

State of Illinois

2018 Senate Committee on Pensions and Investments Questionnaire and Response

Response respectfully submitted by the Illinois Municipal Retirement Fund
2211 York Road, Suite 500 Oak Brook, Illinois 60523-2337

October 16-17, 2018 Senate Hearing



Locally funded, financially sound.



Table of Contents

I.	Emerging Manager Policy	2
II.	Staff.....	16
III.	Consulting Firms.....	17
IV.	Asset Managers	18
V.	RFPs	19
VI.	Brokers and Transition Managers	22
VII.	Fees	24
VIII.	Graduation.....	29
IX.	Appendix.....	31
I.	Consultant Disclosure	31
II.	Table #2: Asset Managers.....	35
III.	Table #3: Brokerage	40
IV.	IMRF Statement of Investment Policy.....	44

**Minority and Female Investment Hearing Questionnaire
Special Committee on State and Pension Fund Investments**

I. Emerging Manager Policy

- 1. Describe any changes made to the Emerging Manager Policy and its execution in the last year to improve minority and female-owned business enterprise participation. Are there any asset classes that do not have minority and women representation? Please provide a copy of the policy and describe the specific changes to that policy.**

Annually, the IMRF Statement of Investment Policy (SOIP) is reviewed and adopted by the IMRF Board of Trustees.¹ The SOIP governs portfolio monitoring and investment activities and was last reviewed and amended by the IMRF Board on March 1, 2018.

In order to improve minority and female-owned business enterprise participation, the following changes related to 1) directing Staff to attend emerging manager conferences and events, 2) allowing the prospect of passive mandates with emerging managers, 3) increasing goals for real estate and private equity, and 4) the addition of new sections pertaining to compliance with Consultant bill were all made to the SOIP:

- Amendments to the Policy to Achieve Aspirational Goals
 1. Added text directing staff to build relationships with the emerging investment manager community by attending and/or speaking at emerging manager conferences and events.
 2. Removed text directing staff to only hire emerging investment managers for active strategies, which would have excluded passive mandates.
- Amendments to the Policy on Minority Investment Manager Utilization
 3. Real estate asset class goal increased from 4% to 8%, and Private equity class goal increased from 10% to 15%.
- Two new policy sections were added to the SOIP as follows:
 4. Policy Regarding Consultants' Searches and Inclusion, Recommendation, Selection, and Investments made with Minority, Women and Disabled Owned Firms (in compliance with Section 1-113.22 of the Illinois Pension Code). Furthermore, a disclosure form was created to collect the information required.

Policy Regarding Consultants' Disclosures of Compensation and Economic Opportunity received from Investment Advisors

¹ On February 25, 1993, the IMRF Board of Trustees adopted the IMRF Investment Manager Selection Policy (contained in the SOIP) encouraging the hiring of minority or women owned investment managers

Retained by the Fund and Recommended by the Consultant (in compliance with section 1-113.23 of the Illinois Pension Code). Furthermore, a disclosure form was created to collect the information required.

IMRF allocates assets among five major classes and there is minority and women representation in all five asset classes. As of June 30, 2018, minority and women owned firms manage \$7.5 billion or 18.4% of IMRF's assets in Domestic Equity, International Equity, Fixed Income, Real Estate, and Alternatives. Each of the five asset classes are made up of several sub-asset class investment strategies. IMRF has not created goals for each specific investment strategy within each asset class with the exception of the Alternatives asset class. IMRF's Alternatives asset class is made up of Private Equity, Unlisted Infrastructure, Timberland and Agriculture. Unlisted Infrastructure, Timberland and Agriculture do not have minority and women representation. These three strategies, in aggregate, represent \$288 million or 0.70% of the total IMRF portfolio.

The SOIP is attached in Appendix IX. Below are relevant excerpts from the SOIP describing Aspirational Goals, Emerging and Minority Investment Manager Utilization, Consultant Searches and Inclusion, Consultants' Disclosures of Compensation and Selection of Investment Managers.

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 two 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, women and persons with disabilities for at least 20% of the total Fund's assets under management.

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 and events,*
- to launch targeted RFP's that specifically focus on emerging and/or minority owned firms,*
- 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. Job descriptions for key staff reflect IMRF's commitment to diversity and aspirational goals.

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,” “women owned business” or “business owned by a person with a disability” as defined in the Business Enterprise for Minorities, Women, and Persons with Disabilities Act.

Emerging Investment Management firms must be 51% or more owned by individuals that are minorities, women 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: (30 ILCS 575/) Business Enterprise for Minorities, Women, and Persons with Disabilities Act.

The Illinois Municipal Retirement Fund Board of Trustees has adopted separate goals for: (i) emerging investment managers that are minority owned businesses; (ii) emerging investment managers that are women 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 Fund Market Value</u>
Minority Owned Businesses	13%
Women 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	25%
Real Estate*	4%
Private Equity*	10%
Timberland	Best Efforts
Agriculture	Best Efforts

* based on committed amounts

Minority Investment Manager Utilization
(In Compliance with Section 1-109.1 (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,” “women owned business” or “business owned by a person with a disability” as defined in the Business Enterprise for Minorities, Women, and Persons with Disabilities Act.

Minority Investment Management firms must be 51% or more owned by individuals that are minorities, women 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: (30 ILCS 575/) Business Enterprise for Minorities, Women, and Persons with Disabilities Act.

The Illinois Municipal Retirement Fund Board of Trustees has adopted separate goals for: (i) minority investment managers that are minority owned businesses; (ii) minority investment managers that are women 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 Fund Market Value</u>
Minority Owned Businesses	13%
Women 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	25%
Real Estate*	8%
Private Equity*	15%
Timberland	Best Efforts
Agriculture	Best Efforts

*based on committed amounts

Policy Regarding Consultants' Searches and Inclusion, Recommendation, Selection and Investments made with Minority, Women and Disabled Owned Firms

(In Compliance with Section 1-113.22 of the Illinois Pension Code) (See Appendix H in the Statement of Investment Policy for Disclosure Form)

The Illinois Municipal Retirement Fund requires the following disclosures from its consultant(s) annually. Current consultant(s) are required to provide the disclosures by January 1st. Furthermore, the IMRF Board of Trustees will not hire a consultant(s) without the following disclosures.

1. Firm wide the total number of searches for investment services made by the consultant in the prior calendar year.
2. Firm wide the total number of searches for investment services made by the consultant in the prior calendar year that included a minority owned business, a women owned business or a business owned by a person with a disability.
3. The total number of searches for investment services made by the consultant in the prior calendar year in which the consultant recommended for selection a minority owned business, a women owned business, or a business owned by a person with a disability.

4. *The total number of searches for investment services made by the consultant in the prior calendar year that resulted in the selection of a minority owned business, a women owned business or a business owned by a person with a disability.*
5. *The total dollar amount of investments made in the previous calendar year with a minority owned business, a women owned business or a business owned by a person with a disability that was selected after a search for investment services performed by the consultant.*

Policy Regarding Consultants' Disclosures of Compensation and Economic Opportunity received from Investment Advisors Retained by the Fund and Recommended by the Consultant

(In Compliance with Section 1-113.23 of the Illinois Pension Code) (See Appendix H in the Statement of Investment Policy for Disclosure Form)

The Illinois Municipal Retirement Fund requires the following disclosures from its consultant(s) annually. For consultant led RFP searches, the IMRF Board of Trustees will not hire an investment advisor that is recommended for selection by the consultant without the following disclosures. Current consultant(s) are required to provide the disclosures by January 1st. Furthermore, the IMRF Board of Trustees will not hire a consultant(s) without the following disclosures.

1. *Consultant(s) are required to disclose all compensation and economic opportunity received in the last 24 months from investment advisors retained by the IMRF Board of Trustees.*
2. *Prior to the IMRF Board of Trustees selecting an investment advisor, the consultant(s) are required to disclose any compensation or economic opportunity received in the last 24 months from an investment advisor that is recommended for selection by the consultant.*

Selection of Investment Managers and Consultants

A. Policy for 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, women, and person with a disability owned business enterprises.

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

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) a Request for Proposal (RFP) shall be prepared. The search will be advertised in the State newspaper 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 and/or transition 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 Executive Director or the contact identified in the RFP.

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 the RFP team for information related to the search.

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

6. Selection Process

For searches when a consultant is retained, Staff and consultant will work jointly. Staff 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 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 will make a recommendation to the Board or the Investment Committee of the Board. The Board will consider the recommendation from Staff 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, diversity efforts 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 women owned firms and firms owned by a person with a disability in the report presented to the Investment Committee. The most qualified minority 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 1-113.14 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.

2. Describe any changes made to the MWDBE Broker/Dealer Policy and its execution in the last year to improve minority and female-owned business enterprise participation. Please provide a copy of the policy.

During the last year, the IMRF Minority Broker/Dealer Utilization policy was amended to increase U.S. Micro-Cap goal and add Global Listed Infrastructure goal as described below.²

- Increased the minimum goal for the U.S. Micro-Cap Equities asset class from 7% to 10%
- Added Global Listed Infrastructure as a new asset class with the goal of 20%

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. This excludes Transition Manager assignments.

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 the following factors:

1. *satisfy IMRF's goals for utilization of minority broker-dealers;*
2. *price and/or commission;*
3. *the broker-dealer's facilities, reliability and financial responsibility;*
4. *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;*
5. *the research provided by such broker-dealer to the investment manager which is expected to enhance general portfolio management capabilities, notwithstanding the fact that the Fund may not be the direct or exclusive beneficiary of such services and;*
6. *with the exception of investment-related research reports, soft dollar commissions may not be generated in order to satisfy, directly and/or indirectly, payment for any other services such as vendor fees, administrative expenses, and/or other externally sourced amenities.*
7. *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.).*

Minority Broker/Dealer Utilization Goal

The Illinois Municipal Retirement Fund is committed to providing opportunities for minority owned and women owned broker/dealers and broker/dealers owned by a person with a disability. The Illinois Municipal

² The IMRF Board of Trustees formally adopted its first MWDBE brokerage goal on January 23, 2004

Retirement Fund Board of Trustees has adopted a policy which sets forth goals for increasing the utilization of minority broker/dealers.

The minimum expectations for the utilization of minority broker/dealers are based on commission dollars for Equities and par value for Fixed Income. Investment managers of separately managed investment portfolios, in the following asset classes, must meet the minimum goals:

<u>Asset Class</u>	<u>2018 Minimum Goal</u>
U.S. Equities	25%
U.S. Large-Cap Equities	30%
U.S. Micro-Cap Equities	10%
International Equities	20%
Global Listed Infrastructure	20%
Fixed Income	22%
High-Yield Bonds	5%
International Small-Cap Equities	5%
Emerging Market Equities	5%
Emerging Market Debt	Best Efforts
Bank Loans	Best Efforts
Opportunistic Strategies	Best Efforts

Note: This broker/dealer utilization goal will be reviewed annually. IMRF may allow current investment managers a limited transition period when minority 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 minority broker/dealers. Efforts will be evaluated during semi-annual portfolio review meetings.

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 minority 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.

Transition managers are expected to meet or exceed IMRF's current minority brokerage goals.

Staff will report to the Board of Trustees annually on the utilization of minority broker/dealers. Investment managers not meeting the minority broker/dealer utilization goal will be identified in the report. An investment manager's ability to meet a minority brokerage goal is an integral part of the manager monitoring process. Consequences for not meeting IMRF's minority brokerage goals are situation specific and range from increased monitoring, placement on watch list, asset reduction, termination, and exclusion from receiving additional allocations/mandates.

3. Public Act 96-6 required funds to adopt goals across all asset classes. How has the Fund's goals changed since passage of the new law? Please complete Table #2: Asset Managers and Table #3: Brokerage, including the goals for each asset class.

Since the passage of Public Act 96-6 in 2009, IMRF's Minority and Emerging investment manager goals have changed to include goals by Investment Manager Classification. The Classifications are Minorities (African American, Asian and Latino), Women and Persons

with a Disability. Each of the Classifications has a minimum goal as a percentage of Total Fund market value.

Also, the IMRF Board of Trustees adopted a 20% aspirational goal for Minority and Emerging investment managers at the December 2015 Board Meeting. In September 2018, IMRF funded a \$1.0 billion allocation to Piedmont Investment Advisors, an African American owned firm. Based on this funding, approximately \$8.6 billion or 21.0% of IMRF total market value is managed by MWBE investment managers.

Each of the Asset Classes has a minimum goal as a percentage of the Asset Class commitment amount or market value.

- In 2017, IMRF increased the Emerging and Minority Manager goal for the Fixed Income asset class from 20% to 25%.
- In 2018, the Minority Manager goal for Real Estate was increased from 4% to 8%.
- In 2018, the Minority Manager goal for Private Equity, part of the Alternatives asset class, was increased from 10% to 15%.
 - The goals for Emerging Managers were not changed during 2018.

Since the passage of Public Act 96-6 in 2009, IMRF's Minority brokerage goals were amended as follows:

- In 2010, IMRF adopted the following Minority brokerage goal: subject to best execution, 20% of brokerage from actively managed separate account portfolios be executed by minority and women business enterprise broker/dealers. Managers of high yield bond portfolios, small-cap international equity portfolios, micro-cap equity portfolios, and emerging market portfolios are directed to use their best efforts to execute their brokerage through minority and women business enterprise broker/dealers.
- In 2013, the U.S Equity (excluding U.S. Micro-Cap) minimum goal for utilization of minority, female and person with a disability owned broker dealers was increased from 20% to 25%. The U.S. Micro-Cap minimum goal for the utilization of minority, female, and persons with a disability owned broker dealers was increased from 5% to 7%. In addition, the Fixed Income minimum goal for the utilization of minority, female, and persons with a disability owned broker dealers was increased from 20% to 22%.
- In 2016, the U.S. Large Cap Equities became its own asset class with a minimum minority brokerage goal of 30%. A goal of best efforts for separate accounts in the following asset classes: emerging market debt, bank loans, opportunistic strategies and hedge funds. Furthermore, the IMRF Minority Broker/Dealer Utilization policy was amended to include the following:
 - The minimum expectations for the utilization of minority broker/dealers are based on commission dollars for Equities and par value for Fixed Income.
 - Investment managers of pooled/commingled investment portfolios are directed to use their best efforts to execute trades with minority

- broker/dealers. Efforts will be evaluated during semi-annual portfolio review meetings.
 - Transition managers are expected to meet or exceed IMRF's current minority brokerage goals.
 - Consequences for not meeting IMRF's minority brokerage goals are situation specific and range from increased monitoring, placement on watch list, asset reduction, termination, and exclusion from receiving additional allocations/mandates.
- In 2017, the Hedge Fund asset class was removed from the goals as IMRF is no longer investing in this asset class. Furthermore, the IMRF Minority Broker/Dealer Utilization policy was amended to include the following:
 - Language stating that Transition Managers may also act as security broker-dealers when effectuating a Transition Manager assignment on behalf of IMRF.
 - Language stating that an Investment Manager's selection of broker-dealers may take into account satisfying IMRF's goals for utilization of minority broker-dealers.
- In 2018, the U.S. Micro-Cap Equities minimum minority brokerage goal was increased from 7% to 10%. The Global Listed Infrastructure asset class was added with a minimum goal of 20%.

In 2009, the IMRF website was redesigned to include the requirements found in Public Act 96-6. These modifications provide increased transparency of the Investment Department. Emerging investment managers, broker dealers and others are now able to easily examine IMRF's policies and goals as they relate to emerging investment managers and broker dealers. Additionally, all of IMRF's managers are able to study and download a list of minority broker dealers who have contacted IMRF. This list provides a starting point for managers to expand their network of minority broker dealers. Therefore, the list of minority broker dealers who have contacted IMRF facilitates our managers' compliance with our minimum minority broker dealer utilization goals.

4. How are you modifying your goals/objectives to Emerging/Diverse firms and broker/dealers given the market/industry changes resulting from passive management vehicles? Are you bifurcating your goals based on active vs. passive management?

Emerging/Diverse Firms

During the 2018 SOIP review process, IMRF's Investment Staff discussed the changing market/industry and its effects on Emerging/Diverse investment management firms. Staff recognized that Emerging/Diverse investment management firms were diversifying their investment product offerings by adding passive management strategies to their line-up. IMRF modified its SOIP to be able to support Minority firms that offer passive strategies and launched the RFP search for MWBE passive index provider.

Broker/Dealers

IMRF does not bifurcate goals based on active/passive management and expects all its separately managed account managers to meet or exceed the MWBE brokerage goals. On a related subject, IMRF's Chief Investment Officer, Dhvani Shah, will hold meetings with IMRF's commingled/passive fund providers specifically to discuss their selection process and utilization of MWD broker/dealers. These conversations have resulted in increased utilization of MWD broker/dealers by IMRF's commingled accounts/passively managed investment managers. IMRF's investment managers are evaluated during their semi-annual portfolio review meetings on their efforts to trade with MWD broker/dealers.

5. Please list the Emerging/Diverse firms that manage passive investments for your fund, the amount and the percentage of assets versus your Emerging Manager Program or portfolio.

Piedmont Investment Advisors, an African American owned firm, manages \$1.0 billion which represents 11.7% of the \$8.6 billion Emerging Manager Program as of September 2018.

On February 22, 2018, the IMRF Board of Trustees approved a \$1.0 billion Russell 1000 Growth mandate to Piedmont Investment Advisors. The \$1.0 billion allocation increased IMRF's Emerging Manager Program AUM to \$8.6 billion which represents 21.0% of the total Fund.

6. Please describe the process used to evaluate the appropriate level for goals/objectives for each asset class on MWDBE/Emerging Manager utilization of investment managers and broker dealers. Please explain in detail.

IMRF is monitoring its goals and objectives throughout the year and formally reports to the Board of Trustees on an annual and monthly basis.

Throughout the year, IMRF takes MWDBE Managers into consideration for all investment actions. For example, in order to keep the assets managed by a minority owned firm, IMRF launched a MWBE Passive Equity search, when an existing MWBE firm closed its business. Specifically, on August 11, 2017, IMRF was notified by Holland Capital Management that it would be closing its doors. At the time of the announcement, Holland managed approximately \$967 million in a Large Cap Growth strategy for IMRF. On October 11, 2017, IMRF launched a search for Passive Equity Index strategies managed by Minority-owned firms only. In February 2018, Piedmont Investment Advisors was selected to manage \$1.0 billion in a Russell 1000 Growth mandate. This is an example of IMRF finding a solution to keep a significant amount of assets managed by a MWDBE firm.

On an annual basis, IMRF's Investment Staff and Consultant review the appropriate level for goals/objectives for each asset class regarding MWDBE/Emerging Manager utilization of investment managers and broker dealers and present its recommendations to the IMRF Board of Trustees.

The evaluation of our program is ongoing throughout the entire year with a formal annual report and presentation to the Board of Trustees. Investment Staff evaluates and reports MWDBE /Emerging Manager and Broker/Dealer results to the IMRF Board of Trustees each month and annually.

Each month, Investment Staff prepares a Minority/Emerging Manager Report which details:

- Asset class market values and Minority Investment Managers asset under management in each asset class
- Minority Investment Manager AUM via Direct Mandates and MOM/FOF platforms
- Number of Minority and Emerging Investment Managers
- Goals versus actual results by Investment Manager Classification
- Goals versus actual results by Asset Class
- List of each MWDBE Manager is provided detailing assets under management, percentage of total Fund market value, asset class, and account type for each manager

On a monthly basis, IMRF's Investment Managers are required to report their utilization of MWDBE/Emerging broker/dealers. Investment Staff compiles the information provided and creates a monthly MWDBE Broker/Dealer Utilization Report for the IMRF Board of Trustees.

This report details the following:

- Total Commissions Amounts versus Minority Commission Amounts by Asset Class
- Goals versus actual results by Asset Class
- List of each Investment Manager's total brokerage commissions versus MWDBE brokerage commissions for each month

On an annual basis, IMRF Investment Staff presents a year-end review on the utilization of MWDBE/Emerging Managers and broker/dealers to IMRF's Board of Trustees.

The Annual MWDBE/Emerging Investment Manager Utilization Report provides details on:

- Emerging Manager Program
- Current Goals
- Recommendations
- Manager of Managers/Fund of Funds
- Total Minority Manager Allocations
- Goals versus Actual Results
- MWDBE Assets Under Management- Historical
- Number of Managers and AUM by Classification/Asset Class

The Annual MWDBE Broker/Dealer Utilization Report provides details on:

- Broker/Dealer Program
- Current Goals
- Recommendations
- Goals versus Actual Results
- Commission amounts by Broker/Dealer Classification

II. Staff

- Please complete **Table #1: Staff related to Board of Trustees, investment staff and consulting staff provided in the separate attachment.**

TABLE #1: STAFF	
Please express the composition as a percentage.	
Board of Trustees (as of September 2018)	
African-American*	25%
Latino(a)*	0%
Asian-American	0%
Non-Minority Female	50%
*One Trustee is of both African American and Latino descent	
Investment Staff (as of September 2018)	
African-American*	0%
Latino(a)	33.30%
Asian-American	8.30%
Non-Minority Female	8.30%
*An African American employee left IMRF in August 2018 to pursue full-time MBA at University of Chicago Booth School of Business and was replaced by a Latino.	
Consultant Staff (as of 12/31/2017)	Client Team / Overall Firm
African-American*	33%/4%
Latino(a)	0%/5%
Asian-American	0%/19%
Non-Minority Female	33%/27%
*IMRF's lead Consultant for Real Estate portfolio	
Please identify both overall firm and client team.	

III. Consulting Firms

- 1. Please attach a copy of the report required per the Illinois Pension Code Sections 1-113.22 and 1-113.23. If your consultant has not furnished the required report, please explain why.**

IMRF's Consultant furnished the required report. The disclosure per the Illinois Pension Code Sections 1-113.22 and 113.23 are provided in Appendix IX.

- 2. Does your consultant have a focus or preferred or approved or any similar manager list? How many Emerging/Diverse firms are on such list (both public and private markets)? What is the process of identifying and approving these managers for potential allocations?**

IMRF's investment consultant, Callan, does not employ preferred lists. All investment manager recommendations are done on a case by case basis per client.

- 3. How many Emerging/Diverse firms did your consultant recommend in searches without a specific Emerging/Diverse participation mandate in 2017 & 2018? Please differentiate between public (e.g., equities, fixed income) and private markets (e.g., real estate, private equity). In addition, please specify whether the firm was MWDBE.**

Callan does not track emerging manager (firms with assets <\$3 billion) statistics. All data is for Diverse/MWDBE firms. Finally, the total number below includes repeat managers used in different searches.

- 2017: 32 firms (30 public markets, two private markets (real estate))
- Year to date 2018 (through June 30): 19 firms (all public markets)

Two searches not included above were both for real estate funds of one that invest directly in MWDBE real estate firms. The fund of one administrator is not MWDBE therefore does not qualify in the list above.

In addition to investment manager searches, Callan's Trust & Custody Group performed two searches and eight transition projects which included three MWDBE firms in the former and three MWDBE transition managers in the latter.

- 4. What ways does your consultant help in creating capacity for Emerging/Diverse managers within the industry?**

Callan's internal Diverse and Emerging Manager Committee helps facilitate the following:

- Callan Connects: Quarterly meeting introductions with 8-12 Emerging/Diverse managers across Callan offices and major cities since 2010
- Annual Best Practices Workshop exclusively for Emerging/Diverse firms
- Conference and Diverse-focused Organization engagement:
 - AAAIM
 - NASP
 - New America Alliance
 - Opal
 - Grosvenor (formerly RG & Associates)
 - Toigo Foundation

IV. Asset Managers

1. How does your plan account for a MWDBE firm that has been sold and is no longer minority-owned?

IMRF only counts firms that meet the Illinois Pension Code definition. If a firm is sold or no longer minority owned, IMRF does not report it as part of the Emerging Manager Program.

IMRF has one manager that was a MWDBE firm, Taplin Canada, which was sold to a larger organization, Marshall and Ilsley, in December 2008. This firm continues to manage assets for IMRF, but they are not reported as a minority owned firm.

IMRF has one underlying manager in the Franklin Templeton Fund of Funds mandate that is no longer considered MWDBE due to an employee departure in 2013. IMRF does not report Argosy as a minority owned firm.

2. What is your process to verify MWDBE status with managers and broker/dealers?

IMRF requires prospective managers to self-certify their MWDBE status during the RFP process. The certification is provided in the RFP and must be completed and signed to be considered an MWDBE firm. Public market investment managers annually self-certify their MWDBE status each year as part of IMRF's annual process. Private market managers are required per IMRF's side letter to inform IMRF of any changes to their MWDBE status.

IMRF does not approve broker/dealers and does not require MWDBE broker/dealers to submit proof of MWDBE status. IMRF maintains a list of minority, women and person with a disability owned broker/dealers that have contacted IMRF. The list is posted on IMRF's website under the Investment section. While this is not an approved list, IMRF's investment managers may utilize this list to select minority and women owned broker/dealers, at their sole discretion. The list with full addresses can be found at www.imrf.org.

V. RFPs

- 1. Have you issued any RFPs which preclude MWBE firms from responding due to the minimum requirements of a RFP? For example, have you had minimum levels of insurance or minimum or maximum assets? Please list details and include all RFPs issued across all asset classes from January 1, 2017 to March 31, 2018.**

No, IMRF has not issued any RFPs which preclude MWBE firms from responding due to the minimum requirements for insurance levels or assets under management. IMRF would discuss minimum levels of insurance with finalist firms only but would not disqualify a firm due to low levels of insurance. IMRF does not require a minimum/maximum level of assets in an RFP.

Below are the RFPs issues from January 1, 2017 to March 31, 2018.

<u>Issue Date</u>	<u>End Date</u>	<u>Search Name</u>	<u>Total Allocation</u>	<u>MWBE Manager Allocation</u>	<u>% Allocated to MWBE</u>	<u>Staff led Search or Callan engaged</u>
2/1/2017	5/19/2017	Publicly Listed Infrastructure Equity and/or Debt and Unlisted Infrastructure Equity and/or Debt*	\$650	0	0.00%	Staff led
6/21/2017	11/17/2017	U.S. Core Real Estate *	\$300	0	0.00%	Callan engaged
10/16/2017	2/23/2018	MWBE Passive Equity Index Fund	\$1,000	\$1,000	100.00%	Staff led
2/2/2018	5/18/2018	Global Customized Private Equity Separate Account**	\$300	0	0.00%	Callan engaged
		Total (in millions)	\$1,600	\$1,000	62.50%	
		Total (adjusted for investments not pursued)	\$1,350	\$1000	74.0%	
*IMRF did not pursue \$100 million of the \$650 million Infrastructure allocation and did not pursue \$150 million of the \$300 million Real Estate allocation.						
**Managers have discretion to invest in minority owned firms as part of the mandate.						

- 2. What is the process in developing search criteria for RFP searches? If the consultant develops the search criteria, does your staff make adjustments or is the process entirely dictated by your consultant?**

IMRF's process for developing search criteria for RFP searches is not entirely dictated by its consultant, Callan. IMRF's Investment Staff prepares the request for proposal in its entirety and sends to Callan for review and feedback. Both teams work together to finalize the RFP.

For searches where IMRF does not engage Callan, the entire process is led by the IMRF Investment Staff.

3. In what ways do you believe that search criteria can be restrictive in RFP search opportunities that limit the universe of Emerging/Diverse manager candidates? What recommendations would you propose to make a search process more inclusive?

Potentially Restrictive Criteria are:

- MWDBE certification from a third party
- Length of performance track record
- Specific amount of assets under management (minimum or maximum amount in strategy or firm)

IMRF believes the requirements listed above can be restrictive in RFP search opportunities and may limit the universe of Emerging /Diverse manager candidates. IMRF does not use these requirements. Additionally, IMRF will advertise MWBE searches in Emerging Manager Monthly.

4. What percent of assets were allocated to MWBE firms in searches not specifically designated for Emerging/Diverse managers?

Although there were no assets allocated to MWBE firms in the three searches during the January 2017 to March 2018 time period, IMRF allocated a total of \$1.145 billion to MWBE firms as part of non-RFP investment actions.

In 2017, IMRF allocated \$905 million or 34% of all new capital allocations to existing MWBE firms as part of non-RFP investment actions. The details are listed below.

\$150 million in direct Real Estate commitments:

- In January 2017, IMRF committed \$75 million to Artemis, a women owned firm. This was IMRF's 2017 annual commitment to the evergreen separate account manager of managers program known as Spruce.
- In November 2017, IMRF committed \$75 million to Artemis, a women owned firm.

\$155 million in direct Private Equity commitments:

- In March 2017, IMRF committed \$35 million to ICV Partners, an African American owned firm.
- In March 2017, IMRF committed \$75 million to Valor Equity Partners, a Latino owned firm.
- In August 2017, IMRF committed \$25 million to New MainStream, a Latino owned firm.
- In November 2017, IMRF committed \$20 million to Clearlake Capital Partners, a Latino owned firm.

\$600 million in direct Fixed Income commitments:

- In May 2017, IMRF committed \$200 million to Earnest Partners, an African American owned firm.
- In May 2017, IMRF committed \$200 million to Garcia Hamilton, a Latino owned firm.
- In May 2017, IMRF committed \$200 million to Piedmont Investment Advisors, an African American owned firm.

Year to date through September 2018, IMRF allocated \$240 million or 50% of all new capital allocations to existing MWBE firms as part of non-RFP investment actions. The details are listed below.

\$75 million in direct Real Estate commitments:

- In January 2018, IMRF committed \$75 million to Artemis, a women owned firm. This was IMRF's 2018 annual commitment to the evergreen separate account manager of managers program known as Spruce.

\$165 million in direct Private Equity commitments:

- In February 2018, IMRF committed \$15 million to AUA Private Equity Fund, a Latino owned firm.
- In May 2018, IMRF committed \$50 million to Valor Equity Partners, a Latino owned firm.
- In May 2018, IMRF committed \$100 million to Vista Equity Partners, an African American owned firm.

Additionally, \$1.0 billion was allocated to Piedmont Investment Advisors as a result of a MWBE Passive Equity search.

Total allocations to MWBE firms year to date as of September 2018, was \$1.240 billion or 70% of all new capital allocations.

VI. Brokers and Transition Managers

1. Please list all underlying managers that did not meet MWBE brokerage goals or have violated your MWBE Brokerage Policy between January 1, 2017 and March 31, 2018, note each instance they did not meet MWBE brokerage goals or have violated your MWBE Brokerage during this time period, note the total commissions paid between January 1, 2017 and March 31, 2018 and note what if any consequences these managers faced for not meeting those goals and for their violations.

Of the 43 investment manager in the IMRF portfolio, one investment manager was short of the goal by 1.68%. Arrowstreet did not meet IMRF's MWBE brokerage goal of 20% for year- end 2017. However, Arrowstreet is meeting its goal as of March 31, 2018. Arrowstreet trades a significant amount of its client base with MWBE brokers. The total amount of commissions paid to MWBE brokers for firm wide trades during 2017 was \$13.2 million, which equates to 167 times IMRF's 20% goal.

As of March 31, 2018, IMRF has six investment managers, Brookfield (Infrastructure), Brown (Intl. Equity), Earnest Partners (Intl Equity), Mondrian (Intl. Equity), Templeton (Intl. Small Cap), Earnest (Fixed Income) that are not meeting IMRF's MWBE brokerage goals. As of June 30, 2018, there are three investment managers not meeting IMRF's MWBE brokerage goals, Brookfield (Infrastructure), Earnest Partners (Fixed Income) and Arrowstreet (International Equity). All are expected to meet the goals by year end 2018.

When evaluating investment manager relationships, IMRF considers the manager's adherence to IMRF's goals and objectives. Achieving the minority brokerage goal is one standard used to evaluate the ongoing relationship with all investment managers. Additionally, IMRF evaluates the investment performance, consistency of investment process, investment style and organizational stability.

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.

Each quarter end, IMRF reviews the investment managers' usage of minority brokers. Managers not achieving their minority brokerage goal on a year-to-date basis receive a letter from IMRF reminding them of IMRF's goals and expectations.

Consequences for not meeting IMRF's MWBE brokerage goals are situation specific and range from increased monitoring, placement on watch list, asset reduction, termination and exclusion from receiving additional allocations/mandates.

EQUITY MANAGER NOT MEETING IMRF BROKERAGE COMMISSION GOALS - 12/31/17				
Goal	Manager Name - Asset Class	Total Commissions Paid	Minority Commissions Paid	Amount Achieved
20%	Arrowstreet - International Large Cap Core	\$394,400	\$72,267	18.32%

* The total amount of commissions paid to MWBE brokers for firm wide trades during 2017 was \$13.2 million or 167 times IMRF's 20% goal.

FIXED INCOME MANAGERS NOT MEETING IMRF BROKERAGE COMMISSION GOALS - As of 3/31/18				
Goal	Manager Name - Asset Class	Total PAR	Minority PAR	Amount Achieved
22%	Earnest- Fixed Income	25,626,755	4,274,836	16.68%

EQUITY MANAGERS NOT MEETING IMRF BROKERAGE COMMISSION GOALS - As of 3/31/18				
Goal	Manager Name - Asset Class	Total Commissions Paid	Minority Commissions Paid	Amount Achieved
20%	Brookfield- Global Listed Infrastructure	\$50,494	\$0	0.00%
20%	Brown-International Equity*	\$30,059	\$5,325	17.72%
20%	Earnest- International Equity*	\$51,355	\$9,807	19.10%
20%	Mondrian-International Equity*	\$41,525	\$7,900	19.02%
5%	Templeton-International Small Cap*	\$59,599	\$1,229	2.06%

*Meeting MWBE brokerage goals as of 6/30/18

2. **Are the Fund's transition managers required to meet or exceed the Fund's minority/women owned brokerage firm utilization goals, if the Fund has goals, when conducting open market trades during transitions? Please explain.**

Yes, the Fund's transition managers are required to meet or exceed the Fund's minority/women owned brokerage firm utilization goals for specific assets classes when conducting open market trades.

For the five Equity transition events since 2015, MWBE brokerage firms earned 73.59% of all Equity commissions.

For the one Fixed Income transition event, MWBE brokerage firms traded 28.03% of total PAR.

3. **Is there a minimum allocation your plan can allocate to trade with an MWBE firm? Is there a minimum volume or percent your plan can trade with a MWBE firm for each asset class? If so, please note the minimum(s). Please provide more detail by completing Table #2: Asset Managers and Table #3: Brokerage, including the goals for each asset class.**

There are no minimum allocation amounts for trading with a MWBE firm. There are no minimum volumes or percentages for trading with an MWBE firm for each asset class. IMRF does not manage public equity or fixed income investments internally.

VII. Fees

1. What are your fee negotiation practices/policies? How do they differ from your traditional managers vs. your Emerging/Diverse managers?

IMRF negotiates fees as part of the RFP process. This process does not differ for traditional managers or Emerging/Diverse managers. All respondents are ranked on four primary factors: People, Process, Performance, and Pricing. IMRF's does not have a written fee negotiation policy.

Minority firms earned \$28 million in management fees and represent 22.6% of total fees paid. Below details the percentage of assets managed and the percentage of fees paid for MWBE firms by asset class as of 12/31/17.

Asset Class	Total Minority Manager Fees Paid in Asset Class	Total Fees Paid in Asset Class	Minority % of AUM in Asset Class	Minority % of Fees Paid in Asset Class
Domestic Equity	3,407,483	32,168,007	2.05%	10.6%
Fixed Income	6,860,079	15,645,242	36.05%	43.8%
International Equity	7,587,633	25,631,155	23.89%	29.6%
Alternatives	7,573,173	24,258,502	29.68%	31.2%
Real Estate	2,429,981	25,746,029	12.23%	9.4%
Total	\$ 27,858,348	\$ 123,448,935		22.6%

2. Are there separate fee models given to your traditional managers vs. the Emerging/Diverse managers? If so, please describe how the fee models differ.

IMRF does not prepare fee models for investment managers. Investment managers (traditional and Emerging/Diverse) submit their fee proposal as part of the RFP process.

3. Have you made any recent decisions on firing and hiring an asset manager in the last 3 years solely based upon fees? If so, please give the MWBE status of the manager fired and the manager hired.

In the last 3 years, IMRF has not made any decisions on firing or hiring an asset manager solely based upon fees. IMRF will terminate an existing manager for underperformance and organizational issues. IMRF hires new managers using an RFP process and evaluates and ranks respondents based on People, Process, Performance and Pricing.

4. If you have hired a Manager of Managers, what fees are paid to your manager of managers? What amount of the manager of managers fees are paid to the underlying managers? Please be specific and request this information from your Manager of Managers if necessary.

IMRF utilizes Progress Investment Management, Franklin Templeton and Artemis Real Estate Partners as Manager of Managers/Fund of Funds platforms. All three platforms are dedicated to hiring underlying minority, women and disabled owned firms as defined by Illinois Pension Code. Progress manages a Fixed Income and an International Equity mandates for IMRF. Franklin Templeton and Artemis manage Real Estate mandates for IMRF. The Franklin Templeton mandate is fully committed and is no longer committing capital to underlying managers.

Progress

As of 12/31/17, the fee split between Progress Investment Management and the underlying managers for the Fixed Income Manager of Managers mandate is 37.38% or \$1.077 million and 62.62% or \$1.8 million, respectively. For the International Equity mandate, the fee split between Progress Investment Management and the underlying managers is 24.91% or \$0.348 million and 75.09% or \$1.0 million, respectively.

The actual fee split between Progress and underlying managers varies and is detailed in the two tables below.

<u>Asset Class</u>	<u>Manager</u>	<u>Market Value</u>	<u>% of Market Value</u>	<u>Fees Paid to Manager</u>	<u>% of Fees Paid to Manager</u>	<u>Classification</u>
Fixed Income	Progress Subadvisor Advent Capital	48,742,066	5.46%	139,825	4.85%	African American
Fixed Income	Progress Subadvisor Concerto Asset Management	0	0.00%	10,871	0.38%	Women
Fixed Income	Progress Subadvisor Garcia Hamilton & Associates	65,931,489	7.39%	221,912	7.70%	Latino
Fixed Income	Progress Subadvisor GIA Partners	141,810,159	15.90%	334,926	11.62%	Latino
Fixed Income	Progress Subadvisor Longfellow Investment Management	154,423,648	17.31%	303,934	10.55%	Women
Fixed Income	Progress Subadvisor New Century Advisors	168,631,008	18.90%	301,187	10.45%	Women
Fixed Income	Progress Subadvisor Pugh Capital Management	148,496,699	16.65%	275,753	9.57%	African American
Fixed	Progress Subadvisor	98,773,663	11.07%	183,822	6.38%	Latino

<u>Asset Class</u>	<u>Manager</u>	<u>Market Value</u>	<u>% of Market Value</u>	<u>Fees Paid to Manager</u>	<u>% of Fees Paid to Manager</u>	<u>Classification</u>
Income	Ramirez Asset Management					
Fixed Income	Progress Subadvisor Smith Graham	65,266,930	7.32%	32,588	1.13%	African American
Fixed Income	Progress			1,077,191	37.38%	African American
Total Fixed Income		\$892,075,662	100%	\$2,882,010	100%	

<u>Asset Class</u>	<u>Manager</u>	<u>Market Value</u>	<u>% of Market Value</u>	<u>Fees Paid to Manager</u>	<u>% of Fees Paid to Manager</u>	<u>Classification</u>
International Equity	Progress Int Subadvisor Arga Investment Management	54,850,477	17.74%	165,329	11.82%	Asian
International Equity	Progress Int Subadvisor Ativo Capital Management	39,349,171	12.73%	122,518	8.76%	Latino
International Equity	Progress Int Subadvisor Brown Capital Management	64,084,338	20.72%	192,134	13.74%	African American
International Equity	Progress Int Subadvisor Glovista Investments	31,043,518	10.04%	135,815	9.71%	Latino
International Equity	Progress Int Subadvisor Metis Global Partners	40,543,019	13.11%	144,294	10.32%	Women
International Equity	Progress Int Subadvisor Strategic Global Advisors	79,350,489	25.66%	289,753	20.72%	Women
International Equity	Progress International			348,360	24.91%	African American
Total International Equity		\$309,221,013	100%	\$1,398,202	100%	

Franklin Templeton

As of 12/31/17, the fee split between Franklin Templeton and the underlying managers for the Real Estate Fund of Funds mandate is 30.0% or \$177 thousand and 70.0% or \$408 thousand, respectively. The actual fee split between Franklin Templeton and underlying managers varies and is detailed below.

<u>Asset Class</u>	<u>Manager</u>	<u>Commitment</u>	<u>% of Commitment</u>	<u>Fees Paid to Manager</u>	<u>% of Fees Paid to Manager</u>	<u>Classification</u>
Real Estate	Franklin Templeton Subadvisor Argosy Real Estate Partners II, L.P.	9,769,700	13%	14,105	2%	Non-Minority
Real Estate	Franklin Templeton Subadvisor Green Oak US	11,723,640	16%	9,151	2%	Asian
Real Estate	Franklin Templeton Subadvisor GreenOak US 285-Madison Co-Investment	2,930,910	4%	0	0%	Asian
Real Estate	Franklin Templeton Subadvisor Hudson Realty Capital Fund V, L.P.	11,723,640	16%	10,965	2%	Latino
Real Estate	Franklin Templeton Subadvisor LongWharf Real Estate Partners IV, L.P.	13,677,580	18%	157,512	27%	Latino
Real Estate	Franklin Templeton Subadvisor Newport Capital Partners Fund I, L.P.	14,849,944	20%	126,807	22%	Disabled
Real Estate	Franklin Templeton Subadvisor Noble Hospitality Fund II, L.P.	7,424,972	10%	89,749	15%	Asian
Real Estate	Franklin Templeton EMREFF—unfunded commitment	2,899,614	4%			
Real Estate	Franklin Templeton EMREFF			177,919	30%	Non-Minority
Total Real Estate		\$75,000,000	100%	\$586,208	100%	

Artemis

As of 12/31/17, the fee split between Artemis and the underlying managers for the Real Estate Manager of Managers mandate is 52.0% or \$542 thousand and 48.0% or \$510 thousand, respectively. The actual fee split between Artemis and underlying managers varies and is detailed below.

<u>Asset Class</u>	<u>Manager</u>	<u>Commitment</u>	<u>% of Commitment</u>	<u>Fees Paid to Manager</u>	<u>% of Fees Paid to Manager</u>	<u>Classification</u>
Real Estate	Artemis Subadvisor Artemis Healthcare Fund I	25,000,000	11%	270,592	26%	Women
Real Estate	Artemis Subadvisor CRES Management	25,000,000	11%	162,783	15%	Women
Real Estate	Artemis Subadvisor Jair Lynch Development Partners*	40,000,000	18%	0	0%	African American
Real Estate	Artemis Subadvisor Olympus Property	45,000,000	20%	69,208	7%	Latino
Real Estate	Artemis Subadvisor MCB Real Estate	18,000,000	8%	4,067	0%	African American
Real Estate	Artemis Subadvisor Basis Investment Group	5,000,000	2%	3,625	0%	African American
Real Estate	Artemis—unfunded commitment	67,000,000	30%			
Real Estate	Artemis			542,959	52%	Women
Total Real Estate		\$225,000,000	100%	\$1,053,234	100%	
<i>*Artemis MWBE Spruce provided mezzanine loan therefore no ongoing fees are paid to manager</i>						

VIII. Graduation

- 1. Does your plan have a formal graduation policy for the Emerging/Minority Managers in your program? If so, please provide and summarize the policy. If not, please state whether your plan is interested in creating such a policy and if so, please describe the criteria that would be included in such a policy. If you are not interested in developing a formal graduation policy, please explain why.**

IMRF's integrated practice of allocating capital to MWBE firms does not require a formal graduation policy. IMRF does not have a separate asset allocation amount for its Emerging Manager Program because IMRF does not restrict the manager to a pre-specified program allocation. IMRF believes that all of its minority managers should be eligible for additional allocations during all rebalancing and strategic asset allocation decisions.

This philosophy is visible in the following example where Garcia Hamilton, a Latino owned manager in IMRF's Manager of Managers program received a direct allocation followed by incremental allocations within a short period of time. In May 2015, IMRF allocated \$100 million followed by additional allocations of \$150 million (September 2015), \$275 million (May 2016) and \$200 million (July 2017).

As of June 30, 2018, Garcia manages \$793 million, in aggregate, for IMRF. They manage a \$727.2 million portfolio directly and \$65.8 million through the Progress Manager of Managers platform. IMRF expects the Garcia Hamilton mandate to continue to grow within the IMRF portfolio.

The Emerging Manager Program, as IMRF refers to it, is made up of all Emerging/Minority Managers hired directly by IMRF or through IMRF's Manager of Managers/Fund of Funds platforms. All Emerging/Minority investment managers investing assets on IMRF's behalf are considered part of the IMRF portfolio.

- 2. Does your plan have a direct Emerging/Diverse managers program or is your exposure to these types of managers by way of Manager of Managers platforms?**

IMRF has relationships with Emerging/Diverse firms directly and through Manager of Managers/Fund of Funds platforms. Our relationship with Manager of Managers/Fund of Funds platforms helps us to gain exposure to Emerging/Diverse firms. Using this two pronged approach allows Emerging/Diverse managers to have more opportunities to manage IMRF's assets.

Emerging/Diverse Managers have access to IMRF's capital directly and through Manager of Managers platforms. IMRF does not restrict managers to either direct or Manager of Managers platforms. IMRF's exposure to Emerging/Diverse managers is through direct relationships and Manager of Managers/Fund of Funds mandates. As of June 30, 2018, Emerging/Diverse managers invest \$7.59 billion or 18.4% of IMRF's total portfolio. Of

this amount, \$6.08 billion or 80.2% are direct relationships and \$1.51 billion or 19.8% are Manager of Managers/Fund of Funds platforms.

- 3. To the extent a Manager of Managers platform is utilized to access Emerging/Diverse managers, is there a process in place to graduate underlying managers from the Fund of Fund program?**

IMRF considers all of its minority managers for mandates and does not restrict them to a pre-specified allocation amount or formal process of “graduation”.

- 4. When conducting a manager search, are the managers in your Emerging/Diverse manager program given first consideration before initiating a search? If they are not given first consideration, please explain in detail why not and note if there are any legal considerations prohibiting this practice.**

When there is a need in the IMRF portfolio for a specific strategy, IMRF will review its existing line up of investment managers to determine if one of those managers can fill the need prior to initiating a search. IMRF may decide to move forward with the search in order to give an opportunity to other Emerging/Diverse managers that are not managing assets for IMRF.

IX. Appendix

I. Consultant Disclosure

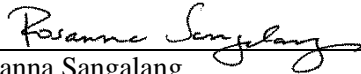
Beginning January 1, 2018 and annually thereafter, section 1-113.22 of the Illinois Pension Code requires the following disclosures from the consultant:

Consultant Name: Callan LLC

1.	Firm wide, the total number of searches for investment services made by the consultant in the prior calendar year.	166
2.	Firm wide, the total number of searches for investment services made by the consultant in the prior calendar year that included a minority owned business, a women owned business or a business owned by a person with a disability.	16
3.	The total number of searches for investment services made by the consultant in the prior calendar year in which the consultant recommended for selection a minority owned business, a women owned business, or a business owned by a person with a disability.	10
4.	The total number of searches for investment services made by the consultant in the prior calendar year that resulted in the selection of a minority owned business, a women owned business or a business owned by a person with a disability.	3
5.	The total dollar amount of investments made in the previous calendar year with a minority owned business, a women owned business or a business owned by a person with a disability that was selected after a search for investment services performed by the consultant.	\$138.7 million

Beginning January 1, 2018 and annually thereafter, section 1-113.23 of the Illinois Pension Code requires the following disclosures from the consultant:

1. Consultant(s) are required to disclose all compensation and economic opportunity received in the last 24 months from investment advisors retained by the IMRF Board of Trustees.
Per Callan’s Code of Ethics: “To ensure that confidentiality of client information is appropriately respected and to prevent sensitive information from being shared across Callan business units, fund sponsor client requests for more detailed information on manager relationships, including specific information regarding the fees paid to Callan by the managers employed by their fund, will be handled directly by Callan’s Compliance department.” As a result, Callan Compliance will send you a separate email containing the response to this request.
2. Prior to the IMRF Board of Trustees selecting an investment advisor, the consultant(s) are required to disclose any compensation or economic opportunity received in the last 24 months from an investment advisor that is recommended for selection by the consultant.

Consultant
Company Name: Callan LLC
Signature: 
Printed Name: Rosanna Sangalang
Title: Senior Vice President
Dated: January 17, 2018

Illinois Public Act 100-0542 website:

<http://www.ilga.gov/legislation/publicacts/fulltext.asp?Name=100-0542>

Definitions per Illinois Law

"**Compensation**" means any money, thing of value, or economic benefit conferred on, or received by, a consultant in return for services rendered, or to be rendered, by himself, herself, or another.

"**Economic opportunity**" means any purchase, sale, lease, contract, option, or other transaction or arrangement involving property or services wherein a consultant may gain an economic benefit.

"**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 as defined in the Business Enterprise for Minorities, Women, and Persons with Disabilities Act. The full text can be found at:

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

"**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.

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

Illinois Municipal Retirement Fund Managers*	2015 Q4 - 2017 Q3 Manager Client Services		No 2015 Q4 - 2017 Q3 Services	Total Fees for 2015 Q4 - 2017 Q3 Services
	Educational	Database/ Analytics		
Abbot			X	
ABRY Partners			X	
AEW	X	X		\$5,000.00
Almanac			X	
Ares Management L.P.	X			\$119,750.00
Arrowstreet			X	
Artemis			X	
Ativo		X		\$3,000.00
AUA Private Equity Partners			X	
Aurora			X	
Barings	X			\$116,750.00
Beecken Petty O'Keefe			X	
BlackRock	X	X		\$117,500.00
Blackstone			X	
BMO	X	X		\$149,500.00
Brandes	X	X		\$133,750.00
Brookfield			X	
Brown		X		\$5,000.00
CBRE	X			\$3,000.00
Channing		X		\$4,500.00
Cohen & Steers	X	X		\$119,750.00
Crescent			X	
Crow Holdings			X	
Dimensional	X			\$38,250.00
Dodge & Cox			X	
Dune			X	
EARNEST Partners	X			\$92,750.00
EnCap Investments			X	
Estancia Capital			X	
FIAM (Fidelity Institutional	X	X		\$118,250.00
Forest Investment Assoc.			X	
Franklin Templeton	X	X		\$139,750.00
Frontier			X	
Garcia Hamilton			X	
Genesis			X	
GlobeFlex	X	X		\$5,000.00
GTIS Partners			X	

Illinois Municipal Retirement Fund Managers*	2015 Q4 - 2017 Q3 Manager Client Services		No 2015 Q4 - 2017 Q3 Services	Total Fees for 2015 Q4 - 2017 Q3 Services
	Educational	Database/ Analytics		
ICV Partners			X	
Inflexion Private Equity			X	
INVESCO	X	X		\$191,500.00
Investment Counselors of	X			\$3,000.00
LaSalle Investment			X	
Lazard	X	X		\$187,500.00
Lightspeed Venture Partners			X	
LM Capital		X		\$3,000.00
Long Wharf			X	
LSV	X	X		\$96,750.00
Mackay Shields	X	X		\$226,500.00
Mayfield			X	
Mondrian	X	X		\$198,750.00
Muller & Monroe Asset			X	
NMS (New MainStream			X	
NTGI (Northern Trust Asset	X	X		\$165,025.00
Oak Street			X	
Pantheon			X	
Piedmont Investment			X	
Premiere Partners			X	
Progress Investment Mgmt			X	
Resolution Real Estate Group			X	
Rockwood			X	
Sands			X	
Security Capital			X	
Standish	X	X		\$93,750.00
Starwood			X	
TA Realty			X	
Taplin, Canida, & Habacht	X			\$116,750.00
Torchlight Investors			X	
Valor			X	
Versant			X	
Vista Equity Partners			X	
Vistria Group			X	
Western Asset Management	X			\$116,750.00
William Blair	X	X		\$151,750.00

Given the complex corporate and organizational ownership structures of investment management firms, parent and affiliate firm relationships are not listed if they don't separately contract with Callan.

II. Table #2: Asset Managers

TABLE #2: ASSET MANAGERS								
The special committee recognizes that not all funds/systems invest in the same asset classes and/or have completed FY 18. Therefore, please change the asset classes and years below as you see fit while maintaining the overall format of the table.								
EMERGING/DIVERSE PLAN GOALS	2011	2012	2013	2014	2015	2016	2017	2018
Goals for Investment Managers by Classification	Emerging Investment Managers					Emerging and Minority Investment Managers		
Minority Owned Businesses	9% to 13%					13%	13%	13%
Women Owned Businesses	2% to 6%					6%	6%	6%
Businesses Owned by a Person with a Disability	0.5% to 1%					1%	1%	1%
Asset Class Goals for Emerging Investment Managers per Illinois Pension Code 1-109.1 (4)								
Equities	10% to 12% of the asset class							
Fixed-Income	15% to 20% of the asset class							
Alternatives (PE, RE, HF)	5% to 10% of the asset class							
Asset Class Goals for Emerging Investment Managers per Illinois Pension Code 1-109.1 (4)								
Domestic Equity						8%	8%	8%
International Equity						15%	15%	15%
Fixed Income						20%	25%	25%
Real Estate*						4%	4%	4%
Private Equity*						10%	10%	15%
Hedge Funds						15%		
Timberland						Best Efforts	Best Efforts	Best Efforts
Agriculture						Best Efforts	Best Efforts	Best Efforts
Asset Class Goals for Minority Investment Managers per Illinois Pension Code 1-109.1 (9)								
Domestic Equity						8%	8%	8%
International Equity						15%	15%	15%
Fixed Income						20%	25%	25%
Real Estate*						4%	4%	8%
Private Equity*						10%	10%	15%
Hedge Funds						15%		
Timberland						Best Efforts	Best Efforts	Best Efforts
Agriculture						Best Efforts	Best Efforts	Best Efforts
*based on committed amounts								

% OF ASSET MANAGED	2011	2012	2013	2014	2015	2016	2017
African-American	11.2%	11.5%	10.7%	10.1%	9.9%	10.4%	8.9%
Latino(a)	4.4%	4.4%	3.8%	4.6%	5.5%	5.9%	6.0%
Asian-American	0.5%	0.6%	0.8%	0.4%	0.4%	0.3%	0.3%
Female	2.4%	2.5%	2.6%	2.9%	3.4%	2.8%	3.2%
Other	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Total	18.4%	19.0%	18.0%	18.0%	19.2%	19.4%	18.4%

Assets Managed by MWDBE Firms (\$in millions)	2011	2012	2013	2014	2015	2016	2017
African-American	\$2,771.28	\$3,206.50	\$3,558.13	\$3,489.16	\$3,379.35	\$3,779.09	\$3,649.49
Latino(a)	\$1,080.42	\$1,215.50	\$1,254.22	\$1,584.25	\$1,874.68	\$2,137.68	\$2,463.55
Asian-American	\$114.30	\$153.56	\$250.71	\$148.90	\$151.34	\$94.00	\$123.03
Female	\$596.90	\$703.59	\$875.08	\$995.53	\$1,162.90	\$1,011.91	\$1,311.46
Other	\$0.00	\$11.70	\$14.85	\$14.85	\$14.85	\$14.85	\$14.85
Total	\$4,562.90	\$5,290.84	\$5,953.00	\$6,232.69	\$6,583.12	\$7,037.54	\$7,562.38

% OF FEES PAID TO MWBE	2011	2012	2013	2014	2015	2016	2017
African-American	14.40%	14.29%	12.71%	11.72%	11.30%	12.60%	13.22%
Latino(a)	3.32%	3.76%	3.21%	3.99%	4.20%	6.10%	4.64%
Asian-American	0.47%	0.67%	3.00%	1.98%	2.10%	0.90%	0.63%
Female	2.95%	3.15%	2.37%	2.76%	2.90%	3.20%	3.97%
Other	0.00%	0.04%	0.12%	0.12%	0.10%	0.20%	0.10%
Total	21.14%	21.90%	21.42%	20.56%	20.60%	23.00%	22.56%

Fees Paid to MWDBE Firms (\$in millions)	2011	2012	2013	2014	2015	2016	2017
African-American	\$10.48	\$11.70	\$15.90	\$15.39	\$15.27	\$15.54	\$16.32
Latino(a)	\$2.41	\$3.08	\$4.02	\$5.24	\$5.66	\$7.53	\$5.73
Asian-American	\$0.34	\$0.55	\$3.76	\$2.60	\$2.82	\$1.10	\$0.77
Female	\$2.15	\$2.58	\$2.97	\$3.62	\$3.94	\$0.23	\$4.91
Other	\$0.00	\$0.03	\$0.15	\$0.15	\$0.16	\$3.94	\$0.13
Total	\$15.38	\$17.93	\$26.79	\$27.00	\$27.86	\$28.34	\$27.86

% OF ASSET MANAGED BY ILLINOIS MWDBE FIRMS							
	2011	2012	2013	2014	2015	2016	2017
African-American	3.46%	3.36%	3.82%	3.47%	3.32%	3.72%	1.03%
Latino(a)	0.23%	0.24%	0.74%	0.85%	0.85%	0.54%	0.86%
Asian-American	0.31%	0.20%	0.14%	0.00%	0.00%	0.00%	0.00%
Female	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Other	0.00%	0.04%	0.04%	0.04%	0.04%	0.04%	0.04%
Total	4.00%	3.84%	4.74%	4.36%	4.21%	4.30%	1.93%

Assets Managed by Illinois MWDBE Firms (\$in millions)							
	2011	2012	2013	2014	2015	2016	2017
African-American	\$859.00	\$938.15	\$1,316.48	\$1,248.70	\$1,138.99	\$1,348.63	\$423.01
Latino(a)	\$56.40	\$65.97	\$253.89	\$306.07	\$290.18	\$197.10	\$353.65
Asian-American	\$78.00	\$56.68	\$49.34	\$0.00	\$0.00	\$0.00	\$0.00
Female	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Other	\$0.00	\$11.70	\$14.85	\$14.85	\$14.85	\$14.85	\$14.85
Total	\$993.40	\$1,072.49	\$1,634.56	\$1,569.62	\$1,444.03	\$1,560.58	\$791.51

% OF FEES PAID TO ILLINOIS MWDBE FIRMS							
	2011	2012	2013	2014	2015	2016	2017
African-American	4.31%	3.91%	3.97%	3.61%	4.07%	3.73%	3.02%
Latino(a)	0.50%	0.49%	0.77%	0.88%	1.45%	0.99%	1.42%
Asian-American	0.27%	0.16%	0.15%	0.00%	0.00%	0.00%	0.00%
Female	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Other	0.00%	0.04%	0.04%	0.04%	0.12%	0.18%	0.10%
Total	5.08%	4.59%	4.93%	4.54%	5.64%	4.91%	4.54%

Fees Paid to Illinois MWDBE Firms (\$in millions)							
	2011	2012	2013	2014	2015	2016	2017
African-American	\$3.13	\$3.20	\$3.54	\$4.68	\$5.50	\$4.60	\$3.73
Latino(a)	\$0.36	\$0.40	\$1.49	\$1.78	\$1.96	\$1.23	\$1.75
Asian-American	\$0.20	\$0.13	\$0.14	\$0.00	\$0.00	\$0.00	\$0.00
Female	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Other	\$0.00	\$0.03	\$0.15	\$0.15	\$0.16	\$0.23	\$0.13
Total	\$3.70	\$3.76	\$5.32	\$6.62	\$7.63	\$6.06	\$5.61

% OF ASSETS MANAGED BY MWD BE FIRMS							
	2011	2012	2013	2014	2015	2016	2017
Large Cap Equity	14.67%	14.95%	13.83%	10.03%	9.52%	7.22%	0.00%
Micro Cap Equity	16.16%	16.57%	16.31%	16.10%	19.07%	42.37%	23.90%
Mid Cap Equity	100.00%	100.00%	100.00%	0.00%	0.00%	0.00%	0.00%
Small Cap Equity	12.86%	10.90%	12.43%	10.96%	10.08%	6.80%	8.01%
SMID Cap Equity	100.00%	100.00%	100.00%	0.00%	0.00%	0.00%	0.00%
Core Fixed	35.02%	35.41%	32.60%	32.95%	37.35%	40.47%	44.52%
Core Plus	28.02%	27.84%	27.82%	29.98%	31.87%	31.73%	36.83%
High Yield	1.49%	1.48%	1.54%	4.69%	9.34%	9.52%	7.18%
Opportunistic	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Bank Loans	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Hedge Fund	0.00%	0.00%	12.58%	23.11%	31.01%	13.13%	0.00%
Emerging Markets Debt	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Emerging Markets	0.00%	0.00%	0.00%	9.65%	9.41%	9.35%	8.05%
Intl Large Cap Equity	18.81%	23.29%	22.39%	24.69%	24.94%	25.45%	27.13%
Intl Small Cap Equity	0.00%	0.00%	0.00%	8.70%	9.38%	9.78%	10.34%
Private Equity*	10.17%	4.91%	6.33%	15.31%	16.56%	26.48%	29.68%
Real Estate*	2.70%	4.34%	4.36%	3.46%	6.12%	7.63%	12.23%
Agriculture	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Timber	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Cash	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Public Real Assets							0.00%
Fund AUM	\$24,831	\$27,887	\$33,126	\$34,588	\$34,270	\$36,274	\$41,095

**Private Equity and Real Estate Values based on commitment amounts*

Assets Managed By MWDBE Firms (\$in millions)	2011	2012	2013	2014	2015	2016	2017
Large Cap Equity	\$1,105.30	\$1,279.84	\$1,462.57	\$1,092.38	\$1,008.67	\$862.69	\$0.00
Micro Cap Equity	\$80.10	\$96.00	\$145.52	\$142.00	\$116.99	\$277.15	\$132.74
Mid Cap Equity	\$35.50	\$43.17	\$32.22	\$0.00	\$0.00	\$0.00	\$0.00
Small Cap Equity	\$260.10	\$253.10	\$415.43	\$381.12	\$309.58	\$213.88	\$230.51
SMID Cap Equity	\$36.30	\$44.45	\$29.58	\$0.00	\$0.00	\$0.00	\$0.00
Core Fixed	\$1,221.0	\$1,300.02	\$1,279.90	\$1,380.54	\$1,684.95	\$1,973.02	\$2,611.85
Core Plus	\$955.01	\$1,021.40	\$1,007.29	\$1,200.48	\$1,270.77	\$1,291.06	\$1,326.95
High Yield	\$13.60	\$15.60	\$17.25	\$30.02	\$58.51	\$65.29	\$48.74
Opportunistic	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Bank Loans	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Hedge Fund	\$0.00	\$0.00	\$67.53	\$131.98	\$151.38	\$11.07	\$0.00
Emerging Markets Debt	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Emerging Markets	\$0.00	\$0.00	\$0.00	\$68.51	\$56.55	\$62.76	\$71.59
Intl Large Cap Equity	\$784.50	\$1,128.64	\$1,340.07	\$1,439.01	\$1,421.06	\$1,439.50	\$1,886.11
Intl Small Cap Equity	\$0.00	\$0.00	\$0.00	\$37.35	\$43.36	\$44.69	\$64.08
Private Equity*	\$50.0	\$60.83	\$83.43	\$266.97	\$298.97	\$579.11	\$739.48
Real Estate*	\$21.49	\$47.80	\$72.22	\$62.33	\$162.33	\$217.33	\$450.33
Agriculture	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Timber	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Cash	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Public Real Assets							\$0.00
Fund AUM	\$24,831	\$27,887	\$33,126	\$34,588	\$34,270	\$36,274	\$41,095

*Private Equity and Real Estate Values based on commitment amounts

III. Table #3: Brokerage

TABLE #3: BROKERAGE								
<p>The special committee recognizes that not all funds/systems invest in the same assets classes and/or have completed FY 18. Therefore, please change the assets classes and years below as you see fit while maintaining the overall format of the table.</p>								
UTILIZATION GOALS								
	2011	2012	2013	2014	2015	2016	2017	Thru 6/2018
US Equities	20.00%	20.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%
US Micro Cap Equities	5.00%	5.00%	7.00%	7.00%	7.00%	7.00%	7.00%	10.00%
International Equities	20.00%	20.00%	20.00%	20.00%	20.00%	20.00%	20.00%	20.00%
International Small Cap Equities	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
Emerging Markets Equities	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
Fixed Income	20.00%	20.00%	22.00%	22.00%	22.00%	22.00%	22.00%	22.00%
High Yield Bonds	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
Emerging Market Debt (added 12/2015)					Best Efforts			
Bank Loans (added 12/2015)					Best Efforts			
Opportunistic Strategies (added 12/2015)					Best Efforts			
Hedge Funds (added 12/2015 and removed 01/2017)					Best Efforts			
US Large Cap Equities (added 02/2016)						30.00%	30.00%	30.00%
Global Listed Infrastructure (added 3/2018)								20.00%

DOMESTIC EQUITY								
% of Commissions Paid to MWBE								
	2011	2012	2013	2014	2015	2016	2017	06/2018
African-American	12.48%	8.83%	10.03%	11.23%	12.18%	12.59%	8.43%	8.59%
Latino(a)	7.03%	5.34%	4.04%	2.23%	1.74%	4.35%	3.92%	2.62%
Asian-American	0.62%	0.75%	0.78%	1.68%	0.87%	0.00%	0.00%	0.00%
Female	6.88%	8.53%	7.31%	8.80%	10.90%	10.59%	9.13%	7.50%
Other	0.74%	3.59%	7.02%	7.61%	5.36%	2.22%	8.66%	8.95%
IL Based	13.94%	10.36%	7.66%	7.01%	9.38%	12.46%	5.68%	5.84%

Commissions Paid to MWBE								
	2011	2012	2013	2014	2015	2016	2017	06/2018
African-American	\$903,807	\$539,808	\$774,166	\$759,606	\$816,571	\$648,312	\$520,828	\$384,280
Latino(a)	\$508,913	\$326,696	\$312,101	150,821	116,572	224,024	\$241,768	\$117,142
Asian-American	\$45,251	\$45,760	\$60,302	\$113,892	\$58,509	\$0	\$0	\$0
Female	\$498,273	\$521,392	\$564,304	\$594,989	\$730,616	\$545,338	\$564,042	\$335,712
Other	\$53,278	\$219,551	\$541,971	\$515,080	\$359,396	\$114,226	\$534,765	\$400,231
IL Based	\$916,624	\$633,287	\$591,753	\$473,933	\$530,608	\$641,674	\$350,562	\$261,348

INTERNATIONAL EQUITY								
% of Commissions Paid to MWBE								
	2011	2012	2013	2014	2015	2016	2017	06/2018
African-American	10.37%	6.58%	6.34%	6.63%	5.73%	7.74%	7.00%	6.17%
Latino(a)	5.61%	8.30%	7.77%	4.20%	4.08%	1.72%	3.94%	8.17%
Asian-American	3.73%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Female	1.87%	1.86%	7.03%	9.21%	12.46%	13.23%	8.84%	9.58%
Other	0.10%	0.02%	0.13%	0.40%	0.50%	1.48%	4.06%	3.18%
IL Based	15.50%	9.61%	12.70%	10.21%	13.46%	20.23%	12.52%	11.88%

Commissions Paid to MWBE								
	2011	2012	2013	2014	2015	2016	2017	06/2018
African-American	\$617,397	\$301,568	\$300,615	\$346,592	\$269,113	\$416,621	\$328,820	\$153,696
Latino(a)	\$333,637	\$380,413	\$368,167	\$219,749	\$191,840	\$92,370	\$184,923	\$203,405
Asian-American	\$221,926	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Female	\$111,275	\$85,138	\$333,275	\$482,003	\$585,619	\$712,728	\$415,246	\$238,698
Other	\$6,005	\$908	\$5,927	\$20,795	\$23,560	\$79,873	\$190,630	\$79,219
IL Based	\$921,380	\$440,792	\$602,101	\$534,089	\$632,271	\$1,089,350	\$587,903	\$295,868

FIXED INCOME								
% of Commissions Paid to MWBE								
	2011	2012	2013	2014	2015	2016	2017	06/2018
African-American	21.80%	19.36%	20.46%	14.79%	22.84%	6.60%	3.36%	2.78%
Latino(a)	0.50%	0.66%	0.63%	0.35%	2.30%	1.21%	1.37%	1.05%
Asian-American	0.89%	0.07%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Female	6.10%	1.30%	0.69%	0.14%	0.71%	0.31%	0.34%	0.18%
Other	0.08%	0.08%	0.25%	0.07%	1.15%	1.48%	1.33%	0.66%
IL Based	13.37%	10.24%	10.42%	6.70%	10.06%	4.20%	2.24%	1.52%

Par Volume Traded with MWBE (in millions)								
	2011	2012	2013	2014	2015	2016	2017	06/2018
African-American	21,208.82	17,297.60	19,818.46	8,118.96	7,645.75	5,531.33	3,087.64	1,150.44
Latino(a)	226.61	139.92	88.86	191.49	281.34	1,015.52	1,254.53	436.53
Asian-American	274.20	17.80	0.00	0.00	0.00	0.00	0.00	0.00
Female	358.29	261.93	169.66	76.00	43.44	260.85	316.72	73.82
Other	11.57	1.78	215.48	38.79	108.64	1,244.91	1,220.76	271.79
IL Based	14,187.58	9,016.34	9,677.59	3,675.86	3,276.69	3,522.27	2,054.78	629.73

IV. IMRF Statement of Investment Policy

STATEMENT OF INVESTMENT POLICY

Amended: March 1, 2018

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.

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

www.imrf.org



I.	Introduction and Purpose.....	48
A.	About IMRF	48
B.	Legal Authority	48
C.	Investment Philosophy	49
D.	Roles and Responsibilities	49
1.	Board of Trustees.....	50
2.	Investment Staff.....	51
3.	Investment Managers	52
4.	Investment and Performance Consultants	54
II.	Investment Objectives and Goals	55
A.	Investment Objectives	55
B.	Aspirational Goals: Emerging Investment Managers and Investment Advisors	56
C.	Emerging Investment Manager Utilization	56
D.	Minority Investment Manager Utilization	57
E.	Investments in Illinois Businesses.....	58
F.	Minority Broker/Dealer Utilization	59
G.	Policy Regarding Minority Owned Business Utilization Disclosures.....	61
H.	Policy Regarding Consultants’ Searches and Inclusion, Recommendation, Selection and Investments made with Minority, Women and Disabled Owned Firms	61
I.	Policy Regarding Consultants’ Disclosures of Compensation and Economic Opportunity received from Investment Advisors Retained by the Fund and Recommended by the Consultant	62
J.	Policy Regarding the Illinois High Risk Home Loan Act	63
III.	Asset Allocation	63
IV.	Benchmarks	65
V.	Investment Guidelines.....	66
A.	Domestic Equity Securities	66
B.	International Equity Securities	67
C.	Fixed Income Securities	67
D.	Real Estate Investments	68
E.	Alternative Investments.....	68
F.	Permissible Investments.....	69
G.	Stock Distributions	70
VI.	Transition Management	70
VII.	Risk Management	70

VIII. Selection of Investment Managers and Consultants	72
IX. Public Access to Records	79
APPENDIX.....	80
A. Proxy Voting Policy.....	81
B. Securities Lending Policy.....	89
C. Securities Litigation Policy	95
D. Procedures for Amending Policy Statement.....	97
E. Annual Certification Process	98
F. Illinois High Risk Home Loan Act Certification of Compliance	99
G. Disclosures per Illinois Pension Code Section 1-113.21	100
H. Disclosures per Illinois Pension Code Section 1-113.22 and 1-113.23 103	
I. Definitions	105

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 approximately 3,000 employers and approximately 411,000 members and annuitants. 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:

- 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 will be reexamined at least annually to ensure its appropriateness to capital market conditions and 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 investments, those that closely replicate an index, 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 of investment managers is critical 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.

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

- On an annual basis, review and recommend to the 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 contracts and related documents with investment managers, consultants, service providers and master trustee in conjunction with general counsel and external counsel where appropriate.
- Implement investment manager guideline changes as deemed appropriate. All guideline changes must be approved by the CIO.
- Monitor and report to the Board of Trustees annually 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, consultants and other service providers.

3. Investment Managers

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

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

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

- All investment managers will construct and manage investment portfolios that are consistent with IMRF's investment guidelines. The investment manager will select, buy and sell specific securities or investments within the parameters specified by their investment management agreement with IMRF.
- In the selection of broker-dealers, the primary objective of the investment manager is 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; (4) the research and other services provided by such broker-dealer; and (5) satisfy IMRF's goals for utilization of minority broker-dealers. The investment manager's selection of such broker-dealers shall be in accordance with Article 1 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.

- Public market investment managers will report to the Fund monthly. Public markets investment managers will generally 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
 - legal and regulatory issues
 - organizational and personnel developments
 - assets under management
- Private market investment managers will provide periodic financial statements and other reports as specified in their investment agreements with IMRF.
- The public market investment managers will report to the Fund monthly on the use of minority and women 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 Consultants 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.
- Serve as a resource to Staff by analyzing and making recommendations with respect to the IMRF Statement of Investment Policy, the investment plan and each investment manager's strategy.
- In conjunction with the CIO, conduct an annual asset allocation review with the Board of Trustees considering the appropriate investment horizon for the Fund given its actuarial characteristics.
- Assist staff and the Board of Trustees in setting and implementing the asset allocation.
- Evaluate investment manager candidates using non-discriminatory practices¹ when engaged by IMRF for a RFP search.

¹ *When conducting a search for a new investment manager, the Board of Trustees requires that all minority owned, women owned businesses and businesses owned by a person with a disability enterprise investment management firms evaluated during the search process be specifically identified in the search report presented to them. The most qualified minority candidate(s) will be invited to present to the Investment Committee of the Board or the Board of Trustees. Any reasons for eliminating a minority candidate(s) from further consideration must also be provided in the report*

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 appropriate peer universes.

II. Investment Objectives and Goals

A. Investment Objectives

All investment actions 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:

- 37% Russell 3000 Index
- 28% Bloomberg Barclays U.S. Aggregate Bond Index
- 18% Morgan Stanley Capital International All Country World Index ex-US
- 9% National Council of Real Estate Investment Fiduciaries Open-End Diversified Core Index
- 7% 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 two 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, women and persons with disabilities for at least 20% of the total Fund's assets under management.

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 and events,
- to launch targeted RFP's that specifically focus on emerging and/or minority owned firms,
- 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. Job descriptions for key staff reflect IMRF's commitment to diversity and 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," "women owned business" or "business owned by a person with a disability" as defined in the Business Enterprise for Minorities, Women, and Persons with Disabilities Act.

Emerging Investment Management firms must be 51% or more owned by individuals that are minorities, women 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:
[\(30 ILCS 575/\) Business Enterprise for Minorities, Women, and Persons with Disabilities Act.](#)

The Illinois Municipal Retirement Fund Board of Trustees has adopted 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 Fund Market Value</u>
Minority Owned Businesses	13%
Women 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	25%
Real Estate*	4%
Private Equity*	10%
Timberland	Best Efforts
Agriculture	Best Efforts

* based on committed amounts

**D. Minority Investment Manager Utilization
(In Compliance with Section 1-109.1 (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,” “women owned business” or “business owned by a person with a disability” as defined in the Business Enterprise for Minorities, Women, and Persons with Disabilities Act.

Minority Investment Management firms must be 51% or more owned by individuals that are minorities, women 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:

[\(30 ILCS 575/\) Business Enterprise for Minorities, Women, and Persons with Disabilities Act.](#)

The Illinois Municipal Retirement Fund Board of Trustees has adopted separate goals for: (i) minority investment managers that are minority owned businesses; (ii) minority investment managers that are women 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 Fund Market Value</u>
Minority Owned Businesses	13%
Women 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	25%
Real Estate*	8%
Private Equity*	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. This excludes Transition Manager assignments.

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 the following factors:

8. satisfy IMRF's goals for utilization of minority broker-dealers;
9. price and/or commission;
10. the broker-dealer's facilities, reliability and financial responsibility;
11. 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;
12. the research provided by such broker-dealer to the investment manager which is expected to enhance general portfolio management capabilities, notwithstanding the fact that the Fund may not be the direct or exclusive beneficiary of such services and;
13. with the exception of investment-related research reports, soft dollar commissions may not be generated in order to satisfy, directly and/or indirectly, payment for any other services such as vendor fees, administrative expenses, and/or other externally sourced amenities.*

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.).

**IMRF may allow current investment managers a limited transition period to effectuate this guideline change.*

Minority Broker/Dealer Utilization Goal

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

The minimum expectations for the utilization of minority broker/dealers are based on commission dollars for Equities and par value for Fixed Income. Investment managers of separately managed investment portfolios, in the following asset classes, must meet the minimum goals:

<u>Asset Class</u>	<u>2017 Minimum Goal</u>
U.S. Equities	25%
U.S. Large-Cap Equities	30%
U.S. Micro-Cap Equities	10%
International Equities	20%
Global Listed Infrastructure	20%
Fixed Income	22%
High-Yield Bonds	5%
International Small-Cap Equities	5%
Emerging Market Equities	5%
Emerging Market Debt	Best Efforts
Bank Loans	Best Efforts
Opportunistic Strategies	Best Efforts

Note: This broker/dealer utilization goal will be reviewed annually. IMRF may allow current investment managers a limited transition period when minority 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 minority broker/dealers. Efforts will be evaluated during semi-annual portfolio review meetings.

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 minority 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.

Transition managers are expected to meet or exceed IMRF's current minority brokerage goals.

Staff will report to the Board of Trustees annually on the utilization of minority broker/dealers. Investment managers not meeting the minority broker/dealer utilization goal will be identified in the report. An investment manager's ability to meet a minority brokerage goal is an integral part of the manager monitoring process. Consequences for not meeting IMRF's minority brokerage goals are situation specific and range from increased monitoring, placement on watch list, asset reduction, termination, and exclusion from receiving additional allocations/mandates.

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 women, 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 women 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 women 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 women, and (iii) a person with a disability.

H. Policy Regarding Consultants' Searches and Inclusion, Recommendation, Selection and Investments made with Minority, Women and Disabled Owned Firms (In Compliance with Section 1-113.22 of the Illinois Pension Code) (See Appendix H for Disclosure Form)

The Illinois Municipal Retirement Fund requires the following disclosures from its consultant(s) annually. Current consultant(s) are required to provide the disclosures by January 1st. Furthermore, the IMRF Board of Trustees will not hire a consultant(s) without the following disclosures.

6. Firm wide the total number of searches for investment services made by the consultant in the prior calendar year.
7. Firm wide the total number of searches for investment services made by the consultant in the prior calendar year that included a minority owned business, a women owned business or a business owned by a person with a disability.
8. The total number of searches for investment services made by the consultant in the prior calendar year in which the consultant recommended for selection a minority owned business, a women owned business, or a business owned by a person with a disability.
9. The total number of searches for investment services made by the consultant in the prior calendar year that resulted in the selection of a minority owned business, a women owned business or a business owned by a person with a disability.
10. The total dollar amount of investments made in the previous calendar year with a minority owned business, a women owned business or a business owned by a person with a disability that was selected after a search for investment services performed by the consultant.

I. Policy Regarding Consultants' Disclosures of Compensation and Economic Opportunity received from Investment Advisors Retained by the Fund and Recommended by the Consultant (In Compliance with Section 1-113.23 of the Illinois Pension Code) (See Appendix H for Disclosure Form)

The Illinois Municipal Retirement Fund requires the following disclosures from its consultant(s) annually. For consultant led RFP searches, the IMRF Board of Trustees will not hire an investment advisor that is recommended for selection by the consultant without the following disclosures. Current consultant(s) are required to provide the disclosures by January 1st. Furthermore, the IMRF Board of Trustees will not hire a consultant(s) without the following disclosures.

3. Consultant(s) are required to disclose all compensation and economic opportunity received in the last 24 months from investment advisors retained by the IMRF Board of Trustees.
4. Prior to the IMRF Board of Trustees selecting an investment advisor, the consultant(s) are required to disclose any compensation or economic opportunity received in the last 24 months from an investment advisor that is recommended for selection by the consultant.

J. 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 and risk. Allocating across multiple asset classes with different characteristics mitigates the risk of any single asset type. Historically, no single asset type has provided consistent superior long-term performance in all market environments. A well-diversified approach, including consideration of macro and

fundamental risk factors, positions the portfolio to produce more consistent results over time and is expected to generate superior long-term returns.

The Fund's liabilities are long term in nature and the investment strategy will therefore be long term oriented 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.

<u>Asset Class</u>	<u>Asset Allocation Targets</u>	<u>Asset Class Ranges</u>	<u>Policy Benchmark Index</u>
Domestic Equities	37%	33% - 41%	Russell 3000
International Equities	18%	14% - 22%	MSCI ACWI Ex-U.S. Index
Fixed Income	28%	24% - 32%	Bloomberg Barclays U.S. Aggregate Index
Real Estate	9%	5% - 13%	NCREIF ODCE
Alternative Investments	7%	3% - 11%	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

- A.** The Board seeks to achieve for the total Fund a rate of return in excess of the Total Fund Benchmark. Each asset class and sub-asset class is measured against a benchmark that describes the opportunity set, return and risk characteristics associated with each asset class. For certain private asset classes the benchmark serves as a proxy for expected return. 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:

- 37% Russell 3000 Index
 - 28% Bloomberg Barclays U.S. Aggregate Bond Index
 - 18% Morgan Stanley Capital International All Country World Index ex-US
 - 9% National Council of Real Estate Investment Fiduciaries Open-End Diversified Core Index
 - 7% of the 9% Annual Alternatives Benchmark
 - 1% 3-month Treasury Bills
- B.** 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.
- C.** 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.
- D.** IMRF invests in fixed income to provide stable income and to diversify the equity 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 Bloomberg Barclays U.S. Aggregate Bond Index net of fees.
- E.** 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.

- F.** 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%.
- G.** 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 Bloomberg Barclays U.S. 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 investment objective is 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 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 or debt 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. Permissible Investments

Permissible 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
- Exchange Traded Funds
- Exchange Traded Futures
- Publicly Listed Equity Securities

G. Stock Distributions

From time to time, IMRF will receive listed and unlisted stock distributions from private market portfolios. Stock distributions will either be transferred to an IMRF account or liquidated as deemed appropriate by the CIO. Our objective for liquidations is to achieve an orderly disposition of the securities in a manner that is accretive to the Fund in an appropriate timeframe based on existing market conditions. The CIO will determine the appropriate execution plan including but not limited to IMRF's master trustee, investment managers, transition managers, distributing agent, or brokers.

VI. Transition Management

IMRF has established a transition management pool/bench of providers which includes minority and non-minority owned firms. In addition, as part of its custodial arrangement, IMRF has an ongoing contract with its master trustee for transition management services.

When the need for transition management services arises, IMRF seeks bids from the pool of transition management providers. The selection of the actual transition manager to effectuate the transition event is largely dependent on:

- Reasonableness of proposed strategy given market dynamics and portfolio characteristics
- Total cost analysis
- Specialty considerations
- Liquidity advantage

Transition managers are expected to meet or exceed IMRF's minority brokerage goals.

VII. Risk Management

The IMRF has established a framework for monitoring total fund level risk and manager allocations. Both the Public and Private Markets teams work in conjunction with the master trustee, consultant, and investment managers to help mitigate firm-level to portfolio-level related risks. Monitoring activities of the public markets portfolio, private markets portfolio, and cash account are summarized below.

Public Markets

- A.** Staff and Consultant monitor the asset allocation of the fund on a monthly basis. If deemed necessary by the Chief Investment Officer, recommendations for rebalancing strategies will be presented to the Board for their approval.
- B.** No firm shall manage more than 10% of the total fund for actively managed accounts and 30% for passively managed accounts. Exceptions may be approved by the Chief Investment Officer. Firms exceeding these maximums may be identified as candidates for cash withdrawals to make benefit payments or to fund private markets investments.
- C.** Staff conducts portfolio reviews with each manager at least twice per year. Staff and Consultant may meet with managers more often as needed.

Managers may be placed on IMRF's Manager Monitoring-Organization list when there is concern regarding firm, team, product, or assets under management.

Total fund, asset class and individual manager performance is monitored by Staff and consultant on a monthly basis. Managers may be placed on IMRF's Manager Monitoring – Performance List when there is a concern regarding underperformance.

- D.** Bloomberg portfolio analytic software is utilized for weekly performance attribution of separate account mandates and reported at weekly Staff meetings. Discussions center on portfolio characteristics, performance and stylistic attribution such as; sector/industry/regional allocation, security selection and currency effects.
- E.** Investment manager guideline compliance is monitored by Investment Staff each month. Investment managers that violate their investment management guidelines are required to provide a written explanation detailing the cause of the violation and actions being taken to bring the portfolio into compliance. The Chief Investment Officer is notified of all portfolio violations on a monthly basis. Consequences for violating investment management guidelines include: increased portfolio monitoring, placement on watch list, and termination.
- F.** IMRF's investment managers that are registered investment advisors are required to provide Form ADV as part of the annual certification request. All ADV's are reviewed by Staff.

Private Markets

- A.** The maximum commitment to any alternatives manager shall be 40% of the total alternative portfolio market value plus unfunded commitments at the time of the investment recommendation.
- B.** Staff conducts portfolio reviews with each manager at least twice per year. Staff and Consultant may meet with managers more often as needed.
- C.** Staff reviews all quarterly reports and annual audited financial statements. Managers may be monitored more closely if necessary.
- D.** IMRF's investment managers that are registered investment advisors are required to provide Form ADV as part of the annual certification request. All ADV's are reviewed by Staff.

Cash Flow Activity

- A.** Master trustee reports are utilized to monitor all manager transactions on a daily basis. Staff follows up with the master trustee for any unusual activity.
- B.** The cash flow account for the total fund is reconciled daily. Staff follows up with the master trustee when any unexpected transactions are identified.

Master Trustee

- A.** Staff reviews the master trustee's Service Organization Control (SOC 1) report twice per year.

VIII. Selection of Investment Managers and Consultants

B. Policy for Selection of Investment Managers

9. Purpose

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

10. Philosophy

The Board recognizes the availability of qualified minority, women, and person with a disability owned business enterprises.

It is the policy of the Board to include qualified minority managers in the selection process and to objectively evaluate all qualified

investment manager candidates regardless of race, gender or disability.

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.

11. 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) a Request for Proposal (RFP) shall be prepared. The search will be advertised in the State newspaper 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 and/or transition management firm pending a decision for final disposition by the Board.

12. 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:

- (j)** Introduction and Goal of the RFP
- (k)** Background Information on IMRF
- (l)** Services to be Performed
- (m)** Qualifications for the Assignment
- (n)** Specifications for the Assignment

- (o) Requirements and Instructions for RFP Completion
- (p) General Terms and Conditions of the Contract Including Performance Review Criteria
- (q) Selection Process and Criteria
- (r) Projected Timeline for Completion of the Manager Search

13. 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 Executive Director or the contact identified in the RFP.

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 the RFP team for information related to the search.

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

14. Selection Process

For searches when a consultant is retained, Staff and consultant will work jointly. Staff 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 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 will make a recommendation to the Board or the Investment Committee of the Board. The Board will consider the recommendation from Staff 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:

- (e) **People** - stability of the organization, ownership structure, diversity efforts and documented experience of key professionals
- (f) **Process** - clearly defined, reasonable and repeatable investment strategy
- (g) **Performance** - documented ability to meet investment performance benchmarks
- (h) **Pricing** - fee schedule and associated costs

Staff and consultant are required to identify all minority and women owned firms and firms owned by a person with a disability in the report presented to the Investment Committee. The most qualified minority 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.

15. 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.

16. Website Postings required by 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.

C. 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 investment consultants that are fiduciaries with respect to the services they provide 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 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 conducted every 5 years as required by Section 1-113.14 of the Illinois Pension Code.

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 Executive Director, or the contact identified in the RFP.

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 the RFP team 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, and diversity efforts.
- (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 women 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 Section 1-113.14 of the Illinois Pension Code.

IX. 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.

APPENDIX

A. 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 proxies for IMRF’s domestic accounts 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. To the extent that IMRF’s Proxy Voting Guidelines are silent on an issue or are subject to interpretation, the votes default to the recommendations of our third party proxy advisor based on the advisor’s policy. The IMRF Investment Staff retains the ability to override the proxy advisor’s recommendations or manually vote any proxy at all times.

The responsibility for voting proxies for IMRF’s international and global accounts is delegated to IMRF’s respective investment managers for these mandates. The investment manager must vote, or have its delegate vote, in accordance with the IMRF proxy voting policy. To the extent that Proxy Voting Guidelines are silent on an issue or are subject to interpretation on a matter put to a shareholder vote, the Investment Manager will use reasonable judgement as a fiduciary to IMRF and determine how to vote or not to vote the proxy. The Investment Manager will handle elective corporate actions with respect to the issuers of securities in which the assets held by the master trustee are invested in accordance with its reasonable judgement 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.

Privately held companies are not covered by IMRF's third party proxy voting advisor's research. When these exceptions arise, Staff will review the proposals, company recommendations and consult with the investment advisors that hold the stock 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 carve-out 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 amend company's bylaws, without shareholder approval, that diminish shareholder rights
- 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. Proxy Access

IMRF believes that companies should allow shareholder access to the director nomination process and to the company's proxy statement. Therefore, IMRF will vote favorably when all of the following provisions are met:

1. Ownership threshold: Shareholders with at least three percent (3%) of the voting power;
2. Ownership duration: At least three (3) years of continuous ownership for each member of the nominating group;
3. Aggregation: A minimum of 15 shareholders are required to form a nominating group;
4. Cap on Nominees: Nominating group will not exceed twenty-five percent (25%) of the board.

C. 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)

D. Board Diversity

IMRF believes that increasing diversity in the boardroom enhances shareholder value. Therefore, IMRF will vote in favor of:

1. Generally vote for request for reports on company's efforts to diversify the board

IMRF will not vote in favor of:

1. Individual directors (except new nominees) who: Serve as members of the nominating committee and have failed to establish gender and/or racial diversity on the board. If the company does not have a formal nominating committee, vote against/withhold votes from the entire board of directors

E. Equal Opportunity

IMRF recognizes the importance of gender and ethnic diversity. IMRF will vote in favor of proposals requesting a company to disclose its diversity policies or initiatives, or proposals requesting disclosure of a

company's comprehensive workforce diversity data, including requests for EEO-1 data.

F. 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)

G. 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

H. 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.

I. 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.

J. 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.

K. 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, IMRF will abstain from voting on such proposals.

B. Securities Lending Policy

Purpose

The IMRF Board recognizes that a risk-adjusted securities lending program 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. The Policy applies to the lending of publicly traded securities for which IMRF is the beneficial owner. The Policy does not apply to securities held in commingled investments, which are not held solely by IMRF.

Objectives

The objectives of the securities lending program are to:

- Generate income from lending the Fund's securities to qualified borrowers
- Ensure that income generated from securities lending is sufficient to justify the risks associated with counterparty borrowers, the investment of cash collateral received and the acceptance of non-cash collateral
- Minimize risk to a reasonable and acceptable level with respect to both the broker/borrower, the collateral received, and the reinvestment of cash 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 (i.e. loaned) 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 (i.e. loaned) 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. Monitor IMRF's daily pro-rata share of the cash collateral reinvestment vehicle.
6. Ensure that all income and fees directly attributable to the securities lending program are posted to the Fund's cash flow account.
7. 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 volume 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 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 single 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 single 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.

C. 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.

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, which may include "loser pays" jurisdictions, will be made by the Chief Investment Officer in conjunction with the General Counsel, Public Markets Investment Officer, and Executive Director.

On an annual basis, Staff will meet with the master trustee to review the class action processing program. Staff also reviews the master trustee's semi-annual Service Organization Control (SOC 1) Report.

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. However, IMRF does not have the staff resources to serve as lead plaintiff. Therefore, absent extraordinary circumstances, IMRF will not apply to be lead plaintiff.
 - (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.

D. 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.

E. Annual Certification Process

Annual Requests for Required Certifications, Equal Employment Opportunity Commission (EEOC) Statistics and ADV Forms will be sent to all entities (except partnership agreements where information is previously provided in a side letter) providing investment management/advisory and master trust services to the Illinois Municipal Retirement Fund (IMRF).

Public Market Investment Managers and Investment Consultants will provide the following items:

- High Risk Home Loan Act Requirements
 - Illinois Finance Entity Certification (Required)
 - IMRF Certification of Compliance – Illinois High Risk Home Loan Act (If Applicable)
- Disclosure of Fees, Commissions, Penalties and Other Compensation Certification
- IMRF Disclosure Schedule Certification
- Minority, Women, and Person with a Disability Owned Business Certification
- EEOC Diversity Profile Template
- Outstanding ADV Forms – if not previously provided by the investment entity

Private Market Investment Managers will provide the following items:

- EEOC Diversity Profile Template
- Form PF
- Outstanding ADV Forms – if not previously provided by the investment entity.

The master trustee will provide all information requested from the Public Market Investment Managers and Investment Consultants EXCEPT ADV Forms (as they are not applicable).”

Appendix F

F. Illinois High Risk Home Loan Act Certification of Compliance

Illinois Municipal Retirement Fund

Certification of Compliance

Illinois High Risk Home Loan Act

I, _____, serving in the capacity of _____, on this _____ day of _____, 2018, 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 _____, 2018.

_____)

Notary

My Commission Expires: _____)

(Seal)

(Firm)

State of _____)

County of _____)

G. Disclosures per Illinois Pension Code Section 1-113.21



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. Please complete items numbered 1, 2 and 3.

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

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 woman, and (iii) a person with a disability¹.

[A numerical value must be entered in each box. If this information is not available or your firm does not track, enter 0.]

Staff Classification	Number of Investment and Senior Staff Who Are	% Percentage of Investment and Senior Staff Who Are
Minority person		%
Woman		%
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 women owned business, or (iii) a business owned by a person with a disability¹.

[A numerical value must be entered in each box. If this information is not available or your firm does not track, enter 0.]

Business Classification	Number of Contracts
Minority owned business	
Women owned business	
Business owned by a person with a disability	

3. 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 women 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 woman, and (iii) a person with a disability¹.

[A numerical value must be entered in each box. If this information is not available or your firm does not track, enter 0.]

Classification of Person Performing Services at Majority owned firm	Number of Contracts
Minority person	
Woman	
Person with a Disability	

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

Illinois Public Act 98-1022 website:

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

[Business Enterprise for Minorities, Women and Persons with Disabilities Act](#)

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

¹Definitions 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 as defined in the Business Enterprise for Minorities, Women, and Persons with Disabilities Act.

"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.

"Women owned business" means a business concern which is at least 51% owned by one or more women, or, in the case of a corporation, at least 51% of the stock in which is owned by one or more women; and the management and daily business operations of which are controlled by one or more of the women 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".

Appendix H

H. Disclosures per Illinois Pension Code Section 1-113.22 and 1-113.23

Beginning January 1, 2018 and annually thereafter, section 1-113.22 of the Illinois Pension Code requires the following disclosures from the consultant:

Consultant Name: _____

1.	Firm wide, the total number of searches for investment services made by the consultant in the prior calendar year.	
2.	Firm wide, the total number of searches for investment services made by the consultant in the prior calendar year that included a minority owned business, a women owned business or a business owned by a person with a disability.	
3.	The total number of searches for investment services made by the consultant in the prior calendar year in which the consultant recommended for selection a minority owned business, a women owned business, or a business owned by a person with a disability.	
4.	The total number of searches for investment services made by the consultant in the prior calendar year that resulted in the selection of a minority owned business, a women owned business or a business owned by a person with a disability.	
5.	The total dollar amount of investments made in the previous calendar year with a minority owned business, a women owned business or a business owned by a person with a disability that was selected after a search for investment services performed by the consultant.	

Beginning January 1, 2018 and annually thereafter, section 1-113.23 of the Illinois Pension Code requires the following disclosures from the consultant:

1. Consultant(s) are required to disclose all compensation and economic opportunity received in the last 24 months from investment advisors retained by the IMRF Board of Trustees.

2. Prior to the IMRF Board of Trustees selecting an investment advisor, the consultant(s) are required to disclose any compensation or economic

opportunity received in the last 24 months from an investment advisor that is recommended for selection by the consultant.

Consultant
Company Name:
Signature:
Printed Name:
Title:
Dated:

Illinois Public Act 100-0542 website:

<http://www.ilga.gov/legislation/publicacts/fulltext.asp?Name=100-0542>

Definitions per Illinois Law

"Compensation" means any money, thing of value, or economic benefit conferred on, or received by, a consultant in return for services rendered, or to be rendered, by himself, herself, or another.

"Economic opportunity" means any purchase, sale, lease, contract, option, or other transaction or arrangement involving property or services wherein a consultant may gain an economic benefit.

"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 as defined in the Business Enterprise for Minorities, Women, and Persons with Disabilities Act. The full text can be found at:

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

"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.

"Women owned business" means a business concern which is at least 51% owned by one or more women, or, in the case of a corporation, at least 51% of the stock in which is owned by one or more women; and the management and daily business operations of which are controlled by one or more of the women 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".

Appendix I

I. Definitions

Core Fixed Income: A fixed income portfolio which closely tracks the broad publicly traded fixed income market with a focus on current income generation and capital preservation. The most common benchmark for a Core Fixed Income portfolio is the Bloomberg Barclay's US Aggregate Index. Common metrics such as yield, duration, etc. are typically held 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. The most common benchmark for a Core Plus Fixed Income portfolio is the Bloomberg Barclay's US Aggregate Index. 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 seeks 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 (NPI): 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 institutions and 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, 2017, the NFI-ODCE was composed of 37 historical open-end commingled funds pursuing a core investment strategy, of which 23 are active.

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, Emerging-Market Debt, Private Debt, and Global Bank Loans. An opportunistic fixed income portfolio may also tactically allocate between various sectors of the fixed income market to generate alpha.

Public Real Assets: Refers to publicly traded equity and debt securities that exhibit inflation-hedging ability given their linkage to tangible assets and exposure to economic growth drivers, diversification benefits given their lower expected correlations to other asset classes, and income-generating potential given their focus on yield. Securities most common to this asset class include global real estate investment trusts (REIT), publicly listed infrastructure equity and debt securities, commodities, natural resource equities, Master Limited Partnerships (MLP), and U.S. Treasury inflation-protected securities (TIPS). Common benchmarks for each sub-sector include: FTSE EPRA/NAREIT Global index, S&P Global Infrastructure Index, S&P GSCI Index, S&P Global Natural Resources Index, Alerian MLP Index, and the Bloomberg Barclays U.S. TIPS Index, respectively.

Private Debt: Refers to non-publicly traded debt financing to small and mid-sized companies including but not limited to asset-backed investments, direct lending, distressed investments and bank portfolio liquidations. Private debt can either be alongside a bank with an existing senior secured loan, or in replacement of a bank in a single tranche with typically a higher commitment amount, higher leverage and additional covenants. Many of these loans may be in situations where the companies may not be able to obtain conventional bank financing.

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.

Private Infrastructure: Refers to investments in private companies and projects that provide the basic physical systems of a business or nation. Infrastructure is broadly categorized into four sectors including utilities and energy, transportation, renewables and waste and communications. Investments in private infrastructure are generally illiquid in nature with long-

term time horizons. Private infrastructure investments provide portfolio diversification, inflation hedging and long-term growth characteristics.