The Regular Meeting of the Board of Trustees was held at 9:00 a.m., October 25, 2013 in the Fund Office at 2211 York Road, Suite 400, Oak Brook, Illinois.

Mr. Stafford presided as Chair and called the meeting to order.

Ms. Enright called the roll:

Present: Thompson, Copper, Henry, Kuehne, Nannini, Piechocinski, Stafford, Stulir
Absent: None

Mr. Ball from Callan Associates, Mr. Moss from Seyfarth Shaw LLP., and a representative from Williams Capital Group were also present.

(13-10-01) (Investment Manager Activities – Callan and Associates) Mr. Ball gave the following report to the Board on the activities of IMRF’s investment managers:
September 30, 2013
Illinois Municipal Retirement Fund
Monthly Performance Report
Investment Measurement Service Monthly Review

The following report was prepared by Callan Associates Inc. ("CAI") using information from sources that include the following: fund trustee(s); fund custodian(s); investment manager(s); CAI computer software; CAI investment manager and fund sponsor database; third party data vendors; and other outside sources as directed by the client. CAI assumes no responsibility for the accuracy or completeness of the information provided, or methodologies employed, by any information providers external to CAI. Reasonable care has been taken to assure the accuracy of the CAI database and computer software. In preparing the following report, CAI has not reviewed the risks of individual security holdings or the compliance/non-compliance of individual security holdings with investment policies and guidelines of a fund sponsor, nor has it assumed any responsibility to do so. Copyright 2013 by Callan Associates Inc.
MARKET ENVIRONMENT

Major Market Returns

Returns
for Periods Ended September 30, 2013

<table>
<thead>
<tr>
<th>Index</th>
<th>Last Month</th>
<th>Year to Date</th>
<th>Last Year</th>
<th>Last 3 Years</th>
<th>Last 5 Years</th>
<th>Last 10 Years</th>
</tr>
</thead>
<tbody>
<tr>
<td>DJ:US Total Mkt Ix</td>
<td>3.68</td>
<td>21.22</td>
<td>21.44</td>
<td>16.77</td>
<td>10.69</td>
<td>8.32</td>
</tr>
<tr>
<td>Russell:1000 Index</td>
<td>3.49</td>
<td>20.76</td>
<td>20.91</td>
<td>16.64</td>
<td>10.53</td>
<td>7.98</td>
</tr>
<tr>
<td>Russell:Midcap Index</td>
<td>4.58</td>
<td>24.34</td>
<td>27.91</td>
<td>17.53</td>
<td>12.97</td>
<td>10.78</td>
</tr>
<tr>
<td>Russell:2000 Index</td>
<td>6.38</td>
<td>27.69</td>
<td>30.06</td>
<td>18.29</td>
<td>11.15</td>
<td>9.64</td>
</tr>
<tr>
<td>MSCI:ACWI ex-US (Net)</td>
<td>6.95</td>
<td>10.04</td>
<td>16.48</td>
<td>5.95</td>
<td>6.26</td>
<td>8.77</td>
</tr>
<tr>
<td>MSCI:EAFE US$</td>
<td>7.39</td>
<td>16.14</td>
<td>23.77</td>
<td>8.47</td>
<td>6.35</td>
<td>8.01</td>
</tr>
<tr>
<td>MSCI:Emer Markets</td>
<td>6.53</td>
<td>(4.05)</td>
<td>1.33</td>
<td>0.00</td>
<td>7.56</td>
<td>13.16</td>
</tr>
<tr>
<td>Barclays:Aggregate Index</td>
<td>0.95</td>
<td>(1.89)</td>
<td>(1.68)</td>
<td>2.86</td>
<td>5.41</td>
<td>4.59</td>
</tr>
<tr>
<td>NCREIF: ODCE Index</td>
<td>1.27</td>
<td>10.76</td>
<td>13.36</td>
<td>14.38</td>
<td>0.74</td>
<td>7.11</td>
</tr>
<tr>
<td>NAREIT Equity Index</td>
<td>3.18</td>
<td>3.20</td>
<td>5.87</td>
<td>12.34</td>
<td>5.75</td>
<td>9.54</td>
</tr>
</tbody>
</table>

Markets improved in September from their poor performance in August. International equity returns nearly doubled domestic equity returns (+7.0% vs. +3.7%, respectively) and fixed income re-entered positive territory (+1.0%). Investor apprehension was initially focused on the Fed tapering of its bond buyback program only to be eclipsed by the looming budget showdown. Uncertainty in the market will continue to rise as the October 17th deadline to raise the debt ceiling nears.

Contrary to market expectations, the Fed announced on September 18th that the economy had not reached a sufficiently robust level to initiate pulling back on its monthly asset purchases. In response to this announcement, the yield curve shifted down, nearly matching July's yield curve. Labor markets provided some good news as layoffs were down with initial jobless claims falling 5,000 to 305,000 (much lower than anticipated) and the unemployment rate remained moderately above seven percent.

Displaying its strongest monthly performance since January of 2012, emerging markets rose 6.5%. However, the index remains down year-to-date (-4.1%) and even (0.0%) for the last three years. Over the last ten years, emerging markets outpaced domestic and international equities by 4.8% and 4.4%, respectively.

*Due to a lag in the reporting of NCREIF Property Index returns, the monthly return shown is deduced from the most recent quarterly return. This monthly return, when compounded over three months, equates to the quarterly return.
MARKET ENVIRONMENT

U.S. Equity Overview

Returns
for Periods Ended September 30, 2013

<table>
<thead>
<tr>
<th>Index</th>
<th>Last Month</th>
<th>Year to Last Year</th>
<th>Last 3 Years</th>
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<tr>
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<td>20.76</td>
<td>20.91</td>
<td>16.64</td>
<td>10.53</td>
</tr>
<tr>
<td>Russell:1000 Growth</td>
<td>4.46</td>
<td>20.87</td>
<td>19.27</td>
<td>16.94</td>
<td>12.07</td>
</tr>
<tr>
<td>Russell:1000 Value</td>
<td>2.51</td>
<td>20.47</td>
<td>22.30</td>
<td>16.25</td>
<td>8.86</td>
</tr>
<tr>
<td>Russell:Midcap Index</td>
<td>4.58</td>
<td>24.34</td>
<td>27.91</td>
<td>17.53</td>
<td>12.97</td>
</tr>
<tr>
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<td>6.38</td>
<td>27.69</td>
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<td>18.29</td>
<td>11.15</td>
</tr>
<tr>
<td>Russell:2000 Value</td>
<td>5.77</td>
<td>23.07</td>
<td>27.04</td>
<td>16.57</td>
<td>9.13</td>
</tr>
</tbody>
</table>

MONTHLY DOMESTIC EQUITY PERFORMANCE:

Monthly domestic equity performance continues to swing between positive and negative returns, rising 3.5% in September. With the exception of Telecom (-0.5%), all sectors were positive. Industrials (+5.7%) and Consumer Discretionary (+5.4%) led the way.

In the small cap space, growth continued to beat value (Russell 2000 Growth: +7.0%; Russell 2000 Value: +5.8%). Over the last year, small cap stocks (Russell 2000 Index) have led large cap stocks (Russell 1000 Index) by 9.2%.

S&P 500 Sector Returns for Month Ended September 30, 2013

![Sector Returns Graph]
**MARKET ENVIRONMENT**

**Non-U.S. Equity Overview**

**Returns**

**for Periods Ended September 30, 2013**

<table>
<thead>
<tr>
<th>Index</th>
<th>Last Month</th>
<th>Year to Last Year</th>
<th>Last 3 Years</th>
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</tr>
</thead>
<tbody>
<tr>
<td>MSCI:ACWI ex-US (Net)</td>
<td>6.95</td>
<td>10.04</td>
<td>16.48</td>
<td>5.95</td>
<td>6.26</td>
</tr>
<tr>
<td>MSCI:ACWI ex US Gr</td>
<td>6.60</td>
<td>10.67</td>
<td>16.53</td>
<td>6.45</td>
<td>6.69</td>
</tr>
<tr>
<td>MSCI:ACWI ex US Val</td>
<td>7.35</td>
<td>10.22</td>
<td>17.40</td>
<td>6.36</td>
<td>6.76</td>
</tr>
<tr>
<td>MSCI:EAFE US$</td>
<td>7.39</td>
<td>16.14</td>
<td>23.77</td>
<td>8.47</td>
<td>6.35</td>
</tr>
<tr>
<td>MSCI:EAFE Hedged</td>
<td>4.40</td>
<td>16.37</td>
<td>24.54</td>
<td>5.95</td>
<td>3.07</td>
</tr>
<tr>
<td>MSCI:Emer Markets</td>
<td>6.53</td>
<td>(4.05)</td>
<td>1.33</td>
<td>0.00</td>
<td>7.56</td>
</tr>
</tbody>
</table>

International equities surged in September. The MSCI ACWI ex-US Index rose 7.0% trumped by its smaller capitalization counterpart (MSCI ACWI ex-US Small Cap: +8.0%). International value led growth in September (MSCI: ACWI ex-US Value Index: +7.4%; MSCI: ACWI ex-US Growth Index: +6.6%)

The dollar lost ground against a basket of foreign currencies during the month, as hedged returns (MSCI: EAFE Hedged Index: +4.4%) trailed US dollar returns (MSCI: EAFE US$ Index: +7.4%). Reversing last month's trend, every major international region rose during the month. Emerging markets in Europe led (+9.6%) while Asian emerging markets trailed all other regions, only rising 5.3%.

**Regional Returns for Month Ended September 30, 2013**

![Bar chart showing regional returns for September 2013]
MARKET ENVIRONMENT  
U.S. Fixed Income Overview  
September 30, 2013

Returns for Periods Ended September 30, 2013

<table>
<thead>
<tr>
<th>Index</th>
<th>Last Month</th>
<th>Year to Date</th>
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<th>Last 5 Years</th>
<th>Last 10 Years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Barclays:Aggregate Index</td>
<td>0.95</td>
<td>(1.89)</td>
<td>(1.68)</td>
<td>2.86</td>
<td>5.41</td>
<td>4.59</td>
</tr>
<tr>
<td>Barclays:Govt Index</td>
<td>0.70</td>
<td>(1.92)</td>
<td>(1.98)</td>
<td>2.13</td>
<td>4.00</td>
<td>4.17</td>
</tr>
<tr>
<td>Barclays:Credit</td>
<td>0.83</td>
<td>(2.91)</td>
<td>(1.90)</td>
<td>4.13</td>
<td>8.54</td>
<td>5.19</td>
</tr>
<tr>
<td>Barclays:Mortgage Idx</td>
<td>1.41</td>
<td>(1.00)</td>
<td>(1.20)</td>
<td>2.65</td>
<td>4.66</td>
<td>4.75</td>
</tr>
<tr>
<td>Barclays:US TIPS Index</td>
<td>1.45</td>
<td>(6.74)</td>
<td>(6.10)</td>
<td>4.02</td>
<td>5.31</td>
<td>5.23</td>
</tr>
<tr>
<td>ML:High Yield CP Idx</td>
<td>1.01</td>
<td>3.77</td>
<td>7.03</td>
<td>8.83</td>
<td>13.22</td>
<td>8.63</td>
</tr>
<tr>
<td>3 Month T-Bill</td>
<td>0.00</td>
<td>0.06</td>
<td>0.10</td>
<td>0.10</td>
<td>0.17</td>
<td>1.70</td>
</tr>
</tbody>
</table>

Treasury Yield Curve

In September, fixed income returns were positive for only the second month out of the last five. Market expectations were altered by the Fed’s announcement regarding the bond buyback program. Thus, yields fell with the belly of the curve (5-7 year maturities) benefiting the most. The Barclays Aggregate Bond Index moved upward (+1.0%) with high yield bonds (+1.0%) matching this performance.

Due to their longer duration, TIPS led all other major bond sectors (+1.5%). However, year-to-date TIPS are far-and-away the worst performing sector, losing 6.7%. Mortgage-backed securities also performed well in September, rising 1.4%.
IMRF Commentary
September 30, 2013

Executive Summary

Total Fund
Total Fund assets at the end of September were $31.35 billion, up from $30.08 billion at the end of August. The Fund rose 3.95% for the month, outperforming the benchmark return by 76 basis points. Domestic equity, international equity, and domestic fixed income beat their respective benchmarks. Over the last year, the fund is up 15.48% exceeding the benchmark by 3.36%.

Current policy states that when the actual allocations of the asset classes differ by more than four percentage points from their policy targets, a recommendation for rebalancing will be made to the Board of Trustees. As of September 30, domestic equity exceeded its target allocation by 7.0%. All other asset classes were within the allowable range. The Chief Investment Officer and Consultant do not recommend any changes to the asset allocation at this time.

US Equity
Large Cap: In aggregate, the Fund's large cap managers gained 4.33%, leading the Russell 1000 Index by 0.84%. Growth portfolios collectively returned 6.15%, outperforming their benchmark by 169 basis points for the month. Sands was the best performing active manager with a return of 10.03%. Value underperformed growth with a return of 3.12% but outperformed the Russell 1000 Value Index by 61 basis points. Dodge & Cox was the best performing manager in the group with a return of 4.03%. The Large Cap Active Core segment gained 3.89%, leading the Russell 1000 Index's return of 3.49%.

Small Cap: The Small Cap portfolio advanced 6.17%, underperforming the Russell 2000 Index by 0.21%. Small Cap Growth and Value returned 6.45% and 5.89%, respectively. Pyramis was the best performing small cap growth manager and Channing was the best in value. The Micro Cap segment returned 6.20% in September. Dimensional Fund Advisors was the top performer in the micro-cap segment, increasing 6.84% for the month.

International Equity
Large Cap: International stocks beat the U.S. in September. IMRF's International Large Cap managers surged 7.32%. This return was 37 basis points ahead of the MSCI ACWI ex-U.S. Index. International Large Cap Growth rose 6.85% with Earnest performing best (+6.87%). International Large Cap Value returned 7.47% for the month. Brandes (+8.16%) led all other value managers with significant assets. The Large Cap Active Core Group grew 7.42% in September with Arrowstreet providing the strongest performance (+8.72%).

International Small Cap and Emerging Markets: The International Small Cap managers gained 7.23%, underperforming the ACWI Small Cap ex-U.S. Index by 76 basis points. The emerging markets portfolio, managed by Genesis, rose 6.30% during September, underperforming the MSCI Emerging Markets Index by 23 basis points.
Domestic Fixed Income
The total fixed income portfolio returned 0.98% (ahead of the BC Aggregate Index return of +0.95%) as yields fell from the prior month. The core plus segment was the best performer, rising 1.08%.

**Active Core:** The active core fixed income component gained 0.88%, underperforming the BC Aggregate Index by 7 basis points.

**Core Plus:** The core plus managers returned 1.08%, leading the Barclays Aggregate Index by 13 basis points. LM Capital outperformed the other managers, rising 1.17%.

**High Yield:** The high yield component gained 0.83% in September, trailing the ML High Yield Cash Pay Index (+1.01%). McKay Shields outperformed Pyramis returning 0.93% and 0.74%, respectively.
Actual vs Target Asset Allocation

The first chart below shows the Fund’s asset allocation as of September 30, 2013. The second chart shows the Fund’s target asset allocation as outlined in the investment policy statement.

### Actual Asset Allocation

- **Domestic Equity**: 45%
- **International Equity**: 21%
- **Domestic Fixed-Income**: 26%
- **Real Estate**: 3%
- **Alternative Investments**: 4%
- **Cash**: 1%

### Target Asset Allocation

- **Domestic Equity**: 38%
- **International Equity**: 20%
- **Domestic Fixed-Income**: 29%
- **Real Estate**: 6%
- **Alternative Investments**: 6%
- **Cash**: 1%

<table>
<thead>
<tr>
<th>Asset Class</th>
<th>Actual $Millions</th>
<th>Actual Percent</th>
<th>Target Percent</th>
<th>Difference Percent</th>
<th>Target $Millions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Domestic Equity</td>
<td>14,117</td>
<td>45.0%</td>
<td>38.0%</td>
<td>7.0%</td>
<td>2,203</td>
</tr>
<tr>
<td>International Equity</td>
<td>6,540</td>
<td>20.9%</td>
<td>20.0%</td>
<td>0.9%</td>
<td>269</td>
</tr>
<tr>
<td>Domestic Fixed-Income</td>
<td>8,292</td>
<td>26.4%</td>
<td>29.0%</td>
<td>(2.6%)</td>
<td>(800)</td>
</tr>
<tr>
<td>Real Estate</td>
<td>894</td>
<td>2.9%</td>
<td>6.0%</td>
<td>(3.1%)</td>
<td>(987)</td>
</tr>
<tr>
<td>Alternative Investments</td>
<td>1,230</td>
<td>3.9%</td>
<td>6.0%</td>
<td>(2.1%)</td>
<td>(651)</td>
</tr>
<tr>
<td>Cash</td>
<td>280</td>
<td>0.9%</td>
<td>1.0%</td>
<td>(0.1%)</td>
<td>(33)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>31,352</td>
<td>100.0%</td>
<td>100.0%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

* Current Month Target = 38.0% US Total Stock Market Idx, 29.0% Barclays Aggregate Index, 20.0% MSCI ACWI x US (Net), 6.0% NFI-ODCE Value Weight Gr+1.0%, 6.0% 9% Annually and 1.0% 3-month Treasury Bill.
# Investment Manager Asset Allocation

The table below contrasts the distribution of assets across the Fund’s investment managers as of September 30, 2013, with the distribution as of August 31, 2013.

## Asset Distribution Across Investment Managers

<table>
<thead>
<tr>
<th></th>
<th>September 30, 2013</th>
<th>August 31, 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Market Value</strong></td>
<td><strong>Percent</strong></td>
<td><strong>Market Value</strong></td>
</tr>
<tr>
<td><strong>Domestic Equity</strong></td>
<td>$14,116,729,228</td>
<td></td>
</tr>
<tr>
<td>BlackRock LCG</td>
<td>$509,801,329</td>
<td>1.63%</td>
</tr>
<tr>
<td>Holland</td>
<td>$923,092,708</td>
<td>2.94%</td>
</tr>
<tr>
<td>NTGI S&amp;P 500 Growth Idx</td>
<td>$851,278,965</td>
<td>2.72%</td>
</tr>
<tr>
<td>Sands</td>
<td>$1,080,446,231</td>
<td>3.45%</td>
</tr>
<tr>
<td>Vision</td>
<td>$143,955,409</td>
<td>0.46%</td>
</tr>
<tr>
<td><strong>Large Cap Growth</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dodge &amp; Cox</td>
<td>$924,455,072</td>
<td>2.95%</td>
</tr>
<tr>
<td>BMO</td>
<td>$953,135,940</td>
<td>3.04%</td>
</tr>
<tr>
<td>LSV</td>
<td>$962,154,228</td>
<td>3.07%</td>
</tr>
<tr>
<td>NTGI S&amp;P 500 Value Idx</td>
<td>$729,603,588</td>
<td>2.33%</td>
</tr>
<tr>
<td><strong>Large Cap Value</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Piedmont</td>
<td>$164,843,742</td>
<td>0.53%</td>
</tr>
<tr>
<td>Progress</td>
<td>$561,474,332</td>
<td>1.79%</td>
</tr>
<tr>
<td>NTGI MarketCap Index</td>
<td>$2,508,533,575</td>
<td>8.00%</td>
</tr>
<tr>
<td><strong>Large Cap Core</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fortaleza</td>
<td>$43,272,905</td>
<td>0.14%</td>
</tr>
<tr>
<td>Frontier</td>
<td>$685,183,837</td>
<td>2.19%</td>
</tr>
<tr>
<td>Pyramis</td>
<td>$711,615,547</td>
<td>2.27%</td>
</tr>
<tr>
<td><strong>Small Cap Growth</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Channing</td>
<td>$150,810,055</td>
<td>0.48%</td>
</tr>
<tr>
<td>Dimensional Small Cap Value</td>
<td>$691,728,310</td>
<td>1.92%</td>
</tr>
<tr>
<td>Inv. Counselors of Maryland</td>
<td>$669,733,435</td>
<td>2.14%</td>
</tr>
<tr>
<td>Lombardia</td>
<td>$145,172,163</td>
<td>0.46%</td>
</tr>
<tr>
<td><strong>Small Cap Value</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ariel</td>
<td>$84,504,221</td>
<td>0.27%</td>
</tr>
<tr>
<td>Ativo</td>
<td>$43,148,741</td>
<td>0.14%</td>
</tr>
<tr>
<td>Dimensional Micro Cap</td>
<td>$264,562,698</td>
<td>0.84%</td>
</tr>
<tr>
<td>Wall Street</td>
<td>$404,222,196</td>
<td>1.29%</td>
</tr>
<tr>
<td><strong>Equity Transition</strong></td>
<td>-</td>
<td></td>
</tr>
<tr>
<td><strong>International Equity</strong></td>
<td>$6,539,850,056</td>
<td>20.86%</td>
</tr>
<tr>
<td><strong>International Large Cap Growth</strong></td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>EARNEST Partners</td>
<td>$518,201,478</td>
<td>1.65%</td>
</tr>
<tr>
<td>McKinley</td>
<td>$75,612</td>
<td>0.00%</td>
</tr>
<tr>
<td>William Blair</td>
<td>$554,963,873</td>
<td>1.77%</td>
</tr>
<tr>
<td><strong>International Large Cap Value</strong></td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Brandes</td>
<td>$488,535,034</td>
<td>1.56%</td>
</tr>
<tr>
<td>Lombardia</td>
<td>$31,628,077</td>
<td>0.10%</td>
</tr>
<tr>
<td>Mondrian</td>
<td>$460,024,166</td>
<td>1.47%</td>
</tr>
<tr>
<td>Lazard</td>
<td>$90,082,205</td>
<td>0.29%</td>
</tr>
<tr>
<td><strong>International Large Cap Core</strong></td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Arrowstreet</td>
<td>$483,653,316</td>
<td>1.54%</td>
</tr>
<tr>
<td>Brown</td>
<td>$245,241,094</td>
<td>0.78%</td>
</tr>
<tr>
<td>GlobeFlex</td>
<td>$474,734,563</td>
<td>1.51%</td>
</tr>
<tr>
<td>NTGI MSCI EAFE Index</td>
<td>$2,308,855,799</td>
<td>7.36%</td>
</tr>
<tr>
<td><strong>International Small Cap</strong></td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Franklin Templeton</td>
<td>$177,463,992</td>
<td>0.57%</td>
</tr>
<tr>
<td>William Blair</td>
<td>$212,376,906</td>
<td>0.68%</td>
</tr>
</tbody>
</table>

Mondrian and Lombardia were funded 3/20/2012, Lazard was funded 3/21/2012.
Franklin Templeton Intl SC was funded 07/27/2011. BlackRock LCG was funded 07/12/2011. Vision was funded 06/17/2011.
The table below contrasts the distribution of assets across the Fund’s investment managers as of September 30, 2013, with the distribution as of August 31, 2013.

<table>
<thead>
<tr>
<th>Asset Class</th>
<th>September 30, 2013</th>
<th>August 31, 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Market Value</td>
<td>Percent</td>
</tr>
<tr>
<td><strong>Emerging Markets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Genesis</td>
<td>494,914,141</td>
<td>1.58%</td>
</tr>
<tr>
<td><strong>Domestic Fixed-Income</strong></td>
<td>$8,291,656,903</td>
<td>26.45%</td>
</tr>
<tr>
<td><strong>Domestic Fixed Core</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>EARNEST Partners</td>
<td>529,942,275</td>
<td>1.69%</td>
</tr>
<tr>
<td>Piedmont</td>
<td>522,038,050</td>
<td>1.67%</td>
</tr>
<tr>
<td>BlackRock Enhanced</td>
<td>645,501</td>
<td>0.00%</td>
</tr>
<tr>
<td>BlackRock US Debt</td>
<td>946,060,440</td>
<td>3.02%</td>
</tr>
<tr>
<td>NTGi BC Aggregate Index</td>
<td>1,379,948,114</td>
<td>4.40%</td>
</tr>
<tr>
<td><strong>Domestic Fixed Core Plus</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>BlackRock Core Plus</td>
<td>705,896,542</td>
<td>2.25%</td>
</tr>
<tr>
<td>LM Capital</td>
<td>820,473,457</td>
<td>2.62%</td>
</tr>
<tr>
<td>Progress Fixed Income</td>
<td>424,845,552</td>
<td>1.36%</td>
</tr>
<tr>
<td>Taplin, Canida, &amp; Habacht</td>
<td>805,968,299</td>
<td>2.57%</td>
</tr>
<tr>
<td>Western</td>
<td>1,088,792,932</td>
<td>3.47%</td>
</tr>
<tr>
<td><strong>Real Estate</strong></td>
<td>$893,978,423</td>
<td>2.85%</td>
</tr>
<tr>
<td><strong>Real Estate Core</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>TA Buckhead Ind. Prop.</td>
<td>247,182,709</td>
<td>0.79%</td>
</tr>
<tr>
<td>Cornerstone Patriot</td>
<td>91,995,955</td>
<td>0.29%</td>
</tr>
<tr>
<td>INVESCO Core RE</td>
<td>92,426,884</td>
<td>0.29%</td>
</tr>
<tr>
<td>AEW Core Property Trust</td>
<td>47,270,605</td>
<td>0.15%</td>
</tr>
<tr>
<td><strong>Real Estate Non-Core</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Franklin Templeton EMREFF</td>
<td>32,711,731</td>
<td>0.10%</td>
</tr>
<tr>
<td>Olympus Real Estate Fund II</td>
<td>330,536</td>
<td>0.00%</td>
</tr>
<tr>
<td>Security Capital</td>
<td>53,682,738</td>
<td>0.17%</td>
</tr>
<tr>
<td>Dune II</td>
<td>42,226,501</td>
<td>0.13%</td>
</tr>
<tr>
<td>Non-Core Real Estate Funds*</td>
<td>150,352,786</td>
<td>0.48%</td>
</tr>
<tr>
<td>Rockwood Fund VIII</td>
<td>35,216,521</td>
<td>0.11%</td>
</tr>
<tr>
<td>Almanac ARS V</td>
<td>50,045,618</td>
<td>0.16%</td>
</tr>
<tr>
<td>TA Fund IX</td>
<td>50,535,839</td>
<td>0.16%</td>
</tr>
<tr>
<td><strong>Alternative Investments</strong></td>
<td>$1,229,632,017</td>
<td>3.92%</td>
</tr>
<tr>
<td><strong>Absolute Return</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Aurora</td>
<td>513,779,807</td>
<td>1.64%</td>
</tr>
<tr>
<td>Mesirow</td>
<td>3,094,805</td>
<td>0.01%</td>
</tr>
<tr>
<td><strong>Private Equity</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Abbott</td>
<td>291,751,804</td>
<td>0.93%</td>
</tr>
<tr>
<td>Muller &amp; Monroe ILPEFF</td>
<td>12,211,433</td>
<td>0.04%</td>
</tr>
<tr>
<td>Muller &amp; Monroe MPEFF</td>
<td>17,242,452</td>
<td>0.05%</td>
</tr>
<tr>
<td>Pantheon</td>
<td>175,857,384</td>
<td>0.56%</td>
</tr>
<tr>
<td>Private Equity Fund - Domestic</td>
<td>18,985,833</td>
<td>0.06%</td>
</tr>
<tr>
<td><strong>Agriculture</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cozad/Westchester</td>
<td>132,717,422</td>
<td>0.42%</td>
</tr>
<tr>
<td><strong>Timberland</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Forest Investment Assoc.</td>
<td>63,991,078</td>
<td>0.20%</td>
</tr>
<tr>
<td><strong>Cash</strong></td>
<td>$280,159,221</td>
<td>0.89%</td>
</tr>
<tr>
<td><strong>Total Fund</strong></td>
<td>$31,352,005,848</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

*Non-Core Real Estate Funds funded since September 2011.

10/25/2013
Page 267166
Illinois Municipal Retirement Fund
Monthly Total Fund Relative Attribution - September 30, 2013

The following analysis approaches Total Fund Attribution from the perspective of relative return. Relative return attribution separates and quantifies the sources of total fund excess return relative to its target. This excess return is separated into two relative attribution effects: Asset Allocation Effect and Manager Selection Effect. The Asset Allocation Effect represents the excess return due to the actual total fund asset allocation differing from the target asset allocation. Manager Selection Effect represents the total fund impact of the individual managers excess returns relative to their benchmarks.

Asset Class Under or Overweighting

<table>
<thead>
<tr>
<th>Asset Class</th>
<th>Effective Weight</th>
<th>Actual Return</th>
<th>Target Return</th>
<th>Manager Effect</th>
<th>Asset Allocation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Domestic Equity</td>
<td>45%</td>
<td>4.82%</td>
<td>3.68%</td>
<td>0.51%</td>
<td>0.03%</td>
</tr>
<tr>
<td>Domestic Fixed Income</td>
<td>27%</td>
<td>0.98%</td>
<td>0.95%</td>
<td>0.01%</td>
<td>0.04%</td>
</tr>
<tr>
<td>Real Estate</td>
<td>3%</td>
<td>1.15%</td>
<td>1.34%</td>
<td>0.06%</td>
<td>0.06%</td>
</tr>
<tr>
<td>International Equity</td>
<td>20%</td>
<td>7.24%</td>
<td>6.95%</td>
<td>0.00%</td>
<td>0.05%</td>
</tr>
<tr>
<td>Alternative Investments</td>
<td>4%</td>
<td>0.81%</td>
<td>0.72%</td>
<td>0.00%</td>
<td>0.05%</td>
</tr>
<tr>
<td>Cash</td>
<td>1%</td>
<td>0.02%</td>
<td>0.00%</td>
<td>0.00%</td>
<td>0.01%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>3.95%</strong></td>
<td></td>
<td></td>
<td><strong>0.77%</strong></td>
</tr>
</tbody>
</table>

* Current Month Target = 38.0% US Total Stock Market Idx, 29.0% Barclays Aggregate Index, 20.0% MSCI ACWI x US (Net), 6.0% NFI-ODCE Value Weight Gr+1.0%, 6.0% 9% Annually and 1.0% 3-month Treasury Bill.
Asset Class Returns

The table below details the rates of return for the fund’s asset class composites over various time periods. Negative returns are shown in red, positive returns in black. Returns for one year or greater are annualized.

### Returns for Periods Ended September 30, 2013

<table>
<thead>
<tr>
<th>Asset Class</th>
<th>Last Month</th>
<th>Last 3 Months</th>
<th>Year to Date</th>
<th>Last 12 Months</th>
</tr>
</thead>
<tbody>
<tr>
<td>Domestic Equity (12/31/81)</td>
<td>4.82%</td>
<td>8.36%</td>
<td>24.50%</td>
<td>25.72%</td>
</tr>
<tr>
<td>DJ U.S. Total Stock Market Index</td>
<td>3.68%</td>
<td>6.16%</td>
<td>21.22%</td>
<td>21.44%</td>
</tr>
<tr>
<td>Domestic Equity - Net (12/31/04)</td>
<td>4.82%</td>
<td>8.29%</td>
<td>24.29%</td>
<td>25.44%</td>
</tr>
<tr>
<td>International Equity (08/31/86)</td>
<td>7.24%</td>
<td>10.42%</td>
<td>13.93%</td>
<td>21.11%</td>
</tr>
<tr>
<td>MSCI ACWI x US (Net)</td>
<td>6.95%</td>
<td>10.09%</td>
<td>10.04%</td>
<td>16.48%</td>
</tr>
<tr>
<td>International Equity - Net (12/31/04)</td>
<td>7.24%</td>
<td>10.33%</td>
<td>13.68%</td>
<td>20.72%</td>
</tr>
<tr>
<td>Domestic Fixed-Income (12/31/81)</td>
<td>0.98%</td>
<td>0.78%</td>
<td>(1.20%)</td>
<td>(0.30%)</td>
</tr>
<tr>
<td>BC Aggregate Index</td>
<td>0.95%</td>
<td>0.57%</td>
<td>(1.89%)</td>
<td>(1.68%)</td>
</tr>
<tr>
<td>Domestic Fixed-Inc. - Net (12/31/04)</td>
<td>0.97%</td>
<td>0.74%</td>
<td>(1.32%)</td>
<td>(0.47%)</td>
</tr>
<tr>
<td>Real Estate (04/30/85)</td>
<td>1.15%</td>
<td>2.14%</td>
<td>6.95%</td>
<td>9.13%</td>
</tr>
<tr>
<td>Blended Benchmark**</td>
<td>1.34%</td>
<td>4.08%</td>
<td>11.48%</td>
<td>14.58%</td>
</tr>
<tr>
<td>Real Estate - Net (12/31/04)</td>
<td>1.15%</td>
<td>2.14%</td>
<td>6.79%</td>
<td>8.83%</td>
</tr>
<tr>
<td>Alternative Investments (01/31/86)</td>
<td>0.81%</td>
<td>1.45%</td>
<td>7.25%</td>
<td>9.21%</td>
</tr>
<tr>
<td>Alternatives Custom Benchmark***</td>
<td>0.72%</td>
<td>2.18%</td>
<td>6.68%</td>
<td>9.00%</td>
</tr>
<tr>
<td>Alternative Investments - Net (12/31/04)</td>
<td>0.81%</td>
<td>1.44%</td>
<td>6.96%</td>
<td>8.96%</td>
</tr>
<tr>
<td>Absolute Return (12/31/01)</td>
<td>1.42%</td>
<td>(0.54%)</td>
<td>3.81%</td>
<td>4.75%</td>
</tr>
<tr>
<td>HFR Fund-of-Funds Index</td>
<td>1.91%</td>
<td>2.13%</td>
<td>5.56%</td>
<td>6.96%</td>
</tr>
<tr>
<td>Private Equity (01/31/86)</td>
<td>0.24%</td>
<td>3.25%</td>
<td>8.89%</td>
<td>10.15%</td>
</tr>
<tr>
<td>Alternatives Custom Benchmark***</td>
<td>0.72%</td>
<td>2.18%</td>
<td>6.68%</td>
<td>9.00%</td>
</tr>
<tr>
<td>Agriculture (09/30/97)</td>
<td>1.08%</td>
<td>1.23%</td>
<td>17.40%</td>
<td>29.56%</td>
</tr>
<tr>
<td>Blended Benchmark**</td>
<td>1.34%</td>
<td>4.08%</td>
<td>11.48%</td>
<td>14.58%</td>
</tr>
<tr>
<td>Timberland (09/30/92)</td>
<td>0.00%</td>
<td>3.71%</td>
<td>4.49%</td>
<td>2.96%</td>
</tr>
<tr>
<td>Blended Benchmark**</td>
<td>1.34%</td>
<td>4.08%</td>
<td>11.48%</td>
<td>14.58%</td>
</tr>
</tbody>
</table>

### Total Fund (12/31/81)

<table>
<thead>
<tr>
<th>Asset Class</th>
<th>Last Month</th>
<th>Last 3 Months</th>
<th>Year to Date</th>
<th>Last 12 Months</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Fund (12/31/81)</td>
<td>3.95%</td>
<td>6.15%</td>
<td>13.15%</td>
<td>15.48%</td>
</tr>
<tr>
<td>Total Fund Benchmark</td>
<td>3.19%</td>
<td>4.90%</td>
<td>10.37%</td>
<td>12.12%</td>
</tr>
<tr>
<td>Total Fund - Net (12/31/04)</td>
<td>3.95%</td>
<td>6.09%</td>
<td>13.06%</td>
<td>15.28%</td>
</tr>
</tbody>
</table>

* Current Month Target = 38.0% US Total Stock Market Idx, 29.0% Barclays Aggregate Index, 20.0% MSCI ACWI x US (Net), 8.0% NFI-ODCE Value Weight Gr+1.0%, 8.0% 9% Annually and 1.0% 3-month Treasury Bill.
** The Blended Benchmark is currently ODCE Value Weigh Index+1%. Returns between January 1, 2007 and December 31, 2012 reflect NPI+1%. Returns prior to January 1, 2007, reflect those of the Consumer Price Index +5%. Given that ODCE returns are updated quarterly, an approximation of the Index is used in the monthly reports.
*** The Alternatives Custom Benchmark is based on an annualized rate of return of 9.0%. Prior to July 1, 2010 the Benchmark was based on an annual return of 12.0%. Prior to 2004, the Benchmark was based on an annual return of 13.0%. Prior to 2003, it was based on an annual return of 15.0%.
## Asset Class Returns

The table below details the rates of return for the fund’s asset class composites over various time periods. Negative returns are shown in red, positive returns in black. Returns for one year or greater are annualized.

### Returns for Periods Ended September 30, 2013

<table>
<thead>
<tr>
<th></th>
<th>Last 36 Months</th>
<th>Last 60 Months</th>
<th>Last 120 Months</th>
<th>Since Inception</th>
</tr>
</thead>
<tbody>
<tr>
<td>Domestic Equity (12/31/81)</td>
<td>17.95%</td>
<td>11.54%</td>
<td>9.07%</td>
<td>11.64%</td>
</tr>
<tr>
<td>DJ U.S. Total Stock Market Index</td>
<td>16.77%</td>
<td>10.69%</td>
<td>8.32%</td>
<td>11.17%</td>
</tr>
<tr>
<td>Domestic Equity - Net (12/31/04)</td>
<td>17.67%</td>
<td>11.27%</td>
<td>-</td>
<td>6.96%</td>
</tr>
<tr>
<td>International Equity (08/31/86)</td>
<td>8.41%</td>
<td>7.81%</td>
<td>9.54%</td>
<td>8.34%</td>
</tr>
<tr>
<td>MSCI ACWI x US (Net)</td>
<td>5.95%</td>
<td>6.26%</td>
<td>8.77%</td>
<td>-</td>
</tr>
<tr>
<td>International Equity - Net (12/31/04)</td>
<td>8.08%</td>
<td>7.47%</td>
<td>-</td>
<td>6.15%</td>
</tr>
<tr>
<td>Domestic Fixed-Income (12/31/81)</td>
<td>4.39%</td>
<td>7.62%</td>
<td>5.57%</td>
<td>9.00%</td>
</tr>
<tr>
<td>BC Aggregate Index</td>
<td>2.86%</td>
<td>5.41%</td>
<td>4.59%</td>
<td>8.38%</td>
</tr>
<tr>
<td>Domestic Fixed-Inc. - Net (12/31/04)</td>
<td>4.23%</td>
<td>7.46%</td>
<td>-</td>
<td>5.39%</td>
</tr>
<tr>
<td>Real Estate (04/30/85)</td>
<td>12.51%</td>
<td>0.74%</td>
<td>5.90%</td>
<td>4.46%</td>
</tr>
<tr>
<td>Blended Benchmark**</td>
<td>14.54%</td>
<td>4.84%</td>
<td>6.82%</td>
<td>7.54%</td>
</tr>
<tr>
<td>Real Estate - Net (12/31/04)</td>
<td>12.32%</td>
<td>0.64%</td>
<td>-</td>
<td>5.26%</td>
</tr>
<tr>
<td>Alternative Investments (01/31/86)</td>
<td>7.86%</td>
<td>4.41%</td>
<td>8.30%</td>
<td>10.86%</td>
</tr>
<tr>
<td>Alternatives Custom Benchmark***</td>
<td>9.00%</td>
<td>10.04%</td>
<td>11.04%</td>
<td>13.50%</td>
</tr>
<tr>
<td>Alternative Investments - Net (12/31/04)</td>
<td>7.61%</td>
<td>4.13%</td>
<td>-</td>
<td>7.47%</td>
</tr>
<tr>
<td>Absolute Return (12/31/01)</td>
<td>3.21%</td>
<td>3.28%</td>
<td>4.35%</td>
<td>4.57%</td>
</tr>
<tr>
<td>HFR Fund-of-Funds Index</td>
<td>2.62%</td>
<td>2.02%</td>
<td>3.43%</td>
<td>3.71%</td>
</tr>
<tr>
<td>Private Equity (01/31/88)</td>
<td>10.86%</td>
<td>4.60%</td>
<td>11.34%</td>
<td>12.95%</td>
</tr>
<tr>
<td>Alternatives Custom Benchmark***</td>
<td>9.00%</td>
<td>10.04%</td>
<td>11.04%</td>
<td>13.50%</td>
</tr>
<tr>
<td>Agriculture (09/30/97)</td>
<td>16.37%</td>
<td>9.78%</td>
<td>10.45%</td>
<td>7.30%</td>
</tr>
<tr>
<td>Blended Benchmark**</td>
<td>14.54%</td>
<td>4.84%</td>
<td>6.82%</td>
<td>6.99%</td>
</tr>
<tr>
<td>Timberland (09/30/92)</td>
<td>2.37%</td>
<td>3.10%</td>
<td>3.84%</td>
<td>8.63%</td>
</tr>
<tr>
<td>Blended Benchmark**</td>
<td>14.54%</td>
<td>4.84%</td>
<td>6.82%</td>
<td>7.13%</td>
</tr>
</tbody>
</table>

### Total Fund (12/31/81)

<table>
<thead>
<tr>
<th></th>
<th>Last 36 Months</th>
<th>Last 60 Months</th>
<th>Last 120 Months</th>
<th>Since Inception</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Fund Benchmark</td>
<td>9.98%</td>
<td>8.58%</td>
<td>7.62%</td>
<td>-</td>
</tr>
<tr>
<td>Total Fund - Net (12/31/04)</td>
<td>10.91%</td>
<td>9.61%</td>
<td>-</td>
<td>6.89%</td>
</tr>
</tbody>
</table>

---

* Current Month Target = 38.0% US Total Stock Market Idx, 29.0% Barclays Aggregate Index, 20.0% MSCI ACWI x US (Net), 8.0% NFI-ODCE Value Weight Gr+1.0%, 8.0% 9% Annually and 1.0% 3-month Treasury Bill.

** The Blended Benchmark is currently ODCE Value Weigh Index+1%. Returns between January 1, 2007 and December 31, 2012 reflect NPI+1%. Returns prior to January 1, 2007, reflect those of the Consumer Price Index +5%.

Given that ODCE returns are updated quarterly, an approximation of the Index is used in the monthly reports.

*** The Alternatives Custom Benchmark is based on an annualized rate of return of 9.0%. Prior to July 1, 2010 the Benchmark was based on an annual return of 12.0%. Prior to 2004, the Benchmark was based on an annual return of 13.0%. Prior to 2003, it was based on an annual return of 15.0%.
Large Cap Equity Returns

The table below details the rates of return for the fund’s large cap growth and large cap value managers over various time periods. Negative returns are shown in red, positive returns in black. Returns for one year or greater are annualized.

Returns for Periods Ended September 30, 2013

<table>
<thead>
<tr>
<th>Large Cap Equity (12/31/81)</th>
<th>Large Cap Growth (12/31/81)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Last Month</td>
<td>Last 3 Months</td>
</tr>
<tr>
<td>Large Cap Equity (12/31/81)</td>
<td>4.33%</td>
</tr>
<tr>
<td>Russell 1000 Index</td>
<td>3.49%</td>
</tr>
<tr>
<td>Large Cap Growth (12/31/81)</td>
<td>6.15%</td>
</tr>
<tr>
<td>BlackRock LCG (07/31/11)</td>
<td>7.01%</td>
</tr>
<tr>
<td>LCG Blended Benchmark*</td>
<td>4.46%</td>
</tr>
<tr>
<td>Russell 1000 Growth Index</td>
<td>4.46%</td>
</tr>
<tr>
<td>BlackRock LCG - Net (07/31/11)</td>
<td>7.01%</td>
</tr>
<tr>
<td>Holland (10/31/94)</td>
<td>3.99%</td>
</tr>
<tr>
<td>LCG Blended Benchmark*</td>
<td>4.46%</td>
</tr>
<tr>
<td>Russell 1000 Growth Index</td>
<td>4.46%</td>
</tr>
<tr>
<td>Holland - Net (12/31/04)</td>
<td>3.99%</td>
</tr>
<tr>
<td>NTGI S&amp;P 500 Growth Idx (07/31/01)</td>
<td>3.76%</td>
</tr>
<tr>
<td>S&amp;P/Citi 500 Growth Index</td>
<td>3.77%</td>
</tr>
<tr>
<td>NTGI S&amp;P 500 Growth Idx - Net (12/31/04)</td>
<td>3.76%</td>
</tr>
<tr>
<td>Sands (10/31/03)</td>
<td>10.03%</td>
</tr>
<tr>
<td>LCG Blended Benchmark*</td>
<td>4.46%</td>
</tr>
<tr>
<td>Russell 1000 Growth Index</td>
<td>4.46%</td>
</tr>
<tr>
<td>Sands - Net (12/31/04)</td>
<td>10.03%</td>
</tr>
<tr>
<td>Vision (06/30/11)</td>
<td>3.76%</td>
</tr>
<tr>
<td>LCG Blended Benchmark*</td>
<td>4.46%</td>
</tr>
<tr>
<td>Russell 1000 Growth Index</td>
<td>4.46%</td>
</tr>
<tr>
<td>Vision - Net (06/30/11)</td>
<td>3.76%</td>
</tr>
<tr>
<td>Large Cap Value (09/30/82)</td>
<td>3.12%</td>
</tr>
<tr>
<td>Dodge &amp; Cox (08/31/03)</td>
<td>4.03%</td>
</tr>
<tr>
<td>LCV Blended Benchmark**</td>
<td>2.51%</td>
</tr>
<tr>
<td>Russell 1000 Value Index</td>
<td>2.51%</td>
</tr>
<tr>
<td>Dodge &amp; Cox - Net (12/31/04)</td>
<td>4.03%</td>
</tr>
<tr>
<td>BMO (01/31/01)</td>
<td>3.03%</td>
</tr>
<tr>
<td>LCV Blended Benchmark**</td>
<td>2.51%</td>
</tr>
<tr>
<td>Russell 1000 Value Index</td>
<td>2.51%</td>
</tr>
<tr>
<td>BMO - Net (12/31/04)</td>
<td>3.03%</td>
</tr>
<tr>
<td>LSV (01/31/03)</td>
<td>2.82%</td>
</tr>
<tr>
<td>LCV Blended Benchmark**</td>
<td>2.51%</td>
</tr>
<tr>
<td>Russell 1000 Value Index</td>
<td>2.51%</td>
</tr>
<tr>
<td>LSV - Net (12/31/04)</td>
<td>2.82%</td>
</tr>
<tr>
<td>NTGI S&amp;P 500 Value Idx (07/31/99)</td>
<td>2.48%</td>
</tr>
<tr>
<td>S&amp;P/Citi 500 Value Index</td>
<td>2.47%</td>
</tr>
<tr>
<td>NTGI S&amp;P 500 Value Idx - Net (12/31/04)</td>
<td>2.48%</td>
</tr>
</tbody>
</table>

* The LCG Blended Benchmark is currently the Russell 1000 Growth Index. Returns prior to January 1, 2006, reflect those of the S&P 500/Citigroup Growth Index.

** The LCV Blended Benchmark is currently the Russell 1000 Value Index. Returns prior to January 1, 2006, reflect those of the S&P 500/Citigroup Value Index.
Large Cap Equity Returns

The table below details the rates of return for the fund’s large cap growth and large cap value managers over various time periods. Negative returns are shown in red, positive returns in black. Returns for one year or greater are annualized.

### Returns for Periods Ended September 30, 2013

<table>
<thead>
<tr>
<th>Returns for Periods Ended September 30, 2013</th>
<th>Last 36 Months</th>
<th>Last 60 Months</th>
<th>Last 120 Months</th>
<th>Since Inception</th>
</tr>
</thead>
<tbody>
<tr>
<td>Large Cap Equity (12/31/81)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Russell 1000 Index</td>
<td>17.31%</td>
<td>11.01%</td>
<td>8.35%</td>
<td>11.08%</td>
</tr>
<tr>
<td>Large Cap Growth (12/31/81)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>BlackRock LCG (07/31/11)</td>
<td>16.94%</td>
<td>12.07%</td>
<td>7.63%</td>
<td>10.50%</td>
</tr>
<tr>
<td>LCG Blended Benchmark*</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Holland (10/31/94)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>LCG Blended Benchmark*</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Russell 1000 Growth Index</td>
<td>16.94%</td>
<td>12.07%</td>
<td>7.82%</td>
<td>8.31%</td>
</tr>
<tr>
<td>Holland - Net (12/31/04)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>LCG Blended Benchmark*</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Russell 1000 Growth Index</td>
<td>16.94%</td>
<td>12.07%</td>
<td>7.82%</td>
<td>7.41%</td>
</tr>
<tr>
<td>NTGI S&amp;P 500 Growth Idx (07/31/01)</td>
<td>16.74%</td>
<td>11.62%</td>
<td>7.60%</td>
<td>4.85%</td>
</tr>
<tr>
<td>S&amp;P/Citi 500 Growth Index</td>
<td>16.73%</td>
<td>11.58%</td>
<td>7.57%</td>
<td>4.81%</td>
</tr>
<tr>
<td>Large Cap Value (09/30/82)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>BMO (01/31/03)</td>
<td>17.6%</td>
<td>11.3%</td>
<td>8.85%</td>
<td>8.81%</td>
</tr>
<tr>
<td>LCV Blended Benchmark**</td>
<td>16.25%</td>
<td>8.86%</td>
<td>7.90%</td>
<td>7.91%</td>
</tr>
<tr>
<td>Dodge &amp; Cox - Net (12/31/04)</td>
<td>18.02%</td>
<td>11.06%</td>
<td>-</td>
<td>5.95%</td>
</tr>
<tr>
<td>LCV Blended Benchmark**</td>
<td>16.25%</td>
<td>8.86%</td>
<td>7.81%</td>
<td>5.87%</td>
</tr>
<tr>
<td>Russell 1000 Value Index</td>
<td>16.25%</td>
<td>8.86%</td>
<td>7.99%</td>
<td>6.01%</td>
</tr>
<tr>
<td>BMO - Net (12/31/04)</td>
<td>17.59%</td>
<td>8.71%</td>
<td>-</td>
<td>6.72%</td>
</tr>
<tr>
<td>LCV Blended Benchmark**</td>
<td>16.25%</td>
<td>8.86%</td>
<td>7.81%</td>
<td>5.87%</td>
</tr>
<tr>
<td>Russell 1000 Value Index</td>
<td>16.25%</td>
<td>8.86%</td>
<td>7.99%</td>
<td>6.01%</td>
</tr>
<tr>
<td>LSV (01/31/03)</td>
<td>17.99%</td>
<td>10.62%</td>
<td>9.80%</td>
<td>10.68%</td>
</tr>
<tr>
<td>LCV Blended Benchmark**</td>
<td>16.25%</td>
<td>8.86%</td>
<td>7.81%</td>
<td>8.67%</td>
</tr>
<tr>
<td>Russell 1000 Value Index</td>
<td>16.25%</td>
<td>8.86%</td>
<td>7.99%</td>
<td>8.72%</td>
</tr>
<tr>
<td>LSV - Net (12/31/04)</td>
<td>17.69%</td>
<td>10.32%</td>
<td>-</td>
<td>6.81%</td>
</tr>
<tr>
<td>LCV Blended Benchmark**</td>
<td>16.25%</td>
<td>8.86%</td>
<td>7.81%</td>
<td>5.87%</td>
</tr>
<tr>
<td>Russell 1000 Value Index</td>
<td>16.25%</td>
<td>8.86%</td>
<td>7.99%</td>
<td>6.01%</td>
</tr>
<tr>
<td>NTGI S&amp;P 500 Value Idx (07/31/99)</td>
<td>15.93%</td>
<td>8.44%</td>
<td>7.55%</td>
<td>3.97%</td>
</tr>
<tr>
<td>S&amp;P/Citi 500 Value Index</td>
<td>15.86%</td>
<td>8.38%</td>
<td>7.49%</td>
<td>3.96%</td>
</tr>
<tr>
<td>NTGI S&amp;P 500 Value Idx - Net (12/31/04)</td>
<td>15.92%</td>
<td>8.44%</td>
<td>-</td>
<td>5.18%</td>
</tr>
<tr>
<td>S&amp;P/Citi 500 Value Index</td>
<td>15.86%</td>
<td>8.38%</td>
<td>7.49%</td>
<td>5.51%</td>
</tr>
</tbody>
</table>

* The LCG Blended Benchmark is currently the Russell 1000 Growth Index. Returns prior to January 1, 2006, reflect those of the S&P 500/Citigroup Growth Index.

** The LCV Blended Benchmark is currently the Russell 1000 Value Index. Returns prior to January 1, 2006, reflect those of the S&P 500/Citigroup Value Index.

* The LCG Blended Benchmark is currently the Russell 1000 Growth Index. Returns prior to January 1, 2006, reflect those of the S&P 500/Citigroup Growth Index.

** The LCV Blended Benchmark is currently the Russell 1000 Value Index. Returns prior to January 1, 2006, reflect those of the S&P 500/Citigroup Value Index.
Large Cap Equity Returns

The table below details the rates of return for the fund’s large cap core managers over various time periods. Negative returns are shown in red, positive returns in black. Returns for one year or greater are annualized.

<table>
<thead>
<tr>
<th>Returns for Periods Ended September 30, 2013</th>
<th>Last Month</th>
<th>Last 3 Months</th>
<th>Year to Date</th>
<th>Last 12 Months</th>
</tr>
</thead>
<tbody>
<tr>
<td>Large Cap Active Core (12/31/04)</td>
<td>3.89%</td>
<td>7.59%</td>
<td>22.26%</td>
<td>22.32%</td>
</tr>
<tr>
<td>Piedmont (05/31/11)</td>
<td>2.71%</td>
<td>6.10%</td>
<td>18.12%</td>
<td>16.38%</td>
</tr>
<tr>
<td>Russell 1000 Index</td>
<td>3.49%</td>
<td>6.02%</td>
<td>20.76%</td>
<td>20.91%</td>
</tr>
<tr>
<td>Piedmont - Net (05/31/11)</td>
<td>2.71%</td>
<td>6.00%</td>
<td>17.78%</td>
<td>15.93%</td>
</tr>
<tr>
<td>Progress (01/31/05)</td>
<td>4.25%</td>
<td>8.03%</td>
<td>23.53%</td>
<td>24.18%</td>
</tr>
<tr>
<td>DJ U.S. Total Stock Market Index</td>
<td>3.68%</td>
<td>6.16%</td>
<td>21.22%</td>
<td>21.44%</td>
</tr>
<tr>
<td>Progress - Net (01/31/05)</td>
<td>4.25%</td>
<td>7.88%</td>
<td>23.00%</td>
<td>23.46%</td>
</tr>
<tr>
<td>Large Cap Passive Core (12/31/84)</td>
<td>3.68%</td>
<td>6.17%</td>
<td>21.30%</td>
<td>21.56%</td>
</tr>
<tr>
<td>NTGI MarketCap Idx (01/31/85)</td>
<td>3.68%</td>
<td>6.17%</td>
<td>21.30%</td>
<td>21.56%</td>
</tr>
<tr>
<td>DJ U.S. Total Stock Market Index</td>
<td>3.68%</td>
<td>6.16%</td>
<td>21.22%</td>
<td>21.44%</td>
</tr>
<tr>
<td>NTGI MarketCap Idx - Net (12/31/04)</td>
<td>3.68%</td>
<td>6.17%</td>
<td>21.29%</td>
<td>21.55%</td>
</tr>
</tbody>
</table>
Large Cap Equity Returns

The table below details the rates of return for the fund’s large cap core managers over various time periods. Negative returns are shown in red, positive returns in black. Returns for one year or greater are annualized.

Returns for Periods Ended September 30, 2013

<table>
<thead>
<tr>
<th>Fund Name</th>
<th>Last 36 Months</th>
<th>Last 60 Months</th>
<th>Last 120 Months</th>
<th>Since Inception</th>
</tr>
</thead>
<tbody>
<tr>
<td>Large Cap Active Core (12/31/04)</td>
<td>16.41%</td>
<td>10.14%</td>
<td>-</td>
<td>6.54%</td>
</tr>
<tr>
<td>Piedmont (05/31/11)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>10.08%</td>
</tr>
<tr>
<td>Russell 1000 Index</td>
<td>16.64%</td>
<td>10.53%</td>
<td>7.98%</td>
<td>12.57%</td>
</tr>
<tr>
<td>Piedmont - Net (05/31/11)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>9.67%</td>
</tr>
<tr>
<td>Progress (01/31/05)</td>
<td>16.72%</td>
<td>10.31%</td>
<td>-</td>
<td>6.70%</td>
</tr>
<tr>
<td>DJ U.S. Total Stock Market Index</td>
<td>16.77%</td>
<td>10.69%</td>
<td>8.32%</td>
<td>6.66%</td>
</tr>
<tr>
<td>Progress - Net (01/31/05)</td>
<td>16.04%</td>
<td>9.65%</td>
<td>-</td>
<td>6.08%</td>
</tr>
<tr>
<td>Large Cap Passive Core (12/31/84)</td>
<td>16.83%</td>
<td>10.76%</td>
<td>8.20%</td>
<td>10.95%</td>
</tr>
<tr>
<td>NTGI MarketCap Idx (01/31/85)</td>
<td>16.83%</td>
<td>10.79%</td>
<td>8.21%</td>
<td>10.98%</td>
</tr>
<tr>
<td>DJ U.S. Total Stock Market Index</td>
<td>16.77%</td>
<td>10.69%</td>
<td>8.32%</td>
<td>10.94%</td>
</tr>
<tr>
<td>NTGI MarketCap Idx - Net (12/31/04)</td>
<td>16.82%</td>
<td>10.78%</td>
<td>-</td>
<td>6.48%</td>
</tr>
<tr>
<td>DJ U.S. Total Stock Market Index</td>
<td>16.77%</td>
<td>10.69%</td>
<td>8.32%</td>
<td>7.03%</td>
</tr>
</tbody>
</table>
Small Cap Equity Returns

The table below details the rates of return for the fund’s small cap growth, small cap value, and micro cap managers over various time periods. Negative returns are shown in red, positive returns in black. Returns for one year or greater are annualized.

<table>
<thead>
<tr>
<th>Returns for Periods Ended September 30, 2013</th>
<th>Last Month</th>
<th>Last 3 Months</th>
<th>Year to Date</th>
<th>Last 12 Months</th>
</tr>
</thead>
<tbody>
<tr>
<td>Small Cap Equity (06/30/88)</td>
<td>6.17%</td>
<td>10.88%</td>
<td>30.65%</td>
<td>34.34%</td>
</tr>
<tr>
<td>Russell 2000 Index</td>
<td>6.38%</td>
<td>10.21%</td>
<td>27.69%</td>
<td>30.06%</td>
</tr>
<tr>
<td>Small Cap Growth (06/30/88)</td>
<td>6.45%</td>
<td>12.24%</td>
<td>31.21%</td>
<td>35.22%</td>
</tr>
<tr>
<td>Fortaleza (11/30/06)</td>
<td>5.80%</td>
<td>11.08%</td>
<td>27.44%</td>
<td>24.73%</td>
</tr>
<tr>
<td>Russell 2000 Growth Index</td>
<td>6.96%</td>
<td>12.80%</td>
<td>32.47%</td>
<td>33.07%</td>
</tr>
<tr>
<td>Fortaleza - Net (11/30/06)</td>
<td>5.80%</td>
<td>10.95%</td>
<td>26.99%</td>
<td>23.97%</td>
</tr>
<tr>
<td>Frontier (07/31/88)</td>
<td>6.44%</td>
<td>13.51%</td>
<td>31.99%</td>
<td>37.36%</td>
</tr>
<tr>
<td>Russell 2000 Growth Index</td>
<td>6.96%</td>
<td>12.80%</td>
<td>32.47%</td>
<td>33.07%</td>
</tr>
<tr>
<td>Frontier - Net (12/31/04)</td>
<td>6.44%</td>
<td>13.38%</td>
<td>31.53%</td>
<td>36.72%</td>
</tr>
<tr>
<td>Pyramis (07/31/88)</td>
<td>6.50%</td>
<td>11.11%</td>
<td>30.70%</td>
<td>33.90%</td>
</tr>
<tr>
<td>Russell 2000 Growth Index</td>
<td>6.96%</td>
<td>12.80%</td>
<td>32.47%</td>
<td>33.07%</td>
</tr>
<tr>
<td>Pyramis - Net (12/31/04)</td>
<td>6.50%</td>
<td>10.98%</td>
<td>30.29%</td>
<td>33.48%</td>
</tr>
<tr>
<td>Small Cap Value (08/31/89)</td>
<td>5.89%</td>
<td>9.55%</td>
<td>26.84%</td>
<td>32.54%</td>
</tr>
<tr>
<td>Channing (06/30/11)</td>
<td>6.93%</td>
<td>12.57%</td>
<td>28.50%</td>
<td>39.83%</td>
</tr>
<tr>
<td>Russell 2000 Value Index</td>
<td>5.77%</td>
<td>7.59%</td>
<td>23.07%</td>
<td>27.04%</td>
</tr>
<tr>
<td>Channing - Net (06/30/11)</td>
<td>6.93%</td>
<td>12.37%</td>
<td>27.80%</td>
<td>38.81%</td>
</tr>
<tr>
<td>DFA Small Cap Value (01/31/96)</td>
<td>5.24%</td>
<td>8.35%</td>
<td>27.85%</td>
<td>34.28%</td>
</tr>
<tr>
<td>Russell 2000 Value Index</td>
<td>5.77%</td>
<td>7.59%</td>
<td>23.07%</td>
<td>27.04%</td>
</tr>
<tr>
<td>DFA Small Cap Value - Net (12/31/04)</td>
<td>5.24%</td>
<td>8.22%</td>
<td>27.40%</td>
<td>33.64%</td>
</tr>
<tr>
<td>Inv. Counselors of Maryland (04/30/99)</td>
<td>6.34%</td>
<td>10.42%</td>
<td>25.17%</td>
<td>30.32%</td>
</tr>
<tr>
<td>Russell 2000 Value Index</td>
<td>5.77%</td>
<td>7.59%</td>
<td>23.07%</td>
<td>27.04%</td>
</tr>
<tr>
<td>Inv. Couns. of Maryland - Net (12/31/04)</td>
<td>6.34%</td>
<td>10.32%</td>
<td>24.83%</td>
<td>29.83%</td>
</tr>
<tr>
<td>Lombardia (05/31/11)</td>
<td>5.51%</td>
<td>8.52%</td>
<td>28.91%</td>
<td>31.58%</td>
</tr>
<tr>
<td>Russell 2000 Value Index</td>
<td>5.77%</td>
<td>7.59%</td>
<td>23.07%</td>
<td>27.04%</td>
</tr>
<tr>
<td>Lombardia - Net (05/31/11)</td>
<td>5.51%</td>
<td>8.35%</td>
<td>28.29%</td>
<td>30.73%</td>
</tr>
<tr>
<td>Micro Cap (06/30/84)</td>
<td>6.20%</td>
<td>11.09%</td>
<td>37.51%</td>
<td>36.37%</td>
</tr>
<tr>
<td>Ariel (10/31/10)</td>
<td>3.32%</td>
<td>3.60%</td>
<td>28.93%</td>
<td>27.07%</td>
</tr>
<tr>
<td>Russell 2000 Value Index</td>
<td>5.77%</td>
<td>7.59%</td>
<td>23.07%</td>
<td>27.04%</td>
</tr>
<tr>
<td>Russell 2000 Index</td>
<td>6.38%</td>
<td>10.21%</td>
<td>27.69%</td>
<td>30.06%</td>
</tr>
<tr>
<td>Russell Microcap Index</td>
<td>6.71%</td>
<td>11.62%</td>
<td>32.07%</td>
<td>32.12%</td>
</tr>
<tr>
<td>Ariel - Net (10/31/10)</td>
<td>3.32%</td>
<td>3.41%</td>
<td>28.17%</td>
<td>26.06%</td>
</tr>
<tr>
<td>Ativo (09/30/10)</td>
<td>6.67%</td>
<td>12.99%</td>
<td>41.83%</td>
<td>41.59%</td>
</tr>
<tr>
<td>Russell 2000 Growth Index</td>
<td>6.96%</td>
<td>12.80%</td>
<td>32.47%</td>
<td>33.07%</td>
</tr>
<tr>
<td>Russell 2000 Index</td>
<td>6.38%</td>
<td>10.21%</td>
<td>27.69%</td>
<td>30.06%</td>
</tr>
<tr>
<td>Russell Microcap Index</td>
<td>6.71%</td>
<td>11.62%</td>
<td>32.07%</td>
<td>32.12%</td>
</tr>
<tr>
<td>Ativo - Net (09/30/10)</td>
<td>6.67%</td>
<td>12.79%</td>
<td>41.07%</td>
<td>40.56%</td>
</tr>
<tr>
<td>DFA Micro Cap (07/31/87)</td>
<td>6.84%</td>
<td>10.96%</td>
<td>30.38%</td>
<td>33.55%</td>
</tr>
<tr>
<td>Russell 2000 Value Index</td>
<td>5.77%</td>
<td>7.59%</td>
<td>23.07%</td>
<td>27.04%</td>
</tr>
<tr>
<td>Russell 2000 Index</td>
<td>6.38%</td>
<td>10.21%</td>
<td>27.69%</td>
<td>30.06%</td>
</tr>
<tr>
<td>DFA Micro Cap - Net (12/31/04)</td>
<td>6.84%</td>
<td>10.83%</td>
<td>29.92%</td>
<td>32.91%</td>
</tr>
<tr>
<td>Wall Street (07/31/90)</td>
<td>6.36%</td>
<td>12.67%</td>
<td>44.21%</td>
<td>39.88%</td>
</tr>
<tr>
<td>Russell 2000 Growth Index</td>
<td>6.96%</td>
<td>12.80%</td>
<td>32.47%</td>
<td>33.07%</td>
</tr>
<tr>
<td>Russell 2000 Index</td>
<td>6.38%</td>
<td>10.21%</td>
<td>27.69%</td>
<td>30.06%</td>
</tr>
<tr>
<td>Wall Street - Net (12/31/04)</td>
<td>6.36%</td>
<td>12.47%</td>
<td>43.43%</td>
<td>38.87%</td>
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</tbody>
</table>
Small Cap Equity Returns

The table below details the rates of return for the fund’s small cap growth, small cap value, and micro cap managers over various time periods. Negative returns are shown in red, positive returns in black. Returns for one year or greater are annualized.

<table>
<thead>
<tr>
<th>Returns for Periods Ended September 30, 2013</th>
<th>Last 36 Months</th>
<th>Last 60 Months</th>
<th>Last 120 Months</th>
<th>Since Inception</th>
</tr>
</thead>
<tbody>
<tr>
<td>Small Cap Equity (06/30/88)</td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Russell 2000 Index</td>
<td>20.08%</td>
<td>13.85%</td>
<td>12.42%</td>
<td>12.94%</td>
</tr>
<tr>
<td>Small Cap Growth (06/30/88)</td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fortaleza (11/30/06)</td>
<td>19.57%</td>
<td>13.99%</td>
<td>12.48%</td>
<td>13.61%</td>
</tr>
<tr>
<td>Russell 2000 Growth Index</td>
<td>19.96%</td>
<td>13.17%</td>
<td>9.85%</td>
<td>8.15%</td>
</tr>
<tr>
<td>Fortaleza - Net (11/30/06)</td>
<td>20.55%</td>
<td>11.00%</td>
<td>-</td>
<td>6.49%</td>
</tr>
<tr>
<td>Frontier (07/31/88)</td>
<td>18.99%</td>
<td>14.29%</td>
<td>11.76%</td>
<td>13.68%</td>
</tr>
<tr>
<td>Russell 2000 Growth Index</td>
<td>19.96%</td>
<td>13.17%</td>
<td>9.85%</td>
<td>7.90%</td>
</tr>
<tr>
<td>Frontier - Net (12/31/04)</td>
<td>18.30%</td>
<td>13.47%</td>
<td>-</td>
<td>9.62%</td>
</tr>
<tr>
<td>Russell 2000 Growth Index</td>
<td>19.96%</td>
<td>13.17%</td>
<td>9.85%</td>
<td>8.52%</td>
</tr>
<tr>
<td>Pyramis (07/31/88)</td>
<td>19.95%</td>
<td>14.74%</td>
<td>13.84%</td>
<td>14.20%</td>
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<tr>
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<td>13.17%</td>
<td>9.85%</td>
<td>7.90%</td>
</tr>
<tr>
<td>Pyramis - Net (12/31/04)</td>
<td>19.30%</td>
<td>14.14%</td>
<td>-</td>
<td>11.17%</td>
</tr>
<tr>
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<td>19.96%</td>
<td>13.17%</td>
<td>9.85%</td>
<td>8.52%</td>
</tr>
<tr>
<td>Small Cap Value (08/31/89)</td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Channing (06/30/11)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>17.49%</td>
</tr>
<tr>
<td>Russell 2000 Value Index</td>
<td>16.57%</td>
<td>9.13%</td>
<td>9.29%</td>
<td>13.25%</td>
</tr>
<tr>
<td>Channing - Net (06/30/11)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>16.64%</td>
</tr>
<tr>
<td>DFA Small Cap Value (01/31/96)</td>
<td>20.32%</td>
<td>13.97%</td>
<td>12.26%</td>
<td>13.35%</td>
</tr>
<tr>
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<td>9.13%</td>
<td>9.29%</td>
<td>10.17%</td>
</tr>
<tr>
<td>DFA Small Cap Value - Net (12/31/04)</td>
<td>19.76%</td>
<td>13.41%</td>
<td>-</td>
<td>8.03%</td>
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<td>6.54%</td>
</tr>
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<td>Inv. Counselors of Maryland (04/30/99)</td>
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<td>11.27%</td>
<td>11.13%</td>
<td>12.75%</td>
</tr>
<tr>
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<td>9.13%</td>
<td>9.29%</td>
<td>10.27%</td>
</tr>
<tr>
<td>Inv. Couns. of Maryland - Net (12/31/04)</td>
<td>17.88%</td>
<td>10.75%</td>
<td>-</td>
<td>8.12%</td>
</tr>
<tr>
<td>Russell 2000 Value Index</td>
<td>16.57%</td>
<td>9.13%</td>
<td>9.29%</td>
<td>6.54%</td>
</tr>
<tr>
<td>Lombardia (05/31/11)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>13.34%</td>
</tr>
<tr>
<td>Russell 2000 Value Index</td>
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<td>9.13%</td>
<td>9.29%</td>
<td>11.55%</td>
</tr>
<tr>
<td>Lombardia - Net (05/31/11)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>12.65%</td>
</tr>
<tr>
<td>Micro Cap (06/30/84)</td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Ariel (10/31/10)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>17.44%</td>
</tr>
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<td>9.13%</td>
<td>9.29%</td>
<td>15.56%</td>
</tr>
<tr>
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<td>18.29%</td>
<td>11.15%</td>
<td>9.64%</td>
<td>17.23%</td>
</tr>
<tr>
<td>Russell Microcap Index</td>
<td>19.66%</td>
<td>11.12%</td>
<td>7.55%</td>
<td>18.03%</td>
</tr>
<tr>
<td>Ariel - Net (10/31/10)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>16.54%</td>
</tr>
<tr>
<td>Ativo (09/30/10)</td>
<td>18.87%</td>
<td>-</td>
<td>-</td>
<td>18.87%</td>
</tr>
<tr>
<td>Russell 2000 Growth Index</td>
<td>19.96%</td>
<td>13.17%</td>
<td>9.85%</td>
<td>19.96%</td>
</tr>
<tr>
<td>Russell 2000 Index</td>
<td>18.29%</td>
<td>11.15%</td>
<td>9.64%</td>
<td>18.29%</td>
</tr>
<tr>
<td>Russell Microcap Index</td>
<td>19.66%</td>
<td>11.12%</td>
<td>7.55%</td>
<td>19.66%</td>
</tr>
<tr>
<td>Ativo - Net (09/30/10)</td>
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</tr>
<tr>
<td>DFA Micro Cap (07/31/87)</td>
<td>20.93%</td>
<td>13.50%</td>
<td>10.64%</td>
<td>11.70%</td>
</tr>
<tr>
<td>Russell 2000 Value Index</td>
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<td>9.13%</td>
<td>9.29%</td>
<td>10.46%</td>
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<td>Russell 2000 Index</td>
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<td>11.15%</td>
<td>9.64%</td>
<td>9.02%</td>
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<td>DFA Micro Cap - Net (12/31/04)</td>
<td>20.35%</td>
<td>12.96%</td>
<td>-</td>
<td>7.44%</td>
</tr>
<tr>
<td>Russell 2000 Growth Index</td>
<td>19.96%</td>
<td>13.17%</td>
<td>9.85%</td>
<td>8.52%</td>
</tr>
<tr>
<td>Russell 2000 Index</td>
<td>18.29%</td>
<td>11.15%</td>
<td>9.64%</td>
<td>7.58%</td>
</tr>
<tr>
<td>Wall Street (07/31/90)</td>
<td>23.88%</td>
<td>16.83%</td>
<td>11.71%</td>
<td>15.00%</td>
</tr>
<tr>
<td>Russell 2000 Growth Index</td>
<td>19.96%</td>
<td>13.17%</td>
<td>9.85%</td>
<td>7.76%</td>
</tr>
<tr>
<td>Russell 2000 Index</td>
<td>18.29%</td>
<td>11.15%</td>
<td>9.64%</td>
<td>9.83%</td>
</tr>
<tr>
<td>Wall Street - Net (12/31/04)</td>
<td>22.95%</td>
<td>15.93%</td>
<td>-</td>
<td>8.42%</td>
</tr>
<tr>
<td>Russell 2000 Growth Index</td>
<td>19.96%</td>
<td>13.17%</td>
<td>9.85%</td>
<td>8.52%</td>
</tr>
<tr>
<td>Russell 2000 Index</td>
<td>18.29%</td>
<td>11.15%</td>
<td>9.64%</td>
<td>7.58%</td>
</tr>
</tbody>
</table>
International Equity Returns

The table below details the rates of return for the fund’s international large cap growth and international large cap value managers over various time periods. Negative returns are shown in red, positive returns in black. Returns for one year or greater are annualized.

<table>
<thead>
<tr>
<th>Returns for Periods Ended September 30, 2013</th>
<th>Last Year</th>
<th>Last 3 Months</th>
<th>Year to Date</th>
<th>Last 12 Months</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intl Large Cap Equity (08/31/86)</td>
<td>7.32%</td>
<td>10.73%</td>
<td>14.99%</td>
<td>22.44%</td>
</tr>
<tr>
<td>MSCI ACWI ex-US Index</td>
<td>6.95%</td>
<td>10.09%</td>
<td>10.04%</td>
<td>16.48%</td>
</tr>
<tr>
<td>Intl Large Cap Growth (08/31/02)</td>
<td>6.85%</td>
<td>9.28%</td>
<td>10.23%</td>
<td>18.91%</td>
</tr>
<tr>
<td>EARNEST Partners (09/30/04)</td>
<td>6.87%</td>
<td>9.57%</td>
<td>7.93%</td>
<td>18.38%</td>
</tr>
<tr>
<td>MSCI ACWI ex-US Index</td>
<td>6.95%</td>
<td>10.09%</td>
<td>10.04%</td>
<td>16.48%</td>
</tr>
<tr>
<td>MSCI ACWI ex-US Growth</td>
<td>6.60%</td>
<td>8.88%</td>
<td>10.67%</td>
<td>16.53%</td>
</tr>
<tr>
<td>EARNEST Partners - Net (12/31/04)</td>
<td>6.87%</td>
<td>9.52%</td>
<td>7.77%</td>
<td>17.78%</td>
</tr>
<tr>
<td>William Blair (09/30/02)</td>
<td>6.82%</td>
<td>9.01%</td>
<td>12.48%</td>
<td>19.41%</td>
</tr>
<tr>
<td>MSCI ACWI ex-US Index</td>
<td>6.95%</td>
<td>10.09%</td>
<td>10.04%</td>
<td>16.48%</td>
</tr>
<tr>
<td>MSCI ACWI ex-US Growth</td>
<td>6.60%</td>
<td>8.88%</td>
<td>10.67%</td>
<td>16.53%</td>
</tr>
<tr>
<td>William Blair - Net (12/31/04)</td>
<td>6.82%</td>
<td>8.91%</td>
<td>12.16%</td>
<td>18.97%</td>
</tr>
<tr>
<td>Intl Large Cap Value (09/30/95)</td>
<td>7.47%</td>
<td>10.37%</td>
<td>15.69%</td>
<td>21.19%</td>
</tr>
<tr>
<td>Brandes (12/31/95)</td>
<td>8.16%</td>
<td>13.36%</td>
<td>21.57%</td>
<td>27.40%</td>
</tr>
<tr>
<td>MSCI ACWI ex-US Index</td>
<td>6.95%</td>
<td>10.09%</td>
<td>10.04%</td>
<td>16.48%</td>
</tr>
<tr>
<td>MSCI ACWI ex-US Value</td>
<td>7.35%</td>
<td>11.45%</td>
<td>10.22%</td>
<td>17.40%</td>
</tr>
<tr>
<td>Brandes - Net (12/31/04)</td>
<td>8.16%</td>
<td>13.30%</td>
<td>21.38%</td>
<td>27.13%</td>
</tr>
<tr>
<td>Lombardia (3/31/12)</td>
<td>9.78%</td>
<td>19.39%</td>
<td>23.61%</td>
<td>35.62%</td>
</tr>
<tr>
<td>MSCI ACWI ex-US Index</td>
<td>6.95%</td>
<td>10.09%</td>
<td>10.04%</td>
<td>16.48%</td>
</tr>
<tr>
<td>MSCI ACWI ex-US Value</td>
<td>7.35%</td>
<td>11.45%</td>
<td>10.22%</td>
<td>17.40%</td>
</tr>
<tr>
<td>Lombardia - Net (3/31/12)</td>
<td>9.78%</td>
<td>19.23%</td>
<td>23.21%</td>
<td>34.99%</td>
</tr>
<tr>
<td>Mondrian (3/31/12)</td>
<td>6.70%</td>
<td>7.02%</td>
<td>10.24%</td>
<td>15.13%</td>
</tr>
<tr>
<td>MSCI ACWI ex-US Index</td>
<td>6.95%</td>
<td>10.09%</td>
<td>10.04%</td>
<td>16.48%</td>
</tr>
<tr>
<td>MSCI ACWI ex-US Value</td>
<td>7.35%</td>
<td>11.45%</td>
<td>10.22%</td>
<td>17.40%</td>
</tr>
<tr>
<td>Mondrian - Net (3/31/12)</td>
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<td>6.88%</td>
<td>9.82%</td>
<td>14.55%</td>
</tr>
<tr>
<td>Lazard (3/31/12)</td>
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<td>9.23%</td>
<td>12.07%</td>
<td>18.70%</td>
</tr>
<tr>
<td>MSCI ACWI ex-US Index</td>
<td>6.95%</td>
<td>10.09%</td>
<td>10.04%</td>
<td>16.48%</td>
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<tr>
<td>MSCI ACWI ex-US Value</td>
<td>7.35%</td>
<td>11.45%</td>
<td>10.22%</td>
<td>17.40%</td>
</tr>
<tr>
<td>Lazard - Net (3/31/12)</td>
<td>6.99%</td>
<td>8.20%</td>
<td>10.88%</td>
<td>17.37%</td>
</tr>
</tbody>
</table>
International Equity Returns

The table below details the rates of return for the fund’s international large cap growth and international large cap value managers over various time periods. Negative returns are shown in red, positive returns in black. Returns for one year or greater are annualized.

<table>
<thead>
<tr>
<th>Returns for Periods Ended September 30, 2013</th>
<th>Last 36 Months</th>
<th>Last 60 Months</th>
<th>Last 120 Months</th>
<th>Since Inception</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intl Large Cap Equity (08/31/86)</td>
<td>8.66%</td>
<td>7.57%</td>
<td>9.08%</td>
<td>8.34%</td>
</tr>
<tr>
<td>MSCI ACWI ex-US Index</td>
<td>5.95%</td>
<td>6.26%</td>
<td>8.77%</td>
<td>-</td>
</tr>
<tr>
<td>Intl Large Cap Growth (08/31/02)</td>
<td>8.17%</td>
<td>8.17%</td>
<td>9.67%</td>
<td>10.15%</td>
</tr>
<tr>
<td>EARNEST Partners (09/30/04)</td>
<td>7.09%</td>
<td>10.18%</td>
<td>-</td>
<td>12.75%</td>
</tr>
<tr>
<td>MSCI ACWI ex-US Index</td>
<td>5.95%</td>
<td>6.26%</td>
<td>8.77%</td>
<td>7.62%</td>
</tr>
<tr>
<td>MSCI ACWI ex-US Growth</td>
<td>6.45%</td>
<td>6.69%</td>
<td>8.78%</td>
<td>8.11%</td>
</tr>
<tr>
<td>EARNEST Partners - Net (12/31/04)</td>
<td>6.61%</td>
<td>9.66%</td>
<td>-</td>
<td>10.40%</td>
</tr>
<tr>
<td>MSCI ACWI ex-US Index</td>
<td>5.95%</td>
<td>6.26%</td>
<td>8.77%</td>
<td>6.24%</td>
</tr>
<tr>
<td>MSCI ACWI ex-US Growth</td>
<td>6.45%</td>
<td>6.69%</td>
<td>8.78%</td>
<td>6.78%</td>
</tr>
<tr>
<td>William Blair (09/30/02)</td>
<td>9.50%</td>
<td>9.88%</td>
<td>10.04%</td>
<td>10.56%</td>
</tr>
<tr>
<td>MSCI ACWI ex-US Index</td>
<td>5.95%</td>
<td>6.26%</td>
<td>8.77%</td>
<td>9.23%</td>
</tr>
<tr>
<td>MSCI ACWI ex-US Growth</td>
<td>6.45%</td>
<td>6.69%</td>
<td>8.78%</td>
<td>9.14%</td>
</tr>
<tr>
<td>William Blair - Net (12/31/04)</td>
<td>9.09%</td>
<td>9.45%</td>
<td>-</td>
<td>6.89%</td>
</tr>
<tr>
<td>MSCI ACWI ex-US Index</td>
<td>5.95%</td>
<td>6.26%</td>
<td>8.77%</td>
<td>6.24%</td>
</tr>
<tr>
<td>MSCI ACWI ex-US Growth</td>
<td>6.45%</td>
<td>6.69%</td>
<td>8.78%</td>
<td>6.78%</td>
</tr>
<tr>
<td>Intl Large Cap Value (09/30/95)</td>
<td>6.96%</td>
<td>4.89%</td>
<td>8.33%</td>
<td>10.09%</td>
</tr>
<tr>
<td>Brandes (12/31/95)</td>
<td>8.23%</td>
<td>5.63%</td>
<td>8.71%</td>
<td>10.35%</td>
</tr>
<tr>
<td>MSCI ACWI ex-US Index</td>
<td>5.95%</td>
<td>6.26%</td>
<td>8.77%</td>
<td>5.74%</td>
</tr>
<tr>
<td>MSCI ACWI ex-US Value</td>
<td>6.36%</td>
<td>6.76%</td>
<td>9.65%</td>
<td>-</td>
</tr>
<tr>
<td>Brandes - Net (12/31/04)</td>
<td>7.99%</td>
<td>5.36%</td>
<td>-</td>
<td>4.59%</td>
</tr>
<tr>
<td>MSCI ACWI ex-US Index</td>
<td>5.95%</td>
<td>6.26%</td>
<td>8.77%</td>
<td>6.24%</td>
</tr>
<tr>
<td>MSCI ACWI ex-US Value</td>
<td>6.36%</td>
<td>6.76%</td>
<td>9.65%</td>
<td>6.62%</td>
</tr>
<tr>
<td>Lombardia (3/31/12)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>22.92%</td>
</tr>
<tr>
<td>MSCI ACWI ex-US Index</td>
<td>5.95%</td>
<td>6.26%</td>
<td>8.77%</td>
<td>10.13%</td>
</tr>
<tr>
<td>MSCI ACWI ex-US Value</td>
<td>6.36%</td>
<td>6.76%</td>
<td>9.65%</td>
<td>11.05%</td>
</tr>
<tr>
<td>Lombardia - Net (3/31/12)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>22.40%</td>
</tr>
<tr>
<td>Mondrian (3/31/12)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>9.34%</td>
</tr>
<tr>
<td>MSCI ACWI ex-US Index</td>
<td>5.95%</td>
<td>6.26%</td>
<td>8.77%</td>
<td>10.13%</td>
</tr>
<tr>
<td>MSCI ACWI ex-US Value</td>
<td>6.36%</td>
<td>6.76%</td>
<td>9.65%</td>
<td>11.05%</td>
</tr>
<tr>
<td>Mondrian - Net (3/31/12)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>8.87%</td>
</tr>
<tr>
<td>Lazard (3/31/12)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>14.13%</td>
</tr>
<tr>
<td>MSCI ACWI ex-US Index</td>
<td>5.95%</td>
<td>6.26%</td>
<td>8.77%</td>
<td>10.13%</td>
</tr>
<tr>
<td>MSCI ACWI ex-US Value</td>
<td>6.36%</td>
<td>6.76%</td>
<td>9.65%</td>
<td>11.05%</td>
</tr>
<tr>
<td>Lazard - Net (3/31/12)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>13.23%</td>
</tr>
</tbody>
</table>
## International Equity Returns

The table below details the rates of return for the fund’s international large cap core, international small cap, and emerging markets managers over various time periods. Negative returns are shown in red, positive returns in black. Returns for one year or greater are annualized.

### Returns for Periods Ended September 30, 2013

<table>
<thead>
<tr>
<th>Composite</th>
<th>Last Month</th>
<th>Last 3 Months</th>
<th>Year to Date</th>
<th>Last 12 Months</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Intl Large Cap Active Core (01/31/08)</strong></td>
<td>7.42%</td>
<td>10.69%</td>
<td>15.87%</td>
<td>23.23%</td>
</tr>
<tr>
<td>Arrowstreet (02/29/08)</td>
<td>8.72%</td>
<td>11.62%</td>
<td>16.30%</td>
<td>24.69%</td>
</tr>
<tr>
<td>MSCI ACWI ex-US Index</td>
<td>6.95%</td>
<td>10.09%</td>
<td>10.04%</td>
<td>16.48%</td>
</tr>
<tr>
<td>Arrowstreet - Net (02/29/08)</td>
<td>8.72%</td>
<td>11.48%</td>
<td>15.89%</td>
<td>24.12%</td>
</tr>
<tr>
<td>Brown (09/30/04)</td>
<td>5.85%</td>
<td>10.63%</td>
<td>21.81%</td>
<td>28.99%</td>
</tr>
<tr>
<td>MSCI ACWI ex-US Index</td>
<td>6.95%</td>
<td>10.09%</td>
<td>10.04%</td>
<td>16.48%</td>
</tr>
<tr>
<td>Brown - Net (12/31/04)</td>
<td>5.85%</td>
<td>10.56%</td>
<td>21.59%</td>
<td>28.45%</td>
</tr>
<tr>
<td>GlobeFlex (02/28/06)</td>
<td>6.93%</td>
<td>9.80%</td>
<td>12.61%</td>
<td>19.06%</td>
</tr>
<tr>
<td>MSCI ACWI ex-US Index</td>
<td>6.95%</td>
<td>10.09%</td>
<td>10.04%</td>
<td>16.48%</td>
</tr>
<tr>
<td>GlobeFlex - Net (02/28/06)</td>
<td>6.93%</td>
<td>9.68%</td>
<td>12.26%</td>
<td>18.57%</td>
</tr>
<tr>
<td><strong>Intl Large Cap Pass. Core (12/31/99)</strong></td>
<td>7.43%</td>
<td>11.61%</td>
<td>16.57%</td>
<td>24.30%</td>
</tr>
<tr>
<td>NTGI MSCI EAFE Idx (01/31/00)</td>
<td>7.43%</td>
<td>11.61%</td>
<td>16.57%</td>
<td>24.30%</td>
</tr>
<tr>
<td>MSCI EAFE Index</td>
<td>7.39%</td>
<td>11.56%</td>
<td>16.14%</td>
<td>23.77%</td>
</tr>
<tr>
<td>NTGI EAFE Idx - Net (12/31/04)</td>
<td>7.43%</td>
<td>11.61%</td>
<td>15.51%</td>
<td>23.17%</td>
</tr>
<tr>
<td><strong>International Small Cap (11/30/05)</strong></td>
<td>7.23%</td>
<td>11.52%</td>
<td>20.27%</td>
<td>26.01%</td>
</tr>
<tr>
<td>Franklin Templeton (07/31/11)</td>
<td>6.77%</td>
<td>10.12%</td>
<td>18.39%</td>
<td>23.45%</td>
</tr>
<tr>
<td>ACWI Small Cap ex US</td>
<td>7.99%</td>
<td>12.38%</td>
<td>14.43%</td>
<td>20.04%</td>
</tr>
<tr>
<td>Franklin Templeton - Net (07/31/11)</td>
<td>6.77%</td>
<td>9.92%</td>
<td>17.74%</td>
<td>22.54%</td>
</tr>
<tr>
<td>William Blair (08/31/10)</td>
<td>7.61%</td>
<td>12.71%</td>
<td>21.88%</td>
<td>28.23%</td>
</tr>
<tr>
<td>ACWI Small Cap ex US</td>
<td>7.99%</td>
<td>12.38%</td>
<td>14.43%</td>
<td>20.04%</td>
</tr>
<tr>
<td>Intl SC Blended Benchmark</td>
<td>7.99%</td>
<td>12.38%</td>
<td>14.43%</td>
<td>20.04%</td>
</tr>
<tr>
<td>William Blair - Net (08/31/10)</td>
<td>7.61%</td>
<td>12.49%</td>
<td>21.18%</td>
<td>27.24%</td>
</tr>
<tr>
<td><strong>Emerging Markets (01/31/92)</strong></td>
<td>6.30%</td>
<td>6.17%</td>
<td><strong>(0.54%)</strong></td>
<td>4.95%</td>
</tr>
<tr>
<td>Genesis (04/30/04)</td>
<td>6.30%</td>
<td>6.17%</td>
<td><strong>(0.54%)</strong></td>
<td>4.95%</td>
</tr>
<tr>
<td>MSCI Emerging Markets Index</td>
<td>6.53%</td>
<td>5.90%</td>
<td><strong>(4.05%)</strong></td>
<td>1.33%</td>
</tr>
<tr>
<td>Genesis - Net (12/31/04)</td>
<td>6.25%</td>
<td>6.01%</td>
<td><strong>(1.07%)</strong></td>
<td>4.23%</td>
</tr>
</tbody>
</table>

Brown and GlobeFlex moved to International Large Cap Active Core April 1, 2011.
Intl SC Blended Benchmark consists of the S&P Developed Ex-U.S. Small Cap Index through May 31, 2011 and the MSCI ACWI Ex-U.S. Small Cap Index thereafter.
### International Equity Returns

The table below details the rates of return for the fund’s international large cap core, international small cap, and emerging markets managers over various time periods. Negative returns are shown in red, positive returns in black. Returns for one year or greater are annualized.

#### Returns for Periods Ended September 30, 2013

<table>
<thead>
<tr>
<th>Fund Category</th>
<th>Returns for Periods Ended September 30, 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intl Large Cap Active Core (01/31/08)</td>
<td></td>
</tr>
<tr>
<td>Arrowstreet (02/29/08)</td>
<td>9.89%</td>
</tr>
<tr>
<td>MSCI ACWI ex-US Index</td>
<td>5.95%</td>
</tr>
<tr>
<td>Arrowstreet - Net (02/29/08)</td>
<td>9.33%</td>
</tr>
<tr>
<td>Brown (09/30/04)</td>
<td>10.39%</td>
</tr>
<tr>
<td>MSCI ACWI ex-US Index</td>
<td>5.95%</td>
</tr>
<tr>
<td>Brown - Net (12/31/04)</td>
<td>9.89%</td>
</tr>
<tr>
<td>MSCI ACWI ex-US Index</td>
<td>5.95%</td>
</tr>
<tr>
<td>GlobeFlex (02/28/06)</td>
<td>9.65%</td>
</tr>
<tr>
<td>MSCI ACWI ex-US Index</td>
<td>5.95%</td>
</tr>
<tr>
<td>GlobeFlex - Net (02/28/06)</td>
<td>9.18%</td>
</tr>
<tr>
<td>Intl Large Cap Pass. Core (12/31/99)</td>
<td>8.95%</td>
</tr>
<tr>
<td>NTGI MSCI EAFE Idx (01/31/00)</td>
<td>8.95%</td>
</tr>
<tr>
<td>MSCI EAFE Index</td>
<td>8.47%</td>
</tr>
<tr>
<td>NTGI EAFE Idx - Net (12/31/04)</td>
<td>8.62%</td>
</tr>
<tr>
<td>MSCI EAFE Index</td>
<td>8.47%</td>
</tr>
<tr>
<td>International Small Cap (11/30/05)</td>
<td>12.77%</td>
</tr>
<tr>
<td>Franklin Templeton (07/31/11)</td>
<td>-</td>
</tr>
<tr>
<td>ACWI Small Cap ex US</td>
<td>7.27%</td>
</tr>
<tr>
<td>Franklin Templeton - Net (07/31/11)</td>
<td>-</td>
</tr>
<tr>
<td>William Blair (08/31/10)</td>
<td>13.70%</td>
</tr>
<tr>
<td>ACWI Small Cap ex US</td>
<td>7.27%</td>
</tr>
<tr>
<td>Intl SC Blended Benchmark</td>
<td>8.40%</td>
</tr>
<tr>
<td>William Blair - Net (08/31/10)</td>
<td>12.83%</td>
</tr>
<tr>
<td>Emerging Markets (01/31/92)</td>
<td>3.49%</td>
</tr>
<tr>
<td>Genesis (04/30/04)</td>
<td>3.49%</td>
</tr>
<tr>
<td>MSCI Emerging Markets Index</td>
<td>(0.00%)</td>
</tr>
<tr>
<td>Genesis - Net (12/31/04)</td>
<td>2.84%</td>
</tr>
<tr>
<td>MSCI Emerging Markets Index</td>
<td>(0.00%)</td>
</tr>
</tbody>
</table>

Brown and GlobeFlex moved to International Large Cap Active Core April 1, 2011.
Intl SC Blended Benchmark consists of the S&P Developed Ex-U.S. Small Cap Index through May 31, 2011 and the MSCI ACWI Ex-U.S. Small Cap Index thereafter.
Domestic Fixed-Income Returns

The table below details the rates of return for the fund’s domestic fixed core managers over various time periods. Negative returns are shown in red, positive returns in black. Returns for one year or greater are annualized.

Returns for Periods Ended September 30, 2013

<table>
<thead>
<tr>
<th>Fund Name</th>
<th>Last Month</th>
<th>Last 3 Months</th>
<th>Year to Date</th>
<th>Last 12 Months</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dom. Fixed Active Core (03/31/01)</td>
<td>0.88%</td>
<td>0.39%</td>
<td>(1.72%)</td>
<td>(1.19%)</td>
</tr>
<tr>
<td>EARNEST Partners (04/30/05)</td>
<td>0.84%</td>
<td>0.10%</td>
<td>(1.62%)</td>
<td>(1.08%)</td>
</tr>
<tr>
<td>BC Aggregate Index</td>
<td>0.95%</td>
<td>0.57%</td>
<td>(1.89%)</td>
<td>(1.68%)</td>
</tr>
<tr>
<td>EARNEST Partners - Net (04/30/05)</td>
<td>0.84%</td>
<td>0.05%</td>
<td>(1.77%)</td>
<td>(1.28%)</td>
</tr>
<tr>
<td>Piedmont (05/31/05)</td>
<td>0.92%</td>
<td>0.69%</td>
<td>(1.82%)</td>
<td>(1.31%)</td>
</tr>
<tr>
<td>BC Aggregate Index</td>
<td>0.95%</td>
<td>0.57%</td>
<td>(1.89%)</td>
<td>(1.68%)</td>
</tr>
<tr>
<td>Piedmont - Net (05/31/05)</td>
<td>0.92%</td>
<td>0.65%</td>
<td>(1.99%)</td>
<td>(1.51%)</td>
</tr>
<tr>
<td>BlackRock US Debt (08/31/13)</td>
<td>0.96%</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>BlackRock US Debt - Net (08/31/13)</td>
<td>0.96%</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Dom. Fixed Passive Core (12/31/89)</td>
<td>0.94%</td>
<td>0.57%</td>
<td>(1.96%)</td>
<td>(1.77%)</td>
</tr>
<tr>
<td>NTGI BC Agg. Index (01/31/90)</td>
<td>0.94%</td>
<td>0.57%</td>
<td>(1.96%)</td>
<td>(1.77%)</td>
</tr>
<tr>
<td>BC Aggregate Index</td>
<td>0.95%</td>
<td>0.57%</td>
<td>(1.89%)</td>
<td>(1.68%)</td>
</tr>
<tr>
<td>NTGI BC Agg. Index - Net (12/31/04)</td>
<td>0.94%</td>
<td>0.57%</td>
<td>(1.96%)</td>
<td>(1.78%)</td>
</tr>
</tbody>
</table>
Domestic Fixed-Income Returns

The table below details the rates of return for the fund’s domestic fixed core managers over various time periods. Negative returns are shown in red, positive returns in black. Returns for one year or greater are annualized.

### Returns for Periods Ended September 30, 2013

<table>
<thead>
<tr>
<th>Fund Description</th>
<th>Last 36 Months</th>
<th>Last 60 Months</th>
<th>Last 120 Months</th>
<th>Since Inception</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dom. Fixed Active Core (03/31/01)</td>
<td>3.86%</td>
<td>6.69%</td>
<td>4.50%</td>
<td>4.99%</td>
</tr>
<tr>
<td>EARNEST Partners (04/30/05)</td>
<td>3.82%</td>
<td>6.21%</td>
<td>-</td>
<td>5.32%</td>
</tr>
<tr>
<td>BC Aggregate Index</td>
<td>2.86%</td>
<td>5.41%</td>
<td>4.59%</td>
<td>4.92%</td>
</tr>
<tr>
<td>EARNEST Partners - Net (04/30/05)</td>
<td>3.62%</td>
<td>6.00%</td>
<td>-</td>
<td>5.11%</td>
</tr>
<tr>
<td>Piedmont (05/31/05)</td>
<td>3.83%</td>
<td>6.15%</td>
<td>-</td>
<td>4.88%</td>
</tr>
<tr>
<td>BC Aggregate Index</td>
<td>2.86%</td>
<td>5.41%</td>
<td>4.59%</td>
<td>4.80%</td>
</tr>
<tr>
<td>Piedmont - Net (05/31/05)</td>
<td>3.64%</td>
<td>5.96%</td>
<td>-</td>
<td>4.67%</td>
</tr>
<tr>
<td>BlackRock US Debt (08/31/13)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>0.40%</td>
</tr>
<tr>
<td>BC Aggregate Index</td>
<td>2.86%</td>
<td>5.41%</td>
<td>4.59%</td>
<td>0.43%</td>
</tr>
<tr>
<td>BlackRock US Debt - Net (08/31/13)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>0.40%</td>
</tr>
<tr>
<td>Dom. Fixed Passive Core (12/31/89)</td>
<td>2.87%</td>
<td>5.55%</td>
<td>4.54%</td>
<td>6.57%</td>
</tr>
<tr>
<td>NTGI BC Agg. Index (01/31/90)</td>
<td>2.87%</td>
<td>5.55%</td>
<td>4.54%</td>
<td>6.60%</td>
</tr>
<tr>
<td>BC Aggregate Index</td>
<td>2.86%</td>
<td>5.41%</td>
<td>4.59%</td>
<td>6.59%</td>
</tr>
<tr>
<td>NTGI BC Agg. Index - Net (12/31/04)</td>
<td>2.86%</td>
<td>5.54%</td>
<td>-</td>
<td>4.61%</td>
</tr>
</tbody>
</table>
Domestic Fixed-Income Returns

The table below details the rates of return for the fund’s domestic fixed core plus and high yield managers over various time periods. Negative returns are shown in red, positive returns in black. Returns for one year or greater are annualized.

| Returns for Periods Ended September 30, 2013 |
|-----------------|-----------------|-----------------|-----------------|-----------------|
|                | Last Month      | Last 3 Months   | Year to Date    | Last 12 Months  |
| Domestic Fixed Core Plus (12/31/81) | 1.08% | 0.77% | (1.75%) | (0.94%) |
| BlackRock Core Plus (03/31/07) | 1.09% | 0.95% | (1.38%) | (1.04%) |
| BC Aggregate Index | 0.95% | 0.57% | (1.89%) | (1.68%) |
| BlackRock Core Plus - Net (03/31/07) | 1.09% | 0.95% | (1.62%) | (1.28%) |
| LM Capital (04/30/05) | 1.17% | 1.07% | (1.92%) | (1.07%) |
| BC Aggregate Index | 0.95% | 0.57% | (1.89%) | (1.68%) |
| LM Capital - Net (04/30/05) | 1.17% | 1.02% | (2.04%) | (1.22%) |
| Progress Fixed Income (12/31/05) | 0.79% | 0.63% | (1.16%) | (0.49%) |
| BC Aggregate Index | 0.95% | 0.57% | (1.89%) | (1.68%) |
| Progress Fixed Inc. - Net (12/31/05) | 0.79% | 0.54% | (1.43%) | (0.85%) |
| Taplin, Canida, Habacht (04/30/05) | 1.01% | 0.51% | (2.65%) | (1.26%) |
| BC Aggregate Index | 0.95% | 0.57% | (1.89%) | (1.68%) |
| Taplin, Canida, Hab. - Net (04/30/05) | 1.01% | 0.48% | (2.75%) | (1.38%) |
| Western (10/31/01) | 1.16% | 0.68% | (1.40%) | (0.71%) |
| BC Aggregate Index | 0.95% | 0.57% | (1.89%) | (1.68%) |
| Western - Net (12/31/04) | 1.13% | 0.64% | (1.50%) | (0.85%) |
| High Yield (03/31/86) | 0.83% | 1.54% | 2.98% | 6.30% |
| MacKay Shields (10/31/00) | 0.93% | 2.14% | 3.91% | 6.74% |
| ML High Yield Cash Pay Index | 1.01% | 2.28% | 3.77% | 7.03% |
| MacKay Shields - Net (12/31/04) | 0.84% | 2.05% | 3.64% | 6.38% |
| Pyramis (07/31/86) | 0.74% | 0.96% | 2.10% | 5.88% |
| ML High Yield Cash Pay Index | 1.01% | 2.28% | 3.77% | 7.03% |
| Pyramis - Net (12/31/04) | 0.74% | 0.88% | 1.88% | 5.57% |

Taplin, Canida, & Habacht moved to Core Plus October 1, 2010.
## Domestic Fixed-Income Returns

The table below details the rates of return for the fund’s domestic fixed core plus and high yield managers over various time periods. Negative returns are shown in red, positive returns in black. Returns for one year or greater are annualized.

### Returns for Periods Ended September 30, 2013

<table>
<thead>
<tr>
<th>Fund/Manager</th>
<th>Last 36 Months</th>
<th>Last 60 Months</th>
<th>Last 120 Months</th>
<th>Since Inception</th>
</tr>
</thead>
<tbody>
<tr>
<td>Domestic Fixed Core Plus (12/31/81)</td>
<td>4.29%</td>
<td>7.60%</td>
<td>5.29%</td>
<td>8.80%</td>
</tr>
<tr>
<td>BlackRock Core Plus (03/31/07)</td>
<td>3.87%</td>
<td>6.94%</td>
<td>-</td>
<td>5.53%</td>
</tr>
<tr>
<td>BC Aggregate Index</td>
<td>2.86%</td>
<td>5.41%</td>
<td>4.59%</td>
<td>5.02%</td>
</tr>
<tr>
<td>BlackRock Core Plus - Net (03/31/07)</td>
<td>3.73%</td>
<td>6.82%</td>
<td>-</td>
<td>5.43%</td>
</tr>
<tr>
<td>LM Capital (04/30/05)</td>
<td>4.01%</td>
<td>7.61%</td>
<td>-</td>
<td>5.70%</td>
</tr>
<tr>
<td>BC Aggregate Index</td>
<td>2.86%</td>
<td>5.41%</td>
<td>4.59%</td>
<td>4.92%</td>
</tr>
<tr>
<td>LM Capital - Net (04/30/05)</td>
<td>3.85%</td>
<td>7.44%</td>
<td>-</td>
<td>5.53%</td>
</tr>
<tr>
<td>Progress Fixed Income (12/31/05)</td>
<td>3.85%</td>
<td>6.49%</td>
<td>-</td>
<td>5.82%</td>
</tr>
<tr>
<td>BC Aggregate Index</td>
<td>2.86%</td>
<td>5.41%</td>
<td>4.59%</td>
<td>5.09%</td>
</tr>
<tr>
<td>Progress Fixed Inc. - Net (12/31/05)</td>
<td>3.49%</td>
<td>6.12%</td>
<td>-</td>
<td>5.48%</td>
</tr>
<tr>
<td>Taplin, Canida, Habacht (04/30/05)</td>
<td>4.55%</td>
<td>7.51%</td>
<td>-</td>
<td>5.33%</td>
</tr>
<tr>
<td>BC Aggregate Index</td>
<td>2.86%</td>
<td>5.41%</td>
<td>4.59%</td>
<td>4.92%</td>
</tr>
<tr>
<td>Taplin, Canida, Hab. - Net (04/30/05)</td>
<td>4.42%</td>
<td>7.38%</td>
<td>-</td>
<td>5.24%</td>
</tr>
<tr>
<td>Western (10/31/01)</td>
<td>4.76%</td>
<td>8.41%</td>
<td>5.67%</td>
<td>6.16%</td>
</tr>
<tr>
<td>BC Aggregate Index</td>
<td>2.86%</td>
<td>5.41%</td>
<td>4.59%</td>
<td>4.99%</td>
</tr>
<tr>
<td>Western - Net (12/31/04)</td>
<td>4.61%</td>
<td>8.26%</td>
<td>-</td>
<td>5.22%</td>
</tr>
<tr>
<td>BC Aggregate Index</td>
<td>2.86%</td>
<td>5.41%</td>
<td>4.59%</td>
<td>4.78%</td>
</tr>
<tr>
<td>High Yield (03/31/86)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>MacKay Shields (10/31/00)</td>
<td>9.43%</td>
<td>11.60%</td>
<td>9.16%</td>
<td>9.84%</td>
</tr>
<tr>
<td>ML High Yield Cash Pay Index</td>
<td>8.83%</td>
<td>13.22%</td>
<td>8.63%</td>
<td>8.16%</td>
</tr>
<tr>
<td>MacKay Shields - Net (12/31/04)</td>
<td>9.02%</td>
<td>11.20%</td>
<td>-</td>
<td>7.43%</td>
</tr>
<tr>
<td>ML High Yield Cash Pay Index</td>
<td>8.83%</td>
<td>13.22%</td>
<td>8.63%</td>
<td>8.04%</td>
</tr>
<tr>
<td>Pyramis (07/31/86)</td>
<td>8.39%</td>
<td>13.53%</td>
<td>9.34%</td>
<td>9.93%</td>
</tr>
<tr>
<td>ML High Yield Cash Pay Index</td>
<td>8.83%</td>
<td>13.22%</td>
<td>8.63%</td>
<td>8.82%</td>
</tr>
<tr>
<td>Pyramis - Net (12/31/04)</td>
<td>7.95%</td>
<td>13.10%</td>
<td>-</td>
<td>8.08%</td>
</tr>
<tr>
<td>ML High Yield Cash Pay Index</td>
<td>8.83%</td>
<td>13.22%</td>
<td>8.63%</td>
<td>8.04%</td>
</tr>
</tbody>
</table>

Taplin, Canida, & Habacht moved to Core Plus October 1, 2010.
## Manager Summary

### Five Best Performing Portfolios vs. Benchmarks

<table>
<thead>
<tr>
<th>Manager</th>
<th>Year-to-Date Outperformance</th>
<th>Since Inception Outperformance</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(in % points)</td>
<td>(in % points)</td>
</tr>
<tr>
<td>Lombardia</td>
<td>13.56</td>
<td>12.79</td>
</tr>
<tr>
<td>Brown</td>
<td>11.76</td>
<td>1.66</td>
</tr>
<tr>
<td>Wall Street</td>
<td>11.73</td>
<td>7.24</td>
</tr>
<tr>
<td>Brandes</td>
<td>11.52</td>
<td>4.62</td>
</tr>
<tr>
<td>Ativo</td>
<td>9.36</td>
<td>-1.08</td>
</tr>
</tbody>
</table>

### Five Worst Performing Portfolios vs. Benchmarks

<table>
<thead>
<tr>
<th>Manager</th>
<th>Year-to-Date Underperformance</th>
<th>Since Inception Underperformance</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(in % points)</td>
<td>(in % points)</td>
</tr>
<tr>
<td>Fortaleza</td>
<td>-5.03</td>
<td>-1.13</td>
</tr>
<tr>
<td>Vision</td>
<td>-2.69</td>
<td>-0.62</td>
</tr>
<tr>
<td>Piedmont LC</td>
<td>-2.64</td>
<td>-2.48</td>
</tr>
<tr>
<td>Earnest Partners Intl</td>
<td>-2.11</td>
<td>5.12</td>
</tr>
<tr>
<td>Pyramis SC</td>
<td>-1.78</td>
<td>6.31</td>
</tr>
</tbody>
</table>

### Five Highest Returning Portfolios

<table>
<thead>
<tr>
<th>Manager</th>
<th>Year-to-Date Return</th>
<th>Since Inception Return</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(in % points)</td>
<td>(in % points)</td>
</tr>
<tr>
<td>Wall Street</td>
<td>44.21</td>
<td>15.00</td>
</tr>
<tr>
<td>Ativo</td>
<td>41.83</td>
<td>18.87</td>
</tr>
<tr>
<td>Frontier</td>
<td>31.99</td>
<td>13.68</td>
</tr>
<tr>
<td>Pyramis SC</td>
<td>30.70</td>
<td>14.20</td>
</tr>
<tr>
<td>DFA Micro Cap</td>
<td>30.38</td>
<td>11.70</td>
</tr>
</tbody>
</table>

### Five Lowest Returning Portfolios

<table>
<thead>
<tr>
<th>Manager</th>
<th>Year-to-Date Return</th>
<th>Since Inception Return</th>
</tr>
</thead>
<tbody>
<tr>
<td>Taplin, Canida, Habacht</td>
<td>-2.65</td>
<td>5.33</td>
</tr>
<tr>
<td>NT Barclays Agg</td>
<td>-1.96</td>
<td>6.60</td>
</tr>
<tr>
<td>LM Capital</td>
<td>-1.92</td>
<td>5.70</td>
</tr>
<tr>
<td>Piedmont Fixed Income</td>
<td>-1.82</td>
<td>4.88</td>
</tr>
<tr>
<td>EARNEST FI</td>
<td>-1.62</td>
<td>5.32</td>
</tr>
</tbody>
</table>

Returns are shown gross of investment management fees.
Excludes Real Estate and Alternative Investments portfolios.
(13-10-02) (Consent Agenda) The Chair presented an agenda consisting of a Consent Agenda. The following items remained on the Consent Agenda since no Board member asked for their removal.

Approval of Minutes

Regular Meeting #13-09-27

Schedules - Dated October 25, 2013

Schedule A - Benefit award listing of retirement, temporary disability, death benefits, and refund of employee contributions processed during the preceding calendar month under Article 7 of the Illinois Pension Code.

Schedule B - Adjustment of Benefit Awards showing adjustments required in benefit awards and the reasons therefore.

Schedule C - Benefit Cancellations.

Schedule D - Expiration of Temporary Disability Benefits terminated under the provisions of Section 7-147 of the Illinois Pension Code.

Schedule E - Total and Permanent Disability Benefit Awards recommended by the Fund's medical consultants as provided by Section 7-150 of the Illinois Pension Code.

Schedule F - Benefits Terminated.

Schedule G - Administrative Benefit Denials.

Schedule P - Administrative Denial of Application for Past Service Credit.

Schedule S - Prior Service Adjustments

It was moved by Ms. Henry, seconded by Mr. Nannini, to approve the items on the Consent Agenda.

Vote: Unanimous Voice Vote
Absent: None

(13-10-03) (Financial Reports) The Chair presented the following financial reports for approval.

• Review of October Financial Reporting Package
• August Interim Financial Statements
• Impact of 2013 Year-To-Date Investment Income on Employer Reserves, Funding Status and Average Employer Contribution Rates
• Schedule T - Report of Expenditures
It was moved by Ms. Thompson, seconded by Ms. Henry, to approve the Financial Reports as presented.

Vote: Unanimous Voice Vote
Absent: None

(13-10-04) (Report of the Benefit Review Committee) The Vice Chair of the Benefit Review Committee reported on the meeting held on October 24, 2013.

It was moved by Mr. Stulir, seconded by Ms. Henry, to accept the following recommendations of the Benefit Review Committee:

- For New Simpson Hill S.D. 32: To overturn the staff determination that adjustments be made by the employer going back four years and to uphold the staff determination that going forward the employer should report the cash in lieu of health insurance payment (currently $600.00 per year) as IMRF earnings.

Vote: Unanimous Voice Vote
Absent: None

(13-10-05) (Report of the Policy Review Committee) The Chair of the Policy Review Committee presented a report on the Committee Meeting that was held on October 24, 2013.

The Chair noted the Committee approved the Minutes of the September 26, 2013 Policy Review Committee Meeting.

By unanimous consent, the Policy Review Committee recommended the Board accept the revisions to all the Tabs of the Governance Manual, along with the Table of Contents and Executive Committee Charter as follows:
INTRODUCTION

The Board recognizes that a sound governance structure is essential to fulfilling its duties and responsibilities. The Board has prepared and adopted this Governance Manual to establish the framework within which the Board intends to set governance and oversight policy.

The purpose of the Manual is twofold. First, it serves as an ongoing reference manual for the current Trustees and IMRF staff. Second, it provides orientation material for new Trustees as to the roles, responsibilities, structure, procedures, policies, and activities in the governance and oversight of the IMRF.

History

The Illinois Municipal Retirement Fund was created by the Illinois General Assembly in 1939. The statutory provisions may be found at 40 Illinois Compiled Statutes 5/7-101 through 5/7-224. These provisions are also known as sections of the Illinois Pension Code. IMRF began operations in 1941 with five employers: City of Rockford; Rockford Park District; City of Evanston; City of Galesburg; and, Village of Riverside.

In 1948, participation became compulsory for all school districts with respect to non-teaching staff. In 1951, participation became compulsory for all counties and cities, villages and towns of 10,000 or more in population. All other units of government were permitted participation through adoption of an ordinance or resolution.

Today, IMRF has over 2,900 separate participating employers comprised of over 40 different units of government. Participation continues to grow at the option of the governmental unit and with approval of the Board of Trustees.

As can be expected, the governing statute has been amended on numerous occasions. The regular plan formula has been in place since 1974. The Sheriffs’ Law Enforcement Plan (SLEP) went into effect in 1973 with its last formula change in 1988. The Elected County Officials Plan (ECO) went into effect in 1997.

In 1957, a referendum was held amongst participating employees on the desirability of joining Social Security. The referendum carried with 72% voting in favor. Coverage began January 1, 1958.
Mission Statement

Section 7-102 of the Illinois Pension Code provides in part:

It is the mission of this Fund to efficiently and impartially develop, implement and administer programs that provide income protection to members and the beneficiaries on behalf of participating employers in a prudent manner.

Constitutional Protection

The benefits provided by IMRF were seen as a right which could be modified or withdrawn until the 1971 revision of the Illinois Constitution. The new and current Constitution elevated protection of IMRF benefits by providing in Article XIII Section 5:

Membership in any pension or retirement system of the State, any unit of local government or school district, or any agency or instrumentality thereof, shall be an enforceable contractual relationship, the benefits of which shall not be diminished or impaired.

This protection extends to current participants in IMRF. A new, lower tier of benefits can be enacted which applies only to new hires. Finally, the Illinois Constitution can be amended in the future to modify or eliminate this provision.

Board Composition

The Board is comprised of eight Trustees: four Executive Trustees elected by employers; three Employee Trustees elected by active members; and, one Annuitant Trustee elected by annuitants.

The Board is a democratic body elected by a diverse membership. No qualifications exist except vesting, (for all Trustees) holding a high management position (for Executive Trustee) or being an annuitant (Annuitant Trustee). It is not required nor expected that Trustees possess investment or financial credentials. The Board delegates to expert staff, consultants and other professionals. This places due diligence responsibilities on the Trustees to hire the best and to monitor performance; to affirmatively obtain Trustee training; and, to ask questions and receive responsive answers.
FIDUCIARY DUTIES

Responsibility for investing assets and paying benefits always rested with the Board of Trustees subject to a general body of law applicable to trusts. In 1982, prior limitations on the investment of assets were lifted and an approach reflecting federal law found in the Employee Retirement Income Security Act of 1974 (ERISA) was adopted. Article 1 of the Illinois Pension Code was revised establishing the Exclusive Benefit Rule which applies to both the administrative and investment responsibilities of the Board. The Rule states:

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.

Delegation of Fiduciary Duties

The day to day operation of a multi-billion dollar pension fund is beyond the realm of possibility for a “volunteer” Board of Trustees with full time employment responsibilities. The Illinois Pension Code also provides for the delegation of fiduciary duties to:

(a) Appoint one or more investment managers to manage (including the power to acquire and dispose of) any assets of IMRF; and
(b) Allocate duties among themselves and designate others to carry out specific activities other than the management of assets.
Towards that end, IMRF has delegated fiduciary duties to: a national bank to act as Master Trustee; over 50 investment managers in all major investment disciplines to manage assets; an independent investment consultant; and, IMRF staff.

**Duty To Report Violations**

Any Trustee who learns of a breach of fiduciary duty must report the incident to fiduciary counsel and the Board President or the Executive Director.
BOARD CHARTER

The Board of Trustees was established under State law to govern and administer IMRF. The Board has those powers and duties delegated to it by the Illinois General Assembly and which can be reasonably inferred from the statute or general trust law to carry out its purpose. Within this role, the Trustees have a duty as fiduciaries under the law to act solely for the benefit of members and beneficiaries (known as the Exclusive Benefit Rule).

The Board views itself as being primarily a policy-making and governance body. By operation of law, the Board shall appoint an Executive Director to manage the office and to carry out the technical administrative duties of the Fund subject to ongoing monitoring and oversight. The Board does not engage in regular day-to-day management functions at IMRF.

Each Trustee is elected for a term of five years unless appointed or elected to fill a vacancy. If elected, the term of office begins January 1st of the year following election. If appointed to fill a vacancy, the term begins as specified by the Board of Trustees. Pursuant to the Illinois Pension Code, a Trustee is disqualified immediately upon termination of employment, or upon any change in status which qualified the Trustee for election (40 ILCS 5/7-174(e)). A Trustee may resign upon providing written notice to the Board of Trustees.

The Board shall fill vacancies as is practicable consistent with their fiduciary duties. If a vacancy occurs more than 2 years before the end of the term, and if the vacancy is filled, it is filled until the next normal election date of Trustees. If the remaining term is less than 2 years, then the position, if filled, is filled until the next normal election date.

When filling a vacancy, the Board, shall solicit resumes from the appropriate electorate for the Board vacancy which has occurred (executive, employee, annuitant). If the vacancy is for a period of less than twelve months, the Board may adopt other procedures.

Board officers are President, Vice President and Secretary. They are elected by a majority vote of Trustees each December to take office January 1st for a one-year term. They may be nominated for one additional term. They may be nominated by the Nominating Committee or any Trustee at the time for a vote. The Nominating Committee consists of the Board President, Vice-President and Secretary.

Officers can be removed for any reason by a majority vote. Vacancies in an office are to be filled at the Board Meeting next after the vacancy occurs. The Nominating Committee shall submit a name.
The Board has the powers and duties set forth in Sections 7-179 to 7-200 inclusive of the Illinois Pension Code, such other powers and duties provided in Articles 1, 7, 20 and 22 of the Illinois Pension Code, and such other powers as may be necessary to implement the intent of the authority found in these Sections and Articles.

The Board is empowered to:

(1) Appoint, appraise the performance and terminate an Executive Director.

(2) Hire and terminate investment consultants; investment managers, master trustees, actuaries, internal and external auditors, legal counsel, fiduciary counsel and medical counsel to assist both the Board and the staff in the efficient operation of the fund.

(3) Approve the Comprehensive Annual Financial Report, the annual budget, adopt an annual employee compensation plan, audit accounts, and oversee the financial controls and reporting systems.

(4) Establish an asset allocation for IMRF investment assets including approval of an investment policy, proxy voting policy and an emerging manager and minority and women business enterprise policies.

(5) Establish a Strategic Plan by setting and prioritizing objectives.

(6) Develop a legislative agenda.

(7) Adopt assumptions and establish policies used in actuarial valuations and employer contribution rate making.

(8) Evaluate the performance of the Executive Director annually and set his/her compensation.
(9) Adopt rules to ensure due process for members and employers; provide Administrative Review of staff decisions;

(10) Adopt rules for the orderly functioning of the Board and operation of the Fund; and, establish Committees as necessary.

(11) Initiate, defend and settle litigation in either the capacity of a pension fund or employer.

All monies and assets of IMRF are held by the Illinois State Treasurer pursuant to a Master Trustee Agreement with a private financial institution with institutional custodial experience.

Trustees, consultants and employees of IMRF are indemnified against all damage claims and suits, including legal defense fees for negligent or wrongful acts. Indemnification does not extend to willful misconduct, gross negligence or criminal activity.

The Board can obtain insurance or self insure against loss or liability (including punitive damages) of the Trustees.
TRUSTEE POSITION DESCRIPTION

**Primary Responsibility**

Each Trustee is a fiduciary responsible for the governance and oversight of IMRF. Trustees are obliged to act solely for the exclusive benefit of the IMRF members and beneficiaries and to act prudently under the circumstances. Each year, Trustees shall obtain eight hours of ethics training as required by the Illinois Pension Code (40 ILCS 5/1-113.18).

Although Trustees are elected by a specific constituency, upon taking office they represent all groups within IMRF. Trustees with conflicts must either avoid the conflict in advance or terminate it when it arises. A Trustee cannot ignore breaches of fiduciary duties by co-Trustees and must report breaches or potential breaches to the Board’s Ethics Commission, Board President or Executive Director.

**The Duties of Trustees shall include:**

1. Prepare for and attend scheduled Board meetings and Committee meetings to which you are appointed.
2. Be an informed and active member of the Board, fully participating in the decisions and actions of the Board by making independent assessments and reasonable judgments.
3. Acquire and maintain the knowledge necessary to perform the duties of a Trustee; including financial training as necessary.
4. Follow policies and procedures established by the Board.
5. Qualify statements made to outside parties as either personal opinion; or, the official position of the Board once taken.
6. Act with respect towards other Trustees and staff in the conduct of IMRF business.
7. Comply with the Board’s adopted policies and required filing of Compliance Statement and file an Annual Statement of Economic Interest with the DuPage County Clerk.
8. Adhere to State law regarding confidentiality and privacy of member records and benefits.
9. Adhere to the Illinois Open Meetings Act requiring public access to Board agendas, meetings and minutes.
(10) Assume responsibility for evaluating of the Trustee’s own performance, and the overall performance of the entire Board.

(11) Evaluate the performance of the Executive Director.

**Trustee Access to IMRF Resources**

IMRF is operated for the benefit of its members, beneficiaries and employers. A Trustee should seek no advantage in the acquisition of resources or information over other Trustees, members or employers.

(1) In pursuit of his or her fiduciary duties, a Trustee has a right to request and receive information; to ask questions; and, to receive full information and answers before required to vote on a matter pending before the Board.

(2) A Trustee shall not give instructions or assign tasks to individual IMRF staff.

(3) A Trustee may request from the Executive Director or IMRF staff information or assistance necessary to meet their responsibilities as an Authorized Agent, or their normal right as a member of IMRF.

(4) The Executive Director may seek the advice of the President or refer the matter to the full Board before complying with individual Trustee requests that, in the Executive Director’s opinion, would require a significant amount of IMRF resources or cause disruption to the regular administration of IMRF.

(5) The Executive Director may refuse requests of individual Trustees that are in conflict with this policy. If the Trustee is not in agreement, he/she may appeal to the President or Vice President, as appropriate.
BOARD PRESIDENT POSITION DESCRIPTION

The President holds a position of leadership for the Board and IMRF and must be willing and able to devote the time necessary to fulfill these special responsibilities as the leader of the Board. This commitment includes the responsibility to:

(1) Convene and conduct Board meetings in a respectful, fair and efficient manner following Board policies, procedures and applicable Illinois law.

(2) Review and approve the agenda for regular and special Board meetings and include any issues requested by the Trustees or the Executive Director in accordance with the Board Meeting Protocol.

(3) Ensure proper and timely flow of adequate information to the Board.

(4) Solicit input from Trustees regarding matters before the Board.

(5) In setting Board Agendas, ensure adequate time is provided for effective study and discussion of business being considered by the Board.

(6) Schedule executive session meetings as necessary and in compliance with the Illinois Open Meetings Act.

(7) Make assignments to committees (including the committee chairperson), taking into account the desires of the Trustees.

(8) Execute such documents and other legal instruments on behalf of IMRF as required by Illinois law or authorized by the Board.

(9) Discuss performance and behavior issues which may be inconsistent with the Board’s Leadership Agreement with Trustees who are having a negative impact on IMRF.

(10) Perform all other duties specifically identified by the Board.
BOARD VICE-PRESIDENT POSITION DESCRIPTION

The Vice-President should be prepared to act as temporary President during a Board Meeting in the absence of the President.

Along with the Board President, review and approve the Agenda for regular and special Board Meetings.

In case of the resignation or death of the President, the Vice-President automatically becomes President for the unexpired term.

BOARD SECRETARY POSITION DESCRIPTION

The Secretary is the recording Officer of the Board and the custodian of its records. This commitment includes the responsibility to:

1. Oversee preparation of Minutes of all Board Meetings.

2. Oversee maintenance of all Committee reports.

3. In the absence of the President and Vice-President, to call the meeting to order and preside until the immediate election of a chairman pro tem.

4. Take Minutes at Executive Sessions and ensure proper recording.

5. In conjunction with the Executive Director, determine every six months if Minutes of Executive Sessions should be opened to the public.

The Secretary of the Board also has the responsibility to ensure staff:

1. Keeps the Board’s official membership roll and to call the roll when it is required.

2. Makes Board and Committee Meeting Minutes and records available to members upon request.

3. Post notice of all Board and Committee Meetings.
EXECUTIVE DIRECTOR POSITION DESCRIPTION

The Board shall appoint an Executive Director who shall be in charge of the general administration of the Fund and who shall report to the full Board.

A. The person shall have general administrative duties which include directing:
   1. the computation of the amounts of annuities, benefits, prior service credits and contributions required for reinstatement of credits for Board consideration;
   2. the processing of approved benefits claims and expenses of administration for payment;
   4. the preparation and maintenance of necessary and proper records for administrative and actuarial purposes;
   5. the conduct of any necessary or desirable communications in the course of operations of the Fund;

B. The person shall have such special powers and duties as may be properly delegated or assigned by the Board from time to time.

C. The person shall work with the Board President and Vice President to develop agendas for regular and special Board Meetings so that all matters requiring Board action or are in the interest of the Board or the Fund, are placed before it.

D. In addition, the Executive Director shall have the following specific duties and responsibilities:

   1. Provide leadership to IMRF in achieving its mission and strategic plan.

   2. Maintain effective and credible relationships with the members and beneficiaries of IMRF, participating employers, executive officers of State government, the legislature, employee and retiree organizations, the media, and the public at large.

   3. Project a positive image as Executive Director of IMRF.

   4. Act as official spokesperson for IMRF and the Board (at the Board’s discretion).
5. Act as liaison between the Board and other IMRF staff and service providers.

6. Safeguard the assets of IMRF by developing and implementing proper internal controls.

7. Monitor the operational and funded status of the benefit plan under IMRF.

8. Provide necessary staffing, support and resources to the Board and its committees.

9. Proactively assist and advise the Board and its committees with regard to issues requiring Board policy or action.

10. Select and manage all IMRF staff consistent with IMRF budget provisions.

11. Perform annual performance evaluations of those who have direct reporting relationship to the Executive Director.

12. Assist the Board in reviewing and adopting actuarial assumptions, funding methods, benefit option factors and actuarial valuation methods for IMRF.

13. Initiate the annual actuarial valuations, periodic actuarial experience studies and independent actuarial audits as required by Illinois State law or Board policy.

14. Assist the Board in developing policies and procedures for investing IMRF assets.

15. Execute and manage investments in accordance with Board directives.

16. Assist the Board in soliciting and selecting the following service providers:
   a. Investment managers
   b. Investment consultants
   c. Consulting actuaries and actuarial auditors
   d. External financial auditor
   e. Fiduciary Counsel

17. Except as otherwise noted, select and oversee all other service providers to IMRF.
18. Develop and recommend to the Board an operating budget, direct and manage expenditures within the budget and make reports as directed.

19. Prepare the IMRF comprehensive annual financial report.

20. Develop and deliver all operational reports to the Governor and Illinois General Assembly as required by Illinois State law.
EVALUATION PROCESS

A. General
1. The Board meets as a Committee of the Whole.
2. Evaluations are conducted annually in July.
3. A July 1 through June 30 evaluation year is established.
4. Circumstances may warrant an evaluation outside the normal timetable.
5. The Board will reach consensus and provide a Performance Report identifying areas for improvement.
6. The Board President is responsible for coordinating the evaluation process; including obtaining completed Performance Appraisal Forms and preparing the Performance Report.

B. Timetable

May (1) A Performance Appraisal Form for the next evaluation is approved at the Board Meeting.

Beginning Of June (1) Trustees are provided copies of the Performance Appraisal Form as well as the previous year’s completed form.

(2) Trustees have two weeks to complete and return the Performance Appraisal Form directly to the Board President who will tabulate and summarize the results on a confidential basis. (A facilitator may be used.)

(3) The Executive Director will provide a Self-Appraisal.

Late June (1) The Board will meet in Executive Session (attended by Nancy Williams) to evaluate the Executive Director’s performance. It will consider the Executive Director’s Self-Appraisal, the summary of the evaluation forms, and any relevant data and information.

(2) Following its meeting, the Board President will prepare a Performance Report, summarizing the Board’s assessment and provide specific guidance for the Executive Director concerning improvement opportunities.

July (1) At the July Board Meeting, the Board and Executive Director will meet to discuss his/her performance and set goals and criteria for the coming 12 months.

C. Additional Reviews

Anytime Meetings will be held as circumstances warrant.
OBJECTIVES/PRINCIPLES

1. Evaluating the performance of the Executive Director is an important duty of the Board of Trustees, and therefore should include the active participation of all Trustees.

2. Active participation in the Evaluation Process includes completion of a Performance Appraisal form; participation in the discussion to develop a Performance Report; and, a personal interview with the Executive Director.

3. The process for evaluating the performance of the Executive Director should be free of real or perceived conflicts of interest.

4. The primary responsibility of the Executive Director is the effective management of the operations of IMRF. The quality of the operations constitutes an important measure of performance.

5. The Evaluation Process and Performance Appraisal Form are intended to communicate clear, useful and meaningful goals and performance standards to the Executive Director in a timely manner.

6. It is the intent of the Board to communicate the Performance Report by using one voice developed through consensus by following the Evaluation Process.

7. Clearly stated goals and performance standards will better enable the Board of Trustees to hold the Executive Director accountable for performance.

8. Evaluation criteria will be used in evaluating the Executive Director’s performance.

9. Evaluation criteria should:
   a. Reflect the purpose and unique nature of IMRF operations.
   b. Pertain to operations over which the Executive Director has a reasonable degree of control.
   c. Be generally consistent from year to year.
   d. Be agreed upon by the Board of Trustees and the Executive Director.

10. The Evaluation Process is continuous. Feedback will be provided the Executive Director as needed throughout the year.
The criteria for the Executive Director’s evaluation consist of four general areas: management of operations, representation of IMRF, interaction with the Board and strategic planning. A scale of 1–5 will be used. Board members are to strive to “speak in one voice” by reaching consensus about the score and the message. For any scores below 5, the Board is to send constructive criticism as to how performance can be improved. Even with the scores of 5, messages can still be sent that will benefit the Executive Director’s performance.

<table>
<thead>
<tr>
<th>Evaluation Criteria</th>
<th>Information &amp; Resources</th>
<th>Score (1 – 5)</th>
<th>Message</th>
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<tbody>
<tr>
<td>1) Management of Operations</td>
<td>Audit reports</td>
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<td>Budget reports</td>
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<td>Quarterly Compliance certification</td>
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<td>Quarterly Goals Report</td>
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<td>Member Surveys</td>
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<td>Employer Surveys</td>
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<td>2) Customer Service</td>
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<td>Consider metrics on timelines and accuracy; continuous improvement; cost/benefit analysis and strategies in developing services.</td>
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<td>Evaluation Criteria</td>
<td>Information &amp; Resources</td>
<td>Score (1 – 5)</td>
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<td>3) Representation of IMRF</td>
<td>Attendance and speeches at conferences, CAFR letter, Interaction with legislators, Newsletters to the membership, Member surveys, Meetings with employers, Meetings with members/retirees, News articles/quotes, Personal appearances at association/union meetings</td>
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This category includes the public image the Executive Director projects and how well he communicates with the membership, employers, unions, associations, legislators, the executive branch of State government, peers within other retirement systems, media and the general public.

Consider the quantity and quality of verbal and written communications.
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<th>Evaluation Criteria</th>
<th>Information &amp; Resources</th>
<th>Score (1–5)</th>
<th>Message</th>
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<tbody>
<tr>
<td>4) Board Interaction</td>
<td>Board agendas, Board packets, Executive Director’s report, Personal meetings/calls with Trustees, Verbal interaction at meetings, Communication between meetings</td>
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<td>Evaluation Criteria</td>
<td>Information &amp; Resources</td>
<td>Score (1 – 5)</td>
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<tr>
<td>5) Policy Development and Implementation</td>
<td>Action plans</td>
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<td>Progress reports</td>
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<td>Strategic plan document</td>
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<td></td>
<td>Suggested changes for new goals and objectives</td>
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This category includes the input the Executive Director gives in assessing changes in IMRF’s environment, identification of issues, prioritizing goals and objectives of the Fund, interpreting trends, implementing the plan as well as making sufficient progress towards the strategic plan.

Consider whether issues have been properly identified and analyzed; whether appropriate recommendations for change are made; whether he/she has a thorough knowledge and understanding of policies; whether he/she appropriately separates Board and staff policies; consider his/her approach to policy development and follow through with implementation.
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<th>Evaluation Criteria</th>
<th>Information &amp; Resources</th>
<th>Score (1 – 5)</th>
<th>Message</th>
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<tr>
<td>6) Leadership</td>
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This category includes activities demonstrating leadership of staff and IMRF as an organization; it does not include leadership of the Board. These activities include: maintaining a well-functioning management team; helping staff to grow professionally (both within and outside of the formal succession plan); acting in the best long-term interest of IMRF; maintaining a big picture outlook and being aware of industry issues; forecasting trends; responding to change and inviting innovation; participating in relevant and worthwhile professional organizations; inspiring confidence; establishing credibility with the Board, staff, members, retirees, the General Assembly, the public; exemplifying IMRF’s vision and values.
BOARD MEETING PROTOCOL

Rules of Order and Quorum

(1) The Board shall operate under the general guidance of Robert’s Rules of Order.

(2) A quorum of five must be present for the Board to conduct business.

(3) Board members may not attend meetings through delegates or authorize voting by proxy.

(4) Any Trustee may make or second a motion.

Scheduling of Regular, Special, and Emergency Meetings

(1) Regular meetings of the Board will be held monthly. The Board will adopt an annual schedule identifying the time and location of regular meetings for the coming year in December of the preceding year. The Board may schedule some meetings outside of the Village of Oak Brook. The Board may modify this schedule at its discretion.

(2) Any three Trustees may call for special or emergency meetings of the Board.

Meeting Notices

(1) At least forty-eight hour notice of all Board meetings, including executive sessions, will be provided to the public in accordance with the Illinois Open Meetings Act.

(2) If permitted by the Illinois Open Meetings Act, in the case of an emergency meeting requiring immediate action to avoid some serious consequence, shorter notice may be provided.

(3) The Executive Director shall normally provide the Trustees with seven calendar day’s notice of all Board meetings.
Trustee Attendance by Electronic Media

A Trustee may participate in any meeting of the Board by telephone or video conference in a manner consistent with the Illinois Open Meetings Act.

Meeting Agendas

1. The President in consultation with the Executive Director will prepare an agenda for each Board meeting containing the specific matters to be discussed, considered or decided at the meeting.

2. The Board may discuss, consider or make decisions only on matters on the agenda.

3. Items can be placed on a Board meeting agenda by:
   a) Any Trustee
   b) A Board Committee
   c) The Board President
   d) The Executive Director

4. The agenda for an executive session must contain a general description of the matter to be considered or decided at the meeting.

Meeting Materials

1. The Executive Director will make every reasonable effort to distribute related Board meeting materials to the Trustees seven calendar days before each meeting.

2. The Executive Director shall prepare a summary of the issues to be discussed, a staff or committee recommendation, if applicable, and a proposed motion for the Board to consider.

Public Access and Testimony at Board Meetings

1. All meetings of the Board are public and all persons who wish to attend may do so in accordance with the Illinois Open Meetings Act.

2. Every agenda for regular Board meetings will provide the public an opportunity to be heard. The Board President may prescribe the time and manner of such public comment.
(3) The Executive Director, in consultation with the President, will convene meetings in facilities and locations that provide the public with reasonable access.

**Executive Sessions**

(1) The Board may conduct business in executive session as permitted by the Illinois Open Meetings Act. Executive sessions shall be presided over by the President of the Board.

(2) Executive Sessions shall be closed to the public and subject to the following conditions:

   a) The executive session must be held during a regular, special or emergency meeting of the Board.

   b) The executive session must address only those subject matters permitted under the Illinois Open Meetings Act.

   c) The executive session must satisfy all notice requirements under the Illinois Open Meetings Act.

   d) Proceedings will be recorded.

(3) The Board will take no action with regard to a matter considered in executive session. Any such action must be taken during that portion of a meeting that is open to the public.

**Meeting Minutes and Board Records**

(1) The Executive Director working with the Board Secretary will ensure that minutes of all meetings of the Board are taken and made available to the public as required by Illinois law.

(2) The Executive Director working with the Board Secretary will prepare a written copy of the minutes taken at prior meetings of the Board and present it to the Board for approval at a subsequent meeting.

(3) The Executive Director working with the Board Secretary will maintain records of the Board activities and actions in accordance with Illinois law and such other documents necessary to establish a due diligence record of the Board’s activities.
Conflicts of Interest at Board Meetings

Whenever a Board member has a real or perceived conflict of interest he/she must advise the other members of the Board or Board Committee of the existence of the conflict and that he/she will abstain from voting on the issue in question.

The Board member may choose to participate in the debate on the issue in question only if the member, first, fully explains the nature of the conflict to the remaining Board members; and, second, the member only provides factual background or other information that might aid the remaining Board members in reaching a decision. The Board member who has a real or perceived conflict of interest shall not attempt to persuade the other Board members as to the merits of the issue in question.

If the Board member does not wish to fully explain the nature of the conflict, the member must choose to not participate in the discussion of the issue in question. (See Board Resolution 2004-08-09, adopted 08/27/04.)
BOARD COMMITTEE MEETING PROTOCOL

Rules of Order and Quorum

(1) The Board Committees shall operate under the general guidance of Robert’s Rules of Order.

(2) A quorum must be present for the Board Committees to conduct business. A quorum is a majority of the members of the Committee. By law, Committees must maintain a minimum of 3 members. Committee vacancies need not be filled unless membership would drop below 3.

(1) Board Committee members may not attend meetings through delegates or authorize voting by proxy.

(2) Only Board Committee members may make motions, participate in debate or vote at Committee Meetings.

(3) Because all Trustees are fiduciaries and will be required to vote on Committee recommendations, non-Committee members may attend and ask questions at Committee Meetings.

Scheduling of Regular, Special, and Emergency Meetings

(1) Meetings of Board Committees are held as needed. The Board Committee may schedule some meetings outside of the Village of Oak Brook.

(2) The Committee Chairperson may call for special or emergency meetings of the Board Committee.

Meeting Notices

(1) At least forty-eight hour notice of all Board Committee meetings, including executive sessions, will be provided to the public in accordance with the Illinois Open Meetings Act.

(2) If permitted by the Illinois Open Meetings Act, in the case of an emergency meeting requiring immediate action to avoid some serious consequence, shorter notice may be provided.

(3) The Executive Director shall normally provide the Trustees with seven calendar day’s notice of all Board Committee meetings.
Trustee Attendance by Electronic Media

A Trustee may participate in any meeting of the Board Committee by telephone or video conference in a manner consistent with the Illinois Open Meetings Act.

Committee Meeting Agendas

(1) The Committee Chairperson in consultation with the Executive Director will prepare an agenda for each Board Committee meeting containing the specific matters to be discussed, considered or decided at the meeting.

(2) The Board Committee may discuss, consider or make decisions only on matters on the agenda.

(3) Items can be placed on a Board Committee meeting agenda by:
   a) Any Board Committee Member
   b) The Board Committee Chairperson
   c) The Board President
   d) The Executive Director

(4) The agenda for an executive session must contain a general description of the matter to be considered or decided at the meeting.

Meeting Materials

(1) The Executive Director will make every reasonable effort to distribute related Board Committee meeting materials to the Committee Members seven calendar days before each meeting.

(2) The Executive Director shall prepare a summary of the issues to be discussed, a staff or Committee recommendation, if applicable, and a proposed motion for the full Board to consider.

Public Access and Testimony at Board Committee Meetings

(1) All meetings of the Board Committee are public and all persons who wish to attend may do so in accordance with the Illinois Open Meetings Act.

(2) Every agenda for regular Board Committee meetings will provide the public an opportunity to be heard. The Committee Chairperson may prescribe the time and manner of such public comment.
(3) The Executive Director, in consultation with the Committee Chairperson, will convene meetings in facilities and locations that provide the public with reasonable access.

**Executive Sessions**

(1) The Board Committees may conduct business in executive session as permitted by the Illinois Open Meetings Act. Executive sessions shall be presided over by the President of the Board.

(2) Executive Sessions shall be closed to the public and subject to the following conditions:

   a) The executive session must be held during a regular, special or emergency meeting of the Committee.

   b) The executive session must address only those subject matters permitted under the Illinois Open Meetings Act.

   c) The executive session must satisfy all notice requirements under the Illinois Open Meetings Act.

   d) Proceedings will be recorded.

(3) The Committee will take no action with regard to a matter considered in executive session. Any such action must be taken during that portion of a meeting that is open to the public.

**Meeting Minutes and Board Committee Records**

(1) The Executive Director working with the Board Secretary will ensure that minutes of all meetings of Committees are taken and made available to the public as required by Illinois law.

(2) The Executive Director working with the Board Secretary will prepare a written copy of the minutes taken at prior meetings of the Committee and present it to the Committee for approval at a subsequent meeting.

(3) The Executive Director working with the Board Secretary will maintain records of the Committee activities and actions in accordance with Illinois law and such other documents necessary to establish a due diligence record of the Committee’s activities.
AUDIT COMMITTEE CHARTER

This Audit Committee Charter has been adopted by the Board of Trustees of the Illinois Municipal Retirement Fund. The Board shall review and reassess this charter annually.

PURPOSE

To assist the Board of Trustees in fulfilling its oversight responsibilities for the financial reporting process, the system of internal control over financial reporting, the internal and outside audit process, and the Fund’s process for monitoring compliance with laws and regulations and other duties as assigned by the Board.

COMMITTEE MEMBERS

The audit committee will consist of at least three members of the Board of Trustees. The president of the Board will appoint and the full Board will approve committee members and the committee chair for one-year terms. The members of the audit committee shall strive to possess the expertise and experience in accounting, auditing, and financial reporting needed to understand and resolve issues raised by the internal and external auditors.

MEETINGS

The committee will meet at least twice a year. Meetings are subject to the Open Meetings Act. The committee will invite members of management, auditors or others to attend meetings and provide pertinent information, as necessary. The committee shall meet privately with the internal auditor and outside auditors.
DUTIES AND RESPONSIBILITIES

The committee shall: Financial Statements

Review annual financial statements; Review with management and the outside auditors the results of the financial statement audit, including any difficulties encountered. Review significant accounting and reporting issues, including complex or unusual transactions and highly judgmental areas, and recent professional and regulatory pronouncements, and understand their impact on the financial statements.

Review the annual financial statements, and consider whether they are complete, consistent with information known to committee members, and reflect appropriate accounting principles.

Review other sections of the annual report before release and consider the accuracy and completeness of the information.

Review with management and the external auditors all matters required to be communicated to the committee under generally accepted auditing standards.

Review with management and the external auditors any reports on any additional work for which the external auditors have been engaged.

Internal Control

Review the effectiveness of the Fund’s internal control over annual and interim financial reporting, including information technology security and control.

Review the scope of internal and outside auditors’ review of internal control over financial reporting, and obtain reports on significant findings and recommendations, together with management’s responses.

Inquire of management, the internal and outside auditors about significant risks or exposures and assess steps management has taken to minimize such risk to the Fund.

Internal Audit

Review the annual internal audit plan, activities, staffing, and organizational structure of the internal audit function.

Review and concur in the appointment, replacement, or dismissal of the internal auditor. Review the effectiveness and independence of the internal audit function, including compliance with professional standards for the practice of internal auditing.

Review with management and the internal auditor significant findings during the year and management’s responses.

On a regular basis, meet separately with the internal auditor to discuss any matters that the committee or internal audit believes should be discussed without management present.
Outside Audit

Review the outside auditors' proposed audit scope and approach, including coordination of audit effort with internal audit.
Review the performance of the outside auditors, and exercise final approval on the appointment or discharge of the auditors.
Review and confirm the independence of the outside auditors by obtaining statements from the auditors on relationships between the auditors and the other divisions of their firm, including non-audit services, and discussing the relationships with the auditors.

Compliance

Review the effectiveness of the system for monitoring compliance by obtaining regular updates from management and Fund legal counsel regarding compliance matters.
BENEFIT REVIEW COMMITTEE CHARTER

The Board of Trustees of the Illinois Municipal Retirement Fund has adopted this Benefit Review Committee (“Committee”) Charter. The Board shall review and reassess this charter annually.

PURPOSE

To review appeals of certain staff determinations regarding members’ claims for benefits, service credit, or any other member claims relating to the Fund. The Committee will also hear appeals from employers regarding a variety of issues including the effect of employer resolutions, participation standards, contribution rates, reserve balances, and actuarial decisions. The Board may assign other duties to the Committee.

AUTHORITY

The Benefit Review Committee has authority to conduct or authorize investigations into any matters within its scope of responsibility. It is empowered to:

◆ Utilize outside medical consultants and others to advise the committee or assist in the conduct of an investigation.
◆ Seek any information it requires from Fund employees or external parties.
◆ Meet with Fund staff, medical consultants, outside counsel, and members as necessary.

COMMITTEE MEMBERS

The Benefit Review Committee will consist of at least three members of the Board of Trustees.

MEETINGS

The Committee will meet at least quarterly, with authority to convene additional meetings, as circumstances require.
All hearings shall be open to the public unless the chairperson, for good cause shown and pursuant to the applicable provisions of the Open Meetings Act, shall determine otherwise.

The claimant may arrange for a court reporter to attend the hearing and must pay for the services of the court reporter.

STATUTE OF LIMITATIONS

Staff Benefit Denials and Terminations (for claims denied or terminated before January 1, 2002)

The Committee will review staff denials and terminations for certain benefit claims denied or terminated before January 1, 2002. These reconsiderations include claims that were denied or terminated by the staff and/or medical consultant on the basis of “extent” (e.g., does the claimant meet the statutory definition of a payable disability?). The Committee will also review appeals of denials and terminations for claims denied or terminated before January 1, 2002 if requested by the member. There is no time limitation on filing an appeal on claims denied or terminated before January 1, 2002. Administrative denials based on pre-existing issues or ineligibility based on insufficient service are not reviewed by the Committee unless there is an appeal for a hearing by the member.

Staff Benefit Denials and Terminations (for claims denied or terminated on or after January 1, 2002)
The Committee will hear appeals from claimants whose benefits were denied or terminated by the staff and medical consultant if the claimant follows the appeals process established by the Board. The request for a hearing must be received by the Fund within 63* days of the mailing of the letter of determination. The hearing will be held within 91* days of the date when the claimant notified staff of their request for a hearing (or at the first available Committee meeting immediately following the expiration of 91* days).

* For appeals from claimants whose benefits were denied or terminated by staff prior to January 1, 2009, the request for a hearing must be received by the Fund within 90 days of notification and the hearing will be held within 180 days (or at the first available Committee meeting immediately following the expiration of 180 days.

RESPONSIBILITIES

The Committee will hear appeals from members regarding a wide variety of issues including eligibility for benefits, eligibility to purchase past service, eligibility for participation in IMRF, felony forfeitures, or disputes regarding benefit calculations.

The Committee will also hear appeals from employers regarding a variety of issues including the effect of employer resolutions, participation standards, contribution rates, reserve balances, and actuarial decisions.

Upon conclusion of all evidence and arguments, the Benefit Review Committee will make a decision as to the disposition of the claim. The Committee will render one of the following decisions: affirmance of the staff recommendation, reversal of the staff recommendation, remand of the proceedings to staff for further investigation, request the development of an alternative resolution, or, in the case of deadlock, continuation of the claim for consideration by the full Board of Trustees. The decision will be in the form of a recommendation to the full Board of Trustees or, in the case of deadlock, without recommendation.

The staff will send written notice of the decision of the Board of Trustees to the claimant, and if applicable, to the claimant’s representative.
ETHICS COMMISSION CHARTER

The Board of Trustees of the Illinois Municipal Retirement Fund has adopted this Ethics Commission (“Commission”) Charter.

PURPOSE

The Commission is established to investigate, conduct hearings, deliberate, and issue recommendations to the Board of Trustees for disciplinary actions regarding violations of the IMRF Ethics Policy and Code of Conduct.

AUTHORITY

The Commission has authority to conduct or authorize investigations and conduct hearings into any matters regarding allegations of violations of the IMRF Ethics Policy and Code of Conduct. This authority is conferred on the Commission by IMRF Board Policy 2004-07-08 and Article 70 of the State Officials and Employees Ethics Act.

The Commission is empowered under this Charter to:

◆ Use outside consultants or others to advise or assist in the conduct of an investigation;
◆ Seek any information required from Fund employees or external parties;
◆ Meet with Fund staff, consultants, outside counsel, and others as necessary.

COMMISSION MEMBERS

The Commission will consist of three members: the President of the Board of Trustees, the IMRF internal auditor, and a rotating member appointed annually by the Board. The conflict substitute shall be the Board Vice-President for the President, and an annually appointed substitute for the rotating member.

MEETINGS

The Commission will meet as required to review and act upon a written complaint of an Ethics Policy/Code of Conduct violation.

If a hearing is held, both the respondent and the complainant shall be invited and given the opportunity to present testimony and evidence. The hearing shall be informal and the rules of evidence shall not apply.

Commission meetings will not be open to the public unless the respondent requests an Open Meeting.

A complaint alleging a violation of the Ethics Policy must be filed with the Commission within one year after the alleged violation.

RESPONSIBILITIES
The Commission shall have the following powers and duties:

To investigate, conduct hearings, and issue recommendations for disciplinary actions regarding violations of the IMRF Ethics Policy and Code of Conduct. The Commission’s authority is limited to acting upon the receipt of a written complaint alleging a violation of that Policy. It may not begin an investigation without such a complaint.

To receive information from the public and from trustees and employees pertaining to its investigations and to require additional information and documents from persons who may have violated the provisions of the Policy.

It is the obligation of all trustees and employees of IMRF to cooperate with the Commission during the course of its investigations. Failure or refusal to cooperate with requests by the Commission shall constitute grounds for discipline or censure. Complaints alleging a violation of this Ethics Policy shall be filed with the Ethics Commission.

After receipt of a complaint, the Commission shall notify the respondent that a complaint has been filed against him or her and provide a copy of the complaint. The Commission shall also notify the complainant that the complaint was received. The notices to the respondent and the complainant shall also advise them of the date, time and place of the meeting to determine the sufficiency of the complaint and to establish whether probable cause exists to proceed.

The Commission shall meet to review the sufficiency of the complaint and, if the complaint is deemed sufficient to allege a violation of the Policy, to determine whether there is probable cause, based on the evidence presented by the complainant, to proceed. The Commission shall issue notice to the complainant and the respondent of the Commission’s ruling on the sufficiency of the complaint and, if necessary, on probable cause to proceed within 10 business days after receiving the complaint.

If the complaint is deemed sufficient to allege a violation of the Policy and there is a determination of probable cause, then the Commission’s notice to the parties shall include a hearing date scheduled within 45 business days after the complaint’s receipt. If the complaint is deemed not sufficient to allege a violation or if there is no determination of probable cause, then the Commission shall send a notice to the parties of the decision to dismiss the complaint. On the scheduled date the Commission shall conduct a hearing on the complaint and shall allow both parties the opportunity to present testimony and evidence.

Within 30 days after the date the hearing or any recessed hearing is concluded, the Commission shall either (i) dismiss the complaint or (ii) issue a recommendation for discipline to the Executive Director and the Board of Trustees. A copy of the recommendation shall be given to the alleged violator.
EXECUTIVE COMMITTEE CHARTER

PURPOSE
The purpose of the Executive Committee (the “Committee”) is to exercise the powers and authority of the Board of Trustees (the “Board”) of the Illinois Municipal Retirement Fund (“IMRF”), with limitations as set forth below, during the intervals between meetings of the Board.

It is the general intention that all substantive matters in the ordinary course of business be brought before the full Board for action, but the Board recognizes the need for flexibility to act on substantive matters where action may be necessary between Board Meetings which, in the opinion of the President of the Board, should not be postponed until the next previously scheduled meeting and where, in the opinion of the President of the Board, a special meeting of the Board is unwarranted.

COMMITTEE MEMBERS
The Executive Committee will consist of at least five members. The Committee shall include: the President, Vice President, Secretary, the immediate past president, with the fifth member appointed by the current Board President.

It is the general policy of the Board and the Committee that any interested member of the Board, after receiving notice of a meeting of the Committee, may attend such meeting and participate without vote as an invited guest of the Committee.

DUTIES AND RESPONSIBILITIES
The committee shall be authorized to act on behalf of the Board, except for the limitations set forth below:

Without limitation, the Committee may not:

1. Remove a Board Officer of Committee Member;
2. Amend of the governing documents of IMRF; or
3. Dismiss the Executive Director.

PROCEDURAL MATTERS
The Executive Committee shall:

1. Hold and conduct meetings in accordance with the governance policy of IMRF.
2. Review annually this Charter, and recommend changes as necessary or desired for Board consideration.
3. Conduct annually a self-assessment regarding its performance against its stated responsibilities and share the results of such assessment with the Board.
4. The Committee shall meet as deemed necessary by the President of the Board.
5. The President of the Board shall report any and all activities of the Committee at the next regularly scheduled meeting of the Board.
INVESTMENT COMMITTEE CHARTER

The Board of Trustees of the Illinois Municipal Retirement Fund has adopted this Investment Committee Charter.

PURPOSE

The Investment Committee, as trustees and fiduciaries, is responsible for the proper oversight of the IMRF assets. The committee members shall carry out their functions solely in the interest of the IMRF members and benefit recipients and for the exclusive purpose of providing and defraying reasonable expenses incurred in performing such duties, as required by law.

COMMITTEE MEMBERS

The Investment Committee will consist of at least six members of the Board of Trustees. At the January Board meeting, the President of the Board will appoint the Investment Committee members, Chair and Vice Chair of the Investment Committee and the full Board will approve the Committee Chair, Vice-Chair and committee members for a one-year term.

DELEGATION OF INVESTMENT AUTHORITY

This section of the IMRF Investment Committee Charter sets forth the investment discretion duly delegated by the IMRF Board of Trustees to the Investment Committee of the Board of Trustees. This section shall be subject to annual review and renewal at the regular meeting of the IMRF Board of Trustees in the first quarter of each calendar year.

The Board, may, consistent with its fiduciary duties, delegate its powers of investment to a committee within well-defined guidelines, subject to review by the IMRF Board of Trustees. Investment discretion, as used in this policy section, is understood to be the power to authorize investment and related actions for the Fund’s assets.

The Investment Committee of the Board is authorized, between meetings of the Board of Trustees, to approve investment actions recommended by staff.
MEETINGS

The Committee will meet at least quarterly and may convene more or less often as necessary. Meetings are subject to the Open Meetings Act. Committee members may attend in person, by teleconference or by videoconference.

Each meeting agenda will be posted in advance and in accordance with the Illinois Open Meetings Act. Meeting materials will be prepared by Staff and Consultant, as necessary.

Staff will prepare minutes for each meeting. These minutes will serve as a record of proceedings in the form of a non-verbatim report.

RESPONSIBILITIES

Investment Committee members, as Trustees, shall act in accordance with the provisions of State Statute and 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 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 Investment Committee of the Board, 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.

Reporting Responsibilities of the Committee
• Regularly report to the Board about activities, issues and related recommendations.

• Report on any issues relating to its responsibilities.

Other Responsibilities
• Perform any activities related to this charter as directed by the Board of Trustees.

PROCEDURES FOR AMENDING THE INVESTMENT COMMITTEE CHARTER

This Charter 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 and is responsible for submitting necessary changes to the Board for approval.

The Investment Committee Charter shall be reviewed annually.
LEGISLATIVE COMMITTEE CHARTER

The Legislative Committee Charter was adopted by the Board of Trustees of the Illinois Municipal Retirement Fund. The Board shall review and reassess this Charter annually.

PURPOSE

The purpose of the legislative committee is to assist the Board in determining its legislative agenda and positions on legislation. Other duties may be assigned to it by the Board.

AUTHORITY

The Legislative Committee is empowered to:

• Authorize the drafting of legislation for review and approval by the Board;
• Request the preparation of cost studies by IMRF’s actuaries covering proposed or introduced legislation, as necessary;
• Meet with parties that have an interest in legislation affecting IMRF; and
• Seek any information it requires from internal or external parties.

COMMITTEE MEMBERS

The Legislative Committee will consist of at least three members of the Board of Trustees. At the January Board meeting, the President of the Board will appoint and the full Board will approve the Committee chair and members for a one-year term.

MEETINGS

The committee shall meet at least twice per year, with the authority to convene additional meetings, as circumstances require. One meeting shall be in October to determine the Board’s legislative agenda for the year. The committee shall also meet as soon as possible after new legislation is introduced affecting IMRF, but no later than the next scheduled Board meeting.

RESPONSIBILITIES

The Legislative Committee will carry out the following responsibilities:

• Review all legislation affecting IMRF and determine its potential financial and administrative impact on the Fund, the members, and the employers;
• Recommend Board positions on all legislation affecting IMRF;
• Determine the concerns of the various IMRF constituencies to develop legislative solutions;
• Develop a legislative agenda for the Fund;
• Regularly report to the Board of Trustees about committee activities, issues, and related matters;
• Review any other reports the Fund issues that relate to committee responsibilities;
• Obtain regular reports from staff regarding legislative matters;
• Perform other activities related to this charter as requested by the Board of Trustees; and
• Confirm annually that all responsibilities outlined in this charter have been carried out.
Board Ethics Policy

Preamble
IMRF is administered by a Board of Trustees comprised of representatives of sponsoring employers, participants and annuitants. The members of the Board of Trustees and IMRF staff hold the highest positions of trust because they are stewards of retirement assets. They are also persons who by their mere position are required to exercise diligence and prudence. Their duties require attention to fiduciary standards. Those fiduciary standards extend to consultants and financial advisors who serve in the administration of the goals and objectives of IMRF.

Mission Statement
(40 ILCS 5/7-102)
It is the mission of this Fund 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.(Adopted January 28, 1997)

Guiding Principles

1. Service to the beneficiaries of IMRF is the primary function of the Board of Trustees and IMRF staff.

2. The Board of Trustees and IMRF staff are ultimately responsible to the beneficiaries of IMRF.

3. In those situations where the law is not clear, the best interests of IMRF beneficiaries must be served.

4. Efficient and effective administration and investment management is basic to IMRF.

5. Safeguarding the trust of fund participants is paramount.

6. Service to IMRF participants demands fulfilling fiduciary responsibilities.

7. Timely and energetic execution of fiduciary responsibilities is to be pursued at all times by the IMRF Trustees and staff.
Standards of Conduct and Conflict of Interest

*IMRF Trustees and staff shall not:*

(a) accept a gift having a value over $25 or solicit any gift, favor, or service from any third party which has, is or may do business with the Illinois Municipal Retirement Fund;

(b) accept other employment or engage in a business or professional activity that they reasonably expect would require or induce them to disclose confidential information acquired by reason of their official position;

(c) accept other employment or compensation that could reasonably be expected to impair their independence of judgment in the performance of their official duties;

(d) make personal investments that could reasonably be expected to create a substantial conflict between their private interests and the interests of the plan participants and beneficiaries; provided, however, no trustee or staff member is precluded from making any personal investment that will not create a substantial conflict.

(e) intentionally or knowingly solicit, accept, or agree to accept any benefit for having exercised their official powers or for having performed their official duties in favor of another;

(f) transact any business in their official capacity with any entity or person in which they have an economic interest;

(g) appear before the body of which they are a member while acting as an advocate for himself or any other person, group, or entity;

(h) represent any business entity before the Board of Trustees, for pay;

(i) represent, directly or indirectly, any business entity in any action or proceeding against the interest of the Board of Trustees, or in any litigation in which the Fund is a party;

(j) use their official position to secure a special privilege or exemption for themselves or others or to secure confidential information for any purpose other than official duties; on

(k) intentionally or knowingly disclose any confidential information gained by reason of their position concerning the property, operations, policies or affairs of the Board of Trustees, or use such confidential information for pecuniary gain;

(l) represent a firm or solicit business on behalf of a firm (including affiliates) for whom he or she previously voted in favor of entering into a business relationship or negotiated or signed a contract binding IMRF for a period of two (2) years following the term of office or employment;

(m) solicit donations for charities, not for-profit organizations and other causes from any person, organization or entity which does, has done or may do business with IMRF, including but not limited to, investment advisors and managers;
(n) solicit or accept political contributions or donations for himself or herself or others from any person, organization or entity which does, has done, or may do business with IMRF, including but not limited to, investment advisors and managers; nor may he/she solicit or accept political contributions or donations from employees or IMRF;

(o) profess or imply that he/she has the endorsement of IMRF with respect to any candidacy for which he or she is running;

(p) accept free travel or accommodations from any third party which has, is or may do business with the Illinois Municipal Retirement Fund; or

(q) accept free attendance at any educational conference or business-related function, the cost for which has been paid directly or indirectly by any third party which has, is or may do business with the Illinois Municipal Retirement Fund; or

(r) accept food or refreshments exceeding $75 per person per day in value from any third party which has, is or may do business with the Illinois Municipal Retirement Fund; or

(s) accept meals on an individual basis from any third party which has, is or may do business with the Illinois Municipal Retirement Fund unless such meal arises out of independent activities not related to the person’s role with the Illinois Municipal Retirement Fund or unless it is a staff member on Fund business under the $75 limit set forth above.

Interpretation of Policy (Determination of Substantial Interest)

An individual has a substantial interest in a business entity if he or she or his or her spouse:

(a) has a controlling interest in the business;

(b) owns more than 10 percent of the voting interest in the business entity;

(c) owns more than $25,000 of the fair market value of the business entity;

(d) has a direct or indirect participating interest by shares, stock, or otherwise, regardless of whether voting rights are included, in more than 10 percent of the profits, proceeds, or capital gains of the business entity;

(e) is a member of the board of directors or other governing board of the business entity;

(f) serves as an elected officer of the business entity; or,

(g) is an employee of the business entity.
**Policy on Business and Educational Functions**

The Board of Trustees acknowledges it is responsible for the administration and operation of a specialized business involving great sums of money for the exclusive benefit of the plan participants and beneficiaries of the trust (Fund), and are responsible for defraying reasonable expenses which arise from the performance of duties and responsibilities under applicable trust law and universal tenets of fiduciary responsibility. Trustees cannot rely solely on others to execute their fiduciary functions. While authority can be delegated, fiduciary responsibility rests ultimately with the trustees. The Board of Trustees strongly encourages attendance and participation in business and educational functions which will further the performance of duties and responsibilities under applicable trust law. At a minimum, the trustees are required to attend at least 8 hours of ethics and fiduciary training per year. Trustees shall annually certify to the Board compliance with this training requirement.

**Examples of Categories and Definitions**

I. Business Operations:

Business Meetings:
- gatherings for discussions or negotiations on potential investments.
- formal litigation procedures.
- internal retreats of Board with or without advisors or consultants.
- instructional gatherings to develop business acumen.

Due Diligence:
- personal investigatory appearances by board members to the actual site(s) of a prospective venture, which could include the operational office of a prospective new advisor, consultant or business venture.
- this function should be repeated with existing relationships particularly when a material change has occurred, such as a change in personnel.

Site Inspections:
- primarily reserved for real estate investments in order to “kick the tires”, meet the tenants and the property management teams, check out the condition of the building(s) and other data relating to any proforma items of the investment.

II. Educational Operations:

- Conferences:
  - usually week long events of an annual nature dealing with a multitude of topics and current trends and developments in the pension industry.
  - one of the best forums within which to interact with peers from other jurisdictions (networking).

- Workshops and Symposiums:
  - events of two to three days of sessions involving discussions surrounding a single theme- or a specific topic or subject matter.

- Trustee Ethics and Fiduciary Training:
  - Trustees are required to attend at least 8 hours of ethics and fiduciary training annually. Each trustee is expected to maintain adequate documentation of such training, received in increments of no less than one-half hour of actual instruction.
-training may be conducted during Board and Board Committee meetings and Board Roundtables, provided the topic is clearly delineated as trustee ethics and fiduciary training.

-training may be undertaken at independent conferences, seminars and symposiums.

- Trustee ethics and fiduciary training includes presentations by staff or consultants or training at outside seminars and conferences on topics of:

a) IMRF ethics and travel policies and best practices in the industry;
b) Fiduciary duties;
c) Investment issues including asset allocation, training on potential investment vehicles, investment procedures, and best practices;
d) Illinois pension Code;
e) Actuarial issues, including presentations concerning the annual actuarial report, gain/loss analysis, and triennial experience analysis;
f) Medical matters to assist in hearing disability claims;
g) New trustee orientation; and
h) Other issues of pension fund administration, as determined by the Board.

- Not included are presentations covering:

a) IMRF processes and procedures;
b) Board agenda items unless specifically delineated as a training program.

Policy Against Harrassment

It is the desire of the Board of Trustees that employees work in an atmosphere free from all forms of harassment. Therefore, this policy prohibits all types of harassment, including, but not limited to, harassment based on: sex, race, color, religion, national origin, age, marital status, disability, handicap, or any other classification protected under applicable law. This policy extends to each and every level of IMRF. Accordingly, harassment, whether by an employee, a Trustee, an IMRF member or annuitant, a customer, a member of management, or a visitor will not be tolerated. Activities of this nature are unlawful and serve no legitimate purpose; they have a disruptive effect on an individual’s ability to perform his/her job, and they undermine the integrity of the employment relationship.

Harassment is verbal or physical conduct relating to an individual’s sex, race, color, religion, national origin, age, marital status, disability, handicap, or any other classification protected under applicable law when this conduct:

1. Has the purpose or effect of creating an intimidating, hostile, or offensive working environment;
2. Has the purpose or effect of unreasonably interfering with an individual’s work performance; or
3. Otherwise adversely affects an individual’s employment opportunities.
We recognize examples of conduct that may constitute prohibited harassment include: slurs, jokes, cartoons, stereotypes, statements, etc., based upon sex, race, color, religion, national origin, age, marital status, disability, handicap, any other classification protected under applicable law, and unwelcome sexual advances, requests for sexual favors, and other verbal or physical conduct of a sexual nature when:

1. Submission to such conduct is made either explicitly or implicitly a term or condition of an individual’s employment;

2. An individual’s submission to or rejection of such conduct is used as a basis for an employment decision affecting that individual; or

3. The purpose or the effect of such conduct is to substantially interfere with the affected individual’s work performance or to create an intimidating, hostile, or offensive work environment.

Although the above defines “unlawful” harassment, it is also a violation of this policy to commit or engage in any unprofessional or inappropriate conduct based on any protected classification, whether or not such conduct rises to the level of “unlawful” harassment.

Retaliation against any individual who has complained about harassment, filed a charge of harassment, or who otherwise participated in an investigation of harassment will not be tolerated.

IMRF intends to resolve any complaints of harassment within our organization, but will also advise employees of their right to contact State and Federal agencies charged with enforcing anti-harassment laws.

(Please note: A separate IMRF Policy Against Harassment has been developed for staff which further explains prohibited behavior, outlines procedures to report allegations of harassment and specifically identifies the proper independent agencies to contact, if necessary.)

Policy Against Prohibited Political Activities

The Board of Trustees recognizes that the IMRF staff is ultimately employed by the members of IMRF, the participating units of local government, and the taxpayers of those local governments. It is appropriate therefore that the restrictions against prohibited political activity found in the State Officials and Employees Ethics Act and applicable to units of local governments and school districts are applicable to IMRF staff and trustees.

The following definitions apply to this policy against prohibited political activities:

"Campaign for elective office" means any activity in furtherance of an effort to influence the selection, nomination, election, or appointment of any individual to any federal, State, or local public office or office in a political organization, or the selection, nomination, or election of Presidential or Vice-Presidential electors.

"Candidate" means a person who has filed nominating papers or petitions for nomination or election to an elected public office, or who has been appointed to fill a vacancy in nomination, and who remains eligible for placement on the ballot at a regular election, as defined in section 1-3 of the Election Code.
"Compensated time" means, with respect to an employee, any time worked by or credited to the employee that counts toward any minimum work time requirement imposed as a condition of employment, but, does not include any designated holidays, vacation periods, personal time, or compensatory time off.

"Contribution" has the same meaning as that term is defined in section 9-1.4 of the Election Code.

"Employee" means a person employed by the Illinois Municipal Retirement Fund, whether on a full-time or part-time basis or pursuant to a contract, whose duties are subject to the direction and control of IMRF with regard to the material details of how the work is to be performed, but does not include an independent contractor.

"Employer" means the Illinois Municipal Retirement Fund.

"Political activity" means any activity in support of or in connection with any campaign for elective public office or any political organization, but does not include activities (i) relating to the support or opposition of any executive, legislative, or administrative action; (ii) relating to collective bargaining; or (iii) that are otherwise in furtherance of the person's official duties.

"Political organization" means a party, committee, association, fund, or other organization (whether or not incorporated) that is required to file a statement of organization with the State Board of Elections or a county clerk under Section 9-3 of the Election Code.

"Prohibited political activity" means:
- Preparing for, organizing, or participating in any political meeting, political rally, political demonstration, or other political event.
- Soliciting contributions, including but not limited to the purchase of, selling, distributing, or receiving payment for tickets for any political fundraiser, political meeting, or other political event.
- Soliciting, planning the solicitation of, or preparing any document or report regarding anything of value intended as a campaign contribution.
- Planning, conducting, or participating in a public opinion poll in connection with a campaign for elective public office or on behalf of a political organization for political purposes or for or against any referendum question.
- Surveying or gathering information from potential or actual voters in an election to determine probable vote outcome in connection with a campaign for elective public office or on behalf of a political organization for political purposes or for or against any referendum question.
- Assisting at the polls on election day on behalf of any political organization or candidate for public office or for or against any referendum question.

- Soliciting votes on behalf of a candidate for elective public office or a political organization or for or against any referendum question or helping in an effort to get voters to the polls.

- Initiating for circulation, preparing, circulating, reviewing, or filing any petition on behalf of a candidate for elective public office or for or against any referendum question.

- Making contributions on behalf of any candidate for elective public office in that capacity or in connection with a campaign for elective public office.

- Preparing or reviewing responses to candidate questionnaires.

- Distributing, preparing for distribution, or mailing campaign literature, campaign signs, or other campaign material on behalf of any candidate for elective public office or for or against any referendum question.

- Campaigning for any elective public office or for or against any referendum or against any referendum question.

- Managing or working on a campaign for elective public office or for or against a referendum question.

- Serving as a delegate, alternate, or proxy to a political party convention.

- Participating in any recount or challenge to the outcome of any public office election.

“Trustee” means a member of the Board of Trustees of the Illinois Municipal Retirement Fund.

**Prohibited Political Activities**

(a) No employee shall intentionally perform any prohibited political activity during any compensated time, as defined herein. No trustee or employee shall intentionally use any property or resources of IMRF in connection with any prohibited political activity.

(b) At no time shall any trustee or employee require any employee to perform any prohibited political activity (i) as part of that employee’s duties, (ii) as a condition of employment, or (iii) during any compensated time off (such as holidays, vacation or personal time off).

(c) No employee shall be required at any time to participate in any prohibited political activity in consideration for additional compensation or any benefit, nor shall any employee be awarded additional compensation or any benefit in consideration for his or her participation in any prohibited political activity.
(d) Nothing in this Policy prohibits activities that are permissible for a trustee or employee to engage in as part of his or her official duties, including duties or activities related to the election of IMRF trustees, or activities that are undertaken by a trustee or employee on a voluntary basis which are not prohibited by this Policy. Nothing in this Policy shall apply to or restrict the rules regarding IMRF Board elections.

(e) No person shall be denied or deprived of employment at IMRF solely because he or she is a member or an officer of a political committee, of a political party, or of a political organization or club.

Penalties

An employee who intentionally violates any provision of the IMRF Ethics Policy (including the standard of conduct and conflict of interest provisions, the travel policy, the policy against harassment, and the policy against prohibited political activities) is subject to discipline up to and including discharge.

A trustee who intentionally violates any provision of the IMRF Ethics Policy (including the standards of conduct and conflict of interest provisions, the travel policy, the policy against harassment, and the policy against prohibited political activities) is subject to public censure by the Board of Trustees and/or removal from Board office (i.e. President, Vice-President or Secretary) and/or Board committee membership.

Ethics Advisor and Ethics Commission

An ethics advisor for IMRF shall be designated by the Executive Director, with the advice and consent of the Board of Trustees. The ethics advisor shall provide guidance to the trustees and employees of IMRF concerning the interpretation of and compliance with the provisions of the IMRF Ethics Policy. The ethics advisor shall perform such other duties as may be delegated by the Board of Trustees.

An IMRF Ethics Commission shall be created, comprised of three members: the President of the Board of Trustees, with the Vice-President as the President’s substitute in case of conflict; the second member shall be appointed by the President of the Board of Trustees when Board committee assignments are made, with the conflict substitute appointed at the same time; and the third member shall be the IMRF Internal Auditor.

The Ethics Commission shall have the following powers and duties:
- To promulgate procedures and rules governing the performance of its duties and the exercise of its powers.

- To investigate, conduct hearings and deliberations, issue recommendations for disciplinary actions regarding violations of this Ethics Policy. The Commission shall, however, act only upon the receipt of a written complaint alleging a violation of the Ethics Policy and not upon its own prerogative.
- To receive information from the public and from trustees and employees pertaining to its investigations and to require additional information and documents from persons who may have violated the provisions of this Policy.

- It is the obligation of all trustees and employees of IMRF to cooperate with the Commission during the course of its investigations. Failure or refusal to cooperate with requests by the Commission shall constitute grounds for discipline or censure.

- Complaints alleging a violation of this Ethics Policy shall be filed with the Ethics Commission.

After receipt of a complaint, the Commission shall notify the respondent that a complaint has been filed against him or her and provide a copy of the complaint. The Commission shall also notify the complainant that the complaint was received. The notices to the respondent and the complainant shall also advise them of the date, time and place of the meeting to determine the sufficiency of the complaint and to establish whether probable cause exists to proceed.

The Commission shall meet to review the sufficiency of the complaint and, if the complaint is deemed sufficient to allege a violation of the Policy, to determine whether there is probable cause, based on the evidence presented by the complainant, to proceed. The Commission shall issue notice to the complainant and the respondent of the Commission’s ruling on the sufficiency of the complaint and, if necessary, on probable cause to proceed within 10 business days after receiving the complaint.

If the complaint is deemed sufficient to allege a violation of the Policy and there is a determination of probable cause, then the Commission’s notice to the parties shall include a hearing date scheduled within 45 business days after the complaint’s receipt. If the complaint is deemed not sufficient to allege a violation or if there is no determination of probable cause, then the Commission shall send a notice to the parties of the decision to dismiss the complaint.

On the scheduled date the Commission shall conduct a hearing on the complaint and shall allow both parties the opportunity to present testimony and evidence.

Within 30 days after the date the hearing or any recessed hearing is concluded, the Commission shall either (i) dismiss the complaint or (ii) issue a recommendation for discipline to the Executive Director and the Board of Trustees. A copy of the recommendation shall be given to the alleged violator.

A complaint alleging a violation of the Ethics Policy must be filed with the Ethics Commission within one year after the alleged violation.
POLICY REGARDING RACIAL, ETHNIC, AND GENDER DIVERSITY OF FIDUCIARIES

Purpose
This policy defines IMRF’s goals for diversity in its senior staff and fiduciaries.

Philosophy
The Illinois Municipal Retirement Fund is committed to diversity in all hiring, employment, and contracting decisions and to providing opportunities for minorities, women and persons with a disability to have a meaningful role at IMRF.

Board of Trustees
IMRF’s goal is to achieve diversity through the current Board election process. Trustees are elected by employers, members, and annuitants. No trustees are appointed or hold office ex-officio. The Board of Trustees encourages individuals who qualify as minority to run for the Board of Trustees. In addition, stakeholder groups representing IMRF members and employers are encouraged to seek out qualified minorities to support in all elections for the IMRF Board of Trustees.

Senior Staff
IMRF’s goal is that staff diversity levels mirror the external recruiting area. Senior staff consists of directors, managers, supervisors, and team leaders.

IMRF defines its external recruiting area as six northeast Illinois counties – Cook, DuPage, Kane, Lake, McHenry and Will. The population for comparison is taken from the US Census 2000 “total civilian labor force.”

IMRF will work to ensure its workforce reflects the recruiting area’s population or the population diversity of the recruiting area diversity as reported in the most recent decennial census.

IMRF considers its existing employee population as the primary recruiting base for senior staff positions. By having a diverse staff at all levels of the organization, the Fund offers internal promotion opportunities to reflect diversity on its senior staff.

IMRF has an internal job posting program which requires all open positions to be posted without exception. By providing a variety of training and development programs, all staff members have the opportunity to gain the required education and skills to apply for senior staff openings.
The programs include a tuition reimbursement program, available upon hire; and a Succession Plan Program, with a separate tuition reimbursement program and training programs, with eligibility after two years of employment.

All staff involved in hiring and employment processes, including Human Resources, must perform their roles with highest integrity as required by IMRF’s Code of Conduct and Business Ethics policies.

The IMRF Employee Handbook states the following:

IMRF does not tolerate discrimination towards applicants, employees, visitors, or vendors, on the basis of gender, race, color, religion, family status, military and veteran status, disability, sexual orientation, national origin, age, or political beliefs.

Even though IMRF is not subject to annual filing requirements of the Equal Employment Opportunity Commission (EEOC), we will annually complete an “EEO-1 form" to monitor the racial, ethnic and gender diversity of the entire staff.

Other Fiduciaries
In addition to the Board of Trustees and IMRF staff, other third party consultants act as fiduciaries to the Fund. When searching for consultants, IMRF is committed to diversity in hiring such firms. IMRF will also work to ensure that majority firms acting as fiduciaries hire and promote minorities into top management and ownership positions. IMRF will obtain EEO-1 forms from the consultants to monitor the racial, ethnic and gender diversity of their staff and owners.
IMRF
Board Travel Policy

I. STATUTE  [Ill.Rev.Stat. 40 ILCS 5/7-174(g)]
Trustees shall serve without compensation, but shall be reimbursed for
any reasonable expenses incurred in attending meetings of the Board and
in performing duties on behalf of the Fund and for the amount of any
earnings withheld by any employing municipality or participating
instrumentality because of attendance at any board meeting.

II. GENERAL POLICIES

A. Trustees are fiduciaries, accountable to the beneficiaries of the Fund, who
serve without compensation and/or financial gain.

B. “Reimbursement” of reasonable expenses means IMRF will pay back to the
Trustee such expenses he or she incurs as a result of his or her activities
as a Board Member subject to dollar limits adopted by the Board.

C. “Documented” means submission of factual or substantial support for
expenses acceptable to the internal auditor. Receipts for items of
$25.00 or more are required.

D. Typically, travel is limited to one day before and after the event scheduled
dates. However, an exception is allowed to travel earlier or later when there
is a savings to IMRF in an amount which exceeds the cost of an additional
night’s stay plus meals and incidental expenses.

E. Board Members may request an advance not in excess of the estimated travel
expenses, lodging, registration fee and $100.00 per day. Any
difference between the advance and the itemized expenses shall be either
returned to the Fund or reimbursed to the Trustee as the case may be.

F. When a Trustee flies on Fund Business, he or she may stop over at other cities
as long as the airfare does not exceed the cost of coach fare obtained with
a two week advance purchase or such other advance purchase standard
recognized at that time by the airline industry. No expenses at such other
cities are reimbursable.

G. Trustees can use IMRF office telephones for any purpose. While traveling on
Fund Business, Trustees will be reimbursed for all calls to their offices.
The costs for other business calls will not be
reimbursed. Personal call reimbursement limits appear in “Incidental
Expenses”.

H. Trustees are encouraged to submit requests for reimbursement of travel
expenses periodically, but not later than 30 days after the end of the
calendar year. Requests for reimbursement submitted 30 days after the end
of the calendar year will be submitted to the Board for approval.
I. Requests for reimbursements to the Trustee’s employer should be submitted on a timely basis. Requests submitted more than 30 days after the close of a calendar year will be submitted to the Board for approval.

J. Trustee travel must have prior approval by the Board of Trustees. Trustees shall submit travel requests to be placed on a board meeting agenda for Board action.

III. BOARD AND COMMITTEE MEETINGS

A. TRANSPORTATION EXPENSES

Actual transportation expenses are reimbursable. For use of a personal automobile, reimbursement of mileage will be at the current amount permitted by the Internal Revenue Service.

B. LODGING

Members residing within 50 miles of the meeting place will receive no reimbursement for lodging for a one-day meeting. For a two-day meeting, lodging for one night will be reimbursable.

For members residing more than 50 miles from the meeting place, normally one night’s lodging is reimbursable. However, if travel arrangements necessitate two nights, lodging will be reimbursed. One additional night’s lodging before or after the meeting may be reimbursed if there is a medical need.

C. MEALS

Actual meal expenses are reimbursable up to $100.00 per day.

D. INCIDENTAL EXPENSES

Reasonable tips, personal phone calls, and other incidentals not specified above shall be reimbursed up to a limit of $25.00 per day for those days when overnight lodging is reimbursable.

IV. OTHER EVENTS

A. LIMITATIONS

Trustees are permitted to attend 2 out-of-state and 2 in-state of the following events: conferences, seminars, investment seminars, and client conferences per calendar year. There are no limits on attending IMRF programs and other events organized by IMRF staff, speaking engagements related to IMRF, and meetings with members of the Illinois General Assembly. No foreign travel is permitted.
B. **TRANSPORTATION EXPENSES**

Actual transportation expenses shall be reimbursed, but the amount reimbursable shall not exceed ordinary airplane coach fare. For automobile travel, reimbursement of mileage will be at the current amount permitted by the Internal Revenue Service, but not more than the highest airfare incurred by a Trustee attending the event, or if no other Trustee attends, then to an amount equal to airfare charges based on a two week advance purchase or such other advance purchase standard recognized at that time by the airline industry, plus the normal and reasonable charges which would have been incurred for transportation to and from the airport, parking, tolls and cabs at the destination.

C. **LODGING**

Reimbursement for lodging shall be limited to event hotels at rates for double rooms. For events, reimbursement shall be allowed for one-day prior through the one day after the event period only at the event hotel.

D. **MEALS**

Actual meal expenses are reimbursable up to $100.00 per day.

E. **INCIDENTAL EXPENSES**

Reasonable tips, personal phone calls, and other incidentals not specified above shall be reimbursed up to a limit of $25.00 per day for those days when overnight lodging is reimbursed.
TRUSTEE ORIENTATION AND EDUCATION POLICY

General

The Board finds that it is critical for the sound governance of IMRF for Trustees to be fully informed with regard to the nature, purposes, structure, operational systems and processes of IMRF. The Board further finds that it is important that Trustees are provided with education and training in areas that will facilitate the performance of their governance and oversight responsibilities as Trustees and fiduciaries.

The Board believes the following orientation and education policies will increase Trustee understanding and effectiveness:

New Trustee Orientation Policy

(1) The Executive Director will develop an in-depth New Trustee Orientation Program designed to fully inform new Trustees of the key functions of IMRF and their responsibilities as Trustee.

(2) It is preferable for new Trustees, as part of their fiduciary responsibilities to IMRF, to participate in the New Trustee Orientation Program following their election or appointment. If training cannot take place before their first Board meeting, then they are encouraged to schedule suitable time thereafter.

(3) The orientation program will address, at a minimum, the following:
   a) History and background of IMRF.
   b) The governance role of the Board and the management role of the executive staff of IMRF.
   c) The obligations of a fiduciary and the duties of loyalty and prudence in the service as Trustees to IMRF.
   d) The structure and model for the management and operation of IMRF.
   e) Introduction to the executive management team and other staff as determined by the Executive Director.
   f) The Illinois laws establishing IMRF and the application of other State and federal laws.
   g) A description and tour of IMRF offices.
   h) A briefing on the fiduciary duties and liabilities of Trustees and other fiduciaries of IMRF.
   i) A briefing on conflicts of interest and ethics laws.
j) A review of the Board Governance Manual and other relevant information and documentation.

k) A review of general actuarial funding terminology and principles and the most recent actuarial reports.

l) A review of general institutional investment principles, adopted investment policies; current asset allocation; strategies and performance measurement principles.

m) A review of the reporting and disclosure requirements of IMRF.

n) A review of the legal (State and federal) and political environment in which IMRF operates.

o) A review of the current strategic plan for IMRF and new issues, trends and developments affecting IMRF.

p) A review of the Board’s current Committee structure.

q) A review of the current benefit structure.

**Trustee Education Policy**

(1) Each Trustee is responsible for evaluating his or her own educational needs and obtaining knowledge in specific subject matters. The Executive Director will assist you in determining which conferences or seminars meet your educational needs.

(2) Trustees are encouraged to attend select conferences and seminars relating to:
   a) Investment issues and trends
   b) Pension and benefits design
   c) Fiduciary management of employee benefit trusts
   d) Actuarial concepts
   e) Other subjects related to the oversight of IMRF

(3) The Executive Director will provide the Board information on available conferences and seminars each month.

(4) A list of conferences and seminars attended by Trustees shall be maintained and distributed to fellow Trustees. Trustees are encouraged to furnish staff copies of conference or seminar materials which will be developed into a reference guide.

10/25/2013
Reimbursement of Education Expenses

Reimbursement of travel-related expenses for Trustee orientation and education will be in accordance with the IMRF Travel Policy.

The Travel Policy also specifies the number of events which may be attended each year.
STATEMENT
OF
INVESTMENT POLICY
(Adopted: February 22, 2013)

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.
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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 over 2,900 employers and over 390,000 active and retired members. 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:

- Strategic 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 policy will be periodically reexamined to ensure its appropriateness to the then prevailing 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 investment vehicles consisting of index funds 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 the investment managers are critical elements integral 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 taking an in-depth look at their decision-making process and their investment style in relation to present and projected investment horizons and to ensure that the goals and objectives of the Board are being met and accomplished.

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

- On an annual basis, review and recommend to 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 index funds and/or active manager investments to pay benefits and expenses and/or acquire permanent 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 and approve guidelines and contracts for each investment manager and consultant.

Monitor and report to the Board of Trustees as applicable, 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 and consultants.

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 fiduciary with respect to the Fund, and is a 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.

The investment manager 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.
• The investment manager will execute all investment transactions on behalf of the Fund at the best net price, utilizing such brokers and dealers as they deem appropriate to obtain the best execution capabilities and/or valuable information with respect to the economy and the affairs of corporations at the lowest cost to the Fund.

• The investment manager will report to the Fund in most instances monthly, but at least quarterly, 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; and 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.

• The investment manager will report to the Fund monthly on the use of minority and female owned business enterprise broker/dealers and broker/dealers owned by a person with a disability.

• The investment manager 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 class, are not considered investment managers as defined by Illinois Pension Code.

4. Investment and Performance Consultants

Investment Consultant
Investment Consultant 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.

• Evaluate investment manager candidates using non-discriminatory practices when engaged by IMRF for a RFP search.

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

• Serve as a resource to Staff by analyzing and making recommendations with respect to the IMRF Investment Policy, the investment plan, each investment manager’s implementation of policy and strategy, the appropriate investment horizon for the Fund given its actuarial characteristics, and such other research as may be required from time to time.

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 universes of pension funds.

II. Investment Objectives and Goals

A. Investment Objectives
All investment transactions undertaken will be for the sole benefit of the Fund’s members and participating employers. 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:

- 38% Dow Jones U.S. Total Stock Market Index
- 29% Barclays Capital Aggregate Bond Index
- 20% Morgan Stanley Capital International All Country World Index ex-US
- 6% National Council of Real Estate Investment Fiduciaries Open-End Diversified Core Index
- 6% of 9% annually
- 1% 3-month Treasury Bills

B. Minority Investment Manager Utilization

The Illinois Municipal Retirement Fund is committed to providing opportunities for emerging minority and female owned investment management firms and emerging investment management firms owned by a person with a disability (MFPDOB). The Illinois Municipal Retirement Fund Board of Trustees has adopted the following minimum goals for the utilization of MFPDOB investment management firms.

Goals for Utilization of MFPDOB Investment Managers by Investment Manager Classification

<table>
<thead>
<tr>
<th>Investment Manager Classification</th>
<th>Minimum Goal as a Percentage of Total Portfolio</th>
</tr>
</thead>
<tbody>
<tr>
<td>Minority Owned Businesses</td>
<td>9% to 13%</td>
</tr>
<tr>
<td>Female Owned Businesses</td>
<td>2% to 6%</td>
</tr>
<tr>
<td>Businesses Owned by a Person with a Disability</td>
<td>0.5% to 1%</td>
</tr>
</tbody>
</table>
Goals for Utilization of MFPDOB Investment Managers  
by Asset Class

<table>
<thead>
<tr>
<th>Asset Class</th>
<th>Minimum Goal as a Percentage of Asset Class</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equities</td>
<td>10% to 12% of the asset class</td>
</tr>
<tr>
<td>Fixed Income</td>
<td>15% to 20% of the asset class</td>
</tr>
<tr>
<td>Alternatives</td>
<td>5% to 10% of the asset class</td>
</tr>
</tbody>
</table>

These goals will be reviewed annually.

C. 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.

D. 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.

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 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; and (4) the research and other services provided by such broker-dealer to the investment manager which are expected to enhance general portfolio management.
capabilities, notwithstanding the fact that the Fund may not be the
direct or exclusive beneficiary of such services. 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.), the
Investment Advisors Act of 1940 and any other applicable securities
laws, rules and regulations.

Minority Broker/Dealer Utilization Goal
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 (MFPDOB). The Illinois Municipal Retirement Fund
Board of Trustees has adopted a policy which sets forth goals for
increasing the utilization of MFPDOB broker/dealers.

The minimum expectations for the utilization of MFPDOB
broker/dealers are based on commission dollars. Investment
managers of separately managed investment portfolios, in the
following asset classes, must meet the minimum goals:

<table>
<thead>
<tr>
<th>Asset Class</th>
<th>2013 Minimum Goal</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S. Equities</td>
<td>25%</td>
</tr>
<tr>
<td>International Equities</td>
<td>20%</td>
</tr>
<tr>
<td>Fixed Income</td>
<td>22%</td>
</tr>
<tr>
<td>High-Yield Bonds</td>
<td>5%</td>
</tr>
<tr>
<td>U.S. Micro-Cap Equities</td>
<td>7%</td>
</tr>
<tr>
<td>International Small-Cap Equities</td>
<td>5%</td>
</tr>
<tr>
<td>Emerging Market Equities</td>
<td>5%</td>
</tr>
</tbody>
</table>

Note: This broker/dealer utilization goal will be reviewed annually.
IMRF may allow current investment managers a limited transition
period when MFPDOB 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 MFPDOB
broker/dealers.

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 MFPDOB 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.

Staff will report to the Board of Trustees annually on the utilization of MFPDOB broker/dealers. Investment managers not meeting the MFPDOB broker/dealer utilization goal will be identified in the report. Failure by an investment manager to meet MFPDOB brokerage expectations will be considered as a factor when evaluating overall performance of the investment manager.

E. 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. Allocating across multiple asset classes avoids concentration risk in any single asset type. Historically, no single asset type has provided consistent superior long-term performance in all market environments. The well-diversified approach positions the portfolio to produce more consistent results over time and generates superior long-term returns.

The Fund’s liabilities are long term in nature and the investment strategy will therefore be long term with due consideration of the use of short-term investments to meet cash flow requirements.

Staff and the Investment Consultant 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 ± 4% range for each asset class with the exception of cash equivalents.
Actual allocations that exceed their target by ± 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**

1. The Board seeks to 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:

   - 38% Dow Jones U.S. Total Stock Market Index
   - 29% Barclays Capital Aggregate Bond Index
   - 20% Morgan Stanley Capital International All Country World Index ex-US
   - 6% National Council of Real Estate Investment Fiduciaries Open-End Diversified Core Index
   - 6% of 9% annually
   - 1% 3-month Treasury Bills

2. 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 Dow Jones U.S. Total Stock Market Index net of fees.

3. 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.

4. IMRF invests in fixed income to provide stable income and to diversify the market risk of the investment portfolio. The objective of the fixed income portfolio is to achieve a total return that exceeds the total return of the Barclays Capital Aggregate Bond Index net of fees.

5. IMRF invests in real estate to provide diversification in the investment portfolio, provide inflation protection, and for income generation. 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.

6. 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%.

7. Cash is held primarily for funding investment mandates and paying benefits and administrative expenses. 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 Dow Jones U.S. Total Stock Market Index.
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 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 hedge currency. Forward contracts, futures and options may be used for currency hedging purposes. Managers are not permitted to utilize these transactions for speculative purposes.

C. Fixed Income Securities

1. Bonds, notes or other obligations of indebtedness issued or guaranteed by the U.S. government, its agencies or instrumentalities are permissible investments and may be held without restriction.

2. The average credit quality of the total portfolio must be investment grade.

3. An individual manager’s portfolio shall generally have an effective duration between 80-120 percent of the effective duration of the appropriate index.

4. Debt obligations of any single U.S. corporation shall generally be limited to a maximum of 5 percent of the total 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 using high yield disciplines will not be subject to above restriction.

6. U.S. corporate bond allocations must be well-diversified by industry. Debt obligations of any U.S. industry shall generally be limited to a maximum of 25 percent of the total portfolio at market value.

7. Private placements are authorized by the Board on an individual manager basis. Securities issued under rule 144A will not be considered private placements.

8. Bonds or other debt obligations of foreign countries and corporations payable in U.S. and in non-U.S. funds are authorized, but in general will not exceed 15 percent of the total portfolio.

9. 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.

10. 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. The investments will be made 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 needs for the Fund.

Capital will be deployed to alternatives over an extended period of time and may take several years before reaching the current target. The committed amount to a particular investment may be substantially greater than the outstanding invested capital prior to being fully funded.

Permissible alternative asset categories include but are not limited to:

- Agriculture
- Hedge funds
- Private equity 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 inception of an investment in alternatives. 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. Short-Term Investments

Permissible short-term 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

No more than $50 million of current market value shall be invested in the securities of any one issuer, with the exception of the U.S. government and its agencies.

VI. Selection of Investment Managers and Consultants

A. Selection of Investment Managers

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

2. Philosophy
   The availability of qualified minority and female owned business enterprises and businesses owned by a person with a disability is recognized by the Board.
It is the policy of the Board to include qualified MFPDOB managers in the selection process and to objectively evaluate all qualified investment manager candidates regardless of race, gender or handicap.

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 to the portfolio) a Request for Proposal (RFP) shall be prepared. The search will be advertised in the State newspaper and industry publications, 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 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 Investment Department Manager, or the Executive Director.

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 Staff for information related to the search.
An investment manager respondent shall be disqualified for violating the Quiet Period.

6. **Selection Process**

Staff and consultant 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 and consultant 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 and consultant will make a recommendation to the Board or the Investment Committee of the Board. The Board will consider the recommendation from staff and consultant 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 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 female owned firms and firms owned by a person with a disability in the report presented to the Investment Committee. The most qualified 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.

Upon execution of the contract, a summary of the contract will be posted on the IMRF website.

**B. 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 professional investment consultants that are fiduciaries 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. To procure investment consultants, IMRF staff will receive approval from the Board to begin the process of a search. 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 based on the investment consultant need. The RFP shall be advertised in the State newspaper and industry publications, 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.

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 Investment Department Manager, or the Executive Director.

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 Staff 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

(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 female 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.

**VII. 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

Definitions

**Hedge Funds:** A private, actively managed investment fund that seek 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.

**NCREIF Property Index:** 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 institutional investors - the great majority being pension funds. As such, all properties are 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. The NFI-ODCE, is currently composed of 18 open-end commingled funds pursuing a core investment strategy. Index returns are calculated on a leveraged basis and are reported at the fund level.

**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.
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 IMRF’s domestic proxies 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. Staff retains the ability to manually vote any proxy at all times.

The responsibility for voting IMRF’s international proxies is delegated to IMRF’s international investment managers for their respective mandates. Each international investment manager must vote in accordance with the IMRF proxy voting policy and use reasonable judgment 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.

**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 carveout 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 employ auditors who also receive excessive non-audit fees from the company
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 (votes outstanding for one year and votes cast for two years).

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. 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 dilution*

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)

C. 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)
D. **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

E. **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.

F. **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.

G. **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.

H. **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, and because empirical evidence is inconclusive about whether all social and political proposals enhance shareowner value, IMRF will abstain from voting on such proposals.
Appendix C

Securities Lending Policy

Purpose
The IMRF Board recognizes that lending securities 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. It applies to the lending of publicly traded securities directly owned by IMRF. It does not address securities held in commingled investments, which are not held solely by IMRF.

Objectives
The objectives of the securities lending program are to:

- Safely generate income from lending the Fund’s securities to qualified borrowers;
- Ensure that income generated from securities lending is sufficient to justify the risk associated with counterparty borrowers and the investment of cash and non-cash collateral;
- Minimize risk to a reasonable and acceptable level with respect to both the broker/borrower and the 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 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 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. Ensure that all income and fees directly attributable to the securities lending program are posted to the Fund’s cash flow account.

6. 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 amount 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 its Core USA Collateral Section, on behalf of IMRF.

The third party securities lending program administrator’s guidelines for investing cash collateral in Northern Trust’s Core USA Collateral Section 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 or unregistered 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 Collateral Section may be invested in securities or instruments of any one issuer or obligor. Exceptions are as follows:

(i) 100% of the Collateral Section may be invested in obligation issued or guaranteed by the U.S. Government or its agencies/instrumentalities.
(ii) 25% of the Collateral Section may be invested with any one counterparty in repurchase agreements collateralized by U.S. Government or U.S. Government agency securities.

(iii) 10% of the Collateral Section may be invested with any one 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 Collateral Section 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 Collateral Section may be invested in each type of repo collateral. No more than 25% of the Collateral Section 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 Collateral Section.

(e) A maximum percentage of the Collateral Section 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.
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 and a third party portfolio monitoring service provider.

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.

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.

(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.
Appendix E

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.
Appendix F

Illinois Municipal Retirement Fund

Certification of Compliance

Illinois High Risk Home Loan Act

I, ____________________________, serving in the capacity of ________________________, on this ___
day of ________________, 20 ____ , 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. ____________________________ (Firm)

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 ________________, ____.

__________________________________________
(Seal)

My Commission Expires: ____________________
REAL ESTATE
STATEMENT OF INVESTMENT POLICY
FOR
THE ILLINOIS MUNICIPAL RETIREMENT FUND

(Adopted: February 22, 2013)
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I. Purpose and Objectives

The purpose of this Statement of Investment Policy is to formalize the Illinois Municipal Retirement Fund (IMRF) Board’s investment objectives and policies with respect to the real estate asset class. This statement is to be considered an extension of IMRF’s overall Statement of Investment Policy.

II. Investment Policy

A. Role of Real Estate

The primary role of the real estate program is to provide diversification benefits to the total Fund through low correlations with other portfolio asset classes. The secondary role is to generate income and provide protection against inflation.

The real estate program will invest capital in private and public real estate debt and equity markets in order to achieve the investment objectives. The role of public real estate is to provide diversification, income, and liquidity. The role of private real estate is to provide diversification, inflation protection, and return enhancement. Private market real estate investments will be diversified among various return strategies including core, value-add and opportunistic.

Diversification with Other Asset Classes
Real Estate returns have historically behaved differently than the return of other major asset classes. Further, IMRF believes that real estate will continue to behave differently than other asset class returns allowing IMRF to lower the risk of its overall portfolio by allocating to the asset class.

Potential Inflation Hedge
Real Estate returns have historically shown the ability to provide a hedge against rising inflation. By allocating a portion of its investments to an asset class with these characteristics the overall risk of rising inflation to the IMRF portfolio is reduced.

Current Income and Appreciation
Core and value-added real estate strategies have historically shown the ability to maintain a moderate current income component with a modest appreciation component to achieve appropriate total returns for the asset class.

Return Enhancement
Value-added and opportunistic real estate investment strategies have historically shown the ability to deliver a high appreciation component of return and higher total returns relative to industry benchmarks.
B. Distinction of Responsibilities

IMRF Board of Trustees is responsible for approving the Real Estate Statement of Investment Policy.

IMRF Board of Trustees is responsible for selecting and/or terminating investment managers for the real estate portfolio.

IMRF Staff is responsible for recommending the selection and/or termination of investment managers to the Board for approval.

IMRF Staff is responsible for managing the real estate asset class, as described by the Policy, on an on-going basis, including monitoring the investment managers and reporting to the Board.

IMRF Staff may utilize a Consultant to assist in selection, termination, or monitoring investment managers.

The Consultant is responsible for presenting real estate asset class performance to Staff and/or Board.

Consultant and Staff will review and recommend the Real Estate Statement of Investment Policy and any changes to the document.

IMRF Staff and the Consultant will monitor performance and compliance of the real estate asset class on a quarterly basis.

C. Allocation to Real Estate

The current target for real estate is 6% of the total Fund, with an allowable range of ± 4%. This target was set within IMRF’s asset allocation framework which is reviewed annually. Actual allocations that exceed their target by ± 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.

Capital will be deployed to private real estate over an extended period of time and may take several years before reaching the current target. The committed amount to a particular investment may be substantially greater than the outstanding invested capital prior to being fully funded.
D. Return Objectives

The return objective of the total IMRF real estate program is to outperform the National Council of Real Estate Investment Fiduciaries’ Open-End Diversified Core Index (ODCE), value weighted, over a rolling three year period.

E. Permissible Investments

This policy authorizes investments in all forms of private and public market real estate structures. Real estate is an illiquid asset class and vehicles that provide appropriate legal protections commensurate with the investment opportunity are preferred. Such structures include but are not limited to:

- Separate Accounts
- Joint ventures
- Open and closed-end commingled funds
- Partnerships
- Limited Liability Companies
- Private REITs and Real Estate Operating Companies (REOCs)
- Foreign Limited Companies
- Unit Trusts
- Co-investments

The Board may pre-approve co-investment opportunities at the inception of an investment in a private real estate fund. Staff will generally accept co-investment opportunities on a pro-rata basis under this scenario. If the General Partner of a private real estate fund 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.

F. Diversification

IMRF will seek to diversify its private real estate portfolio which is managed by external investment management firms. The following factors will be considered by staff during due diligence before an investment recommendation is brought to the IMRF Board.

1. Manager Diversification
   The maximum commitment to any private real estate manager shall be 40% of the total real estate portfolio value plus unfunded commitments at the time of due diligence.

2. Property Type Diversification
   IMRF will seek property type diversification at the total private real estate portfolio level. Any single private real estate investment may not be fully diversified. Investments may include office, retail, industrial, multi-family and other non-traditional categories such as hotels, self-storage, data centers, student housing, land and other property types. The majority of investments in private real estate will be allocated to the primary sectors of the NCREIF NPI.

3. Geographic Diversification
IMRF will seek geographic and economic diversification at the total private real estate portfolio level. Any given investment may not be diversified on a stand-alone basis.

Although IMRF may invest in strategies where investments are located outside of the U.S., exposure to these dedicated strategies is limited to 20% of the total private real estate portfolio value plus unfunded commitments at the time of due diligence. Real estate managers may or may not hedge currency risk. The IMRF real estate portfolio will not implement currency hedges and accepts the currency risks consistent with the geographic exposures of the underlying investments.

G. Liquidity
The real estate program generally consists of limited partnerships in which IMRF commits a fixed amount 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 real estate asset class will not be structured in a way to provide short term cash flow needs for the Fund.

H. Portfolio Composition
1. Core real estate investments derive their value primarily from current income. These assets have a lower risk profile and can provide liquidity. IMRF’s long-term strategic target to core real estate investments is 60% with a minimum of 50%. If the actual allocation falls below 50%, it 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.

2. Publicly traded real estate securities should not exceed 20% of the total real estate portfolio value plus unfunded commitments.

3. The majority of the real estate asset class will consist of equity ownership in commercial real estate. Managers whose sole strategy is to invest in non-equity or debt strategies will not exceed 20% of the total real estate portfolio value plus unfunded commitments at the time of due diligence.

4. IMRF allows some of its managers the ability to use modest amounts of leverage in their investment strategy as a means of enhancing the overall risk adjusted returns. Leverage at the total real estate portfolio will be kept below 50% loan to value. Leverage levels will be monitored based on the quarterly real estate report provided by the Investment Consultant.
I. Investment Manager Selection
The investment manager selection policy is reported in the IMRF Statement of Investment Policy, but is repeated here for convenience.

The availability of qualified minority and female owned business enterprises and businesses owned by a person with a disability is recognized by the Board.

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

All qualified investment manager candidates will be evaluated 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 the 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 non-discriminatory practices when recommending investment manager candidates to the Board.
Exhibit A - Definitions

1. **Core investments** are commercial and residential properties which derive their value primarily from current income production, and therefore represent lower-risk profiles than Non-core properties. Core investments are stabilized, substantially leased properties in the four major property types:

   1. Office: Mixed-use, multi-tenant, and single-tenant facilities, classified as either Central Business District (CBD) or suburban.

   2. Retail: Regional malls, community and neighborhood shopping centers, specialty centers, and single-tenant stores.

   3. Industrial: Bulk distribution, light manufacturing, and research and development (R&D) facilities.


2. **Non-core investments** represent a higher-risk profile than Core properties, and have a higher return expectation. Non-core investments consist primarily of the following types:

   1. Properties which are acquired primarily for high appreciation potential, and are expected to derive their value primarily from appreciation returns.

   2. Properties which would be Core except for an identifiable and correctable deficiency such as the need for lease-up, renovation, or conversion of an existing property, or the need for development adjacent to an existing owned property.

   3. Properties outside defined Core property types, such as motels, hotels, medical office, student housing and raw land.

3. **Public Real Estate Securities** represent an investment in a publicly traded security that sells on the major exchanges and invests in real estate directly, either through properties or mortgages. A distinguishing characteristic of this investment versus private real estate is the improved liquidity.

4. **Private real estate limited partnerships** are a fund structure which pools capital from investors in order to make equity or debt investments in real estate properties. These funds typically have a ten year life span which consists of a two to three year investment period, a holding period where properties are actively managed and a liquidation period.

5. **Co-investment opportunities** are offered at the General Partners’ discretion and typically have a lower fee and carried interest expense. If a potential investment opportunity exhibits strong fundamentals and attractive returns but the main fund has a capacity constraint, the General Partner may offer current investors the opportunity to invest alongside the main fund. The Board may pre-approve co-investment opportunities at the inception of an investment in a private real estate fund. Staff will
generally accept co-investment opportunities on a pro-rata basis under this scenario. If the General Partner of a private real estate fund 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.

6. **NCREIF Property Index** is 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 institutional investors - the great majority being pension funds. As such, all properties are held in a fiduciary environment.

7. **NCREIF-ODCE** is a capitalization-weighted, gross of fee, time-weighted return index with an inception date of December 31, 1977. The NFI-ODCE, is currently composed of 18 open-end commingled funds pursuing a core investment strategy. Index returns are calculated on a leveraged basis and are reported at the fund level.
TRUSTEE EMPLOYER REIMBURSEMENT POLICY

Trustees are to serve without compensation, but shall be reimbursed for any reasonable expenses incurred in attending meetings and in performing duties.

Earnings of Trustees withheld by employers due to Trustee activities are also to be reimbursed.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF TRUSTEES OF THE ILLINOIS MUNICIPAL RETIREMENT FUND:

1. These policies shall be known as:
   Trustee Employer Reimbursement Policy

2. In lieu of requiring an employer to withhold earnings from a Trustee, an employer shall be reimbursed for time spent by the Trustee in attending Board Meetings and performing duties on behalf of the Fund.

3. Employers shall be reimbursed for loss of an employee’s services in hourly increments; except for telephone conferences which shall be reimbursed in fifteen minute increments. No reimbursement shall be made for time spent on weekends, holidays, and evenings (unless the Trustee’s normal work day occurs during one of those periods).

4. Reimbursement shall be for wages, equivalent social security and Medicare charges, and required employer contributions for the IMRF benefit program.

5. The reimbursement shall be made for time spent attending Board Meetings, telephone conferences, manager meetings and approved conferences (in-state and out-of-state), including reasonable travel time.

6. Reimbursement shall be made for not more than the length of the normal work day.

7. No reimbursement shall be made for time spent reading materials on employer time.

8. No reimbursement shall be made for telephone calls which are not part of a Board or Committee Meeting.

9. Reimbursement may be in hourly blocks consistent with work assignments which are not divisible into hourly increments.
Trustee Governance Manual
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As of 10/23/2013
EXECUTIVE COMMITTEE CHARTER

PURPOSE
The purpose of the Executive Committee (the “Committee”) is to exercise the powers and authority of the Board of Trustees (the “Board”) of the Illinois Municipal Retirement Fund (“IMRF”), with limitations as set forth below, during the intervals between meetings of the Board.

It is the general intention that all substantive matters in the ordinary course of business be brought before the full Board for action, but the Board recognizes the need for flexibility to act on substantive matters where action may be necessary between Board Meetings which, in the opinion of the President of the Board, should not be postponed until the next previously scheduled meeting and where, in the opinion of the President of the Board, a special meeting of the Board is unwarranted.

COMMITTEE MEMBERS
The Executive Committee will consist of at least five members. The Committee shall include: the President, Vice President, Secretary, the immediate past president, with the fifth member appointed by the current Board President.

It is the general policy of the Board and the Committee that any interested member of the Board, after receiving notice of a meeting of the Committee, may attend such meeting and participate without vote as an invited guest of the Committee.

DUTIES AND RESPONSIBILITIES
The committee shall be authorized to act on behalf of the Board, except for the limitations set forth below:

Without limitation, the Committee may not:

1. Remove a Board Officer of Committee Member;
2. Amend of the governing documents of IMRF; or
3. Dismiss the Executive Director.

PROCEDURAL MATTERS
The Executive Committee shall:

1. Hold and conduct meetings in accordance with the governance policy of IMRF.
2. Review annually this Charter, and recommend changes as necessary or desired for Board consideration.
3. Conduct annually a self-assessment regarding its performance against its stated responsibilities and share the results of such assessment with the Board.
4. The Committee shall meet as deemed necessary by the President of the Board.
5. The President of the Board shall report any and all activities of the Committee at the next regularly scheduled meeting of the Board.
Lastly, the Policy Review Committee reviewed a draft of a new format for the Governance Manual and instructed staff to apply the new format to the IMRF Manual and bring it back to the Committee for approval at its December meeting.

After discussion, it was moved by Ms. Thompson, seconded by Ms. Henry, to accept the recommendations of the Policy Review Committee.

Vote: Unanimous Voice Vote
Absent: None

(13-10-06) (Implementation of Public Act 98-0439) General Counsel presented a resolution for Board approval regarding the implementation of P.A. 98-0439 (regarding police chief service transfers).

She stated that P.A. 98-0439 amends section 7-139(a) of the Illinois Pension Code to add subsection 7-139(a)11, which provides that the IMRF Board “shall establish by rule the manner of making the calculation required...”

General Counsel noted it is necessary for the Board to adopt rules for the administration of this provision.

After questions and discussion, it was moved by Ms. Henry, seconded by Ms. Copper, to adopt the following resolution:

***

WHEREAS, section 7-198 of the Illinois Pension Code authorizes the Board of Trustees of the Illinois Municipal Retirement Fund to establish rules necessary or desirable for the efficient administration of the Fund; and

WHEREAS, P.A. 98-0439 added subsection 11 to section 7-139(a) of the Pension Code to provide for an actuarial computation to calculate the member cost of a transfer of service credit under section 3-110.3 of the Pension Code (the police chief transfer provision); and

WHEREAS, P.A. 98-0439 requires the Board of Trustees to establish by Board rule the manner of making this calculation "taking into account the appropriate actuarial assumptions; the member's service, age, and salary history, and any other factors that the Board determines to be relevant."

THEREFORE BE IT RESOLVED by the Board of Trustees that the actuarial computation to calculate the member cost of a transfer of service credit under section 3-110.3 of the Pension Code shall be determined as follows:

The participant's projected monthly retirement benefit will be computed at the participant's earliest retirement date, with and without the service to be transferred under section 3-110.3;

1) The projected monthly retirement benefit computations will be performed using the following assumptions:
• Retirement is at the date the member is first eligible for an immediate unreduced retirement benefit.
• Service credited from the date of the calculation through the earliest unreduced retirement date.
• Possible future employee contributions to be included in the calculation on the above cost.
• Future final average compensation increases of 4.0% per year.

2) The present value of the benefits calculated without the transferred service will be compared to the present value of benefits calculated with the transferred service. The difference in the present value of benefits is the member's cost to transfer the service;

3) The present value of benefits calculations will be performed using the following assumptions:
• 50% Joint and Survivor benefit normal form of payment.
• The then current investment return assumption (currently 7.5%).
• The then current mortality assumptions (currently a 50% male/50% female blend of the RP-2000 Combined Healthy Mortality Table, adjusted for mortality improvements to 2020 using projection scale AA.) For men 120% of the table rates will be used. For women 92% of the table rates will be used.

Vote: Unanimous Voice Vote
Absent: None

Trustee Nannini recused himself from the following items on the Board Meeting Agenda:
8A. 2014 Employer Contribution Rates
8B. 2014 Staff Compensation Package Report
8C. Appointment to Fill Vacancy on Audit Committee


He noted that the rates reflect employer choices for those employers who had the option to choose a phase-in rate for 2014.

After discussion, it was moved by Mr. Kuehne, seconded by Ms. Henry, to approve the 2014 Employer Contribution Rates.

Vote: Unanimous Voice Vote
Absent: None
Abstain: Nannini

After questions and discussion, it was moved by Ms. Henry, seconded by Mr. Stulir to approve the following staff recommendations, as amended:

- Renew with Blue Cross Blue Shield of Illinois (BCBS) as its carrier for 2014 resulting in a premium increase of 3.1% with the following benefit structure changes as required by the Affordable Care Act.

  PPO  In-network out of pocket maximums for single/family increase from $2,000/$6,000 to $2,500/$7,500
  Out-of-network out of pocket maximums for single/family increase from $4,000/$12,000 to $5,000/$15,000
  The deductible of $500 that was formerly not included in the out of pocket calculation is now included in the out of pocket maximum.

  The Chiropractic and Osteopathic Manipulations will be transferred from a $1,000 limit to the equivalent of a 15 visit per benefit period.

- Renew with Delta Dental of Illinois for one year, with no premium increase and no changes to benefit structure.

- Continue the current split between employee-paid insurance premiums and employer-paid insurance premiums.

- Increase the base salaries by 2.0% for employees in good standing effective January 1, 2014.

- Allow discretionary increases not to exceed 1.25% for employees who have a proven history of exceeding performance standards effective January 1, 2014, with a pool of approximately $150,000 to be distributed.

- Provide a one-time salary adjustment, not to exceed $2,000, to those employees in Grades A through F, whose current annual salaries are within 20% of their respective salary grade minimums. This special adjustment would be in addition to a base salary adjustment and any discretionary increase.

Vote:  Unanimous Voice Vote
Absent:  None
Abstain:  Nannini

(Appointment To Fill Vacancy On Audit Committee)
The Executive Director reported with the anticipated resignation of Trustee Nannini on November 1, 2013, it has been proposed by the Board President and Audit Committee Chairperson to appoint Trustee Kuehne to the Audit Committee.
It was moved by Ms. Copper, seconded by Mr. Stulir, to appoint Trustee Kuehne to the Audit Committee.

Vote: Unanimous Voice Vote
Absent: None
Abstain: Nannini

(13-10-10) (Legislative Update) The legislative liaison reported on recent legislative activity.

She reported that three of the four bills on the Board’s 2013 legislative agenda have been signed into law.

Discussion followed.

(13-10-11) (Litigation Update) The following is an update of the currently pending litigation:

**VRAKAS, et al. v. COUNTY OF WILL, et al.**

**Summary:** Fifty-eight (58) full-time correctional deputies, sergeants and lieutenants have sued Will County seeking a determination that they were “sheriff’s law enforcement employees” with respect to their pre-December 1, 2005 enrollments, as such, in IMRF. Just as in the Stevens case, IMRF has been named as a “necessary party” to the lawsuit so that any judgment can be properly enforced.

**Status:** On February 7, 2013, the parties appeared before the Court where the County indicated that it had changed its mind and was no longer interested in settling the case. The Plaintiffs have filed a motion to enforce the settlement agreement. The hearing on that motion that was set for April 2, 2013 was postponed. The County has now hired a private law firm as a special assistant state’s attorney to represent them. There is a trial date set in February.

**JOSEPH PRAZEN v. IMRF**

**Summary:** This is an administrative review action involving an ERI return to work situation. The IMRF Board determined that Plaintiff’s creation of a corporation was a guise to avoid the ERI forfeiture provisions contained in 7-141.1(g).

Judge Schmidt found in favor of IMRF and upheld Board’s determination that Mr. Frazen violated the return to work restriction contained in the ERI statute because he created a corporation and returned to the same job he had retired from. The Fourth District Appellate Court overturned Judge Schmidt’s decision.
Status: Petition for Leave to appeal granted on November 28, 2012. IMRF’s brief was filed on January 2, 2013. Oral argument before the Illinois Supreme Court was held on May 22, 2013. Opinion issued on October 18, 2013. Appellate Court upheld.

IN RE TRIBUNE CO, ET AL., THE OFFICIAL COMMITTEE OF UNSECURED CREDITORS OF TRIBUNE CO, ET AL. VS. FITZSIMONS, ET AL.

Summary: The unsecured creditors in the Tribune bankruptcy have sued investors who sold their Tribune stock at the time of the buyout. The plaintiff’s theory is that the buyout was fraudulent and therefore a portion of those stockholders’ proceeds from the stock sale was due to the fraud and should be returned to the Tribune’s bankruptcy estate.

Status: IMRF has joined with other public plans and is using a shared counsel (Ice Miller LLP). The Defendants filed a motion to dismiss a portion of this lawsuit and the motion was granted. The dismissed plaintiff’s filed an appeal of the judge’s decision to dismiss, which will be fast-tracked.

LEHMAN BROS. SPECIAL FINANCING, INC. V. BANK OF AMERICA NATIONAL ASSOC., ET AL.

Summary: This case was filed in the Lehman Bros. Bankruptcy matter. IMRF owned a bond, purchased by one of the Progress managers, for which we were paid in full at the time Lehman became insolvent. In this case, certain of the parties in the Lehman bankruptcy are attempting to recoup the proceeds of our bond, as well as others.

Status: This adversary proceeding in the bankruptcy matter is currently stayed (on hold) while the proper defendants are determined.

VILLAGE OF OAK BROOK V. THOMAS SHEAHAN, ET. AL. (13 MR 942)

Summary: This is an administrative review action challenging the Board’s decision upholding the granting of MEABF and Deerfield credit transfers to Thomas Sheahan, the former police chief of Oak Brook and deny the Village’s request to recalculate their liability excluding the service credits transferred from MEABF and Deerfield. The Village is also seeking a declaratory judgment that Section 8-226.7 is unconstitutional special legislation.

Status: Case was filed on June 6, 2013. On October 3, 2013, the judge set a briefing schedule on the issue of whether all proper parties have been named. IMRF’s brief is due November 1, 2013 and a hearing is set for January 7, 2014.
Summary: Decedent’s mother and administrator of his estate is suing IMRF requesting the judge issue a temporary restraining order and an injunction issue preventing IMRF from paying out a benefit pursuant to a 1978 6.11 form which names her son’s friends as his beneficiaries.

Status: Case was filed on June 26, 2013. IMRF has filed a motion to dismiss for failure to name necessary parties and cross claim for interpleader. On October 1, 2013, an order was entered requiring necessary parties to be joined, the deposit of death benefit with court, and dismissal of IMRF as a party.

(13-10-12) (Report of Executive Director)

Quarterly Strategic Objectives Report
The Executive Director updated the Board on the 3rd Quarter 2013 Strategic Objectives.

Quarterly Compliance Certification
The Executive Director stated IMRF has been in compliance with the applicable Statutes and Regulations and the IMRF Ethics Code and Travel Policy during the 3rd Quarter 2013.

Representation of IMRF
The Executive Director reviewed the meetings that he attended, as a representative of IMRF, since his September report.

2014 Board Meeting Dates
The Executive Director presented a tentative list of 2014 Board Meeting dates. He noted PA 98-0218 amends section 7-177 of the Illinois Pension Code, which states the Board is no longer required to hold monthly meetings. The Board is now required to hold meetings at least four times in a year.

(13-10-13) (Trustee Forum) The Chair reported the following Trustees requested authorization from the Board to attend the following conference:

Natalie Copper  “Annual Employee Benefits Conference”
International Foundation
October 12-14, 2014
Boston, MA

John Piechocinski  “Annual Employee Benefits Conference”
International Foundation
October 12-14, 2013
Boston, MA

Thomas Kuehne  “Advance Trustee Institute”
International Foundation
February 17-19, 2014
Lake Buena Vista, FL
It was moved by Ms. Thompson, seconded by Ms. Henry, to approve the above Trustee requests.

Vote: Unanimous Voice Vote
Absent: None

Trustee Nannini tendered his letter of resignation as Executive Trustee effective as of the end of the day, October 25, 2013, to the Board President.

(13-10-14) (Adjournment) It was moved by Ms. Thompson, seconded by Ms. Copper, to adjourn the Board Meeting at 11:00 a.m., to reconvene in the Fund offices, 2211 York Road, Suite 400, Oak Brook, Illinois, at 9:30 a.m. on November 22, 2013.

Vote: Unanimous Voice Vote
Absent: None

_________________________  ________________________
President          Date

_________________________  ________________________
Secretary          Date
Schedules A, B, C, D, E, F, G, P and S are omitted from this copy of Minutes. These schedules are identical to schedules attached to Minutes distributed to Board of Trustees prior to meeting.