



# Illinois Municipal Retirement Fund

Drake Oak Brook Plaza Suite 500 2211 York Road Oak Brook IL 60523-2374 630-368-1010  
Service Representatives 1-800-ASK-IMRF

August 25, 2000

The Honorable George Ryan  
Governor of Illinois  
207 State House  
Springfield, Illinois 62706

Dear Governor Ryan:

The Illinois Municipal Retirement Fund (IMRF) Board of Trustees hereby submits its annual report on the emerging investment managers used by this retirement system, as directed in Public Act 87-1265 (Act). In accordance with the provisions of this Act the following information is provided:

1. Identification of emerging investment managers used by the system;
2. Percentage of the system's assets under the investment control of emerging investment managers;
3. Actions undertaken to increase the use of emerging investment managers, including encouraging other investment managers to use emerging investment managers as subcontractors when the opportunity arises.

## **1. Emerging Investment Managers Used by the System**

IMRF presently uses two emerging investment managers as defined by Public Act 87-1265. These emerging investment managers are Abacus Financial Group and Holland Capital Management.

Additionally, IMRF employs Oak Associates, an equity investment management firm entirely owned by a person with a disability. IMRF also utilizes Payden & Rygel, a fixed-income investment management firm which is a woman-owned business enterprise. These firms do not qualify as emerging.

## **2. Percentage of Assets Under Control of Emerging Investment Managers**

As of June 30, 2000, the IMRF had 1.0% of its total investment assets, equaling \$162.3 million, under the management of emerging investment firms. This is an increase of \$9.2 million over 1999. As of June 30, 2000, the Abacus Financial Group managed \$104.2 million and Holland Capital Management managed \$58.1 million.



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Oak Associates, a business owned by a person with a disability, managed \$330.3 million, or 2% of the total IMRF investment portfolio. This is an increase of 0.7%, or \$143.9 million over 1999.

The woman-owned business enterprise, Payden & Rygel, managed 3.8% of the total portfolio. This amounts to \$624.4 million, which is an increase of \$105.7 million over 1999. The IMRF allocated an additional \$80 million to Payden & Rygel in May 2000.

As of June 30, 2000, assets totaling \$1.1 billion were managed by our two emerging investment managers, by a firm owned by a person with a disability, and by a woman-owned business enterprise. This amount represented 6.8% of IMRF's assets. This is an increase of \$258.8 million over 1999.

### **3. Action Undertaken to Increase the Use of Emerging Investment Managers**

Since passage of Public Act 87-1265, IMRF has undertaken the following actions to increase the use of emerging investment managers.

- A. The following statement of policy was adopted by the IMRF Board of Trustees on February 25, 1993 and continues to be in effect:

#### **IMRF INVESTMENT MANAGER SELECTION POLICY**

WHEREAS The IMRF is a public retirement system with a responsibility to its members and participating employers to make investments with the objective of obtaining superior total long-term rates of return while using acceptable levels of risk and reasonable control of costs, and

WHEREAS The strategy of the IMRF Board of Trustees is to achieve superior long-term rates of return through the use of a diversified investment portfolio, and

WHEREAS The IMRF Board of Trustees engages various investment managers to implement this strategy, and

WHEREAS The availability of qualified minority and woman-owned business enterprises is recognized by the IMRF Board of Trustees, and



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WHEREAS The characteristic of being a minority or woman-owned business enterprise is not a barrier to employment by the IMRF,

THEREFORE, IT SHALL BE THE POLICY OF THE BOARD OF TRUSTEES

To include qualified minority and woman-owned business enterprises in the IMRF investment manager selection process.

To objectively evaluate all qualified investment manager candidates regardless of race, gender or handicap.

To evaluate all qualified investment manager candidates with emphasis 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.

To use professional consultants that do not use discriminatory practices in the creation and maintenance of their investment manager databases.

To require professional consultants used by the IMRF to affirm their use of nondiscriminatory practices when recommending investment manager candidates to the IMRF Board of Trustees.

To require an annual report from each IMRF investment manager regarding its use of minority and woman-owned business enterprises as brokers.

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- B. The IMRF Board of Trustees employs consultants who use non-discriminatory practices when recommending investment manager candidates and who maintain databases of woman and minority-owned investment management firms. This consultant database contains forty-nine firms, which qualify as emerging investment managers under Public Act 87-1265. Exhibit A, attached, lists the eighty-eight minority and woman-owned firms on this database. It also identifies the forty-nine firms that qualify as emerging investment managers, under Public Act 87-1265, with an asterisk.



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- C. Between July 1, 1999 and June 30, 2000, IMRF investment managers placed \$244,795 of commission business through minority and woman-owned broker-dealers. Exhibit B, attached, lists these broker-dealers and the commissions they received.
- D. In May 2000, the IMRF Board of Trustees increased the assets allocated to Payden & Rygel by \$80 million, thereby increasing their total assets under management to \$624.4 million as of June 30, 2000.

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The IMRF Board of Trustees is mindful of the objective to increase minority and woman-owned business enterprise participation in the area of public pension fund investment management. The structure for including emerging investment manager, minority investment manager and minority broker-dealer participation in the IMRF continues to be in place.

Sincerely,

Heidi Baxter  
President

HB/jr

Attachments



# Illinois Municipal Retirement Fund

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## Exhibit A

### MINORITY AND WOMAN OWNED COMPANIES ON CONSULTANT DATABASES

\* Denotes Emerging Company

1. Abacus Financial Group, Inc.\*
2. Aberdeen America\*
3. Advent Capital Management
4. Albriond Capital Management\*
5. Alpha Capital Management\*
6. Amerindo Investment Advisors Inc.
7. Amervest Company, Inc.\*
8. Apodaca Investment Group, Inc.\*
9. Ariel Capital Management
10. Avanti Investment Advisors, Inc.
11. Bay Isle Financial
12. Bond, Procope Capital Management\*
13. Brown Capital Management\*
14. C & G Global Management
15. Capri Capital Management
16. Cardinal Advisors, Inc.
17. Carr & Associates\*
18. Chandler Asset Management\*
19. Chapman Capital Management\*
20. CIC Asset Management, Inc.\*
21. Citizens Funds\*
22. Clemente Capital, Inc.\*
23. Cordillera Asset Management\*
24. Cypress Asset Management
25. Danson & Neuhar, LLC
26. Dennis Wong & Associates\*
27. Desai Capital Management, Inc.
28. Edgar Lomax Company\*
29. EverGreen Capital Management, Inc.\*
30. Ewing Capital, Inc.\*
31. First Honolulu Asset Management
32. Fortaleza Asset Management, Inc.\*
33. GEI Financial Services
34. Globalt\*
35. Greaves Capital Management, Inc.
36. Gries Financial\*



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### MINORITY AND WOMAN OWNED COMPANIES ON CONSULTANT DATABASES

\* Denotes Emerging Company

37. GW Capital, Inc.\*
38. HCM Capital Management, Inc.\*
39. Holland Capital Management\*
40. Holt-Smith & Yates Advisors\*
41. Howard & McInnes
42. Huff Capital Management, Inc.
43. Hughes Capital Management
44. Huntington Capital Partners
45. IBEX Institutional Advisors, Inc.
46. Investment Placement Group\*
47. John Hsu Capital Group Inc.\*
48. Kenwood Group, Inc.\*
49. Kit Cole Investment Advisory Services\*
50. LM Capital Management, Inc.\*
51. MDL Capital Management\*
52. Mitchell & Henry Inc.
53. MPI Investment Management
54. NCM Capital Management Group, Inc.
55. New Amsterdam Partners LLC\*
56. P.G. Corbin Asset Management
57. Paradigm Asset Management Company, LLC\*
58. Pareto Latin American Partners
59. Payden & Rygel
60. Penn Capital Management\*
61. Piedra Capital, Ltd.
62. Pugh Capital Management, Inc.\*
63. RhumbLine Advisers\*
64. Rittenhouse Advisors, Inc.\*
65. RM Investment Management, Inc.
66. Runnymede Capital Management
67. SCI Capital Management
68. Seix Investment Advisors, Inc.
69. Sit Investment Associates, Inc.
70. Sit Investment Fixed Income Advisors
71. Sit/Kim International Investment Associates, Inc.
72. Smith, Graham & Company Asset Managers\*



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## Exhibit A

### **MINORITY AND WOMAN OWNED COMPANIES ON CONSULTANT DATABASES**

\* Denotes Emerging Company

73. Sturdivant & Company, Inc.\*
74. Swarthmore Group\*
75. Tanaka Capital Management\*
76. Taplin, Canida & Habacht\*
77. Tiffany Capital Advisors, Inc.
78. Trias Capital Management, Inc.
79. Union Heritage Capital Management
80. Utendahl Capital Partners
81. Utendahl Capital Management, LP
82. V.A. Reid & Associates\*
83. Valenzuela Capital Partners, LLC\*
84. ValueQuest/TA\*
85. Wagner Investment Management\*
86. Wedgewood Capital Management, Inc.
87. Woodford Capital Management, Inc.\*
88. Zevenbergen Capital\*



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## Exhibit B

### **MINORITY AND WOMAN OWNED COMPANIES BROKERAGE COMMISSIONS PAID July 1, 1999 - June 30, 2000**

Gardner Rich & Company .....	\$ 1,014
311 S. Wacker Drive, Suite 6060 Chicago, IL 60606 CONTACT: Mike Manning, Maria Rodriguez (800) 437-7333	
Guzman & Company .....	\$ 18,600
1200 Brickell Avenue, 14th Floor Miami, FL 33131 CONTACT: Andrew Buckner (305) 374-3600	
Harris Capital .....	\$ 28,606
15 Lewis Street Hartford, CT 06103 CONTACT: Brian Harris (203) 522-6700	
Jackson Partners & Associates .....	\$ 4,920
381 Park Avenue, Suite 621 New York, NY 10016 CONTACT: Ronald Jackson (800) 932-9863	
M. Ramsey King Securities, Inc. ....	\$ 1,611
93 Tomlin Circle Burr Ridge, IL 60521 CONTACT: Mary Ramsey King (630) 789-0607	
M.R. Beal & Co. ....	\$ 6,317
565 Fifth Avenue New York, NY 10017 CONTACT: Howard Mackey (212) 983-3900	





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Mogavero & Lee .....	\$	924
25 Broad St., Apt. PHE New York, NY 10004 CONTACT: Doreen Mongavero (212) 943-0235		
Muriel Siebert & Co., Inc. ....	\$	8,487
885 Third Avenue New York, NY 10022 CONTACT: Bryce Young (212) 644-2440		
Nutmeg Securities .....	\$	104,608
440 S. LaSalle, 4th Floor Chicago, IL 60605 CONTACT: Steve Marchese (800) 444-0603		
Pacific American Securities .....	\$	43,108
9191 Town Centre Drive, Suite 406 San Diego, CA 92122 (858) 320-8888		
Pacific American Securities .....	\$	474
50 Broadway, Suite 2601 New York, NY 10004 CONTACT: Frank Bararo (212) 809-1300		
Pankey & Associates .....	\$	2,085
2 Wall Street, Suite 1904 New York, NY 10005 CONTACT: Gail Pankey (800) 628-9826		



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### **MINORITY AND WOMAN OWNED COMPANIES BROKERAGE COMMISSIONS PAID July 1, 1999 - June 30, 2000**

Seslia Securities .....	\$	96
7A Crystal Gade St. Thomas, VI CONTACT: Michael Bornn, Brian Hill (800) 727-4170		
Whitehorne & Company .....	\$	4,655
345 Hudson Street, 15th Floor New York, NY 10014 CONTACT: Leila Jenkins (212) 727-1190		
Williams Capital Group, L.P. ....	\$	19,290
650 Fifth Avenue New York, NY 10019 CONTACT: Janice Savin, Grant Wu (800) 924-1311, (800) 924-1511		
<b>TOTAL COMMISSIONS PAID .....</b>	<b>\$</b>	<b><u>244,795</u></b>

Note: Net Trades also done with:

Gardner Rich & Company  
311 S. Wacker Drive, Suite 6060  
Chicago, IL 60606  
CONTACT: Mike Manning, Maria Rodriguez  
(800) 437-7333

Loop Capital  
175 West Jackson Blvd., Suite A635  
Chicago, IL 60604  
CONTACT: Julie Karr  
(312) 913-4942, (888) 294-8898



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Pryor, McClendon, Counts & Co.  
1515 Market Street, Suite 819  
Philadelphia, PA 19102  
CONTACT: Carol L. Mackoff  
(215) 569-4544

Robert Van Securities  
1980 Mountain Boulevard  
Oakland, CA 94611  
CONTACT: Tim O'Brien  
(510) 339-7400

Utendahl Capital Partners  
30 Broad Street  
New York, NY 10004  
CONTACT: Steve Gibson, Derrick Burns  
(800) 945-2542, (212) 797-2660

Williams Capital Group  
650 Fifth Avenue  
New York, NY 10019  
CONTACT: Janice Savin, Grant Wu  
(800) 924-1311, (800) 924-1511

# ILLINOIS COMPILED STATUTES

Chapter 40

Pensions

2000 Edition



As Amended through P.A. 91-686



misconduct and gross negligence to insure against loss or expense and consultants which may be incurred. This insurance shall be procured by the insured.

(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.

Laws 1963, p. 161, § 1-109, added by P.A. 81-948, § 1, eff. Sept. 22, 1978. Amended by P.A. 82-960, § 1, eff. Aug. 25, 1982.

Formerly Ill.Rev.Stat.1991, ch. 108 ½, ¶ 1-109.

Another § 1-109 was renumbered § 1-112 and subsequently repealed by P.A. 82-783.

**5/1-109.1. Allocation and delegation of fiduciary duties**

§ 1-109.1. Allocation and Delegation of Fiduciary Duties.

(1) Subject to the provisions of Section 22A-113 of this Code and subsections (2) and (3) of this Section, the board of trustees of a retirement system or pension fund established under this Code may:

- (a) Appoint one or more investment managers as fiduciaries to manage (including the power to acquire and dispose of) any assets of the retirement system or pension fund; and
- (b) Allocate duties among themselves and designate others as fiduciaries to carry out specific fiduciary activities other than the management of the assets of the retirement system or pension fund.

(2) The board of trustees of a pension fund established under Article 5, 6, 8, 9, 10, 11, 12 or 17 of this Code may not transfer its investment authority, nor transfer the assets of the fund to any other person or entity for the purpose of consolidating or merging its assets and management with any other pension fund or public investment authority, unless the board resolution authorizing such transfer is submitted for approval to the contributors and pensioners of the fund at elections held not less than 30 days after the adoption of such resolution by the board, and such resolution is approved by a majority of the votes cast on the question in both the contributors election and the pensioners election. The election procedures and qualifications governing the election of trustees shall govern the submission of resolutions for approval under this paragraph, insofar as they may be made applicable.

(3) Pursuant to subsections (h) and (i) of Section 6 of Article VII of the Illinois Constitution, the investment authority of boards of trustees of retirement systems and pension funds established under this Code is declared to be a subject of exclusive State jurisdiction, and the concurrent exercise by a home rule unit of any power affecting such investment authority is hereby specifically denied and precluded.

(4) For the purposes of this Code, "emerging investment manager" means a qualified investment adviser that manages an investment portfolio of at least \$10,000,000 but less than \$400,000,000 on January 1, 1993 and is a "minority owned business" or "female owned business" as those terms are

defined in the Minority and Female Business Enterprise Act.

It is hereby declared to be the public policy of the State of Illinois to encourage the trustees of public employee retirement systems to use emerging investment managers in managing their system's assets to the greatest extent feasible within the bounds of financial and fiduciary prudence, and to take affirmative steps to remove any barriers to the full participation of emerging investment managers in investment opportunities afforded by those retirement systems.

Each retirement system subject to this Code shall prepare a report to be submitted to the Governor and the General Assembly by September 1 of each year. The report shall identify the emerging investment managers used by the system, the percentage of the system's assets under the investment control of emerging investment managers, and the actions it has undertaken to increase the use of emerging investment managers, including encouraging other investment managers to use emerging investment managers as subcontractors when the opportunity arises.

The use of an emerging investment manager does not constitute a transfer of investment authority for the purposes of subsection (2) of this Section.

Laws 1963, p. 161, § 1-109.1, added by P.A. 82-960, § 1, eff. Aug. 25, 1982. Amended by P.A. 83-970, § 1, eff. Dec. 2, 1983; P.A. 86-1488, § 1, eff. Jan. 14, 1991; P.A. 87-1266, § 1, eff. Jan. 25, 1993.

Formerly Ill.Rev.Stat.1991, ch. 108 ½, ¶ 1-109.1.

manager in accordance with paragraph (a) of Section 1-109.1 of this Code.

Laws 1963, p. 161, § 1-109.2, added by P.A. 82-960, § 1, eff. Aug. 25, 1982.

Formerly Ill.Rev.Stat.1991, ch. 108 ½, ¶ 1-109.2.

**5/1-110. Prohibited transactions**

§ 1-110. Prohibited Transactions.

(a) A fiduciary with respect to a retirement system or pension fund shall not cause the retirement system or pension fund to engage in a transaction if he or she knows or should know that such transaction constitutes a direct or indirect:

- (1) Sale or exchange, or leasing of any property from the retirement system or pension fund to a party in interest for less than adequate consideration, or from a party in interest to a retirement system or pension fund for more than adequate consideration.
- (2) Lending of money or other extension of credit from the retirement system or pension fund to a party in interest without the receipt of adequate security and a reasonable rate of interest, or from a party in interest to a retirement system or pension fund with the provision of excessive security or an unreasonably high rate of interest.
- (3) Furnishing of goods, services or facilities from the retirement system or pension fund to a party in interest for less than adequate consideration, or from a party in interest to a retirement system or pension fund for more than adequate consideration.
- (4) Transfer to, or use by or for the benefit of, a party in interest of any assets of a retirement system or pension fund for less than adequate consideration.
- (b) A fiduciary with respect to a retirement system or pension fund established under this Code shall not:

- (1) Deal with the assets of the retirement system or pension fund in his own interest or for his own account;
- (2) In his individual or any other capacity act in any transaction involving the retirement system or pension fund on behalf of a party whose interests are adverse to the interests of the retirement system or pension fund or the interests of its participants or beneficiaries; or
- (3) Receive any consideration for his own personal account from any party dealing with the retirement system or pension fund in connection with a transaction involving the assets of the retirement system or pension fund.
- (c) Nothing in this Section shall be construed to prohibit any trustee from:
  - (1) Receiving any benefit to which he may be entitled as a participant or beneficiary in the retirement system or pension fund.
  - (2) Receiving any reimbursement of expenses properly and actually incurred in the performance of his duties with the retirement system or pension fund.
  - (3) Serving as a trustee in addition to being an officer, employee, agent or other representative of a party in interest.

Laws 1963, p. 161, § 1-110, added by 81-948, § 1, eff. Sept. 22, 1978. Amended by P.A. 82-960, § 1, eff. Aug. 25, 1982; P.A. 84-1472, § 1, eff. Jan. 23, 1987; P.A. 88-536, § 1, eff. Jan. 26, 1994.

Formerly Ill.Rev.Stat.1991, ch. 108 ½, ¶ 1-110.