



Illinois Municipal Retirement Fund

Suite 500 2211 York Road Oak Brook IL 60523-2337

Member Services Representatives 1-800-ASK-IMRF

www.imrf.org

MEMORANDUM

TO: Members of the Board of Trustees and Executive Director
FROM: Rosa Vasquez, Investment Analyst *RV*
DATE: December 16, 2011
RE: Illinois Municipal Retirement Fund's 2011 Diversity Report

Executive Summary

Under Public Act 96-6, IMRF is required to submit an annual report to the Governor and General Assembly that identifies: the policy adopted that sets forth goals for utilization of "emerging investment managers", the policy that sets forth goals for increasing the utilization of "minority broker-dealers", the policy that sets forth goals for increasing the racial, ethnic, and gender diversity of its fiduciaries, including its consultants and senior staff, and the policy that sets forth goals for utilization of businesses owned by minorities, females, and persons with disabilities for contracts and services. Subject to your review, the attached report will be sent to the Governor and the General Assembly. A copy of PA 96-6 is included for your reference.

Background

PA 96-6 revised the definition an emerging investment manager. To qualify an advisor must be a minority owned business or female owned business or business owned by a person with a disability with total assets under management of at least \$10 million but less than \$10 billion. In addition, PA 96-6 required IMRF to adopt policies for increasing the racial, ethnic, and gender diversity of its fiduciaries, including its consultants and senior staff, and for increasing the utilization of businesses owned by minorities, females, and persons with disabilities for contracts and services.

Discussion

The attached 2011 Diversity Report shows the following significant year-over-year changes using the PA 96-6 definition of emerging investment managers:

<u>Minority Owned Manager Category</u>	<u>9/30/2008</u>	<u>9/30/2009</u>	<u>9/30/2010</u>	<u>9/30/2011</u>
Emerging Minority Owned Managers	34	34	36	39
Emerged Minority Owned Managers	1	1	1	1
Total Minority Owned Managers	35	35	37	40
Emerging Minority Owned Manager Assets	\$2.6 B	\$2.4 B	\$2.9 B	\$3.6 B
Total Minority Owned Managers Assets	\$3.0 B	\$2.8 B	\$3.4 B	\$4.4 B
Minority Owned Brokerage	\$5.5 M	\$6.5 M	\$4.6 M	\$4.8 M



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On November 20, 2009, IMRF's Board of Trustees established IMRF's Diversity Policy for Senior Staff and Fiduciaries as well as IMRF's Diversity Procurement Policy. IMRF's Diversity Policy for Senior Staff and Fiduciaries documents IMRF's commitment to hiring, employing, contracting and providing opportunities for minorities, females and persons with a disability. IMRF's goal is that staff diversity levels mirror the external recruiting area. As of the 2000 US Census, the recruiting area is 47% female; 43% minority; and 66% female and minority.

IMRF's Diversity Procurement Policy specifies that it is the policy of the IMRF Board of Trustees to include qualified minority and female owned business enterprises and businesses owned by a person with a disability in the Fund's procurement process and to objectively evaluate all qualified businesses regardless of race, gender or handicap. IMRF has set a minimum goal of 18% of all of its contracts and purchases be awarded to businesses owned by minorities, females, and persons with a disability. These goals are based on the percentage of total dollar amount of all purchasing contracts let, excluding payments such as postage, rent (utilities), insurance premiums, and single-source technology solutions.

Recommendation

Staff recommends that the Board of Trustees approve submission of this Report to the Governor and General Assembly.

Attachment



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December 16, 2011

Governor Pat Quinn
Governor of Illinois
James R Thompson Center
100 West Randolph Street, Floor 16
Chicago, IL 60601

RE: Annual Diversity Report

Dear Governor Quinn:

The Illinois Municipal Retirement Fund (IMRF) Board of Trustees is pleased to submit its annual report on the diversity policies established for the Fund as required under Section 1-109.1(8) of Public Act 96-0006. The report includes the policy adopted by our Board of Trustees for establishing goals for the utilization of emerging investment managers; the policy that sets forth goals for increasing the utilization of minority broker-dealers; the policy that sets forth goals for increasing the racial, ethnic, and gender diversity of our fiduciaries, including consultants and senior staff; and the policy that sets forth goals for the utilization of businesses owned by minorities, females, and persons with disabilities for all contracts and services.

Please contact me at (630) 368-5355 if you have any questions.

Very truly yours,

Louis W. Kosiba
Executive Director

Enclosure



**ILLINOIS MUNICIPAL
RETIREMENT FUND**

**2011 ANNUAL
DIVERSITY REPORT**

**Illinois Municipal Retirement Fund
2211 York Road
Oak Brook, IL 60523
(630) 368-1010**

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I. Introduction

ILLINOIS MUNICIPAL RETIREMENT FUND'S 2011 DIVERSITY REPORT

The Illinois Municipal Retirement Fund (IMRF) Board of Trustees is pleased to submit its annual report on diversity. Our 2011 Diversity Report presents in detail the following: a) policy adopted that sets forth goals for utilization of emerging investment managers, b) policy that sets forth goals for increasing the utilization of minority broker-dealers, including specific actions undertaken to increase the use of minority broker-dealers, c) policy that sets forth goals for increasing the racial, ethnic, and gender diversity of its fiduciaries, including its consultants and senior staff, and d) policy that sets forth goals for utilization of businesses owned by minorities, females, and persons with disabilities for all contracts and services.

As of September 30, 2011, IMRF employed 40 investment managers owned by minorities, females or by a person with a disability. The 40 firms managed a total of \$4.4 billion of IMRF assets. The \$4.4 billion represents 18.8% of the total IMRF investment portfolio. Of this amount, \$3.6 billion is managed by emerging managers as defined in PA 096-0006 and \$0.76 billion is managed by emerged investment managers [investment managers owned by minorities, females or by a person with a disability with assets under management of over \$10 billion].

IMRF's external investment managers also execute trades through minority, female and persons with a disability owned broker/dealers. For the twelve months ended September 30, 2011, \$5.9 million, or 24.9% of the total commissions paid by IMRF, were executed by broker/dealers owned by minorities, females or by a person with a disability.

IMRF's Diversity Policy for Senior Staff and Fiduciaries documents IMRF's commitment to hiring, employing, contracting and providing opportunities for minorities, females and persons with a disability. IMRF's goal is that staff diversity levels mirror its external recruiting area.

Furthermore, IMRF Diversity Procurement Policy specifies that it is the policy of the IMRF Board of Trustees to include qualified minority and female owned business enterprises and businesses owned by a person with a disability in the Fund's procurement process and to objectively evaluate all qualified businesses regardless of race, gender or handicap. IMRF set a minimum goal of 18% for contracts and purchases from businesses owned by minorities, women, and persons with a disability as a share of all of its contracts and purchases. These goals are based on the percentage of total dollar amount of all purchasing contracts let, excluding payments such as postage, rent (utilities), insurance premiums, and single-source technology solutions.



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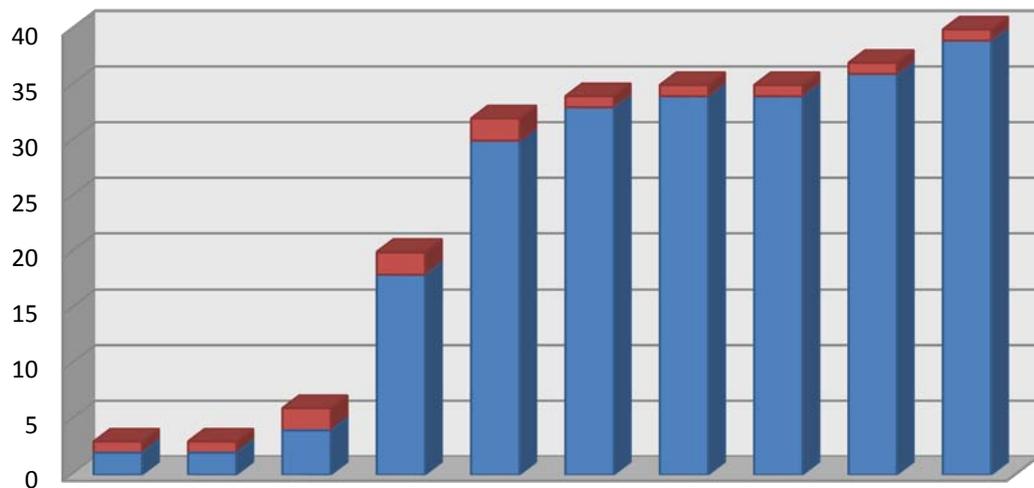
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II. INVESTMENT MANAGERS

Public Act 096-0006 defines an emerging investment manager as a qualified investment advisor that is a minority owned business or female owned business or business owned by a person with a disability with total assets under management of at least \$10 million but less than \$10 billion. The IMRF Board of Trustees continues to actively implement its policy of employing investment managers owned by minorities, females or by a person with a disability (collectively “minority owned” investment managers). Since 2003, IMRF has increased its use of emerging minority owned investment managers each year. As of September 30, 2011, IMRF employed 39 emerging minority owned investment managers and 1 emerged minority owned investment manager.

The chart below shows the ten-year progress in the number of emerging and emerged minority owned investment managers used by IMRF to manage its assets.

**Total Number of
IMRF "Minority Owned" Investment Managers**



	9/30/02	9/30/03	9/30/04	9/30/05	9/30/06	9/30/07	9/30/08	9/30/09	9/30/10	9/30/11
EMERGED	1	1	2	2	2	1	1	1	1	1
EMERGING	2	2	4	18	30	33	34	34	36	39



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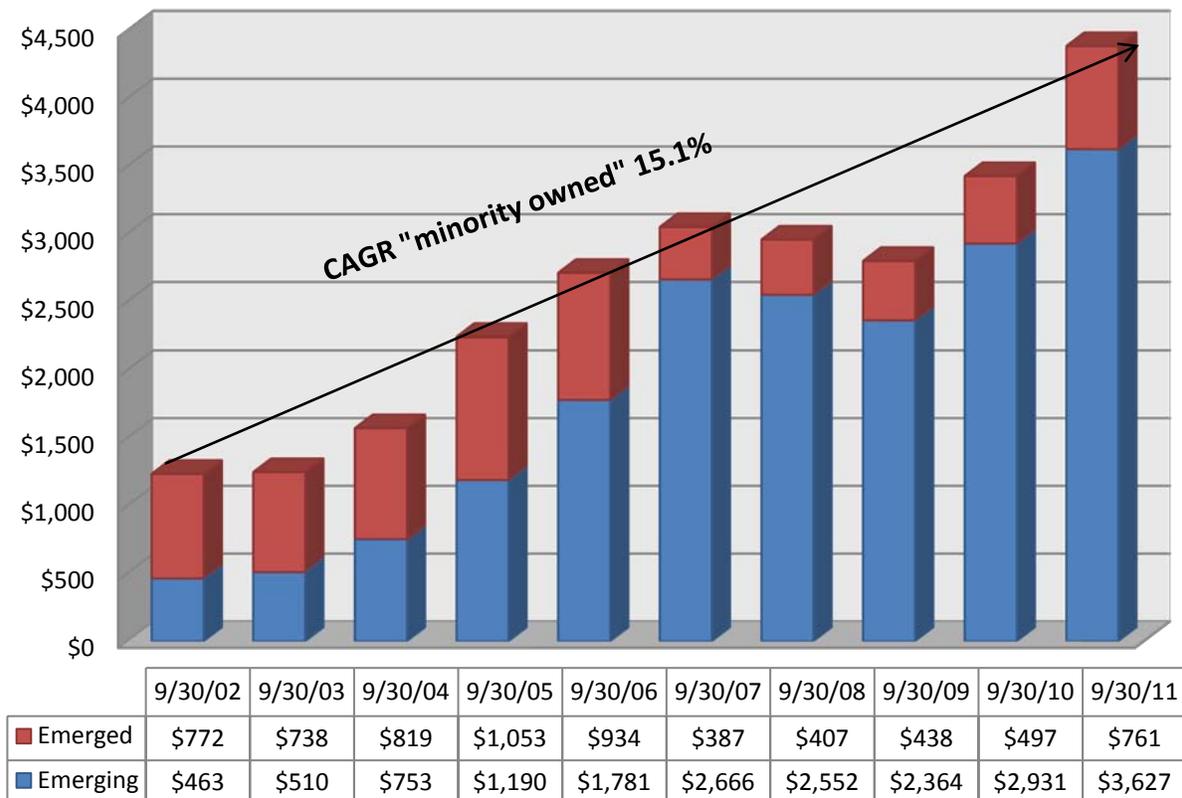
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Due to IMRF's commitment to hire emerging minority owned investment managers the amount of assets they manage for IMRF continues to increase. The compound annual growth rate (CAGR) for assets managed by emerging minority owned investment managers is 29.3%, over a nine year time period. However, the compound annual growth rate (CAGR) for assets managed by emerged and emerging minority owned investment managers over the same time period is 15.1%.

The chart below shows the amount of assets managed by "minority owned" investment managers. Assets for "minority owned" investment managers have increased seven out of nine years shown on the chart below.

Total IMRF Assets Managed by "Minority Owned" Investment Managers



Dollar values are in millions



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Specifically, the amount of assets that are managed by “minority owned” investment managers has increased by \$960 million since last September. In March 2001, IMRF underwent an investment manager structure review. During this review, it was decided that three emerging minority investment managers would be graduated from the Progress Investment Manager of Manager’s Program. These investment managers were Channing (Equity), Piedmont (Equity), and Lombardia (Equity). In addition, seven “minority owned” investment managers received additional funds.

Below is a table that lists each manager by asset class that received additional funds from IMRF.

Additional Allocation of Funds by Asset Class

Asset Class	Classification	Emerged/ Emerging	“Minority Owned” Investment Manager	Additional Funds (\$millions)
Equity	African American	Emerging	Channing Capital Management	52
Equity	African American	Emerging	Holland Capital Management	138
Equity	African American	Emerging	Piedmont Investment Advisors	131
Equity	African American	Emerging	Progress Investment Management	17
Equity	Latino	Emerging	Fortaleza Asset Management	8
Equity	Latino	Emerging	Lombardia Capital Partners	105
Fixed Income	African American	Emerged	Earnest Partners	211
Fixed Income	African American	Emerging	Piedmont Investment Advisors	189
Int’l Equity	African American	Emerged	Earnest Partners	59
Int’l Equity	African American	Emerging	Brown Capital Management	51
Total Amount				\$961

Note: Funds were distributed during the 2Q11

During the last twelve months ending September 30, 2011, assets managed by majority owned investment managers decreased by 6.1% or \$1.2 billion. Market volatility and negative returns attributed to the total Fund’s assets decreasing by 1.1% or \$264 million.

The table below shows the market value changes of IMRF’s assets under management by “minority owned” investment managers, majority owned investment managers and the total Fund.



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Market Value Changes by Manager Type

	9/30/07	9/30/08	9/30/09	9/30/10	9/30/11
Minority Owned Asset Managers (\$AUM)	\$3,052	\$2,959	\$2,802	\$3,428	\$4,388
% Change		-3.0%	-5.3%	22.3%	28.0%
Majority Owned Asset Managers (\$AUM)	\$21,249	\$17,605	\$18,743	\$20,166	\$18,943
% Change		-17.1%	6.5%	7.6%	-6.1%
All Asset Managers (\$ AUM)	\$24,301	\$20,565	\$21,546	\$23,594	\$23,330
% Change		-15.4%	4.8%	9.5%	-1.1%

Dollars are in millions

As of September 30, 2011, IMRF's \$4.4 billion allocation to emerging and emerged "minority owned" investment managers represents an increase of \$960 million, or 28% since last year. Please note that IMRF has direct investments with emerging minority owned managers but also utilizes a real estate fund of fund, a private equity fund of fund and a manager of managers program to meet its minority manager utilization goals.

The table below identifies the emerging and emerged "minority owned" investment managers used by IMRF and the dollar amounts and percentage of total IMRF assets under their control. The addresses of all "minority owned" IMRF investment managers are shown in [Exhibit A](#).

EMERGING "MINORITY OWNED" MANAGERS USED BY IMRF			
AS OF SEPTEMBER 30, 2011			
Classification	Manager Name	\$ AUM(millions)	% of Total IMRF Assets Under Management
African American	Ariel Investments	46.3	0.2%
African American	Brown Capital Mgmt	158.4	0.7%
African American	Buford, Dickson, Harper & Sparrow, Inc.	24.9	0.1%
African American	Channing Capital Mgmt	40.5	0.2%



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<u>EMERGING "MINORITY OWNED" MANAGERS USED BY IMRF</u>			
<u>AS OF SEPTEMBER 30, 2011</u>			
Classification	Manager Name	\$ AUM(millions)	% of Total IMRF Assets Under Management
African American	Holland Capital Mgmt	611.2	2.6%
African American	Piedmont Investment Advisors	598.7	2.6%
	Total African American	1,480.1	6.3%
Asian	Vivo Ventures XII	6.0	0.0%
	Total Asian	6.0	0.0%
Female	GlobeFlex Capital	330.5	1.4%
Female	Vision Capital Mgmt ,Inc.	44.4	0.2%
	Total Female	374.9	1.6%
Latino	Ativo Capital Mgmt	23.7	0.1%
Latino	Fortaleza Asset Mgmt, Inc.	26.1	0.1%
Latino	LM Capital Group	764.3	3.3%
Latino	Lombardia Capital Partners	83.5	0.4%
	Total Latino	897.6	3.8%
Non-Minority	Franklin Templeton Real Estate Advisors ¹	75.0	0.3%
African American	Argosy Real Estate Partners II	*	*
Latino	Hudson Realty Capital V	*	*
	Total Minority Manager Real Estate	75.0	0.3%
African American	Muller & Monroe ²	50.0	0.2%
African American	Ascend Ventures	*	*
African American	DBL Equity Fund- BAEF II, L.P.	*	*
African American	ICV Capital Partners	*	*
African American	RLJ Equity Partners	*	*
African American	Smith Whiley II	*	*
African American	Smith Whiley III	*	*
African American	Syncom	*	*
Female	Castile Ventures III	*	*
Latino	Hispania Private Equity Fund II	*	*



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<u>EMERGING "MINORITY OWNED" MANAGERS USED BY IMRF</u>			
<u>AS OF SEPTEMBER 30, 2011</u>			
Classification	Manager Name	\$ AUM(millions)	% of Total IMRF Assets Under Management
Latino	Nogales Investors	*	*
	Total Minority Manager Private Equity	50.0	0.2%
African American	Progress Investment Mgmt ³		
African American	Ambassador Capital Mgmt	89.2	0.4%
African American	Brown Capital Mgmt	23.3	0.1%
African American	Channing Capital Mgmt	31.1	0.1%
African American	Herndon Capital Mgmt	48.0	0.2%
African American	Profit Investment Mgmt	50.0	0.2%
African American	Pugh Capital Mgmt	81.7	0.4%
	Total African American- MoM	323.3	1.39%
Asian	Apex Capital Mgmt	32.1	0.1%
Asian	High Pointe Capital Mgmt, LLC	44.0	0.2%
Asian	Phocas Financial	24.4	0.1%
	Total Asian- MoM	100.5	0.4%
Female	Concerto Asset Mgmt	12.8	0.1%
Female	Longfellow Investment Mgmt	46.4	0.2%
Female	New Century Advisors	84.3	0.4%
Female	Redwood Investments	50.7	0.2%
	Total Female- MoM	194.2	0.8%
Latino	Garcia Hamilton & Associates	82.2	0.4%
Latino	Graham & Dodd Fund, LLC	43.0	0.2%
	Total Latino- MoM	125.2	0.54%
	Subtotal- Emerging Minority Owned	3,626.8	15.5%



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<u>EMERGED "MINORITY OWNED" MANAGERS USED BY IMRF</u>			
<u>AS OF SEPTEMBER 30, 2011</u>			
Classification	Manager Name	\$ AUM (millions)	% of Total IMRF Assets Under Management
African American	EARNEST Partners (Fixed Income)	500.30	2.1%
African American	EARNEST Partners (Int'l Equity)	260.50	1.1%
	Total African American	760.80	3.3%
Subtotal- Emerged Minority Owned		760.80	3.3%
Grand Total "Minority Owned"			
Managers		4,387.63	18.8%

1. This is a Fund of Fund Manager receiving a fee to execute an emerging manager real estate fund of fund for IMRF.
2. This is a Private Equity Fund of Funds with a mandate to hire emerging minority managers.
3. This is a Manager of Managers receiving a fee to execute an emerging manager program for IMRF.

As part of the reporting requirements under Public Act 096-0006, IMRF must report actions taken to increase the use of emerging investment managers. IMRF's actions to increase the use of emerging investment managers are presented below:

On August 28, 2009, the Board of Trustees approved an investment policy (attached as **Exhibit B**) which includes an emerging investment manager policy with quantifiable goals. The new emerging investment manager goals are as follows:

Emerging Investment Manager Utilization Goal

The Illinois Municipal Retirement Fund is committed to providing opportunities for emerging minority and female owned investment management firms and emerging investment management firms owned by a person with a disability. The Illinois Municipal Retirement Fund Board of Trustees has adopted the following minimum goals for the utilization of these emerging investment management firms.



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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 Portfolio</u>
Minority Owned Businesses	9% to 13%
Female Owned Businesses	2% to 6%
Businesses Owned by a Person with a Disability	0.5% to 1%

Goals For The Utilization of Emerging Investment Managers By Asset Class

<u>Asset Class</u>	<u>Minimum Goal as a Percentage of Asset Class</u>
Equities	10% to 12% of the asset class
Fixed-Income	15% to 20% of the asset class
Alternatives	5% to 10% of the asset class

These goals will be reviewed annually.

As of September 30, 2011, the actual IMRF portfolio allocations per emerging investment manager classification were as follows:

Emerging Investment Manager Classification	Minimum Goal as a % of Total Portfolio	Actual % of Total Portfolio
Minority Owned Businesses	9% to 13%	12.8%
Female Owned Businesses	2% to 6%	2.4%
Businesses Owned by a Person with a Disability	0.5% to 1%	0.0%

As of September 30, 2011, the actual IMRF portfolio emerging investment manager allocations per asset classification were as follows:

Portfolio Asset Class	Minimum Goal as a % of Asset Class	Actual % of Asset Class
Equities	10% to 12%	13.7%
Fixed Income	15% to 20%	21.3%
Alternatives ⁽ⁱⁱ⁾	5% to 10%	5.6%

(ii) Actual percentage of Asset Class for Alternatives is calculated using committed amounts in the numerator and denominator.



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As of September 30, 2011, IMRF's emerging minority owned investment managers manage over \$3.0 billion or 13.1% of the total Fund.

The following managers were included in the respective classifications:

<u>EMERGING MANAGERS USED BY IMRF- MINORITY OWNED</u>			
<u>AS OF SEPTEMBER 30, 2011</u>			
Classification	Manager Name	\$ AUM (millions)	% of Total IMRF Assets Under Management
African American	Ariel Investments	46.3	0.2%
African American	Brown Capital Mgmt	158.4	0.7%
African American	Buford, Dickson, Harper & Sparrow, Inc.	24.9	0.1%
African American	Channing Capital Mgmt	40.5	0.2%
African American	Holland Capital Mgmt	611.2	2.6%
African American	Piedmont Investment Advisors	598.7	2.6%
	Total African American	1,480.1	6.3%
Asian	Vivo Ventures XII	6.0	0.0%
	Total Asian	6.0	0.0%
Latino	Ativo Capital Mgmt	23.7	0.1%
Latino	Fortaleza Asset Mgmt, Inc.	26.1	0.1%
Latino	LM Capital Group	764.3	3.3%
Latino	Lombardia Capital Partners	83.5	0.4%
	Total Latino	897.6	3.8%
Non-Minority	Franklin Templeton Real Estate Advisors ¹	75.0	0.3%
African American	Argosy Real Estate Partners II	*	*
Latino	Hudson Realty Capital V	*	*
	Total Minority Manager Real Estate	75.0	0.3%



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<u>EMERGING MANAGERS USED BY IMRF- MINORITY OWNED</u>			
<u>AS OF SEPTEMBER 30, 2011</u>			
Classification	Manager Name	\$ AUM (millions)	% of Total IMRF Assets Under Management
African American	Muller & Monroe ²	50.0	0.2%
African American	Ascend Ventures	*	*
African American	DBL Equity Fund- BAEF II, L.P.	*	*
African American	ICV Capital Partners	*	*
African American	RLJ Equity Partners	*	*
African American	Smith Whiley II	*	*
African American	Smith Whiley III	*	*
African American	Syncom	*	*
Female	Castile Ventures III	*	*
Latino	Hispania Private Equity Fund II	*	*
Latino	Nogales Investors	*	*
	Total Minority Manager Private Equity	50.0	0.2%
African American	Progress Investment Mgmt ³		
African American	Ambassador Capital Mgmt	89.2	0.4%
African American	Brown Capital Mgmt	23.3	0.1%
African American	Channing Capital Mgmt	31.1	0.1%
African American	Herndon Capital Mgmt	48.0	0.2%
African American	Profit Investment Mgmt	50.0	0.2%
African American	Pugh Capital Mgmt	81.7	0.4%
	Total African American- MoM	323.3	1.39%
Asian	Apex Capital Mgmt	32.1	0.1%
Asian	High Pointe Capital Mgmt, LLC	44.0	0.2%
Asian	Phocas Financial	24.4	0.1%
	Total Asian- MoM	100.5	0.4%
Latino	Garcia Hamilton & Associates	82.2	0.4%
Latino	Graham & Dodd Fund, LLC	43.0	0.2%
	Total Latino- MoM	125.2	0.54%



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<u>EMERGING MANAGERS USED BY IMRF- MINORITY OWNED</u>			
<u>AS OF SEPTEMBER 30, 2011</u>			
Classification	Manager Name	\$ AUM (millions)	% of Total IMRF Assets Under Management
Total Emerging Minority Managers		3,057.7	13.1%

<u>EMERGING MANAGERS USED BY IMRF- FEMALE OWNED</u>			
<u>AS OF SEPTEMBER 30, 2011</u>			
Female	GlobeFlex Capital	330.5	1.4%
Female	Vision Capital Mgmt ,Inc.	44.4	0.2%
	Total Female	374.9	1.6%
Female	Concerto Asset Mgmt	12.8	0.1%
Female	Longfellow Investment Mgmt	46.4	0.2%
Female	New Century Advisors	84.3	0.4%
Female	Redwood Investments	50.7	0.2%
	Total Female- MoM	194.2	0.8%
Total Emerging Female Managers		569.2	2.4%

1. This is a Fund of Fund Manager receiving a fee to execute an emerging manager real estate fund of fund for IMRF.
2. This is a Private Equity Fund of Funds with a mandate to hire emerging minority managers.
3. This is a Manager of Managers receiving a fee to execute an emerging manager program for IMRF.

As of September 30, 2011, the following managers were included in the respective asset class:

<u>EMERGING MANAGERS USED BY IMRF-EQUITIES</u>		
<u>AS OF SEPTEMBER 30, 2011</u>		
Manager Name	\$ AUM(millions)	Percentage of Asset Class
Ariel Investments	46.3	0.34%
Ativo Capital Mgmt	23.7	0.17%
Brown Capital Mgmt	158.4	1.16%
Buford, Dickson, Harper & Sparrow, Inc.	24.9	0.18%



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EMERGING MANAGERS USED BY IMRF-EQUITIES

AS OF SEPTEMBER 30, 2011

Manager Name	\$ AUM(millions)	Percentage of Asset Class
Channing Capital Mgmt	40.5	0.30%
Fortaleza Asset Mgmt, Inc.	26.1	0.19%
GlobeFlex Capital	330.5	2.41%
Holland Capital Mgmt	611.2	4.46%
Lombardia Capital Partners	83.5	0.61%
Piedmont Investment Advisors	598.7	4.37%
Progress Investment Mgmt ³		
Apex Capital Mgmt	32.1	0.23%
Brown Capital Mgmt	23.3	0.17%
Channing Capital Mgmt	31.1	0.23%
Graham & Dodd Fund, LLC	43.0	0.31%
Herndon Capital Mgmt	48.0	0.35%
High Pointe Capital Mgmt, LLC	44.0	0.32%
Phocas Financial	24.4	0.18%
Profit Investment Mgmt	50.0	0.36%
Redwood Investments	50.7	0.37%
Vision Capital Mgmt ,Inc.	44.4	0.32%
Subtotal	2,334.9	17.0%

EMERGING MANAGERS USED BY IMRF-FIXED INCOME

AS OF SEPTEMBER 30, 2011

Manager Name	\$ AUM(millions)	Percentage of Asset Class
LM Capital Group	764.3	9.9%
Progress Investment Mgmt ³		
Ambassador Capital Mgmt	89.2	1.2%
Concerto Asset Mgmt	12.8	0.2%
Garcia Hamilton & Associates	82.2	1.1%
Longfellow Investment Mgmt	46.4	0.6%
New Century Advisors	84.3	1.1%
Pugh Capital Mgmt	81.7	1.1%
Subtotal	1,160.9	14.98%



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<u>EMERGING MANAGERS USED BY IMRF-ALTERNATIVES</u>		
<u>AS OF SEPTEMBER 30, 2011</u>		
Manager Name	\$ AUM(millions)	Percentage of Asset Class
Franklin Templeton Real Estate Advisors ¹	75.0	3.3%
Argosy Real Estate Partners II	*	
Hudson Realty Capital V	*	
Muller & Monroe ²	50.0	2.2%
Ascend Ventures	*	
Castile Ventures III	*	
DBL Equity Fund- BAEF II, L.P.	*	
Hispania Private Equity Fund II	*	
ICV Capital Partners	*	
Nogales Investors	*	
RLJ Equity Partners	*	
Smith Whiley II	*	
Smith Whiley III	*	
Syncom	*	
Vivo Ventures XII	6.0	0.3%
Subtotal	131.0	5.8%

In the second quarter of 2011, IMRF hired an emerging female owned investment manager. Vision Capital Management was hired to manage a large cap strategy for IMRF. The initial allocation was \$50 million.

In aggregate, IMRF's allocations to emerging and emerged minority, female and a person with a disability owned business enterprises increased from \$3.4 billion to \$4.4 billion year-over-year as of September 30, 2011. Of the \$4.4 billion allocation to minority, female and a person with a disability owned business enterprises, \$3.6 billion or 82% is being managed by emerging firms and \$0.76 billion or 18% is being managed by emerged firms. The \$3.6 billion allocation to emerging minority, female and a person with a disability owned investment managers represents an increase of 24% over the same period last year. The \$0.76 billion allocation to emerged minority, female and a person with a disability owned business enterprise managers represents an increase of 53% as compared to the same period last year. The significant percentage increase in IMRF's allocation to emerging and emerged minority, female and a person with a disability owned managers is due hiring and



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allocating additional funds to emerging, minority owned investment managers. The increase from \$3.4 billion to \$4.4 billion year-over-year as of September 30, 2011 is a 28% increase.

As of September 30, 2011, the number of minority, female and a person with a disability owned business enterprise money managers has increased to forty. Of this total, thirty-nine are emerging minority, female and a person with a disability owned investment management firms, and one is an emerged minority, female and a person with a disability owned investment management firm.

III. IMRF INVESTMENT MANAGER SELECTION POLICY

1. Purpose

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

2. Philosophy

The Board has 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. The strategy of the Board is to achieve superior long-term rates of return through the use of a diversified investment portfolio. The Board engages various investment managers to implement this strategy. The availability of qualified minority and female owned business enterprises and businesses owned by a person with a disability is recognized by the Board. The characteristic of being a minority- or female owned business enterprise or a business owned by a person with a disability is not a barrier to employment by the Board.

It is the policy of the Board to include qualified minority and female owned business enterprises and businesses owned by a person with a disability in the Fund's investment manager selection process and to objectively evaluate all qualified investment manager candidates regardless of race, gender or handicap.

The Board will 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.



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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.

3. Procurement Process

IMRF staff in conjunction with an investment consultant shall receive approval from the Board to conduct a search necessary to fill a need in the investment portfolio (e.g. termination of a manager or addition of a new mandate to the portfolio). A Request for Proposal (RFP) shall be prepared based on criteria defining the need in the investment portfolio. The search will be advertised in the State newspaper and industry publications, 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.

Notwithstanding the foregoing, an RFP process will not be followed to place additional assets with an investment management firm already under contract for services currently being performed.

Upon termination of a manager, assets may be placed with any appropriate investment 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



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- (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 Investment Department Manager, or the Executive Director.

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 and members of the staff not directly involved in the investment manager search 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 formal site visit or interview conducted as part of the investment manager search.

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

6. **Selection Process**



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Staff and consultant shall objectively review the RFP's to identify qualified candidates based solely on the criteria presented in the RFP. Staff, consultant and members of the Board 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.

The staff and consultant 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 of the Investment Committee and may include a recommendation of finalists to be interviewed by the Investment Committee.

The Investment Committee will interview finalists and determine if a recommendation for the award of a contract will be made to the Board of Trustees. The Board of Trustees shall then act on the recommendation of the Investment Committee.

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 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. Staff and consultant must specify the reasons when these firms are not brought forward as finalists.



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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.

Upon execution of the contract, a summary of the contract will be posted on the IMRF website.

IV. INVESTMENT CONSULTANT

The IMRF Board of Trustees requires that its consultant, Callan 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. Callan's database contains 327 minority, female and a person with a disability owned investment managers. Included in this amount are 65 real estate, 4 private equity and 19 hedge funds that are minority, female and a person with a disability owned business enterprises. A list of these investment managers is attached as **Exhibit C**.

Additionally, in 2010 Callan Associates launched Callan Connects to enhance their coverage of emerging manager and minority, woman, and disabled-owned firms (MWDO). One day each quarter will be reserved for Callan research professionals to meet with emerging managers (defined as any firm with assets under management between \$10 million and \$3 billion) and MWDO firms, or those majority owned by females, minorities and persons with a disability that have assets under management between \$10 million and \$10 billion. Managers will have 30 minutes to present their firm and its products.

From 10/1/10 through 9/30/11, Callan Associates has met with 45 emerging and MWDO firms through Callan Connects: 12 in New Jersey, 10 in Atlanta, 14 in Chicago, and 9 in Denver. In total, Callan Associates has had meetings with 121 MWDO firms from 10/1/10 through 9/30/11, inclusive of the Callan Connects meetings.



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V. BROKERAGE

In further recognition of the objectives of Public Act 096-0006, the IMRF Board of Trustees has revised its established goal for the use of minority and female owned broker/dealers by IMRF's investment managers. The policy (included as **Exhibit D**) sets forth the following minimum requirements:

The minimum expectations for the utilization of minority owned or female owned broker/dealers or broker/dealers owned by a person with a disability by investment managers of separately managed investment portfolios, based on asset class, shall be as follows:

<u>Asset Class</u>	<u>Minimum Goal</u>
U.S. Equities	20%
International Equities	20%
Fixed Income	20%
High-Yield Bonds	5%
U.S. Micro-Cap Equities	5%
International Small-Cap Equities	5%
Emerging Market Equities	5%

Investment managers should not use indirect methods such as step-outs to achieve these goals.

Investment managers of pooled investment portfolios are directed to use their best efforts to execute trades with minority owned and female owned broker/dealers and broker/dealers owned by a person with a disability. The new brokerage policy became effective immediately.

For the twelve months ending September 30, 2011, the actual commissions generated by the IMRF portfolio trades were as follows:

<u>Asset Class</u>	<u>Minimum Goal</u>	<u>Actual %</u>
U.S. Equities	20%	33%
International Equities	20%	27%
Fixed Income	20%	19%
High-Yield Bonds	5%	20%
U.S. Micro-Cap Equities	5%	14%
International Small-Cap Equities	5%	11%



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Emerging Market Equities	5%	N/A
Commingled Accounts	Best Efforts	0.39%

For the twelve months ended September 30, 2011, total commissions placed with minority, female or a person with a disability owned brokerage firms was \$5,915,504. This is an increase of \$1,351,228, or 29.6%, over the same time period last year. The \$5,915,504 in commissions to minority, female and a person with a disability owned brokerage firms represents 25.4% of the total IMRF commissions for the twelve months ended September 30, 2011. The increase in the commission amounts are the result of investment managers executing more trades over the last twelve months. Total commissions increase by \$836,729 or 3.7%, over the same time period last year.

To ensure that progress is continuously made toward achieving our minority, female or a person with a disability owned brokerage goals, our money managers are required to report their use of minority, female or a person with a disability owned business enterprise broker/dealers monthly. If a manager fails to achieve their respective quantifiable objective of commissions directed to minority, female or a person with a disability owned business enterprise broker/dealers during a given month, they must provide written notification to IMRF explaining why this goal was not achieved. Managers who fail to meet their respective minimum requirement over a quarter receive notice from IMRF reminding them of our minority, female or a person with a disability owned brokerage commissions goals and our expectations that they take steps to achieve our goals.

The following chart shows IMRF's continued use of minority, female or a person with a disability owned broker/dealers over the last seven years ending September 30. Importantly, the total percentage of commissions to minority, female or a person with a disability owned broker/dealers has been 20% or more since September 2006.

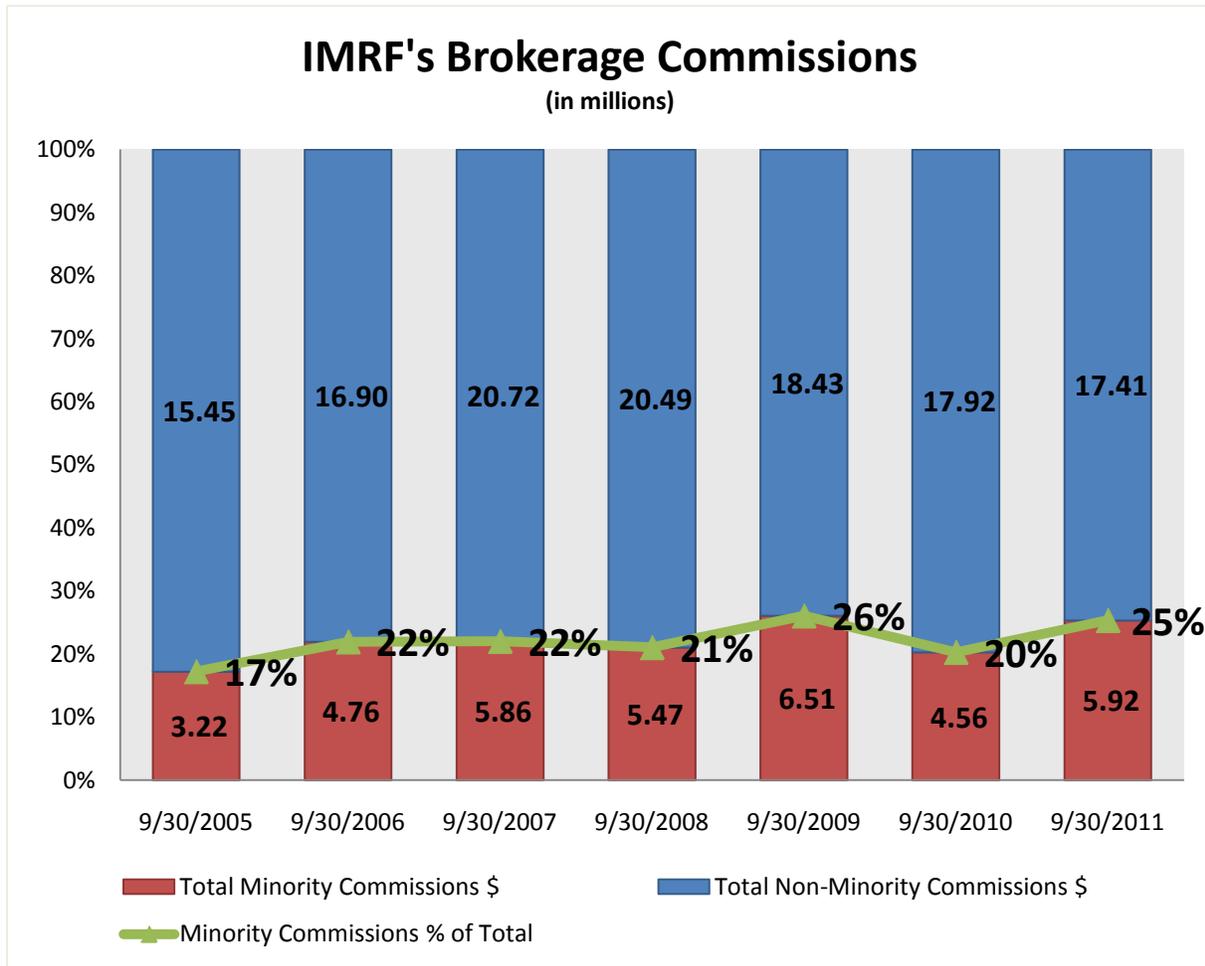


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The attached **Exhibit E** lists the minority, female and a person with a disability owned broker/dealers and the commissions they received from IMRF between October 1, 2010 and September 30, 2011.

In addition to adopting goals for minority, female or a person with a disability 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.

IMRF continues to seek out and employ minority, female and a person with a disability 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.



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VI. IMRF DIVERSITY POLICY FOR SENIOR STAFF AND FIDUCIARIES

In its continued dedication to diversity principles, IMRF adopted goals for increasing the racial, ethnic, and gender diversity of its fiduciaries, including its consultants and senior staff. The complete policy can be found in **Exhibit F**.

For the Board of Trustees, IMRF encourages individuals who qualify as minorities, females or a person with a disability to run for election to the Board of Trustees. IMRF trustees are elected by employers, members, and annuitants. No Trustees are appointed or hold office ex-officio.

For senior staff, IMRF's goal is for its staff to mirror the diversity found in the external recruiting area. Senior staff consists of directors, managers, supervisors, and team leaders.

For other fiduciaries, such as consultants, IMRF is committed to diversity in hiring such firms. Importantly, IMRF will also work to ensure that majority firms acting as fiduciaries hire and promote minorities, females or persons with disabilities into top management and ownership positions.

IMRF's goal for senior staff is to mirror the diversity found in the external recruiting area. From 10/01/10 thru 11/01/11, IMRF's senior staff experienced a turnover of four departures (one non-minority male, one Hispanic female, one African American female, and one non-minority female). During the same time period, IMRF hired three non-minority females to fill senior staff positions. The resulting number of females and minorities in senior staff positions remains in line with our diversity goal.

These goals will be reviewed annually.

VII. IMRF DIVERSITY PROCUREMENT POLICY

Advancing its commitment to diversity principles, IMRF adopted goals for the utilization of businesses owned by minorities, females, and persons with disabilities for all contracts and services. The complete policy can be found in **Exhibit G**.

It is the policy of the IMRF Board of Trustees to include qualified minority and female owned business enterprises and businesses owned by a person with a disability in the Fund's procurement process and to objectively evaluate all qualified businesses regardless of race, gender or handicap.



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IMRF set a minimum goal of 18% for contracts and purchases from businesses owned by minorities, women, and persons with a disability as a share of all of its contracts and purchases. These goals are based on the percentage of total dollar amount of all purchasing contracts let, excluding payments such as postage, rent (utilities), insurance premiums, and some single-source technology solutions.

The Purchasing Unit carefully tracks the usage of businesses owned by minorities, women, and persons with a disability (MFPDOB) in order to meet or exceed the goal. IMRF is continually looking to expand its data base of qualified suppliers, with a special emphasis on MFPDOB businesses. The Purchasing Unit added 4 MFPDOB businesses to the vendor data base in 2011, and utilized 17 different MFPDOB vendors during the past year. The IMRF Board of Trustees approved a policy whereby MFPDOB vendors can be selected the winning bidder if their bid is up to 10% more than non-MFPDOB vendors. This increases our utilization of MFPDOB vendors. These progressive practices and policies help us towards the achievement of our aggressive goal of 18% utilization. Through October 31, 2011 our actual utilization was 17.65%. We will continue to pursue purchases from MFPDOB vendors before the end of the year to enable us to reach or exceed our 2011 goal.

The Purchasing Unit will continue to review and analyze the goal each year. The goal may be modified by IMRF to further increase the usage of MFPDOB businesses as IMRF continues to gain experience and knowledge using the diversity guidelines set to meet Public Act 96-0006. These goals shall be reviewed by the IMRF Board of Trustees annually.

* * * * *

IMRF recognizes the benefits that diversity offers in its investment portfolio, suppliers and consultants. It also values the enrichment from having a diverse employee base and diversity in its fiduciaries. The globalization of business, coupled with the world-wide rapidly changing demographics, continues to create opportunities for organizations that are willing to access untapped talent. IMRF seeks to be such an organization while striving to achieve its vision of providing the highest quality retirement services to its members, beneficiaries and employers.

ILLINOIS MUNICIPAL RETIREMENT FUND

**2011 ANNUAL
DIVERSITY REPORT**

EXHIBIT A



**IMRF LIST OF MINORITY, FEMALE AND PERSONS WITH A
DISABILITY-OWNED INVESTMENT MANAGERS
As of September 30, 2011**

Ambassador Capital Management

500 Griswold, Suite 2800
Detroit, MI 48226

Apex Capital Management Inc

8163 Old Yankee Road, Suite E
Dayton, OH 45458

Ariel Investments

200 East Randolph Drive, Suite 2900
Chicago, IL 60601

Argosy Real Estate

950 West Valley Road, Suite 2900
Wayne, PA 19087

Ascend Ventures

1500 Broadway, 14th Floor
New York, NY 10036

Ativo Capital Management LLC

11 South LaSalle Street, Suite 820
Chicago, IL 60603

Brown Capital Management

1201 North Calvert Street
Baltimore, MD 21202

Buford Dickson Haper & Sparrow

One Metropolitan Square
211 North Broadway, Suite 2080
St Louis, MO 63102

Castile Ventures

930 Winter Street, Suite 500
Waltham, MA 02451-1449

Channing Capital Management LLC

10 South LaSalle Street, Suite 2650
Chicago, IL 60603

**IMRF LIST OF MINORITY, FEMALE AND PERSONS WITH A
DISABILITY-OWNED INVESTMENT MANAGERS
As of September 30, 2011**

Concerto Asset Management, LLC
401 North Tryon Street, 10th Floor
Charlotte, NC 28202

DBL Investors
One Montgomery Street, Suite 2375
San Francisco, CA 94104

EARNEST Partners LLC
1180 Peachtree Street, Suite 2300
Atlanta, GA 30309

Fortaleza Asset Management
30 North LaSalle Street, Suite 1526
Chicago, IL 60602

Franklin Templeton Real Estate Advisors
600 Fifth Ave
New York, NY 10020

Garcia Hamilton & Associates LP
Five Houston Center, 1401 McKinney, Suite 1600
Houston, TX 77010

GlobeFlex Capital
4365 Executive Drive, Suite 720
San Diego, CA 92121

Graham & Dodd
404 Park Avenue South, Fifth Floor
New York, NY 10016

Herndon Capital Management
Herndon Plaza, 100 Auburn Avenue, 3rd Floor
Atlanta, GA 30303

High Point Capital Management LLC
One North LaSalle, Suite 2001
Chicago, IL 60602

**IMRF LIST OF MINORITY, FEMALE AND PERSONS WITH A
DISABILITY-OWNED INVESTMENT MANAGERS
As of September 30, 2011**

Hispania

311 South Wacker Drive, Suite 4200
Chicago, IL 60606

Holland Capital Management

One North Wacker Drive, Suite 700
Chicago, IL 60606

Hudson Realty Capital

250 Park Avenue South, 3rd Floor
New York, NY 10003

ICV Capital Partners

The Chrysler Center, 666 Third Avenue, 29th Floor
New York, NY 10017

LM Capital Group

401 B Street, Suite 950
San Diego, CA 92101

Lombardia Capital Partners LLC

55 South Lake Avenue, Suite 750
Pasadena, CA 91101

Longfellow Investment Management Co.

20 Winthrop Square
Boston, MA 02110

Muller & Monroe Asset Management

180 N. Stetson Avenue, Suite 1320
Chicago, IL 60601

New Century Advisors LLC

7272 Wisconsin Avenue, Suite 300
Bethesda, MD 20814

Nogales Investors

9229 W. Sunset Boulevard, Suite 900
Los Angeles, CA 90069

**IMRF LIST OF MINORITY, FEMALE AND PERSONS WITH A
DISABILITY-OWNED INVESTMENT MANAGERS
As of September 30, 2011**

Phocas Financial Corporation

980 Atlantic Avenue, Suite 106
Alameda, CA 94501

Piedmont Investment Advisors LLC

300 West Morgan Street, Suite 1200
Durham, NC 27701

Profit Investment Management

8401 Colesville Road, Suite 320
Silver Springs, MD 20910

Progress Investment Management

33 New Montgomery Street, 19th floor
San Francisco, CA 94105

Pugh Capital Management Inc

520 Pike Street, Suite 2900
Seattle, WA 98144

Redwood Investments, LLC

One Gateway Center, Suite 802
Newton, MA 02458

RLJ Equity Partners

3 Bethesda Metro Center, Suite 1000
Bethesda, MD 20814

Smith Whiley & Company

242 Trumbull Street, 8th Floor
Hartford, CT 06103

Syncom Venture Partners

8515 Georgia Avenue, Suite 725
Silver Spring, MD 20910

Vision Capital Management, Inc.

One Southwest Columbia Street, Suite 915
Portland, OR 97258-2010

**IMRF LIST OF MINORITY, FEMALE AND PERSONS WITH A
DISABILITY-OWNED INVESTMENT MANAGERS
As of September 30, 2011**

Vivo Ventures
575 High Street, Suite 201
Palo Alto, CA 94301

ILLINOIS MUNICIPAL RETIREMENT FUND

**2011 ANNUAL
DIVERSITY REPORT**

EXHIBIT B



Policy for the Selection of Investment Managers

1. Purpose

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

2. Philosophy

The Board has 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. The strategy of the Board is to achieve superior long-term rates of return through the use of a diversified investment portfolio. The Board engages various investment managers to implement this strategy. The availability of qualified minority and female owned business enterprises and businesses owned by a person with a disability is recognized by the Board. The characteristic of being a minority- or female owned business enterprise or a business owned by a person with a disability is not a barrier to employment by the Board.

It is the policy of the Board to include qualified minority and female owned business enterprises and businesses owned by a person with a disability in the Fund's investment manager selection process and to objectively evaluate all qualified investment manager candidates regardless of race, gender or handicap.

The Board will 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.

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.

3. Procurement Process

IMRF staff in conjunction with an investment consultant shall receive approval from the Board to conduct a search necessary to fill a need in the investment portfolio (e.g. termination of a manager or addition of a new mandate to the portfolio). A Request for Proposal (RFP) shall be prepared based on criteria defining the need in the investment

portfolio. The search will be advertised in the State newspaper and industry publications, 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.

Notwithstanding the foregoing, an RFP process will not be followed to place additional assets with an investment management firm already under contract for services currently being performed.

Upon termination of a manager, assets may be placed with any appropriate investment 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 Investment Department Manager, or the Executive Director.

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 and members of the staff not directly involved in the investment manager search 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 formal site visit or interview conducted as part of the investment manager search.

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

6. Selection Process

Staff and consultant shall objectively review the RFP's to identify qualified candidates based solely on the criteria presented in the RFP. Staff, consultant and members of the Board 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.

The staff and consultant 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 of the Investment Committee and may include a recommendation of finalists to be interviewed by the Investment Committee.

The Investment Committee will interview finalists and determine if a recommendation for the award of a contract will be made to the Board of Trustees. The Board of Trustees shall then act on the recommendation of the Investment Committee.

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 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. Staff and consultant must specify the reasons when these firms are not brought forward as finalists.

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.

Upon execution of the contract, a summary of the contract will be posted on the IMRF website.

Minority Manager Utilization Goal

It is the policy of the Board to include qualified minority and female owned business enterprises and businesses owned by a person with a disability in the Fund's investment manager selection process and to objectively evaluate all qualified investment manager candidates regardless of race, gender or handicap.

Emerging Investment Manager Utilization Goal

The Illinois Municipal Retirement Fund is committed to providing opportunities for emerging minority and female owned investment management firms and emerging investment management firms owned by a person with a disability. The Illinois Municipal Retirement Fund Board of Trustees has adopted the following minimum goals for the utilization of these emerging investment management firms.

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 Portfolio</u>
Minority Owned Businesses	9% to 13%
Female Owned Businesses	2% to 6%
Businesses Owned by a Person with a Disability	0.5% to 1%

Goals For The Utilization of Emerging Investment Managers By Asset Class

<u>Asset Class</u>	<u>Minimum Goal as a Percentage of Asset Class</u>
Equities	10% to 12% of the asset class
Fixed-Income	15% to 20% of the asset class
Alternatives	5% to 10% of the asset class

These goals will be reviewed annually.

ILLINOIS MUNICIPAL RETIREMENT FUND

2011 ANNUAL DIVERSITY REPORT

EXHIBIT C



EMERGING MINORITY, FEMALE AND PERSONS WITH A DISABILITY-OWNED
INVESTMENT MANAGERS CONSULATNT DATABASE
As of September 30, 2011

1	Abunda Financial
2	Adelante Capital Management LLC
3	Advent Capital Management, LLC
4	Advisers Capital Management, Inc.
5	Affinity Investment Advisors Inc.
6	AH Lisanti Capital Growth, LLC
7	Aladdin Capital Management
8	Alaska Permanent Capital Management Company
9	Albriond Capital Management
10	Albritton Asset Management
11	Alpha Partners, LLC
12	Ambassador Capital Management
13	American Beacon Advisors, Inc.
14	AmeriCap Advisers, LLC
15	Amerindo Investment Advisors Inc.
16	AmerIsrael Capital Management, LLC
17	Amero Global
18	Amervest Company, Inc.
19	Apex Capital Management, Inc.
20	Apodaca Investment Group
21	Aqua Investment Management, LLC
22	Arborist Capital, LLC
23	ARGA Investment Management, LP
24	Argosy Capital
25	Argus Investors' Counsel, Inc.
26	Ariel Investments, LLC
27	Artemis Investment Management LLC
28	Artemis Real Estate Partners
29	Ativo Capital Management
30	Attucks Asset Management, LLC
31	Auda Advisor Associates LLC
32	Aureus Advisors, LLC
33	Avanath Capital Partners
34	AXIS Global Management
35	BankTrust Investment Management
36	Banneker Capital Management
37	Barr Financial Group, LLC (The)
38	Basara
39	Beekman Capital Management Ltd.
40	Berkeley Capital Advisers

EMERGING MINORITY, FEMALE AND PERSONS WITH A DISABILITY-OWNED
INVESTMENT MANAGERS CONSULATNT DATABASE
As of September 30, 2011

41	Big 5 Asset Management
42	Bilgili Holding
43	Biscayne Advisors, Inc.
44	Bivium Capital Partners, LLC
45	Black Knight Asset Management, LLC
46	Blaylock-Abacus Asset Management Inc
47	BlueCreek Investment Partners, LLC
48	Boston Common Asset Management LLC
49	Bowling Portfolio Management, Inc.
50	Bramwell Capital Management, Inc.
51	Bretwood Capital Partners, LLC
52	Broadstone Real Estate, LLC
53	Brown Capital Management, Inc.
54	Buford Dickson Harper & Sparrow
55	Cameron Capital Management
56	Camlin Asset Management
57	Campbell Newman Asset Management, Inc.
58	Capital Commercial Investments
59	Capital Management Associates
60	Capital Management Associates, LLC
61	Capital REIT Investments LLC
62	Capri Capital Partners
63	Cardinal Capital Management, LLC
64	Castile Ventures
65	Certus Asset Advisors
66	Chandler Asset Management, Inc.
67	Channing Capital Management, LLC
68	Chapman Capital Management
69	Charter Financial Group Inc.
70	Cheswold Lane Asset Management, LLC
71	ChrisKen Management
72	CIC/HCM Asset Management, Inc
73	Cintenella
74	Citizens Advisers
75	CityView
76	Claremont Investment Partners LLC
77	Clarkston Capital Partners LLC
78	Clemente Capital, Inc.
79	CMA Advisory Group, LLC
80	Cole Financial Group

EMERGING MINORITY, FEMALE AND PERSONS WITH A DISABILITY-OWNED
INVESTMENT MANAGERS CONSULATNT DATABASE
As of September 30, 2011

81	Collins Capital
82	Concerto Asset Management, LLC
83	Concord Investment Counsel
84	Conquest Strategies, LLC
85	Corbin & Co.
86	Cordillera Asset Management
87	Cornell Capital Management
88	Corporate Realty Investment Capital LLC
89	Credo Capital Management, LLC
90	Cutler & Company LLC
91	Cutler Investment Counsel, LLC
92	Cypress Asset Management
93	Cypress Asset Management
94	Daedalus Capital, L.L.C.
95	Daiwa SB Investments Ltd.
96	Daruma Asset Management
97	Dash Acquisitions LLC
98	Davis, Ross, McGee & McCauley Investment Advisors, LLC
99	Dean Chase Global Value, LLC
100	Decatur Capital Management, Inc.
101	Delancy Capital Group (The)
102	Denali Advisors LLC
103	Denis Wong & Associates
104	Dermot Company, Inc. (The)
105	Deutsche Insurance Asset Management
106	DG Capital Management, Inc.
107	Diaz-Verson Capital Investments, LLC
108	Dinsmore Capital Management
109	Domini Social Investment, LLC
110	DTZ Investment & Asset Management
111	Eagle Capital Management
112	EARNEST Partners, LLC
113	Edgar Lomax Company (The)
114	EDIN Opportunity Fund, LLC
115	EDMP, Inc.
116	Effissimo Capital Management Pte Ltd
117	Em Johnson Interest, Inc.
118	Emys Capital, LLC
119	ENDEX Capital Management, LLC
120	ENDURANCE Investment Management, LLC

EMERGING MINORITY, FEMALE AND PERSONS WITH A DISABILITY-OWNED
INVESTMENT MANAGERS CONSULATNT DATABASE
As of September 30, 2011

121	Ethika Investments
122	EverGreen Capital Management, Inc.
123	Ewing Capital, Inc.
124	Fairview Capital
125	FAM Global Investments, Inc.
126	Fan Asset Management
127	FB Lake LLC
128	Fiduciary Management Associates
129	First Fiduciary Investment Counsel, Inc.
130	First Honolulu Securities
131	FIS Group, Inc.
132	Fortaleza Asset Management, Inc.
133	Garcia Hamilton & Associates
134	Garner Asset Management Corporation
135	Garrison Institutional Asset Management
136	Gateway Investment Partners
137	GCA Real Assets
138	GIA Partners, LLC
139	Gleacher Fund Advisors LP
140	Global Asset Alternatives, LLC
141	GlobeFlex Capital, L.P.
142	Glovista Investments LLC
143	Goode Investment Management, Inc.
144	Graham & Dodd Fund LLC (The)
145	GreenOak
146	Greenfield Seitz Capital Management, LLC
147	Greystone Capital Management, Inc.
148	Griffin Asset Management, Inc.
149	Griffith Properties
150	GW Capital, Inc.
151	Hahn Capital Management
152	Hanoverian Capital, LLC
153	Hanseatic Management Services, Inc.
154	Harbor View Growth Equity Management LLC
155	HCM Investors, Incorporated
156	Herndon Capital Management, LLC
157	High Pointe Capital Management
158	Holland Capital Management
159	Hollencrest Capital Management
160	Holt-Smith Advisors

EMERGING MINORITY, FEMALE AND PERSONS WITH A DISABILITY-OWNED
INVESTMENT MANAGERS CONSULATNT DATABASE
As of September 30, 2011

161	Hoover Investment Management
162	Horizon Cash Management LLC
163	Howard and McInnes, Inc.
164	Howland and Associates, LLC
165	HP Capital Venture, LLC
166	Hudson Realty Capital
167	Hughes Capital Management, Inc.
168	Independence Capital Management, Inc.
169	Inroads Capital Management, LLC
170	John Hsu Capital Group, Inc.
171	John Shao Portfolio Management Inc.
172	K.M. Moore & Co., LLC
173	Keel Asset Management, LLC
174	Kenwood Group Inc. (The)
175	KJ Capital Management LLC
176	KRA Capital Management, Inc.
177	Lakefront Capital Investors, Inc.
178	Lara Group (The)
179	Lasair Capital LLC
180	Lateef Investment Management
181	Lauren Templeton Capital Management, LLC
182	LBJ Realty Advisors
183	Leading Edge Investment Advisors, LLC
184	Lebenthal Asset Management
185	Leeb Capital Management, Inc.
186	Legato Capital Management LLC
187	Leo Capital Management
188	Lesa Sroufe & Co., Inc.
189	Liberty Square Asset Management
190	Litespeed Partners
191	LM Capital Group, LLC
192	Locke Capital Management, Inc.
193	Loja Group LLC
194	Lombardia Capital Partners, LLC
195	Longfellow Investment Management Co.
196	Longwell Company
197	Lynmar Capital Group, Inc.
198	MacFarlane Partners
199	MacLaren Advisors, LLC
200	Malley Associates Capital Management

EMERGING MINORITY, FEMALE AND PERSONS WITH A DISABILITY-OWNED
INVESTMENT MANAGERS CONSULATNT DATABASE
As of September 30, 2011

201	Mar Vista Investment Partners
202	Martin Investment Management, LLC
203	Matarin Capital Management, LLC
204	MayfieldGentry Realty Advisors, LLC
205	MB Global
206	McLaughlin Investment Group, LLC
207	MD Witter Investments, LLC
208	MDL Capital Management
209	Metropolitan Capital Strategies, LLC
210	Michael F. Carr & Associates, Inc.
211	Mission Creek Capital Partners, Inc.
212	Mitchell & Henry Inc.
213	Montage Investments
214	Montrose Asset Management LLC
215	Moonstone Asset Management, Inc.
216	Muller & Monroe Asset Management, LLC
217	Native American Fund Advisors, LLC
218	Natura Capital LLC
219	NCM Capital Management Group, Inc.
220	Neon Liberty Capital Management, LLC
221	New Amsterdam Partners LLC
222	New Century Advisors, LLC
223	Newgate LLC
224	Nicholas Investment Partners
225	Nichols Asset Management LLC
226	Nile Capital Management, LLC
227	NMF Asset Management
228	NorthShore Advisors LLC
229	OakBrook Investments, LLC
230	Octagonal Capital Partners, LP
231	Odyssey Advisors LLC
232	Olympius Capital
233	Optique Capital Management, Inc.
234	Opus Capital Management Inc.
235	Palisade Investment Partners
236	Palisades Investment Partners, LLC
237	Palladium Capital Management
238	Paradigm Asset Management, LLC
239	Paradigm Capital Management Growth Advisors, Inc.
240	Paradigm Capital Management, Inc.

EMERGING MINORITY, FEMALE AND PERSONS WITH A DISABILITY-OWNED
INVESTMENT MANAGERS CONSULATNT DATABASE
As of September 30, 2011

241	Parker Global Strategies, LLC
242	Parrish
243	Pendo LLC
244	Pennybacker Capital, LLC
245	Perennial Capital Advisors, LLC
246	PG Corbin Asset Management, Inc.
247	Phocas Financial Corp.
248	Phoenix Investment Management Company, L.P.
249	Piedmont Investment Advisors, LLC
250	Piedra Capital Ltd.
251	Pillar Pacific Capital Management, LLC
252	Pluscios Management LLC
253	Premium Point Investments
254	Prendergast Capital Management
255	Princeton Alternative Investments
256	Profit Investment Management
257	Progress Investment Management Company
258	Provident Group
259	Pugh Capital Management Inc.
260	Purcell Advisory Services LLC
261	QS Investors, LLC
262	Ramirez Asset Management, LLC
263	Raven Asset Management, LLC
264	Redwood Investments, LLC
265	Renaissance Capital
266	RhumbLine Advisers Corporation
267	Rittenhouse Advisors, Incorporated
268	RLJ Development
269	RM Investment Management, Inc.
270	RMA
271	Robinson Value Management, Ltd.
272	Rock Creek Group, LLC (The)
273	Runde & Co. LLC
274	Runnymede Capital Management, Inc.
275	Rutland Dickson Asset Management, LLC
276	Safe Harbor Management
277	Salus Capital Management, Inc.
278	San Juan Asset Management Inc.
279	Sanderson & Stocker, Inc.
280	Seedling Capital, LLC

EMERGING MINORITY, FEMALE AND PERSONS WITH A DISABILITY-OWNED
INVESTMENT MANAGERS CONSULATNT DATABASE
As of September 30, 2011

281	Shah Capital Management
282	Simran Capital Management LLC
283	Sit Investment Associates, Inc.
284	Sit/Kim International Investment Associates, Inc. (Sit International)
285	Sky Investment Counsel
286	Sloate, Weisman, Murray & Company, Inc.
287	Smith, Graham & Co. Investment Advisors, L.P.
288	Solon Asset Management
289	South Texas Money Management, Ltd.
290	SPARX Asset Management Co., Ltd.
291	Spence Asset Management Inc.
292	StoneRidge Investment Partners, LLC
293	Strategic Development Investments, LLC
294	Strategic Global Advisors
295	Strategic Investment Partners Inc.
296	Strategic Value Partners, LLC
297	Sturdivant & Company, Inc.
298	Suoritus Partners, LLC
299	Swarthmore Group, Inc. (The)
300	Tanaka Capital Management Inc.
301	Taylor Investment Counselors
302	Test Hedge Fund
303	Tiffany Capital Advisors, Inc.
304	Tortoise Capital Advisors, LLC
305	Trias Capital Management Inc.
306	Trillium Asset Management Corporation
307	Tsai Capital Corporation
308	UCM Partners
309	Union Heritage Capital Management
310	United Investment Managers
311	UrbanAmerica
312	Urban Medical
313	Vision Capital Management, Inc.
314	W3 Partners, LLC
315	Wada Capital Management, LLC
316	Washington Square Capital Management, LLC
317	Weatherly Asset Management
318	Westbourne Capital Management, LLC
319	William D. Witter, Inc.
320	Williams Capital Management, LLC

EMERGING MINORITY, FEMALE AND PERSONS WITH A DISABILITY-OWNED
INVESTMENT MANAGERS CONSULTANT DATABASE
As of September 30, 2011

321	Wolf Asset Management
322	Working Lands Investment Partners
323	Xavier Capital Management, LLC
324	Yale Capital Corporation
325	Zak Capital, Inc.
326	Zevenbergen Capital Investments LLC
327	Zevin Asset Management

ILLINOIS MUNICIPAL RETIREMENT FUND

**2011 ANNUAL
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EXHIBIT D



Brokerage

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.

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; and (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. 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 these broker/dealers.

The minimum expectations for the utilization of these broker/dealers by investment managers of separately managed investment portfolios, based on asset class, shall be as follows:

<u>Asset Class</u>	<u>Minimum Goal</u>
U.S. Equities	20%
International Equities	20%
Fixed Income	20%
High-Yield Bonds	5%
U.S. Micro-Cap Equities	5%
International Small-Cap Equities	5%
Emerging Market Equities	5%

Investment managers should not use indirect methods such as step-outs to achieve these goals.

Investment managers of pooled investment portfolios are directed to use their best efforts to execute trades with minority owned and female owned broker/dealers and broker/dealers owned by a person with a disability.

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 owned and female owned broker/dealers and broker/dealers owned by a person with a disability. 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.

Staff will report to the Board of Trustees annually on the utilization of minority owned and female owned broker/dealers and broker/dealers owned by a person with a disability. Investment managers not meeting the utilization goal will be identified in the report. Failure by an investment manager to meet brokerage expectations will be considered as a factor when evaluating overall performance of the investment manager.

This broker/dealer utilization goal will be reviewed annually.

ILLINOIS MUNICIPAL RETIREMENT FUND

2011 ANNUAL DIVERSITY REPORT

EXHIBIT E



**MINORITY, FEMALE AND PERSONS WITH A
DISABILITY-OWNED BUSINESS ENTERPRISES
BROKERAGE COMMISSIONS PAID
October 1, 2010 - September 30, 2011**

Andes Capital 233 S. Wacker Drive, Suite 5400 Chicago, IL 60606	\$	2,604
Benchmark Financial Services 4008 N. Southport Avenue Chicago, IL 60613	\$	342
Blaylock Robert Van, LLC 208 S. LaSalle Street, Suite 1331 Chicago, IL 60604	\$	30,367
BOE Securities 440 South LaSalle Street, 4th Floor Chicago, IL 60605	\$	17,158
Cabrera Capital Markets 10 South LaSalle Street, Suite 1050 Chicago, IL 60603	\$	772,555
CastleOak Securities 111 East 58th Street, 6th Floor New York, NY 10022	\$	598,749
Cheevers & Co 440 South LaSalle Street, Suite 415 Chicago, IL 60605	\$	152,224
Chicago Analytic Trading Company 1 South Dearborn Street, Suite 2100 Chicago, IL 60603	\$	173,337

**MINORITY, FEMALE AND PERSONS WITH A
DISABILITY-OWNED BUSINESS ENTERPRISES
BROKERAGE COMMISSIONS PAID
October 1, 2010 - September 30, 2011**

CL King & Associates One Liberty Square, 5th Floor Boston, MA 02109	\$	206,288
Direct Access Partners 14 Wall Street, 18th Floor New York, NY 10005	\$	36,470
Divine Capital Markets 30 South Wacker Drive, Suite 2200 Chicago, IL 60606	\$	31,323
Drexel Hamilton 2000 Market Street, Suite 780 Philadelphia, PA 19103	\$	7
Gardner Rich & Company 401 South Financial Place Chicago, IL 60605	\$	183,664
Greentree Brokerage Services 1700 Market Street, Suite 1420 Philadelphia, PA 19303	\$	516
Guzman & Company 101 Aragon Avenue Coral Gables, FL 33134	\$	66,707
Ivy Securities 320 Northern Boulevard, Suite 21 Great Neck, NY 11021	\$	13,231

**MINORITY, FEMALE AND PERSONS WITH A
DISABILITY-OWNED BUSINESS ENTERPRISES
BROKERAGE COMMISSIONS PAID
October 1, 2010 - September 30, 2011**

Jackson Securities 5 Penn Plaza New York, NY 10001	\$	199
Kaufman Bros 800 3rd Avenue, 30th Floor New York, NY 10022	\$	3,134
Kota Global Securities, Inc 317 Madison Avenue, Suite 1220 New York, NY 10017	\$	14,068
Loop Capital Markets 200 West Jackson Blvd., Suite 1600 Chicago, IL 60606	\$	1,915,378
M. Ramsey King Securities, Inc 93 Tomlin Circle Burr Ridge, IL 60527	\$	114,574
M.R. Beal & Company 525 West Monroe, Suite 580 Chicago, IL 60661	\$	192,820
Melvin Securities 111 West Jackson Street, Suite 2110 Chicago, IL 60604	\$	78,571
MFR Securities 675 Third Avenue, 11th Floor New York, NY 10017	\$	4,507

**MINORITY, FEMALE AND PERSONS WITH A
DISABILITY-OWNED BUSINESS ENTERPRISES
BROKERAGE COMMISSIONS PAID
October 1, 2010 - September 30, 2011**

Mischler Financial Group 1101 Bayside Drive, Suite 201 Corona del Mar, CA 92625	\$	62,793
Montrose Securities 44 Montgomery Street, Suite 3050 San Francisco, CA 94104	\$	103,262
Muriel Siebert & Co 885 Third Avenue, 17th Floor New York, NY 10022	\$	666,053
North South Capital 200 W. Adams Street, Suite 2230 Chicago, IL 60606	\$	13,062
Pacific American Securities 9191 Towne Centre Drive, Suite 405 San Diego, CA 92122	\$	27,349
Penserra Securities LLC 20 Broad Street, Suite 2602 New York, NY 10005	\$	53,866
Podesta & Co 208 South LaSalle Street, Suite 1460 Chicago, IL 60604	\$	1,762
Ramirez & Company 61 Broadway, 29th Floor New York, NY 10006	\$	30,626

**MINORITY, FEMALE AND PERSONS WITH A
DISABILITY-OWNED BUSINESS ENTERPRISES
BROKERAGE COMMISSIONS PAID
October 1, 2010 - September 30, 2011**

Reynolds Securities 45 Broadway, 31st Floor New York, NY 10006	\$	35,112
Sandgrain Securities 1050 Franklin Avenue, Suite 300 Garden City, NY 11530	\$	13,368
Seslia Securities 111 S. Independence Mall East, Suite 830 Philadelphia, PA 19106	\$	302
Sturdivant & Co Plaza 1000 at Main St., Suite 200 Voorhees, NJ 08043	\$	15,351
Telsey Advisory Group 535 Fifth Avenue, 12th Floor New York, NY 10017	\$	10,197
Topeka Capital Markets 40 Wall Street New York, NY 10005	\$	24,090
Toussaint Capital Partners 110 Wall Street, 11th Floor New York, NY 10005	\$	2,403
Williams Capital Group, LP 650 Fifth Avenue, 11th floor New York, NY 10019	\$	247,114
TOTAL COMMISSIONS PAID	\$	5,915,504

ILLINOIS MUNICIPAL RETIREMENT FUND

**2011 ANNUAL
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EXHIBIT F





Illinois Municipal Retirement Fund

Suite 500 2211 York Road Oak Brook IL 60523-2337

Member Services Representatives 1-800-ASK-IMRF

www.imrf.org

POLICY REGARDING RACIAL, ETHNIC, AND GENDER DIVERSITY OF FIDUCIARIES, INCLUDING CONSULTANTS AND SENIOR STAFF

Purpose

This policy defines IMRF's goals for diversity in its senior staff and fiduciaries.

Philosophy

The Illinois Municipal Retirement Fund is committed to diversity in all hiring, employment, and contracting decisions and to providing opportunities for minorities, women and persons with a disability to have a meaningful role at IMRF.

Board of Trustees

IMRF's goal is to achieve diversity through the current Board election process. Trustees are elected by employers, members, and annuitants. No trustees are appointed or hold office ex-officio. The Board of Trustees encourages individuals who qualify as minority to run for the Board of Trustees. In addition, stakeholder groups representing IMRF members and employers are encouraged to seek out qualified minorities to support in all elections for the IMRF Board of Trustees.

Senior Staff

IMRF's goal is that staff diversity levels mirror the external recruiting area. Senior staff consists of directors, managers, supervisors, and team leaders.

IMRF defines its external recruiting area as six northeast Illinois counties – Cook, DuPage, Kane, Lake, McHenry and Will. The population for comparison is taken from the US Census 2000 "total civilian labor force."

As of the 2000 US Census, the recruiting area is 47% female; 43% minority; and 66% female and minority.

IMRF considers its existing employee population as the primary recruiting base for senior staff positions. By having a diverse staff at all levels of the organization, the Fund offers internal promotion opportunities to reflect diversity on its senior staff.

IMRF has an internal job posting program which requires all open positions to be posted without exception. By providing a variety of training and development programs, all staff members have the opportunity to gain the required education and skills to apply for senior staff openings.



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The programs include a tuition reimbursement program, available upon hire; and a Succession Plan Program, with a separate tuition reimbursement program and training programs, with eligibility after two years of employment.

All staff involved in hiring and employment processes, including Human Resources, must perform their roles with highest integrity as required by IMRF's Code of Conduct and Business Ethics policies.

The IMRF Employee Handbook states the following:

IMRF does not tolerate discrimination towards applicants, employees, visitors, or vendors, on the basis of gender, race, color, religion, family status, military and veteran status, disability, sexual orientation, national origin, age, or political beliefs.

Even though IMRF is not subject to annual filing requirements of the Equal Employment Opportunity Commission (EEOC), we will annually complete an "EEO-1 form" to monitor the racial, ethnic and gender diversity of the entire staff.

Other Fiduciaries

In addition to the Board of Trustees and IMRF staff, other third party consultants act as fiduciaries to the Fund. When searching for consultants, IMRF is committed to diversity in hiring such firms. IMRF will also work to ensure that majority firms acting as fiduciaries hire and promote minorities into top management and ownership positions. IMRF will obtain EEO-1 forms from the consultants to monitor the racial, ethnic and gender diversity of their staff and owners.

ILLINOIS MUNICIPAL RETIREMENT FUND

**2011 ANNUAL
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EXHIBIT G





Illinois Municipal Retirement Fund

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IMRF Diversity Procurement Policy

The purpose of this policy is to establish a framework for the utilization of businesses owned by minorities, females, and persons with a disability (collectively known as MFPDOB firms) in the procurement activities of the Illinois Municipal Retirement Fund (IMRF).

The goal of the policy is to promote utilization of businesses owned by minorities, females, and persons with a disability in procurement activities.

The objectives of the policy are to:

- Increase competition through a diverse source of suppliers and consultants
- Maintain and strengthen the overall competitiveness of IMRF procurements
- Assure compliance with Illinois Public Act 96-0006

Policy

The IMRF Purchasing Unit strives to insure that members, employers, and taxpayers receive the maximum value for each dollar spent by purchasing products and services from responsive suppliers and consultants at the lowest reasonable cost. The Purchasing Unit manages the bidding process to insure compliance with policies. IMRF is committed to ensuring fair consideration of all suppliers and consultants in its day-to-day purchase of goods and services. IMRF recognizes that working with a wide range of suppliers and consultants provides an open, competitive and diverse business environment.

It is the policy of the IMRF Board of Trustees to include qualified minority and female owned business enterprises and businesses owned by a person with a disability in the Fund's procurement process and to objectively evaluate all qualified businesses regardless of race, gender or handicap.

IMRF is committed to including firms among prospective providers of purchased goods and services. Special efforts will be made to insure identification of eligible firms for inclusion in the bid process, including monitoring of MFPDOB -related listings to identify possible MFPDOB



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contractors and service providers. It is IMRF's policy to take affirmative action to ensure that certified minority-owned, female-owned and disabled-owned business enterprises are given the opportunity to demonstrate their ability to provide the Fund with products and services at competitive prices.

We will ask our vendors to refrain from unlawful discrimination and discrimination based on citizenship status in employment and to undertake affirmative action to assure equality of employment opportunity and compliance with the Department of Human Rights' regulations concerning equal employment opportunities and affirmative action.

MFPDOB firms will be identified using resources such as the City of Chicago Certification and Compliance System MFPDOB Directory and other public agency resources. All new suppliers and consultants seeking to do business with IMRF will be asked to complete a form to certify the diversity of their business. Ownership of suppliers and consultants will be tracked by the Purchasing Unit. IMRF staff will seek and encourage MFPDOB businesses to submit bids each time IMRF publishes a request for bids or proposals.

IMRF has set a minimum goal of 18% for contracts and purchases from businesses owned by minorities, females, and persons with a disability as a share of all of its contracts and purchases. These goals are based on the percentage of total dollar amount of all purchasing contracts let, excluding payments such as postage, rent (utilities), insurance premiums, and single-source technology solutions.

IMRF typically awards bids to the lowest cost vendor. However to meet the goals set for this diversity policy bids may be awarded to a vendor other than the low bidder, if it is a MFPDOB vendor and its bid is within 10% or \$10,000 (whichever is lower) of the low bid.

The Purchasing Unit will track the usage of MFPDOB businesses in order to meet the goal and review and analyze it each year. The goal may be modified by IMRF to further increase the usage of MFPDOB businesses as IMRF gains experience and knowledge using the diversity guidelines set to meet Public Act 96-0006. These goals shall be reviewed by the IMRF Board of Trustees annually.

Definitions

(1) "Minority person" shall mean a person who is a citizen or lawful permanent resident of the United States and who is:



Illinois Municipal Retirement Fund

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- (a) African American (a person having origins in any of the black racial groups in Africa);
- (b) Hispanic (a person of Spanish or Portuguese culture with origins in Mexico, South or Central America, or the Caribbean Islands, regardless of race);
- (c) Asian American (a person having origins in any of the original peoples of the Far East, Southeast Asia, the Indian Subcontinent or the Pacific Islands); or
- (d) Native American or Alaskan Native (a person having origins in any of the original peoples of North America).

(2) "Female" shall mean a person who is a citizen or lawful permanent resident of the United States and who is of the female gender.

(2.05) "Person with a disability" means a person who is a citizen or lawful resident of the United States and is a person qualifying as being disabled under subdivision (2.1) of this subsection (A).

(2.1) "Disabled" means a severe physical or mental disability that:

- (a) results from: amputation, arthritis, autism, blindness, burn injury, cancer, cerebral palsy, Crohn's disease, cystic fibrosis, deafness, head injury, heart disease, hemiplegia, hemophilia, respiratory or pulmonary dysfunction, mental retardation, mental illness, multiple sclerosis, muscular dystrophy, musculoskeletal disorders, neurological disorders, including stroke and epilepsy, paraplegia, quadriplegia and other spinal cord conditions, sickle cell anemia, ulcerative colitis, specific learning disabilities, or end stage renal failure disease; and

(b) substantially limits one or more of the person's major life activities.

Another disability or combination of disabilities may also be considered as a severe disability for the purposes of item (a) of this subdivision (2.1) if it is determined by an evaluation of rehabilitation potential to cause a comparable degree of substantial functional limitation similar to the specific list of disabilities listed in item (a) of this subdivision (2.1).

(3) "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 more minority persons; and the management and daily business operations of which are controlled by one or more of the minority individuals who own it.



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(4) "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.

(4.1) "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".

(9) "Control" means the exclusive or ultimate and sole control of the business including, but not limited to, capital investment and all other financial matters, property, acquisitions, contract negotiations, legal matters, officer-director-employee selection and comprehensive hiring, operating responsibilities, cost-control matters, income and dividend matters, financial transactions and rights of other shareholders or joint partners. Control shall be real, substantial and continuing, not pro forma. Control shall include the power to direct or cause the direction of the management and policies of the business and to make the day-to-day as well as major decisions in matters of policy, management and operations. Control shall be exemplified by possessing the requisite knowledge and expertise to run the particular business and control shall not include simple majority or absentee ownership.

(10) "Business concern or business" means a business that has average annual gross sales over the three most recent calendar years of less than \$31,400,000 as evidenced by the federal income tax return of the business. A firm with gross sales in excess of this cap may apply to the Business Enterprise Council for Minorities, Females, and Persons with Disabilities for certification for a particular contract if the firm can demonstrate that the contract would have significant impact on businesses owned by minorities, females, or persons with disabilities as suppliers or subcontractors or in employment of minorities, females, or persons with disabilities.



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(B) When a business concern is owned at least 51% by any combination of minority persons, females, or persons with disabilities, even though none of the three classes alone holds at least a 51% interest, the ownership requirement for purposes of this Act is considered to be met. The certification category for the business is that of the class holding the largest ownership interest in the business. If 2 or more classes have equal ownership interests, the certification category shall be determined by the Department of Central Management Services.

ILLINOIS MUNICIPAL RETIREMENT FUND

**2011 ANNUAL
DIVERSITY REPORT**

PA096-0006



AN ACT concerning State government.

**Be it enacted by the People of the State of Illinois,
represented in the General Assembly:**

Section 5. The Illinois Governmental Ethics Act is amended by changing Sections 4A-101, 4A-102, 4A-106, and 4A-107 as follows:

(5 ILCS 420/4A-101) (from Ch. 127, par. 604A-101)

Sec. 4A-101. Persons required to file. The following persons shall file verified written statements of economic interests, as provided in this Article:

(a) Members of the General Assembly and candidates for nomination or election to the General Assembly.

(b) Persons holding an elected office in the Executive Branch of this State, and candidates for nomination or election to these offices.

(c) Members of a Commission or Board created by the Illinois Constitution, and candidates for nomination or election to such Commission or Board.

(d) Persons whose appointment to office is subject to confirmation by the Senate.

(e) Holders of, and candidates for nomination or election to, the office of judge or associate judge of the Circuit Court and the office of judge of the Appellate or

Supreme Court.

(f) Persons who are employed by any branch, agency, authority or board of the government of this State, including but not limited to, the Illinois State Toll Highway Authority, the Illinois Housing Development Authority, the Illinois Community College Board, and institutions under the jurisdiction of the Board of Trustees of the University of Illinois, Board of Trustees of Southern Illinois University, Board of Trustees of Chicago State University, Board of Trustees of Eastern Illinois University, Board of Trustees of Governor's State University, Board of Trustees of Illinois State University, Board of Trustees of Northeastern Illinois University, Board of Trustees of Northern Illinois University, Board of Trustees of Western Illinois University, or Board of Trustees of the Illinois Mathematics and Science Academy, and are compensated for services as employees and not as independent contractors and who:

(1) are, or function as, the head of a department, commission, board, division, bureau, authority or other administrative unit within the government of this State, or who exercise similar authority within the government of this State;

(2) have direct supervisory authority over, or direct responsibility for the formulation,

negotiation, issuance or execution of contracts entered into by the State in the amount of \$5,000 or more;

(3) have authority for the issuance or promulgation of rules and regulations within areas under the authority of the State;

(4) have authority for the approval of professional licenses;

(5) have responsibility with respect to the financial inspection of regulated nongovernmental entities;

(6) adjudicate, arbitrate, or decide any judicial or administrative proceeding, or review the adjudication, arbitration or decision of any judicial or administrative proceeding within the authority of the State;

(7) have supervisory responsibility for 20 or more employees of the State; or

(8) negotiate, assign, authorize, or grant naming rights or sponsorship rights regarding any property or asset of the State, whether real, personal, tangible, or intangible.

(g) Persons who are elected to office in a unit of local government, and candidates for nomination or election to that office, including regional superintendents of school districts.

(h) Persons appointed to the governing board of a unit of local government, or of a special district, and persons appointed to a zoning board, or zoning board of appeals, or to a regional, county, or municipal plan commission, or to a board of review of any county, and persons appointed to the Board of the Metropolitan Pier and Exposition Authority and any Trustee appointed under Section 22 of the Metropolitan Pier and Exposition Authority Act, and persons appointed to a board or commission of a unit of local government who have authority to authorize the expenditure of public funds. This subsection does not apply to members of boards or commissions who function in an advisory capacity.

(i) Persons who are employed by a unit of local government and are compensated for services as employees and not as independent contractors and who:

(1) are, or function as, the head of a department, division, bureau, authority or other administrative unit within the unit of local government, or who exercise similar authority within the unit of local government;

(2) have direct supervisory authority over, or direct responsibility for the formulation, negotiation, issuance or execution of contracts entered into by the unit of local government in the amount of \$1,000 or greater;

(3) have authority to approve licenses and permits by the unit of local government; this item does not include employees who function in a ministerial capacity;

(4) adjudicate, arbitrate, or decide any judicial or administrative proceeding, or review the adjudication, arbitration or decision of any judicial or administrative proceeding within the authority of the unit of local government;

(5) have authority to issue or promulgate rules and regulations within areas under the authority of the unit of local government; or

(6) have supervisory responsibility for 20 or more employees of the unit of local government.

(j) Persons on the Board of Trustees of the Illinois Mathematics and Science Academy.

(k) Persons employed by a school district in positions that require that person to hold an administrative or a chief school business official endorsement.

(l) Special government agents. A "special government agent" is a person who is directed, retained, designated, appointed, or employed, with or without compensation, by or on behalf of a statewide executive branch constitutional officer to make an ex parte communication under Section 5-50 of the State Officials and Employees Ethics Act or Section 5-165 of the Illinois Administrative Procedure

Act.

(m) Members of the board of commissioners of any flood prevention district.

(n) Members of the board of any retirement system or investment board established under the Illinois Pension Code, if not required to file under any other provision of this Section.

(o) Members of the board of any pension fund established under the Illinois Pension Code, if not required to file under any other provision of this Section.

This Section shall not be construed to prevent any unit of local government from enacting financial disclosure requirements that mandate more information than required by this Act.

(Source: P.A. 95-719, eff. 5-21-08.)

(5 ILCS 420/4A-102) (from Ch. 127, par. 604A-102)

Sec. 4A-102. The statement of economic interests required by this Article shall include the economic interests of the person making the statement as provided in this Section. The interest (if constructively controlled by the person making the statement) of a spouse or any other party, shall be considered to be the same as the interest of the person making the statement. Campaign receipts shall not be included in this statement.

(a) The following interests shall be listed by all

persons required to file:

(1) The name, address and type of practice of any professional organization or individual professional practice in which the person making the statement was an officer, director, associate, partner or proprietor, or served in any advisory capacity, from which income in excess of \$1200 was derived during the preceding calendar year;

(2) The nature of professional services (other than services rendered to the unit or units of government in relation to which the person is required to file) and the nature of the entity to which they were rendered if fees exceeding \$5,000 were received during the preceding calendar year from the entity for professional services rendered by the person making the statement.

(3) The identity (including the address or legal description of real estate) of any capital asset from which a capital gain of \$5,000 or more was realized in the preceding calendar year.

(4) The name of any unit of government which has employed the person making the statement during the preceding calendar year other than the unit or units of government in relation to which the person is required to file.

(5) The name of any entity from which a gift or

gifts, or honorarium or honoraria, valued singly or in the aggregate in excess of \$500, was received during the preceding calendar year.

(b) The following interests shall also be listed by persons listed in items (a) through (f), ~~and~~ item (l), and item (n) of Section 4A-101:

(1) The name and instrument of ownership in any entity doing business in the State of Illinois, in which an ownership interest held by the person at the date of filing is in excess of \$5,000 fair market value or from which dividends of in excess of \$1,200 were derived during the preceding calendar year. (In the case of real estate, location thereof shall be listed by street address, or if none, then by legal description). No time or demand deposit in a financial institution, nor any debt instrument need be listed;

(2) Except for professional service entities, the name of any entity and any position held therein from which income of in excess of \$1,200 was derived during the preceding calendar year, if the entity does business in the State of Illinois. No time or demand deposit in a financial institution, nor any debt instrument need be listed.

(3) The identity of any compensated lobbyist with whom the person making the statement maintains a close economic association, including the name of the

lobbyist and specifying the legislative matter or matters which are the object of the lobbying activity, and describing the general type of economic activity of the client or principal on whose behalf that person is lobbying.

(c) The following interests shall also be listed by persons listed in items (g), (h), ~~and~~ (i), and (o) of Section 4A-101:

(1) The name and instrument of ownership in any entity doing business with a unit of local government in relation to which the person is required to file if the ownership interest of the person filing is greater than \$5,000 fair market value as of the date of filing or if dividends in excess of \$1,200 were received from the entity during the preceding calendar year. (In the case of real estate, location thereof shall be listed by street address, or if none, then by legal description). No time or demand deposit in a financial institution, nor any debt instrument need be listed.

(2) Except for professional service entities, the name of any entity and any position held therein from which income in excess of \$1,200 was derived during the preceding calendar year if the entity does business with a unit of local government in relation to which the person is required to file. No time or demand deposit in a financial institution, nor any debt

instrument need be listed.

(3) The name of any entity and the nature of the governmental action requested by any entity which has applied to a unit of local government in relation to which the person must file for any license, franchise or permit for annexation, zoning or rezoning of real estate during the preceding calendar year if the ownership interest of the person filing is in excess of \$5,000 fair market value at the time of filing or if income or dividends in excess of \$1,200 were received by the person filing from the entity during the preceding calendar year.

For the purposes of this Section, the unit of local government in relation to which a person required to file under item (o) of Section 4A-101 shall be the unit of local government that contributes to the pension fund of which such person is a member of the board.

(Source: P.A. 92-101, eff. 1-1-02; 93-617, eff. 12-9-03.)

(5 ILCS 420/4A-106) (from Ch. 127, par. 604A-106)

Sec. 4A-106. The statements of economic interests required of persons listed in items (a) through (f), item (j), ~~and~~ item (l), and item (n) of Section 4A-101 shall be filed with the Secretary of State. The statements of economic interests required of persons listed in items (g), (h), (i), ~~and~~ (k), and (o) of Section 4A-101 shall be filed with the county clerk of

the county in which the principal office of the unit of local government with which the person is associated is located. If it is not apparent which county the principal office of a unit of local government is located, the chief administrative officer, or his or her designee, has the authority, for purposes of this Act, to determine the county in which the principal office is located. On or before February 1 annually, (1) the chief administrative officer of any State agency in the executive, legislative, or judicial branch employing persons required to file under item (f) or item (l) of Section 4A-101 and the chief administrative officer of a board described in item (n) of Section 4A-101 shall certify to the Secretary of State the names and mailing addresses of those persons, and (2) the chief administrative officer, or his or her designee, of each unit of local government with persons described in items (h), (i) and (k) and a board described in item (o) of Section 4A-101 shall certify to the appropriate county clerk a list of names and addresses of persons described in items (h), (i), ~~and~~ (k), and (o) of Section 4A-101 that are required to file. In preparing the lists, each chief administrative officer, or his or her designee, shall set out the names in alphabetical order.

On or before April 1 annually, the Secretary of State shall notify (1) all persons whose names have been certified to him under items (f), ~~and~~ (l), and (n) of Section 4A-101, and (2) all persons described in items (a) through (e) and item (j) of Section 4A-101, other than candidates for office who have filed

their statements with their nominating petitions, of the requirements for filing statements of economic interests. A person required to file with the Secretary of State by virtue of more than one item among items (a) through (f) and items (j), ~~and~~ (l), and (n) shall be notified of and is required to file only one statement of economic interests relating to all items under which the person is required to file with the Secretary of State.

On or before April 1 annually, the county clerk of each county shall notify all persons whose names have been certified to him under items (g), (h), (i), ~~and~~ (k), and (o) of Section 4A-101, other than candidates for office who have filed their statements with their nominating petitions, of the requirements for filing statements of economic interests. A person required to file with a county clerk by virtue of more than one item among items (g), (h), (i), ~~and~~ (k), and (o) shall be notified of and is required to file only one statement of economic interests relating to all items under which the person is required to file with that county clerk.

Except as provided in Section 4A-106.1, the notices provided for in this Section shall be in writing and deposited in the U.S. Mail, properly addressed, first class postage prepaid, on or before the day required by this Section for the sending of the notice. A certificate executed by the Secretary of State or county clerk attesting that he has mailed the notice constitutes prima facie evidence thereof.

From the lists certified to him under this Section of persons described in items (g), (h), (i), ~~and (k)~~, and (o) of Section 4A-101, the clerk of each county shall compile an alphabetical listing of persons required to file statements of economic interests in his office under any of those items. As the statements are filed in his office, the county clerk shall cause the fact of that filing to be indicated on the alphabetical listing of persons who are required to file statements. Within 30 days after the due dates, the county clerk shall mail to the State Board of Elections a true copy of that listing showing those who have filed statements.

The county clerk of each county shall note upon the alphabetical listing the names of all persons required to file a statement of economic interests who failed to file a statement on or before May 1. It shall be the duty of the several county clerks to give notice as provided in Section 4A-105 to any person who has failed to file his or her statement with the clerk on or before May 1.

Any person who files or has filed a statement of economic interest under this Act is entitled to receive from the Secretary of State or county clerk, as the case may be, a receipt indicating that the person has filed such a statement, the date of such filing, and the identity of the governmental unit or units in relation to which the filing is required.

The Secretary of State may employ such employees and consultants as he considers necessary to carry out his duties

hereunder, and may prescribe their duties, fix their compensation, and provide for reimbursement of their expenses.

All statements of economic interests filed under this Section shall be available for examination and copying by the public at all reasonable times. Not later than 12 months after the effective date of this amendatory Act of the 93rd General Assembly, beginning with statements filed in calendar year 2004, the Secretary of State shall make statements of economic interests filed with the Secretary available for inspection and copying via the Secretary's website.

(Source: P.A. 93-617, eff. 12-9-03; 94-603, eff. 8-16-05.)

(5 ILCS 420/4A-107) (from Ch. 127, par. 604A-107)

Sec. 4A-107. Any person required to file a statement of economic interests under this Article who willfully files a false or incomplete statement shall be guilty of a Class A misdemeanor.

Failure to file a statement within the time prescribed shall result in ineligibility for, or forfeiture of, office or position of employment, as the case may be; provided, however, that if the notice of failure to file a statement of economic interests provided in Section 4A-105 of this Act is not given by the Secretary of State or the county clerk, as the case may be, no forfeiture shall result if a statement is filed within 30 days of actual notice of the failure to file. The Secretary of State shall provide the Attorney General with the names of

persons who failed to file a statement. The county clerk shall provide the State's Attorney of the county of the entity for which the filing of statement of economic interest is required with the name of persons who failed to file a statement.

The Attorney General, with respect to offices or positions described in items (a) through (f) and items (j), ~~and~~ (l), ~~and~~ (n) of Section 4A-101 of this Act, or the State's Attorney of the county of the entity for which the filing of statements of economic interests is required, with respect to offices or positions described in items (g) through (i), ~~and~~ item (k), ~~and~~ item (o) of Section 4A-101 of this Act, shall bring an action in quo warranto against any person who has failed to file by either May 31 or June 30 of any given year.

(Source: P.A. 93-617, eff. 12-9-03.)

Section 10. The State Officials and Employees Ethics Act is amended by changing Section 1-5 as follows:

(5 ILCS 430/1-5)

Sec. 1-5. Definitions. As used in this Act:

"Appointee" means a person appointed to a position in or with a State agency, regardless of whether the position is compensated.

"Campaign for elective office" means any activity in furtherance of an effort to influence the selection, nomination, election, or appointment of any individual to any

federal, State, or local public office or office in a political organization, or the selection, nomination, or election of Presidential or Vice-Presidential electors, but does not include activities (i) relating to the support or opposition of any executive, legislative, or administrative action (as those terms are defined in Section 2 of the Lobbyist Registration Act), (ii) relating to collective bargaining, or (iii) that are otherwise in furtherance of the person's official State duties.

"Candidate" means a person who has filed nominating papers or petitions for nomination or election to an elected State office, or who has been appointed to fill a vacancy in nomination, and who remains eligible for placement on the ballot at either a general primary election or general election.

"Collective bargaining" has the same meaning as that term is defined in Section 3 of the Illinois Public Labor Relations Act.

"Commission" means an ethics commission created by this Act.

"Compensated time" means any time worked by or credited to a State employee that counts toward any minimum work time requirement imposed as a condition of employment with a State agency, but does not include any designated State holidays or any period when the employee is on a leave of absence.

"Compensatory time off" means authorized time off earned by or awarded to a State employee to compensate in whole or in

part for time worked in excess of the minimum work time required of that employee as a condition of employment with a State agency.

"Contribution" has the same meaning as that term is defined in Section 9-1.4 of the Election Code.

"Employee" means (i) any person employed full-time, part-time, or pursuant to a contract and whose employment duties are subject to the direction and control of an employer with regard to the material details of how the work is to be performed or (ii) any appointed or elected commissioner, trustee, director, or board member of a board of a State agency, including any retirement system or investment board subject to the Illinois Pension Code or (iii) any other appointee.

"Executive branch constitutional officer" means the Governor, Lieutenant Governor, Attorney General, Secretary of State, Comptroller, and Treasurer.

"Gift" means any gratuity, discount, entertainment, hospitality, loan, forbearance, or other tangible or intangible item having monetary value including, but not limited to, cash, food and drink, and honoraria for speaking engagements related to or attributable to government employment or the official position of an employee, member, or officer.

"Governmental entity" means a unit of local government (including a community college district) or a school district

but not a State agency.

"Leave of absence" means any period during which a State employee does not receive (i) compensation for State employment, (ii) service credit towards State pension benefits, and (iii) health insurance benefits paid for by the State.

"Legislative branch constitutional officer" means a member of the General Assembly and the Auditor General.

"Legislative leader" means the President and Minority Leader of the Senate and the Speaker and Minority Leader of the House of Representatives.

"Member" means a member of the General Assembly.

"Officer" means an executive branch constitutional officer or a legislative branch constitutional officer.

"Political" means any activity in support of or in connection with any campaign for elective office or any political organization, but does not include activities (i) relating to the support or opposition of any executive, legislative, or administrative action (as those terms are defined in Section 2 of the Lobbyist Registration Act), (ii) relating to collective bargaining, or (iii) that are otherwise in furtherance of the person's official State duties or governmental and public service functions.

"Political organization" means a party, committee, association, fund, or other organization (whether or not incorporated) that is required to file a statement of

organization with the State Board of Elections or a county clerk under Section 9-3 of the Election Code, but only with regard to those activities that require filing with the State Board of Elections or a county clerk.

"Prohibited political activity" means:

(1) Preparing for, organizing, or participating in any political meeting, political rally, political demonstration, or other political event.

(2) Soliciting contributions, including but not limited to the purchase of, selling, distributing, or receiving payment for tickets for any political fundraiser, political meeting, or other political event.

(3) Soliciting, planning the solicitation of, or preparing any document or report regarding any thing of value intended as a campaign contribution.

(4) Planning, conducting, or participating in a public opinion poll in connection with a campaign for elective office or on behalf of a political organization for political purposes or for or against any referendum question.

(5) Surveying or gathering information from potential or actual voters in an election to determine probable vote outcome in connection with a campaign for elective office or on behalf of a political organization for political purposes or for or against any referendum question.

(6) Assisting at the polls on election day on behalf of

any political organization or candidate for elective office or for or against any referendum question.

(7) Soliciting votes on behalf of a candidate for elective office or a political organization or for or against any referendum question or helping in an effort to get voters to the polls.

(8) Initiating for circulation, preparing, circulating, reviewing, or filing any petition on behalf of a candidate for elective office or for or against any referendum question.

(9) Making contributions on behalf of any candidate for elective office in that capacity or in connection with a campaign for elective office.

(10) Preparing or reviewing responses to candidate questionnaires in connection with a campaign for elective office or on behalf of a political organization for political purposes.

(11) Distributing, preparing for distribution, or mailing campaign literature, campaign signs, or other campaign material on behalf of any candidate for elective office or for or against any referendum question.

(12) Campaigning for any elective office or for or against any referendum question.

(13) Managing or working on a campaign for elective office or for or against any referendum question.

(14) Serving as a delegate, alternate, or proxy to a

political party convention.

(15) Participating in any recount or challenge to the outcome of any election, except to the extent that under subsection (d) of Section 6 of Article IV of the Illinois Constitution each house of the General Assembly shall judge the elections, returns, and qualifications of its members.

"Prohibited source" means any person or entity who:

(1) is seeking official action (i) by the member or officer or (ii) in the case of an employee, by the employee or by the member, officer, State agency, or other employee directing the employee;

(2) does business or seeks to do business (i) with the member or officer or (ii) in the case of an employee, with the employee or with the member, officer, State agency, or other employee directing the employee;

(3) conducts activities regulated (i) by the member or officer or (ii) in the case of an employee, by the employee or by the member, officer, State agency, or other employee directing the employee;

(4) has interests that may be substantially affected by the performance or non-performance of the official duties of the member, officer, or employee; or

(5) is registered or required to be registered with the Secretary of State under the Lobbyist Registration Act, except that an entity not otherwise a prohibited source does not become a prohibited source merely because a

registered lobbyist is one of its members or serves on its board of directors.

"State agency" includes all officers, boards, commissions and agencies created by the Constitution, whether in the executive or legislative branch; all officers, departments, boards, commissions, agencies, institutions, authorities, public institutions of higher learning as defined in Section 2 of the Higher Education Cooperation Act (except community colleges), and bodies politic and corporate of the State; and administrative units or corporate outgrowths of the State government which are created by or pursuant to statute, other than units of local government (including community college districts) and their officers, school districts, and boards of election commissioners; and all administrative units and corporate outgrowths of the above and as may be created by executive order of the Governor. "State agency" includes the General Assembly, the Senate, the House of Representatives, the President and Minority Leader of the Senate, the Speaker and Minority Leader of the House of Representatives, the Senate Operations Commission, and the legislative support services agencies. "State agency" includes the Office of the Auditor General. "State agency" does not include the judicial branch.

"State employee" means any employee of a State agency.

"Ultimate jurisdictional authority" means the following:

(1) For members, legislative partisan staff, and legislative secretaries, the appropriate legislative

leader: President of the Senate, Minority Leader of the Senate, Speaker of the House of Representatives, or Minority Leader of the House of Representatives.

(2) For State employees who are professional staff or employees of the Senate and not covered under item (1), the Senate Operations Commission.

(3) For State employees who are professional staff or employees of the House of Representatives and not covered under item (1), the Speaker of the House of Representatives.

(4) For State employees who are employees of the legislative support services agencies, the Joint Committee on Legislative Support Services.

(5) For State employees of the Auditor General, the Auditor General.

(6) For State employees of public institutions of higher learning as defined in Section 2 of the Higher Education Cooperation Act (except community colleges), the board of trustees of the appropriate public institution of higher learning.

(7) For State employees of an executive branch constitutional officer other than those described in paragraph (6), the appropriate executive branch constitutional officer.

(8) For State employees not under the jurisdiction of paragraph (1), (2), (3), (4), (5), (6), or (7), the

Governor.

(Source: P.A. 95-880, eff. 8-19-08.)

Section 12. The State Treasurer Act is amended by adding Section 16.10 as follows:

(15 ILCS 505/16.10 new)

(Section scheduled to be repealed on June 30, 2011)

Sec. 16.10. Working group; peer cost comparison. The Treasurer shall convene a working group consisting of representatives from the retirement systems, pension funds, and investment board created under the Illinois Pension Code, persons that provide investment services, and members of the financial industry. The working group shall review the performance of investment managers and consultants providing investment services for the retirement systems, pension funds, and investment board created under the Illinois Pension Code. The group shall develop uniform standards for comparing the costs of investment services and make recommendations to the retirement systems, pension funds, and investment board. In performing its functions under this Section, the working group shall work in coordination with the Commission on Government Forecasting and Accountability. The Office of the State Treasurer shall provide administrative assistance to the working group as the group deems necessary and appropriate. The working group shall draft a report, and the Treasurer must

submit such report, to the Governor and the General Assembly by January 1, 2011.

This Section is repealed on June 30, 2011.

Section 15. The Illinois Pension Code is amended by changing Sections 1-101.2, 1-109.1, 1-110, 1-113.5, 1-125, 14-134, 14-134.1, 15-159, 16-163, 16-164, 16-169, and 22A-109 and by adding Sections 1-101.5, 1-113.14, 1-113.16, 1-113.18, 1-130, 1-135, 1-145, and 1-150 as follows:

(40 ILCS 5/1-101.2)

Sec. 1-101.2. Fiduciary. A person is a "fiduciary" with respect to a pension fund or retirement system established under this Code to the extent that the person:

(1) exercises any discretionary authority or discretionary control respecting management of the pension fund or retirement system, or exercises any authority or control respecting management or disposition of its assets;

(2) renders investment advice or renders advice on the selection of fiduciaries for a fee or other compensation, direct or indirect, with respect to any moneys or other property of the pension fund or retirement system, or has any authority or responsibility to do so; or

(3) has any discretionary authority or discretionary responsibility in the administration of the pension fund or

retirement system.

(Source: P.A. 90-507, eff. 8-22-97.)

(40 ILCS 5/1-101.5 new)

Sec. 1-101.5. Consultant. "Consultant" means any person or entity retained or employed by the board of a retirement system, pension fund, or investment board to make recommendations in developing an investment strategy, assist with finding appropriate investment advisers, or monitor the board's investments. "Consultant" does not include non-investment related professionals or professionals offering services that are not directly related to the investment of assets, such as legal counsel, actuary, proxy-voting services, services used to track compliance with legal standards, and investment fund of funds where the board has no direct contractual relationship with the investment advisers or partnerships. "Investment adviser" has the meaning ascribed to it in Section 1-101.4.

(40 ILCS 5/1-109.1) (from Ch. 108 1/2, par. 1-109.1)

Sec. 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 preempted.

(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 \$10,000,000,000 ~~\$2,000,000,000~~ and is a "minority owned business", ~~or~~ "female owned business" or "business owned by a person with a disability" as those terms are defined in the Business Enterprise for Minorities, Females, and Persons with Disabilities Act.

It is hereby declared to be the public policy of the State of Illinois to encourage the trustees of public employee retirement systems, pension funds, and investment boards to use emerging investment managers in managing their system's assets, encompassing all asset classes, and increase the racial, ethnic, and gender diversity of its fiduciaries, 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, pension funds, and investment boards.

On or before January 1, 2010, a retirement system, pension fund, or investment board subject to this Code, except those whose investments are restricted by Section 1-113.2 of this Code, shall adopt a policy that sets forth goals for utilization of emerging investment managers. This policy shall include quantifiable goals for the management of assets in specific asset classes by emerging investment managers. The retirement system, pension fund, or investment board shall establish 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. The goals established shall be based on the percentage of total dollar amount of investment service contracts let to minority owned businesses, female owned businesses, and businesses owned by a person with a disability, as those terms are defined in the Business Enterprise for Minorities, Females, and Persons with Disabilities Act. The retirement system, pension fund, or investment board shall annually review the goals established under this subsection.

If in any case an emerging investment manager meets the criteria established by a board for a specific search and meets the criteria established by a consultant for that search, then that emerging investment manager shall receive an invitation by the board of trustees, or an investment committee of the board of trustees, to present his or her firm for final consideration

of a contract. In the case where multiple emerging investment managers meet the criteria of this Section, the staff may choose the most qualified firm or firms to present to the board.

~~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.

(5) Each retirement system, pension fund, or investment board subject to this Code, except those whose investments are restricted by Section 1-113.2 of this Code, shall establish a policy that sets forth goals for increasing the racial, ethnic, and gender diversity of its fiduciaries, including its consultants and senior staff. Each system, fund, and investment board shall annually review the goals established under this subsection.

(6) On or before January 1, 2010, a retirement system,

pension fund, or investment board subject to this Code, except those whose investments are restricted by Section 1-113.2 of this Code, shall adopt a policy that sets forth goals for utilization of businesses owned by minorities, females, and persons with disabilities for all contracts and services. The goals established shall be based on the percentage of total dollar amount of all contracts let to minority owned businesses, female owned businesses, and businesses owned by a person with a disability, as those terms are defined in the Business Enterprise for Minorities, Females, and Persons with Disabilities Act. The retirement system, pension fund, or investment board shall annually review the goals established under this subsection.

(7) On or before January 1, 2010, a retirement system, pension fund, or investment board subject to this Code, except those whose investments are restricted by Section 1-113.2 of this Code, shall adopt a policy that sets forth goals for increasing the utilization of minority broker-dealers. For the purposes of this Code, "minority broker-dealer" means a qualified broker-dealer who meets the definition of "minority owned business", "female owned business", or "business owned by a person with a disability", as those terms are defined in the Business Enterprise for Minorities, Females, and Persons with Disabilities Act. The retirement system, pension fund, or investment board shall annually review the goals established under this Section.

(8) Each retirement system, pension fund, and investment board subject to this Code, except those whose investments are restricted by Section 1-113.2 of this Code, shall submit a report to the Governor and the General Assembly by January 1 of each year that includes the following: (i) the policy adopted under subsection (4) of this Section, including the names and addresses of the emerging investment managers used, percentage of the assets under the investment control of emerging investment managers for the 3 separate goals, 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; (ii) the policy adopted under subsection (5) of this Section; (iii) the policy adopted under subsection (6) of this Section; and (iv) the policy adopted under subsection (7) of this Section, including specific actions undertaken to increase the use of minority broker-dealers.

(Source: P.A. 94-471, eff. 8-4-05.)

(40 ILCS 5/1-110) (from Ch. 108 1/2, par. 1-110)

Sec. 1-110. Prohibited Transactions.

(a) A fiduciary with respect to a retirement system, ~~or~~ pension fund, or investment board 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.

(d) A fiduciary of a pension fund established under Article 3 or 4 shall not knowingly cause or advise the pension fund to engage in an investment transaction when the fiduciary (i) has any direct interest in the income, gains, or profits of the investment adviser ~~adviser~~ through which the investment transaction is made or (ii) has a business relationship with that investment adviser ~~adviser~~ that would result in a pecuniary benefit to the fiduciary as a result of the

investment transaction.

Violation of this subsection (d) is a Class 4 felony.

(e) A board member, employee, or consultant with respect to a retirement system, pension fund, or investment board subject to this Code, except those whose investments are restricted by Section 1-113.2, shall not knowingly cause or advise the retirement system, pension fund, or investment board to engage in an investment transaction with an investment adviser when the board member, employee, consultant, or their spouse (i) has any direct interest in the income, gains, or profits of the investment adviser through which the investment transaction is made or (ii) has a relationship with that investment adviser that would result in a pecuniary benefit to the board member, employee, or consultant or spouse of such board member, employee, or consultant as a result of the investment transaction. For purposes of this subsection (e), a consultant includes an employee or agent of a consulting firm who has greater than 7.5% ownership of the consulting firm.

Violation of this subsection (e) is a Class 4 felony.

(Source: P.A. 95-950, eff. 8-29-08.)

(40 ILCS 5/1-113.5)

Sec. 1-113.5. Investment advisers and investment services for all Article 3 or 4 pension funds.

(a) The board of trustees of a pension fund may appoint investment advisers as defined in Section 1-101.4. The board of

any pension fund investing in common or preferred stock under Section 1-113.4 shall appoint an investment adviser before making such investments.

The investment adviser shall be a fiduciary, as defined in Section 1-101.2, with respect to the pension fund and shall be one of the following:

(1) an investment adviser registered under the federal Investment Advisers Act of 1940 and the Illinois Securities Law of 1953;

(2) a bank or trust company authorized to conduct a trust business in Illinois;

(3) a life insurance company authorized to transact business in Illinois; or

(4) an investment company as defined and registered under the federal Investment Company Act of 1940 and registered under the Illinois Securities Law of 1953.

(a-5) Notwithstanding any other provision of law, a person or entity that provides consulting services (referred to as a "consultant" in this Section) to a pension fund with respect to the selection of fiduciaries may not be awarded a contract to provide those consulting services that is more than 5 years in duration. No contract to provide such consulting services may be renewed or extended. At the end of the term of a contract, however, the contractor is eligible to compete for a new contract. No person shall attempt to avoid or contravene the restrictions of this subsection by any means. All offers from

responsive offerors shall be accompanied by disclosure of the names and addresses of the following:

(1) The offeror.

(2) Any entity that is a parent of, or owns a controlling interest in, the offeror.

(3) Any entity that is a subsidiary of, or in which a controlling interest is owned by, the offeror.

Beginning on July 1, 2008, a person, other than a trustee or an employee of a pension fund or retirement system, may not act as a consultant under this Section unless that person 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.

(b) All investment advice and services provided by an investment adviser or a consultant appointed under this Section shall be rendered pursuant to a written contract between the investment adviser and the board, and in accordance with the board's investment policy.

The contract shall include all of the following:

(1) acknowledgement in writing by the investment adviser that he or she is a fiduciary with respect to the pension fund;

(2) the board's investment policy;

(3) full disclosure of direct and indirect fees, commissions, penalties, and any other compensation that may be received by the investment adviser, including reimbursement for expenses; and

(4) a requirement that the investment adviser submit periodic written reports, on at least a quarterly basis, for the board's review at its regularly scheduled meetings. All returns on investment shall be reported as net returns after payment of all fees, commissions, and any other compensation.

(b-5) Each contract described in subsection (b) shall also include (i) full disclosure of direct and indirect fees, commissions, penalties, and other compensation, including reimbursement for expenses, that may be paid by or on behalf of the investment adviser or consultant in connection with the provision of services to the pension fund and (ii) a requirement that the investment adviser or consultant update the disclosure promptly after a modification of those payments or an additional payment.

Within 30 days after the effective date of this amendatory Act of the 95th General Assembly, each investment adviser and consultant providing services on the effective date or subject to an existing contract for the provision of services must disclose to the board of trustees all direct and indirect fees, commissions, penalties, and other compensation paid by or on

behalf of the investment adviser or consultant in connection with the provision of those services and shall update that disclosure promptly after a modification of those payments or an additional payment.

A person required to make a disclosure under subsection (d) is also required to disclose direct and indirect fees, commissions, penalties, or other compensation that shall or may be paid by or on behalf of the person in connection with the rendering of those services. The person shall update the disclosure promptly after a modification of those payments or an additional payment.

The disclosures required by this subsection shall be in writing and shall include the date and amount of each payment and the name and address of each recipient of a payment.

(c) Within 30 days after appointing an investment adviser or consultant, the board shall submit a copy of the contract to the Division of Insurance of the Department of Financial and Professional Regulation.

(d) Investment services provided by a person other than an investment adviser appointed under this Section, including but not limited to services provided by the kinds of persons listed in items (1) through (4) of subsection (a), shall be rendered only after full written disclosure of direct and indirect fees, commissions, penalties, and any other compensation that shall or may be received by the person rendering those services.

(e) The board of trustees of each pension fund shall retain

records of investment transactions in accordance with the rules of the Department of Financial and Professional Regulation.

(Source: P.A. 95-950, eff. 8-29-08.)

(40 ILCS 5/1-113.14 new)

Sec. 1-113.14. Investment services for retirement systems, pension funds, and investment boards, except those funds established under Articles 3 and 4.

(a) For the purposes of this Section, "investment services" means services provided by an investment adviser or a consultant.

(b) The selection and appointment of an investment adviser or consultant for investment services by the board of a retirement system, pension fund, or investment board subject to this Code, except those whose investments are restricted by Section 1-113.2, shall be made and awarded in accordance with this Section. All contracts for investment services shall be awarded by the board using a competitive process that is substantially similar to the process required for the procurement of professional and artistic services under Article 35 of the Illinois Procurement Code. Each board of trustees shall adopt a policy in accordance with this subsection (b) within 60 days after the effective date of this amendatory Act of the 96th General Assembly. The policy shall be posted on its web site and filed with the Illinois Procurement Policy Board. Exceptions to this Section are

allowed for (i) sole source procurements, (ii) emergency procurements, and (iii) at the discretion of the pension fund, retirement system, or board of investment, contracts that are nonrenewable and one year or less in duration, so long as the contract has a value of less than \$20,000. All exceptions granted under this Section must be published on the system's, fund's, or board's web site, shall name the person authorizing the procurement, and shall include a brief explanation of the reason for the exception.

A person, other than a trustee or an employee of a retirement system, pension fund, or investment board, may not act as a consultant or investment adviser under this Section unless that person is registered as an investment adviser under the federal Investment Advisers Act of 1940 (15 U.S.C. 80b-1, et seq.) or a bank, as defined in the federal Investment Advisers Act of 1940 (15 U.S.C. 80b-1, et seq.).

(c) Investment services provided by an investment adviser or a consultant appointed under this Section shall be rendered pursuant to a written contract between the investment adviser or consultant and the board.

The contract shall include all of the following:

(1) Acknowledgement in writing by the investment adviser or consultant that he or she is a fiduciary with respect to the pension fund or retirement system.

(2) The description of the board's investment policy and notice that the policy is subject to change.

(3) (i) Full disclosure of direct and indirect fees, commissions, penalties, and other compensation, including reimbursement for expenses, that may be paid by or on behalf of the consultant in connection with the provision of services to the pension fund or retirement system and (ii) a requirement that the consultant update the disclosure promptly after a modification of those payments or an additional payment.

(4) A requirement that the investment adviser or consultant, in conjunction with the board's staff, submit periodic written reports, on at least a quarterly basis, for the board's review at its regularly scheduled meetings. All returns on investment shall be reported as net returns after payment of all fees, commissions, and any other compensation.

(5) Disclosure of the names and addresses of (i) the consultant or investment adviser; (ii) any entity that is a parent of, or owns a controlling interest in, the consultant or investment adviser; (iii) any entity that is a subsidiary of, or in which a controlling interest is owned by, the consultant or investment adviser; (iv) any persons who have an ownership or distributive income share in the consultant or investment adviser that is in excess of 7.5%; or (v) serves as an executive officer of the consultant or investment adviser.

(6) A disclosure of the names and addresses of all

subcontractors, if applicable, and the expected amount of money each will receive under the contract, including an acknowledgment that the contractor must promptly make notification, in writing, if at any time during the term of the contract a contractor adds or changes any subcontractors. For purposes of this subparagraph (6), "subcontractor" does not include non-investment related professionals or professionals offering services that are not directly related to the investment of assets, such as legal counsel, actuary, proxy-voting services, services used to track compliance with legal standards, and investment fund of funds where the board has no direct contractual relationship with the investment advisers or partnerships.

(7) A description of service to be performed.

(8) A description of the need for the service.

(9) A description of the plan for post-performance review.

(10) A description of the qualifications necessary.

(11) The duration of the contract.

(12) The method for charging and measuring cost.

(d) Notwithstanding any other provision of law, a retirement system, pension fund, or investment board subject to this Code, except those whose investments are restricted by Section 1-113.2 of this Code, shall not enter into a contract with a consultant that exceeds 5 years in duration. No contract

to provide consulting services may be renewed or extended. At the end of the term of a contract, however, the consultant is eligible to compete for a new contract as provided in this Section. No retirement system, pension fund, or investment board shall attempt to avoid or contravene the restrictions of this subsection (d) by any means.

(e) Within 60 days after the effective date of this amendatory Act of the 96th General Assembly, each investment adviser or consultant currently providing services or subject to an existing contract for the provision of services must disclose to the board of trustees all direct and indirect fees, commissions, penalties, and other compensation paid by or on behalf of the investment adviser or consultant in connection with the provision of those services and shall update that disclosure promptly after a modification of those payments or an additional payment. The person shall update the disclosure promptly after a modification of those payments or an additional payment. The disclosures required by this subsection (e) shall be in writing and shall include the date and amount of each payment and the name and address of each recipient of a payment.

(f) The retirement system, pension fund, or board of investment shall develop uniform documents that shall be used for the solicitation, review, and acceptance of all investment services. The form shall include the terms contained in subsection (c) of this Section. All such uniform documents

shall be posted on the retirement system's, pension fund's, or investment board's web site.

(g) A description of every contract for investment services shall be posted in a conspicuous manner on the web site of the retirement system, pension fund, or investment board. The description must include the name of the person or entity awarded a contract, the total amount applicable to the contract, the total fees paid or to be paid, and a disclosure approved by the board describing the factors that contributed to the selection of an investment adviser or consultant.

(40 ILCS 5/1-113.16 new)

Sec. 1-113.16. Investment transparency.

(a) The purpose of this Section is to provide for transparency in the investment of retirement or pension funds and require the reporting of full and complete information regarding the investments by pension funds, retirement systems, and investment boards.

(b) A retirement system, pension fund, or investment board subject to this Code and any committees established by such system, fund, or board must comply with the Open Meetings Act.

(c) Any retirement system, pension fund, or investment board subject to this Code that establishes a committee shall ensure that the majority of the members on such committee are board members. If any member of a committee is not a member of the board for the system, fund, or board, then that committee

member shall be a fiduciary.

(d) A retirement system, pension fund, or investment board subject to this Code, except those whose investments are restricted by Section 1-113.2, shall maintain an official web site and make available in a clear and conspicuous manner, and update at least quarterly, all of the following information concerning the investment of funds:

(1) The total amount of funds held by the pension fund, retirement system, or investment board.

(2) The asset allocation for the investments made by the pension fund, retirement system, or investment board.

(3) Current and historic return information.

(4) A detailed listing of the investment advisers for all asset classes.

(5) Performance of investments compared against established benchmarks.

(6) A detailed list of all consultants doing business with the retirement system, pension fund, or investment board.

(7) A detailed list of all contractors, other than investment advisers and consultants, doing business with the retirement system, pension fund, or investment board.

(8) Any requests for investment services.

(9) The names and email addresses of all board members, directors, and senior staff.

(10) The report required under Section 1-109.1 of this

Code, if applicable.

(11) The description of each contract required under subsection (g) of Section 1-113.14 of this Code, if applicable.

(e) A pension fund whose investments are restricted by Section 1-113.2 of this Code shall make the information required in subsection (d) of this Section available on its web site or in a location that allows the information to be available for inspection by the public.

(f) Nothing in this Section requires the pension fund, retirement system, or investment board to make information available on the Internet that is exempt from inspection and copying under the Freedom of Information Act.

(40 ILCS 5/1-113.18 new)

Sec. 1-113.18. Ethics training. All board members of a retirement system, pension fund, or investment board created under this Code must attend ethics training of at least 8 hours per year. The training required under this Section shall include training on ethics, fiduciary duty, and investment issues and any other curriculum that the board of the retirement system, pension fund, or investment board establishes as being important for the administration of the retirement system, pension fund, or investment board. The Supreme Court of Illinois shall be responsible for ethics training and curriculum for judges designated by the Court to

serve as members of a retirement system, pension fund, or investment board. Each board shall annually certify its members' compliance with this Section and submit an annual certification to the Division of Insurance of the Department of Financial and Professional Regulation. Judges shall annually certify compliance with the ethics training requirement and shall submit an annual certification to the Chief Justice of the Supreme Court of Illinois.

(40 ILCS 5/1-125)

Sec. 1-125. Prohibition on gifts.

(a) For the purposes of this Section:

"Gift" means a gift as defined in Section 1-5 of the State Officials and Employees Ethics Act.

"Prohibited source" means a person or entity who:

(i) is seeking official action (A) by the board or (B) by a board member;

(ii) does business or seeks to do business (A) with the board or (B) with a board member;

(iii) has interests that may be substantially affected by the performance or non-performance of the official duties of the board member; or

(iv) is registered or required to be registered with the Secretary of State under the Lobbyist Registration Act, except that an entity not otherwise a prohibited source does not become a prohibited source merely because a

registered lobbyist is one of its members or serves on its board of directors.

(b) No trustee or employee of a retirement system, pension fund, or investment board created under ~~board created under Article 3 or 4~~ of this Code shall intentionally solicit or accept any gift from any prohibited source as prescribed in Article 10 of the State Officials and Employees Ethics Act. The, including the exceptions contained in Section 10-15 of that Act, other than paragraphs (4) and (5) of that Section shall apply to trustees and employees of a retirement system, pension fund, or investment board created under this Code. Solicitation or acceptance of educational materials, however, is not prohibited. For the purposes of this Section, references to "State employee" and "employee" in Article 10 of the State Officials and Employees Ethics Act shall include a trustee or employee of a retirement system, pension fund, or investment board created under ~~a board created under Article 3 or 4~~ of this Code.

(c) A municipality may adopt or maintain policies or ordinances that are more restrictive than those set forth in this Section and may continue to follow any existing policies or ordinances that are more restrictive or are in addition to those set forth in this Section.

(d) To the extent that the provisions of this Section conflict with the provisions of the State Officials and Employees Ethics Act, the provisions of this Section control.

(e) ~~(d)~~ Violation of this Section is a Class A misdemeanor.
(Source: P.A. 95-950, eff. 8-29-08.)

(40 ILCS 5/1-130 new)

Sec. 1-130. No monetary gain on investments. No member or employee of the board of trustees of any retirement system, pension fund, or investment board created under this Code nor any spouse of such member or employee shall knowingly have any direct interest in the income, gains, or profits of any investments made on behalf of a retirement system, pension fund, or investment board created under this Code for which such person is a member or employee, nor receive any pay or emolument for services in connection with any investment. No member or employee of the board of trustees of any retirement system, pension fund, or investment board created under this Code shall become an endorser or surety, or in any manner an obligor for money loaned or borrowed from any retirement system or pension fund created under this Code or the Illinois State Board of Investment. For the purposes of this Section, an annuity otherwise provided in accordance with this Code or any income, gains, or profits related to any non-controlling interest in any public securities, mutual fund, or other passive investment is not considered monetary gain on investments.

Violation of this Section is a Class 3 felony.

(40 ILCS 5/1-135 new)

Sec. 1-135. Fraud. Any person who knowingly makes any false statement or falsifies or permits to be falsified any record of a retirement system or pension fund created under this Code or the Illinois State Board of Investment in an attempt to defraud the retirement system or pension fund created under this Code or the Illinois State Board of Investment is guilty of a Class 3 felony.

(40 ILCS 5/1-145 new)

Sec. 1-145. Contingent and placement fees prohibited. No person or entity shall retain a person or entity to attempt to influence the outcome of an investment decision of or the procurement of investment advice or services of a retirement system, pension fund, or investment board of this Code for compensation, contingent in whole or in part upon the decision or procurement. Any person who violates this Section is guilty of a business offense and shall be fined not more than \$10,000. In addition, any person convicted of a violation of this Section is prohibited for a period of 3 years from conducting such activities.

(40 ILCS 5/1-150 new)

Sec. 1-150. Approval of travel or educational mission. The expenses for travel or educational missions of a board member of a retirement system, pension fund, or investment board

created under this Code, except those whose investments are restricted by Section 1-113.2 of this Code, must be approved by a majority of the board prior to the travel or educational mission.

(40 ILCS 5/14-134) (from Ch. 108 1/2, par. 14-134)

Sec. 14-134. Board created. The retirement system created by this Article shall be a trust, separate and distinct from all other entities. The responsibility for the operation of the system and for making effective this Article is vested in a board of trustees.

The board shall consist of 7 trustees, as follows:

(a) the Director of the Governor's Office of Management and Budget; (b) the Comptroller; (c) one trustee, not a State employee, who shall be Chairman, to be appointed by the Governor for a 5 year term; (d) two members of the system, one of whom shall be an annuitant age 60 or over, having at least 8 years of creditable service, to be appointed by the Governor for terms of 5 years; (e) one member of the system having at least 8 years of creditable service, to be elected from the contributing membership of the system by the contributing members as provided in Section 14-134.1; (f) one annuitant of the system who has been an annuitant for at least one full year, to be elected from and by the annuitants of the system, as provided in Section 14-134.1. The Director of the Governor's Office of Management and Budget and the Comptroller shall be

ex-officio members and shall serve as trustees during their respective terms of office, except that each of them may designate another officer or employee from the same agency to serve in his or her place. However, no ex-officio member may designate a different proxy within one year after designating a proxy unless the person last so designated has become ineligible to serve in that capacity. Except for the elected trustees, any vacancy in the office of trustee shall be filled in the same manner as the office was filled previously.

A trustee shall serve until a successor qualifies, except that a trustee who is a member of the system shall be disqualified as a trustee immediately upon terminating service with the State.

Notwithstanding any provision of this Section to the contrary, the term of office of each trustee of the board appointed by the Governor who is sitting on the board on the effective date of this amendatory Act of the 96th General Assembly is terminated on that effective date.

Beginning on the 90th day after the effective date of this amendatory Act of the 96th General Assembly, the board shall consist of 13 trustees as follows:

(1) the Comptroller, who shall be the Chairperson;

(2) six persons appointed by the Governor with the advice and consent of the Senate who may not be members of the system or hold an elective State office and who shall serve for a term of 5 years, except that the terms of the

initial appointees under this amendatory Act of the 96th General Assembly shall be as follows: 3 for a term of 3 years and 3 for a term of 5 years;

(3) four active participants of the system having at least 8 years of creditable service, to be elected from the contributing members of the system by the contribution members as provided in Section 14-134.1; and

(4) two annuitants of the system who have been annuitants for at least one full year, to be elected from and by the annuitants of the system, as provided in Section 14-134.1.

For the purposes of this Section, the Governor may make a nomination and the Senate may confirm the nominee in advance of the commencement of the nominee's term of office. The Governor shall make nominations for appointment to the board under this Section within 60 days after the effective date of this amendatory Act of the 96th General Assembly. A trustee sitting on the board on the effective date of this amendatory Act of the 96th General Assembly may not hold over in office for more than 90 days after the effective date of this amendatory Act of the 96th General Assembly. Nothing in this Section shall prevent the Governor from making a temporary appointment or nominating a trustee holding office on the day before the effective date of this amendatory Act of the 96th General Assembly.

Each trustee is entitled to one vote on the board, and 4

trustees shall constitute a quorum for the transaction of business. The affirmative votes of a majority of the trustees present, but at least 3 trustees, shall be necessary for action by the board at any meeting. On the 90th day after the effective date of this amendatory Act of the 96th General Assembly, 7 trustees shall constitute a quorum for the transaction of business and the affirmative vote of a majority of the trustees present, but at least 7 trustees, shall be necessary for action by the board at any meeting. The board's action of July 22, 1986, by which it amended the bylaws of the system to increase the number of affirmative votes required for board action from 3 to 4 (in response to Public Act 84-1028, which increased the number of trustees from 5 to 7), and the board's rejection, between that date and the effective date of this amendatory Act of 1993, of proposed actions not receiving at least 4 affirmative votes, are hereby validated.

The trustees shall serve without compensation, but shall be reimbursed from the funds of the system for all necessary expenses incurred through service on the board.

Each trustee shall take an oath of office that he or she will diligently and honestly administer the affairs of the system, and will not knowingly violate or willfully permit the violation of any of the provisions of law applicable to the system. The oath shall be subscribed to by the trustee making it, certified by the officer before whom it is taken, and filed with the Secretary of State. A trustee shall qualify for

membership on the board when the oath has been approved by the board.

(Source: P.A. 94-793, eff. 5-19-06.)

(40 ILCS 5/14-134.1) (from Ch. 108 1/2, par. 14-134.1)

Sec. 14-134.1. Board-elected members-vacancies. The 2 elected trustees shall be elected, beginning in 1986 and every 5 years thereafter, for a term of 5 years beginning July 15 next following their election. The trustees to be elected under Section 14-134 of this Code in accordance with this amendatory Act of the 96th General Assembly shall be elected within 90 days after the effective date of this amendatory Act of the 96th General Assembly for a term of 5 years after the effective date of this amendatory Act. Trustees shall be elected every 5 years thereafter for a term of 5 years beginning July 15 next following their election. Elections shall be held on May 1, or on May 2 when May 1 falls on Sunday. Candidates for the contributing trustee shall be nominated by petitions in writing, signed by not less than 400 contributors with their addresses shown opposite their names. Candidates for the annuitant trustee shall be nominated by petitions in writing, signed by not less than 100 annuitants with their addresses shown opposite their names.

If there is more than one qualified nominee for either elected trustee, the board shall conduct a secret ballot election by mail for that trustee, in accordance with rules as

established by the board.

If there is only one qualified person nominated by petition for either trustee, the election as required by this Section shall not be conducted for that trustee and the board shall declare such nominee duly elected.

A vacancy occurring in the elective membership of the board shall be filled for the unexpired term by the board.

(Source: P.A. 84-1028.)

(40 ILCS 5/15-159) (from Ch. 108 1/2, par. 15-159)

Sec. 15-159. Board created. A board of trustees constituted as provided in this Section shall administer this System. The board shall be known as the Board of Trustees of the State Universities Retirement System.

(b) Until July 1, 1995, the Board of Trustees shall be constituted as follows:

Two trustees shall be members of the Board of Trustees of the University of Illinois, one shall be a member of the Board of Trustees of Southern Illinois University, one shall be a member of the Board of Trustees of Chicago State University, one shall be a member of the Board of Trustees of Eastern Illinois University, one shall be a member of the Board of Trustees of Governors State University, one shall be a member of the Board of Trustees of Illinois State University, one shall be a member of the Board of Trustees of Northeastern Illinois University, one shall be a member of the Board of

Trustees of Northern Illinois University, one shall be a member of the Board of Trustees of Western Illinois University, and one shall be a member of the Illinois Community College Board, selected in each case by their respective boards, and 2 shall be participants of the system appointed by the Governor for a 6 year term with the first appointment made pursuant to this amendatory Act of 1984 to be effective September 1, 1985, and one shall be a participant appointed by the Illinois Community College Board for a 6 year term, and one shall be a participant appointed by the Board of Trustees of the University of Illinois for a 6 year term, and one shall be a participant or annuitant of the system who is a senior citizen age 60 or older appointed by the Governor for a 6 year term with the first appointment to be effective September 1, 1985.

The terms of all trustees holding office under this subsection (b) on June 30, 1995 shall terminate at the end of that day and the Board shall thereafter be constituted as provided in subsection (c).

(c) Beginning July 1, 1995, the Board of Trustees shall be constituted as follows:

The Board shall consist of 9 trustees appointed by the Governor. Two of the trustees, designated at the time of appointment, shall be participants of the System. Two of the trustees, designated at the time of appointment, shall be annuitants of the System who are receiving retirement annuities under this Article. The 5 remaining trustees may, but need not,

be participants or annuitants of the System.

The term of office of trustees appointed under this subsection (c) shall be 6 years, beginning on July 1. However, of the initial trustees appointed under this subsection (c), 3 shall be appointed for terms of 2 years, 3 shall be appointed for terms of 4 years, and 3 shall be appointed for terms of 6 years, to be designated by the Governor at the time of appointment.

The terms of all trustees holding office under this subsection (c) on the effective date of this amendatory Act of the 96th General Assembly shall terminate on that effective date. The Governor shall make nominations for appointment under this Section within 60 days after the effective date of this amendatory Act of the 96th General Assembly. A trustee sitting on the board on the effective date of this amendatory Act of the 96th General Assembly may not hold over in office for more than 90 days after the effective date of this amendatory Act of the 96th General Assembly. Nothing in this Section shall prevent the Governor from making a temporary appointment or nominating a trustee holding office on the day before the effective date of this amendatory Act of the 96th General Assembly.

(d) Beginning on the 90th day after the effective date of this amendatory Act of the 96th General Assembly, the Board of Trustees shall be constituted as follows:

(1) The Chairperson of the Board of Higher Education,

who shall act as chairperson of this Board.

(2) Four trustees appointed by the Governor with the advice and consent of the Senate who may not be members of the system or hold an elective State office and who shall serve for a term of 6 years, except that the terms of the initial appointees under this subsection (d) shall be as follows: 2 for a term of 3 years and 2 for a term of 6 years.

(3) Four active participants of the system to be elected from the contributing membership of the system by the contributing members, no more than 2 of which may be from any of the University of Illinois campuses, who shall serve for a term of 6 years, except that the terms of the initial electees shall be as follows: 2 for a term of 3 years and 2 for a term of 6 years.

(4) Two annuitants of the system who have been annuitants for at least one full year, to be elected from and by the annuitants of the system, no more than one of which may be from any of the University of Illinois campuses, who shall serve for a term of 6 years, except that the terms of the initial electees shall be as follows: one for a term of 3 years and one for a term of 6 years.

For the purposes of this Section, the Governor may make a nomination and the Senate may confirm the nominee in advance of the commencement of the nominee's term of office.

(e) The 6 elected trustees shall be elected within 90 days

after the effective date of this amendatory Act of the 96th General Assembly for a term beginning on the 90th day after the effective date of this amendatory Act. Trustees shall be elected thereafter as terms expire for a 6-year term beginning July 15 next following their election, and such election shall be held on May 1, or on May 2 when May 1 falls on a Sunday. The board may establish rules for the election of trustees to implement the provisions of this amendatory Act of the 96th General Assembly and for future elections. Candidates for the participating trustee shall be nominated by petitions in writing, signed by not less than 400 participants with their addresses shown opposite their names. Candidates for the annuitant trustee shall be nominated by petitions in writing, signed by not less than 100 annuitants with their addresses shown opposite their names. If there is more than one qualified nominee for each elected trustee, then the board shall conduct a secret ballot election by mail for that trustee, in accordance with rules as established by the board. If there is only one qualified person nominated by petition for each elected trustee, then the election as required by this Section shall not be conducted for that trustee and the board shall declare such nominee duly elected. A vacancy occurring in the elective membership of the board shall be filled for the unexpired term by the elected trustees serving on the board for the remainder of the term.

(f) A vacancy on the board of trustees caused by

resignation, death, expiration of term of office, or other reason shall be filled by a qualified person appointed by the Governor for the remainder of the unexpired term.

(g) Trustees (other than the trustees incumbent on June 30, 1995 or as provided in subsection (c) of this Section) shall continue in office until their respective successors are appointed and have qualified, except that a trustee appointed to one of the participant positions shall be disqualified immediately upon the termination of his or her status as a participant and a trustee appointed to one of the annuitant positions shall be disqualified immediately upon the termination of his or her status as an annuitant receiving a retirement annuity.

(h) ~~(d)~~ Each trustee must take an oath of office before a notary public of this State and shall qualify as a trustee upon the presentation to the board of a certified copy of the oath. The oath must state that the person will diligently and honestly administer the affairs of the retirement system, and will not knowingly violate or wilfully permit to be violated any provisions of this Article.

Each trustee shall serve without compensation but shall be reimbursed for expenses necessarily incurred in attending board meetings and carrying out his or her duties as a trustee or officer of the system.

(i) ~~(e)~~ This amendatory Act of 1995 is intended to supersede the changes made to this Section by Public Act 89-4.

(Source: P.A. 89-4, eff. 1-1-96; 89-196, eff. 7-21-95.)

(40 ILCS 5/16-163) (from Ch. 108 1/2, par. 16-163)

Sec. 16-163. Board created. A board of 13 ~~11~~ members constitutes the board of trustees authorized to carry out the provisions of this Article and is responsible for the general administration of the System. The board shall be known as the Board of Trustees of the Teachers' Retirement System of the State of Illinois. The board shall be composed of the Superintendent of Education, ex officio, who shall be the president of the board; 6 ~~4~~ persons, not members of the System, to be appointed by the Governor, who shall hold no elected State office; 4 persons who, at the time of their election, are teachers as defined in Section 16-106, elected by the contributing members; and 2 annuitant members elected by the annuitants of the System, as provided in Section 16-165.

(Source: P.A. 94-423, eff. 8-2-05.)

(40 ILCS 5/16-164) (from Ch. 108 1/2, par. 16-164)

Sec. 16-164. Board - appointed members - vacancies. Terms of office for the appointed members shall begin on July 15 of an even-numbered year, except that the terms of office for members appointed pursuant to this amendatory Act of the 96th General Assembly shall begin upon being confirmed by the Senate. The Governor shall appoint 3 ~~2~~ members as trustees with the advice and consent of the Senate in each even-numbered year

who shall hold office for a term of 4 years, except that, of the members appointed pursuant to this amendatory Act of the 96th General Assembly, 3 members shall be appointed for a term ending July 14, 2012 and 3 members shall be appointed for a term ending July 14, 2014. Each such appointee shall reside in and be a taxpayer in the territory covered by this system, shall be interested in public school welfare, and experienced and competent in financial and business management. A vacancy in the term of an appointed trustee shall be filled for the unexpired term by appointment of the Governor.

Notwithstanding any provision of this Section to the contrary, the term of office of each member of the Board appointed by the Governor who is sitting on the Board on the effective date of this amendatory Act of the 96th General Assembly is terminated on that effective date. A trustee sitting on the Board on the effective date of this amendatory Act of the 96th General Assembly may not hold over in office for more than 60 days after the effective date of this amendatory Act of the 96th General Assembly. Nothing in this Section shall prevent the Governor from making a temporary appointment or nominating a trustee holding office on the day before the effective date of this amendatory Act of the 96th General Assembly.

(Source: P.A. 83-1440.)

Sec. 16-169. Board - secretary and other employees. The board, by a majority vote of all its members, shall appoint a secretary who shall not be a member of the board and who shall serve as the chief executive officer responsible for the detailed administration of the system.

The secretary and chief executive officer of the system, known as the Executive Director, holding that position on April 1, 2009 is terminated on July 1, 2009, by operation of law, and shall thereafter no longer hold those positions or any other employment position with the system. The board is directed to take whatever action is necessary to effectuate this termination.

(Source: P.A. 83-1440.)

(40 ILCS 5/22A-109) (from Ch. 108 1/2, par. 22A-109)

Sec. 22A-109. Membership of board. The board shall consist of the following members:

(1) Five trustees appointed by the Governor with the advice and consent of the Senate who may not hold an elective State office.

(2) The Treasurer.

(3) The Comptroller, who shall represent the State Employees' Retirement System of Illinois.

(4) The Chairperson of the General Assembly Retirement System.

(5) The Chairperson of the Judges Retirement System of

Illinois.

~~(a) ex-officio members consisting of the State Treasurer and the Chairman of the board of trustees of each pension fund or retirement system, other than pension funds covered by Articles 3 and 4 of this Code, whose investment functions have been transferred to the jurisdiction of this board; and (b) 5 members appointed by the Governor with the approval of the Senate, one of whom shall be a senior citizen age 60 or over.~~
The appointive members shall serve for terms of 4 years except that the terms of office of the original appointive members pursuant to this amendatory Act of the 96th General Assembly shall be as follows: One member for a term of 1 year; 1 member for a term of 2 years; 1 member for a term of 3 years; and 2 members ~~1 member~~ for a term of 4 years. ~~The member first appointed under this amendatory Act of 1984 shall serve for a term of 4 years.~~ Vacancies among the appointive members shall be filled for unexpired terms by appointment in like manner as for original appointments, and appointive members shall continue in office until their successors have been appointed and have qualified. ~~Ex-officio members who cannot attend meetings of the board or its committees may respectively designate one appropriate proxy from within the office of the State Treasurer or the trustees of the pension fund or retirement system, which proxy shall have the same powers and authority as the ex-officio member being represented, but no member may designate a different proxy within one year after~~

~~his last designation of a proxy unless the person last so designated has become ineligible to serve in that capacity.~~

Notwithstanding any provision of this Section to the contrary, the term of office of each trustee of the Board appointed by the Governor who is sitting on the Board on the effective date of this amendatory Act of the 96th General Assembly is terminated on that effective date. A trustee sitting on the board on the effective date of this amendatory Act of the 96th General Assembly may not hold over in office for more than 60 days after the effective date of this amendatory Act of the 96th General Assembly. Nothing in this Section shall prevent the Governor from making a temporary appointment or nominating a trustee holding office on the day before the effective date of this amendatory Act of the 96th General Assembly.

Each person appointed to membership shall qualify by taking an oath of office before the Secretary of State stating that he will diligently and honestly administer the affairs of the board and will not violate or knowingly permit the violation of any provisions of this Article.

Members of the board shall receive no salary for service on the board but shall be reimbursed for travel expenses incurred while on business for the board according to the standards in effect for members of the Illinois Legislative Research Unit.

A majority of the members of the board shall constitute a quorum. The board shall elect from its membership, biennially,

a Chairman, Vice Chairman and a Recording Secretary. These officers, together with one other member elected by the board, shall constitute the executive committee. During the interim between regular meetings of the board, the executive committee shall have authority to conduct all business of the board and shall report such business conducted at the next following meeting of the board for ratification.

No member of the board shall have any interest in any brokerage fee, commission or other profit or gain arising out of any investment made by the board. This paragraph does not preclude ownership by any member of any minority interest in any common stock or any corporate obligation in which investment is made by the board.

The board shall contract for a blanket fidelity bond in the penal sum of not less than \$1,000,000.00 to cover members of the board, the director and all other employees of the board conditioned for the faithful performance of the duties of their respective offices, the premium on which shall be paid by the board. The bond shall be filed with the State Treasurer for safekeeping.

(Source: P.A. 87-1265.)

Section 97. Severability. The provisions of this Act are severable under Section 1.31 of the Statute on Statutes.

Section 99. Effective date. This Act takes effect upon becoming law.