

August 22, 2008

The Honorable Rod R. Blagojevich
Governor of Illinois
James R. Thompson Center
100 West Randolph, Suite 16-100
Chicago, Illinois 60601

Dear Governor Blagojevich:

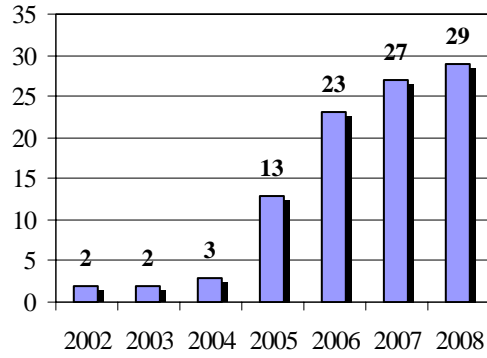
The Illinois Municipal Retirement Fund (IMRF) Board of Trustees is pleased to submit its annual report on the emerging investment managers used by this retirement system as provided by Public Act 94-0471. As of June 30, 2008, IMRF employed thirty-five minority and female owned investment managers. The thirty-five firms manage a total of \$3.2 billion of IMRF assets, an increase of \$224 million from one year ago. The \$3.2 billion represents 14.2% of the total IMRF investment portfolio. Of this amount, \$1.1 billion is managed by emerging minority and female owned firms and \$2.1 billion is managed by emerged minority and female owned firms.

IMRF also has a policy requiring our investment managers to use minority and female owned broker/dealers. For the twelve months ended June 30, 2008, \$5.9 million, or 22.4% of the total commissions paid by IMRF, were executed by minority and female owned broker/dealers. This represents an increase of approximately \$0.3 million from one year ago.

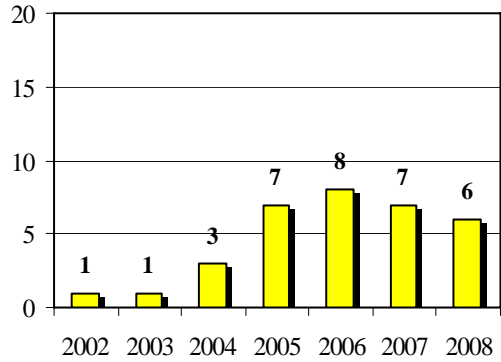
Public Act 94-0471 defines an emerging investment manager as a qualified minority owned business or female owned business with total assets under management of at least \$10 million but less than \$2 billion. The IMRF Board of Trustees continues to actively implement its policy of employing both emerging and emerged minority owned, and female owned, investment managers. As of June 30, 2008, IMRF employed twenty-nine emerging investment managers. This is an increase of two managers over the number reported last year. IMRF also employed six emerged investment managers, one less than reported last year.

The charts below show the six-year change in the number of emerging, emerged, and total minority and female owned investment managers used by IMRF to manage its assets.

Emerging MWBE Managers



Emerged MWBE Managers



Total MWBE Managers

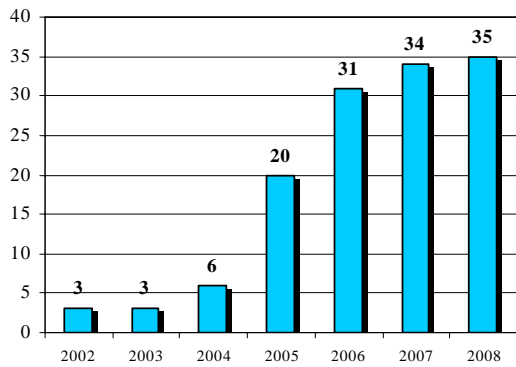


Table I and Table II, respectively, identify the emerging and emerged minority and female owned investment managers used by IMRF and the dollar amounts and percentage of total IMRF assets under their control.

TABLE I
EMERGING MINORITY AND FEMALE OWNED MANAGERS USED BY IMRF
AS OF JUNE 30, 2008

<u>Manager Name</u>	<u>Dollars Under Management (millions)</u>	<u>Percentage of Total IMRF Assets Under Management</u>
Ambassador Capital Management	\$59	0.3%
Apex Capital Management	21	0.1%
Atlanta Life	31	0.1%
Black Knight	10	0.0%
Blue Creek	8	0.0%
Buford, Dickson, Harper & Sparrow	33	0.1%
Brown Capital Management	85	0.4%
Channing Capital Management	7	0.0%
Cordillera Asset Management	18	0.1%
Cypress	40	0.2%
Denali Advisors	22	0.1%
EH Williams	11	0.0%
Fortaleza Asset Management	21	0.1%
GW Capital	13	0.1%
Holland Capital Management	457	2.0%
Lynmar Capital Management	36	0.2%
Muller & Monroe	50	0.2%
Ascend Ventures	*	*
Castille Ventures III	*	*
ICV Capital Partners	*	*
Nogales Investors	*	*
RLJ Equity Partners	*	*
Smith Whiley	*	*
Syncom	*	*
New Century Advisors	55	0.2%
Palisades	25	0.1%
Paradigm	11	0.0%
Profit Investment Management	33	0.1%
Pugh Capital Management	54	0.2%
Subtotal:	\$1,098	4.8%***

* Included in Muller & Monroe (M&M) dollars under management total. M&M is a Private Equity Fund-of-Funds.

TABLE II
EMERGED MINORITY AND FEMALE OWNED MANAGERS USED BY IMRF

AS OF JUNE 30, 2008

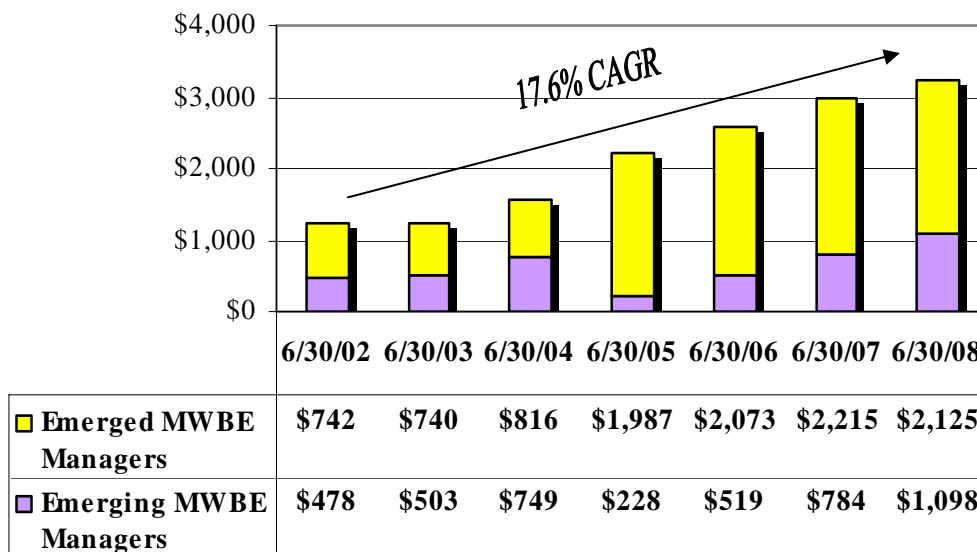
<u>Manager Name</u>	Dollars Under Management (millions)	Percentage of Total IMRF Assets Under Management
EARNEST Partners	\$454	2.0%
GlobeFlex Capital	213	0.9%
LM Capital Group	606	2.7%
Piedmont Investment Advisors	264	1.2%
Progress Investment Management	**	**
Taplin, Canida & Habacht	588	2.6%
Subtotal:	\$2,125	9.4%
TOTAL:	\$3,224	14.2%***

** This is a Manager-of-Managers receiving a fee to execute an emerging minority manager program for IMRF.

*** Totals may not add due to rounding.

IMRF's \$3.2 billion allocation to emerging and emerged investment managers represents an increase of \$224 million, or 7.5%, over the amount reported in 2007. The following chart shows the increase in emerging and emerged investment managers' assets under management over the last six years. It is worth noting that the compound annual growth rate for assets managed by emerging and emerged MWBE managers over the six-year time period is 17.6%.

**Emerging and Emerged MWBE Assets Under Management
(in millions of dollars)**



As part of the reporting requirements under Public Act 94-0471, the IMRF must report actions taken to increase the use of emerging investment managers. Our progress toward accomplishing this objective is presented below.

In January 2004, the Board of Trustees established a goal that 20% of actively managed investment assets be managed by minority and female owned investment managers. As of June 30, 2008, 23.8% of actively managed assets, or 14.2% of total assets under management, were allocated to minority and female owned investment managers. By way of policy, the IMRF Board of Trustees includes qualified minority and female owned investment managers in the Fund's investment manager selection process and objectively evaluates all qualified investment management candidates. Consequently, the following actions were undertaken since June 30, 2007.

In the fourth quarter of 2007, IMRF Board of Trustees' commitment of \$25 million to the Muller and Monroe Private Equity Fund-of-Funds was finalized. Also, late in the fourth quarter of 2007, IMRF terminated an international equity investment manager. IMRF used this opportunity to increase its minority manager allocation. Therefore, in the first quarter of 2008, two additional contributions of \$75 million each were made to existing minority-owned international equity managers: EARNEST Partners and GlobeFlex Capital. For EARNEST Partners the additional contribution represented an increase of ~42% of its IMRF allocation. For GlobeFlex Capital the additional contribution represented an increase of ~52% of its IMRF allocation.

Furthermore, in the first quarter of 2008, IMRF made an additional contribution to emerging minority owned manager Buford, Dickson, Harper & Sparrow. The \$20 million additional allocation reflected IMRF's recognition of this manager's skill and performance.

In aggregate, IMRF's allocations to emerging and emerged minority and female owned business enterprises increased from \$3.0 billion to \$3.2 billion. Of the \$3.2 billion allocation to minority and female owned business enterprise firms, \$1.1 billion is being managed by emerging firms and \$2.1 billion is being managed by emerged firms. The \$1.1 billion allocation to emerging minority and female owned business enterprise managers represents an increase of 40.1% over the same period last year. The \$2.1 billion allocation to emerged minority and female owned business enterprise managers represents a decrease of 4.1% as compared to the same period last year. The significant percentage increase in IMRF's allocation to emerging minority and female owned business enterprise managers is due to the fact that two emerged firms reverted to being emerging firms in 2008. Declines in assets brought these firms' assets under management to less than \$2 billion. On a positive note, during the same time period, an emerging firm became an emerged firm in 2008.

The number of minority and female owned business enterprise money managers has increased year-over-year from thirty-four to thirty-five. Of this total, twenty-nine are emerging minority and female owned business enterprise firms, and six are emerged minority and female owned business enterprise firms. The number of emerging minority and female owned firms has increased from twenty-seven to twenty-nine as of June 30, 2008. This represents a 7.4% increase from the number of emerging minority and female owned firms that were used by IMRF in 2007. However, the number of emerged minority and female owned investment managers decreased by one.

In further recognition of the objectives of Public Act 94-0471, the IMRF Board of Trustees has a policy which establishes a goal for the use of minority and female owned broker/dealers by IMRF's investment managers. The Policy specifies that, subject to best execution, 20 percent of brokerage from actively managed separate account portfolios, excluding high yield bond portfolios, micro cap equity portfolios, small cap international and emerging market portfolios, be executed by minority and women owned business enterprise broker/dealers. For the twelve months ended June 30, 2008, 23.2% of actively managed brokerage was executed by minority and female owned firms. For the twelve months ended June 30, 2008, total commissions placed with minority and female owned brokerage firms were \$5,853,247. This is an increase of \$337,740, or 6.1%, over the amount reported last year.

To ensure that progress is continuously made toward achieving our minority and female owned brokerage goals, our money managers are required to report their use of minority and female owned business enterprise broker/dealers monthly. If a manager fails to achieve the 20% minority and female owned business enterprise brokerage objective during a given month, they must provide written notification to IMRF explaining why this goal was not achieved. Managers who fail to meet

the 20% minority and female owned business enterprise brokerage objective over a quarter receive notice from IMRF reminding them of our 20% minority and female owned brokerage goal and our expectations that they take steps to achieve our goal.

The following chart shows IMRF's increased use of minority and female owned broker/dealers over the last six years ending June 30. Importantly, the compound annual growth rate for commissions to minority and female owned broker/dealers over this period is 71.8%.

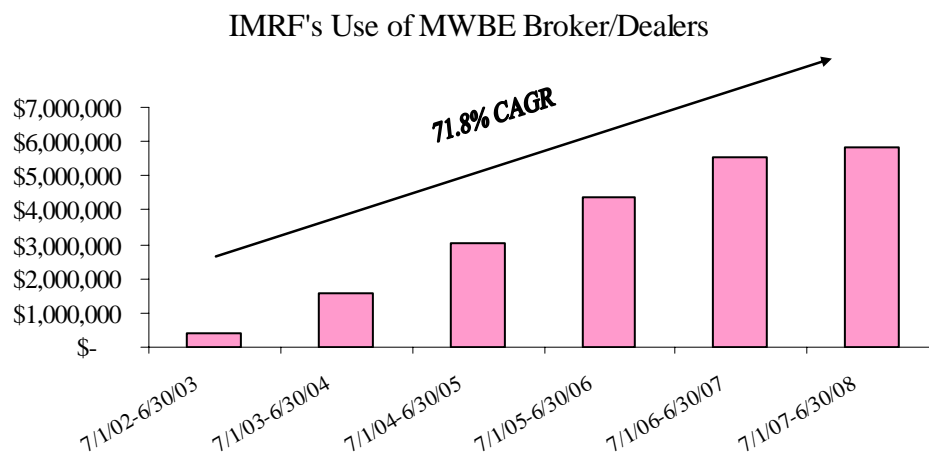


Exhibit A, attached, lists the minority and female owned broker/dealers and the commissions they received between July 1, 2007 and June 30, 2008.

In addition to adopting goals for minority and female owned money managers and brokerage, the IMRF Board of Trustees has appointed the President of the Board as the Trustee responsible for monitoring the progress toward achieving these goals.

To ensure a responsible non-discriminatory investment manager search procedure, the IMRF Board of Trustees has adopted the following manager selection policy:

**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

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.



Illinois Municipal Retirement Fund

Suite 500 2211 York Road Oak Brook IL 60523-2337

Service Representatives 1-800-ASK-IMRF (1-800-275-4673)

www.imrf.org

To require professional consultants used by the IMRF to affirm their use of non-discriminatory 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.

To require that all MWBE investment firms evaluated in the search process be specifically identified in the investment manager search report. In addition, any reasons for eliminating an MWBE investment manager candidate from further consideration must also be provided in this report. This procedure has been implemented to confirm that qualified MWBE investment firms are being considered in the IMRF investment manager search process.

* * * * *

The IMRF Board of Trustees requires that its consultant, Ennis Knupp & Associates, use non-discriminatory practices when recommending investment manager candidates and that they maintain a database of emerging and emerged minority and female owned investment managers. The Ennis Knupp database contains 215 minority and female owned investment managers. Included in this amount are 14 real estate, 22 private equity and 13 hedge funds that are minority and female owned business enterprises. Of this number, 116 are currently classified as emerging. A list of these investment managers is attached as Exhibit B.

IMRF continues to seek out and employ minority and female owned investment managers and broker/dealers. The increase in the total number of minority and female owned firms used by IMRF, as well as the increase in the dollars allocated to these firms and the increase in the commissions paid to these firms, demonstrates our commitment to diversity.

Sincerely,

Louis W. Kosiba
Executive Director

LWK:chl
Attachments

EXHIBIT A

MINORITY AND WOMEN-OWNED BUSINESS ENTERPRISES
BROKERAGE COMMISSIONS PAID

July 1, 2007 - June 30, 2008

Blaylock & Partners	\$	171.88
609 Fifth Avenue New York, NY 10017		
BOE Securities	\$	9,706.94
440 South LaSalle Street Chicago, IL 60605		
Cabrera Capital Markets.	\$	1,047,842.70
10 South LaSalle Street, Suite 1050 Chicago, IL 60603		
Capital Management Group	\$	468.80
123 North Wacker Drive Chicago, IL 60606		
CastleOak Securities.	\$	46,933.93
111 East 58th Street, 6th Floor New York, NY 10022		
Cheevers & Co.	\$	8,582.60
440 South LaSalle Street, Suite 415 Chicago, IL 60605		
CL King & Associates.	\$	89,542.20
1 Liberty Square, 5th Floor Boston, MA 02109		
Divine Capital Markets.	\$	20,710.70
30 Broad Street New York, NY 10004		
FinaCorp Securities	\$	25,461.50
141 W. Jackson, Suite 2502 Chicago, IL 60604		
Gardner Rich & Company	\$	7,066.73
401 South Financial Place Chicago, IL 60605		

EXHIBIT A

MINORITY AND WOMEN-OWNED BUSINESS ENTERPRISES
BROKERAGE COMMISSIONS PAID

July 1, 2007 - June 30, 2008

Guzman & Company	\$	231,896.29
101 Aragon Avenue Coral Gables, FL 33134		
Ivy Securities.	\$	72,664.82
Suite 21, 320 Northern Blvd. Great Neck, NY 11021		
Jackson Securities (formerly Berean Capital).	\$	3,322.37
300 South Wacker Drive, Suite 2450 Chicago, IL 60606		
Lambright Financial.	\$	109,071.59
55 West Monroe, Suite 3625 Chicago, IL 60603		
Loop Capital Markets	\$	2,382,767.01
200 N Jackson Chicago, IL 60606		
M.R. Beal.	\$	99,952.24
67 Wall Street New York, NY 10017		
M. Ramsey King Securities, Inc.	\$	96,098.34
93 Tomlin Circle Burr Ridge, IL 60527		
MAGNA Securities Corp	\$	233,999.66
60 East 42nd Street New York, NY 10019		
Mary R. King Securities	\$	48,328.14
93 Tomlin Circle Burr Ridge, IL 60527		

EXHIBIT A

MINORITY AND WOMEN-OWNED BUSINESS ENTERPRISES
BROKERAGE COMMISSIONS PAID

July 1, 2007 - June 30, 2008

Melvin Securities	\$	71,121.13
111 West Jackson Boulevard, Suite 2110 Chicago, IL 60604		
Mogavero Lee & Co.	\$	189.44
11 Wall Street New York, NY 10005		
Montrose Securities.	\$	444,932.13
44 Montgomery Street, Suite 3050 San Francisco, CA 94104		
Multi-Trade Securities.	\$	225.00
60 West Madison Avenue, 6th floor New York, NY 10010		
Muriel Siebert & Co	\$	7,654.86
885 Third Avenue, Suite 1720 New York, NY 10022		
Nutmeg Securities	\$	130,928.34
1960 Bronson Road, Bldg 2 Fairfield, CT 06824		
PCS Securities.	\$	80.00
121 Lakeside Avenue, Suite 301 Seattle, WA 98122		
Pacific American Securities	\$	172,014.38
9191 Towne Centre Drive, Suite 405 San Diego, CA 92122		
Podesta & Co	\$	915.25
208 South LaSalle Street, Suite 1460 Chicago, IL 60604		
Reynolds Securities.	\$	33,891.48
45 Broadway 31st Floor New York, NY 10006		

EXHIBIT A

MINORITY AND WOMEN-OWNED BUSINESS ENTERPRISES
BROKERAGE COMMISSIONS PAID

July 1, 2007 - June 30, 2008

Robert Van Securities.	\$	8,070.00
350 Frank Ogawa Plaza, 10th floor Oakland, CA 94612		
Samuel Ramirez & Company.	\$	8,164.67
61 Broadway, 29th floor New York, NY 10006		
Sandgrain Securities	\$	3,025.29
1050 Franklin Avenue, Suite 300 Garden City, NY 11530		
SBK Brooks.	\$	2,548.67
840 Terminal Tower Cleveland, OH 44113		
Sturdivant & Co.	\$	8,625.00
Plaza 1000 at Main St., Suite 200 Voorhees, NJ 08043		
Toussaint Capital Partners	\$	517.44
110 Wall Street, Second Floor New York, NY 10005		
Utendahl Capital Partners	\$	245,462.00
30 Broad Street, 21st Floor New York, NY 10004		
Williams Capital Group, L.P.	\$	180,293.52
650 Fifth Avenue, 10th floor New York, NY 10019		
TOTAL COMMISSIONS PAID	\$	5,853,247.04

Exhibit B

Emerging Minority and Female-Owned Firms On Consultant Database

1	21st Century Investors
2	AH Lisanti Capital Growth, LLC
3	Ambassador Capital Management
4	American Value Partners
5	AmeriCap Advisers, LLC
6	Apex Capital Management, Inc.
7	Argus Investors Counsel, Inc.
8	Artemis Investment Management LLC
9	Ascend Ventures
10	Ativo Capital Management
11	Atlanta Life Investment Advisors, Inc.
12	Bastion Capital
13	BirdRock Asset Management
14	Black Knight Asset Management, LLC
15	BlueCreek Investment Partners, LLC
16	Boston Common Asset Management
17	Brown Capital Management, Inc.
18	Buford, Dickson, Harper & Sparrow Inc.
19	Campbell Newman Asset Management, Inc.
20	Capital Management Associates, LLC
21	Capri Capital
22	Cardinal Capital Management, LLC
23	Castile Ventures
24	Cedar Hill Realty Partners
25	Centinela Capital Partners
26	Channing Capital Management, LLC
27	Cheswold Lane Asset Management, LLC
28	Cordillera Asset Management
29	Credo Capital Management, LLC
30	Cutler Investment Counsel, LLC
31	Cypress Asset Management
32	Daruma Asset Management, Inc.
33	Decatur Capital Management, Inc.
34	Denali Advisors, LLC.
35	EH Williams Capital Management, LLC
36	Endex Capital Management, LLC

Exhibit B

Emerging Minority and Female-Owned Firms On Consultant Database

37	Endurance Investment Management, LLC
38	Fan Asset Management LLC
39	Fiduciary Investment Solutions, Inc.
40	Fiduciary Management Associates, LLC
41	Fortaleza Asset Management, Inc.
42	Forum Asset Management, LLC
43	Goode Investment Management, Inc.
44	Great Companies, Inc.
45	Greenfield Sietz Capital Management
46	GW Capital, Inc.
47	Hahn Capital Management LLC
48	Hanseatic Management Services, Inc.
49	High Pointe Capital Management, LLC
50	Hispania Partners
51	Holland Capital Management, L.P.
52	Holt-Smith Advisors
53	Hoover Investment Management Co., LLC
54	Howland and Associates, LLC
55	ICV Capital Partners
56	Integrity Fixed Income Management, LLC
57	John Hsu Capital Group, Inc.
58	Keel Asset Management, LLC
59	Kenwood Capital Management
60	Kiwanja Partners
61	Legato Capital Management LLC
62	Locke Capital Management, Inc.
63	Lombardia Capital Partners, LLC
64	Lynmar Capital Group
65	Mar Vista Investment Partners
66	Martin Investment Management, LLC
67	Matterhorn Capital Management, LLC
68	Montrose Asset Management LLC
69	Muller and Monroe Asset Management
70	Native American Fund Advisors LLC
71	New Capital Management, LLC
72	New Century Advisors, LLC

Exhibit B

Emerging Minority and Female-Owned Firms On Consultant Database

73	New Century Investment Management, Inc.
74	Nichols Asset Management, LLC
75	NMF Asset Management LLC
76	Nogales Investment Management
77	Oak Associates, Ltd.
78	OakBrook Investments
79	Ocean State Asset Management, LLC
80	Odyssey Advisors LLC
81	Opus Capital Group, LLC
82	Palisades Investment Partners, LLC
83	Palladium Equity Partners
84	Paradigm Asset Management Co. LLC
85	Paradigm Capital Management Growth Advisors, Inc.
86	Paradigm Capital Management, Inc.
87	Pharos Capital Group
88	Philippe Investment Management, Inc.
89	PHOCAS FINANCIAL CORPORATION
90	Piedra Capital, Ltd.
91	Pluscious Management, LLC
92	Profit Investment Management
93	Pugh Capital Management, Inc.
94	RC Fontis Partners
95	Redwood Investments, LLC
96	Reliant Equity Partners
97	Runde & Co. LLC
98	Runnymede Capital Management, Inc.
99	Rutland Dickson Asset Management, Inc.
100	San Juan Asset Management
101	SFE Investment Counsel, Inc.
102	Simran Capital Management, LLC
103	SIPCO
104	SMC (Cayman) Limited
105	Smith Whiley & Pelham
106	SPI Strategies, LLC
107	Starvest Partners
108	Strategic Development Investments

Exhibit B

Emerging Minority and Female-Owned Firms On Consultant Database

109	Strategic Global Advisors, LLC
110	Swarthmore Group, Inc., The
111	Syncom Venture Partners
112	The Lara Group, Ltd.
113	Vision Capital Management, Inc.
114	Vista Equity
115	Wagner Investment Management, Inc.
116	Xavier Capital Management, LLC

Exhibit B

Emerged Minority and Female-Owned Firms On Consultant Database

- 1 Adelante Capital Management LLC
- 2 AIC Investment Services Inc.
- 3 Ariel Investments, LLC
- 4 Chandler Asset Management
- 5 Davis Hamilton Jackson & Associates, L.P.
- 6 DG Capital Management, Inc.
- 7 Eagle Capital Management, LLC
- 8 EARNEST Partners, LLC
- 9 Fairview Capital
- 10 Fred Alger Management, Inc.
- 11 GlobeFlex Capital, L.P.
- 12 LM Capital Group, LLC
- 13 MacFarlane Partners
- 14 New Amsterdam Partners LLC
- 15 Newgate Capital Management LLC
- 16 Payden & Rygel
- 17 Piedmont Investment Advisors, LLC
- 18 Popular Asset Management
- 19 Progress Investment Management Company
- 20 Rhumblin Advisers Corp
- 21 Sit Investment Associates, Inc.
- 22 Smith Graham & Co., Investment Advisors, L.P.
- 23 Stone Harbor Investment Partners LP
- 24 Taplin, Canida & Habacht
- 25 Utendahl Capital Management, L.P.