

ILLINOIS MUNICIPAL RETIREMENT FUND
MEETING NO. 18-03-I

MEETING OF THE
INVESTMENT COMMITTEE

The Investment Committee met in the IMRF offices in Oak Brook, Illinois, on Thursday, March 1, 2018. Mr. Kuehne, Chairman of the Investment Committee, called the meeting to order at 2:00 P.M.

(18-03-01)(Roll Call) Mr. Sambol called the roll:

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

Absent: Thompson; and Henry

Also in attendance was Mr. Mallen of UniteHere!; Mr. Pect of Markets Group; Ms. Meyers of Loop Capital; Mr. Anderson and Ms. Miller of the Northern Trust; Ms. Becker-Wold, Ms. Harris and Mr. Ball of Callan Associates; Ms. Shah, IMRF Chief Investment Officer; Mr. Sambol, IMRF Investment Officer - Operations; and IMRF Investment Staff.

(18-03-02)(Public Comments) There were no public comments.

--Trustee Henry, Vice Chairman of the Investment Committee, entered the meeting at 2:04 PM.

(18-03-03)(Action Item)

- A. Approve Investment Committee Meeting Minutes from February 22, 2018 Meeting The Chairman asked for the approval of the minutes of the February 22, 2018 Investment Committee Meeting.

It was moved by Ms. Copper; and seconded by Ms. Stanish; that the minutes of the February 22, 2018 meeting of the Investment Committee be approved.

Vote:

The motion was approved unanimously.

(18-03-04)(Staff Reports)

A. 2017 Annual Minority & Emerging Investment Manager Utilization Report Staff presented the 2017 Annual Minority & Emerging Investment Manager Utilization Report to the Committee. Highlights of this report include the following:

- Minority investment managers invest \$7.56 billion on IMRF's behalf, representing a 7.4% increase over 2016
- Minority investment managers represent 18.4% of the Total Fund's market value and 26.7 % of IMRF's actively managed assets
- IMRF maintains direct relationships with minority and emerging investment managers in all asset classes except timberland and agriculture
- IMRF utilizes manager of managers/fund of funds to invest in minority and emerging investment managers in International Equity, Fixed Income, Real Estate and Private Equity asset classes
- Recommended increased minority manager goal for Real Estate to 8% from 4%
- Recommended increased minority manager goal for Private Equity to 15% from 10%

B. 2017 Annual Minority Broker Utilization Report Staff presented the 2017 Annual Minority Broker Utilization Report to the Committee. Highlights of this report include the following:

- IMRF exceeded its minority brokerage goals by asset class
- IMRF's investment managers traded with 32 minority broker/dealers
- The IMRF portfolio generated over \$10.8 million in equity commissions
- Minority broker/dealers earned \$2.9 million or 27.42% of total equity commissions
- The IMRF portfolio traded over 91.8 billion Par Value
- Minority broker/dealers executed trades for 5.8 billion or 6.4% of total Par Volume
- Recommended increased minority brokerage goal for U.S. Micro-Cap Equities to 10% from 7%
- Established minority brokerage goal of 20% for new asset class, Global Listed Infrastructure

C. 2017 Annual Proxy Voting Activity Report Staff presented the 2017 Annual Proxy Voting Activity Report to the Committee. Highlights from this report include the following:

- Recommended revisions to proxy policy include:

- Language under Delegation stating that “To the extent that IMRF’s Proxy Voting Guidelines are silent on an issue or are subject to interpretation, the votes default to the recommendations of our third party proxy advisor based on the advisor’s policy. The IMRF Investment Staff retains the ability to override the proxy advisor’s recommendations or manually vote any proxy at all times.”
 - Language under Delegation stating that voting proxies for IMRF’s international and global accounts is delegated to IMRF’s respective managers for these mandates. The Investment Manager must vote, or have its delegate vote, in accordance with the IMRF proxy voting policy. “To the extent that Proxy Voting Guidelines are silent on an issue or are subject to interpretation on a matter put to a shareholder vote, the Investment Manager will use reasonable judgement as a fiduciary to IMRF and determine how to vote or not to vote the proxy. The Investment Manager will handle elective corporate actions with respect to the issuers of securities in which the assets held by the master trustee are invested in accordance with its reasonable judgement as a fiduciary to IMRF.”
- 2017 Proxy Voting Highlights include:
 - 4,673 domestic and international ballots were voted last year
 - 37,393 proposals were voted last year
 - 1,646 domestic proposals were voted against management
 - 2,382 international proposals were voted against management
 - 1,896 domestic non-salary compensation proposals were voted, of which 182 (or 10%) were against management
 - 1,986 international non-salary compensation proposals were voted, of which 383 (or 19%) were against management
 - 11,251 domestic director-related proposals were voted, of which 301 (or 3%) were against management
 - 12,103 international director-related proposals were voted, of which 1,122 (or 9%) were against management

D. 2017 Annual Securities Lending Activity Report Staff presented the 2017 Annual Securities Lending Activity Report. Highlights of this report include the following:

- IMRF generated \$9.8 million in securities lending income across separate accounts
- IMRF’s total securities lending income, including passive index funds, amounted to \$13.0 million
- Both IMRF and Northern Trust actively monitor the program via established protocols & processes

- Prudent reinvestment of cash collateral is in high quality, liquid, short duration paper at a yield premium to Effective Fed Funds Rate
- Financial markets and global central bank policy play a key role in underlying collateral pool positioning and borrower demand dynamics

--The Committee recessed at 2:44 P.M.

--The meeting of the Investment Committee reconvened at 2:54 P.M.

(18-03-05)(Consultant and Staff Presentation)

A. 2018 Asset Allocation Review The Consultant and the IMRF Chief Investment Officer presented the 2018 Asset Allocation Review. After this presentation, the Consultant and the IMRF Chief Investment Officer recommend:

- Reduce exposure to US Equity asset class from 38% to 37%
- Increase exposure to International Equity asset class from 16% to 18%
- Reduce exposure to Fixed Income asset class from 29% to 28%
- Increase exposure to Real Estate asset class from 8% to 9%
- Reduce exposure to Alternative Investments asset class from 8% to 7%

- Authorize the adoption of a strategic asset allocation as of March 1, 2018 with the following parameters:
 - 37% US Equity
 - 18% International Equity
 - 28% Fixed Income
 - 9% Real Estate
 - 7% Alternative Investments
 - 1% Cash

(18-03-06)(Action Items)

A. Approve 2018 Asset Allocation Recommendations It was moved by Ms. Henry; and seconded by Ms. Copper; to recommend that the Board approve the following items:

- Reduce exposure to US Equity asset class from 38% to 37%
- Increase exposure to International Equity asset class from 16% to 18%
- Reduce exposure to Fixed Income asset class from 29% to 28%
- Increase exposure to Real Estate asset class from 8% to 9%
- Reduce exposure to Alternative Investments asset class from 8% to 7%

- Authorize the adoption of a strategic asset allocation as of March 1, 2018 with the following parameters:
 - 37% US Equity
 - 18% International Equity
 - 28% Fixed Income
 - 9% Real Estate
 - 7% Alternative Investments
 - 1% Cash

Vote:

The motion was approved unanimously.

(18-03-07)(Staff Presentation)

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

- Approve the 2018 Investment Committee Charter as amended;
- Approve the 2018 Statement of Investment Policy as amended; and
- Approve the 2018 Real Estate Statement of Investment Policy as amended

(18-03-08)(Action Items)

A. Approve 2018 Investment Committee Charter, 2018 Statement of Investment Policy and 2018 Real Estate Statement of Investment Policy as Amended It was moved by Ms. Stanish; and seconded by Mr. Miller; to recommend that the Board:

- Approve the 2018 Investment Committee Charter as amended;
- Approve the 2018 Statement of Investment Policy as amended; and,
- Approve the 2018 Real Estate Statement of Investment Policy as amended.

Vote:

The motion was approved unanimously.

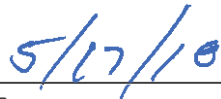
(18-03-09)(New Business) There was no new business presented or discussed during the meeting.

--The next meeting of the Investment Committee is scheduled to be held on Thursday, May 17, 2018 beginning at 2:00 P.M.

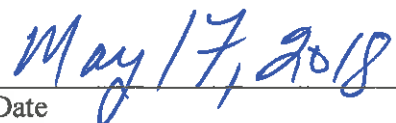
(18-03-10)(Trustee Comments) There were no trustee comments.

(18-03-11)(Adjourn) By unanimous consent, the meeting of the Investment Committee adjourned at 4:24 P.M.


Chairman


Date


Clerk


Date