

ILLINOIS MUNICIPAL RETIREMENT FUND

MEETING NO. 15-12

REGULAR MEETING

OF THE

BOARD OF TRUSTEES

The Regular Meeting of the Board of Trustees was held at 9:00 a.m., December 18, 2015, in the Fund Office at 2211 York Road, Suite 400, Oak Brook, Illinois.

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

Ms. Enright called the roll:

Present: Thompson, Copper, Henry, Kuehne, Miller, Piechocinski, Stanish, Stulir  
Absent: None

Ms. Becker-Wold and Mr. Ball from Callan Associates, Mr. Moss from Seyfarth Shaw, and representatives from Loop Capital, Topeka Capital Markets and Pensions and Investments were also present.

(15-12-01) (Investment Manager Activities - Callan and Associates) Mr. Ball gave the following report to the Board on the activities of IMRF's investment managers:

November 30, 2015



**Illinois Municipal  
Retirement Fund  
Monthly Performance Report**

**Investment Measurement Service  
Monthly Review**

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. Callan does not provide advice regarding, nor shall Callan be responsible for, the purchase, sale, hedge or holding of individual securities, including, without limitation securities of the client (i.e., company stock) or derivatives in the client's accounts. In preparing the following report, CAI has not reviewed the risks of individual security holdings or the conformity of individual security holdings with the client's investment policies and guidelines, nor has it assumed any responsibility to do so. Advice pertaining to the merits of individual securities and derivatives should be discussed with a third party securities expert. Copyright 2015 by Callan Associates Inc.



**Major Market Returns  
Returns**

**for Periods Ended November 30, 2015**

Index	Last Month	Year to Date	Last Year	Last 3 Years	Last 5 Years	Last 10 Years
Russell:3000 Index	0.55	2.58	2.58	16.00	14.13	7.59
Russell:1000 Index	0.33	2.77	2.53	16.10	14.32	7.61
Russell:Midcap Index	0.25	0.25	0.46	16.07	13.56	8.40
Russell:2000 Index	3.25	0.64	3.51	14.92	12.02	7.31
MSCI:ACWI x US (Net)	(2.06)	(3.85)	(7.32)	3.31	2.99	3.60
MSCI:EAFE US\$	(1.56)	0.54	(2.94)	6.60	5.52	3.64
MSCI:Emer Markets	(3.89)	(12.70)	(16.68)	(4.22)	(2.72)	4.78
Barclays:Aggregate Index	(0.26)	0.88	0.97	1.50	3.09	4.65
NFI-ODCE Val Gross	1.21	14.01	15.24	13.78	13.84	6.61
NAREIT Equity Index	(0.52)	1.33	3.23	11.92	12.58	7.19

After impressive performance in October, domestic equity markets slowed and major global indices turned negative during November. Third quarter GDP was revised upwards to 2.1%, 0.6% higher than the initial estimate. Inventory levels, initially thought to have detracted 1.4% from GDP, were adjusted to a 0.6% drag. China's GDP advanced 6.9% year-over-year in the third quarter, facing headwinds from low commodity prices, a contraction in exports, and a slowdown in industrial output. Eurozone inflation remains stubbornly low, opening up the possibility of an extension to the ECB's bond buying program and an additional cut to the deposit rate. In this environment, the Russell 3000 Index rose a mere 0.6%. Equity returns outside the U.S. did not fare as well, falling 2.1% (MSCI ACWI x US Index). While yields increased across the curve, the spread between the 2 and 10 year Treasury narrowed and the Barclays Aggregate Index fell 0.3% for the month.

Consumer prices showed a small amount of upward pressure this month. Core CPI, which excludes food and energy, rose 1.9% year-over-year. This is only slightly lower than the Fed's goal of 2% growth. Import prices continued to fall in the wake of a strong dollar, putting downward pressure on CPI. Energy prices, while up 0.3% for the month, were down 17% year-over-year.

The November employment figures helped to fuel expectation of a December rate hike from the Fed. Initial nonfarm payroll figures showed 211,000 jobs were created during the month, which was above the consensus estimate of 190,000. October figures were revised upward from the already impressive reading of 271,000 to 298,000, marking the strongest increase since December of last year. The unemployment rate remained at 5.0%, holding steady at the lowest level seen since April 2008.

On November 13th, terrorist attacks organized by the Islamic State militant group struck Paris. Historically, attacks of this nature have been unsettling to financial markets. However, this time around the attackers were unsuccessful in disrupting the global financial markets. That following Monday, the Russell 3000 Index closed up 1.4%. Major international indices such as the MSCI ACWI x US dipped slightly during trading on November 16th, but had rebounded by the close of trading on November 17th.

\*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

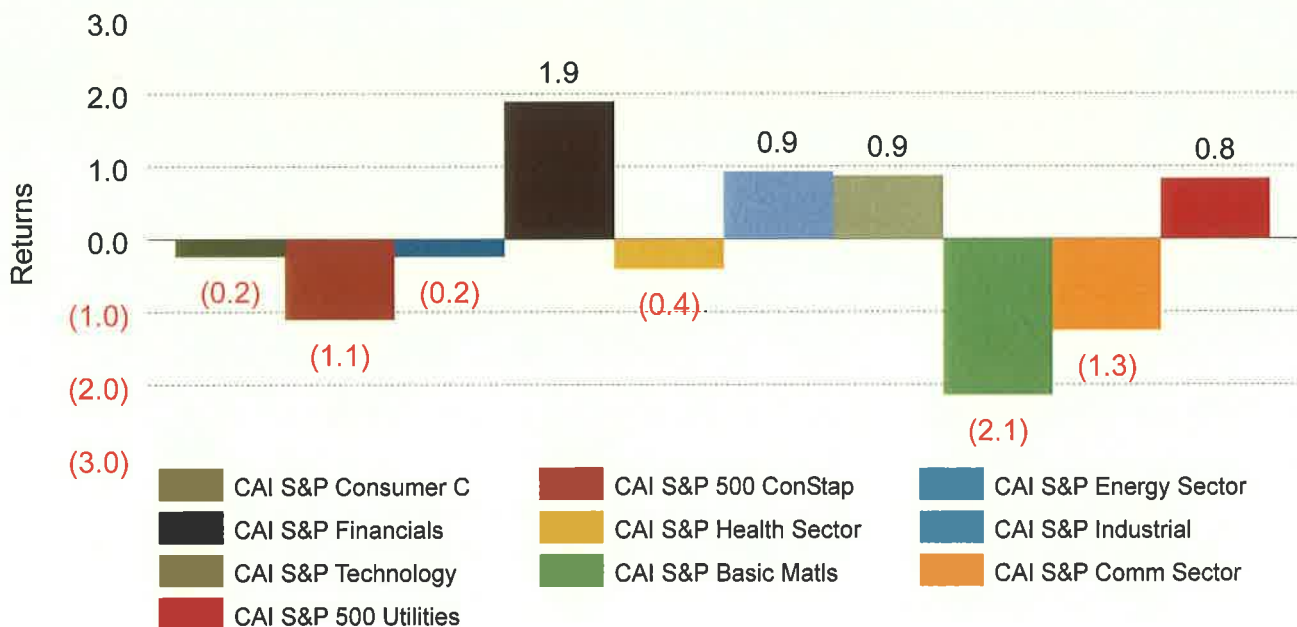
for Periods Ended November 30, 2015

Index	Last Month	Year to Date	Last Year	Last 3 Years	Last 5 Years	Last 10 Years
Russell:3000 Index	0.55	2.58	2.58	16.00	14.13	7.59
Russell:1000 Index	0.33	2.77	2.53	16.10	14.32	7.61
Russell:1000 Growth	0.28	7.24	6.12	17.39	15.10	8.66
Russell:1000 Value	0.38	(1.71)	(1.11)	14.68	13.47	6.45
Russell:Midcap Index	0.25	0.25	0.46	16.07	13.56	8.40
Russell:2000 Index	3.25	0.64	3.51	14.92	12.02	7.31
Russell:2000 Growth	3.66	3.56	6.63	17.26	13.41	8.46
Russell:2000 Value	2.84	(2.32)	0.35	12.59	10.60	6.07

Equities in the U.S. managed modest gains in November as economic data came in mostly positive for the month (Russell 3000 Index: 0.6%). The jobs report exceeded expectations at the beginning of the month and GDP for the third quarter was revised upwards shortly thereafter, putting a December rate hike into full view. Small cap stocks performed best as the Russell 2000 Index gained 3.3%. Large cap stocks lagged their smaller counterparts but still eked out a positive return, rising 0.3% (Russell 1000 Index). Growth and value were only separated by 10 basis points (Russell 1000 Growth: +0.3; Russell 1000 Value: +0.4%). Midcap stocks posted similar performance, gaining 0.3%.

Results were mixed across the economic sectors of the S&P 500. Financials led the way, gaining 1.9%, and were followed by Information Technology (+0.9%), Industrials (+0.9%), and Utilities (+0.8%). Materials lagged the most, losing 2.1% this month. Telecom Services (-1.3%) and Consumer Staples (-1.1%) were also off more than a percent.

S&P 500 Sector Returns for 1 Month Ended November 30, 2015



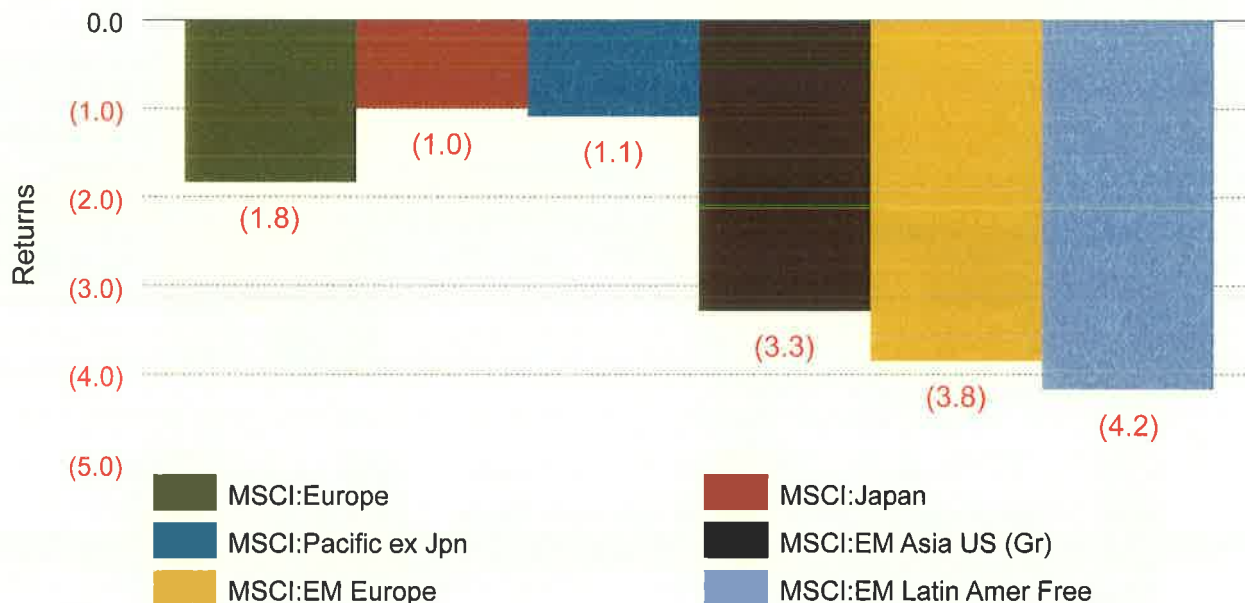
**Returns**  
**for Periods Ended November 30, 2015**

Index	Last Month	Year to Date	Last Year	Last 3 Years	Last 5 Years	Last 10 Years
MSCI:ACWI x US (Net)	(2.06)	(3.85)	(7.32)	3.31	2.99	3.60
MSCI:ACWI ex US Gr	(1.11)	0.36	(3.00)	5.30	4.26	4.71
MSCI:ACWI ex US Val	(3.05)	(7.32)	(10.85)	2.14	2.57	3.36
MSCI:EAFE US\$	(1.56)	0.54	(2.94)	6.60	5.52	3.64
MSCI:EAFE Hedged Gross	1.12	5.32	3.78	11.28	6.31	1.73
MSCI:Emer Markets	(3.89)	(12.70)	(16.68)	(4.22)	(2.72)	4.78
MSCI:ACWI SC ex US	(0.72)	2.50	1.23	7.00	4.58	5.62

Equities outside of the U.S. didn't fare quite as well as their domestic counterparts, declining 2.1% (MSCI: ACWI x US (Net) Index). Returns for the MSCI EAFE Hedged Index outpaced their unhedged counterpart by 268 basis points (MSCI EAFE Hedged Gross: +1.1%; MSCI EAFE US\$: -1.6%) as the dollar continued to strengthen. Emerging markets retreated during November, losing 3.9% (MSCI Emerging Markets Index), and is down 12.7% year-to-date. Small cap stocks outside of the U.S. posted a slightly negative return (MSCI ACWI SC x U.S.: -0.7%), but are still up 2.5% since the beginning of the year.

MSCI regional returns were negative across the board in November. Emerging markets led the way as Latin American emerging markets (-4.2%), European emerging markets (-3.8%), and Asian emerging markets (-3.3%) posted the largest declines. Japan performed best, only losing 1.0%, and was followed by Pacific ex-Japan (-1.1%) and Europe (-1.8%).

**Regional Returns for 1 Month Ended November 30, 2015**

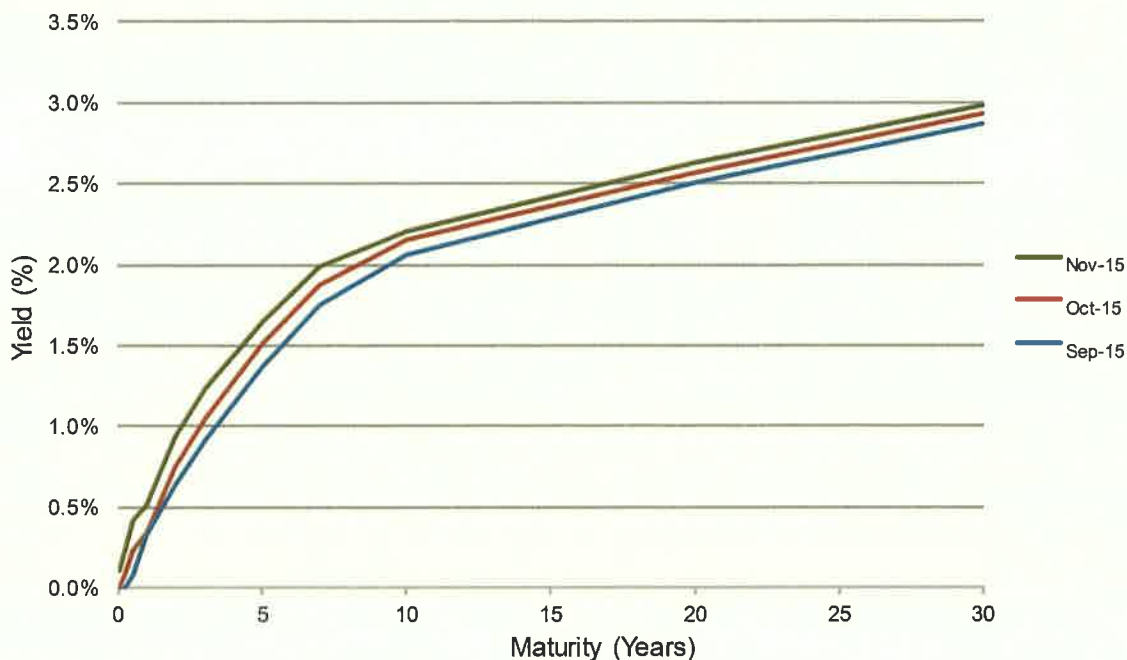


U.S. Fixed Income Overview  
Returns

for Periods Ended November 30, 2015

Index	Last Month	Year to Date	Last Year	Last 3 Years	Last 5 Years	Last 10 Years
Barclays:Aggregate Index	(0.26)	0.88	0.97	1.50	3.09	4.65
Barclays:Govt Index	(0.40)	1.03	1.16	0.93	2.47	4.22
Barclays:Credit	(0.22)	(0.01)	0.00	1.73	4.33	5.36
Barclays:Mortgage Idx	(0.14)	1.54	1.70	2.07	2.85	4.74
Barclays:US TIPS Index	(0.10)	(0.65)	(1.77)	(2.22)	2.39	4.14
3 Month T-Bill	0.01	0.02	0.02	0.05	0.07	1.27
ML:High Yield CP Idx	(2.23)	(2.06)	(3.51)	3.05	5.74	7.11
CS:Lev Loan	(0.89)	0.57	(0.54)	3.14	4.09	4.17
JPM:EMBI Global	(0.06)	2.77	(0.17)	0.75	5.36	7.08
JPM:GBI-EM GI Div	(2.16)	(12.98)	(18.14)	(8.62)	(2.45)	4.67

Treasury Yield Curve



After a series of positive economic news out of the U.S., market participants expect the Federal Reserve to raise interest rates for the first time since 2008. Yields rose across all maturities of the curve and fixed income returns fell. The Barclays Aggregate Index, representing the broad market, fell 26 basis points during the month. Government securities fell 0.4% (Barclays Government Index) and investment-grade credit securities dropped 0.2% (Barclays Credit Index). Mortgage related securities declined 14 basis points (Barclays Mortgage Index) but are up 1.5% since the start of the year. Inflation-linked treasury securities fell 0.1% (Barclays US TIPS Index), while high yield securities (ML High Yield CP Index) were off 2.2%. Levered loans dropped 0.9% (CS: Lev Loan Index). The JPM:GBI-EM GI Div Index declined 2.2%, while the JPM:EMBI Global Index only slipped slightly (-0.1%).

**Total Fund**

Total Fund assets at the end of November were \$34.93 billion, up from \$34.81 billion at the end of October. The Fund returned 0.12% for the month, outperforming the benchmark return by 18 basis points. U.S. Equity outperformed its benchmark, while Non-U.S. Equities outperformed its benchmark. Both Real Estate and Alternatives trailed their respective benchmarks for the second consecutive month. Fixed Income underperformed its benchmark by 0.18%. Over the last year, the fund returned 1.69% while trailing the benchmark return of 2.06%.

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 November, Alternatives trailed its target allocation by 4.6% and Domestic Equity exceeded the target allocation by 0.1%. 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**

The U.S. equity composite returned 1.20%, relative to the 0.55% return for the Russell 3000. Growth trumped value in large and small cap stocks. The performance dispersion in the small cap space was larger. The smaller capitalization bias had a positive effect for the month as small cap stocks outperformed large cap stocks by 335 basis points.

Large Cap: In aggregate, the Fund's large cap managers returned 0.33% which matched the Russell 1000 Index return. Growth managers advanced 0.32%, beating the Russell 1000 Growth Index by 0.04%. Sands was the best performing active growth manager, returning 1.48%. Value portfolios collectively returned 0.19%, underperforming the Russell 1000 Value Index during the month by 19 basis points. LSV was the best performing value manager with a return of 0.54%.

Small Cap: The Small Cap composite returned 3.68% and outperformed the Russell 2000 Index by 43 basis points. Small Cap Growth and Value returned 4.28% and 3.17%, respectively. Frontier was the best performing small cap growth manager and Investment Counselors of Maryland was the best in value. Micro Cap returned 3.45% in November. Wall Street was the top performer in the micro-cap segment returning 5.03% for the month.



### **International Equity**

In November, the International Equity Composite outperformed the MSCI ACWI ex-U.S. (Net) Index returning -1.47%. The Index posted a November return of -2.06%.

Large Cap: International Large Cap managers returned -1.30%. This return was 76 basis points ahead of the MSCI ACWI ex-U.S. (Net) Index. International Large Cap Growth returned -1.02% with William Blair performing best (-0.67%). International Large Cap Value returned -1.88% for the month. Lazard (-0.43%) led all other value managers. The International Large Cap Active Core Group returned -0.75% in November. Brown led the way producing a 1.12% return.

International Small Cap and Emerging Markets: The International Small Cap managers were flat, but outpaced the ACWI Small Cap ex-U.S. Index by 72 basis points. The emerging markets portfolio, managed by Genesis, returned -4.29% during November which underperformed the MSCI Emerging Markets Index by 40 basis points.

### **Fixed Income**

For the month, the total fixed income portfolio returned -0.44% (behind the BC Aggregate Index return of -0.26%) as the yield curve steepened. The Opportunistic segment was the best performer, advancing 1.40%.

Active Core: The active core fixed income component, which is made up of EARNEST Partners, Piedmont and Garcia Hamilton, returned -0.17% and slightly exceeded the BC Aggregate Index by 9 basis points.

Core Plus: The core plus managers returned -0.36%, which trailed the BC Aggregate Index by 10 basis points. LM Capital outperformed the other managers returning -0.15%.

Bank Loans: The bank loans component, managed by Babson, fell -3.13%, which was 238 basis points below its custom benchmark.

Emerging Markets: The emerging markets component, managed by Standish, returned -0.94%, which was 30 basis points ahead of its custom benchmark.

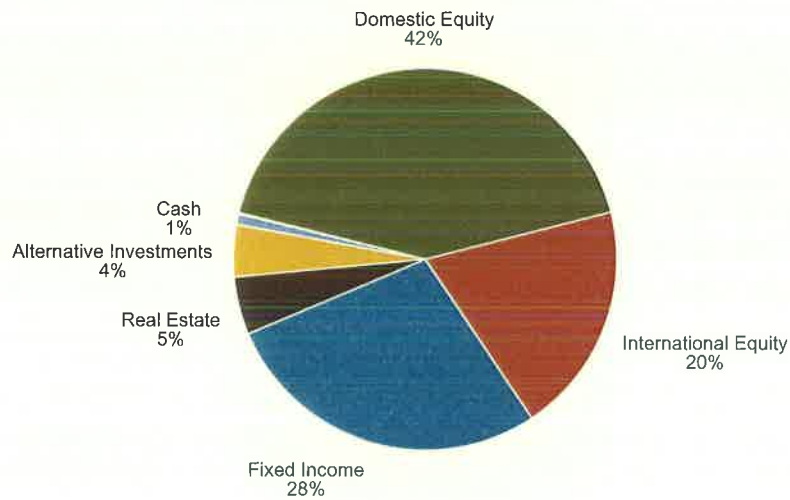
Opportunistic: The opportunistic component, managed by Crescent, produced a 1.40% return, outperforming its custom benchmark by 297 basis points.

High Yield: The high yield manager, MacKay Shields, returned -1.37%, beating the ML High Yield Cash Pay Index by 86 basis points.

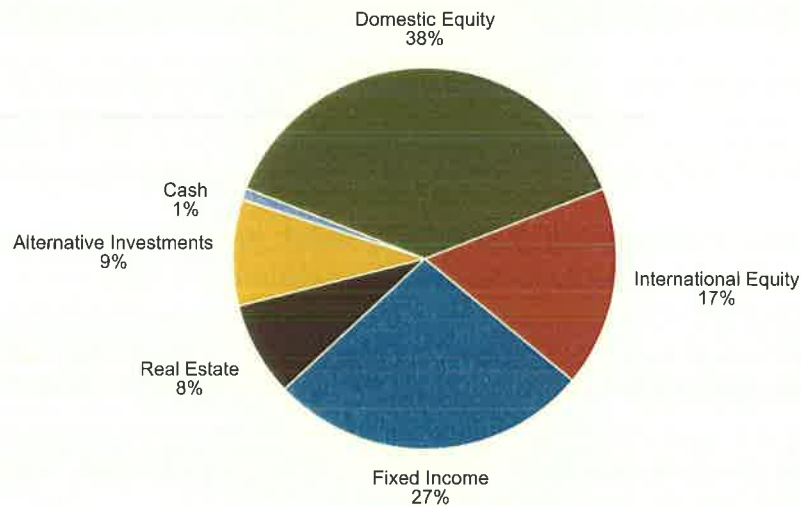
## Actual vs Target Asset Allocation

The first chart below shows the Fund's asset allocation as of November 30, 2015. 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	14,714	42.1%	38.0%	4.1%	1,438
International Equity	6,855	19.6%	17.0%	2.6%	917
Fixed Income	9,770	28.0%	27.0%	1.0%	337
Real Estate	1,725	4.9%	8.0%	(3.1%)	(1,070)
Alternative Investments	1,540	4.4%	9.0%	(4.6%)	(1,604)
Cash	331	0.9%	1.0%	(0.1%)	(18)
<b>Total</b>	<b>34,934</b>	<b>100.0%</b>	<b>100.0%</b>		

\* Current Month Target = 38.0% Russell 3000 Index, 27.0% Barclays Aggregate Index, 17.0% MSCI ACWI x US (Net), 9.0% 9% Annually, 8.0% NFI-ODCE Value Weight Net 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 November 30, 2015, with the distribution as of October 31, 2015.

### Asset Distribution Across Investment Managers

	November 30, 2015		October 31, 2015	
	Market Value	Percent	Market Value	Percent
<b>Domestic Equity</b>	<b>\$14,713,519,272</b>	<b>42.12%</b>	<b>\$14,618,265,370</b>	<b>41.99%</b>
<b>Large Cap Growth</b>				
Holland	848,441,833	2.43%	856,664,837	2.46%
NTGI S&P 500 Growth Idx	1,446,181,943	4.14%	1,444,532,922	4.15%
Sands	1,236,749,045	3.54%	1,218,699,986	3.50%
Vision	171,523,360	0.49%	171,078,065	0.49%
<b>Large Cap Value</b>				
Dodge & Cox	1,113,204,691	3.19%	1,117,942,094	3.21%
BMO	1,226,111,543	3.51%	1,226,433,353	3.52%
LSV	1,207,055,003	3.46%	1,202,365,907	3.45%
NTGI S&P 500 Value Idx	907,642,025	2.60%	902,867,795	2.59%
<b>Large Cap Core</b>				
NTGI MarketCap Index	2,664,775,910	7.63%	2,649,663,305	7.61%
<b>Small Cap Growth</b>				
Frontier	657,944,191	1.88%	627,917,465	1.80%
Pyramis	961,892,383	2.75%	925,410,827	2.66%
<b>Small Cap Value</b>				
Channing	178,304,250	0.51%	173,522,974	0.50%
Dimensional Small Cap Value	704,372,109	2.02%	683,306,811	1.96%
Inv. Counselors of Maryland	567,381,521	1.62%	545,832,488	1.57%
Lombardia	154,376,385	0.44%	152,429,367	0.44%
<b>Micro Cap</b>				
Ariel	66,727,800	0.19%	66,553,379	0.19%
Ativo	55,425,229	0.16%	54,081,311	0.16%
Dimensional Micro Cap	310,114,357	0.89%	301,457,546	0.87%
Wall Street	235,295,693	0.67%	297,504,938	0.85%
<b>International Equity</b>	<b>\$6,855,343,315</b>	<b>19.62%</b>	<b>\$6,957,893,164</b>	<b>19.99%</b>
<b>International Large Cap Growth</b>				
EARNEST Partners	484,596,790	1.39%	491,730,642	1.41%
William Blair	596,653,374	1.71%	600,659,636	1.73%
<b>International Large Cap Value</b>				
Brandes	497,505,437	1.42%	505,467,841	1.45%
Lombardia	29,587,343	0.08%	30,282,800	0.09%
Mondrian	471,926,647	1.35%	483,773,710	1.39%
Lazard	93,447,354	0.27%	93,852,510	0.27%
<b>International Large Cap Core</b>				
Arrowstreet	520,452,458	1.49%	521,879,964	1.50%
Brown	288,521,424	0.83%	285,332,335	0.82%
GlobeFlex	501,987,922	1.44%	512,777,826	1.47%
NTGI MSCI EAFE Index	2,165,876,012	6.20%	2,199,704,380	6.32%
Progress Intl Equity	229,058,604	0.66%	231,667,703	0.67%
<b>International Small Cap</b>				
Franklin Templeton	186,837,921	0.53%	189,780,696	0.55%
William Blair	230,923,541	0.66%	228,001,618	0.65%
<b>Emerging Markets</b>				
Genesis	557,968,488	1.60%	582,981,505	1.67%

## Investment Manager Asset Allocation

The table below contrasts the distribution of assets across the Fund's investment managers as of November 30, 2015, with the distribution as of October 31, 2015.

### Asset Distribution Across Investment Managers

	November 30, 2015		October 31, 2015	
	Market Value	Percent	Market Value	Percent
<b>Fixed Income</b>	<b>\$9,769,732,805</b>	<b>27.97%</b>	<b>\$9,829,378,303</b>	<b>28.24%</b>
<b>Domestic Fixed Core</b>				
EARNEST Partners	558,352,257	1.60%	560,706,900	1.61%
Piedmont	544,216,250	1.56%	546,321,850	1.57%
Garcia Hamilton	248,459,512	0.71%	249,617,126	0.72%
<b>Passive Core</b>				
BlackRock US Debt	1,360,692,002	3.89%	1,364,250,548	3.92%
NTGI BC Aggregate Index	1,475,356,748	4.22%	1,479,343,019	4.25%
<b>Domestic Fixed Core Plus</b>				
BlackRock Core Plus	741,747,749	2.12%	745,985,381	2.14%
LM Capital	858,998,626	2.46%	865,067,353	2.49%
Progress Fixed Income	822,553,952	2.35%	824,549,454	2.37%
Taplin, Canida, & Habacht	841,576,837	2.41%	850,511,133	2.44%
Western	1,154,599,964	3.31%	1,161,907,558	3.34%
<b>Bank Loans</b>				
Babson	291,507,152	0.83%	297,635,974	0.85%
<b>Emerging Markets Debt</b>				
Standish	169,020,415	0.48%	170,624,845	0.49%
<b>Opportunistic Fixed Income</b>				
Crescent	116,202,132	0.33%	114,601,202	0.33%
<b>High Yield</b>				
MacKay Shields	578,531,961	1.66%	590,357,240	1.70%
Pyramis High Yield	7,917,247	0.02%	7,898,721	0.02%
<b>Real Estate</b>	<b>\$1,724,755,379</b>	<b>4.94%</b>	<b>\$1,696,531,489</b>	<b>4.87%</b>
<b>Real Estate Core</b>				
TA Buckhead Ind. Prop.	330,646,156	0.95%	323,387,063	0.93%
Cornerstone Patriot	134,513,829	0.39%	134,513,829	0.39%
INVESCO Core RE	174,784,906	0.50%	174,784,906	0.50%
AEW Core Property Trust	213,562,736	0.61%	215,820,271	0.62%
CBRE US Core Property Trust	146,261,767	0.42%	146,261,767	0.42%
<b>Real Estate Non-Core</b>				
Franklin Templeton EMREFF	51,637,863	0.15%	49,480,543	0.14%
Olympus Real Estate Fund II	144,024	0.00%	144,024	0.00%
Security Capital	55,298,195	0.16%	55,298,195	0.16%
Dune II	41,747,037	0.12%	40,528,568	0.12%
Non-Core Real Estate Funds*	461,744,454	1.32%	444,384,170	1.28%
Non-Core Intl Real Estate Funds**	33,782,329	0.10%	27,131,604	0.08%
Rockwood Fund VIII	11,686,626	0.03%	11,811,040	0.03%
Almanac ARS V	25,461,547	0.07%	27,750,978	0.08%
TA Fund IX	43,483,910	0.12%	45,234,531	0.13%
<b>Alternative Investments</b>	<b>\$1,539,990,913</b>	<b>4.41%</b>	<b>\$1,578,408,134</b>	<b>4.53%</b>
<b>Absolute Return</b>				
Aurora	490,437,993	1.40%	528,682,792	1.52%
<b>Private Equity</b>				
Abbott	311,517,933	0.89%	318,517,940	0.91%
Muller & Monroe ILPEFF	8,761,672	0.03%	8,761,672	0.03%
Muller & Monroe MPEFF	12,414,485	0.04%	12,414,485	0.04%
Pantheon	194,221,140	0.56%	194,101,308	0.56%
Private Equity Fund - Domestic	266,785,343	0.76%	260,437,560	0.75%
Private Equity Fund - International	3,656,423	0.01%	3,296,457	0.01%
<b>Agriculture</b>				
Premiere Partners IV	174,720,670	0.50%	174,720,668	0.50%
<b>Timberland</b>				
Forest Investment Assoc.	77,475,253	0.22%	77,475,253	0.22%
<b>Cash</b>	<b>\$331,014,245</b>	<b>0.95%</b>	<b>\$131,006,625</b>	<b>0.38%</b>
<b>Total Fund</b>	<b>\$34,934,355,929</b>	<b>100.0%</b>	<b>\$34,811,483,084</b>	<b>100.0%</b>

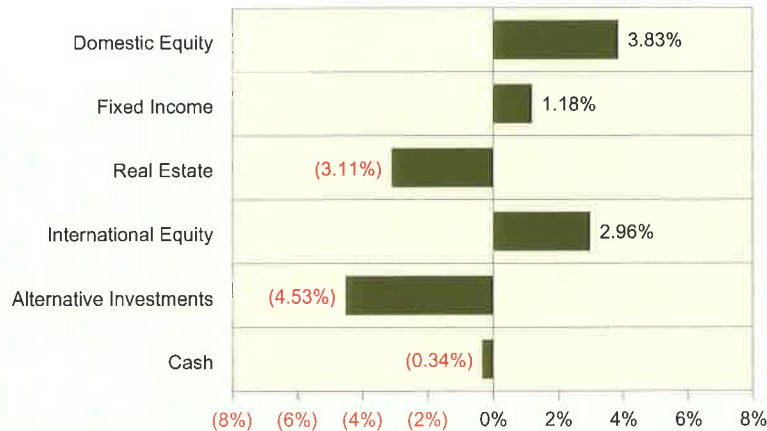
\* Non-Core Real Estate Funds funded since September 2011.

\*\* Non-Core International Real Estate Funds funded since August 2014.

## Monthly Total Fund Relative Attribution - November 30, 2015

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.

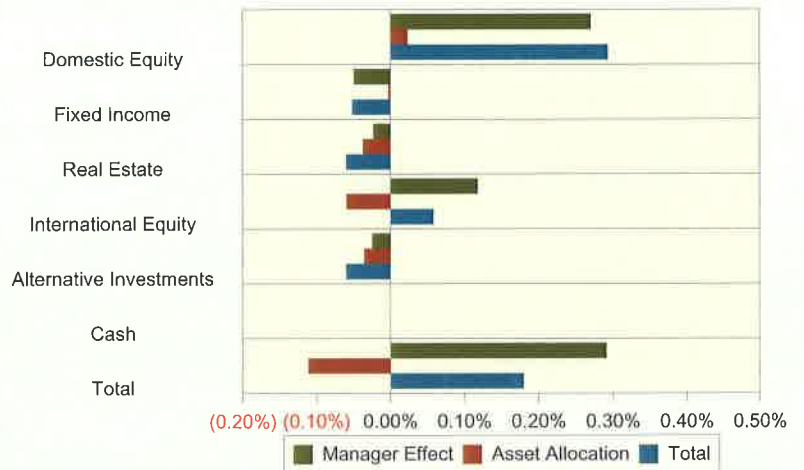
### Asset Class Under or Overweighting



### Actual vs Target Returns



### Relative Attribution by Asset Class



### Relative Attribution Effects for Month ended November 30, 2015

Asset Class	Effective Actual Weight	Effective Target Weight	Actual Return	Target Return	Manager Effect	Asset Allocation	Total Relative Return
Domestic Equity	42%	38%	1.20%	0.55%	0.27%	0.02%	0.29%
Fixed Income	28%	27%	(0.44%)	(0.26%)	(0.05%)	(0.00%)	(0.05%)
Real Estate	5%	8%	0.66%	1.13%	(0.02%)	(0.04%)	(0.06%)
International Equity	20%	17%	(1.47%)	(2.06%)	0.12%	(0.06%)	0.06%
Alternative Investments	4%	9%	0.17%	0.72%	(0.02%)	(0.04%)	(0.06%)
Cash	1%	1%	0.00%	0.01%	(0.00%)	(0.00%)	(0.00%)
<b>Total</b>			<b>0.12%</b>		<b>0.29%</b>	<b>(0.11%)</b>	<b>0.18%</b>

\* Current Month Target = 38.0% Russell 3000 Index, 27.0% Barclays Aggregate Index, 17.0% MSCI ACWI x US (Net), 9.0% 9% Annually, 8.0% NFI-ODCE Value Weight Net 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 November 30, 2015

	Last Month	Last 3 Months	Year to Date	Last 12 Months
Domestic Equity	1.20%	4.90%	2.80%	3.48%
Blended Benchmark**	0.55%	5.34%	2.58%	2.57%
Domestic Equity - Net	1.15%	4.82%	2.55%	3.21%
International Equity	(1.47%)	1.24%	(0.54%)	(3.71%)
MSCI ACWI x US (Net)	(2.06%)	0.35%	(3.85%)	(7.32%)
International Equity - Net	(1.57%)	1.14%	(0.86%)	(4.02%)
Fixed Income	(0.44%)	0.13%	0.72%	0.47%
BC Aggregate Index	(0.26%)	0.43%	0.88%	0.97%
Fixed Income - Net	(0.46%)	0.09%	0.59%	0.34%
Real Estate	0.66%	2.45%	10.80%	12.77%
Blended Benchmark***	1.13%	3.43%	13.03%	14.16%
Real Estate - Net	0.66%	2.45%	10.80%	12.77%
Alternative Investments	0.17%	1.07%	5.91%	7.89%
Alternatives Custom Benchmark****	0.72%	2.18%	8.22%	9.00%
Alternative Investments - Net	0.10%	1.00%	5.52%	7.49%
Absolute Return	0.00%	(1.18%)	0.67%	0.47%
HFR Fund-of-Funds Index	0.81%	(0.18%)	0.67%	1.03%
Private Equity	0.33%	1.42%	9.92%	10.26%
Alternatives Custom Benchmark****	0.72%	2.18%	8.22%	9.00%
Agriculture	0.00%	6.88%	6.18%	24.45%
Blended Benchmark***	1.13%	3.43%	13.03%	14.16%
Timberland	0.00%	0.72%	4.48%	7.26%
Blended Benchmark***	1.13%	3.43%	13.03%	14.16%
<b>Total Fund</b>	<b>0.12%</b>	<b>2.47%</b>	<b>1.98%</b>	<b>1.69%</b>
Total Fund - Net	0.08%	2.41%	1.75%	1.45%
Total Fund Benchmark	(0.06%)	2.74%	2.51%	2.06%

\* Current Month Target = 38.0% Russell 3000 Index, 27.0% Barclays Aggregate Index, 17.0% MSCI ACWI x US (Net), 9.0% 9% Annually, 8.0% NFI-ODCE Value Weight Net and 1.0% 3-month Treasury Bill.

\*\* The Blended Benchmark is currently Russell 3000 Index. Returns prior to January 1, 2015, reflect those of the Dow Jones U.S. Total Stock Market Index.

\*\*\* The Blended Benchmark is currently ODCE Value Weighted Index. 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 November 30, 2015

	Last 36 Months	Last 60 Months	Last 120 Months	Since Inception
Domestic Equity	16.51%	14.09%	7.83%	11.62% <sup>(1/82)</sup>
Blended Benchmark**	15.95%	14.11%	7.72%	11.32% <sup>(1/82)</sup>
Domestic Equity - Net	16.22%	13.81%	7.56%	7.70% <sup>(1/05)</sup>
International Equity	6.30%	5.49%	4.68%	7.80% <sup>(9/86)</sup>
MSCI ACWI x US (Net)	3.31%	2.99%	3.60%	-
International Equity - Net	5.97%	5.16%	4.33%	5.07% <sup>(1/05)</sup>
Fixed Income	2.03%	4.04%	5.43%	8.65% <sup>(1/82)</sup>
BC Aggregate Index	1.50%	3.09%	4.65%	8.18% <sup>(1/82)</sup>
Fixed Income - Net	1.89%	3.89%	5.29%	4.99% <sup>(1/05)</sup>
Real Estate	11.63%	12.12%	6.26%	5.04% <sup>(5/85)</sup>
Blended Benchmark***	12.81%	13.19%	7.62%	7.84% <sup>(5/85)</sup>
Real Estate - Net	11.63%	12.12%	6.26%	6.81% <sup>(1/05)</sup>
Alternative Investments	10.30%	8.44%	7.37%	10.84% <sup>(2/86)</sup>
Alternatives Custom Benchmark****	9.00%	9.00%	10.36%	13.17% <sup>(2/86)</sup>
Alternative Investments - Net	9.93%	8.14%	7.06%	7.99% <sup>(1/05)</sup>
Absolute Return	4.88%	3.57%	3.78%	4.63% <sup>(1/02)</sup>
HFR Fund-of-Funds Index	4.69%	2.74%	2.56%	3.60% <sup>(1/02)</sup>
Private Equity	12.85%	11.16%	9.93%	13.01% <sup>(2/86)</sup>
Alternatives Custom Benchmark****	9.00%	9.00%	10.36%	13.17% <sup>(2/86)</sup>
Agriculture	22.37%	17.47%	13.00%	8.50% <sup>(10/97)</sup>
Blended Benchmark***	12.81%	13.19%	7.62%	7.56% <sup>(10/97)</sup>
Timberland	6.96%	5.06%	5.43%	8.64% <sup>(10/92)</sup>
Blended Benchmark***	12.81%	13.19%	7.62%	7.57% <sup>(10/92)</sup>
<b>Total Fund</b>	<b>9.72%</b>	<b>9.02%</b>	<b>7.00%</b>	<b>10.02%</b> <sup>(1/82)</sup>
Total Fund - Net	9.47%	8.77%	6.76%	6.85% <sup>(1/05)</sup>
Total Fund Benchmark	8.86%	8.57%	6.68%	6.63% <sup>(1/05)</sup>

\* Current Month Target = 38.0% Russell 3000 Index, 27.0% Barclays Aggregate Index, 17.0% MSCI ACWI x US (Net), 9.0% 9% Annually, 8.0% NFI-ODCE Value Weight Net and 1.0% 3-month Treasury Bill.

\*\* The Blended Benchmark is currently Russell 3000 Index. Returns prior to January 1, 2015, reflect those of the Dow Jones U.S. Total Stock Market Index.

\*\*\* The Blended Benchmark is currently ODCE Value Weighted Index. 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 November 30, 2015

	Last Month	Last 3 Months	Year to Date	Last 12 Months
<b>Large Cap Equity</b>	<b>0.33%</b>	<b>5.54%</b>	<b>2.99%</b>	<b>2.74%</b>
Russell 1000 Index	0.33%	5.48%	2.77%	2.53%
<b>Large Cap Growth</b>	<b>0.32%</b>	<b>7.45%</b>	<b>6.91%</b>	<b>5.66%</b>
Holland	(0.96%)	5.78%	8.93%	7.10%
LCG Blended Benchmark*	0.28%	6.22%	7.24%	6.12%
Russell 1000 Growth Index	0.28%	6.22%	7.24%	6.12%
Holland - Net	(1.02%)	5.72%	8.69%	6.87%
NTGI S&P 500 Growth Idx	0.11%	7.10%	7.12%	6.14%
S&P/Citi 500 Growth Index	0.12%	7.11%	7.15%	6.13%
NTGI S&P 500 Growth Idx - Net	0.11%	7.09%	7.12%	6.13%
Sands	1.48%	9.51%	5.25%	4.16%
LCG Blended Benchmark*	0.28%	6.22%	7.24%	6.12%
Russell 1000 Growth Index	0.28%	6.22%	7.24%	6.12%
Sands - Net	1.48%	9.44%	5.01%	3.92%
Vision	0.26%	3.71%	1.76%	0.57%
LCG Blended Benchmark*	0.28%	6.22%	7.24%	6.12%
Russell 1000 Growth Index	0.28%	6.22%	7.24%	6.12%
Vision - Net	0.26%	3.64%	1.47%	0.29%
<b>Large Cap Value</b>	<b>0.19%</b>	<b>4.13%</b>	<b>0.01%</b>	<b>0.43%</b>
Dodge & Cox	(0.35%)	3.14%	(1.25%)	(1.34%)
LCV Blended Benchmark**	0.38%	4.70%	(1.71%)	(1.11%)
Russell 1000 Value Index	0.38%	4.70%	(1.71%)	(1.11%)
Dodge & Cox - Net	(0.35%)	3.08%	(1.46%)	(1.55%)
BMO	0.10%	4.39%	1.40%	2.01%
LCV Blended Benchmark**	0.38%	4.70%	(1.71%)	(1.11%)
Russell 1000 Value Index	0.38%	4.70%	(1.71%)	(1.11%)
BMO - Net	0.10%	4.39%	1.23%	1.85%
LSV	0.54%	4.10%	0.53%	1.18%
LCV Blended Benchmark**	0.38%	4.70%	(1.71%)	(1.11%)
Russell 1000 Value Index	0.38%	4.70%	(1.71%)	(1.11%)
LSV - Net	0.54%	4.04%	0.29%	0.93%
NTGI S&P 500 Value Idx	0.53%	4.91%	(1.38%)	(0.87%)
S&P/Citi 500 Value Index	0.51%	4.86%	(1.48%)	(0.94%)
NTGI S&P 500 Value Idx - Net	0.53%	4.91%	(1.39%)	(0.87%)
<b>Large Cap Passive Core</b>	<b>0.57%</b>	<b>5.30%</b>	<b>2.60%</b>	<b>2.59%</b>
NTGI MarketCap Idx	0.57%	5.30%	2.60%	2.59%
DJ U.S. Total Stock Market Index	0.55%	5.27%	2.51%	2.50%
NTGI MarketCap Idx - Net	0.57%	5.30%	2.59%	2.58%

\* 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 November 30, 2015

	Last 36 Months	Last 60 Months	Last 120 Months	Since Inception	
<b>Large Cap Equity</b>	<b>16.62%</b>	<b>14.51%</b>	<b>7.65%</b>	<b>11.17%</b>	(1/82)
Russell 1000 Index	16.10%	14.32%	7.61%	11.52%	(1/82)
<b>Large Cap Growth</b>	<b>16.92%</b>	<b>14.75%</b>	<b>8.44%</b>	<b>11.70%</b>	(1/82)
Holland	16.43%	14.24%	8.95%	10.30%	(11/94)
LCG Blended Benchmark*	17.39%	15.10%	8.67%	9.64%	(11/94)
Russell 1000 Growth Index	17.39%	15.10%	8.66%	8.84%	(11/94)
Holland - Net	16.19%	13.98%	8.67%	7.91%	(1/05)
NTGI S&P 500 Growth Idx	17.74%	15.60%	8.87%	6.46%	(8/01)
S&P/Citi 500 Growth Index	17.74%	15.58%	8.85%	6.42%	(8/01)
NTGI S&P 500 Growth Idx - Net	17.73%	15.58%	8.86%	8.50%	(1/05)
Sands	18.04%	16.84%	10.24%	11.56%	(11/03)
LCG Blended Benchmark*	17.39%	15.10%	8.67%	8.48%	(11/03)
Russell 1000 Growth Index	17.39%	15.10%	8.66%	8.54%	(11/03)
Sands - Net	17.79%	16.58%	9.96%	10.21%	(1/05)
Vision	12.16%	-	-	10.84%	(7/11)
LCG Blended Benchmark*	17.39%	15.10%	8.67%	14.12%	(7/11)
Russell 1000 Growth Index	17.39%	15.10%	8.66%	14.12%	(7/11)
Vision - Net	11.76%	-	-	10.39%	(7/11)
<b>Large Cap Value</b>	<b>16.71%</b>	<b>14.69%</b>	<b>7.06%</b>	<b>10.33%</b>	(10/82)
Dodge & Cox	16.24%	14.40%	6.78%	8.86%	(9/03)
LCV Blended Benchmark**	14.68%	13.47%	6.42%	7.96%	(9/03)
Russell 1000 Value Index	14.68%	13.47%	6.45%	8.18%	(9/03)
Dodge & Cox - Net	16.00%	14.17%	6.54%	6.69%	(1/05)
BMO	17.21%	15.30%	7.76%	7.87%	(2/01)
LCV Blended Benchmark**	14.68%	13.47%	6.42%	4.82%	(2/01)
Russell 1000 Value Index	14.68%	13.47%	6.45%	6.06%	(2/01)
BMO - Net	16.98%	15.05%	7.52%	7.98%	(1/05)
LSV	18.33%	15.62%	7.94%	11.19%	(2/03)
LCV Blended Benchmark**	14.68%	13.47%	6.42%	9.17%	(2/03)
Russell 1000 Value Index	14.68%	13.47%	6.45%	9.18%	(2/03)
LSV - Net	18.04%	15.33%	7.65%	7.83%	(1/05)
NTGI S&P 500 Value Idx	14.40%	13.19%	6.07%	4.91%	(8/99)
S&P/Citi 500 Value Index	14.29%	13.11%	6.01%	4.89%	(8/99)
NTGI S&P 500 Value Idx - Net	14.39%	13.18%	6.06%	6.06%	(1/05)
<b>Large Cap Passive Core</b>	<b>16.03%</b>	<b>14.18%</b>	<b>7.61%</b>	<b>11.03%</b>	(1/85)
NTGI MarketCap Idx	16.03%	14.18%	7.62%	10.78%	(2/85)
DJ U.S. Total Stock Market Index	15.92%	14.10%	7.71%	10.73%	(2/85)
NTGI MarketCap Idx - Net	16.02%	14.17%	7.61%	7.55%	(1/05)

\* 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.

## 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 November 30, 2015

	Last Month	Last 3 Months	Year to Date	Last 12 Months
<b>Small Cap Equity</b>	<b>3.68%</b>	<b>3.18%</b>	<b>2.22%</b>	<b>5.27%</b>
Russell 2000 Index	3.25%	3.72%	0.64%	3.51%
<b>Small Cap Growth</b>	<b>4.28%</b>	<b>3.11%</b>	<b>7.05%</b>	<b>10.20%</b>
Frontier	4.78%	0.54%	(1.98%)	1.44%
Russell 2000 Growth Index	3.66%	2.63%	3.56%	6.63%
Frontier - Net	4.78%	0.39%	(2.58%)	0.82%
Pyramis	3.94%	4.70%	15.27%	18.08%
Russell 2000 Growth Index	3.66%	2.63%	3.56%	6.63%
Pyramis - Net	3.58%	4.33%	14.47%	17.07%
<b>Small Cap Value</b>	<b>3.17%</b>	<b>5.43%</b>	<b>0.98%</b>	<b>3.74%</b>
Channing	2.76%	6.30%	3.15%	5.11%
Russell 2000 Value Index	2.84%	4.84%	(2.32%)	0.35%
Channing - Net	2.63%	6.17%	2.77%	4.73%
DFA Small Cap Value	3.08%	4.63%	(0.15%)	2.84%
Russell 2000 Value Index	2.84%	4.84%	(2.32%)	0.35%
DFA Small Cap Value - Net	2.96%	4.51%	(0.65%)	2.33%
Inv. Counselors of Maryland	3.95%	6.91%	3.21%	6.23%
Russell 2000 Value Index	2.84%	4.84%	(2.32%)	0.35%
Inv. Couns. of Maryland - Net	3.83%	6.78%	2.78%	5.78%
Lombardia	1.28%	2.06%	(5.12%)	(3.62%)
Russell 2000 Value Index	2.84%	4.84%	(2.32%)	0.35%
Lombardia - Net	1.28%	1.89%	(5.77%)	(4.28%)
<b>Micro Cap</b>	<b>3.45%</b>	<b>(0.85%)</b>	<b>(4.01%)</b>	<b>(0.57%)</b>
Ariel	0.26%	(10.02%)	(25.66%)	(23.08%)
Russell Microcap Index	3.80%	3.00%	0.00%	5.11%
Russell 2000 Value Index	2.84%	4.84%	(2.32%)	0.35%
Russell 2000 Index	3.25%	3.72%	0.64%	3.51%
Ariel - Net	0.03%	(10.22%)	(26.30%)	(23.74%)
Ativo	3.19%	7.95%	6.97%	9.52%
Russell Microcap Index	3.80%	3.00%	0.00%	5.11%
Russell 2000 Growth Index	3.66%	2.63%	3.56%	6.63%
Russell 2000 Index	3.25%	3.72%	0.64%	3.51%
Ativo - Net	2.99%	7.75%	6.17%	8.70%
DFA Micro Cap	2.87%	5.06%	1.74%	5.24%
Russell 2000 Value Index	2.84%	4.84%	(2.32%)	0.35%
Russell 2000 Index	3.25%	3.72%	0.64%	3.51%
DFA Micro Cap - Net	2.75%	4.94%	1.23%	4.71%
Wall Street	5.03%	(4.70%)	(5.23%)	(1.60%)
Russell 2000 Growth Index	3.66%	2.63%	3.56%	6.63%
Russell 2000 Index	3.25%	3.72%	0.64%	3.51%
Wall Street - Net	4.70%	(5.00%)	(6.07%)	(2.46%)

## 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 November 30, 2015

	Last 36 Months	Last 60 Months	Last 120 Months	Since Inception
<b>Small Cap Equity</b>	<b>16.55%</b>	<b>12.99%</b>	<b>9.32%</b>	<b>12.55%</b> (7/88)
Russell 2000 Index	14.92%	12.02%	7.31%	9.41% (7/88)
<b>Small Cap Growth</b>	<b>19.01%</b>	<b>13.96%</b>	<b>10.03%</b>	<b>13.42%</b> (7/88)
Frontier	15.81%	11.67%	9.35%	13.20% (8/88)
Russell 2000 Growth Index	17.26%	13.41%	8.46%	8.01% (8/88)
Frontier - Net	15.20%	11.03%	6.99%	6.98% (1/05)
Pyramis	22.09%	15.99%	11.52%	14.25% (8/88)
Russell 2000 Growth Index	17.26%	13.41%	8.46%	8.01% (8/88)
Pyramis - Net	21.43%	15.35%	10.88%	11.86% (1/05)
<b>Small Cap Value</b>	<b>15.18%</b>	<b>12.66%</b>	<b>8.45%</b>	<b>12.15%</b> (9/89)
Channing	16.53%	-	-	12.75% (7/11)
Russell 2000 Value Index	12.59%	10.60%	6.07%	9.15% (7/11)
Channing - Net	15.94%	-	-	12.09% (7/11)
DFA Small Cap Value	15.83%	13.27%	8.27%	12.78% (2/96)
Russell 2000 Value Index	12.59%	10.60%	6.07%	9.61% (2/96)
DFA Small Cap Value - Net	15.30%	12.75%	7.73%	7.90% (1/05)
Inv. Counselors of Maryland	15.09%	12.45%	8.61%	11.55% (5/99)
Russell 2000 Value Index	12.59%	10.60%	6.07%	9.05% (5/99)
Inv. Couns. of Maryland - Net	14.64%	12.00%	8.11%	7.96% (1/05)
Lombardia	12.16%	-	-	8.18% (6/11)
Russell 2000 Value Index	12.59%	10.60%	6.07%	8.37% (6/11)
Lombardia - Net	11.41%	-	-	7.47% (6/11)
<b>Micro Cap</b>	<b>14.70%</b>	<b>11.69%</b>	<b>6.62%</b>	<b>12.00%</b> (7/84)
Ariel	2.17%	4.93%	-	4.71% (11/10)
Russell Microcap Index	15.94%	12.36%	5.70%	12.91% (11/10)
Russell 2000 Value Index	12.59%	10.60%	6.07%	10.96% (11/10)
Russell 2000 Index	14.92%	12.02%	7.31%	12.56% (11/10)
Ariel - Net	1.33%	4.06%	-	3.86% (11/10)
Ativo	23.46%	15.04%	-	16.19% (10/10)
Russell Microcap Index	15.94%	12.36%	5.70%	13.89% (10/10)
Russell 2000 Growth Index	17.26%	13.41%	8.46%	14.82% (10/10)
Russell 2000 Index	14.92%	12.02%	7.31%	13.22% (10/10)
Ativo - Net	22.53%	14.16%	-	15.32% (10/10)
DFA Micro Cap	16.65%	13.80%	8.04%	11.28% (8/87)
Russell 2000 Value Index	12.59%	10.60%	6.07%	9.92% (8/87)
Russell 2000 Index	14.92%	12.02%	7.31%	8.74% (8/87)
DFA Micro Cap - Net	16.08%	13.24%	7.51%	7.42% (1/05)
Wall Street	14.69%	11.05%	6.43%	13.75% (8/90)
Russell 2000 Growth Index	17.26%	13.41%	8.46%	8.01% (8/90)
Russell 2000 Index	14.92%	12.02%	7.31%	9.77% (8/90)
Wall Street - Net	13.79%	10.18%	5.59%	6.77% (1/05)

## 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 November 30, 2015

	Last Month	Last 3 Months	Year to Date	Last 12 Months
<b>Intl Large Cap Equity</b>	<b>(1.30%)</b>	<b>1.15%</b>	<b>0.29%</b>	<b>(2.91%)</b>
MSCI ACWI ex-US Index	(2.06%)	0.35%	(3.85%)	(7.32%)
<b>Intl Large Cap Growth</b>	<b>(1.02%)</b>	<b>1.49%</b>	<b>(2.78%)</b>	<b>(5.40%)</b>
EARNEST Partners	(1.45%)	0.44%	(7.70%)	(10.54%)
MSCI ACWI ex-US Index	(2.06%)	0.35%	(3.85%)	(7.32%)
MSCI ACWI ex-US Growth	(1.11%)	2.40%	0.36%	(3.00%)
EARNEST Partners - Net	(1.45%)	0.44%	(7.84%)	(10.68%)
William Blair	(0.67%)	2.36%	1.63%	(0.78%)
MSCI ACWI ex-US Index	(2.06%)	0.35%	(3.85%)	(7.32%)
MSCI ACWI ex-US Growth	(1.11%)	2.40%	0.36%	(3.00%)
William Blair - Net	(0.76%)	2.27%	1.26%	(1.14%)
<b>Intl Large Cap Value</b>	<b>(1.88%)</b>	<b>(0.25%)</b>	<b>(0.89%)</b>	<b>(4.68%)</b>
Brandes	(1.58%)	(0.52%)	0.94%	(3.28%)
MSCI ACWI ex-US Index	(2.06%)	0.35%	(3.85%)	(7.32%)
MSCI ACWI ex-US Value	(3.05%)	(1.65%)	(7.32%)	(10.85%)
Brandes - Net	(1.63%)	(0.57%)	0.72%	(3.49%)
Lombardia	(2.30%)	(0.81%)	(3.51%)	(5.99%)
MSCI ACWI ex-US Index	(2.06%)	0.35%	(3.85%)	(7.32%)
MSCI ACWI ex-US Value	(3.05%)	(1.65%)	(7.32%)	(10.85%)
Lombardia - Net	(2.44%)	(0.96%)	(4.08%)	(6.54%)
Mondrian	(2.45%)	(0.22%)	(2.61%)	(6.06%)
MSCI ACWI ex-US Index	(2.06%)	0.35%	(3.85%)	(7.32%)
MSCI ACWI ex-US Value	(3.05%)	(1.65%)	(7.32%)	(10.85%)
Mondrian - Net	(2.57%)	(0.35%)	(3.11%)	(6.53%)
Lazard	(0.43%)	1.23%	(0.70%)	(4.46%)
MSCI ACWI ex-US Index	(2.06%)	0.35%	(3.85%)	(7.32%)
MSCI ACWI ex-US Value	(3.05%)	(1.65%)	(7.32%)	(10.85%)
Lazard - Net	(0.49%)	1.17%	(1.29%)	(5.02%)

## 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 November 30, 2015

	Last 36 Months	Last 60 Months	Last 120 Months	Since Inception
<b>Intl Large Cap Equity</b>	<b>7.01%</b>	<b>5.91%</b>	<b>4.51%</b>	<b>7.84%</b> <sup>(9/86)</sup>
MSCI ACWI ex-US Index	3.31%	2.99%	3.60%	-
<b>Intl Large Cap Growth</b>	<b>4.68%</b>	<b>4.90%</b>	<b>4.70%</b>	<b>8.56%</b> <sup>(9/02)</sup>
EARNEST Partners	1.57%	2.88%	7.34%	9.25% <sup>(10/04)</sup>
MSCI ACWI ex-US Index	3.31%	2.99%	3.60%	5.56% <sup>(10/04)</sup>
MSCI ACWI ex-US Growth	5.30%	4.26%	4.71%	6.51% <sup>(10/04)</sup>
EARNEST Partners - Net	1.38%	2.53%	6.87%	7.62% <sup>(1/05)</sup>
William Blair	7.51%	7.00%	5.65%	10.31% <sup>(10/02)</sup>
MSCI ACWI ex-US Index	3.31%	2.99%	3.60%	8.38% <sup>(10/02)</sup>
MSCI ACWI ex-US Growth	5.30%	4.26%	4.71%	8.61% <sup>(10/02)</sup>
William Blair - Net	7.12%	6.60%	5.24%	6.19% <sup>(1/05)</sup>
<b>Intl Large Cap Value</b>	<b>6.94%</b>	<b>5.00%</b>	<b>3.34%</b>	<b>9.11%</b> <sup>(10/95)</sup>
Brandes	8.81%	5.69%	3.68%	9.37% <sup>(1/96)</sup>
MSCI ACWI ex-US Index	3.31%	2.99%	3.60%	4.82% <sup>(1/96)</sup>
MSCI ACWI ex-US Value	2.14%	2.57%	3.36%	-
Brandes - Net	8.55%	5.45%	3.39%	3.81% <sup>(1/05)</sup>
Lombardia	6.80%	-	-	6.85% <sup>(4/12)</sup>
MSCI ACWI ex-US Index	3.31%	2.99%	3.60%	3.12% <sup>(4/12)</sup>
MSCI ACWI ex-US Value	2.14%	2.57%	3.36%	2.27% <sup>(4/12)</sup>
Lombardia - Net	6.21%	-	-	6.28% <sup>(4/12)</sup>
Mondrian	5.26%	-	-	4.45% <sup>(4/12)</sup>
MSCI ACWI ex-US Index	3.31%	2.99%	3.60%	3.12% <sup>(4/12)</sup>
MSCI ACWI ex-US Value	2.14%	2.57%	3.36%	2.27% <sup>(4/12)</sup>
Mondrian - Net	4.73%	-	-	3.94% <sup>(4/12)</sup>
Lazard	6.29%	-	-	6.62% <sup>(4/12)</sup>
MSCI ACWI ex-US Index	3.31%	2.99%	3.60%	3.12% <sup>(4/12)</sup>
MSCI ACWI ex-US Value	2.14%	2.57%	3.36%	2.27% <sup>(4/12)</sup>
Lazard - Net	5.48%	-	-	5.91% <sup>(4/12)</sup>

## 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 November 30, 2015

	Last Month	Last 3 Months	Year to Date	Last 12 Months
<b>Intl Large Cap Active Core</b>	<b>(0.75%)</b>	<b>2.42%</b>	<b>2.52%</b>	<b>(0.27%)</b>
Arrowstreet	(0.27%)	1.97%	1.00%	(1.93%)
MSCI ACWI ex-US Index	(2.06%)	0.35%	(3.85%)	(7.32%)
Arrowstreet - Net	(0.39%)	1.85%	0.53%	(2.39%)
Brown	1.12%	4.31%	9.59%	6.51%
MSCI ACWI ex-US Index	(2.06%)	0.35%	(3.85%)	(7.32%)
Brown - Net	0.16%	3.32%	8.35%	5.30%
GlobeFlex	(2.10%)	2.41%	1.86%	(0.43%)
MSCI ACWI ex-US Index	(2.06%)	0.35%	(3.85%)	(7.32%)
GlobeFlex - Net	(2.20%)	2.31%	1.45%	(0.84%)
Progress Intl Equity	(1.13%)	1.14%	(1.72%)	(4.90%)
Custom Benchmark	(1.96%)	0.85%	(2.77%)	(5.98%)
MSCI ACWI ex-US Index	(2.06%)	0.35%	(3.85%)	(7.32%)
Progress Intl Equity - Net	(1.25%)	1.01%	(2.22%)	(5.38%)
<b>Intl Large Cap Pass. Core</b>	<b>(1.54%)</b>	<b>0.81%</b>	<b>0.92%</b>	<b>(2.56%)</b>
NTGI MSCI EAFE Idx	(1.54%)	0.81%	0.92%	(2.56%)
MSCI EAFE Index	(1.56%)	0.75%	0.54%	(2.94%)
NTGI EAFE Idx - Net	(1.54%)	0.81%	0.91%	(2.57%)
<b>International Small Cap</b>	<b>(0.00%)</b>	<b>2.95%</b>	<b>6.53%</b>	<b>5.63%</b>
Franklin Templeton	(1.55%)	0.46%	2.53%	2.16%
ACWI Small Cap ex US	(0.72%)	2.17%	2.50%	1.23%
Franklin Templeton - Net	(1.73%)	0.27%	1.78%	1.41%
William Blair	1.28%	5.06%	10.00%	8.61%
ACWI Small Cap ex US	(0.72%)	2.17%	2.50%	1.23%
Intl SC Blended Benchmark	(0.72%)	2.17%	2.50%	1.23%
William Blair - Net	1.09%	4.86%	9.15%	7.78%
<b>Emerging Markets</b>	<b>(4.29%)</b>	<b>0.87%</b>	<b>(12.58%)</b>	<b>(16.47%)</b>
Genesis	(4.29%)	0.87%	(12.58%)	(16.47%)
MSCI Emerging Markets Index	(3.89%)	(0.09%)	(12.70%)	(16.68%)
Genesis - Net	(4.29%)	0.82%	(12.98%)	(16.89%)

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

Progress Custom Benchmark is a comprised of each manager's weighted benchmark.

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 November 30, 2015

	Last 36 Months	Last 60 Months	Last 120 Months	Since Inception
<b>Intl Large Cap Active Core</b>	<b>8.97%</b>	<b>7.62%</b>	-	<b>3.47%</b> <sup>(2/08)</sup>
Arrowstreet	9.18%	7.49%	-	3.42% <sup>(3/08)</sup>
MSCI ACWI ex-US Index	3.31%	2.99%	3.60%	(0.12%) <sup>(3/08)</sup>
Arrowstreet - Net	8.67%	6.98%	-	2.93% <sup>(3/08)</sup>
Brown	13.67%	10.01%	7.38%	8.57% <sup>(10/04)</sup>
MSCI ACWI ex-US Index	3.31%	2.99%	3.60%	5.56% <sup>(10/04)</sup>
Brown - Net	12.47%	9.12%	6.78%	6.80% <sup>(1/05)</sup>
GlobeFlex	7.03%	6.86%	-	3.89% <sup>(3/06)</sup>
MSCI ACWI ex-US Index	3.31%	2.99%	3.60%	2.52% <sup>(3/06)</sup>
GlobeFlex - Net	6.59%	6.42%	-	3.43% <sup>(3/06)</sup>
Progress Intl Equity	-	-	-	(6.43%) <sup>(7/14)</sup>
Custom Benchmark	-	-	-	(8.08%) <sup>(7/14)</sup>
MSCI ACWI ex-US Index	3.31%	2.99%	3.60%	(8.95%) <sup>(7/14)</sup>
Progress Intl Equity - Net	-	-	-	(6.78%) <sup>(7/14)</sup>
<b>Intl Large Cap Pass. Core</b>	<b>7.00%</b>	<b>5.94%</b>	<b>4.03%</b>	<b>2.81%</b> <sup>(1/00)</sup>
NTGI MSCI EAFE Idx	7.00%	5.94%	4.02%	3.25% <sup>(2/00)</sup>
MSCI EAFE Index	6.60%	5.52%	3.64%	2.87% <sup>(2/00)</sup>
NTGI EAFE Idx - Net	6.99%	5.93%	4.01%	4.48% <sup>(1/05)</sup>
<b>International Small Cap</b>	<b>9.85%</b>	<b>8.26%</b>	<b>4.13%</b>	<b>4.13%</b> <sup>(12/05)</sup>
Franklin Templeton	8.72%	-	-	5.32% <sup>(8/11)</sup>
ACWI Small Cap ex US	7.00%	4.58%	5.62%	2.66% <sup>(8/11)</sup>
Franklin Templeton - Net	7.92%	-	-	4.57% <sup>(8/11)</sup>
William Blair	10.80%	9.11%	-	11.41% <sup>(9/10)</sup>
ACWI Small Cap ex US	7.00%	4.58%	5.62%	6.86% <sup>(9/10)</sup>
Intl SC Blended Benchmark	7.00%	5.41%	4.86%	7.49% <sup>(9/10)</sup>
William Blair - Net	9.94%	8.25%	-	10.55% <sup>(9/10)</sup>
<b>Emerging Markets</b>	<b>(2.83%)</b>	<b>(0.38%)</b>	<b>7.22%</b>	<b>8.66%</b> <sup>(2/92)</sup>
Genesis	(2.87%)	(0.40%)	7.23%	11.01% <sup>(5/04)</sup>
MSCI Emerging Markets Index	(4.22%)	(2.72%)	4.78%	8.35% <sup>(5/04)</sup>
Genesis - Net	(3.37%)	(0.95%)	6.62%	8.59% <sup>(1/05)</sup>

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

Progress Custom Benchmark is a comprised of each manager's weighted benchmark.

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.

## 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 November 30, 2015

	Last Month	Last 3 Months	Year to Date	Last 12 Months
<b>Dom. Fixed Active Core</b>	<b>(0.17%)</b>	<b>0.46%</b>	<b>1.44%</b>	<b>1.43%</b>
EARNEST Partners	(0.07%)	0.76%	1.80%	2.10%
BC Aggregate Index	(0.26%)	0.43%	0.88%	0.97%
EARNEST Partners - Net	(0.07%)	0.70%	1.59%	1.89%
Piedmont	(0.14%)	0.32%	1.12%	0.80%
BC Aggregate Index	(0.26%)	0.43%	0.88%	0.97%
Piedmont - Net	(0.14%)	0.27%	1.00%	0.68%
Garcia Hamilton	(0.46%)	0.15%	-	-
BC Aggregate Index	(0.26%)	0.43%	0.88%	0.97%
Garcia Hamilton	(0.46%)	0.13%	-	-
<b>Dom. Fixed Passive Core</b>	<b>(0.27%)</b>	<b>0.45%</b>	<b>0.95%</b>	<b>1.09%</b>
BlackRock US Debt	(0.26%)	0.46%	0.96%	1.12%
BC Aggregate Index	(0.26%)	0.43%	0.88%	0.97%
BlackRock US Debt - Net	(0.26%)	0.45%	0.95%	1.12%
NTGI BC Agg. Index	(0.27%)	0.44%	0.94%	1.06%
BC Aggregate Index	(0.26%)	0.43%	0.88%	0.97%
NTGI BC Agg. Index - Net	(0.27%)	0.44%	0.93%	1.05%



## 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 November 30, 2015

	Last 36 Months	Last 60 Months	Last 120 Months	Since Inception
<b>Dom. Fixed Active Core</b>	<b>1.93%</b>	<b>3.86%</b>	<b>5.01%</b>	<b>4.81%</b> <sup>(4/01)</sup>
EARNEST Partners	2.22%	4.06%	5.17%	4.97% <sup>(5/05)</sup>
BC Aggregate Index	1.50%	3.09%	4.65%	4.44% <sup>(5/05)</sup>
EARNEST Partners - Net	2.01%	3.85%	4.95%	4.76% <sup>(5/05)</sup>
Piedmont	1.66%	3.64%	4.86%	4.58% <sup>(6/05)</sup>
BC Aggregate Index	1.50%	3.09%	4.65%	4.37% <sup>(6/05)</sup>
Piedmont - Net	1.49%	3.47%	4.66%	4.38% <sup>(6/05)</sup>
Garcia Hamilton	-	-	-	0.13% <sup>(6/15)</sup>
BC Aggregate Index	1.50%	3.09%	4.65%	(0.12%) <sup>(6/15)</sup>
Garcia Hamilton	-	-	-	0.11% <sup>(6/15)</sup>
<b>Dom. Fixed Passive Core</b>	<b>1.53%</b>	<b>3.12%</b>	<b>4.61%</b>	<b>6.30%</b> <sup>(1/90)</sup>
BlackRock US Debt	-	-	-	3.23% <sup>(10/13)</sup>
BC Aggregate Index	1.50%	3.09%	4.65%	3.06% <sup>(10/13)</sup>
BlackRock US Debt - Net	-	-	-	3.23% <sup>(10/13)</sup>
NTGI BC Agg. Index	1.53%	3.12%	4.61%	6.37% <sup>(2/90)</sup>
BC Aggregate Index	1.50%	3.09%	4.65%	6.36% <sup>(2/90)</sup>
NTGI BC Agg. Index - Net	1.52%	3.11%	4.60%	4.35% <sup>(1/05)</sup>

## 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 November 30, 2015

	Last Month	Last 3 Months	Year to Date	Last 12 Months
<b>Domestic Fixed Core Plus</b>	<b>(0.36%)</b>	<b>0.34%</b>	<b>0.74%</b>	<b>0.65%</b>
BlackRock Core Plus	(0.31%)	0.48%	1.41%	1.49%
BC Aggregate Index	(0.26%)	0.43%	0.88%	0.97%
BlackRock Core Plus - Net	(0.33%)	0.36%	1.26%	1.33%
LM Capital	(0.15%)	0.78%	1.62%	1.51%
BC Aggregate Index	(0.26%)	0.43%	0.88%	0.97%
LM Capital - Net	(0.19%)	0.74%	1.46%	1.35%
Progress Fixed Income	(0.24%)	0.32%	0.98%	0.85%
BC Aggregate Index	(0.26%)	0.43%	0.88%	0.97%
Progress Fixed Inc. - Net	(0.31%)	0.25%	0.64%	0.51%
Taplin, Canida, Habacht	(0.79%)	(0.31%)	(0.92%)	(1.07%)
BC Aggregate Index	(0.26%)	0.43%	0.88%	0.97%
Taplin, Canida, Hab. - Net	(0.82%)	(0.34%)	(1.05%)	(1.20%)
Western	(0.30%)	0.45%	1.39%	1.34%
BC Aggregate Index	(0.26%)	0.43%	0.88%	0.97%
Western - Net	(0.33%)	0.42%	1.26%	1.20%
<b>Bank Loans</b>	<b>(3.13%)</b>	<b>(4.97%)</b>	<b>(2.70%)</b>	<b>(3.43%)</b>
Babson	(3.13%)	(4.74%)	(2.46%)	(3.19%)
Custom Benchmark	(0.75%)	(1.43%)	1.09%	0.07%
Babson - Net	(3.13%)	(4.74%)	(2.46%)	(3.19%)
<b>Emerging Markets</b>	<b>(0.94%)</b>	<b>(0.21%)</b>	<b>(6.43%)</b>	<b>(11.49%)</b>
Standish	(0.94%)	(0.21%)	(6.43%)	(11.49%)
Custom Benchmark	(1.24%)	0.17%	(5.33%)	(9.41%)
Standish - Net	(1.03%)	(0.30%)	(6.76%)	(11.81%)
<b>Opportunistic Fixed Income</b>	<b>1.40%</b>	<b>(1.26%)</b>	<b>1.28%</b>	<b>(0.53%)</b>
Crescent	1.40%	(1.26%)	1.28%	(0.53%)
Custom Benchmark	(1.57%)	(1.93%)	(0.86%)	(2.22%)
Crescent - Net	1.40%	(1.26%)	1.28%	(0.53%)
<b>High Yield</b>	<b>(1.34%)</b>	<b>(0.81%)</b>	<b>1.88%</b>	<b>0.40%</b>
MacKay Shields	(1.37%)	(0.81%)	1.71%	0.25%
ML High Yield Cash Pay Index	(2.23%)	(2.14%)	(2.06%)	(3.51%)
MacKay Shields - Net	(1.37%)	(0.90%)	1.44%	(0.10%)

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

Babson Custom Benchmark is comprised of the Credit Suisse US Leveraged Loan Index and the Credit Suisse Western European Leveraged Loan Index, weighted by the portfolio's market value to each sector.

Standish Custom Benchmark is 50% JPM GBI-EM Index, 25% JPM EMBI Global Index and 25% JPM Corporate EMBI Diversified Index.

Crescent Custom Benchmark is 50% ML U.S. High Yield Master II Index and 50% S&P/LSTA Leveraged Loan Index.

## 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 November 30, 2015

	Last 36 Months	Last 60 Months	Last 120 Months	Since Inception
<b>Domestic Fixed Core Plus</b>	<b>2.07%</b>	<b>4.15%</b>	<b>5.22%</b>	<b>8.49%</b> (1/82)
BlackRock Core Plus	2.02%	3.87%	-	5.08% (4/07)
BC Aggregate Index	1.50%	3.09%	4.65%	4.57% (4/07)
BlackRock Core Plus - Net	1.77%	3.68%	-	4.95% (4/07)
LM Capital	2.05%	4.06%	5.50%	5.28% (5/05)
BC Aggregate Index	1.50%	3.09%	4.65%	4.44% (5/05)
LM Capital - Net	1.88%	3.89%	5.33%	5.11% (5/05)
Progress Fixed Income	2.09%	3.72%	-	5.25% (1/06)
BC Aggregate Index	1.50%	3.09%	4.65%	4.59% (1/06)
Progress Fixed Inc. - Net	1.75%	3.36%	-	4.90% (1/06)
Taplin, Canida, Habacht	1.78%	4.30%	5.20%	5.03% (5/05)
BC Aggregate Index	1.50%	3.09%	4.65%	4.44% (5/05)
Taplin, Canida, Hab. - Net	1.64%	4.16%	5.07%	4.90% (5/05)
Western	2.58%	4.60%	5.41%	5.66% (11/01)
BC Aggregate Index	1.50%	3.09%	4.65%	4.57% (11/01)
Western - Net	2.44%	4.46%	5.25%	5.03% (1/05)
<b>Bank Loans</b>	-	-	-	<b>(2.63%)</b> (8/14)
Babson	-	-	-	(2.45%) (8/14)
Custom Benchmark	-	-	-	0.41% (8/14)
Babson - Net	-	-	-	(2.45%) (8/14)
<b>Emerging Markets</b>	-	-	-	<b>(7.31%)</b> (8/14)
Standish	-	-	-	(7.31%) (8/14)
Custom Benchmark	(3.70%)	1.24%	5.68%	(8.72%) (8/14)
Standish - Net	-	-	-	(7.59%) (8/14)
<b>Opportunistic Fixed Income</b>	-	-	-	<b>(0.94%)</b> (9/14)
Crescent	-	-	-	(0.94%) (9/14)
Custom Benchmark	2.88%	4.82%	5.84%	(2.38%) (9/14)
Crescent - Net	-	-	-	(0.94%) (9/14)
<b>High Yield</b>	<b>4.20%</b>	<b>6.56%</b>	<b>7.66%</b>	<b>9.74%</b> (4/86)
MacKay Shields	4.12%	6.71%	7.28%	8.97% (11/00)
ML High Yield Cash Pay Index	3.05%	5.74%	7.11%	7.48% (11/00)
MacKay Shields - Net	3.79%	6.35%	6.92%	6.59% (1/05)

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

Babson Custom Benchmark is comprised of the Credit Suisse US Leveraged Loan Index and the Credit Suisse Western European Leveraged Loan Index, weighted by the portfolio's market value to each sector.

Standish Custom Benchmark is 50% JPM GBI-EM Index, 25% JPM EMBI Global Index and 25% JPM Corporate EMBI Diversified Index.

Crescent Custom Benchmark is 50% ML U.S. High Yield Master II Index and 50% S&P/LSTA Leveraged Loan Index.

## Manager Summary

### Five Best Performing Portfolio's vs. Benchmarks

Manager	Year-to-Date Outperformance	Since Inception Outperformance	
	(in % points)	(in % points)	
Brown	13.44	3.02	09/30/2004
Pyramis SCG	11.71	6.24	07/31/1988
William Blair Int'l SC	7.50	4.55	08/31/2010
Inv Counselors of MD	5.53	2.49	04/30/1999
William Blair	5.48	1.93	09/30/2002

### Five Worst Performing Portfolio's vs. Benchmarks

Manager	Year-to-Date Underperformance	Since Inception Underperformance	
	(in % points)	(in % points)	
Ariel	-23.34	-6.25	10/31/2010
Wall Street	-8.79	5.74	07/31/1990
Frontier	-5.54	5.19	07/31/1988
Vision	-5.48	-3.28	06/30/2011
Earnest Int'l Equity	-3.85	3.70	09/30/2004

### Five Highest Returning Portfolios

Manager	Year-to-Date Return	Since Inception Return	
	(in % points)	(in % points)	
Pyramis SCG	15.27	14.25	07/31/1988
William Blair Int'l SC	10.00	11.41	08/31/2010
Brown	9.59	8.57	09/30/2004
Holland	8.93	10.30	10/31/1994
NTGI S&P500 Gr	7.12	6.46	07/31/2001

### Five Lowest Returning Portfolios

Manager	Year-to-Date Return	Since Inception Return	
	(in % points)	(in % points)	
Ariel	-25.66	4.71	10/31/2010
Genesis	-12.58	11.01	04/30/2004
Earnest Int'l Equity	-7.70	9.25	09/30/2004
Standish	-6.43	-7.31	07/31/2014
Wall Street	-5.23	13.75	07/31/1990

Returns are shown gross of investment management fees.

Excludes Real Estate and Alternative Investments portfolios.

(15-12-02) (Educational Session) Paula Tkac, Vice President and Senior Economist at the Federal Reserve Bank of Atlanta, gave an educational session to the Board on the current and future economic outlook.

Mr. Miller left the Board Meeting.

(15-12-03) (Approval of 2015 Diversity Report) The Chief Investment Officer presented the 2015 Annual Diversity Report to the Board for review, noting under Public Act 96-006, IMRF is required to submit an annual report to the Governor and General Assembly.

It was moved by Ms. Henry, seconded by Ms. Copper, to approve the submission of the 2015 Annual Diversity Report to the Governor and General Assembly.

Vote: Unanimous Voice Vote  
Absent: Miller

(15-12-04) (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 15-11-20

Schedules - Dated December 2015

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

Schedule S - Prior Service Adjustments

Participation of New Units of Government

Veterans Assistance Commission of Winnebago Co.  
County: Winnebago  
2016 Rate: 8.91%  
Effective Participation Date: January 1, 2016  
Number of Participating Employees: 4

Putman Township  
County: Fulton  
2016 Rate: 6.50%  
Effective Participation Date: January 1, 2016  
Number of Participating Employees: 1

Oakley Township  
County: Macon  
2016 Rate: January 1, 2016  
Effective Participation Date: January 1, 2016  
Number of Participating Employees: 1

Lost Lake Utility District  
County: Ogle  
2016 Rate: 14.78%  
Effective Participation Date: January 1, 2016  
Number of Participating Employees: 2

Illinois Municipal League Risk Management Assoc.  
County: Sangamon  
2016 Rate: 8.75%  
Effective Participation Date: January 1, 2016  
Number of Participating Employees: 7

Warrenville Fire Protection District  
County: DuPage County  
2016 Rate: 10.79%  
Effective Participation Date: January 1, 2016  
Number of Participating Employees: 4

Limestone Township Library District  
County: Kankakee County  
2016 Rate: 8.75%  
Effective Participation Date: January 1, 2016  
Number of Participating Employees: 2

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

Vote: Unanimous Voice Vote  
Absent: Miller

(15-12-05) (Financial Reports) The Chair presented the following financial reports for approval.

- Review of December Financial Reporting Package
- Statement of Fiduciary Net Position for October 2015
- Impact of 2015 Year-To-Date Investment Income on Employer Reserves, Funding Status and Average Employer Contribution Rates
- Schedule T - Report of Expenditures for December

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

Vote: Unanimous Voice Vote  
Absent: Miller

(15-12-06) (Certification of Results of Annuitant Trustee Election) The Legislative Liaison presented the results of the recent Annuitant Trustee Election.

5 Year Term, commencing January 1, 2016 - One to be Elected

	<u>Votes Received</u>
Sharon U. Thompson	18,472
Gerald J. Sebesta, Jr.	13,010
Write-In Candidates	40
Spoiled Ballots	515

It was moved by Ms. Thompson, seconded by Mr. Stulir, to certify the results of the 2015 Annuitant Trustee Election acknowledging the election of Sharon U. Thompson (5-Year Term).

Vote: Unanimous Voice Vote  
Absent: Miller

(15-12-07) (Certification of Results of Employee Trustee Election) The Legislative Liaison presented the results of the recent Employee Trustee Election.

5 Year Term, commencing January 1, 2016 - Two to be Elected

	<u>Votes Received</u>
John Piechocinski	8,846
Trudy Williams	8,223
Jill Boreham	5,566
Bradley G. Trent	5,561
Write-In Candidates	51
Spoiled Ballots	146

It was moved by Ms. Thompson, seconded by Mr. Stulir, to certify the results of the 2015 Employee Trustee Election acknowledging the election of John Piechocinski and Trudy Williams (5-Year Term).

Vote: Unanimous Voice Vote  
Absent: Miller

(15-12-08) (Election of 2016 Board Officers) The Officer Nominating Committee recommended the Board approve the following Trustees for Board Officers: Thomas Kuehne for the Office of President of the Board, Sue Stanish for the Office of Vice President of the Board, and Natalie Copper for the Office of Secretary of the Board commencing January 1, 2016.

It was moved by Mr. Piechocinski, seconded by Ms. Henry to approve the recommendations of the Officer Nominating Committee.

Vote: Unanimous Voice Vote  
Absent: Miller

(15-12-09) (Appointment to Ethics Commission) General Counsel noted it was in order for the Board to appoint a Board Member to the IMRF Ethics Commission for 2016.

The IMRF Ethics Commission is a three-person body established to investigate, conduct hearings and issue recommendations for disciplinary actions regarding violations of the IMRF Ethics Policy. The Commission is comprised of the Board President and the IMRF Internal Audit Manager, along with a third rotating member to be appointed by the Board each year.

General Counsel also requested that a conflict substitute be appointed for 2016 if one of the Commission members is unable to act.

After questions and discussion it was moved by Ms. Henry, seconded by Mr. Stulir, to table the appointment of a Board Member to the IMRF Ethics Commission pending a recommendation from the Board Officer Nominating Committee.

Vote: Unanimous Voice Vote  
Absent: Miller

Mr. Miller entered the Board Meeting.

(15-12-10) (2016 Board Meeting Dates) The Executive Director presented three proposed lists of 2016 Board Meeting dates. He stated since PA 98-0218 became effective in 2013, the Board is no longer required to hold monthly meetings. The Board is now required to hold meetings at least four times in a year.

After questions and discussion, it was moved by Mr. Kuehne, seconded by Ms. Stanish, to adopt the following 2016 Board Meeting dates:

- February 26, 2016
- May 20, 2016
- July 22, 2016



- August 26, 2016
- November 18, 2016
- December 16, 2016

Vote: Unanimous Voice Vote  
Absent: None

(15-12-11) (Appointment of Actuary) It was moved by Mr. Kuehne seconded by Ms. Copper, to appoint Gabriel, Roeder, Smith & Co., as actuary, to assist the Fund in 2016.

Vote: Unanimous Voice Vote  
Absent: None

(15-12-12) (Appointment of Fiduciary Counsel) After questions and discussion, it was moved by Mr. Kuehne, seconded by Ms. Copper, to appoint Seyfarth & Shaw, LLP, as fiduciary counsel, to assist the Fund in 2016.

Vote: Unanimous Voice Vote  
Absent: None

(15-12-13) (Appointment of Medical Consultant/Physical Medicine) It was moved by Mr. Kuehne, seconded by Ms. Copper, to appoint Rehabilitation Medicine, Dr. Noel Rao as medical consultant/physical medicine, to assist the Fund in 2016.

Vote: Unanimous Voice Vote  
Absent: None

(15-12-14) (Appointment of Medical Consultant/Psychiatry) It was moved by Mr. Kuehne, seconded by Ms. Copper, to appoint Dr. Rachele Miller, as medical consultant/psychiatry, to assist the Fund in 2016.

Vote: Unanimous Voice Vote  
Absent: None

(15-12-15) (Report of the Audit Committee) The Chair of the Audit Committee reported on the meeting held on December 18, 2015.

Representatives from IMRF's external auditors, RSM, outlined the scope and timing related to the 2016 audit plan for the Fund's Financial Statement Audit, GASB 68 Reporting Requirements, and the Agreed-upon Procedures related to Illinois Department of Insurance Reports.

(15-12-16) (Report of the Benefit Review Committee) The Chair of the Benefit Review Committee reported on the meeting held on December 17, 2015.

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

- To accept the hearing officer's findings and conclusions and deny an exemption from the accelerated payment requirement for Village of Northbrook.
- To overturn staff's determination to deny total and permanent disability benefits for Kathleen Lemburg.
- To uphold staff's determination to terminate temporary disability benefits for Cheryl A. DeClerck.
- To uphold staff's determination to terminate total and permanent disability benefits for Pamela Burlington since she no longer meets IMRF's definition of total and permanent disability.

Vote:

Aye: Unanimous Voice Vote

Absent: None

(15-12-17) (Report of the Investment Committee) The Chair of the Investment Committee reported on the Committee Meeting held on December 17, 2015.

The Investment Committee heard a presentation from staff on IMRF's fixed income portfolio, along with staff recommendations, followed by a presentation from Brandes Investment Partners on their Core Plus Fixed Income fund.

Next, staff gave a presentation on IMRF's real estate portfolio, along with staff recommendations, followed by a presentation from LaSalle Investment Management on their Fund VII Real Estate fund.

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

For Fixed Income

- Allocate up to \$250 million to Brandes Core Plus Fixed Income, subject to satisfactory legal due diligence;
- Withdraw up to \$250 million from Western Core Plus Fixed Income to fund the Brandes allocation; and,
- Authorize staff to complete all documentation necessary to execute these recommendations.

For Real Estate

- Allocate up to \$25 million to LaSalle Income & Growth Fund VII, L.P., subject to satisfactory legal due diligence; and,
- Authorize staff to complete all documentation necessary to execute these recommendations.

The Investment Committee reviewed recommended changes from staff to the 2015 Statement of Investment Policy. The Chief Investment Officer noted that these changes are related to new Illinois Pension Code requirements to adopt aspirational goals for the utilization of minority and emerging investment managers effective January 1, 2016.

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

# **STATEMENT OF INVESTMENT POLICY**

*Amended: December 18, 2015*

## **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.

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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 2977 employers and over 399,000 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 a 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 IMRF's members and benefit recipients. 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% Russell 3000 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 the 9% Annual Alternatives Benchmark
- 1% 3-month Treasury Bills

**B. Aspirational Goals: Emerging Investment Managers and Investment Advisors (In Compliance with Section 1-109.1 (10) of the Illinois Pension Code)**

The Illinois Municipal Retirement Fund is committed to diversity in the hiring of emerging and minority owned investment managers.

The Illinois Municipal Retirement Fund Board of Trustees adopts 2 aspirational goals: (i) to utilize emerging investment managers for at least 20% of the total Fund's assets under management and (ii) to utilize firms owned by minorities, females and persons with disabilities for at least 20% of the total Fund's assets under management.

Note: Emerging investment managers have a \$10 billion asset limitation.

**Policy to Achieve Aspirational Goals**

The Illinois Municipal Retirement Fund Board of Trustees adopts a policy to ensure progress towards achieving the aspirational goals. The policy directs the IMRF Investment Staff:

- to build relationships with the emerging investment manager community by attending and /or speaking at emerging manager conferences,
- to launch targeted RFP's that specifically focus on emerging and/or minority owned firms,
- to hire emerging investment managers for active strategies as opposed to lower revenue generating passive strategies,
- to utilize manager of managers and fund of funds programs to hire underlying emerging investment managers,
- to graduate underlying emerging investment managers for direct mandates.

The Illinois Municipal Retirement Fund Board of Trustees will evaluate the Executive Director on the efforts to achieve the aspirational goals.

**C. Emerging Investment Manager Utilization (In Compliance with Section 1-109.1 (4) of the Illinois Pension Code)**

The Illinois Municipal Retirement Fund is committed to providing opportunities for emerging investment managers. An emerging investment manager is defined as a qualified investment advisor that manages an investment portfolio of at least \$10,000,000 but less than \$10,000,000,000 and is a "minority owned business", "female owned business" or "business owned by a person with a disability as defined in

the Business Enterprise for Minorities, Females, and Persons with Disabilities Act.

Emerging Investment Management firms must be 51% or more owned by individuals that are minorities, females or persons with a disability and are citizens or lawful permanent residents of the United States. For a complete definition go to the following website:  
<http://www.ilga.gov/legislation/ilcs/ilcs3.asp?ActID=550&ChapterID=7>

The Illinois Municipal Retirement Fund Board of Trustees has adopted 3 separate goals for: (i) emerging investment managers that are minority owned businesses; (ii) emerging investment managers that are female owned businesses; and (iii) emerging investment managers that are businesses owned by a person with a disability.

Goals for Utilization of Emerging Investment Managers  
by Emerging Investment Manager Classification

<u>Emerging Investment Manager Classification</u>	<u>Minimum Goal as a Percentage of Total Portfolio</u>
Minority Owned Businesses	13%
Female Owned Businesses	6%
Businesses Owned by a Person with a Disability	1%

Goals for Utilization of Emerging Investment Managers  
by Asset Class

<u>Asset Class</u>	<u>Minimum Goal as a Percentage of Asset Class</u>
Domestic Equity	8%
International Equity	15%
Fixed Income	20%
Real Estate*	4%
Private Equity*	10%
Hedge Funds	15%
Timberland	Best Efforts
Agriculture	Best Efforts

\* based on committed amounts

**D. Minority Investment Manager Utilization (In Compliance with Section 1-113.2109.1 (9) of the Illinois Pension Code)**

The Illinois Municipal Retirement Fund is committed to providing opportunities for minority investment managers. A minority investment manager is defined as a qualified investment manager that manages an investment portfolio and meets the definition of “minority owned business”, “female owned business”, or “business owned by a person with a disability”, as defined in the Business Enterprise for Minorities, Females, and Persons with Disabilities Act.

Minority Investment Management firms must be 51% or more owned by individuals that are minorities, females or persons with a disability and are citizens or lawful permanent residents of the United States. For a complete definition go to the following website:

<http://www.ilga.gov/legislation/ilcs/ilcs3.asp?ActID=550&ChapterID=7>

The Illinois Municipal Retirement Fund Board of Trustees has adopted 3 separate goals for: (i) minority investment managers that are minority owned businesses; (ii) minority investment managers that are female owned businesses; and (iii) minority investment managers that are businesses owned by a person with a disability.

Goals for Utilization of Minority Investment Managers  
by Investment Manager Classification

<u>Investment Manager Classification</u>	<u>Minimum Goal as a Percentage of Total Portfolio</u>
Minority Owned Businesses	13%
Female Owned Businesses	6%
Businesses Owned by a Person with a Disability	1%

Goals for Utilization of Minority Investment Managers  
by Asset Class

<u>Asset Class</u>	<u>Minimum Goal as a Percentage of Asset Class</u>
Domestic Equity	8%
International Equity	15%
Fixed Income	20%
Real Estate*	4%
Private Equity*	10%
Hedge Funds	15%
Timberland	Best Efforts
Agriculture	Best Efforts

\*based on committed amounts

**E. 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.

**F. 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>2016 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%
Emerging Market Debt	Best Efforts
Bank Loans	Best Efforts
Opportunistic Strategies	Best Efforts
Hedge Funds	Best Efforts

*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. An investment manager's ability to meet an MFPDOB brokerage goal is an integral part of the manager monitoring process.

**G. Policy Regarding Minority Owned Business Utilization Disclosures (In Compliance with Section 1-113.21 of the Illinois Pension Code)(See Appendix G for Disclosure Form)**

The Illinois Municipal Retirement Fund requires the following disclosure from the investment advisor, consultant or private market fund:

1. The number of its investment and senior staff and the percentage of its investment and senior staff who are (i) a minority person (ii) a female, and (iii) a person with a disability;
2. The number of contracts, oral or written, for investment services, consulting services and professional and artistic services that the investment advisor, consultant, or private market fund has with (i) a minority owned business, (ii) a female owned business, or (iii) a business owned by a person with a disability; and
3. The number of contracts, oral or written, for investment services, consulting services, and professional and artistic services that the investment advisor, consultant, or private market fund has with a business other than (i) a minority owned business, (ii) a female owned business or (iii) a business owned by a person with a disability, if more than 50% of services performed pursuant to the contract are performed by (i) a minority person, (ii) a female, and (iii) a person with a disability.

**H. 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(s) 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%	Russell 3000
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% Russell 3000 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 the 9% Annual Alternatives Benchmark
- 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 Russell 3000 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 Russell 3000.
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 and/or revenues 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 manage currency. Forward contracts, futures and options may be used for currency management purposes. Managers are not permitted to utilize these transactions for speculative purposes unless otherwise specified in individual manager guidelines.

**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. dollars and foreign currency 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

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 time of the approval of an alternative investment fund. 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 Board recognizes the availability of qualified minority, female, and person with a disability owned business enterprises.

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 Section 1-109.1 and Section 1-113.14 of the Illinois Pension Code.**

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 Section 1-109.1.

**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 Section 1-109.1.

**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. Index returns are calculated on a leveraged basis and are reported at the fund level. As of September 30, 2014, the NFI-ODCE was composed of 34 open-end commingled funds pursuing a core investment strategy.

**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 (majority of votes cast in the previous year)
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 shareholder value transfer\*



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 the Northern Trust Collective SL Core Short Term Investment Fund, on behalf of IMRF.

The third party securities lending program administrator's guidelines for investing cash collateral in Northern Trust's Collective SL Core Short Term Investment Fund 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 Cash Collateral Fund may be invested in securities or instruments of any one issuer or obligor. Exceptions are as follows:
  - (i)** 100% of the Cash Collateral Fund may be invested in obligation issued or guaranteed by the U.S. Government or its agencies/instrumentalities.
  - (ii)** 25% of the Cash Collateral Fund 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 Cash Collateral Fund 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 Cash Collateral Fund 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 Cash Collateral Fund may be invested in each type of repo collateral. No more than 25% of the Cash Collateral Fund 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 Cash Collateral Fund.
- (e) A maximum percentage of the Cash Collateral Fund 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 \_\_\_\_\_, 2015, 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.
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)

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

Subscribed and sworn before me by \_\_\_\_\_ on this \_\_\_\_\_ day of \_\_\_\_\_, 2015.

\_\_\_\_\_  
Notary

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

(Seal)

(Firm)

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

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

## Appendix G

### Disclosures per Illinois Pension Code Section 1-113.21

Beginning January 1, 2015, section 1-113.21 of the Illinois Pension Code requires the following disclosure from the investment advisor, consultant or private market fund:

Name of investment advisor, consultant, or private market fund:

1. The number of its investment and senior staff and the percentage of its investment and senior staff who are (i) a minority person (ii) a female, and (iii) a person with a disability;

*(If none, state "none")*

Staff Classification	Number of Investment and Senior Staff Who Are	% Percentage of Investment and Senior Staff Who Are
Minority		
Female		
Person with a Disability		

2. The number of contracts, oral or written, for investment services, consulting services and professional and artistic services that the investment advisor, consultant, or private market fund has with (i) a minority owned business, (ii) a female owned business, or (iii) a business owned by a person with a disability; and

*(If none, state "none")*

Contracts	Number Contracts
Minority	
Female	
Person with a Disability	

The number of contracts, oral or written, for investment services, consulting services, and professional and artistic services the investment advisor, consultant, or private market fund has with a business other than (i) a minority owned business, (ii) a female owned business or (iii) a business owned by a person with a disability, if more than 50% of services performed pursuant to the contract are performed by (i) a minority person, (ii) a female, and (iii) a person with a disability.

*(If none, state "none")*

Contract	Number Contracts
Minority	
Female	
Person with a Disability	

<b>INVESTMENT ADVISOR / CONSULTANT/ PRIVATE MARKET FUND:</b>
Company Name:
Signature:
Printed Name
Title:
Dated:

Illinois Public Act 98-1022 website: <http://www.ilga.gov/legislation/publicacts/98/PDF/098-1022.pdf>

**Definitions per Illinois Law**

Illinois Legislation & Laws website: <http://www.ilga.gov/>

**"Contract"** means all types of [State] agreements, regardless of what they may be called, for the procurement, use, or disposal of supplies, services, professional or artistic services, or construction or for leases of real property where the [State] is the lessee, or capital improvements, and including renewals, master contracts, contracts for financing through use of installment or lease-purchase arrangements, renegotiated contracts, amendments to contracts, and change orders.

**"Investment adviser"**, "investment advisor", or "investment manager" with respect to a pension fund or retirement system established under Illinois Code if the person:

(1) is a fiduciary appointed by the board of trustees of the pension fund or retirement system in accordance with Section 1-109.1;

(2) has the power to manage, acquire, or dispose of any asset of the retirement system or pension fund;

(3) has acknowledged in writing that he or she is a fiduciary with respect to the pension fund or retirement system; and

(4) is at least one of the following: (i) registered as an investment adviser under the federal Investment Advisers Act of 1940 (15 U.S.C. 80b-1, et seq.); (ii) registered as an investment adviser under the Illinois Securities Law of 1953; (iii) a bank, as defined in the Investment Advisers Act of 1940; or (iv) an insurance company authorized to transact business in this State.

**"Minority person"** means a person who is a citizen or lawful permanent resident of the United States and who is a member of a minority.

**"Minority owned business"** means a business concern which is at least 51% owned by one or more minority persons, or in the case of a corporation, at least 51% of the stock in which is owned by one or more minority persons; and the management and daily business operations of which are controlled by one or more of the minority individuals who own it.

**"Female owned business"** means a business concern which is at least 51% owned by one or more females, or, in the case of a corporation, at least 51% of the stock in which is owned by one or more females; and the management and daily business operations of which are controlled by one or more of the females who own it.

**"Business owned by a person with a disability"** means a business concern that is at least 51% owned by one or more persons with a disability and the management and daily business operations of which are controlled by one or more of the persons with disabilities who own it. A not-for-profit agency for persons with disabilities that is exempt from taxation under Section 501 of the Internal Revenue Code of 1986 is also considered a "business owned by a person with a disability".

It was moved by Mr. Kuehne, seconded by Ms. Thompson to approve the recommendations of the Investment Committee.

Vote: Unanimous Voice Vote  
Absent: None

(15-12-18)) (Procurement Policy) The Executive Director presented an updated Diversity Procurement Policy to the Board for approval.

He stated that due to changes in the Illinois Pension Code, the IMRF Purchasing Policy needs to be updated to reflect new requirements regarding goals for the use of businesses owned by minorities, females, and persons with a disability.

After discussion, it was moved by Ms. Henry, seconded by Mr. Miller, to approve the following updated Diversity Procurement Policy:

### **Purchasing Diversity Policy**

#### **Purpose**

The purpose of this policy is to establish a framework for the utilization of businesses owned by minorities, females, and persons with a disability (collectively known as MFPDOB firms) in the procurement activities of the Illinois Municipal Retirement Fund (IMRF).

The goal of the policy is to promote utilization of businesses owned by minorities, females, and persons with a disability in procurement activities.

The objectives of the policy are to:

- Increase competition through a diverse source of suppliers and Consultants
- Maintain and strengthen the overall competitiveness of IMRF procurements
- Assure compliance with Illinois statutes

#### **Policy**

The IMRF Purchasing Unit strives to insure that members, employers, and taxpayers receive the maximum value for each dollar spent by purchasing products and services from responsive suppliers and consultants at the lowest reasonable cost. The Purchasing Unit manages the bidding process to insure compliance with policies. IMRF is committed to ensuring fair consideration of all suppliers and consultants in its day to day purchase of goods and services. IMRF recognizes that working with a wide range of suppliers and consultants provides an open, competitive and diverse business environment.

It is the policy of the IMRF Board of Trustees to include qualified minority and female owned business enterprises and businesses owned by a person with a disability in the Fund's procurement process and to objectively evaluate all qualified businesses regardless of race, gender or handicap.

IMRF is committed to including firms among prospective providers of purchased goods and services. Special efforts will be made to insure identification of eligible firms for inclusion in the bid process,



including monitoring of MFPDOB-related listings to identify possible MFPDOB contractors and service providers. It is IMRF's policy to take affirmative action to ensure that certified minority-owned, female-owned and disabled-owned business enterprises are given the opportunity to demonstrate their ability to provide the Fund with products and services at competitive prices.

We will ask our vendors to refrain from unlawful discrimination and discrimination based on citizenship status in employment and to undertake affirmative action to assure equality of employment opportunity and compliance with the Department of Human Rights' regulations concerning equal employment opportunities and affirmative action.

MFPDOB firms will be identified using resources such as the City of Chicago Certification and Compliance System MFPDOB Directory and other public agency resources. All new suppliers and consultants seeking to do business with IMRF will be asked to complete a form to certify the diversity of their business. Ownership of suppliers and consultants will be tracked by the Purchasing Unit. IMRF staff will seek and encourage MFPDOB businesses to submit bids each time IMRF publishes a request for bids or proposals.

IMRF has set a minimum goal of 20% for contracts and purchases from businesses owned by minorities, females, and persons with a disability as a share of all of its contracts and purchases. These goals are based on the percentage of total dollar amount of all purchasing contracts let, excluding building and staff related payments such as postage, rent, travel expenses and insurance premiums.

IMRF typically awards bids to the lowest cost vendor. However, to meet the goals set for this diversity policy bids may be awarded to a vendor other than the low bidder, if it is a MFPDOB vendor and its bid is within 15% or \$10,000 (whichever is lower) of the low bid.

The Purchasing Unit will track the usage of MFPDOB businesses in order to meet the goal and review and analyze it each year. The goal may be modified by IMRF to further increase the usage of MFPDOB businesses as IMRF gains experience and knowledge using the statutory diversity guidelines. These goals shall be reviewed by the IMRF Board of Trustees annually.

All terms used in this policy shall have the same definitions as those found in the Illinois Business Enterprise for Minorities, Females, and Persons with Disabilities Act (30 ILCS 575 et seq.).

Vote: Unanimous Voice Vote  
Absent: None

(15-12-19) (Litigation Update) The following is an update of the currently pending litigation:

**VRAKAS, et al. v. COUNTY OF WILL, et al. (Will County)**

**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. IMRF has been named as a

"necessary party" to the lawsuit so that any judgment can be properly enforced.

**Status:** The Third District Appellate Court upheld in part the trial court's grant of summary judgement to the County finding that although most of the Plaintiffs were not eligible for inclusion in SLEP, at least four of as many as six of the Plaintiffs met the requirements to be included in SLEP. The case has been remanded to the trial court to conduct further proceedings regarding the eligibility and identification of the four to six Plaintiffs and the availability of attorney's fees. A petition for leave to appeal has been filed by the Plaintiffs.

**Status:** The PLA was denied. The case will proceed at the trial court level to identify eligible plaintiffs and the availability of attorney's fees.

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:** An agreement of the parties led to the claim against small stockholders (under \$50,000 in proceeds) being dismissed; a motion to dismiss filed by certain of the defendants was granted and a portion of the complaint was dismissed. That ruling is on appeal. A joint motion to dismiss the remaining portions of the complaint was filed, but the court has not yet ruled.

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

**Summary:** This is an administrative review action challenging the IMRF Board's decision upholding the granting of MEABF and Deerfield credit transfers to Thomas Sheahan, the former police chief of Oak Brook and denying the Village's request to recalculate their liability excluding the service credits transferred from MEABF and Deerfield.

**Status:** On June 17, 2014 Judge Sheen issued a lengthy opinion wherein he found that the transfers of the Deerfield service and the MEABF service were done incorrectly. Specifically, Judge Sheen found that Mr. Sheahan was not active when the final payment was made to transfer his Deerfield credit and the statute required that he be active during all stages of such transfer and also that because Mr. Sheahan did not pay his portion to transfer the MEABF credit that IMRF acted improperly by crediting him with a portion of that service.

A cross claim filed by Sheahan remains and IMRF is filed a motion to dismiss that cross claim on May 20, 2015. Case is set for status on July 21, 2015.

On June 26, 2015 the Second District Appellate Court upheld Judge Sheen's decision to overturn the decision of the IMRF Board. The Court found the

Deerfield Service was transferred when Sheahan was not in active status and therefore it was improper since IMRF cannot accept one payment after termination as such practice is contrary to the statutes. In addition, the Court found that the MEABF service was also improperly granted because the statute does not allow for partial transfers and since Sheahan did not pay the difference, he should not have been granted any service credit for his MEABF transfer. The Court ordered that the funds be returned to the appropriate systems (Deerfield and MEABF) and that they reinstate his credits. Sheahan has filed a Petition for Leave to Appeal to the Illinois Supreme Court.

**Status:** The PLA was denied. IMRF's motion to dismiss the cross claim was granted. MEABF recently attempted to file a motion to clarify the judge's ruling regarding Sheahan's MEABF credits, but the judge denied the motion. Sheahan's counsel has filed a second amended counterclaim and his request for leave to file that claim is before the Court on November 17, 2015. The Court granted leave to file a second amended counterclaim and IMRF intends to respond to that with a motion.

**THOMAS SHEAHAN V. IMRF (15 MR 418) DUPAGE CO.**

**Summary:** Appeal of the February 24, 2015 BRC decision to uphold the termination of Mr. Sheahan's pension payments.

**Status:** IMRF has filed its brief and a hearing on the matter was set for November 5, 2015. On November 5, Judge Wheaton overturned the Board's decision. IMRF has filed a notice of appeal and is preparing the record on appeal.

**KATHLEEN KONICKI V. IMRF (14 MR 32) (SANGAMON CO)**

**Summary:** Administrative review challenging the Board's decision that Ms. Konicki was not eligible to convert service into Original ECO.

**Status:** In August, the BRC upheld the staff determination and the matter will now go back to circuit court on administrative review. Ms. Konicki has filed a motion for leave to file an amended complaint which will be presented to the Court on December 1, 2015. The motion for leave to file the amended complaint was granted. IMRF is preparing to file the amended record.

**SCOTT TATE V. IMRF 2014 MR 34 (FRANKLIN CO)**

**Summary:** This is an appeal of a denial of total and permanent disability benefits.

**Status:** Case filed on June 4, 2014 in Franklin County. IMRF has filed its answer and appearance. IMRF is preparing a motion to dismiss for want of prosecution since no action has occurred in this matter for over a year.

PETERSON V. VILLAGE OF FOX LAKE AND IMRF 14 CV 9349 (US DISTRICT COURT, ND ILL)

**Summary:** This is a wrongful termination case and IMRF was joined solely for the purpose of any award that may be granted.

**Status:** IMRF has appeared in this matter. No further action will be necessary as no allegations concerning IMRF were made in this case.

SHANNON STERRETT v. IMRF (14-CH 15936-COOK CO)

**Summary:** Appeal of a denial of disability benefits.

**Status:** Case has been transferred to new counsel in Lake County and IMRF is waiting for transfer order.

ROGER C. BOLIN v. IMRF (PUTNAM COUNTY 14 MR 23)

**Summary:** Appeal of Board decision to deny omitted service application and enrollment of Putnam County Public Defender

**Status:** This case is currently being briefed. IMRF has filed its brief. A hearing will be set when all briefs are filed.

IN RE ENERGY FUTURE HOLDINGS CORP. ET AL. (US BANKRUPTCY COURT-DISTRICT OF DELAWARE)

**Summary:** This is a bankruptcy adversary complaint filed in an attempt to claim ownership for the bankruptcy estate of a particular high yield bond in which we have an interest. This bond is in our Pyramis High Yield Bond account.

**Status:** We have a joint representation agreement with other Fidelity entities, which also have interests in the bond at issue. Pyramis has agreed to pay our legal expenses up to a limit of \$40,000. Our proportionate share of the estimated legal expenses for the joint defense is 1%. So far, our expenses have been well below the limit.

HOCHSTATTER V. IMRF (15 MR 25 LASALLE COUNTY)

**Summary:** This was a return to work case where it was found that Mr. Hochstatter owed the fund a prepayment

**Status:** IMRF has appeared and filed a motion to dismiss. A status hearing was held on July 15, 2015. The Plaintiff has filed a civil suit against the Township. A briefing schedule and hearing date have been set.

**BARBARA RIFKIN V. IMRF (COOK COUNTY 15 CH 6950)**

**Summary:** This is an appeal of a denial of IMRF temporary disability benefits which was filed on April 27, 2015.

**Status:** IMRF has filed a motion to dismiss and an appearance. The Court has referred the matter for potential representation for Ms. Rifkin. Status is set for November 6, 2015. On November 6, the case was continued to November 18 at 10 am for potential representation. Case set for further status on representation to 1/28/16.

**DENNIS GIANOPOLUS V. IMRF (COOK COUNTY 15 CH 8223)**

**Summary:** This is an appeal from an administrative decision of the IMRF finding Mr. Gianopolus was not eligible to participate in IMRF as Corporation Counsel/prosecutor for the City of Calumet City.

**Status:** IMRF has filed an appearance and the record. IMRF's brief is due on December 11, 2015 and a status is set for December 24, 2015.

**LEONARD SIMON V. IMRF (USDC- N.D. ILL 1:15 CV 10949)**

**Summary:** IMRF was recently served with this federal civil action regarding IMRF's denial to pay a death benefit of \$661.87 to Mr. Simon, who refused to provide his Social Security Number for 1099 purposes.

**Status:** IMRF response is due on 12/29/2015.

(15-12-20) (Security and Privacy Liability Insurance - Cyber Data Breach or Extortion) General Counsel is recommending the Board approve the purchase of an insurance policy covering privacy and network security, also called Cyber Insurance.

Representatives from IMRF's insurance brokers, Tave Risk Management, were present to answer additional questions about the coverage since their presentation at the November Board Meeting. They also provided the Board with several insurance proposal options.

General Counsel reviewed results from a survey of other public pension funds that either have Security and Privacy Liability coverage or are in the process of evaluating purchasing the coverage.

After questions and discussion, it was moved by Ms. Stanish, seconded by Ms. Copper, to purchase privacy and network liability insurance through AIG, with a \$5 million limit, and a self-insured retention (SIR) of \$500 thousand.

Vote: Unanimous Voice Vote  
Absent: None

(15-12-21) (IMRF 457 Plan) The Chief Investment Officer and Human Resources Manager gave a presentation on IMRF's current three 457 Plan providers and the cost savings of consolidating to one provider, along with several recommendations for the Board's consideration.

Staff issued a Request for Information (RFI) to IMRF's current service providers and to one external record keeper in July 2015, and evaluated our service models, fees, expenses and investment options. Consolidating to one plan provider would result in economies of scale, lower relative recordkeeping and administration fees, and access to a lower expense share for IMRF employees.

After questions and discussion, it was moved by Mr. Stulir, seconded by Ms. Kuehne, to approve the following staff recommendations:

1. Authorize the consolidation of 457 Plan providers for IMRF staff from three to one.
2. Select ICMA-RC as the sole provider subject to satisfactory legal due diligence.
3. Approve a one-time fee payment of up to \$15,000 for the estimated market value adjustment.
4. Authorize staff to complete all documentation necessary to execute this recommendation.

Vote: Unanimous Voice Vote

Absent: None

(15-12-22) (Board Resolution Updates) General Counsel presented several resolutions for review and amendment.

She stated that staff is currently reviewing the Board's resolutions to ensure they conform to the Pension Code as amended and are otherwise current and complete.

After questions and discussion, it was moved by Mr. Kuehne, seconded by Mr. Miller, to adopt the following resolutions:

WHEREAS, sections 7-172(h) and 7-198 of the Illinois Pension Code authorize the Board of Trustees of the Illinois Municipal Retirement Fund to establish rules regarding the time and manner of reporting and paying IMRF contributions by participating employers; and

WHEREAS, section 7-209(c) of the Pension Code provides for interest charges at the rate of 1% per month on municipality accounts receivable unpaid for one month or more; and

WHEREAS, the Board of Trustees has previously determined that employer reports of member wages and contributions must be made monthly; and

WHEREAS, the Board of Trustees has previously determined that employers must remit member and employer contributions with each monthly report of member wages and contributions; and

WHEREAS, the Board of Trustees has previously determined that monthly reports of member wages and contributions are due on or before the tenth (10<sup>th</sup>) day of the month following the reported month; and

WHEREAS, the Board of Trustees has previously determined that interest begins to accrue on unpaid contributions after the twentieth (20<sup>th</sup>) day of the month following the reported month.

NOW THEREFORE BE IT RESOLVED that the Board of Trustees confirms the 10<sup>th</sup> day of the month following the reported month as the due date for employer wage reports and payment of contributions.

BE IT FURTHER RESOLVED that the Board of Trustees confirms that contributions are late after the 20<sup>th</sup> day of the month following the reported month and interest at the statutory rate begins to accrue.

\*\*

WHEREAS, the Fund has entered into a Master Trust Agreement with The Northern Trust for the purpose of managing and operating its' investment portfolio, and

WHEREAS, the IMRF Cash Flow Account has been established within the Master Trust as the depository account for transfers from the Regular Account at The Northern Trust, and

WHEREAS, IMRF transfers funds out of the IMRF Master Trust Account to other designated bank accounts for investment purchases or to the Revolving Account for payment of benefits and administrative expenses, and

WHEREAS, the Board determines the appropriate authorizations required in order to transfer funds out of the IMRF Master Trust Account, now, therefore be it

RESOLVED that the following policies must be adhered to when wire transferring funds out of the IMRF Master Trust Account.

I. Investment Allocation Transfers

A. Written Transfer Requests

1. The transfer request must be supported by a letter from IMRF which is signed by both persons in the following positions:

- Investment Officer-Operations
- Chief Investment Officer

2. In the absence of one of the above individuals, a second signature should be obtained from one of the following alternate positions:

- Executive Director
- Chief Financial Officer
- Comptroller

B. Oral Transfer Requests

1. Authorized personnel shall use a Customer Identification Number for IMRF as well as a Personal Identification Number to be presented to The Northern Trust as proper identification for the transfer request.

2. Personnel in the following positions will be authorized to orally request transfers and will be assigned the above mentioned identification numbers.

- Investment Officer-Operations
- Chief Investment Officer
- Executive Director

3. The Northern Trust Master Trust department personnel must perform a "call back" to a second authorized position to verify the oral transfer request.

- Investment Officer-Operations
- Chief Investment Officer
- Executive Director
- Chief Financial Officer

4. A written letter confirming the oral request should be sent to The Northern Trust which is signed by personnel in two of the following positions:

- Investment Officer-Operations
- Chief Investment Officer
- Executive Director
- Chief Financial Officer

## II. Benefit and Administrative Expense Transfers

The transfer request must be supported by a letter from IMRF which is signed by both persons in the following positions:

- Investment Officer-Operations
- Comptroller

In the absence of one of the above personnel, a second signature should be obtained from one of the following alternate positions:

- Chief Financial Officer
- Chief Investment Officer
- Executive Director

## III. Subsequent changes

A. Names and signatures of personnel filling the positions indicated above shall be certified by the Executive Director to The Northern Trust.



B. Changes in personnel filling the positions indicated shall be certified by the Executive Director to The Northern Trust

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WHEREAS, section 7-195.1 of the Illinois Pension Code authorized the establishment of a revolving account to be used for the purpose of making payments of benefits and administrative expenses, and

WHEREAS, the Funds required to reimburse these payments are transferred out of the IMRF Master Trust Account at The Northern Trust into the Revolving Account at The Northern Trust Bank, and

WHEREAS, from time to time IMRF may require a transfer out of the Revolving Account back to the Master Trust Account, and

WHEREAS, the Board determines that appropriate authorizations be required in order to transfer funds out of the bank accounts, now therefore be it

RESOLVED that the following policies must be adhered to when transferring funds out of the Revolving Account.

1. Transfers out of the Revolving Account are only to be made to the IMRF Master Trust Account.
2. The transfer request must be supported by a letter from IMRF which is signed by personnel in two of the following positions:
  - Investment Officer-Operations
  - Comptroller
  - Chief Financial Officer
  - Chief Investment Officer
  - Executive Director
3. Names and signatures of personnel in the positions indicated above shall be certified by the Executive Director.
4. Changes in personnel filling the positions indicated shall be certified by the Executive Director.

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#### **POLICY REGARDING RACIAL, ETHNIC, AND GENDER DIVERSITY OF FIDUCIARIES**

##### **Purpose**

This policy defines IMRF's goals for diversity in its senior staff and fiduciaries.

##### **Philosophy**

The Illinois Municipal Retirement Fund is committed to diversity in all hiring, employment, and contracting decisions and to providing

opportunities for minorities, women and persons with a disability to have a meaningful role at IMRF.

### **Board of Trustees**

IMRF's goal is to achieve diversity through the current Board election process. Trustees are elected by employers, members, and annuitants. No trustees are appointed or hold office ex-officio. The Board of Trustees encourages individuals who qualify as minority to run for the Board of Trustees. In addition, stakeholder groups representing IMRF members and employers are encouraged to seek out qualified minorities to support in all elections for the IMRF Board of Trustees.

### **Senior Staff**

IMRF's goal is that staff diversity levels mirror the external recruiting area. Senior staff consists of directors, managers, supervisors, and team leaders.

IMRF defines its external recruiting area as the Chicago-Joliet-Naperville, IL Metropolitan Division. This Metropolitan area includes: Cook County, DeKalb County, DuPage County, Grundy County, Kane County, Kendall County, McHenry County and Will County. IMRF will work to ensure its workforce reflects the recruiting area's population or the population diversity of the recruiting area as reported in the most recent decennial census.

IMRF considers its existing employee population as the primary recruiting base for senior staff positions. By having a diverse staff at all levels of the organization, the Fund offers internal promotion opportunities to reflect diversity on its senior staff.

IMRF has an internal job posting program which requires all open positions to be posted without exception. By providing a variety of training and development programs, all staff members have the opportunity to gain the required education and skills to apply for senior staff openings. These programs include a tuition reimbursement program and Succession Development Program.

All staff involved in hiring and employment processes, including Human Resources, must perform their roles with the highest integrity as required by IMRF's Code of Conduct and Business Ethics policies.

The IMRF Employee Handbook states the following:

IMRF does not tolerate discrimination towards applicants, employees, visitors, or vendors, on the basis of gender, race, color, religion, family status, military and veteran status, disability, sexual orientation, national origin, age or political beliefs.

Even though IMRF is not subject to annual filing requirements of the Equal Employment Opportunity Commission (EEOC), we will annually complete an "EEO-1 form" to monitor the racial, ethnic and gender diversity of the entire staff.

### **Other Fiduciaries**

In addition to the Board of Trustees and IMRF staff, other third party consultants act as fiduciaries to the Fund. When searching for consultants, IMRF is committed to diversity in hiring such firms. IMRF will also work to ensure that majority firms acting as fiduciaries will

hire and promote minorities into top management and ownership positions. IMRF will obtain EEO-1 forms from the consultants to monitor the racial, ethnic and gender diversity of their staff and owners.

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WHEREAS, section 7-198 of the Illinois Pension Code authorizes the Board of Trustees of the Illinois Municipal Retirement Fund to establish rules and regulations regarding the efficient administration of the fund; and

WHEREAS, the Board of Trustees has over the years established such rules and regulations by resolution; and

WHEREAS, certain of those rules and regulations are now out-of-date because of changes to the governing statutes or because they have been superseded by subsequent Board action; and

WHEREAS, it is appropriate that the Board of Trustees rescind such out-of-date rules and regulations.

NOW THEREFORE BE IT RESOLVED that the following resolutions of the IMRF Board of Trustees be and are hereby rescinded:

Resolution 1960-4777 This resolution is out of date because of changes to the Illinois Pension Code. This resolution no longer reflects how annuities are calculated or how employers are charged.

Resolution 1969-7331 This resolution is out of date because of changes to the Illinois Pension Code. The Pension Code now allows IMRF participation for educational joint agreements and educational and intergovernmental cooperatives.

Vote: Unanimous Voice Vote  
Absent: None

(15-12-23) (Report of Executive Director)

Horizon Update

The Executive Director updated the Board on recent Horizon developments.

Senate Hearings

The Executive Director discussed revisions that were made to the presentation for the November 18<sup>th</sup> Senate Hearing.

(15-12-24) (Trustee Forum) The Chair reported the following Trustees requested authorization from the Board for the following conferences:

Natalie Copper	"Investments Institute"
	IFEBP
	March 14-16, 2016
	Las Vegas, NV

"Annual Conference"  
IFEBP  
November 13-16, 2016  
Orlando, FL

John Piechocinski "Investments Institute"  
IFEBP  
March 14-16, 2016  
Las Vegas, NV

"Annual Conference"  
IFEBP  
November 13-16, 2016  
Orlando, FL

It was moved by Mr. Stulir, seconded by Mr. Miller, to approve the above Trustee requests.

Vote: Unanimous Voice Vote  
Absent: None

(15-12-25) (Appreciation of Service - Jeffrey Stulir) Members of the Board of Trustees honored Jeffrey Stulir who will be stepping down from the IMRF Board, Effective January 1, 2016, with the following resolution:

Resolution of Appreciation

WHEREAS, Jeffrey A. Stulir has faithfully served as an Employee Trustee on IMRF's Board of Trustees from February 2012 through December 2015, acting as Board Secretary beginning January 2015, and;

WHEREAS, Jeffrey A. Stulir served on multiple committees concurrently, including the Legislative Committee from 2012 to 2014; the Benefit Review Committee from 2012 to 2014, acting as Vice Chair in 2013 and Chair in 2014; and the Investment Committee from 2012 to 2015, acting as Vice Chair in 2014 and 2015, and;

WHEREAS, under Jeffrey A. Stulir's stewardship, IMRF assets grew from \$24.8 billion in December 2011 to \$33.4 billion in September 2015, with net returns of 13.5% in 2012, 20.0% in 2013, and 5.8% in 2014, and;

WHEREAS, over the course of Jeffrey A. Stulir's tenure, IMRF received two Illinois Performance Excellence Silver Awards for "Progress toward Excellence" in 2012 and 2014 in recognition of the organization's ongoing commitment to excellence and improving customer service and operations, and;

WHEREAS, Jeffrey A. Stulir played a key role in developing and approving IMRF's 2014-2016 Strategic Plan, which has and continues to guide IMRF's approaches to Investment Returns, Financial Health and

Sustainability, Customer Service and Operational Excellence, Workforce Engagement, and Modernization, and;

WHEREAS, as a member of the Board of Trustees, Jeffrey A. Stulir authorized key Modernization initiatives, resulting in the adoption of a new logo, the successful launch of the new IMRF website in February 2015, and the implementation of new management and operational software in September 2015, a crucial step in the replacement of IMRF's legacy pension administration system;

THEREFORE, BE IT RESOLVED, that the IMRF Board of Trustees recognizes and honors Jeffrey A. Stulir for his contributions and service to the Illinois Municipal Retirement Fund.

Adopted by the IMRF Board of Trustees on Friday, December 18, 2015.

Ms. Henry and Messrs. Miller and Stulir left the Board Meeting at 11:50 a.m.

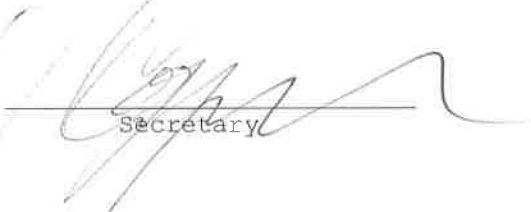
(15-12-26) (Board Self-Evaluation) Board Members along with Ms. Cullins from Aon Hewitt, conducted a self-evaluation.

(15-12-27) (Adjournment) It was the consensus of the Board, to adjourn the Board Meeting at 12:30 p.m., to reconvene in the Fund offices, 2211 York Road, Suite 400, Oak Brook, Illinois, at 9:00 a.m. on February 26, 2016.

  
\_\_\_\_\_  
President

2/25/16

\_\_\_\_\_  
Date

  
\_\_\_\_\_  
Secretary

2/25/16

\_\_\_\_\_  
Date

