

ILLINOIS MUNICIPAL RETIREMENT FUND
MEETING NO. 19-02-I

MEETING OF THE
INVESTMENT COMMITTEE

The Investment Committee met in the IMRF offices in Oak Brook, Illinois, on Thursday, February 14, 2019. Mr. Kuehne, Chairman of the Investment Committee, called the meeting to order at 9:00 A.M.

(19-02-01)(Roll Call) Mr. Sambol called the roll:

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

Absent: Stanish

Also in attendance were: Messrs. Mallen and Fein of Unite Here!; Mr. Camacho of CBRE-Irvine Marriott Hotel; Ms. Cameron of Allianz Global Investors; Ms. Myers of Loop Capital; Ms. Becker-Wold and Messrs. O'Connell and Kloepfer of Callan Associates; Ms. Shah, IMRF Chief Investment Officer; Mr. Sambol, IMRF Investment Officer - Operations; and members of the IMRF Investment Staff.

(19-02-02)(Public Comments) Messrs. Mallen and Fein of Unite Here!, and Mr. Camacho of CBRE-Irvine Marriott Hotel, provided a statement to the Investment Committee regarding CBRE-Irvine Marriott Hotel.

(19-02-03)(Action Item)

- A. Approve Investment Committee Meeting Minutes from December 13, 2018 Meeting
The Chairman asked for the approval of the minutes of the December 13, 2018 Investment Committee Meeting.

It was moved by Ms. Henry; and seconded by Ms. Thompson; that the minutes of the December 13, 2018 meeting of the Investment Committee be approved.

Vote:

The motion was approved unanimously.

(19-02-04)(Staff Presentation)

- A. Private Equity Recommendations The Chief Investment Officer presented an overview of Clearlake Opportunities Partners II, L.P., and Versant Opportunity Fund I, L.P. After this presentation, the Chief Investment Officer recommends:

- authorization of a commitment of up to \$75 million to Clearlake Opportunities Partners II, L.P., subject to satisfactory legal due diligence;
- authorization of a commitment of up to \$30 million to Versant Opportunity Fund I, L.P., subject to satisfactory legal due diligence; and,
- authorization of Staff to complete all documentation necessary to execute these recommendations

(19-02-05)(Manager Presentations)

- A. Clearlake Opportunities Partners II, L.P. Messrs. Feliciano and Arzac of Clearlake Opportunities Partners II, L.P., presented a review of their firm's organization structure, investment strategy and product. This presentation was followed by questions from the Committee.
- B. Versant Opportunity Fund I, L.P. Mr. Davis of Versant Opportunity Fund I, L.P., presented a review of his firm's organization structure, investment strategy and product. This presentation was followed by questions from the Committee.

(19-02-06)(Action Items)

- A. Approve Allocations to Clearlake Opportunities Partners II, L.P., and Versant Opportunity Fund I, L.P. It was moved by Ms. Henry; and seconded by Ms. Copper; to recommend that the Board approve:

- authorization of a commitment of up to \$75 million to Clearlake Opportunities Partners II, L.P., subject to satisfactory legal due diligence;
- authorization of a commitment of up to \$30 million to Versant Opportunity Fund I, L.P., subject to satisfactory legal due diligence; and,
- authorization of Staff to complete all documentation necessary to execute these recommendations

Vote:

The motion was approved unanimously.

(19-02-07)(Staff Presentation)

- A. Real Estate Recommendations The Chief Investment Officer presented an overview of Blackstone Real Estate Partners Europe VI SCSp and Long Wharf Real Estate Partners VI, L.P. After this presentation, the Chief Investment Officer recommends:

- authorization of a commitment of up to €100 million (approximately \$114 million) to Blackstone Real Estate Partners Europe VI SCSp, subject to satisfactory legal due diligence;
- authorization of a commitment of up to \$35 million to Long Wharf Real Estate Partners VI, L.P., subject to satisfactory legal due diligence; and,
- authorization of Staff to complete all documentation necessary to execute these recommendations

--Trustee Stanish, member of the Investment Committee, joined the meeting by audio-conference at 10:03 A.M.

(19-02-08)(Manager Presentations)

A. Blackstone Real Estate Partners Europe VI SCSp Mr. Meyers and Ms. Hill of Blackstone Real Estate Partners Europe VI SCSp, presented a review of their firm's organization structure, investment strategy and product. This presentation was followed by questions from the Committee.

--The Committee recessed at 10:29 A.M.

--The meeting of the Investment Committee reconvened at 10:41 A.M.

B. Long Wharf Real Estate Partners VI, L.P. Messrs. Gandel and Elizondo, and Ms. Biggs of Long Wharf Real Estate Partners VI, L.P., presented a review of their firm's organization structure, investment strategy and product. This presentation was followed by questions from the Committee.

(19-02-09)(Action Items) It was moved by Ms. Henry; and seconded by Ms. Copper; to recommend that the Board approve:

- authorization of a commitment of up to €100 million (approximately \$114 million) to Blackstone Real Estate Partners Europe VI, SCSp, subject to satisfactory legal due diligence;
- authorization of a commitment of up to \$35 million to Long Wharf Real Estate Partners VI, L.P., subject to satisfactory legal due diligence; and,
- authorization of Staff to complete all documentation necessary to execute these recommendations

Vote:

The motion was approved unanimously.

(19-02-10)(Consultant and Staff Presentation)

A. 2019 Asset Allocation Review The Consultant and the IMRF Chief Investment Officer presented the 2019 Asset Allocation Review. After this presentation, the Consultant and the IMRF Chief Investment Officer recommend:

- No changes to the existing IMRF Asset Allocation
- Reaffirm the strategic asset allocation as of February 14, 2019 with the following parameters:
 - 37% US Equity
 - 18% International Equity
 - 28% Fixed Income
 - 9% Real Estate
 - 7% Alternative Investments
 - 1% Cash

(19-02-11)(Action Item)

A. Approve 2019 Asset Allocation Recommendations It was moved by Ms. Henry; and seconded by Ms. Stanish; to recommend that the Board approve:

- No changes to the existing IMRF Asset Allocation
- Reaffirm the strategic asset allocation as of February 14, 2019 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.

(19-02-12)(Staff Reports)

A. 2018 Annual Minority & Emerging Investment Manager Utilization Report Staff presented the 2018 Annual Minority & Emerging Investment Manager Utilization Report. Highlights of this report included the following:

- Minority investment managers manage \$8.7 billion on behalf of IMRF, a 15.1% increase from 2017
- Minority investment managers represent 22.6% of the total Fund's market value and 33% of IMRF's actively managed assets (excluding index investments)
- IMRF has direct relationships with minority investment managers across all five asset classes
- IMRF utilizes manager of manager/fund of funds to invest in minority investment managers in International Equity, Fixed Income, Real Estate, and Alternatives asset classes
- Recommended Establishment of Aspirational Goal as a Percentage of Total Fees Paid:
 - Minority Investment Managers to earn not less than 20% of all investment management fees paid by IMRF
- Recommended changes to Goals by Asset Class for Minority Investment Managers:
 - Private Equity – Increase the minimum goal to 18% from 15%
 - Fixed Income – Increase the minimum goal to 28% from 25%
 - International Equity – Increase the minimum goal to 18% from 15%
 - Domestic Equity – Decrease the minimum goal to 5% from 8%
- Recommended changes to Goals by Asset Class for Emerging Investment Managers:
 - Domestic Equity – Decrease the minimum goal to 5% from 8%

B. 2018 Annual Minority Broker Utilization Report Staff presented the 2018 Annual Minority Broker Utilization Report. Highlights of this report included the following:

- IMRF exceeded its minority brokerage goals by each asset class
- IMRF's investment managers traded with 32 minority broker/dealers
- The IMRF portfolio generated \$14.2 million in equity commissions
- Minority broker/dealers earned \$4.0 million or 28.07% of total equity commissions
- The IMRF portfolio traded 68.9 billion Par Value
- Minority broker/dealers executed trades for 4.2 billion or 6.11% of total Par Value

- Recommended changes to Goals by Asset Class:
 - Commingled Passive U.S. Equity Index Funds – Establish goal of 10%
 - Commingled Passive International Equity Index Funds – Establish goal of 10%
 - Bank Loans and Opportunistic Strategies – Remove goal of Best Efforts

C. 2018 Annual Proxy Voting Activity Report Staff presented the 2018 Annual Proxy Voting Activity Report. Highlights of this report included the following:

- 2018 Proxy Voting Highlights include:
 - 4,837 domestic and international ballots were voted last year
 - 36,980 proposals were voted last year
 - 1,399 domestic proposals were voted against management
 - 2,727 international proposals were voted against management

D. 2018 Annual Securities Lending Activity Report Staff presented the 2018 Securities Lending Activity Report. Highlights of this report included the following:

- IMRF generated \$7.3 million in securities lending income across separate accounts
- IMRF's total securities lending income, including passive index funds, amounted to \$9.6 million
- Both IMRF and Northern Trust actively monitor the program via established protocols & procedures

(19-02-13)(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 2019 Investment Committee Charter as amended;
- Approve the 2019 Statement of Investment Policy as amended; and,
- Approve the 2019 Real Estate Statement of Investment Policy as amended

(19-02-14)(Action Items)

A. Approve 2019 Investment Committee Charter, 2019 Statement of Investment Policy and 2019 Real Estate Statement of Investment Policy It was moved by Ms. Henry; and seconded by Ms. Copper; to recommend that the Board:

- Approve the 2019 Investment Committee Charter as amended;
- Approve the 2019 Statement of Investment Policy as amended; and,
- Approve the 2019 Real Estate Statement of Investment Policy as amended

Vote:

The motion was approved unanimously.

(19-02-15)(Staff Presentation)

A. 2019 Investment Consultant Search Update The IMRF Chief Investment Officer presented an update on the 2019 Investment Consultant Search. This included a review of the statutory requirements for IMRF to rebid investment consulting contracts every five years. The Chief Investment Officer also presented a timeline for the completion of this project.

(19-02-16)(New Business) There was no new business presented or discussed during the meeting.

--The next meeting of the Investment Committee is scheduled for Thursday, March 21st, 2019 at 9:00 A.M.

(19-02-17)(Trustee Comments) There were no trustee comments.

(19-02-18)(Adjourn) By unanimous consent, the meeting of the Investment Committee adjourned at 12:11 P.M.

Sue Stonish

Chairman

3/21/19

Date

Edward K. Lamb

Clerk

March 21, 2019

Date