during December, but outperformed the MSCI Emerging Markets Index by 113 basis points.

### **Domestic Fixed Income**

The total fixed income portfolio returned -0.38% (ahead of the BC Aggregate Index return of -0.57%) as yields rose from the prior month. The high yield segment was the best performer, rising 0.43%.

Active Core: The active core fixed income component fell 0.60%, underperforming the BC Aggregate Index by 3 basis points.

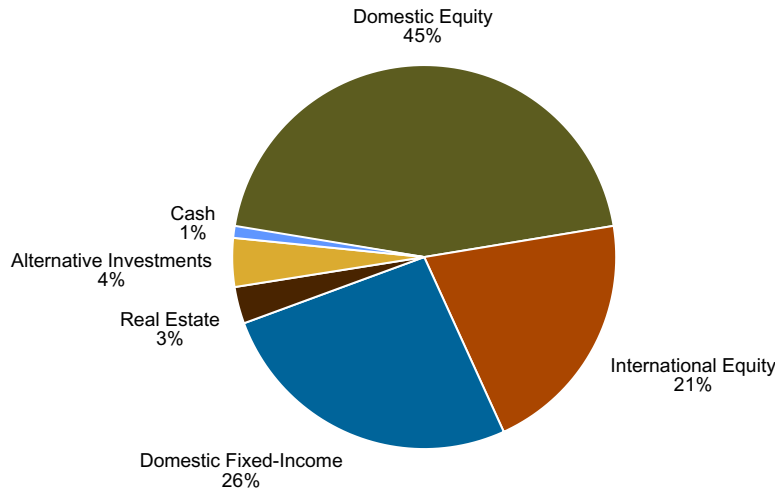
Core Plus: The core plus managers returned -0.40%, leading the Barclays Aggregate Index by 17 basis points. Taplin, Canida, Habacht outperformed the other managers, falling 0.11%.

High Yield: The high yield component gained 0.43% in December, trailing the ML High Yield Cash Pay Index (+0.55%). McKay Shields outperformed Pyramis returning 0.49% and 0.38%, respectively.

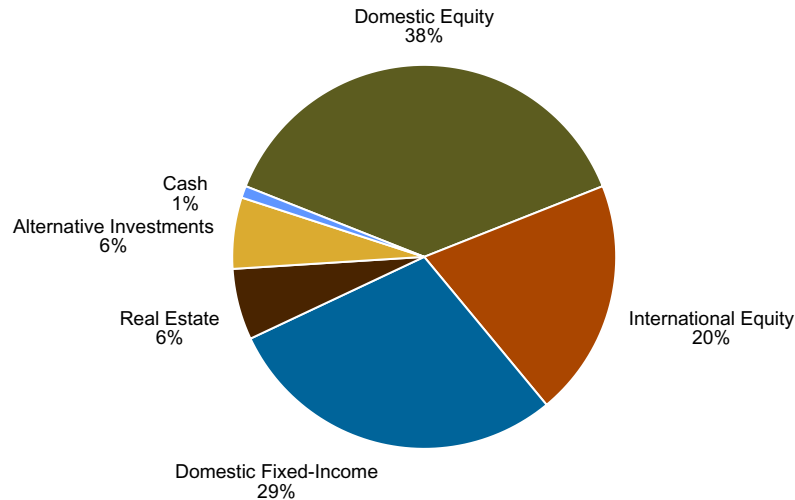
## Actual vs Target Asset Allocation

The first chart below shows the Fund's asset allocation as of December 31, 2013. The second chart shows the Fund's target asset allocation as outlined in the investment policy statement.

### Actual Asset Allocation



### Target Asset Allocation



Asset Class	\$Millions Actual	Percent Actual	Percent Target	Percent Difference	\$Millions Difference
Domestic Equity	14,871	44.9%	38.0%	6.9%	2,287
International Equity	6,901	20.8%	20.0%	0.8%	277
Domestic Fixed-Income	8,671	26.2%	29.0%	(2.8%)	(933)
Real Estate	1,010	3.1%	6.0%	(2.9%)	(977)
Alternative Investments	1,349	4.1%	6.0%	(1.9%)	(638)
Cash	315	1.0%	1.0%	0.0%	(16)
<b>Total</b>	<b>33,117</b>	<b>100.0%</b>	<b>100.0%</b>		

\* Current Month Target = 38.0% US Total Stock Market Idx, 29.0% Barclays Aggregate Index, 20.0% MSCI ACWI x US (Net), 6.0% NFI-ODCE Value Weight Gr+1.0%, 6.0% 9% Annually and 1.0% 3-month Treasury Bill.

## Investment Manager Asset Allocation

The table below contrasts the distribution of assets across the Fund's investment managers as of December 31, 2013, with the distribution as of November 30, 2013.

### Asset Distribution Across Investment Managers

	December 31, 2013		November 30, 2013	
	Market Value	Percent	Market Value	Percent
<b>Domestic Equity</b>	<b>\$14,871,012,865</b>	<b>44.90%</b>	<b>\$14,783,910,597</b>	<b>45.33%</b>
<b>Large Cap Growth</b>				
BlackRock LCG	572,166,830	1.73%	542,660,127	1.66%
Holland	1,016,569,717	3.07%	987,009,143	3.03%
NTGI S&P 500 Growth Idx	714,304,022	2.16%	921,247,812	2.82%
Sands	1,188,655,805	3.59%	1,161,476,573	3.56%
Vision	156,153,658	0.47%	149,801,355	0.46%
<b>Large Cap Value</b>				
Dodge & Cox	1,032,775,690	3.12%	1,004,109,801	3.08%
BMO	1,065,787,703	3.22%	1,034,742,012	3.17%
LSV	1,078,034,934	3.26%	1,048,933,437	3.22%
NTGI S&P 500 Value Idx	698,778,802	2.11%	783,064,416	2.40%
<b>Large Cap Core</b>				
Progress	399,769,806	1.21%	387,957,268	1.19%
NTGI MarketCap Index	2,762,584,902	8.34%	2,691,826,220	8.25%
<b>Small Cap Growth</b>				
Fortaleza	45,558,464	0.14%	44,388,360	0.14%
Frontier	743,090,408	2.24%	724,476,688	2.22%
Pyramis	781,130,850	2.36%	753,936,637	2.31%
<b>Small Cap Value</b>				
Channing	163,884,335	0.49%	160,706,681	0.49%
Dimensional Small Cap Value	671,601,701	2.03%	655,239,232	2.01%
Inv. Counselors of Maryland	729,899,736	2.20%	713,204,115	2.19%
Lombardia	157,863,242	0.48%	156,136,318	0.48%
<b>Micro Cap</b>				
Ariel	96,618,546	0.29%	95,398,757	0.29%
Ativo	48,901,268	0.15%	47,664,172	0.15%
Dimensional Micro Cap	293,582,681	0.89%	288,291,955	0.88%
Wall Street	453,299,764	1.37%	431,639,518	1.32%
<b>International Equity</b>	<b>\$6,900,839,429</b>	<b>20.84%</b>	<b>\$6,818,494,602</b>	<b>20.91%</b>
<b>International Large Cap Growth</b>				
EARNEST Partners	545,939,588	1.65%	538,795,918	1.65%
McKinley	45,455	0.00%	44,914	0.00%
William Blair	596,137,848	1.80%	581,894,018	1.78%
<b>International Large Cap Value</b>				
Brandes	515,209,005	1.56%	513,294,810	1.57%
Lombardia	33,445,755	0.10%	33,097,850	0.10%
Mondrian	482,257,959	1.46%	483,390,649	1.48%
Lazard	96,082,443	0.29%	94,564,234	0.29%
<b>International Large Cap Core</b>				
Arrowstreet	514,916,949	1.55%	508,567,612	1.56%
Brown	262,996,207	0.79%	256,172,632	0.79%
GlobeFlex	497,690,978	1.50%	494,961,748	1.52%
NTGI MSCI EAFE Index	2,440,962,809	7.37%	2,404,852,465	7.37%
<b>International Small Cap</b>				
Franklin Templeton	185,866,281	0.56%	182,494,146	0.56%
William Blair	224,060,694	0.68%	219,585,760	0.67%

Mondrian and Lombardia were funded 3/20/2012, Lazard was funded 3/21/2012.  
Franklin Templeton Intl SC was funded 07/27/2011. BlackRock LCG was funded 07/12/2011. Vision was funded 06/17/2011.

## Investment Manager Asset Allocation

The table below contrasts the distribution of assets across the Fund's investment managers as of December 31, 2013, with the distribution as of November 30, 2013.

### Asset Distribution Across Investment Managers

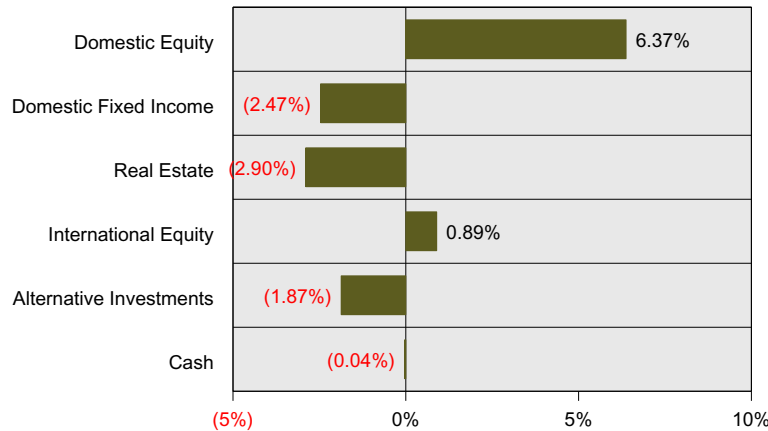
	December 31, 2013		November 30, 2013	
	Market Value	Percent	Market Value	Percent
<b>Emerging Markets</b>				
Genesis	505,227,458	1.53%	506,777,844	1.55%
<b>Domestic Fixed-Income</b>	<b>\$8,670,775,604</b>	<b>26.18%</b>	<b>\$8,374,772,008</b>	<b>25.68%</b>
<b>Domestic Fixed Core</b>				
EARNEST Partners	528,364,167	1.60%	532,257,837	1.63%
Piedmont	523,845,527	1.58%	526,288,855	1.61%
BlackRock Enhanced	1	0.00%	8,854	0.00%
<b>Passive Core</b>				
BlackRock US Debt	1,268,630,610	3.83%	950,551,415	2.91%
NTGI BC Aggregate Index	1,377,271,202	4.16%	1,385,651,100	4.25%
<b>Domestic Fixed Core Plus</b>				
BlackRock Core Plus	705,414,397	2.13%	709,606,963	2.18%
LM Capital	825,523,136	2.49%	829,579,826	2.54%
Progress Fixed Income	426,831,817	1.29%	428,571,544	1.31%
Taplin, Canida, & Habacht	814,036,055	2.46%	814,940,661	2.50%
Western	1,094,353,119	3.30%	1,099,137,644	3.37%
<b>High Yield</b>				
MacKay Shields	541,255,640	1.63%	538,618,293	1.65%
Pyramis High Yield	565,249,933	1.71%	559,559,016	1.72%
<b>Real Estate</b>	<b>\$1,010,305,331</b>	<b>3.05%</b>	<b>\$1,005,720,010</b>	<b>3.08%</b>
<b>Real Estate Core</b>				
TA Buckhead Ind. Prop.	254,455,663	0.77%	254,455,663	0.78%
Cornerstone Patriot	105,812,913	0.32%	106,919,280	0.33%
INVESCO Core RE	95,017,129	0.29%	95,017,129	0.29%
AEW Core Property Trust	48,802,111	0.15%	48,212,337	0.15%
<b>Real Estate Non-Core</b>				
Franklin Templeton EMREFF	41,275,841	0.12%	37,857,848	0.12%
Olympus Real Estate Fund II	330,536	0.00%	330,536	0.00%
Security Capital	50,487,649	0.15%	53,053,397	0.16%
Dune II	42,094,395	0.13%	42,094,395	0.13%
Non-Core Real Estate Funds*	256,985,492	0.78%	226,702,938	0.70%
Rockwood Fund VIII	28,681,889	0.09%	39,264,465	0.12%
Almanac ARS V	38,128,316	0.12%	50,982,401	0.16%
TA Fund IX	48,233,397	0.15%	50,829,621	0.16%
<b>Alternative Investments</b>	<b>\$1,349,404,588</b>	<b>4.07%</b>	<b>\$1,347,905,841</b>	<b>4.13%</b>
<b>Absolute Return</b>				
Aurora	575,815,426	1.74%	532,496,613	1.63%
Mesirow	979,451	0.00%	2,315,255	0.01%
<b>Private Equity</b>				
Abbott	294,638,557	0.89%	300,240,831	0.92%
Muller & Monroe ILPEFF	12,607,984	0.04%	12,607,984	0.04%
Muller & Monroe MPEFF	16,638,360	0.05%	16,462,468	0.05%
Pantheon	175,600,089	0.53%	181,089,021	0.56%
Private Equity Fund - Domestic	45,444,950	0.14%	71,541,900	0.22%
<b>Agriculture</b>				
Cozad/Westchester	160,673,206	0.49%	164,145,205	0.50%
<b>Timberland</b>				
Forest Investment Assoc.	67,006,564	0.20%	67,006,564	0.21%
<b>Cash</b>	<b>\$314,708,565</b>	<b>0.95%</b>	<b>\$282,004,699</b>	<b>0.86%</b>
<b>Total Fund</b>	<b>\$33,117,046,382</b>	<b>100.0%</b>	<b>\$32,612,807,756</b>	<b>100.0%</b>

\*Non-Core Real Estate Funds funded since September 2011.

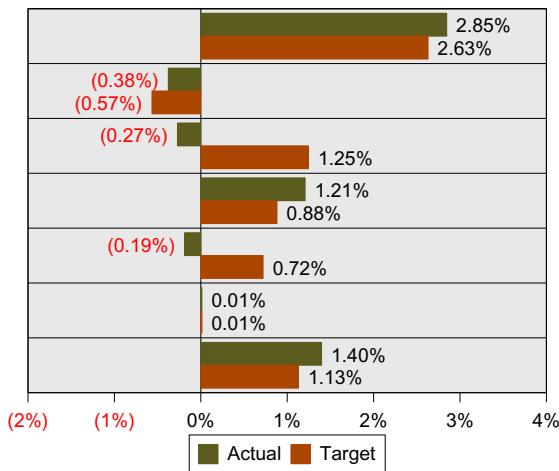
## Monthly Total Fund Relative Attribution - December 31, 2013

The following analysis approaches Total Fund Attribution from the perspective of relative return. Relative return attribution separates and quantifies the sources of total fund excess return relative to its target. This excess return is separated into two relative attribution effects: Asset Allocation Effect and Manager Selection Effect. The Asset Allocation Effect represents the excess return due to the actual total fund asset allocation differing from the target asset allocation. Manager Selection Effect represents the total fund impact of the individual managers excess returns relative to their benchmarks.

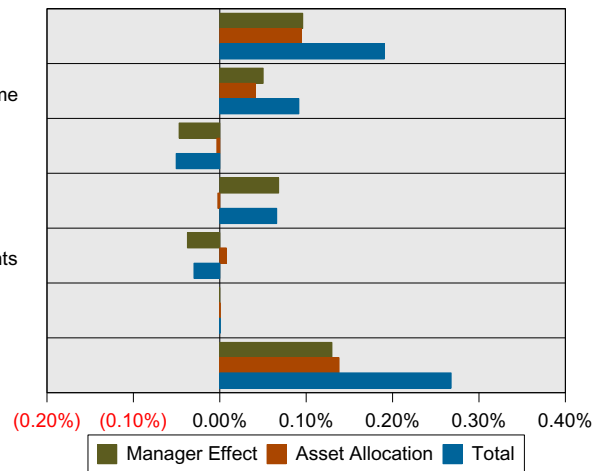
### Asset Class Under or Overweighting



### Actual vs Target Returns



### Relative Attribution by Asset Class



### Relative Attribution Effects for Month ended December 31, 2013

Asset Class	Effective Actual Weight	Effective Target Weight	Actual Return	Target Return	Manager Effect	Asset Allocation	Total Relative Return
Domestic Equity	44%	38%	2.85%	2.63%	0.10%	0.09%	0.19%
Domestic Fixed Income	27%	29%	(0.38%)	(0.57%)	0.05%	0.04%	0.09%
Real Estate	3%	6%	(0.27%)	1.25%	(0.05%)	(0.00%)	(0.05%)
International Equity	21%	20%	1.21%	0.88%	0.07%	(0.00%)	0.07%
Alternative Investments	4%	6%	(0.19%)	0.72%	(0.04%)	0.01%	(0.03%)
Cash	1%	1%	0.01%	0.01%	(0.00%)	0.00%	0.00%
<b>Total</b>			<b>1.40%</b>	<b>1.13%</b>	<b>0.13%</b>	<b>0.14%</b>	<b>0.27%</b>

\* Current Month Target = 38.0% US Total Stock Market Idx, 29.0% Barclays Aggregate Index, 20.0% MSCI ACWI x US (Net), 6.0% NFI-ODCE Value Weight Gr+1.0%, 6.0% 9% Annually and 1.0% 3-month Treasury Bill.

## Asset Class Returns

The table below details the rates of return for the fund's asset class composites over various time periods. Negative returns are shown in red, positive returns in black. Returns for one year or greater are annualized.

### Returns for Periods Ended December 31, 2013

	Last Month	Last 3 Months	Last 12 Months
Domestic Equity (12/31/81)	2.85%	10.54%	37.62%
DJ U.S. Total Stock Market Index	2.63%	10.11%	33.46%
Domestic Equity - Net (12/31/04)	2.85%	10.47%	37.31%
International Equity (08/31/86)	1.21%	5.52%	20.22%
MSCI ACWI x US (Net)	0.88%	4.77%	15.29%
International Equity - Net (12/31/04)	1.21%	5.43%	19.86%
Domestic Fixed-Income (12/31/81)	(0.38%)	0.61%	(0.59%)
BC Aggregate Index	(0.57%)	(0.14%)	(2.02%)
Domestic Fixed-Inc. - Net (12/31/04)	(0.38%)	0.58%	(0.75%)
Real Estate (04/30/85)	(0.27%)	2.82%	10.14%
Blended Benchmark**	1.25%	3.79%	15.37%
Real Estate - Net (12/31/04)	(0.27%)	2.82%	10.03%
Alternative Investments (01/31/86)	(0.19%)	6.19%	13.64%
Alternatives Custom Benchmark***	0.72%	2.18%	9.00%
Alternative Investments - Net (12/31/04)	(0.19%)	6.02%	13.36%
Absolute Return (12/31/01)	0.00%	3.63%	7.58%
HFR Fund-of-Funds Index	1.16%	3.49%	8.74%
Private Equity (01/31/86)	(0.44%)	4.71%	14.21%
Alternatives Custom Benchmark***	0.72%	2.18%	9.00%
Agriculture (09/30/97)	0.00%	22.75%	40.31%
Blended Benchmark**	1.25%	3.79%	15.37%
Timberland (09/30/92)	0.00%	4.45%	9.14%
Blended Benchmark**	1.25%	3.79%	15.37%
<b>Total Fund (12/31/81)</b>	<b>1.40%</b>	<b>6.27%</b>	<b>20.25%</b>
Total Fund Benchmark	1.13%	5.06%	15.93%
Total Fund - Net (12/31/04)	1.40%	6.21%	19.98%

\* Current Month Target = 38.0% US Total Stock Market Idx, 29.0% Barclays Aggregate Index, 20.0% MSCI ACWI x US (Net), 6.0% NFI-ODCE Value Weight Gr+1.0%, 6.0% 9% Annually and 1.0% 3-month Treasury Bill.

\*\* The Blended Benchmark is currently ODCE Value Weigh Index+1%. Returns between January 1, 2007 and December 31, 2012 reflect NPI+1%. Returns prior to January 1, 2007, reflect those of the Consumer Price Index +5%.

Given that ODCE returns are updated quarterly, an approximation of the Index is used in the monthly reports.

\*\*\* The Alternatives Custom Benchmark is based on an annualized rate of return of 9.0%. Prior to July 1, 2010 the Benchmark was based on an annual return of 12.0%. Prior to 2004, the Benchmark was based on an annual return of 13.0%. Prior to 2003, it was based on an annual return of 15.0%.

## Asset Class Returns

The table below details the rates of return for the fund's asset class composites over various time periods. Negative returns are shown in red, positive returns in black. Returns for one year or greater are annualized.

### Returns for Periods Ended December 31, 2013

	Last 36 Months	Last 60 Months	Last 120 Months	Since Inception
Domestic Equity (12/31/81)	17.05%	20.17%	8.87%	11.89%
DJ U.S. Total Stock Market Index	16.23%	18.85%	8.09%	11.41%
Domestic Equity - Net (12/31/04)	16.76%	19.88%	-	7.93%
International Equity (08/31/86)	7.90%	14.64%	8.45%	8.47%
MSCI ACWI x US (Net)	5.14%	12.81%	7.57%	-
International Equity - Net (12/31/04)	7.57%	14.30%	-	6.59%
Domestic Fixed-Income (12/31/81)	4.74%	7.55%	5.49%	8.95%
BC Aggregate Index	3.26%	4.44%	4.55%	8.31%
Domestic Fixed-Inc. - Net (12/31/04)	4.57%	7.39%	-	5.30%
Real Estate (04/30/85)	11.75%	2.34%	6.01%	4.53%
Blended Benchmark**	14.05%	7.33%	7.12%	7.61%
Real Estate - Net (12/31/04)	11.57%	2.24%	-	5.46%
Alternative Investments (01/31/86)	8.24%	6.66%	8.61%	10.98%
Alternatives Custom Benchmark***	9.00%	9.89%	10.94%	13.46%
Alternative Investments - Net (12/31/04)	8.00%	6.38%	-	7.94%
Absolute Return (12/31/01)	3.20%	6.11%	4.38%	4.78%
HFR Fund-of-Funds Index	2.42%	4.83%	3.36%	3.89%
Private Equity (01/31/86)	10.65%	6.54%	11.64%	13.02%
Alternatives Custom Benchmark***	9.00%	9.89%	10.94%	13.46%
Agriculture (09/30/97)	20.45%	13.06%	12.22%	8.36%
Blended Benchmark**	14.05%	7.33%	7.12%	7.10%
Timberland (09/30/92)	2.78%	1.71%	4.36%	8.74%
Blended Benchmark**	14.05%	7.33%	7.12%	7.22%
<b>Total Fund (12/31/81)</b>	<b>10.93%</b>	<b>14.06%</b>	<b>8.17%</b>	<b>10.35%</b>
Total Fund Benchmark	9.69%	12.28%	7.33%	-
Total Fund - Net (12/31/04)	10.68%	13.82%	-	7.40%

\* Current Month Target = 38.0% US Total Stock Market Idx, 29.0% Barclays Aggregate Index, 20.0% MSCI ACWI x US (Net), 6.0% NFI-ODCE Value Weight Gr+1.0%, 6.0% 9% Annually and 1.0% 3-month Treasury Bill.

\*\* The Blended Benchmark is currently ODCE Value Weigh Index+1%. Returns between January 1, 2007 and December 31, 2012 reflect NPI+1%. Returns prior to January 1, 2007, reflect those of the Consumer Price Index +5%.

Given that ODCE returns are updated quarterly, an approximation of the Index is used in the monthly reports.

\*\*\* The Alternatives Custom Benchmark is based on an annualized rate of return of 9.0%. Prior to July 1, 2010 the Benchmark was based on an annual return of 12.0%. Prior to 2004, the Benchmark was based on an annual return of 13.0%. Prior to 2003, it was based on an annual return of 15.0%.



## Large Cap Equity Returns

The table below details the rates of return for the fund's large cap growth and large cap value managers over various time periods. Negative returns are shown in red, positive returns in black. Returns for one year or greater are annualized.

### Returns for Periods Ended December 31, 2013

	Last Month	Last 3 Months	Last 12 Months
<b>Large Cap Equity (12/31/81)</b>	<b>2.86%</b>	<b>10.73%</b>	<b>35.59%</b>
Russell 1000 Index	2.70%	10.23%	33.11%
<b>Large Cap Growth (12/31/81)</b>	<b>3.12%</b>	<b>10.57%</b>	<b>35.49%</b>
BlackRock LCG (07/31/11)	5.44%	12.23%	34.26%
LCG Blended Benchmark*	2.86%	10.44%	33.48%
Russell 1000 Growth Index	2.86%	10.44%	33.48%
BlackRock LCG - Net (07/31/11)	5.44%	12.16%	33.90%
Holland (10/31/94)	2.99%	10.13%	32.94%
LCG Blended Benchmark*	2.86%	10.44%	33.48%
Russell 1000 Growth Index	2.86%	10.44%	33.48%
Holland - Net (12/31/04)	2.99%	10.07%	32.68%
NTGI S&P 500 Growth Idx (07/31/01)	2.80%	11.25%	32.88%
S&P/Citi 500 Growth Index	2.70%	11.15%	32.75%
NTGI S&P 500 Growth Idx - Net (12/31/04)	2.80%	11.25%	32.87%
Sands (10/31/03)	2.34%	10.01%	42.72%
LCG Blended Benchmark*	2.86%	10.44%	33.48%
Russell 1000 Growth Index	2.86%	10.44%	33.48%
Sands - Net (12/31/04)	2.34%	9.96%	42.48%
Vision (06/30/11)	4.24%	8.47%	28.19%
LCG Blended Benchmark*	2.86%	10.44%	33.48%
Russell 1000 Growth Index	2.86%	10.44%	33.48%
Vision - Net (06/30/11)	4.24%	8.41%	27.59%
<b>Large Cap Value (09/30/82)</b>	<b>2.77%</b>	<b>11.45%</b>	<b>37.28%</b>
Dodge & Cox (08/31/03)	2.86%	11.72%	40.01%
LCV Blended Benchmark**	2.53%	10.01%	32.53%
Russell 1000 Value Index	2.53%	10.01%	32.53%
Dodge & Cox - Net (12/31/04)	2.86%	11.66%	39.76%
BMO (01/31/01)	3.00%	11.82%	35.89%
LCV Blended Benchmark**	2.53%	10.01%	32.53%
Russell 1000 Value Index	2.53%	10.01%	32.53%
BMO - Net (12/31/04)	3.00%	11.76%	35.60%
LSV (01/31/03)	2.77%	12.04%	40.89%
LCV Blended Benchmark**	2.53%	10.01%	32.53%
Russell 1000 Value Index	2.53%	10.01%	32.53%
LSV - Net (12/31/04)	2.77%	11.98%	40.55%
NTGI S&P 500 Value Idx (07/31/99)	2.45%	9.96%	31.90%
S&P/Citi 500 Value Index	2.34%	9.83%	31.99%
NTGI S&P 500 Value Idx - Net (12/31/04)	2.45%	9.96%	31.89%

\* The LCG Blended Benchmark is currently the Russell 1000 Growth Index. Returns prior to January 1, 2006, reflect those of the S&P 500/Citigroup Growth Index.

\*\* The LCV Blended Benchmark is currently the Russell 1000 Value Index. Returns prior to January 1, 2006, reflect those of the S&P 500/Citigroup Value Index.

## Large Cap Equity Returns

The table below details the rates of return for the fund's large cap growth and large cap value managers over various time periods. Negative returns are shown in red, positive returns in black. Returns for one year or greater are annualized.

### Returns for Periods Ended December 31, 2013

	Last 36 Months	Last 60 Months	Last 120 Months	Since Inception
<b>Large Cap Equity (12/31/81)</b>	<b>17.02%</b>	<b>19.29%</b>	<b>8.22%</b>	<b>11.34%</b>
Russell 1000 Index	16.30%	18.59%	7.78%	11.59%
<b>Large Cap Growth (12/31/81)</b>	<b>17.24%</b>	<b>21.31%</b>	<b>8.49%</b>	<b>11.84%</b>
BlackRock LCG (07/31/11)	-	-	-	14.71%
LCG Blended Benchmark*	16.45%	20.39%	7.68%	18.04%
Russell 1000 Growth Index	16.45%	20.39%	7.83%	18.04%
BlackRock LCG - Net (07/31/11)	-	-	-	14.41%
Holland (10/31/94)	16.54%	20.80%	8.47%	10.44%
LCG Blended Benchmark*	16.45%	20.39%	7.68%	9.63%
Russell 1000 Growth Index	16.45%	20.39%	7.83%	8.76%
Holland - Net (12/31/04)	16.26%	20.46%	-	7.71%
LCG Blended Benchmark*	16.45%	20.39%	7.68%	8.20%
Russell 1000 Growth Index	16.45%	20.39%	7.83%	8.38%
NTGI S&P 500 Growth Idx (07/31/01)	16.83%	19.30%	7.73%	5.65%
S&P/Citi 500 Growth Index	16.77%	19.24%	7.69%	5.60%
NTGI S&P 500 Growth Idx - Net (12/31/04)	16.81%	19.29%	-	7.82%
S&P/Citi 500 Growth Index	16.77%	19.24%	7.69%	8.21%
Sands (10/31/03)	22.33%	32.00%	12.04%	12.58%
LCG Blended Benchmark*	16.45%	20.39%	7.68%	8.48%
Russell 1000 Growth Index	16.45%	20.39%	7.83%	8.67%
Sands - Net (12/31/04)	22.06%	31.68%	-	10.69%
LCG Blended Benchmark*	16.45%	20.39%	7.68%	8.20%
Russell 1000 Growth Index	16.45%	20.39%	7.83%	8.38%
Vision (06/30/11)	-	-	-	15.52%
LCG Blended Benchmark*	16.45%	20.39%	7.68%	16.92%
Russell 1000 Growth Index	16.45%	20.39%	7.83%	16.92%
Vision - Net (06/30/11)	-	-	-	14.96%
<b>Large Cap Value (09/30/82)</b>	<b>17.72%</b>	<b>17.90%</b>	<b>8.25%</b>	<b>10.53%</b>
Dodge & Cox (08/31/03)	18.46%	19.86%	8.56%	9.75%
LCV Blended Benchmark**	16.06%	16.67%	7.39%	8.51%
Russell 1000 Value Index	16.06%	16.67%	7.58%	8.70%
Dodge & Cox - Net (12/31/04)	18.23%	19.61%	-	7.07%
LCV Blended Benchmark**	16.06%	16.67%	7.39%	6.82%
Russell 1000 Value Index	16.06%	16.67%	7.58%	6.96%
BMO (01/31/01)	17.99%	17.04%	9.26%	7.81%
LCV Blended Benchmark**	16.06%	16.67%	7.39%	4.97%
Russell 1000 Value Index	16.06%	16.67%	7.58%	6.08%
BMO - Net (12/31/04)	17.73%	16.77%	-	7.84%
LCV Blended Benchmark**	16.06%	16.67%	7.39%	6.82%
Russell 1000 Value Index	16.06%	16.67%	7.58%	6.96%
LSV (01/31/03)	18.96%	19.16%	9.50%	11.58%
LCV Blended Benchmark**	16.06%	16.67%	7.39%	9.40%
Russell 1000 Value Index	16.06%	16.67%	7.58%	9.45%
LSV - Net (12/31/04)	18.66%	18.84%	-	7.96%
LCV Blended Benchmark**	16.06%	16.67%	7.39%	6.82%
Russell 1000 Value Index	16.06%	16.67%	7.58%	6.96%
NTGI S&P 500 Value Idx (07/31/99)	15.74%	16.71%	7.12%	4.59%
S&P/Citi 500 Value Index	15.62%	16.61%	7.05%	4.56%
NTGI S&P 500 Value Idx - Net (12/31/04)	15.73%	16.70%	-	6.14%
S&P/Citi 500 Value Index	15.62%	16.61%	7.05%	6.45%

\* The LCG Blended Benchmark is currently the Russell 1000 Growth Index. Returns prior to January 1, 2006, reflect those of the S&P 500/Citigroup Growth Index.

\*\* The LCV Blended Benchmark is currently the Russell 1000 Value Index. Returns prior to January 1, 2006, reflect those of the S&P 500/Citigroup Value Index.

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## Large Cap Equity Returns

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The table below details the rates of return for the fund's large cap core managers over various time periods. Negative returns are shown in red, positive returns in black. Returns for one year or greater are annualized.

### Returns for Periods Ended December 31, 2013

	<b>Last Month</b>	<b>Last 3 Months</b>	<b>Last 12 Months</b>
<b>Large Cap Active Core (12/31/04)</b>	<b>3.04%</b>	<b>9.40%</b>	<b>33.76%</b>
Progress (01/31/05)	3.04%	9.57%	35.35%
DJ U.S. Total Stock Market Index	2.63%	10.11%	33.46%
Progress - Net (01/31/05)	3.04%	9.33%	34.47%
<b>Large Cap Passive Core (12/31/84)</b>	<b>2.63%</b>	<b>10.13%</b>	<b>33.58%</b>
NTGI MarketCap Idx (01/31/85)	2.63%	10.13%	33.58%
DJ U.S. Total Stock Market Index	2.63%	10.11%	33.46%
NTGI MarketCap Idx - Net (12/31/04)	2.63%	10.13%	33.57%

## Large Cap Equity Returns

The table below details the rates of return for the fund's large cap core managers over various time periods. Negative returns are shown in red, positive returns in black. Returns for one year or greater are annualized.

### Returns for Periods Ended December 31, 2013

	<b>Last 36 Months</b>	<b>Last 60 Months</b>	<b>Last 120 Months</b>	<b>Since Inception</b>
<b>Large Cap Active Core (12/31/04)</b>	<b>15.49%</b>	<b>17.98%</b>	<b>-</b>	<b>7.41%</b>
Progress (01/31/05)	15.85%	18.20%	-	7.60%
DJ U.S. Total Stock Market Index	16.23%	18.85%	8.09%	7.62%
Progress - Net (01/31/05)	15.14%	17.49%	-	6.96%
<b>Large Cap Passive Core (12/31/84)</b>	<b>16.29%</b>	<b>19.00%</b>	<b>7.98%</b>	<b>11.21%</b>
NTGI MarketCap Idx (01/31/85)	16.29%	19.02%	7.99%	11.25%
DJ U.S. Total Stock Market Index	16.23%	18.85%	8.09%	11.21%
NTGI MarketCap Idx - Net (12/31/04)	16.29%	19.01%	-	7.43%
DJ U.S. Total Stock Market Index	16.23%	18.85%	8.09%	7.97%

## Small Cap Equity Returns

The table below details the rates of return for the fund's small cap growth, small cap value, and micro cap managers over various time periods. Negative returns are shown in red, positive returns in black. Returns for one year or greater are annualized.

### Returns for Periods Ended December 31, 2013

	Last Month	Last 3 Months	Last 12 Months
<b>Small Cap Equity (06/30/88)</b>	<b>2.81%</b>	<b>10.03%</b>	<b>43.76%</b>
Russell 2000 Index	1.97%	8.72%	38.82%
<b>Small Cap Growth (06/30/88)</b>	<b>3.08%</b>	<b>9.01%</b>	<b>43.03%</b>
Fortaleza (11/30/06)	2.64%	5.28%	34.17%
Russell 2000 Growth Index	2.05%	8.17%	43.30%
Fortaleza - Net (11/30/06)	2.64%	5.15%	33.53%
Frontier (07/31/88)	2.57%	8.45%	43.15%
Russell 2000 Growth Index	2.05%	8.17%	43.30%
Frontier - Net (12/31/04)	2.57%	8.32%	42.48%
Pyramis (07/31/88)	3.61%	9.77%	43.46%
Russell 2000 Growth Index	2.05%	8.17%	43.30%
Pyramis - Net (12/31/04)	3.61%	9.68%	42.90%
<b>Small Cap Value (08/31/89)</b>	<b>2.25%</b>	<b>9.94%</b>	<b>39.44%</b>
Channing (06/30/11)	1.98%	8.67%	39.64%
Russell 2000 Value Index	1.88%	9.30%	34.52%
Channing - Net (06/30/11)	1.98%	8.57%	38.75%
DFA Small Cap Value (01/31/96)	2.50%	11.61%	42.70%
Russell 2000 Value Index	1.88%	9.30%	34.52%
DFA Small Cap Value - Net (12/31/04)	2.50%	11.48%	42.03%
Inv. Counselors of Maryland (04/30/99)	2.34%	8.98%	36.42%
Russell 2000 Value Index	1.88%	9.30%	34.52%
Inv. Couns. of Maryland - Net (12/31/04)	2.34%	8.88%	35.92%
Lombardia (05/31/11)	1.11%	8.74%	40.18%
Russell 2000 Value Index	1.88%	9.30%	34.52%
Lombardia - Net (05/31/11)	1.11%	8.57%	39.28%
<b>Micro Cap (06/30/84)</b>	<b>3.42%</b>	<b>12.04%</b>	<b>54.08%</b>
Ariel (10/31/10)	1.28%	14.34%	47.41%
Russell 2000 Value Index	1.88%	9.30%	34.52%
Russell 2000 Index	1.97%	8.72%	38.82%
Russell Microcap Index	2.21%	10.26%	45.62%
Ariel - Net (10/31/10)	1.28%	14.12%	46.27%
Ativo (09/30/10)	2.82%	13.52%	60.98%
Russell 2000 Growth Index	2.05%	8.17%	43.30%
Russell 2000 Index	1.97%	8.72%	38.82%
Russell Microcap Index	2.21%	10.26%	45.62%
Ativo - Net (09/30/10)	2.82%	13.31%	59.79%
DFA Micro Cap (07/31/87)	1.84%	10.97%	44.68%
Russell 2000 Value Index	1.88%	9.30%	34.52%
Russell 2000 Index	1.97%	8.72%	38.82%
DFA Micro Cap - Net (12/31/04)	1.84%	10.84%	44.00%
Wall Street (07/31/90)	5.02%	12.11%	61.69%
Russell 2000 Growth Index	2.05%	8.17%	43.30%
Russell 2000 Index	1.97%	8.72%	38.82%
Wall Street - Net (12/31/04)	5.02%	11.91%	60.52%

## Small Cap Equity Returns

The table below details the rates of return for the fund's small cap growth, small cap value, and micro cap managers over various time periods. Negative returns are shown in red, positive returns in black. Returns for one year or greater are annualized.

### Returns for Periods Ended December 31, 2013

	Last 36 Months	Last 60 Months	Last 120 Months	Since Inception
<b>Small Cap Equity (06/30/88)</b>	<b>16.88%</b>	<b>23.73%</b>	<b>11.95%</b>	<b>13.23%</b>
Russell 2000 Index	15.67%	20.08%	9.07%	10.19%
<b>Small Cap Growth (06/30/88)</b>	<b>15.64%</b>	<b>23.40%</b>	<b>12.05%</b>	<b>13.85%</b>
Fortaleza (11/30/06)	16.39%	19.95%	-	7.53%
Russell 2000 Growth Index	16.82%	22.58%	9.41%	9.04%
Fortaleza - Net (11/30/06)	15.79%	19.34%	-	7.01%
Frontier (07/31/88)	15.00%	23.72%	11.32%	13.90%
Russell 2000 Growth Index	16.82%	22.58%	9.41%	8.15%
Frontier - Net (12/31/04)	14.33%	22.84%	-	10.31%
Russell 2000 Growth Index	16.82%	22.58%	9.41%	9.21%
Pyramis (07/31/88)	16.10%	24.32%	13.45%	14.47%
Russell 2000 Growth Index	16.82%	22.58%	9.41%	8.15%
Pyramis - Net (12/31/04)	15.50%	23.67%	-	11.98%
Russell 2000 Growth Index	16.82%	22.58%	9.41%	9.21%
<b>Small Cap Value (08/31/89)</b>	<b>16.58%</b>	<b>22.36%</b>	<b>11.03%</b>	<b>12.88%</b>
Channing (06/30/11)	-	-	-	19.52%
Russell 2000 Value Index	14.49%	17.64%	8.61%	15.90%
Channing - Net (06/30/11)	-	-	-	18.70%
DFA Small Cap Value (01/31/96)	17.67%	24.54%	11.41%	13.85%
Russell 2000 Value Index	14.49%	17.64%	8.61%	10.56%
DFA Small Cap Value - Net (12/31/04)	17.11%	23.94%	-	9.10%
Russell 2000 Value Index	14.49%	17.64%	8.61%	7.40%
Inv. Counselors of Maryland (04/30/99)	15.66%	21.07%	10.71%	13.18%
Russell 2000 Value Index	14.49%	17.64%	8.61%	10.76%
Inv. Couns. of Maryland - Net (12/31/04)	15.21%	20.52%	-	8.90%
Russell 2000 Value Index	14.49%	17.64%	8.61%	7.40%
Lombardia (05/31/11)	-	-	-	15.67%
Russell 2000 Value Index	14.49%	17.64%	8.61%	14.24%
Lombardia - Net (05/31/11)	-	-	-	14.96%
<b>Micro Cap (06/30/84)</b>	<b>19.54%</b>	<b>26.40%</b>	<b>10.55%</b>	<b>12.99%</b>
Ariel (10/31/10)	20.24%	-	-	20.97%
Russell 2000 Value Index	14.49%	17.64%	8.61%	17.51%
Russell 2000 Index	15.67%	20.08%	9.07%	18.87%
Russell Microcap Index	16.52%	21.05%	6.99%	20.15%
Ariel - Net (10/31/10)	19.27%	-	-	20.05%
Ativo (09/30/10)	19.16%	-	-	21.96%
Russell 2000 Growth Index	16.82%	22.58%	9.41%	21.18%
Russell 2000 Index	15.67%	20.08%	9.07%	19.81%
Russell Microcap Index	16.52%	21.05%	6.99%	21.62%
Ativo - Net (09/30/10)	18.22%	-	-	21.08%
DFA Micro Cap (07/31/87)	18.65%	23.31%	10.10%	12.02%
Russell 2000 Value Index	14.49%	17.64%	8.61%	10.73%
Russell 2000 Index	15.67%	20.08%	9.07%	9.27%
DFA Micro Cap - Net (12/31/04)	18.09%	22.73%	-	8.45%
Russell 2000 Growth Index	16.82%	22.58%	9.41%	9.21%
Russell 2000 Index	15.67%	20.08%	9.07%	8.36%
Wall Street (07/31/90)	19.99%	28.85%	11.23%	15.39%
Russell 2000 Growth Index	16.82%	22.58%	9.41%	8.04%
Russell 2000 Index	15.67%	20.08%	9.07%	10.11%
Wall Street - Net (12/31/04)	19.09%	27.89%	-	9.52%
Russell 2000 Growth Index	16.82%	22.58%	9.41%	9.21%
Russell 2000 Index	15.67%	20.08%	9.07%	8.36%

## International Equity Returns

The table below details the rates of return for the fund's international large cap growth and international large cap value managers over various time periods. Negative returns are shown in red, positive returns in black. Returns for one year or greater are annualized.

### Returns for Periods Ended December 31, 2013

	Last Month	Last 3 Months	Last 12 Months
<b>Intl Large Cap Equity (08/31/86)</b>	<b>1.29%</b>	<b>5.85%</b>	<b>21.71%</b>
MSCI ACWI ex-US Index	0.88%	4.77%	15.29%
<b>Intl Large Cap Growth (08/31/02)</b>	<b>1.91%</b>	<b>6.51%</b>	<b>17.41%</b>
EARNEST Partners (09/30/04)	1.33%	5.35%	13.71%
MSCI ACWI ex-US Index	0.88%	4.77%	15.29%
MSCI ACWI ex-US Growth	1.04%	4.69%	15.86%
EARNEST Partners - Net (12/31/04)	1.32%	5.29%	13.48%
William Blair (09/30/02)	2.45%	7.59%	21.02%
MSCI ACWI ex-US Index	0.88%	4.77%	15.29%
MSCI ACWI ex-US Growth	1.04%	4.69%	15.86%
William Blair - Net (12/31/04)	2.45%	7.50%	20.58%
<b>Intl Large Cap Value (09/30/95)</b>	<b>0.24%</b>	<b>5.30%</b>	<b>21.82%</b>
Brandes (12/31/95)	0.37%	5.46%	28.20%
MSCI ACWI ex-US Index	0.88%	4.77%	15.29%
MSCI ACWI ex-US Value	0.76%	4.93%	15.65%
Brandes - Net (12/31/04)	0.37%	5.41%	27.94%
Lombardia (3/31/12)	1.05%	5.75%	30.71%
MSCI ACWI ex-US Index	0.88%	4.77%	15.29%
MSCI ACWI ex-US Value	0.76%	4.93%	15.65%
Lombardia - Net (3/31/12)	1.05%	5.61%	30.12%
Mondrian (3/31/12)	(0.23%)	4.83%	15.57%
MSCI ACWI ex-US Index	0.88%	4.77%	15.29%
MSCI ACWI ex-US Value	0.76%	4.93%	15.65%
Mondrian - Net (3/31/12)	(0.23%)	4.71%	14.99%
Lazard (3/31/12)	1.61%	6.66%	19.53%
MSCI ACWI ex-US Index	0.88%	4.77%	15.29%
MSCI ACWI ex-US Value	0.76%	4.93%	15.65%
Lazard - Net (3/31/12)	1.61%	6.60%	18.20%

## International Equity Returns

The table below details the rates of return for the fund's international large cap growth and international large cap value managers over various time periods. Negative returns are shown in red, positive returns in black. Returns for one year or greater are annualized.

### Returns for Periods Ended December 31, 2013

	Last 36 Months	Last 60 Months	Last 120 Months	Since Inception
<b>Intl Large Cap Equity (08/31/86)</b>	<b>8.32%</b>	<b>14.26%</b>	<b>7.99%</b>	<b>8.49%</b>
MSCI ACWI ex-US Index	5.14%	12.81%	7.57%	-
<b>Intl Large Cap Growth (08/31/02)</b>	<b>7.80%</b>	<b>15.79%</b>	<b>8.73%</b>	<b>10.53%</b>
EARNEST Partners (09/30/04)	6.74%	17.69%	-	13.02%
MSCI ACWI ex-US Index	5.14%	12.81%	7.57%	7.95%
MSCI ACWI ex-US Growth	5.29%	13.28%	7.70%	8.42%
EARNEST Partners - Net (12/31/04)	6.26%	17.14%	-	10.73%
MSCI ACWI ex-US Index	5.14%	12.81%	7.57%	6.61%
MSCI ACWI ex-US Growth	5.29%	13.28%	7.70%	7.12%
William Blair (09/30/02)	9.45%	18.31%	9.20%	11.03%
MSCI ACWI ex-US Index	5.14%	12.81%	7.57%	9.47%
MSCI ACWI ex-US Growth	5.29%	13.28%	7.70%	9.37%
William Blair - Net (12/31/04)	9.03%	17.86%	-	7.54%
MSCI ACWI ex-US Index	5.14%	12.81%	7.57%	6.61%
MSCI ACWI ex-US Growth	5.29%	13.28%	7.70%	7.12%
<b>Intl Large Cap Value (09/30/95)</b>	<b>7.11%</b>	<b>10.12%</b>	<b>6.91%</b>	<b>10.25%</b>
Brandes (12/31/95)	8.43%	10.94%	7.31%	10.53%
MSCI ACWI ex-US Index	5.14%	12.81%	7.57%	5.93%
MSCI ACWI ex-US Value	5.91%	13.33%	8.32%	-
Brandes - Net (12/31/04)	8.19%	10.66%	-	5.07%
MSCI ACWI ex-US Index	5.14%	12.81%	7.57%	6.61%
MSCI ACWI ex-US Value	5.91%	13.33%	8.32%	7.00%
Lombardia (3/31/12)	-	-	-	23.22%
MSCI ACWI ex-US Index	5.14%	12.81%	7.57%	11.55%
MSCI ACWI ex-US Value	5.91%	13.33%	8.32%	12.45%
Lombardia - Net (3/31/12)	-	-	-	22.69%
Mondrian (3/31/12)	-	-	-	10.91%
MSCI ACWI ex-US Index	5.14%	12.81%	7.57%	11.55%
MSCI ACWI ex-US Value	5.91%	13.33%	8.32%	12.45%
Mondrian - Net (3/31/12)	-	-	-	10.42%
Lazard (3/31/12)	-	-	-	16.20%
MSCI ACWI ex-US Index	5.14%	12.81%	7.57%	11.55%
MSCI ACWI ex-US Value	5.91%	13.33%	8.32%	12.45%
Lazard - Net (3/31/12)	-	-	-	15.37%



## International Equity Returns

The table below details the rates of return for the fund's international large cap core, international small cap, and emerging markets managers over various time periods. Negative returns are shown in red, positive returns in black. Returns for one year or greater are annualized.

### Returns for Periods Ended December 31, 2013

	Last Month	Last 3 Months	Last 12 Months
<b>Intl Large Cap Active Core (01/31/08)</b>	<b>1.26%</b>	<b>5.98%</b>	<b>22.79%</b>
Arrowstreet (02/29/08)	1.25%	6.46%	23.81%
MSCI ACWI ex-US Index	0.88%	4.77%	15.29%
Arrowstreet - Net (02/29/08)	1.25%	6.35%	23.25%
Brown (09/30/04)	2.66%	7.24%	30.62%
MSCI ACWI ex-US Index	0.88%	4.77%	15.29%
Brown - Net (12/31/04)	2.66%	6.39%	29.36%
GlobeFlex (02/28/06)	0.55%	4.84%	18.05%
MSCI ACWI ex-US Index	0.88%	4.77%	15.29%
GlobeFlex - Net (02/28/06)	0.55%	4.73%	17.57%
<b>Intl Large Cap Pass. Core (12/31/99)</b>	<b>1.50%</b>	<b>5.72%</b>	<b>23.24%</b>
NTGI MSCI EAFE Idx (01/31/00)	1.50%	5.72%	23.24%
MSCI EAFE Index	1.50%	5.71%	22.78%
NTGI EAFE Idx - Net (12/31/04)	1.50%	5.72%	22.12%
<b>International Small Cap (11/30/05)</b>	<b>1.95%</b>	<b>5.15%</b>	<b>26.46%</b>
Franklin Templeton (07/31/11)	1.85%	4.73%	23.99%
ACWI Small Cap ex US	1.75%	4.63%	19.73%
Franklin Templeton - Net (07/31/11)	1.85%	4.55%	23.10%
William Blair (08/31/10)	2.04%	5.50%	28.59%
ACWI Small Cap ex US	1.75%	4.63%	19.73%
Intl SC Blended Benchmark	1.75%	4.63%	19.73%
William Blair - Net (08/31/10)	2.04%	5.31%	27.62%
<b>Emerging Markets (01/31/92)</b>	<b>(0.31%)</b>	<b>2.08%</b>	<b>1.53%</b>
Genesis (04/30/04)	(0.31%)	2.08%	1.53%
MSCI Emerging Markets Index	(1.44%)	1.86%	(2.27%)
Genesis - Net (12/31/04)	(0.31%)	2.08%	0.99%

Brown and GlobeFlex moved to International Large Cap Active Core April 1, 2011.

Intl SC Blended Benchmark consists of the S&P Developed Ex-U.S. Small Cap Index through May 31, 2011 and the MSCI ACWI Ex-U.S. Small Cap Index thereafter.

## International Equity Returns

The table below details the rates of return for the fund's international large cap core, international small cap, and emerging markets managers over various time periods. Negative returns are shown in red, positive returns in black. Returns for one year or greater are annualized.

### Returns for Periods Ended December 31, 2013

	Last 36 Months	Last 60 Months	Last 120 Months	Since Inception
<b>Intl Large Cap Active Core (01/31/08)</b>	<b>9.42%</b>	<b>17.28%</b>	<b>-</b>	<b>4.20%</b>
Arrowstreet (02/29/08)	9.55%	17.36%	-	4.33%
MSCI ACWI ex-US Index	5.14%	12.81%	7.57%	1.66%
Arrowstreet - Net (02/29/08)	9.03%	16.81%	-	3.85%
Brown (09/30/04)	11.23%	17.19%	-	9.84%
MSCI ACWI ex-US Index	5.14%	12.81%	7.57%	7.95%
Brown - Net (12/31/04)	10.55%	16.59%	-	7.39%
MSCI ACWI ex-US Index	5.14%	12.81%	7.57%	6.61%
GlobeFlex (02/28/06)	8.59%	15.03%	-	4.70%
MSCI ACWI ex-US Index	5.14%	12.81%	7.57%	4.10%
GlobeFlex - Net (02/28/06)	8.12%	14.56%	-	4.23%
<b>Intl Large Cap Pass. Core (12/31/99)</b>	<b>8.61%</b>	<b>12.92%</b>	<b>7.31%</b>	<b>3.46%</b>
NTGI MSCI EAFE Idx (01/31/00)	8.61%	12.90%	7.30%	3.48%
MSCI EAFE Index	8.17%	12.44%	6.91%	3.10%
NTGI EAFE Idx - Net (12/31/04)	8.28%	12.69%	-	5.74%
MSCI EAFE Index	8.17%	12.44%	6.91%	5.97%
<b>International Small Cap (11/30/05)</b>	<b>10.88%</b>	<b>15.94%</b>	<b>-</b>	<b>4.84%</b>
Franklin Templeton (07/31/11)	-	-	-	9.52%
ACWI Small Cap ex US	4.97%	18.73%	10.09%	5.54%
Franklin Templeton - Net (07/31/11)	-	-	-	8.78%
William Blair (08/31/10)	11.91%	-	-	17.48%
ACWI Small Cap ex US	4.97%	18.73%	10.09%	11.57%
Intl SC Blended Benchmark	6.15%	16.17%	9.23%	12.60%
William Blair - Net (08/31/10)	11.02%	-	-	14.88%
<b>Emerging Markets (01/31/92)</b>	<b>1.77%</b>	<b>20.43%</b>	<b>14.71%</b>	<b>10.12%</b>
Genesis (04/30/04)	1.77%	20.43%	-	14.24%
MSCI Emerging Markets Index	(1.74%)	15.15%	11.52%	10.78%
Genesis - Net (12/31/04)	1.18%	19.71%	-	12.27%
MSCI Emerging Markets Index	(1.74%)	15.15%	11.52%	10.50%

Brown and GlobeFlex moved to International Large Cap Active Core April 1, 2011.

Intl SC Blended Benchmark consists of the S&P Developed Ex-U.S. Small Cap Index through May 31, 2011 and the MSCI ACWI Ex-U.S. Small Cap Index thereafter.

## Domestic Fixed-Income Returns

The table below details the rates of return for the fund's domestic fixed core managers over various time periods. Negative returns are shown in red, positive returns in black. Returns for one year or greater are annualized.

### Returns for Periods Ended December 31, 2013

	Last Month	Last 3 Months	Last 12 Months
<b>Dom. Fixed Active Core (03/31/01)</b>	<b>(0.60%)</b>	<b>0.02%</b>	<b>(1.70%)</b>
EARNEST Partners (04/30/05)	(0.73%)	(0.30%)	(1.91%)
BC Aggregate Index	(0.57%)	(0.14%)	(2.02%)
EARNEST Partners - Net (04/30/05)	(0.73%)	(0.35%)	(2.12%)
Piedmont (05/31/05)	(0.46%)	0.35%	(1.48%)
BC Aggregate Index	(0.57%)	(0.14%)	(2.02%)
Piedmont - Net (05/31/05)	(0.46%)	0.31%	(1.69%)
<b>Dom. Fixed Passive Core (12/31/89)</b>	<b>(0.58%)</b>	<b>(0.16%)</b>	<b>(2.21%)</b>
BlackRock US Debt (08/31/13)	(0.56%)	(0.11%)	-
BC Aggregate Index	(0.57%)	(0.14%)	(2.02%)
BlackRock US Debt - Net (08/31/13)	(0.56%)	(0.11%)	-
NTGI BC Agg. Index (01/31/90)	(0.60%)	(0.19%)	(2.15%)
BC Aggregate Index	(0.57%)	(0.14%)	(2.02%)
NTGI BC Agg. Index - Net (12/31/04)	(0.60%)	(0.20%)	(2.15%)

## Domestic Fixed-Income Returns

The table below details the rates of return for the fund's domestic fixed core managers over various time periods. Negative returns are shown in red, positive returns in black. Returns for one year or greater are annualized.

### Returns for Periods Ended December 31, 2013

	Last 36 Months	Last 60 Months	Last 120 Months	Since Inception
<b>Dom. Fixed Active Core (03/31/01)</b>	<b>4.16%</b>	<b>6.21%</b>	<b>4.48%</b>	<b>4.89%</b>
EARNEST Partners (04/30/05)	4.13%	5.96%	-	5.13%
BC Aggregate Index	3.26%	4.44%	4.55%	4.76%
EARNEST Partners - Net (04/30/05)	3.93%	5.75%	-	4.92%
Piedmont (05/31/05)	4.13%	6.08%	-	4.78%
BC Aggregate Index	3.26%	4.44%	4.55%	4.65%
Piedmont - Net (05/31/05)	3.94%	5.90%	-	4.57%
<b>Dom. Fixed Passive Core (12/31/89)</b>	<b>3.23%</b>	<b>4.57%</b>	<b>4.48%</b>	<b>6.49%</b>
BlackRock US Debt (08/31/13)	-	-	-	0.24%
BC Aggregate Index	3.26%	4.44%	4.55%	0.29%
BlackRock US Debt - Net (08/31/13)	-	-	-	0.24%
NTGI BC Agg. Index (01/31/90)	3.25%	4.58%	4.49%	6.52%
BC Aggregate Index	3.26%	4.44%	4.55%	6.51%
NTGI BC Agg. Index - Net (12/31/04)	3.24%	4.57%	-	4.46%

## Domestic Fixed-Income Returns

The table below details the rates of return for the fund's domestic fixed core plus and high yield managers over various time periods. Negative returns are shown in red, positive returns in black. Returns for one year or greater are annualized.

### Returns for Periods Ended December 31, 2013

	Last Month	Last 3 Months	Last 12 Months
<b>Domestic Fixed Core Plus (12/31/81)</b>	<b>(0.40%)</b>	<b>0.51%</b>	<b>(1.23%)</b>
BlackRock Core Plus (03/31/07)	(0.59%)	(0.09%)	(1.45%)
BC Aggregate Index	(0.57%)	(0.14%)	(2.02%)
BlackRock Core Plus - Net (03/31/07)	(0.59%)	(0.11%)	(1.72%)
LM Capital (04/30/05)	(0.49%)	0.62%	(1.32%)
BC Aggregate Index	(0.57%)	(0.14%)	(2.02%)
LM Capital - Net (04/30/05)	(0.49%)	0.58%	(1.48%)
Progress Fixed Income (12/31/05)	(0.41%)	0.47%	(0.70%)
BC Aggregate Index	(0.57%)	(0.14%)	(2.02%)
Progress Fixed Inc. - Net (12/31/05)	(0.41%)	0.38%	(1.05%)
Taplin, Canida, Habacht (04/30/05)	(0.11%)	0.99%	(1.67%)
BC Aggregate Index	(0.57%)	(0.14%)	(2.02%)
Taplin, Canida, Hab. - Net (04/30/05)	(0.11%)	0.96%	(1.81%)
Western (10/31/01)	(0.44%)	0.50%	(0.90%)
BC Aggregate Index	(0.57%)	(0.14%)	(2.02%)
Western - Net (12/31/04)	(0.44%)	0.46%	(1.05%)
<b>High Yield (03/31/86)</b>	<b>0.43%</b>	<b>3.29%</b>	<b>6.39%</b>
Mackay Shields (10/31/00)	0.49%	3.01%	7.03%
ML High Yield Cash Pay Index	0.55%	3.48%	7.38%
Mackay Shields - Net (12/31/04)	0.49%	2.92%	6.67%
Pyramis (07/31/86)	0.38%	3.56%	5.77%
ML High Yield Cash Pay Index	0.55%	3.48%	7.38%
Pyramis - Net (12/31/04)	0.38%	3.48%	5.42%

Taplin, Canida, & Habacht moved to Core Plus October 1, 2010.

## Domestic Fixed-Income Returns

The table below details the rates of return for the fund's domestic fixed core plus and high yield managers over various time periods. Negative returns are shown in red, positive returns in black. Returns for one year or greater are annualized.

### Returns for Periods Ended December 31, 2013

	Last 36 Months	Last 60 Months	Last 120 Months	Since Inception
<b>Domestic Fixed Core Plus (12/31/81)</b>	<b>4.68%</b>	<b>7.52%</b>	<b>5.23%</b>	<b>8.75%</b>
BlackRock Core Plus (03/31/07)	4.14%	6.72%	-	5.31%
BC Aggregate Index	3.26%	4.44%	4.55%	4.81%
BlackRock Core Plus - Net (03/31/07)	3.99%	6.60%	-	5.21%
LM Capital (04/30/05)	4.51%	6.68%	-	5.61%
BC Aggregate Index	3.26%	4.44%	4.55%	4.76%
LM Capital - Net (04/30/05)	4.34%	6.51%	-	5.44%
Progress Fixed Income (12/31/05)	4.31%	6.01%	-	5.70%
BC Aggregate Index	3.26%	4.44%	4.55%	4.91%
Progress Fixed Inc. - Net (12/31/05)	3.94%	5.64%	-	5.36%
Taplin, Canida, Habacht (04/30/05)	5.08%	6.98%	-	5.30%
BC Aggregate Index	3.26%	4.44%	4.55%	4.76%
Taplin, Canida, Hab. - Net (04/30/05)	4.94%	6.85%	-	5.20%
Western (10/31/01)	5.01%	8.97%	5.54%	6.08%
BC Aggregate Index	3.26%	4.44%	4.55%	4.87%
Western - Net (12/31/04)	4.86%	8.82%	-	5.13%
BC Aggregate Index	3.26%	4.44%	4.55%	4.63%
<b>High Yield (03/31/86)</b>	<b>8.73%</b>	<b>18.46%</b>	<b>8.80%</b>	<b>10.23%</b>
Mackay Shields (10/31/00)	9.42%	16.82%	8.55%	9.89%
ML High Yield Cash Pay Index	9.01%	18.46%	8.38%	8.28%
Mackay Shields - Net (12/31/04)	9.02%	16.41%	-	7.56%
ML High Yield Cash Pay Index	9.01%	18.46%	8.38%	8.22%
Pyramis (07/31/86)	8.07%	20.20%	9.06%	9.98%
ML High Yield Cash Pay Index	9.01%	18.46%	8.38%	8.88%
Pyramis - Net (12/31/04)	7.61%	19.75%	-	8.25%
ML High Yield Cash Pay Index	9.01%	18.46%	8.38%	8.22%

Taplin, Canida, & Habacht moved to Core Plus October 1, 2010.

## Manager Summary

### Five Best Performing Portfolios vs. Benchmarks

Manager	Year-to-Date Outperformance (in % points)	Since Inception Outperformance (in % points)	
Wall Street	18.39	7.36	(07/31/90)
Ativo	17.68	0.78	(09/30/10)
Lombardia	15.42	11.67	(03/31/12)
Brown	15.34	1.89	(09/30/04)
Brandes	12.92	4.60	(12/31/95)

### Five Worst Performing Portfolios vs. Benchmarks

Manager	Year-to-Date Underperformance (in % points)	Since Inception Underperformance (in % points)	
Fortaleza	-9.13	-1.51	(11/30/06)
Vision	-5.29	-1.40	(06/30/11)
Pyramis	-1.61	1.10	(07/31/86)
EARNEST	-1.58	5.07	(09/30/04)
Holland	-0.54	0.81	(10/31/94)

### Five Highest Returning portfolios

Manager	Year-to-Date Return (in % points)	Since Inception Return (in % points)	
Wall StreetAtivo	61.69	15.39	(07/31/90)
Ativo	60.98	21.96	(09/30/10)
Ariel	47.41	20.97	(10/31/10)
DFA	44.68	12.02	(07/31/87)
Frontier	43.15	13.90	(07/31/88)

### Five Lowest Returning Portfolios

Manager	Year-to-Date Return (in % points)	Since Inception Return (in % points)	
NT Barclays Agg	-2.15	6.52	(01/31/90)
EARNEST FI	-1.91	5.13	(04/30/05)
Taplin, Canida, Habacht	-1.67	5.30	(04/30/05)
Piedmont Fixed Income	-1.48	4.78	(05/31/05)
BlackRock Core Plus	-1.45	5.31	(03/31/07)

Returns are shown gross of investment management fees.

Excludes Real Estate and Alternative Investments portfolios.

(14-01-03) (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 #13-12-20

Schedules - Dated January 24, 2014

- 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

Bid

TrinityINSITE Imaging System Support and Maintenance  
Approved Bidder: InSite Data Systems  
Approved Bid: \$50,000

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

Vote: Unanimous Voice Vote  
Absent: Stanish, Stulir

(14-01-04) (Financial Reports) The Chair presented the following financial reports for approval.

- Review of January Financial Reporting Package
- November 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 Mr. Stafford, seconded by Ms. Thompson, to approve the Financial Reports as presented.

Vote: Unanimous Voice Vote  
Absent: Stanish, Stulir

(14-01-05) (Report of the Benefit Review Committee) The Chair of the Benefit Review Committee reported on the meeting held on January 23, 2014.

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 remove the previously established service credit earned by Leonard Hines, while in the position of Bremen Township Clerk.
- To overturn staff's decision that Daniel Smith's annuity be recalculated to remove the amount added to the annuity in error and instead to add an additional payment of \$750.00 per month to that recalculated annuity.
- To uphold staff's determination that an accelerated payment is payable by Moline School District#40. The District is not entitled to an exemption for payment of a retirement stipend to the five retirees (Gates, Haney, Inskip, Kaufman and Williams) pursuant to a contract which was entered into after January 1, 2012.

Vote: Unanimous Voice Vote  
Absent: Stanish, Stulir

(14-01-06) (Report of the Investment Committee) The Chair of the Investment Committee presented a report on the Committee Meeting that was held on January 23, 2014.

She reported the Chief Investment Officer presented an overview of recommended changes to IMRF's Investment Committee Charter, Statement of Investment Policy, and Real Estate Statement of Investment Policy, and noted these policies are reviewed annually.

It was the consensus of the Investment Committee to recommend the Board approve the following Investment Committee Charter:

# INVESTMENT COMMITTEE CHARTER

*Adopted January 24, 2014*

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Illinois Municipal Retirement Fund  
2211 York Road, Suite 500  
Oak Brook, IL 60523-2337  
(630) 368-1010

## **INVESTMENT COMMITTEE CHARTER**

The Board of Trustees of the Illinois Municipal Retirement Fund has adopted this Investment Committee Charter.

### **PURPOSE**

The Investment Committee, as trustees and fiduciaries, is responsible for the proper oversight of the IMRF assets. The committee members shall carry out their functions solely in the interest of the IMRF members and benefit recipients and for the exclusive purpose of providing and defraying reasonable expenses incurred in performing such duties, as required by law.

### **COMPOSITION**

The Investment Committee will consist of at least six members of the Board of Trustees. Annually, the President of the Board will appoint the Investment Committee members, Chair and Vice Chair of the Investment Committee and the full Board will approve the Committee Chair, Vice-Chair and committee members for a one-year term.

### **MEETINGS**

The Committee will generally meet once a month and may convene more or less often as necessary. A quorum of at least 5 members must be physically present for all meetings of the Committee. Meetings are subject to the Open Meetings Act. Each meeting agenda will be posted in advance and in accordance with the Illinois Open Meetings Act. Meeting materials will be prepared by Staff and Consultant, as necessary.

Staff will prepare minutes for each meeting. These minutes will serve as a record of proceedings in the form of a non-verbatim report.

## RESPONSIBILITIES

Investment Committee members, as Trustees, shall act in accordance with the provisions of State Statute and with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent man acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of like character with like aims by diversifying the investment of the Fund so as to minimize the risk of large losses, unless under the circumstances it is clearly prudent not to do so.

The Investment Committee of the Board is responsible for the following investment related activities, subject to approval by the Board of Trustees:

- Set the policies, objectives, and guidelines for investment of the Fund's assets and oversee compliance with investment policy and the laws of Illinois.
- Study thoroughly each issue affecting the Fund's investments to make educated and prudent decisions.
- Select qualified professionals to assist in implementing investment policies and evaluate their services.
- Consider Staff recommendations for selecting or terminating investment managers.
- Consider investment actions recommended by staff.
- Evaluate total fund performance including performance of all investment managers.

### *Reporting Responsibilities of the Committee*

- Regularly report to the Board about activities, issues and related recommendations.
- Report on any issues relating to its responsibilities.

### *Other Responsibilities*

- Perform any activities related to this charter as directed by the Board of Trustees.

**PROCEDURES FOR AMENDING THE INVESTMENT COMMITTEE CHARTER**

This Charter may be amended by a majority vote of the Board. Recommendations for policy changes should be directed to the Chief Investment Officer. The Chief Investment Officer shall review all such recommendations and is responsible for submitting necessary changes to the Board for approval.

The Investment Committee Charter shall be reviewed annually.

It was the consensus of the Investment Committee to recommend the Board approve the following Statement of Investment Policy:



# Illinois Municipal Retirement Fund

*"Locally Funded, Financially Sound."*

## **STATEMENT OF INVESTMENT POLICY**

(Adopted: January 24, 2014)

### **INVESTMENT DEPARTMENT MISSION STATEMENT**

Under the guidance and direction of the Board of Trustees, and governed by the Prudent Man Rule, it is the mission of the Investment Department to optimize the total return of the IMRF investment portfolio through a policy of diversified investment using parameters of prudent risk management.

**ILLINOIS MUNICIPAL RETIREMENT FUND  
STATEMENT OF INVESTMENT POLICY**

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# STATEMENT OF INVESTMENT POLICY

## **I. Introduction and Purpose**

### **A. About IMRF**

The Illinois Municipal Retirement Fund (“IMRF”) is a defined benefit plan created in 1939 by the Illinois General Assembly for the exclusive purpose of providing retirement, death and disability benefits to employees of local units of government and school districts in Illinois. IMRF serves over 2,950 employers and over 394,000 active and retired members. IMRF is separate and apart from the Illinois state government. Benefits are funded by employer and member contributions and investment returns.

IMRF is governed by a Board of eight elected trustees. Four are elected by employers, three are elected by participating members and one is elected by annuitants (individuals receiving retirement benefits). The Board appoints an Executive Director who is responsible for all administrative functions and supervision of staff employees.

#### **Mission Statement**

To efficiently and impartially develop, implement, and administer programs that provide income protection to members and their beneficiaries on behalf of participating employers in a prudent manner.

#### **Vision**

To provide the highest quality retirement services to our members, their beneficiaries and employers.

### **B. Legal Authority**

IMRF was created by Article 7 of Chapter 40, Act 5 of the Illinois Pension Code in order to provide a sound and efficient system for the payment of annuities and other benefits to officers and employees, and to their beneficiaries, of municipalities of the State of Illinois.

Article 1 Chapter 40 Section 109 of the Illinois Compiled Statutes provides the key legal criteria regarding investment policy as follows:

“**Duties of Fiduciaries.** A fiduciary with respect to a retirement system or pension fund established under this Code shall discharge his or her duties with respect to the retirement system or pension fund solely in the interest of the participants and beneficiaries and:

- (a) For the exclusive purpose of:
  - (1) Providing benefits to participants and their beneficiaries; and

- (2) Defraying reasonable expenses of administering the retirement system or pension fund;
- (b) With the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent man acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character with like aims;
  - (c) By diversifying the investments of the retirement system or pension fund so as to minimize the risk of large losses, unless under the circumstances it is clearly prudent not to do so; and
  - (d) In accordance with the provisions of the Article of the Pension Code governing the retirement system or pension fund.”

**C. Investment Philosophy**

IMRF’s investment philosophy has been developed with careful consideration of its primary purpose, fiduciary obligations, statutory requirements, liquidity needs, income sources, benefit obligations, and other general business conditions. The investment philosophy embraces the following:

- Strategic asset allocation is the most significant factor attributable to the long-term total return of the Fund. Diversification is the primary risk control element. Commitments to asset allocation targets and ranges will be maintained through a disciplined rebalancing program. The asset allocation policy will be periodically reexamined to ensure its appropriateness to the then prevailing liability considerations.
- The Fund’s liabilities are long-term and therefore the strategic investment horizon will, at a minimum, be 10-years. Strategic decisions will prevail in determining asset allocation rather than tactical or short-term market timing decisions.
- Active management may be utilized to add value beyond broad market benchmarks by exploiting market inefficiencies.
- Passive investment vehicles consisting of index funds may be utilized to complement actively managed portfolios as an efficient way to provide benchmark return, adjust risk within the overall fund, and provide a liquid and low cost pool to facilitate timely fund rebalancing, especially in highly efficient markets.
- Due diligence and monitoring the investment managers are critical elements integral to safeguarding the Fund’s assets.

## **D. Roles and Responsibilities**

The Board of Trustees and internal Investment Staff have specific responsibilities in the management and oversight of IMRF's investment activities. The Board of Trustees may allocate duties among themselves and designate others as fiduciaries to carry out specific fiduciary activities. External advisors, investment managers and contractors may be retained, as fiduciaries, to execute certain investment or related activities.

All persons who act as agents of the Board shall adhere to the highest standards of professional integrity and honesty and are prohibited by law from profiting directly or indirectly from the investments of the Fund. However, this shall not preclude an agent of the Board from acting as principal participant or servicer in transactions with the Fund when that interest is fully disclosed and approved by the Board.

The following section outlines the roles and responsibilities for the Board of Trustees, Investment Staff, Investment Managers and Investment and Performance Consultants involved with executing this Policy.

### **1. Board of Trustees**

The members of the Board are responsible, as trustees and fiduciaries, for the proper oversight of the IMRF assets. Trustees shall carry out their functions solely in the interest of the members and benefit recipients and for the exclusive purpose of providing benefits and defraying reasonable expenses incurred in performing such duties, as required by law.

Trustees shall act in accordance with the provisions of State Statute and with care, skill, prudence, and diligence under the circumstances then prevailing that a prudent man acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of like character with like aims by diversifying the investment of the Fund so as to minimize the risk of large losses, unless under the circumstances it is clearly prudent not to do so.

The Board of Trustees is responsible for the following investment related activities:

- Set the policies, objectives, and guidelines for investment of the Fund's assets and oversee compliance with investment policy and the laws of Illinois.
- Study thoroughly each issue affecting the Fund's investments to make educated and prudent decisions.

- Select qualified professionals to assist in implementing investment policies and evaluate their services.
- Consider Staff recommendations for selecting or terminating investment managers.
- Evaluate total fund performance including performance of all investment managers.

## **2. Investment Staff**

The Chief Investment Officer (CIO) is charged with the coordination of all investment activities and matters involving the Fund's assets.

The CIO is responsible for continuous review and analysis of the Fund's assets and to recommend adjustments which are appropriate to take optimum advantage of new conditions and strategies as they arise in the marketplace.

The CIO is responsible for overseeing all investment activities required to implement the IMRF Statement of Investment Policy. The CIO will advise the Board of Trustees and Investment Committee on any investment related matters.

Staff continually reviews and analyzes the philosophies, policies and strategies employed by the Fund's investment managers taking an in-depth look at their decision-making process and their investment style in relation to present and projected investment horizons and to ensure that the goals and objectives of the Board are being met and accomplished.

Staff, with guidance and direction from the CIO, is responsible for the following:

- On an annual basis, review and recommend to Investment Committee of the Board: a) Investment Committee Charter, b) Statement of Investment Policy, and c) Real Estate Statement of Investment Policy.
- Ensure compliance with investment policies and procedures established by the Board of Trustees.
- Manage cash flow by buying or selling passive and/or active manager investments to pay benefits and expenses and/or fund Board approved investments.

- Recommend investment actions to the Investment Committee of the Board of Trustees and/or to the Board of Trustees.
- Staff is responsible for managing each asset class, as described by the IMRF Investment Policy, on an on-going basis, including monitoring the investment managers and reporting to the Board of Trustees.
- Conduct all necessary due diligence relating to the selection of investment managers and consultants. Negotiate and approve guidelines and contracts for each investment manager and consultant.
- Monitor and report to the Board of Trustees as applicable, on programs related to securities lending, proxy voting, minority manager and minority broker utilization.
- Respond to inquiries from the state legislature, the membership, the press, other governmental representatives and the public concerning the investments of the Fund.
- Coordinate communications between master trustee, investment managers, brokers and consultants.

### **3. Investment Managers**

The Board of Trustees continually seeks to employ investment managers who possess superior capabilities in the management of assets of public retirement funds.

Investment managers, as fiduciaries selected by the Board of Trustees and monitored by Staff, have the power to manage, acquire, or dispose of any assets of the Fund within their mandate. Investment managers will acknowledge in writing that they are a fiduciary with respect to the Fund, and is at least one of the following: (1) registered as an investment adviser under the federal Investment Advisers Act of 1940; (2) a bank, as defined in the Investment Advisers Act of 1940.

The Board of Trustees requires investment managers to meet the following set of conditions as stated in their respective investment management agreements with IMRF.

- All investment managers will construct and manage investment portfolios that are consistent with IMRF's investment guidelines. The investment manager will select, buy and sell specific securities or investments within the parameters specified by their investment management agreement with IMRF.

- Public market investment managers will execute all investment transactions on behalf of the Fund at the best net price, utilizing such brokers and dealers as they deem appropriate to obtain the best execution capabilities and/or valuable information with respect to the economy and the affairs of corporations at the lowest cost to the Fund.
- Public market investment managers will report to the Fund monthly , and the Private market investment managers will report to the fund quarterly. All investment managers will report on:
  - the composition and relative performance of the investments in their designated portfolios;
  - the economic and investment outlook for the near and long term;
  - significant changes in the portfolio under their management during the quarter;
  - the reasons for any significant differences between the performance of their portfolios and the appropriate market indices or other performance benchmarks established by the Fund and the investment managers.
- The public market investment manager will report to the Fund monthly on the use of minority and female owned business enterprise broker/dealers and broker/dealers owned by a person with a disability.
- All investment managers will adhere to any additional responsibilities as detailed in each investment manager's agreement with the Fund.

*Note: Limited Partnership Investments, typically in private market asset classes, are not considered investment managers as defined by Illinois Pension Code.*

#### **4. Investment and Performance Consultants**

##### **Investment Consultant**

Investment Consultant are persons or entities selected by the Board of Trustees, as fiduciaries and advisers, to make recommendations in developing an investment strategy, assist with finding appropriate investment managers, or monitor the Fund's assets.

The Investment Consultant will:

- In conjunction with the CIO, provide reports to the Board of Trustees on emerging trends and issues of concern to public pension funds generally and to the Fund in particular.
- Provide education to the Board of Trustees and Staff, which includes but is not limited to analyzing and summarizing relevant publications, discussions, meetings and research on current investment related topics.
- Evaluate investment manager candidates using non-discriminatory practices when engaged by IMRF for a RFP search.

*When conducting a search for a new investment manager, the Board of Trustees requires that all minority owned, female owned businesses and businesses owned by a person with a disability (MFPDOB) enterprise investment management firms evaluated during the search process be specifically identified in the search report presented to them. The most qualified MFPDOB candidate(s) will be invited to present to the Investment Committee of the Board or the Board of Trustees. Any reasons for eliminating a MFPDOB candidate(s) from further consideration must also be provided in the report.*

- Serve as a resource to Staff by analyzing and making recommendations with respect to the IMRF Investment Policy, the investment plan, each investment manager's implementation of policy and strategy, the appropriate investment horizon for the Fund given its actuarial characteristics, and such other research as may be required from time to time.

### **Performance Evaluation Consultant**

The Performance Evaluation Consultant shall provide monthly and quarterly investment performance evaluation and analysis to the Board of Trustees. Total Fund performance and each investment manager employed by the Fund shall be measured against appropriate indices and benchmarks. The quarterly investment performance report shall include IMRF returns for the total fund, asset classes and investment managers against universes of pension funds.

## **II. Investment Objectives and Goals**

### **A. Investment Objectives**

All investment transactions undertaken will be for the sole benefit of the Fund's members and participating employers. The Board has a responsibility to make investment decisions with the objective of obtaining superior total

long-term rates of return while using parameters of prudent risk management and reasonable control of costs. To assure an adequate accumulation of assets in the Fund, the investment objectives are to:

1. Achieve and maintain the Illinois Municipal Retirement Fund assets in excess of the present value of accrued benefits.
2. Achieve for the total Fund a rate of return in excess of inflation.
3. Achieve for the total Fund a rate of return in excess of the assumed actuarial investment rate of return of 7.5%.
4. Achieve for the total Fund a rate of return in excess of the Total Fund Benchmark. The Total Fund Benchmark is a blend of the asset class benchmark returns weighted by the target allocation for each asset class.

The Total Fund Benchmark is equal to the sum of:

- 38% Dow Jones U.S. Total Stock Market Index
- 27% Barclays Capital Aggregate Bond Index
- 17% Morgan Stanley Capital International All Country World Index ex-US
- 8% National Council of Real Estate Investment Fiduciaries Open-End Diversified Core Index
- -9% of 9% annually
- 1% 3-month Treasury Bills

## **B. Minority Investment Manager Utilization**

The Illinois Municipal Retirement Fund is committed to providing opportunities for emerging minority and female owned investment management firms and emerging investment management firms owned by a person with a disability (MFPDOB). The Illinois Municipal Retirement Fund Board of Trustees has adopted the following minimum goals for the utilization of MFPDOB investment management firms.

### Goals for Utilization of MFPDOB Investment Managers by Investment Manager Classification

<u>Investment Manager Classification</u>	<u>Minimum Goal as a Percentage of Total Portfolio</u>
Minority Owned Businesses	9% to 13%
Female Owned Businesses	2% to 6%



Businesses Owned by a Person with a Disability	0.5% to 1%
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Goals for Utilization of MFPDOB Investment Managers  
by Asset Class

<u>Asset Class</u>	<u>Minimum Goal as a Percentage of Asset Class</u>
Equities	10% to 12% of the asset class
Fixed Income	15% to 20% of the asset class
Alternatives	5% to 10% of the asset class

These goals will be reviewed annually.

**C. Investments in Illinois Businesses**

The Board recognizes that investments made in businesses operating in Illinois and in real estate and other assets in the state may contribute to an improved economic climate in the state. Therefore, where investment characteristics such as competitive rate of return in relation to the risks involved, minimum quality standards, liquidity considerations, and other investment objectives of the Board are equivalent, the Board favors investments which will have a positive impact on the economy of Illinois. However, nothing in this paragraph shall be construed to favor the foregoing of investment return in order to provide a subsidy to a particular group to the detriment of the Fund members, their beneficiaries, or their public employers.

**D. Minority Broker/Dealer Utilization**

The firms that are to act as a securities broker-dealer with respect to the purchase and sale of assets for the Fund shall be selected by the investment manager in its sole discretion. The investment manager or any entity controlled by or controlling it, or affiliated with it, shall not act as a securities broker-dealer with respect to purchases and sales of assets allocated to the investment manager unless the Board specifically approves such action.

In the selection of broker-dealers with whom to place orders for the purchase or sale of securities for the Fund, the primary objective of the investment manager shall be to obtain the most favorable results for the Fund. The investment manager's selection of broker-dealers may take into account such relevant factors as (1) price and/or commission; (2) the broker-dealer's facilities, reliability and financial responsibility; (3) the ability of the broker-dealer to effect securities transactions, particularly with respect to such aspects as timing, order size,

execution of orders and the ability to complete a transaction through clearance, settlement and delivery; and (4) the research and other services provided by such broker-dealer to the investment manager which are expected to enhance general portfolio management capabilities, notwithstanding the fact that the Fund may not be the direct or exclusive beneficiary of such services. The investment manager's selection of such broker-dealers shall be in accordance with Article I of the Illinois Pension Code (40 ILCS 5/1-101 et seq.), the Investment Advisors Act of 1940 and any other applicable securities laws, rules and regulations.

Minority Broker/Dealer Utilization Goal

The Illinois Municipal Retirement Fund is committed to providing opportunities for minority owned and female owned broker/dealers and broker/dealers owned by a person with a disability (MFPDOB). The Illinois Municipal Retirement Fund Board of Trustees has adopted a policy which sets forth goals for increasing the utilization of MFPDOB broker/dealers.

The minimum expectations for the utilization of MFPDOB broker/dealers are based on commission dollars. Investment managers of separately managed investment portfolios, in the following asset classes, must meet the minimum goals:

<u>Asset Class</u>	<u>2013 Minimum Goal</u>
U.S. Equities	25%
International Equities	20%
Fixed Income	22%
High-Yield Bonds	5%
U.S. Micro-Cap Equities	7%
International Small-Cap Equities	5%
Emerging Market Equities	5%

*Note: This broker/dealer utilization goal will be reviewed annually. IMRF may allow current investment managers a limited transition period when MFPDOB broker/ dealer utilization goals are increased.*

Investment managers are prohibited from using indirect methods such as step-outs to achieve these goals.

Investment managers of pooled/commingled investment portfolios are directed to use their best efforts to execute trades with MFPDOB broker/dealers.

All investment managers executing brokerage on behalf of the Illinois Municipal Retirement Fund are directed to meet these minimum goals in their specific portfolios and shall report monthly on their utilization of MFPDOB broker/dealers. Any investment manager failing to meet the minimum goal during the reporting month must provide a written explanation disclosing the reasons for not meeting the goal.

Staff will report to the Board of Trustees annually on the utilization of MFPDOB broker/dealers. Investment managers not meeting the MFPDOB broker/dealer utilization goal will be identified in the report. Failure by an investment manager to meet MFPDOB brokerage expectations will be considered as a factor when evaluating overall performance of the investment manager.

**E. Policy Regarding the Illinois High Risk Home Loan Act**

1. It is the policy of IMRF that, unless otherwise inconsistent with any fiduciary duties that may apply, no Illinois finance entity may receive deposits or investments from IMRF unless it certifies that it complies with the requirements of the Illinois High Risk Home Loan Act (815 ILCS 137/1 et seq.) and the rules adopted pursuant to that Act that are applicable to that finance entity. This certification is required before an Illinois finance entity receives a deposit or any assets to invest from IMRF and annually thereafter. For Illinois finance entities with whom IMRF is investing or depositing assets on the effective date of this policy, the initial certification required shall be completed within 6 months after the effective date.
2. If an Illinois finance entity fails to submit an annual certification, then IMRF shall notify that Illinois finance entity. The Illinois finance entity shall, within 30 days after the date of notification, either (i) notify IMRF of its intention to certify and complete certification or (ii) notify IMRF of its intention not to complete certification. If an Illinois finance entity fails to provide certification, then IMRF shall, within 90 days, divest, or attempt in good faith to divest, its assets with that Illinois finance entity. IMRF shall immediately notify the Public Pension Division of the Department of Financial and Professional Regulation of the Illinois finance entity's failure to provide certification.
3. IMRF shall annually submit copies of the certifications to the Public Pension Division of the Department of Financial and Professional Regulation.

4. For purposes of this policy, "Illinois finance entity" means any entity chartered under the Illinois Banking Act, the Savings Bank Act, the Illinois Credit Union Act, or the Illinois Savings and Loan Act of 1985 and any person or entity licensed under the Residential Mortgage License Act of 1987, the Consumer Installment Loan Act, or the Sales Finance Agency Act.
5. The required certification (see Appendix F, attached hereto) must be submitted.

### **III. Asset Allocation**

Asset allocation is generally recognized to have the largest impact on a pension fund's investment performance. Allocating across multiple asset classes avoids concentration risk in any single asset type. Historically, no single asset type has provided consistent superior long-term performance in all market environments. The well-diversified approach positions the portfolio to produce more consistent results over time and generates superior long-term returns.

The Fund's liabilities are long term in nature and the investment strategy will therefore be long term with due consideration of the use of short-term investments to meet cash flow requirements.

Staff and the Investment Consultant shall conduct an Asset Liability Study every three to five years and present the results to the Board. The study will consider the asset class mix, future benefit payments, liabilities, required funding, the appropriateness of the actuarial interest rate assumption, and the prospective funded status of liabilities. Through quantitative asset/liability modeling and qualitative evaluation, an appropriate strategic asset allocation mix will be selected.

Staff and the Investment Consultant will prepare and present an asset allocation review to the Board annually. The asset allocation review will include capital market expectations (10 year horizon), risk/return expectations for major asset classes, appropriate benchmarks, asset class and style targets, and diversification. In addition to achieving diversification by asset class, careful attention shall be paid to diversification within each asset class and sub-allocation and manager concentration at a total fund level.

The table below shows the target asset allocation, including a  $\pm 4\%$  range for each asset class with the exception of cash equivalents.

Asset Class	Asset Allocation Targets	Asset Class Ranges	Policy Benchmark Index
Domestic Equities	38%	34% - 42%	Dow Jones U.S. Total Stock Market Index
International Equities	17%	13% - 21%	MSCI ACWI Ex-U.S. Index
Fixed Income	27%	23% - 31%	Barclays Aggregate Index
Real Estate	8%	4% - 12%	NCREIF ODCE
Alternative Investments	9%	5% - 13%	9%
Cash Equivalents	1%	0% - 2%	3 Month Treasury Bills

Actual allocations that exceed their target by  $\pm 4\%$  will be noted at the next scheduled Board meeting. If deemed necessary by the Chief Investment Officer and Consultant, recommendations for rebalancing strategies will be presented to the Board for their approval.

#### **IV. Benchmarks**

1. The Board seeks to achieve for the total Fund a rate of return in excess of the Total Fund Benchmark. The Total Fund Benchmark is a blend of the asset class benchmark returns weighted by the target allocation for each asset class.

The Total Fund Benchmark is equal to the sum of:

- 38% Dow Jones U.S. Total Stock Market Index
- 27% Barclays Capital Aggregate Bond Index
- 17% Morgan Stanley Capital International All Country World Index ex-US
- 8% National Council of Real Estate Investment Fiduciaries Open-End Diversified Core Index
- 9% of 9% annually
- 1% 3-month Treasury Bills

2. IMRF invests in domestic equities to earn an equity risk premium in order to enhance the long-term returns of the Fund. The objective of the domestic equity portfolio is to achieve a total return that exceeds the total return of the Dow Jones U.S. Total Stock Market Index net of fees.

3. IMRF invests in international equities to earn an equity risk premium and to diversify the equity exposure within the Fund. The objective of the international equity portfolio is to achieve a total return that exceeds the total return of the Morgan Stanley Capital International All Country World Index ex-US net of dividends (MSCI ACWI ex-US) net of fees.
4. IMRF invests in fixed income to provide stable income and to diversify the market risk in the investment portfolio. The objective of the fixed income portfolio is to achieve a total return that exceeds the total return of the Barclays Capital Aggregate Bond Index net of fees.
5. IMRF invests in real estate to provide diversification, inflation protection, and income generation in the investment portfolio. The objective of the real estate portfolio is to achieve a total return that exceeds the total return of the National Council of Real Estate Investment Fiduciaries (NCREIF) Open-End Diversified Core gross of fees (ODCE) Index over a rolling three year period.
6. IMRF invests in alternative investments to diversify the Fund's assets and to enhance the investment portfolio return through long-term capital appreciation. These investments can be highly illiquid and IMRF seeks to be compensated for such illiquidity by earning returns substantially greater than those available from publicly traded equity markets. The objective of the alternative investments portfolio is to achieve an annualized return of 9%.
7. Cash is held primarily for paying benefits and administrative expenses and funding Board approved investments. The objective of the internally managed cash portfolio is to achieve a total return in excess of 3-month U.S. Treasury Bills.

## **V. Investment Guidelines**

The Board of Trustees recognizes the following investment guidelines for each asset class. The guidelines presented here are intended to be summarizations. The Board requires public market investment managers to meet specific contractual guidelines detailed in each investment manager's agreement with the Fund.

### **Public Markets**

#### **A. Domestic Equity Securities**

1. Exposure of the total domestic equity portfolio to any one sector shall generally not differ by more than 5 percentage

points from the sector exposure of the Dow Jones U.S. Total Stock Market Index.

2. The amount of cash and cash equivalents held in the domestic equity portfolio generally shall not exceed 5 percent of the total portfolio except during periods of cash contributions or withdrawals.
3. IMRF shall generally not hold more than 5 percent of the outstanding shares of any one company.
4. No individual security shall comprise more than 15 percent of a manager's portfolio market value without prior approval from the CIO.
5. Generally, no individual security shall comprise more than 5 percent of the total domestic equity portfolio.
6. Equity securities must be listed on the principal U.S. exchanges or traded over the counter. ADRs (either listed or traded over the counter) of foreign companies are permissible.

**B. International Equity Securities**

1. Generally, international equity managers shall only invest in equity securities of companies domiciled outside of the U.S. International equity managers may be allowed to invest a portion of their portfolio in U.S. domiciled companies which have the majority of their operations domiciled outside of the U.S.
2. Generally, no individual security shall comprise more than 6 percent of the total international equity portfolio at market value.
3. The amount of cash and cash equivalents shall not exceed 10 percent of the total international equity portfolio except during periods of cash contributions or withdrawals.
4. The exposure to any one country shall not exceed the higher of 25 percent or two times the benchmark weighting at market value.

5. The exposure to any one sector shall not exceed the higher of 25 percent or two times the benchmark weighting at market value.
6. International equity managers may engage in various transactions to hedge currency. Forward contracts, futures and options may be used for currency hedging purposes. Managers are not permitted to utilize these transactions for speculative purposes.

**C. Fixed Income Securities**

1. Bonds, notes or other obligations of indebtedness issued or guaranteed by the U.S. government, its agencies or instrumentalities may be held without restriction.
2. The average credit quality of the total fixed income portfolio must be investment grade.
3. An individual manager's portfolio shall generally have an effective duration between 80-120 percent of the index for mandates benchmarked against the Barclays Cap Aggregate or Merrill Lynch High Yield Cash Pay indices.
4. Debt obligations of any single U.S. corporation shall generally be limited to a maximum of 5 percent of the total fixed income portfolio at market value.
5. Generally, no more than 30 percent of a manager's assets at market value may be invested in securities rated below investment grade at the time of purchase. Investment managers outside of core and core plus mandates will not be subject to above restriction.
6. Private placements are authorized by the Board on an individual manager basis. Securities issued under rule 144A will not be considered private placements.
7. Bonds or other debt obligations of foreign countries and corporations payable in U.S. and in non-U.S. funds are authorized, but in general will not exceed 15 percent of the total fixed income portfolio.
8. The use of swaps, exchange traded financial futures, exchange traded options on financial futures, and over the



counter options is subject to individual manager guidelines. Managers are not permitted to utilize these transactions for speculative purposes. Leverage is not allowed except as permitted for rolling mortgage pass-through securities.

9. No assets shall be committed to short sale contracts.

## **Private Markets**

### **D. Real Estate Investments**

A separate Real Estate Statement of Investment Policy has been adopted by the Board of Trustees. This Policy is an extension of the Statement of Investment Policy. It will be reviewed by the Board of Trustees annually.

### **E. Alternative Investments**

The alternative investment asset class can encompass different and distinct asset categories within U.S. and Non-U.S. markets. The investments will be made to generate long-term returns in a diversified manner. It generally consists of limited partnerships in which IMRF commits a fixed amount that the General Partner will invest over several years. The partnership structure may cover periods of 10 years or more. IMRF understands and recognizes that the alternative asset class will not be structured in a way to provide short term cash flow needs for the Fund.

Exposure to dedicated non-U.S. strategies will be limited to 30% of the total alternative investment portfolio value plus unfunded commitments at the time of due diligence. Alternative investment managers may or may not hedge currency risk. The IMRF alternative portfolio will not implement currency hedges and accepts currency risks consistent with the geographic exposures of the underlying investments.

The maximum commitment to any direct alternative manager shall be 40% of the total alternatives portfolio value plus unfunded commitments at the time of due diligence.

Capital will be deployed to alternatives over an extended period of time and may take several years before reaching the current target.

Permissible alternative asset categories include but are not limited to:

- Agriculture
- Infrastructure
- Hedge funds
- Private equity investments
- Timber

The target allocation to alternative investment sub-strategies are:

Alternative Asset Class	Target Allocation
Agriculture/Timber	2.0%
Hedge Funds	2.0%
Private Equity Investments	5.0%
Infrastructure	0.0%
<b>Total Alternatives</b>	<b>9.0%</b>

Structures within these categories include but are not limited to:

- Separate accounts
- Commingled funds
- Limited Partnerships
- Limited Liability Companies
- Joint Ventures
- Co-Investments

The Board may pre-approve co-investment opportunities at the inception of an investment in alternatives. Staff will generally accept co-investment opportunities on a pro-rata basis under this scenario. If the General Partner offers a compelling and appropriate co-investment opportunity to IMRF which was not pre-approved, staff may present this opportunity to the Board for their approval.

## **Internally Managed Assets**

### **F. Short-Term Investments**

Permissible short-term investments include but are not limited to:

- U.S. Treasury Bills and Notes
- Commercial paper rated A-2 or P-2 or better as defined by a recognized rating service
- Repurchase Agreements
- Bankers Acceptances
- Certificates of Deposits
- Short Term Investment Fund (STIF) available through the Master Trustee

No more than \$50 million of current market value shall be invested in the securities of any one issuer, with the exception of the U.S. government and its agencies.

## **VI. Selection of Investment Managers and Consultants**

### **A. Selection of Investment Managers**

#### **1. Purpose**

This policy defines the process used by the Board to procure investment managers.

#### **2. Philosophy**

The availability of qualified minority and female owned business enterprises and businesses owned by a person with a disability is recognized by the Board.

It is the policy of the Board to include qualified MFPDOB managers in the selection process and to objectively evaluate all qualified investment manager candidates regardless of race, gender or handicap.

All qualified investment manager candidates will be evaluated based on: demonstrated professional performance; organizational depth; institutional investment management capability; and reasonableness of fee structure, regardless of the amount of investment assets under management, or age of the investment management firm.

The Board will use professional consultants that do not use discriminatory practices in the creation and maintenance of their investment manager databases and will require the consultants used by the Fund to affirm their use of nondiscriminatory practices when evaluating investment manager candidates.

#### **3. Procurement Process**

When a search is necessary to fill a need in the investment portfolio (e.g. termination of a manager or addition of a new mandate to the portfolio) a Request for Proposal (RFP) shall be prepared. The search will be advertised in the State newspaper and industry publications, and a notice will be posted on the IMRF website. The RFP shall be made available on the IMRF website at least fourteen

days before the response is due. When appropriate, the RFP shall also be made available on the investment consultant's website.

An RFP process is not required to place additional assets with an investment management firm that already manages IMRF assets. Upon termination of a manager, assets may be placed with any appropriate investment management firm pending a decision for final disposition by the Board.

**4. RFP Specifications**

The RFP will provide background information on IMRF and will request detailed information on matters relevant to the investment manager search being conducted. The RFP will generally be organized as follows:

- (a) Introduction and Goal of the RFP
- (b) Background Information on IMRF
- (c) Services to be Performed
- (d) Qualifications for the Assignment
- (e) Specifications for the Assignment
- (f) Requirements and Instructions for RFP Completion
- (g) General Terms and Conditions of the Contract Including Performance Review Criteria
- (h) Selection Process and Criteria
- (i) Projected Timeline for Completion of the Manager Search

**5. Quiet Period**

The Quiet Period is the period of time beginning when the investment manager search RFP is issued and ends when the investment manager is selected by the Board or the process is declared to be complete.

Investment manager respondents shall not contact IMRF Board members during the Quiet Period and should direct all communications to the Chief Investment Officer, or the Investment Department Manager, or the Executive Director.

The purpose of the Quiet Period is to ensure that all prospective investment managers have equal access to information regarding the search objective and requirements; to be certain that communications are consistent and accurate; and to make the search process and selection process efficient, diligent and fair.

The Quiet Period will be posted to the IMRF website to prevent inadvertent violations by investment managers responding to the RFP.

IMRF Board members shall refrain from communicating with the respondents regarding any product or service related to the search during the Quiet Period unless this communication takes place during a manager presentation related to the search recommendation.

IMRF staff shall refrain from communicating with the respondents regarding any product or service related to the search during the Quiet Period unless this communication is initiated by Staff for information related to the search.

An investment manager respondent shall be disqualified for violating the Quiet Period.

## **6. Selection Process**

Staff and consultant shall objectively review the RFP's to identify qualified candidates based solely on the criteria presented in the RFP. Staff and consultant may interview all, some or none of the RFP respondents, undertake site visits to respondent offices, and conduct such other due diligence as is prudent under the circumstances. The process may end at this point if there are no qualified candidates among the respondents.

Staff and consultant will present the results of the RFP process to the Investment Committee in the form of a written report. This report will be presented during a public meeting. Staff and consultant will make a recommendation to the Board or the Investment Committee of the Board. The Board will consider the recommendation from staff and consultant and determine if the award of a mandate will be made.

During the selection process all respondents to the RFP will be evaluated and ranked on four primary factors:

- (a) People** - stability of the organization, ownership structure and documented experience of key professionals

- (b) **Process** - clearly defined, reasonable and repeatable investment strategy
- (c) **Performance** - documented ability to meet investment performance benchmarks
- (d) **Pricing** - fee schedule and associated costs

Staff and consultant are required to identify all minority and female owned firms and firms owned by a person with a disability (MFPDOB) in the report presented to the Investment Committee. The most qualified MFPDOB candidate(s) will be invited to present to the Board or the Investment Committee of the Board. Staff and consultant must specify the reason when these firms are not included in the recommendation.

IMRF reserves the right to reject respondents due to noncompliance with the requirements and instructions in the RFP.

IMRF also reserves the right to not hire or defer the hiring of any investment manager.

**7. Contract Execution**

When the contract has been awarded by action of the IMRF Board of Trustees, staff will take the steps necessary to retain the investment manager including negotiations and execution of the contract.

**8. Website Postings required by Illinois PA 96-0006 and PA 98-0433**

Upon execution of an investment management agreement, a summary of the contract will be posted on the IMRF website in the Investments portal under Investment Managers. Results of manager searches conducted by RFP will be posted under Business Opportunities. Investments made without a formal RFP will be posted under Business Opportunities and shall name the person(s) authorizing the procurement and the reason for the exception.

**B. Policy for the Selection of Investment Consultants**

**1. Purpose**

This policy defines the process used by the Board to procure investment consultants.

**2. Philosophy**

The Board will use professional investment consultants that are fiduciaries to make recommendations on investment strategy and asset allocation; report on the performance of the investment portfolio and investment managers; assist with the selection of investment managers; and recommend new investment opportunities.

**3. Procurement Process**

The process for selecting investment consultants will be competitive and open. A search may be started due to the expiration of a contract, termination of an investment consultant or a need to add an investment consultant. A Request for Proposal (RFP) shall be prepared by staff based on the investment consultant services needed. The RFP shall be advertised in the State newspaper and industry publications, and a notice will be posted on the IMRF website. The RFP shall be made available on the IMRF website at least fourteen days before the response is due. An RFP will be done every 5 years as required by PA 96-0006.

**4. RFP Specifications**

The RFP will provide background information on IMRF and will request detailed information on matters relevant to the investment consultant search being conducted. The RFP will generally be organized as follows:

- (a) Introduction and Goal of RFP
- (b) Background Information on IMRF
- (c) Services to be Performed
- (d) Qualifications for Assignment
- (e) Specifications for Assignment
- (f) Requirements and Instruction for RFP Completion
- (g) General Terms and Conditions of the Contract Including Criteria for the Evaluation of Performance
- (h) Selection Process

- (i) Projected Timeline for Completion of the Investment Consultant Search

**5. Quiet Period**

The Quiet Period is the period of time beginning when the investment consultant search RFP is issued and ends when the investment consultant is selected by the Board or the process is declared to be complete.

Investment consultant respondents shall not contact IMRF Board members during the Quiet Period and should direct all communications to the Chief Investment Officer, or the Investment Department Manager, or the Executive Director.

Incumbent investment consultant respondents may communicate with IMRF Board members during the Quiet Period, but may not discuss the investment consultant search with the Board during the Quiet Period.

The purpose of the Quiet Period is to ensure that all prospective investment consultants have equal access to information regarding the search objective and requirements; to be certain that communications are consistent and accurate; and to make the search process and selection process efficient, diligent and fair.

The Quiet Period will be posted to the IMRF website to prevent inadvertent violations by investment consultants responding to the RFP.

IMRF Board members shall refrain from communicating with the respondents regarding any product or service related to the search during the Quiet Period unless this communication takes place during a Consultant presentation related to the search recommendation.

IMRF Staff shall refrain from communicating with the respondents regarding any product or service related to the search during the Quiet Period unless this communication is initiated by Staff for information related to the search.

An investment consultant respondent shall be disqualified for violating the Quiet Period.

**6. Selection Process**

Staff shall objectively review the RFP's to identify qualified candidates based solely on the criteria presented in the RFP.



Staff may interview all, some or none of the RFP respondents, undertake site visits to respondent offices and conduct such other due diligence as is prudent under the circumstances.

Staff will prepare a report and make a recommendation to the Investment Committee during a public meeting of the Investment Committee.

The Investment Committee will consider Staff's recommendation and will determine if a recommendation for the award of a contract will be made to the Board. The Board shall then act on the recommendation of the Investment Committee.

During the selection process all respondents to the RFP will be evaluated and ranked based upon:

- (a) Organization - stability, ownership, documented experience of key professionals
- (b) Consulting Skill - investment philosophy, investment manager information collection and monitoring systems, risk management tools, performance measurement systems and breadth of consulting expertise and experience.
- (c) Fees - Consulting fees for services requested and associated costs.

Staff is required to identify all minority and female owned firms and firms owned by a person with a disability in the report presented to the Investment Committee. Staff must specify the reasons when these firms are not included in the recommendation.

IMRF reserves the right to reject any respondents due to noncompliance with the requirements and instructions in the RFP.

IMRF also reserves the right to not hire or defer the hiring of any investment consultant.

## **7. Contract Execution**

When the contract has been awarded by action of the IMRF Board of Trustees, staff will take the steps necessary to retain the investment consultant including negotiations and execution of the contract. The term of the contract shall not exceed five years.

Upon execution of the contract, a summary of the contract will be posted on the IMRF website, as required by Illinois PA 96-0006.

## **VII. Public Access to Records**

All records of investment transactions maintained by the Fund are available for public inspection and copying as provided by the rules and regulations adopted by the Board pursuant to the Illinois Freedom of Information Act.

### Definitions

**Core Fixed Income:** A fixed income portfolio that closely tracks the broad publicly traded fixed income market with a focus on current income generation while protecting capital. The most common benchmark for a core fixed income portfolio is the Barclay's Capital US Aggregate Index. Common metrics such as yield, duration, etc. are typically held with within a tight range of the index.

**Core Plus Fixed Income:** A fixed income portfolio in which the majority of the portfolio tracks the broad publicly traded fixed income market, and a portion of the portfolio is allocated to higher risk sectors or securities which are not typically found in the broad fixed income market indices. Examples include, but are not limited to, Non-US Debt, Global Debt, Emerging Market Debt, High Yield, etc.

**Hedge Funds:** A private, actively managed investment fund that seek to provide returns to their investors by investing in a diverse range of markets, investment instruments and strategies. Most common strategies include: long/short equity, event driven, credit, relative value, macro and opportunistic.

**Infrastructure:** Refers to assets and services that a society requires to operate its economy including both economic assets and social assets. Economic infrastructure includes, but is not limited to roads, airports, regulated utilities, power generation and cell towers. Social infrastructure includes but is not limited to hospitals, schools, and waste management. Investments in infrastructure tend to have high barriers to entry, relatively stable and predictable cash flows often linked to inflation, long lifespans and low demand elasticity.

**NCREIF Property Index:** A quarterly time series composite total rate of return measure of investment performance of a very large pool of individual commercial real estate properties acquired in the private market for investment purposes only. All properties in the NPI have been acquired, at least in part, on behalf of tax-exempt institutional investors - the great majority being pension funds. As such, all properties are held in a fiduciary environment.

**NCREIF-ODCE:** A capitalization-weighted, gross of fee, time-weighted return index with an inception date of December 31, 1977. As of September 30, 2013, the NFI-ODCE, is was composed of 33 open-end commingled funds pursuing a core investment strategy. Index returns are calculated on a leveraged basis and are reported at the fund level.

**Opportunistic Fixed Income:** A specific type of Non-Core Fixed Income portfolio which attempts to exploit the inefficiencies of one particular market or niche. Examples include, but are not limited to, Convertible Bonds, Mortgage Arbitrage, Distressed, etc. An opportunistic fixed income portfolio may also tactically allocate between various sectors of the fixed income market to generate alpha.

**Private Equity:** Refers to companies that are not quoted on the stock exchange. Investments are typically illiquid in nature. Ownership consists of limited partnership interest. Most common strategies include: venture capital, growth capital, leveraged buyouts, distressed investments, special situations and mezzanine capital.

**Proxy Voting Policy****Objectives**

The IMRF Board of Trustees acknowledges that proxies are a significant and valuable tool in corporate governance and therefore have economic value. The Fund recognizes its fiduciary responsibility and commits to managing its proxy voting rights with the same care, skill, prudence and diligence as is exercised in managing its other assets. In accordance with the “exclusive benefit rule” the primary objective is to act solely in the economic interest of the Fund’s members and beneficiaries and vote with the intent to maximize the long-term value of IMRF’s investments. Through its proxy voting policy, IMRF supports management and board of directors who act in the best interest of shareowners by promoting corporate accountability, financial transparency and responsibility.

**Delegation**

The responsibility for voting IMRF’s domestic proxies is delegated to IMRF investment staff. Staff utilizes a third party proxy voting advisor to vote domestic proxies in accordance with the IMRF proxy voting policy. Staff retains the ability to manually vote any proxy at all times.

The responsibility for voting IMRF’s international proxies is delegated to IMRF’s international investment managers for their respective mandates. Each international investment manager must vote in accordance with the IMRF proxy voting policy and use reasonable judgment as a fiduciary to IMRF.

**Monitoring and Reporting**

Staff reports on the proxy voting program to the Board annually.

The third party proxy voting advisor must maintain records of any domestic proxy votes cast and allow staff access to the records through its online platform.

International investment managers with the responsibility to vote on behalf of IMRF must maintain records of any proxy votes cast and provide reports at least quarterly and upon request.

**Securities out on Loan**

IMRF utilizes a securities lending program and securities may be out on loan during the time when proxies must be voted. Recalling loaned securities for proxy voting purposes is an exception rather than the general rule and will only be utilized when the CIO determines that the proxy voting issue clearly outweighs the cost of recalling the security.

Loaned securities held by an international investment manager will be recalled for purposes of voting proxies only when the international investment manager determines there is a significant reason to recall the loan in order to vote the proxy.

### **Case-by-Case Exceptions**

Case-by-case exceptions are proxy issues that are not addressed by IMRF's proxy voting policy. When these exceptions arise, staff will review the proposals, company recommendations and third party proxy voting advisor research and provide a voting recommendation to the CIO for final determination before voting the proxy.

### **Proxy Voting Guidelines**

The following proxy voting guidelines provide the basis for staff, an international investment manager or a designated third party proxy voting advisor to vote IMRF's proxies. The IMRF proxy voting policy centers on issues relating to Corporate Governance; Compensation; Takeover Defenses; Capital Structure; Corporate Restructurings; Political Expenditures; and Routine Management Issues.

#### **A. Corporate Governance**

IMRF believes that corporate boards should act in the best interest of shareowners, therefore, IMRF will vote in favor of the following shareholder-sponsored proposals:

1. boards with a majority of independent directors
2. audit, nominating and compensation committees that are made up of all independent directors
3. a separation of the Chairman and CEO positions\*
4. restrictions on exercising options (3 – 5 years) if directors are paid with options
5. the rotation of outside auditors at least every 5 years\*
6. disclosure of each director's attendance at board and committee meetings
7. a fixed size board
8. a declassified board
9. a stipulation that directors need to be elected with an affirmative majority of votes cast, provided it does not conflict with the state

law where the company is incorporated. However, binding resolutions need to allow for a carveout for a plurality vote standard when there are more nominees than board seats.

- 10.** a call for non-binding shareholder ratification of the compensation of the Named Executive Officers and the accompanying narrative disclosure of material factors (i.e. say-on-pay proposals)

(\*can be decided on a case-by-case basis)

To further enhance good corporate governance IMRF will vote in opposition to or withhold votes on the following:

- 1.** directors with poor attendance, missing 75% of the meetings
- 2.** directors who serve on too many boards
- 3.** boards that are not majority independent (withhold from the non-independent directors)
- 4.** boards that have non-independents serving on key committees (withhold from the non-independents on such committees)
- 5.** boards that fail to replace poor management
- 6.** boards that lack accountability and oversight, coupled with sustained poor performance relative to peers
- 7.** boards that adopt or renew poison pills without shareholder approval
- 8.** boards that adopt or renew egregious anti-takeover devices such as dead-hand pills
- 9.** boards that employ auditors who also receive excessive non-audit fees from the company
- 10.** auditors who receive substantial fees for non-auditing services
- 11.** audit committees who pay substantial fees for non-audit services
- 12.** audit committees who receive an adverse opinion on the company's financial statements from the external auditor

13. audit committees or boards where there are poor accounting practices, which rise to a level of serious concern, such as: fraud; misapplication of GAAP; and material weaknesses identified in Section 404 disclosures, are identified
14. audit committees where there is persuasive evidence that the audit committee entered into an inappropriate indemnification agreement with its auditor that limits the ability of the company, or its shareholders, to pursue legitimate legal recourse against the audit firm
15. compensation committees when there is a negative correlation between the chief executive's pay and company performance
16. compensation committees when the company has poor compensation practices
17. boards that ignore shareowner proposals that are approved by a majority of shareowners (votes outstanding for one year and votes cast for two years)
18. boards that fail to act on takeover offers where a majority of shareowners tendered their shares
19. limited liability for directors who violate their fiduciary duty to shareowners
20. indemnification of directors for intentional or criminal acts beyond negligence
21. mandatory retirement age for directors
22. term limits for directors
23. proposals requiring two candidates per board seat
24. proposals restricting shareowners' ability to elect directors

**B. Director, Executive, and Employee Compensation**

IMRF believes that compensation plans should motivate directors, executives, and employees to achieve high performance for the long term benefit of all shareowners, therefore, IMRF will vote in favor of the following:

1. annual advisory votes on executive compensation (management say on pay)



2. reasonable compensation plans included in management sponsored say on pay proposals for executives and directors\*
3. reasonable compensation for directors
4. complete disclosure of executive and director compensation
5. non-excessive pay plans that award cash, stock, or a combination of the two based upon company and individual performance if the plans are approved by shareowners
6. specified option holding periods for executives paid with stock options\*
7. reasonable stock ownership requirements\*
8. putting executive benefit agreements to a shareowner vote
9. putting supplemental retirement plans for executives to a shareowner vote
10. employee stock purchase plans and 401(k) plans\*

(\*can be decided on a case-by-case basis)

To further ensure that executive compensation is reasonable IMRF will generally vote in opposition to the following:

1. excessive compensation plans
2. poorly designed compensation plans that fail to align executive's interests with that of shareholders
3. re-pricing of stock options given to executives, when the option price is above the market price\*
4. proposals to eliminate shareowner approval of option re-pricing
5. plans that increase supplemental retirement benefits for top executives\*
6. compensation plans that would cause substantial dilution\*
7. compensation plans that would result in excessive burn rate (also known as run rate)\*

8. any compensation paid to directors beyond the time of their service on the board
9. unreasonable compensation, benefit packages, or club memberships for directors
10. reimbursement of unreasonable travel expenditures by directors (\*can be decided on a case-by-case basis)

**C. Takeover Defenses**

IMRF believes that shareowners should be asked their opinion of certain anti-takeover devices and, therefore, will vote in favor of the following:

1. proposals that allow shareowners to vote on poison pills and golden parachutes

IMRF believes that attempts by corporate boards to block takeovers generally hurt shareowner value, therefore, IMRF will generally vote in opposition to the following:

1. “blank check” preferred stock giving the board very broad discretion in establishing voting, dividend, conversion, and other rights, that can be used as an anti-takeover device
2. issuance of stock with unequal voting rights
3. creation of new securities with superior voting rights
4. “golden and tin parachutes” (severance agreements) between a company and executive management contingent on a change in corporate control\*
5. “poison pill” devices to make target companies financially unattractive\*
6. “greenmail”, the purchase of a large block of stock at a premium price, by the company from shareowners seeking control
7. classified boards, preventing the possibility of all directors being replaced at once
8. proposals requiring a supermajority shareowner vote (\*can be decided on a case-by-case basis)

**D. Capital Structure**

As long term shareowners IMRF is concerned about the capital structure of corporations in which it invests, therefore, IMRF will vote in favor of the following:

1. proposals requiring shareowner approval for a reasonable increase in shares necessary for business purposes

IMRF will generally vote in opposition to the following:

1. increases in the amount of preferred stock that dilutes the voting power of common shares
2. the creation of new classes of securities with superior voting rights

Because of the unique circumstances of individual companies, IMRF will vote on the following issues on a case-by-case basis:

1. recapitalizations and reverse stock splits
2. increases in common stock
3. increases in preferred stock
4. private placement warrants and convertible debentures
5. proposals that preserve preemptive rights and the opportunity to purchase, pro rata, newly issued shares in the company
6. a change in a company's state of incorporation
7. increases in stock that significantly reduce shareowner value or voting power

**E. Merger, Acquisitions, and Corporate Restructurings**

Due to the complexity of issues that arise during mergers, acquisitions, and corporate restructurings (taking a company private or forming a joint venture) IMRF will vote proxies on a case-by-case basis after obtaining adequate information about what action is in the best interest of the Fund as a shareowner.

**F. Routine Management Issues**

IMRF believes that most management issues, having either a direct or indirect effect on the conduct of business and corporate profitability,

should remain management responsibility and, therefore, IMRF will generally support management's view on such issues.

**G. Political Expenditures**

IMRF believes that all political expenditures should be approved by the board of directors and disclosed to shareowners. IMRF will vote for proposals that require board approval and disclosure of all political expenditures.

**H. Social, Political, and Environmental Issues**

IMRF recognizes that many laudable social and political issues regularly come before the shareowners for a vote. In keeping with the Board's fiduciary duty to act solely in the economic interest of the Fund, and because empirical evidence is inconclusive about whether all social and political proposals enhance shareowner value, IMRF will abstain from voting on such proposals.

### **Securities Lending Policy**

#### **Purpose**

The IMRF Board recognizes that lending securities can provide incremental income and directs that a securities lending program be operated by a third party on behalf of the Fund. IMRF's master trustee, Northern Trust, is the third party administrator of this program. IMRF's Securities Lending Policy governs the securities lending activities of the Fund. It applies to the lending of publicly traded securities directly owned by IMRF. It does not address securities held in commingled investments, which are not held solely by IMRF.

#### **Objectives**

The objectives of the securities lending program are to:

- Safely generate income from lending the Fund's securities to qualified borrowers;
- Ensure that income generated from securities lending is sufficient to justify the risk associated with counterparty borrowers and the investment of cash and non-cash collateral;
- Minimize risk to a reasonable and acceptable level with respect to both the broker/borrower and the collateral;
- Ensure that the operation of the securities lending program will not interfere with overall portfolio management activities.

#### **Securities Lending Program Overview**

Securities lending occurs when a security is transferred from IMRF to a borrower, such as a broker-dealer or bank, for cash or non-cash collateral pursuant to an agreement to return the identical security in the future. Securities are borrowed for a variety of reasons including: settlement of short sales; covering hedges, options, arbitrage positions; and settlement fails. Consequently, the borrower receives custody of the transferred security and has the right to resell it. The borrower, however, is obligated to return an identical security (comparable security in fixed income lending) at the end of the loan period and make IMRF whole for dividends, interest, and other distributions received during the borrowing period. IMRF, as lender, is obligated to return the collateral and a portion of the interest earned on collateral (known as rebate amount) to the borrower.

## **Staff Responsibilities**

1. Staff is responsible for monitoring the third party securities lending program administrator.
2. On an annual basis, Staff will meet with the third party securities lending program administrator to review the securities lending program. Staff will make recommendations to the Chief Investment Officer as necessary.
3. If deemed necessary by the Chief Investment Officer and Consultant, recommendations regarding a third party securities lending program administrator will be presented to the Board for their approval.
4. Monitor the daily cash collateral levels against margin requirements for the US (102%) and International (105%).
5. Ensure that all income and fees directly attributable to the securities lending program are posted to the Fund's cash flow account.
6. Instruct the third party securities lending program administrator to recall a specific security when necessary.

## **Risk Management**

IMRF utilizes a third party securities lending program administrator to invest cash collateral and manage counterparty risk.

### a. Cash Reinvestment Risk

The primary risk associated with securities lending is the risk that the principal and earnings of the invested cash collateral will not be sufficient to cover the rebate amount owed to the borrowers by IMRF.

Cash reinvestment risk is mitigated by prudently investing cash collateral received.

The key investment goals for investing cash collateral are to: a) safeguard principal; b) maintain adequate liquidity; and c) optimize the spread between the collateral earnings and the rebate paid to the borrowers.

### b. Counterparty Risk

Counterparty risk is the risk that a borrowing broker will not return a loaned security.

This risk is mitigated and managed by activities such as monitoring the loan amount with each broker, holding excess collateral, marking collateral to market daily, and having indemnification from lending agents against borrower default, as appropriate. Northern Trust, as third party securities lending program administrator, is responsible for managing counterparty risk, and will only utilize borrowers that agree to acceptable make-whole or indemnification provisions in the event a borrower has failed to return the loaned securities within the standard settlement period.

The counterparty risk is assumed by the third party securities lending program administrator who will make IMRF whole in the event of a borrower default.

### **Reinvestment of Cash Collateral**

Cash collateral will be invested by Northern Trust, the third party securities lending program administrator, in its Core USA Collateral Section, on behalf of IMRF.

The third party securities lending program administrator's guidelines for investing cash collateral in Northern Trust's Core USA Collateral Section are as follows:

1. Securities Loan Agreements shall be entered into with borrowers whose credit and expertise have been reviewed by the third party securities lending program administrator.
2. All security loans shall be collateralized by cash or government obligations which may be accepted without limit. The amount of collateral, subject to de minimis rules, for U.S. securities must be equal to at least 102 percent of the loaned securities market value and all interest accrued through the date of such market value determination. For non-U.S. securities, the amount of collateral must be equal to at least 105 percent of the loaned securities market value and all interest accrued through the date of such market value determination.
3. When cash collateral is used the following shall be eligible investments as defined by the third party securities lending program administrator:

- (a) U.S. Government Securities – Obligations issued or guaranteed as to principal and interest by the United States Government or its agencies or instrumentalities and custodial receipts with respect thereto.
- (b) Bank Obligations – Obligations of U.S. or non-U.S. banks and bank holding companies including but not limited to commercial paper, banker's acceptances, certificates of deposit, time deposits, notes and bonds.
- (c) Corporates – Obligations of U.S. or non-U.S. corporations including commercial paper, notes, bonds and debentures.
- (d) Foreign Governments – Obligations issued or guaranteed by OECD (Organization for Economic Cooperation and Development), governments, or political subdivisions and their agencies and instrumentalities.
- (e) Money Market Funds – Units or shares of registered or unregistered money market funds or institutional cash funds, global liquidity funds, or other pooled investment vehicles including those funds in which the Agent or its affiliates act as investment advisor, custodian, sponsor, administrator, transfer agent or similar capacity.
- (f) Repurchase Agreements – Fully collateralized repurchase agreements with counterparties approved by the master trustee's Trust Credit Committee at the time of purchase.
- (g) Floating and Variable Rates – Adjustable rate securities will be limited to those securities whose rates are reset based upon an appropriate money market index including LIBOR, the Fed Fund Rate or Treasury Bills, Certificate of Deposit Composite, and Commercial Paper Composite.
- (h) Daily Residual Cash Balances – End of day residual cash balances, which cannot be invested in the market place, will be swept into a constant \$1 Net Asset Value (NAV) short-term investment vehicle with The Northern Trust Company or any of its worldwide branches or affiliated U.S. or non-U.S. banks or bank holding companies.
- (i) Asset-Backed Commercial Paper – Asset-backed commercial paper, excluding structured investment vehicles (SIV) or extendable commercial notes (ECN and



liquidity notes (LN), with a maturity no longer than 97 days.

**4.** When cash collateral is used the following maturity/liquidity investment restrictions shall apply as defined by the master trustee:

- (a)** A minimum of 60% of the Cash Collateral fund shall be invested in securities which have a maturity (as herein defined) of 97 days or less.
- (b)** A minimum of 20% of the Cash Collateral fund shall be available each business day. This may be satisfied by maturities (as herein defined), or demand features.
- (c)** The rate sensitivity or weighted average maturity, as measured to the shorter of the remaining time until the interest rate reset (if applicable) or maturity, of the Cash Collateral fund will be limited to 60 days.
- (d)** The weighted average maturity, as measured to maturity (as herein defined), of the Cash Collateral fund shall not exceed 120 days.
- (e)** Floating rate and variable rate investments must have interest rates that may be reset at least every 97 days.
- (f)** Except for asset-backed commercial paper and variable rate eligible government securities, the maturity of investments may not exceed 13 months from the date of purchase. The maturity of asset-backed commercial paper shall not exceed 97 days. The maturity of variable rate eligible government securities may not exceed 762 days.

**5.** Cash Collateral Diversification

- (a)** Subject to the following exceptions, a maximum of 5% of the Collateral Section may be invested in securities or instruments of any one issuer or obligor. Exceptions are as follows:
  - (i)** 100% of the Collateral Section may be invested in obligation issued or guaranteed by the U.S. Government or its agencies/instrumentalities.

- (ii) 25% of the Collateral Section may be invested with any one counterparty in repurchase agreements collateralized by U.S. Government or U.S. Government agency securities.
- (iii) 10% of the Collateral Section may be invested with any one counterparty in repurchase agreements collateralized by securities other than U.S. Government or U.S. Government agency securities.
- (b) A maximum of 25% of the Collateral Section may be invested in obligations of issuers having their principal business in the same industry with the exception of the banking industry.
- (c) For repurchase agreements collateralized by securities other than U.S. Government or U.S. Government agencies, no more than 10% of the Collateral Section may be invested in each type of repo collateral. No more than 25% of the Collateral Section may consist of repurchase agreements collateralized by non U.S. Government or U.S. Government agency securities.
- (d) Asset-backed commercial paper shall comprise no more than 10% of the Collateral Section.
- (e) A maximum percentage of the Collateral Section which may be exposed to the risks of any one country shall be established from time to time by Agent.

**Non-Cash Collateral**

Non-cash collateral will be retained in a separate account for IMRF.

IMRF has instructed the third party securities lending program administrator to only accept U.S. Government Securities as non-cash collateral.

Investment Staff, in conjunction with the Consultant and the third party securities lending program administrator, will periodically review non-cash collateral types and determine if changes for eligible non-cash collateral are needed.

### **Securities Litigation Policy**

#### **Purpose**

IMRF has a fiduciary duty to preserve trust assets to meet the retirement obligations to its members. Included in this duty is the obligation to recover losses in public securities as a result of corporate mismanagement and/or fraud. To preserve Fund assets, the Board has adopted this securities litigation policy to guide the Fund's involvement in securities litigation.

#### **Principal Responsibilities**

Overall coordination of monitoring and managing the securities class action activities shall be by the Chief Investment Officer, in coordination with the General Counsel. Decisions regarding securities litigation will be reviewed and approved by the Executive Director.

#### **Monitoring**

Securities fraud claims within the investment portfolio are monitored by qualified securities litigation legal service providers and a third party portfolio monitoring service provider.

The Fund's master trustee is responsible for monitoring and filing class action claims in all U.S. and Canadian based litigation settlements in which IMRF has an interest. For class action litigation in any country outside the U.S. and Canada, where the Fund's master trustee is not responsible for monitoring, IMRF will utilize a third party securities litigation legal service provider to represent IMRF. Decisions regarding non-U.S. based litigation will be made by the Chief Investment Officer in conjunction with the General Counsel, Investment Compliance Analyst, and Executive Director.

#### **Case Identification**

When the IMRF threshold level for estimated loss of \$2.5 million is met, the securities litigation legal service provider will notify the General Counsel and the designated Investment Staff.

#### **Case Evaluation**

1. Cases in which the potential impact does not meet or exceed the IMRF threshold will not require additional internal evaluation unless other factors indicate some value in further analysis. Unless further analysis is undertaken, these cases will be monitored and reviewed to make sure all appropriate claims are filed and distributions collected in a timely manner.

- 2.** Cases with the potential of meeting or exceeding the IMRF threshold shall be further evaluated by the General Counsel in conjunction with the Chief Investment Officer to determine which of the following alternative courses of action is appropriate:
  - (a)** Monitoring the course of the litigation and filing a claim at its conclusion to participate in any class payment.
  - (b)** Monitoring the course of the litigation and objecting to the attorneys' fee petition, if there are reasons to object.
  - (c)** Monitoring the course of the litigation and objecting to the proposed settlement, if there are reasons to object.
  - (d)** If any applicant for lead plaintiff is an entity which appears to be of limited capability to effectively serve as class representative, the fund may seek to inform the court of its concerns, either formally or informally, or may support another applicant which appears to be more capable.
  - (e)** Seeking to control the litigation by applying for designation as lead plaintiff, either individually or with others.
  - (f)** Opting out of the class action litigation and filing a separate lawsuit, either individually or with others.

### **Active Participation**

- 1.** The Chief Investment Officer and General Counsel will make a recommendation to the Executive Director for any course of action beyond filing claims and objecting to attorneys' fee petitions. The Executive Director will decide whether to approve actions beyond filing claims and objecting to fee petitions.
- 2.** Where the Board has determined that the interests of the Fund will be best served by seeking designation as lead plaintiff or by opting out of a class action, Staff will choose legal counsel and will negotiate a fee agreement.

**Procedures for Amending Policy Statement**

This statement of investment policy may be amended by a majority vote of the Board. Recommendations for policy changes should be directed to the Chief Investment Officer. The Chief Investment Officer shall review all such recommendations in conjunction with the Investment Consultant as necessary. The Chief Investment Officer is responsible for submitting necessary changes to the Board for approval.

The Statement of Investment Policy, Statement of Real Estate Investment Policy and Investment Committee Charter shall be reviewed annually.



## **Illinois Municipal Retirement Fund**

### Certification of Compliance

#### *Illinois High Risk Home Loan Act*

I, \_\_\_\_\_, serving in the capacity of \_\_\_\_\_, on this \_\_\_\_ day of \_\_\_\_\_, 20 \_\_\_\_, being duly sworn and having knowledge of all matters set forth herein, state, affirm and certify as follows:

1. I represent \_\_\_\_\_, and I am duly authorized to provide this certificate on its behalf.
2. I am aware of the requirements of Section 1-110.10 of the Illinois Pension Code (40 ILCS 5/1-110.10), as well as the requirements of the High Risk Home Loan Act, (Act), and any rules adopted pursuant thereto.
3. Under the terms of the Illinois Pension Code, \_\_\_\_\_ is deemed an Illinois Finance Entity. (Firm)
4. I am aware that no pension fund assets may be handled by the Illinois Finance Entity if it is not in compliance with the provisions of the High Risk Home Loan Act, including the filing of a completed certification with the Illinois Municipal Retirement Fund.
5. I certify that \_\_\_\_\_ is in compliance with all the requirements of the High Risk Loan Act and the rules adopted pursuant to the Act.

\_\_\_\_\_  
(Firm)

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Name of Officer)

State of \_\_\_\_\_ )

County of \_\_\_\_\_ )

\_\_\_\_\_  
(Title)

Subscribed and sworn before me by \_\_\_\_\_ on this \_\_\_\_ day of \_\_\_\_\_, \_\_\_\_.

\_\_\_\_\_  
Notary

(Seal)

My Commission Expires: \_\_\_\_\_

It was the consensus of the Investment Committee to recommend the Board approve the following Real Estate Statement of Investment Policy:

**REAL ESTATE  
STATEMENT OF INVESTMENT POLICY  
FOR  
THE ILLINOIS MUNICIPAL RETIREMENT FUND**

(Adopted: January 24, 2014)



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## **I. Purpose and Objectives**

The purpose of this Statement of Investment Policy is to formalize the Illinois Municipal Retirement Fund (IMRF) Board's investment objectives and policies with respect to the real estate asset class. This statement is to be considered an extension of IMRF's overall Statement of Investment Policy.

## **II. Investment Objectives**

### **A. Role of Real Estate**

The primary role of the global real estate program is to provide diversification benefits to the total Fund through low correlations with other portfolio asset classes. The secondary role is to generate income and provide protection against inflation.

The global real estate program will invest capital in private and public real estate debt and equity markets in order to achieve the investment objectives. The role of public real estate is to provide diversification, income and liquidity. The role of private real estate is to provide diversification, inflation protection and return enhancement. Private market real estate investments will be diversified among various return strategies including core, value-add and opportunistic in U.S. and non-U.S. markets.

#### *Diversification with Other Asset Classes*

Real Estate returns have historically behaved differently than the returns of other major asset classes. Further, IMRF believes that real estate will continue to behave differently than other asset class returns allowing IMRF to lower the risk of its overall portfolio by allocating to the asset class.

#### *Potential Inflation Hedge*

Real Estate returns have historically shown the ability to provide a hedge against rising inflation. By allocating a portion of its investments to an asset class with these characteristics the overall risk of rising inflation to the IMRF portfolio is reduced.

#### *Current Income and Appreciation*

Core and value-added real estate strategies have historically shown the ability to maintain a moderate current income component with a modest appreciation component to achieve appropriate total returns for the asset class.

#### *Return Enhancement*

Value-added and opportunistic real estate investment strategies have historically shown the ability to deliver a high appreciation component of return and higher total returns relative to industry benchmarks.

## **B. Distinction of Responsibilities**

IMRF Board of Trustees is responsible for approving the Real Estate Statement of Investment Policy.

IMRF Board of Trustees is responsible for selecting and/or terminating investment managers for the real estate portfolio.

IMRF Staff is responsible for recommending the selection and/or termination of investment managers to the Board for approval.

IMRF Staff is responsible for managing the real estate asset class, as described by the Policy, on an on-going basis, including monitoring the investment managers and reporting to the Board.

IMRF Staff may utilize a Consultant to assist in selection, termination or monitoring investment managers.

The Consultant is responsible for presenting real estate asset class performance to Staff and/or Board.

Consultant and Staff will review and recommend the Real Estate Statement of Investment Policy and any changes to the document.

IMRF Staff and the Consultant will monitor performance and compliance of the real estate asset class on a quarterly basis.

## **C. Allocation to Real Estate**

The current target for real estate is 8% of the total Fund, with an allowable range of  $\pm 4\%$ . This target was set within IMRF's asset allocation framework which is reviewed annually. Actual allocations that exceed their target by  $\pm 4\%$  will be noted at the next scheduled Board meeting. If deemed necessary by the Chief Investment Officer and Consultant, recommendations for rebalancing strategies will be presented to the Board for their approval.

Capital will be deployed to private real estate over an extended period of time and may take several years before reaching the current target.

## **D. Return Objectives**

The return objective of the total IMRF real estate program is to outperform the National Council of Real Estate Investment Fiduciaries' Open-End Diversified Core Index (ODCE), value weighted, over a rolling three year period.

## **E. Permissible Investments**

This policy authorizes investments in all forms of U.S. and non-U.S. private and public market real estate structures. Real estate is an illiquid asset class and vehicles that provide appropriate legal protections commensurate with the investment opportunity are preferred. Such structures include but are not limited to:

- Separate Accounts
- Joint ventures
- Open and closed-end commingled funds
- Partnerships
- Limited Liability Companies
- Private REITs and Real Estate Operating Companies (REOCs)
- Foreign Limited Companies
- Unit Trusts
- Co-investments

The Board may pre-approve co-investment opportunities at the inception of an investment in a private real estate fund. Staff will generally accept co-investment opportunities on a pro-rata basis under this scenario. If the General Partner of a private real estate fund offers a compelling and appropriate co-investment opportunity to IMRF which was not pre-approved, staff may present this opportunity to the Board for their approval.

## **F. Diversification**

IMRF will seek to diversify its private real estate portfolio which is managed by external investment management firms. The following factors will be considered by staff during due diligence before an investment recommendation is brought to the IMRF Board.

### ***1. Manager Diversification***

The maximum commitment to any private real estate manager shall be 40% of the total real estate portfolio value plus unfunded commitments at the time of due diligence.

### ***2. Property Type Diversification***

IMRF will seek property type diversification at the total private real estate portfolio level and any single private real estate investment may not be fully diversified. Investments may include office, retail, industrial, multi-family and other non-traditional categories such as hotels, self-storage, data centers, student housing, land and other property types.

### 3. *Geographic Diversification*

IMRF will seek geographic and economic diversification at the total private real estate portfolio level. Any given investment may not be diversified on a stand-alone basis.

Although IMRF may invest in strategies where investments are located outside of the U.S., exposure to these dedicated strategies is limited to 20% of the total real estate portfolio value plus unfunded commitments at the time of due diligence. Real estate managers may or may not hedge currency risk. The IMRF real estate portfolio will not implement currency hedges and accepts the currency risks consistent with the geographic exposures of the underlying investments.

## **G. Liquidity**

The real estate program generally consists of limited partnerships in which IMRF commits a fixed amount the General Partner will invest over several years. The partnership structure may cover periods of 10 years or more. IMRF understands and recognizes that the real estate asset class will not be structured in a way to provide short term cash flow needs for the Fund.

## **H. Portfolio Composition**

1. Core real estate investments derive their value primarily from current income. These assets have a lower risk profile and can provide liquidity. IMRF's long-term strategic target to core real estate investments is 60% with a minimum of 50%. If the actual allocation falls below 50%, it will be noted at the next scheduled Board meeting. If deemed necessary by the Chief Investment Officer and Consultant, recommendations for rebalancing strategies will be presented to the Board for their approval.
2. Publicly traded real estate securities should not exceed 20% of the total real estate portfolio value plus unfunded commitments.
3. The majority of the real estate asset class will consist of equity ownership in commercial real estate. Managers whose sole strategy is to invest in non-equity or debt strategies will not exceed 25% of the total real estate portfolio value plus unfunded commitments at the time of due diligence.
4. IMRF allows some of its managers the ability to use modest amounts of leverage in their investment strategy as a means of enhancing the overall risk adjusted returns. Leverage at the total real estate portfolio will be kept below 50% loan to value. Leverage levels will be monitored based on the quarterly real estate report provided by the Investment Consultant.

## **I. Investment Manager Selection**

The investment manager selection policy is detailed in the IMRF Statement of Investment Policy, but is summarized here for convenience.

The availability of qualified minority and female owned business enterprises and businesses owned by a person with a disability (MFPDOB) is recognized by the Board.

It is the policy of the Board to include qualified MFPDOB managers in the selection process and to objectively evaluate all qualified investment manager candidates regardless of race, gender or handicap.

All qualified investment manager candidates will be evaluated based on: demonstrated professional performance; organizational depth; institutional investment management capability; and reasonableness of fee structure, regardless of the amount of investment assets under management, or age of the investment management firm.

The Board will use professional consultants that do not use discriminatory practices in the creation and maintenance of their investment manager databases and will require the consultants used by the Fund to affirm their use of nondiscriminatory practices when recommending investment manager candidates to the Board.

## **J. Website Postings required by Illinois PA 96-0006 and PA 98-0433**

Results of manager searches conducted by RFP will be posted on the IMRF website in the Investments portal under Business Opportunities. Investments made without a formal RFP will be posted under Business Opportunities and shall name the person(s) authorizing the procurement and the reason for the exception.

## Exhibit A- Definitions

1. **Core investments** are commercial and residential properties which derive their value primarily from current income production, and therefore represent lower-risk profiles than Non-core properties. Core investments are stabilized, substantially leased properties in the four major property types:
  1. Office: Mixed-use, multi-tenant, and single-tenant facilities, classified as either Central Business District (CBD) or suburban.
  2. Retail: Regional malls, community and neighborhood shopping centers, specialty centers, and single-tenant stores.
  3. Industrial: Bulk distribution, light manufacturing, and research and development (R&D) facilities.
  4. Residential: High-rise, mid-rise, and garden apartments.
2. **Non-core investments** represent a higher-risk profile than Core properties, and have a higher return expectation. Non-core investments consist primarily of the following types:
  1. Properties which are acquired primarily for high appreciation potential, and are expected to derive their value primarily from appreciation returns.
  2. Properties which would be Core except for an identifiable and correctable deficiency such as the need for lease-up, renovation, or conversion of an existing property, or the need for development adjacent to an existing owned property.
  3. Properties outside defined Core property types, such as motels, hotels, medical office, student housing and raw land.
3. **Public Real Estate Securities** represent an investment in a publicly traded security that sells on the major exchanges and invests in real estate directly, either through properties or mortgages. A distinguishing characteristic of this investment versus private real estate is the improved liquidity.
4. **Private real estate limited partnerships** are a fund structure which pools capital from investors in order to make equity or debt investments in real estate properties. These funds typically have a ten year life span which consists of a two to three year investment period, a holding period where properties are actively managed and a liquidation period.
5. **Co-investment opportunities** are offered at the General Partners' discretion and typically have a lower fee and carried interest expense. If a potential investment opportunity exhibits strong fundamentals and attractive returns but the main fund has a capacity constraint, the General Partner may offer current investors the opportunity to invest alongside the main fund. The Board may pre-approve co-investment opportunities at the inception of an investment in a private real estate fund. Staff will

generally accept co-investment opportunities on a pro-rata basis under this scenario. If the General Partner of a private real estate fund offers a compelling and appropriate co-investment opportunity to IMRF which was not pre-approved, staff may present this opportunity to the Board for their approval.

6. **NCREIF Property Index** is a quarterly time series composite total rate of return measure of investment performance of a very large pool of individual commercial real estate properties acquired in the private market for investment purposes only. All properties in the NPI have been acquired, at least in part, on behalf of tax-exempt institutional investors - the great majority being pension funds. As such, all properties are held in a fiduciary environment.
  
7. **NFI-ODCE** is a capitalization-weighted, gross of fee, time-weighted return index with an inception date of December 31, 1977. As of September 30, 2013, the NFI-ODCE was composed of 33 open-end commingled funds pursuing a core investment strategy. Index returns are calculated on a leveraged basis and are reported at the fund level.



Lastly, it was the consensus of the Investment Committee to recommend the Board approve the recommendation from staff to accept a \$200,000 counter-offer from the Lehman Brothers Bankruptcy Plan Administrator to settle the Lehman/801 Grand Litigation.

It was moved by Ms. Henry, seconded by Mr. Stafford, to accept the above recommendations of the Investment Committee.

Vote: Unanimous Voice Vote  
Absent: Stanish, Stulir

(14-01-07) (Board Policy Review Committee) The Executive Director and Chair of the Policy Review Committee presented the final Policy Review Committee Meeting minutes, dated December 20, 2013 for approval, and confirmed this Ad Hoc Committee had completed its work and would cease to exist.

It was moved by Ms. Thompson, seconded by Ms. Henry, to approve the final minutes of the Policy Review Committee, and acknowledge the Committee would cease to exist.

Vote: Unanimous Voice Vote  
Absent: Stanish, Stulir

(14-01-08) (Appointment of 2014 Board Committees) The Chair proposed the following Committees for 2014:

Audit Committee

Tom Kuehne, Chair  
John Piechocinski, Vice Chair  
Gwen Henry  
Sue Stanish

Benefit Review Committee

Jeff Stulir, Chair  
John Piechocinski, Vice Chair  
Sue Stanish  
Tom Kuehne  
Natalie Copper

Executive Committee

Natalie Copper  
John Piechocinski  
Tom Kuehne  
Sharon U. Thompson  
Bill Stafford

Investment Committee

Gwen Henry, Chair  
Jeff Stulir, Vice Chair  
Natalie Copper  
Tom Kuehne  
John Piechocinski  
Bill Stafford  
Sue Stanish  
Sharon U. Thompson

Legislative Committee  
Sharon U. Thompson, Chair  
Tom Kuehne, Vice Chair  
Natalie Copper  
Gwen Henry  
Bill Stafford  
Jeff Stulir  
Sue Stanish

It was moved by Ms. Thompson, seconded by Mr. Piechocinski, to approve the above 2014 Committees.

Vote: Unanimous Voice Vote  
Absent: Stanish, Stulir

(14-01-09) (Approval of Changes to the IMRF Staff Travel Policy) General Counsel presented an updated staff travel policy to the Board for approval, noting the staff travel policy has not been updated since 2005.

She stated staff is recommending the Board approve the following changes to the staff travel policy:

- Raise the per diem maximum to \$60
- Add a \$125 per diem maximum for travel outside of the United States
- Allow reimbursement for Economy Plus airfares

After questions and discussion, it was moved by Mr. Kuehne, seconded by Mr. Piechocinski, to approve the IMRF Staff Travel Policy as amended:

### **For Employees Other Than Field Representatives**

#### **I. General Principles**

A. The objective of these policies is

1. To insure that expenditures for staff travel and expenses are reasonable and necessary.
2. To fairly reimburse employees for expenses incurred on the job, and
3. To avoid, to the extent possible, having reimbursements be taxable income to the employee.

B. When traveling on IMRF business, employees should use good judgment with expenses. As a guideline: expenses should be such that public disclosure of them would not reflect badly on either the employee or IMRF.

C. The instructions appearing on the IMRF Expense Report (Form A-65) and IMRF Credit Card Voucher (Form A-69) are incorporated into these policies.

D. The Executive Director may, when he believes it serves the best interests of IMRF, authorize exceptions to these policies.

#### **II. Overnight Travel**

A. Overnight travel must be approved in advance by a director or the Executive Director.

B. Transportation

1. IMRF will reimburse:
  - a) actual air or rail expenses
  - b) If an employee drives his or her own car, the IRS business mileage rate per mile traveled up to the maximum. The maximum, in all cases, is the cost of an unrestricted two-week advance purchase coach airfare.
  - c) If an employee uses a staff car, the actual expenses for gasoline, emergency repairs, or required maintenance.
  - d) Actual transportation costs to and from the airport or rail station.
  - e) Actual transportation costs to and from the hotel to the conference/meeting/work site.
  - f) Cost of parking.

2. Employees should use the most cost effective means of transportation for the trip. Reimbursement for airfare will be limited to the cost of an Economy Plus ticket.

3. When required, IMRF will pay the cost of a rental car. A rental car is acceptable if there is no other reasonable means of travel or a rental car is the most economical means. The use of a rental car generally must be approved in advance.

C. Hotel

1. IMRF will pay the actual cost of lodging for the employee. If the employee brings a companion, IMRF will pay no more than if the employee were alone; the employee must make up any difference in the hotel rate.
2. IMRF will pay hotel costs at the conference or meeting location for the period one day prior to the meeting through one day after the meeting. IMRF will pay for additional days when an employee arranges to stay over Saturday to get a lower airfare. The cost of the additional hotel and per diem may not exceed the savings in airfare.

D. Registration Fees

1. IMRF will pay the cost of the employee's registration. Employees should follow established procedures for obtaining approval and requesting payment. Please refer to the personnel and administrative expenses policies.

E. Per Diem

1. IMRF will pay actual expenses up to \$60 per day for travel in Illinois, outside of the City of Chicago. For out-of-state-travel and travel to Chicago, IMRF will pay actual expenses up to \$75 per day. For investment staff travel outside of the United States, IMRF will pay actual expenses up to \$125 per day.
2. The per diem covers taxis, tips, meals, and reasonable personal phone calls. Business phone calls are not included in the per diem.

Employees should use a Fund telephone calling card for business calls. Travel to and from airports or railway stations and to and from the hotel to the conference/meeting/work site is not included in the per diem.

3. The per diem will be paid for the same period as hotel costs are paid and for the return travel day.
4. IMRF does not pay for meals for non-employees accompanying the employee, nor does IMRF pay for purely recreational expenses such as movies, sporting events, etc.
5. IMRF will pay for conference related banquet tickets and similar type events, as long as doing so will not reflect unfavorably on the Fund.

F. An employee may combine personal travel with a business trip. IMRF will not pay for meals and lodging during the personal travel period, except when necessary to take advantage of reduced airfare available with a stay over Saturday night under the rules as described in C.2. above.

### **III. Non-Overnight Travel**

#### **A. Transportation**

1. Employees should use the most cost effective means of transportation to and from the meeting location. This often means the staff cars, if available.
2. If an employee uses his/her personal car, IMRF will reimburse the current IRS mileage rate per mile plus tolls and parking. The mileage rate covers gas, maintenance, damage repairs, depreciation, and insurance. IMRF will not reimburse for traffic or parking tickets.
3. If an employee uses a staff car, IMRF will reimburse out-of-pocket expenses for maintenance, tolls, and parking. Whenever possible, the IMRF gas credit card must be used to purchase gas.
4. If an employee uses taxis or public transportation, IMRF will reimburse actual costs.
5. If an employee uses a rental car, IMRF will reimburse actual expenses, except traffic/parking tickets. Rental cars are acceptable if there is not another reasonable means of travel or a rental car is the most economical method of travel. Rental car use must be approved in advance.

#### **B. Registration fees**

1. The same rules apply as for overnight travel.

#### **C. Meals**

1. When a staff member is required to be out of the office over lunchtime on Fund business, IMRF will reimburse actual lunch expenses, not to exceed \$20 including tip. IMRF does not cover meals other than lunch.

#### D. Expenses Incurred for Non-IMRF Staff

1. Generally, only managers and directors are reimbursed for the cost of meals for non- IMRF personnel during business meetings. Exceptions can be made with prior approval of a director or the Executive Director.

#### IV. Documentation

A. Employees must submit documentation of expenses as required by IRS regulations. The following minimum guidelines should be met:

1. For airline or railway fare, the ticket stub, or other receipt if the carrier does not issue tickets.
2. For rental cars, the invoice from rental agency
3. For gasoline, the receipt
4. For taxi fares, the receipt if the fare is over \$10
5. For the hotel, the hotel bill
6. For registration fees, the invoice or copy of registration form
7. For meals & other expenses, a receipt is required if over \$10
8. For meals for non-IMRF staff, the expense report must include names of guests and must describe the business purpose of the meeting

#### V. How to Get Payment

A. An employee must submit a completed expense report to be reimbursed for travel expenses.

B. IMRF will pay expenses either before or after they are incurred. Registrations, hotel deposits, and other actual expenses will be paid when the employee submits a check request and supporting documentation.

C. If an advance for travel expenses is needed, the employee should complete a check request for the advance. The request must be signed by a director. When the employee returns from the business trip, he/she will complete an expense report showing actual reimbursable expenses and attach the required documentation. If the expenses are more than the advance, the employee will be reimbursed. If the expenses are less than the advance, the employee must attach a check for the difference.

D. The employee's manager or director must approve expense reports.

E. Reports submitted by Wednesday at noon will be paid on Friday.

## FOR FIELD REPRESENTATIVES

### I. GENERAL PRINCIPLES

A. Business expenses may be charged on IMRF credit cards or may be reimbursed to field representatives for out-of-pocket expenses. Except for gas charges, field representatives may use personal credit cards.

B. 'Business' means IMRF related work.

C. Expense reports must include sufficient detail to document an IMRF business purpose.

1. State who, what, where, when, why in explaining the business purpose.
2. Descriptions such as "prospective account," "authorized agent," and "night meeting in area" are not adequate.
  - a) The name of the individual being entertained as well as their position and nature of business discussed must be detailed on expense reports.
  - b) For night meetings, include the name of the employer and the purpose/topic of the meeting.

D. IMRF will reimburse reasonable business expenses for an IMRF employee only. If anyone is traveling with the field representative, IMRF will not cover the food or lodging costs of that person.

E. IMRF will pay actual expenses up to \$60 per day for travel in Illinois, outside of the City of Chicago. For travel to Chicago, IMRF will pay actual expenses up to \$75 per day. The per diem covers taxis, tips, meals, and reasonable personal phone calls.

F. The instructions appearing on the IMRF Expense Report (Form A-65) and IMRF Credit Card Voucher (Form A-69) are incorporated into this policy.

G. Expense reports must be filed weekly. Reports for Monday through Friday are due by Friday noon the following week. If a field representative is late in submitting expense reports, the privilege to use IMRF credit cards may be revoked at the discretion of the manager.

### II. MEALS

A. Meals are reimbursed at cost, but not to exceed the per diem reimbursement limit of \$60 per day, except when on Fund business in Chicago. The per diem reimbursement limit on Fund business in Chicago is \$75.

B. At staff meetings, one field representative may charge all meals to his/her credit card. 'Staff meetings' means regularly scheduled monthly meetings of the field representatives and manager as a group or training sessions in Oak Brook as a group.

Note: discussing IMRF matters at lunch does not create a staff meeting.

C. When charging meals, give the names of everyone included.

D. Meals may be charged to hotel rooms, but must be reported separately on the Expense Report (Form A-65) or Credit Card Voucher (Form A-69).

E. Food and/or beverage charges not part of breakfast, lunch, or dinner are not reimbursed.

#### F. BREAKFAST

1. Reimbursed at cost when:
  - a) attending conventions
  - b) preceded by an overnight stay
  - c) the field representative must depart from home office prior to 7 a.m. in order to attend a meeting
  - d) at staff meetings

#### G. LUNCH

1. Reimbursed at cost when attending:
  - a) conventions
  - b) staff meetings
  - c) meetings outside your territory (or for persons working out of Oak Brook, outside the Oak Brook area) NOTE: it is recognized that situations will arise wherein some field representatives will be reimbursed for lunch and others will not.
  - d) meetings with a manager when the manager is outside the Oak Brook area and he/she is meeting with the field representative in his/her territory.
2. As a general rule, lunches to entertain prospective or current accounts are not permissible.
  - a) An exception exists if lunch immediately precedes or follows a governing body meeting and the lunch acts as a preparatory meeting or a continuation of the meeting and IMRF business is the main purpose of the lunch.
  - b) Another exception exists for a prospective account. One lunch meeting to introduce the field representative to the account and to explain IMRF is allowed.

#### H. DINNER

1. Reimbursed at cost when:
  - a) preceding an overnight stay

- b) preceding a meeting that begins and ends after normal working hours (for example, a meeting held at 7:30 p.m.)
- c) the representative cannot reach home by 7:30 p.m.
- d) attending conventions
- e) attending staff meetings

### III. HOTELS

A. Reimbursed for reasonable charges.

B. Generally, overnight stays are reimbursed only if the field representative lives more than 75 miles (approximately an hour and a half) between their home and the next day's first meeting place, and the meeting is scheduled for 8:30 a.m. or earlier.

- 1. An overnight stay maybe allowable in other circumstances; for example, weather conditions, medical reasons, or meetings that end later than expected. Whenever practical, prior approval from the manager or director should be obtained. The safety of the field representative is paramount and IMRF expects the field staff to exercise reasonable judgment.

C. Overnight stays for staff meetings before meeting dates are reimbursed if the meeting begins at 8:30 a.m. and the field representative must travel in excess of 75 miles.

- 1. Field representatives traveling more than 200 miles for a staff meeting may stay overnight in a hotel on the route to the meeting site.

D. Overnight stays after staff meetings conclude are reimbursed if the field representative would arrive at home later than 10 p.m. under normal driving conditions.

E. It is the field representative's responsibility to verify hotel charges and make corrections before the statement is paid. Erroneous or impermissible charges will be charged back to the representative. Then, it will be his/her responsibility to obtain reimbursement from the hotel.

Vote: Unanimous Voice Vote  
Absent: Stanish, Stulir

(14-01-10) (IMRF Logo) IMRF's Communications Manager presented a recommendation to the Board to replace IMRF's current logo as part of IMRF's modernization effort.



To assist the Board in selecting a new logo design, IMRF's Communications Manager presented the results from a survey that was conducted to a portion of the membership on its perception of the existing IMRF logo and alternative designs from IMRF's web replacement and brand research consultant, Sikich.

After questions and discussion, it was moved by Ms. Thompson, seconded by Mr. Stafford, to replace IMRF's current logo with one of the alternative designs presented at the Board Meeting.

Vote: Unanimous Voice Vote  
Absent: Stanish, Stulir

(14-01-10) (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 settlement agreement was set aside by the Court. The County has now hired a private law firm as a special assistant state's attorney to represent them and they filed a motion for summary judgment.

**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). The Defendants filed a motion to dismiss a portion of this lawsuit and the motion was granted. The dismissed plaintiff's filed an appeal of the judge's decision to dismiss, which will be fast-tracked.

**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:** The first stage in a bankruptcy court adversary proceeding of this type is mediation. Our case has been assigned to a mediator and we are waiting for the date for the mediation to be set. We are also in settlement talks with the plaintiff.

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

**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. On October 3, 2013, the judge set a briefing schedule on the issue of whether all proper parties have been named. IMRF's brief is due November 1, 2013 and a hearing was set for January 7, 2014. At the hearing held on January 7, IMRF's motion was granted. The Village will be required to re-plead Count II of the complaint (the declaratory judgment count) naming MEABF as a necessary party. A briefing schedule was set on the administrative review count.

**MATTHEW FECORATTA V. IMRF (13CH24473) COOK COUNTY**

**Summary:** This is an administrative review action appealing the final administrative decision to deny Plaintiff's claim for disability benefits based on his failure to provide requested documents. His case was permanently closed according to IMRF procedures.

**Status:** Case was filed on October 30, 2013. IMRF has filed an answer and appearance.

**KATHERINE HINTERLONG V. IMRF (13MR1928) DUPAGE COUNTY**

**Summary:** This is an administrative review action challenging the Board's decision regarding whether Ms. Hinterlong qualified as a participating employee for receipt of temporary disability benefits.

**Status:** Case was filed on December 27, 2013. IMRF answer and appearance are due on January 31, 2014.

(14-01-11) (Report of Executive Director)

**Quarterly Strategic Objectives Report**

The Executive Director updated the Board on the fourth quarter 2013 Strategic Objectives.

**Quarterly Compliance Certification**

The Executive Director stated IMRF has been in compliance with the applicable Statutes and Regulations and the IMRF Ethics Code and Travel Policy during the 4th Quarter 2013.

He reported during the 4th Quarter 2013, IMRF staff has not had any other non-material irregularities or instances of non-compliance with the Illinois Pension Code or other applicable statutes and regulations, except as identified in the January 10, 2014 memorandum from the Chief Investment Officer.

**Representation of IMRF**

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

(14-01-12) (Trustee Forum) The Chair reported the following Trustees requested authorization from the Board to attend the following conference:

Gwen Henry	"12 <sup>th</sup> Annual Pensions and Capital Stewardship" Harvard Law School May 7-9, 2014 Cambridge, MA
Jeff Stulir	"IPPFA Regional Seminar" IPPFA March 19, 2014 Rock Island, IL

It was moved by Ms. Thompson, seconded by Mr. Piechocinski, to approve the above Trustee requests.

Vote: Unanimous Voice Vote  
Absent: Stanish, Stulir

(14-01-13) (Appreciation of Service - Donna Cesario) Members of the Board of Trustees honored IMRF staff member Donna Cesario who will be retiring from IMRF, effective January 31, 2014 with the following resolution:

Resolution of Appreciation

WHEREAS, Field Services Meeting Planner Donna Cesario has faithfully served IMRF from July 1997 through January 2014, and;

WHEREAS, during her tenure, Donna Cesario held positions in Office Services and in Member and Field Services, improving the quality of operations and customer service across multiple departments at IMRF, and;

WHEREAS, Donna Cesario successfully performed her essential duties, which included coordinating meeting locations and amenities for various types of workshops, meetings, and employer benefits fairs, including accommodations, meals and beverages, set-ups, equipment, etc., and detailed work with contracts and reservation and participant confirmations, as well as completed various support duties for the Field Services Department, and;

WHEREAS, Donna Cesario successfully planned more than 2,000 Pre-Retirement Workshops, Personal Benefit Reviews, Retiree Workshops, Employer Rate Meetings, and Authorized Agent Certifications during her tenure, and;

WHEREAS, Donna Cesario consistently provided exemplary customer service to all IMRF members, retirees, and employers she came into contact with,

THEREFORE, BE IT RESOLVED, that the IMRF Board of Trustees recognizes and honors Donna Cesario for her contributions and service to the Illinois Municipal Retirement Fund.

Adopted by the IMRF Board of Trustees on Friday, January 24, 2014.

It was moved by Ms. Henry, seconded by Mr. Kuehne to adopt the resolution.

The motion was approved by acclamation.

(14-01-14) (Adjournment) It was moved by Mr. Piechocinski, seconded by Ms. Henry, to adjourn the Board Meeting at 10:00 a.m., to reconvene in the Fund offices, 2211 York Road, Suite 400, Oak Brook, Illinois, at 9:00 a.m. on February 28, 2014.

Vote: Unanimous Voice Vote

Absent: Stanish, Stulir

\_\_\_\_\_  
President

\_\_\_\_\_  
Date

\_\_\_\_\_  
Secretary

\_\_\_\_\_  
Date

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