



# Illinois Municipal Retirement Fund

Suite 500 2211 York Road Oak Brook IL 60523-2337

*Member Services Representatives 1-800-ASK-IMRF (1-800-275-4673)*

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

August 23, 2013

The Honorable Pat Quinn  
Governor of Illinois  
James R. Thompson Center  
100 West Randolph, Floor 16  
Chicago, Illinois 60601

Dear Governor Quinn:

The Illinois Municipal Retirement Fund (IMRF) Board of Trustees is pleased to submit its annual report on Illinois Economic Opportunity Investments made by this retirement system as required by PA 96-0753. As of June 30, 2013, IMRF employed thirty-six Illinois-based investment management firms and private equity partnerships managing assets with a market value of \$11.9 billion, representing 40.2% of the total IMRF investment portfolio. Additionally, IMRF is invested in twenty-one properties located in Illinois representing \$81.4 million in aggregate and 9.7% of IMRF's real estate portfolio as of March 31, 2013 (latest available information).

Table I identifies the economic opportunity investments made by IMRF with Illinois-based private equity partnerships and investment management firms. It also identifies the primary location of the business and the percentage of IMRF's assets in these economic opportunity investments.

Table II identifies the Illinois economic opportunity investments made by IMRF in real estate properties as of March 31, 2013 (latest available information). Table II also identifies the location of the property and the percentage of IMRF's assets in these economic opportunity investments.

Table III identifies the Illinois economic opportunity investments made by IMRF in hedge fund managers and private equity portfolio companies as of March 31, 2013 (latest available information). Table III identifies the primary location of the business or project. IMRF has indirect holdings in these hedge fund managers and private equity portfolio companies.



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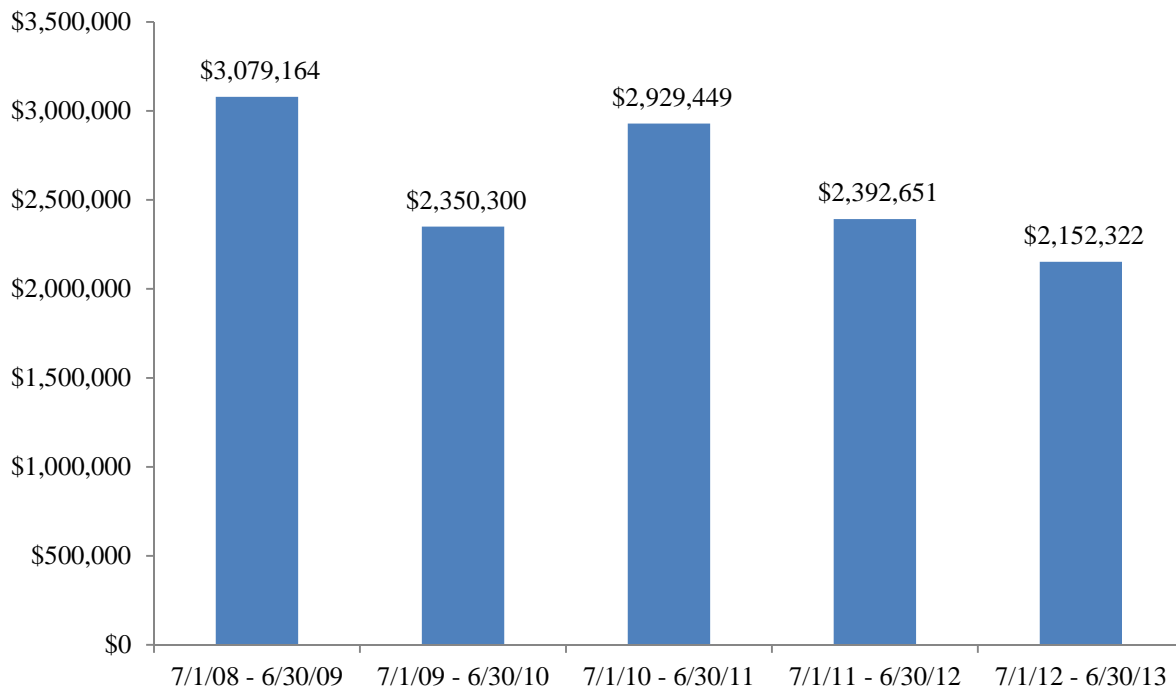
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IMRF promotes the economy of the State of Illinois by encouraging its investment managers to use Illinois-based broker/dealers. The following graph illustrates the total commissions generated by IMRF trades executed through Illinois-based broker/dealers. IMRF's Illinois brokerage commissions during the 12-month period ended June 30, 2013 were approximately \$2.2 million; or 11% of total IMRF brokerage commissions for the same 12-month period.

## IMRF Brokerage Commissions Generated by Trades Executed through Illinois-Based Broker/Dealers



Note: Commissions for the 12-month period ending June 30, 2012 were originally listed as \$3,125,189 in the 2012 Illinois Economic Opportunity Investment Report. These commissions have been restated as \$2,392,651 in this report due to revised brokerage information subsequently provided by two of IMRF's investment managers for the 12-month period ending June 30, 2012.



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Importantly, IMRF's Board of Trustees has adopted and implemented the following policy to increase the use of economic opportunity investments in Illinois:

*"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."*

IMRF continues to seek out and promote economic development within the State of Illinois. The IMRF policy encourages economic opportunity investments in Illinois and the high percentage of IMRF's assets allocated to Illinois based investment managers demonstrates our commitment to promoting economic activity in our State.

Sincerely,

Louis W. Kosiba  
Executive Director

LWK: ENS



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**Table I**

## Illinois-Based Investment Management Firms and Private Equity Partnerships

<i>Illinois-Based Managers</i>	<i>City</i>	<i>Market Value as of 6/30/2013 (in millions)</i>	<i>Percentage of Total IMRF's Assets Under Management as of 6/30/2013</i>
Arbor Investments III	Chicago	\$2.7	0.0%
ARCH Venture Partners	Chicago	2.9	0.0%
Ariel Investments	Chicago	81.6	0.3%
Ativo Capital Management	Chicago	38.2	0.1%
Aurora Investment Management	Chicago	520.8	1.8%
Chicago Fundamental (CFIP)	Chicago	-	-
BMO Asset Management	Chicago	905.8	3.1%
Channing Capital Management	Chicago	106.5	0.4%
Code, Hennessey & Simmons	Chicago	4.0	0.0%
Cozad/Westchester (1)	Champaign	131.1	0.4%
Bauer Farm (1)	Christian County	-	-
Dwyer Farm (1)	Douglas County	-	-
Seggebruch Farm (1)	Woodford County	-	-
Van Buskirk Farm (1)	Vermillion County	-	-
Fortaleza Asset Management, Inc.	Chicago	38.9	0.1%
GTCR Golder Rauner LLC	Chicago	27.0	0.1%
High Pointe Capital Management	Chicago	64.1	0.2%
Holland Capital Management	Chicago	865.7	2.9%
Lake Capital Partners II, LP	Chicago	2.8	0.0%
LSV Asset Management	Chicago	914.5	3.1%
Madison Dearborn Partners	Chicago	28.3	0.1%
Mesirow Liquidation Fund	Chicago	6.7	0.0%
Muller & Monroe Asset Management (2)	Chicago	50.0	0.2%
DN Partners <sup>(2)</sup>	Chicago	-	-
Hispania Private Equity Fund II <sup>(2)</sup>	Chicago	-	-
Hopewell Ventures <sup>(2)</sup>	Chicago	-	-
LaSalle Capital Group <sup>(2)</sup>	Chicago	-	-
MK Capital II <sup>(2)</sup>	Northbrook	-	-
Prism Mezzanine Fund <sup>(2)</sup>	Chicago	-	-
Rock Island Partners <sup>(2)</sup>	Oak Brook	-	-
Newport Capital Partners I, L.P.	Skokie	11.7	0.0%
Northern Trust Investments	Chicago	7,424.6	25.0%
Pfingsten Partners III, LP	Chicago	4.6	0.0%
Water Street Healthcare Partners	Chicago	3.0	0.0%
William Blair & Company	Chicago	696.7	2.4%
Willis, Stein & Partners	Chicago	5.0	0.0%
<b>Total</b>	<b>\$</b>	<b>11,937.2</b>	<b>40.2%</b>

(1) Illinois farms owned through Cozad Westchester, an Illinois-based investment manager.

(2) Private equity fund investments owned through an Illinois-based, minority-owned fund-of-funds manager, Muller & Monroe Asset Management.



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**Table II**  
**Illinois-Based Investments in Real Estate Properties**

<i>Real Estate Fund</i>	<i>City</i>	<i>Market Value as of 3/31/2013</i>	<i>Percentage of Total Real Estate Assets Under Management as of 3/31/2013</i>	<i>Percentage of Total IMRF Assets Under Management as of 3/31/2013</i>
<b><u>Buckhead Industrial Properties, Inc.</u></b>				
Carol Point III	Carol Stream	\$16,064,840	1.92%	0.05%
Mallard Lakes	Hanover Park	16,600,000	1.98%	0.06%
DuPage County Industrial	Glendale Heights	29,846,604	3.56%	0.10%
<b><u>BlackRock Granite Property Fund</u></b>				
Southgate Market	Chicago	4,567,891	0.55%	0.02%
<b><u>TA Associates Fund IX</u></b>				
The Preserve at Osprey	Gurnee	1,178,207	0.14%	0.00%
1360 Madeline Lane	Elgin	274,307	0.03%	0.00%
Oakview Corporate Park	West Dundee	194,526	0.02%	0.00%
1690 Cambridge Drive	Elgin	46,605	0.01%	0.00%
1640 Fullerton Court	Glendale Heights	173,401	0.02%	0.00%
4675 Turnberry Drive	Hanover Park	49,832	0.01%	0.00%
Chicago IX Industrial	<i>Various</i>	2,023,435	0.24%	0.01%
600 & 700 North Commerce	Aurora	332,315	0.04%	0.00%
Randall Point	Elgin	172,115	0.02%	0.00%
Arboretum Landmark Apts.	Lisle	864,216	0.10%	0.00%
<b><u>TA Associates Fund X</u></b>				
Territorial North	Bolingbrook	44,994	0.01%	0.00%
<b><u>CBRE Strategic Partners US Value VI</u></b>				
One O'Hare Center	Chicago	1,866,724	0.22%	0.01%
<b><u>Cornerstone Patriot Fund</u></b>				
The Reserve at Evanston	Evanston	1,661,839	0.20%	0.01%
Highland Landmark V	Downers Grove	4,059,868	0.48%	0.01%
<b><u>Invesco Core RE USA</u></b>				
VIP Holdings	Chicago	484,553	0.06%	0.00%
Broadway at Surf	Chicago	576,763	0.07%	0.00%
Oak Brook Court	Oak Brook	328,809	0.04%	0.00%
<b>Total</b>		<b>\$81,411,844</b>	<b>9.72%</b>	<b>0.28%</b>



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## Table III Illinois-Based Hedge Fund Partnerships and Private Equity Portfolio Companies

<i>Illinois Based Company</i>	<i>City</i>
<i>Acme Industries, Inc.</i>	<i>Des Plaines</i>
<i>Acura Pharmaceuticals</i>	<i>Palatine</i>
<i>Addison Search</i>	<i>Chicago</i>
<i>Addus Healthcare, Inc.</i>	<i>Palatine</i>
<i>Allston Trading</i>	<i>Chicago</i>
<i>Aquion Water Treatment Products</i>	<i>Elk Grove Village</i>
<i>Arcanum Alloy Design</i>	<i>Chicago</i>
<i>Big Machines, Inc.</i>	<i>Chicago</i>
<i>Braintree</i>	<i>Chicago</i>
<i>Canopy Financial, Inc.</i>	<i>Chicago</i>
<i>CCC Information Services</i>	<i>Chicago</i>
<i>CDW Corporation</i>	<i>Vernon Hills</i>
<i>Central Can Company</i>	<i>Chicago</i>
<i>Chicago Fundamental Partners LLC</i>	<i>Chicago</i>
<i>Chinada Holdings, Inc.</i>	<i>Chicago</i>
<i>Claire's Stores</i>	<i>Chicago</i>
<i>Clean Urban Energy</i>	<i>Chicago</i>
<i>Closet Holding</i>	<i>Elmhurst</i>
<i>Collaborative Learning, Inc.</i>	<i>Oakbrook Terrace</i>
<i>Columbus Foods</i>	<i>Des Plaines</i>
<i>CompassCare, Inc.</i>	<i>Bannockburn</i>
<i>ComPsych Corporation</i>	<i>Chicago</i>
<i>CoolEdge Lighting</i>	<i>Champaign</i>
<i>Coskata</i>	<i>Warrenville</i>
<i>Coupon Cabin, Inc.</i>	<i>Hoffman Estates</i>
<i>Coyote Logistics Holdings LLC</i>	<i>Chicago</i>
<i>CSMG, Inc.</i>	<i>Chicago</i>
<i>EN Engineering, LLC</i>	<i>Downers Grove</i>
<i>ENTACT Environmental Services Inc.</i>	<i>Westmont</i>
<i>Entertainment Cruises</i>	<i>Chicago</i>
<i>Envestnet</i>	<i>Chicago</i>
<i>Espark</i>	<i>Chicago</i>
<i>Evanston Capital</i>	<i>Evanston</i>



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<i>Eved LLC</i>	<i>Chicago</i>
<i>ExteNet Systems, Inc</i>	<i>Lisle</i>
<i>FCA, Inc.</i>	<i>Moline</i>
<i>Fidelis SeniorCare</i>	<i>Schaumburg</i>
<i>Fieldglass, Inc.</i>	<i>Chicago</i>
<i>Forefront Education, Inc.</i>	<i>Barrington</i>
<i>Fruition Partners</i>	<i>Chicago</i>
<i>Goji Food Solutions</i>	<i>Chicago</i>
<i>Grosvenor Capital Management</i>	<i>Chicago</i>
<i>Groupon</i>	<i>Chicago</i>
<i>GrubHub</i>	<i>Chicago</i>
<i>Hill &amp; Valley Inc.</i>	<i>Rock Island</i>
<i>Hi-Tech Manufacturing Inc.</i>	<i>Schiller Park</i>
<i>Horizon Pharma</i>	<i>Deerfield</i>
<i>Hub international Ltd.</i>	<i>Chicago</i>
<i>Innovation Group Investors, L.P.</i>	<i>Chicago</i>
<i>InStadium, Inc.</i>	<i>Chicago</i>
<i>Intellisys Technology</i>	<i>Oak Brook</i>
<i>iTRACS</i>	<i>Westchester</i>
<i>Izar Solar</i>	<i>Champaign</i>
<i>JHL Capital Group, LLC</i>	<i>Chicago</i>
<i>Jimmy John's Gourmet Sandwich Shops</i>	<i>Champaign</i>
<i>Juice Tyme Acquisition Corp.</i>	<i>Chicago</i>
<i>Keely Asset Management</i>	<i>Chicago</i>
<i>Kettle Partners</i>	<i>Chicago</i>
<i>K.R. Drenth Trucking Inc.</i>	<i>Lynwood</i>
<i>Language Stars, LLC</i>	<i>Chicago</i>
<i>M&amp;M Pump and Supply, Inc.</i>	<i>Flora</i>
<i>Morton Industrial Group, Inc.</i>	<i>Morton</i>
<i>Narrative Science, Inc.</i>	<i>Chicago</i>
<i>National Pasteurized Eggs, Inc.</i>	<i>Lansing</i>
<i>Nuveen Investments, Inc.</i>	<i>Chicago</i>
<i>NXT Capital Holdings</i>	<i>Chicago</i>
<i>Peacock Engineering</i>	<i>Geneva</i>
<i>Poggled, Inc.</i>	<i>Chicago</i>
<i>Potbelly Sandwich Works, Inc.</i>	<i>Chicago</i>
<i>Powervar Holdings</i>	<i>Waukegan</i>



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<i>Premiere Global Sports</i>	<i>Libertyville</i>
<i>Professional Service Industries</i>	<i>Oakbrook Terrace</i>
<i>Promo Works Holdings</i>	<i>Schaumburg</i>
<i>R.J. O'Brien &amp; Associates, LLC</i>	<i>Chicago</i>
<i>Revenue Cycle Solutions, Inc.</i>	<i>Downers Grove</i>
<i>Revolution Healthcare Group LLC (TLContact, Inc.)</i>	<i>Chicago</i>
<i>RPK Capital</i>	<i>Chicago</i>
<i>Sage Products, Inc.</i>	<i>Cary</i>
<i>Salt Creek Advisors</i>	<i>Chicago</i>
<i>Singlehop</i>	<i>Chicago</i>
<i>Skinny Corp</i>	<i>Chicago</i>
<i>Solo Cup Company</i>	<i>Lake Forest</i>
<i>Sorbent Therapeutics</i>	<i>Vernon Hills</i>
<i>Sportvision</i>	<i>Evanston</i>
<i>Spothero Inc.</i>	<i>Chicago</i>
<i>Sprout Social</i>	<i>Chicago</i>
<i>Standard Bancshares, Inc.</i>	<i>Hickory Hills</i>
<i>ST Residential</i>	<i>Chicago</i>
<i>Sun Trading LLC</i>	<i>Chicago</i>
<i>Teleflex Marine</i>	<i>Litchfield</i>
<i>Timelines, Inc.</i>	<i>Chicago</i>
<i>TransUnion Corporation</i>	<i>Chicago</i>
<i>Univa UD</i>	<i>Lisle</i>
<i>Vantage Specialty Chemicals Holdings</i>	<i>Chicago</i>
<i>VHT, Inc.</i>	<i>Des Plaines</i>
<i>VSA Partners, Inc.</i>	<i>Chicago</i>
<i>Warranty Group</i>	<i>Chicago</i>
<i>Watermelon Express</i>	<i>Chicago</i>
<i>Wilton Products, Inc.</i>	<i>Woodridge</i>

These holdings are privately placed investments through commingled private equity investments. Therefore, IMRF does not have individual company valuations.



## EXHIBIT A

### Public Act 096-0753

HB2557 Enrolled

LRB096 09754 AMC 19917 b

AN ACT concerning public employee benefits.

**Be it enacted by the People of the State of Illinois,  
represented in the General Assembly:**

Section 5. The Illinois Pension Code is amended by adding Sections 1-113.20 and 1A-108.5 and by changing Section 15-167 as follows:

(40 ILCS 5/1-113.20 new)

Sec. 1-113.20. Investment strategies; explicit and implicit costs. Every pension fund, retirement system, and investment board created under this Code, except those whose investments are restricted by Section 1-113.2 of this Code, shall instruct the fund's, system's, or board's investment advisors to utilize investment strategies designed to ensure that all securities transactions are executed in such a manner that the total explicit and implicit costs and total proceeds in every transaction are the most favorable under the circumstances.

(40 ILCS 5/1A-108.5 new)

Sec. 1A-108.5. Economic opportunity investments.

(a) For the purposes of this Section:

"Economic opportunity investment" means a qualified investment, managed passively or actively by the pension fund, that promotes economic development within the State of Illinois by providing financially prudent investment opportunities in or through the use of (a) Illinois businesses or (b) Illinois-based projects that promote the economy of the State or a region of the State, including without limitation promotion of venture capital programs, coal and other natural resource development, tourism development, infrastructure development, real estate development, and job development within the State of Illinois, while producing a competitive rate of return commensurate with the risk of investment.

"Illinois business" means a business, including an investment adviser, that is headquartered in Illinois.

"Illinois-based project" means an individual project of a business, including the provision of products and investment

and other services to the pension fund, that will result in the conduct of business within the State, the employment of individuals within the State, or the acquisition of real property located within the State.

(b) It is the public policy of the State of Illinois to encourage the pension funds, and any State entity investing funds on behalf of pension funds, to promote the economy of Illinois through the use of economic opportunity investments to the greatest extent feasible within the bounds of financial and fiduciary prudence.

(c) Each pension fund, except pension funds created under Articles 3 and 4 of this Code, shall submit a report to the Governor and the General Assembly by September 1 of each year, beginning in 2009, that identifies the economic opportunity investments made by the fund, the primary location of the business or project, the percentage of the fund's assets in economic opportunity investments, and the actions that the fund has undertaken to increase the use of economic opportunity investments.

(d) Pension funds created under Articles 2, 14, 15, 16, and 18 of this Act, and any State agency investing funds on behalf of those pension funds, must make reasonable efforts to invest in economic opportunity investments.

(e) In making economic opportunity investments, trustees and fiduciaries must comply with the relevant requirements and restrictions set forth in Sections 1-109, 1-109.1, 1-109.2, 1-110, and 1-111 of this Code. Economic opportunity investments that otherwise comply with this Code shall not be deemed imprudent solely because they are investments in an Illinois business or Illinois-based project.

(40 ILCS 5/15-167) (from Ch. 108 1/2, par. 15-167)

Sec. 15-167. To invest money. To invest the funds of the system, subject to the requirements and restrictions set forth in Sections 1A-108.5, 1-109, 1-109.1, 1-109.2, 1-110, 1-111, 1-114, 1-115, and 15-158.2(d) of this Code and to invest in real estate acquired by purchase, gift, condemnation or otherwise, and any office building or buildings existing or to be constructed thereon, including any additions thereto or expansions thereof, for the use of the system. The board may lease surplus space in any of the buildings and use rental

proceeds for operation, maintenance, improving, expanding and furnishing of the buildings or for any other lawful system purpose.

No bank or savings and loan association shall receive investment funds as permitted by this Section, unless it has complied with the requirements established pursuant to Section 6 of "An Act relating to certain investments of public funds by public agencies", approved July 23, 1943, as now or hereafter amended. The limitations set forth in such Section 6 shall be applicable only at the time of investment and shall not require the liquidation of any investment at any time.

The board shall have the authority to enter into such agreements and to execute such documents as it determines to be necessary to complete any investment transaction.

All investments shall be clearly held and accounted for to indicate ownership by the board. The board may direct the registration of securities in its own name or in the name of a nominee created for the express purpose of registration of securities by a national or state bank or trust company authorized to conduct a trust business in the State of Illinois.

Investments shall be carried at cost or at a value determined in accordance with generally accepted accounting principles and accounting procedures approved by the Board.

All additions to assets from income, interest, and dividends from investments shall be used to pay benefits, operating and administrative expenses of the system, debt service, including any redemption premium, on any bonds issued by the board, expenses incurred or deposits required in connection with such bonds, and such other costs as may be provided in accordance with this Article.

(Source: P.A. 90-19, eff. 6-20-97; 90-766, eff. 8-14-98.)

Section 99. Effective date. This Act takes effect upon becoming law.

**Effective Date: 8/25/2009**