

**ILLINOIS MUNICIPAL RETIREMENT FUND
MINUTES OF
REGULAR MEETING NO. 11-11
NOVEMBER 18, 2011**

ILLINOIS MUNICIPAL RETIREMENT FUND

MEETING NO. 11-11

REGULAR MEETING

OF THE

BOARD OF TRUSTEES

The Regular Meeting of the Board of Trustees was held at 9:00 a.m., November 18, 2011, in the Fund Office at 2211 York Road, Suite 400, Oak Brook, Illinois.

Mr. Shoop presided as Chair and called the meeting to order.

Ms. Enright called the roll:

Present: Copper, Faklis, Henry, Piechociniski, Rademacher, Shoop, Stafford, Thompson
Absent: None

Ms. Becker-Wold, Messrs. Dickenson and Ball from Callan Associates, Mr. Parker and Ms. Hohenthal from TA Associates, Mr. Moss from Seyfarth Shaw LLP, and representatives from Loop Capital, Cabrera Capital and MR Beal were also present.

(11-11-01) (Investment Manager - TA Associates) Ms. Hohenthal and Mr. Parker were present to report on the Buckhead Industrial Properties.

Mr. Parker reviewed the 2011 Buckhead portfolio, noting the following highlights:

- As of the end of the second quarter of 2011, the Buckhead portfolio consisted of 14 assets (30 buildings);
- Year-to-date (June 30, 2011), the market value of the portfolio increased by \$9.8 million, with a total market value of over \$227 million;
- Since inception total return on market was 10.64%, of which 8.43% is income and 2.05% is appreciation, exceeding the NPI-Industrial of 9.54%; and
- Dividends paid in 2011 equaled \$12.7 million.

Ms. Hohenthal summarized some of the 2011 portfolio leasing highlights noting: occupancy was 92% at September 30, 2011, and approximately half of the properties in the portfolio are 100% occupied.

She reviewed the 2012 Business Plan for the Buckhead Industrial Properties reporting the 2012 NOI is budgeted to be \$16.1 million, versus the 2011 reforecast NOI of \$15.5 million.

Lastly, Mr. Parker reviewed the 2012 Portfolio Strategy and Objectives for the Buckhead Industrial Properties, noting the main focus will be on maximizing the performance of the existing portfolio and on continuing to build the Fund through select acquisitions.

Questions and discussion followed.

(11-11-02)_ (Recess for Buckhead Industrial Board Meeting) It was moved by Ms. Thompson, seconded by Ms. Rademacher, to recess the Board Meeting at 9:25 a.m., so Board Members could attend the Buckhead Industrial REIT Board of Directors Meeting.

Vote: Unanimous Voice Vote
Absent: None

It was moved by Ms. Thompson, seconded by Ms. Faklis, to reconvene the Board Meeting at 9:30 a.m.

Vote: Unanimous Voice Vote
Absent: None

(11-11-03) (3rd Quarter Investment Performance) Ms. Becker-Wold of Callan Associates gave an evaluation of IMRF's investment performance for the period ending September 30, 2011.

(11-11-04) (2nd Quarter Real Estate Performance Report) Ms. Becker-Wold of Callan Associates, presented a review of IMRF's real estate performance for the period ending June 30, 2011.

The presentation was followed by questions and discussion.

(11-11-05) (Investment Manager Activities - Callan Associates) Mr. Ball gave the following report to the Board on the activities of IMRF's investment managers:

**Callan Associates Inc.
Investment Measurement Service
Monthly Review**

**Illinois Municipal Retirement Fund
Monthly Performance Report
October 31, 2011**

The following report was prepared by Callan Associates Inc. ("CAI") using information from sources that include the following: fund trustee(s); fund custodian(s); investment manager(s); CAI computer software; CAI investment manager and fund sponsor database; third party data vendors; and other outside sources as directed by the client. CAI assumes no responsibility for the accuracy or completeness of the information provided, or methodologies employed, by any information providers external to CAI. Reasonable care has been taken to assure the accuracy of the CAI database and computer software. In preparing the following report, CAI has not reviewed the risks of individual security holdings or the compliance/non-compliance of individual security holdings with investment policies and guidelines of a fund sponsor, nor has it assumed any responsibility to do so. Copyright 2011 by Callan Associates Inc.

Returns
for Periods Ended October 31, 2011

	Last Month	Year to Date	Last Year	Last 3 Years	Last 5 Years	Last 10 Years
DJ:US Total Mkt Ix	11.52	0.55	8.05	12.44	0.82	4.76
Russell:1000 Index	11.21	0.92	8.01	12.22	0.54	4.17
Russell:Midcap Index	13.01	(0.93)	7.85	17.82	2.26	8.35
Russell:2000 Index	15.14	(4.46)	6.71	12.87	0.68	7.02
MSCI:ACWI ex US	10.54	(7.67)	(4.25)	13.43	0.08	8.05
MSCI:EAFE US\$	9.64	(6.78)	(4.08)	9.90	(2.41)	5.73
MSCI:Emer Markets	13.26	(11.27)	(7.44)	23.59	6.83	17.16
BC:Aggr Bd	0.11	6.76	5.00	8.87	6.41	5.46
NCREIF Property Index	1.09	12.19	15.61	(0.14)	3.32	7.91
NAREIT Equity Index	14.40	7.52	10.34	16.40	(0.97)	10.98

After 5 consecutive months of negative returns, the equity market finally returned to positive territory. Even though the news in October still focused on Greece and other debt problems in Europe, investors felt that a solution was within reach and that there was light at the end of the debt tunnel. On the domestic side there was a lack of negative news and even some positive indications that we are not headed into another recession. U.S. GDP growth for the third quarter came in at 2.5% and unemployment, while still high, was not getting worse.

In response to all of this the Dow Jones U.S. Total Stock Market Index leapt more than 11.5%, bringing its year-to-date return back into positive territory (+0.6%). Developed international equity markets also enjoyed strong gains (MSCI EAFE Index: +9.6%) and emerging markets performed even better, gaining 13.3%.

Domestic bonds, while not having a spectacular month, still provided positive returns to investors. The BC Aggregate Bond Index gained 0.1% in October, bringing its year-to-date return to +6.8%.

The public real estate market, as measured by the NAREIT Equity Index, had a great October, rising by 14.4%. Its year-to-date return is now +7.5%.

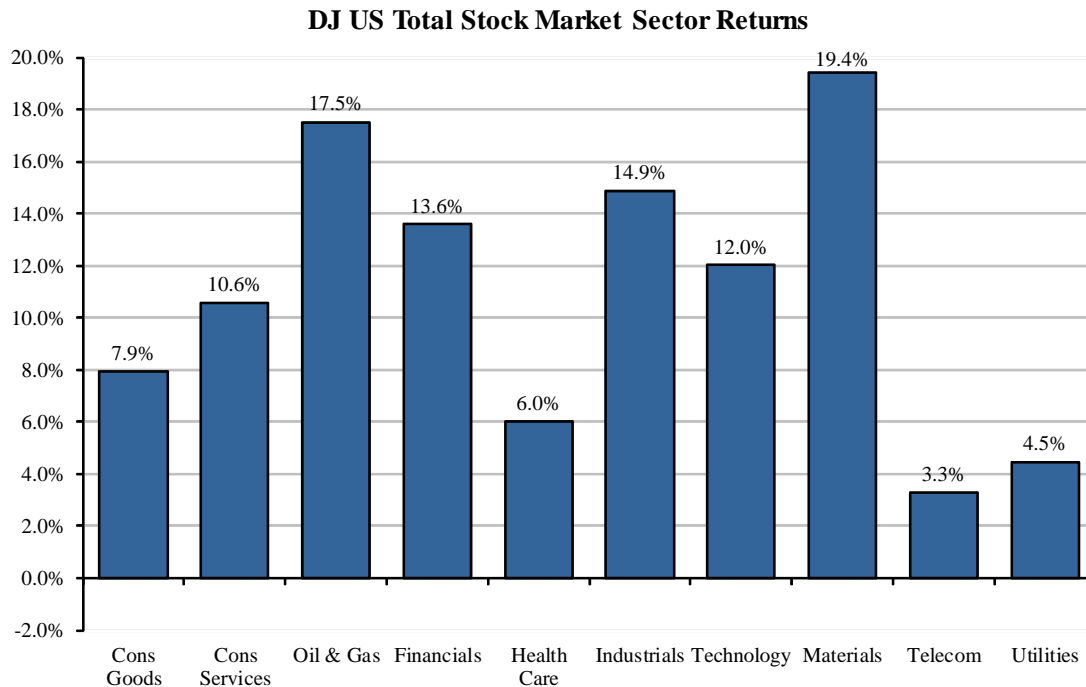
*Due to a lag in the reporting of NCREIF Property Index returns, the monthly return shown is deduced from the most recent quarterly return. This monthly return, when compounded over three months, equates to the quarterly return.

Returns
for Periods Ended October 31, 2011

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Russell:1000 Index	11.21	0.92	8.01	12.22	0.54	4.17
Russell:1000 Growth	10.97	2.98	9.92	15.62	3.04	3.56
Russell:1000 Value	11.45	(1.08)	6.16	8.78	(2.05)	4.57
Russell:Midcap Index	13.01	(0.93)	7.85	17.82	2.26	8.35
Russell:2000 Index	15.14	(4.46)	6.71	12.87	0.68	7.02
Russell:2000 Growth	15.86	(2.17)	9.84	16.31	2.68	6.04
Russell:2000 Value	14.41	(6.77)	3.54	9.52	(1.42)	7.63

As equities broke their five month losing skid, small and mid cap stocks outperformed large caps. The Russell 2000 gained 15.1%, the Russell Mid Cap was up 13.0%, and the Russell 1000 returned 11.2%. Large value stocks outperformed large growth stocks (Russell 1000 Value: 11.5%; Russell 1000 Growth: 11.0%) but small value stocks underperformed their growth counterparts (Russell 2000 Value: 14.4%; Russell 2000 Growth: 15.9%).

All sectors were positive for the month of October. The Materials sector was the biggest gainer, up 19.4%. Defensive sectors had the most muted performance. Telecoms gained 3.3% and Utilities gained 4.5%.



Returns
for Periods Ended October 31, 2011

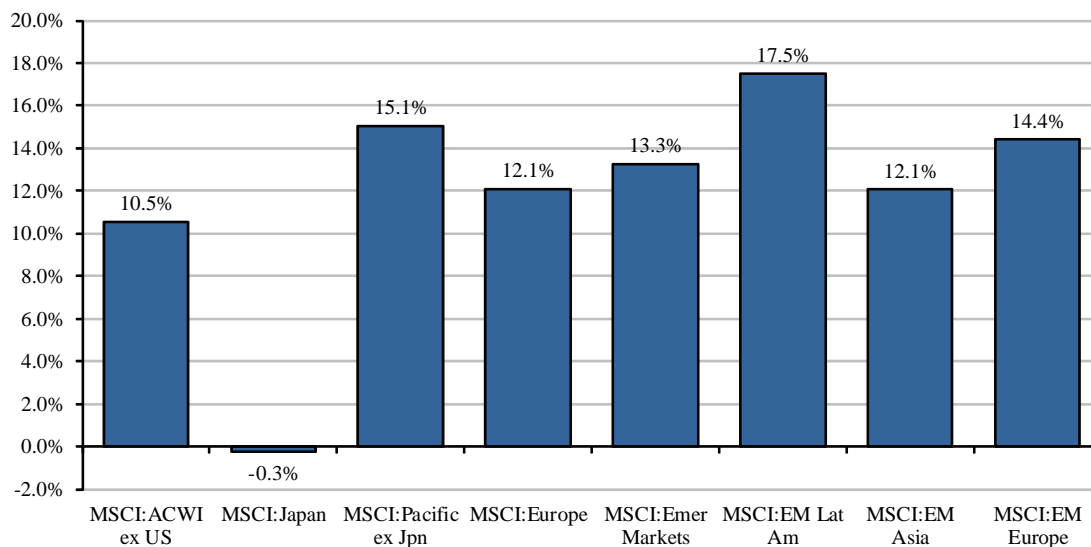
	Last Month	Year to Date	Last Year	Last 3 Years	Last 5 Years	Last 10 Years
MSCI:ACWI ex US	10.54	(7.67)	(4.25)	13.43	0.08	8.05
MSCI:ACWI ex US Gr	11.13	(8.17)	(3.80)	13.36	0.72	7.42
MSCI:ACW ex US Val	9.96	(7.17)	(4.74)	13.46	(0.61)	8.64
MSCI:EAFE US\$	9.64	(6.78)	(4.08)	9.90	(2.41)	5.73
MSCI:EAFE Hedged	6.38	(12.69)	(9.56)	1.70	(7.29)	(0.71)
MSCI:Emer Markets	13.26	(11.27)	(7.44)	23.59	6.83	17.16
S&P:Dev x US Sm Cap	8.91	(7.96)	(1.50)	18.55	(0.22)	10.67

Similar to domestic stocks, international stocks had a very strong month. Emerging markets in Latin America gained 17.5% followed by the Pacific ex-Japan region with an increase of 15.1%. As was the case in September, Japan was the anchor of international equity returns. However, this means that Japan moves from being the best performer to the worst and was the only region to end in negative territory (-0.3%).

Developed country stocks, as measured by the MSCI EAFE Index, were up 9.6%, erasing its September loss of 9.5%. The U.S. dollar weakened in October so U.S. based investors who hedged their foreign currency exposure fared worse; the MSCI EAFE-Hedged Index was only up 6.4%. As is expected in markets that are up sharply, the MSCI Emerging Markets Index rose more than their developed counterparts (+13.3%).

Outside the United States, growth stocks performed better than value stocks. The MSCI ACW ex-US Growth Index climbed 11.1% and the MSCI ACW ex-US Value Index gained 10.0%.

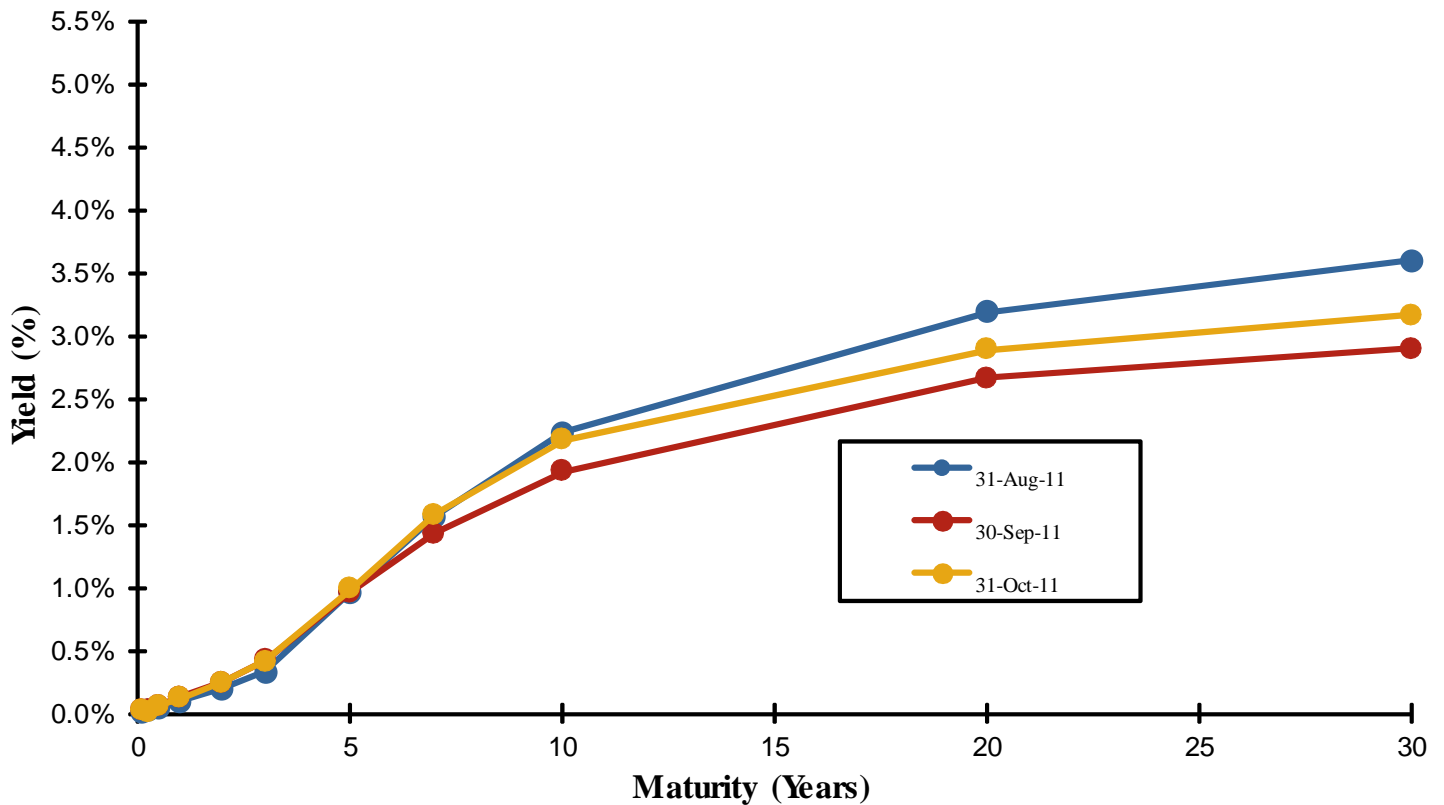
Monthly Regional Returns



Returns
for Periods Ended October 31, 2011

	Last Month	Year to Date	Last Year	Last 3 Years	Last 5 Years	Last 10 Years
BC:Aggr Bd	0.11	6.76	5.00	8.87	6.41	5.46
BC:Govt Index	(0.71)	7.34	4.89	6.27	6.30	5.10
BC:Credit	1.46	8.10	5.95	14.54	6.86	6.16
BC:Mortgage Idx	0.00	5.30	4.53	7.47	6.54	5.46
BC:US TIPS Index	1.86	12.65	9.03	12.14	7.54	7.12
ML:High Yield CP Idx	5.88	4.22	4.81	22.75	7.76	8.78
3 Month T-Bill	0.00	0.10	0.13	0.18	1.66	1.99

Treasury Yield Curve



Equity returns may have stolen the show in October but fixed income returns continued to be positive and provide investors with stability. The BC Aggregate Bond Index was up a little more than 0.1%. In fact, the only major bond sector to lose ground this month was the government sector (BC Government Index: -0.7%). Both credit and inflation-protected bonds did well and mortgage-backed securities were flat. The High yield sector was the top performer in October, as the ML High Yield Cash Pay Index rose 5.9%. This index has the best performance of all the bond indices in this report over the last 3-, 5-, and 10-year periods.

Callan met with the following IMRF investment managers during the month:

Ariel Investments, LLC
Channing Capital Management
Cornerstone Real Estate
Earnest Partners, LLC
Fortaleza Asset Management, Inc.
Franklin Templeton
GlobeFlex Capital, LP
Lazard
Lombardia Capital Partners
Mesirow Advanced Strategies
Pantheon Ventures, Inc.
Rockwood Capital, LLC
Western Asset Management

Total Fund

Current policy states that when the actual allocations of the asset classes differ by more than four percentage points from their policy targets, a recommendation for rebalancing will be made to the Board of Trustees. As of October 31st, all allocations were within the allowable range.

The Total Fund returned 7.12% during October, exceeding the Total Fund Benchmark by 0.49%. Over the trailing year, the Fund was up 4.37%, lagging the benchmark by -1.11%. Domestic equities and fixed income both exceeded their target benchmarks over this period.

US Equity

Large Cap: The Fund's Large Cap Growth managers returned 10.86%, trailing the Russell 1000 Growth Index by 0.11%. The Large Cap Growth composite return was negatively impacted by the lower performance of the S&P 500 Growth Index relative to the Russell 1000 Growth Index. Vision and Holland both exceeded the benchmark. The Large Cap Value managers returned 11.55%, exceeding the Russell 1000 Value Index return by 0.10%. LSV was the best performing manager in the group with a return of 12.57%.

Small Cap: The Small Cap portfolio returned 15.16% during the month. Small Cap Growth managers were up 14.66%. Small Cap Value managers were up 15.82%. The Micro Cap segment gained 14.89% during the month.

International Equity

Large Cap: International Large Cap managers returned 9.74% trailing the MSCI ACW ex-US Index by 0.79%. EARNEST turned in the best International Growth performance with a return of 10.75%. Brandes, the sole International Value manager returned 8.29%. The International Large Cap Active Core Group returned 9.88% during October.

International Small Cap and Emerging Markets

William Blair posted a gain of 9.14% exceeding the index by 0.67%. The emerging markets portfolio managed by Genesis returned 8.34% during October, lagging the MSCI Emerging Markets Index by 0.13%.

Domestic Fixed Income

Active Core: The active core fixed income component returned 0.44%, outperforming the BC Aggregate Index by 33 basis points. The enhanced core portfolio returned 0.29% outperforming its index by 18 basis points.

Core Plus: The core plus managers posted a gain of 0.97%, beating the BC Aggregate by 86 basis points. Taplin had the best monthly performance at 1.49%.

High Yield: MacKay Shields and Pyramis collectively returned 4.76%, trailing the ML High Yield index return of 5.88%.

Alternatives*

Real Estate: Core real estate investments gained 1.77% versus the blended benchmark (NPI+1%) return of 1.17%. Value Added real estate returned 0.61%.

Absolute Return: The hedge fund-of-funds returned 0.23% for the month compared to the HRF Fund-of-Funds Index return of 1.41%.

Private Equity: The private equity portfolio lost 0.02% compared to the Alternatives Custom Benchmark return of +0.72%.

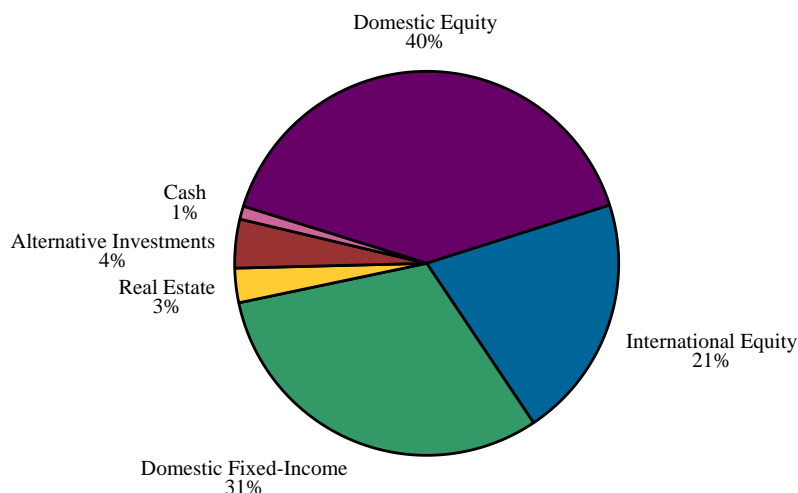
Agriculture and Timberland: The Agriculture portfolio returned -01.10% during the month, but is up 7.86% for the trailing year. Timberland was up 0.52% during October and has a 7.67% gain over the last year.

* Real Estate, Private Equity, Agriculture and Timber returns are lagged one quarter.

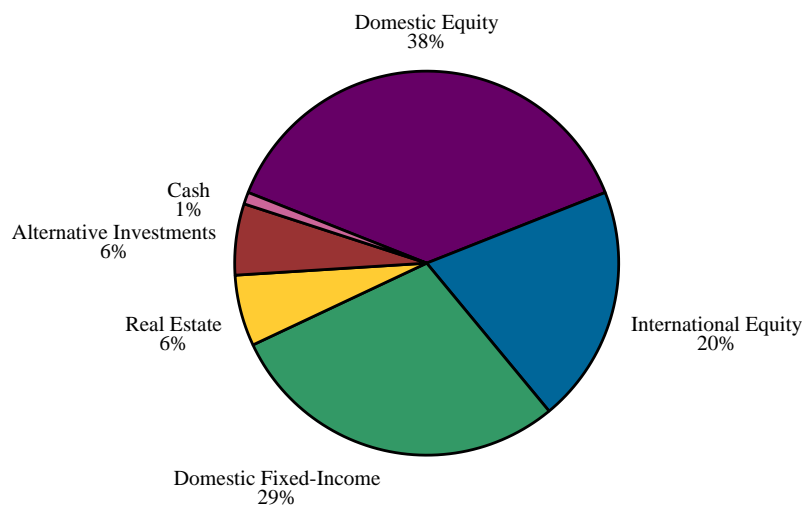
Actual vs Target Asset Allocation

The first chart below shows the Funds asset allocation as of October 31, 2011. The second chart shows the Funds target asset allocation as outlined in the investment policy statement.

Actual Asset Allocation



Target Asset Allocation



Asset Class	\$Millions Actual	Percent Actual	Percent Target	Percent Difference	\$Millions Difference
Domestic Equity	10,099	40.3%	38.0%	2.3%	580
International Equity	5,142	20.5%	20.0%	0.5%	132
Domestic Fixed-Income	7,786	31.1%	29.0%	2.1%	522
Real Estate	737	2.9%	6.0%	(3.1%)	(765)
Alternative Investments	1,015	4.1%	6.0%	(1.9%)	(488)
Cash	270	1.1%	1.0%	0.1%	20
Total	25,049	100.0%	100.0%		

* Current Month Target = 38.0% US Total Stock Market Idx, 29.0% BC Aggregate Index, 20.0% MSCI ACWI x US (Net), 6.0% NCREIF Total Index+1.0%, 6.0% 9% Annually and 1.0% 3-month Treasury Bill.

Investment Manager Asset Allocation

The table below contrasts the distribution of assets across the Fund's investment managers as of October 31, 2011, with the distribution as of September 30, 2011.

Asset Distribution Across Investment Managers

	October 31, 2011		September 30, 2011	
	Market Value	Percent	Market Value	Percent
Domestic Equity	\$10,099,007,556	40.32%	\$8,995,863,017	38.60%
Large Cap Growth				
BlackRock LCG	541,206,790	2.16%	489,312,277	2.10%
Holland	681,526,346	2.72%	611,234,885	2.62%
NTGI S&P 500 Growth Idx	750,920,583	3.00%	678,994,276	2.91%
Sands	680,882,019	2.72%	615,401,312	2.64%
Vision	49,736,139	0.20%	44,410,722	0.19%
Large Cap Value				
Dodge & Cox	599,816,958	2.39%	539,307,451	2.31%
BMO	656,068,794	2.62%	590,294,867	2.53%
LSV	632,766,959	2.53%	562,130,327	2.41%
NTGI S&P 500 Value Idx	674,650,156	2.69%	606,172,056	2.60%
Large Cap Core				
Piedmont	119,750,008	0.48%	108,620,364	0.47%
Progress	392,503,675	1.57%	346,727,868	1.49%
NTGI MarketCap Index	1,868,656,752	7.46%	1,675,391,568	7.19%
Small Cap Growth				
Buford	28,979,204	0.12%	24,929,102	0.11%
Fortaleza	29,530,692	0.12%	26,082,334	0.11%
Frontier	462,212,023	1.85%	399,485,965	1.71%
Pyramis	461,198,937	1.84%	405,909,732	1.74%
Small Cap Value				
Channing	46,628,486	0.19%	40,503,117	0.17%
Dimensional Small Cap Value	383,192,898	1.53%	331,637,158	1.42%
Inv. Counselors of Maryland	451,646,612	1.80%	388,396,752	1.67%
Lombardia	96,082,751	0.38%	83,496,456	0.36%
Micro Cap				
Ariel	51,306,330	0.20%	46,350,972	0.20%
Ativo	27,058,250	0.11%	23,665,547	0.10%
Dimensional Micro Cap	170,019,622	0.68%	149,212,890	0.64%
Wall Street	242,666,573	0.97%	208,195,019	0.89%
International Equity	\$5,141,518,690	20.53%	\$4,676,785,134	20.07%
International Large Cap Growth				
EARNEST Partners	288,545,723	1.15%	260,530,107	1.12%
McKinley	270,831,820	1.08%	247,048,203	1.06%
William Blair	710,904,754	2.84%	642,816,214	2.76%
International Large Cap Value				
Brandes	604,023,705	2.41%	557,796,797	2.39%
International Large Cap Core				
Arrowstreet	368,550,980	1.47%	337,473,962	1.45%
Brown	174,702,189	0.70%	158,364,516	0.68%
GlobeFlex	364,762,041	1.46%	330,517,966	1.42%
NTGI MSCI EAFE Index	1,635,780,573	6.53%	1,491,526,465	6.40%
International Small Cap				
AXA Rosenberg	207,255	0.00%	194,693	0.00%
Franklin Templeton	126,268,309	0.50%	116,553,334	0.50%
William Blair	153,299,807	0.61%	140,465,093	0.60%

Franklin Templeton Intl SC was funded 07/27/2011. BlackRock LCG was funded 07/12/2011. Vision was funded 06/17/2011. Channing and Lombardia were funded 05/26/2011. Piedmont LC was funded 05/19/2011. Brown and GlobeFlex moved to International Large Cap Active Core April 1, 2011.



Investment Manager Asset Allocation

The table below contrasts the distribution of assets across the Fund's investment managers as of October 31, 2011, with the distribution as of September 30, 2011.

Asset Distribution Across Investment Managers

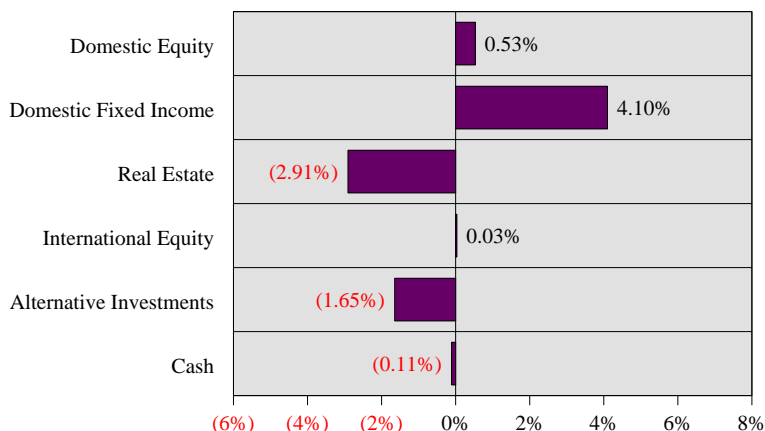
	October 31, 2011		September 30, 2011	
	Market Value	Percent	Market Value	Percent
Emerging Markets				
Genesis	443,641,534	1.77%	393,497,783	1.69%
Domestic Fixed-Income	\$7,786,076,154	31.08%	\$7,752,246,480	33.27%
Domestic Fixed Core				
EARNEST Partners	501,041,255	2.00%	500,250,907	2.15%
Piedmont	493,686,473	1.97%	490,124,766	2.10%
BlackRock Enhanced	904,877,943	3.61%	902,255,856	3.87%
NTGI BC Aggregate Index	1,385,612,267	5.53%	1,434,163,432	6.15%
Domestic Fixed Core Plus				
BlackRock Core Plus	666,446,501	2.66%	663,579,471	2.85%
LM Capital	773,224,081	3.09%	764,320,682	3.28%
Progress Fixed Income	395,025,529	1.58%	396,751,529	1.70%
Taplin, Canida, & Habacht	752,253,801	3.00%	741,208,282	3.18%
Western	1,017,300,862	4.06%	1,003,795,616	4.31%
High Yield				
MacKay Shields	439,119,401	1.75%	419,895,944	1.80%
Pyramis High Yield	457,488,040	1.83%	435,899,995	1.87%
Real Estate	\$737,465,546	2.94%	\$715,574,700	3.07%
Real Estate Opportunistic				
Franklin Templeton EMREFF	9,585,895	0.04%	2,222,096	0.01%
Lazard Freres	29,048,110	0.12%	29,048,110	0.12%
Olympus Real Estate Fund II	1,116,186	0.00%	1,116,186	0.00%
Security	47,222,756	0.19%	47,665,954	0.20%
Dune Real Estate Fund II	27,082,628	0.11%	20,632,628	0.09%
Real Estate Core				
BlackRock Granite Fund	65,396,873	0.26%	64,811,589	0.28%
Buckhead	221,417,886	0.88%	221,417,886	0.95%
Cornerstone	75,000,000	0.30%	75,000,000	0.32%
INVESCO	77,573,405	0.31%	78,117,823	0.34%
Sentinel	60,884,114	0.24%	56,335,712	0.24%
Real Estate Value Added				
Cornerstone Fund VIII	17,342,565	0.07%	17,342,565	0.07%
Rockwood	26,301,689	0.11%	23,707,924	0.10%
Rothschild	30,553,259	0.12%	29,216,047	0.13%
TA Fund IX	48,940,180	0.20%	48,940,180	0.21%
Alternative Investments	\$1,014,876,953	4.05%	\$1,018,335,367	4.37%
Absolute Return				
Aurora	134,735,908	0.54%	132,228,930	0.57%
Grosvenor	116,088,984	0.46%	114,293,493	0.49%
Mesirow	112,162,104	0.45%	115,639,759	0.50%
Private Equity				
Abbott	293,689,557	1.17%	298,889,348	1.28%
Muller & Monroe ILPEFF	13,730,225	0.05%	13,737,563	0.06%
Muller & Monroe MPEFF	16,210,392	0.06%	16,015,608	0.07%
Pantheon	164,389,973	0.66%	164,115,012	0.70%
Agriculture				
Cozad/Westchester	98,304,267	0.39%	98,264,899	0.42%
Timberland				
Forest Investment Assoc.	65,521,782	0.26%	65,021,783	0.28%
Cash	\$270,107,069	1.08%	\$145,268,574	0.62%



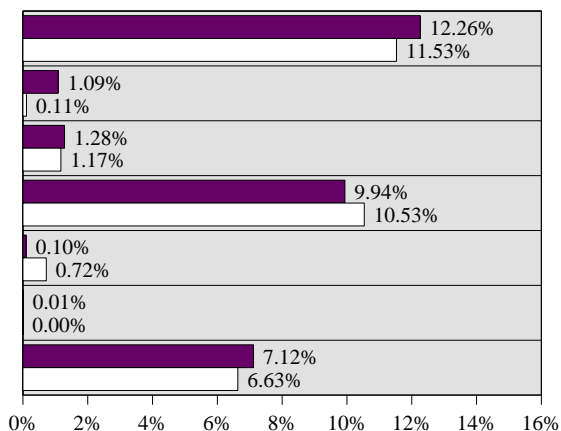
Monthly Total Fund Relative Attribution - October 31, 2011

The following analysis approaches Total Fund Attribution from the perspective of relative return. Relative return attribution separates and quantifies the sources of total fund excess return relative to its target. This excess return is separated into two relative attribution effects: Asset Allocation Effect and Manager Selection Effect. The Asset Allocation Effect represents the excess return due to the actual total fund asset allocation differing from the target asset allocation. Manager Selection Effect represents the total fund impact of the individual managers excess returns relative to their benchmarks.

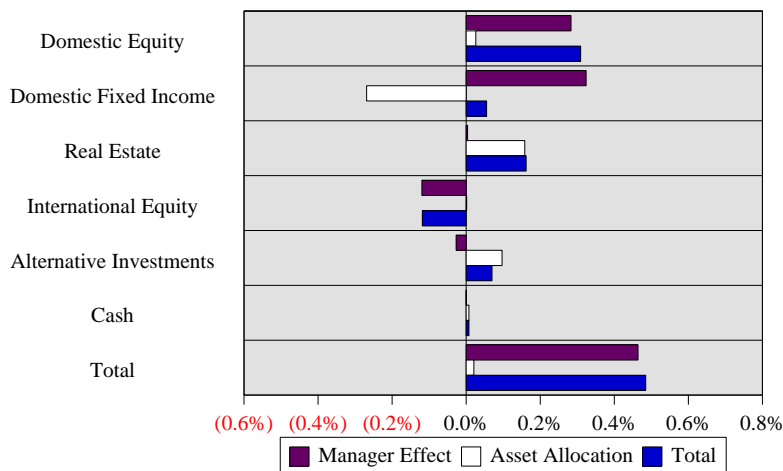
Asset Class Under or Overweighting



Actual vs Target Returns



Relative Attribution by Asset Class



Relative Attribution Effects for Month ended October 31, 2011

Asset Class	Effective Actual Weight	Effective Target Weight	Actual Return	Target Return	Manager Effect	Asset Allocation	Total Relative Return
Domestic Equity	39%	38%	12.26%	11.53%	0.28%	0.03%	0.31%
Domestic Fixed Income	33%	29%	1.09%	0.11%	0.32%	(0.27%)	0.06%
Real Estate	3%	6%	1.28%	1.17%	0.00%	0.16%	0.16%
International Equity	20%	20%	9.94%	10.53%	(0.12%)	0.00%	(0.12%)
Alternative Investments	4%	6%	0.10%	0.72%	(0.03%)	0.10%	0.07%
Cash	1%	1%	0.01%	0.00%	0.00%	0.01%	0.01%

Total **7.12% = 6.63% + 0.46% + 0.02%** **0.48%**

* Current Month Target = 38.0% US Total Stock Market Idx, 29.0% BC Aggregate Index, 20.0% MSCI ACWI x US (Net), 6.0% NCREIF Total Index+1.0%, 6.0% 9% Annually and 1.0% 3-month Treasury Bill.



Asset Class Returns

The table below details the rates of return for the fund's asset class composites over various time periods. Negative returns are shown in red, positive returns in black. Returns for one year or greater are annualized.

Returns for Periods Ended October 31, 2011

	Last Month	Last 3 Months	Year to Date	Last 12 Months
Domestic Equity (12/31/81)	12.26%	(4.67%)	(0.97%)	7.23%
DJ U.S. Total Stock Market Index	11.53%	(3.29%)	0.55%	8.05%
Domestic Equity - Net (12/31/04)	12.24%	(4.72%)	(1.17%)	6.98%
International Equity (08/31/86)	9.94%	(9.87%)	(6.93%)	(4.07%)
MSCI ACWI x US (Net)	10.53%	(10.18%)	(8.04%)	(4.66%)
International Equity - Net (12/31/04)	9.93%	(9.94%)	(7.12%)	(4.31%)
Domestic Fixed-Income (12/31/81)	1.09%	1.53%	6.60%	5.43%
BC Aggregate Index	0.11%	2.31%	6.76%	5.00%
Domestic Fixed-Inc. - Net (12/31/04)	1.07%	1.50%	6.47%	5.27%
Real Estate (04/30/85)	1.28%	2.82%	10.20%	12.13%
Blended Benchmark**	1.17%	3.55%	13.02%	16.61%
Real Estate - Net (12/31/04)	1.28%	2.82%	10.20%	12.13%
Alternative Investments (01/31/86)	0.10%	(0.11%)	6.11%	10.51%
Alternatives Custom Benchmark***	0.72%	2.18%	7.45%	9.00%
Alternative Investments - Net (12/31/04)	0.10%	(0.16%)	5.96%	10.29%
Absolute Return (12/31/01)	0.23%	(5.55%)	(3.86%)	(1.78%)
HFR Fund-of-Funds Index	1.41%	(3.95%)	(3.87%)	(1.84%)
Private Equity (01/31/86)	(0.02%)	3.89%	16.53%	22.61%
Alternatives Custom Benchmark***	0.72%	2.18%	7.45%	9.00%
Agriculture (09/30/97)	(0.10%)	0.13%	(0.04%)	7.86%
Blended Benchmark**	1.17%	3.55%	13.02%	16.61%
Timberland (09/30/92)	0.52%	2.63%	4.08%	7.67%
Blended Benchmark**	1.17%	3.55%	13.02%	16.61%
Total Fund (12/31/81)	7.12%	(3.55%)	0.49%	4.37%
Total Fund Benchmark	6.63%	(2.04%)	2.03%	5.48%
Total Fund - Net (12/31/04)	7.10%	(3.59%)	0.33%	4.16%

* Current Month Target = 38.0% US Total Stock Market Idx, 29.0% BC Aggregate Index, 20.0% MSCI ACWI x US (Net), 6.0% NCREIF Total Index+1.0%, 6.0% 9% Annually and 1.0% 3-month Treasury Bill.

** The Blended Benchmark is currently NPI + 1%. Returns prior to January 1, 2007, reflect those of the Consumer Price Index +5%. As the returns of the NPI are updated quarterly, an approximation of the Index is used during the first two months of each quarter.

*** The Alternatives Custom Benchmark is based on an annualized rate of return of 9.0%. Prior to July 1, 2010 the Benchmark was based on an annual return of 12.0%. Prior to 2004, the Benchmark was based on an annual return of 13.0%. Prior to 2003, it was based on an annual return of 15.0%.

Asset Class Returns

The table below details the rates of return for the fund's asset class composites over various time periods. Negative returns are shown in red, positive returns in black. Returns for one year or greater are annualized.

Returns for Periods Ended October 31, 2011

	Last 36 Months	Last 60 Months	Last 120 Months	Since Inception
Domestic Equity (12/31/81)	13.06%	0.97%	5.29%	11.01%
DJ U.S. Total Stock Market Index	12.44%	0.82%	4.76%	10.63%
Domestic Equity - Net (12/31/04)	12.80%	0.73%	-	3.19%
International Equity (08/31/86)	13.94%	(0.57%)	7.92%	7.94%
MSCI ACWI x US (Net)	12.92%	(0.37%)	7.61%	-
International Equity - Net (12/31/04)	13.62%	(0.89%)	-	4.23%
Domestic Fixed-Income (12/31/81)	12.09%	6.91%	6.28%	9.35%
BC Aggregate Index	8.87%	6.41%	5.46%	8.83%
Domestic Fixed-Inc. - Net (12/31/04)	11.95%	6.78%	-	5.92%
Real Estate (04/30/85)	(5.72%)	(0.68%)	4.87%	3.98%
Blended Benchmark**	0.86%	3.87%	5.69%	7.15%
Real Estate - Net (12/31/04)	(5.72%)	(0.68%)	-	3.70%
Alternative Investments (01/31/86)	4.08%	5.42%	6.21%	11.19%
Alternatives Custom Benchmark***	10.66%	11.19%	12.04%	13.84%
Alternative Investments - Net (12/31/04)	3.80%	5.14%	-	7.82%
Absolute Return (12/31/01)	4.17%	1.66%	-	4.44%
HFR Fund-of-Funds Index	2.80%	0.35%	3.60%	3.59%
Private Equity (01/31/86)	4.33%	9.04%	7.70%	13.52%
Alternatives Custom Benchmark***	10.66%	11.19%	12.04%	13.84%
Agriculture (09/30/97)	3.21%	4.07%	5.91%	5.46%
Blended Benchmark**	0.86%	3.87%	5.69%	6.18%
Timberland (09/30/92)	5.26%	6.55%	4.66%	9.54%
Blended Benchmark**	0.86%	3.87%	5.69%	6.55%
Total Fund (12/31/81)	12.44%	3.66%	6.60%	10.01%
Total Fund Benchmark	11.28%	3.90%	6.36%	-
Total Fund - Net (12/31/04)	12.22%	3.45%	-	5.15%

* Current Month Target = 38.0% US Total Stock Market Idx, 29.0% BC Aggregate Index, 20.0% MSCI ACWI x US (Net), 6.0% NCREIF Total Index+1.0%, 6.0% 9% Annually and 1.0% 3-month Treasury Bill.

** The Blended Benchmark is currently NPI + 1%. Returns prior to January 1, 2007, reflect those of the Consumer Price Index +5%. As the returns of the NPI are updated quarterly, an approximation of the Index is used during the first two months of each quarter.

*** The Alternatives Custom Benchmark is based on an annualized rate of return of 9.0%. Prior to July 1, 2010 the Benchmark was based on an annual return of 12.0%. Prior to 2004, the Benchmark was based on an annual return of 13.0%. Prior to 2003, it was based on an annual return of 15.0%.

Large Cap Equity Returns

The table below details the rates of return for the fund's large cap growth and large cap value managers over various time periods. Negative returns are shown in red, positive returns in black. Returns for one year or greater are annualized.

Returns for Periods Ended October 31, 2011

	Last Month	Last 3 Months	Year to Date	Last 12 Months
Large Cap Equity (12/31/81)	11.36%	(3.68%)	0.50%	7.62%
Russell 1000 Index	11.21%	(3.01%)	0.92%	8.01%
Large Cap Growth (12/31/81)	10.86%	(3.30%)	2.97%	9.79%
BlackRock LCG (07/31/11)	10.61%	(6.73%)	-	-
LCG Blended Benchmark*	10.97%	(2.63%)	2.98%	9.92%
Russell 1000 Growth Index	10.97%	(2.63%)	2.98%	9.92%
BlackRock LCG - Net (07/31/11)	10.61%	(6.73%)	-	-
Holland (10/31/94)	11.50%	(1.09%)	6.11%	12.92%
LCG Blended Benchmark*	10.97%	(2.63%)	2.98%	9.92%
Russell 1000 Growth Index	10.97%	(2.63%)	2.98%	9.92%
Holland - Net (12/31/04)	11.44%	(1.14%)	5.80%	12.54%
NTGI S&P 500 Growth Idx (07/31/01)	10.59%	(1.65%)	4.40%	10.39%
S&P/Citi 500 Growth Index	10.59%	(1.62%)	4.45%	10.43%
NTGI S&P 500 Growth Idx - Net (12/31/04)	10.59%	(1.65%)	4.38%	10.37%
Sands (10/31/03)	10.64%	(4.52%)	4.86%	13.56%
LCG Blended Benchmark*	10.97%	(2.63%)	2.98%	9.92%
Russell 1000 Growth Index	10.97%	(2.63%)	2.98%	9.92%
Sands - Net (12/31/04)	10.57%	(4.58%)	4.60%	13.28%
Vision (06/30/2011)	11.99%	(1.95%)	-	-
LCG Blended Benchmark*	10.97%	(2.63%)	2.98%	9.92%
Russell 1000 Growth Index	10.97%	(2.63%)	2.98%	9.92%
Vision - Net (06/30/2011)	11.99%	(1.96%)	-	-
Large Cap Value (09/30/82)	11.55%	(4.30%)	(1.59%)	5.44%
Dodge & Cox (08/31/03)	11.23%	(5.75%)	(3.40%)	3.09%
LCV Blended Benchmark**	11.45%	(3.40%)	(1.08%)	6.16%
Russell 1000 Value Index	11.45%	(3.40%)	(1.08%)	6.16%
Dodge & Cox - Net (12/31/04)	11.17%	(5.80%)	(3.61%)	2.87%
BMO (01/31/01)	11.14%	(3.49%)	1.13%	8.23%
LCV Blended Benchmark**	11.45%	(3.40%)	(1.08%)	6.16%
Russell 1000 Value Index	11.45%	(3.40%)	(1.08%)	6.16%
BMO - Net (12/31/04)	11.14%	(3.56%)	0.95%	7.97%
LSV (01/31/03)	12.57%	(4.71%)	(1.18%)	4.95%
LCV Blended Benchmark**	11.45%	(3.40%)	(1.08%)	6.16%
Russell 1000 Value Index	11.45%	(3.40%)	(1.08%)	6.16%
LSV - Net (12/31/04)	12.57%	(4.79%)	(1.38%)	4.68%
NTGI S&P 500 Value Idx (07/31/99)	11.30%	(3.39%)	(1.92%)	5.65%
S&P/Citi 500 Value Index	11.31%	(3.39%)	(1.96%)	5.61%
NTGI S&P 500 Value Idx - Net (12/31/04)	11.29%	(3.39%)	(1.93%)	5.64%

* The LCG Blended Benchmark is currently the Russell 1000 Growth Index. Returns prior to January 1, 2006, reflect those of the S&P 500/Citigroup Growth Index.

** The LCV Blended Benchmark is currently the Russell 1000 Value Index. Returns prior to January 1, 2006, reflect those of the S&P 500/Citigroup Value Index.

Large Cap Equity Returns

The table below details the rates of return for the fund's large cap growth and large cap value managers over various time periods. Negative returns are shown in red, positive returns in black. Returns for one year or greater are annualized.

Returns for Periods Ended October 31, 2011

	Last 36 Months	Last 60 Months	Last 120 Months	Since Inception
Large Cap Equity (12/31/81)	12.30%	0.65%	4.18%	10.47%
Russell 1000 Index	12.22%	0.54%	4.17%	10.82%
Large Cap Growth (12/31/81)	16.07%	3.44%	4.01%	11.08%
BlackRock LCG (07/31/11)	-	-	-	(6.73%)
LCG Blended Benchmark*	15.62%	3.04%	3.65%	(2.63%)
Russell 1000 Growth Index	15.62%	3.04%	3.56%	(2.63%)
BlackRock LCG - Net (07/31/11)	-	-	-	(6.73%)
Holland (10/31/94)	17.58%	5.03%	5.63%	9.26%
LCG Blended Benchmark*	15.62%	3.04%	3.65%	8.18%
Russell 1000 Growth Index	15.62%	3.04%	3.56%	7.20%
Holland - Net (12/31/04)	17.21%	4.74%	-	4.12%
NTGI S&P 500 Growth Idx (07/31/01)	14.78%	2.82%	3.76%	2.58%
S&P/Citi 500 Growth Index	14.73%	2.83%	3.71%	2.54%
NTGI S&P 500 Growth Idx - Net (12/31/04)	14.77%	2.81%	-	3.84%
Sands (10/31/03)	25.40%	6.86%	-	8.47%
LCG Blended Benchmark*	15.62%	3.04%	3.65%	5.16%
Russell 1000 Growth Index	15.62%	3.04%	3.56%	5.40%
Sands - Net (12/31/04)	25.07%	6.57%	-	5.49%
Vision (06/30/2011)	-	-	-	(3.53%)
LCG Blended Benchmark*	15.62%	3.04%	3.65%	(3.60%)
Russell 1000 Growth Index	15.62%	3.04%	3.56%	(3.60%)
Vision - Net (06/30/2011)	-	-	-	(3.54%)
Large Cap Value (09/30/82)	8.79%	(1.88%)	4.23%	9.44%
Dodge & Cox (08/31/03)	10.61%	(2.65%)	-	5.30%
LCV Blended Benchmark**	8.78%	(2.05%)	3.81%	4.88%
Russell 1000 Value Index	8.78%	(2.05%)	4.57%	5.12%
Dodge & Cox - Net (12/31/04)	10.37%	(2.88%)	-	1.19%
BMO (01/31/01)	9.03%	(0.47%)	5.81%	4.65%
LCV Blended Benchmark**	8.78%	(2.05%)	3.81%	1.61%
Russell 1000 Value Index	8.78%	(2.05%)	4.57%	2.90%
BMO - Net (12/31/04)	8.76%	(0.71%)	-	3.02%
LSV (01/31/03)	10.44%	(1.20%)	-	7.91%
LCV Blended Benchmark**	8.78%	(2.05%)	3.81%	6.20%
Russell 1000 Value Index	8.78%	(2.05%)	4.57%	6.26%
LSV - Net (12/31/04)	10.13%	(1.49%)	-	2.46%
NTGI S&P 500 Value Idx (07/31/99)	7.97%	(2.40%)	3.55%	1.57%
S&P/Citi 500 Value Index	7.91%	(2.44%)	3.51%	1.57%
NTGI S&P 500 Value Idx - Net (12/31/04)	7.96%	(2.41%)	-	1.21%

* The LCG Blended Benchmark is currently the Russell 1000 Growth Index. Returns prior to January 1, 2006, reflect those of the S&P 500/Citigroup Growth Index.

** The LCV Blended Benchmark is currently the Russell 1000 Value Index. Returns prior to January 1, 2006, reflect those of the S&P 500/Citigroup Value Index.



Large Cap Equity Returns

The table below details the rates of return for the fund's large cap core managers over various time periods. Negative returns are shown in red, positive returns in black. Returns for one year or greater are annualized.

Returns for Periods Ended October 31, 2011

	Last Month	Last 3 Months	Year to Date	Last 12 Months
Large Cap Active Core (12/31/04)	12.47%	(3.97%)	0.11%	7.67%
Piedmont (05/31/11)	10.25%	(5.11%)	-	-
Russell 1000 Index	11.21%	(3.01%)	0.92%	8.01%
Piedmont - Net (05/31/11)	10.13%	(5.20%)	-	-
Progress (01/31/05)	13.16%	(3.61%)	0.27%	7.84%
DJ U.S. Total Stock Market Index	11.53%	(3.29%)	0.55%	8.05%
Progress - Net (01/31/05)	13.16%	(3.61%)	(0.16%)	7.22%
Large Cap Passive Core (12/31/84)	11.54%	(3.27%)	0.59%	8.09%
NTGI MarketCap Idx (01/31/85)	11.54%	(3.27%)	0.59%	8.09%
DJ U.S. Total Stock Market Index	11.53%	(3.29%)	0.55%	8.05%
NTGI MarketCap Idx - Net (12/31/04)	11.53%	(3.27%)	0.58%	8.08%



Large Cap Equity Returns

The table below details the rates of return for the fund's large cap core managers over various time periods. Negative returns are shown in red, positive returns in black. Returns for one year or greater are annualized.

Returns for Periods Ended October 31, 2011

	Last 36 Months	Last 60 Months	Last 120 Months	Since Inception
Large Cap Active Core (12/31/04)	11.65%	0.99%	-	3.21%
Piedmont (05/31/11)	-	-	-	(9.10%)
Russell 1000 Index	12.22%	0.54%	4.17%	(6.78%)
Piedmont - Net (05/31/11)	-	-	-	(9.27%)
Progress (01/31/05)	11.71%	1.02%	-	3.28%
DJ U.S. Total Stock Market Index	12.44%	0.82%	4.76%	3.20%
Progress - Net (01/31/05)	11.11%	0.44%	-	2.68%
Large Cap Passive Core (12/31/84)	12.66%	0.58%	4.62%	10.32%
NTGI MarketCap Idx (01/31/85)	12.69%	0.60%	4.63%	10.36%
DJ U.S. Total Stock Market Index	12.44%	0.82%	4.76%	10.32%
NTGI MarketCap Idx - Net (12/31/04)	2.69%	0.60%	-	2.99%

Small Cap Equity Returns

The table below details the rates of return for the fund's small cap growth, small cap value, and micro cap managers over various time periods. Negative returns are shown in red, positive returns in black. Returns for one year or greater are annualized.

Returns for Periods Ended October 31, 2011

	Last Month	Last 3 Months	Year to Date	Last 12 Months
Small Cap Equity (06/30/88)	15.16%	(7.66%)	(5.70%)	6.50%
Russell 2000 Index	15.14%	(6.67%)	(4.46%)	6.71%
Small Cap Growth (06/30/88)	14.66%	(7.75%)	(6.09%)	6.68%
Buford (10/31/06)	16.25%	(4.75%)	(3.57%)	9.76%
Russell 2000 Growth Index	15.86%	(6.24%)	(2.17%)	9.84%
Buford - Net (10/31/06)	16.13%	(4.84%)	(3.95%)	9.33%
Fortaleza (11/30/06)	13.22%	(6.01%)	2.20%	15.24%
Russell 2000 Growth Index	15.86%	(6.24%)	(2.17%)	9.84%
Fortaleza - Net (11/30/06)	13.22%	(6.14%)	1.85%	14.72%
Frontier (07/31/88)	15.70%	(5.60%)	(5.39%)	7.81%
Russell 2000 Growth Index	15.86%	(6.24%)	(2.17%)	9.84%
Frontier - Net (12/31/04)	15.70%	(5.60%)	(6.02%)	7.09%
Pyramis (07/31/88)	13.62%	(10.09%)	(7.60%)	4.76%
Russell 2000 Growth Index	15.86%	(6.24%)	(2.17%)	9.84%
Pyramis - Net (12/31/04)	13.62%	(10.09%)	(7.95%)	4.20%
Small Cap Value (08/31/89)	15.82%	(7.11%)	(5.53%)	6.56%
Channing (06/30/11)	15.12%	(7.40%)	-	-
Russell 2000 Value Index	14.41%	(7.09%)	(6.77%)	3.54%
Channing - Net (06/30/11)	14.90%	(7.67%)	-	-
DFA Small Cap Value (01/31/96)	15.55%	(9.04%)	(7.05%)	6.21%
Russell 2000 Value Index	14.41%	(7.09%)	(6.77%)	3.54%
DFA Small Cap Value - Net (12/31/04)	15.55%	(9.13%)	(7.37%)	5.72%
Inv. Counselors of Maryland (04/30/99)	16.29%	(5.82%)	(4.26%)	7.30%
Russell 2000 Value Index	14.41%	(7.09%)	(6.77%)	3.54%
Inv. Couns. of Maryland - Net (12/31/04)	16.29%	(5.95%)	(4.57%)	6.86%
Lombardia (05/31/11)	15.07%	(5.07%)	-	-
Russell 2000 Value Index	14.41%	(7.09%)	(6.77%)	3.54%
Lombardia - Net (05/31/11)	14.88%	(5.31%)	-	-
Micro Cap (06/30/84)	14.89%	(8.52%)	(6.02%)	5.02%
Ariel (10/31/2010)	10.74%	(9.37%)	(7.65%)	(2.93%)
Russell 2000 Growth Index	15.86%	(6.24%)	(2.17%)	9.84%
Russell 2000 Index	15.14%	(6.67%)	(4.46%)	6.71%
Russell Microcap Index	13.34%	(9.76%)	(9.67%)	2.11%
Ariel - Net (10/31/10)	10.50%	(9.57%)	(8.43%)	(3.75%)
Ativo (09/30/10)	14.34%	(6.65%)	(6.60%)	(0.03%)
Russell 2000 Growth Index	15.86%	(6.24%)	(2.17%)	9.84%
Russell 2000 Index	15.14%	(6.67%)	(4.46%)	6.71%
Russell Microcap Index	13.34%	(9.76%)	(9.67%)	2.11%
Ativo - Net (09/30/10)	14.11%	(6.83%)	(7.36%)	(0.84%)
DFA Micro Cap (07/31/87)	13.94%	(6.09%)	(3.26%)	8.63%
Russell 2000 Growth Index	15.86%	(6.24%)	(2.17%)	9.84%
Russell 2000 Index	15.14%	(6.67%)	(4.46%)	6.71%
DFA Micro Cap - Net (12/31/04)	13.94%	(6.19%)	(3.61%)	8.11%
Wall Street (07/31/90)	16.56%	(10.17%)	(7.52%)	4.92%
Russell 2000 Growth Index	15.86%	(6.24%)	(2.17%)	9.84%
Russell 2000 Index	15.14%	(6.67%)	(4.46%)	6.71%
Wall Street - Net (12/31/04)	16.56%	(10.40%)	(8.08%)	4.28%

Small Cap Equity Returns

The table below details the rates of return for the fund's small cap growth, small cap value, and micro cap managers over various time periods. Negative returns are shown in red, positive returns in black. Returns for one year or greater are annualized.

Returns for Periods Ended October 31, 2011

	Last 36 Months	Last 60 Months	Last 120 Months	Since Inception
Small Cap Equity (06/30/88)	16.83%	3.38%	10.12%	11.99%
Russell 2000 Index	12.87%	0.68%	7.02%	8.91%
Small Cap Growth (06/30/88)	17.72%	4.21%	9.91%	12.79%
Buford (10/31/06)	7.13%	2.10%	-	2.10%
Russell 2000 Growth Index	16.31%	2.68%	6.04%	2.68%
Buford - Net (10/31/06)	6.70%	1.70%	-	1.68%
Fortaleza (11/30/06)	14.40%	1.75%	-	1.75%
Russell 2000 Growth Index	16.31%	2.68%	6.04%	2.68%
Fortaleza - Net (11/30/06)	13.90%	1.29%	-	1.29%
Frontier (07/31/88)	20.00%	5.89%	9.73%	12.96%
Russell 2000 Growth Index	16.31%	2.68%	6.04%	6.68%
Frontier - Net (12/31/04)	19.01%	5.04%	-	6.38%
Pyramis (07/31/88)	18.05%	4.55%	10.88%	13.33%
Russell 2000 Growth Index	16.31%	2.68%	6.04%	6.68%
Pyramis - Net (12/31/04)	17.43%	3.92%	-	7.69%
Small Cap Value (08/31/89)	14.60%	1.71%	10.24%	11.59%
Channing (06/30/11)	-	-	-	(9.43%)
Russell 2000 Value Index	9.52%	(1.42%)	7.63%	(10.16%)
Channing - Net (06/30/11)	-	-	-	(9.70%)
DFA Small Cap Value (01/31/96)	16.07%	0.33%	10.93%	11.85%
Russell 2000 Value Index	9.52%	(1.42%)	7.63%	8.77%
DFA Small Cap Value - Net (12/31/04)	15.50%	(0.18%)	-	3.54%
Inv. Counselors of Maryland (04/30/99)	14.10%	2.56%	9.93%	11.30%
Russell 2000 Value Index	9.52%	(1.42%)	7.63%	8.54%
Inv. Couns. of Maryland - Net (12/31/04)	13.50%	2.02%	-	4.48%
Lombardia (05/31/11)	-	-	-	(11.35%)
Russell 2000 Value Index	9.52%	(1.42%)	7.63%	(12.37%)
Lombardia - Net (05/31/11)	-	-	-	(11.57%)
Micro Cap (06/30/84)	18.45%	(0.44%)	7.02%	11.63%
Ariel (10/31/10)	-	-	-	0.63%
Russell 2000 Growth Index	16.31%	2.68%	6.04%	13.37%
Russell 2000 Index	12.87%	0.68%	7.02%	10.18%
Russell Microcap Index	10.29%	(3.07%)	6.03%	7.24%
Ariel - Net (10/31/10)	-	-	-	(0.19%)
Ativo (09/30/10)	-	-	-	7.02%
Russell 2000 Growth Index	16.31%	2.68%	6.04%	25.86%
Russell 2000 Index	12.87%	0.68%	7.02%	21.01%
Russell Microcap Index	10.29%	(3.07%)	6.03%	17.50%
Ativo - Net (09/30/10)	-	-	-	6.28%
DFA Micro Cap (07/31/87)	14.97%	0.98%	9.54%	10.65%
Russell 2000 Growth Index	16.31%	2.68%	6.04%	5.90%
Russell 2000 Index	12.87%	0.68%	7.02%	7.98%
DFA Micro Cap - Net (12/31/04)	14.41%	0.50%	-	2.96%
Wall Street (07/31/90)	21.56%	(0.43%)	5.54%	13.70%
Russell 2000 Growth Index	16.31%	2.68%	6.04%	6.42%
Russell 2000 Index	12.87%	0.68%	7.02%	8.70%
Wall Street - Net (12/31/04)	20.59%	(1.22%)	-	3.20%

International Equity Returns

The table below details the rates of return for the fund's international large cap growth and international large cap value managers over various time periods. Negative returns are shown in red, positive returns in black. Returns for one year or greater are annualized.

Returns for Periods Ended October 31, 2011

	Last Month	Last 3 Months	Year to Date	Last 12 Months
Intl Large Cap Equity (08/31/86)	9.74%	(9.79%)	(6.70%)	(3.96%)
MSCI ACWI ex-US Index	10.53%	(10.18%)	(8.04%)	(4.66%)
Intl Large Cap Growth (08/31/02)	10.42%	(10.40%)	(7.46%)	(4.02%)
EARNEST Partners (09/30/04)	10.75%	(10.69%)	(5.57%)	(2.10%)
MSCI ACWI ex-US Index	10.53%	(10.18%)	(8.04%)	(4.66%)
MSCI ACWI ex-US Growth	11.13%	(10.71%)	(8.17%)	(3.80%)
EARNEST Partners - Net (12/31/04)	10.70%	(10.74%)	(5.74%)	(2.28%)
McKinley (02/28/06)	9.63%	(14.11%)	(9.32%)	(5.14%)
MSCI ACWI ex-US Index	10.53%	(10.18%)	(8.04%)	(4.66%)
MSCI ACWI ex-US Growth	11.13%	(10.71%)	(8.17%)	(3.80%)
McKinley - Net (02/28/06)	9.63%	(14.23%)	(9.66%)	(5.50%)
William Blair (09/30/02)	10.59%	(8.78%)	(7.95%)	(4.68%)
MSCI ACWI ex-US Index	10.53%	(10.18%)	(8.04%)	(4.66%)
MSCI ACWI ex-US Growth	11.13%	(10.71%)	(8.17%)	(3.80%)
William Blair - Net (12/31/04)	10.59%	(8.87%)	(8.19%)	(5.01%)
Intl Large Cap Value (09/30/95)	8.29%	(6.81%)	(5.48%)	(4.67%)
Brandes (12/31/95)	8.29%	(6.81%)	(5.48%)	(4.67%)
MSCI ACWI ex-US Index	10.53%	(10.18%)	(8.04%)	(4.66%)
MSCI ACWI ex-US Value	9.96%	(9.52%)	(7.17%)	(4.74%)
Brandes - Net (12/31/04)	8.29%	(6.87%)	(5.63%)	(4.82%)

International Equity Returns

The table below details the rates of return for the fund's international large cap growth and international large cap value managers over various time periods. Negative returns are shown in red, positive returns in black. Returns for one year or greater are annualized.

Returns for Periods Ended October 31, 2011

	Last 36 Months	Last 60 Months	Last 120 Months	Since Inception
Intl Large Cap Equity (08/31/86)	13.09%	(1.23%)	6.85%	7.92%
MSCI ACWI ex-US Index	12.92%	(0.37%)	7.61%	-
Intl Large Cap Growth (08/31/02)	15.42%	(0.30%)	-	9.50%
EARNEST Partners (09/30/04)	19.81%	7.02%	-	13.21%
MSCI ACWI ex-US Index	12.92%	(0.37%)	7.61%	6.92%
MSCI ACWI ex-US Growth	13.36%	0.72%	7.42%	7.44%
EARNEST Partners - Net (12/31/04)	19.33%	6.50%	-	10.40%
McKinley (02/28/06)	10.37%	(3.59%)	-	(1.10%)
MSCI ACWI ex-US Index	12.92%	(0.37%)	7.61%	1.48%
MSCI ACWI ex-US Growth	13.36%	0.72%	7.42%	2.06%
McKinley - Net (02/28/06)	9.87%	(4.06%)	-	(1.57%)
William Blair (09/30/02)	17.36%	(0.27%)	-	9.51%
MSCI ACWI ex-US Index	12.92%	(0.37%)	7.61%	9.02%
MSCI ACWI ex-US Growth	13.36%	0.72%	7.42%	8.83%
William Blair - Net (12/31/04)	16.90%	(0.65%)	-	4.67%
Intl Large Cap Value (09/30/95)	8.95%	(2.41%)	7.56%	9.91%
Brandes (12/31/95)	8.95%	(2.41%)	7.56%	9.96%
MSCI ACWI ex-US Index	12.92%	(0.37%)	7.61%	5.21%
MSCI ACWI ex-US Value	13.46%	(0.61%)	8.64%	-
Brandes - Net (12/31/04)	8.65%	(2.63%)	-	2.27%

International Equity Returns

The table below details the rates of return for the fund's international large cap core, international small cap, and emerging markets managers over various time periods. Negative returns are shown in red, positive returns in black. Returns for one year or greater are annualized.

Returns for Periods Ended October 31, 2011

	Last Month	Last 3 Months	Year to Date	Last 12 Months
Intl Large Cap Active Core (01/31/08)	9.88%	(10.98%)	(6.75%)	(4.13%)
Arrowstreet (02/29/08)	9.21%	(9.74%)	(5.89%)	(3.25%)
MSCI ACWI ex-US Index	10.53%	(10.18%)	(8.04%)	(4.66%)
Arrowstreet - Net (02/29/08)	9.21%	(9.86%)	(6.23%)	(3.71%)
Brown (09/30/04)	10.32%	(12.21%)	(8.58%)	(5.99%)
MSCI ACWI ex-US Index	10.53%	(10.18%)	(8.04%)	(4.66%)
Brown - Net (12/31/04)	10.32%	(12.21%)	(8.73%)	(6.46%)
GlobeFlex (02/28/06)	10.36%	(11.62%)	(6.16%)	(2.71%)
MSCI ACWI ex-US Index	10.53%	(10.18%)	(8.04%)	(4.66%)
GlobeFlex - Net (02/28/06)	10.36%	(11.72%)	(6.46%)	(3.02%)
Intl Large Cap Pass. Core (12/31/99)	9.67%	(9.72%)	(6.41%)	(3.68%)
NTGI MSCI EAFE Idx (01/31/00)	9.67%	(9.72%)	(6.41%)	(3.68%)
MSCI EAFE Index	9.64%	(9.76%)	(6.78%)	(4.08%)
NTGI EAFE Idx - Net (12/31/04)	9.67%	(9.72%)	(6.41%)	(3.68%)
International Small Cap (11/30/05)	8.77%	(12.17%)	(7.02%)	(1.89%)
Franklin Templeton (07/31/11)	8.34%	(15.38%)	-	-
ACWI Small Cap ex US	8.47%	(13.27%)	(11.95%)	(5.60%)
Franklin Templeton - Net (07/31/11)	8.18%	(15.50%)	-	-
William Blair (08/31/10)	9.14%	(9.36%)	(4.12%)	1.17%
ACWI Small Cap ex US	8.47%	(13.27%)	(11.95%)	(5.60%)
Intl SC Blended Benchmark	8.47%	(13.27%)	(8.94%)	(2.55%)
William Blair - Net (08/31/10)	9.14%	(9.56%)	(4.70%)	0.45%
Emerging Markets (01/31/92)	12.74%	(9.17%)	(8.56%)	(5.22%)
Genesis (04/30/04)	12.74%	(9.17%)	(8.56%)	(5.22%)
MSCI Emerging Markets Index	13.26%	(11.85%)	(11.27%)	(7.44%)
Genesis - Net (12/31/04)	12.74%	(9.27%)	(8.98%)	(5.75%)

Brown and GlobeFlex moved to International Large Cap Active Core April 1, 2011.

Intl SC Blended Benchmark consists of the S&P Developed Ex-U.S. Small Cap Index through May 31, 2011 and the MSCI ACWI Ex-U.S. Small Cap Index thereafter.

International Equity Returns

The table below details the rates of return for the fund's international large cap core, international small cap, and emerging markets managers over various time periods. Negative returns are shown in red, positive returns in black. Returns for one year or greater are annualized.

Returns for Periods Ended October 31, 2011

	Last 36 Months	Last 60 Months	Last 120 Months	Since Inception
Intl Large Cap Active Core (01/31/08)	16.56%	-	-	(2.39%)
Arrowstreet (02/29/08)	16.92%	-	-	(2.21%)
MSCI ACWI ex-US Index	12.92%	(0.37%)	7.61%	(3.58%)
Arrowstreet - Net (02/29/08)	16.41%	-	-	(2.64%)
Brown (09/30/04)	14.37%	(0.98%)	-	6.73%
MSCI ACWI ex-US Index	12.92%	(0.37%)	7.61%	6.92%
Brown - Net (12/31/04)	14.02%	(1.27%)	-	3.77%
GlobeFlex (02/28/06)	13.56%	(1.25%)	-	0.92%
MSCI ACWI ex-US Index	12.92%	(0.37%)	7.61%	1.48%
GlobeFlex - Net (02/28/06)	13.14%	(1.71%)	-	0.47%
Intl Large Cap Pass. Core (12/31/99)	10.39%	(2.01%)	6.10%	1.40%
NTGI MSCI EAFE Idx (01/31/00)	10.35%	(2.03%)	6.09%	1.40%
MSCI EAFE Index	9.90%	(2.41%)	5.73%	1.03%
NTGI EAFE Idx - Net (12/31/04)	10.34%	(2.03%)	-	2.97%
International Small Cap (11/30/05)	12.47%	(4.32%)	-	0.05%
Franklin Templeton (07/31/11)	-	-	-	(15.38%)
ACWI Small Cap ex US	22.52%	1.50%	11.87%	(13.27%)
Franklin Templeton - Net (07/31/11)	-	-	-	(15.50%)
William Blair (08/31/10)	-	-	-	10.01%
ACWI Small Cap ex US	22.52%	1.50%	11.87%	6.02%
Intl SC Blended Benchmark	18.12%	(0.44%)	10.56%	7.86%
William Blair - Net (08/31/10)	-	-	-	9.39%
Emerging Markets (01/31/92)	29.80%	9.96%	18.92%	10.49%
Genesis (04/30/04)	29.80%	10.00%	-	16.47%
MSCI Emerging Markets Index	23.59%	6.83%	17.16%	13.06%
Genesis - Net (12/31/04)	29.02%	9.35%	-	14.25%

Brown and GlobeFlex moved to International Large Cap Active Core April 1, 2011.

Intl SC Blended Benchmark consists of the S&P Developed Ex-U.S. Small Cap Index through May 31, 2011 and the MSCI ACWI Ex U.S. Small Cap Index thereafter.



Domestic Fixed-Income Returns

The table below details the rates of return for the fund's domestic fixed core managers over various time periods. Negative returns are shown in red, positive returns in black. Returns for one year or greater are annualized.

Returns for Periods Ended October 31, 2011

	Last Month	Last 3 Months	Year to Date	Last 12 Months
Dom. Fixed Active Core (03/31/01)	0.44%	1.98%	6.82%	5.47%
EARNEST Partners (04/30/05)	0.16%	2.61%	7.11%	5.57%
BC Aggregate Index	0.11%	2.31%	6.76%	5.00%
EARNEST Partners - Net (04/30/05)	0.11%	2.55%	6.92%	5.38%
Piedmont (05/31/05)	0.73%	1.35%	6.36%	5.19%
BC Aggregate Index	0.11%	2.31%	6.76%	5.00%
Piedmont - Net (05/31/05)	0.69%	1.31%	6.18%	5.02%
Dom. Fixed Enhanced Core (03/31/00)	0.29%	1.81%	6.69%	4.95%
BlackRock Enhanced (04/30/00)	0.29%	1.81%	6.69%	4.95%
BC Aggregate Index	0.11%	2.31%	6.76%	5.00%
BlackRock Enhanced - Net (12/31/04)	0.29%	1.80%	6.63%	4.87%
Dom. Fixed Passive Core (12/31/89)	0.10%	2.40%	6.74%	5.01%
NTGI BC Agg. Index (01/31/90)	0.10%	2.40%	6.74%	5.01%
BC Aggregate Index	0.11%	2.31%	6.76%	5.00%
NTGI BC Agg. Index - Net (12/31/04)	0.10%	2.40%	6.73%	5.00%



Domestic Fixed-Income Returns

The table below details the rates of return for the fund's domestic fixed core managers over various time periods. Negative returns are shown in red, positive returns in black. Returns for one year or greater are annualized.

Returns for Periods Ended October 31, 2011

	Last 36 Months	Last 60 Months	Last 120 Months	Since Inception
Dom. Fixed Active Core (03/31/01)	10.62%	6.35%	4.73%	5.35%
EARNEST Partners (04/30/05)	9.43%	6.54%	-	6.02%
BC Aggregate Index	8.87%	6.41%	5.46%	5.88%
EARNEST Partners - Net (04/30/05)	9.21%	6.31%	-	5.81%
Piedmont (05/31/05)	9.59%	6.09%	-	5.45%
BC Aggregate Index	8.87%	6.41%	5.46%	5.74%
Piedmont - Net (05/31/05)	9.40%	5.91%	-	5.23%
Dom. Fixed Enhanced Core (03/31/00)	9.65%	6.16%	5.41%	6.37%
BlackRock Enhanced (04/30/00)	9.65%	6.16%	5.41%	6.42%
BC Aggregate Index	8.87%	6.41%	5.46%	6.42%
BlackRock Enhanced - Net (12/31/04)	9.57%	6.09%	-	5.32%
Dom. Fixed Passive Core (12/31/89)	9.18%	6.27%	5.41%	7.01%
NTGI BC Agg. Index (01/31/90)	9.18%	6.27%	5.41%	7.04%
BC Aggregate Index	8.87%	6.41%	5.46%	7.03%
NTGI BC Agg. Index - Net (12/31/04)	9.17%	6.26%	-	5.43%



Domestic Fixed-Income Returns

The table below details the rates of return for the fund's domestic fixed core plus and high yield managers over various time periods. Negative returns are shown in red, positive returns in black. Returns for one year or greater are annualized.

Returns for Periods Ended October 31, 2011

	Last Month	Last 3 Months	Year to Date	Last 12 Months
Domestic Fixed Core Plus (12/31/81)	0.97%	1.76%	7.01%	5.74%
BlackRock Core Plus (03/31/07)	0.43%	1.91%	6.70%	5.21%
BC Aggregate Index	0.11%	2.31%	6.76%	5.00%
BlackRock Core Plus - Net (03/31/07)	0.43%	1.91%	6.68%	5.17%
LM Capital (04/30/05)	1.16%	1.49%	6.91%	5.31%
BC Aggregate Index	0.11%	2.31%	6.76%	5.00%
LM Capital - Net (04/30/05)	1.12%	1.45%	6.74%	5.10%
Progress Fixed Income (12/31/05)	(0.44%)	0.99%	5.53%	4.18%
BC Aggregate Index	0.11%	2.31%	6.76%	5.00%
Progress Fixed Inc. - Net (12/31/05)	(0.44%)	0.99%	5.26%	3.82%
Taplin, Canida, Habacht (04/30/05)	1.49%	1.09%	7.22%	6.13%
BC Aggregate Index	0.11%	2.31%	6.76%	5.00%
Taplin, Canida, Hab. - Net (04/30/05)	1.46%	1.06%	7.08%	5.99%
Western (10/31/01)	1.35%	2.66%	7.73%	6.75%
BC Aggregate Index	0.11%	2.31%	6.76%	5.00%
Western - Net (12/31/04)	1.35%	2.63%	7.62%	6.60%
High Yield (03/31/86)	4.76%	(1.54%)	4.73%	5.75%
MacKay Shields (10/31/00)	4.58%	(0.00%)	6.28%	7.10%
ML High Yield Cash Pay Index	5.88%	(1.85%)	4.22%	4.81%
MacKay Shields - Net (12/31/04)	4.58%	(0.09%)	6.00%	6.73%
Pyramis (07/31/86)	4.93%	(2.97%)	3.29%	4.49%
ML High Yield Cash Pay Index	5.88%	(1.85%)	4.22%	4.81%
Pyramis - Net (12/31/04)	4.93%	(2.97%)	2.89%	4.01%



Domestic Fixed-Income Returns

The table below details the rates of return for the fund's domestic fixed core plus and high yield managers over various time periods. Negative returns are shown in red, positive returns in black. Returns for one year or greater are annualized.

Returns for Periods Ended October 31, 2011

	Last 36 Months	Last 60 Months	Last 120 Months	Since Inception
Domestic Fixed Core Plus (12/31/81)	12.40%	6.39%	5.89%	9.16%
BlackRock Core Plus (03/31/07)	10.82%	-	-	6.57%
BC Aggregate Index	8.87%	6.41%	5.46%	6.41%
BlackRock Core Plus - Net (03/31/07)	10.77%	-	-	6.52%
LM Capital (04/30/05)	12.40%	7.10%	-	6.46%
BC Aggregate Index	8.87%	6.41%	5.46%	5.88%
LM Capital - Net (04/30/05)	12.20%	6.92%	-	6.28%
Progress Fixed Income (12/31/05)	9.74%	6.64%	-	6.55%
BC Aggregate Index	8.87%	6.41%	5.46%	6.21%
Progress Fixed Inc. - Net (12/31/05)	9.40%	6.29%	-	6.22%
Taplin, Canida, Habacht (04/30/05)	11.74%	6.49%	-	5.83%
BC Aggregate Index	8.87%	6.41%	5.46%	5.88%
Taplin, Canida, Hab. - Net (04/30/05)	11.61%	6.36%	-	5.74%
Western (10/31/01)	14.36%	6.25%	6.39%	6.66%
BC Aggregate Index	8.87%	6.41%	5.46%	5.63%
Western - Net (12/31/04)	14.19%	6.09%	-	5.73%
High Yield (03/31/86)	21.40%	8.20%	10.46%	10.25%
MacKay Shields (10/31/00)	18.81%	7.52%	10.60%	9.84%
ML High Yield Cash Pay Index	22.75%	7.76%	8.78%	7.84%
MacKay Shields - Net (12/31/04)	18.40%	7.18%	-	6.89%
Pyramis (07/31/86)	24.14%	8.92%	10.38%	10.00%
ML High Yield Cash Pay Index	22.75%	7.76%	8.78%	8.73%
Pyramis - Net (12/31/04)	23.72%	8.47%	-	7.94%



Real Estate Returns

The table below details the rates of return for the fund's real estate opportunistic, real estate core, and real estate value added managers over various time periods. Negative returns are shown in red, positive returns in black. Returns for one year or greater are annualized.

Returns for Periods Ended October 31, 2011

	Last Month	Last 3 Months	Year to Date	Last 12 Months
Real Estate Opportunistic (03/31/99)	(0.17%)	(2.01%)	3.07%	4.49%
F. Templeton EMREFF (08/31/11)	(2.29%)	-	-	-
Blended Benchmark*	1.17%	3.55%	13.02%	16.61%
Lazard Freres (07/31/98)	0.00%	(0.09%)	3.44%	3.44%
Blended Benchmark*	1.17%	3.55%	13.02%	16.61%
Olympus RE Fund II (05/31/98)	0.00%	(1.83%)	(5.61%)	(6.32%)
Blended Benchmark*	1.17%	3.55%	13.02%	16.61%
Security (10/31/97)	0.00%	(5.61%)	(0.24%)	2.10%
Blended Benchmark*	1.17%	3.55%	13.02%	16.61%
Dune Real Estate Fund II (01/31/09)	0.00%	5.04%	13.67%	15.24%
Blended Benchmark*	1.17%	3.55%	13.02%	16.61%
Real Estate Core (03/31/99)	1.77%	3.26%	11.63%	13.55%
BlackRock Granite Fund (07/31/07)	0.90%	5.69%	14.23%	19.05%
Blended Benchmark*	1.17%	3.55%	13.02%	16.61%
Buckhead (07/31/95)	1.52%	2.70%	11.05%	12.74%
Blended Benchmark*	1.17%	3.55%	13.02%	16.61%
Cornerstone (06/30/11)	0.00%	0.00%	-	-
Blended Benchmark*	1.17%	3.55%	13.02%	16.61%
INVESCO (04/30/2011)	(0.70%)	1.44%	-	-
RE Blended Benchmark	1.17%	3.55%	13.02%	16.61%
Sentinel (09/30/85)	9.57%	9.57%	22.42%	22.42%
Blended Benchmark*	1.17%	3.55%	13.02%	16.61%
Real Estate Value Added (09/30/08)	0.61%	6.19%	10.72%	13.70%
Cornerstone Fund VIII (09/30/11)	0.00%	-	-	-
Blended Benchmark*	1.17%	3.55%	13.02%	16.61%
Rockwood (03/31/09)	0.00%	17.75%	22.17%	34.24%
Blended Benchmark*	1.17%	3.55%	13.02%	16.61%
Rothschild (09/30/08)	2.50%	2.50%	3.59%	7.65%
Blended Benchmark*	1.17%	3.55%	13.02%	16.61%
TA - Fund IX (04/30/10)	0.00%	4.76%	11.36%	11.36%
Blended Benchmark*	1.17%	3.55%	13.02%	16.61%

Returns are reported net of fee for all real estate managers. Returns are derived from incomplete data.

* The Blended Benchmark is currently NPI + 1%. Returns prior to January 1, 2007, reflect those of the Consumer Price Index +5%. As the returns of the NPI are updated quarterly, an approximation of the Index is used during the first two months of each quarter.

Real Estate Returns

The table below details the rates of return for the fund's real estate opportunistic, real estate core, and real estate value added managers over various time periods. Negative returns are shown in red, positive returns in black. Returns for one year or greater are annualized.

Returns for Periods Ended October 31, 2011

	Last 36 Months	Last 60 Months	Last 120 Months	Since Inception
Real Estate Opportunistic (03/31/99)	3.30%	(0.08%)	9.02%	8.49%
F. Templeton EMREFF (08/31/11) Blended Benchmark*	-	-	-	(2.29%)
	0.86%	3.87%	5.69%	2.35%
Lazard Freres (07/31/98) Blended Benchmark*	2.72%	6.05%	6.77%	0.41%
	0.86%	3.87%	5.69%	6.16%
Olympus RE Fund II (05/31/98) Blended Benchmark*	(19.32%)	(15.30%)	(10.73%)	(7.81%)
	0.86%	3.87%	5.69%	6.18%
Security (10/31/97) Blended Benchmark*	8.16%	0.56%	14.13%	13.35%
	0.86%	3.87%	5.69%	6.16%
Dune Real Estate Fund II (01/31/09) Blended Benchmark*	-	-	-	(12.99%)
	0.86%	3.87%	5.69%	2.91%
Real Estate Core (03/31/99)	(7.13%)	(0.09%)	3.94%	5.51%
BlackRock Granite Fund (07/31/07) Blended Benchmark*	(15.24%)	-	-	(9.78%)
	0.86%	3.87%	5.69%	2.24%
Buckhead (07/31/95) Blended Benchmark*	(2.26%)	4.14%	7.68%	10.08%
	0.86%	3.87%	5.69%	6.34%
Cornerstone (06/30/11) Blended Benchmark*	-	-	-	0.00%
	0.86%	3.87%	5.69%	4.76%
INVESCO (04/30/2011) Blended Benchmark*	-	-	-	7.41%
	0.86%	3.87%	5.69%	9.12%
Sentinel (09/30/85) Blended Benchmark*	(6.65%)	(2.78%)	3.03%	4.45%
	0.86%	3.87%	5.69%	7.14%
Real Estate Value Added (09/30/08)	(4.09%)	-	-	(8.44%)
Cornerstone Fund VIII (09/30/11) Blended Benchmark*	-	-	-	0.00%
	0.86%	3.87%	5.69%	2.35%
Rockwood (03/31/09) Blended Benchmark*	-	-	-	(67.76%)
	0.86%	3.87%	5.69%	4.99%
Rothschild (09/30/08) Blended Benchmark*	3.16%	-	-	(1.89%)
	0.86%	3.87%	5.69%	(0.05%)
TA - Fund IX (04/30/10) Blended Benchmark*	-	-	-	4.27%
	0.86%	3.87%	5.69%	16.68%

Returns are reported net of fee for all real estate managers. Returns are derived from incomplete data.

* The Blended Benchmark is currently NPI + 1%. Returns prior to January 1, 2007, reflect those of the Consumer Price Index +5%. As the returns of the NPI are updated quarterly, an approximation of the Index is used during the first two months of each quarter.

Alternative Investments Return

The table below details the rates of return for the fund's absolute return, private equity, agriculture, and timberland managers over various time periods. Negative returns are shown in red, positive returns in black. Returns for one year or greater are annualized.

Returns for Periods Ended October 31, 2011

	Last Month	Last 3 Months	Year to Date	Last 12 Months
Absolute Return (12/31/01)	0.23%	(5.55%)	(3.86%)	(1.78%)
Aurora (10/31/01)	1.90%	(4.26%)	(4.04%)	(1.80%)
Alternatives Custom Benchmark*	0.72%	2.18%	7.45%	9.00%
HFR Fund-of-Funds Index	1.41%	(3.95%)	(3.87%)	(1.84%)
Grosvenor (01/31/02)	1.57%	(3.72%)	(2.22%)	(0.30%)
Alternatives Custom Benchmark*	0.72%	2.18%	7.45%	9.00%
HFR Fund-of-Funds Index	1.41%	(3.95%)	(3.87%)	(1.84%)
Mesirow (01/31/02)	(3.01%)	(8.82%)	(5.29%)	(3.24%)
Alternatives Custom Benchmark*	0.72%	2.18%	7.45%	9.00%
HFR Fund-of-Funds Index	1.41%	(3.95%)	(3.87%)	(1.84%)
Private Equity (01/31/86)	(0.02%)	3.89%	16.53%	22.61%
Abbott (06/30/87)	(0.07%)	4.50%	18.14%	24.61%
Alternatives Custom Benchmark*	0.72%	2.18%	7.45%	9.00%
Abbott - Net (12/31/04)	(0.07%)	4.38%	17.73%	24.03%
Muller & Monroe ILPEFF (06/30/05)	(0.03%)	0.87%	2.81%	3.79%
Alternatives Custom Benchmark*	0.72%	2.18%	7.45%	9.00%
Muller & Monroe MPEFF (04/30/08)	(0.39%)	(0.98%)	16.11%	24.06%
Alternatives Custom Benchmark*	0.72%	2.18%	7.45%	9.00%
Pantheon (10/31/00)	0.11%	3.53%	14.90%	20.65%
Alternatives Custom Benchmark*	0.72%	2.18%	7.45%	9.00%
Pantheon - Net (12/31/04)	0.11%	3.40%	14.61%	20.19%
Agriculture (09/30/97)	(0.10%)	0.13%	(0.04%)	7.86%
Cozad/Westchester (09/30/97)	(0.10%)	0.13%	(0.04%)	7.86%
Blended Benchmark**	1.17%	3.55%	13.02%	16.61%
Timberland (09/30/92)	0.52%	2.63%	4.08%	7.67%
Forest Investment Assoc. (09/30/92)	0.52%	2.63%	4.08%	7.67%
Blended Benchmark**	1.17%	3.55%	13.02%	16.61%

Returns are reported net of fee ex Abbott and Pantheon. Returns are derived from incomplete data.

* The Alternatives Custom Benchmark is based on an annualized rate of return of 9.0%. Prior to July 1, 2010 the Benchmark was based on an annual return of 12.0%. Prior to 2004, the Benchmark was based on an annual return of 13.0%. Prior to 2003, it was based on an annual return of 15.0%.

** The Blended Benchmark is currently NPI + 1%. Returns prior to January 1, 2007, reflect those of the Consumer Price Index + 5%. As the returns of the NPI are quarterly, an estimate is used during the first two months of each quarter.



Alternative Investments Return

The table below details the rates of return for the fund's absolute return, private equity, agriculture, and timberland managers over various time periods. Negative returns are shown in red, positive returns in black. Returns for one year or greater are annualized.

Returns for Periods Ended October 31, 2011

	Last 36 Months	Last 60 Months	Last 120 Months	Since Inception
Absolute Return (12/31/01)	4.17%	1.66%	-	4.44%
Aurora (10/31/01)	5.62%	2.92%	5.98%	5.99%
Alternatives Custom Benchmark*	10.66%	11.19%	12.04%	12.06%
HFR Fund-of-Funds Index	2.80%	0.35%	3.60%	3.66%
Grosvenor (01/31/02)	4.12%	1.74%	-	4.42%
Alternatives Custom Benchmark*	10.66%	11.19%	12.04%	11.99%
HFR Fund-of-Funds Index	2.80%	0.35%	3.60%	3.51%
Mesirow (01/31/02)	2.58%	0.17%	-	4.07%
Alternatives Custom Benchmark*	10.66%	11.19%	12.04%	11.99%
HFR Fund-of-Funds Index	2.80%	0.35%	3.60%	3.51%
Private Equity (01/31/86)	4.33%	9.04%	7.70%	13.52%
Abbott (06/30/87)	3.28%	8.61%	7.76%	14.66%
Alternatives Custom Benchmark*	10.66%	11.19%	12.04%	13.78%
Abbott - Net (12/31/04)	2.82%	8.14%	-	11.71%
Muller & Monroe ILPEFF (06/30/05)	(0.08%)	(2.13%)	-	(11.61%)
Alternatives Custom Benchmark*	10.66%	11.19%	12.04%	11.37%
Muller & Monroe MPEFF (04/30/08)	5.29%	-	-	(1.50%)
Alternatives Custom Benchmark*	10.66%	11.19%	12.04%	10.87%
Pantheon (10/31/00)	6.84%	10.49%	10.35%	8.79%
Alternatives Custom Benchmark*	10.66%	11.19%	12.04%	12.33%
Pantheon - Net (12/31/04)	6.39%	10.01%	-	14.48%
Agriculture (09/30/97)	3.21%	4.07%	5.91%	5.46%
Cozad/Westchester (09/30/97)	3.21%	4.07%	5.91%	5.46%
Blended Benchmark**	0.86%	3.87%	5.69%	6.18%
Timberland (09/30/92)	5.26%	6.55%	4.66%	9.54%
Forest Investment Assoc. (09/30/92)	5.26%	6.55%	4.66%	9.54%
Blended Benchmark**	0.86%	3.87%	5.69%	6.55%

Returns are reported net of fee ex Abbott and Pantheon. Returns are derived from incomplete data.

* The Alternatives Custom Benchmark is based on an annualized rate of return of 9.0%. Prior to July 1, 2010 the Benchmark was based on an annual return of 12.0%. Prior to 2004, the Benchmark was based on an annual return of 13.0%. Prior to 2003, it was based on an annual return of 15.0%.

** The Blended Benchmark is currently NPI + 1%. Returns prior to January 1, 2007, reflect those of the Consumer Price Index + 5%. As the returns of the NPI are quarterly, an estimate is used during the first two months of each quarter.



Illinois Municipal Retirement Fund Manager Summary For Month Ending October 31, 2011

Five Best Performing Portfolios vs. Benchmarks

Manager	Year-to-Date Outperformance (in % points)
Abbot	10.69
Sentinel Real Estate	9.40
Rockwood	9.15
Muller and Monroe MPEFF	8.66
Pantheon	7.45

Five Worst Performing Portfolios vs. Benchmarks

Manager	Year-to-Date Underperformance (in % points)
Security	-13.26
Cozad/Westchester	-13.06
Mesirow	-12.74
Aurora	-11.49
Grosvenor	-9.67

Five Highest Returning Portfolios

Manager	Year-to-Date Return (in % points)
Sentinel Real Estate	22.42
Rockwood	22.17
Abbot	18.14
Muller and Monroe MPEFF	16.11
Pantheon	14.90

Five Lowest Returning Portfolios

Manager	Year-to-Date Return (in % points)
McKinley Capital	-9.32
Brown	-8.58
Genesis	-8.56
William Blair Intl LC	-7.95
Ariel	-7.65

Returns are shown gross of investment management fees with the exception of Real Estate and Alternative Investments (ex Abbott and Pantheon)

(11-11-06) (Consulting Team Change) Ms. Becker-Wold of Callan Associates discussed a change in the Callan consulting team servicing the IMRF account.

Discussion followed.

(11-11-07) (Request to Redeem from Sentinel Real Estate Fund) Staff and Consultant recommended that IMRF submit a full redemption request from the Sentinel Real Estate Fund due to concerns with Sentinel's management decisions regarding legal issues that arose during the past year.

It was moved by Ms. Faklis, seconded by Ms. Henry, to approve the recommendation from staff and consultant that IMRF submit a full redemption request from the Sentinel Real Estate Fund.

Vote: Unanimous Voice Vote
Absent: None

(11-11-08) (Appreciation of Service - Walter J. Koziol) It was the unanimous consensus of the Board, to adopt the following resolution to honor Walter J. Koziol, who is retiring on November 30, 2011, as the Chief Investment Officer for the Illinois Municipal Retirement Fund:

WHEREAS, Walter J. Koziol has faithfully served IMRF from March 1977 through November 2011, and during his tenure at IMRF served as Chief Investment Officer from July 1989 through November 2011, and;

WHEREAS, prior to August 1982 IMRF's investment authority was restricted by the Illinois Pension Code that limited portfolio diversification, and effective August 1982 IMRF adopted the prudent man rule for management of its investments, and;

WHEREAS, Walter J. Koziol's leadership and skill assisted IMRF's successful implementation of the prudent man rule resulting in the wide diversification of IMRF's investment portfolio in both investment type and management style, and;

WHEREAS, IMRF's total portfolio has grown from \$4.4 billion as of December 31, 1989, to \$25 billion as of October 31, 2011, and;

WHEREAS, Walter J. Koziol's vision to diversify IMRF investments resulted in IMRF investing in many new asset classes including international equity, private equity, high yield fixed income, real estate, agriculture, timberland, and absolute returns, and;

WHEREAS, Walter J. Koziol has always acted to moderate risk in the portfolio, ever mindful of the major role IMRF investments have in funding member retirement benefits and reducing employer contribution rates, and;

WHEREAS, IMRF's total investment return from December 31, 1989, through October 31, 2011, has been 8.13%, exceeding the Fund benchmark of 7.50% and;

WHEREAS, Walter J. Koziol successfully oversaw the purchase and renovation of the Drake Oak Brook Plaza culminating in the relocation of IMRF's offices from downtown Chicago to Oak Brook, and;

WHEREAS, Walter J. Koziol has demonstrated a strong personal commitment to IMRF, has served as an exemplary fiduciary of IMRF assets, and has exhibited true concern for all IMRF members, employers, and staff, and;

THEREFORE, BE IT RESOLVED, that the IMRF Board of Trustees recognizes and honors Walter J. Koziol for his contributions and service to the Illinois Municipal Retirement Fund.

Adopted by the IMRF Board of Trustees on Friday, November 18, 2011.

(11-11-09) (Consent Agenda) The Chair presented an agenda consisting of a Consent Agenda. The following items remained on the Consent Agenda since no Board member asked for their removal.

Approval of Minutes

Regular Meeting #11-10-28
Special Meeting #11-10S-28

Schedules - Dated November 18, 2011

- Schedule A - Benefit award listing of retirement, temporary disability, death benefits, and refund of employee contributions processed during the preceding calendar month under Article 7 of the Illinois Pension Code.
- Schedule B - Adjustment of Benefit Awards showing adjustments required in benefit awards and the reasons therefore.
- Schedule C - Benefit Cancellations.
- Schedule D - Expiration of Temporary Disability Benefits terminated under the provisions of Section 7-147 of the Illinois Pension Code.

- Schedule E - Total and Permanent Disability Benefit Awards recommended by the Fund's medical consultants as provided by Section 7-150 of the Illinois Pension Code.
- Schedule F - Benefits Terminated.
- Schedule G - Administrative Benefit Denials.
- Schedule P - Administrative Denial of Application for Past Service Credit.

Administration - Master Trustee Report

The Master Trustee Report for the month of September was prepared by The Northern Trust Company.

It was moved by Ms. Thompson, seconded by Ms. Rademacher to approve the items on the Consent Agenda.

Vote: Unanimous Voice Vote
Absent: None

(11-11-10) (Financial Reports) The Chair presented the following financial reports for approval.

- September Interim Financial Statements
- Impact of 2011 Year-To-Date Investment Income on Employer Reserves, Funding Status and Average Employer Contribution Rates
- Schedule T - Report of Expenditures

It was moved by Ms. Rademacher, seconded by Ms. Faklis, to approve the Financial Reports as presented.

Vote: Unanimous Voice Vote
Absent: None

(11-11-11) (Report of the Audit Committee) The Chair of the Audit Committee reported on the meeting held on November 17, 2011.

The Chief Financial Officer provided an analysis of the Committee's performance as related to its charter, noting the Committee is meeting its responsibilities.

The Committee was furnished an analysis by the Chief Financial Officer regarding its responses to a self-assessment. No changes in procedures were suggested.

General Counsel reported on the results of IMRF's compliance activities over the twelve months ending October 31, 2011. She indicated there were no reported violations of IMRF's Code of Conduct.

Next, representatives from Crowe Horwath presented the results of their work covering three areas: Network Security; Information Systems General Controls and Applications; and, External Penetration. They commented on four moderate risk areas and one low risk area identified by their work.

The Chief Financial Officer reported on his discussions with the Illinois Department of Insurance on the scope of work the Department of Insurance will require to satisfy itself on IMRF's compliance with the Illinois Pension Code. The Department of Insurance submitted the matter to its in-house legal staff for an interpretation. He noted, at this time, the Department will not likely require any compliance work for 2011.

Next, representatives from KPMG presented information on their 2011 audit plan for the Fund's financial statements. They noted special emphasis will be placed on valuation of pension obligation, valuation of marketable and non-marketable investments, the derivative disclosures, calculation of benefits, census data, member contributions and information systems.

It was the consensus of the Audit Committee to recommend the Board accept KPMG's 2011 Arrangement Letter with the agreed upon cost for the financial audit of \$125,500.

IMRF's internal auditor, Doug Samz, presented the 2012 internal audit plan focusing on the risk assessment process and the areas of emphasis.

Mr. Samz next reviewed the results of the 2011 Employer Audit Program to date.

Lastly, private sessions were conducted with IMRF's external and internal auditors.

It was moved by Ms. Henry, seconded by Mr. Stafford, to accept KPMG's 2011 Arrangement Letter with the agreed upon cost for the financial audit of \$125,500.

Vote: Unanimous Voice Vote

Absent: None

(11-11-12) (Report of the Benefit Review Committee) The Chair of the Benefit Review Committee reported on the meeting held on November 17, 2011.

It was moved by Ms. Rademacher, seconded by Mr. Piechocinski, to accept the following recommendations of the Benefit Review Committee:

- To approve the application for temporary disability benefits filed by Dianna Hale.
- To terminate the temporary disability benefits for Laura Lakan, effective January 26, 2011.
- To defer making a recommendation regarding the application for total and permanent disability benefits filed by John Duering.
- Furthermore, the Committee requests that John Duering undergo an independent Functional Capacity Examination (FCE).

- Furthermore, the Committee requests that staff, and if necessary the IMRF Medical Consultant, review the FCE report and refer this matter back to the Committee if such review(s) do not change staff's original determination.
- To allow Becky Bieber to be enrolled as a participating member effective December 31, 2010.
- Furthermore, that other employees of the Clinton Hospital, in similar circumstances, be given the opportunity to enroll in IMRF.
- Furthermore, that all such enrollments must be received by the Fund no later than December 31, 2011.

Vote: Unanimous Voice Vote
Absent: None

Next, the Chair reported on the Temporary Disability Eligibility Extent Termination Hearing for Lashun Johnson that was presented at the November 17, 2011 Benefit Review Committee Meeting.

Trustees Copper and Stafford recused themselves from the deliberation and vote on this matter due to a possible conflict of interest.

It was moved by Mr. Piechocinski, seconded by Ms. Thompson, that the temporary disability benefits for Lashun Johnson be terminated effective October 1, 2011.

Vote:
Aye: Faklis, Henry, Piechocinski, Rademacher, Thompson
Nay: None

(11-11-13) (2012 Planning and Budget Document) The Executive Director and Chief Financial Officer presented the proposed 2012 Planning and Budget Document for approval by the Board.

Executive Overview

This planning and budget document represents the collective efforts of the Trustees and IMRF Staff to identify and undertake actions which further IMRF's Strategic Plan and IMRF's *Mission, Vision and Values*. We are ever mindful of the trust placed in IMRF by members, retirees, employers and taxpayers to undertake our responsibilities in a prudent manner consistent with the Illinois Pension Code.

In 2011, IMRF undertook a new three-year Strategic Plan. This plan identifies objectives and strategies in five key areas:

- Financial Health and Sustainability
- Investment Returns
- Customer Satisfaction
- Employee Engagement
- Service and Operational Excellence

Our goal is to achieve a top 10% ranking for most of our key areas while keeping per member costs near median as compared to other major public pension systems. Staff developed nineteen action plans to achieve these objectives. Progress reports are furnished to the Board after the end of each calendar quarter. Substantial progress has been achieved.

In September 2011, IMRF staff submitted a comprehensive Information Technology Modernization Strategy to the Board. The Trustees approved the Procurement Phase which includes establishing a Program Management Office, obtaining the services of a qualified consultant to assist in developing and releasing a Request For Proposal for the products and services needed to implement the strategy and upgrading the IMRF mainframe computer. If fully implemented, the modernization strategy will impact multiple budget years (potentially calendar years 2011 through 2017). This will be a major undertaking affecting every department at IMRF. This initiative supports an important strategic objective: to be a high level service provider at a median cost. It positions IMRF to provide superior service well into the future.

IMRF's commitment to excellence is illustrated by its efforts to incorporate the criteria for performance excellence (established through the Baldrige National Quality Program) into our work. The quest for excellence is a never ending effort by the trustees, management and staff at IMRF. Therefore, IMRF will be submitting an application for an Illinois Performance Excellence Award in 2012. This is the Illinois equivalent to the Baldrige Award (granted at a national level).

We estimate the 2011 administrative expenses will be \$22,992,946 or \$1,125,360 under budget (-4.66%). It remains staff philosophy to budget for what is needed and to spend prudently. We recognize many IMRF employers continue to face decreased revenues and have instituted furloughs and layoffs. The proposed budget is \$1,883,366 (7.8%) higher than the approved budget for 2011. A more detailed analysis of budget variances appears immediately hereafter as pages three and four.

Staff believes the requested budget addresses our strategic objectives and new initiatives to the benefit of all stakeholders. If you have any questions regarding any aspect of the 2012 Planning and Budget Document, please call Richard DeCleene or me.

November 10, 2011

Louis W. Kosiba
Executive Director

Illinois Municipal Retirement Fund

Analysis of 2012 Budget to 2011 Budget Variances

	Dollars	Percentage Change
2012 Proposed Budget	\$26,001,672	
2011 Budget	<u>24,118,306</u>	
Increase	<u>\$1,883,366</u>	7.8%

Expense Variations by Major Expense Category

<u>Percent of Total Budget</u>		<u>Increase</u>	
48.4%	Salaries The increase in salary expense reflects the impact of the 2012 compensation plan which provides for a 1.5% base salary increase and merit increases. The estimated increase is due to the compensation plan and new positions of \$628,000 (\$429,000 related to the new Program Management Office).	\$637,595	5.3%
16.6%	Fringe Benefits This increase is due to increases in IMRF, social security and health insurance primarily due to higher budgeted headcounts versus actual 2011 headcounts. Also impacting the increase is a rate increase of 2.5% for IMRF and 2.6% decrease for health insurance. Approximately \$132,000 of this increase is due to the fringe benefits related to the Program Management Office.	262,326	6.5%
2.0%	Personnel Costs - Indirect The decrease in this category is due primarily to the \$175,000 that was budgeted in 2011 for the CIO search.	(150,430)	-22.2%
5.7%	Consulting Services This increase is due to the estimated \$312,000 cost for procurement consulting for the IS modernization project which is offset by a \$79,500 drop in general technology consulting.	226,430	18.1%
7.3%	Facility Expenses The increase includes anticipated escalation in rent and operating expenses, including electricity, at 2211 York Road, higher disaster recovery and telephone costs.	38,172	2.1%
8.5%	Commodities & Services The significant increases in this area are \$136,000 in other services primarily related to the microfiche conversion project, \$68,000 for increased postage, and \$32,000 for office supplies primarily related to envelopes and miscellaneous office furniture.	254,363	13.0%
10.3%	Equipment This increase is due to higher depreciation on internally generated software of \$253,000 due to the impact of GASB 51 and \$238,000 on computer equipment and software due primarily to the new mainframe acquisition in 2012 and higher licensing costs of \$96,000 primarily from Software AG and increases in other software costs of \$28,000 offset by \$45,000 of lower maintenance and rental costs.	555,840	26.1%
1.2%	Miscellaneous The increase is due primarily to an estimated \$103,000 increase in trustee expenses and a \$24,000 reduction in insurance expense.	59,070	23.5%
<u>100.0%</u>		<u>\$1,883,366</u>	

Illinois Municipal Retirement Fund

Analysis of 2012 Budget to 2011 Estimated Actual Variances

	Dollars	Percentage Change
2012 Proposed Budget	\$26,001,672	
2011 Estimated Actual	<u>22,992,946</u>	
Increase	<u>\$3,008,726</u>	13.1%

Expense Variations by Major Expense Category

<u>Percent of Total Budget</u>		<u>Increase</u>	
48.4%	Salaries The increase in salary expense reflects the impact of the 2012 compensation plan which provides for a 1.5% base salary increase and merit increases. The estimated increase is due to the compensation plan and new positions of \$628,000 (\$429,000 related to the new Program Management Office), a \$336,000 decrease in capitalized payroll costs, and a \$237,000 increase in the compensated absence accrual. Another factor impacting the increase is the fact that actual 2011 salaries were less than budgeted due to vacancies during the year.	\$1,297,468	11.5%
16.6%	Fringe Benefits This increase is due to increases in IMRF, social security and health insurance primarily due to higher budgeted headcounts versus actual 2011 headcounts. Also impacting the increase is a rate increase of 2.5% for IMRF and 2.6% decrease for health insurance. Capitalized fringe benefits decreased by \$51,200. Approximately \$132,000 of this increase is due to the fringe benefits related to the Program Management Office.	413,363	10.6%
2.0%	Personnel Costs - Indirect The net increase in this category is due primarily to offsetting factors: higher travel for the modernization project and higher education driven by increases in tuition reimbursement, succession planning, and fund wide training offset by a \$100,000 drop in costs for the CIO search. Approximately \$43,000 of these costs are related to the Program Management Office	13,999	2.7%
5.7%	Consulting Services This increase is primarily due to the estimated \$312,000 cost for procurement consulting for the IS modernization project which is offset by a \$79,500 drop in general technology consulting and a \$27,500 drop in process improvement consulting.	161,125	12.3%
7.3%	Facility Expenses The increase includes anticipated escalation in rent and operating expenses at 2211 York Road, higher telephone costs and higher disaster recovery costs.	40,460	2.2%
8.5%	Commodities & Services The significant increases in this area are \$173,000 in other services primarily related to the microfiche conversion project, \$64,000 for increased postage, and \$27,000 for office supplies primarily related to envelopes and miscellaneous office furniture.	268,097	13.8%
10.3%	Equipment This increase is due to higher depreciation on internally generated software of \$287,000 due to the impact of GASB 51 and \$270,000 on computer equipment and software due primarily to the new mainframe acquisition in 2012 and higher licensing costs of \$96,000 primarily from Software AG and increases in other software costs of \$30,000.	695,122	35.0%
1.2%	Miscellaneous This increase is primarily due to higher trustee election costs and higher estimated insurance costs.	119,092	62.2%
<u>100.0%</u>		<u>\$3,008,726</u>	

IMRF STRATEGIC PLAN

November 2011

The Illinois Municipal Retirement Fund Board of Trustees and staff developed our 2011-2013 IMRF Strategic Plan in 2010, and began implementation in 2011. The Strategic Plan includes Strategic Objectives for each of our five Key Result Areas, plus our Mission, Vision and Values.

The framework and requirements of the Baldrige *Criteria for Performance Excellence* helped shape the development of the Strategic Plan, which aligns our objectives with the five key result areas of the Fund.

- ***Financial Health and Sustainability***
- ***Investment Returns***
- ***Customer Satisfaction***
- ***Employee Engagement***
- ***Service and Operational Excellence***

For most of the key result areas, our Strategic Objectives challenge us to achieve top 10% performance. These objectives are supported by a set of key strategies critical to the success of our plan. The complete list of Strategic Objectives and Key Strategies is included in the enclosed Strategic Plan.

Detailed Action Plans are the means by which we ensure implementation of each key strategy. During year one of our three-year plan, significant progress was made toward achievement of all five Strategic Objectives. The Action Plans that drive accomplishment of the strategies were updated to ensure continual progress during 2012.

Our Strategic Plan provides the Fund with a road map for meeting the challenges and opportunities in providing the highest quality retirement services to our members, their beneficiaries, and employers. It guides our efforts to continuously improve our service to our 2,963 employers; 176,703 participating members; 96,067 benefit recipients; and the taxpayers of Illinois.

We appreciate your interest in IMRF and welcome your feedback.

Louis W. Kosiba
Executive Director

Illinois Municipal Retirement Fund

STRATEGIC PLAN

2011 – 2013

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Executive Summary

IMRF implemented a formal strategic planning process and methodology in 2005 to ensure the IMRF Board of Trustees and staff had a mechanism to plan for the future needs of the Fund. This systematic process facilitates discussion and agreement between the Board of Trustees, staff, and key stakeholders on the appropriate direction for IMRF. Consistent with the spirit of our continuous process improvement program, the process was updated and improved in 2007 and again in 2010.

IMRF has a long history of implementing improvements in response to the increasing needs and demands of our stakeholders. These changes have allowed the Fund to effectively and efficiently respond to many challenges, including new benefit programs and ever-increasing workloads. Our success continues to be validated through the high marks received on customer satisfaction surveys and through outside benchmarking services.

We expanded our strategic planning process in 2010 to include elements of the Baldrige Criteria for Performance Excellence to ensure we align our objectives, processes, and resources with our Vision. Our application for the *2009 Lincoln Award for Performance Excellence* was a logical extension of our continuous process improvement program and provided a new sense of direction for our planning process. In our efforts to quantify our Vision, we considered the Baldrige framework which offers a blueprint for organizations striving to become the best. Baldrige recipient organizations often set their overarching strategic objectives to achieve a top 10% ranking in each key area of importance to their stakeholders. We want to follow that same path.

While the measures of success that we use for our strategic objectives may change over time, we will strive to achieve top 10% performance for most key result areas. We believe this high level of performance is how we should benchmark ourselves. This is consistent with our Values, and provides a means to assess progress toward realization of our Vision. Our Strategic Objectives force us to think strategically about how we can achieve and/or maintain excellence in each of our key result areas. They provide a target we can aspire to over the three years of this Strategic Plan.

As a critical part of our formal 15-step planning process, the Board of Trustees and staff completed a re-examination and validation of our Mission, Vision, and Values in July 2010. We also completed a comprehensive overview of our external environment, as well as an analysis of our strengths, weaknesses, opportunities, and threats. These analyses resulted in a list of strategic advantages and challenges that helped validate our five Key Result Areas and provide a framework for establishment of our new Strategic Objectives.

Our five strategic objectives provide the basis for our 2011 - 2013 Strategic Plan. Staff developed action plans, including timelines, for the key strategies associated with each of these objectives. We made significant progress in executing these action plans during 2011.

IMRF MISSION, VISION, and VALUES

Mission

To efficiently and impartially develop, implement, and administer programs that provide income protection to members and their beneficiaries on behalf of participating employers in a prudent manner

Vision

To provide the highest quality retirement services to our members, their beneficiaries and employers

Values

Accuracy

Performing our duties in an accurate and timely manner ensures our members receive the service and benefits to which they are entitled

Accountability

Accepting responsibility for our actions cultivates the trust of our coworkers, members, and employers

Respect

Recognizing the worth, uniqueness, and importance of ourselves, our coworkers, and our membership builds collaboration and cooperation

Empathy

Being aware of the feelings of others and how our actions affect them enables us to be responsive to the needs of our membership

Honesty

Acting in a truthful, ethical, and professional manner builds confidence with our membership and the public

Courage

Recognizing the need for innovation and being willing to change strengthens our ability to meet future challenges and opportunities

(Approved August 2010)

STRATEGIC OBJECTIVES FOR 2011 - 2013

The five Strategic Objectives define our approach to realize our Vision, and as such, constitute the aim of our Strategic Plan for 2011 -2013. These five inter-related objectives address both internal and external challenges and advantages, and were used to identify key strategies for each key result area. The objectives and strategies are aligned with our Vision and across key result areas. This integration is critical to the success of our Strategic Plan, as these objectives must be considered as five parts of one plan. The Plan highlights the five Strategic Objectives, and provides an overview of the Key Strategies we will utilize to achieve these objectives.

Key Result Area: ***Financial Health and Sustainability***

Strategic Objective

To achieve a funding level whereby we are in the top 10% on a market-value basis, as measured versus a universe of public pension funds with December 31st year-ends

Key Strategies

- *Monitor GASB'S proposed changes to pension accounting and reporting standards for governmental employers*
- *Evaluate techniques to moderate rate volatility, including phase-in rates and minimum employer contribution rates*
- *Introduce legislation to address pension abuses*
- *Continue to educate and advocate the "prudent man rule" and 100% funding principle, and defend against adverse legislation*

Key Result Area: ***Investment Returns***

Strategic Objective

Achieve a 7.5% net annual return and outperform the annual total portfolio benchmark

Key Strategies

- *Continue to utilize portfolio construction tools and principles, including asset liability models, long-term strategies, portfolio optimization, risk management, and performance measurement*

Key Result Area: **Customer Satisfaction**

Strategic Objective

To achieve a level of satisfaction whereby a minimum of 90% of member and employer survey respondents assign us a “Very Satisfied” rating

Key Strategies

- *Utilize Voice of the Customer surveys and implement a corresponding improvement process based on customer feedback and survey results*
- *Re-design IMRF.org to provide an improved customer experience*
- *Utilize targeted messaging and enhanced communications venues to reach all segments of our membership*

Key Result Area: **Workforce Engagement**

Strategic Objective

To achieve a top 10% ranking in overall workforce engagement as measured by a nationally benchmarked survey

Key Strategies

- *Administer an annual employee engagement survey with national comparisons and address identified improvement opportunities*
- *Develop a formalized program to provide training and development opportunities for staff*

Key Result Area: **Service & Operational Excellence**

Strategic Objective

To achieve a top 10% ranking in overall service as measured by the CEM Service Score while keeping our “per member” cost near the median of the CEM administrative cost measure

Key Strategies

- *Develop plan to replace or upgrade SPECTRUM to address needs for improved correspondence, Customer Relationship Management, Reporting and Analysis, and full integration of our various technology systems*
- *Enhance our online services and tools*
- *Emphasize data security, redundancy, and disaster recovery systems*

- *Utilize transaction process analysis, scorecarding, and benchmarking to identify best practices and opportunities for improvement*
- *Improve customer interactions and follow-ups, including contacts with our call center*
- *Work with our reciprocal systems to align our systems and services to provide excellent service to our shared membership*
- *Integrate Tier II and other mandated legislative requirements into all IMRF systems, communications, websites, processes, and training materials*

2012
PROPOSED ADMINISTRATIVE EXPENSES,
PROPOSED DIRECT INVESTMENT EXPENSES,
AND
PROPOSED CAPITAL BUDGET

ILLINOIS MUNICIPAL RETIREMENT FUND
2012 Proposed Administrative Expenses

EXPENSE CLASSIFICATION	ACCT NO.	ACTUAL		BUDGET	ESTIMATED	PROPOSED BUDGET	2012 PROPOSED AS % CHANGE OVER 2011	
		2009	2010	2011	2011	2012	BUDGET	ESTIMATED
PERSONNEL COSTS - DIRECT								
Salaries	5501	\$11,579,049	\$11,345,540	\$11,955,291	\$11,295,418	\$12,592,886	5.3%	11.5%
Fringe Benefits	5504	3,579,210	3,770,101	4,046,485	3,895,448	4,308,811	6.5%	10.6%
		<u>15,158,259</u>	<u>15,115,641</u>	<u>16,001,776</u>	<u>15,190,866</u>	<u>16,901,697</u>	5.6%	11.3%
PERSONNEL COSTS - INDIRECT								
Travel, Education & Conferences	5507	242,602	237,260	327,460	228,281	340,280	3.9%	49.1%
Field Staff	5508	126,704	141,076	104,250	126,250	117,250	12.5%	-7.1%
Recruitment & Testing	5509	21,397	21,464	201,050	121,300	30,300	-84.9%	-75.0%
Other Personnel Costs	5510	38,063	34,115	44,000	36,500	38,500	-12.5%	5.5%
		<u>428,766</u>	<u>433,915</u>	<u>676,760</u>	<u>512,331</u>	<u>526,330</u>	-22.2%	2.7%
CONSULTING SERVICES								
Auditing	5511	341,741	363,606	328,920	407,900	357,125	8.6%	-12.4%
Actuarial	5512	251,186	261,186	346,600	361,100	355,325	2.5%	-1.6%
Legal Counsel	5513	30,745	36,359	39,350	59,658	55,100	40.0%	-7.6%
Compensation & Benefits	5514	25,499	20,749	23,000	18,300	30,000	30.4%	63.9%
Management & Systems Design	5515	56,360	122,210	244,333	206,200	403,033	65.0%	95.5%
Medical Investigations	5516	106,864	114,928	109,550	107,900	118,000	7.7%	9.4%
Legislative	5518	62,234	64,104	67,600	66,100	67,200	-0.6%	1.7%
Public Relations	5519	87,328	85,205	88,500	86,000	88,500	0.0%	2.9%
		<u>961,957</u>	<u>1,068,347</u>	<u>1,247,853</u>	<u>1,313,158</u>	<u>1,474,283</u>	18.1%	12.3%
FACILITY EXPENSES								
Rent and Maintenance	5521	1,421,107	1,423,243	1,444,208	1,468,050	1,453,000	0.6%	-1.0%
Electricity	5522	99,203	84,518	91,800	78,000	80,000	-12.9%	2.6%
Telephone	5523	123,517	124,147	144,500	126,000	156,100	8.0%	23.9%
Miscellaneous Facility Expenses	5525	131,264	158,558	173,220	179,390	202,800	17.1%	13.0%
		<u>\$1,775,091</u>	<u>\$1,790,466</u>	<u>\$1,853,728</u>	<u>\$1,851,440</u>	<u>\$1,891,900</u>	2.1%	2.2%

**ILLINOIS MUNICIPAL RETIREMENT FUND
2012 Proposed Administrative Expenses**

EXPENSE CLASSIFICATION	ACCT NO.	ACTUAL		BUDGET	ESTIMATED	PROPOSED BUDGET	2012 PROPOSED AS % CHANGE OVER	
		2009	2010	2011	2011	2012	2011 BUDGET	2011 ESTIMATED
COMMODITIES & SERVICES								
Office Supplies	5531	\$147,466	\$168,073	\$194,425	\$199,875	\$226,550	16.5%	13.3%
Forms & Informational Materials	5532	194,230	189,273	187,600	198,752	205,300	9.4%	3.3%
Postage & Delivery	5533	994,497	1,092,791	1,044,873	1,049,309	1,112,954	6.5%	6.1%
Publications & Dues	5535	55,945	61,008	63,385	55,869	63,175	-0.3%	13.1%
Other Services	5540	431,723	391,889	468,893	441,637	605,560	29.1%	37.1%
		<u>1,823,861</u>	<u>1,903,034</u>	<u>1,959,176</u>	<u>1,945,442</u>	<u>2,213,539</u>	13.0%	13.8%
EQUIPMENT								
Depreciation	5571	533,346	712,777	873,775	792,515	1,413,518	61.8%	78.4%
Maintenance & Rentals	5572	209,538	244,877	317,970	285,490	272,670	-14.2%	-4.5%
Software Maintenance	5573	727,179	633,850	656,190	640,650	769,300	17.2%	20.1%
Expendable Equipment	5575	85,074	151,734	279,733	269,731	228,020	-18.5%	-15.5%
		<u>1,555,137</u>	<u>1,743,238</u>	<u>2,127,668</u>	<u>1,988,386</u>	<u>2,683,508</u>	26.1%	35.0%
MISCELLANEOUS								
Trustee Employer Reimbursement	5580	64,175	59,017	65,000	50,000	52,000	-20.0%	4.0%
Trustee Expenses	5581	36,317	36,720	49,400	37,073	41,750	-15.5%	12.6%
Trustee Elections	5582	35,005	44,156	5,200	4,900	108,670	1989.8%	2117.8%
Insurance	5583	113,756	115,730	121,550	89,495	98,000	-19.4%	9.5%
Filing Fees	5586	10,044	9,859	10,195	9,855	9,995	-2.0%	1.4%
		<u>259,297</u>	<u>265,482</u>	<u>251,345</u>	<u>191,323</u>	<u>310,415</u>	23.5%	62.2%
Total Expenses		<u>\$21,962,368</u>	<u>\$22,320,123</u>	<u>\$24,118,306</u>	<u>\$22,992,946</u>	<u>\$26,001,672</u>	7.8%	13.1%

**ILLINOIS MUNICIPAL RETIREMENT FUND
2012 ADMINISTRATIVE ACCOUNT EXPLANATIONS**

5501 PERSONNEL - DIRECT SALARIES \$12,592,886

				2012 Proposed as % Change Over 2011	
	2011 Budget	2011 Estimated	2012 Proposed	Budget	Estimated
Regular	\$11,790,291	\$11,159,918	\$12,403,086	5.2%	11.1%
Overtime	165,000	135,500	178,800	8.4%	32.0%
Part-time/Temp	0	0	11,000		
	<u>\$11,955,291</u>	<u>\$11,295,418</u>	<u>\$12,592,886</u>	5.3%	11.5%

5501 SALARIES - Regular \$12,403,086

Salaries for staff of 184 office and field personnel employed to administer a statewide retirement system, consisting of 2,963 governmental units and 176,703 participating members and 97,281 retirees and beneficiaries. The employee headcount is three more than the number budgeted for 2011.

Total estimated salaries at December 31, 2011	\$12,022,163
Impact of new positions in 2012	387,275
January 1 base salary adjustment - 1.5%	170,587
Estimated January 1 discretionary adjustments	61,324
Lump sum adjustments for individuals over maximum range	9,285
Increase in compensated absence accrual	237,012
Impact of capitalizing salaries based on GASB 51	<u>(484,560)</u>
	<u>\$12,403,086</u>

The reason for the 2011 estimate being less than the 2011 budget is due to staff turnover during the year which left positions open during the year. The resulting replacements were hired at a lower wage. Also more wages were capitalized than originally budgeted due to the amount of work done on Tier 2. The main reason for the \$613,000 increase in the 2012 budget over the 2011 budget is due to new positions related to the new program management office, base salary and discretionary adjustment increases and an estimated \$133,000 decrease in capitalized salaries due to less capitalized software projects in 2012.

5501 SALARIES - Overtime \$178,800

Salary expense required to handle peak work loads connected with large annual projects, seasonal benefit claim processing, bulk mailings, computer malfunctions and major in-house computer development projects. While the 2011 estimate is less than the 2011 budget, it is anticipated that 2012 overtime will be higher as programming continues on Tier 2 and IMRF begins working on the modernization project.

5501 SALARIES - Part Time and Temporary \$11,000

Salaries for individuals hired for annual projects, peak work loads, and extended absences of full time staff. The 2012 amount is primarily for a temporary worker in the records unit to work on the jacket conversion project in order to convert the data prior to the commencement of the modernization project.

**ILLINOIS MUNICIPAL RETIREMENT FUND
2012 ADMINISTRATIVE ACCOUNT EXPLANATIONS**

5504 FRINGE BENEFITS \$4,308,811

	2011		2012	2012 Proposed as % Change Over 2011	
	Budget	Estimated	Proposed	Budget	Estimated
IMRF	\$1,308,631	\$1,248,066	\$1,414,632	8.1%	13.3%
Social Security	863,465	818,918	911,411	5.6%	11.3%
Health insurance	1,855,589	1,824,793	1,966,768	6.0%	7.8%
Unemployment	16,800	3,000	14,000	-16.7%	366.7%
Mgr. physicals	2,000	671	2,000	0.0%	198.1%
	<u>\$4,046,485</u>	<u>\$3,895,448</u>	<u>\$4,308,811</u>	6.5%	10.6%

5504 FRINGE BENEFITS - IMRF Contributions \$1,414,632

Payment of employer IMRF contributions on staff salaries. The 2011 rate was 11.18%. The 2012 employer contribution rate is 11.46%. The increase in the rate reflects the carryover from the investment losses in 2008. The remainder of the increase is due to the factors discussed above concerning higher regular salaries.

5504 FRINGE BENEFITS - Social Security & Medicare \$911,411

Payment of the employer Social Security and Medicare contributions on staff salaries. Actual Social Security and Medicare expense varies with Section 125 plan usage.

	2011	2012
Social Security rate	6.20%	6.20%
Social Security wage base	\$106,800	\$111,100
Medicare rate	1.45%	1.45%
Medicare wage base	All wages	All wages

The main reason for the increase in Social Security and Medicare expenses for the 2012 budget is the higher salaries discussed above.

5504 FRINGE BENEFITS - Staff Health Insurance \$1,966,768

All full time employees are eligible to be covered by medical, hospital, dental and group life insurance. IMRF pays a portion of the individual and family plan premium for covered employees. A new employee is eligible for coverage after thirty days of employment. Health insurance premiums decreased approximately 2.9% from 2011 while dental premiums increased 3.2%. The increase in the 2012 budget over 2011 budget and estimate is due to the higher head count anticipated in 2012 and a decrease in the amount of costs capitalized.

5504 FRINGE BENEFITS - Unemployment Insurance \$14,000

Reimbursement of actual unemployment compensation paid to former IMRF staff. During 2011, it is estimated that IMRF will have claims of \$3,000. Based upon potential claims pending and historical experience, we are estimating that 2012 costs will be \$14,000.

5504 FRINGE BENEFITS - Manager Health Examinations \$2,000

Cost of physical examinations for managers, limited to \$400 per year per manager.

**ILLINOIS MUNICIPAL RETIREMENT FUND
2012 ADMINISTRATIVE ACCOUNT EXPLANATIONS**

PERSONNEL - INDIRECT
5507- TRAVEL, EDUCATION & CONFERENCES **\$340,280**
5517

	2011 Budget	2011 Estimated	2012 Proposed
Training and tuition	\$285,890	\$194,422	\$294,800
Conferences and meetings	41,570	33,859	45,480
	<u>\$327,460</u>	<u>\$228,281</u>	<u>\$340,280</u>

5507 TRAVEL & EDUCATION - Training, Tuition and Business Travel **\$294,800**

	2011 Budget	2011 Estimated	2012 Proposed
Computer and business skills	\$97,770	\$87,512	\$131,125
CEBS courses and professional certification	5,000	1,000	5,000
Tuition reimbursement	36,000	40,000	45,000
Training related to strategic goals	4,800	4,800	0
Succession planning	84,000	30,000	50,000
Legislative travel	10,270	7,200	8,000
Business travel	48,050	23,910	55,675
	<u>\$285,890</u>	<u>\$194,422</u>	<u>\$294,800</u>

The proposed 2012 budget is 52% higher than estimated 2011 due mainly to anticipated higher tuition reimbursement costs and higher succession planning costs, higher training costs with the bulk of the increase related to training for the modernization project, and higher business travel also related to the modernization project.

5517 MANAGEMENT CONFERENCES - Conferences & Meetings **\$45,480**

	2011 Budget	2011 Estimated	2012 Proposed
Human Resources	\$4,000	\$2,897	\$4,000
Administration	5,500	2,060	5,500
Operations	3,200	3,459	3,875
Benefits	1,150	745	885
Project Management Office	0	0	2,500
Member Services	2,250	2,250	2,250
Finance	5,000	6,500	5,000
Internal Audit	2,500	1,600	2,500
Information Systems	3,500	3,200	4,000
Investments	2,500	0	5,000
Legal	7,000	5,111	5,000
Legislative	1,620	1,400	1,620
Communications	2,000	2,629	2,000
Office Services	1,350	2,008	1,350
	<u>\$41,570</u>	<u>\$33,859</u>	<u>\$45,480</u>

Historically IMRF has under spent this account.

5508 TRAVEL, MEETINGS, EXPENSES - Field Staff **\$117,250**

Lodging and food expenses for the Field Services Manager and seven field representatives. This account also includes exhibit fees for conferences at which IMRF has an exhibit, room rental and luncheons for IMRF sponsored meetings and plaques for the Authorized Agents' certification program.

**ILLINOIS MUNICIPAL RETIREMENT FUND
2012 ADMINISTRATIVE ACCOUNT EXPLANATIONS**

		2011	2011	2012
		<u>Budget</u>	<u>Estimated</u>	<u>Proposed</u>
5509	RECRUITMENT & TESTING	<u>\$201,050</u>	<u>\$121,300</u>	<u>\$30,300</u>

Cost of want ads, job posting fees, personnel agency fees, testing materials, on-line recruitment and employee background checks. Included in the 2011 budget was \$175,000 to cover the cost of a national search for a chief investment officer. The current estimate for 2011 costs for the chief investment officer search is \$100,000.

5510	OTHER PERSONNEL COSTS			<u>\$38,500</u>
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		2011	2011	2012
		<u>Budget</u>	<u>Estimated</u>	<u>Proposed</u>
	Employee assistance and wellness programs	\$17,500	\$13,000	\$18,000
	Employee recognition activities	20,000	17,000	14,000
	Executive director evaluation	6,500	6,500	6,500
		<u>\$44,000</u>	<u>\$36,500</u>	<u>\$38,500</u>

IMRF anticipates that its spending on wellness in 2012 will be close to the 2011 budgeted amount due to an increased emphasis on the program. Based upon a review of employee anniversaries in 2012, it is anticipated that employee recognition activities costs will decrease.

	CONSULTING SERVICES			
5511	AUDITING			<u>\$357,125</u>

		2011	2011	2012
		<u>Budget</u>	<u>Estimated</u>	<u>Proposed</u>
	External: KPMG	\$120,900	\$120,900	\$142,175
	Internal: BIK LLP	140,400	223,000	148,200
	IS internal control testing: Crowe Horwath	50,000	50,000	58,250
	Death match	16,420	14,000	8,500
	Wellness checks	1,200	0	0
		<u>\$328,920</u>	<u>\$407,900</u>	<u>\$357,125</u>

External audit expenses for 2012 reflect the agreed upon fees from the most recent RFP process. The 2011 external audit fees did not include the biennial compliance audit required by the Illinois Department of Insurance while the 2012 fees do. Internal audit fees for 2012 are anticipated to be significantly less than 2011 due to the reduction in work done on employer audits due to the increase in IMRF internal audit staff. The fees for the IS internal control testing will be higher due to an increase in the scope of the work for 2012. The scope of this work changes from year to year as key controls are tested on a rotating basis.

5512	ACTUARIAL			<u>\$355,325</u>
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		2011	2011	2012
		<u>Budget</u>	<u>Estimated</u>	<u>Proposed</u>
	Gabriel, Roeder, Smith & Company			
	Base fee, including software upgrades	\$251,100	\$251,100	\$305,325
	Special studies	10,000	10,000	50,000
	Triennial experience study	40,500	40,500	0
	Actuarial review	45,000	59,500	0
		<u>\$346,600</u>	<u>\$361,100</u>	<u>\$355,325</u>

GRS's base fee will increase in 2012 due to the impact of tier 2 on actuarial calculations. A significant amount of additional work will be required to calculate two sets of employer rates. The

**ILLINOIS MUNICIPAL RETIREMENT FUND
2012 ADMINISTRATIVE ACCOUNT EXPLANATIONS**

2012 special studies budget reflects a "down payment" on the costs that will be incurred to gather the information that IMRF will need to provide its 2,963 employers based on the GASB proposals for changes in pension accounting. 2011 included the cost of the actuarial review which is conducted every six years.

5513	LEGAL COUNSEL	<u>\$55,100</u>		
		2011	2011	2012
		Budget	Estimated	Proposed
	Fiduciary counsel	\$20,000	\$28,000	\$20,000
	Tax consultants	16,000	27,000	5,000
	Legal consulting	3,250	4,658	30,000
	Court costs	100	0	100
		<u>\$39,350</u>	<u>\$59,658</u>	<u>\$55,100</u>

Fiduciary counsel has been engaged since 1998 in lieu of fiduciary insurance. The budget includes fees for tax consultants. Tax consulting fees will be significantly lower in 2012 since IMRF obtained its tax determination letter in 2011. The sharp increase in the legal consulting budget reflects the anticipated costs of negotiating the comprehensive contract with the lead provider of the IS modernization solution.

5514	COMPENSATION & BENEFITS	<u>\$30,000</u>		
		2011	2011	2012
		Budget	Estimated	Proposed
	Salary surveys	\$8,000	\$3,300	\$0
	Compensation study			15,000
	Benefit consulting on staff health insurance program	15,000	15,000	15,000
		<u>\$23,000</u>	<u>\$18,300</u>	<u>\$30,000</u>

In 2012 IMRF will have an in-depth compensation study which will review grade levels and compensation ranges for specified jobs. These studies are done periodically with the last one done in 2009. Each year IMRF engages a consultant to review and negotiate IMRF's staff health insurance program.

5515	MANAGEMENT AND SYSTEMS DESIGN	<u>\$403,033</u>		
		2011	2011	2012
		Budget	Estimated	Proposed
	Process improvement consulting in conjunction with strategic goals	\$52,500	\$52,500	\$25,200
	General technology consulting	75,000	79,500	0
	Telecommunications consulting	36,000	0	0
	Member statement design	25,000	20,200	10,000
	Web design consulting	55,833	54,000	55,833
	Procurement consulting for IS modernization	\$0	\$0	\$312,000
		<u>\$244,333</u>	<u>\$206,200</u>	<u>\$403,033</u>

The 2011 estimated and 2012 budgeted costs related to process improvement activities reflect the use of an outside consultant. The general technology consulting represented the use of a technology strategist to assist IMRF in developing its long term technology plan. Any telecommunications consulting has been placed on hold pending the modernization project. The 2012 budget continues the use of Opinion Lab which allows IMRF to gather information on what users are currently doing as well as soliciting information on what users would like to do.

**ILLINOIS MUNICIPAL RETIREMENT FUND
2012 ADMINISTRATIVE ACCOUNT EXPLANATIONS**

5516	MEDICAL AND FIELD INVESTIGATION	<u>\$118,000</u>		
		2011	2011	2012
		Budget	Estimated	Proposed
	Medical records	\$7,500	\$6,400	\$7,500
	Medical consultant	87,000	88,000	91,500
	IME, testing and surveillance	14,050	13,500	18,000
	Non-disability investigations	1,000	0	1,000
		<u>\$109,550</u>	<u>\$107,900</u>	<u>\$118,000</u>

The 2012 budget reflects increases in medical consultant costs and independent medical exams, testing and surveillance.

5518	LEGISLATIVE	2011	2011	2012
		Budget	Estimated	Proposed
		<u>\$67,600</u>	<u>\$66,100</u>	<u>\$67,200</u>

The 2012 proposed budget includes the continued use of a lobbying firm to protect the interests of IMRF's members and employers in the legislative process in Springfield.

5519	PUBLIC RELATIONS	2011	2011	2012
		Budget	Estimated	Proposed
		<u>\$88,500</u>	<u>\$86,000</u>	<u>\$88,500</u>

These costs represent the use of the Reynolds Communications Group, a public relations firm, to assist IMRF in various efforts impacting its constituents.

5521 - 5524	FACILITY EXPENSES RENT AND MAINTENANCE	2011	2011	2012
		Budget	Estimated	Proposed
		<u>\$1,444,208</u>	<u>\$1,468,050</u>	<u>\$1,453,000</u>
	Oak Brook office			\$1,420,000
	Springfield office			33,000
				<u>\$1,453,000</u>

Rent for office space in Oak Brook and Springfield. IMRF rents space on the 4th and 5th floors in Oak Brook. The current lease expires in May of 2016. The base rent is increased by an inflation factor each year. In addition, there is an annual escalation charge to cover the increase in property taxes and operating expenses. An amount is budgeted to cover service charges for work orders placed with the building's maintenance staff. The Springfield office lease expires in November of 2016. Electricity costs are included in the Springfield lease terms.

5521	ELECTRICITY	2011	2011	2012
		Budget	Estimated	Proposed
		<u>\$91,800</u>	<u>\$78,000</u>	<u>\$80,000</u>

The cost of electrical power to light the Oak Brook office and to operate equipment is expected to increase slightly in 2012 from the 2011 estimate.

**ILLINOIS MUNICIPAL RETIREMENT FUND
2012 ADMINISTRATIVE ACCOUNT EXPLANATIONS**

	2011 Budget	2011 Estimated	2012 Proposed
5523 TELEPHONE	\$144,500	\$126,000	\$156,100

Cost of local, cellular and long distance telephone service required to communicate with employers, annuitants, members, field staff, other retirement systems, suppliers, brokers, banks, doctors, hospitals, legal representatives, and state agencies. The increase in the 2012 budget over the 2011 estimate is primarily due to upgrading disaster recovery capabilities and upgrading the internet connection to increase network speed.

5525 MISCELLANEOUS FACILITY EXPENSES \$202,800

	2011 Budget	2011 Estimated	2012 Proposed
Mainframe/telecommunications backup facility	\$124,000	\$126,658	\$146,400
Off-site storage	48,820	52,632	56,000
Equipment disposal cost	400	100	400
	<u>\$173,220</u>	<u>\$179,390</u>	<u>\$202,800</u>

The major component of this cost is the backup facilities to support our business continuity plan. The increase in these costs for 2012 is due to the additional technology capabilities of IMRF that need to be backed up at our hot site. Off-site storage costs are to maintain historical records necessitated by space constraints at 2211 York Road. The current records retention project should eventually reduce these costs as more records are destroyed.

**5531 COMMODITIES AND SERVICES
OFFICE SUPPLIES \$226,550**

	2011 Budget	2011 Estimated	2012 Proposed
General	\$34,250	\$33,750	\$35,250
Envelopes	48,550	68,000	76,100
Mainframe cleaning and supplies	2,000	0	0
PC supplies	62,625	62,625	65,500
Paper - general	39,000	30,000	34,500
Telecommunications	8,000	5,500	5,200
Furniture	0	0	10,000
	<u>\$194,425</u>	<u>\$199,875</u>	<u>\$226,550</u>

The largest anticipated increases are related to increased usage of envelopes which is driven by the increased use of surveys and the purchase of tables and chairs for new conference rooms that are below the \$500 threshold for expendable equipment.

5532 INFORMATIONAL MATERIALS AND PRINTED FORMS \$205,300

	2011 Budget	2011 Estimated	2012 Proposed
Forms printed outside	\$16,900	\$14,000	\$14,550
Checks, IRS forms and inserts	10,450	8,100	8,950
Member statements and inserts	27,000	24,600	25,600
New member folders	3,000	7,500	10,000
Annual financial report	4,000	6,221	6,300
Newsletters	85,000	90,660	92,000
Booklets and AA/SLEP manuals	28,250	33,171	33,600
Pre-retirement materials	13,000	14,500	12,000
Target mailings	0	0	2,300
	<u>\$187,600</u>	<u>\$198,752</u>	<u>\$205,300</u>

**ILLINOIS MUNICIPAL RETIREMENT FUND
2012 ADMINISTRATIVE ACCOUNT EXPLANATIONS**

The amount expended on various printed forms can vary from year to year based upon a number of factors such as the amount of inventory we might have at year end or the number of forms, booklets or manuals that need to be updated. In 2012 IMRF is initiating target mailings for certain demographic groups.

5533	POSTAGE AND DELIVERY	<u>\$1,112,954</u>		
		2011	2011	2012
		Budget	Estimated	Proposed
	Correspondence and checks	\$495,443	\$489,516	\$523,724
	Newsletters	293,700	293,700	320,000
	Member statements	132,000	134,000	135,000
	IRS forms	39,900	45,166	46,625
	Delivery services	19,380	22,402	21,780
	Business reply, address corrections and fees	29,950	30,025	30,025
	Retiree Statements	34,500	34,500	35,800
		<u>\$1,044,873</u>	<u>\$1,049,309</u>	<u>\$1,112,954</u>

The increase in this area is due to the continued increase in volume and the anticipated increase in postal rates in 2012.

5535	PUBLICATIONS AND DUES	2011	2011	2012
		Budget	Estimated	Proposed
		<u>\$63,385</u>	<u>\$55,869</u>	<u>\$63,175</u>

Cost of memberships in professional organizations, subscriptions, books, and documents.

5540	OTHER SERVICES	<u>\$605,560</u>		
		2011	2011	2012
		Budget	Estimated	Proposed
	Microfilm statements, records, files	\$3,500	\$500	\$1,000
	Member statement printing and mailing	86,218	80,125	85,600
	Shredding confidential documents	7,100	4,100	5,600
	Minute book binding	1,000	1,225	1,500
	Fees for bank accounts	231,450	230,500	238,000
	Clipping service	1,800	1,600	1,600
	Photographs	800	708	1,000
	Interpreter, translator, special services	400	0	4,400
	Address searches	28,000	31,000	31,000
	CEM study and Lincoln award	39,250	38,108	66,050
	Code of Conduct Compliance hotline	500	500	500
	Microfiche conversion to imaging	68,875	53,271	169,310
		<u>\$468,893</u>	<u>\$441,637</u>	<u>\$605,560</u>

**ILLINOIS MUNICIPAL RETIREMENT FUND
2012 ADMINISTRATIVE ACCOUNT EXPLANATIONS**

The primary reasons for the increase in the 2012 budget over the 2011 estimate is an increase in the scope of the jacket conversion project in anticipation of the modernization project, and estimated increase in bank fees due to anticipated higher volumes and the costs for applying for the Lincoln award in 2012.

5571 EQUIPMENT DEPRECIATION \$1,413,518

Capital assets are capitalized and then charged to expense through annual depreciation charges over the estimated useful life of the asset. The depreciation on the anticipated 2011 capital additions are included in the depreciation expense budget. Beginning in 2008, IMRF adopted GASB 51 which required the capitalization on internally developed software. See the accompanying capital budget for details.

	Estimated Life	2011 Budget	2011 Estimated	2012 Proposed
Furniture	10 years	\$2,150	\$0	\$0
Office equipment	5-10 years	128,210	115,496	176,215
Computer equipment and software	3-6 years	201,094	170,022	439,218
Internally generated software	6 years	507,889	474,014	760,952
Automobiles	4 years	34,432	32,983	37,133
		<u>\$873,775</u>	<u>\$792,515</u>	<u>\$1,413,518</u>

The increase in 2011 budgeted depreciation expense is primarily due to the continuing impact of GASB 51 which requires the capitalization and amortization of internally generated software. Amortization expense for internally generated software will increase over the next several years until IMRF has reached the six year life cycle for this software in 2014. The increase in computer equipment and software is due to the new mainframe which is expected to be in service in January 2012.

5572 MAINTENANCE AND RENTALS \$272,670

	2011 Budget	2011 Estimated	2012 Proposed
Mainframe equipment	\$80,900	\$49,500	\$63,000
PC network - maintenance	72,150	72,000	69,000
Telecommunications	44,500	41,700	46,000
Other equipment	90,170	90,223	67,450
Automobiles	30,250	28,850	27,220
	<u>\$317,970</u>	<u>\$282,273</u>	<u>\$272,670</u>

The main reason for the decrease in the 2012 budget from the 2011 estimate is the maintenance saving which will accrue due to replacing the old copiers with the new ones proposed in the capital budget.

5573-5574 SOFTWARE MAINTENANCE \$769,300

	2011 Budget	2011 Estimated	2012 Proposed
Mainframe software	\$411,640	\$402,000	\$498,000
PC and other software	244,550	238,650	271,300
	<u>\$656,190</u>	<u>\$640,650</u>	<u>\$769,300</u>

These costs represent the charges for the use and upgrading of outside computer software programs. The increase in mainframe software is due to increases in licensing costs from Software AG and IBM with the majority of the increase from Software AG. The increase in PC and other software is primarily due to upgrades dealing with the "virtualization" of network servers.

**ILLINOIS MUNICIPAL RETIREMENT FUND
2012 ADMINISTRATIVE ACCOUNT EXPLANATIONS**

5575 EXPENDABLE EQUIPMENT \$228,020

	2011 Budget	2011 Estimated	2012 Proposed
Personal computers and laptops	\$117,450	\$112,000	\$101,200
Servers and LAN infrastructure	13,500	13,500	10,600
Software	92,000	92,000	101,300
Printers	3,400	3,400	6,400
Various office equipment	53,383	48,831	8,520
	<u>\$279,733</u>	<u>\$269,731</u>	<u>\$228,020</u>

Prior to 2002, furniture and equipment costing less than \$5,000 were considered capital items subject to depreciation. With the change in capitalization policy, these items are now considered expendable equipment. IMRF has a four year rotation policy on its PC's and laptops. The increase in software costs is due to the acquisition of an electronic workpaper system for Internal Audit. The decrease in various office equipment is primarily related to the completion of the reconfiguration of our office space related to the lease renewal.

	2011 Budget	2011 Estimated	2012 Proposed
5580 MISCELLANEOUS TRUSTEE EMPLOYER REIMBURSEMENT	<u>\$65,000</u>	<u>\$50,000</u>	<u>\$52,000</u>

5581 TRUSTEE EXPENSES \$41,750

	2011 Budget	2011 Estimated	2012 Proposed
Expense reimbursements	\$39,400	\$32,000	\$35,000
Trustee education	3,700	2,950	3,000
Springfield drive-down	5,100	2,123	3,750
Strategic planning session	1,200	0	0
	<u>\$49,400</u>	<u>\$37,073</u>	<u>\$41,750</u>

Trustee expenses vary from year to year based upon programs attended and fiduciary training requirements.

	2011 Budget	2011 Estimated	2012 Proposed
5582 TRUSTEE ELECTIONS	<u>\$5,200</u>	<u>\$4,900</u>	<u>\$108,670</u>

This line item reflects the costs of printing and mailing ballots. In 2012 there will be an employer and employee election. The cost of an employee election is significantly higher since ballots are mailed to all active members.

5583 INSURANCE \$98,000

	2011 Budget	2011 Estimated	2012 Proposed
Auto	\$19,300	\$10,449	\$15,000
Commercial	13,400	9,167	10,000
Employee dishonesty	4,000	4,312	5,000
Umbrella and excess liability	24,850	14,296	16,000
Workers' compensation	60,000	51,271	52,000
	<u>\$121,550</u>	<u>\$89,495</u>	<u>\$98,000</u>

**ILLINOIS MUNICIPAL RETIREMENT FUND
2012 ADMINISTRATIVE ACCOUNT EXPLANATIONS**

Insurance costs are anticipated to increase approximately 9.5% in 2012. The decrease in the 2011 estimate versus the 2011 budget is due to IMRF switching its insurance brokerage firm.

5586	FILING FEES	<u>\$9,995</u>		
		2011 Budget	2011 Estimated	2012 Proposed
	GFOA Certificate of Achievement in Financial Reporting	\$1,095	\$1,095	\$1,095
	Popular Annual Financial Report	250	250	250
	State of Illinois Division of Insurance	8,000	8,000	8,000
	IMRF domain name	850	510	650
		<u>\$10,195</u>	<u>\$9,855</u>	<u>\$9,995</u>

**ILLINOIS MUNICIPAL RETIREMENT FUND
2012 Proposed Direct Investment Expenses**

EXPENSE CLASSIFICATION	ACCT NO.	ACTUAL		BUDGET	ESTIMATED	PROPOSED BUDGET	2012 PROPOSED AS % CHANGE OVER 2011	
		2009	2010	2011	2011	2012	BUDGET	ESTIMATED
Investment Manager Fees	5788	\$51,053,850	\$59,901,193	\$65,088,300	\$68,363,100	\$82,616,700	26.9%	20.8%
Master Trustee Services	5789	252,500	255,500	250,000	250,000	250,000	0.0%	0.0%
Investment Travel	5790	27,933	41,638	45,000	44,000	45,000	0.0%	2.3%
Legal Fees	5791	35,238	47,282	35,000	60,000	95,000	171.4%	58.3%
Security Litigation Monitoring	5792	0	25,000	25,000	29,000	25,000	0.0%	-13.8%
RFP Costs	5792	0	8,000	20,000	13,161	9,375	-53.1%	-28.8%
Investment Consultants	5793	1,086,422	858,089	868,000	863,922	868,000	0.0%	0.5%
Securities Lending Fees	5794	896,226	792,069	721,500	1,143,231	1,050,000	45.5%	-8.2%
Tax Preparation & Custodial Expense	5795	0	0	15,000	38,733	15,000	0.0%	-61.3%
Publications & Dues	5796	18,715	15,553	22,208	10,521	13,135	-40.9%	24.8%
Investment Licenses	5797	500	5,000	5,500	0	500	-90.9%	NM
		<u>\$53,371,384</u>	<u>\$61,949,324</u>	<u>\$67,095,508</u>	<u>\$70,815,668</u>	<u>\$84,987,710</u>	26.7%	20.0%

NM Not Meaningful

**Proposed 2012 Investment Expenses
Manager Fees - Account #5788**

	2011 Budget	2011 Estimated	-----Proposed 2012 Fees----- Minimum Fee	Standard Fee	Maximum Fee
<u>Domestic Equity</u>					
Alliance	\$ 1,377,800	\$ 616,000	\$ -	\$ -	\$ -
Ariel	493,800	479,500	496,200	496,200	496,200
Ativo	228,200	222,700	232,000	232,000	232,000
BlackRock	-	1,052,400	2,283,600	2,283,600	2,283,600
BMO	1,350,400	1,559,000	1,669,600	1,669,600	1,669,600
Buford Dickson	110,700	123,100	127,600	127,600	127,600
Channing	-	225,100	407,900	407,900	407,900
DFA Micro Cap	566,900	777,700	919,800	919,800	919,800
DFA Small Cap Value	1,054,200	1,689,900	2,104,700	2,104,700	2,104,700
Dodge & Cox	604,000	1,114,300	1,416,800	1,416,800	1,416,800
Fortaleza	93,000	141,600	164,100	164,100	164,100
Frontier	3,427,500	3,427,400	2,521,100	5,042,300	5,546,500
Holland	1,397,600	2,181,700	1,518,000	2,023,900	2,529,900
Investment Counselors of Maryland	2,090,300	2,071,400	1,960,300	2,306,200	2,652,200
Lombardia	-	400,200	723,600	723,600	723,600
LSV	1,337,000	1,673,600	1,873,100	1,873,100	1,873,100
NTI Growth Index	82,200	73,400	53,200	53,200	53,200
NTI MarketCap Index	156,500	160,300	140,200	140,200	140,200
NTI MarketCap Non-Lending	113,300	9,500	-	-	-
NTI Value Index	82,900	70,000	46,400	46,400	46,400
Piedmont	-	356,200	531,800	531,800	531,800
Progress	2,124,100	2,434,800	2,612,500	2,612,500	2,612,500
Pyramis Small Co	2,386,200	2,580,000	1,271,600	2,543,300	3,814,900
Sands	1,390,100	1,708,400	1,888,800	1,888,800	1,888,800
Vision	-	153,500	318,600	318,600	318,600
Wall Street	1,775,600	2,032,700	2,044,000	2,044,000	2,044,000
<i>Subtotal</i>	<u>22,242,300</u>	<u>27,334,400</u>	<u>27,325,500</u>	<u>31,970,200</u>	<u>34,598,000</u>
<u>International Equity</u>					
Arrowstreet	1,808,400	1,861,800	1,920,600	1,920,600	1,920,600
Brandes	2,702,000	1,942,200	1,352,900	2,705,800	4,058,700
Brown	1,060,000	849,700	483,900	1,373,800	2,419,300
Earnest	1,298,100	1,053,000	631,700	1,664,400	2,697,000
Genesis	2,939,500	3,029,300	2,523,500	2,523,500	2,523,500
GlobeFlex	1,610,800	1,676,700	1,726,300	1,726,300	1,726,300
McKinley	1,447,500	1,488,600	1,526,700	1,526,700	1,526,700
NTI EAFE Index	122,800	128,500	116,400	116,400	116,400
NTI EAFE Non-Lending	152,400	12,200	-	-	-
Templeton	-	413,800	1,078,700	1,078,700	1,078,700
William Blair	2,625,700	2,635,700	2,725,900	2,725,900	2,725,900
William Blair Small Cap	1,224,800	1,306,900	1,378,500	1,378,500	1,378,500
<i>Subtotal</i>	<u>16,992,000</u>	<u>16,398,400</u>	<u>15,465,100</u>	<u>18,740,600</u>	<u>22,171,600</u>
<u>Fixed Income</u>					
BlackRock Core Plus	333,000	325,800	346,700	346,700	1,733,600
BlackRock Enhanced Index	655,900	641,100	673,400	673,400	673,400
Earnest	588,000	891,200	1,079,700	1,079,700	1,079,700
LM Capital	1,242,000	1,222,300	1,294,600	1,294,600	1,294,600
MackKay Shields	1,501,700	1,510,200	1,613,100	1,613,100	1,613,100
NTI Barclays Aggregate	140,300	114,800	76,400	76,400	76,400
Piedmont	521,300	705,000	847,400	847,400	847,400
Progress	1,422,500	1,382,000	1,473,300	1,473,300	1,473,300
Pyramis High Yield	1,465,700	1,504,900	782,300	1,564,600	2,347,000
Taplin, Canada	982,900	968,600	1,025,200	1,025,200	1,025,200
Western Asset	1,397,800	1,391,600	1,457,500	1,457,500	1,457,500
<i>Subtotal</i>	<u>10,251,100</u>	<u>10,657,500</u>	<u>10,669,600</u>	<u>11,451,900</u>	<u>13,621,200</u>

**Proposed 2012 Investment Expenses
Manager Fees - Account #5788**

	-----Proposed 2012 Fees-----				
	2011 Budget	2011 Estimated	Minimum Fee	Standard Fee	Maximum Fee
<u>Real Estate</u>					
BlackRock Granite Fund	\$ 275,100	\$ 284,100	\$ 607,400	\$ 607,400	\$ 607,400
Cornerstone Patriot Fund	698,800	362,500	1,074,200	1,074,200	1,074,200
Cornerstone Fund VIII	187,500	21,100	387,000	387,000	387,000
Dune II	750,000	750,000	750,000	750,000	750,000
Franklin Templeton	937,500	444,300	375,000	375,000	375,000
Invesco Core USA	698,700	414,400	1,083,800	1,083,800	1,083,800
LF Strategic Realty Investors II	562,500	307,200	562,500	562,500	562,500
Rockwood Fund VIII	685,000	685,000	685,000	685,000	685,000
Rothschild FARS V	531,300	304,700	575,000	575,000	575,000
Security Capital	493,100	495,100	535,000	535,000	535,000
Sentinel	546,100	561,500	603,600	603,600	603,600
TA Buckhead	1,278,800	1,433,600	4,070,700	4,070,700	4,070,700
TA Realty IX	539,000	487,000	684,600	684,600	684,600
TA Realty X	187,500	-	38,000	38,000	38,000
New Opportunity Funds	-	-	187,000	187,000	187,000
New Value Add Fund	-	-	152,000	152,000	152,000
<i>Subtotal</i>	<u>8,370,900</u>	<u>6,550,500</u>	<u>12,370,800</u>	<u>12,370,800</u>	<u>12,370,800</u>
<u>Alternative Investments</u>					
Abbott Capital	1,462,900	1,361,300	1,456,600	1,456,600	1,456,600
Aurora	1,443,100	1,401,500	1,471,900	1,471,900	2,889,500
Cozad Westchester	348,000	516,600	540,000	540,000	540,000
Forest Investments	183,600	641,500	729,000	729,000	729,000
Grosvenor	1,156,900	1,106,900	1,184,600	1,184,600	1,184,600
Mesirow	1,177,600	1,177,100	1,257,300	1,257,300	1,257,300
Muller & Monroe - ILPEFF	125,000	104,700	103,900	103,900	103,900
Muller & Monroe - MPEFF	225,000	250,000	225,000	225,000	225,000
Pantheon Ventures	1,109,900	862,700	1,114,900	1,114,900	1,114,900
<i>Subtotal</i>	<u>7,232,000</u>	<u>7,422,300</u>	<u>8,083,200</u>	<u>8,083,200</u>	<u>9,500,800</u>
Grand Total	<u>\$65,088,300</u>	<u>\$68,363,100</u>	<u>\$73,914,200</u>	<u>\$82,616,700</u>	<u>\$92,262,400</u>

The 2012 investment manager fees budget of \$82,616,700 is approximately \$17,500,000 higher than the 2011 budget. This estimated increase is due to three factors: 1) an increase in the percentage of the portfolio being actively managed with resulting higher fees (\$6.3 million for domestic equity, \$1 million for international equity, and \$.6 million for fixed income), 2) an increase in real estate fees of \$3.8 million due to additional real estate investments, and 3) overall growth in the investment portfolio resulting in additional fees of \$3.8 million.

**ILLINOIS MUNICIPAL RETIREMENT FUND
2012 INVESTMENT ACCOUNT EXPLANATIONS**

		2011 Budget	2011 Estimated	2012 Proposed
5789	MASTER TRUSTEE SERVICES	\$250,000	\$250,000	\$250,000

Master trustee services provided by the Northern Trust include the safekeeping of IMRF securities, the collection of all investment income, and the preparation of investment reports. The current contract which was renegotiated in 2008 calls for a flat fee of \$250,000 per year.

		2011 Budget	2011 Estimated	2012 Proposed
5790	INVESTMENT TRAVEL	\$45,000	\$44,000	\$45,000

This account is used to cover expenses, incurred by the Board and staff, for travel which is directly related to the management of the IMRF investment portfolio. This account also includes the cost of the annual Regional Managers review meetings.

		2011 Budget	2011 Estimated	2012 Proposed
5791	LEGAL FEES	\$35,000	\$60,000	\$95,000

This account is used to cover investment legal fees. The recent fee increases have been primarily related to additional work related to new real estate manager contracts. In 2012 it is anticipated that IMRF will hire four private market investment managers. The estimated legal fees related to executing agreements with these new managers is \$72,000.

		2011 Budget	2011 Estimated	2012 Proposed
5792	SECURITIES LITIGATION MONITORING	\$25,000	\$29,000	\$25,000

These costs are to an outside firm to monitor securities litigation matters on behalf of IMRF. An additional \$4,000 was incurred in 2011 for work done by Northern Trust related to securities litigation.

		2011 Budget	2011 Estimated	2012 Proposed
5792	RFP COSTS	\$20,000	\$13,161	\$9,375

These costs are incurred to meet the request for proposal requirements under the Illinois Pension Code.

**ILLINOIS MUNICIPAL RETIREMENT FUND
2012 INVESTMENT ACCOUNT EXPLANATIONS**

5793	INVESTMENT CONSULTANTS	<u>\$868,000</u>		
		2011	2011	2012
		<u>Budget</u>	<u>Estimated</u>	<u>Proposed</u>
	Wilshire Compass	\$36,000	\$36,000	\$36,000
	Investment Consultant			
	General Advisory Services	250,000	250,000	250,000
	Performance Analytics	275,000	275,000	275,000
	Real Estate Advisory Services	250,000	250,000	250,000
	Institutional Shareholder Services			
	General Proxy Voting Services	57,000	52,922	57,000
		<u>\$868,000</u>	<u>\$863,922</u>	<u>\$868,000</u>

The investment consultants assist in (1) development of investment policies, objectives and guidelines, (2) selection of investment managers and (3) evaluation of investment managers' performance.

5794	SECURITIES LENDING FEES	2011	2011	2012
		<u>Budget</u>	<u>Estimated</u>	<u>Proposed</u>
		<u>\$721,500</u>	<u>\$1,143,231</u>	<u>\$1,050,000</u>

Security lending revenues and fees are dependent upon lending opportunities which are based on current demand, client's supply of securities available for loan, security type available in client's portfolios, and current interest rates.

5795	TAX PREPARATION & CUSTODIAL FEES	2011	2011	2012
		<u>Budget</u>	<u>Estimated</u>	<u>Proposed</u>
		<u>\$15,000</u>	<u>\$38,733</u>	<u>\$15,000</u>

Due to the use of separate accounts, IMRF has begun to incur incremental tax filing and custodial fees on some of its foreign investments. The 2011 estimated fees represent three years of billings that were paid in 2011.

5796	PUBLICATIONS & DUES	2011	2011	2012
		<u>Budget</u>	<u>Estimated</u>	<u>Proposed</u>
		<u>\$22,208</u>	<u>\$10,521</u>	<u>\$13,135</u>

These costs also include the cost for publishing notifications of investment manager searches.

5797	INVESTMENT LICENSES	2011	2011	2012
		<u>Budget</u>	<u>Estimated</u>	<u>Proposed</u>
		<u>\$5,500</u>	<u>\$0</u>	<u>\$500</u>

These costs include the charges for the periodic renewal of foreign trading licenses.

ILLINOIS MUNICIPAL RETIREMENT FUND
2012 Proposed Capital Additions

	ACTUAL		BUDGET	ESTIMATED	PROPOSED BUDGET	2012 PROPOSED AS % CHANGE OVER 2011	
	2009	2010	2011	2011	2012	Budget	Estimate
Capital Purchases	\$344,310	\$142,455	\$733,900	\$731,369	\$1,927,065	162.6%	163.5%
Internally Generated							
Computer Software	1,010,659	1,064,991	1,054,038	1,161,924	785,360	-25.5%	-32.4%
Total Capital Budget	<u>\$1,354,969</u>	<u>\$1,207,446</u>	<u>\$1,787,938</u>	<u>\$1,893,293</u>	<u>\$2,712,425</u>	51.7%	43.3%

Illinois Municipal Retirement Fund
2012 Proposed Capital Additions Summary

Capital Purchases

Mainframe Computer	\$ 880,000
Data Storage Network	400,000
10 New Cars to Replace Current Fleet	122,500
2 Digital Copiers for Print Center	118,750
Replace Network Switches and Redesign Network	100,000
Network Performance Monitoring Software	76,000
Upgrade Microsoft Exchange	49,000
Telephone Based Survey Software	43,000
Air Conditioner Units	38,965
2 Digital Copiers for Oak Brook Office	23,850
Boardroom AV Touch Panel	20,000
Upgrade Security for IMRF E-mail	16,000
Expand Uninterruptible Power Supply	16,000
New Data Center Console	15,000
Training Room Projector and Screen	8,000

Capital Purchases 1,927,065

Internally Generated Computer Software

Tier 2 Enhancements and Compliance with New Statutes	352,878
Imaging Enhancements	144,658
Disability E-forms	123,603
Change Beneficiary E-form	62,698
Workshop Registration Enhancements	40,981
Mobile Member Access	30,864
Member Employment Information E-form	29,678

Internally Generated Computer Software 785,360

Total Capital Budget \$2,712,425

Capital Purchases

Mainframe Computer

The current IBM z9 mainframe is 4 years old and is reaching the end of its effective lifespan. Workload has increased significantly over the four years. Work that can be offloaded has been with minimal impact on the growth rate. With the modernization project starting, the load will increase faster than normal for some period of time.

High CPU utilization negatively impacts response time of on-line users as well as web users. The on-line slowdowns affect call handling by Member Services. Response time for application development users can also be slowed to a crawl. Staff is recommending upgrading from a z9 to a z114, increasing CPU capacity from 130 MIPS to 193 MIPS (a 50% increase).

IBM	\$ 380,000
Software AG	470,000
Other software	<u>30,000</u>
Estimated purchase price	\$ 880,000

Data Storage Network

The IMRF storage area network is used by both the mainframe and open systems servers.

The current IBM equipment (DS6800 SAN) is six years old and at the end of its useful life. IBM is no longer selling this type of equipment. In addition the equipment is now undersized for IMRF's environment. The transfer rates between the servers and the drives are inadequate for today's needs. The cache size is far too low for proper usage by IMRF's systems, specifically imaging.

New equipment will quadruple data transfer rates and give increased capacity for the upcoming modernization effort.

Estimated purchase price	\$400,000
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10 New Cars to Replace Current Fleet

IMRF maintains a fleet of cars that are utilized by field service personnel, the legislative liaison, internal audit and the executive director. Ten of these cars were purchased in 2008 and are fully depreciated. The usage on these cars is balanced so that they all have approximately the same number of miles. It has been cost effective for IMRF to trade these cars in after four years to minimize maintenance costs and provide better assurance of reliability for our staff.

IMRF purchases these cars through the state of Illinois and receives the benefit of its purchasing power. We are proposing to purchase ten 2012 Chevrolet Impalas which will be similarly equipped as the current cars. The estimated cost is net of anticipated trade-in value.

Estimated purchase price	\$122,500
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2 Digital Copiers for Print Center

In 2002, IMRF purchased the first digital high-speed copier for the Digital Print Center. The machine is fully depreciated and finding parts for this machine has become a problem. Although Konica Minolta has provided excellent service, it cannot guarantee how long it can continue to support the machine due to the availability of parts and age of the machine. This machine must be replaced in order to continue to meet production requirements.

In 2007, IMRF purchased a digital color copier for the Digital Print Center. At the time, the estimated monthly volume for the color machine was 15,000 impressions per month. The average monthly volume at the present time is 29,700 impressions. This copier is not a production color device which has resulted in quality problems during production runs. The demand for color continues to increase.

B&W high-speed digital machine	\$63,300
Color digital production machine	<u>55,450</u>
Estimated purchase price	\$118,750

Replace Network Switches and Redesign Network

The Information Systems security audit of IMRF performed by Crowe Horwath recommended that IMRF redesign its network to implement more virtual local area networks in order to segregate servers from workstations thus improving security on IMRF's servers. Virtual local area networks are implemented on core switches. IMRF's core switches are currently eight years old and should be replaced. Thus it is appropriate to include the switch replacement as part of this network redesign project.

Estimated purchase price	\$100,000
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Network Performance Monitoring Software

Network performance monitoring software tracks physical and virtual statistics about servers, accumulates historical data and provides reports based on the data. To properly plan for capacity needs statistics such as memory usage, CPU usage, and disk activity are needed. In addition to real time information, historical information is also needed to uncover trends and to smooth spikes in usage.

Network performance monitoring software will allow staff to monitor the activity of physical and virtual servers. Over time, staff will be able to more accurately predict

needs for additional hardware before it is needed. It will help spot performance problems and minimize the risk of making errors in purchasing hardware.

Estimated purchase price **\$76,000**

Upgrade Microsoft Exchange

Microsoft Exchange is the software which supports IMRF's email capability. IMRF currently uses Exchange 2003, which was installed in summer of 2007. That version is now out of mainstream support which means that the only fixes that are being written for it are security fixes. Exchange 2010 is now the most current version.

Exchange 2010 Enterprise Edition	\$ 4,000
Exchange 2010 Client Access Licenses	15,000
Implementation Services	<u>30,000</u>
Estimated purchase price	\$49,000

Telephone Based Survey Software

One of IMRF's Strategic Objectives is "To achieve a level of satisfaction whereby a minimum of 90% of member and employer survey respondents assign us a "Very Satisfied" rating." A key strategy to achieve that objective is to "Utilize Voice of the Customer surveys and implement a corresponding improvement process based on customer feedback and survey results."

Telephone based survey software would allow IMRF to more efficiently and effectively capture the voice of customers who use our 1-800-ASK-IMRF service.

Currently, the process to capture the voice of our Member Services telephone customers is labor intensive. The Member Services Supervisor must complete several steps: request call reports, identify callers to be surveyed, enter social security numbers to generate labels and then manually identify each label by representative and finally stuff and fold for mailing.

In addition, because we are using paper-based surveys, the survey is mailed out 48 hours after the call is completed. This results in the member receiving the survey several days after the service was received. The survey results may not truly reflect the caller's experience due to the passage of time after the service was rendered. Best practice calls for the customer to receive the survey as soon as possible after receiving the service.

Estimated purchase price **\$43,000**

Air Conditioner Units

Air conditioning for the Mail Center and Records units is provided by two individual air conditioning units in order to maintain the appropriate temperature in these areas. These units are over eighteen years old and are experiencing numerous service calls. It is appropriate to replace these units at this time.

Estimated purchase price **\$38,965**

2 Digital Copiers for Oak Brook Office

Two digital copiers are needed to replace two copiers in the Oak Brook office. Both of the current copiers have been fully depreciated and are experiencing a high number of service calls and replacement parts are becoming hard to locate.

Estimated purchase price **\$23,850**

Boardroom AV Touch Panel

The touch panel is an essential piece of the audio visual setup in the Board Room and it is 15 years old. It switches the AV system among various functions – teleconferencing, video conferencing, displaying PC output, etc. Since IMRF first purchased the touch panel, it has replaced the video-conferencing unit three times and the projector twice. It is time to replace the touch panel before it fails. The AV in the Board Room is used frequently for Board Meetings, Committee Meetings, meetings with vendors and business partners, and internal IMRF meetings.

Estimated purchase price **\$20,000**

Upgrade Security for IMRF E-mail

Crowe Horwath in its Information Systems security audit indicated that it is “best practice” to locate an Outlook Web Access server outside IMRF’s firewall. We have been putting our network at risk by having it within the firewall on our internal network. Crowe labeled this a moderately serious risk.

Outlook Web Access is used by Board Members to access their IMRF email and by IMRF staff who access their IMRF email via a “smart phone”. We believe this security vulnerability should be remedied.

Software – Microsoft Forefront Threat Management Gateway	\$ 3,000
Implementation	<u>13,000</u>
Estimated purchase price	\$16,000

Expand Uninterruptible Power Supply

At full load, the current batteries have only thirty-six minutes of life during a power outage. This means we have to start shutting down immediately on a power outage or risk losing hardware and/or data. It also means that we would have to shut down a good bit of the Data Center if the power outage only lasts five minutes.

An additional battery rack would provide an additional thirty-six minutes which would allow staff to make better decisions and more gracefully bring systems down.

An additional benefit of having the second battery rack is that these batteries would be on a separate string and on a different replacement schedule from the batteries we already have. This allows us to remain protected from power hits and outages while replacing a string of batteries because the other string will still be active. It gives us redundancy in many situations.

Estimated purchase price **\$16,000**

New Data Center Console

The current console was designed for a mainframe-only data center 20 years ago when there were only a few PC's and primarily dumb terminals to run things.

Since it was designed for terminals, it does not have the capability to accept today's larger screens which greatly enhance the ability to monitor operations. Additionally, there are two console areas in the Data Center. Operating personnel cannot see the other consoles very well making it difficult to monitor activity.

While the current console is designed with one operator in mind, there are times when two people are working in that area. A new console will allow more than one person to effectively work at the same time.

Estimated purchase price **\$15,000**

Training Room Projector and Screen

The PC's in the IMRF training room are being replaced with wide screen monitors. The existing audio visual equipment in the training room does not display wide screen data properly and should be replaced. This room is used for staff training, with the "teacher's PC" being displayed via projector onto a screen at the front of the room. It is important that what the students see on the large screen matches what they are seeing on the PC's in front of them.

Estimated purchase price **\$8,000**

Internally Generated Computer Software

Tier 2 Enhancements and Compliance with New Statutes

In order to comply with Public Acts 96-0889, PA96-1495, PA97-0609, and PA97-0328 there are enhancements to be made in 2012 to the enterprise engine to support legislative changes.

PA96-0889 and PA96-1495 Tier 2 processing.

- **Tier 2 - Annuity Claim Processing**

Modify Claim functionality that is responsible for the annuity claim processing in conjunction with the Tier 2 legislation. It includes the utilization of WCS Mediator and some Estimate components that are already in production for Tier 2 members.

- **Tier 2 – Past Service processing**

Modify functionality in the SV subsystem to process applications for Tier 2 members including the capping of wages and the correct calculation and tracking of capped wages before and after payments are made. A new Service Type is also needed to purchase wages over the cap limit.

- **Tier 2 – Closing processes**

Modify Department of Insurance, Annuitant Actuary and Annuitant Statement of Benefit processes to include Tier 2 functionality that was not needed for the 2011 closing. These modifications include changes to the WCS Mediator and Estimates system to calculate the 125% rule applied to 24 months which is part of PA97-0609.

PA97-0609 Accelerated payments of MAR charges. Modify the claim system to calculate the amount to be paid up front by employers for the cost of any increase due to salary increases of more than 6% or 1.5 times inflation over the previous year, with certain exceptions.

It is estimated that staff will spend 5,420 hours on these tasks.

Estimated internal costs **\$352,878**

Imaging Enhancements

These enhancements improve and extend changes already made to improve the security of member information in Imaging. These enhancements also improve cross-platform integration between Spectrum, Imaging, and the internet.

WIP Security

The document level security subsystem in use at IMRF operates at a work-item level. When a user attempts to open a folder that contains multiple documents, the system either allows or disallows the operation for the entire folder. In IMRF's case this means that a user may be either allowed to open a folder which contains documents that the user should not be able to see or that the user is not allowed to see any documents in a folder because it contains a document that the user is not authorized for.

External Inbox Notification (Email Integration)

Workflow expansion to include Field Services necessitates a means to notify these remote workers whenever new items arrive in their Imaging Inbox. Field Services require prompted notification to insure timely attention is paid to items sent to their Inbox. All enterprise staff will benefit from automated notification when new content arrives in their workflow inbox.

Web Service Enhancements

Web Service enhancements will include workflow queues in searches and will provide view by Docid capabilities. These enhancements will improve Eservice Assistant imaging integration and Doclog integration in Eservice Assistant and Member and Employer Access.

It is estimated that staff will spend 200 hours on these tasks.

Estimated internal costs	\$ 11,658
Estimated purchase price for consulting services	<u>133,000</u>
	\$ 144,658

Disability E-forms

The Disability E-forms project will improve service to members and employers in the processing of disability information. Each disability form migrated from paper to E-form will save IMRF resources and improves the quality and timeliness of service provided by IMRF.

The disability E-form applications will enable a member, employer, and physician to provide IMRF with information related to a member disability claim. The disability E-forms will be received using Member Access, Employer Access, and other methods (Physician Statement). The disability E-forms will be routed to IMRF staff using existing Imaging workflow rules and will require IMRF staff to perform data entry activities to record all required information in Spectrum.

It is estimated that staff will spend 1,950 hours on this task.

Estimated internal costs	\$ 123,603
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Change Beneficiary E-form

The designation of beneficiary forms account for the highest number of paper forms handled by IMRF staff each year.

Each designation of beneficiary form migrated from paper to E-form will save IMRF resources and will improve the quality of beneficiary information stored in Spectrum.

A designation of beneficiary E-form also presents opportunities to promote the utilization of the Member Access website among new and existing IMRF members.

It is estimated that staff will spend 980 hours on this task.

Estimated internal costs	\$62,698
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Workshop Registration Enhancements

These enhancements to the Workshop Registration application are primarily intended to improve the use of the application by IMRF and to enhance workshop registration experience. In an effort to further enhance the service provided to users of this tool, this enhancement will allow users to specify whether they would like to receive an automated registration reminder via a secure message as the date of their workshop approaches.

In addition this application will be upgraded to allow field services personnel to better track and monitor employer and member participation in IMRF workshops.

It is estimated that staff will spend 660 hours on this task.

Estimated internal costs **\$40,981**

Mobile Member Access

The goal of this project is to create a version of the IMRF Member Access website that will be targeted for mobile devices. Sales of mobile devices like Smartphone's and Tablets are outpacing the sales of traditional PC's and are becoming the channel of choice for more and more consumers. This project targets Smartphone's and Tablets as a delivery channel. The experience gained will be used in refactoring the current Member Access application to be more SmartPhone and Tablet friendly

The mobile member access application will be a display only version of Member Access that utilizes the information currently delivered by the application using a traditional PC internet browser.

It is estimated that staff will spend 490 hours on this task.

Estimated internal costs **\$30,864**

Member Employment Information E-form

The Member Employment Information E-form project will create an E-form application for users of Employer Access that will allow employers to report member employment information changes to IMRF.

The Member Employment Information E-form will be routed to IMRF staff using existing Imaging workflow rules and will require IMRF staff to perform data entry activities to record all required information in Spectrum.

It is estimated that staff will spend 485 hours on this task.

Estimated internal costs **\$29,678**

After discussion, it was moved by Ms. Rademacher, seconded by Mr. Piechocinski, to approve the 2012 Planning and Budget Document.

Vote: Unanimous Voice Vote
Absent: None

(11-11-14) (Adoption of 2012 Board Meeting Calendar) It was moved by Ms. Thompson, seconded by Ms. Henry, to adopt the following 2012 Board Meeting dates:

- January 27, 2012
- February 24, 2012
- March 23, 2012
- April 27, 2012
- May 18, 2012
- June 22, 2012
- July 27, 2012
- August 24, 2012
- September 28, 2012
- October 26, 2012
- November 16, 2012
- December 21, 2012

Vote: Unanimous Voice Vote
Absent: None

(11-11-15) (Legislative Update) The Legislative Liaison updated the Board on legislative activity during the second week of the fall veto session.

She reported that SB 512 (Tier 3 bill) was discussed during the session. It was noted that this bill would apply only to the state-funded systems and the City of Chicago and Cook County systems.

Next, the Legislative Liaison stated one bill (HB 3813), containing one provision affecting IMRF, passed the House. This provision would require the Board and staff of all funds and the State Board of Investments to report any reasonable suspicion of fraudulent statements or records being filed or accepted.

The Fall Veto Session is scheduled to continue on November 29th.

Discussion followed.

(11-11-16) (Litigation Update) The following is an update of the currently pending litigation:

STEVENS vs. VILLAGE OF OAK BROOK, et al.

Summary: An IMRF annuitant has filed suit against his former employer seeking a determination that he is entitled to Omitted Service credits for the years 1980 through 2000. The employer had previously determined that the member was not entitled to establish such credits for the period in question.

Status: IMRF statement regarding limitation on retroactive service filed on Oct 14, 2011. Oral arguments set for December 13, 2011.

VRAKAS, et al. v. COUNTY OF WILL, et al.

Summary: Fifty-eight (58) full-time correctional deputies, sergeants and lieutenants have sued Will County seeking a determination that they were "sheriff's law enforcement employees" with respect to their pre-December 1, 2005 enrollments, as such, in IMRF.

Status: On August 31, plaintiffs filed a fourth amended Complaint. Cause is set for status on December 1, 2011.

WABASH COUNTY, ILLINOIS vs. IMRF, et al.

Summary: Board dismissed an employer's "Request for Correction of Records".

Status: BRC hearing on remaining procedural issues previously set for December 15, 2011 will need to be rescheduled to early 2012.

BOARD OF ED. OF JOLIET TOWNSHIP H.S. DIST. 204, et. al. v. IMRF, et.al.

Summary: This is an administrative review of a return to work case regarding three administrative employees of the District who went back to work for the District after their respective retirements.

Status: Motion to Dismiss granted in part and denied in part. Plaintiff to amend complaint. Answer due December 26, 2011.

IMRF v. DIANE WILLIAMS-EASTERN, et al.

Summary: This is an interpleader action filed by IMRF asking the court to determine to whom and in what amounts the death benefits of Robert Eastern Jr. should be paid.

Status: Hearing on motion to transfer venue set for November 29, 2011.

JOSEPH PRAZEN v. IMRF

Summary: This is an administrative review action involving an ERI return to work situation.

Status: Brief due on December 16, 2011. Hearing scheduled for December 20, 2011.

LIARAKOS V. IMRF

Summary: Appeal of denial of total and permanent disability.

Status: Answer and appearance due on November 8, 2011

(11-11-17) (Report of Executive Director)

Investments

The market value of the Fund's investment portfolio, including short-term investments, but excluding disposition costs, totaled \$23.3 billion on September 30, 2011. This was a decrease of \$1,500.1 million from the market value as of August 31, 2011.

Fixed income investments of \$2,438.2 million were made in September. The market value of fixed income investment managers totaled \$6,748.5 million.

Domestic equity investments of \$225.3 million were made in September. The market value of domestic equity investment managers totaled \$8,996.3 million.

International equity investments of \$545.1 million were made in September. The market value of international equity investment managers totaled \$5,680.6 million.

The market value of real estate investment managers totaled \$715.6 million.

The market value of alternative investment managers totaled \$1,019.1 million.

The market value of cash equivalents totaled \$146.2 million.

Administrative Charge for Non-Web Employers

The Chief Financial Officer reported to the Board that beginning with the October 2011 wage reports, IMRF has instituted a \$100 annual administrative fee for employers who do not file information electronically through the employer access if the information can be filed electronically.

Representation of IMRF

The Executive Director reviewed the meetings and conferences that he attended, as a representative of IMRF, since his October report.

Schedules A, B, C, D, E, F, G, and P are omitted from this copy of Minutes. These schedules are identical to schedules attached to Minutes distributed to Board of Trustees prior to meeting.