The Investment Committee met in the IMRF offices in Oak Brook, Illinois, on February 16, 2017. Ms. Stanish, Chairman of the Investment Committee, called the meeting to order at 2:00 P.M.

(17-02-01)(Roll Call) Mr. Sambol called the roll:

Present: Copper; Stanish; Kuehne; Miller; Henry; Williams; Wallace; and Thompson by audio-conference.

Absent: None

Also in attendance were: Ms. Becker-Wold and Mr. Ball of Callan Associates; Ms. Shah, IMRF Chief Investment Officer; Mr. Sambol, IMRF Investment Officer - Operations; and IMRF Investment Staff.

(17-02-02)(Public Comments) There were no public comments.

(17-02-03)(Action Item)

A. Approve Investment Committee Meeting Minutes from December 15, 2016 Meeting

The Chairman asked for the approval of the minutes of the December 15, 2016 Investment Committee Meeting.

It was moved by Ms. Copper; seconded by Mr. Kuehne; that the minutes of the December 15, 2016 meeting of the Investment Committee be approved.

Vote:
The motion was approved unanimously.

(17-02-04)(Staff Presentation)

A. Review of Recommended Changes to Investment Committee Charter, Statement of Investment Policy and Real Estate Statement of Investment Policy

The Chief Investment Officer presented an overview of recommended changes to IMRF’s Investment Committee Charter, Statement of Investment Policy, and Real Estate Statement of Investment Policy to the Committee. She noted that these documents are presented, reviewed and approved annually. The Chief Investment Officer concluded by asking the Committee to recommend that the Board:

• approve the 2017 Investment Committee Charter as amended;
• approve the 2017 Statement of Investment Policy as amended; and,
• approve the 2017 Real Estate Statement of Investment Policy as amended

(17-02-05)(Action Items)

A. Approve 2017 Investment Committee Charter, 2017 Statement of Investment Policy and 2017 Real Estate Statement of Investment Policy as amended It was moved by Ms. Henry; and seconded by Ms. Copper; to recommend that the Board:

• approve the 2017 Investment Committee Charter as amended;
• approve the 2017 Statement of Investment Policy as amended; and,
• approve the 2017 Real Estate Statement of Investment Policy as amended

Vote:

The motion was approved unanimously.

(Note: After this vote, Committee member Kuehne stated that he still believes that IMRF’s 7.5% actuarial assumed rate-of-return should be reduced. He asked all Committee members to consider this action in the future – and wanted his request to be placed in the record of this meeting).

(17-02-06)(Staff Reports)

A. 2016 Annual Minority & Emerging Investment Manager Utilization Report Staff presented the 2016 Annual Minority & Emerging Investment Manager Utilization Report to the Committee. Highlights from this report include the following:

• Minority investment managers invest $7.03 billion on IMRF’s behalf, representing an 8.8% increase over 2015
• Minority investment managers represent 19.4% of the Total Fund’s market value and 27.8% of IMRF’s actively managed assets
• Emerging investment managers invest $5.56 billion on IMRF’s behalf
• Emerging investment managers represent 15.3% of the Total Fund’s market value and 21.9% of IMRF’s actively managed assets
• IMRF maintains direct relationships with minority and emerging investment managers in all asset classes except timberland and agriculture
• Recommended increased minority manager goal for Fixed Income to 25% from 20%
• Recommended removal of minority manager goal for Hedge Funds due to asset class being in liquidation
B. 2016 Annual Minority Broker Utilization Report  Staff presented the 2016 Annual
Minority Broker Utilization Report to the Committee. Highlights from this report
include the following:

- 2016 is the first year IMRF is separating the minority brokerage goals by
  Equity Commissions and Fixed Income Par Volume Traded
- IMRF exceeded its minority brokerage goals by asset class
- From 2006 to 2015, Minority broker/dealers earned over 20% of IMRF’s
  broker/dealer commissions each year
- IMRF’s investment managers traded with 34 minority broker/dealers
- The IMRF equity portfolio generated over $10.5 million in commissions
- Minority broker/dealers earned $2.8 million or 26.89% of total equity
  commissions
- The IMRF portfolio traded over 83.8 billion Par in fixed income
- Minority broker/dealers executed trades for 8.0 billion or 9.6% of total Par
  Volume
- Recommended removal of minority brokerage goal for Hedge Funds due to
  asset class being in liquidation
- Revised minority brokerage goal language to read:
  - Transition Managers may also act as security broker-dealers when
    effectuating a Transition Manager assignment on behalf of IMRF
  - Investment Manager’s selection of broker-dealers may take into
    account satisfying IMRF’s goals for utilization of minority broker-
    dealers

C. 2016 Annual Proxy Voting Activity Report  Staff presented the 2016 Annual Proxy
Voting Activity Report to the Committee. Highlights from this report include the
following:

- Recommended revisions to proxy policy include:
  - Language under Corporate Governance stating that IMRF will vote
    in opposition to or withhold votes on proposals regarding “Boards
    that amend company’s bylaws, without shareholder approval, that
    diminish shareholder rights”
  - Removal of language under Corporate Governance stating that
    IMRF would vote against or withhold votes on proposals regarding
    Board that employ auditors who also received excessive non-audit
    fees from the company
  - Proxy Access language stating that IMRF will vote favorably when
    all of the following provisions are met:
      - “Shareholders with at least (3%) of the voting power”;
"At least (3) years of continuous ownership for each member of the nominating group"
- "A minimum of (15) shareholders are required to form a nominating group"; and,
- "Nominating group will not exceed (25%) of the Board"

○ Board Diversity language stating that IMRF will generally vote in favor of proposals that request reports on a company's efforts to diversify the Board
○ Board Diversity language clarifying that IMRF will not vote in favor of individual directors (except new nominees) who:
  - serve as members of the nominating committee, and
  - have failed to establish gender and/or racial diversity on the Board

If the company does not have a formal nominating committee, vote against/withhold votes from the entire board of directors

- 2016 Proxy Voting Highlights include:
  - 3,962 domestic and international ballots were voted last year;
  - 37,405 proposals were voted last year;
  - 1,748 domestic proposals were voted against management;
  - 2,436 international proposals were voted against management;
  - 1,286 domestic non-salary compensation proposals were voted, of which 199 (or 15%) were against management;
  - 1,866 international non-salary compensation proposals were voted, of which 357 (or 19%) were against management;
  - 7,564 domestic director-related proposals were voted, of which 633 (or 8%) were against management;
  - 11,203 international director-related proposals were voted, of which 937 (or 8.4%) were against management

D. 2016 Annual Securities Lending Activity Report Staff presented the 2016 Annual Securities Lending Activity Report. Highlights from this report include the following:

- IMRF generated $10.2 million in securities lending income across separate accounts
- IMRF's total securities lending income, including passive index funds, amounted to $14.7 million
- Both IMRF and Northern Trust actively monitor the program via established processes
• Reinvestment of cash collateral is in high quality, liquid, short duration paper at a yield premium to effective Fed Funds Rate
• Financial markets and global central bank policy continue to play key role in underlying collateral pool positioning

--The Committee recessed at 3:08 P.M.

--The meeting of the Investment Committee reconvened at 3:13 P.M.

(17-02-07)(Public Real Assets Education Session)

A. Goldman Sachs Messrs. Bell and Hernandez of Goldman Sachs presented an education on Public Real Assets. This presentation was followed by questions from the Committee.

(17-02-08)(New Business) There was no new business presented or discussed during the meeting.

--The next meeting of the Investment Committee is scheduled to be held on Thursday, March 30, 2017 beginning at 2:00 P.M.

(17-02-09)(Trustee Comments) There were no trustee comments.

(17-02-10)(Adjourn) By unanimous consent, the meeting of the Investment Committee adjourned at 4:07 P.M.

Chairman

Date

Clerk

March 30, 2017