

ILLINOIS MUNICIPAL RETIREMENT FUND  
MINUTES OF  
REGULAR MEETING NO. 12-32  
QEVQDGT 28, 2012



ILLINOIS MUNICIPAL RETIREMENT FUND

MEETING NO. 12-10

REGULAR MEETING

OF THE

BOARD OF TRUSTEES

The Regular Meeting of the Board of Trustees was held at 9:00 a.m., October 26, 2012, in the Fund Office at 2211 York Road, Suite 400, Oak Brook, Illinois.

Ms. Henry presided as Chair and called the meeting to order.

Ms. Enright called the roll:

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

Ms. Becker-Wold and Messrs. Ball and Nayak from Callan Associates, Mr. Moss from Seyfarth Shaw LLP., and representatives from Cabrera Capital Markets, Loop Capital and Podesto & Co. were also present.

(12-10-01) (Real Estate Manager Presentations) Mr. Villarini from IC Berkely Partners and Ms. Buckley and Mr. Neikich from Dune Real Estate Partners Fund III each gave a presentation on their firm's organization structure, investment strategy, prior fund's track record and performance history. They also reviewed their respective funds investment strategy, fees and performance objectives.

Questions and discussion followed.

(12-10-02) (Investment Manager Activities - Callan and Associates)  
Mr. Ryan from Callan and Associates gave the following report to the Board on the activities of IMRF's investment managers:

September 30, 2012



**Illinois Municipal  
Retirement Fund  
Monthly Performance Report**

**Investment Measurement Service  
Monthly Review**

**Major Market Returns**

**Returns**

**for Periods Ended September 30, 2012**

Index	Last Month	Year to Date	Last Year	Last 3 Years	Last 5 Years	Last 10 Years
DJ:US Total Mkt Ix	2.58	16.17	30.25	13.44	1.50	8.74
Russell:1000 Index	2.57	16.28	30.06	13.27	1.22	8.35
Russell:Midcap Index	2.12	14.00	28.03	14.26	2.24	11.18
Russell:2000 Index	3.28	14.23	31.91	12.99	2.21	10.17
MSCI:ACWI ex US	3.77	10.86	15.04	3.63	(3.67)	10.32
MSCI:EAFE US\$	2.96	10.08	13.75	2.12	(5.24)	8.20
MSCI:Emer Markets	6.05	12.33	17.33	5.96	(0.98)	17.37
Barclays Aggregate Index	0.14	3.99	5.16	6.19	6.53	5.32
NCREIF:Total Index	0.89	8.16	11.36	11.02	2.33	8.38
NAREIT Equity Index	(1.78)	15.09	32.61	20.38	2.11	11.39

Let the rally continue! Capital market returns looked nearly identical to August, with the exception of emerging markets, which did much better in September. Year-to-date numbers are very strong and trailing one-year returns are even better.

The domestic economy shows very few signs of deviating from its current slow-growth path. Second quarter GDP was revised down from 1.7% to 1.3%, well below the first quarter's growth of 2.0% but still in positive territory. The unemployment rate dropped 0.3% to 7.8% as the current population survey indicated that 873,000 people found jobs. The down side is that 582,000 of these are part-time jobs. Inflation remains very low, coming in at 1.7%.

The Federal Reserve formally announced the launch of what is being termed "QE3." Unlike the previous quantitative easing programs, this one is opened ended. The Fed plans to purchase \$40 billion of mortgage-backed securities each month for as long as needed. When this action is combined with the extension of "Operation Twist" the Fed will be buying \$85 billion in securities per month until the end of the year. The fiscal cliff is getting closer with the passage of each month, but seemingly no work has been done in Washington to address it.

The Global economy appears to be slowing down led by Europe, which is expected to contract 0.4% this year and only grow by 0.2% in 2013. There are still worries among many economists and investors of a "hard landing" in China as its economy cools. However, the IMF projected China's GDP to come in at 7.8% this year, hardly a crash by any reasonable standard.

\*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.

**Returns**  
**for Periods Ended September 30, 2012**

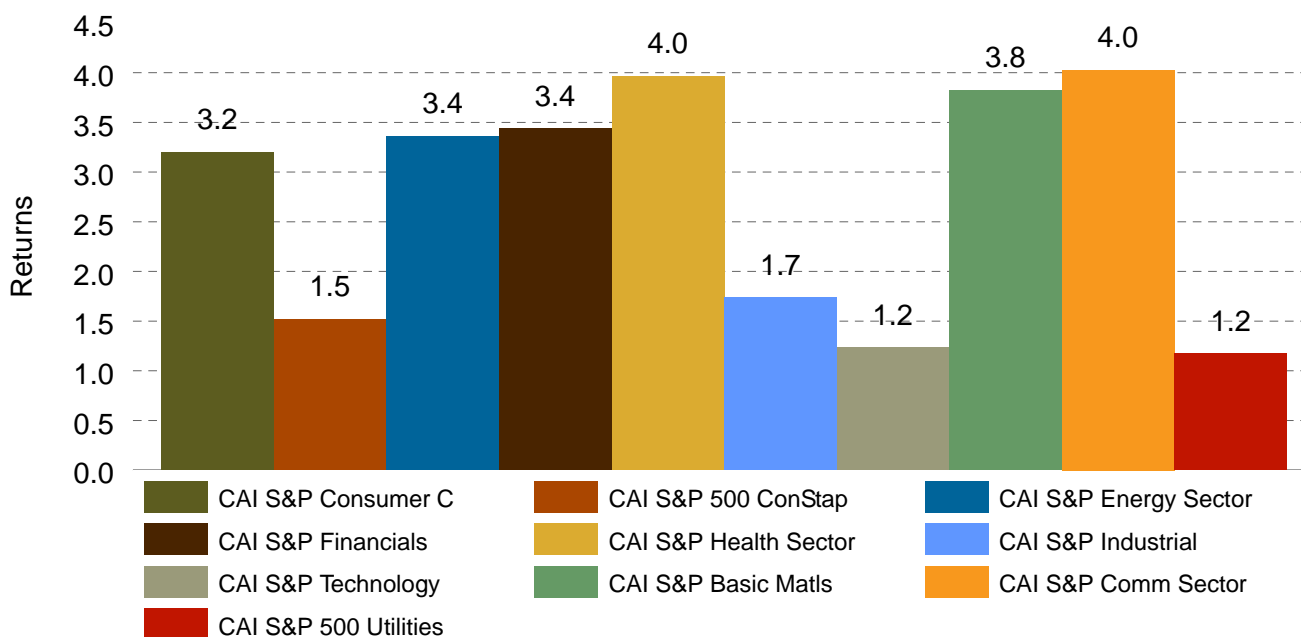
Index	Last Month	Year to Date	Last Year	Last 3 Years	Last 5 Years	Last 10 Years
DJ:US Total Mkt Ix	2.58	16.17	30.25	13.44	1.50	8.74
Russell:1000 Index	2.57	16.28	30.06	13.27	1.22	8.35
Russell:1000 Growth	1.96	16.80	29.19	14.73	3.24	8.41
Russell:1000 Value	3.17	15.75	30.92	11.84	(0.90)	8.17
Russell:Midcap Index	2.12	14.00	28.03	14.26	2.24	11.18
Russell:2000 Index	3.28	14.23	31.91	12.99	2.21	10.17
Russell:2000 Growth	3.00	14.08	31.18	14.19	2.96	10.55
Russell:2000 Value	3.56	14.37	32.63	11.72	1.35	9.68

Domestic equities performed well again in September with all capitalization segments earning positive returns. Small cap stocks, as measured by the Russell 2000 Index, rose 3.3%, beating out mid (Russell Mid Cap Index: 2.1%) and large caps (Russell 1000 Index: 2.6%).

Value stocks outperformed growth stocks in both large and small caps (Russell 1000 Value: 3.2%; Russell 1000 Growth: 2.0%; Russell 2000 Value: 3.6%; Russell 2000 Growth: 3.0%).

Telecom and Health Care were the strongest performing sectors, both returning 4.0%. Information Technology and Utilities lagged all other sectors in September but still produced positive returns (1.2% each).

**S&P 500 Sector Returns for Month Ended September 30, 2012**



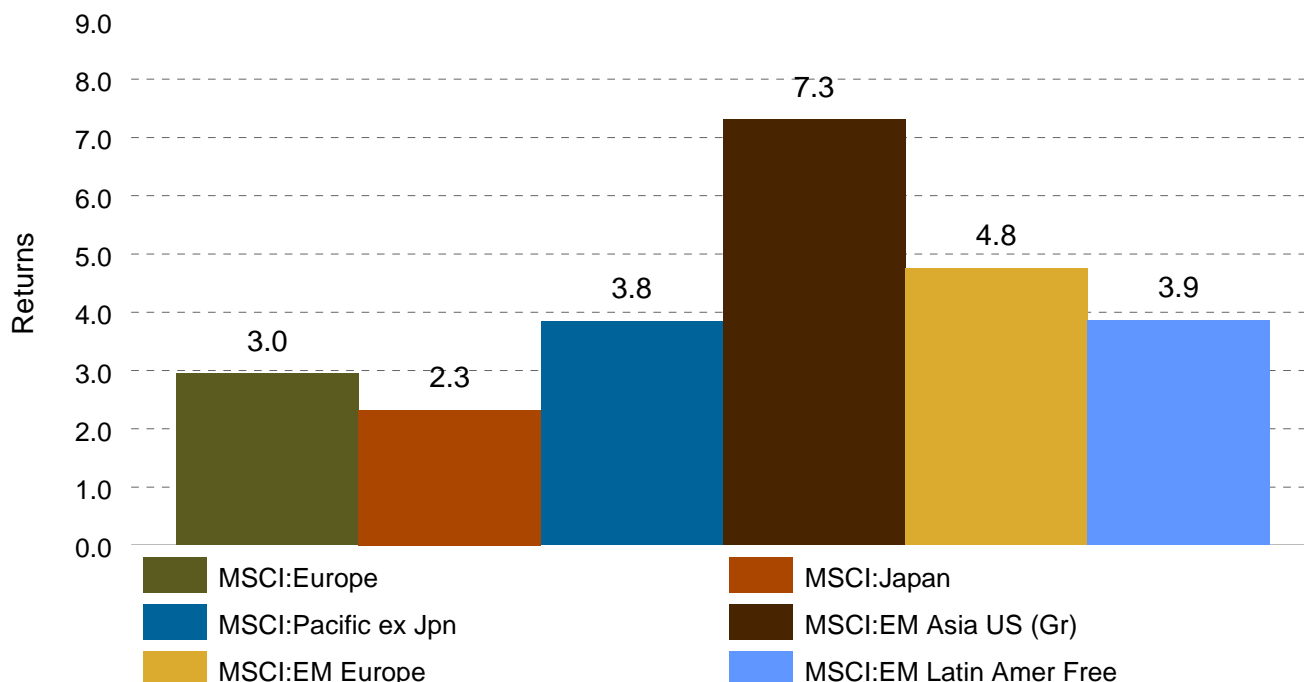
**Returns**  
**for Periods Ended September 30, 2012**

Index	Last Month	Year to Date	Last Year	Last 3 Years	Last 5 Years	Last 10 Years
MSCI:ACWI ex US	3.77	10.86	15.04	3.63	(3.67)	10.32
MSCI:ACWI ex US Gr	3.51	11.18	15.80	4.98	(3.43)	9.51
MSCI:ACWI ex US Val	4.03	10.49	14.24	2.27	(3.96)	11.07
MSCI:EAFE US\$	2.96	10.08	13.75	2.12	(5.24)	8.20
MSCI:EAFE Hedged	1.20	6.32	10.42	(1.50)	(8.49)	2.63
MSCI:Emer Markets	6.05	12.33	17.33	5.96	(0.98)	17.37
S&P:Dev x US Sm Cap	4.33	12.72	14.07	5.67	(3.17)	12.04

International equity markets slightly outperformed the U.S. in September. Developed country stocks, as measured by the MSCI EAFE Index, gained 3.0%, bringing the year to date return to 10.1%. As compared to a basket of EAFE currencies, the dollar weakened; MSCI EAFE Index (3.0%) outperformed the MSCI EAFE Hedged Index (1.2%). The MSCI Emerging Markets Index posted the best return of the major equity markets, rising 6.1%.

All regions performed well during the month, led by emerging markets in Asia (7.3%). Emerging markets in Europe also had a good month, gaining 4.8%. Japan trailed all other regions but posted a positive return of 2.3%.

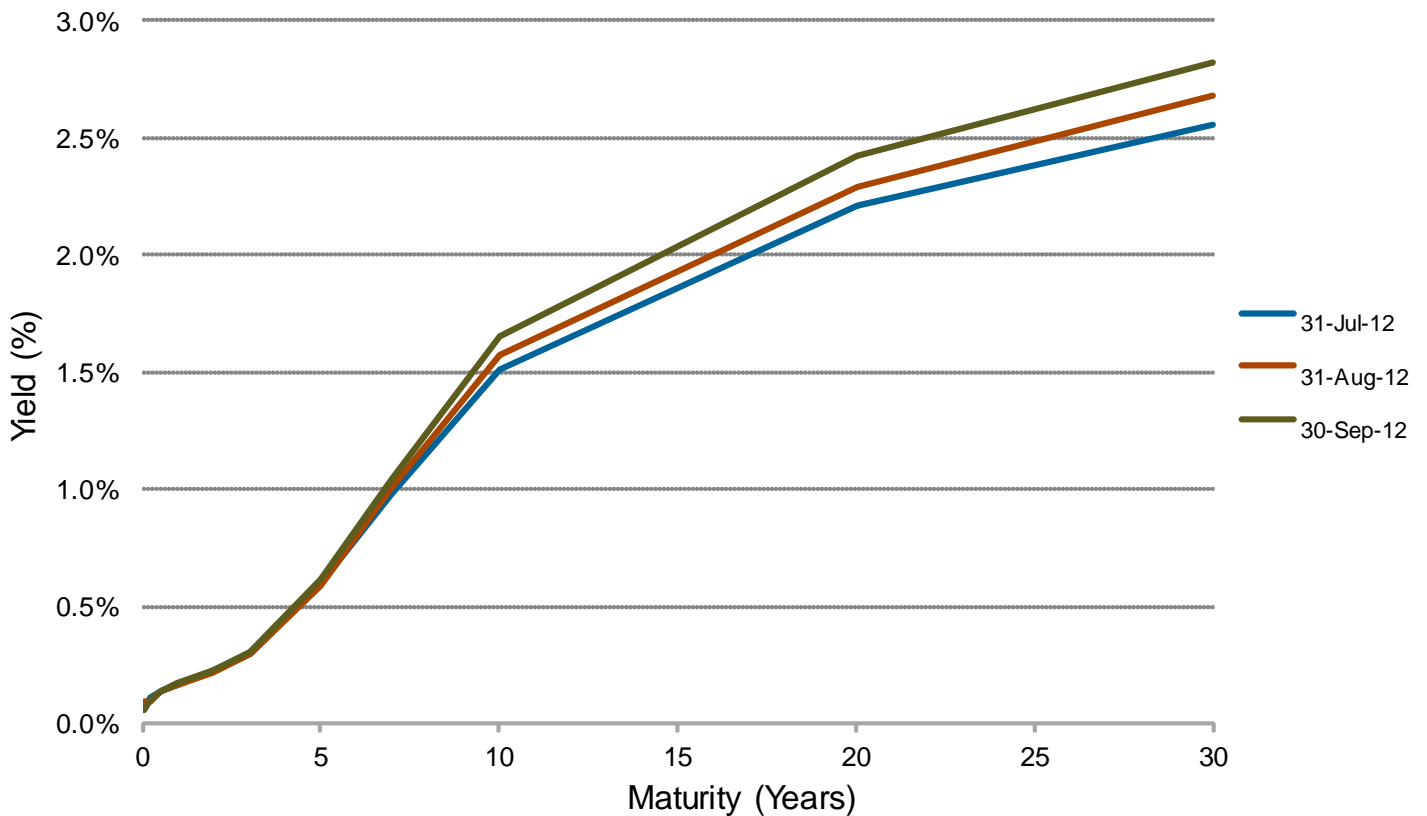
**Regional Returns for Month Ended September 30, 2012**



**Returns**  
**for Periods Ended September 30, 2012**

Index	Last Month	Year to Date	Last Year	Last 3 Years	Last 5 Years	Last 10 Years
Barclays Aggregate Index	0.14	3.99	5.16	6.19	6.53	5.32
Barclays:Govt Index	(0.26)	2.08	2.95	5.15	6.01	4.74
Barclays:Credit	0.60	8.25	10.09	8.73	7.89	6.45
Barclays:Mortgage Idx	0.21	2.80	3.71	4.99	6.35	5.24
Barclays:US TIPS Index	0.51	6.25	9.10	9.29	7.93	6.64
ML:High Yield CP Idx	1.40	11.91	18.82	12.57	8.97	10.61
3 Month T-Bill	0.01	0.07	0.07	0.11	0.72	1.82

**Treasury Yield Curve**



The fixed income market rose very slightly in September with the Barclays Aggregate Bond Index gaining 0.1%. As with August, yields rose across the curve.

At the end of September the 10-year Treasury yielded 1.7%. High yield bonds were the best performer, rising 1.4%. The Barclays Government Index was the only index to lose ground during the month (-0.3%).



***Total Fund***

Total Fund assets at the end of September were \$27.4 billion, up from \$26.8 billion at the end of August. The Fund gained 2.03% for the month, outpacing the benchmark by 0.16%. Domestic equity and fixed income beat their respective benchmarks. Year-to-date the fund is up 11.51%.

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, the domestic equity allocation exceeded its target by 4.5%, which is slightly outside of the allowable range. All other asset classes were within the allowable range.

***US Equity***

Large Cap: In aggregate, the Fund's large cap managers rose 2.61% leading the Russell 1000 Index by 0.04%. Growth portfolios outperformed while value portfolios underperformed their respective benchmarks for the month. Growth managers gained 2.41% with Sands as the best performing with a return of 2.96%. The Large Cap Value managers returned 2.93%, behind the Russell 1000 Value Index return of 3.17%. Dodge & Cox was the best performing active manager in the group with a return of 3.13%. The Large Cap Core segment gained 2.15%, underperforming the Russell 1000 Index return of 2.57%.

Small Cap: The Small Cap portfolio was up 3.20%, behind the Russell 2000 Index by 0.08%. Small Cap Growth rose 2.65%, while Small Cap Value gained 3.14%. The Micro Cap segment returned 4.32% in September. Ariel was the best performing micro-cap manager, posting a strong gain of 6.68% for the month.

***International Equity***

Large Cap: International fared slightly better than the U.S. with the IMRF International Large Cap managers rising 3.12%. This return was 62 basis points behind the MSCI ACWI ex-U.S. Index. International Large Cap Growth gained 3.78% with EARNEST Partners as the best performing manager. International Large Cap Value rose 2.50% with Lombardia as the best performing manager. The Large Cap Active Core Group returned 3.34% during September with strong performance from Brown.

International Small Cap and Emerging Markets: The International Small Cap managers did better than large cap with a gain of 4.00% but trailed the ACWI Small-cap ex US Index return by 1.07%. The emerging markets portfolio, managed by Genesis, returned 6.19% during September, outpacing the MSCI Emerging Markets Index by 14 basis points.

***Domestic Fixed Income***

The total fixed income portfolio posted a return of 0.56%. Core plus outperformed core as investors sought higher yielding securities.

Active Core: The active core fixed income component returned 0.56%, outperforming the BC Aggregate Index by 42 basis points. The enhanced core portfolio rose 0.28%.

Core Plus: The core plus managers gained 0.60%, outpacing the BC Aggregate by 46 basis points. Western had the best monthly performance at 0.76%.

High Yield: The high yield component gained 1.32%, slightly underperforming the ML High Yield Cash Pay Index (1.40%). Pyramis was the best performer with a return of 1.36%.

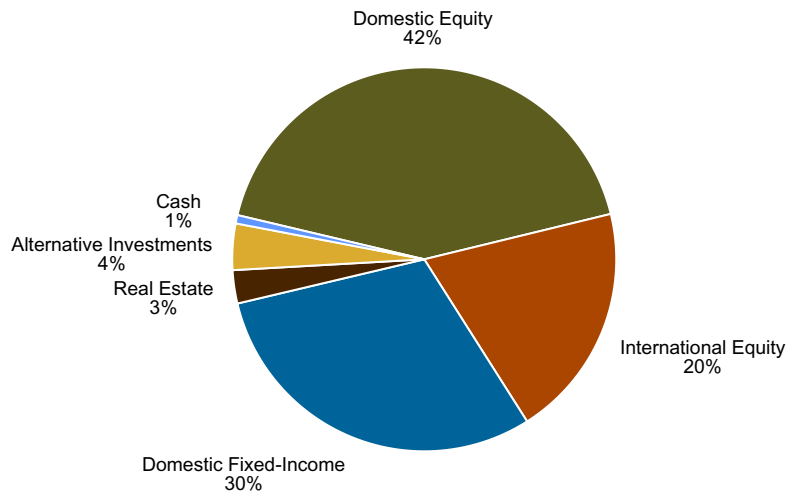
***Alternatives***

Performance for real estate, absolute return, private equity, agriculture and timberland are not representative of current returns as data is incomplete and/or lagged in the monthly reports.

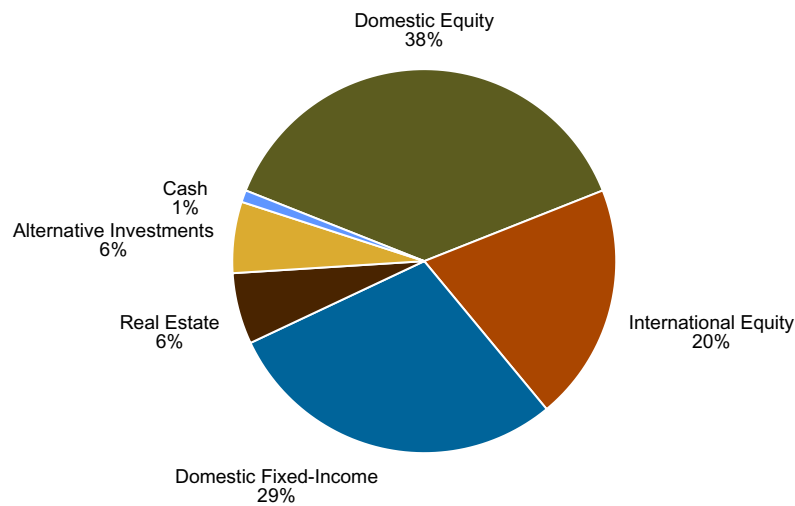
## Actual vs Target Asset Allocation

The first chart below shows the Fund's asset allocation as of September 30, 2012. The second chart shows the Fund's target asset allocation as outlined in the investment policy statement.

### Actual Asset Allocation



### Target Asset Allocation



Asset Class	\$Millions Actual	Percent Actual	Percent Target	Percent Difference	\$Millions Difference
Domestic Equity	11,663	42.5%	38.0%	4.5%	1,233
International Equity	5,434	19.8%	20.0%	(0.2%)	(55)
Domestic Fixed-Income	8,315	30.3%	29.0%	1.3%	355
Real Estate	773	2.8%	6.0%	(3.2%)	(874)
Alternative Investments	1,058	3.9%	6.0%	(2.1%)	(589)
Cash	205	0.7%	1.0%	(0.3%)	(70)
Total	27,448	100.0%	100.0%		

\* Current Month Target = 38.0% US Total Stock Market Idx, 29.0% Barclays Aggregate Index, 20.0% MSCI ACWI x US (Net), 6.0% NCREIF Total Index+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, 2012, with the distribution as of August 31, 2012.

### Asset Distribution Across Investment Managers

	September 30, 2012		August 31, 2012	
	Market Value	Percent	Market Value	Percent
<b>Domestic Equity</b>	<b>\$11,662,811,450</b>	<b>42.49%</b>	<b>\$11,350,711,427</b>	<b>42.31%</b>
<b>Large Cap Growth</b>				
BlackRock LCG	609,140,423	2.22%	592,423,851	2.21%
Holland	772,891,744	2.82%	758,844,109	2.83%
NTGI S&P 500 Growth Idx	880,501,406	3.21%	862,004,145	3.21%
Sands	838,635,454	3.06%	814,514,852	3.04%
Vision	58,174,073	0.21%	57,148,679	0.21%
<b>Large Cap Value</b>				
Dodge & Cox	718,475,955	2.62%	696,832,911	2.60%
BMO	773,052,294	2.82%	755,631,799	2.82%
LSV	742,483,874	2.71%	721,218,167	2.69%
NTGI S&P 500 Value Idx	794,569,718	2.89%	768,797,727	2.87%
<b>Large Cap Core</b>				
Piedmont	141,642,690	0.52%	138,728,812	0.52%
Progress	452,139,499	1.65%	442,537,083	1.65%
NTGI MarketCap Index	2,106,777,627	7.68%	2,053,614,190	7.65%
<b>Small Cap Growth</b>				
Fortaleza	34,694,571	0.13%	33,387,868	0.12%
Frontier	498,789,020	1.82%	489,507,520	1.82%
Pyramis	531,459,712	1.94%	514,562,337	1.92%
<b>Small Cap Value</b>				
Channing	52,913,727	0.19%	51,331,447	0.19%
Dimensional Small Cap Value	448,116,626	1.63%	432,868,157	1.61%
Inv. Counselors of Maryland	513,920,008	1.87%	499,195,989	1.86%
Lombardia	110,328,470	0.40%	107,621,459	0.40%
<b>Micro Cap</b>				
Ariel	66,504,061	0.24%	62,370,155	0.23%
Ativo	30,487,137	0.11%	28,959,077	0.11%
Dimensional Micro Cap	198,093,544	0.72%	190,080,989	0.71%
Wall Street	289,019,817	1.05%	278,530,108	1.04%
<b>International Equity</b>	<b>\$5,434,108,301</b>	<b>19.80%</b>	<b>\$5,253,780,369</b>	<b>19.58%</b>
<b>International Large Cap Growth</b>				
EARNEST Partners	437,734,305	1.59%	419,764,919	1.56%
McKinley	192,723	0.00%	204,155	0.00%
William Blair	463,986,609	1.69%	449,083,236	1.67%
<b>International Large Cap Value</b>				
Brandes	383,469,918	1.40%	375,337,464	1.40%
Lombardia	5,023,037	0.02%	4,777,279	0.02%
Mondrian	399,558,396	1.46%	389,416,038	1.45%
Lazard	75,892,402	0.28%	73,310,200	0.27%
<b>International Large Cap Core</b>				
Arrowstreet	387,901,560	1.41%	377,567,796	1.41%
Brown	190,126,011	0.69%	182,145,273	0.68%
GlobeFlex	398,726,716	1.45%	385,430,571	1.44%
NTGI MSCI EAFE Index	1,907,664,022	6.95%	1,852,461,971	6.91%
<b>International Small Cap</b>				
AXA Rosenberg	10,457	0.00%	10,630	0.00%
Franklin Templeton	143,748,400	0.52%	137,377,052	0.51%
William Blair	165,622,871	0.60%	160,094,564	0.60%

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.

## Investment Manager Asset Allocation

The table below contrasts the distribution of assets across the Fund's investment managers as of September 30, 2012, with the distribution as of August 31, 2012.

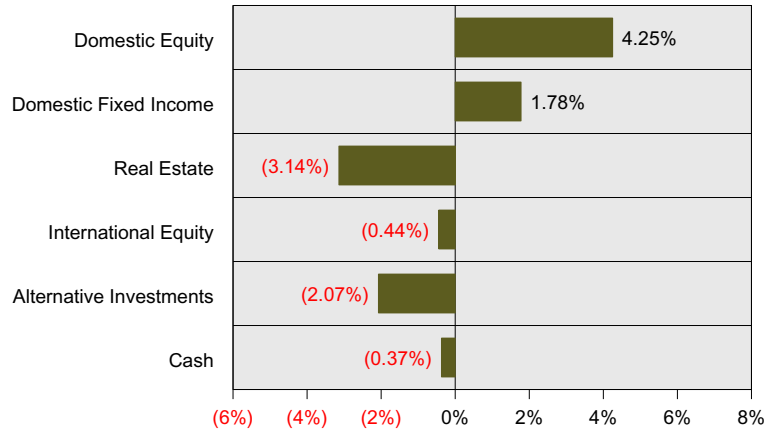
### Asset Distribution Across Investment Managers

	September 30, 2012		August 31, 2012	
	Market Value	Percent	Market Value	Percent
<b>Emerging Markets</b>				
Genesis	474,450,872	1.73%	446,799,220	1.67%
<b>Domestic Fixed-Income</b>	<b>\$8,315,070,202</b>	<b>30.29%</b>	<b>\$8,268,439,764</b>	<b>30.82%</b>
<b>Domestic Fixed Core</b>				
EARNEST Partners	535,832,222	1.95%	533,412,303	1.99%
Piedmont	529,171,125	1.93%	525,696,911	1.96%
BlackRock Enhanced	960,521,168	3.50%	957,862,952	3.57%
NTGI BC Aggregate Index	1,404,823,027	5.12%	1,402,818,253	5.23%
<b>Domestic Fixed Core Plus</b>				
BlackRock Core Plus	713,303,886	2.60%	711,510,321	2.65%
LM Capital	829,318,902	3.02%	824,450,335	3.07%
Progress Fixed Income	426,956,756	1.56%	424,926,928	1.58%
Taplin, Canida, & Habacht	816,213,961	2.97%	810,139,277	3.02%
Western	1,095,525,502	3.99%	1,087,311,138	4.05%
<b>High Yield</b>				
MackKay Shields	492,237,329	1.79%	485,987,338	1.81%
Pyramis High Yield	511,166,324	1.86%	504,324,009	1.88%
<b>Real Estate</b>	<b>\$772,681,043</b>	<b>2.82%</b>	<b>\$766,381,080</b>	<b>2.86%</b>
<b>Real Estate Opportunistic</b>				
Franklin Templeton EMREFF	17,121,512	0.06%	15,844,959	0.06%
Lazard Freres	6,763,560	0.02%	6,763,560	0.03%
Olympus Real Estate Fund II	1,135,965	0.00%	1,135,965	0.00%
Security	52,697,730	0.19%	52,735,033	0.20%
Dune Real Estate Fund II	37,445,742	0.14%	32,920,742	0.12%
<b>Real Estate Core</b>				
BlackRock Granite Fund	69,565,769	0.25%	69,565,769	0.26%
Buckhead	237,533,906	0.87%	237,533,906	0.89%
Cornerstone	84,511,800	0.31%	84,511,800	0.32%
INVESCO	82,800,320	0.30%	82,800,320	0.31%
Sentinel	28,361,294	0.10%	28,361,294	0.11%
<b>Non-Core Real Estate Funds</b>				
Cornerstone Fund VIII	25,131,210	0.09%	24,472,664	0.09%
Almanac Realty VI	4,106,232	0.01%	3,447,686	0.01%
<b>Real Estate Value Added</b>				
Rockwood	36,490,153	0.13%	37,271,533	0.14%
Almanac Realty	38,221,312	0.14%	38,221,312	0.14%
TA Fund IX	50,794,538	0.19%	50,794,538	0.19%
<b>Alternative Investments</b>	<b>\$1,057,947,612</b>	<b>3.85%</b>	<b>\$1,054,841,739</b>	<b>3.93%</b>
<b>Absolute Return</b>				
Aurora	138,807,392	0.51%	137,532,144	0.51%
Grosvenor	121,666,903	0.44%	120,776,080	0.45%
Mesirov	121,796,417	0.44%	120,663,517	0.45%
<b>Private Equity</b>				
Abbott	295,465,778	1.08%	296,569,881	1.11%
Muller & Monroe ILPEFF	12,547,624	0.05%	12,734,113	0.05%
Muller & Monroe MPEFF	19,781,114	0.07%	18,713,585	0.07%
Pantheon	174,145,614	0.63%	174,115,653	0.65%
Private Equity Fund - Domestic	3,056,240	0.01%	3,056,240	0.01%
<b>Agriculture</b>				
Cozad/Westchester	106,963,151	0.39%	106,963,149	0.40%
<b>Timberland</b>				
Forest Investment Assoc.	63,691,893	0.23%	63,691,893	0.24%
<b>Cash</b>	<b>\$204,888,860</b>	<b>0.75%</b>	<b>\$132,998,762</b>	<b>0.50%</b>
<b>Total Fund</b>	<b>\$27,447,507,468</b>	<b>100.0%</b>	<b>\$26,827,153,143</b>	<b>100.0%</b>

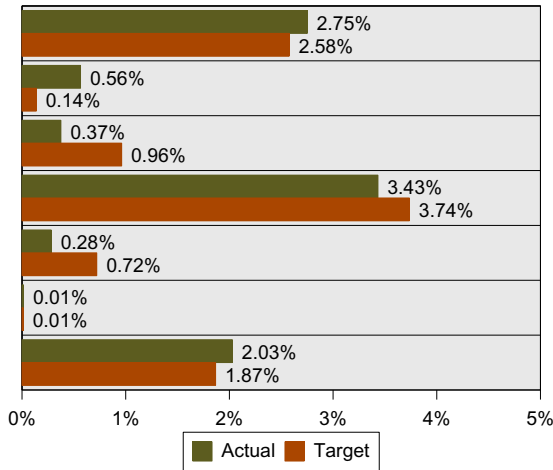
## Monthly Total Fund Relative Attribution - September 30, 2012

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.

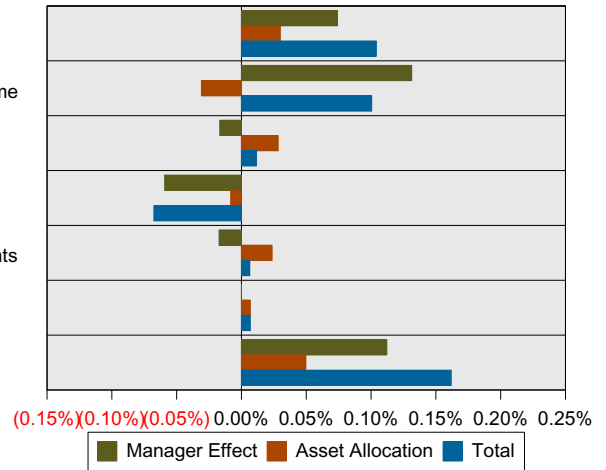
### Asset Class Under or Overweighting



### Actual vs Target Returns



### Relative Attribution by Asset Class



### Relative Attribution Effects for Month ended September 30, 2012

Asset Class	Effective Actual Weight	Effective Target Weight	Actual Return	Target Return	Manager Effect	Asset Allocation	Total Relative Return
Domestic Equity	42%	38%	2.75%	2.58%	0.07%	0.03%	0.10%
Domestic Fixed Income	31%	29%	0.56%	0.14%	0.13%	(0.03%)	0.10%
Real Estate	3%	6%	0.37%	0.96%	(0.02%)	0.03%	0.01%
International Equity	20%	20%	3.43%	3.74%	(0.06%)	(0.01%)	(0.07%)
Alternative Investments	4%	6%	0.28%	0.72%	(0.02%)	0.02%	0.01%
Cash	1%	1%	0.01%	0.01%	0.00%	0.01%	0.01%
<b>Total</b>			<b>2.03%</b>	<b>1.87%</b>	<b>+ 0.11%</b>	<b>+ 0.05%</b>	<b>0.16%</b>

\* Current Month Target = 38.0% US Total Stock Market Idx, 29.0% Barclays Aggregate Index, 20.0% MSCI ACWI x US (Net), 6.0% NCREIF Total Index+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, 2012

	Last Month	Last 3 Months	Year to Date	Last 12 Months
Domestic Equity (12/31/81)	2.75%	6.54%	16.25%	30.81%
DJ U.S. Total Stock Market Index	2.58%	6.18%	16.17%	30.25%
Domestic Equity - Net (12/31/04)	2.75%	6.47%	16.02%	30.46%
International Equity (08/31/86)	3.43%	7.44%	12.02%	16.08%
MSCI ACWI x US (Net)	3.74%	7.40%	10.38%	14.48%
International Equity - Net (12/31/04)	3.43%	7.38%	11.78%	15.75%
Domestic Fixed-Income (12/31/81)	0.56%	2.61%	6.44%	8.60%
BC Aggregate Index	0.14%	1.58%	3.99%	5.16%
Domestic Fixed-Inc. - Net (12/31/04)	0.56%	2.57%	6.31%	8.43%
Real Estate (04/30/85)	0.37%	3.32%	9.71%	13.22%
Blended Benchmark**	0.96%	2.91%	8.89%	12.36%
Real Estate - Net (12/31/04)	0.37%	3.32%	9.42%	12.92%
Alternative Investments (01/31/86)	0.28%	0.94%	4.46%	3.52%
Alternatives Custom Benchmark***	0.72%	2.18%	6.68%	9.00%
Alternative Investments - Net (12/31/04)	0.28%	0.87%	4.21%	3.21%
Absolute Return (12/31/01)	0.87%	2.91%	5.77%	5.55%
HFR Fund-of-Funds Index	0.79%	2.34%	3.33%	2.84%
Private Equity (01/31/86)	(0.07%)	0.04%	4.68%	0.88%
Alternatives Custom Benchmark***	0.72%	2.18%	6.68%	9.00%
Agriculture (09/30/97)	0.04%	0.48%	2.91%	12.83%
Blended Benchmark**	0.96%	2.91%	8.89%	12.36%
Timberland (09/30/92)	0.00%	(2.62%)	(2.16%)	(2.48%)
Blended Benchmark**	0.96%	2.91%	8.89%	12.36%
<b>Total Fund (12/31/81)</b>	<b>2.03%</b>	<b>5.13%</b>	<b>11.51%</b>	<b>18.51%</b>
Total Fund Benchmark	1.87%	4.58%	10.45%	17.14%
Total Fund - Net (12/31/04)	2.03%	5.07%	11.30%	18.23%

\* Current Month Target = 38.0% US Total Stock Market Idx, 29.0% Barclays Aggregate Index, 20.0% MSCI ACWI x US (Net), 6.0% NCREIF Total Index+1.0%, 6.0% 9% Annually and 1.0% 3-month Treasury Bill.

\*\* The Blended Benchmark is currently NPI + 1%. Returns prior to January 1, 2007, reflect those of the Consumer Price Index +5%. As the returns of the NPI are updated quarterly, an approximation of the Index is used during the first two months of each quarter.

\*\*\* 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, 2012

	Last 36 Months	Last 60 Months	Last 120 Months	Since Inception
Domestic Equity (12/31/81)	13.17%	1.55%	9.10%	11.21%
DJ U.S. Total Stock Market Index	13.44%	1.50%	8.74%	10.85%
Domestic Equity - Net (12/31/04)	12.89%	1.29%	-	4.80%
International Equity (08/31/86)	4.81%	(3.85%)	10.49%	7.88%
MSCI ACWI x US (Net)	3.17%	(4.12%)	9.84%	-
International Equity - Net (12/31/04)	4.52%	(4.14%)	-	4.42%
Domestic Fixed-Income (12/31/81)	8.14%	7.53%	6.56%	9.32%
BC Aggregate Index	6.19%	6.53%	5.32%	8.73%
Domestic Fixed-Inc. - Net (12/31/04)	7.98%	7.40%	-	6.16%
Real Estate (04/30/85)	7.39%	(0.97%)	5.31%	4.27%
Blended Benchmark**	12.02%	3.34%	6.15%	7.31%
Real Estate - Net (12/31/04)	7.29%	(1.02%)	-	4.71%
Alternative Investments (01/31/86)	7.45%	2.16%	7.57%	10.92%
Alternatives Custom Benchmark***	9.74%	10.64%	11.49%	13.68%
Alternative Investments - Net (12/31/04)	7.12%	1.91%	-	7.30%
Absolute Return (12/31/01)	3.23%	0.12%	4.88%	4.55%
HFR Fund-of-Funds Index	1.48%	(1.65%)	3.62%	3.41%
Private Equity (01/31/86)	12.15%	3.40%	9.62%	13.07%
Alternatives Custom Benchmark***	9.74%	10.64%	11.49%	13.68%
Agriculture (09/30/97)	5.04%	3.95%	7.36%	5.97%
Blended Benchmark**	12.02%	3.34%	6.15%	6.53%
Timberland (09/30/92)	1.99%	4.01%	3.40%	8.92%
Blended Benchmark**	12.02%	3.34%	6.15%	6.79%
<b>Total Fund (12/31/81)</b>	<b>9.36%</b>	<b>3.34%</b>	<b>8.61%</b>	<b>10.05%</b>
Total Fund Benchmark	9.23%	3.59%	8.16%	-
Total Fund - Net (12/31/04)	9.13%	3.12%	-	5.86%

\* Current Month Target = 38.0% US Total Stock Market Idx, 29.0% Barclays Aggregate Index, 20.0% MSCI ACWI x US (Net), 6.0% NCREIF Total Index+1.0%, 6.0% 9% Annually and 1.0% 3-month Treasury Bill.

\*\* The Blended Benchmark is currently NPI + 1%. Returns prior to January 1, 2007, reflect those of the Consumer Price Index +5%. As the returns of the NPI are updated quarterly, an approximation of the Index is used during the first two months of each quarter.

\*\*\* 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, 2012

	Last Month	Last 3 Months	Year to Date	Last 12 Months
<b>Large Cap Equity (12/31/81)</b>	<b>2.61%</b>	<b>6.92%</b>	<b>16.97%</b>	<b>30.45%</b>
Russell 1000 Index	2.57%	6.31%	16.28%	30.06%
<b>Large Cap Growth (12/31/81)</b>	<b>2.41%</b>	<b>6.84%</b>	<b>18.38%</b>	<b>29.52%</b>
BlackRock LCG (07/31/11)	2.82%	7.89%	15.95%	24.49%
LCG Blended Benchmark*	1.96%	6.11%	16.80%	29.19%
Russell 1000 Growth Index	1.96%	6.11%	16.80%	29.19%
BlackRock LCG - Net (07/31/11)	2.82%	7.79%	15.53%	24.04%
Holland (10/31/94)	1.85%	4.98%	14.81%	26.45%
LCG Blended Benchmark*	1.96%	6.11%	16.80%	29.19%
Russell 1000 Growth Index	1.96%	6.11%	16.80%	29.19%
Holland - Net (12/31/04)	1.85%	4.89%	14.60%	26.15%
NTGI S&P 500 Growth Idx (07/31/01)	2.15%	6.40%	17.00%	29.69%
S&P/Citi 500 Growth Index	2.14%	6.40%	17.00%	29.65%
NTGI S&P 500 Growth Idx - Net (12/31/04)	2.15%	6.40%	17.00%	29.68%
Sands (10/31/03)	2.96%	8.35%	25.42%	36.27%
LCG Blended Benchmark*	1.96%	6.11%	16.80%	29.19%
Russell 1000 Growth Index	1.96%	6.11%	16.80%	29.19%
Sands - Net (12/31/04)	2.96%	8.29%	25.19%	35.94%
Vision (06/30/11)	1.79%	6.25%	18.79%	31.00%
LCG Blended Benchmark*	1.96%	6.11%	16.80%	29.19%
Russell 1000 Growth Index	1.96%	6.11%	16.80%	29.19%
Vision - Net (06/30/11)	1.79%	6.10%	18.28%	30.24%
<b>Large Cap Value (09/30/82)</b>	<b>2.93%</b>	<b>7.54%</b>	<b>16.37%</b>	<b>31.81%</b>
Dodge & Cox (08/31/03)	3.13%	8.39%	19.35%	33.25%
LCV Blended Benchmark**	3.17%	6.51%	15.75%	30.92%
Russell 1000 Value Index	3.17%	6.51%	15.75%	30.92%
Dodge & Cox - Net (12/31/04)	3.13%	8.34%	19.16%	32.97%
BMO (01/31/01)	2.31%	7.51%	14.85%	30.96%
LCV Blended Benchmark**	3.17%	6.51%	15.75%	30.92%
Russell 1000 Value Index	3.17%	6.51%	15.75%	30.92%
BMO - Net (12/31/04)	2.25%	7.45%	14.65%	30.66%
LSV (01/31/03)	2.95%	7.82%	15.50%	32.08%
LCV Blended Benchmark**	3.17%	6.51%	15.75%	30.92%
Russell 1000 Value Index	3.17%	6.51%	15.75%	30.92%
LSV - Net (12/31/04)	2.95%	7.75%	15.27%	31.73%
NTGI S&P 500 Value Idx (07/31/99)	3.35%	6.54%	16.06%	31.08%
S&P/Citi 500 Value Index	3.13%	6.30%	15.78%	30.81%
NTGI S&P 500 Value Idx - Net (12/31/04)	3.35%	6.54%	16.05%	31.08%

\* 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, 2012

	Last 36 Months	Last 60 Months	Last 120 Months	Since Inception
<b>Large Cap Equity (12/31/81)</b>	<b>13.18%</b>	<b>1.36%</b>	<b>8.45%</b>	<b>10.71%</b>
Russell 1000 Index	13.27%	1.22%	8.35%	11.04%
<b>Large Cap Growth (12/31/81)</b>	<b>14.83%</b>	<b>4.02%</b>	<b>8.47%</b>	<b>11.29%</b>
BlackRock LCG (07/31/11)	-	-	-	4.25%
LCG Blended Benchmark*	14.73%	3.24%	7.91%	11.34%
Russell 1000 Growth Index	14.73%	3.24%	8.41%	11.34%
BlackRock LCG - Net (07/31/11)	-	-	-	3.93%
Holland (10/31/94)	14.73%	5.32%	8.89%	9.53%
LCG Blended Benchmark*	14.73%	3.24%	7.91%	8.66%
Russell 1000 Growth Index	14.73%	3.24%	8.41%	7.73%
Holland - Net (12/31/04)	14.40%	5.02%	-	5.28%
LCG Blended Benchmark*	14.73%	3.24%	7.91%	5.78%
Russell 1000 Growth Index	14.73%	3.24%	8.41%	5.99%
NTGI S&P 500 Growth Idx (07/31/01)	14.96%	3.58%	8.07%	3.83%
S&P/Citi 500 Growth Index	14.93%	3.55%	8.06%	3.79%
NTGI S&P 500 Growth Idx - Net (12/31/04)	14.95%	3.58%	-	5.50%
S&P/Citi 500 Growth Index	14.93%	3.55%	8.06%	5.96%
Sands (10/31/03)	22.06%	8.19%	-	10.09%
LCG Blended Benchmark*	14.73%	3.24%	7.91%	6.41%
Russell 1000 Growth Index	14.73%	3.24%	8.41%	6.62%
Sands - Net (12/31/04)	21.76%	7.90%	-	7.63%
LCG Blended Benchmark*	14.73%	3.24%	7.91%	5.78%
Russell 1000 Growth Index	14.73%	3.24%	8.41%	5.99%
Vision (06/30/11)	-	-	-	10.15%
LCG Blended Benchmark*	14.73%	3.24%	7.91%	9.66%
Russell 1000 Growth Index	14.73%	3.24%	8.41%	9.66%
Vision - Net (06/30/11)	-	-	-	9.62%
<b>Large Cap Value (09/30/82)</b>	<b>11.50%</b>	<b>(0.97%)</b>	<b>8.45%</b>	<b>9.75%</b>
Dodge & Cox (08/31/03)	11.19%	(0.87%)	-	6.84%
LCV Blended Benchmark**	11.84%	(0.90%)	8.18%	6.23%
Russell 1000 Value Index	11.84%	(0.90%)	8.17%	6.45%
Dodge & Cox - Net (12/31/04)	10.93%	(1.10%)	-	3.38%
LCV Blended Benchmark**	11.84%	(0.90%)	8.18%	3.93%
Russell 1000 Value Index	11.84%	(0.90%)	8.17%	4.10%
BMO (01/31/01)	12.08%	(0.03%)	9.00%	5.74%
LCV Blended Benchmark**	11.84%	(0.90%)	8.18%	2.88%
Russell 1000 Value Index	11.84%	(0.90%)	8.17%	4.09%
BMO - Net (12/31/04)	11.81%	(0.27%)	-	4.80%
LCV Blended Benchmark**	11.84%	(0.90%)	8.18%	3.93%
Russell 1000 Value Index	11.84%	(0.90%)	8.17%	4.10%
LSV (01/31/03)	11.23%	(0.47%)	-	8.91%
LCV Blended Benchmark**	11.84%	(0.90%)	8.18%	7.36%
Russell 1000 Value Index	11.84%	(0.90%)	8.17%	7.41%
LSV - Net (12/31/04)	10.92%	(0.75%)	-	4.24%
LCV Blended Benchmark**	11.84%	(0.90%)	8.18%	3.93%
Russell 1000 Value Index	11.84%	(0.90%)	8.17%	4.10%
NTGI S&P 500 Value Idx (07/31/99)	11.51%	(1.50%)	7.92%	2.72%
S&P/Citi 500 Value Index	11.39%	(1.56%)	7.88%	2.70%
NTGI S&P 500 Value Idx - Net (12/31/04)	11.51%	(1.51%)	-	3.20%
S&P/Citi 500 Value Index	11.39%	(1.56%)	7.88%	3.56%

\* The LCG Blended Benchmark is currently the Russell 1000 Growth Index. Returns prior to January 1, 2006, reflect those 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.

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## Large Cap Equity Returns

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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, 2012

	<b>Last Month</b>	<b>Last 3 Months</b>	<b>Year to Date</b>	<b>Last 12 Months</b>
<b>Large Cap Active Core (12/31/04)</b>	<b>2.15%</b>	<b>6.79%</b>	<b>15.70%</b>	<b>29.31%</b>
Piedmont (05/31/11)	2.10%	6.46%	17.78%	30.40%
Russell 1000 Index	2.57%	6.31%	16.28%	30.06%
Piedmont - Net (05/31/11)	2.10%	6.36%	17.43%	29.88%
Progress (01/31/05)	2.17%	6.90%	15.06%	28.97%
DJ U.S. Total Stock Market Index	2.58%	6.18%	16.17%	30.25%
Progress - Net (01/31/05)	2.17%	6.74%	14.53%	28.19%
<b>Large Cap Passive Core (12/31/84)</b>	<b>2.59%</b>	<b>6.20%</b>	<b>16.16%</b>	<b>30.27%</b>
NTGI MarketCap Idx (01/31/85)	2.59%	6.20%	16.16%	30.27%
DJ U.S. Total Stock Market Index	2.58%	6.18%	16.17%	30.25%
NTGI MarketCap Idx - Net (12/31/04)	2.59%	6.20%	16.15%	30.26%

## 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, 2012

	<b>Last 36 Months</b>	<b>Last 60 Months</b>	<b>Last 120 Months</b>	<b>Since Inception</b>
<b>Large Cap Active Core (12/31/04)</b>	<b>12.16%</b>	<b>1.13%</b>	<b>-</b>	<b>4.68%</b>
Piedmont (05/31/11)	-	-	-	5.58%
Russell 1000 Index	13.27%	1.22%	8.35%	6.69%
Piedmont - Net (05/31/11)	-	-	-	5.20%
Progress (01/31/05)	11.89%	0.98%	-	4.63%
DJ U.S. Total Stock Market Index	13.44%	1.50%	8.74%	4.90%
Progress - Net (01/31/05)	11.22%	0.37%	-	4.02%
<b>Large Cap Passive Core (12/31/84)</b>	<b>13.42%</b>	<b>1.29%</b>	<b>8.60%</b>	<b>10.58%</b>
NTGI MarketCap Idx (01/31/85)	13.46%	1.31%	8.61%	10.62%
DJ U.S. Total Stock Market Index	13.44%	1.50%	8.74%	10.58%
NTGI MarketCap Idx - Net (12/31/04)	13.45%	1.31%	-	4.69%
DJ U.S. Total Stock Market Index	13.44%	1.50%	8.74%	5.32%

## 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.

### Returns for Periods Ended September 30, 2012

	Last Month	Last 3 Months	Year to Date	Last 12 Months
<b>Small Cap Equity (06/30/88)</b>	<b>3.20%</b>	<b>5.35%</b>	<b>13.97%</b>	<b>31.94%</b>
Russell 2000 Index	3.28%	5.25%	14.23%	31.91%
<b>Small Cap Growth (06/30/88)</b>	<b>2.65%</b>	<b>4.83%</b>	<b>11.91%</b>	<b>28.10%</b>
Fortaleza (11/30/06)	3.91%	6.41%	16.67%	33.03%
Russell 2000 Growth Index	3.00%	4.84%	14.08%	31.18%
Fortaleza - Net (11/30/06)	3.91%	6.27%	16.25%	32.38%
Frontier (07/31/88)	1.90%	3.30%	10.19%	24.87%
Russell 2000 Growth Index	3.00%	4.84%	14.08%	31.18%
Frontier - Net (12/31/04)	1.90%	3.17%	9.78%	24.25%
Pyramis (07/31/88)	3.28%	6.21%	13.23%	30.93%
Russell 2000 Growth Index	3.00%	4.84%	14.08%	31.18%
Pyramis - Net (12/31/04)	3.28%	6.08%	12.83%	29.93%
<b>Small Cap Value (08/31/89)</b>	<b>3.14%</b>	<b>5.98%</b>	<b>13.97%</b>	<b>33.32%</b>
Channing (06/30/11)	3.08%	8.37%	12.94%	30.63%
Russell 2000 Value Index	3.56%	5.67%	14.37%	32.63%
Channing - Net (06/30/11)	3.08%	8.15%	12.27%	29.60%
DFA Small Cap Value (01/31/96)	3.52%	7.36%	16.57%	35.12%
Russell 2000 Value Index	3.56%	5.67%	14.37%	32.63%
DFA Small Cap Value - Net (12/31/04)	3.52%	7.23%	16.14%	34.48%
Inv. Counselors of Maryland (04/30/99)	2.95%	4.67%	12.89%	32.32%
Russell 2000 Value Index	3.56%	5.67%	14.37%	32.63%
Inv. Couns. of Maryland - Net (12/31/04)	2.95%	4.57%	12.56%	31.80%
Lombardia (05/31/11)	2.52%	5.54%	9.44%	32.13%
Russell 2000 Value Index	3.56%	5.67%	14.37%	32.63%
Lombardia - Net (05/31/11)	2.52%	5.36%	8.88%	31.22%
<b>Micro Cap (06/30/84)</b>	<b>4.32%</b>	<b>5.07%</b>	<b>17.85%</b>	<b>36.68%</b>
Ariel (10/31/2010)	6.68%	4.85%	24.70%	43.55%
Russell 2000 Value Index	3.56%	5.67%	14.37%	32.63%
Russell 2000 Index	3.28%	5.25%	14.23%	31.91%
Russell Microcap Index	4.95%	5.92%	19.70%	36.25%
Ariel - Net (10/31/10)	6.68%	4.63%	23.93%	42.33%
Ativo (09/30/10)	5.28%	4.38%	14.13%	28.83%
Russell 2000 Growth Index	3.00%	4.84%	14.08%	31.18%
Russell 2000 Index	3.28%	5.25%	14.23%	31.91%
Russell Microcap Index	4.95%	5.92%	19.70%	36.25%
Ativo - Net (09/30/10)	5.28%	4.18%	13.47%	27.83%
DFA Micro Cap (07/31/87)	4.22%	6.10%	15.84%	32.76%
Russell 2000 Value Index	3.56%	5.67%	14.37%	32.63%
Russell 2000 Index	3.28%	5.25%	14.23%	31.91%
DFA Micro Cap - Net (12/31/04)	4.22%	5.97%	15.41%	32.13%
Wall Street (07/31/90)	3.77%	4.50%	18.17%	38.85%
Russell 2000 Growth Index	3.00%	4.84%	14.08%	31.18%
Russell 2000 Index	3.28%	5.25%	14.23%	31.91%
Wall Street - Net (12/31/04)	3.77%	4.29%	17.52%	37.81%

## 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.

### Returns for Periods Ended September 30, 2012

	Last 36 Months	Last 60 Months	Last 120 Months	Since Inception
<b>Small Cap Equity (06/30/88)</b>	<b>13.69%</b>	<b>3.30%</b>	<b>12.54%</b>	<b>12.14%</b>
Russell 2000 Index	12.99%	2.21%	10.17%	9.17%
<b>Small Cap Growth (06/30/88)</b>	<b>12.71%</b>	<b>2.86%</b>	<b>12.28%</b>	<b>12.80%</b>
Fortaleza (11/30/06)	17.99%	1.26%	-	4.28%
Russell 2000 Growth Index	14.19%	2.96%	10.55%	4.43%
Fortaleza - Net (11/30/06)	17.43%	0.76%	-	3.79%
Frontier (07/31/88)	11.84%	3.79%	11.64%	12.79%
Russell 2000 Growth Index	14.19%	2.96%	10.55%	6.97%
Frontier - Net (12/31/04)	10.95%	2.95%	-	6.57%
Russell 2000 Growth Index	14.19%	2.96%	10.55%	5.73%
Pyramis (07/31/88)	13.30%	4.18%	13.55%	13.46%
Russell 2000 Growth Index	14.19%	2.96%	10.55%	6.97%
Pyramis - Net (12/31/04)	12.55%	3.55%	-	8.61%
Russell 2000 Growth Index	14.19%	2.96%	10.55%	5.73%
<b>Small Cap Value (08/31/89)</b>	<b>13.03%</b>	<b>2.80%</b>	<b>11.64%</b>	<b>11.78%</b>
Channing (06/30/11)	-	-	-	2.21%
Russell 2000 Value Index	11.72%	1.35%	9.68%	3.30%
Channing - Net (06/30/11)	-	-	-	1.48%
DFA Small Cap Value (01/31/96)	14.71%	3.06%	12.74%	12.21%
Russell 2000 Value Index	11.72%	1.35%	9.68%	9.23%
DFA Small Cap Value - Net (12/31/04)	14.16%	2.53%	-	5.14%
Russell 2000 Value Index	11.72%	1.35%	9.68%	4.17%
Inv. Counselors of Maryland (04/30/99)	12.28%	2.69%	11.20%	11.55%
Russell 2000 Value Index	11.72%	1.35%	9.68%	9.12%
Inv. Couns. of Maryland - Net (12/31/04)	11.77%	2.17%	-	5.62%
Russell 2000 Value Index	11.72%	1.35%	9.68%	4.17%
Lombardia (05/31/11)	-	-	-	1.34%
Russell 2000 Value Index	11.72%	1.35%	9.68%	1.19%
Lombardia - Net (05/31/11)	-	-	-	0.75%
<b>Micro Cap (06/30/84)</b>	<b>16.70%</b>	<b>1.09%</b>	<b>11.89%</b>	<b>11.91%</b>
Ariel (10/31/10)	-	-	-	12.73%
Russell 2000 Value Index	11.72%	1.35%	9.68%	9.99%
Russell 2000 Index	12.99%	2.21%	10.17%	11.05%
Russell Microcap Index	11.68%	(0.12%)	9.23%	11.29%
Ariel - Net (10/31/10)	-	-	-	11.87%
Ativo (09/30/10)	-	-	-	8.90%
Russell 2000 Growth Index	14.19%	2.96%	10.55%	13.89%
Russell 2000 Index	12.99%	2.21%	10.17%	12.81%
Russell Microcap Index	11.68%	(0.12%)	9.23%	13.87%
Ativo - Net (09/30/10)	-	-	-	8.14%
DFA Micro Cap (07/31/87)	14.75%	2.72%	11.84%	10.91%
Russell 2000 Value Index	11.72%	1.35%	9.68%	9.85%
Russell 2000 Index	12.99%	2.21%	10.17%	8.26%
DFA Micro Cap - Net (12/31/04)	14.21%	2.22%	-	4.57%
Russell 2000 Growth Index	14.19%	2.96%	10.55%	5.73%
Russell 2000 Index	12.99%	2.21%	10.17%	5.01%
Wall Street (07/31/90)	18.56%	0.86%	12.22%	13.99%
Russell 2000 Growth Index	14.19%	2.96%	10.55%	6.74%
Russell 2000 Index	12.99%	2.21%	10.17%	9.00%
Wall Street - Net (12/31/04)	17.67%	0.06%	-	5.04%
Russell 2000 Growth Index	14.19%	2.96%	10.55%	5.73%
Russell 2000 Index	12.99%	2.21%	10.17%	5.01%

## 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.

### Returns for Periods Ended September 30, 2012

	Last Month	Last 3 Months	Year to Date	Last 12 Months
<b>Intl Large Cap Equity (08/31/86)</b>	<b>3.12%</b>	<b>7.22%</b>	<b>11.34%</b>	<b>15.35%</b>
MSCI ACWI ex-US Index	3.74%	7.40%	10.38%	14.48%
<b>Intl Large Cap Growth (08/31/02)</b>	<b>3.78%</b>	<b>8.48%</b>	<b>13.14%</b>	<b>18.03%</b>
EARNEST Partners (09/30/04)	4.28%	8.94%	8.48%	14.35%
MSCI ACWI ex-US Index	3.74%	7.40%	10.38%	14.48%
MSCI ACWI ex-US Growth	3.51%	7.22%	11.18%	15.80%
EARNEST Partners - Net (12/31/04)	4.28%	8.88%	7.83%	13.61%
William Blair (09/30/02)	3.32%	8.06%	17.47%	22.59%
MSCI ACWI ex-US Index	3.74%	7.40%	10.38%	14.48%
MSCI ACWI ex-US Growth	3.51%	7.22%	11.18%	15.80%
William Blair - Net (12/31/04)	3.32%	7.95%	16.99%	22.09%
<b>Intl Large Cap Value (09/30/95)</b>	<b>2.50%</b>	<b>5.76%</b>	<b>7.35%</b>	<b>10.31%</b>
Brandes (12/31/95)	2.17%	4.85%	5.79%	8.71%
MSCI ACWI ex-US Index	3.74%	7.40%	10.38%	14.48%
MSCI ACWI ex-US Value	4.03%	7.77%	10.49%	14.24%
Brandes - Net (12/31/04)	2.17%	4.79%	5.58%	8.44%
Lombardia (3/31/12)	5.14%	10.90%	-	-
MSCI ACWI ex-US Index	3.74%	7.40%	10.38%	14.48%
MSCI ACWI ex-US Value	4.03%	7.77%	10.49%	14.24%
Lombardia - Net (3/31/12)	5.14%	10.73%	-	-
Mondrian (3/31/12)	2.60%	6.03%	-	-
MSCI ACWI ex-US Index	3.74%	7.40%	10.38%	14.48%
MSCI ACWI ex-US Value	4.03%	7.77%	10.49%	14.24%
Mondrian - Net (3/31/12)	2.60%	5.90%	-	-
Lazard (3/31/12)	3.52%	8.78%	-	-
MSCI ACWI ex-US Index	3.74%	7.40%	10.38%	14.48%
MSCI ACWI ex-US Value	4.03%	7.77%	10.49%	14.24%
Lazard - Net (3/31/12)	3.52%	8.72%	-	-

## 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.

### Returns for Periods Ended September 30, 2012

	Last 36 Months	Last 60 Months	Last 120 Months	Since Inception
<b>Intl Large Cap Equity (08/31/86)</b>	<b>4.41%</b>	<b>(4.51%)</b>	<b>9.48%</b>	<b>7.84%</b>
MSCI ACWI ex-US Index	3.17%	(4.12%)	9.84%	-
<b>Intl Large Cap Growth (08/31/02)</b>	<b>6.98%</b>	<b>(3.91%)</b>	<b>10.63%</b>	<b>9.33%</b>
EARNEST Partners (09/30/04)	7.26%	0.54%	-	12.07%
MSCI ACWI ex-US Index	3.17%	(4.12%)	9.84%	6.58%
MSCI ACWI ex-US Growth	4.98%	(3.43%)	9.51%	7.12%
EARNEST Partners - Net (12/31/04)	6.67%	0.05%	-	9.49%
MSCI ACWI ex-US Index	3.17%	(4.12%)	9.84%	5.00%
MSCI ACWI ex-US Growth	4.98%	(3.43%)	9.51%	5.59%
William Blair (09/30/02)	9.09%	(3.09%)	10.96%	9.72%
MSCI ACWI ex-US Index	3.17%	(4.12%)	9.84%	8.54%
MSCI ACWI ex-US Growth	4.98%	(3.43%)	9.51%	8.43%
William Blair - Net (12/31/04)	8.68%	(3.47%)	-	5.44%
MSCI ACWI ex-US Index	3.17%	(4.12%)	9.84%	5.00%
MSCI ACWI ex-US Growth	4.98%	(3.43%)	9.51%	5.59%
<b>Intl Large Cap Value (09/30/95)</b>	<b>0.82%</b>	<b>(5.14%)</b>	<b>9.40%</b>	<b>9.47%</b>
Brandes (12/31/95)	0.33%	(5.41%)	9.24%	9.42%
MSCI ACWI ex-US Index	3.17%	(4.12%)	9.84%	5.14%
MSCI ACWI ex-US Value	2.27%	(3.96%)	11.07%	-
Brandes - Net (12/31/04)	0.10%	(5.66%)	-	2.02%
MSCI ACWI ex-US Index	3.17%	(4.12%)	9.84%	5.00%
MSCI ACWI ex-US Value	2.27%	(3.96%)	11.07%	5.32%
Lombardia (3/31/12)	-	-	-	0.49%
MSCI ACWI ex-US Index	3.17%	(4.12%)	9.84%	(0.77%)
MSCI ACWI ex-US Value	2.27%	(3.96%)	11.07%	(0.32%)
Lombardia - Net (3/31/12)	-	-	-	(2.28%)
Mondrian (3/31/12)	-	-	-	(0.69%)
MSCI ACWI ex-US Index	3.17%	(4.12%)	9.84%	(0.77%)
MSCI ACWI ex-US Value	2.27%	(3.96%)	11.07%	(0.32%)
Mondrian - Net (3/31/12)	-	-	-	(2.14%)
Lazard (3/31/12)	-	-	-	2.72%
MSCI ACWI ex-US Index	3.17%	(4.12%)	9.84%	(0.77%)
MSCI ACWI ex-US Value	2.27%	(3.96%)	11.07%	(0.32%)
Lazard - Net (3/31/12)	-	-	-	2.25%



## 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, 2012

	Last Month	Last 3 Months	Year to Date	Last 12 Months
<b>Intl Large Cap Active Core (01/31/08)</b>	<b>3.34%</b>	<b>7.87%</b>	<b>14.16%</b>	<b>18.20%</b>
Arrowstreet (02/29/08)	2.74%	8.35%	12.22%	14.94%
MSCI ACWI ex-US Index	3.74%	7.40%	10.38%	14.48%
Arrowstreet - Net (02/29/08)	2.74%	8.23%	11.81%	14.38%
Brown (09/30/04)	4.38%	8.18%	15.74%	20.06%
MSCI ACWI ex-US Index	3.74%	7.40%	10.38%	14.48%
Brown - Net (12/31/04)	4.38%	8.11%	15.53%	19.52%
GlobeFlex (02/28/06)	3.45%	7.26%	15.36%	20.64%
MSCI ACWI ex-US Index	3.74%	7.40%	10.38%	14.48%
GlobeFlex - Net (02/28/06)	3.45%	7.14%	14.98%	20.10%
<b>Intl Large Cap Pass. Core (12/31/99)</b>	<b>2.98%</b>	<b>6.97%</b>	<b>10.50%</b>	<b>14.26%</b>
NTGI MSCI EAFE Idx (01/31/00)	2.98%	6.97%	10.50%	14.26%
MSCI EAFE Index	2.96%	6.92%	10.08%	13.75%
NTGI EAFE Idx - Net (12/31/04)	2.98%	6.97%	10.49%	14.25%
<b>International Small Cap (11/30/05)</b>	<b>4.00%</b>	<b>8.75%</b>	<b>17.79%</b>	<b>20.36%</b>
Franklin Templeton (07/31/11)	4.64%	9.38%	20.26%	23.34%
ACWI Small Cap ex US	5.07%	8.54%	12.98%	13.44%
Franklin Templeton - Net (07/31/11)	4.64%	9.16%	19.57%	22.45%
William Blair (08/31/10)	3.45%	8.22%	15.74%	17.92%
ACWI Small Cap ex US	5.07%	8.54%	12.98%	13.44%
Intl SC Blended Benchmark	5.07%	8.54%	12.98%	13.44%
William Blair - Net (08/31/10)	3.45%	8.01%	15.05%	16.95%
<b>Emerging Markets (01/31/92)</b>	<b>6.19%</b>	<b>8.82%</b>	<b>15.27%</b>	<b>20.82%</b>
Genesis (04/30/04)	6.19%	8.82%	15.27%	20.82%
MSCI Emerging Markets Index	6.05%	7.89%	12.33%	17.33%
Genesis - Net (12/31/04)	6.19%	8.82%	15.21%	20.57%

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, 2012

	Last 36 Months	Last 60 Months	Last 120 Months	Since Inception
<b>Intl Large Cap Active Core (01/31/08)</b>	<b>6.20%</b>	-	-	<b>(0.42%)</b>
Arrowstreet (02/29/08)	5.75%	-	-	(0.69%)
MSCI ACWI ex-US Index	3.17%	(4.12%)	9.84%	(2.16%)
Arrowstreet - Net (02/29/08)	5.24%	-	-	(1.15%)
Brown (09/30/04)	4.08%	(2.69%)	-	7.06%
MSCI ACWI ex-US Index	3.17%	(4.12%)	9.84%	6.58%
Brown - Net (12/31/04)	3.67%	(3.02%)	-	4.38%
MSCI ACWI ex-US Index	3.17%	(4.12%)	9.84%	5.00%
GlobeFlex (02/28/06)	7.53%	(4.46%)	-	2.15%
MSCI ACWI ex-US Index	3.17%	(4.12%)	9.84%	1.81%
GlobeFlex - Net (02/28/06)	7.10%	(4.90%)	-	1.69%
<b>Intl Large Cap Pass. Core (12/31/99)</b>	<b>2.53%</b>	<b>(4.83%)</b>	<b>8.58%</b>	<b>1.62%</b>
NTGI MSCI EAFE Idx (01/31/00)	2.54%	(4.84%)	8.57%	1.62%
MSCI EAFE Index	2.12%	(5.24%)	8.20%	1.25%
NTGI EAFE Idx - Net (12/31/04)	2.53%	(4.85%)	-	3.15%
MSCI EAFE Index	2.12%	(5.24%)	8.20%	3.35%
<b>International Small Cap (11/30/05)</b>	<b>6.22%</b>	<b>(5.81%)</b>	-	<b>1.52%</b>
Franklin Templeton (07/31/11)	-	-	-	(3.14%)
ACWI Small Cap ex US	5.93%	(2.19%)	13.16%	(8.03%)
Franklin Templeton - Net (07/31/11)	-	-	-	(3.74%)
William Blair (08/31/10)	-	-	-	11.93%
ACWI Small Cap ex US	5.93%	(2.19%)	13.16%	6.80%
Intl SC Blended Benchmark	5.24%	(3.40%)	11.91%	8.38%
William Blair - Net (08/31/10)	-	-	-	8.73%
<b>Emerging Markets (01/31/92)</b>	<b>11.07%</b>	<b>4.50%</b>	<b>20.03%</b>	<b>10.37%</b>
Genesis (04/30/04)	11.07%	4.50%	-	15.50%
MSCI Emerging Markets Index	5.96%	(0.98%)	17.37%	12.04%
Genesis - Net (12/31/04)	10.55%	3.95%	-	13.45%
MSCI Emerging Markets Index	5.96%	(0.98%)	17.37%	11.82%

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, 2012

	<b>Last Month</b>	<b>Last 3 Months</b>	<b>Year to Date</b>	<b>Last 12 Months</b>
<b>Dom. Fixed Active Core (03/31/01)</b>	<b>0.56%</b>	<b>2.11%</b>	<b>5.60%</b>	<b>7.50%</b>
EARNEST Partners (04/30/05)	0.45%	1.76%	5.26%	7.05%
BC Aggregate Index	0.14%	1.58%	3.99%	5.16%
EARNEST Partners - Net (04/30/05)	0.45%	1.71%	5.10%	6.83%
Piedmont (05/31/05)	0.66%	2.46%	5.94%	7.97%
BC Aggregate Index	0.14%	1.58%	3.99%	5.16%
Piedmont - Net (05/31/05)	0.66%	2.42%	5.81%	7.79%
<b>Dom. Fixed Enhanced Core (03/31/00)</b>	<b>0.28%</b>	<b>2.01%</b>	<b>4.73%</b>	<b>6.42%</b>
BlackRock Enhanced (04/30/00)	0.28%	2.01%	4.73%	6.42%
BC Aggregate Index	0.14%	1.58%	3.99%	5.16%
BlackRock Enhanced - Net (12/31/04)	0.28%	2.01%	4.68%	6.37%
<b>Dom. Fixed Passive Core (12/31/89)</b>	<b>0.14%</b>	<b>1.64%</b>	<b>4.12%</b>	<b>5.28%</b>
NTGI BC Agg. Index (01/31/90)	0.14%	1.64%	4.12%	5.28%
BC Aggregate Index	0.14%	1.58%	3.99%	5.16%
NTGI BC Agg. Index - Net (12/31/04)	0.14%	1.64%	4.12%	5.28%

## 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, 2012

	Last 36 Months	Last 60 Months	Last 120 Months	Since Inception
<b>Dom. Fixed Active Core (03/31/01)</b>	<b>7.51%</b>	<b>6.92%</b>	<b>4.93%</b>	<b>5.54%</b>
EARNEST Partners (04/30/05)	7.24%	7.10%	-	6.20%
BC Aggregate Index	6.19%	6.53%	5.32%	5.83%
EARNEST Partners - Net (04/30/05)	7.02%	6.88%	-	5.99%
Piedmont (05/31/05)	7.66%	6.69%	-	5.74%
BC Aggregate Index	6.19%	6.53%	5.32%	5.71%
Piedmont - Net (05/31/05)	7.48%	6.51%	-	5.54%
<b>Dom. Fixed Enhanced Core (03/31/00)</b>	<b>6.85%</b>	<b>6.56%</b>	<b>5.43%</b>	<b>6.40%</b>
BlackRock Enhanced (04/30/00)	6.85%	6.56%	5.43%	6.44%
BC Aggregate Index	6.19%	6.53%	5.32%	6.35%
BlackRock Enhanced - Net (12/31/04)	6.78%	6.49%	-	5.48%
BC Aggregate Index	6.19%	6.53%	5.32%	5.64%
<b>Dom. Fixed Passive Core (12/31/89)</b>	<b>6.34%</b>	<b>6.44%</b>	<b>5.30%</b>	<b>6.95%</b>
NTGI BC Agg. Index (01/31/90)	6.34%	6.44%	5.30%	6.98%
BC Aggregate Index	6.19%	6.53%	5.32%	6.97%
NTGI BC Agg. Index - Net (12/31/04)	6.33%	6.43%	-	5.45%
BC Aggregate Index	6.19%	6.53%	5.32%	5.64%

## 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, 2012

	Last Month	Last 3 Months	Year to Date	Last 12 Months
<b>Domestic Fixed Core Plus (12/31/81)</b>	<b>0.60%</b>	<b>2.83%</b>	<b>6.73%</b>	<b>8.68%</b>
BlackRock Core Plus (03/31/07)	0.25%	2.07%	5.40%	7.50%
BC Aggregate Index	0.14%	1.58%	3.99%	5.16%
BlackRock Core Plus - Net (03/31/07)	0.25%	2.07%	5.36%	7.34%
LM Capital (04/30/05)	0.59%	2.87%	6.34%	8.51%
BC Aggregate Index	0.14%	1.58%	3.99%	5.16%
LM Capital - Net (04/30/05)	0.59%	2.83%	6.21%	8.34%
Progress Fixed Income (12/31/05)	0.48%	2.43%	5.72%	7.10%
BC Aggregate Index	0.14%	1.58%	3.99%	5.16%
Progress Fixed Inc. - Net (12/31/05)	0.48%	2.34%	5.44%	6.73%
Taplin, Canida, Habacht (04/30/05)	0.75%	3.47%	7.88%	10.12%
BC Aggregate Index	0.14%	1.58%	3.99%	5.16%
Taplin, Canida, Hab. - Net (04/30/05)	0.75%	3.44%	7.77%	9.98%
Western (10/31/01)	0.76%	3.00%	7.48%	9.16%
BC Aggregate Index	0.14%	1.58%	3.99%	5.16%
Western - Net (12/31/04)	0.76%	2.97%	7.37%	9.01%
<b>High Yield (03/31/86)</b>	<b>1.32%</b>	<b>4.27%</b>	<b>11.42%</b>	<b>17.05%</b>
MackKay Shields (10/31/00)	1.29%	4.38%	11.23%	17.24%
ML High Yield Cash Pay Index	1.40%	4.58%	11.91%	18.82%
MackKay Shields - Net (12/31/04)	1.20%	4.20%	10.76%	16.75%
Pyramis (07/31/86)	1.36%	4.17%	11.61%	16.87%
ML High Yield Cash Pay Index	1.40%	4.58%	11.91%	18.82%
Pyramis - Net (12/31/04)	1.36%	4.09%	11.17%	16.31%

## 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, 2012

	Last 36 Months	Last 60 Months	Last 120 Months	Since Inception
<b>Domestic Fixed Core Plus (12/31/81)</b>	<b>8.46%</b>	<b>7.11%</b>	<b>6.29%</b>	<b>9.14%</b>
BlackRock Core Plus (03/31/07)	7.75%	7.09%	-	6.75%
BC Aggregate Index	6.19%	6.53%	5.32%	6.26%
BlackRock Core Plus - Net (03/31/07)	7.67%	7.02%	-	6.68%
LM Capital (04/30/05)	7.77%	7.55%	-	6.64%
BC Aggregate Index	6.19%	6.53%	5.32%	5.83%
LM Capital - Net (04/30/05)	7.60%	7.38%	-	6.47%
Progress Fixed Income (12/31/05)	7.31%	7.13%	-	6.78%
BC Aggregate Index	6.19%	6.53%	5.32%	6.12%
Progress Fixed Inc. - Net (12/31/05)	6.94%	6.76%	-	6.44%
Taplin, Canida, Habacht (04/30/05)	8.27%	7.37%	-	6.25%
BC Aggregate Index	6.19%	6.53%	5.32%	5.83%
Taplin, Canida, Hab. - Net (04/30/05)	8.13%	7.23%	-	6.15%
Western (10/31/01)	9.59%	7.04%	6.83%	6.81%
BC Aggregate Index	6.19%	6.53%	5.32%	5.62%
Western - Net (12/31/04)	9.43%	6.89%	-	6.02%
BC Aggregate Index	6.19%	6.53%	5.32%	5.64%
<b>High Yield (03/31/86)</b>	<b>12.64%</b>	<b>9.34%</b>	<b>11.97%</b>	<b>10.34%</b>
Mackay Shields (10/31/00)	12.42%	8.66%	12.26%	10.10%
ML High Yield Cash Pay Index	12.57%	8.97%	10.61%	8.26%
Mackay Shields - Net (12/31/04)	12.01%	8.26%	-	7.56%
ML High Yield Cash Pay Index	12.57%	8.97%	10.61%	8.17%
Pyramis (07/31/86)	12.88%	10.06%	11.72%	10.09%
ML High Yield Cash Pay Index	12.57%	8.97%	10.61%	8.89%
Pyramis - Net (12/31/04)	12.35%	9.64%	-	8.40%
ML High Yield Cash Pay Index	12.57%	8.97%	10.61%	8.17%

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

## Manager Summary

### Five Best Performing Portfolios vs. Benchmarks

Manager	Year-to-Date Outperformance (in % points)	Since Inception Outperformance (in % points)	
Ariel	10.33	2.74	(10/31/10)
Sands	8.62	3.68	(10/31/03)
Franklin Templeton	7.28	4.89	(07/31/11)
William Blair Intl LC	7.09	1.18	(09/30/02)
Brown	5.36	0.48	(09/30/04)

### Five Worst Performing Portfolios vs. Benchmarks

Manager	Year-to-Date Underperformance (in % points)	Since Inception Underperformance (in % points)	
Lombardia SCV	-4.93	0.15	(05/31/11)
Brandes	-4.59	4.28	(12/31/95)
Frontier	-3.89	5.82	(07/31/88)
Holland	-1.99	0.87	(10/31/94)
EARNEST International	-1.90	5.49	(09/30/04)

### Five Highest Returning Portfolios

Manager	Year-to-Date Return (in % points)	Since Inception Return (in % points)	
Sands	25.42	10.09	(10/31/03)
Ariel	24.70	12.73	(10/31/10)
Franklin Templeton	20.26	-3.14	(07/31/11)
Dodge & Cox	19.35	6.84	(08/31/03)
Vision	18.79	10.15	(06/30/11)

### Five Lowest Returning Portfolios

Manager	Year-to-Date Return (in % points)	Since Inception Return (in % points)	
Northern Trust Barclays Agg	4.12	6.98	(01/31/90)
BlackRock Enhanced	4.73	6.44	(04/30/00)
EARNEST Fixed Income	5.26	6.20	(04/30/05)
BlackRock Core Plus	5.40	6.75	(03/31/07)
Progress Fixed Income	5.72	6.78	(12/31/05)

Returns are shown gross of investment management fees.

Excludes Real Estate and Alternative Investments portfolios.

The report was followed by questions and discussion.

(12-10-03) (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 #12-09-28

Schedules - Dated October 26, 2012

- 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.

Administration - Master Trustee Report

The Master Trustee Report for the month of August was prepared by The Northern Trust Company.

Bids (4)

Consulting Services to Assist in Program Management Oversight, Business Process Improvement and Strategic Planning for the IMRF Modernization Initiative  
Approved Bidder: Provaliant Retirement Solutions  
Approved Bid: \$391,680.00

IMRF New Member Folders  
Approved Bidder: Darwill Printing  
Approved Bid: \$5,300.00



Adobe LiveCycle Annual Maintenance  
Approved Bidder: PC Mall.Gov  
Approved Bid: \$24,062.00

RSA envision Annual Maintenance  
Approved Bidder: Software House, Inc.  
Approved Bid: \$15,600.00

After questions and discussion, it was moved by Ms. Faklis, seconded by Ms. Thompson, to approve the items on the Consent Agenda.

Vote: Unanimous Voice Vote  
Absent: None

(12-10-04) (Financial Reports) The Chair presented the following financial reports for approval.

- Review of October Financial Reporting Package
- August Interim Financial Statements
- Impact of 2012 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. Faklis, to approve the Financial Reports as presented.

Vote: Unanimous Voice Vote  
Absent: None

(12-10-05)(Report of the Benefit Review Committee) The Chair of the Benefit Review Committee reported on the meeting held on October 25, 2012.

It was moved by Ms. Faklis, seconded by Mr. Nannini, to approve the following recommendations of the Benefit Review Committee:

- To uphold staff's determination to deny the application for temporary disability benefits filed by Kathleen Ice.
- To overturn staff's determination and approve the application for total and permanent disability benefits filed by Larry Storm.
- To defer making a decision at this time, and request that Mr. Mumaw submit the medical records for the psychiatric treatment that he indicated that he has been receiving for the past several years. Furthermore, the Committee requests staff to take other steps to evaluate this claim, as appropriate.
- To overturn staff's determination and approve the IMRF participation of Elizabeth Pechous as President of the Berwyn Township Public Health District.

Vote: Unanimous Voice Vote  
Absent: None

(12-10-06) (Report of the Investment Committee Meeting) The Chair of the Investment Committee reported on the meeting held on October 25, 2012.

Staff and consultant gave an overview of the Non-Core Real Estate Manager search. The objective of the search was to move the allocation to real estate toward its targeted long-term allocation of 6% of total portfolio by identifying the value-added and opportunistic non-core real estate managers that are best fit for the IMRF portfolio.

The Chair reported sixty-five firms responded to the IMRF RFP, and after all responses were evaluated, staff interviewed fourteen firms and selected nine firms, including one MBPDOB candidate and two existing real estate managers, to present.

Due to the large number of manager presentations, two of the firms that were selected (IC Berkeley Partners III and Dune Real Estate Fund III) will give their presentations during the October 26, 2012 Board Meeting, and seven firms presented to the Investment Committee (Blackstone Real Estate Partners VII; Starwood Distressed Opportunity Fund IX Global; CBRE Strategic Partners US Value 6; Torchlight Debt Opportunity Fund IV; AEW Partners VII; Rockwood Capital Real Estate Partners Fund IX; and, LaSalle Income & Growth Fund VI).

Next, staff recommended the following:

- Commitment of up to \$25 million in AEW Partners VII, L.P.\*;
- Commitment of up to \$50 million in Blackstone Real Estate Partners VII, L.P.\*;
- Commitment of up to \$30 million in CBRE Strategic Partners U.S. Value 6, L.P.\*;
- Commitment of up to \$20 million in LaSalle Income & Growth Fund VI\*;
- Commitment of up to \$25 million in Rockwood Capital Real Estate Partners Fund IX, L.P.\*;
- Commitment of up to \$20 million in Starwood Distressed Opportunity Fund IX Global, L.P.\*;
- Commitment of up to \$30 million in Torchlight Debt Opportunity Fund IV, L.L.C.\*;
- Authorization of staff to complete all documentation necessary to executive these recommendations.

\*Subject to satisfactory legal diligence

It was the consensus of the Investment Committee to recommend the Board approve the above recommendations.

After questions and discussion, it was moved by Mr. Stafford, seconded by Mr. Nannini, to approve the recommendations of the Investment Committee.

Vote: Unanimous Voice Vote

Absent: None

(12-10-07) (Report of the Legislative Committee) The Chair of the Legislative Committee reported on the meeting held on October 25, 2012.

She reported that it was the consensus of the Legislative Committee to recommend the Board add a proposal to its 2013 Legislative Agenda to remove from the Illinois Pension Code the requirement that the IMRF Board of Trustees "hold regular monthly meetings" and propose instead that it state that the Board "hold at least quarterly regular meetings".

Next, it was the consensus of the Legislative Committee to recommend that the Board adopt the following resolution as proposed by staff to oppose legislation that creates temporary transfer windows between IMRF and other public pension funds:

*WHEREAS, Section 7-102 of the Illinois Pension Code provides that it is the purpose of the Illinois Municipal Retirement Fund to provide a sound and efficient system for the payment of annuities and other benefits to certain officers and employees, and their beneficiaries, of municipalities; and*

*WHEREAS, Section 7-174 of the Illinois Pension Code creates a Board of Trustees to carry out the provisions of Article 7 of the Pension Code; and*

*WHEREAS, the Board of Trustees has adopted Strategic Objectives that include achieving a funding level whereby IMRF is in the top 10% on a market value basis, as measured versus a universe of public pension funds with a December 31<sup>st</sup> year end; and*

*WHEREAS, one of the key strategies for this Objective is to introduce and take positions on legislation that addresses pension sustainability issues; and*

*WHEREAS, legislation is often introduced that creates temporary transfer windows that allow IMRF members to transfer service between IMRF and other public pension systems, often without requiring actuarial calculations of the cost, that increase the unfunded liability of IMRF's employers; and*

*WHEREAS, the Board of Trustees believes that such transfer windows challenge the sustainability of the fund in the realm of public opinion by casting governmental plans in an unfavorable light leading to proposals that would negatively impact the continued existence of public plans as currently structured.*

*NOW, THEREFORE, BE IT RESOLVED, that the Board of Trustees authorizes the IMRF staff to oppose any legislative proposals that create temporary transfer windows that allow IMRF members to transfer service between IMRF and other public pension systems.*

*BE IT FURTHER RESOLVED that staff is directed to contact the Board immediately when any such legislation is introduced with a report on staff's activities related thereto.*

Lastly, the Committee discussed the 2013 IMRF Board of Trustees Springfield Drive-Down.

After discussion, it was moved by Ms. Thompson, seconded by Ms. Faklis, to accept the recommendations of the Legislative Committee.

Vote: Unanimous Voice Vote  
Absent: None

(12-10-08) (2013 Employer Contribution Rates) The Chief Financial Officer presented the 2013 Employer Contribution Rates to the Board.

After discussion, it was moved by Mr. Stafford, seconded by Mr. Stulir, to approve the 2013 Employer Contribution Rates.

Vote: Unanimous Voice Vote  
Absent: None

(12-10-09) (2013 Staff Medical Insurance) The Human Resources Manager reviewed the proposal made by Blue Cross Blue Shield of Illinois.

After discussion, it was moved by Ms. Faklis, seconded by Ms. Copper, to renew the staff health insurance plan with Blue Cross Blue Shield of Illinois, including benefit structure changes recommended by Mercer, resulting in a premium increase of 1.78%, per below.

PPO Office visit to specialist - increase from \$25 to \$45  
Emergency room co-pay - increase from \$30 to \$100  
HMO office visit to specialist - increase from \$20 to \$40  
Outpatient surgery co-pay - increase from \$0 to \$150  
Emergency room co-pay - increase from \$75 to \$100

Vote: Unanimous Voice Vote  
Absent: None

(12-10-10) (2013 Staff Dental Insurance) The Human Resources Manager reviewed the current dental insurance program offered through Delta Dental of Illinois.

After discussion, it was moved by Ms. Thompson, seconded by Mr. Nannini to retain Delta Dental of Illinois to provide dental coverage for staff for one year with no premium increase and no changes to benefit structure.

Vote: Unanimous Voice Vote  
Absent: None

(12-10-11) (Staff Medical Insurance Premium Rate Contribution) The Human Resources Manager reviewed the current split between employee-paid insurance premiums and employer-paid insurance premiums.

After discussion, it was moved by Mr. Piechocinski seconded by Mr. Nannini to continue the current split between employee-paid and employer-paid health insurance premiums.

Vote: Unanimous Voice Vote  
Absent: None

(12-10-12) (Base Salary Adjustment) The Human Resources Manager reviewed last year's base salary adjustments, inflation and salary surveys with the Board.

After discussion, it was moved by Ms. Faklis, seconded by Mr. Nannini, to increase the base salaries by 2.25% for employees in good standing effective January 1, 2013.

Vote: Unanimous Voice Vote  
Absent: None

(12-10-13) (Discretionary Increase Amount) The Human Resources Manager reviewed the discretionary salary increase granted last year and discussed its administration.

After discussion, it was moved by Mr. Stafford, seconded by Ms. Thompson, to allow discretionary increases not to exceed 2% for employees who have a proven history of exceeding performance standards effective January 1, 2012, with a pool of \$71,620.

Vote: Unanimous Voice Vote  
Absent: None

(12-10-14) (Salary Range Adjustments) The Human Resources Manager discussed IMRF's compensation program and the roles played by salary ranges.

She reported that in keeping with our practice of having an external review of our salary ranges on a three-year cycle, IMRF again retained McLagan Partners to review our ranges and positions for the 2013 Compensation Plan.

After discussion, it was moved by Ms. Faklis, seconded by Mr. Nannini, to accept the following McLagan recommendations:

- a. Increase the range structure for Grades A through J by 3%;
- b. Create supervisor "Service Staff" range at 2012 minimum-maximum;
- c. Move Supervisors salary range to \$60,000 - \$100,000;
- d. Move IS Team Leader range to \$81,500 to \$138,500;
- e. Move Manager range from \$80,000 to \$160,000; and
- f. Create new grade/range for Chief Investment Officer to \$200,000 to \$280,000.

Vote: Unanimous Voice Vote  
Absent: None

(12-10-15) (Special Salary Adjustments) The Human Resources Manager discussed providing a special salary adjustment to certain employees.

After discussion, it was moved by Ms. Faklis, seconded by Ms. Copper, to provide a one-time salary adjustment, not to exceed \$1,000 to twenty-five employees in Grades A through G, whose annual salaries are at the salary range minimum for their respective grade.

Vote: Unanimous Voice Vote  
Absent: None

(12-10-16) (Dune Real Estate Allocation) After questions and discussion, it was moved by Mr. Stafford to allocate up to \$25 million to the Dune Real Estate Partners Fund III, subject to satisfactory legal diligence, and to authorize staff to complete all documentation necessary to executive these recommendations. Ms. Thompson seconded the motion.

Vote: Unanimous Voice Vote  
Absent: None

(12-10-17) (Litigation Update) The following is an update of the currently pending litigation:

**STEVENS vs. VILLAGE OF OAK BROOK, et al.**

**Summary:** An IMRF annuitant has filed suit against his former employer seeking a determination that he is entitled to Omitted Service credits for the years 1980 through 2000. The employer had previously determined that the member was not entitled to establish such credits for the period in question.

**Status:** Cross appeals filed with the Second District Appellate Court. Settlement negotiations ongoing.

**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.

**Status:** Argument on summary judgment was held. Judge has not issued a ruling. Settlement seems probable. Discussions are ongoing.

**WABASH COUNTY, ILLINOIS vs. IMRF, et al.**

**Summary:** Board dismissed an employer's "Request for Correction of Records".

**Status:** Motion to dismiss was denied by Judge Wheaton. Briefing schedule has been set and matter is set for a hearing on February 1, 2013.

**BOARD OF ED. OF JOLIET TOWNSHIP H.S. DIST. 204, et. al. v. IMRF, et.al.**

**Summary:** This is an administrative review of a return to work case regarding three administrative employees of the District who went back to work for the District after their respective retirements.

**Status:** Case has settled, agreement to be entered on October 10, 2012.

IMRF v. DIANE WILLIAMS-EASTERN, et al.

**Summary:** This is an interpleader action filed by IMRF asking the court to determine to whom and in what amounts the death benefits of Robert Eastern Jr. should be paid.

**Status:** Money has been deposited with the court. Primary beneficiaries have filed a motion to dismiss based on lack of subject matter jurisdiction. Parties have submitted proposed orders. Waiting for decision from judge.

JOSEPH PRAZEN v. IMRF

**Summary:** This is an administrative review action involving an ERI return to work situation.

**Status:** Petition for Leave to Appeal with Illinois Supreme Court filed on October 5, 2012.

LIARAKOS V. IMRF

**Summary:** Appeal of denial of total and permanent disability.

**Status:** Briefing is ongoing and matter is set for hearing on January 11, 2013.

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.

**Status:** IMRF has joined with other public plans and is using a shared counsel (Ice Miller LLP).

BURGER v. IMRF (12 MR 127)

**Summary:** Appeal of denial of total and permanent disability.

**Status:** Briefing schedule has been entered. Hearing set for November 5, 2012.

DIEHL V. BOARD OF TRUSTEES 912 MR 1282 Dupage)

**Summary:** Appeal of denial of total and permanent disability based on a voluntary resignation.

**Status:** Record and appearance were filed on October 4, 2012. Initial status is set for December 28, 2012.

**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.

**DEWAYNE C. JONES V. IMRF (12 MR 223 WILLIAMSON CO.)**

**Summary:** Termination of total and permanent disability payments due to failure to provide proof of continuing medical treatment.

**VICTORIA KING V. IMRF (12 MR 361 ST. CLAIR CO.)**

**Summary:** Closure of temporary disability claim due to failure to provide requested documentation.

(12-10-18) (Report of the Executive Director)

**Quarterly Strategic Objectives Report**

The Executive Director updated the Board on the third Quarter 2012 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 third Quarter 2012.

**Representation of IMRF**

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

**Proposed 2013 Board Meeting Dates**

The Executive Director reviewed a list of proposed 2013 Board Meeting dates.



(12-10-19) (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 9:00 a.m. on November 16, 2012.

Vote: Unanimous Voice Vote  
Absent: None

\_\_\_\_\_  
President

\_\_\_\_\_  
Date

\_\_\_\_\_  
Secretary

\_\_\_\_\_  
Date

Schedules A, B, C, D, G."F, G and R are omitted from this copy of Minutes. These schedules are identical to schedules attached to Minutes distributed to Board of Trustees prior to meeting.