

Illinois Municipal Retirement Fund

Senate Committee on Pensions and Investments

John Piechocinski, *IMRF Board of Trustees, President*

Louis W. Kosiba, *IMRF Executive Director*

Dhvani Shah, *IMRF Chief Investment Officer*

Rosa Vasquez, *IMRF Investment Officer- Emerging Manager Program and Total Portfolio*



December 8, 2015

Where does the money come from?

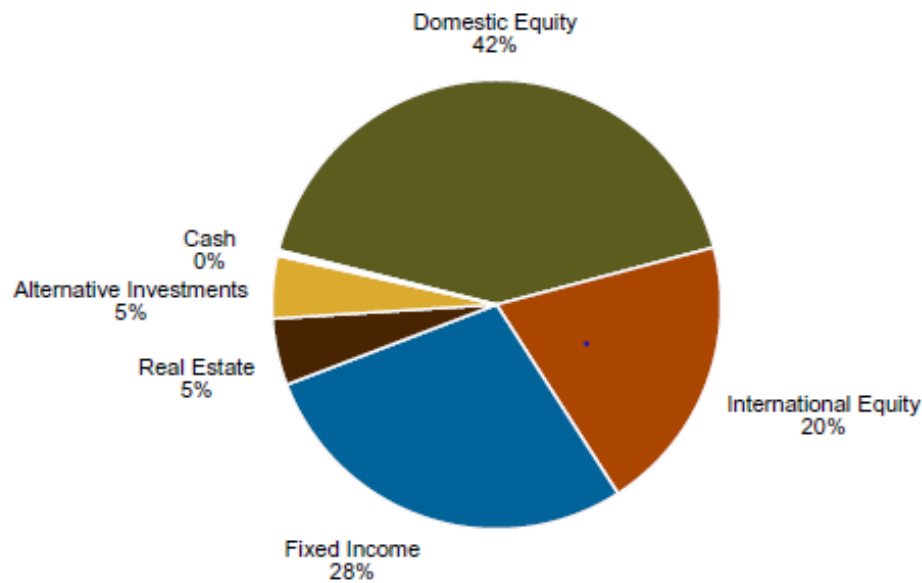


How is the money invested?

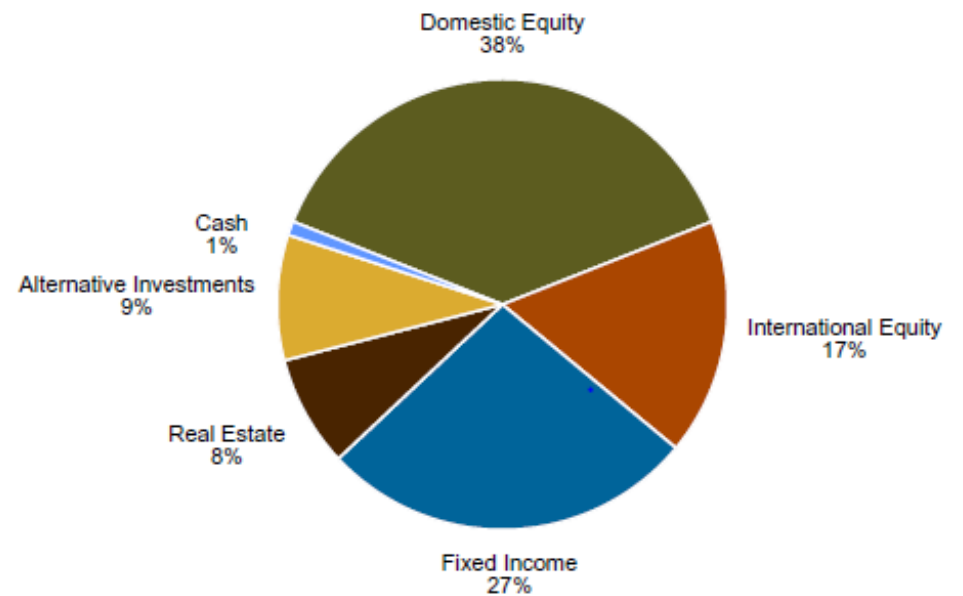
- **Investments are managed prudently**
 - IMRF chief investment officer
 - One investment consultant firm
 - About 90 professional investment firms
 - Costs are significantly less than those charged by a Defined Contribution Plan 401(k)

How is the money invested?

Actual Asset Allocation



Target Asset Allocation



As of 10/31/15



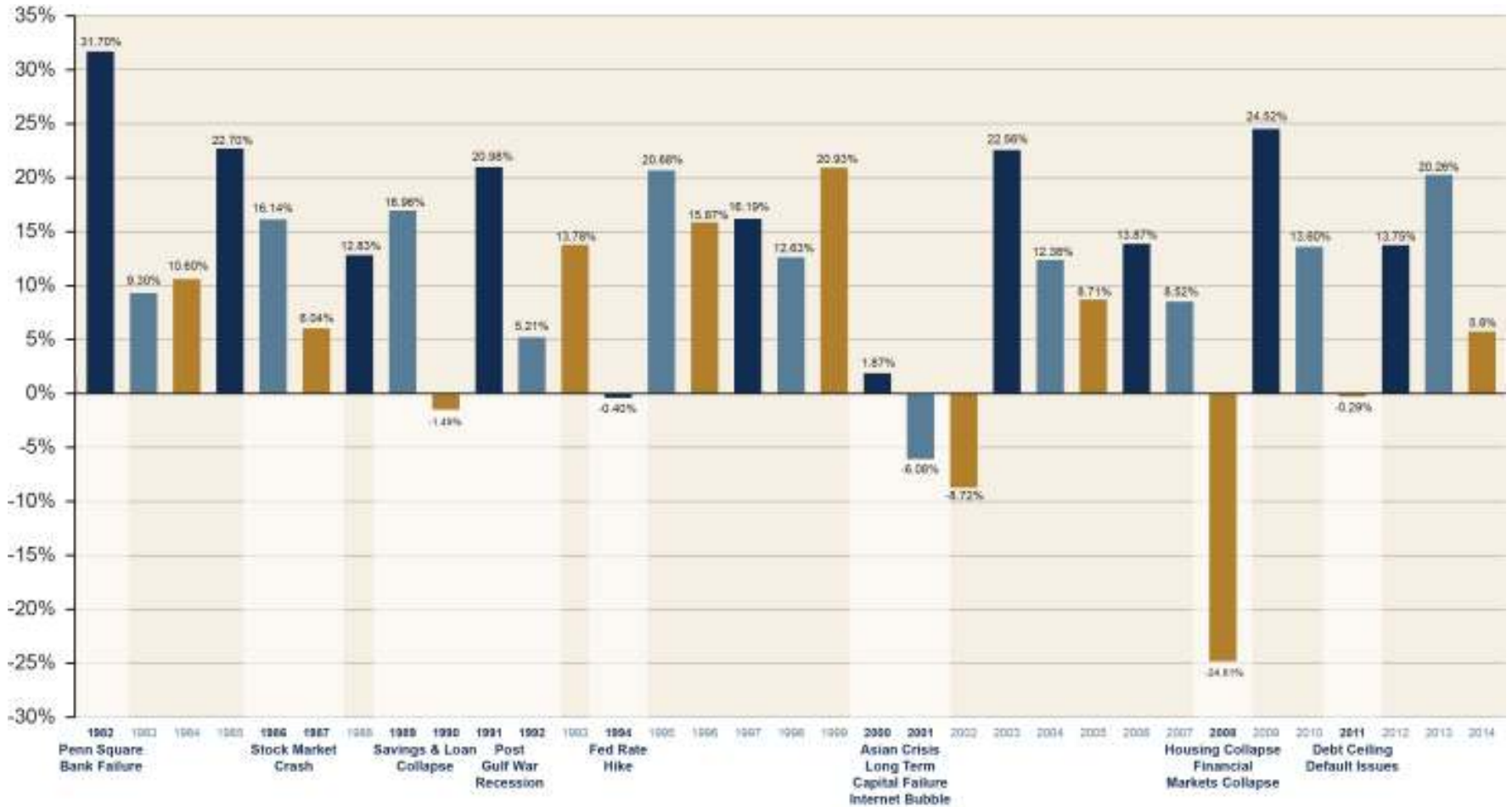
How is the money invested?

Asset Class	\$ Millions Actual	Percent Actual	Percent Target	Percent Difference	\$Millions Difference
Domestic Equity	14,618	42.0%	38.0%	4.0%	1,399
International Equity	6,958	20.0%	17.0%	3.0%	1,044
Fixed Income	9,830	28.3%	27.0%	1.3%	438
Real Estate	1,682	4.8%	8.0%	(3.2%)	(1,100)
Alternative Investments	1,566	4.5%	9.0%	(4.5%)	(1,565)
Cash	131	0.4%	1.0%	(0.6%)	(217)
Total	34,785	100.0%	100.0%		

As of 10/31/15



Annual Total Fund Returns 1982-2014



- In 1982, began operating under the “Prudent Person Rule”
- 7.5% assumed return
- **Annualized Total Fund return 1982-2014: 10.24%**

- 6 periods in which IMRF lost money
- 4 periods < 7.5%
- 23 periods > 7.5%
- 20 periods double-digit returns



How does IMRF help Illinois' economy?

- **Retirees spend their money here**
 - 85% of retired members remain in Illinois
 - In 2014, IMRF paid \$1.37 billion to Illinois retirees
 - Payments generated \$2.01 billion in economic activity*
 - Supported creation of 14,444 jobs

**IMRF benefit payments times the U.S. Bureau of Economic Analysis Total Output Multiplier*



IMRF Board of Trustees

The IMRF Board of Trustees has **8** members:

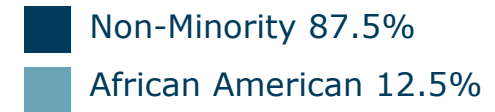
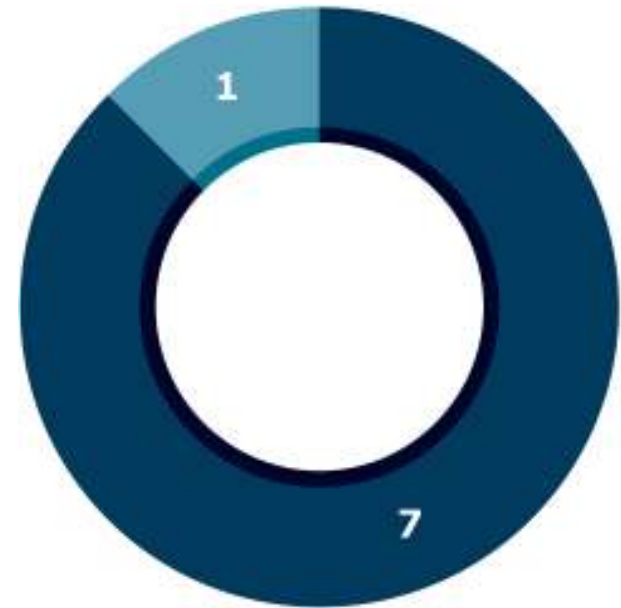
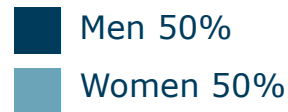
4 Men

4 Women

1 African American

7 Non-Minority

- 3 Women
- 4 Men



IMRF Investments Team

The IMRF Investments Team has **12** employees:

7 Men

5 Women

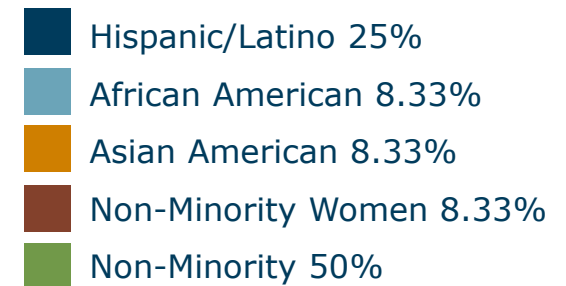
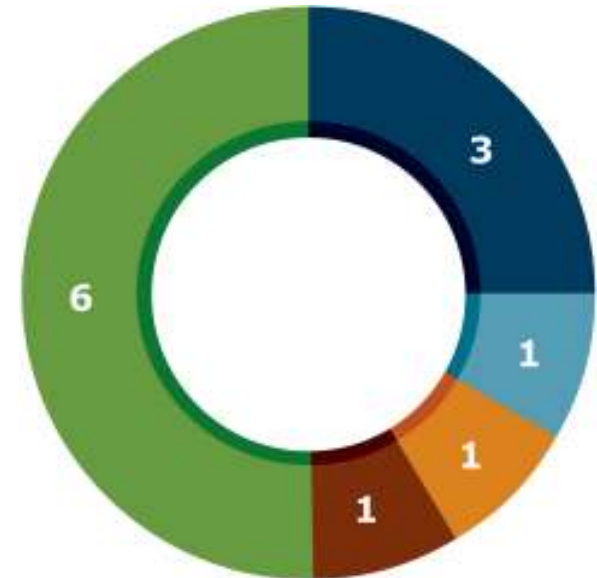
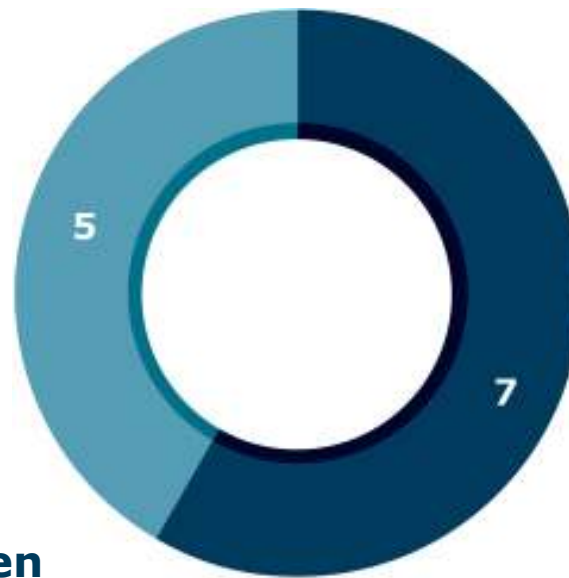
3 Hispanic/Latino*

1 African American

1 Asian American

1 Non-Minority Women

6 Non-Minority Men



* Two of the Hispanic/Latino individuals will start at IMRF on 11/30/15

IMRF Investment Consultants

The IMRF Consultant team has **4** members:

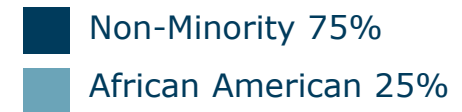
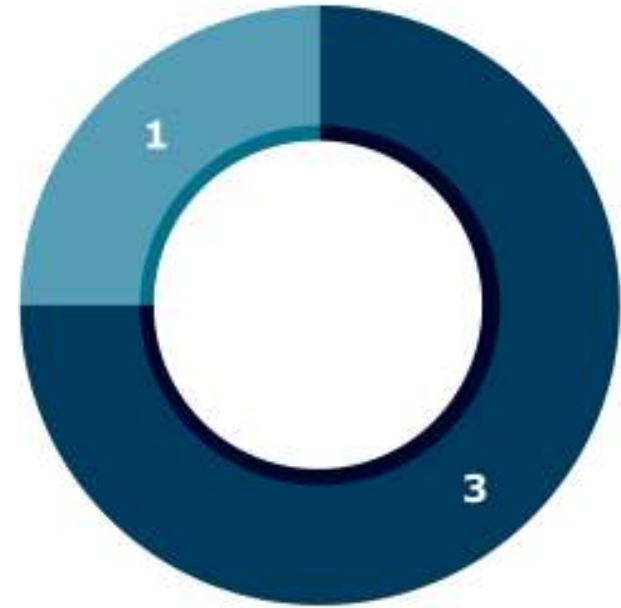
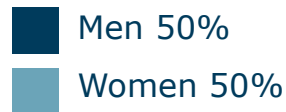
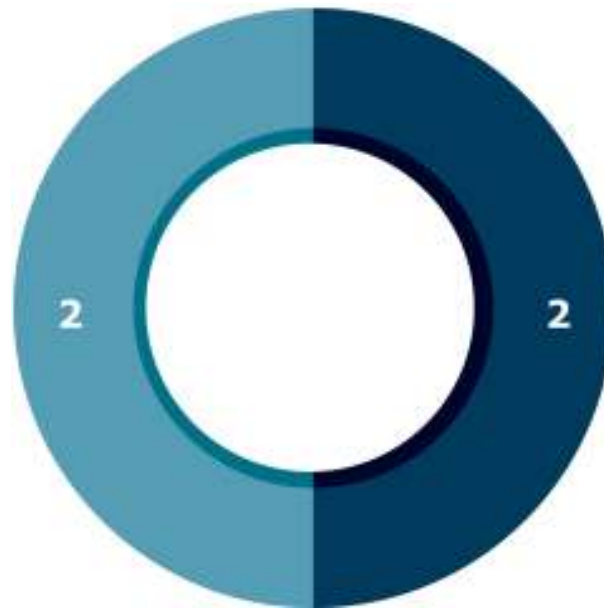
2 Men

2 Women

1 African American

3 Non-Minority

- 2 Women
- 1 Men



2015 Minority Manager Allocations

- Fixed Income \$450 million in allocations
 - \$100 million direct mandate to Garcia Hamilton (Latino)
 - \$150 million added to Garcia Hamilton (Latino)
 - \$200 million added to Progress Fixed Income manager of managers program (African American)
- Real Estate \$100 million commitment
 - \$25 million direct mandate to Oak Street Real Estate Capital Fund III (Latino, Illinois based)
 - \$75 million mandate to Artemis Real Estate Minority Manager of Manager Program (Female)

Minority Investment Manager Policy

The Illinois Municipal Retirement Fund is committed to providing opportunities for minority and female owned investment management firms and investment management firms owned by a person with a disability.

Investment Manager Classification	Minimum Goal as a % of the Total IMRF Portfolio	As of 10/31/15 Actual % of Total Fund Market Value
Minority Owned Businesses	9% to 13%	15.7%
Female Owned Businesses	2% to 6%	3.2%
Businesses Owned by a Person with a Disability	0.5% to 1%	0.04%
Total Minority, Female and Disabled Owned Investment Management Firms		18.9%

Asset Class	Minimum Goal as a % of Each Asset Class	As of 10/31/15 Actual % of Asset Class
Equities	10% to 12% of the asset class	14.0%
Fixed Income	15% to 20% of the asset class	31.0%
Alternatives*	5% to 10% of the asset class	10.0%

* Includes Hedge Funds, Private Equity and Real Estate. *Private Equity and Real Estate are based on committed amounts. Fund of Fund values are reported at the underlying manager level. Values as of 10/31/15. Total Fund Market Value equals \$34,785,458,095. Total Active Strategies equals \$24,745,096,128



Minority Investment Managers

- IMRF's Minority Investment Managers invest over \$6.5 billion in active strategies across domestic equity, international equity, fixed income, hedge funds, private equity and real estate asset classes.

Asset Class	Minority \$ AUM	Asset Class \$ AUM	Minority % of Asset Class	Minority % of Total Fund Market Value	Minority % of Active Strategies
Domestic Equity	1,473,962,792	14,617,898,220	10.08%	4.24%	5.96%
Fixed Income	3,046,262,648	9,829,315,731	30.99%	8.76%	12.31%
Hedge Fund	112,416,234	525,461,208	21.39%	0.32%	0.45%
International Equity	1,551,791,306	6,957,893,164	22.30%	4.46%	6.27%
Private Equity*	298,965,751	1,817,033,209	16.45%	0.86%	1.21%
Real Estate*	87,330,686	2,419,015,000	3.61%	0.25%	0.35%
Total	6,570,729,417			18.89%	26.55%

**Private Equity and Real Estate are based on committed amounts. Fund of Fund values are reported at the underlying manager level. Values as of 10/31/15. Total Fund Market Value equals \$34,785,458,095. Total Active Strategies equals \$24,745,096,128*



African American Investment Managers

- IMRF's African American Investment Managers manage over \$3.4 billion across domestic equity, international equity, fixed income, hedge funds and private equity asset classes.

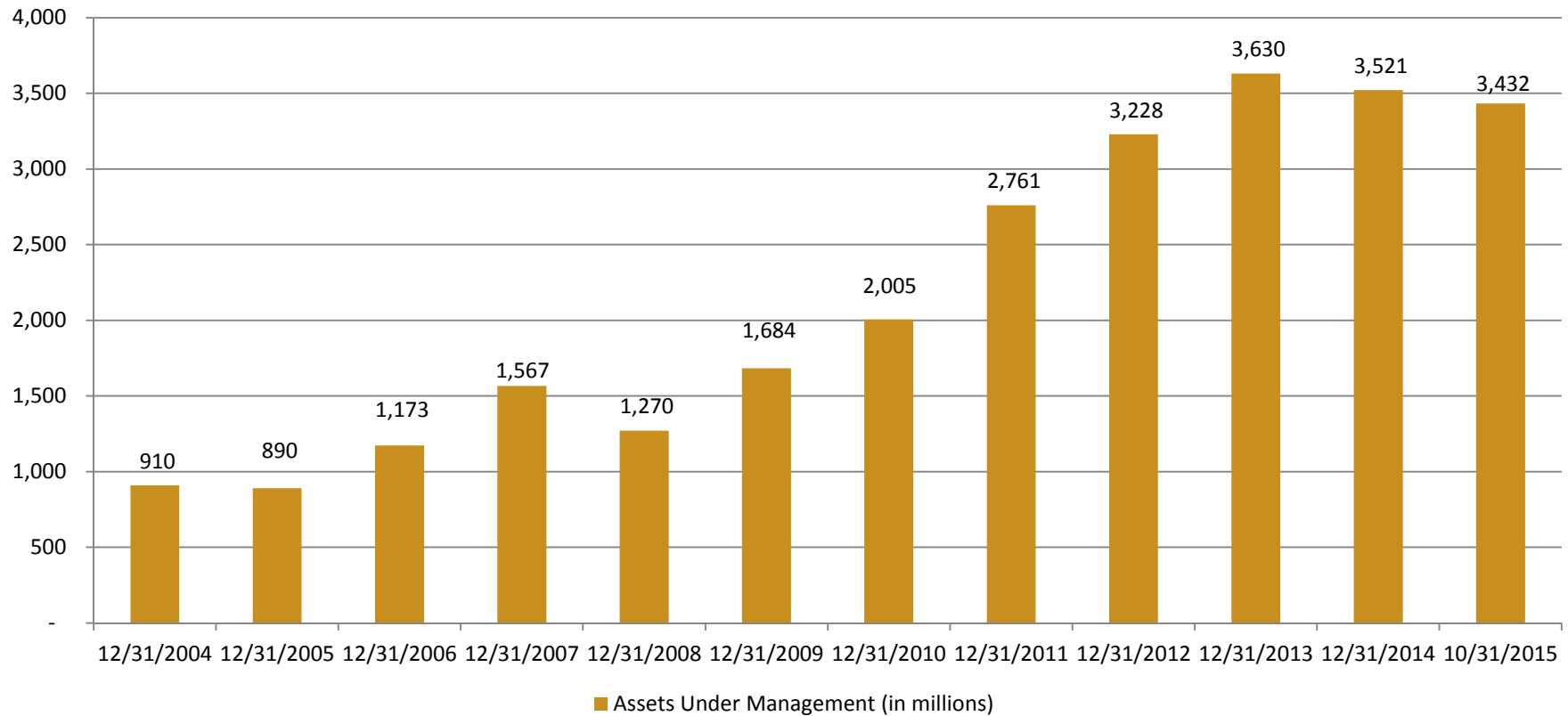
African American	\$ AUM	Asset Class \$ AUM	% of Asset Class
Domestic Equity	1,096,741,188	14,617,898,220	7.50%
Fixed Income	1,276,613,547	9,829,315,731	12.99%
Hedge Fund	12,136,930	525,461,208	2.31%
International Equity	819,118,554	6,957,893,164	11.77%
Private Equity*	227,799,157	1,817,033,209	12.54%
Total	3,432,409,376		

**Private Equity and Real Estate are based on committed amounts. Fund of Fund values are reported at the underlying manager level. Values as of 10/31/15.*



African American Investment Managers

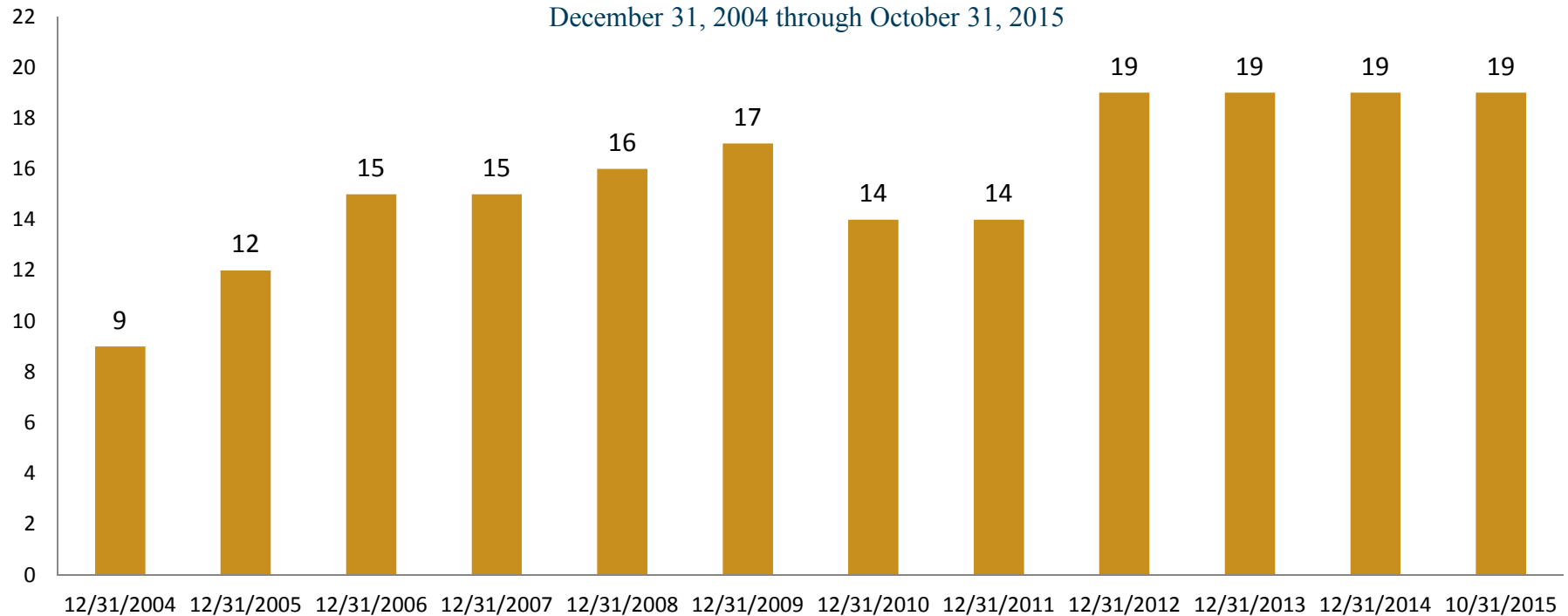
History of African American Owned Investment Managers December 31, 2004 through October 31, 2015



African American Investment Managers

Increase in Number of African American Owned Investment Managers

December 31, 2004 through October 31, 2015



- As of October 31, 2015, IMRF has 19 African American owned investment managers.
 - 9 private equity managers
 - 1 hedge fund managers
 - 4 equity managers
 - 3 fixed income managers
 - 2 with both equity and fixed income mandates



Latino American Investment Managers

- IMRF's Latino American Investment Managers manage over \$1.8 billion across domestic equity, international equity, fixed income, hedge funds, private equity and real estate asset classes.

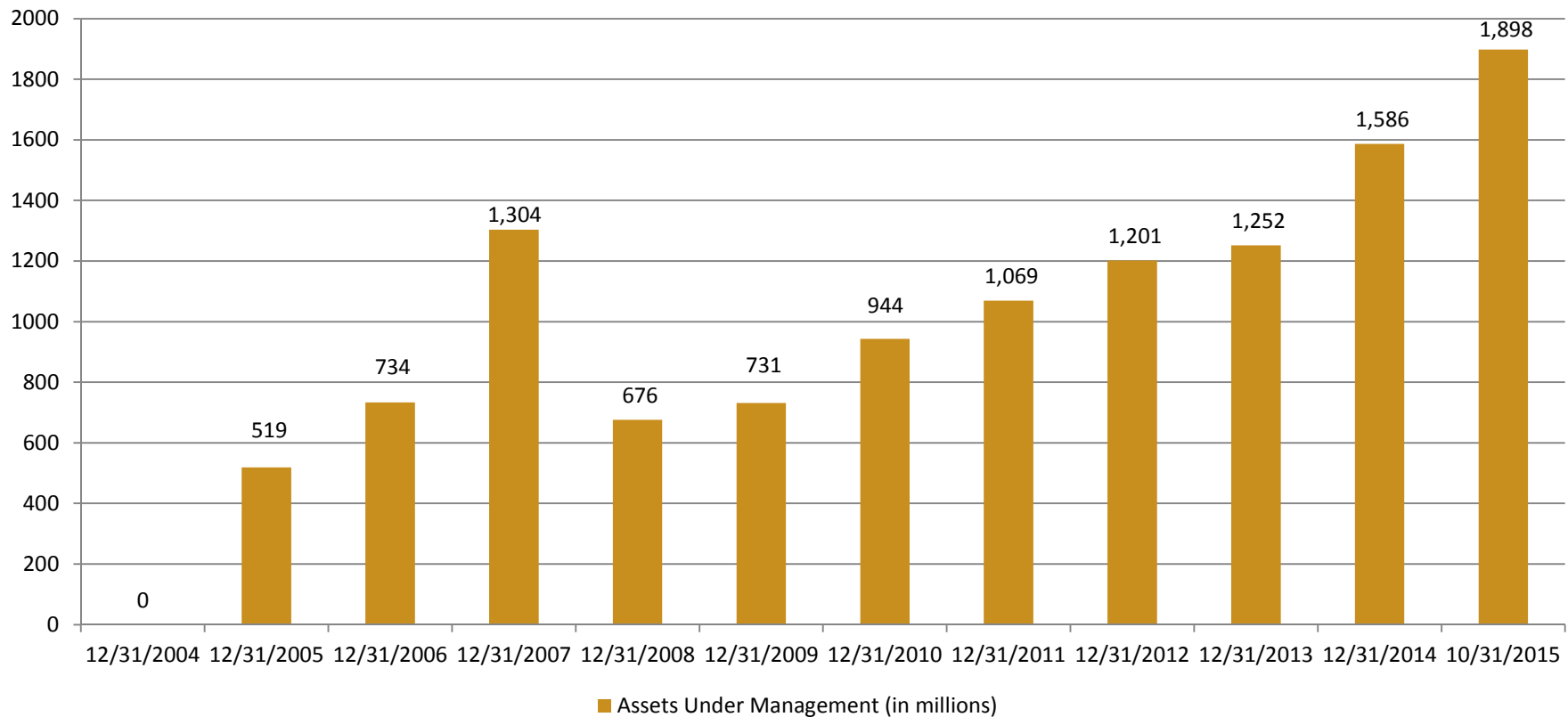
Latino	\$ AUM	Asset Class \$ AUM	% of Asset Class
Domestic Equity	206,143,536	14,617,898,220	1.41%
Fixed Income	1,447,513,833	9,829,315,731	14.73%
Hedge Fund	38,815,221	525,461,208	7.39%
International Equity	118,476,019	6,957,893,164	1.70%
Private Equity*	36,581,047	1,817,033,209	2.01%
Real Estate*	50,401,220	2,419,015,000	2.08%
Total	1,897,930,876		

**Private Equity and Real Estate are based on committed amounts. Fund of Fund values are reported at the underlying manager level. Values as of 10/31/15.*



Latino American Investment Managers

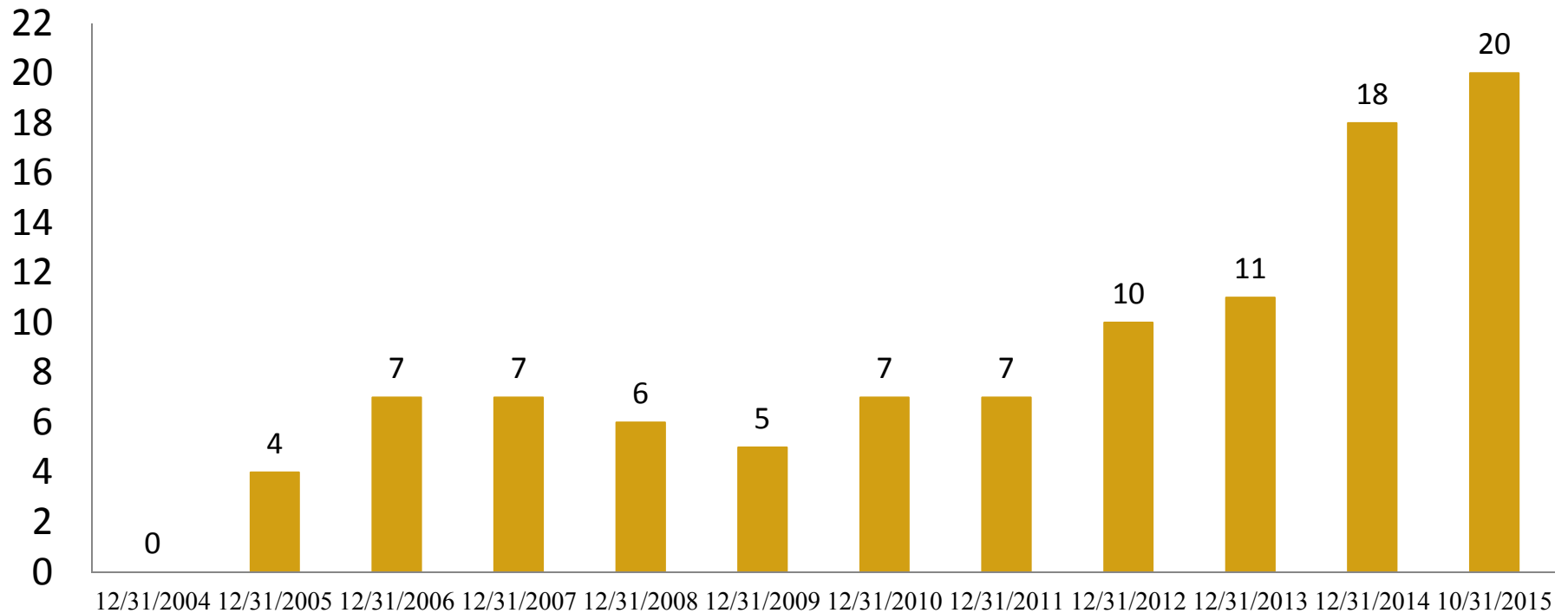
History of Latino American Owned Investment Managers December 31, 2004 through October 31, 2015



Latino American Investment Managers

Increase in Number of Latino American Owned Investment Managers

December 31, 2004 through October 31, 2015



- As of October 31, 2015, IMRF has 20 Latino owned investment managers.

- 7 private equity managers
- 3 real estate managers
- 3 hedge fund managers
- 3 equity managers
- 4 fixed income managers

Illinois-based Investment Managers

- IMRF's Illinois-based Investment Managers invest over \$13.4 billion across domestic equity, international equity, fixed income, hedge funds, private equity and real estate asset classes.

Asset Class	IL \$ AUM	Asset Class \$ AUM	IL % of Asset Class
Domestic Equity	8,728,748,009	14,617,898,220	59.71%
Fixed Income	1,479,343,019	9,829,315,731	15.05%
Hedge Fund	9,506,827	525,461,208	1.81%
International Equity	3,075,486,165	6,957,893,164	44.20%
Private Equity*	96,901,545	1,817,033,209	5.33%
Real Estate*	39,849,944	2,419,015,000	1.65%
Total Illinois-based	13,429,835,509		

**Private Equity and Real Estate are based on committed amounts. Fund of Fund values are reported at the underlying manager level. Values as of 10/31/15.*



Illinois-based Minority Investment Managers

- IMRF's Illinois-based Minority Investment Managers invest over \$1.1 billion across domestic equity, international equity, hedge funds, private equity and real estate asset classes.

Classification	African American	Disabled	Latino	Total \$ AUM
Domestic Equity	1,096,741,188	-	206,143,536	1,302,884,724
International Equity	-	-	47,120,532	47,120,532
Hedge Fund	-	-	9,506,827	9,506,827
Private Equity*	72,186,176	-	6,563,314	78,749,490
Real Estate*	-	14,849,944	25,000,000	39,849,944
Total Illinois-based	1,168,927,364	14,849,944	294,334,209	1,478,111,517

**Private Equity and Real Estate are based on committed amounts. Fund of Fund values are reported at the underlying manager level. Values as of 10/31/15.*



Minority Brokerage Policy

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.

Asset Class	Minimum Goal	As of 9/30/15 Minority Percentage	+/-
U.S. Equities	25%	38.61%	13.61%
International Equities	20%	29.33%	9.33%
Fixed Income	22%	41.67%	19.67%
High Yield Bonds	5%	6.33%	1.33%
International Small-Cap Equities	5%	10.03%	5.03%
U.S. Micro-Cap Equities	7%	18.61%	11.61%
Emerging Market Equities	5%	No separate account mandates in this asset class	
Commingled Accounts	Best Efforts	0.22%	n/a

Goals for U.S. Equities, Fixed Income and Micro Cap Equities were increased in 2013 to 25%, 22% and 7%, respectively.



Minority Broker/Dealers

- IMRF's Investment Managers executed trades with Minority brokers generating over \$3.8 million in commissions across domestic equity, international equity, and fixed income asset classes.

Classification	Executed Commissions
African American	2,144,666
Asian	51,002
Disabled	326,375
Latino	390,734
Women-Owned	970,427
Total Minority	3,883,204

Asset Class	Executed Commissions
Domestic Equity	1,490,989
Fixed Income	1,559,007
International Equity	833,208
Total Minority	3,883,204

Values as of 9/30/15

