



# Illinois Municipal Retirement Fund

Suite 500 2211 York Road Oak Brook IL 60523-2337

Service Representatives 1-800-ASK-IMRF (1-800-275-4673)

[www.imrf.org](http://www.imrf.org)

August 26, 2005

The Honorable Rod R. Blagojevich  
Governor of Illinois  
James R. Thompson Center  
100 West Randolph, Suite 16-100  
Chicago, Illinois 60601

Dear Governor Blagojevich:

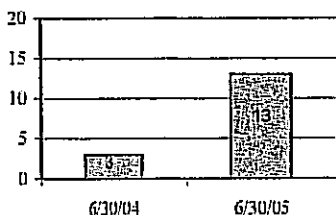
The Illinois Municipal Retirement Fund (IMRF) Board of Trustees is pleased to submit its annual report on the emerging investment managers used by this retirement system as directed in Public Act 94-0471. As of June 30, 2005, IMRF had \$2.2 billion, or 12% of the total investment portfolio, allocated to minority and woman-owned (MWBE) investment managers. Of this amount, \$228 million was managed by emerging MWBE firms and \$2 billion was managed by emerged MWBE firms. For the twelve months ended June 30, 2005, \$3.1 million, or 17% of the total commissions paid by IMRF, were executed by MWBE broker/dealers.

In 2005, Public Act 94-0471 was amended to change the definition of an emerging investment manager. Originally, an emerging investment manager was defined as a qualified minority owned business or female owned business managing at least \$10 million but less than \$400 million on January 1, 1993. The Act was amended to define an emerging investment manager as a qualified minority owned business or female owned business managing at least \$10 million but less than \$2 billion. This amendment changes the classifications of some of the investment managers we are reporting to you this year.

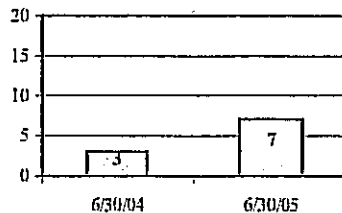
Under the new definition of emerging investment manager, two of the three emerging managers reported to you in 2004 are now reported as emerged. The third manager no longer manages assets for the IMRF. IMRF now employs thirteen emerging investment managers. This is an increase of ten managers over the number reported last year. IMRF also employs seven emerged investment managers, an increase of four managers over the number reported last year. In total, IMRF employs twenty emerging and emerged MWBE investment managers, an increase of fourteen managers over the number reported last year.

The charts below show the change in the number of emerging, emerged and total MWBE investment managers used by IMRF.

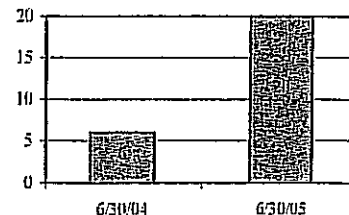
Emerging MWBE Managers



Emerged MWBE Managers



Total MWBE Managers





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The following table identifies the emerging and emerged MWBE investment managers used by IMRF and the dollar amounts and percentage of total assets under their control.

## EMERGING MWBE MANAGERS

2005

<u>Manager Name</u>	<u>Dollars Under Management (In Millions)</u>	<u>Percentage of Total Assets Under Management</u>
Apex Capital Mgmt	\$ 10.1	0.06%
Channing Capital	6.3	0.04
Denali Advisors	15.0	0.08
GlobeFlex Capital	6.0	0.03
High Pointe Capital	8.4	0.05
Lynmar Capital	12.0	0.07
Müller & Monroe	25.0	0.14
Ascend	*	*
Smith Whiley	*	*
Piedmont Inv Advisors	115.8	0.63
Profit Inv Mgmt	10.1	0.06
Rutland Dickson	7.8	0.04
Union Heritage	<u>11.8</u>	<u>0.07</u>
<b>Subtotal:</b>	<b>\$ 228.3</b>	<b>1.27%</b>

\*Included in Muller & Monroe dollars under management total. This is a Private Equity Fund-of-Funds.

## EMERGED MWBE MANAGERS

2005

<u>Manager Name</u>	<u>Dollars Under Management (In Millions)</u>	<u>Percentage of Total Assets Under Management</u>
Brown Capital	\$ 61.4	0.33%
EARNEST Partners	163.1	0.88
Holland Capital	390.9	2.11
LM Capital	242.5	1.31
Payden & Rygel	886.7	4.79
Progress Inv Mgmt	**	**
Taplin, Canida & Habacht	<u>242.3</u>	<u>1.31</u>
<b>Subtotal:</b>	<b>\$1,986.9</b>	<b>10.73%</b>
<b>Total:</b>	<b>\$2,215.2</b>	<b>12.00%</b>

\*\*This is a Manager-of-Managers receiving a fee to execute an emerging minority manager program for IMRF.



# Illinois Municipal Retirement Fund

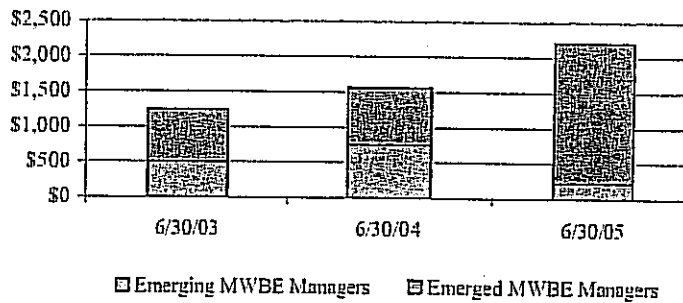
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IMRF's \$2.2 billion allocation to emerging and emerged investment managers represents an increase of \$650 million, or 42%, over the amount that was reported in 2004. The following chart displays the increase in emerging and emerged investment managers' assets under management over the last three years.

Emerging and Emerged  
MWBE Assets Under Management\*  
(in millions of dollars)



\*The decrease in emerging manager assets between June 30, 2004 and June 30, 2005 is due to a change in the definition of emerging investment manager.

As part of the reporting requirements under Public Act 94-0471, the IMRF must report actions taken to increase the use of emerging investment managers. Our progress toward accomplishing this objective is presented below.

In January 2004, the Board of Trustees established a goal that 20% of actively managed investment assets be managed by MWBE investment managers. As of June 30, 2005, 20% of actively managed assets, or 12% of total assets under management, were allocated to MWBE investment managers. This compares favorably to the 16% of actively managed assets, or 9.25% of total assets under management, allocated to MWBE investment managers in 2004.

In 2004, the IMRF Board of Trustees also established a goal that 20% of the commissions generated by the actively managed portfolios be executed by MWBE broker/dealers. For the twelve months ended June 30, 2005, 20% of actively managed brokerage was executed by MWBE firms. Total commissions placed with MWBE brokerage firms were \$3,055,564. This is an increase of \$1,499,746 over the amount reported last year.



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The following chart displays the increase in IMRF's use of MWBE broker/dealers over the last three years ending June 30.

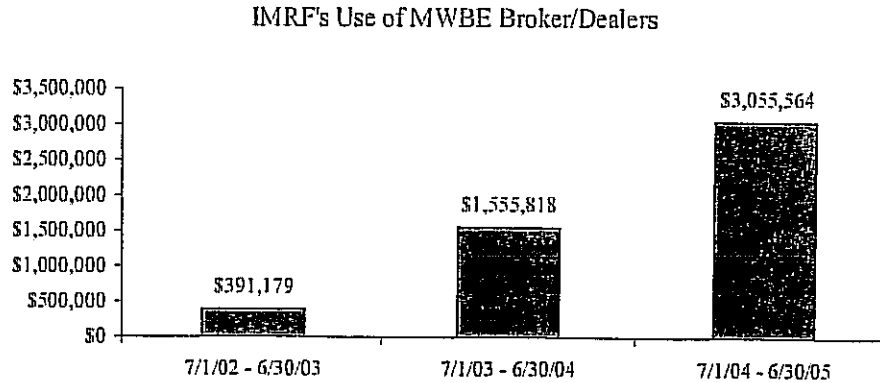


Exhibit A, attached, lists the MWBE broker/dealers and the commissions they received between July 1, 2004 and June 30, 2005.

In addition to adopting goals for MWBE money managers and brokerage, the IMRF Board of Trustees has appointed the President of the Board as the Trustee responsible for monitoring the progress toward achieving these goals.

To ensure a responsible non-discriminatory investment manager search procedure, the IMRF Board of Trustees has adopted the following manager selection policy:

## IMRF INVESTMENT MANAGER SELECTION POLICY

WHEREAS The IMRF is a public retirement system with a responsibility to its members and participating employers to make investments with the objective of obtaining superior total long-term rates of return while using acceptable levels of risk and reasonable control of costs, and

WHEREAS The strategy of the IMRF Board of Trustees is to achieve superior long-term rates of return through the use of a diversified investment portfolio, and



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WHEREAS The IMRF Board of Trustees engages various investment managers to implement this strategy, and

WHEREAS The availability of qualified minority and woman-owned business enterprises is recognized by the IMRF Board of Trustees, and

WHEREAS The characteristic of being a minority or woman-owned business enterprise is not a barrier to employment by the IMRF,

THEREFORE, IT SHALL BE THE POLICY OF THE BOARD OF TRUSTEES

To include qualified minority and woman-owned business enterprises in the IMRF investment manager selection process.

To objectively evaluate all qualified investment manager candidates regardless of race, gender or handicap.

To evaluate all qualified investment manager candidates with emphasis 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.

To use professional consultants that do not use discriminatory practices in the creation and maintenance of their investment manager databases.

To require professional consultants used by the IMRF to affirm their use of non-discriminatory practices when recommending investment manager candidates to the IMRF Board of Trustees.

To require an annual report from each IMRF investment manager regarding its use of minority and woman-owned business enterprises as brokers.

To require that all MWBE investment firms evaluated in the search process be specifically identified in the investment manager search report. In addition, any reasons for eliminating an MWBE investment manager candidate from further consideration must also be provided in this report. This procedure has been implemented to confirm that qualified MWBE investment firms are being considered in the IMRF investment manager search process.

\* \* \*



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The IMRF Board of Trustees requires that its consultant, Ennis Knupp & Associates, use non-discriminatory practices when recommending investment manager candidates and that they maintain a database of emerging and emerged MWBE investment managers. The Ennis Knupp database contains 106 MWBE investment managers. Of this number, 58 are currently classified as emerging. A list of these investment managers is attached as Exhibit B.

IMRF continues to seek out and employ MWBE investment managers and broker/dealers. The increase in the number of emerging and emerged MWBE firms used by IMRF, as well as the increase in the dollars allocated to these firms and the increase in the commissions paid to these firms, demonstrates our commitment to the use of MWBE investment managers and broker/dealers.

Sincerely,

Louis W. Kosiba  
Executive Director

LWK:ean  
Attachments

## EXHIBIT A

MINORITY AND WOMEN-OWNED BUSINESS ENTERPRISES  
BROKERAGE COMMISSIONS PAID  
July 1, 2004 - June 30, 2005

Acento Securities. ....	\$	15,779.26
53 West Jackson Blvd., Suite 1302		
Chicago, IL 60604		
Berean Capital Markets. ....	\$	911.00
300 South Wacker Drive, Suite 2450		
Chicago, IL 60606		
Blaylock & Partners. ....	\$	411,955.44
10 South Wacker Drive, Sute 2175		
Chicago, IL 60606		
BOE Securities. ....	\$	18,527.74
440 South LaSalle Street		
Chicago, IL 60605		
Cabrera Capital Markets. ....	\$	124,032.28
10 South LaSalle Street, Suite 1050		
Chicago, IL 60603		
Capital Management Group Securities. ....	\$	9,067.87
123 North Wacker Drive, Suite 810		
Chicago, IL 60606		
Cheevers & Co. ....	\$	5,027.34
40 South LaSalle Street, Suite 415		
Chicago, IL 60605		
CL King & Associates. ....	\$	120.00
One Liberty Square, 5th floor		
Boston, MA 02109		
Divine Capital Markets. ....	\$	2,220.00
39 Broadway, 36th floor		
New York, NY 10006		
FinaCorp Securities. ....	\$	10,741.25
4100 MacArthur, Suite 315		
Newport Beach, CA 92660		

## EXHIBIT A

MINORITY AND WOMEN-OWNED BUSINESS ENTERPRISES  
BROKERAGE COMMISSIONS PAID

July 1, 2004 - June 30, 2005

Gardner Rich & Company . . . . .	\$	207,319.40
401 South Financial Place Chicago, IL 60605		
Greentree Brokerage Services . . . . .	\$	3,460.00
1700 Market Street, Suite 1420 Philadelphia, PA 19103		
Guzman & Company . . . . .	\$	173,400.80
1200 Brickell Avenue, 14th Floor Miami, FL 33131		
Loop Capital Markets . . . . .	\$	439,905.53
200 West Jackson Boulevard, Suite 1600 Chicago, IL 60606		
Lugano Group . . . . .	\$	1,194.76
650 Poydras Street, Suite 1400 New Orleans, LA 70130-6116		
M. Ramsey King Securities, Inc. . . . .	\$	111,442.00
93 Tomlin Circle Burr Ridge, IL 60527		
MAGNA Securities Corp . . . . .	\$	323,049.59
420 Lexington Avenue, Suite 2220 New York, NY 10170		
Melvin Securities . . . . .	\$	403,112.46
111 West Jackson Boulevard, Suite 2110 Chicago, IL 60604		
Montrose Securities . . . . .	\$	186,089.64
50 California Street, Suite 3270 San Francisco, CA 94111		
Muriel Siebert & Co . . . . .	\$	11,234.17
885 Third Avenue, Suite 1720 New York, NY 10022		



EXHIBIT A

MINORITY AND WOMEN-OWNED BUSINESS ENTERPRISES  
 BROKERAGE COMMISSIONS PAID  
 July 1, 2004 - June 30, 2005

Nutmeg Securities .....	\$	38,834.17
440 South LaSalle, 4th Floor		
Chicago, IL 60605		
PCS Securities .....	\$	49,251.00
121 Lakeside Avenue, Suite 301		
Seattle, WA 98122		
Pacific American Securities .....	\$	138,703.25
50 Broadway, 22nd floor		
New York, NY 10004		
Percival Partners .....	\$	4,186.67
5100 Falls Road		
Village Square II		
Baltimore, MD 21210		
Podesta & Company .....	\$	540.00
208 South LaSalle Street, Suite 766		
Chicago, IL 60604		
Robert Van Securities .....	\$	500.00
350 Frank Ogawa Plaza, 10th floor		
Oakland, CA 94612		
Samuel Ramirez & Company .....	\$	9,075.23
61 Broadway, 29th floor		
New York, NY 10006		
SBK Brooks .....	\$	4,442.59
840 Terminal Tower		
50 Public Square		
Cleveland, OH 44113		
Seslia Securities .....	\$	1,481.87
325 Chestnut Street, Suite 1110		
Philadelphia, PA 19106		

EXHIBIT A

MINORITY AND WOMEN-OWNED BUSINESS ENTERPRISES  
BROKERAGE COMMISSIONS PAID  
July 1, 2004 - June 30, 2005

Utendahl Capital Partners . . . . .	\$	275,151.25
30 Broad Street, 31nd Floor New York, NY 10004		
Williams Capital Group, L.P. . . . .	\$	74,807.87
650 Fifth Avenue, 10th floor New York, NY 10019		
		<hr/>
<b>TOTAL COMMISSIONS PAID . . . . .</b>	<b>\$</b>	<b><u>3,055,564.43</u></b>

## Exhibit B

### Emerging Minority and Woman-Owned Firms On Consultant Database

- 1 Affinity Investment Advisors
- 2 Alpha Partners LLC
- 3 AmeriCap Advisers, LLC
- 4 Apex Capital Management, Inc.
- 5 Argus Investors Counsel, Inc.
- 6 Artemis Investment Management LLC
- 7 Atlanta Life Investment Advisors, Inc.
- 8 Bermuda Asset Management Ltd.
- 9 BlueCreek Investment Partners, LLC
- 10 Buford, Dickson, Harper & Sparrow
- 11 Campbell Newman Asset Management, Inc.
- 12 Capital Management Associates, LLC
- 13 Cardinal Capital Management, LLC
- 14 Channing Capital Management, LLC
- 15 Credo Capital Management, LLC
- 16 Cypress Asset Management
- 17 Denali Advisors, LLC.
- 18 DG Capital Management, Inc.
- 19 EDMP, Inc.
- 20 ENDEX Capital Management, LLC
- 21 Fortaleza Asset Management, Inc.
- 22 GlobeFlex Capital, L.P.
- 23 GW Capital, Inc.
- 24 Hahn Capital Management LLC
- 25 Hanseatic Management Services, Inc.
- 26 High Pointe Capital Management, LLC
- 27 Holt-Smith & Yates Advisors
- 28 Hoover Investment Management Co., LLC
- 29 Howland and Associates, LLC
- 30 Investors Resource Group LLC
- 31 John Hsu Capital Group, Inc.
- 32 Lynmar Capital Group, Inc.
- 33 Malley Associates Capital Management
- 34 Michael F. Carr & Associates, Inc.
- 35 Muller & Monroe Asset Management
- 36 New Century Advisors, LLC

- 37 Newgate LLP
- 38 Optimo Asset Management, LLC
- 39 Opus Capital Management, Inc.
- 40 Palisades Investment Partners, LLC
- 41 Paradigm Asset Management Co. LLC
- 42 PENN Capital Management Company, Inc.
- 43 Philippe Investment Management, Inc.
- 44 Piedmont Investment Advisors, LLC
- 45 Piedra Capital, Ltd.
- 46 Profit Investment Management
- 47 Pugh Capital Management, Inc.
- 48 Rutland Dickson Asset Management, Inc.
- 49 Sanderson & Stocker, Inc.
- 50 Smith Graham & Co., Investment Advisors, L.P.
- 51 South Texas Money Management
- 52 The Kenwood Group, Inc.
- 53 The Swarthmore Group, Inc.
- 54 Union Heritage Capital Management
- 55 Utendahl Capital Management, L.P.
- 56 Victoria Capital Management, Inc.
- 57 Wagner Investment Management, Inc.
- 58 Woodford Capital Management, LLC

Exhibit B  
(continued)

Emerged Minority and Woman-Owned Firms  
On Consultant Database

- 1 Advent Capital Management, LLC
- 2 AFG Capital Management, Inc.
- 3 AIC Investment Services
- 4 Allison Street Advisors, LLC
- 5 Alpha Capital Management, Incorporated
- 6 Ambassador Capital Management
- 7 Amerindo Investment Advisors Inc.
- 8 Ariel Capital Management, LLC
- 9 Ashmore Investment Management Limited
- 10 Banneker Capital Management Corp.
- 11 BrightStar Investment Management
- 12 Brown Capital Management, Inc.
- 13 Chandler Asset Management
- 14 Charter Financial Group, Inc.
- 15 Citizens Advisers
- 16 Cutler & Company, LLC
- 17 Daedalus Capital, LLC
- 18 Daruma Asset Management, Inc.
- 19 Dean Chase Global Value, LLC
- 20 Diaz-Verson Capital Investments, LLC
- 21 Eagle Capital Management, LLC
- 22 EARNEST Partners, LLC
- 23 EverGreen Capital Management, Inc.
- 24 Fan Asset Management LLC
- 25 Fiduciary Investment Solutions, Inc.
- 26 Greystone Capital Management, Inc.
- 27 Havell Capital Management LLC
- 28 Holland Capital Management, L.P.
- 29 Hughes Capital Management
- 30 John Shao Portfolio Management, Inc.
- 31 LM Capital Group, LLC
- 32 MDL Capital Management, Inc.
- 33 NCM Capital Management Group, Inc.
- 34 New Amsterdam Partners LLC
- 35 NorthShore Advisors LLC

- 36 Oak Associates, Ltd.
- 37 Payden & Rygel
- 38 Popular Asset Management
- 39 Progress Investment Management Company
- 40 Rhumblin Advisers Corp
- 41 Shay Assets Management, Inc.
- 42 SIPCO
- 43 Sit Investment Associates, Inc.
- 44 SPARX Asset Management Co., Ltd.
- 45 Taplin, Canida & Habacht
- 46 Terra Nova Asset Management LLC
- 47 The Lara Group, Ltd.
- 48 Trias Capital Management, Inc.