

**ILLINOIS MUNICIPAL RETIREMENT FUND
MINUTES OF
REGULAR MEETING NO. 17-02
FEBRUARY 17, 2017**

ILLINOIS MUNICIPAL RETIREMENT FUND

MEETING NO. 17-02

REGULAR MEETING

OF THE

BOARD OF TRUSTEES

The Regular Meeting of the Board of Trustees was held at 9:00 a.m. on February 17, 2017, in the Fund Office at 2211 York Road, Suite 400, Oak Brook, Illinois.

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

Ms. Enright called the roll:

Present: Stanish, Thompson*, Wallace, Williams, Copper, Henry, Kuehne
Absent: Miller

*Trustee Thompson was present via telephone.

Ms. Becker-Wold and Mr. Ball from Callan Associates, and representatives from Pensions and Investments, Loop Capital, and BNY Mellon were also present.

(17-02-01) (Board of Trustees) The Executive Director reported that David Miller and Alex Wallace, Jr. had subscribed to the constitutional oath of office that was filed in the Fund's records.

(17-02-02) (Investment Manager Activities - Callan Associates) Mr. Ball of Callan Associates presented the following report to the Board on the activities of IMRF's investment managers for the month of January 2017:

January 31, 2017



**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. Callan does not provide advice regarding, nor shall Callan be responsible for, the purchase, sale, hedge or holding of individual securities, including, without limitation securities of the client (i.e., company stock) or derivatives in the client's accounts. In preparing the following report, CAI has not reviewed the risks of individual security holdings or the conformity of individual security holdings with the client's investment policies and guidelines, nor has it assumed any responsibility to do so. Advice pertaining to the merits of individual securities and derivatives should be discussed with a third party securities expert. Copyright 2017 by Callan Associates Inc.

Market Environment
As of January 31, 2017

Index	Last Month	Last Quarter	Last Year	Last 3 Years	Last 5 Years	Last 10 Years
Russell:3000 Index	1.88	8.52	21.73	10.28	13.97	7.07
S&P:500	1.90	7.76	20.04	10.85	14.09	6.99
Russell:2000 Index	0.39	14.72	33.53	7.89	13.00	6.93
MSCI:ACWI ex US	3.54	3.73	16.09	0.92	4.36	1.28
MSCI:EM	5.47	0.84	25.41	1.44	0.19	2.49
Bimbg:Aggregate Idx	0.20	(2.04)	1.45	2.59	2.09	4.37
NCREIF:Total Index	0.57	1.73	7.80	10.89	10.85	6.86
Bimbg:Commodity Price Idx	0.09	3.17	13.43	(11.44)	(9.48)	(6.20)

The first couple of weeks of the new administration saw a number of initiatives set in motion to reduce taxes, regulation and alter the terms of trade. The Dow closed above 20,000 for the first time ever on January 25. The dollar reversed its strengthening trend after hitting a peak in early January and fell for the remainder of the month. Energy prices surged. The euro zone released a trove of positive economic data at the end of January. The Bank of Japan lifted its growth forecasts and held off on initiating additional monetary easing at its first policy meeting of the new year. The Russell 3000 Index rose 1.9% during the month. The MSCI ACWI ex U.S. Index advanced 3.5%, propelled by surges in Latin American and Asian emerging markets. The MSCI Emerging Markets Index was up 5.5%. The yield on the 10-year Treasury ended January exactly where it began and the U.S. Aggregate rose 0.2% over the period.

In January, U.S. employers added 227,000 jobs. This increase was well above consensus expectations and exceeds the 2016 monthly average by 40,000. The largest contributors to payrolls were finance and construction jobs. The labor force participation rate and the unemployment rate each increased as discouraged workers came off of the sidelines. Labor force participation increased 0.2% to 62.9% and the unemployment rate rose to 4.8%. Wage pressure was muted as January's average hourly earnings increased only 0.1% and December's month-over-month wage increases were downsized 0.2%. This revision left year-over-year wage increases at 2.5%.

Initial estimates of fourth quarter GDP came in lower than at expected 1.9%. Low net export figures provided downward pressure, subtracting 1.7% from annualized growth. Despite the subdued number, personal consumption expenditures, residential investment and business investment were all positive contributors. Rising inventories added one percentage point to GDP but may cause a drag on production in the coming quarter unless demand picks up. Headline and core CPI rose 0.3% and 0.2% month-over-month, respectively, in December. Energy prices, up 1.5% in the month, helped boost headline CPI to 2.1% year-over-year. Core CPI was up 2.2% over the same time period. Medical costs, a long-time source of pricing pressure, have softened along with food prices the last several months. Apparel prices were down 0.7%.

*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.

U.S. Equity Overview
As of January 31, 2017

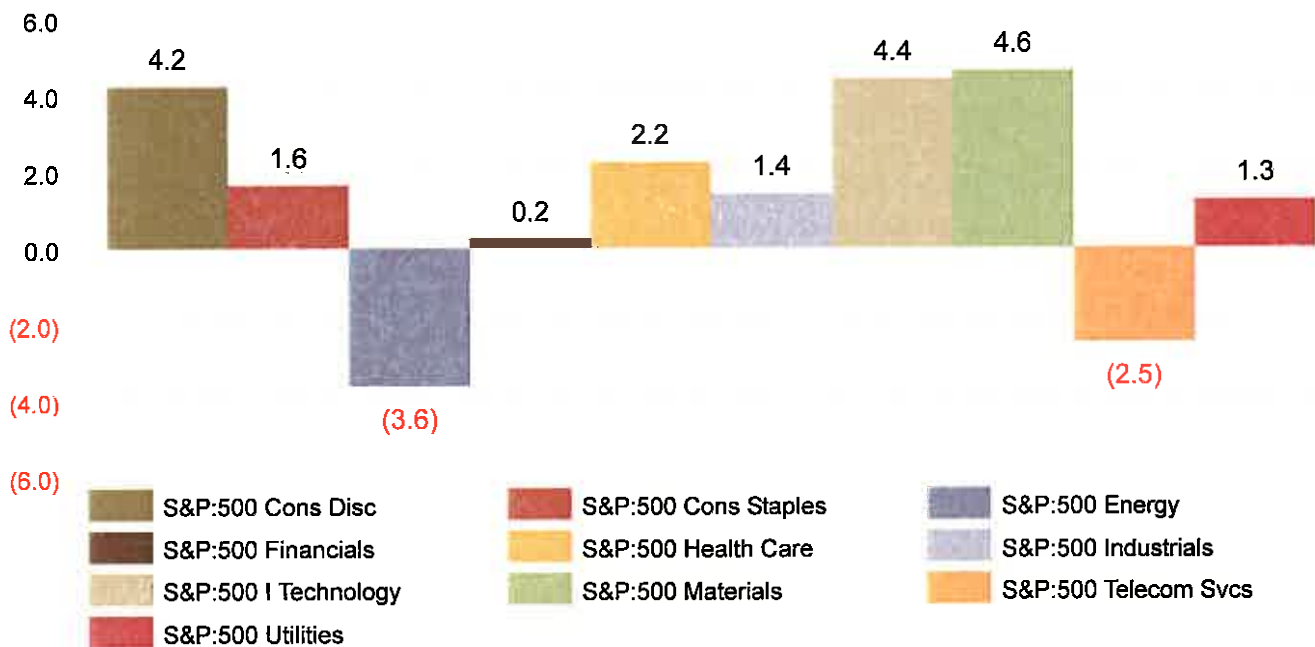
Index	Last Month	Last Quarter	Last Year	Last 3 Years	Last 5 Years	Last 10 Years
Russell:3000 Index	1.88	8.52	21.73	10.28	13.97	7.07
Russell:1000 Index	2.01	8.02	20.81	10.50	14.06	7.09
Russell:1000 Growth	3.37	6.93	17.23	10.82	13.93	8.42
Russell:1000 Value	0.71	9.13	24.62	10.16	14.11	5.66
Russell:Midcap Index	2.41	9.16	24.72	9.50	13.92	7.76
Russell:2000 Index	0.39	14.72	33.53	7.89	13.00	6.93
Russell:2000 Growth	1.62	12.23	26.87	6.23	12.47	7.73
Russell:2000 Value	(0.71)	17.11	40.22	9.48	13.44	6.03

Strong economic reports and positive market sentiment drove a risk-on trade to start the year. Equities continued to ride healthy business activity and improving U.S. labor market conditions in the early days of Trump's presidency. Domestic equity rose across all market segments.

Contrary to last month, large caps outperformed small caps (Russell 1000 Index: +2.0%; Russell 2000 Index: +0.4%). Growth stocks significantly outperformed value stocks across the cap spectrum (Russell 1000 Growth: 3.4%; Russell 1000 Value: 0.7%). The Russell Midcap Index had a strong month as well returning 2.4% to finish second.

The majority of S&P 500 sectors produced positive returns for the month. Materials lead the way up 4.6%, followed by Information Technology (+4.4%), Consumer Discretionary (+4.2%) and Health Care (+2.2%). Energy and Telecom were down for the month, falling 3.6% and 2.5% respectively.

S&P 500 Index Sector Returns



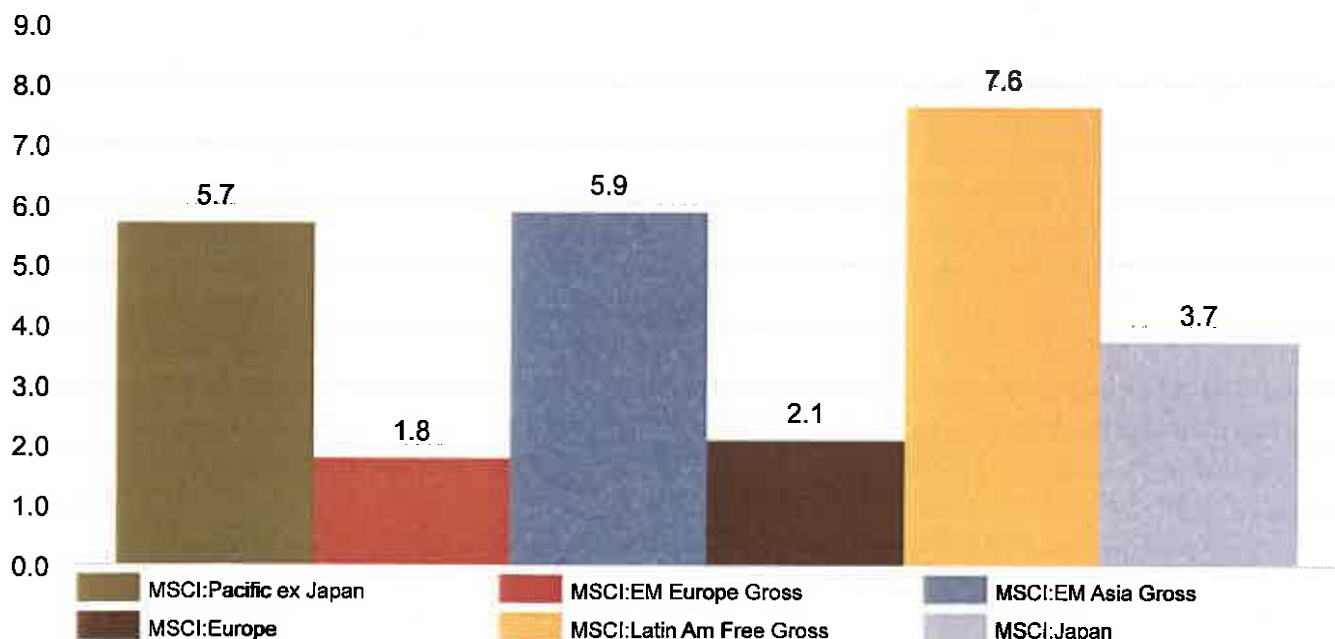
Non-U.S. Equity Overview
As of January 31, 2017

Index	Last Month	Last Quarter	Last Year	Last 3 Years	Last 5 Years	Last 10 Years
MSCI:ACWI ex US	3.54	3.73	16.09	0.92	4.36	1.28
MSCI:EAFE	2.90	4.30	12.03	0.71	6.04	0.97
MSCI:EAFE Hedged Net	0.22	6.14	12.81	6.90	11.08	2.44
MSCI:EM	5.47	0.84	25.41	1.44	0.19	2.49
MSCI:ACWI ex US Small Cap	3.83	2.89	16.85	2.70	6.74	3.14

International equities outshone their U.S. counterparts in January with emerging markets bolstering the returns of the MSCI ACWI ex U.S. Index (+3.5%). There was a slew of positive data from the euro zone and Japan. Euro zone core inflation increased 0.9% year-over-year in January. GDP growth was 0.4% in the fourth quarter and 1.7% for all of 2016. The unemployment rate fell to 9.6% in December, the lowest figure since May 2009. Japan also exhibited promise, as the BOJ boosted its growth forecast by 0.4% through the end of the fiscal year, and increased its 12 month forecast by 0.2%. The U.S. dollar weakened and local currency returns lagged dollar denominated returns (MSCI EAFE: +2.9%; MSCI EAFE Hedged: +0.2%). The MSCI Emerging Markets Index increased 5.5%. Small cap stocks outside of the U.S. also gained, rising 3.8% (MSCI ACWI SC x U.S. Index).

All MSCI regional returns were up for the month. Latin American equities led the way in January (MSCI Latin America: +7.6%). Asian emerging markets and Pacific ex Japan followed, increasing 5.9% and 5.7%, respectively. Despite positive economic data in the region, developed Europe and European emerging markets lagged far behind the leaders, increasing only 2.1% and 1.8% for the month.

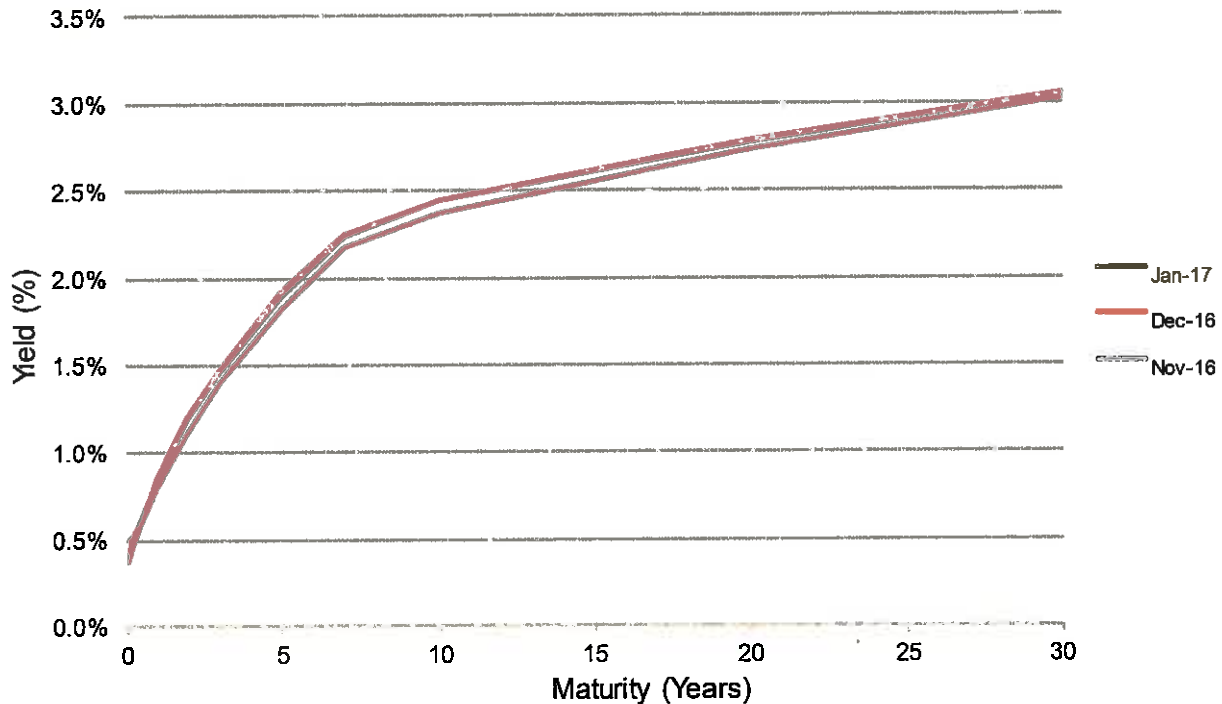
MSCI Regional Returns



Fixed Income Overview
As of January 31, 2017

Index	Last Month	Last Quarter	Last Year	Last 3 Years	Last 5 Years	Last 10 Years
Blmbg:Aggregate Idx	0.20	(2.04)	1.45	2.59	2.09	4.37
Blmbg:Govt Index	0.23	(2.47)	(0.78)	1.89	1.18	3.89
Blmbg:Credit	0.34	(1.81)	5.43	3.61	3.49	5.35
Blmbg:Mortgage Idx	(0.03)	(1.75)	0.34	2.52	1.97	4.27
Blmbg:US TIPS Index	0.84	(1.19)	4.02	1.88	0.61	4.44
ML:High Yield CP Idx	1.34	2.91	20.82	4.90	6.99	7.30
3 Month T-Bill	0.04	0.10	0.37	0.15	0.13	0.76
CS:Lev Loan	0.53	2.02	11.27	3.70	4.91	4.23

Treasury Yield Curve



After fixed income securities experienced a slight rally in the first half of the month, Federal Reserve Chair Janet Yellen's comments suggesting multiple rate hikes in 2017 reversed the move. The market-implied probability of a hike at the Fed's March meeting hovered around 30%. The Fed maintains a projection of three rate hikes during the year with the first expected in June. Volatility in the Treasury curve was modest as rates finished the month near where they started. The five-year dropped three bps to 1.90%, the 10-year remained unchanged at 2.45% and the 30-year fell only one basis point to 3.05%.

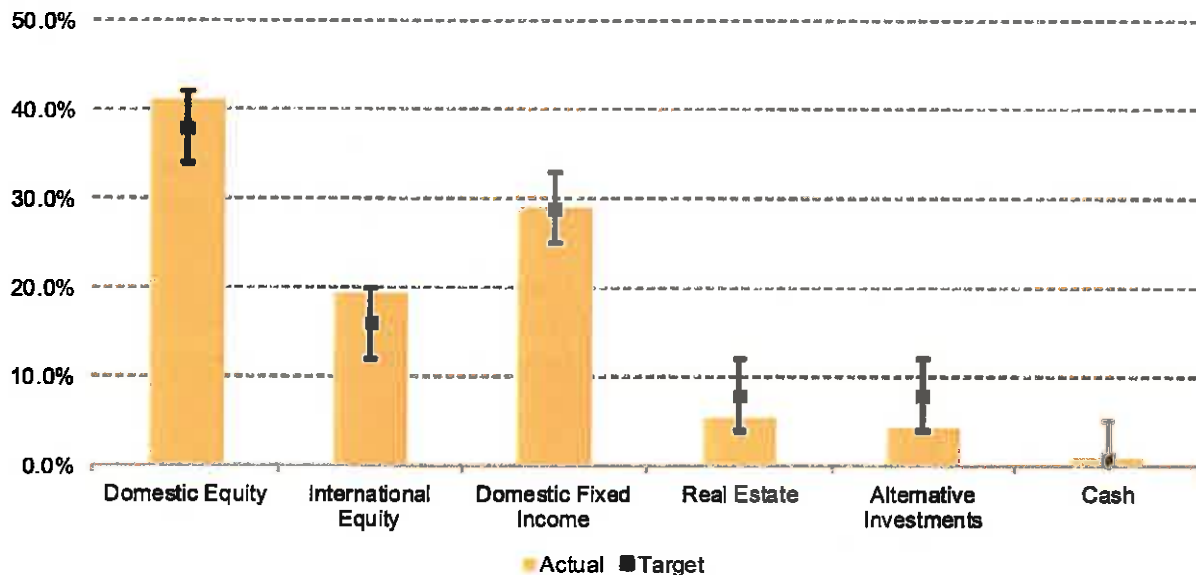
Uncertainty remains high in the early stages of President Trump's tenure and fixed income returns were modestly positive to start the year. High Yield (ML High Yield CP Index) continued its 2016 charge into the new year returning 1.3% for the month on spread narrowing. The broad market (Bloomberg Barclays Aggregate Index), Governments (Bloomberg Barclays Government Index), Credit (Bloomberg Barclays Credit Index) and TIPS (Bloomberg Barclays U.S. TIPS Index) all rebounded from a poor fourth quarter. The lone loser for the month was mortgages (Bloomberg Barclays Mortgage Index), which were down a minimal three basis points in January on spread widening.

Executive Summary

Total Fund

Total Fund assets at the end of January were \$36.9 billion, up from \$36.3 billion at the end of December. The Fund gained 1.51% for the month, surpassing the benchmark return by 6 basis points. The U.S. Equity and International Equity composites produced mixed results, as Domestic Equity was essentially flat to its benchmark and non-U.S. equity underperformed. Real Estate fell four basis points during January, trailing the benchmark by 66 basis points. Alternatives retreated 0.93%, and trailed the 0.72% return of its custom benchmark. Fixed Income grew 0.38% during the month and beat the 0.20% return of the Bloomberg Aggregate Index. For the fiscal year, the Fund returned 14.28% outpacing the return of the benchmark by 1.66%.

Current policy states that when 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 January, Alternatives was below target allocation by 4.5% and Domestic Equity was above the target allocation by 5.2%. All other asset classes were within the allowable range. The Chief Investment Officer and Consultant do not recommend any rebalancing at this time.



U.S. Equity

The U.S. Equity composite gained 1.90% during January compared to the 1.88% return of the Russell 3000 Index. Reversing course, large cap had the advantage over small cap and growth outperformed value across capitalizations.

Large Cap: IMRF's large cap managers advanced 2.43% and exceeded the return of the Russell 1000 Index by 42 basis points. In aggregate, growth managers gained 4.84%, exceeding the Russell 1000 Growth Index return of 3.37%. Sands far surpassed the other two managers, returning 8.56% and topping the benchmark by over 5%. Value managers returned 1.15%, outperforming the Russell 1000 Value Index by 44 basis points. Dodge and Cox was the strongest performing active value manager, returning 2.37%, while BMO was the runner up with a return of 1.19%.

Small Cap: The small cap composite grew 22 basis points but trailed the 0.39% return of the Russell 2000 Index. The small cap growth managers in aggregate outperformed the small cap value managers in a reversal of recent trends. The micro-cap composite declined 1.15% during the month. Ariel was the only micro-cap manager to post a positive return for the month.

International Equity

In January, the International Equity composite lagged the MSCI ACWI ex-U.S. (Net) Index by 25 basis points with a return of 3.29%.

Large Cap: International Large Cap managers had an absolute return of 3.24% during January but trailed the MSCI ACWI ex-U.S. (Net) Index by 30 basis points. International Large Cap Growth managers collectively advanced 4.00% as both EARNEST Partners and William Blair performed well. In aggregate, the International Large Cap Value managers gained 2.26%.

International Small Cap and Emerging Markets: The International Small Cap managers returned 3.36%, slightly trailing the 3.83% return of the ACWI Small Cap ex US Index. The Emerging Markets portfolio, managed by Genesis, advanced 3.68% during the month but underperformed the MSCI Emerging Markets Index by 180 basis points.

Fixed Income

For the month, the total fixed income portfolio gained 0.38% and surpassed the Bloomberg Aggregate Index by 18 basis points. The opportunistic manager, Crescent, led the way for all fixed income managers, returning 2.23%.

Active Core: In aggregate, the active core fixed income managers gained 0.28% during January. EARNEST Partners and Piedmont both outperformed while Garcia Hamilton performed in line with the Bloomberg Aggregate Index.

Core Plus: The core plus managers advanced 0.31%, led by the 0.54% return of Western and the 0.50% return of Taplin, Canida, Habacht.

Bank Loans: The monthly return for the bank loans component, managed by Barings, was not yet available.

Emerging Markets: The emerging market debt component, managed by Standish, continued its positive momentum from December, returning 1.93% and outperforming its custom benchmark by 0.12%.

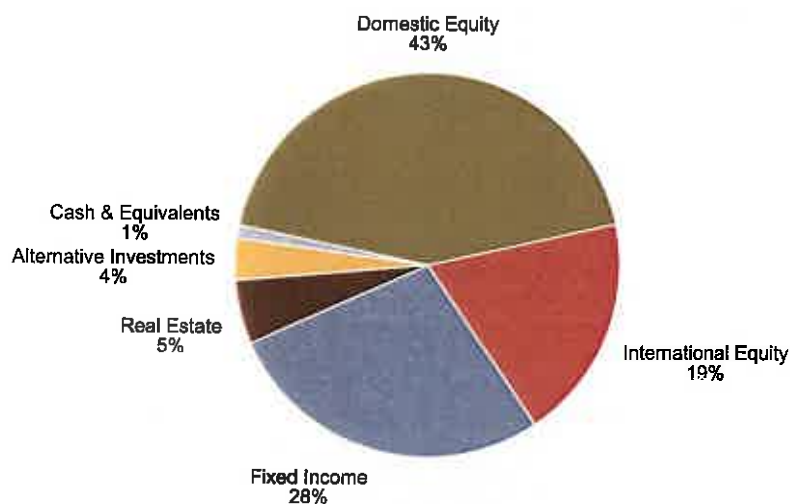
Opportunistic: The opportunistic component, managed by Crescent, led the way for all fixed income managers during the month, gaining 2.23% relative to the 0.95% return of its custom benchmark.

High Yield: The high yield manager, MacKay Shields, returned 1.28% in January but slightly underperformed its benchmark by 6 basis points.

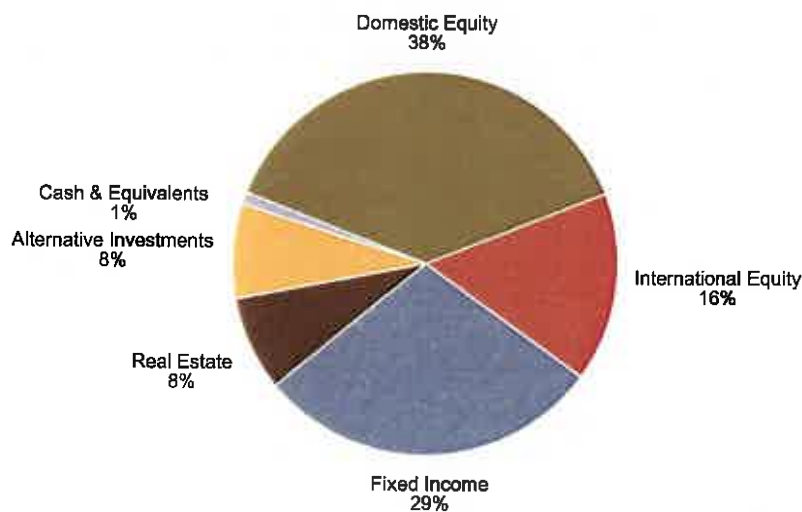
Actual vs Target Asset Allocation

The first chart below shows the Fund's asset allocation as of January 31, 2017. 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	15,956	43.2%	38.0%	5.2%	1,929
International Equity	7,008	19.0%	16.0%	3.0%	1,102
Fixed Income	10,255	27.8%	29.0%	(1.2%)	(450)
Real Estate	1,977	5.4%	8.0%	(2.6%)	(976)
Alternative Investments	1,309	3.5%	8.0%	(4.5%)	(1,644)
Cash & Equivalents	408	1.1%	1.0%	0.1%	39
Total	36,913	100.0%	100.0%		

* Current Month Target = 38.0% Russell 3000 Index, 29.0% Blmbg Aggregate Idx, 16.0% MSCI ACWI ex US, 8.0% NFI-ODCE Value Weight Net, 8.0% 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 January 31, 2017, with the distribution as of December 31, 2016.

Asset Distribution Across Investment Managers

	January 31, 2017		December 31, 2016	
	Market Value	Percent	Market Value	Percent
Domestic Equity*	\$15,955,863,021	43.23%	\$15,747,953,000	43.42%
Large Cap Growth				
Holland	890,701,097	2.41%	862,687,325	2.38%
NTGI S&P 500 Growth Idx	1,569,018,092	4.25%	1,523,642,380	4.20%
Sands	1,228,876,028	3.33%	1,131,963,973	3.12%
Large Cap Value				
Dodge & Cox	1,317,729,667	3.57%	1,289,023,626	3.55%
BMO	1,325,943,089	3.59%	1,312,137,783	3.62%
LSV	1,354,964,575	3.67%	1,351,048,293	3.73%
NTGI S&P 500 Value Idx	1,541,741,926	4.18%	1,531,347,006	4.22%
Large Cap Core				
NTGI MarketCap Index	3,001,777,390	8.13%	2,944,696,020	8.12%
Small Cap Growth				
Frontier	375,339,635	1.02%	367,912,660	1.01%
FIAM	1,017,119,506	2.76%	1,003,343,797	2.77%
Small Cap Value				
Channing	213,952,316	0.58%	213,876,369	0.59%
Dimensional Small Cap Value	848,230,616	2.30%	855,573,915	2.36%
Inv. Counselors of Maryland	707,554,652	1.92%	706,263,793	1.95%
Micro Cap				
Ariel	72,828,682	0.20%	71,798,305	0.20%
Ativo	118,299,916	0.32%	120,466,623	0.33%
Dimensional Micro Cap	371,453,341	1.01%	377,018,942	1.04%
Wall Street	8,374	0.00%	84,888,513	0.23%
International Equity	\$7,007,719,093	18.98%	\$6,783,842,148	18.71%
International Large Cap Growth				
EARNST Partners	537,364,303	1.46%	515,825,904	1.42%
William Blair	607,135,012	1.64%	584,442,811	1.61%
International Large Cap Value				
Brandes	538,417,790	1.46%	525,357,853	1.45%
Lombardia	5,205	0.00%	5,161	0.00%
Mondrian	498,598,329	1.35%	487,782,548	1.35%
Lazard	93,970,803	0.25%	92,076,238	0.25%
International Large Cap Core				
Arrowstreet	573,714,814	1.55%	543,387,160	1.50%
Brown	281,489,551	0.76%	275,571,176	0.76%
GlobeFlex	543,937,477	1.47%	520,157,999	1.43%
NTGI MSCI EAFE Index	2,040,326,847	5.53%	1,982,765,302	5.47%
Progress Intl Equity	235,389,915	0.64%	235,389,915	0.65%
International Small Cap				
Franklin Templeton	193,991,108	0.53%	187,097,180	0.52%
William Blair	232,270,838	0.63%	225,300,435	0.62%
Emerging Markets				
Genesis	631,112,308	1.71%	608,682,465	1.68%

* includes asset in equity transition account.

Investment Manager Asset Allocation

The table below contrasts the distribution of assets across the Fund's investment managers as of January 31, 2017, with the distribution as of December 31, 2016.

Asset Distribution Across Investment Managers

	January 31, 2017		December 31, 2016	
	Market Value	Percent	Market Value	Percent
Fixed Income	\$10,254,863,394	27.78%	\$10,238,419,060	28.23%
Domestic Fixed Core				
EARNEST Partners	548,991,309	1.49%	550,077,444	1.52%
Piedmont	549,010,533	1.49%	548,195,937	1.51%
Garcia Hamilton	521,410,676	1.41%	521,496,091	1.44%
Passive Core				
BlackRock US Debt	1,396,437,430	3.78%	1,393,601,514	3.84%
NTGI Blmbg Aggregate Index	1,512,280,675	4.10%	1,508,847,244	4.16%
Domestic Fixed Core Plus				
BlackRock Core Plus	743,057,726	2.01%	743,635,080	2.05%
Brandes Core Plus	245,522,254	0.67%	245,224,136	0.68%
LM Capital	855,989,068	2.32%	857,307,500	2.36%
Progress Fixed Income	852,301,545	2.31%	852,301,545	2.35%
Taplin, Canida, & Habacht	869,780,529	2.36%	868,450,261	2.39%
Western	921,885,059	2.50%	920,537,911	2.54%
Bank Loans				
Barings Global Loan Fund	307,903,552	0.83%	307,903,524	0.85%
Emerging Markets Debt				
Standish	187,824,875	0.51%	184,275,519	0.51%
Opportunistic Fixed Income				
Crescent	117,130,779	0.32%	115,833,909	0.32%
High Yield				
MackKey Shields	624,298,528	1.69%	619,710,161	1.71%
FIAM High Yield	1,038,858	0.00%	1,021,286	0.00%
Real Estate	\$1,977,285,993	5.36%	\$1,991,348,231	5.49%
Real Estate Core				
TA Buckhead Ind. Prop.	379,736,258	1.03%	379,736,258	1.05%
Barings Core Property Fund	144,444,176	0.39%	144,444,176	0.40%
INVESCO Core RE	187,728,020	0.51%	189,277,715	0.52%
AEW Core Property Trust	222,513,392	0.60%	223,418,592	0.62%
CBRE US Core Property Trust	158,669,597	0.43%	160,408,511	0.44%
Real Estate Non-Core				
Artemis MWBE Spruce	22,781,646	0.06%	22,031,646	0.06%
Franklin Templeton EMREFF	35,981,249	0.10%	36,435,725	0.10%
Security Capital	54,486,034	0.15%	54,486,034	0.15%
Dune II	34,637,128	0.09%	34,637,128	0.10%
Non-Core Real Estate Funds*	619,826,152	1.68%	628,817,329	1.73%
Non-Core Intl Real Estate Funds**	69,694,366	0.19%	68,318,646	0.19%
Rockwood Fund VIII	5,086,446	0.01%	5,085,587	0.01%
Almanac ARS V	8,839,584	0.02%	11,388,939	0.03%
TA Fund IX	32,861,945	0.09%	32,861,945	0.09%
Alternative Investments	\$1,308,975,941	3.55%	\$1,365,034,944	3.76%
Absolute Return				
Aurora	60,405,937	0.16%	101,862,811	0.28%
Private Equity				
Abbott	313,085,105	0.85%	320,802,826	0.88%
Muller & Monroe ILPEFF	2,913,771	0.01%	7,848,277	0.02%
Muller & Monroe MPEFF	10,713,206	0.03%	10,713,206	0.03%
Pantheon	202,459,259	0.55%	205,353,290	0.57%
Private Equity Fund - Domestic	429,615,577	1.16%	429,148,096	1.18%
Private Equity Fund - International	28,112,763	0.08%	27,608,430	0.08%
Agriculture				
Premiere Partners IV	186,073,880	0.50%	186,101,565	0.51%
Timberland				
Forest Investment Assoc.	75,596,443	0.20%	75,596,443	0.21%
Cash & Equivalents	\$408,269,611	1.11%	\$139,182,841	0.38%
Total Fund	\$36,912,977,054	100.0%	\$36,265,780,225	100.0%

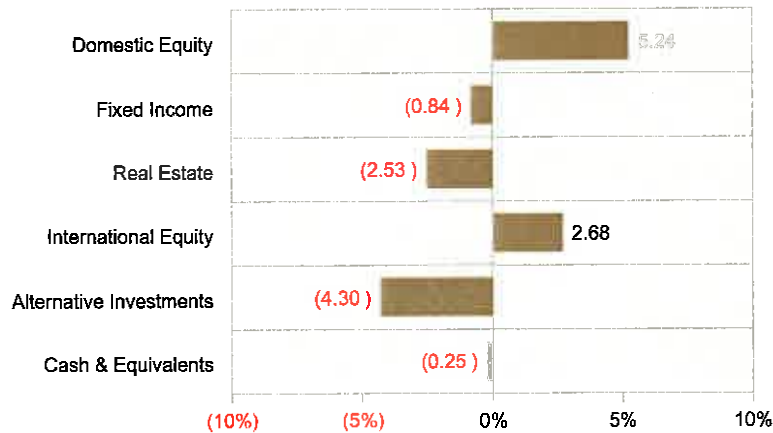
* Non-Core Real Estate Funds funded since September 2011.

** Non-Core International Real Estate Funds funded since August 2014.

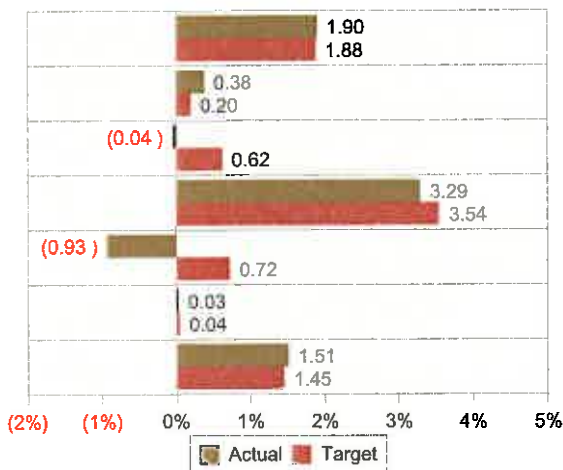
Monthly Total Fund Relative Attribution - January 31, 2017

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.

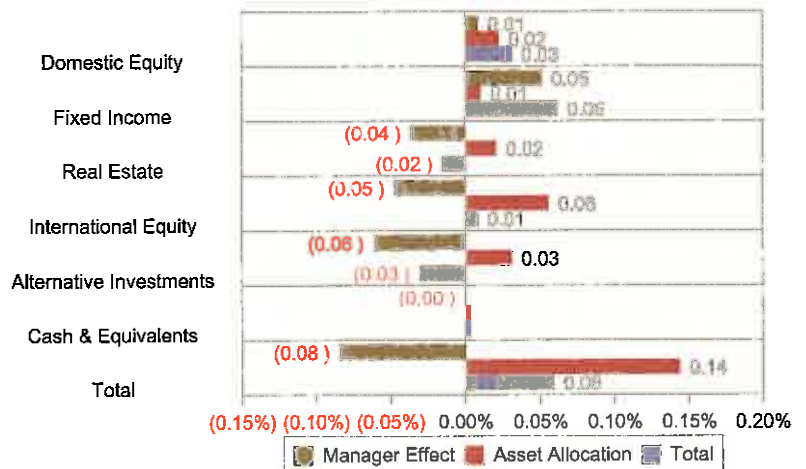
Asset Class Under or Overweighting



Actual vs Target Returns



Relative Attribution by Asset Class



Relative Attribution Effects for Month ended January 31, 2017

Asset Class	Effective Actual Weight	Effective Target Weight	Actual Return	Target Return	Manager Effect	Asset Allocation	Total Relative Return
Domestic Equity	43%	38%	1.90%	1.88%	0.01%	0.02%	0.03%
Fixed Income	28%	29%	0.38%	0.20%	0.05%	0.01%	0.06%
Real Estate	5%	8%	(0.04)%	0.62%	(0.04)%	0.02%	(0.02)%
International Equity	19%	16%	3.29%	3.54%	(0.05)%	0.06%	0.01%
Alternative Investments	4%	8%	(0.93)%	0.72%	(0.06)%	0.03%	(0.03)%
Cash & Equivalents	1%	1%	0.03%	0.04%	(0.00)%	0.00%	0.00%
Total			1.51%	1.45%	(0.08)%	0.14%	0.06%

* Current Month Target = 38.0% Russell 3000 Index, 29.0% Blmbg Aggregate Idx, 16.0% MSCI ACWI ex US, 8.0% NFI-ODCE Value Weight Net, 8.0% 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 January 31, 2017

	Last Month	Last 3 Months	Last 12 Months
Domestic Equity	1.90%	10.10%	23.54%
Blended Benchmark**	1.88%	8.52%	21.73%
Domestic Equity - Net	1.89%	10.04%	23.25%
International Equity	3.29%	3.17%	14.60%
MSCI ACWI x US (Net)	3.54%	3.73%	16.09%
International Equity - Net	3.27%	3.08%	14.21%
Fixed Income	0.38%	(1.32%)	4.24%
Blmbg Aggregate Index	0.20%	(2.04%)	1.45%
Fixed Income - Net	0.36%	(1.36%)	4.11%
Real Estate	(0.04%)	1.91%	8.81%
Blended Benchmark***	0.62%	1.88%	7.76%
Real Estate - Net	(0.04%)	1.91%	8.81%
Alternative Investments	(0.93%)	3.15%	6.49%
Alternatives Custom Benchmark****	0.72%	2.18%	9.00%
Alternative Investments - Net	(0.95%)	3.08%	6.17%
Absolute Return	(11.79%)	13.50%	13.79%
HFR Fund-of-Funds Index	0.70%	1.88%	3.99%
Private Equity	(0.22%)	2.67%	8.66%
Alternatives Custom Benchmark****	0.72%	2.18%	9.00%
Agriculture	(0.01%)	0.53%	(0.66%)
Blended Benchmark***	0.62%	1.88%	7.76%
Timberland	0.00%	2.51%	(4.58%)
Blended Benchmark***	0.62%	1.88%	7.76%
Total Fund	1.51%	4.62%	14.28%
Total Fund - Net	1.49%	4.57%	14.04%
Total Fund Benchmark	1.45%	3.60%	12.62%

* Current Month Target = 38.0% Russell 3000 Index, 29.0% Blmbg Aggregate Idx, 16.0% MSCI ACWI ex US, 8.0% NFI-ODCE Value Weight Net, 8.0% 9% Annually and 1.0% 3-month Treasury Bill.

** The Blended Benchmark is currently Russell 3000 Index. Returns prior to January 1, 2015, reflect those of the Dow Jones U.S. Total Stock Market Index.

*** The Blended Benchmark is currently ODCE Value Weighted Index. 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 January 31, 2017

	Last 36 Months	Last 60 Months	Last 120 Months	Since Inception
Domestic Equity	9.12%	14.00%	7.37%	11.56% (1/82)
Blended Benchmark**	10.25%	13.92%	7.19%	11.30% (1/82)
Domestic Equity - Net	8.86%	13.72%	7.11%	7.89% (1/05)
International Equity	2.00%	6.60%	2.18%	7.68% (3/86)
MSCI ACWI x US (Net)	0.92%	4.36%	1.28%	-
International Equity - Net	1.67%	6.27%	1.86%	5.00% (1/05)
Fixed Income	3.27%	3.30%	5.24%	8.50% (1/82)
Blmbg Aggregate Index	2.59%	2.09%	4.37%	7.97% (1/82)
Fixed Income - Net	3.13%	3.16%	5.10%	4.88% (1/05)
Real Estate - Net	11.18%	11.25%	4.94%	7.01% (1/05)
Blended Benchmark***	10.99%	11.44%	7.67%	7.78% (1/05)
Alternative Investments	7.66%	8.23%	6.41%	10.64% (2/86)
Alternatives Custom Benchmark****	9.00%	9.00%	10.02%	13.01% (2/86)
Alternative Investments - Net	7.26%	7.89%	6.12%	7.74% (1/05)
Absolute Return	6.12%	6.18%	3.55%	5.07% (1/02)
HFR Fund-of-Funds Index	1.57%	3.20%	1.25%	3.34% (1/02)
Private Equity	10.03%	9.95%	8.79%	12.74% (2/86)
Alternatives Custom Benchmark****	9.00%	9.00%	10.02%	13.01% (2/86)
Agriculture	12.13%	15.83%	9.99%	8.64% (10/97)
Blended Benchmark***	10.99%	11.44%	7.67%	7.58% (10/97)
Timberland	2.91%	2.83%	4.95%	8.01% (10/92)
Blended Benchmark***	10.99%	11.44%	7.67%	7.59% (10/92)
Total Fund	5.98%	8.99%	6.20%	9.91% (1/82)
Total Fund - Net	5.74%	8.75%	5.97%	6.83% (1/05)
Total Fund Benchmark	6.55%	8.36%	6.05%	6.68% (1/05)

* Current Month Target = 38.0% Russell 3000 Index, 29.0% Blmbg Aggregate Idx, 16.0% MSCI ACWI ex US, 8.0% NFI-ODCE Value Weight Net, 8.0% 9% Annually and 1.0% 3-month Treasury Bill.

** The Blended Benchmark is currently Russell 3000 Index. Returns prior to January 1, 2015, reflect those of the Dow Jones U.S. Total Stock Market Index.

*** The Blended Benchmark is currently ODCE Value Weighted Index. 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 January 31, 2017

	Last Month	Last 3 Months	Last 12 Months
Large Cap Equity	2.43%	8.70%	21.47%
Russell 1000 Index	2.01%	8.02%	20.81%
Large Cap Growth	4.84%	5.09%	15.00%
Holland	3.25%	5.46%	14.40%
LCG Blended Benchmark*	3.37%	6.93%	17.23%
Russell 1000 Growth Index	3.37%	6.93%	17.23%
Holland - Net	3.25%	5.41%	14.16%
NTGI S&P 500 Growth Idx	2.98%	5.76%	16.00%
S&P/Citi 500 Growth Index	2.99%	5.73%	15.94%
NTGI S&P 500 Growth Idx - Net	2.98%	5.76%	16.00%
Sands	8.56%	3.99%	14.76%
LCG Blended Benchmark*	3.37%	6.93%	17.23%
Russell 1000 Growth Index	3.37%	6.93%	17.23%
Sands - Net	8.56%	3.92%	14.48%
Large Cap Value	1.15%	11.30%	26.08%
Dodge & Cox	2.37%	13.20%	32.33%
LCV Blended Benchmark**	0.71%	9.13%	24.62%
Russell 1000 Value Index	0.71%	9.13%	24.62%
Dodge & Cox - Net	2.37%	13.14%	32.05%
BMO	1.19%	10.98%	21.94%
LCV Blended Benchmark**	0.71%	9.13%	24.62%
Russell 1000 Value Index	0.71%	9.13%	24.62%
BMO - Net	1.19%	10.92%	21.67%
LSV	0.47%	11.65%	26.83%
LCV Blended Benchmark**	0.71%	9.13%	24.62%
Russell 1000 Value Index	0.71%	9.13%	24.62%
LSV - Net	0.41%	11.59%	26.53%
NTGI S&P 500 Value Idx	0.68%	9.68%	24.34%
S&P/Citi 500 Value Index	0.66%	9.72%	24.24%
NTGI S&P 500 Value Idx - Net	0.68%	9.68%	24.34%
Large Cap Passive Core	1.94%	8.58%	21.88%
NTGI MarketCap Idx	1.94%	8.58%	21.88%
DJ U.S. Total Stock Market Index	1.95%	8.55%	21.72%
NTGI MarketCap Idx - Net	1.94%	8.58%	21.87%

* 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 January 31, 2017

	Last 36 Months	Last 60 Months	Last 120 Months	Since Inception
Large Cap Equity	9.76%	14.20%	7.25%	11.11% (1/82)
Russell 1000 Index	10.50%	14.06%	7.09%	11.48% (1/82)
Large Cap Growth	7.88%	12.98%	8.17%	11.43% (1/82)
Holland	8.39%	12.05%	8.62%	9.97% (11/94)
LCG Blended Benchmark*	10.82%	13.93%	8.42%	9.54% (11/94)
Russell 1000 Growth Index	10.82%	13.93%	8.42%	8.78% (11/94)
Holland - Net	8.18%	11.82%	8.35%	7.53% (1/05)
NTGI S&P 500 Growth Idx	11.22%	14.32%	8.49%	6.51% (8/01)
S&P/Citi 500 Growth Index	11.21%	14.30%	8.48%	6.47% (8/01)
NTGI S&P 500 Growth Idx - Net	11.21%	14.32%	8.48%	8.38% (1/05)
Sands	4.90%	13.50%	10.38%	10.46% (11/03)
LCG Blended Benchmark*	10.82%	13.93%	8.42%	8.41% (11/03)
Russell 1000 Growth Index	10.82%	13.93%	8.42%	8.47% (11/03)
Sands - Net	4.65%	13.26%	10.10%	9.12% (1/05)
Large Cap Value	10.57%	15.29%	6.39%	10.42% (10/82)
Dodge & Cox	10.92%	16.53%	6.52%	9.59% (9/03)
LCV Blended Benchmark**	10.16%	14.11%	5.66%	8.41% (9/03)
Russell 1000 Value Index	10.16%	14.11%	5.66%	8.61% (9/03)
Dodge & Cox - Net	10.70%	16.31%	6.29%	7.67% (1/05)
BMO	10.04%	14.53%	6.94%	7.96% (2/01)
LCV Blended Benchmark**	10.16%	14.11%	5.66%	5.41% (2/01)
Russell 1000 Value Index	10.16%	14.11%	5.66%	6.57% (2/01)
BMO - Net	9.80%	14.28%	6.69%	8.07% (1/05)
LSV	11.10%	16.15%	7.03%	11.36% (2/03)
LCV Blended Benchmark**	10.16%	14.11%	5.66%	9.50% (2/03)
Russell 1000 Value Index	10.16%	14.11%	5.66%	9.51% (2/03)
LSV - Net	10.83%	15.86%	6.75%	8.31% (1/05)
NTGI S&P 500 Value Idx	10.31%	13.84%	5.44%	5.48% (8/99)
S&P/Citi 500 Value Index	10.24%	13.75%	5.38%	5.46% (8/99)
NTGI S&P 500 Value Idx - Net	10.30%	13.83%	5.44%	6.79% (1/05)
Large Cap Passive Core	10.33%	14.00%	7.11%	11.02% (1/85)
NTGI MarketCap Idx	10.33%	14.00%	7.12%	10.78% (2/85)
DJ U.S. Total Stock Market Index	10.22%	13.91%	7.18%	10.72% (2/85)
NTGI MarketCap Idx - Net	10.32%	14.00%	7.11%	7.85% (1/05)

* 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.

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 January 31, 2017

	Last Month	Last 3 Months	Last 12 Months
Small Cap Equity	0.22%	14.75%	30.06%
Russell 2000 Index	0.39%	14.72%	33.53%
Small Cap Growth	1.55%	11.81%	21.84%
Frontier	2.02%	10.94%	23.24%
Russell 2000 Growth Index	1.62%	12.23%	26.87%
Frontier - Net	1.90%	10.81%	22.56%
FIAM	1.37%	12.13%	20.43%
Russell 2000 Growth Index	1.62%	12.23%	26.87%
FIAM - Net	1.37%	11.88%	19.71%
Small Cap Value	(0.34%)	18.20%	38.26%
Channing	0.04%	17.92%	40.59%
Russell 2000 Value Index	(0.71%)	17.11%	40.22%
Channing - Net	(0.08%)	17.78%	39.71%
DFA Small Cap Value	(0.86%)	17.97%	37.19%
Russell 2000 Value Index	(0.71%)	17.11%	40.22%
DFA Small Cap Value - Net	(0.86%)	17.83%	36.51%
Inv. Counselors of Maryland	0.18%	18.57%	40.05%
Russell 2000 Value Index	(0.71%)	17.11%	40.22%
Inv. Couns. of Maryland - Net	0.18%	18.46%	39.21%
Micro Cap	(1.15%)	12.28%	28.66%
Ariel	1.43%	10.69%	23.82%
Russell Microcap Index	(1.51%)	14.94%	32.23%
Russell 2000 Value Index	(0.71%)	17.11%	40.22%
Russell 2000 Index	0.39%	14.72%	33.53%
Ariel - Net	1.23%	10.22%	22.79%
Ativo	(1.79%)	12.93%	22.45%
Russell Microcap Index	(1.51%)	14.94%	32.23%
Russell 2000 Growth Index	1.62%	12.23%	26.87%
Russell 2000 Index	0.39%	14.72%	33.53%
Ativo - Net	(1.94%)	12.76%	21.71%
DFA Micro Cap	(1.48%)	16.39%	34.35%
Russell 2000 Value Index	(0.71%)	17.11%	40.22%
Russell 2000 Index	0.39%	14.72%	33.53%
DFA Micro Cap - Net	(1.48%)	16.24%	33.68%

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 January 31, 2017

	Last 36 Months	Last 60 Months	Last 120 Months	Since Inception
Small Cap Equity	7.67%	13.63%	8.58%	12.50% ^(7/88)
Russell 2000 Index	7.89%	13.00%	6.93%	9.57% ^(7/88)
Small Cap Growth	7.28%	13.23%	8.81%	13.06% ^(7/88)
Frontier	3.69%	11.07%	8.37%	12.83% ^(8/88)
Russell 2000 Growth Index	6.23%	12.47%	7.73%	7.95% ^(8/88)
Frontier - Net	3.09%	10.47%	5.69%	6.66% ^(1/05)
FIAM	10.39%	15.12%	10.12%	13.85% ^(8/88)
Russell 2000 Growth Index	6.23%	12.47%	7.73%	7.95% ^(8/88)
FIAM - Net	9.77%	14.53%	9.51%	11.12% ^(1/05)
Small Cap Value	10.45%	14.71%	8.12%	12.40% ^(9/85)
Channing	10.77%	16.07%	-	13.61% ^(7/11)
Russell 2000 Value Index	9.48%	13.44%	6.03%	11.37% ^(7/11)
Channing - Net	10.27%	15.44%	-	12.96% ^(7/11)
DFA Small Cap Value	10.02%	15.47%	7.73%	13.03% ^(2/86)
Russell 2000 Value Index	9.48%	13.44%	6.03%	10.17% ^(2/86)
DFA Small Cap Value - Net	9.52%	14.93%	7.21%	8.72% ^(1/05)
Inv. Counselors of Maryland	11.97%	14.86%	8.62%	12.13% ^(5/99)
Russell 2000 Value Index	9.48%	13.44%	6.03%	9.75% ^(5/99)
Inv. Couns. of Maryland - Net	11.45%	14.36%	8.09%	9.09% ^(1/05)
Micro Cap	2.63%	11.98%	6.11%	11.91% ^(7/84)
Ariel	(8.00%)	5.28%	-	5.28% ^(11/10)
Russell Microcap Index	5.43%	13.37%	5.18%	12.47% ^(11/10)
Russell 2000 Value Index	9.48%	13.44%	6.03%	12.62% ^(11/10)
Russell 2000 Index	7.89%	13.00%	6.93%	12.70% ^(11/10)
Ariel - Net	(8.77%)	4.41%	-	4.40% ^(11/10)
Ativo	9.38%	16.72%	-	14.58% ^(10/10)
Russell Microcap Index	5.43%	13.37%	5.18%	13.27% ^(10/10)
Russell 2000 Growth Index	6.23%	12.47%	7.73%	13.26% ^(10/10)
Russell 2000 Index	7.89%	13.00%	6.93%	13.23% ^(10/10)
Ativo - Net	8.60%	15.87%	-	13.74% ^(10/10)
DFA Micro Cap	9.61%	15.28%	8.08%	11.49% ^(8/87)
Russell 2000 Value Index	9.48%	13.44%	6.03%	10.31% ^(8/87)
Russell 2000 Index	7.89%	13.00%	6.93%	8.91% ^(8/87)
DFA Micro Cap - Net	9.06%	14.71%	7.56%	8.25% ^(1/05)

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 January 31, 2017

	Last Month	Last 3 Months	Last 12 Months
Intl Large Cap Equity	3.24%	3.72%	14.11%
MSCI ACWI ex-US Index	3.54%	3.73%	16.09%
Intl Large Cap Growth	4.00%	3.59%	16.13%
EARNEST Partners	4.13%	4.88%	22.27%
MSCI ACWI ex-US Index	3.54%	3.73%	16.09%
MSCI ACWI ex-US Growth	4.03%	1.57%	11.42%
EARNEST Partners - Net	4.13%	4.88%	22.09%
William Blair	3.88%	2.47%	11.19%
MSCI ACWI ex-US Index	3.54%	3.73%	16.09%
MSCI ACWI ex-US Growth	4.03%	1.57%	11.42%
William Blair - Net	3.79%	2.38%	10.67%
Intl Large Cap Value	2.26%	3.27%	14.46%
Brandes	2.33%	4.13%	17.59%
MSCI ACWI ex-US Index	3.54%	3.73%	16.09%
MSCI ACWI ex-US Value	3.10%	5.97%	22.07%
Brandes - Net	2.33%	4.13%	17.40%
Mondrian	2.22%	2.68%	11.81%
MSCI ACWI ex-US Index	3.54%	3.73%	16.09%
MSCI ACWI ex-US Value	3.10%	5.97%	22.07%
Mondrian - Net	2.22%	2.54%	11.23%
Lazard	2.06%	1.55%	9.05%
MSCI ACWI ex-US Index	3.54%	3.73%	16.09%
MSCI ACWI ex-US Value	3.10%	5.97%	22.07%
Lazard - Net	2.06%	1.49%	8.32%

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 January 31, 2017

	Last 36 Months	Last 60 Months	Last 120 Months	Since Inception
Intl Large Cap Equity	2.10%	6.90%	1.98%	7.70% ^(9/86)
MSCI ACWI ex-US Index	0.92%	4.36%	1.28%	-
Intl Large Cap Growth	1.72%	6.13%	2.13%	8.27% ^(9/02)
EARNEST Partners	1.32%	4.68%	4.57%	9.25% ^(10/04)
MSCI ACWI ex-US Index	0.92%	4.36%	1.28%	5.53% ^(10/04)
MSCI ACWI ex-US Growth	2.05%	5.22%	2.21%	6.15% ^(10/04)
EARNEST Partners - Net	1.11%	4.40%	4.18%	7.76% ^(1/05)
William Blair	2.08%	7.56%	2.85%	9.57% ^(10/02)
MSCI ACWI ex-US Index	0.92%	4.36%	1.28%	8.12% ^(10/02)
MSCI ACWI ex-US Growth	2.05%	5.22%	2.21%	8.12% ^(10/02)
William Blair - Net	1.67%	7.16%	2.46%	5.68% ^(1/05)
Intl Large Cap Value	2.26%	6.32%	1.08%	8.91% ^(10/95)
Brandes	2.46%	7.35%	1.57%	9.24% ^(1/96)
MSCI ACWI ex-US Index	0.92%	4.36%	1.28%	4.84% ^(1/96)
MSCI ACWI ex-US Value	0.61%	4.36%	1.20%	-
Brandes - Net	2.24%	7.10%	1.33%	4.10% ^(1/05)
Mondrian	2.51%	-	-	4.57% ^(4/12)
MSCI ACWI ex-US Index	0.92%	4.36%	1.28%	3.63% ^(4/12)
MSCI ACWI ex-US Value	0.61%	4.36%	1.20%	3.79% ^(4/12)
Mondrian - Net	1.99%	-	-	4.07% ^(4/12)
Lazard	0.96%	-	-	5.10% ^(4/12)
MSCI ACWI ex-US Index	0.92%	4.36%	1.28%	3.63% ^(4/12)
MSCI ACWI ex-US Value	0.61%	4.36%	1.20%	3.79% ^(4/12)
Lazard - Net	0.33%	-	-	4.43% ^(4/12)

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 January 31, 2017

	Last Month	Last 3 Months	Last 12 Months
Intl Large Cap Active Core	3.83%	3.40%	14.64%
Arrowstreet	5.58%	6.30%	20.37%
MSCI ACWI ex-US Index	3.54%	3.73%	16.09%
Arrowstreet - Net	5.58%	6.18%	19.80%
Brown	2.15%	1.94%	3.96%
MSCI ACWI ex-US Index	3.54%	3.73%	16.09%
Brown - Net	2.15%	0.85%	2.65%
GlobeFlex	4.57%	3.71%	16.91%
MSCI ACWI ex-US Index	3.54%	3.73%	16.09%
GlobeFlex - Net	4.57%	3.61%	16.44%
Progress Intl Equity	0.13%	(2.14%)	10.45%
Custom Benchmark	3.20%	2.38%	16.62%
MSCI ACWI ex-US Index	3.54%	3.73%	16.09%
Progress Intl Equity - Net	0.00%	(2.39%)	9.75%
Intl Large Cap Pass. Core	2.90%	4.32%	12.50%
NTGI MSCI EAFE Idx	2.90%	4.32%	12.50%
MSCI EAFE Index	2.90%	4.30%	12.03%
NTGI EAFE Idx - Net	2.90%	4.32%	12.49%
International Small Cap	3.36%	0.93%	9.88%
Franklin Templeton	3.68%	2.37%	12.29%
ACWI Small Cap ex US	3.83%	2.89%	16.85%
Franklin Templeton - Net	3.68%	2.37%	11.45%
William Blair	3.09%	(0.25%)	7.95%
ACWI Small Cap ex US	3.83%	2.89%	16.85%
Intl SC Blended Benchmark	3.83%	2.89%	16.85%
William Blair - Net	2.90%	(0.44%)	6.90%
Emerging Markets	3.68%	(0.32%)	23.39%
Genesis	3.68%	(0.32%)	23.39%
MSCI Emerging Markets Index	5.48%	0.92%	25.88%
Genesis - Net	3.68%	(0.32%)	22.96%

Brown and GlobeFlex moved to International Large Cap Active Core April 1, 2011.

Progress Custom Benchmark is a comprised of each manager's weighted benchmark.

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 January 31, 2017

	Last 36 Months	Last 60 Months	Last 120 Months	Since Inception
Intl Large Cap Active Core	3.74%	8.70%	-	3.68% ^(2/08)
Arrowstreet	4.71%	9.42%	-	4.10% ^(3/08)
MSCI ACWI ex-US Index	0.92%	4.36%	1.28%	0.56% ^(3/08)
Arrowstreet - Net	4.25%	8.90%	-	3.62% ^(3/08)
Brown	3.00%	10.15%	3.52%	7.52% ^(10/04)
MSCI ACWI ex-US Index	0.92%	4.36%	1.28%	5.53% ^(10/04)
Brown - Net	1.83%	9.08%	2.84%	5.80% ^(1/05)
GlobeFlex	4.38%	8.04%	2.65%	4.23% ^(3/08)
MSCI ACWI ex-US Index	0.92%	4.36%	1.28%	2.81% ^(3/06)
GlobeFlex - Net	3.95%	7.62%	2.21%	3.78% ^(3/06)
Progress Intl Equity Custom Benchmark	-	-	-	(2.46%) ^(7/14)
MSCI ACWI ex-US Index	0.92%	4.36%	1.28%	(1.97%) ^(7/14)
Progress Intl Equity - Net	-	-	-	(2.79%) ^(7/14)
				(2.90%) ^(7/14)
Intl Large Cap Pass. Core	1.10%	6.45%	1.38%	2.80% ^(1/00)
NTGI MSCI EAFE Idx	1.10%	6.45%	1.37%	3.20% ^(2/00)
MSCI EAFE Index	0.71%	6.04%	0.97%	2.82% ^(2/00)
NTGI EAFE Idx - Net	1.09%	6.44%	1.37%	4.29% ^(1/05)
International Small Cap	1.88%	8.85%	1.12%	3.88% ^(12/05)
Franklin Templeton	2.01%	8.72%	-	4.89% ^(8/11)
ACWI Small Cap ex US	2.70%	6.74%	3.14%	3.53% ^(8/11)
Franklin Templeton - Net	1.32%	7.95%	-	4.15% ^(8/11)
William Blair	1.78%	8.96%	-	9.34% ^(9/10)
ACWI Small Cap ex US	2.70%	6.74%	3.14%	6.85% ^(9/10)
Intl SC Blended Benchmark	2.70%	6.74%	2.24%	7.37% ^(9/10)
William Blair - Net	0.92%	8.08%	-	8.49% ^(9/10)
Emerging Markets	1.56%	2.23%	5.32%	8.79% ^(2/92)
Genesis	1.56%	2.23%	5.34%	11.07% ^(5/04)
MSCI Emerging Markets Index	1.81%	0.55%	2.83%	8.76% ^(5/04)
Genesis - Net	1.04%	1.70%	4.74%	8.83% ^(1/05)

Brown and GlobeFlex moved to International Large Cap Active Core April 1, 2011.

Progress Custom Benchmark is a comprised of each manager's weighted benchmark.

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.

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 January 31, 2017

	Last Month	Last 3 Months	Last 12 Months
Dom. Fixed Active Core	0.28%	(1.63%)	2.25%
EARNEST Partners	0.24%	(1.98%)	1.01%
Blmbg Aggregate Index	0.20%	(2.04%)	1.45%
EARNEST Partners - Net	0.20%	(2.02%)	0.82%
Piedmont	0.40%	(1.36%)	3.93%
Blmbg Aggregate Index	0.20%	(2.04%)	1.45%
Piedmont - Net	0.36%	(1.40%)	3.76%
Garcia Hamilton	0.19%	(1.53%)	1.53%
Blmbg Aggregate Index	0.20%	(2.04%)	1.45%
Garcia Hamilton	0.16%	(1.59%)	1.42%
Dom. Fixed Passive Core	0.22%	(2.05%)	1.46%
BlackRock US Debt	0.20%	(2.04%)	1.49%
Blmbg Aggregate Index	0.20%	(2.04%)	1.45%
BlackRock US Debt - Net	0.20%	(2.04%)	1.48%
NTGI Blmbg Agg. Index	0.23%	(2.07%)	1.43%
Blmbg Aggregate Index	0.20%	(2.04%)	1.45%
NTGI Blmbg Agg. Index - Net	0.23%	(2.07%)	1.43%

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 January 31, 2017

	Last 36 Months	Last 60 Months	Last 120 Months	Since Inception
Dom. Fixed Active Core	3.14%	2.81%	4.74%	4.66% ^(4/01)
EARNEST Partners	3.22%	2.77%	4.86%	4.67% ^(5/05)
Bimbg Aggregate Index	2.59%	2.09%	4.37%	4.21% ^(5/05)
EARNEST Partners - Net	3.00%	2.56%	4.64%	4.46% ^(5/05)
Piedmont	3.07%	2.85%	4.64%	4.47% ^(8/05)
Bimbg Aggregate Index	2.59%	2.09%	4.37%	4.15% ^(8/05)
Piedmont - Net	2.91%	2.68%	4.47%	4.27% ^(8/05)
Garcia Hamilton	-	-	-	2.13% ^(6/15)
Bimbg Aggregate Index	2.59%	2.09%	4.37%	1.43% ^(6/15)
Garcia Hamilton	-	-	-	2.03% ^(6/15)
Dom. Fixed Passive Core	2.68%	2.14%	4.33%	6.12% ^(1/90)
BlackRock US Debt	2.73%	-	-	2.89% ^(10/13)
Bimbg Aggregate Index	2.59%	2.09%	4.37%	2.74% ^(10/13)
BlackRock US Debt - Net	2.73%	-	-	2.88% ^(10/13)
NTGI Bimbg Agg. Index	2.63%	2.13%	4.32%	6.18% ^(2/90)
Bimbg Aggregate Index	2.59%	2.09%	4.37%	6.18% ^(2/90)
NTGI Bimbg Agg. Index - Net	2.63%	2.12%	4.31%	4.13% ^(1/05)

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 January 31, 2017

	Last Month	Last 3 Months	Last 12 Months
Domestic Fixed Core Plus	0.31%	(1.52%)	3.94%
BlackRock Core Plus	0.21%	(1.90%)	2.16%
Blmbg Aggregate Index	0.20%	(2.04%)	1.45%
BlackRock Core Plus - Net	0.21%	(1.91%)	2.05%
Brandes Core Plus	0.35%	(1.92%)	-
Blmbg Aggregate Index	0.20%	(2.04%)	1.45%
Brandes Core Plus - Net	0.35%	(1.92%)	-
LM Capital	0.25%	(1.64%)	2.96%
Blmbg Aggregate Index	0.20%	(2.04%)	1.45%
LM Capital - Net	0.21%	(1.68%)	2.80%
Progress Fixed Income	0.00%	(1.67%)	2.96%
Blmbg Aggregate Index	0.20%	(2.04%)	1.45%
Progress Fixed Inc. - Net	(0.08%)	(1.84%)	2.54%
Taplin, Canida, Habacht	0.50%	(0.84%)	7.38%
Blmbg Aggregate Index	0.20%	(2.04%)	1.45%
Taplin, Canida, Hab. - Net	0.47%	(0.87%)	7.21%
Western	0.54%	(1.50%)	4.69%
Blmbg Aggregate Index	0.20%	(2.04%)	1.45%
Western - Net	0.54%	(1.50%)	4.65%
Bank Loans	0.00%	1.38%	10.05%
Barings Global Loan Fund	0.00%	1.38%	11.32%
Custom Benchmark	0.63%	2.06%	10.99%
Barings Global Loan Fund - Net	0.00%	1.38%	11.37%
Emerging Markets	1.93%	(1.05%)	14.26%
Standish	1.93%	(1.05%)	14.26%
Custom Benchmark	1.81%	(1.89%)	12.19%
Standish - Net	1.93%	(1.14%)	13.86%
Opportunistic Fixed Income	2.23%	2.19%	12.51%
Crescent	2.23%	2.19%	12.95%
Custom Benchmark	0.95%	2.46%	16.17%
Crescent - Net	2.23%	2.19%	12.44%
High Yield	1.29%	2.44%	19.26%
Mackay Shields	1.28%	2.59%	20.21%
ML High Yield Cash Pay Index	1.34%	2.91%	20.82%
Mackay Shields - Net	1.28%	2.51%	19.79%

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

Barings Custom Benchmark is comprised of the Credit Suisse US Leveraged Loan Index and the Credit Suisse Western European Leveraged Loan Index, weighted by the portfolio's market value to each sector.

Standish Custom Benchmark is 50% JPM GBI-EM Index, 25% JPM EMBI Global Index and 25% JPM Corporate EMBI Diversified Index.

Crescent Custom Benchmark is 50% ML U.S. High Yield Master II Index and 50% S&P/LSTA Leveraged Loan Index.

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 January 31, 2017

	Last 36 Months	Last 60 Months	Last 120 Months	Since Inception
Domestic Fixed Core Plus	3.49%	3.35%	5.04%	8.34% (1/82)
BlackRock Core Plus	3.06%	2.77%	-	4.79% (4/07)
Blmbg Aggregate Index	2.59%	2.09%	4.37%	4.28% (4/07)
BlackRock Core Plus - Net	2.92%	2.60%	-	4.66% (4/07)
Brandes Core Plus	-	-	-	0.23% (3/16)
Blmbg Aggregate Index	2.59%	2.09%	4.37%	0.74% (3/16)
Brandes Core Plus - Net	-	-	-	0.23% (3/16)
LM Capital	3.29%	3.07%	5.19%	5.06% (5/05)
Blmbg Aggregate Index	2.59%	2.09%	4.37%	4.21% (5/05)
LM Capital - Net	3.13%	2.91%	5.03%	4.89% (5/05)
Progress Fixed Income	3.03%	2.98%	5.04%	5.02% (1/06)
Blmbg Aggregate Index	2.59%	2.09%	4.37%	4.33% (1/06)
Progress Fixed Inc. - Net	2.66%	2.63%	4.68%	4.67% (1/06)
Taplin, Canida, Habacht	4.13%	3.95%	5.33%	5.13% (5/05)
Blmbg Aggregate Index	2.59%	2.09%	4.37%	4.21% (5/05)
Taplin, Canida, Hab. - Net	3.99%	3.82%	5.19%	5.00% (5/05)
Western	3.93%	3.84%	5.11%	5.55% (11/01)
Blmbg Aggregate Index	2.59%	2.09%	4.37%	4.38% (11/01)
Western - Net	3.83%	3.72%	4.97%	4.95% (1/05)
Bank Loans	-	-	-	3.21% (8/14)
Barings Global Loan Fund	-	-	-	3.69% (8/14)
Custom Benchmark	-	-	-	3.86% (8/14)
Barings Global Loan Fund - Net	-	-	-	3.71% (8/14)
Emerging Markets	-	-	-	0.17% (8/14)
Standish	-	-	-	0.17% (8/14)
Custom Benchmark	2.06%	1.56%	5.44%	(0.97%) (8/14)
Standish - Net	-	-	-	(0.13%) (8/14)
Opportunistic Fixed Income	-	-	-	2.76% (8/14)
Crescent	-	-	-	2.67% (9/14)
Custom Benchmark	4.25%	5.91%	6.00%	3.80% (9/14)
Crescent - Net	-	-	-	2.40% (9/14)
High Yield	5.93%	7.34%	7.66%	9.83% (4/85)
MacKay Shields	6.05%	7.48%	7.39%	9.26% (11/00)
ML High Yield Cash Pay Index	4.90%	6.99%	7.30%	7.90% (11/00)
MacKay Shields - Net	5.69%	7.09%	7.01%	7.16% (1/05)

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

Barings Custom Benchmark is comprised of the Credit Suisse US Leveraged Loan Index and the Credit Suisse Western European Leveraged Loan Index, weighted by the portfolio's market value to each sector.

Standish Custom Benchmark is 50% JPM GBI-EM Index, 25% JPM EMBI Global Index and 25% JPM Corporate EMBI Diversified Index.

Crescent Custom Benchmark is 50% ML U.S. High Yield Master II Index and 50% S&P/LSTA Leveraged Loan Index.

Five Best Performing Portfolio's vs. Benchmarks

Manager	Year-to-Date Outperformance	Since Inception Outperformance	
	(in % points)	(in % points)	
Sands	5.19	2.05	10/31/2003
Ariel	2.14	-7.35	10/31/2010
Arrowstreet	2.04	3.18	02/29/2008
Dodge & Cox	1.66	1.17	08/31/2003
Crescent	1.28	-1.10	07/31/2014

Five Worst Performing Portfolio's vs. Benchmarks

Manager	Year-to-Date Underperformance	Since Inception Underperformance	
	(in % points)	(in % points)	
Ativo	-3.41	1.33	09/30/2010
Genesis	-1.79	2.31	04/30/2004
Lazard	-1.48	1.47	03/31/2012
Brown	-1.39	1.99	09/30/2004
Mondrian	-1.33	0.94	03/31/2012

Five Highest Returning Portfolios

Manager	Year-to-Date Return	Since Inception Return	
	(in % points)	(in % points)	
Sands	8.56	10.46	10/31/2003
Arrowstreet	5.58	4.06	02/29/2008
GlobeFlex	4.57	4.20	02/28/2006
Earnest Int'l Equity	4.13	9.25	09/30/2004
William Blair	3.88	9.57	09/30/2002

Five Lowest Returning Portfolios

Manager	Year-to-Date Return	Since Inception Return	
	(in % points)	(in % points)	
Ativo	-1.79	14.58	09/30/2010
DFA Micro Cap	-1.48	11.49	07/31/1987
DFA SCV	-0.86	13.03	01/31/1996
Babson	0.00	3.69	07/31/2014
Progress	0.00	5.02	12/31/2005

Returns are shown gross of investment management fees.

Excludes Real Estate and Alternative Investments portfolios.

Ms. Copper left the meeting at 9:15 a.m.

(17-02-03) (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 16-12-16

Schedules - Dated January 2017

- 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.

Schedules - Dated February 17, 2017

- 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 R - Prior Service - New Governmental Units
- Schedule S - Prior Service Adjustments

Bids

Furniture for Springfield Office Buildout
 Single Source: Steelcase
 Approved Bid: \$46,178.73

3-Year Maintenance Renewal for Telecommunications System
 Single Source: CCC Technologies, Inc.
 Approved Bid: \$65,616

Participation of New Units of Government

Veterans Asst. Comm. Of Boone County
 County: Boone
 2017 Rate: 11.52%
 Effective Participation Date: March 1, 2017
 Number of Participating Employees: 1

LaGrange Area Dept. of Special Ed
 County: Cook
 2017 Rate: 9.60%
 Effective Participation Date: March 1, 2017
 Number of Participating Employees: 160

Lee County Special Education Dist.
 County: Lee
 2017 Rate: 8.60%
 Effective Participation Date: March 1, 2017
 Number of Participating Employees: 15

It was moved by Ms. Henry, seconded by Mr. Kuehne, to approve the items on the consent agenda.

Vote: Unanimous Voice Vote
 Absent: Miller, Copper

Ms. Copper entered the Board Meeting at 9:16 a.m.

(17-02-04) (Financial Reports) The Chair presented the following financial reports for approval.

- Review of January and February Financial Reporting Packages
- Statement of Fiduciary Net Position for November and December 2016
- Impact of 2016 Year-To-Date Investment Income on Employer Reserves, Funding Status and Average Employer Contribution Rates
- Schedule T - Report of Expenditures for January and February 2017.

It was moved by Mr. Kuehne, seconded by Mr. Wallace, to approve the Financial Reports as presented.

Vote: Unanimous Voice Vote
Absent: Miller

(17-02-05) (Benefit Review Committee Meeting) The Chair of the Benefit Review Committee reported on the Benefit Review Committee Meeting held on February 16, 2017.

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

- To adopt the findings and conclusions of the IMRF Hearing Officer in the case of Barbara A. Moskowitz.
- To uphold the staff decision denying total and permanent disability benefits to Lisa M. Richardson.
- To uphold staff's original determination to deny total and permanent disability benefits to Joshua Pea.
- To overturn staff's original determination to deny total and permanent disability benefits to Ernesto Cavazos.

Vote: Unanimous Voice Vote
Absent: Miller

(17-02-06) (Report of the Executive Director Search Committee) The Chair of the Executive Director Search Committee reported on the meeting held January 26, 2017.

The Committee reviewed and revised the Executive Director Position Description; the Executive Director Performance Appraisal Methodology; the Executive Director Performance Appraisal Form; and, developed a Request for Proposals for Executive Search Firm (March 1, 2017) with Appendixes.

It was the consensus of the Committee to recommend the Board approve the Executive Director Performance Appraisal Methodology; the Executive Director Performance Appraisal Form; and, the Request for Proposals for Executive Search Firm (March 1, 2017) with Appendixes as presented.

Vote: Unanimous Voice Vote
Absent: Miller

(17-02-07) (Report of the Investment Committee Meeting) The Chair of the Investment Committee reported on the meeting held February 16, 2017.

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, noting these policies are reviewed annually.

It was the consensus of the Investment Committee to recommend the Board approve the following Investment Committee Charter as amended:

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.

COMPOSITION

The Investment Committee will consist of at least six members of the Board of Trustees. Annually, 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.

MEETINGS

The Committee will meet as necessary. A quorum of at least 5 members must be physically present for all meetings of the Committee. Meetings are subject to the Open Meetings Act. 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, subject to approval by the Board of Trustees:

- 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.
- Consider investment actions recommended by staff.
- 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.

It was the consensus of the Investment Committee to recommend the Board approve the following Statement of Investment Policy as amended:

**STATEMENT
OF
INVESTMENT POLICY**

Amended: February 17, 2017

**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.

Table of Contents

I.	Introduction and Purpose	3
	A. About IMRF	3
	B. Legal Authority	3
	C. Investment Philosophy	4
	D. Roles and Responsibilities.....	4
	1. Board of Trustees	5
	2. Investment Staff.....	6
	3. Investment Managers	7
	4. Investment and Performance Consultants	9
II.	Investment Objectives and Goals	10
	A. Investment Objectives	10
	B. Aspirational Goals: Emerging Investment Managers and Investment Advisors	11
	C. Emerging Investment Manager Utilization	11
	D. Minority Investment Manager Utilization.....	12
	E. Investments in Illinois Businesses	13
	F. Minority Broker/Dealer Utilization.....	14
	G. Policy Regarding Minority Owned Business Utilization Disclosures	16
	H. Policy Regarding the Illinois High Risk Home Loan Act.....	16
III.	Asset Allocation	17
IV.	Benchmarks	18
V.	Investment Guidelines	20
	A. Domestic Equity Securities	20
	B. International Equity Securities	20
	C. Fixed Income Securities	21
	D. Real Estate Investments.....	22
	E. Alternative Investments	22
	F. Permissible Investments	23
VI.	Transition Management.....	23
VII.	Risk Management.....	24
VIII.	Selection of Investment Managers and Consultants	26
IX.	Public Access to Records	32
	A. Definitions	33
	B. Proxy Voting Policy	35
	C. Securities Lending Policy	43
	D. Securities Litigation Policy	49
	E. Procedures for Amending Policy Statement	51
	F. Illinois High Risk Home Loan Act Certification of Compliance.....	52
	G. Disclosures per Illinois Pension Code Section 1-113.21	53

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 400,000 members and annuitants. IMRF is separate and apart from the Illinois state government. Benefits are funded by employer and member contributions and investment returns.

IMRF is governed by a Board of eight elected trustees. Four are elected by employers, three are elected by participating members and one is elected by annuitants (individuals receiving retirement benefits). The Board appoints an Executive Director who is responsible for all administrative functions and supervision of Staff employees.

Mission Statement

To efficiently and impartially develop, implement, and administer programs that provide income protection to members and their beneficiaries on behalf of participating employers in a prudent manner.

Vision

To provide the highest quality retirement services to our members, their beneficiaries and employers.

B. **Legal Authority**

IMRF was created by Article 7 of Chapter 40, Act 5 of the Illinois Pension Code in order to provide a sound and efficient system for the payment of annuities and other benefits to officers and employees, and to their beneficiaries, of municipalities of the State of Illinois.

Article 1 Chapter 40 Section 109 of the Illinois Compiled Statutes provides the key legal criteria regarding investment policy as follows:

“Duties of Fiduciaries”. A fiduciary with respect to a retirement system or pension fund established under this Code shall discharge his or her duties with respect to the retirement system or pension fund solely in the interest of the participants and beneficiaries and:

(a) For the exclusive purpose of:

- (1) Providing benefits to participants and their beneficiaries; and
- (2) Defraying reasonable expenses of administering the retirement system or pension fund;

- (b) With the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent man acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character with like aims;
- (c) By diversifying the investments of the retirement system or pension fund so as to minimize the risk of large losses, unless under the circumstances it is clearly prudent not to do so; and
- (d) In accordance with the provisions of the Article of the Pension Code governing the retirement system or pension fund.”

C. Investment Philosophy

IMRF’s investment philosophy has been developed with careful consideration of its primary purpose, fiduciary obligations, statutory requirements, liquidity needs, income sources, benefit obligations, and other general business conditions. The investment philosophy embraces the following:

- Asset allocation is the most significant factor attributable to the long-term total return of the Fund. Diversification is the primary risk control element. Commitments to asset allocation targets and ranges will be maintained through a disciplined rebalancing program. The asset allocation will be reexamined at least annually to ensure its appropriateness to capital market conditions and liability considerations.
- The Fund’s liabilities are long-term and therefore the strategic investment horizon will, at a minimum, be 10-years. Strategic decisions will prevail in determining asset allocation rather than tactical or short-term market timing decisions.
- Active management may be utilized to add value beyond broad market benchmarks by exploiting market inefficiencies.
- Passive investments, those that closely replicate an index, may be utilized to complement actively managed portfolios as an efficient way to provide benchmark return, adjust risk within the overall fund, and provide a liquid and low cost pool to facilitate timely fund rebalancing, especially in highly efficient markets.
- Due diligence and monitoring of investment managers is critical to safeguarding the Fund’s assets.

D. Roles and Responsibilities

The Board of Trustees and internal Investment Staff have specific responsibilities in the management and oversight of IMRF’s investment activities. The Board of Trustees may allocate duties among themselves and designate others as fiduciaries to carry out specific fiduciary

activities. External advisors, investment managers and contractors may be retained, as fiduciaries, to execute certain investment or related activities.

All persons who act as agents of the Board shall adhere to the highest standards of professional integrity and honesty and are prohibited by law from profiting directly or indirectly from the investments of the Fund. However, this shall not preclude an agent of the Board from acting as principal participant or servicer in transactions with the Fund when that interest is fully disclosed and approved by the Board.

The following section outlines the roles and responsibilities for the Board of Trustees, Investment Staff, Investment Managers and Investment and Performance Consultants involved with executing this Policy.

1. Board of Trustees

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

Trustees shall act in accordance with the provisions of State Statute and with care, skill, prudence, and diligence under the circumstances then prevailing that a prudent man acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of like character with like aims by diversifying the investment of the Fund so as to minimize the risk of large losses, unless under the circumstances it is clearly prudent not to do so.

The Board of Trustees is responsible for the following investment related activities:

- Set the policies, objectives, and guidelines for investment of the Fund's assets and oversee compliance with investment policy and the laws of Illinois.
- Study thoroughly each issue affecting the Fund's investments to make educated and prudent decisions.
- Select qualified professionals to assist in implementing investment policies and evaluate their services.
- Consider Staff recommendations for selecting or terminating investment managers.

- Evaluate total fund performance including performance of all investment managers.

2. Investment Staff

The Chief Investment Officer (CIO) is charged with the coordination of all investment activities and matters involving the Fund's assets.

The CIO is responsible for continuous review and analysis of the Fund's assets and to recommend adjustments which are appropriate to take optimum advantage of new conditions and strategies as they arise in the marketplace.

The CIO is responsible for overseeing all investment activities required to implement the IMRF Statement of Investment Policy. The CIO will advise the Board of Trustees and Investment Committee on any investment related matters.

Staff continually reviews and analyzes the philosophies, policies and strategies employed by the Fund's investment managers.

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

- On an annual basis, review and recommend to the Investment Committee of the Board: a) Investment Committee Charter, b) Statement of Investment Policy, and c) Real Estate Statement of Investment Policy.
- Ensure compliance with investment policies and procedures established by the Board of Trustees.
- Manage cash flow by buying or selling passive and/or active manager investments to pay benefits and expenses and/or fund Board approved investments.
- Recommend investment actions to the Investment Committee of the Board of Trustees and/or to the Board of Trustees.
- Staff is responsible for managing each asset class, as described by the IMRF Investment Policy, on an on-going basis, including monitoring the investment managers and reporting to the Board of Trustees.
- Conduct all necessary due diligence relating to the selection of investment managers and consultants.

- Negotiate contracts and related documents with investment managers, consultants, service providers and master trustee in conjunction with general counsel and external counsel where appropriate.
- Implement investment manager guideline changes as deemed appropriate. All guideline changes must be approved by the CIO.
- Monitor and report to the Board of Trustees annually, on programs related to securities lending, proxy voting, minority manager and minority broker utilization.
- Respond to inquiries from the state legislature, the membership, the press, other governmental representatives and the public concerning the investments of the Fund.
- Coordinate communications between master trustee, investment managers, brokers 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 a fiduciary with respect to the Fund, and is at least one of the following: (1) registered as an investment adviser under the federal Investment Advisers Act of 1940; (2) a bank, as defined in the Investment Advisers Act of 1940.

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

- All investment managers will construct and manage investment portfolios that are consistent with IMRF's investment guidelines. The investment manager will select, buy and sell specific securities or investments within the parameters specified by their investment management agreement with IMRF.
- In the selection of broker-dealers, the primary objective of the investment manager is to obtain the most favorable results for the Fund. The investment manager's selection of broker-dealers may take into account such relevant factors as (1) price and/or

commission; (2) the broker-dealer's facilities, reliability, and financial responsibility; (3) the ability of the broker-dealer to effect securities transactions, particularly with respect to such aspects as timing, order size, execution of orders, and the ability to complete a transaction through clearance, settlement, and delivery; (4) the research and other services provided by such broker-dealer; and (5) satisfy IMRF's goals for utilization of minority broker-dealers. The investment manager's selection of such broker-dealers shall be in accordance with Article 1 of the Illinois Pension code (40 ILCS 5/1-101 et seq.), the Investment Advisors Act of 1940, and any other applicable securities laws, rules, and regulations.

- Public market investment managers will report to the Fund monthly. Public markets investment managers will generally report on:
 - the composition and relative performance of the investments in their designated portfolios
 - the economic and investment outlook for the near and long term
 - significant changes in the portfolio under their management during the quarter
 - the reasons for any significant differences between the performance of their portfolios and the appropriate market indices or other performance benchmarks established by the Fund and the investment managers
 - legal and regulatory issues
 - organizational and personnel developments
 - Assets under management
- Private market investment managers will provide periodic financial statements and other reports as specified in their investment agreements with IMRF.
- The public market investment managers will report to the Fund monthly on the use of minority and female owned business enterprise broker/dealers and broker/dealers owned by a person with a disability.
- All investment managers will adhere to any additional responsibilities as detailed in each investment manager's agreement with the Fund.

Note: Limited Partnership Investments, typically in private market asset classes, are not considered investment managers as defined by Illinois Pension Code.

4. Investment and Performance Consultants

Investment Consultant

Investment Consultants are persons or entities selected by the Board of Trustees, as fiduciaries and advisers, to make recommendations in developing an investment strategy, assist with finding appropriate investment managers, or monitor the Fund's assets.

The Investment Consultant will:

- In conjunction with the CIO, provide reports to the Board of Trustees on emerging trends and issues of concern to public pension funds generally and to the Fund in particular.
- Provide education to the Board of Trustees and Staff, which includes but is not limited to analyzing and summarizing relevant publications, discussions, meetings and research on current investment related topics.
- Serve as a resource to Staff by analyzing and making recommendations with respect to the IMRF Statement of Investment Policy, the investment plan and each investment manager's strategy.
- In conjunction with the CIO, conduct an annual asset allocation review with the Board of Trustees considering the appropriate investment horizon for the Fund given its actuarial characteristics.
- Assist staff and the Board of Trustees in setting and implementing the asset allocation.
- Evaluate investment manager candidates using non-discriminatory practices¹ when engaged by IMRF for a RFP search.

Performance Evaluation Consultant

The Performance Evaluation Consultant shall provide monthly and quarterly investment performance evaluation and analysis to the Board of Trustees. Total Fund performance and each investment manager employed by the Fund shall be measured against appropriate indices and benchmarks. The quarterly investment performance report shall include IMRF returns for the total fund, asset classes and investment managers against appropriate peer universes.

II. Investment Objectives and Goals

A. Investment Objectives

All investment actions undertaken will be for the sole benefit of IMRF's members and benefit recipients. The Board has a responsibility to make investment decisions with the objective of obtaining superior total long-term rates of return while using parameters of prudent risk management and reasonable control of costs. To assure an adequate accumulation of assets in the Fund, the investment objectives are to:

1. Achieve and maintain the Illinois Municipal Retirement Fund assets in excess of the present value of accrued benefits.
2. Achieve for the total Fund a rate of return in excess of inflation.
3. Achieve for the total Fund a rate of return in excess of the assumed actuarial investment rate of return of 7.5%.
4. Achieve for the total Fund a rate of return in excess of the Total Fund Benchmark. The Total Fund Benchmark is a blend of the asset class benchmark returns weighted by the target allocation for each asset class.

The Total Fund Benchmark is equal to the sum of:

- 38% Russell 3000 Index
- 29% Bloomberg Barclays U.S. Aggregate Bond Index
- 16% Morgan Stanley Capital International All Country World Index ex-US
- 8% National Council of Real Estate Investment Fiduciaries Open-End Diversified Core Index
- 8% of the 9% Annual Alternatives Benchmark
- 1% 3-month Treasury Bills

B. Aspirational Goals: Emerging Investment Managers and Investment Advisors (In Compliance with Section 1-109.1 (10) of the Illinois Pension Code)

The Illinois Municipal Retirement Fund is committed to diversity in the hiring of emerging and minority owned investment managers.

The Illinois Municipal Retirement Fund Board of Trustees adopts 2 aspirational goals: (i) to utilize emerging investment managers for at least 20% of the total Fund's assets under management and (ii) to utilize firms owned by minorities, females and persons with disabilities for at least 20% of the total Fund's assets under management.

Policy to Achieve Aspirational Goals

The Illinois Municipal Retirement Fund Board of Trustees adopts a policy to ensure progress towards achieving the aspirational goals. The policy directs the IMRF Investment Staff:

- to build relationships with the emerging investment manager community by attending and/or speaking at emerging manager conferences,
- to launch targeted RFP's that specifically focus on emerging and/or minority owned firms,
- to hire emerging investment managers for active strategies as opposed to lower revenue generating passive strategies,
- to utilize manager of managers and fund of funds programs to hire underlying emerging investment managers,
- to graduate underlying emerging investment managers for direct mandates.

The Illinois Municipal Retirement Fund Board of Trustees will evaluate the Executive Director on the efforts to achieve the aspirational goals. Job descriptions for key staff reflect IMRF's commitment to diversity and aspirational goals.

C. Emerging Investment Manager Utilization (In Compliance with Section 1-109.1 (4) of the Illinois Pension Code)

The Illinois Municipal Retirement Fund is committed to providing opportunities for emerging investment managers. An emerging investment manager is defined as a qualified investment advisor that manages an investment portfolio of at least \$10,000,000 but less than \$10,000,000,000 and is a "minority owned business," "female owned business" or "business owned by a person with a disability" as defined in the Business Enterprise for Minorities, Females, and Persons with Disabilities Act.

Emerging Investment Management firms must be 51% or more owned by individuals that are minorities, females or persons with a disability

and are citizens or lawful permanent residents of the United States. For a complete definition go to the following website:

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

The Illinois Municipal Retirement Fund Board of Trustees has adopted 3 separate goals for: (i) emerging investment managers that are minority owned businesses; (ii) emerging investment managers that are female owned businesses; and (iii) emerging investment managers that are businesses owned by a person with a disability.

Goals for Utilization of Emerging Investment Managers
by Emerging Investment Manager Classification

<u>Emerging Investment Manager Classification</u>	<u>Minimum Goal as a Percentage of Total Fund Market Value</u>
Minority Owned Businesses	13%
Female Owned Businesses	6%
Businesses Owned by a Person with a Disability	1%

Goals for Utilization of Emerging Investment Managers
by Asset Class

<u>Asset Class</u>	<u>Minimum Goal as a Percentage of Asset Class</u>
Domestic Equity	8%
International Equity	15%
Fixed Income	25%
Real Estate*	4%
Private Equity*	10%
Timberland	Best Efforts
Agriculture	Best Efforts

* based on committed amounts

D. Minority Investment Manager Utilization (In Compliance with Section 1-109.1 (9) of the Illinois Pension Code)

The Illinois Municipal Retirement Fund is committed to providing opportunities for minority investment managers. A minority investment manager is defined as a qualified investment manager that manages an investment portfolio and meets the definition of “minority owned business,” “female owned business” or “business owned by a person with a disability” as defined in the Business Enterprise for Minorities, Females, and Persons with Disabilities Act.

Minority Investment Management firms must be 51% or more owned by individuals that are minorities, females or persons with a disability and are citizens or lawful permanent residents of the United States. For a complete definition go to the following website:

(30 ILCS 575/) Business Enterprise for Minorities, Females, and Persons with Disabilities Act.

The Illinois Municipal Retirement Fund Board of Trustees has adopted 3 separate goals for: (i) minority investment managers that are minority owned businesses; (ii) minority investment managers that are female owned businesses; and (iii) minority investment managers that are businesses owned by a person with a disability.

Goals for Utilization of Minority Investment Managers
by Investment Manager Classification

<u>Investment Manager Classification</u>	<u>Minimum Goal as a Percentage of Total Fund Market Value</u>
Minority Owned Businesses	13%
Female Owned Businesses	6%
Businesses Owned by a Person with a Disability	1%

Goals for Utilization of Minority Investment Managers
by Asset Class

<u>Asset Class</u>	<u>Minimum Goal as a Percentage of Asset Class</u>
Domestic Equity	8%
International Equity	15%
Fixed Income	25%
Real Estate*	4%
Private Equity*	10%
Timberland	Best Efforts
Agriculture	Best Efforts

*based on committed amounts

E. Investments in Illinois Businesses

The Board recognizes that investments made in businesses operating in Illinois and in real estate and other assets in the state may contribute to an improved economic climate in the state. Therefore, where investment characteristics such as competitive rate of return in relation to the risks involved, minimum quality standards, liquidity considerations, and other investment objectives of the Board are equivalent, the Board favors investments which will have a positive impact on the economy of Illinois. However, nothing in this paragraph

shall be construed to favor the foregoing of investment return in order to provide a subsidy to a particular group to the detriment of the Fund members, their beneficiaries, or their public employers.

F. Minority Broker/Dealer Utilization

The firms that are to act as a securities broker-dealer with respect to the purchase and sale of assets for the Fund shall be selected by the investment manager in its sole discretion. The investment manager or any entity controlled by or controlling it, or affiliated with it, shall not act as a securities broker-dealer with respect to purchases and sales of assets allocated to the investment manager unless the Board specifically approves such action. This excludes Transition Manager assignments.

In the selection of broker-dealers with whom to place orders for the purchase or sale of securities for the Fund, the primary objective of the investment manager shall be to obtain the most favorable results for the Fund. The investment manager's selection of broker-dealers may take into account such relevant factors as (1) price and/or commission; (2) the broker-dealer's facilities, reliability and financial responsibility; (3) the ability of the broker-dealer to effect securities transactions, particularly with respect to such aspects as timing, order size, execution of orders and the ability to complete a transaction through clearance, settlement and delivery; (4) the research and other services provided by such broker-dealer 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; and, (5) satisfy IMRF's goals for utilization of minority broker-dealers. The investment manager's selection of such broker-dealers shall be in accordance with Article 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. The Illinois Municipal Retirement Fund Board of Trustees has adopted a policy which sets forth goals for increasing the utilization of minority broker/dealers.

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

<u>Asset Class</u>	<u>2017 Minimum Goal</u>
U.S. Equities	25%
U.S. Large-Cap Equities	30%
U.S. Micro-Cap Equities	7%
International Equities	20%
Fixed Income	22%
High-Yield Bonds	5%
International Small-Cap Equities	5%
Emerging Market Equities	5%
Emerging Market Debt	Best Efforts
Bank Loans	Best Efforts
Opportunistic Strategies	Best Efforts

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

Investment managers are prohibited from using indirect methods such as step-outs to achieve these goals.

Investment managers of pooled/commingled investment portfolios are directed to use their best efforts to execute trades with minority broker/dealers. Efforts will be evaluated during semi-annual portfolio review meetings.

All investment managers executing brokerage on behalf of the Illinois Municipal Retirement Fund are directed to meet these minimum goals in their specific portfolios and shall report monthly on their utilization of minority broker/dealers. Any investment manager failing to meet the minimum goal during the reporting month must provide a written explanation disclosing the reasons for not meeting the goal.

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

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

G. Policy Regarding Minority Owned Business Utilization Disclosures (In Compliance with Section 1-113.21 of the Illinois Pension Code)(See Appendix G for Disclosure Form)

The Illinois Municipal Retirement Fund requires the following disclosure from the investment advisor, consultant or private market fund:

1. The number of its investment and senior staff and the percentage of its investment and senior staff who are (i) a minority person (ii) a female, and (iii) a person with a disability;
2. The number of contracts, oral or written, for investment services, consulting services and professional and artistic services that the investment advisor, consultant, or private market fund has with (i) a minority owned business, (ii) a female owned business, or (iii) a business owned by a person with a disability; and
3. The number of contracts, oral or written, for investment services, consulting services, and professional and artistic services that the investment advisor, consultant, or private market fund has with a business other than (i) a minority owned business, (ii) a female owned business or (iii) a business owned by a person with a disability, if more than 50% of services performed pursuant to the contract are performed by (i) a minority person, (ii) a female, and (iii) a person with a disability.

H. Policy Regarding the Illinois High Risk Home Loan Act

1. It is the policy of IMRF that, unless otherwise inconsistent with any fiduciary duties that may apply, no Illinois finance entity may receive deposits or investments from IMRF unless it certifies that it complies with the requirements of the Illinois High Risk Home Loan Act (815 ILCS 137/1 et seq.) and the rules adopted pursuant to that Act that are applicable to that finance entity. This certification is required before an Illinois finance entity receives a deposit or any assets to invest from IMRF and annually thereafter. For Illinois finance entities with whom IMRF is investing or depositing assets on the effective date of this policy, the initial certification required shall be completed within 6 months after the effective date.
2. If an Illinois finance entity fails to submit an annual certification, then IMRF shall notify that Illinois finance entity. The Illinois finance entity shall, within 30 days after the date of notification, either (i) notify IMRF of its intention to certify and complete certification or (ii) notify IMRF of its intention not to complete certification. If an Illinois finance entity fails to provide certification, then IMRF shall, within 90 days, divest, or attempt in good faith to divest, its assets with that Illinois finance entity. IMRF shall immediately notify the Public Pension Division of the

Department of Financial and Professional Regulation of the Illinois finance entity's failure to provide certification.

3. IMRF shall annually submit copies of the certifications to the Public Pension Division of the Department of Financial and Professional Regulation.
4. For purposes of this policy, "Illinois finance entity" means any entity chartered under the Illinois Banking Act, the Savings Bank Act, the Illinois Credit Union Act, or the Illinois Savings and Loan Act of 1985 and any person or entity licensed under the Residential Mortgage License Act of 1987, the Consumer Installment Loan Act, or the Sales Finance Agency Act.
5. The required certification (see Appendix F, attached hereto) must be submitted.

III. Asset Allocation

Asset allocation is generally recognized to have the largest impact on a pension fund's investment performance and risk. Allocating across multiple asset classes with different characteristics mitigates the risk of any single asset type. Historically, no single asset type has provided consistent superior long-term performance in all market environments. A well-diversified approach, including consideration of macro and fundamental risk factors, positions the portfolio to produce more consistent results over time and is expected to generate superior long-term returns.

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

Staff and the Investment Consultant(s) shall conduct an Asset Liability Study every three to five years and present the results to the Board. The study will consider the asset class mix, future benefit payments, liabilities, required funding, the appropriateness of the actuarial interest rate assumption, and the prospective funded status of liabilities. Through quantitative asset/liability modeling and qualitative evaluation, an appropriate strategic asset allocation mix will be selected.

Staff and the Investment Consultant will prepare and present an asset allocation review to the Board annually. The asset allocation review will include capital market expectations (10 year horizon), risk/return expectations for major asset classes, appropriate benchmarks, asset class and style targets, and diversification. In addition to achieving diversification by asset class, careful attention shall be paid to

diversification within each asset class and sub-allocation and manager concentration at a total fund level.

The table below shows the target asset allocation, including a $\pm 4\%$ range for each asset class with the exception of cash equivalents.

<u>Asset Class</u>	<u>Asset Allocation Targets</u>	<u>Asset Class Ranges</u>	<u>Policy Benchmark Index</u>
Domestic Equities	38%	34% - 42%	Russell 3000
International Equities	16%	12% - 20%	MSCI ACWI Ex-U.S. Index
Fixed Income	29%	25% - 33%	Bloomberg Barclays U.S. Aggregate Index
Real Estate	8%	4% - 12%	NCREIF ODCE
Alternative Investments	8%	4% - 12%	9%
Cash Equivalents	1%	0% - 2%	3 Month Treasury Bills

Actual allocations that exceed their target by $\pm 4\%$ will be noted at the next scheduled Board meeting. If deemed necessary by the Chief Investment Officer and Consultant, recommendations for rebalancing strategies will be presented to the Board for their approval.

IV. Benchmarks

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

The Total Fund Benchmark is equal to the sum of:

- 38% Russell 3000 Index
- 29% Bloomberg Barclays U.S. Aggregate Bond Index
- 16% Morgan Stanley Capital International All Country World Index ex-US
- 8% National Council of Real Estate Investment Fiduciaries Open-End Diversified Core Index
- 8% of the 9% Annual Alternatives Benchmark
- 1% 3-month Treasury Bills

- B.** IMRF invests in domestic equities to earn an equity risk premium in order to enhance the long-term returns of the Fund. The objective of

the domestic equity portfolio is to achieve a total return that exceeds the total return of the Russell 3000 Index net of fees.

- C.** IMRF invests in international equities to earn an equity risk premium and to diversify the equity exposure within the Fund. The objective of the international equity portfolio is to achieve a total return that exceeds the total return of the Morgan Stanley Capital International All Country World Index ex-US net of dividends (MSCI ACWI ex-US) net of fees.
- D.** IMRF invests in fixed income to provide stable income and to diversify the equity market risk in the investment portfolio. The objective of the fixed income portfolio is to achieve a total return that exceeds the total return of the Bloomberg Barclays U.S. Aggregate Bond Index net of fees.
- E.** IMRF invests in real estate to provide diversification, inflation protection, and income generation in the investment portfolio. The objective of the real estate portfolio is to achieve a total return that exceeds the total return of the National Council of Real Estate Investment Fiduciaries (NCREIF) Open-End Diversified Core gross of fees (ODCE) Index over a rolling three year period.
- F.** IMRF invests in alternative investments to diversify the Fund's assets and to enhance the investment portfolio return through long-term capital appreciation. These investments can be highly illiquid and IMRF seeks to be compensated for such illiquidity by earning returns substantially greater than those available from publicly traded equity markets. The objective of the alternative investments portfolio is to achieve an annualized return of 9%.
- G.** Cash is held primarily for paying benefits and administrative expenses and funding Board approved investments. The objective of the internally managed cash portfolio is to achieve a total return in excess of 3-month U.S. Treasury Bills.

V. Investment Guidelines

The Board of Trustees recognizes the following investment guidelines for each asset class. The guidelines presented here are intended to be summarizations. The Board requires public market investment managers to meet specific contractual guidelines detailed in each investment manager's agreement with the Fund.

Public Markets

A. Domestic Equity Securities

1. Exposure of the total domestic equity portfolio to any one sector shall generally not differ by more than 5 percentage points from the sector exposure of the Russell 3000.
2. The amount of cash and cash equivalents held in the domestic equity portfolio generally shall not exceed 5 percent of the total portfolio except during periods of cash contributions or withdrawals.
3. IMRF shall generally not hold more than 5 percent of the outstanding shares of any one company.
4. No individual security shall comprise more than 15 percent of a manager's portfolio market value without prior approval from the CIO.
5. Generally, no individual security shall comprise more than 5 percent of the total domestic equity portfolio.
6. Equity securities must be listed on the principal U.S. exchanges or traded over the counter. ADRs (either listed or traded over the counter) of foreign companies are permissible.

B. International Equity Securities

1. Generally, international equity managers shall only invest in equity securities of companies domiciled outside of the U.S. International equity managers may be allowed to invest a portion of their portfolio in U.S. domiciled companies which have the majority of their operations and/or revenues domiciled outside of the U.S.
2. Generally, no individual security shall comprise more than 6 percent of the total international equity portfolio at market value.

3. The amount of cash and cash equivalents shall not exceed 10 percent of the total international equity portfolio except during periods of cash contributions or withdrawals.
4. The exposure to any one country shall not exceed the higher of 25 percent or two times the benchmark weighting at market value.
5. The exposure to any one sector shall not exceed the higher of 25 percent or two times the benchmark weighting at market value.
6. International equity managers may engage in various transactions to manage currency. Forward contracts, futures and options may be used for currency management purposes. Managers are not permitted to utilize these transactions for speculative purposes unless otherwise specified in individual manager guidelines.

C. Fixed Income Securities

1. Bonds, notes or other obligations of indebtedness issued or guaranteed by the U.S. government, its agencies or instrumentalities may be held without restriction.
2. The average credit quality of the total fixed income portfolio must be investment grade.
3. An individual manager's portfolio shall generally have an effective duration between 80-120 percent of the index for mandates benchmarked against the Bloomberg Barclays U.S. Aggregate or Merrill Lynch High Yield Cash Pay indices.
4. Debt obligations of any single U.S. corporation shall generally be limited to a maximum of 5 percent of the total fixed income portfolio at market value.
5. Generally, no more than 30 percent of a manager's assets at market value may be invested in securities rated below investment grade at the time of purchase. Investment managers outside of core and core plus mandates will not be subject to above restriction.
6. Private placements are authorized by the Board on an individual manager basis. Securities issued under rule 144A will not be considered private placements.

7. Bonds or other debt obligations of foreign countries and corporations payable in U.S. dollars and foreign currency are authorized, but in general will not exceed 15 percent of the total fixed income portfolio.
8. The use of swaps, exchange traded financial futures, exchange traded options on financial futures, and over the counter options is subject to individual manager guidelines. Managers are not permitted to utilize these transactions for speculative purposes. Leverage is not allowed except as permitted for rolling mortgage pass-through securities.
9. No assets shall be committed to short sale contracts.

Private Markets

D. Real Estate Investments

A separate Real Estate Statement of Investment Policy has been adopted by the Board of Trustees. This Policy is an extension of the Statement of Investment Policy. It will be reviewed by the Board of Trustees annually.

E. Alternative Investments

The alternative investment asset class can encompass different and distinct asset categories within U.S. and Non-U.S. markets. The investment objective is to generate long-term returns in a diversified manner. It generally consists of limited partnerships in which IMRF commits a fixed amount that the General Partner will invest over several years. The partnership structure may cover periods of 10 years or more. IMRF understands and recognizes that the alternative asset class will not be structured in a way to provide short term cash flow needs for the Fund.

Exposure to dedicated non-U.S. strategies will be limited to 30% of the total alternative investment portfolio value plus unfunded commitments at the time of due diligence. Alternative investment managers may or may not hedge currency risk. The IMRF alternative portfolio will not implement currency hedges and accepts currency risks consistent with the geographic exposures of the underlying investments.

The maximum commitment to any direct alternative manager shall be 40% of the total alternatives portfolio value plus unfunded commitments at the time of due diligence.

Capital will be deployed to alternatives over an extended period of time and may take several years before reaching the current target.

Permissible alternative asset categories include but are not limited to:

- Agriculture
- Infrastructure
- Hedge funds
- Private equity investments
- Timber

Structures within these categories include but are not limited to:

- Separate accounts
- Commingled funds
- Limited Partnerships
- Limited Liability Companies
- Joint Ventures
- Co-Investments

The Board may pre-approve co-investment opportunities at the time of the approval of an alternative investment fund. Staff will generally accept co-investment opportunities on a pro-rata basis under this scenario. If the General Partner offers a compelling and appropriate co-investment opportunity to IMRF which was not pre-approved, Staff may present this opportunity to the Board for their approval.

Internally Managed Assets

F. Permissible Investments

Permissible investments include but are not limited to:

- U.S. Treasury Bills and Notes
- Commercial paper rated A-2 or P-2 or better as defined by a recognized rating service
- Repurchase Agreements
- Bankers Acceptances
- Certificates of Deposits
- Short Term Investment Fund (STIF) available through the Master Trustee
- Exchange Traded Funds
- Exchange Traded Futures
- Publicly Listed Equity Securities

VI. Transition Management

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

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

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

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

VII. Risk Management

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

Public Markets

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

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

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

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

Private Markets

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

Cash Flow Activity

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

Master Trustee

- I. Staff reviews the Master Trustee's Service Organization Control (SOC 1) report twice per year.

VIII. Selection of Investment Managers and Consultants

A. Policy for Selection of Investment Managers

1. Purpose

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

2. Philosophy

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

It is the policy of the Board to include qualified minority managers in the selection process and to objectively evaluate all qualified investment manager candidates regardless of race, gender or 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) a Request for Proposal (RFP) shall be prepared. The search will be advertised in the State newspaper and a notice will be posted on the IMRF website. The RFP shall be made available on the IMRF website at least fourteen days before the response is due. When appropriate, the RFP shall also be made available on the investment consultant's website.

An RFP process is not required to place additional assets with an investment management firm that already manages IMRF assets.

Upon termination of a manager, assets may be placed with any appropriate investment management firm and/or transition management firm pending a decision for final disposition by the Board.

4. RFP Specifications

The RFP will provide background information on IMRF and will request detailed information on matters relevant to the investment manager search being conducted. The RFP will generally be organized as follows:

- (a) Introduction and Goal of the RFP
- (b) Background Information on IMRF
- (c) Services to be Performed
- (d) Qualifications for the Assignment
- (e) Specifications for the Assignment
- (f) Requirements and Instructions for RFP Completion
- (g) General Terms and Conditions of the Contract Including Performance Review Criteria
- (h) Selection Process and Criteria
- (i) Projected Timeline for Completion of the Manager Search

5. Quiet Period

The Quiet Period is the period of time beginning when the investment manager search RFP is issued and ends when the investment manager is selected by the Board or the process is declared to be complete.

Investment manager respondents shall not contact IMRF Board members during the Quiet Period and should direct all communications to the Chief Investment Officer or the Executive Director or the contact identified in the RFP.

The purpose of the Quiet Period is to ensure that all prospective investment managers have equal access to information regarding the search objective and requirements; to be certain that communications are consistent and accurate; and to make the search process and selection process efficient, diligent and fair.

The Quiet Period will be posted to the IMRF website to prevent inadvertent violations by investment managers responding to the RFP.

IMRF Board members shall refrain from communicating with the respondents regarding any product or service related to the search during the Quiet Period unless this communication takes place during a manager presentation related to the search recommendation.

IMRF Staff shall refrain from communicating with the respondents regarding any product or service related to the search during the Quiet Period unless this communication is initiated by the RFP team for information related to the search.

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

6. Selection Process

For searches when a consultant is retained, Staff and consultant will work jointly. Staff shall objectively review the RFP's to identify qualified candidates based solely on the criteria presented in the RFP. Staff and consultant may interview all, some or none of the RFP respondents, undertake site visits to respondent offices, and conduct such other due diligence as is prudent under the circumstances. The process may end at this point if there are no qualified candidates among the respondents.

Staff will present the results of the RFP process to the Investment Committee in the form of a written report. This report will be presented during a public meeting. Staff will make a recommendation to the Board or the Investment Committee of the Board. The Board will consider the recommendation from Staff and determine if the award of a mandate will be made.

During the selection process all respondents to the RFP will be evaluated and ranked on four primary factors:

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

Staff and consultant are required to identify all minority and female owned firms and firms owned by a person with a disability in the report presented to the Investment Committee. The most qualified minority candidate(s) will be invited to present to the Board or the Investment Committee of the Board. Staff and consultant must specify the reason when these firms are not included in the recommendation.

IMRF reserves the right to reject respondents due to noncompliance with the requirements and instructions in the RFP.

IMRF also reserves the right to not hire or defer the hiring of any investment manager.

7. Contract Execution

When the contract has been awarded by action of the IMRF Board of Trustees, Staff will take the steps necessary to retain the investment manager including negotiations and execution of the contract.

8. Website Postings required by Section 1-113.14 of the Illinois Pension Code.

Upon execution of an investment management agreement, a summary of the contract will be posted on the IMRF website in the Investments portal under Investment Managers. Results of manager searches conducted by RFP will be posted under Business Opportunities. Investments made without a formal RFP will be posted under Business Opportunities and shall name the person(s) authorizing the procurement and the reason for the exception.

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 investment consultants that are fiduciaries with respect to the services they provide to make recommendations on investment strategy and asset allocation; report on the performance of the investment portfolio and investment managers; assist with the selection of investment managers; and recommend new investment opportunities.

3. Procurement Process

The process for selecting investment consultants will be competitive and open. A search may be started due to the expiration of a contract, termination of an investment consultant

or a need to add an investment consultant. A Request for Proposal (RFP) shall be prepared by Staff based on the investment consultant services needed. The RFP shall be advertised in the State newspaper and a notice will be posted on the IMRF website. The RFP shall be made available on the IMRF website at least fourteen days before the response is due. An RFP will be conducted every 5 years as required by Section 1-113.14 of the Illinois Pension Code.

4. RFP Specifications

The RFP will provide background information on IMRF and will request detailed information on matters relevant to the investment consultant search being conducted. The RFP will generally be organized as follows:

- (a) Introduction and Goal of RFP
- (b) Background Information on IMRF
- (c) Services to be Performed
- (d) Qualifications for Assignment
- (e) Specifications for Assignment
- (f) Requirements and Instruction for RFP Completion
- (g) General Terms and Conditions of the Contract Including Criteria for the Evaluation of Performance
- (h) Selection Process
- (i) Projected Timeline for Completion of the Investment Consultant Search

5. Quiet Period

The Quiet Period is the period of time beginning when the investment consultant search RFP is issued and ends when the investment consultant is selected by the Board or the process is declared to be complete.

Investment consultant respondents shall not contact IMRF Board members during the Quiet Period and should direct all communications to the Chief Investment Officer, or the Executive Director, or the contact identified in the RFP.

Incumbent investment consultant respondents may communicate with IMRF Board members during the Quiet Period, but may not

discuss the investment consultant search with the Board during the Quiet Period.

The purpose of the Quiet Period is to ensure that all prospective investment consultants have equal access to information regarding the search objective and requirements; to be certain that communications are consistent and accurate; and to make the search process and selection process efficient, diligent and fair.

The Quiet Period will be posted to the IMRF website to prevent inadvertent violations by investment consultants responding to the RFP.

IMRF Board members shall refrain from communicating with the respondents regarding any product or service related to the search during the Quiet Period unless this communication takes place during a Consultant presentation related to the search recommendation.

IMRF Staff shall refrain from communicating with the respondents regarding any product or service related to the search during the Quiet Period unless this communication is initiated by the RFP team for information related to the search.

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

6. Selection Process

Staff shall objectively review the RFP's to identify qualified candidates based solely on the criteria presented in the RFP. Staff may interview all; some or none of the RFP respondents undertake site visits to respondent offices and conduct such other due diligence as is prudent under the circumstances.

Staff will prepare a report and make a recommendation to the Investment Committee during a public meeting of the Investment Committee.

The Investment Committee will consider Staff's recommendation and will determine if a recommendation for the award of a contract will be made to the Board. The Board shall then act on the recommendation of the Investment Committee.

During the selection process all respondents to the RFP will be evaluated and ranked based upon:

- (a)** Organization - stability, ownership, documented experience of key professionals, and diversity efforts.

- (b) Consulting Skill - investment philosophy, investment manager information collection and monitoring systems, risk management tools, performance measurement systems and breadth of consulting expertise and experience.
- (c) Fees - Consulting fees for services requested and associated costs.

Staff is required to identify all minority and 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, as required by Section 1-113.14 of the Illinois Pension Code.

IX. Public Access to Records

All records of investment transactions maintained by the Fund are available for public inspection and copying as provided by the rules and regulations adopted by the Board pursuant to the Illinois Freedom of Information Act.

A. Definitions

Core Fixed Income: A fixed income portfolio which closely tracks the broad publicly traded fixed income market with a focus on current income generation and capital preservation. The most common benchmark for a Core Fixed Income portfolio is the Barclay's Capital US Aggregate Index. Common metrics such as yield, duration, etc. are typically held with within a tight range of the index.

Core Plus Fixed Income: A fixed income portfolio in which the majority of the portfolio tracks the broad publicly traded fixed income market, and a portion of the portfolio is allocated to higher risk sectors or securities which are not typically found in the broad fixed income market indices. The most common benchmark for a Core Plus Fixed Income portfolio is the Barclay's Capital US Aggregate Index. Examples include, but are not limited to, Non-US Debt, Global Debt, Emerging Market Debt, High Yield, etc.

Hedge Funds: A private, actively managed investment fund that seeks to provide returns to their investors by investing in a diverse range of markets, investment instruments and strategies. Most common strategies include: Long/Short Equity, Event Driven, Credit, Relative Value, Macro and Opportunistic.

Infrastructure: Refers to assets and services that a society requires to operate its economy including both economic assets and social assets. Economic infrastructure includes, but is not limited to roads, airports, regulated utilities, power generation and cell towers. Social infrastructure includes but is not limited to hospitals, schools, and waste management. Investments in infrastructure tend to have high barriers to entry, relatively stable and predictable cash flows often linked to inflation, long lifespans and low demand elasticity.

NCREIF Property Index: 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. Index returns are calculated on a leveraged basis and are reported at the fund level. As of September 30, 2016, the NFI-ODCE was composed of 36 historical open-end commingled funds pursuing a core investment strategy, of which 24 are active.

Opportunistic Fixed Income: A specific type of Non-Core Fixed Income portfolio which attempts to exploit the inefficiencies of one particular market or niche. Examples include, but are not limited to, Convertible Bonds, Mortgage Arbitrage,

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

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

Private Equity: Refers to companies that are not quoted on the stock exchange. Investments are typically illiquid in nature. Ownership consists of limited partnership interest. Most common strategies include: Venture Capital, Growth Capital, Leveraged Buyouts, Distressed Investments, Special Situations and Mezzanine Capital.

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

B. 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.

Privately held companies are not covered by IMRF's third party proxy voting advisor's research. When these exceptions arise, Staff will review the proposals, company recommendations and consult with the investment advisors that hold the stock and provide a voting recommendation to the CIO for final determination before voting the proxy.

Proxy Voting Guidelines

The following proxy voting guidelines provide the basis for Staff, an international investment manager or a designated third party proxy voting advisor to vote IMRF's proxies. The IMRF proxy voting policy centers on issues relating to Corporate Governance; Compensation; Takeover Defenses; Capital Structure; Corporate Restructurings; Political Expenditures; and Routine Management Issues.

A. Corporate Governance

IMRF believes that corporate boards should act in the best interest of shareowners, therefore, IMRF will vote in favor of the following shareholder-sponsored proposals:

1. boards with a majority of independent directors
2. audit, nominating and compensation committees that are made up of all independent directors
3. a separation of the Chairman and CEO positions*
4. restrictions on exercising options (3 – 5 years) if directors are paid with options
5. the rotation of outside auditors at least every 5 years*
6. disclosure of each director's attendance at board and committee meetings
7. a fixed size board
8. a declassified board
9. a stipulation that directors need to be elected with an affirmative majority of votes cast, provided it does not conflict with the state law where the company is incorporated. However, binding

resolutions need to allow for a carve-out for a plurality vote standard when there are more nominees than board seats.

- 10.** a call for non-binding shareholder ratification of the compensation of the Named Executive Officers and the accompanying narrative disclosure of material factors (i.e. say-on-pay proposals)

(*can be decided on a case-by-case basis)

To further enhance good corporate governance IMRF will vote in opposition to or withhold votes on the following:

- 1.** directors with poor attendance, missing 75% of the meetings
- 2.** directors who serve on too many boards
- 3.** boards that are not majority independent (withhold from the non-independent directors)
- 4.** boards that have non-independents serving on key committees (withhold from the non-independents on such committees)
- 5.** boards that fail to replace poor management
- 6.** boards that lack accountability and oversight, coupled with sustained poor performance relative to peers
- 7.** boards that adopt or renew poison pills without shareholder approval
- 8.** boards that adopt or renew egregious anti-takeover devices such as dead-hand pills
- 9.** Boards that amend company's bylaws, without shareholder approval, that diminish shareholder rights
- 10.** auditors who receive substantial fees for non-auditing services
- 11.** audit committees who pay substantial fees for non-audit services
- 12.** audit committees who receive an adverse opinion on the company's financial statements from the external auditor
- 13.** audit committees or boards where there are poor accounting practices, which rise to a level of serious concern, such as: fraud; misapplication of GAAP; and material weaknesses identified in Section 404 disclosures, are identified

14. audit committees where there is persuasive evidence that the audit committee entered into an inappropriate indemnification agreement with its auditor that limits the ability of the company, or its shareholders, to pursue legitimate legal recourse against the audit firm
15. compensation committees when there is a negative correlation between the chief executive's pay and company performance
16. compensation committees when the company has poor compensation practices
17. boards that ignore shareowner proposals that are approved by a majority of shareowners (majority of votes cast in the previous year)
18. boards that fail to act on takeover offers where a majority of shareowners tendered their shares
19. limited liability for directors who violate their fiduciary duty to shareowners
20. indemnification of directors for intentional or criminal acts beyond negligence
21. mandatory retirement age for directors
22. term limits for directors
23. proposals requiring two candidates per board seat
24. proposals restricting shareowners' ability to elect directors

B. Proxy Access

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

1. Ownership threshold: Shareholders with at least three percent (3%) of the voting power;
2. Ownership duration: At least three (3) years of continuous ownership for each member of the nominating group;
3. Aggregation: A minimum of 15 shareholders are required to form a nominating group;

4. Cap on Nominees: Nominating group will not exceed twenty-five percent (25%) of the board.

C. Director, Executive, and Employee Compensation

IMRF believes that compensation plans should motivate directors, executives, and employees to achieve high performance for the long term benefit of all shareowners, therefore, IMRF will vote in favor of the following:

1. annual advisory votes on executive compensation (management say on pay)
2. reasonable compensation plans included in management sponsored say on pay proposals for executives and directors*
3. reasonable compensation for directors
4. complete disclosure of executive and director compensation
5. non-excessive pay plans that award cash, stock, or a combination of the two based upon company and individual performance if the plans are approved by shareowners
6. specified option holding periods for executives paid with stock options*
7. reasonable stock ownership requirements*
8. putting executive benefit agreements to a shareowner vote
9. putting supplemental retirement plans for executives to a shareowner vote
10. employee stock purchase plans and 401(k) plans*

(*can be decided on a case-by-case basis)

To further ensure that executive compensation is reasonable IMRF will generally vote in opposition to the following:

1. excessive compensation plans
2. poorly designed compensation plans that fail to align executive's interests with that of shareholders
3. re-pricing of stock options given to executives, when the option price is above the market price*
4. proposals to eliminate shareowner approval of option re-pricing

5. plans that increase supplemental retirement benefits for top executives*
6. compensation plans that would cause substantial shareholder value transfer*
7. compensation plans that would result in excessive burn rate (also known as run rate)*
8. any compensation paid to directors beyond the time of their service on the board
9. unreasonable compensation, benefit packages, or club memberships for directors
10. reimbursement of unreasonable travel expenditures by directors
(*can be decided on a case-by-case basis)

D. Board Diversity

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

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

IMRF will not vote in favor of:

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

E. Equal Opportunity

IMRF recognizes the importance of gender and ethnic diversity. IMRF will vote in favor of proposals requesting a company to disclose its diversity policies or initiatives, or proposals requesting disclosure of a company's comprehensive workforce diversity data, including requests for EEO-1 data.

F. Takeover Defenses

IMRF believes that shareowners should be asked their opinion of certain anti-takeover devices and, therefore, will vote in favor of the following:

1. proposals that allow shareowners to vote on poison pills and golden parachutes

IMRF believes that attempts by corporate boards to block takeovers generally hurt shareowner value, therefore, IMRF will generally vote in opposition to the following:

1. “blank check” preferred stock giving the board very broad discretion in establishing voting, dividend, conversion, and other rights, that can be used as an anti-takeover device
2. issuance of stock with unequal voting rights
3. creation of new securities with superior voting rights
4. “golden and tin parachutes” (severance agreements) between a company and executive management contingent on a change in corporate control*
5. “poison pill” devices to make target companies financially unattractive*
6. “greenmail”, the purchase of a large block of stock at a premium price, by the company from shareowners seeking control
7. classified boards, preventing the possibility of all directors being replaced at once
8. proposals requiring a supermajority shareowner vote
(*can be decided on a case-by-case basis)

G. Capital Structure

As long term shareowners IMRF is concerned about the capital structure of corporations in which it invests, therefore, IMRF will vote in favor of the following:

1. proposals requiring shareowner approval for a reasonable increase in shares necessary for business purposes

IMRF will generally vote in opposition to the following:

1. increases in the amount of preferred stock that dilutes the voting power of common shares
2. the creation of new classes of securities with superior voting rights

Because of the unique circumstances of individual companies, IMRF will vote on the following issues on a case-by-case basis:

1. recapitalizations and reverse stock splits
2. increases in common stock
3. increases in preferred stock
4. private placement warrants and convertible debentures
5. proposals that preserve preemptive rights and the opportunity to purchase, pro rata, newly issued shares in the company
6. a change in a company's state of incorporation
7. increases in stock that significantly reduce shareowner value or voting power

H. Merger, Acquisitions, and Corporate Restructurings

Due to the complexity of issues that arise during mergers, acquisitions, and corporate restructurings (taking a company private or forming a joint venture) IMRF will vote proxies on a case-by-case basis after obtaining adequate information about what action is in the best interest of the Fund as a shareowner.

I. Routine Management Issues

IMRF believes that most management issues, having either a direct or indirect effect on the conduct of business and corporate profitability, should remain management responsibility and, therefore, IMRF will generally support management's view on such issues.

J. Political Expenditures

IMRF believes that all political expenditures should be approved by the board of directors and disclosed to shareowners. IMRF will vote for proposals that require board approval and disclosure of all political expenditures.

K. Social, Political, and Environmental Issues

IMRF recognizes that many laudable social and political issues regularly come before the shareowners for a vote. In keeping with the Board's fiduciary duty to act solely in the economic interest of the Fund, IMRF will abstain from voting on such proposals.

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 risks associated with counterparty borrowers, the investment of cash collateral received and the acceptance of non-cash collateral
- Minimize risk to a reasonable and acceptable level with respect to both the broker/borrower, the collateral received, and the reinvestment of cash collateral
- Ensure that the operation of the securities lending program will not interfere with overall portfolio management activities

Securities Lending Program Overview

Securities lending occurs when a security is transferred (i.e. loaned) from IMRF to a borrower, such as a broker-dealer or bank, for cash or non-cash collateral pursuant to an agreement to return the identical security in the future. Securities are borrowed for a variety of reasons including: settlement of short sales; covering hedges, options, arbitrage positions; and settlement fails. Consequently, the borrower receives custody of the transferred (i.e. loaned) security and has the right to resell it. The borrower, however, is obligated to return an identical security (comparable security in fixed income lending) at the end of the loan period and make IMRF whole for dividends, interest, and other distributions received during the borrowing period. IMRF, as lender, is obligated to return the collateral and a portion of the interest earned on collateral (known as rebate amount) to the borrower.

Staff Responsibilities

- 1.** Staff is responsible for monitoring the third party securities lending program administrator.
- 2.** On an annual basis, Staff will meet with the third party securities lending program administrator to review the securities lending program. Staff will make recommendations to the Chief Investment Officer as necessary.
- 3.** If deemed necessary by the Chief Investment Officer and Consultant, recommendations regarding a third party securities lending program administrator will be presented to the Board for their approval.
- 4.** Monitor the daily cash collateral levels against margin requirements for the US (102%) and International (105%).
- 5.** Monitor IMRF's daily pro-rata share of the cash collateral reinvestment vehicle.
- 6.** Ensure that all income and fees directly attributable to the securities lending program are posted to the Fund's cash flow account.
- 7.** Instruct the third party securities lending program administrator to recall a specific security when necessary.

Risk Management

IMRF utilizes a third party securities lending program administrator to invest cash collateral and manage counterparty risk.

A. Cash Reinvestment Risk

The primary risk associated with securities lending is the risk that the principal and earnings of the invested cash collateral will not be sufficient to cover the rebate amount owed to the borrowers by IMRF.

Cash reinvestment risk is mitigated by prudently investing cash collateral received.

The key investment goals for investing cash collateral are to: a) safeguard principal; b) maintain adequate liquidity; and c) optimize the spread between the collateral earnings and the rebate paid to the borrowers.

B. Counterparty Risk

Counterparty risk is the risk that a borrowing broker will not return a loaned security.

This risk is mitigated and managed by activities such as monitoring the loan 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 the Northern Trust Collective SL Core Short Term Investment Fund, on behalf of IMRF.

The third party securities lending program administrator's guidelines for investing cash collateral in Northern Trust's Collective SL Core Short Term Investment Fund are as follows:

1. Securities Loan Agreements shall be entered into with borrowers whose credit and expertise have been reviewed by the third party securities lending program administrator.
2. All security loans shall be collateralized by cash or government obligations which may be accepted without limit. The amount of collateral, subject to de minimis rules, for U.S. securities must be equal to at least 102 percent of the loaned securities market value and all interest accrued through the date of such market value determination. For non-U.S. securities, the amount of collateral must be equal to at least 105 percent of the loaned securities market value and all interest accrued through the date of such market value determination.
3. When cash collateral is used the following shall be eligible investments as defined by the third party securities lending program administrator:
 - (a) U.S. Government Securities – Obligations issued or guaranteed as to principal and interest by the United States Government or its agencies or instrumentalities and custodial receipts with respect thereto.

- (b)** Bank Obligations – Obligations of U.S. or non-U.S. banks and bank holding companies including but not limited to commercial paper, banker’s acceptances, certificates of deposit, time deposits, notes and bonds.
- (c)** Corporates – Obligations of U.S. or non-U.S. corporations including commercial paper, notes, bonds and debentures.
- (d)** Foreign Governments – Obligations issued or guaranteed by OECD (Organization for Economic Cooperation and Development), governments, or political subdivisions and their agencies and instrumentalities.
- (e)** Money Market Funds – Units or shares of registered money market funds or institutional cash funds, global liquidity funds, or other pooled investment vehicles including those funds in which the Agent or its affiliates act as investment advisor, custodian, sponsor, administrator, transfer agent or similar capacity.
- (f)** Repurchase Agreements – Fully collateralized repurchase agreements with counterparties approved by the master trustee’s Trust Credit Committee at the time of purchase.
- (g)** Floating and Variable Rates – Adjustable rate securities will be limited to those securities whose rates are reset based upon an appropriate money market index including LIBOR, the Fed Fund Rate or Treasury Bills, Certificate of Deposit Composite, and Commercial Paper Composite.
- (h)** Daily Residual Cash Balances – End of day residual cash balances, which cannot be invested in the market place, will be swept into a constant \$1 Net Asset Value (NAV) short-term investment vehicle with The Northern Trust Company or any of its worldwide branches or affiliated U.S. or non-U.S. banks or bank holding companies.
- (i)** Asset-Backed Commercial Paper – Asset-backed commercial paper, excluding structured investment vehicles (SIV) or extendable commercial notes (ECN and liquidity notes (LN), with a maturity no longer than 97 days.

4. When cash collateral is used the following maturity/liquidity investment restrictions shall apply as defined by the master trustee:

- (a) A minimum of 60% of the Cash Collateral Fund shall be invested in securities which have a maturity (as herein defined) of 97 days or less.
- (b) A minimum of 20% of the Cash Collateral Fund shall be available each business day. This may be satisfied by maturities (as herein defined), or demand features.
- (c) The rate sensitivity or weighted average maturity, as measured to the shorter of the remaining time until the interest rate reset (if applicable) or maturity, of the Cash Collateral fund will be limited to 60 days.
- (d) The weighted average maturity, as measured to maturity (as herein defined), of the Cash Collateral Fund shall not exceed 120 days.
- (e) Floating rate and variable rate investments must have interest rates that may be reset at least every 97 days.
- (f) Except for asset-backed commercial paper and variable rate eligible government securities, the maturity of investments may not exceed 13 months from the date of purchase. The maturity of asset-backed commercial paper shall not exceed 97 days. The maturity of variable rate eligible government securities may not exceed 762 days.

5. Cash Collateral Diversification

- (a) Subject to the following exceptions, a maximum of 5% of the Cash Collateral Fund may be invested in securities or instruments of any one issuer or obligor. Exceptions are as follows:
 - (i) 100% of the Cash Collateral Fund may be invested in obligation issued or guaranteed by the U.S. Government or its agencies/instrumentalities.
 - (ii) 25% of the Cash Collateral Fund may be invested with any single counterparty in repurchase agreements collateralized by U.S. Government or U.S. Government agency securities.
 - (iii) 10% of the Cash Collateral Fund may be invested with any single counterparty in repurchase

agreements collateralized by securities other than U.S. Government or U.S. Government agency securities.

- (b) A maximum of 25% of the Cash Collateral Fund may be invested in obligations of issuers having their principal business in the same industry with the exception of the banking industry.
- (c) For repurchase agreements collateralized by securities other than U.S. Government or U.S. Government agencies, no more than 10% of the Cash Collateral Fund may be invested in each type of repo collateral. No more than 25% of the Cash Collateral Fund may consist of repurchase agreements collateralized by non U.S. Government or U.S. Government agency securities.
- (d) Asset-backed commercial paper shall comprise no more than 10% of the Cash Collateral Fund.
- (e) A maximum percentage of the Cash Collateral Fund which may be exposed to the risks of any one country shall be established from time to time by Agent.

Non-Cash Collateral

Non-cash collateral will be retained in a separate account for IMRF.

IMRF has instructed the third party securities lending program administrator to only accept U.S. Government Securities as non-cash collateral.

Investment Staff, in conjunction with the Consultant and the third party securities lending program administrator, will periodically review non-cash collateral types and determine if changes for eligible non-cash collateral are needed.

D. Securities Litigation Policy

Purpose

IMRF has a fiduciary duty to preserve trust assets to meet the retirement obligations to its members. Included in this duty is the obligation to recover losses in public securities as a result of corporate mismanagement and/or fraud. To preserve Fund assets, the Board has adopted this securities litigation policy to guide the Fund's involvement in securities litigation.

Principal Responsibilities

Overall coordination of monitoring and managing the securities class action activities shall be by the Chief Investment Officer, in coordination with the General Counsel. Decisions regarding securities litigation will be reviewed and approved by the Executive Director.

Monitoring

Securities fraud claims within the investment portfolio are monitored by qualified securities litigation legal service providers.

The Fund's master trustee is responsible for monitoring and filing class action claims in all U.S. and Canadian based litigation settlements in which IMRF has an interest. For class action litigation in any country outside the U.S. and Canada, where the Fund's master trustee is not responsible for monitoring, IMRF will utilize a third party securities litigation legal service provider to represent IMRF. Decisions regarding non-U.S. based litigation will be made by the Chief Investment Officer in conjunction with the General Counsel, Public Markets Investment Officer, and Executive Director.

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

Case Identification

When the IMRF threshold level for estimated loss of \$2.5 million is met, the securities litigation legal service provider will notify the General Counsel and the designated Investment Staff.

Case Evaluation

1. Cases in which the potential impact does not meet or exceed the IMRF threshold will not require additional internal evaluation unless other factors indicate some value in further analysis. Unless further analysis is undertaken, these cases will be monitored and reviewed to make sure all appropriate claims are filed and distributions collected in a timely manner.

2. Cases with the potential of meeting or exceeding the IMRF threshold shall be further evaluated by the General Counsel in conjunction with the Chief Investment Officer to determine which of the following alternative courses of action is appropriate:
 - (a) Monitoring the course of the litigation and filing a claim at its conclusion to participate in any class payment.
 - (b) Monitoring the course of the litigation and objecting to the attorneys' fee petition, if there are reasons to object.
 - (c) Monitoring the course of the litigation and objecting to the proposed settlement, if there are reasons to object.
 - (d) If any applicant for lead plaintiff is an entity which appears to be of limited capability to effectively serve as class representative, the fund may seek to inform the court of its concerns, either formally or informally, or may support another applicant which appears to be more capable.
 - (e) Seeking to control the litigation by applying for designation as lead plaintiff, either individually or with others.
 - (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.

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.

F. Illinois High Risk Home Loan Act Certification of Compliance

Illinois Municipal Retirement Fund
Certification of Compliance
Illinois High Risk Home Loan Act

I, _____, serving in the capacity of _____, on this _____ day of _____, 2017, being duly sworn and having knowledge of all matters set forth herein, state, affirm and certify as follows:

1. I represent _____, and I am duly authorized to provide this certificate on its behalf.
2. I am aware of the requirements of Section 1-110.10 of the Illinois Pension Code (40 ILCS 5/1-110.10), as well as the requirements of the High Risk Home Loan Act, (Act), and any rules adopted pursuant thereto.
3. Under the terms of the Illinois Pension Code, _____ is deemed an Illinois Finance Entity.
4. I am aware that no pension fund assets may be handled by the Illinois Finance Entity if it is not in compliance with the provisions of the High Risk Home Loan Act, including the filing of a completed certification with the Illinois Municipal Retirement Fund.
5. I certify that _____ is in compliance with all the requirements of the High Risk Loan Act and the rules adopted pursuant to the Act.

(Firm)

(Signature)

(Name of Officer)

(Title)

Subscribed and sworn before me by _____ on this _____ day of _____, 2017.

Notary
My Commission Expires: _____
(Seal)
(Firm)
State of _____)
County of _____)

G. Disclosures per Illinois Pension Code Section 1-113.21

Disclosures per Illinois Pension Code Section 1-113.21

Beginning January 1, 2015, section 1-113.21 of the Illinois Pension Code requires the following disclosure from the investment advisor, consultant or private market fund:

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

1. The number of its investment and senior staff and the percentage of its investment and senior staff who are (i) a minority person (ii) a female, and (iii) a person with a disability;

(If none, state "none")

Staff Classification	Number of Investment and Senior Staff Who Are	% Percentage of Investment and Senior Staff Who Are
Minority		
Female		
Person with a Disability		

2. The number of contracts, oral or written, for investment services, consulting services and professional and artistic services that the investment advisor, consultant, or private market fund has with (i) a minority owned business, (ii) a female owned business, or (iii) a business owned by a person with a disability; and

(If none, state "none")

Contracts	Number Contracts
Minority	
Female	
Person with a Disability	

The number of contracts, oral or written, for investment services, consulting services, and professional and artistic services the investment advisor, consultant, or private market fund has with a business other than (i) a minority owned business, (ii) a female owned business or (iii) a business owned by a person with a disability, if more than 50% of services performed pursuant to the contract are performed by (i) a minority person, (ii) a female, and (iii) a person with a disability.

(If none, state "none")

Contract	Number Contracts
Minority	
Female	
Person with a Disability	

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

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

Definitions per Illinois Law

Illinois Legislation & Laws website: <http://www.ilga.gov/>

"Contract" means all types of [State] agreements, regardless of what they may be called, for the procurement, use, or disposal of supplies, services, professional or artistic services, or construction or for leases of real property where the [State] is the lessee, or capital improvements, and including renewals, master contracts, contracts for financing through use of installment or lease-purchase arrangements, renegotiated contracts, amendments to contracts, and change orders.

"Investment adviser", "investment advisor", or "investment manager" with respect to a pension fund or retirement system established under Illinois Code if the person:

(1) is a fiduciary appointed by the board of trustees of the pension fund or retirement system in accordance with Section 1-109.1;

(2) has the power to manage, acquire, or dispose of any asset of the retirement system or pension fund;

(3) has acknowledged in writing that he or she is a fiduciary with respect to the pension fund or retirement system; and

(4) is at least one of the following: (i) registered as an investment adviser under the federal Investment Advisers Act of 1940 (15 U.S.C. 80b-1, et seq.); (ii) registered as an investment adviser under the Illinois Securities Law of 1953; (iii) a bank, as defined in the Investment Advisers Act of 1940; or (iv) an insurance company authorized to transact business in this State.

"Minority person" means a person who is a citizen or lawful permanent resident of the United States and who is a member of a minority.

"Minority owned business" means a business concern which is at least 51% owned by one or more minority persons, or in the case of a corporation, at least 51% of the stock in which is owned by one or ore minority persons; and the management and daily business operations of which are controlled by one or more of the minority individuals who own it.

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

"Business owned by a person with a disability" means a business concern that is at least 51% owned by one or more persons with a disability and the management and daily business operations of which are controlled by one or more of the persons with disabilities who own it. A not-for-profit agency for persons with disabilities that is exempt from taxation under Section 501 of the Internal Revenue Code of 1986 is also considered a "business owned by a person with a disability".

Next, it was the consensus of the Investment Committee to recommend the Board approve the following Real Estate Statement of Investment Policy as amended:

**REAL ESTATE
STATEMENT OF INVESTMENT
POLICY**

Amended February 17, 2017

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

www.imrf.org

Table of Contents

I.	Purpose and Objectives	3
II.	Investment Objectives	3
	A. Role of Real Estate	3
	B. Distinction of Responsibilities.....	4
	C. Allocation to Real Estate	4
	D. Return Objectives	5
	E. Permissible Investments	5
	F. Diversification	5
	1) <i>Manager Diversification</i>	5
	2) <i>Property Type Diversification</i>	5
	3) <i>Geographic Diversification</i>	6
	G. Liquidity	6
	H. Portfolio Composition	6
	I. Investment Manager Selection	7
	J. Website Postings required by Section 1-109.1 and Section 1-113.14 of the Illinois Pension Code.....	7
III.	Exhibit A - Definitions	8

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 Objectives

A. Role of Real Estate

The primary role of the global 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 global 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 in U.S. and non-U.S. markets.

Diversification with Other Asset Classes

Real Estate returns have historically behaved differently than the returns 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 8% of the total Fund, with an allowable range of $\pm 4\%$. This target was set within IMRF's asset allocation framework which is reviewed annually. Actual allocations that exceed their target by $\pm 4\%$ will be noted at the next scheduled Board meeting. If deemed necessary by the Chief Investment Officer and Consultant, recommendations for rebalancing strategies will be presented to the Board for their approval.

Capital will be deployed to private real estate over an extended period of time and may take several years before reaching the current target.

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 U.S. and non-U.S. 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
- Public/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 market value plus unfunded commitments at the time of the investment recommendation.

2. Property Type Diversification

IMRF will seek property type diversification at the total private real estate portfolio level and 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, senior housing, medical office, land and other property types.

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 25% of the total real estate portfolio market value plus unfunded commitments at the time of the investment recommendation. The denominator in this calculation is based on the total real estate value plus the total value of unfunded commitments. 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 market 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 25% of the total real estate portfolio market value plus unfunded commitments at the time of the investment recommendation.
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 detailed in the IMRF Statement of Investment Policy, but is summarized 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 minority 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 recommending investment manager candidates to the Board.

J. Website Postings required by Section 1-109.1 and Section 1-113.14 of the Illinois Pension Code

Results of manager searches conducted by RFP will be posted on the IMRF website in the Investments portal under Business Opportunities. Investments made without a formal RFP will be posted under Business Opportunities and shall name the person(s) authorizing the procurement and the reason for the exception.

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.
 4. Residential: High-rise, mid-rise, and garden apartments.
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. **NFI-ODCE** is a capitalization-weighted, gross of fee, time-weighted return index with an inception date of December 31, 1977. As of September 30, 2016, the NFI-ODCE was composed of 36 historical open-end commingled funds pursuing a core investment strategy, 24 of which are active. Index returns are calculated on a leveraged basis and are reported at the fund level.

It was moved by Ms. Stanish, seconded by Mr. Wallace, to approve the Charter and Policy recommendations of the Investment Committee.

Vote: Unanimous Voice Vote
Absent: Miller

Staff presented the 2016 Annual Minority and Emerging Investment Manager Utilization Report, Minority Broker Utilization Report, Proxy Voting Activity Report and Security Lending Activity Report to the Committee.

Lastly, representatives from Goldman Sachs presented an education session on Public Real Assets.

(17-02-08) (Report of the Legislative Committee Meetings) General Counsel presented reports on the Legislative Committee Meetings that were held on February 3, 2017 and February 10, 2017 via teleconference.

She first reported on the Committee Meeting held on February 3, 2017.

It was the consensus of the Committee to recommend the board remain neutral on the following bills:

House Bill 291 (Olsen) - would exclude elected officials working on a part-time basis as eligible employees. Officials elected prior to the effective date would not be affected.

House Bill 350 (McSweeney) - would extend the felony forfeiture provisions to the member's spouse if the spouse is convicted of a felony related to the service of the member.

House Bill 362 (Skillicorn) - would exclude elected officials working for any employer that is not a home rule unit of government. Elected officials currently participating with affected employers would be grandfathered.

House Bill 436 (Ives) - would exclude from pensionable wages payments received for unused sick and vacation time and terminates a provision allowing members to convert unused, unpaid sick time to service credit. This bill is applicable to new members.

House Bill 441 (Ives) - in the provision applicable to IMRF, this bill would exclude elected officials working on a part-time basis as eligible employees.

Next, General Counsel reported on the Committee Meeting held on February 10, 2017.

It was the consensus of the Committee to recommend the Board take the following positions:

House Bill 669 (Morrison) - OPPOSE - in the provisions applicable to IMRF, this bill would allow participating municipalities, by ordinance, to cease participation in IMRF and create their own plans.

House Bill 775 (Lilly) - OPPOSE - would require all pension systems, except Article 3 & 4 police and fire funds, to determine the financial risk of climate change on their investments.

House Bill 815 (Zalewski) - NEUTRAL - would allow certain municipalities without Article 3 or 4 funds to allow, by resolution from the Governing Body, firefighters and/or police officers to participate in IMRF SLEP. The resolution would terminate if the municipality did establish an Article 3 or 4 fund, as applicable.

Senate Bill 701 (Morrison) - NEUTRAL - would exclude vehicle allowances paid to employees from the definition of "earnings" for pension purposes. The provisions are applicable to new employees only.

It was moved by Mr. Kuehne, seconded by Ms. Thompson, to approve the recommendations of the Legislative Committee.

Vote: Unanimous Voice Vote
Absent: Miller

(17-02-09) (Executive Committee Relevance) The Executive Director presented a recommendation to the Board to disband the Executive Committee and in the alternative hold Special Board Meetings which can take final Board action.

After questions and discussion, it was moved by Ms. Stanish, seconded by Ms. Copper, to disband the Executive Committee.

Vote: Unanimous Voice Vote
Absent: Miller

(17-02-10) (Appointment of 2017 Board Committees) The Chair proposed the following amended list of Committees for 2017:

Audit Committee

Dave Miller, Chair
Tom Kuehne, Vice Chair
Gwen Henry

Benefit Review Committee

Alex Wallace, Jr., Chair
Natalie Copper, Vice Chair
Tom Kuehne
Dave Miller
Sue Stanish
Sharon U. Thompson

Executive Search Committee

Gwen Henry, Chair
Sue Stanish, Vice Chair
Sharon U. Thompson
Alex Wallace, Jr.
Tom Kuehne

Investment Committee

Gwen Henry, Chair
Dave Miller, Vice Chair
Natalie Copper
Tom Kuehne
Sue Stanish
Sharon U. Thompson
Alex Wallace, Jr.
Trudy Williams

Legislative Committee

Sharon U. Thompson, Chair
Trudy Williams, Vice Chair
Natalie Copper
Tom Kuehne
Alex Wallace, Jr.
Sue Stanish
Dave Miller

It was moved by Mr. Kuehne, seconded by Ms. Copper, to approve the membership of Committees for 2017 as amended.

Vote: Unanimous Voice Vote
Absent: Miller

(17-02-11) (2017-2018 Projection Report - Death and Disability Rates) The Chief Financial Officer recommended the following:

- Decrease the death benefit rate in 2018 to 0.12% from 0.15% in 2017.
- Decrease disability rate in 2018 to 0.07% of payroll, from 0.12% in 2017.

He further estimates:

- Benefit payments will exceed contributions by approximately \$852.0 million in 2017;
- IMRF credited approximately \$638.8 million of interest and charged (\$177.0) million of residual investment loss to employer reserves in 2016, based on investment returns of 7.71% in 2016.
- The supplemental retirement benefit for 2017 will be approximately 30% of the June benefit.

After questions and discussion, it was moved by Mr. Kuehne, seconded by Mr. Wallace, to approve the 2018 Death and Disability Rates as presented.

Vote: Unanimous Voice Vote
Absent: Miller

(17-02-12) (IMRF Staff Travel Policy) The Chief Financial Officer presented a revised IMRF Staff Travel Policy to the Board for approval.

After questions and discussion, it was moved by Ms. Henry, seconded by Ms. Copper, to approve the following revised IMRF Staff Travel Policy:

Staff Travel Policies

Objectives

The objectives of these policies are to:

1. Ensure that expenditures for staff travel and expenses are reasonable and necessary.
2. Fairly reimburse employees or vendors for business expenses incurred on the job.
3. Avoid, to the extent possible, having reimbursements be taxable income to the employee.

For Employees Other Than Field Representatives

I. General Principles

- A. When traveling on IMRF business, employees should use good judgment with expenses. As a guideline, expenses should be such that public disclosure of them would not reflect badly on either the employee or IMRF.
- B. Business expenses are to be charged to IMRF credit cards, if one is provided.
- C. The instructions appearing on the IMRF Expense Report (Form A-65) and IMRF Credit Card Voucher (Form A-69) are incorporated into these policies. Business expenses are to be charged on IMRF credit cards to ensure timely payment for goods and services.
- D. Receipts for expense reports are to be turned into Accounts Payable, including itemized credit card receipts. IMRF business expenses are subject to the Freedom of Information Act (FOIA), and IMRF must have proper documentation.
- E. The Executive Director may, when he believes it serves the best interests of IMRF, authorize exceptions to these policies.

II. Overnight Travel

A. Overnight travel must be approved in advance by a Director or the Executive Director.

B. Transportation

Employees should always use the most cost effective means of transportation for the trip. IMRF will reimburse:

1. Airfare, when necessary, will be limited to the cost of an Economy Plus ticket. The maximum reimbursement, in all cases, will be limited to the cost of an unrestricted two-week advance purchase coach airfare.
2. If an employee drives his or her own car, the IRS business mileage

rate will be used to calculate reimbursement.

3. If an employee uses a staff car, the actual expenses for gasoline, emergency repairs, or required maintenance will be paid for by IMRF (these should be charged to an IMRF credit card, if available).
4. Actual transportation costs to and from the airport or rail station.
5. Actual transportation costs to and from the hotel to the conference/meeting/work site.
6. Cost of parking.
7. IMRF will reimburse the cost of a rental car when required. A rental car is allowable if there is no other reasonable means of travel and a rental car is the most economical means of transportation. The use of a rental car generally must be approved in advance, by the employee's Manager or Director.

C. Hotel

1. IMRF will pay the actual cost of lodging for the employee. If the employee brings a companion, IMRF will pay no more than if the employee were alone; the employee must make up any difference in the hotel rate.
2. IMRF will pay hotel costs at the conference or meeting location for the period one day prior to the meeting through one day after the meeting. IMRF will pay for additional days when an employee arranges to stay over Saturday to get a lower airfare. The cost of the additional hotel and per diem may not exceed the savings in airfare.
3. IMRF employees residing within 50 miles of a meeting place will receive no reimbursement for lodging for a one-day meeting. An exception exists for those employees that are attending early morning or late evening meetings. In this case lodging for one night will be reimbursable with prior approval by Director or Executive Director for the overnight stay.

D. Registration Fees

1. IMRF will pay the cost of the employee's conference registration. Employees should follow established procedures for obtaining approval and requesting payment. Please refer to the personnel and procurement policies.

E. Per Diem

1. IMRF will pay actual expenses up to \$60 per day for travel in Illinois, outside of the City of Chicago. For out-of-state-travel and travel to Chicago, IMRF will pay actual expenses up to \$75 per day. For investment staff travel outside of the United States, IMRF will pay actual expenses up to \$125 per day.
2. The per diem covers tips, meals, and reasonable personal phone calls. Business phone calls are not included in the per diem. Travel to and from airports or railway stations and to and from the hotel to the conference/meeting/work site is not included in the per diem.
3. The per diem will be paid for the same period as hotel costs are paid and for one travel day occurring before or after the conference.

4. IMRF does not pay for meals for non-employees accompanying the employee, nor does IMRF pay for purely recreational expenses such as movies, sporting events, etc.
 5. IMRF will pay for conference related banquet tickets and similar type events, as long as doing so will not reflect unfavorably on the Fund.
- F. An employee may combine personal travel with a business trip. IMRF will not pay for meals and lodging during the personal travel period, except when necessary to take advantage of reduced airfare available with a stay over Saturday night under the rules as described in C.2.above.

III. Non-Overnight Travel

A. Transportation

1. Employees should use the most cost effective means of transportation to and from the meeting location. This often means the staff cars, if available.
2. If an employee uses his/her personal car, IMRF will reimburse the current IRS mileage rate per mile plus tolls and parking. The mileage rate covers gas, maintenance, damage repairs, depreciation, and insurance. IMRF will not reimburse for traffic or parking tickets.
3. If an employee uses a staff car, IMRF will reimburse out-of-pocket expenses for maintenance, tolls, and parking. Whenever possible, the IMRF gas credit card must be used to purchase gas and for vehicle maintenance. IMRF will not reimburse for traffic or parking tickets.
4. If an employee uses taxis or public transportation, IMRF will reimburse actual costs.
5. If an employee uses a rental car, IMRF will reimburse actual expenses, except traffic/parking tickets. Rental cars are acceptable if there is not another reasonable means of travel and a rental car is the most economical method of travel. Rental car use must be approved in advance, by Manager or Director

B. Registration fees

1. The same rules apply as for overnight travel. IMRF will pay the cost of the employee's registration. Employees should follow established procedures for obtaining approval and requesting payment. Please refer to the personnel and procurement policies.

C. Meals

BREAKFAST/LUNCH

1. Breakfast may be reimbursed at cost when a staff member leaves from home prior to 7 a.m. in order to attend an offsite IMRF meeting, not to exceed \$20.
2. When a staff member is required to be out of the office over lunchtime on Fund business, IMRF will reimburse actual lunch expenses, not to exceed \$20 including tip. IMRF does not cover meals other than lunch unless breakfast expenses are permitted under this section.

D. Expenses Incurred for Non-IMRF Staff

1. Generally, only Managers and Directors are reimbursed for the cost of meals for non- IMRF personnel during business related meetings. Exceptions can be made with prior approval of a director or the Executive Director.

IV. Documentation

A. Employees must submit documentation of expenses as required by IMRF policy and IRS regulations. Proof of payment is to be provided to Finance - Accounts Payable, form A-65.

B. The following minimum guidelines should be met:

1. For airline or railway fare, the ticket stub, or other receipt
2. For rental cars, the invoice from rental agency
3. For gasoline, the receipt
4. For taxi fares, the receipt if the fare is over \$10
5. For the hotel, the hotel bill
6. For registration fees, the invoice or copy of registration form
7. For meals & other expenses, a receipt is required for all business related expenses. All expenses must be supported by either a receipt or disclosed on IMRF Expense Report A-65 of the funds spent.
8. For meals for non-IMRF staff, the expense report must include names of guests and must describe the business purpose of the meeting.
9. Lost receipts must be documented with authorization from a Manager or Director to verify the validity of the expenses on IMRF expense Report Form A-65. Failure to provide documentation on a timely basis is a violation of this policy.

V. How to Get Payment

- A. An employee is expected to submit a completed expense report to be reimbursed for travel expenses, to the Finance department in a timely manner—no more than 10 business days from the date they return to the office.
- B. IMRF will pay expenses either before or after they are incurred. Registrations, hotel deposits, and other actual expenses will be paid when the employee submits a check request and supporting documentation.
- C. If an advance for travel expenses is needed, the employee should complete a check request for the advance. The request must be signed by a Director. When the employee returns from the business trip, he/she will complete an expense report showing actual reimbursable expenses and attach the required documentation. If the expenses are more than the advance, the employee will be reimbursed. If the expenses are less than the advance, the employee must attach a check for the difference, within 10 business days of the event or return to the office.
- D. The employee's Manager or Director must approve expense reports. Reimbursement will be included with the next payroll process, if the reports are received and approved at least two days before the payroll is processed.

FOR FIELD REPRESENTATIVES WHEN PERFORMING DUTIES

I. General Principles

- A. Business expenses are to be charged on IMRF credit cards for out-of-pocket expenses. 'Business' means IMRF related work
- B. Expense reports must include sufficient detail to document an IMRF business purpose.
1. State who, what, where, when, why in explaining the business purpose.
 2. Descriptions such as "prospective account," "authorized agent," and "night meeting in area" are not adequate.
 - a) The name of the individual being entertained as well as their position and nature of business discussed must be detailed on expense reports.
 - b) For night meetings, include the name of the individual employer, number of IMRF employees attending, and the purpose/topic of the meeting.
 - c) Receipts for expense reports are to be turned into Accounts Payable, including itemized credit card receipts. IMRF business expenses are subject to the Freedom of Information Act (FOIA), IMRF must have proper documentation, along with form A-65 and /or A-69.
- C. IMRF will reimburse reasonable business expenses for an IMRF employee only. If anyone is traveling with the field representative, IMRF will not cover the food or lodging costs of that person.
- D. IMRF will pay actual expenses up to \$60 per day for travel in Illinois, outside of the City of Chicago. For travel to Chicago, IMRF will pay actual expenses up to \$75 per day. The per diem covers taxis, tips, meals, and reasonable personal phone calls.
- E. "Business" means IMRF related work
- F. The instructions appearing on the IMRF Expense Report (Form A-65) and IMRF Credit Card Voucher (Form A-69) are incorporated into this policy. Business expenses are to be charged on IMRF credit cards to ensure timely payment for goods and services.
- G. Expense reports must be filed weekly. Reports for Monday through Friday are due by Friday noon the following week. If a field representative is late in submitting expense reports, the privilege to use IMRF credit cards may be revoked at the discretion of the Manager or Director. Business expenses are to be charged to IMRF credit cards to ensure timely payment for goods and services.

II. Meals

- A. Meals are reimbursed at cost, but not to exceed the per diem reimbursement limit of \$60 per day, except when on Fund business in Chicago. The per diem reimbursement limit on Fund business in Chicago is \$75.

B. IMRF staff meeting meal expenses should be charged to an IMRF credit card. A personal credit card can only be used if an IMRF credit card is not available. Staff meetings are defined as regularly scheduled monthly meetings of the field representatives, supervisor and manager—as a group or training sessions in Oak Brook as a group.

Note: discussing IMRF matters at lunch does not create a staff meeting.

C. When charging meals, give the names of everyone included.

D. Meals may be charged to hotel rooms, but must be reported separately on the Expense Report (Form A-65) or Credit Card Voucher (Form A-69).

E. Food and/or beverage charges not part of breakfast, lunch, or dinner are not reimbursed.

F. BREAKFAST

Reimbursed at cost when:

- a) Attending conferences.
- a. Preceding an overnight stay.
- b. The field representative must depart from home office prior to 7 a.m. in order to attend a meeting.
- c. At staff meetings.

G. LUNCH

Reimbursed at cost when attending:

- a) Conferences
- b) Staff meetings
- c) Meetings outside the Field Representative's territory (or for persons working out of Oak Brook, outside the Oak Brook area)
NOTE: it is recognized that situations will arise wherein some field representatives will be reimbursed for lunch and others will not.
- d) Meetings with a supervisor or manager when the supervisor/manager is outside the Oak Brook area and he/she is meeting with the field representative in his/her territory.
As a general rule, lunches to entertain prospective or current accounts are not permissible.
 - a) An exception exists if lunch immediately precedes or follows a governing body meeting and the lunch acts as a preparatory meeting or a continuation of the meeting and IMRF business is the main purpose of the lunch.
 - b) Another exception exists for a prospective account. One lunch meeting to introduce the field representative to the account and to explain IMRF is allowed.

H. DINNER

Reimbursed at cost when:

- a) Preceding an overnight stay

- b) Preceding a meeting that begins and ends after normal working hours (for example, a meeting held at 7:30 p.m.)
- c) The representative cannot reach home by 7:30 p.m.
- d) Attending conferences
- e) Attending staff meetings

III. Hotels

- A. Reimbursed for reasonable charges.
- B. Generally, overnight stays are reimbursed only if the field representative lives more than 75 miles (approximately an hour and a half) between their home and the next day's first meeting place, and the meeting is scheduled for 8:30 a.m. or earlier.
- C. An overnight stay maybe allowable in other circumstances; for example, weather conditions, medical reasons, or meetings that end later than expected. Whenever practical, prior approval from the supervisor, manager or director should be obtained. The safety of the field representative is paramount and IMRF expects the field staff to exercise reasonable judgment.
- D. Overnight stays for staff meetings before meeting dates are reimbursed if the meeting begins at 8:30 a.m. or earlier and the field representative must travel in excess of 75 miles.
- E. Field representatives traveling more than 200 miles for a staff meeting may stay overnight in a hotel on the route to the meeting site.
- F. Overnight stays after staff meetings conclude are reimbursed if the field representative would arrive at home later than 10 p.m. under normal driving conditions.
- G. It is the field representative's responsibility to verify hotel charges and make corrections before the statement is paid. Erroneous or impermissible charges will be charged back to the field representative. Then, it will be his/her responsibility to obtain reimbursement from the hotel.
- H. Only room charges, taxes, parking fees, and business telephone calls included in a hotel statement are reimbursable. Meals and reasonable personal telephone calls are reimbursed as part of the per diem. Other charges will not be reimbursed.

IV. Auto/Travel

- A. Whenever practical, use IMRF furnished vehicles.
- B. If the IMRF vehicle is not available, the field representative may use his or her automobile. He or she will be reimbursed for actual miles traveled at the IRS approved mileage rate.
- C. Leasing of automobiles must be approved in advance by the Manager of Field Services.

V. Miscellaneous Charges

- A. Tollway charges should be itemized daily. Receipts are not required.

- B. Postage charges should be itemized periodically. A receipt for an individual purchase under \$10.00 is not required; however, if postage charges are accumulated to amounts in excess of \$10.00, receipts for all charges are required.
- C. As a general rule, business supplies stocked in the Oak Brook Office should be ordered from Oak Brook. When supplies are needed immediately, or if item is not stocked, the field representative may purchase supplies under \$50.00 in value without seeking prior approval. Purchases over \$50.00, except for meeting charges and automobile expenses, must conform to IMRF's purchasing procedures.
- D. The field representatives may arrange payment for meeting sites, including food and beverage, using either their IMRF credit card or the IMRF check requisition procedures. Automobile repair charges and other expenses may be paid by the field representative with IMRF credit card or with an IMRF check.

Vote: Unanimous Voice Vote
Absent: Miller

(17-02-13) (Elected Official Participation) General Counsel presented a recommendation to the Board to adopt a resolution requiring biennial re-certification of IMRF eligibility for all elected positions, beginning with a re-certification by September 1, 2017.

She stated that IMRF's current Board policy requires the governing body of an IMRF-participating employer to certify which of the elected positions of that employer qualify for IMRF. Staff is recommending that this Board rule be amended to require biennial re-certification by the governing body of the IMRF eligibility of the elected positions at that employer, beginning in 2017.

After questions and discussion, it was moved by Ms. Henry, seconded by Mr. Wallace, to adopt the following proposed 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, section 7-200 of the Pension Code authorizes the Board of Trustees to make administrative decisions on participation and coverage which are necessary for carrying out the intent of the fund in accordance with the provisions of Article 7 of the Pension Code; and

WHEREAS, Section 7-137 of the Pension Code establishes an IMRF participation standard for employees and elected officials of IMRF participating units of government. This standard limits IMRF participation to persons who hold positions or occupy elected offices "normally requiring performance of duty" for at least 600 or 1,000 hours per year; and

WHEREAS, IMRF Board Resolution 1968-7273 requires the governing body of a municipality to adopt a resolution in a form satisfactory to IMRF finding that certain elected positions normally require performance of duty during 600 hours (or 1,000 hours, as applicable) or more in a year, if the incumbent in that position is to be eligible for IMRF participation; and

WHEREAS, the IMRF Board finds it is appropriate that the governing body of a municipality re-certify at least biennially that the participating elected positions at that municipality normally require performance of duty for at least 600 or, as appropriate, 1,000 hours per year.

NOW, THEREFORE, BE IT RESOLVED that the IMRF Board of Trustees adds the following requirement to the rules regarding IMRF participation for elected officials:

Every two years, the governing body of a municipality must adopt a resolution in a form satisfactory to IMRF finding that certain participating elected position or positions normally require performance of duty during 600 hours (or 1,000 hours, as applicable) or more in a year, if the incumbent in that position is to be eligible for IMRF participation.

The initial re-certification must be adopted no later than September 1, 2017.

Vote: Unanimous Voice Vote
Absent: Miller

(17-02-14) (Illinois Department of Public Health-Provided Death Certificates) General Counsel presented a recommendation to the Board to adopt a resolution stating IMRF will accept Illinois Department of Public Health (IDPH) administrative death certificates as equivalent to a certified copy of a death certificate for purposes of section 7-163 of the Pension Code.

After questions and discussion, it was moved by Mr. Kuehne, seconded by Ms. Copper, to adopt the following proposed 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, Section 7-179 of the Pension Code gives the Board of Trustees the responsibility to authorize the payment of any annuity or other benefit in accordance with Article 7 of the Pension Code; and

WHEREAS, section 7-163 of the Pension Code provides the eligibility requirements for IMRF death benefits, which includes submitting a certified copy of the death certificate of the annuitant or employee; and

WHEREAS, P.A. 99-683 requires the Illinois Department of Public Health to make available to the Illinois public retirement systems, at no charge, death information contained in its vital records; and

WHEREAS, the Illinois Department of Public Health makes death information from its records available through copies of administrative death certificates; and

WHEREAS, it is appropriate that IMRF accept the Illinois Department of Public Health administrative death certificate as equivalent to a certified copy of a death certificate.

NOW THEREFORE BE IT RESOLVED by the Board of Trustees of the Illinois Municipal Retirement Fund that IMRF will accept the Illinois Department of Public Health administrative death certificate as equivalent to a certified copy of a death certificate.

Vote: Unanimous Voice Vote
Absent: Miller

(17-02-15) (Approval of Proof Of Concept Vendors) The Executive Director presented a recommendation to the Board to approve contracts with the two finalist Proof of Concept vendors, Accenture and Morneau Shepell at a cost not to exceed \$100,000 each.

He reported that at the December 16, 2016 Board Meeting, staff discussed "Proof of Concept" and our desire to hire the two finalist vendors. It was the consensus of the Board to defer approval of contracts until the names of the finalists were known so Trustees would have an opportunity to voice any concerns regarding either finalist.

It was moved by Ms. Copper, seconded by Ms. Henry, to approve contracts with Accenture and Morneau Shepell at a cost not to exceed \$100,000 each.

Vote: Unanimous Voice Vote
Absent: Miller

(17-02-16) (Legislative Update) General Counsel updated the Board on current legislative activity.

General Counsel reported that the 100th General Assembly has begun and to date, a total of twenty-three bills affecting IMRF have been introduced, including the Board's 2017 Legislative Agenda.

She noted the main focus of the legislature has been on discussing options for ending the budget stalemate.

Discussion followed.

(17-02-17) (Litigation Update)) The following is an update of the currently pending or recently concluded litigation:

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 sued investors who sold their Tribune stock at the time of the buyout by the Sam Zell group. 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: The stockholders' motion to dismiss the intentional fraudulent transfer claim was granted on January 6, 2017 and the claim against them was dismissed. Another portion of this claim against the stockholders was previously dismissed on motions and that decision was upheld on appeal. Therefore, unless there is an appeal of the January 6 decision, the case against the disinterested stockholders (including IMRF) is over.

It is not clear if the creditors can appeal the January 6 decision at this point, since other parts of the claim remain to be litigated (the claims against the remaining defendants-certain officers, directors, and professional service firms retained by Tribune in connection with the LBO).

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

Summary: This is an administrative review action challenging the IMRF Board's decision upholding the granting of MEABF and Deerfield credit transfers to Thomas Sheahan, the former police chief of Oak Brook and denying the Village's request to recalculate their liability excluding the service credits transferred from MEABF and Deerfield.

Status: On June 26, 2015 the Second District Appellate Court upheld Judge Sheen's decision to overturn the decision of the IMRF Board and found the transfers invalid. The Supreme Court declined to hear the case. Sheahan filed a counterclaim Section 1983 action against IMRF. The counterclaim was dismissed two previous times and a third amended counterclaim was pending.

Status: Judge Fullerton granted IMRF's motion to dismiss Sheahan's Third Amended Counterclaim with prejudice. This was Sheahan's claim that his guarantee to equal protection was violated by IMRF. The time frame for an appeal has not yet passed. If there is no appeal this case will be coming off the report.

KATHLEEN KONICKI V. IMRF (14 MR 32) (SANGAMON CO)

Summary: Administrative review challenging the Board's decision that Ms. Konicki was not eligible to convert service into Original ECO.

Status: On July 29, 2016, Judge Belz upheld the IMRF Board's decision finding that the law clearly did not allow Plaintiff to participate in Original ECO and that the law creating Revised ECO did not violate the Pension Protection Clause. Plaintiff had 30 days from July 29, 2016 to

file a notice of appeal. She did not do so, however, it was discovered that the court clerk never mailed Plaintiff the judge's order. Konicki filed a motion for relief from Judgment which was granted. The case has been appealed to the Fourth District Appellate Court and a scheduling order has been entered.

ROGER C. BOLIN v. IMRF (PUTNAM COUNTY 14 MR 23)

Summary: Appeal of Board decision to deny omitted service application and enrollment of Putnam County Public Defender

Status: A hearing on the merits was held on January 19, 2017. The Circuit Court overturned the decision of the IMRF Board and ordered that Mr. Bolin be enrolled and granted omitted service.

MCLEAN COUNTY V. IMRF (MCLEAN COUNTY 2016 MR 563)

Summary: This is an appeal from the IMRF Board's decision denying an exemption from the AP for a charge to McLean County that resulted from a payment of back wages under a collective bargaining agreement that was entered into after January 1, 2012. The County also charges a violation of the Open Meetings Act by IMRF claiming that its Board Agenda was not sufficiently detailed regarding the decision.

Status: IMRF and McLean County are working on the details based on the Board Resolution allowing certain back wages to be allocated to prior months when AP charges are involved and a new case management date is set for April 2017.

MOTORS LIQUIDATION COMPANY AVOIDANCE ACTION TRUST VS. JP MORGAN CHASE, ET AL. (US BANKRUPTCY CT., SO. DIST. OF N.Y.)

Summary: This is an adversary action stemming from the General Motors bankruptcy. A loan in which IMRF was an investor was paid off after the bankruptcy filing. It was later discovered that an error, before the bankruptcy, had released part of the security. A group of unsecured creditors sued to force the recipients of the loan pay-off proceeds to return them.

Status: The parties are currently litigating the value of the remaining security, which if it is sufficient would end the case. We are sharing our defense counsel with several other public pension funds.

THERESA MILLER V. IMRF (16 MR 58 MONROE COUNTY)

Summary: This is an administrative review of the Board's decision to deny total and permanent disability benefits to Ms. Miller.

Status: IMRF's answer and appearance were filed on 11/28/2016.

KATHERINE HADLER V. IMRF (16 MR 1375 DUPAGE COUNTY)

Summary: This is an administrative review of the Board's decision to deny total and permanent disability benefits to Ms. Hadler.

Status: IMRF's answer and appearance were filed on 11/21/2016. A briefing schedule has been entered.

CARRIE MCHUGH V. IMRF (17 MR 135 KANE COUNTY)

Summary: This is an administrative review of the IMRF Board's decision adopting the recommendation of the IMRF hearing officer which found that Ms. McHugh was ineligible for disability benefits due to a voluntary termination of her employment with the City of Aurora.

Status: IMRF's answer and appearance are due on 3/8/17 and an initial court appearance is set for 5/18/17.

(17-02-18) (IMRF Board Endorsed Insurance) General Counsel reviewed a list of insurance programs for IMRF's retired members administered by Doyle Rowe LTD, which the Board Of Trustees has endorsed, along with a term life plan for active and retired members.

(17-02-19) (Horizon Update) Chief Information Technology Officer and Program Management Office Manager provided the Board with an update on IMRF's Horizon project.

The Program Management Office Manager reported that a limited scope design, development, and demonstration of the proposed Horizon solution is currently underway with two finalists. This process is a Proof of Concept that is part of the proposed evaluation.

She further noted that due diligence such as reference verifications, analysis of planned innovations, and other proposal reviews are underway in parallel with the Proof of Concept exercise.

Questions and discussion followed.

(17-02-20) (Strategic Plan Update) The Deputy Executive Director and Performance Excellence Manager provided an update on the progress towards successfully achieving the 2014-2016 Strategic Objectives along with a preview of the Action Plans that support the 2017-2019 Strategic Plan.

(17-02-21) (Trustee Forum) The Chair reported the following Trustee requested authorization from the Board for the following conference:

Sharon U. Thompson	Pension and Financial Services Conference
	NASP
	June 26-28, 2017
	Los Angeles, CA

Schedules A, B, C, D, E, F, G, P, R 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.

It was moved by Ms. Copper, seconded by Mr. Wallace, to approve the above Trustee request.

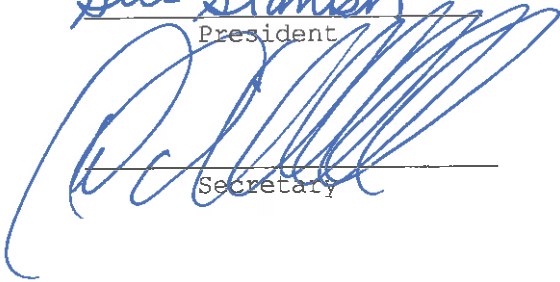
Vote: Unanimous Voice Vote
Absent: Miller

(17-02-22) (Adjournment) It was the moved by Ms. Henry, seconded by Mr. Wallace, to adjourn the Board Meeting at 10:34 a.m., to reconvene in the Fund offices, 2211 York Road, Suite 400, Oak Brook, Illinois, at 9:00 a.m. on March 31, 2017.

Vote: Unanimous Voice Vote
Absent: Miller



President



Secretary

3/31/17

Date

3/31/17

Date

