



Illinois Municipal Retirement Fund

Suite 500 2211 York Road Oak Brook, IL 60523-2337

Service Representatives 1-800-ASK-IMRF

www.imrf.org

August 24, 2007

The Honorable Rod R. Blagojevich
Governor of Illinois
James R. Thompson Center
100 West Randolph Street, Floor 16
Chicago, IL 60601

Dear Governor Blagojevich:

The Illinois Municipal Retirement Fund (IMRF) Board of Trustees is pleased to submit its annual report on the emerging investment managers used by this retirement system as provided by Public Act 94-0471. As of June 30, 2007, IMRF employed thirty-four minority and female owned investment managers. The thirty-four firms manage a total of \$3.0 billion of IMRF assets, an increase of \$407 million from one year ago. The \$3.0 billion represents 12.7% of the total IMRF investment portfolio. Of this amount, \$784 million is managed by emerging minority and female owned firms and \$2.2 billion is managed by emerged minority and female owned firms.

IMRF also has a policy requiring our investment managers to use minority and female owned broker/dealers. For the twelve months ended June 30, 2007, \$5.5 million, or 21.7% of the total commissions paid by IMRF, were executed by minority and female owned broker/dealers. This represents an increase of approximately \$1.2 million from one year ago.

Public Act 94-0471 defines an emerging investment manager as a qualified minority owned business or female owned business with total assets under management of at least \$10 million but less than \$2 billion. The IMRF Board of Trustees continues to actively implement its policy of employing both emerging and emerged minority owned, and female owned, investment managers. As of June 30, 2007, IMRF employed twenty-seven emerging investment managers. This is an increase of four managers over the number reported last year. IMRF also employed seven emerged investment managers, one less than reported last year.



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

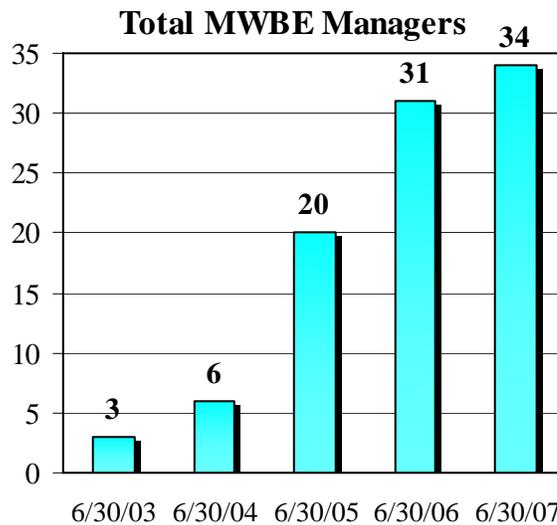
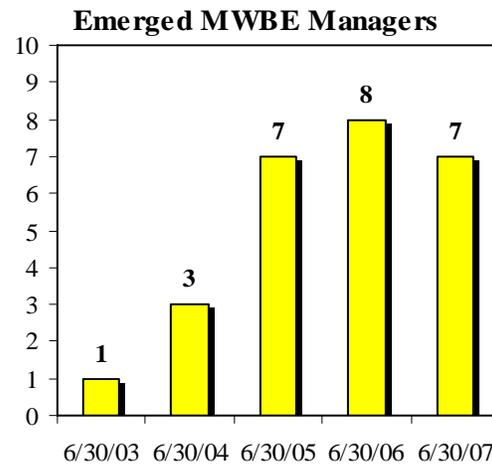
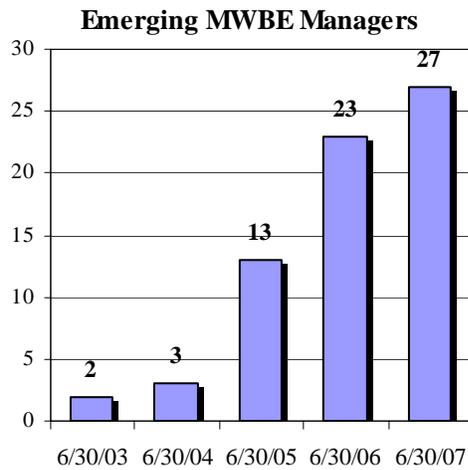


Table I and Table II, respectively, identify the emerging and emerged minority and female owned investment managers used by IMRF and the dollar amounts and percentage of total IMRF assets under their control.



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TABLE I
EMERGING MINORITY AND FEMALE OWNED MANAGERS USED BY IMRF

AS OF JUNE 30, 2007

<u>Manager Name</u>	<u>IMRF Dollars Under Management (millions)</u>	<u>Percentage of Total IMRF Assets Under Management</u>
Ambassador Capital Management	\$48	0.2%
Apex Capital Management	16	0.1%
Atlanta Life	32	0.1%
Blue Creek	10	0.0%
Buford, Dickson, Harper & Sparrow	13	0.1%
Channing Capital Management	8	0.0%
Cordillera Asset Management	24	0.1%
Cypress	48	0.2%
Denali Advisors	25	0.1%
EH Williams	11	0.1%
Fortaleza Asset Management	24	0.1%
GW Capital	19	0.1%
High Pointe Fund Management	11	0.1%
Lynmar Capital Management	27	0.1%
Muller & Monroe	50*	0.2%
Ascend Ventures	**	**
Castille Ventures III	**	**
ICV Capital Partners	**	**
Nogales Investors	**	**
Smith Whiley	**	**
New Century Advisors	22	0.1%
Palisades	33	0.1%
Paradigm	7	0.0%
Piedmont Investment Advisors	263	1.1%
Profit Investment Management	13	0.1%
Pugh Capital Management	75	0.3%
Rutland Dickson Asset Management	5	0.0%
Subtotal:	\$784	3.3%

* This allocation may be increased by \$5 million by year-end 2007.

** Included in Muller & Monroe total IMRF dollars under management. This is a Private Equity Fund-of-Funds.



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TABLE II
EMERGED MINORITY AND FEMALE OWNED MANAGERS USED BY IMRF

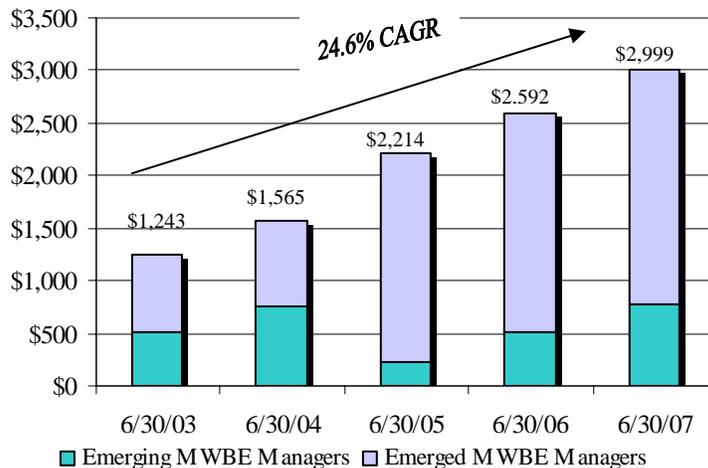
AS OF JUNE 30, 2007

<u>Manager Name</u>	<u>IMRF Dollars Under Management (millions)</u>	<u>Percentage of Total IMRF Assets Under Management</u>
Brown Capital Management	\$99	0.4%
EARNEST Partners	369	1.6%
GlobeFlex Capital	140	0.6%
Holland Capital Management	472	2.0%
LM Capital Group	570	2.4%
Progress Investment Management	***	***
Taplin, Canida & Habacht	565	2.4%
Subtotal	\$2,215	9.4%
Total:	\$2,999	12.7%

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

IMRF's \$3.0 billion allocation to emerging and emerged investment managers represents an increase of \$407 million, or 15.7%, over the amount reported in 2006. The following chart shows the increase in emerging and emerged investment managers' assets under management over the last five years. It is worth noting that the compound annual growth rate for assets managed by emerging and emerged MWBE managers over the five-year time period is 24.6%.

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





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

In January 2004, the Board of Trustees established a goal that 20% of actively managed investment assets be managed by minority and female owned investment managers. As of June 30, 2007, 20.2% of actively managed assets, or 12.7% of total assets under management, were allocated to minority and female owned investment managers. By way of policy, the IMRF Board of Trustees includes qualified minority and female owned investment managers in the Fund's investment manager selection process and objectively evaluates all qualified investment management candidates. Consequently, the following actions were undertaken since June 30, 2006.

During the third and fourth quarters of 2006, IMRF reallocated monies from the small cap core equity and small cap value equity investment styles to the small cap growth equity style. IMRF used this opportunity to increase its emerging manager allocation. Three new emerging minority managers were funded: Buford, Dickson, Harper & Sparrow (\$10 million); Cordillera Asset Management (\$20 million); and Fortaleza Asset Management (\$20 million).

In the first quarter of 2007, IMRF liquidated the Payden & Rygel fixed income portfolio for performance purposes. This is a female owned investment management firm. The portfolio had a market value of approximately \$713 million. These funds plus \$7 million from cash were allocated to four existing IMRF minority owned fixed income firms. The minority owned managers were: EARNEST Partners (\$100 million); LM Capital (\$251 million); Piedmont Investment Advisors (\$119 million); and Taplin, Canida & Habacht (\$250 million). Piedmont is an emerging firm. The other firms have emerged.

In the second quarter of 2007, the IMRF Board of Trustees approved a new commitment of \$25 million to the Muller and Monroe Private Equity Fund-of-Funds, with the option of committing an additional \$5 million to this Fund when the fund-raising is completed.

In aggregate, IMRF's allocations to emerging and emerged minority and female owned business enterprises increased from \$2.6 billion to \$3.0 billion during the twelve-month period ended June 30, 2007. This represents an increase of 15.7% over last year. Of the \$3.0 billion allocation to minority and female owned business enterprise firms, \$784 million is being managed by emerging firms and \$2.2 billion is being managed by emerged firms. The \$784 million allocation to emerging minority and female owned business enterprise managers represents an increase of 50.9% over the same period last year. The \$2.2 billion allocation to emerged minority and female owned business enterprise managers represents an increase of 6.9% as compared to the same period last year.



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Also, the number of minority and female owned business enterprise money managers has increased year-over-year from thirty-one to thirty-four. Of this total, twenty-seven are emerging minority and female owned business enterprise firms, and seven are emerged minority and female owned business enterprise firms. The number of emerging minority and female owned firms has increased from twenty-three to twenty-seven as of June 30, 2007. This represents a 17.4% increase from the number of emerging minority and female owned firms that were used by IMRF in 2006. However, the number of emerged minority and female owned investment managers came down by one to a total of seven due to the liquidation of the Payden & Rygel portfolio.

In further recognition of the objectives of Public Act 94-0471, the IMRF Board of Trustees has a policy which establishes a goal for the use of minority and female owned broker/dealers by IMRF's investment managers. The Policy specifies that, subject to best execution, 20 percent of brokerage from actively managed separate account portfolios, excluding high yield bond portfolios, micro cap equity portfolios, small cap international and emerging market portfolios, be executed by minority and women owned business enterprise broker/dealers. For the twelve months ended June 30, 2007, 21.9% of actively managed brokerage was executed by minority and female owned firms. For the twelve months ended June 30, 2007, total commissions placed with minority and female owned brokerage firms were \$5,515,507. This is an increase of \$1,146,424, or 26.2%, over the amount reported last year.

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

The following chart shows IMRF's increased use of minority and female owned broker/dealers over the last five years ending June 30. Importantly, the compound annual growth rate for commissions to minority and female owned broker/dealers over the five year period is 93.8%.



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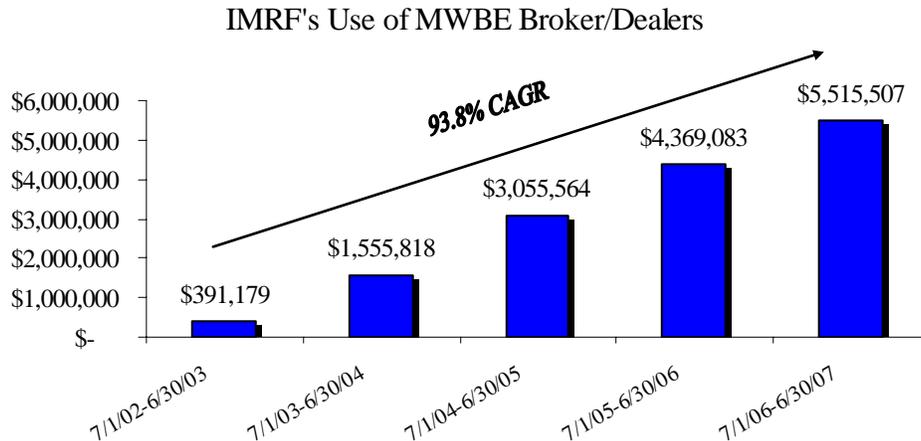


Exhibit A, attached, lists the minority and female owned broker/dealers and the commissions they received between July 1, 2006 and June 30, 2007.

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

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

IMRF INVESTMENT MANAGER SELECTION POLICY

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

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

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



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

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

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

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

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

To evaluate all qualified investment manager candidates with emphasis on: demonstrated professional performance; organizational depth; institutional investment management capability; and reasonableness of fee structure, regardless of the amount of investment assets under management, or age of the investment management firm.

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

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

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

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



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The IMRF Board of Trustees requires that its consultant, Ennis Knupp & Associates, use non-discriminatory practices when recommending investment manager candidates and that they maintain a database of emerging and emerged minority and female owned investment managers. The Ennis Knupp database contains 127 minority and female owned investment managers. Of this number, 93 are currently classified as emerging. A list of these investment managers is attached as Exhibit B.

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

Sincerely,

Louis W. Kosiba
Executive Director

LWK:chl
Attachments

EXHIBIT A

MINORITY AND WOMEN-OWNED BUSINESS ENTERPRISES
BROKERAGE COMMISSIONS PAID

July 1, 2006 - June 30, 2007

Apex Pryor	\$	530.00
333 Clay Street		
Houston, TX 77002		
Blaylock & Partners	\$	52,226.63
10 South Wacker Drive, Sute 2175		
Chicago, IL 60606		
BOE Securities	\$	13,873.56
440 South LaSalle Street		
Chicago, IL 60605		
Cabrera Capital Markets.	\$	435,904.48
10 South LaSalle Street, Suite 1050		
Chicago, IL 60603		
CastleOak Securities.	\$	8,119.44
111 East 58th Street, 6th Floor		
New York, NY 10022		
Cheevers & Co.	\$	2,746.40
440 South LaSalle Street, Suite 415		
Chicago, IL 60605		
CL King & Associates.	\$	137,494.57
1600 Stewart Ave., Suite 400		
Westbury, NY 11590		
Divine Capital Markets.	\$	16,420.81
39 Broadway, 36th floor		
New York, NY 10006		
FinaCorp Securities	\$	53,902.00
4100 MacArthur Blvd., Suite 315		
Newport Beach, CA 92660		
Gardner Rich & Company	\$	18,940.46
401 South Financial Place		
Chicago, IL 60605		

EXHIBIT A

MINORITY AND WOMEN-OWNED BUSINESS ENTERPRISES
BROKERAGE COMMISSIONS PAID

July 1, 2006 - June 30, 2007

Guzman & Company	\$	54,036.59
1200 Brickell Avenue, 14th Floor		
Miami, FL 33131		
Ivy Securities.	\$	50,658.05
Suite 21, 320 Northern Blvd.		
Great Neck, NY 11021		
Jackson Securities (formerly Berean Capital). . .	\$	857.24
300 South Wacker Drive, Suite 2450		
Chicago, IL 60606		
Lambright Financial.	\$	142,339.25
55 West Monroe, Suite 2360		
Chicago, IL 60603		
Loop Capital Markets	\$	2,408,468.33
200 West Jackson Boulevard, Suite 1600		
Chicago, IL 60606		
M.R. Beal.	\$	76,165.52
203 N. LaSalle, Suite 2100		
Chicago, IL 60601		
M. Ramsey King Securities, Inc.	\$	180,612.09
93 Tomlin Circle		
Burr Ridge, IL 60527		
MAGNA Securities Corp	\$	436,747.95
420 Lexington Avenue, Suite 2220		
New York, NY 10170		
Melvin Securities	\$	62,368.77
111 West Jackson Boulevard, Suite 2110		
Chicago, IL 60604		
Montrose Securities.	\$	388,193.06
50 California Street, Suite 3270		
San Francisco, CA 94111		

EXHIBIT A

MINORITY AND WOMEN-OWNED BUSINESS ENTERPRISES
BROKERAGE COMMISSIONS PAID

July 1, 2006 - June 30, 2007

Multi-Trade Securities.	\$	225.00
60 West Madison Avenue, 6th floor		
New York, NY 10010		
Muriel Siebert & Co	\$	34,454.75
885 Third Avenue, Suite 1720		
New York, NY 10022		
Nutmeg Securities	\$	91,834.28
440 South LaSalle, 4th Floor		
Chicago, IL 60605		
PCS Securities.	\$	35,755.00
121 Lakeside Avenue, Suite 301		
Seattle, WA 98122		
Pacific American Securities	\$	226,853.96
50 Broadway, 22nd floor		
New York, NY 10004		
Percival Partners.	\$	69.76
5100 Falls Rd.		
Baltimore, MD 21210		
Reynolds Securities.	\$	60,036.75
45 Broadway 31st Floor		
New York, NY 10006		
Robert Van Securities.	\$	3,669.01
350 Frank Ogawa Plaza, 10th floor		
Oakland, CA 94612		
Samuel Ramirez & Company.	\$	7,399.00
61 Broadway, 29th floor		
New York, NY 10006		
SBK Brooks.	\$	10,222.22
840 Terminal Tower		
Cleveland, OH 44113		

EXHIBIT A

MINORITY AND WOMEN-OWNED BUSINESS ENTERPRISES
BROKERAGE COMMISSIONS PAID

July 1, 2006 - June 30, 2007

Sterling Financial Investment Group.	\$	75,922.53
1200 North Federal Highway, Suite 400		
Boca Raton, FL 33432		
Sturdivant & Co.	\$	2,850.00
Plaza 1000 at Main St., Suite 200		
Voorhees, NJ 08043		
Utendahl Capital Partners	\$	161,937.82
30 Broad Street, 42nd Floor		
New York, NY 10004		
Williams Capital Group, L.P.	\$	263,672.06
650 Fifth Avenue, 10th floor		
New York, NY 10019		
TOTAL COMMISSIONS PAID		<u>5,515,507.34</u>

Exhibit B

Emerging Minority and Female-Owned Firms On Consultant Database

- 1 Affinity Investment Advisors
- 2 AH Lisante Capital Growth, LLC
- 3 Alpha Partners, LLC
- 4 Ambassador Capital Management
- 5 AmeriCap Advisers, LLC
- 6 Apex Capital Management, Inc.
- 7 Argus Investors Counsel, Inc.
- 8 Artemis Investment Management LLC
- 9 Ativo Capital Management
- 10 Atlanta Life Investment Advisors, Inc.
- 11 AXIS Global Management
- 12 Beekman Capital Management, Ltd.
- 13 Bermuda Asset Management Ltd.
- 14 Bivium Capital Partners, LLC
- 15 BlueCreek Investment Partners, LLC
- 16 Boston Common Asset Management, LLC
- 17 Buford, Dickson, Harper & Sparrow
- 18 Campbell Newman Asset Management, Inc.
- 19 Capital Management Associates, LLC
- 20 Cardinal Capital Management, LLC
- 21 Channing Capital Management, LLC
- 22 Cheswold Lane Asset Management, LLC
- 23 Citizens Advisers
- 24 Clearwater Asset Management, LLC
- 25 Cordillera Asset Management
- 26 Credo Capital Management, LLC
- 27 Cypress Asset Management
- 28 Daruma Asset Management, Inc.
- 29 Decatur Capital Management, Inc.
- 30 Denali Advisors, LLC.
- 31 DG Capital Management, Inc.
- 32 EH Williams Capital Management, LLC
- 33 Fan Asset Management LLC
- 34 Fiduciary Management Associates, LLC
- 35 Fortaleza Asset Management, Inc.
- 36 Goode Investment Management, Inc.
- 37 Great Companies, Inc.
- 38 Greenfield Sietz Capital Management
- 39 GW Capital, Inc.

40 Hahn Capital Management LLC
41 Hanseatic Management Services, Inc.
42 High Pointe Capital Management, LLC
43 Holt-Smith & Yates Advisors
44 Hoover Investment Management Co., LLC
45 Howland and Associates, LLC
46 Hughes Capital Management, Inc.
47 Integrity Fixed Income Management
48 John Hsu Capital Group, Inc.
49 Keel Asset Management, LLC
50 The Kenwood Group
51 Legato Capital Management, LLC
52 Locke Capital Management, Inc.
53 Lombardia Capital Partners, LLC
54 Lynmar Capital Group, Inc.
55 Malley Associates Capital Management
56 Martin Investment Management, LLC
57 Matterhorn Capital Management, LLC
58 MDL Capital Management
59 Michael F. Carr & Associates, Inc.
60 Montrose Asset Management, LLC
61 Muller & Monroe Asset Management
62 Needelman Asset Management
63 New Capital Management, LLC
64 New Century Advisors, LLC
65 Nichols Asset Management, LLC
66 NMF Asset Management
67 NorthShore Advisors LLC
68 Ocean State Asset Management, LLC
69 Odyssey Advisors LLC
70 Opus Capital Group, Inc.
71 Palisades Investment Partners, LLC
72 Paradigm Asset Management Co. LLC
73 Paradigm Capital Management, Inc.
74 Parnassus Investments
75 Philippe Investment Management, Inc.
76 PHOCAS Financial Corporation
77 Piedmont Investment Advisors, LLC
78 Piedra Capital, Ltd.
79 Profit Investment Management
80 Pugh Capital Management, Inc.
81 Redwood Investments, LLC
82 Runde & Co. LLC
83 Runnymede Capital Management, Inc.
84 Rutland Dickson Asset Management, Inc.

- 85 SIPCO
- 86 South Texas Money Management
- 87 Strategic Global Advisors, LLC
- 88 The Swarthmore Group, Inc.
- 89 The Lara Group, Ltd.
- 90 Victoria Capital Management, Inc.
- 91 Vision Capital Management, Inc.
- 92 Wagner Investment Management, Inc.
- 93 William D. Witter, Inc.

Exhibit B
(continued)

Emerged Minority and Woman-Owned Firms
On Consultant Database

- 1 Adelante Capital Management LLC
- 2 Advent Capital Management, LLC
- 3 AIC Investment Services Inc.
- 4 Ank Capital LLC
- 5 Ariel Capital Management, LLC
- 6 Berlin Financial, Ltd.
- 7 Black Knight Asset Management, LLC
- 8 Brown Capital Management, Inc.
- 9 Chandler Asset Management
- 10 Cutler Investment Counsel, LLC
- 11 Daedalus Capital, LLC
- 12 Daiwa SB Investments (USA) Ltd
- 13 Eagle Capital Management, LLC
- 14 EARNEST Partners, LLC
- 15 Endex Capital Management, LLC
- 16 Fiduciary Investment Solutions, Inc.
- 17 Fred Alger Management, Inc.
- 18 GlobeFlex Capital, LP
- 19 Holland Capital Management
- 20 LM Capital Group, LLC
- 21 Newgate Capital Management LLP
- 22 Payden & Rygel Investment Management
- 23 Popular Asset Management
- 24 Progress Investment Management Company
- 25 Rhumblin Advisers Corp
- 26 Sit Investment Associates, Inc.
- 27 Sky Investment Counsel, Inc.
- 28 Smith, Graham & Company Investment Advisors
- 29 Taplin, Canida & Habacht
- 30 Utendahl Capital Management, LP
- 31 Xavier Capital Management, LLC