

# Illinois Municipal Retirement Fund

*Senate Committee on Pensions and Investments*

**Louis W. Kosiba**, *IMRF Executive Director*

**Dhvani Shah**, *IMRF Chief Investment Officer*

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

*August 12, 2016*



## IMRF's Open Door Policy

- IMRF has an open door policy for meeting with investment managers and broker/dealers
- Investment managers and broker/dealers do not need any third party referral to pursue opportunities from IMRF
- IMRF has a dedicated team that focuses on meeting with firms owned by minorities, females and persons with a disability
- In 2015, IMRF staff held 260 meetings with prospective managers. 63 meetings were with firms owned by minorities, females and persons with a disability
- As of July 2016, IMRF staff held 165 meetings with prospective managers. 40 meetings were with firms owned by minorities, females and persons with a disability

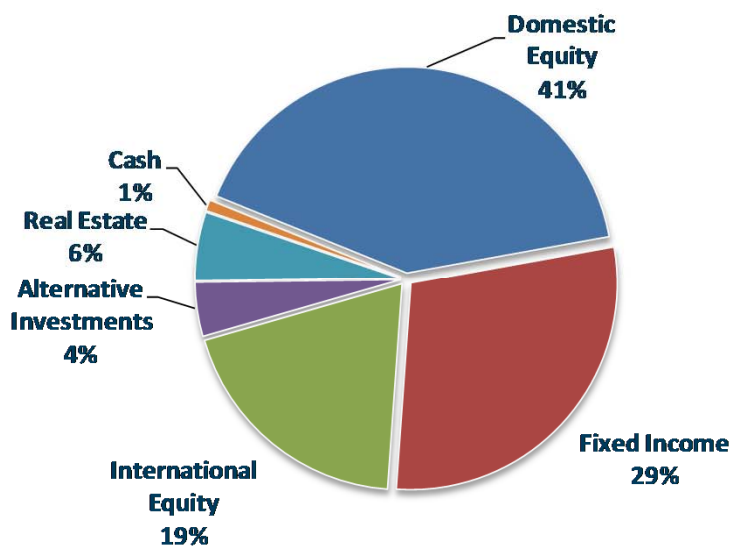
# Key Highlights Since November 2015 Hearing

- Adopted Aspirational Goal in IMRF's Investment Policy that 20% of assets will be managed by firms owned by minorities, females and persons with a disability
- Amended Statement of Investment Policy to include updated minority manager and broker/dealer goals
- Updated job descriptions for Executive Director, Chief Investment Officer, and Directors related to achieving the Aspirational Goal
- Hosted the National Association of Investment Companies (NAIC) and their members at IMRF offices
- Facilitated dialogue between minority brokers and IMRF's investment managers to expand trading opportunities across multiple product types
- Encouraged Wilshire to increase its emerging and minority manager efforts
  - Year to date, Wilshire's Manager Research team met with 100 emerging strategies, including 24 MWBE strategies.
  - In August, 12 MWBE firms participated in Wilshire Wide, a series of webinars for emerging firms to learn about Wilshire's internal research process and engage with senior investment professionals
- Participated in industry events such as PE WIN, NAA, ILPA, WIRE, Toigo, Progress, REEM, Consortium, and NASP

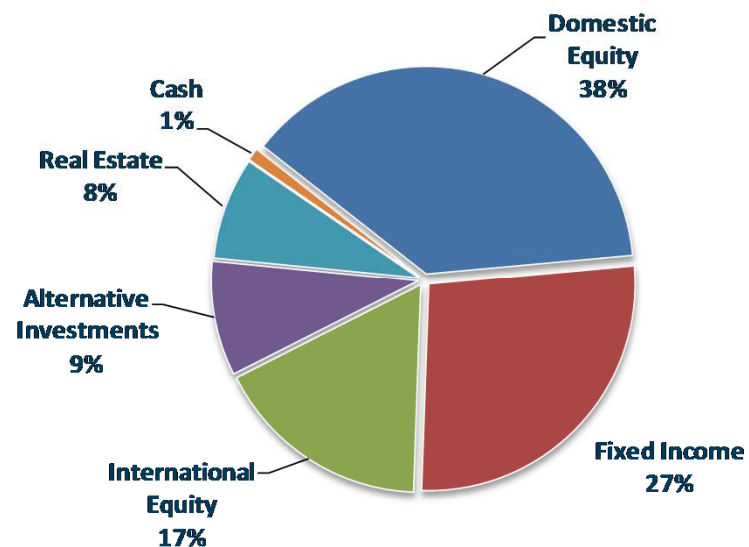
# How is the money invested?

As of March 31, 2016, IMRF's total market value was \$34.3 billion

### Actual Asset Allocation



### Target Asset Allocation



# How is the money invested?

As of March 31, 2016, IMRF's total market value was \$34.3 billion

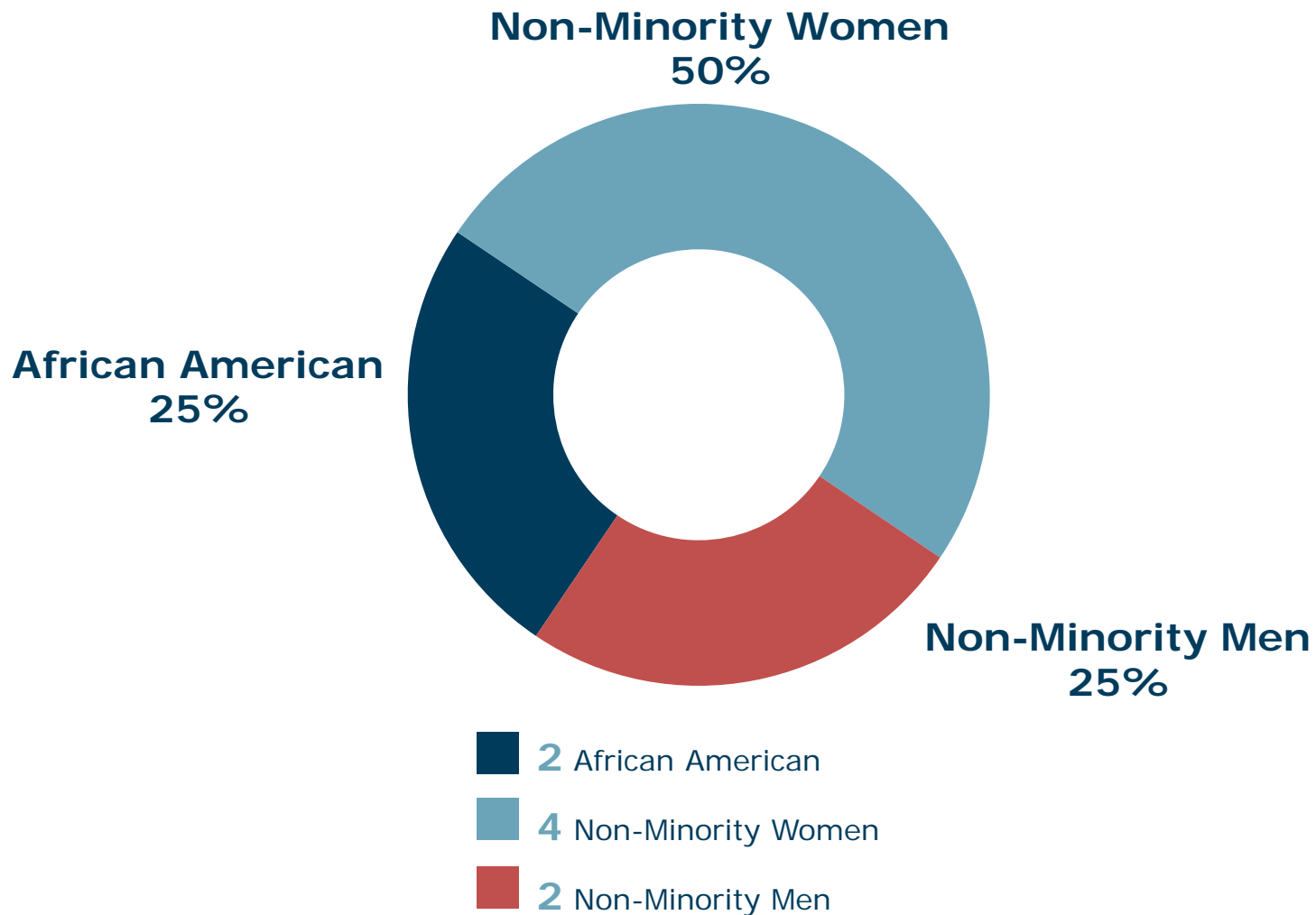
Asset Class	\$ Millions Actual	Percent Actual	Percent Target	Percent Difference	\$Millions Difference
Domestic Equity	14,095	41.0%	38.00%	3.0%	1,046.1
International Equity	6,667	19.4%	17.00%	2.4%	829.7
Fixed Income	9,950	29.0%	27.00%	2.0%	678.2
Real Estate <sup>1</sup>	1,866	5.4%	8.00%	(2.6%)	(881.0)
Alternative Investments <sup>2</sup>	1,461	4.3%	9.00%	(4.7%)	(1,629.8)
Cash	300	0.9%	1.00%	(0.1%)	(43.2)
<b>Total</b>	<b>34,339</b>	<b>100.0%</b>	<b>100.0%</b>		

<sup>1</sup> Including \$948 million in unfunded commitments, Real Estate represents 8.2% as of 5/31/2016.

<sup>2</sup> Including \$800 million in unfunded commitments, Alternatives represents 6.3% as of 5/31/2016.

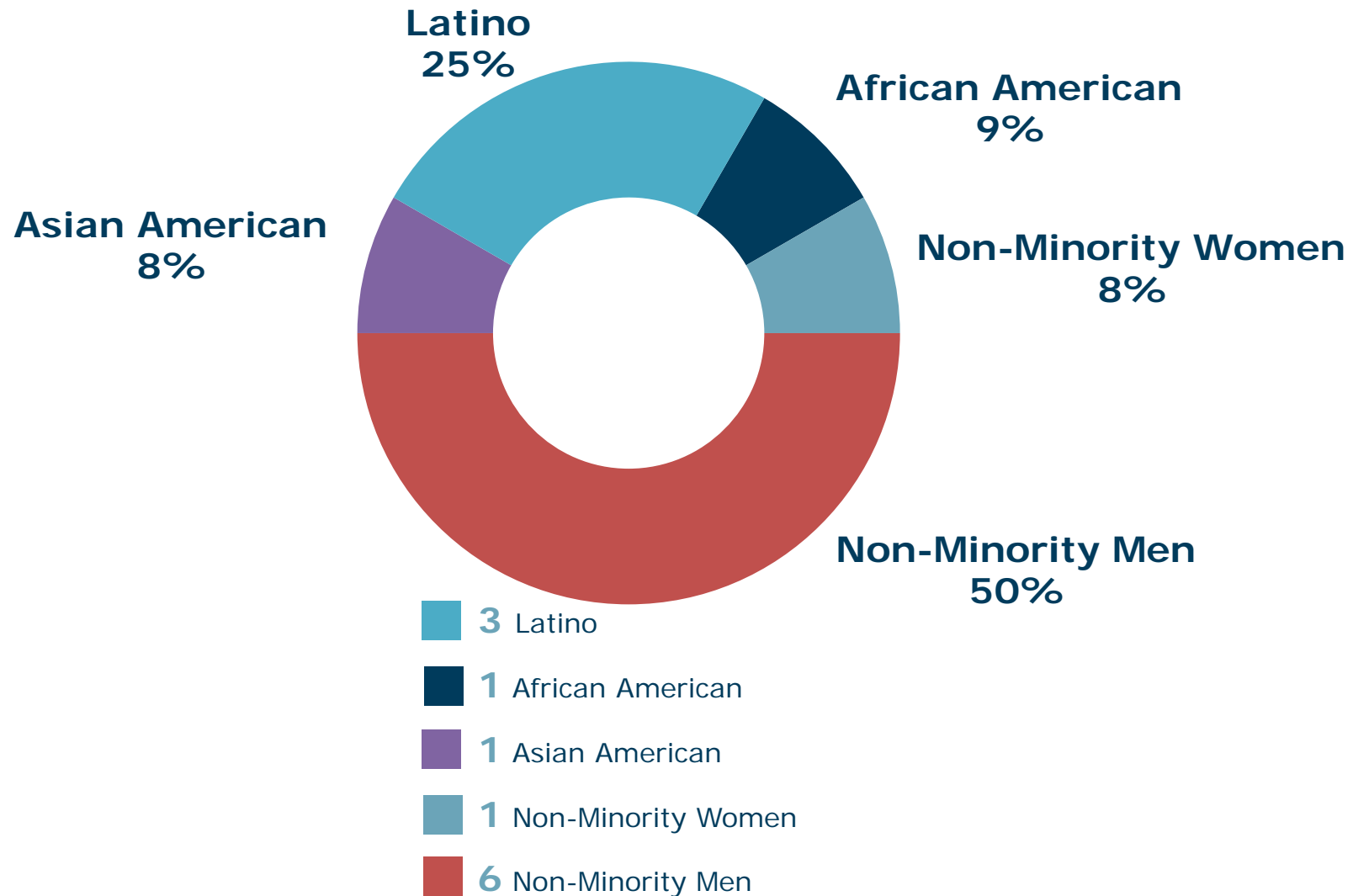
# IMRF Board of Trustees

*The IMRF Board of Trustees is 75% minority or women.*



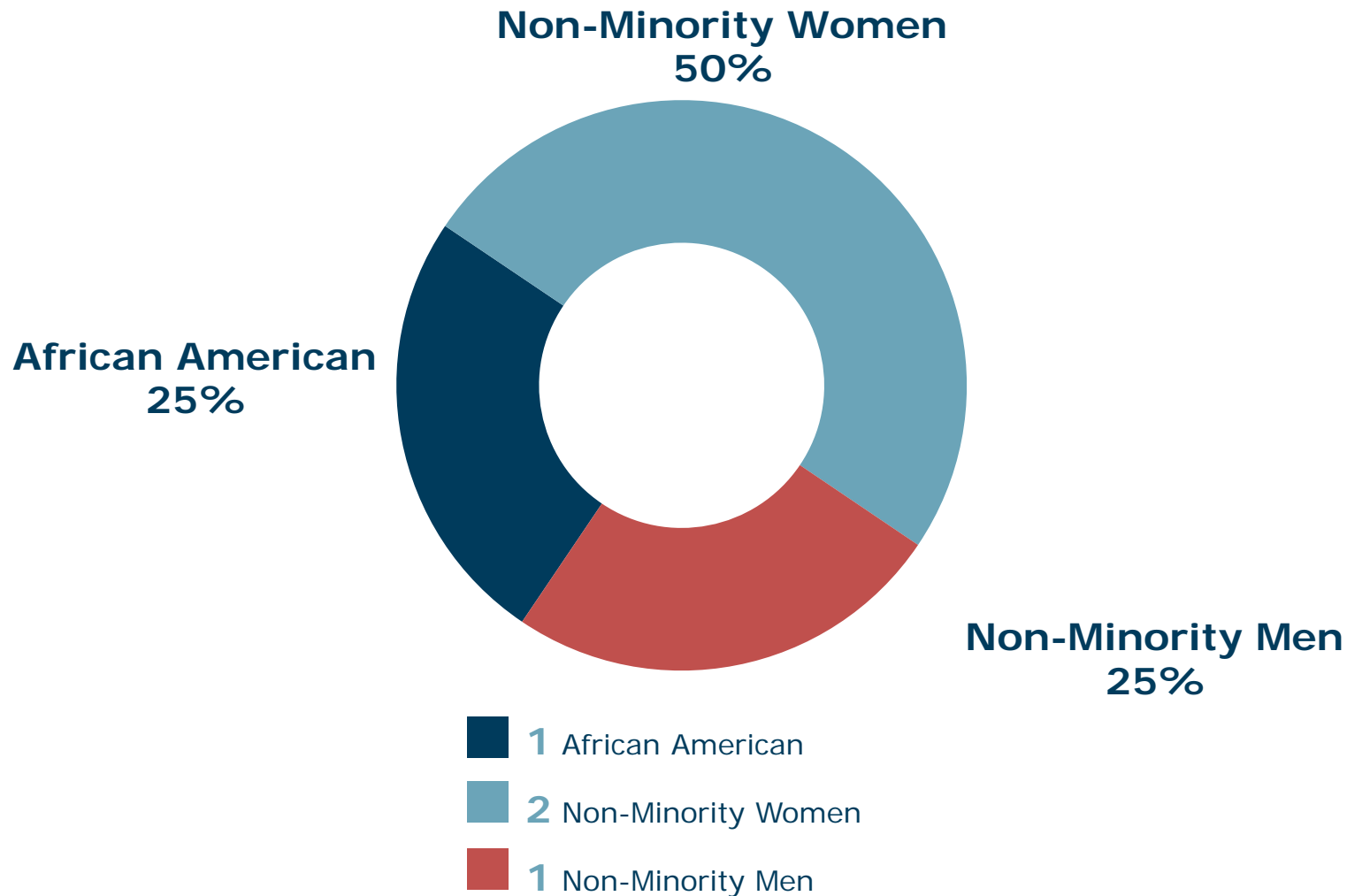
# IMRF Investments Team

*The IMRF Investment team is 50% minority or women.*



# IMRF Investment Consultants

*The IMRF Consultant team is 75% minority or women.*





## 2015 Minority Manager Allocations

In 2015, \$560 million or 23.7% of all capital allocations were directed to minority managers.

- Fixed Income \$450 million in allocations
  - \$100 million direct mandate to Garcia Hamilton (Latino)
  - \$150 million added to Garcia Hamilton (Latino)
  - \$200 million added to Progress Fixed Income Manager of Managers program (African American)

## 2015 Minority Manager Allocations

- Private Equity \$10 million in commitments
  - \$10 million additional commitment to Vistria Fund (African American, Illinois based)
- Real Estate \$100 million in commitments
  - \$25 million direct mandate to Oak Street Real Estate Capital Fund III (Latino, Illinois based)
  - \$75 million evergreen mandate to Artemis Real Estate Minority Manager of Managers Program (Female)

# 2016 Minority Manager Allocations

As of July 2016, \$575 million or 70.2% of all capital allocations were directed to minority managers.

- Fixed Income \$275 million in allocations
- Domestic Equity \$50 million in allocations
- Real Estate \$55 million in allocations\*
- Private Equity \$195 million in commitments or 69.8% of all Private Equity commitments

*\* In July 2016, the IMRF Board of Trustees committed \$30 million to Long Wharf V, a Latino owned real estate firm. This mandate is in legal due diligence.*

# Minority Investment Manager Policy

The Illinois Municipal Retirement Fund is committed to providing opportunities for minority and female owned investment management firms and investment management firms owned by a person with a disability. IMRF has adopted the aspirational goal that 20% of the total Fund assets be managed by firms owned by minorities, females and persons with a disability.

Investment Manager Classification	Minimum Goal as a % of the Total IMRF Portfolio	As of 3/31/16 Actual % of Total Fund Market Value	Minority Investment Managers' AUM
Minority Owned Businesses	13%	16.79%	\$ 5.77 billion
Female Owned Businesses	6%	3.42%	\$ 1.18 billion
Businesses Owned by a Person with a Disability	1%	0.04%	\$ 0.01 billion
<b>Total Minority, Female and Disabled Owned Investment Management Firms</b>	<b>20%</b>	<b>20.25%</b>	<b>\$ 6.96 billion</b>

# Minority Investment Managers

As of March 31, 2016

IMRF's Minority Investment Managers invest over \$6.9 billion in active strategies across domestic equity, international equity, fixed income, hedge funds, private equity and real estate asset classes.

Asset Class	Minority \$ AUM	Asset Class \$ AUM	Minimum Goal as a % of Each Asset Class	Minority % of Asset Class	Minority % of Total Fund Market Value	Minority % of Active Strategies
Domestic Equity	\$1.595 billion	\$14.095 billion	8%	11.3%	4.6%	6.5%
Fixed Income	3.099 billion	9.949 billion	20%	31.2%	9.0%	12.7%
Hedge Fund	0.081 billion	0.355 billion	15%	22.8%	0.2%	0.3%
International Equity	1.518 billion	6.667 billion	15%	22.8%	4.4%	6.2%
Private Equity*	0.501 billion	2.019 billion	10%	24.8%	1.5%	2.0%
Real Estate*	0.162 billion	2.651 billion	4%	6.1%	0.5%	0.7%
<b>Total</b>	<b>\$ 6.956 billion</b>				<b>20.3%</b>	<b>28.5%</b>

\*Private Equity and Real Estate are based on committed amounts. Fund of Fund values are reported at the underlying manager level. Values as of 3/31/16. Total Fund Market Value equals \$34,339,245,456. Total Active Strategies equal \$24,424,390,420.

# African American Investment Managers

As of March 31, 2016

IMRF's African American Investment Managers manage over \$3.5 billion across domestic equity, international equity, fixed income, hedge funds and private equity asset classes.

African American	\$ AUM	Asset Class \$ AUM	% of Asset Class
Domestic Equity	1,055,596,120	14,095,036,954	7.5%
Fixed Income	1,295,860,345	9,949,773,385	13.0%
Hedge Fund	11,563,240	355,104,409	3.3%
International Equity	802,152,082	6,667,400,130	12.0%
Private Equity*	405,799,156	2,018,980,493	20.1%
<b>Total</b>	<b>3,570,970,943</b>		

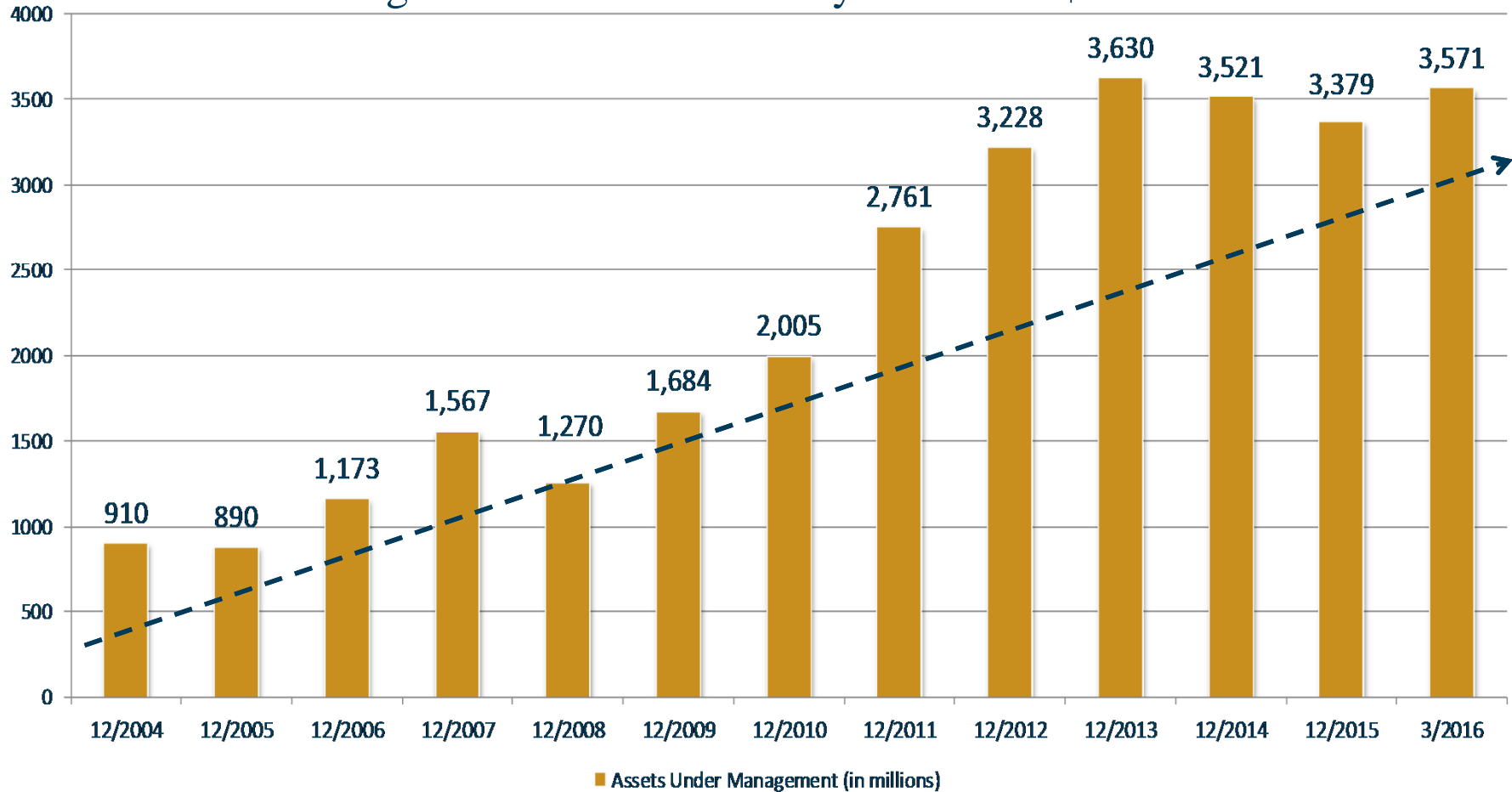
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# African American Investment Managers

## History of African American Owned Investment Managers

December 31, 2004 through March 31, 2016

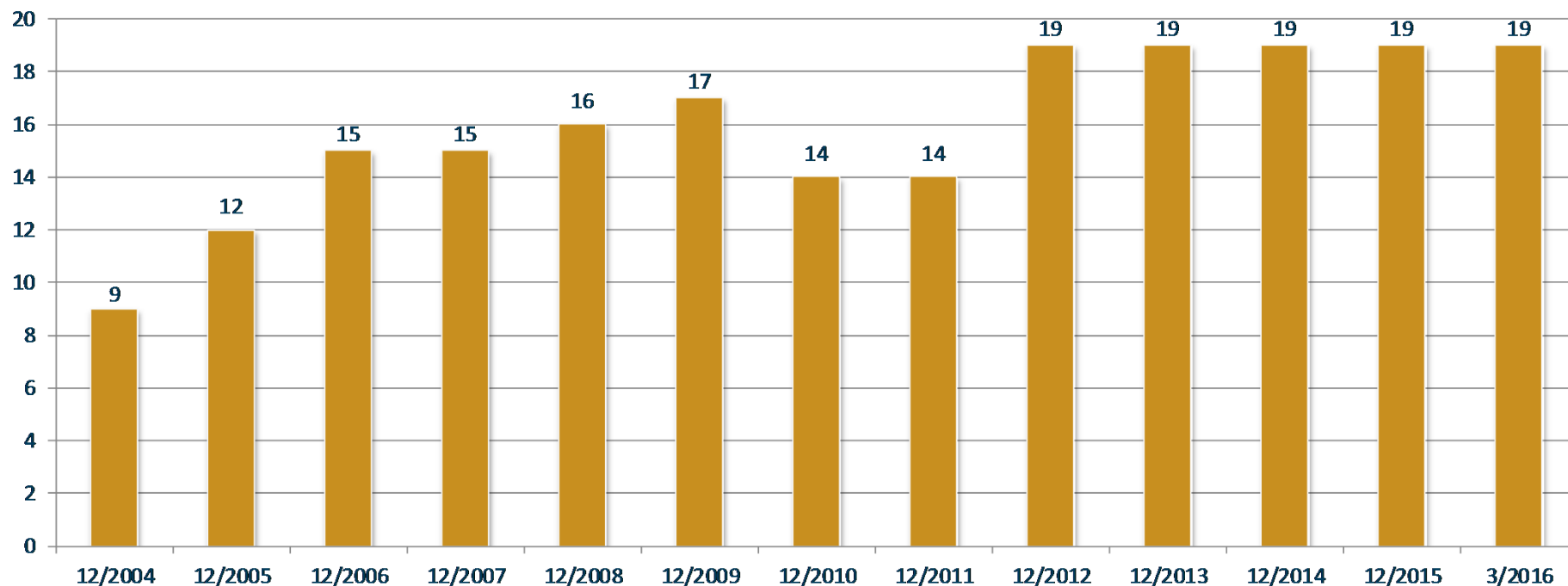
Assets under management have increased by more than \$2.6 billion since 2004



# African American Investment Managers

## Increase in Number of African American Owned Investment Managers

December 31, 2004 through March 31, 2016



- 9 private equity managers
- 1 hedge fund managers
- 4 equity managers
- 3 fixed income managers
- 2 with both equity and fixed income mandates



# African American Investment Managers

As of March 31, 2016

Investment Manager	AUM	% of Total Fund MV	Asset Class	Account Type
Advent Capital	29.6	0.1%	Fixed Income	Progress Investment Management MOM
Ariel Investments	62.6	0.2%	Domestic Equity	Direct Mandate
Ascend Ventures	1.4	0.0%	Private Equity	Muller & Monroe Illinois Private Equity FOF
Brown Capital Management	285.1	0.8%	International Equity	Direct Mandate
Brown Capital Management	41.9	0.1%	International Equity	Progress Investment Management MOM
Channing Capital Management	166.1	0.5%	Domestic Equity	Direct Mandate
DBL Equity Fund- BAEF II, L.P.	1.6	0.0%	Private Equity	Muller & Monroe M2 Private Equity FOF
Earnest Partners	569.0	1.7%	Fixed Income	Direct Mandate
Earnest Partners	475.2	1.4%	International Equity	Direct Mandate
Elizabeth Park Capital	11.6	0.0%	Hedge Fund	Aurora Investment Management FOF
Holland Capital Management	827.0	2.4%	Domestic Equity	Direct Mandate
ICV Capital Partners II	0.9	0.0%	Private Equity	Muller & Monroe Illinois Private Equity FOF
ICV Capital Partners III	20.0	0.1%	Private Equity	Direct Mandate
ICV Capital Partners III	4.5	0.0%	Private Equity	Abbott Capital FOF
ICV Capital Partners III	5.0	0.0%	Private Equity	Pantheon FOF
Muller & Monroe	4.7	0.0%	Private Equity	Direct Mandate
Muller & Monroe	2.6	0.0%	Private Equity	Direct Mandate
Piedmont Investment Advisors	554.3	1.6%	Fixed Income	Direct Mandate
Progress Investment Management	-	-	Fixed Income	Direct Mandate
Progress Investment Management	-	-	International Equity	Direct Mandate
Pugh Capital Management	143.1	0.4%	Fixed Income	Progress Investment Management MOM
RLJ Equity Partners	2.2	0.0%	Private Equity	Muller & Monroe Illinois Private Equity FOF
Smith Whiley II	1.7	0.0%	Private Equity	Muller & Monroe Illinois Private Equity FOF
Smith Whiley III	1.6	0.0%	Private Equity	Muller & Monroe M2 Private Equity FOF
Syncom V	1.7	0.0%	Private Equity	Muller & Monroe Illinois Private Equity FOF
Vista Credit Opportunity Fund I	50.0	0.1%	Private Equity	Direct Mandate
Vista Credit Opportunity Fund II	50.0	0.1%	Private Equity	Direct Mandate
Vista Equity Partners V	100.0	0.3%	Private Equity	Direct Mandate
Vista Equity Partners VI	100.0	0.3%	Private Equity	Direct Mandate
Vista Foundation Fund II	15.0	0.0%	Private Equity	Direct Mandate
Vista Foundation Fund III	25.0	0.1%	Private Equity	Direct Mandate
Vistria Fund	15.0	0.0%	Private Equity	Direct Mandate
Vistria Fund	3.0	0.0%	Private Equity	Pantheon FOF
<b>Subtotal</b>	<b>\$3,571</b>	<b>10.4%</b>		

Assets under management are in millions

# Latino American Investment Managers

As of March 31, 2016

IMRF's Latino American Investment Managers manage over \$2.0 billion across domestic equity, international equity, fixed income, hedge funds, private equity and real estate asset classes.

Latino	\$ AUM	Asset Class \$ AUM	% of Asset Class
Domestic Equity	372,055,690	14,095,036,954	2.6%
Fixed Income	1,475,732,079	9,949,773,385	14.8%
Hedge Fund	27,079,143	355,104,409	7.6%
International Equity	115,912,269	6,667,400,130	1.7%
Private Equity*	36,581,047	2,018,980,493	1.8%
Real Estate*	50,401,220	2,650,600,000	1.9%
<b>Total</b>	<b>2,077,761,448</b>		

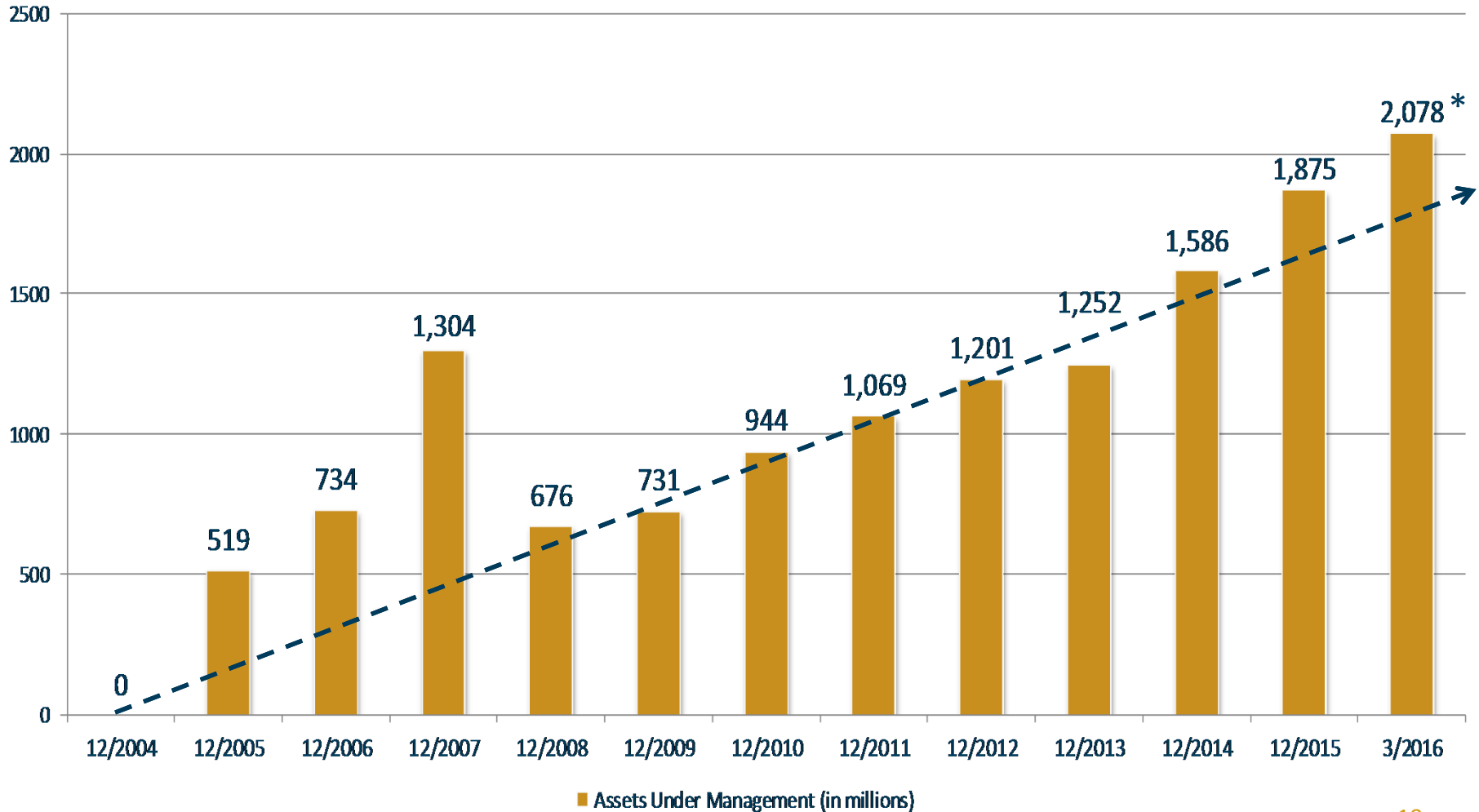
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# Latino American Investment Managers

## History of Latino American Owned Investment Managers

December 31, 2004 through March 31, 2016

Assets under management have increased by more than \$2.0 billion since 2004

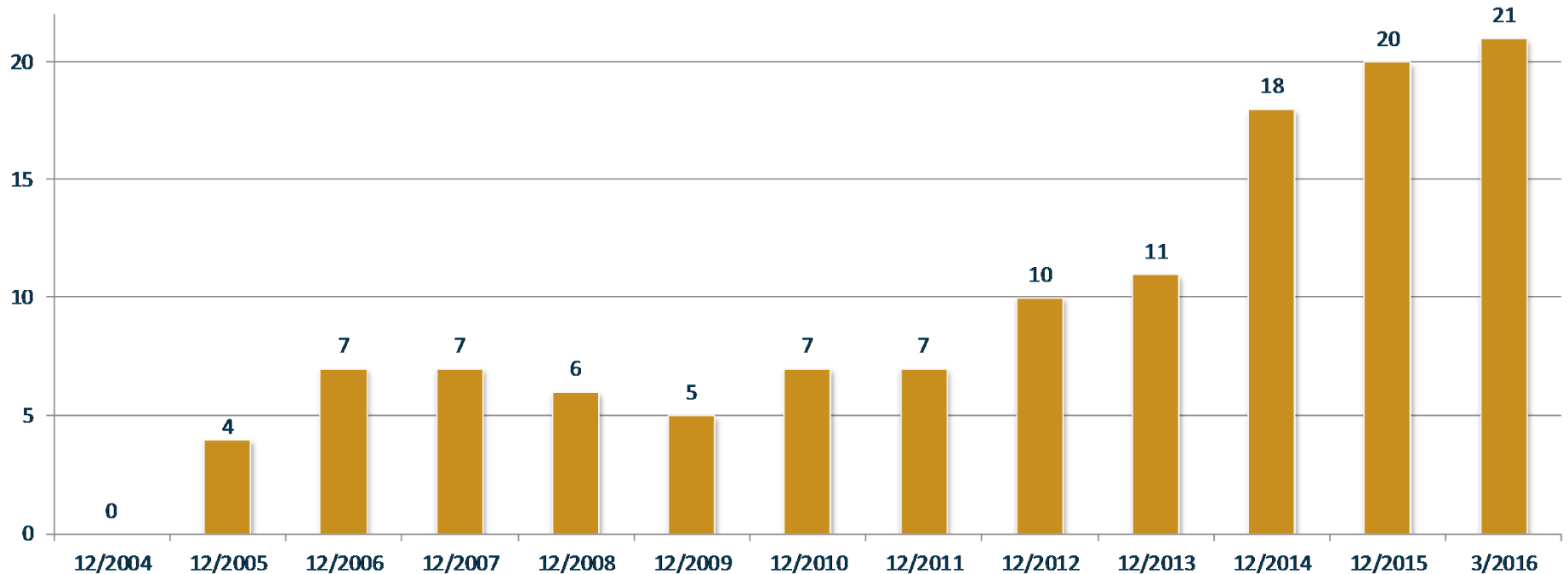


\* In July 2016, the IMRF Board of Trustees committed \$30 million to Long Wharf V, a Latino owned real estate firm. This mandate is in legal due diligence.

# Latino American Investment Managers

## Increase in Number of Latino American Owned Investment Managers

December 31, 2004 through March 31, 2016



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

# Latino American Investment Managers

As of March 31, 2016

Investment Manager	AUM	% of Total Fund MV	Asset Class	Account Type
Ativo Capital Management	50.9	0.1%	Domestic Equity	Direct Mandate
Ativo Capital Management	46.7	0.1%	International Equity	Progress Investment Management MOM
AUA Private Equity	5.0	0.0%	Private Equity	Direct Mandate
Clearlake Capital Group	7.5	0.0%	Private Equity	Abbott Capital FOF
Estancia Capital Partners	5.0	0.0%	Private Equity	Direct Mandate
Garcia Hamilton & Associates	255.7	0.7%	Fixed Income	Direct Mandate
Garcia Hamilton & Associates	126.8	0.4%	Fixed Income	Progress Investment Management MOM
GIA Partners	132.0	0.4%	Fixed Income	Progress Investment Management MOM
Glovista Investments	39.7	0.1%	International Equity	Progress Investment Management MOM
Hispania Private Equity Fund II	1.6	0.0%	Private Equity	Muller & Monroe M2 Private Equity FOF
Hudson Realty Capital V	11.7	0.0%	Real Estate	Franklin Templeton Emerging Manager Real Estate FOF
LM Capital Group	878.3	2.6%	Fixed Income	Direct Mandate
Lombardia Capital Partners	148.3	0.4%	Domestic Equity	Direct Mandate
Lombardia Capital Partners	29.5	0.1%	International Equity	Direct Mandate
Long Wharf IV	13.7	0.0%	Real Estate	Franklin Templeton Emerging Manager Real Estate FOF
Miura Global Partners II, L.P.	17.0	0.0%	Hedge Fund	Aurora Investment Management FOF
New Mainstream Capital II	5.0	0.0%	Private Equity	Direct Mandate
New Mainstream Capital II	4.5	0.0%	Private Equity	Abbott Capital FOF
New Mainstream Capital II	2.3	0.0%	Private Equity	Pantheon FOF
Nogales Investors II	0.7	0.0%	Private Equity	Muller & Monroe Illinois Private Equity FOF
Oak Street Real Estate Capital III	25.0	0.1%	Real Estate	Direct Mandate
Ramirez Asset Management	83.1	0.2%	Fixed Income	Progress Investment Management MOM
Roystone Capital Partners L.P.	10.1	0.0%	Hedge Fund	Aurora Investment Management FOF
Valor Equity Partners III	5.0	0.0%	Private Equity	Direct Mandate
Wall Street Associates	172.8	0.5%	Domestic Equity	Direct Mandate
<b>Subtotal</b>	<b>\$2,078</b>	<b>6.1%</b>		

Assets under management are in millions

# Investment Management Fees

In 2015, IMRF paid over \$27 million in investment management fees to minority managers.

Classification	Minority \$ Fees Paid	Minority % of Fees Paid	% of Total Fees
African American	15,267,918	54.8%	11.3%
Latino	5,658,190	20.3%	4.2%
Asian	2,823,323	10.1%	2.1%
Female	3,942,989	14.2%	2.9%
Disabled	163,909	0.6%	0.1%
<b>Total</b>	<b>27,856,328</b>		

Asset Class	Minority \$ Fees Paid	Asset Class \$ Fees Paid	Minority % of Asset Class Fees Paid
Domestic Equity	5,444,020	38,485,310	14.1%
Fixed Income	5,980,562	14,384,578	41.6%
Hedge Fund	3,340,722	14,958,873	22.3%
International Equity	7,790,802	26,027,271	29.9%
Private Equity	4,514,075	17,341,928	26.0%
Real Estate	786,148	22,413,798	3.5%
Agriculture	0	985,710	0.0%
Timber	0	758,741	0.0%
<b>Total</b>	<b>27,856,328</b>	<b>135,356,208</b>	<b>20.6%</b>

# Illinois-based Investment Managers

As of March 31, 2016

IMRF's Illinois-based Investment Managers invest over \$13.2 billion across domestic equity, international equity, fixed income, hedge funds, private equity and real estate asset classes.

Asset Class	IL \$ AUM	Asset Class \$ AUM	IL % of Asset Class
Domestic Equity	8,592,743,753	14,095,036,954	61.0%
Fixed Income	1,515,015,780	9,949,773,385	15.2%
International Equity	2,871,709,927	6,667,400,130	43.1%
Private Equity*	146,901,544	2,018,980,493	7.3%
Real Estate*	159,849,944	2,650,600,000	6.0%
<b>Total</b>	<b>13,286,220,948</b>		

*\*Private Equity and Real Estate are based on committed amounts. Fund of Fund values are reported at the underlying manager level. Values as of 3/31/16.*

# Illinois-based Minority Investment Managers

As of March 31, 2016

IMRF's Illinois-based Minority Investment Managers invest over \$1.4 billion across domestic equity, international equity, hedge funds, private equity and real estate asset classes.

Classification	African American	Disabled	Latino	Total \$ AUM
Domestic Equity	1,055,596,120	0	199,221,607	1,254,817,727
International Equity	0	0	46,681,842	46,681,842
Private Equity*	122,186,176	0	6,563,314	128,749,490
Real Estate*	0	14,849,944	25,000,000	39,849,944
<b>Total</b>	<b>1,177,782,296</b>	<b>14,849,944</b>	<b>277,466,763</b>	<b>1,470,099,003</b>

*\*Private Equity and Real Estate are based on committed amounts. Fund of Fund values are reported at the underlying manager level. Values as of 3/31/16.*



# Minority Brokerage Policy

The Illinois Municipal Retirement Fund is committed to providing opportunities for minority owned and female owned broker/dealers and broker/dealers owned by a person with a disability. As of March 31, 2016, IMRF is exceeding its minimum goals.

Asset Class	Minimum Goal	Actual Minority Percentage Goal Achieved	% Exceeding Minimum Goal
U.S. Equities	25%	39.4%	<b>14.4%</b>
U.S. Large-Cap Equities	30%	45.4%	<b>15.4%</b>
U.S. Micro-Cap Equities	7%	30.4%	<b>23.4%</b>
International Equities	20%	31.6%	<b>11.6%</b>
Fixed Income	22%	30.2%	<b>8.2%</b>
High Yield Bonds	5%	5.6%	<b>0.6%</b>
International Small-Cap Equities	5%	9.6%	<b>4.6%</b>
Emerging Market Equities	5%	No separate account mandates in this asset class	N/A
Emerging Market Debt	Best Efforts	0.2%	N/A
Bank Loans	Best Efforts	No separate account mandates in this asset class	N/A
Opportunistic Strategies	Best Efforts	No separate account mandates in this asset class	N/A
Hedge Funds	Best Efforts	No separate account mandates in this asset class	N/A

*Goals for U.S. Equities, Fixed Income and Micro Cap Equities were increased in 2013 to 25%, 22% and 7%, respectively. As of 01/2016, U.S. Large-Cap equities has a 30% goal.*

# Minority Broker/Dealers

As of March 2016, IMRF's Investment Managers executed trades with minority brokers generating over \$639 thousand in commissions across domestic equity and international equity. For fixed income, minority brokers accounted for 2.3 billion par volume traded.

Classification	Commissions Paid	% of Total Commissions Paid
African American	\$224,566	10.2%
Disabled	\$31,550	1.4%
Latino	\$77,034	3.5%
Women-Owned	\$306,037	13.9%
<b>Total Minority</b>	<b>\$639,187</b>	<b>29.08%</b>

*Total commissions paid is \$2,197,764*

Classification	Par Volume Traded	% of Total Par Volume Traded
African American	2,199,371,801	9.6%
Disabled	28,585,000	0.1%
Latino	84,248,621	0.4%
Women-Owned	73,073,640	0.3%
Native American	9,655,000	0.0%
<b>Total Minority</b>	<b>2,394,934,061</b>	<b>10.40%</b>

*Total par volume traded is 23,023,884,709*