

ILLINOIS MUNICIPAL RETIREMENT FUND
MINUTES OF
REGULAR MEETING NO. 12-12
DECEMBER 21, 2012

ILLINOIS MUNICIPAL RETIREMENT FUND

MEETING NO. 12-11

REGULAR MEETING

OF THE

BOARD OF TRUSTEES

The Regular Meeting of the Board of Trustees was held at 9:00 a.m., December 21, 2012, in the Fund Office at 221 1 York Road, Suite 400, Oak Brook, Illinois.

Ms. Henry presided as Chair and called the meeting to order.

Ms. Enright called the roll:

Present: Nannini, Piechocinski, Stafford, Stulir*, Thompson, Copper, Faklis, Henry

Absent: None

*Mr. Stulir was present via telephone.

Mr. Ball from Callan Associates, Mr. Moss from Seyfarth Shaw LLP., and representatives from Cabrera Capital Markets and Loop Capital were also present.

(12-12-01) (Investment Manager Activities - Callan Associates) Mr. Ball gave the following report to the Board on the activities of IMRF's investment managers:

November 30, 2012



**Illinois Municipal
Retirement Fund
Monthly Performance Report**

**Investment Measurement Service
Monthly Review**

Major Market Returns

Returns

for Periods Ended November 30, 2012

Index	Last Month	Year to Date	Last Year	Last 3 Years	Last 5 Years	Last 10 Years
DJ:US Total Mkt Ix	0.74	14.98	15.92	11.98	1.84	7.20
Russell:1000 Index	0.79	15.23	16.19	11.63	1.57	6.79
Russell:Midcap Index	1.64	14.70	14.56	14.41	3.04	9.96
Russell:2000 Index	0.53	12.35	13.09	13.85	2.82	8.71
MSCI:ACWI ex US	1.92	13.44	12.19	3.87	(3.39)	9.48
MSCI:EAFE US\$	2.42	13.68	12.61	2.97	(4.73)	7.51
MSCI:Emer Markets	1.28	13.08	11.73	4.67	(1.49)	15.93
Barclays Aggregate Index	0.16	4.36	5.51	5.68	6.04	5.41
NCREIF:Total Index	0.77	9.48	10.55	12.00	2.15	8.39
NAREIT Equity Index	(0.29)	13.80	19.11	19.11	3.60	11.30

After pulling back a bit in October, the capital markets returned to positive territory in November. All major asset classes provided investors with small gains. Year-to-date, equity markets have posted strong returns with the S&P 500 up almost 15%.

The domestic economy is showing some signs of picking up. Third quarter GDP growth came in at 2.7%, a strong improvement from the second quarter's 1.3% gain. The unemployment rate dropped to 7.7% as non-farm employment increased by 146,000. Inflation increased from the prior month to reach 2.2% (year-over-year), still very modest despite all of the quantitative easing undertaken by the Federal Reserve.

"QE3" is underway, as well as the continuation of "Operation Twist." Both of these quantitative easing programs mean the Federal Reserve will be buying \$85 billion in securities through the end of the year, when Operation Twist is scheduled to end. The looming fiscal cliff is right around the corner and it appears that the politicians in Washington D.C. are no closer to an agreement than they were before the election.

*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 November 30, 2012

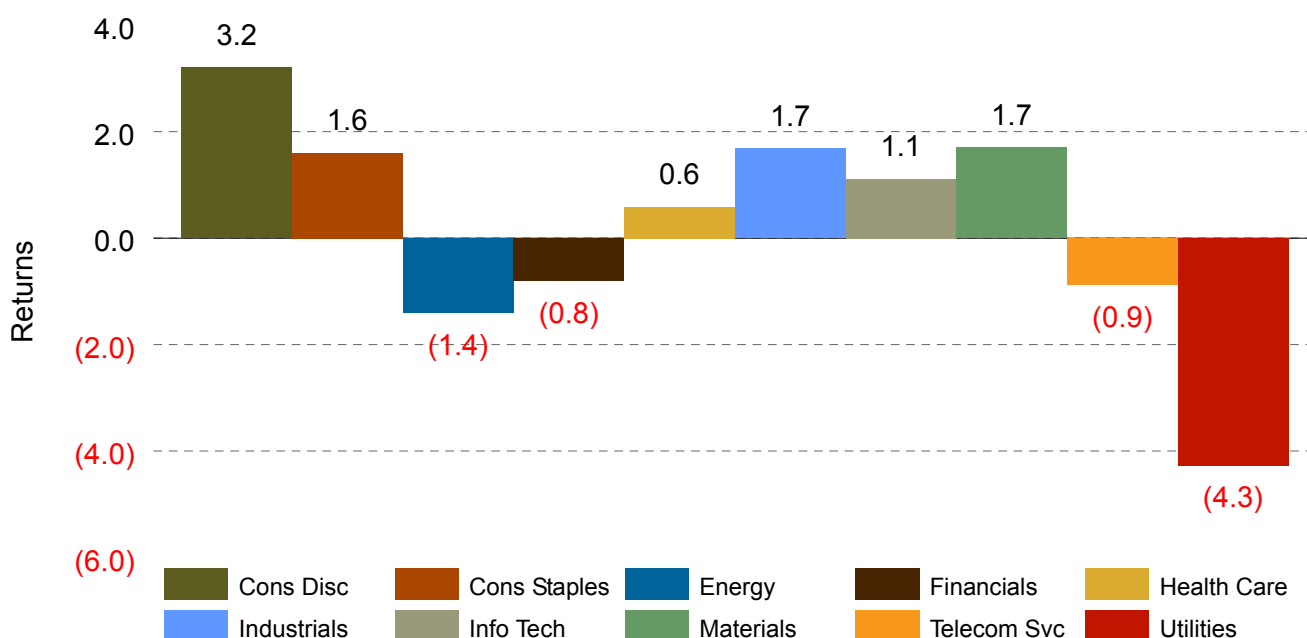
Index	Last Month	Year to Date	Last Year	Last 3 Years	Last 5 Years	Last 10 Years
DJ:US Total Mkt Ix	0.74	14.98	15.92	11.98	1.84	7.20
Russell:1000 Index	0.79	15.23	16.19	11.63	1.57	6.79
Russell:1000 Growth	1.67	15.29	14.92	12.50	3.06	6.76
Russell:1000 Value	(0.04)	15.13	17.45	10.76	(0.01)	6.69
Russell:Midcap Index	1.64	14.70	14.56	14.41	3.04	9.96
Russell:2000 Index	0.53	12.35	13.09	13.85	2.82	8.71
Russell:2000 Growth	0.77	11.38	11.13	14.86	3.03	8.71
Russell:2000 Value	0.31	13.28	15.05	12.76	2.52	8.58

Domestic equities had positive, albeit modest returns in November. Mid cap stocks outperformed the other market cap segments as the Russell Mid Cap Index gained 1.6%. Large and small cap stocks provided roughly similar returns (Russell 1000: 0.8%; Russell 2000: 0.5%).

Growth stocks outperformed value stocks in both large and small caps (Russell 1000 Growth: 1.7%; Russell 1000 Value: -0.04%; Russell 2000 Growth: 0.8%; Russell 2000 Value: 0.3%).

Six of the ten sectors of the S&P 500 Index rose in November. Consumer Discretionary was the best performing sector with a gain of 3.2%. Utilities was the worst performing with a decline of 4.3%.

S&P 500 Sector Returns for Month Ended November 30, 2012



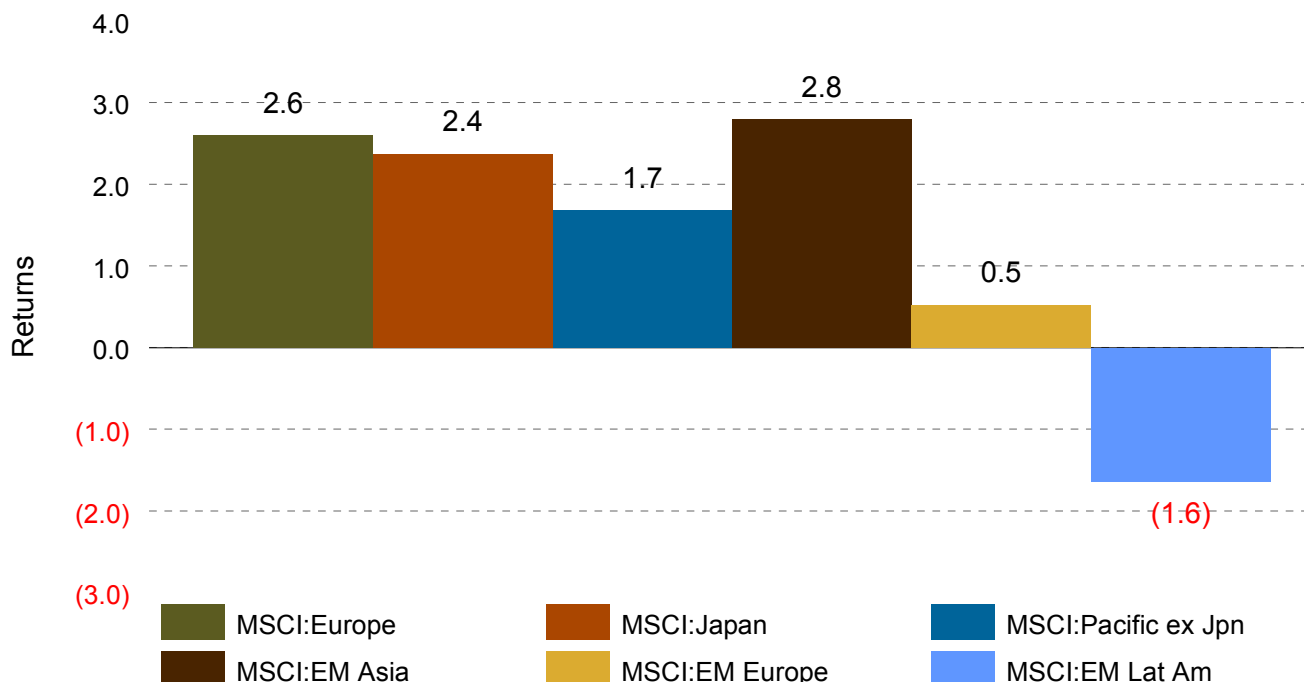
Returns
for Periods Ended November 30, 2012

Index	Last Month	Year to Date	Last Year	Last 3 Years	Last 5 Years	Last 10 Years
MSCI:ACWI ex US	1.92	13.44	12.19	3.87	(3.39)	9.48
MSCI:ACWI ex US Gr	2.32	13.91	12.09	4.87	(3.32)	8.80
MSCI:ACWI ex US Val	1.52	12.93	12.25	2.83	(3.49)	10.11
MSCI:EAFE US\$	2.42	13.68	12.61	2.97	(4.73)	7.51
MSCI:EAFE Hedged	2.69	10.37	10.81	0.58	(7.45)	2.05
MSCI:Emer Markets	1.28	13.08	11.73	4.67	(1.49)	15.93
S&P:Dev x US Sm Cap	1.19	14.50	12.30	6.62	(2.46)	11.61

International equity markets outperformed the U.S. in November. Developed country stocks, as measured by the MSCI EAFE Index, gained 2.4%, bringing the year to date return to 13.7%. As compared to a basket of EAFE currencies, the dollar strengthened; MSCI EAFE Index (2.4%) underperformed the MSCI EAFE Hedged Index (2.7%). The MSCI Emerging Markets Index posted a slightly weaker return of 1.3%.

Most regions performed well during the month, led by emerging markets in Asia (2.8%). Developed European markets also had a good month, gaining 2.6%. Emerging markets in Latin America trailed all other regions and was the only region with a negative return, losing 1.6%.

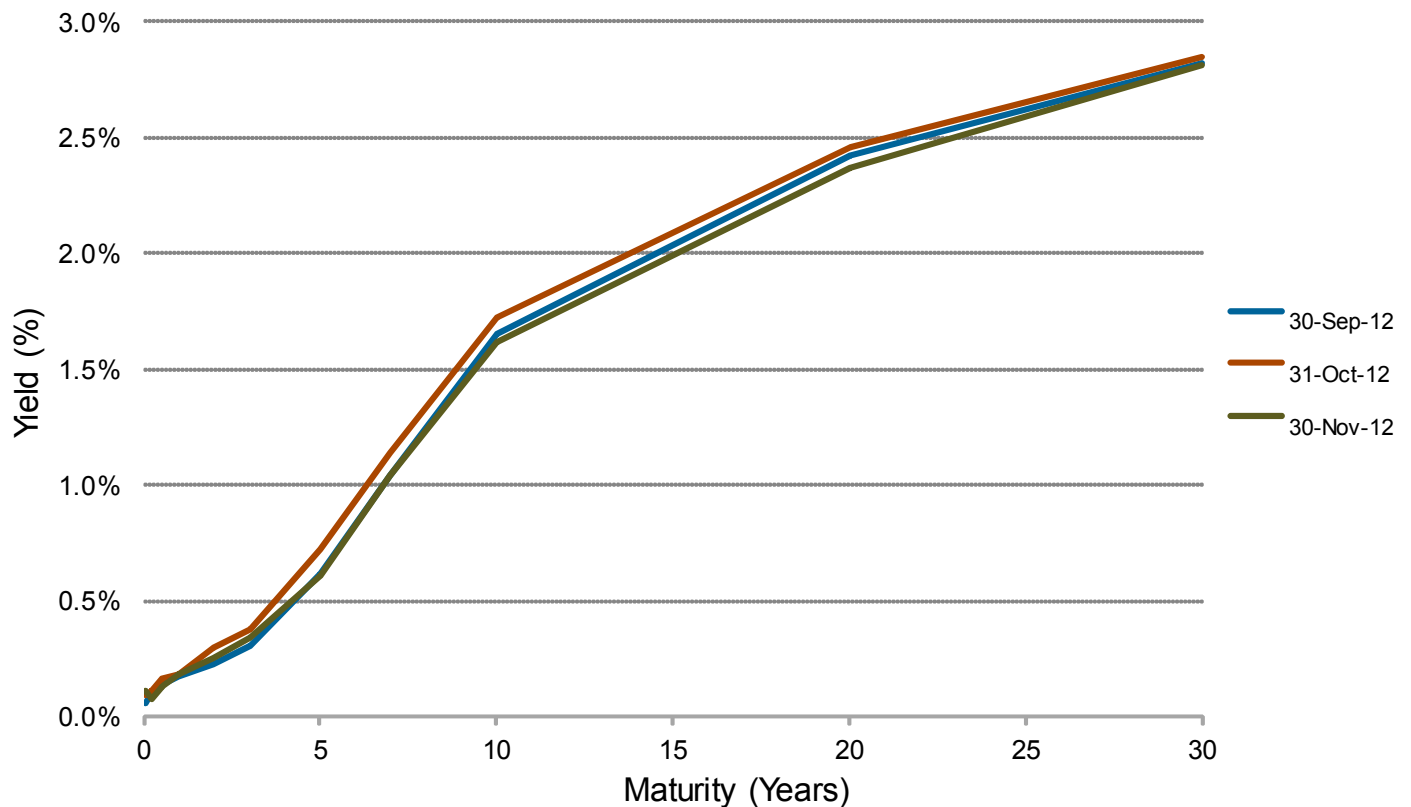
Regional Returns for Month Ended November 30, 2012



Returns
for Periods Ended November 30, 2012

Index	Last Month	Year to Date	Last Year	Last 3 Years	Last 5 Years	Last 10 Years
Barclays Aggregate Index	0.16	4.36	5.51	5.68	6.04	5.41
Barclays:Govt Index	0.49	2.43	3.34	4.82	5.36	4.95
Barclays:Credit	0.00	9.46	11.59	8.40	7.70	6.55
Barclays:Mortgage Idx	(0.17)	2.45	3.17	4.18	5.70	5.17
Barclays:US TIPS Index	0.48	7.68	7.72	8.34	7.14	7.08
ML:High Yield CP Idx	0.72	13.65	16.48	12.13	9.62	10.23
3 Month T-Bill	0.02	0.10	0.09	0.11	0.57	1.79

Treasury Yield Curve



The fixed income market rose very slightly in November with the Barclays Aggregate Bond Index gaining 0.2%. Yields fell across all maturities longer than one year.

At the end of November the 10-year Treasury yielded 1.6%. High yield bonds were the best performer, rising 0.7%. The Barclays Mortgage Index was the only index to lose ground during the month (-0.2%).

Total Fund

Total Fund assets at the end of November were \$27.4 billion, up from \$27.3 billion at the end of October. The Fund gained 1.16% for the month, outperforming the benchmark by 0.36%. Domestic equity, fixed income and international equity all beat their respective benchmarks. Year-to-date the fund is up 12.12%.

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 November 30, all asset classes were within the allowable range.

US Equity

Large Cap: In aggregate, the Fund's large cap managers rose 1.54%, outpacing the Russell 1000 Index by 0.75%. Both growth and value portfolios outperformed their respective benchmarks for the month. Growth managers returned 3.02% with Sands as the best performing manager with a return of 5.59%. The Large Cap Value managers returned 0.72%, ahead of the Russell 1000 Value Index return of -0.04%. BMO was the best performing active manager in the group with a return of 1.67%. The Large Cap Core segment rose 1.04%, outperforming the Russell 1000 Index return of 0.79%.

Small Cap: The Small Cap portfolio was up 0.99%, leading the Russell 2000 Index by 0.46%. Small Cap Growth rose 1.37%, while Small Cap Value gained 1.48%. The Micro Cap segment returned -0.66% in November. Wall Street was the worst performing micro-cap manager, posting a loss of 1.47% for the month.

International Equity

Large Cap: International fared better than the U.S. with the IMRF International Large Cap managers rising 2.22%. This return was 31 basis points ahead of the MSCI ACWI ex-U.S. Index. International Large Cap Growth gained 2.91% with EARNEST Partners as the best performing manager. International Large Cap Value gained 0.90% with Lombardia as the top performer. The Large Cap Active Core Group returned 2.35% during November with strong performance from Brown and Arrowstreet.

International Small Cap and Emerging Markets: The International Small Cap managers rose 1.36%, outperforming the ACWI Small-cap ex US Index return by 0.57%. The emerging markets portfolio, managed by Genesis, returned 0.65% during November, trailing the MSCI Emerging Markets Index by 63 basis points.

Domestic Fixed Income

The total fixed income portfolio posted a return of 0.33%. High yield bonds were the best performing segment during the month, gaining 1.00%.

Active Core: The active core fixed income component returned 0.42%, outperforming the BC Aggregate Index by 26 basis points. The enhanced core portfolio rose 0.31%.

Core Plus: The core plus managers gained 0.18%, outpacing the BC Aggregate by 2 basis points. Taplin, Canida, Habacht had the worst monthly performance at -0.11%.

High Yield: The high yield component gained 1.00%, outperforming the ML High Yield Cash Pay Index (0.72%). Pyramis was the best performer with a return of 1.24%.

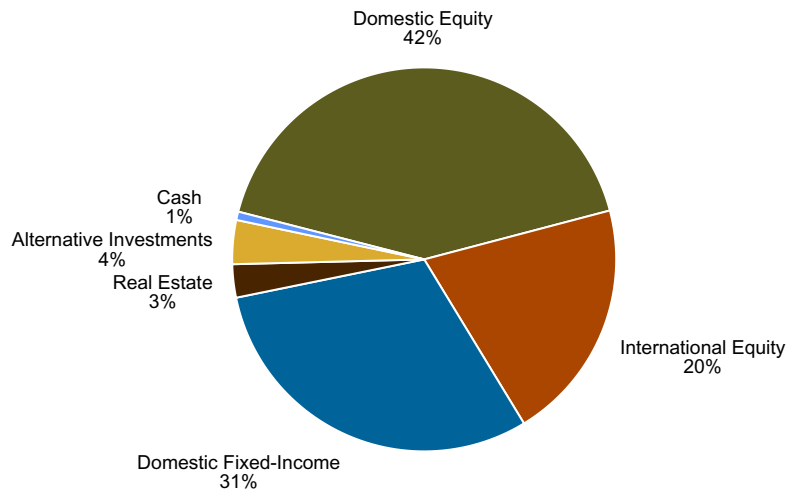
Alternatives

Performance for real estate, absolute return, private equity, agriculture and timberland are not representative of current returns as data is incomplete and/or lagged in the monthly reports.

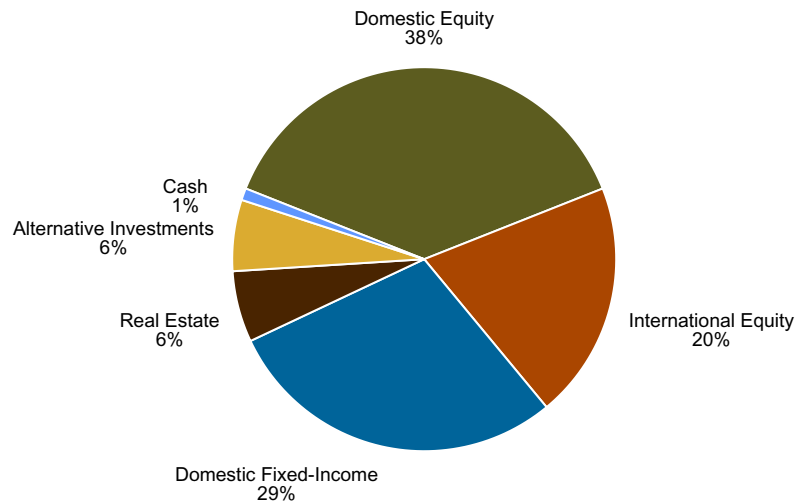
Actual vs Target Asset Allocation

The first chart below shows the Fund's asset allocation as of November 30, 2012. The second chart shows the Fund's 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	11,494	41.9%	38.0%	3.9%	1,062
International Equity	5,589	20.4%	20.0%	0.4%	99
Domestic Fixed-Income	8,380	30.5%	29.0%	1.5%	418
Real Estate	780	2.8%	6.0%	(3.2%)	(867)
Alternative Investments	1,026	3.7%	6.0%	(2.3%)	(621)
Cash	184	0.7%	1.0%	(0.3%)	(91)
Total	27,453	100.0%	100.0%		

* Current Month Target = 38.0% US Total Stock Market Idx, 29.0% Barclays 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 November 30, 2012, with the distribution as of October 31, 2012.

Asset Distribution Across Investment Managers

	November 30, 2012		October 31, 2012	
	Market Value	Percent	Market Value	Percent
Domestic Equity	\$11,494,126,616	41.87%	\$11,408,861,347	41.84%
Large Cap Growth				
BlackRock LCG	601,886,833	2.19%	583,733,839	2.14%
Holland	756,722,464	2.76%	738,200,269	2.71%
NTGI S&P 500 Growth Idx	788,738,641	2.87%	855,715,063	3.14%
Sands	834,285,297	3.04%	790,126,158	2.90%
Vision	57,572,165	0.21%	56,400,443	0.21%
Large Cap Value				
Dodge & Cox	719,651,248	2.62%	714,290,207	2.62%
BMO	773,906,009	2.82%	761,199,649	2.79%
LSV	742,668,977	2.71%	740,539,909	2.72%
NTGI S&P 500 Value Idx	788,689,393	2.87%	787,346,028	2.89%
Large Cap Core				
Piedmont	139,163,743	0.51%	137,913,780	0.51%
Progress	448,646,902	1.63%	443,820,132	1.63%
NTGI MarketCap Index	2,085,429,919	7.60%	2,069,904,314	7.59%
Small Cap Growth				
Fortaleza	33,382,130	0.12%	33,405,548	0.12%
Frontier	502,563,202	1.83%	494,171,573	1.81%
Pyramis	528,571,007	1.93%	522,576,166	1.92%
Small Cap Value				
Channing	55,290,613	0.20%	53,879,181	0.20%
Dimensional Small Cap Value	453,280,645	1.65%	445,180,606	1.63%
Inv. Counselors of Maryland	513,333,219	1.87%	507,064,261	1.86%
Lombardia	109,410,229	0.40%	108,687,575	0.40%
Micro Cap				
Ariel	62,660,763	0.23%	63,275,185	0.23%
Ativo	29,662,257	0.11%	30,099,936	0.11%
Dimensional Micro Cap	195,371,206	0.71%	194,003,940	0.71%
Wall Street	273,239,756	1.00%	277,327,585	1.02%
International Equity	\$5,589,342,302	20.36%	\$5,477,835,197	20.09%
International Large Cap Growth				
EARNEST Partners	462,206,552	1.68%	448,508,522	1.64%
McKinley	192,383	0.00%	191,934	0.00%
William Blair	480,578,582	1.75%	467,634,882	1.71%
International Large Cap Value				
Brandes	385,987,003	1.41%	383,397,150	1.41%
Lombardia	5,232,455	0.02%	5,078,247	0.02%
Mondrian	404,646,831	1.47%	401,390,358	1.47%
Lazard	77,811,744	0.28%	76,016,067	0.28%
International Large Cap Core				
Arrowstreet	399,639,402	1.46%	388,687,902	1.43%
Brown	196,433,651	0.72%	190,654,484	0.70%
GlobeFlex	409,659,697	1.49%	403,312,834	1.48%
NTGI MSCI EAFE Index	1,970,928,229	7.18%	1,924,257,308	7.06%
International Small Cap				
AXA Rosenberg	10,396	0.00%	10,442	0.00%
Franklin Templeton	145,388,312	0.53%	143,156,463	0.52%
William Blair	169,784,077	0.62%	167,784,091	0.62%

Mondrian and Lombardia were funded 3/20/2012, Lazard was funded 3/21/2012.

Franklin Templeton Intl SC was funded 07/27/2011. BlackRock LCG was funded 07/12/2011. Vision was funded 06/17/2011.

Investment Manager Asset Allocation

The table below contrasts the distribution of assets across the Fund's investment managers as of November 30, 2012, with the distribution as of October 31, 2012.

Asset Distribution Across Investment Managers

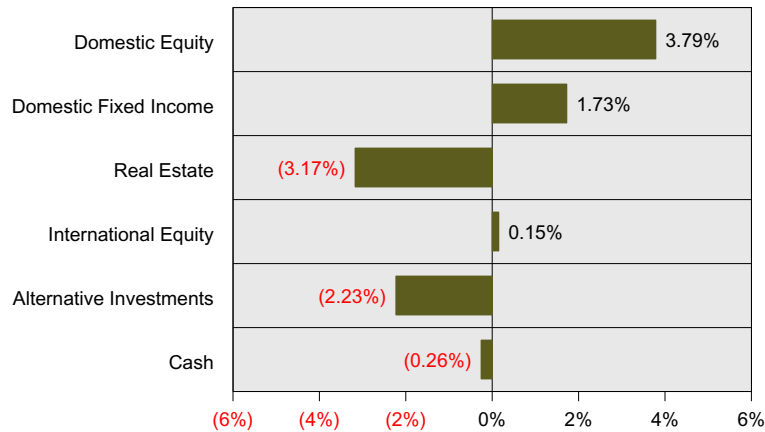
	November 30, 2012		October 31, 2012	
	Market Value	Percent	Market Value	Percent
Emerging Markets				
Genesis	480,842,988	1.75%	477,754,515	1.75%
Domestic Fixed-Income	\$8,379,549,234	30.52%	\$8,352,245,796	30.63%
Domestic Fixed Core				
EARNEST Partners	540,547,625	1.97%	537,752,946	1.97%
Piedmont	532,519,504	1.94%	530,848,032	1.95%
BlackRock Enhanced	965,400,756	3.52%	962,392,372	3.53%
NTGI BC Aggregate Index	1,409,769,495	5.14%	1,407,284,622	5.16%
Domestic Fixed Core Plus				
BlackRock Core Plus	716,682,146	2.61%	714,214,966	2.62%
LM Capital	835,732,526	3.04%	833,721,931	3.06%
Progress Fixed Income	429,961,616	1.57%	428,408,409	1.57%
Taplin, Canida, & Habacht	825,977,448	3.01%	826,878,886	3.03%
Western	1,102,194,585	4.01%	1,100,105,282	4.03%
High Yield				
MacKay Shields	499,801,310	1.82%	496,042,334	1.82%
Pyramis High Yield	520,962,223	1.90%	514,596,016	1.89%
Real Estate	\$779,977,219	2.84%	\$765,168,415	2.81%
Real Estate Core				
BlackRock Granite	71,385,566	0.26%	71,385,566	0.26%
TA Buckhead Ind. Prop.	238,920,207	0.87%	235,069,977	0.86%
Cornerstone Patriot	86,762,335	0.32%	86,762,335	0.32%
INVESCO Core RE	84,931,264	0.31%	84,931,264	0.31%
Sentinel Apartment Fund	24,193,014	0.09%	24,193,014	0.09%
Real Estate Non-Core				
Franklin Templeton EMREFF	19,176,148	0.07%	15,357,269	0.06%
Lazard Freres Strategic Fund II	5,679,968	0.02%	6,734,167	0.02%
Olympus Real Estate Fund II	1,118,305	0.00%	1,118,305	0.00%
Security Capital	52,983,224	0.19%	52,697,730	0.19%
Dune II	40,786,110	0.15%	37,445,742	0.14%
Non-Core Real Estate Funds*	28,112,730	0.10%	27,260,756	0.10%
Rockwood Fund VIII	36,965,879	0.13%	34,522,731	0.13%
Almanac ARS V	38,836,548	0.14%	37,563,638	0.14%
TA Fund IX	50,125,921	0.18%	50,125,921	0.18%
Alternative Investments	\$1,026,476,269	3.74%	\$1,050,536,071	3.85%
Absolute Return				
Aurora	138,807,392	0.51%	138,807,392	0.51%
Grosvenor	123,290,040	0.45%	121,666,903	0.45%
Mesirov	94,910,062	0.35%	121,796,417	0.45%
Private Equity				
Abbott	293,232,248	1.07%	292,399,848	1.07%
Muller & Monroe ILPEFF	12,277,621	0.04%	12,056,451	0.04%
Muller & Monroe MPEFF	20,095,481	0.07%	19,947,190	0.07%
Pantheon	169,043,452	0.62%	169,225,944	0.62%
Private Equity Fund - Domestic	3,856,240	0.01%	3,856,240	0.01%
Agriculture				
Cozad/Westchester	107,363,784	0.39%	107,179,737	0.39%
Timberland				
Forest Investment Assoc.	63,599,219	0.23%	63,599,219	0.23%
Cash	\$183,950,545	0.67%	\$213,609,310	0.78%
Total Fund	\$27,453,422,185	100.0%	\$27,268,256,137	100.0%

*Non-Core Real Estate Funds funded since September 2011.

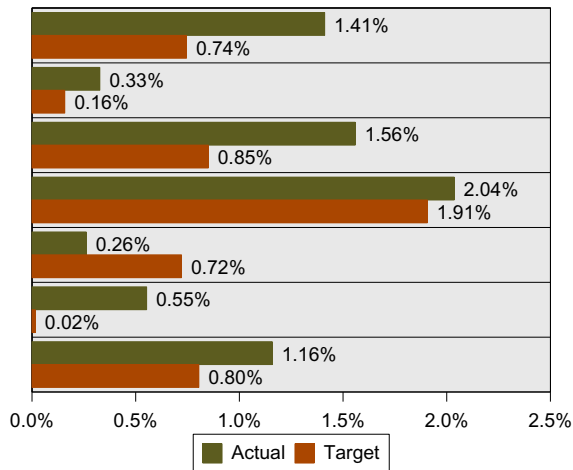
Monthly Total Fund Relative Attribution - November 30, 2012

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.

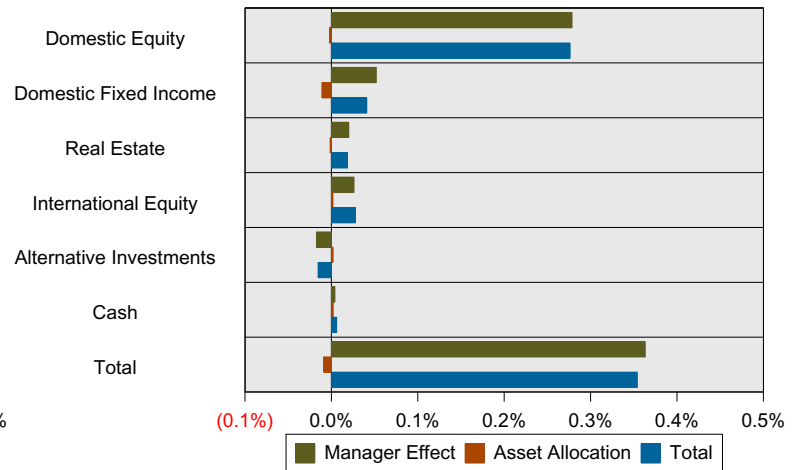
Asset Class Under or Overweighting



Actual vs Target Returns



Relative Attribution by Asset Class



Relative Attribution Effects for Month ended November 30, 2012

Asset Class	Effective Actual Weight	Effective Target Weight	Actual Return	Target Return	Manager Effect	Asset Allocation	Total Relative Return
Domestic Equity	42%	38%	1.41%	0.74%	0.28%	(0.00%)	0.28%
Domestic Fixed Income	31%	29%	0.33%	0.16%	0.05%	(0.01%)	0.04%
Real Estate	3%	6%	1.56%	0.85%	0.02%	(0.00%)	0.02%
International Equity	20%	20%	2.04%	1.91%	0.03%	0.00%	0.03%
Alternative Investments	4%	6%	0.26%	0.72%	(0.02%)	0.00%	(0.02%)
Cash	1%	1%	0.55%	0.02%	0.00%	0.00%	0.01%
Total			1.16%	0.80%	0.36%	(0.01%)	0.35%

* Current Month Target = 38.0% US Total Stock Market Idx, 29.0% Barclays 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 November 30, 2012

	Last Month	Last 3 Months	Year to Date	Last 12 Months
Domestic Equity (12/31/81)	1.41%	1.93%	15.32%	16.15%
DJ U.S. Total Stock Market Index	0.74%	1.53%	14.98%	15.92%
Domestic Equity - Net (12/31/04)	1.39%	1.87%	15.02%	15.85%
International Equity (08/31/86)	2.04%	6.39%	15.22%	13.84%
MSCI ACWI x US (Net)	1.91%	6.12%	12.92%	11.65%
International Equity - Net (12/31/04)	2.00%	6.29%	14.87%	13.50%
Domestic Fixed-Income (12/31/81)	0.33%	1.34%	7.27%	8.82%
BC Aggregate Index	0.16%	0.49%	4.36%	5.51%
Domestic Fixed-Inc. - Net (12/31/04)	0.32%	1.28%	7.07%	8.61%
Real Estate (04/30/85)	1.56%	2.99%	12.51%	13.04%
Blended Benchmark**	0.85%	2.57%	10.39%	11.55%
Real Estate - Net (12/31/04)	1.56%	2.85%	12.12%	12.65%
Alternative Investments (01/31/86)	0.26%	0.53%	4.72%	4.92%
Alternatives Custom Benchmark***	0.72%	2.18%	8.22%	9.00%
Alternative Investments - Net (12/31/04)	0.24%	0.48%	4.42%	4.62%
Absolute Return (12/31/01)	0.51%	1.39%	6.31%	5.66%
HFR Fund-of-Funds Index	0.44%	1.01%	3.56%	2.99%
Private Equity (01/31/86)	0.13%	0.07%	4.83%	3.75%
Alternatives Custom Benchmark***	0.72%	2.18%	8.22%	9.00%
Agriculture (09/30/97)	0.18%	0.30%	3.17%	13.24%
Blended Benchmark**	0.85%	2.57%	10.39%	11.55%
Timberland (09/30/92)	0.00%	(0.39%)	(2.54%)	(3.37%)
Blended Benchmark**	0.85%	2.57%	10.39%	11.55%
Total Fund (12/31/81)	1.16%	2.59%	12.12%	12.71%
Total Fund Benchmark	0.80%	2.23%	10.83%	11.40%
Total Fund - Net (12/31/04)	1.14%	2.53%	11.85%	12.44%

* Current Month Target = 38.0% US Total Stock Market Idx, 29.0% Barclays 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 November 30, 2012

	Last 36 Months	Last 60 Months	Last 120 Months	Since Inception
Domestic Equity (12/31/81)	11.99%	1.81%	7.66%	11.11%
DJ U.S. Total Stock Market Index	11.98%	1.84%	7.20%	10.75%
Domestic Equity - Net (12/31/04)	11.70%	1.56%	-	4.56%
International Equity (08/31/86)	5.24%	(3.41%)	9.61%	7.94%
MSCI ACWI x US (Net)	3.41%	(3.84%)	9.01%	-
International Equity - Net (12/31/04)	4.95%	(3.70%)	-	4.68%
Domestic Fixed-Income (12/31/81)	7.60%	7.28%	6.56%	9.29%
BC Aggregate Index	5.68%	6.04%	5.41%	8.69%
Domestic Fixed-Inc. - Net (12/31/04)	7.43%	7.13%	-	6.12%
Real Estate (04/30/85)	10.47%	(0.72%)	5.58%	4.34%
Blended Benchmark**	13.00%	3.16%	6.19%	7.32%
Real Estate - Net (12/31/04)	10.34%	(0.79%)	-	4.93%
Alternative Investments (01/31/86)	6.77%	1.98%	7.89%	10.86%
Alternatives Custom Benchmark***	9.58%	10.54%	11.39%	13.65%
Alternative Investments - Net (12/31/04)	6.44%	1.72%	-	7.17%
Absolute Return (12/31/01)	2.99%	(0.20%)	4.81%	4.53%
HFR Fund-of-Funds Index	1.31%	(1.90%)	3.58%	3.38%
Private Equity (01/31/86)	10.85%	3.13%	10.33%	12.99%
Alternatives Custom Benchmark***	9.58%	10.54%	11.39%	13.65%
Agriculture (09/30/97)	5.14%	3.93%	7.13%	5.92%
Blended Benchmark**	13.00%	3.16%	6.19%	6.55%
Timberland (09/30/92)	1.86%	5.67%	3.39%	8.82%
Blended Benchmark**	13.00%	3.16%	6.19%	6.81%
Total Fund (12/31/81)	8.85%	3.45%	7.98%	10.01%
Total Fund Benchmark	8.63%	3.60%	7.44%	-
Total Fund - Net (12/31/04)	8.61%	3.23%	-	5.79%

* Current Month Target = 38.0% US Total Stock Market Idx, 29.0% Barclays 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 November 30, 2012

	Last Month	Last 3 Months	Year to Date	Last 12 Months
Large Cap Equity (12/31/81)	1.54%	1.74%	15.98%	16.72%
Russell 1000 Index	0.79%	1.64%	15.23%	16.19%
Large Cap Growth (12/31/81)	3.02%	0.99%	16.74%	15.92%
BlackRock LCG (07/31/11)	3.11%	1.60%	14.57%	13.25%
LCG Blended Benchmark*	1.67%	0.64%	15.29%	14.92%
Russell 1000 Growth Index	1.67%	0.64%	15.29%	14.92%
BlackRock LCG - Net (07/31/11)	3.01%	1.50%	14.05%	12.74%
Holland (10/31/94)	2.51%	(0.28%)	12.41%	10.62%
LCG Blended Benchmark*	1.67%	0.64%	15.29%	14.92%
Russell 1000 Growth Index	1.67%	0.64%	15.29%	14.92%
Holland - Net (12/31/04)	2.51%	(0.33%)	12.14%	10.35%
NTGI S&P 500 Growth Idx (07/31/01)	0.99%	0.25%	14.84%	15.24%
S&P/Citi 500 Growth Index	0.93%	0.19%	14.77%	15.15%
NTGI S&P 500 Growth Idx - Net (12/31/04)	0.99%	0.25%	14.83%	15.23%
Sands (10/31/03)	5.59%	2.43%	24.77%	23.98%
LCG Blended Benchmark*	1.67%	0.64%	15.29%	14.92%
Russell 1000 Growth Index	1.67%	0.64%	15.29%	14.92%
Sands - Net (12/31/04)	5.59%	2.36%	24.46%	23.67%
Vision (06/30/11)	2.08%	0.74%	17.56%	16.86%
LCG Blended Benchmark*	1.67%	0.64%	15.29%	14.92%
Russell 1000 Growth Index	1.67%	0.64%	15.29%	14.92%
Vision - Net (06/30/11)	2.08%	0.60%	16.89%	16.19%
Large Cap Value (09/30/82)	0.72%	2.80%	16.22%	18.59%
Dodge & Cox (08/31/03)	0.76%	3.28%	19.53%	21.21%
LCV Blended Benchmark**	(0.04%)	2.63%	15.13%	17.45%
Russell 1000 Value Index	(0.04%)	2.63%	15.13%	17.45%
Dodge & Cox - Net (12/31/04)	0.76%	3.24%	19.29%	20.97%
BMO (01/31/01)	1.67%	2.42%	14.97%	18.19%
LCV Blended Benchmark**	(0.04%)	2.63%	15.13%	17.45%
Russell 1000 Value Index	(0.04%)	2.63%	15.13%	17.45%
BMO - Net (12/31/04)	1.61%	2.30%	14.71%	17.93%
LSV (01/31/03)	0.29%	2.97%	15.53%	17.95%
LCV Blended Benchmark**	(0.04%)	2.63%	15.13%	17.45%
Russell 1000 Value Index	(0.04%)	2.63%	15.13%	17.45%
LSV - Net (12/31/04)	0.29%	2.91%	15.22%	17.63%
NTGI S&P 500 Value Idx (07/31/99)	0.17%	2.59%	15.20%	17.27%
S&P/Citi 500 Value Index	0.16%	2.60%	15.18%	17.28%
NTGI S&P 500 Value Idx - Net (12/31/04)	0.17%	2.59%	15.19%	17.27%

* 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 November 30, 2012

	Last 36 Months	Last 60 Months	Last 120 Months	Since Inception
Large Cap Equity (12/31/81)	11.60%	1.57%	6.99%	10.62%
Russell 1000 Index	11.63%	1.57%	6.79%	10.95%
Large Cap Growth (12/31/81)	12.37%	3.74%	6.96%	11.18%
BlackRock LCG (07/31/11)	-	-	-	2.79%
LCG Blended Benchmark*	12.50%	3.06%	6.32%	8.79%
Russell 1000 Growth Index	12.50%	3.06%	6.76%	8.79%
BlackRock LCG - Net (07/31/11)	-	-	-	2.44%
Holland (10/31/94)	12.03%	4.95%	7.27%	9.31%
LCG Blended Benchmark*	12.50%	3.06%	6.32%	8.50%
Russell 1000 Growth Index	12.50%	3.06%	6.76%	7.58%
Holland - Net (12/31/04)	11.71%	4.65%	-	4.88%
LCG Blended Benchmark*	12.50%	3.06%	6.32%	5.48%
Russell 1000 Growth Index	12.50%	3.06%	6.76%	5.69%
NTGI S&P 500 Growth Idx (07/31/01)	12.22%	3.49%	6.42%	3.60%
S&P/Citi 500 Growth Index	12.17%	3.46%	6.40%	3.56%
NTGI S&P 500 Growth Idx - Net (12/31/04)	12.21%	3.49%	-	5.14%
S&P/Citi 500 Growth Index	12.17%	3.46%	6.40%	5.58%
Sands (10/31/03)	19.35%	7.65%	-	9.84%
LCG Blended Benchmark*	12.50%	3.06%	6.32%	6.14%
Russell 1000 Growth Index	12.50%	3.06%	6.76%	6.35%
Sands - Net (12/31/04)	19.05%	7.36%	-	7.39%
LCG Blended Benchmark*	12.50%	3.06%	6.32%	5.48%
Russell 1000 Growth Index	12.50%	3.06%	6.76%	5.69%
Vision (06/30/11)	-	-	-	8.10%
LCG Blended Benchmark*	12.50%	3.06%	6.32%	7.48%
Russell 1000 Growth Index	12.50%	3.06%	6.76%	7.48%
Vision - Net (06/30/11)	-	-	-	7.54%
Large Cap Value (09/30/82)	10.68%	(0.33%)	7.08%	9.68%
Dodge & Cox (08/31/03)	10.47%	(0.40%)	-	6.73%
LCV Blended Benchmark**	10.76%	(0.01%)	6.54%	6.06%
Russell 1000 Value Index	10.76%	(0.01%)	6.69%	6.27%
Dodge & Cox - Net (12/31/04)	10.23%	(0.62%)	-	3.33%
LCV Blended Benchmark**	10.76%	(0.01%)	6.54%	3.78%
Russell 1000 Value Index	10.76%	(0.01%)	6.69%	3.94%
BMO (01/31/01)	11.74%	0.31%	8.42%	5.67%
LCV Blended Benchmark**	10.76%	(0.01%)	6.54%	2.79%
Russell 1000 Value Index	10.76%	(0.01%)	6.69%	3.98%
BMO - Net (12/31/04)	11.48%	0.07%	-	4.71%
LCV Blended Benchmark**	10.76%	(0.01%)	6.54%	3.78%
Russell 1000 Value Index	10.76%	(0.01%)	6.69%	3.94%
LSV (01/31/03)	10.28%	0.46%	-	8.75%
LCV Blended Benchmark**	10.76%	(0.01%)	6.54%	7.17%
Russell 1000 Value Index	10.76%	(0.01%)	6.69%	7.22%
LSV - Net (12/31/04)	9.98%	0.17%	-	4.15%
LCV Blended Benchmark**	10.76%	(0.01%)	6.54%	3.78%
Russell 1000 Value Index	10.76%	(0.01%)	6.69%	3.94%
NTGI S&P 500 Value Idx (07/31/99)	10.35%	(0.87%)	6.26%	2.63%
S&P/Citi 500 Value Index	10.32%	(0.89%)	6.24%	2.63%
NTGI S&P 500 Value Idx - Net (12/31/04)	10.34%	(0.88%)	-	3.04%
S&P/Citi 500 Value Index	10.32%	(0.89%)	6.24%	3.41%

* The LCG Blended Benchmark is currently the Russell 1000 Growth Index. Returns prior to January 1, 2006, reflect those 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 November 30, 2012

	Last Month	Last 3 Months	Year to Date	Last 12 Months
Large Cap Active Core (12/31/04)	1.04%	1.13%	14.53%	14.52%
Piedmont (05/31/11)	0.91%	0.31%	15.72%	17.07%
Russell 1000 Index	0.79%	1.64%	15.23%	16.19%
Piedmont - Net (05/31/11)	0.91%	0.21%	15.26%	16.60%
Progress (01/31/05)	1.09%	1.38%	14.17%	13.75%
DJ U.S. Total Stock Market Index	0.74%	1.53%	14.98%	15.92%
Progress - Net (01/31/05)	1.09%	1.23%	13.47%	13.06%
Large Cap Passive Core (12/31/84)	0.75%	1.55%	14.98%	15.93%
NTGI MarketCap Idx (01/31/85)	0.75%	1.55%	14.98%	15.93%
DJ U.S. Total Stock Market Index	0.74%	1.53%	14.98%	15.92%
NTGI MarketCap Idx - Net (12/31/04)	0.75%	1.55%	14.97%	15.92%

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 November 30, 2012

	Last 36 Months	Last 60 Months	Last 120 Months	Since Inception
Large Cap Active Core (12/31/04)	10.86%	1.26%	-	4.45%
Piedmont (05/31/11)	-	-	-	3.72%
Russell 1000 Index	11.63%	1.57%	6.79%	5.28%
Piedmont - Net (05/31/11)	-	-	-	3.31%
Progress (01/31/05)	10.68%	1.17%	-	4.43%
DJ U.S. Total Stock Market Index	11.98%	1.84%	7.20%	4.65%
Progress - Net (01/31/05)	10.02%	0.55%	-	3.81%
Large Cap Passive Core (12/31/84)	11.97%	1.64%	7.07%	10.48%
NTGI MarketCap Idx (01/31/85)	12.00%	1.66%	7.08%	10.51%
DJ U.S. Total Stock Market Index	11.98%	1.84%	7.20%	10.48%
NTGI MarketCap Idx - Net (12/31/04)	12.00%	1.65%	-	4.46%
DJ U.S. Total Stock Market Index	11.98%	1.84%	7.20%	5.07%

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 November 30, 2012

	Last Month	Last 3 Months	Year to Date	Last 12 Months
Small Cap Equity (06/30/88)	0.99%	2.54%	13.24%	14.34%
Russell 2000 Index	0.53%	1.58%	12.35%	13.09%
Small Cap Growth (06/30/88)	1.37%	2.60%	11.86%	12.23%
Fortaleza (11/30/06)	(0.07%)	(0.14%)	12.12%	12.68%
Russell 2000 Growth Index	0.77%	0.56%	11.38%	11.13%
Fortaleza - Net (11/30/06)	(0.07%)	(0.27%)	11.57%	12.13%
Frontier (07/31/88)	1.70%	2.67%	11.02%	11.24%
Russell 2000 Growth Index	0.77%	0.56%	11.38%	11.13%
Frontier - Net (12/31/04)	1.70%	2.54%	10.47%	10.70%
Pyramis (07/31/88)	1.15%	2.72%	12.62%	13.19%
Russell 2000 Growth Index	0.77%	0.56%	11.38%	11.13%
Pyramis - Net (12/31/04)	1.15%	2.72%	12.21%	12.78%
Small Cap Value (08/31/89)	1.48%	3.69%	14.58%	16.07%
Channing (06/30/11)	2.62%	7.71%	18.01%	20.86%
Russell 2000 Value Index	0.31%	2.58%	13.28%	15.05%
Channing - Net (06/30/11)	2.62%	7.51%	17.09%	19.92%
DFA Small Cap Value (01/31/96)	1.82%	4.72%	17.91%	19.09%
Russell 2000 Value Index	0.31%	2.58%	13.28%	15.05%
DFA Small Cap Value - Net (12/31/04)	1.69%	4.59%	17.34%	18.51%
Inv. Counselors of Maryland (04/30/99)	1.24%	2.83%	12.76%	13.96%
Russell 2000 Value Index	0.31%	2.58%	13.28%	15.05%
Inv. Couns. of Maryland - Net (12/31/04)	1.14%	2.73%	12.32%	13.51%
Lombardia (05/31/11)	0.66%	1.66%	8.53%	11.80%
Russell 2000 Value Index	0.31%	2.58%	13.28%	15.05%
Lombardia - Net (05/31/11)	0.66%	1.49%	7.79%	11.04%
Micro Cap (06/30/84)	(0.66%)	0.19%	13.18%	14.97%
Ariel (10/31/2010)	(0.97%)	0.47%	17.44%	20.21%
Russell 2000 Value Index	0.31%	2.58%	13.28%	15.05%
Russell 2000 Index	0.53%	1.58%	12.35%	13.09%
Russell Microcap Index	(0.00%)	1.69%	15.99%	17.60%
Ariel - Net (10/31/10)	(0.97%)	0.29%	16.51%	19.26%
Ativo (09/30/10)	(1.34%)	2.55%	11.17%	12.78%
Russell 2000 Growth Index	0.77%	0.56%	11.38%	11.13%
Russell 2000 Index	0.53%	1.58%	12.35%	13.09%
Russell Microcap Index	(0.00%)	1.69%	15.99%	17.60%
Ativo - Net (09/30/10)	(1.34%)	2.32%	10.28%	11.88%
DFA Micro Cap (07/31/87)	0.70%	2.78%	14.25%	15.33%
Russell 2000 Value Index	0.31%	2.58%	13.28%	15.05%
Russell 2000 Index	0.53%	1.58%	12.35%	13.09%
DFA Micro Cap - Net (12/31/04)	0.58%	2.65%	13.68%	14.76%
Wall Street (07/31/90)	(1.47%)	(1.89%)	11.72%	13.81%
Russell 2000 Growth Index	0.77%	0.56%	11.38%	11.13%
Russell 2000 Index	0.53%	1.58%	12.35%	13.09%
Wall Street - Net (12/31/04)	(1.47%)	(2.07%)	10.90%	12.97%

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 November 30, 2012

	Last 36 Months	Last 60 Months	Last 120 Months	Since Inception
Small Cap Equity (06/30/88)	14.62%	3.94%	11.27%	12.02%
Russell 2000 Index	13.85%	2.82%	8.71%	9.03%
Small Cap Growth (06/30/88)	13.74%	3.37%	10.95%	12.70%
Fortaleza (11/30/06)	18.12%	0.92%	-	3.48%
Russell 2000 Growth Index	14.86%	3.03%	8.71%	3.89%
Fortaleza - Net (11/30/06)	17.57%	0.42%	-	2.99%
Frontier (07/31/88)	12.72%	4.98%	10.27%	12.74%
Russell 2000 Growth Index	14.86%	3.03%	8.71%	6.81%
Frontier - Net (12/31/04)	11.81%	4.14%	-	6.52%
Russell 2000 Growth Index	14.86%	3.03%	8.71%	5.29%
Pyramis (07/31/88)	14.23%	4.35%	12.26%	13.33%
Russell 2000 Growth Index	14.86%	3.03%	8.71%	6.81%
Pyramis - Net (12/31/04)	13.48%	3.71%	-	8.35%
Russell 2000 Growth Index	14.86%	3.03%	8.71%	5.29%
Small Cap Value (08/31/89)	14.57%	4.04%	10.77%	11.72%
Channing (06/30/11)	-	-	-	5.16%
Russell 2000 Value Index	12.76%	2.52%	8.58%	2.22%
Channing - Net (06/30/11)	-	-	-	4.36%
DFA Small Cap Value (01/31/96)	16.93%	4.67%	11.86%	12.16%
Russell 2000 Value Index	12.76%	2.52%	8.58%	9.08%
DFA Small Cap Value - Net (12/31/04)	16.38%	4.13%	-	5.16%
Russell 2000 Value Index	12.76%	2.52%	8.58%	3.96%
Inv. Counselors of Maryland (04/30/99)	13.37%	3.69%	10.28%	11.39%
Russell 2000 Value Index	12.76%	2.52%	8.58%	8.93%
Inv. Couns. of Maryland - Net (12/31/04)	12.86%	3.16%	-	5.47%
Russell 2000 Value Index	12.76%	2.52%	8.58%	3.96%
Lombardia (05/31/11)	-	-	-	0.63%
Russell 2000 Value Index	12.76%	2.52%	8.58%	0.41%
Lombardia - Net (05/31/11)	-	-	-	(0.00%)
Micro Cap (06/30/84)	17.21%	1.58%	9.83%	11.68%
Ariel (10/31/10)	-	-	-	8.49%
Russell 2000 Value Index	12.76%	2.52%	8.58%	8.66%
Russell 2000 Index	13.85%	2.82%	8.71%	9.25%
Russell Microcap Index	13.59%	0.75%	7.59%	8.68%
Ariel - Net (10/31/10)	-	-	-	7.63%
Ativo (09/30/10)	-	-	-	6.88%
Russell 2000 Growth Index	14.86%	3.03%	8.71%	11.52%
Russell 2000 Index	13.85%	2.82%	8.71%	10.91%
Russell Microcap Index	13.59%	0.75%	7.59%	11.11%
Ativo - Net (09/30/10)	-	-	-	6.08%
DFA Micro Cap (07/31/87)	16.21%	3.86%	10.53%	10.78%
Russell 2000 Value Index	12.76%	2.52%	8.58%	9.74%
Russell 2000 Index	13.85%	2.82%	8.71%	8.13%
DFA Micro Cap - Net (12/31/04)	15.66%	3.35%	-	4.27%
Russell 2000 Growth Index	14.86%	3.03%	8.71%	5.29%
Russell 2000 Index	13.85%	2.82%	8.71%	4.68%
Wall Street (07/31/90)	18.49%	0.99%	9.59%	13.60%
Russell 2000 Growth Index	14.86%	3.03%	8.71%	6.58%
Russell 2000 Index	13.85%	2.82%	8.71%	8.85%
Wall Street - Net (12/31/04)	17.61%	0.20%	-	4.18%
Russell 2000 Growth Index	14.86%	3.03%	8.71%	5.29%
Russell 2000 Index	13.85%	2.82%	8.71%	4.68%

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 November 30, 2012

	Last Month	Last 3 Months	Year to Date	Last 12 Months
Intl Large Cap Equity (08/31/86)	2.22%	6.29%	14.77%	13.45%
MSCI ACWI ex-US Index	1.91%	6.12%	12.92%	11.65%
Intl Large Cap Growth (08/31/02)	2.91%	8.51%	18.30%	16.49%
EARNEST Partners (09/30/04)	3.05%	10.11%	14.54%	14.57%
MSCI ACWI ex-US Index	1.91%	6.12%	12.92%	11.65%
MSCI ACWI ex-US Growth	2.32%	6.04%	13.91%	12.09%
EARNEST Partners - Net (12/31/04)	2.73%	9.72%	13.45%	13.48%
William Blair (09/30/02)	2.77%	7.01%	21.68%	19.30%
MSCI ACWI ex-US Index	1.91%	6.12%	12.92%	11.65%
MSCI ACWI ex-US Growth	2.32%	6.04%	13.91%	12.09%
William Blair - Net (12/31/04)	2.77%	6.91%	21.06%	18.69%
Intl Large Cap Value (09/30/95)	0.90%	3.66%	8.55%	7.59%
Brandes (12/31/95)	0.68%	2.84%	6.48%	5.54%
MSCI ACWI ex-US Index	1.91%	6.12%	12.92%	11.65%
MSCI ACWI ex-US Value	1.52%	6.33%	12.93%	12.25%
Brandes - Net (12/31/04)	0.68%	2.78%	6.22%	5.28%
Lombardia (3/31/12)	3.04%	9.53%	-	-
MSCI ACWI ex-US Index	1.91%	6.12%	12.92%	11.65%
MSCI ACWI ex-US Value	1.52%	6.33%	12.93%	12.25%
Lombardia - Net (3/31/12)	3.04%	9.37%	-	-
Mondrian (3/31/12)	0.81%	3.91%	-	-
MSCI ACWI ex-US Index	1.91%	6.12%	12.92%	11.65%
MSCI ACWI ex-US Value	1.52%	6.33%	12.93%	12.25%
Mondrian - Net (3/31/12)	0.81%	3.78%	-	-
Lazard (3/31/12)	2.36%	6.14%	-	-
MSCI ACWI ex-US Index	1.91%	6.12%	12.92%	11.65%
MSCI ACWI ex-US Value	1.52%	6.33%	12.93%	12.25%
Lazard - Net (3/31/12)	2.30%	6.08%	-	-

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 November 30, 2012

	Last 36 Months	Last 60 Months	Last 120 Months	Since Inception
Intl Large Cap Equity (08/31/86)	4.90%	(3.97%)	8.76%	7.91%
MSCI ACWI ex-US Index	3.41%	(3.84%)	9.01%	-
Intl Large Cap Growth (08/31/02)	7.64%	(3.21%)	10.19%	9.64%
EARNEST Partners (09/30/04)	7.73%	1.11%	-	12.55%
MSCI ACWI ex-US Index	3.41%	(3.84%)	9.01%	6.73%
MSCI ACWI ex-US Growth	4.87%	(3.32%)	8.80%	7.28%
EARNEST Partners - Net (12/31/04)	7.26%	0.64%	-	9.98%
MSCI ACWI ex-US Index	3.41%	(3.84%)	9.01%	5.19%
MSCI ACWI ex-US Growth	4.87%	(3.32%)	8.80%	5.79%
William Blair (09/30/02)	9.68%	(2.67%)	10.41%	9.93%
MSCI ACWI ex-US Index	3.41%	(3.84%)	9.01%	8.64%
MSCI ACWI ex-US Growth	4.87%	(3.32%)	8.80%	8.55%
William Blair - Net (12/31/04)	9.26%	(3.05%)	-	5.77%
MSCI ACWI ex-US Index	3.41%	(3.84%)	9.01%	5.19%
MSCI ACWI ex-US Growth	4.87%	(3.32%)	8.80%	5.79%
Intl Large Cap Value (09/30/95)	1.32%	(5.10%)	8.43%	9.45%
Brandes (12/31/95)	0.67%	(5.46%)	8.22%	9.37%
MSCI ACWI ex-US Index	3.41%	(3.84%)	9.01%	5.22%
MSCI ACWI ex-US Value	2.83%	(3.49%)	10.11%	-
Brandes - Net (12/31/04)	0.44%	(5.71%)	-	2.05%
MSCI ACWI ex-US Index	3.41%	(3.84%)	9.01%	5.19%
MSCI ACWI ex-US Value	2.83%	(3.49%)	10.11%	5.49%
Lombardia (3/31/12)	-	-	-	4.68%
MSCI ACWI ex-US Index	3.41%	(3.84%)	9.01%	1.51%
MSCI ACWI ex-US Value	2.83%	(3.49%)	10.11%	1.88%
Lombardia - Net (3/31/12)	-	-	-	1.65%
Mondrian (3/31/12)	-	-	-	0.58%
MSCI ACWI ex-US Index	3.41%	(3.84%)	9.01%	1.51%
MSCI ACWI ex-US Value	2.83%	(3.49%)	10.11%	1.88%
Mondrian - Net (3/31/12)	-	-	-	(1.02%)
Lazard (3/31/12)	-	-	-	5.32%
MSCI ACWI ex-US Index	3.41%	(3.84%)	9.01%	1.51%
MSCI ACWI ex-US Value	2.83%	(3.49%)	10.11%	1.88%
Lazard - Net (3/31/12)	-	-	-	4.78%

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 November 30, 2012

	Last Month	Last 3 Months	Year to Date	Last 12 Months
Intl Large Cap Active Core (01/31/08)	2.35%	6.41%	17.55%	16.20%
Arrowstreet (02/29/08)	2.82%	5.85%	15.61%	13.89%
MSCI ACWI ex-US Index	1.91%	6.12%	12.92%	11.65%
Arrowstreet - Net (02/29/08)	2.70%	5.72%	15.06%	13.35%
Brown (09/30/04)	3.03%	7.84%	19.58%	17.36%
MSCI ACWI ex-US Index	1.91%	6.12%	12.92%	11.65%
Brown - Net (12/31/04)	3.03%	7.58%	19.07%	16.87%
GlobeFlex (02/28/06)	1.57%	6.29%	18.52%	17.97%
MSCI ACWI ex-US Index	1.91%	6.12%	12.92%	11.65%
GlobeFlex - Net (02/28/06)	1.57%	6.18%	18.01%	17.46%
Intl Large Cap Pass. Core (12/31/99)	2.43%	6.40%	14.16%	13.09%
NTGI MSCI EAFE Idx (01/31/00)	2.43%	6.40%	14.16%	13.09%
MSCI EAFE Index	2.42%	6.32%	13.68%	12.61%
NTGI EAFE Idx - Net (12/31/04)	2.43%	6.39%	14.16%	13.08%
International Small Cap (11/30/05)	1.36%	5.95%	20.00%	18.12%
Franklin Templeton (07/31/11)	1.56%	5.83%	21.63%	20.99%
ACWI Small Cap ex US	0.79%	5.95%	13.93%	11.87%
Franklin Templeton - Net (07/31/11)	1.56%	5.63%	20.71%	20.07%
William Blair (08/31/10)	1.19%	6.05%	18.65%	15.79%
ACWI Small Cap ex US	0.79%	5.95%	13.93%	11.87%
Intl SC Blended Benchmark	0.79%	5.95%	13.93%	11.87%
William Blair - Net (08/31/10)	1.19%	5.85%	17.71%	14.87%
Emerging Markets (01/31/92)	0.65%	7.62%	16.82%	15.17%
Genesis (04/30/04)	0.65%	7.62%	16.82%	15.17%
MSCI Emerging Markets Index	1.28%	6.77%	13.08%	11.73%
Genesis - Net (12/31/04)	0.65%	7.62%	16.76%	15.05%

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 November 30, 2012

	Last 36 Months	Last 60 Months	Last 120 Months	Since Inception
Intl Large Cap Active Core (01/31/08)	6.80%	-	-	0.19%
Arrowstreet (02/29/08)	6.37%	-	-	(0.06%)
MSCI ACWI ex-US Index	3.41%	(3.84%)	9.01%	(1.62%)
Arrowstreet - Net (02/29/08)	5.86%	-	-	(0.52%)
Brown (09/30/04)	4.61%	(1.94%)	-	7.34%
MSCI ACWI ex-US Index	3.41%	(3.84%)	9.01%	6.73%
Brown - Net (12/31/04)	4.13%	(2.31%)	-	4.68%
MSCI ACWI ex-US Index	3.41%	(3.84%)	9.01%	5.19%
GlobeFlex (02/28/06)	7.64%	(3.69%)	-	2.50%
MSCI ACWI ex-US Index	3.41%	(3.84%)	9.01%	2.10%
GlobeFlex - Net (02/28/06)	7.17%	(4.13%)	-	2.04%
Intl Large Cap Pass. Core (12/31/99)	3.36%	(4.31%)	7.90%	1.85%
NTGI MSCI EAFE Idx (01/31/00)	3.37%	(4.33%)	7.89%	1.86%
MSCI EAFE Index	2.97%	(4.73%)	7.51%	1.48%
NTGI EAFE Idx - Net (12/31/04)	3.36%	(4.34%)	-	3.51%
MSCI EAFE Index	2.97%	(4.73%)	7.51%	3.69%
International Small Cap (11/30/05)	7.60%	(4.33%)	-	1.75%
Franklin Templeton (07/31/11)	-	-	-	(1.93%)
ACWI Small Cap ex US	6.01%	(1.57%)	12.61%	(6.48%)
Franklin Templeton - Net (07/31/11)	-	-	-	(2.59%)
William Blair (08/31/10)	-	-	-	12.23%
ACWI Small Cap ex US	6.01%	(1.57%)	12.61%	6.67%
Intl SC Blended Benchmark	5.93%	(2.84%)	11.40%	8.14%
William Blair - Net (08/31/10)	-	-	-	9.15%
Emerging Markets (01/31/92)	9.29%	4.40%	18.52%	10.35%
Genesis (04/30/04)	9.29%	4.40%	-	15.36%
MSCI Emerging Markets Index	4.67%	(1.49%)	15.93%	11.88%
Genesis - Net (12/31/04)	8.81%	3.87%	-	13.35%
MSCI Emerging Markets Index	4.67%	(1.49%)	15.93%	11.66%

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 November 30, 2012

	Last Month	Last 3 Months	Year to Date	Last 12 Months
Dom. Fixed Active Core (03/31/01)	0.42%	1.32%	6.40%	7.74%
EARNEST Partners (04/30/05)	0.52%	1.34%	6.19%	7.50%
BC Aggregate Index	0.16%	0.49%	4.36%	5.51%
EARNEST Partners - Net (04/30/05)	0.52%	1.29%	5.97%	7.28%
Piedmont (05/31/05)	0.31%	1.30%	6.61%	8.00%
BC Aggregate Index	0.16%	0.49%	4.36%	5.51%
Piedmont - Net (05/31/05)	0.31%	1.26%	6.44%	7.82%
Dom. Fixed Enhanced Core (03/31/00)	0.31%	0.79%	5.26%	6.59%
BlackRock Enhanced (04/30/00)	0.31%	0.79%	5.26%	6.59%
BC Aggregate Index	0.16%	0.49%	4.36%	5.51%
BlackRock Enhanced - Net (12/31/04)	0.31%	0.77%	5.19%	6.52%
Dom. Fixed Passive Core (12/31/89)	0.18%	0.50%	4.49%	5.62%
NTGI BC Agg. Index (01/31/90)	0.18%	0.50%	4.49%	5.62%
BC Aggregate Index	0.16%	0.49%	4.36%	5.51%
NTGI BC Agg. Index - Net (12/31/04)	0.18%	0.49%	4.48%	5.61%

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 November 30, 2012

	Last 36 Months	Last 60 Months	Last 120 Months	Since Inception
Dom. Fixed Active Core (03/31/01)	7.01%	6.72%	5.12%	5.52%
EARNEST Partners (04/30/05)	6.83%	6.66%	-	6.18%
BC Aggregate Index	5.68%	6.04%	5.41%	5.75%
EARNEST Partners - Net (04/30/05)	6.62%	6.45%	-	5.97%
Piedmont (05/31/05)	7.18%	6.49%	-	5.70%
BC Aggregate Index	5.68%	6.04%	5.41%	5.63%
Piedmont - Net (05/31/05)	7.00%	6.31%	-	5.49%
Dom. Fixed Enhanced Core (03/31/00)	6.34%	6.08%	5.47%	6.35%
BlackRock Enhanced (04/30/00)	6.34%	6.08%	5.47%	6.39%
BC Aggregate Index	5.68%	6.04%	5.41%	6.30%
BlackRock Enhanced - Net (12/31/04)	6.26%	6.01%	-	5.42%
BC Aggregate Index	5.68%	6.04%	5.41%	5.56%
Dom. Fixed Passive Core (12/31/89)	5.71%	5.93%	5.38%	6.92%
NTGI BC Agg. Index (01/31/90)	5.71%	5.93%	5.38%	6.94%
BC Aggregate Index	5.68%	6.04%	5.41%	6.94%
NTGI BC Agg. Index - Net (12/31/04)	5.70%	5.92%	-	5.38%
BC Aggregate Index	5.68%	6.04%	5.41%	5.56%

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 November 30, 2012

	Last Month	Last 3 Months	Year to Date	Last 12 Months
Domestic Fixed Core Plus (12/31/81)	0.18%	1.35%	7.54%	9.11%
BlackRock Core Plus (03/31/07)	0.35%	0.73%	5.90%	7.20%
BC Aggregate Index	0.16%	0.49%	4.36%	5.51%
BlackRock Core Plus - Net (03/31/07)	0.35%	0.73%	5.86%	7.04%
LM Capital (04/30/05)	0.24%	1.37%	7.16%	8.70%
BC Aggregate Index	0.16%	0.49%	4.36%	5.51%
LM Capital - Net (04/30/05)	0.24%	1.33%	6.99%	8.53%
Progress Fixed Income (12/31/05)	0.36%	1.18%	6.46%	7.92%
BC Aggregate Index	0.16%	0.49%	4.36%	5.51%
Progress Fixed Inc. - Net (12/31/05)	0.36%	1.10%	6.09%	7.55%
Taplin, Canida, Habacht (04/30/05)	(0.11%)	1.95%	9.17%	11.18%
BC Aggregate Index	0.16%	0.49%	4.36%	5.51%
Taplin, Canida, Hab. - Net (04/30/05)	(0.11%)	1.92%	9.03%	11.04%
Western (10/31/01)	0.19%	1.37%	8.13%	9.64%
BC Aggregate Index	0.16%	0.49%	4.36%	5.51%
Western - Net (12/31/04)	0.19%	1.33%	7.98%	9.49%
High Yield (03/31/86)	1.00%	3.07%	13.35%	15.96%
MacKay Shields (10/31/00)	0.76%	2.84%	12.94%	15.32%
ML High Yield Cash Pay Index	0.72%	2.98%	13.65%	16.48%
MacKay Shields - Net (12/31/04)	0.67%	2.67%	12.37%	14.74%
Pyramis (07/31/86)	1.24%	3.30%	13.74%	16.59%
ML High Yield Cash Pay Index	0.72%	2.98%	13.65%	16.48%
Pyramis - Net (12/31/04)	1.24%	3.22%	13.21%	16.04%

Taplin, Canida, & Habacht moved to Core Plus October 1, 2010.

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 November 30, 2012

	Last 36 Months	Last 60 Months	Last 120 Months	Since Inception
Domestic Fixed Core Plus (12/31/81)	7.92%	6.94%	6.30%	9.11%
BlackRock Core Plus (03/31/07)	7.18%	6.68%	-	6.64%
BC Aggregate Index	5.68%	6.04%	5.41%	6.14%
BlackRock Core Plus - Net (03/31/07)	7.10%	6.61%	-	6.57%
LM Capital (04/30/05)	7.27%	7.24%	-	6.60%
BC Aggregate Index	5.68%	6.04%	5.41%	5.75%
LM Capital - Net (04/30/05)	7.10%	7.06%	-	6.42%
Progress Fixed Income (12/31/05)	6.96%	6.73%	-	6.72%
BC Aggregate Index	5.68%	6.04%	5.41%	6.02%
Progress Fixed Inc. - Net (12/31/05)	6.59%	6.36%	-	6.38%
Taplin, Canida, Habacht (04/30/05)	7.88%	7.34%	-	6.27%
BC Aggregate Index	5.68%	6.04%	5.41%	5.75%
Taplin, Canida, Hab. - Net (04/30/05)	7.74%	7.21%	-	6.18%
Western (10/31/01)	8.88%	7.08%	6.76%	6.76%
BC Aggregate Index	5.68%	6.04%	5.41%	5.57%
Western - Net (12/31/04)	8.73%	6.93%	-	5.97%
BC Aggregate Index	5.68%	6.04%	5.41%	5.56%
High Yield (03/31/86)	12.06%	9.84%	11.42%	10.35%
Mackay Shields (10/31/00)	11.82%	9.00%	11.63%	10.09%
ML High Yield Cash Pay Index	12.13%	9.62%	10.23%	8.28%
Mackay Shields - Net (12/31/04)	11.37%	8.61%	-	7.59%
ML High Yield Cash Pay Index	12.13%	9.62%	10.23%	8.20%
Pyramis (07/31/86)	12.31%	10.71%	11.24%	10.10%
ML High Yield Cash Pay Index	12.13%	9.62%	10.23%	8.90%
Pyramis - Net (12/31/04)	11.75%	10.27%	-	8.46%
ML High Yield Cash Pay Index	12.13%	9.62%	10.23%	8.20%

Taplin, Canida, & Habacht moved to Core Plus October 1, 2010.

Manager Summary

Five Best Performing Portfolios vs. Benchmarks

Manager	Year-to-Date Outperformance (in % points)	Since Inception Outperformance (in % points)	
Sands	9.48	3.70	(10/31/03)
William Blair Intl LC	8.76	1.29	(09/30/02)
Franklin Templeton	7.70	4.55	(07/31/11)
Brown	6.66	0.61	(09/30/04)
GlobeFlex	5.60	0.40	(02/28/06)

Five Worst Performing Portfolios vs. Benchmarks

Manager	Year-to-Date Underperformance (in % points)	Since Inception Underperformance (in % points)	
Brandes	-6.44	4.15	(12/31/95)
Lombardia SCV	-4.75	0.22	(05/31/11)
Holland	-2.88	0.81	(10/31/94)
Progress	-0.81	-0.22	(01/31/05)
BlackRock LCG	-0.72	-6.00	(07/31/11)

Five Highest Returning Portfolios

Manager	Year-to-Date Return (in % points)	Since Inception Return (in % points)	
Sands	24.77	9.84	(10/31/03)
William Blair Intl LC	21.68	9.93	(09/30/02)
Franklin Templeton	21.62	-1.93	(07/31/11)
Brown	19.58	7.34	(09/30/04)
Dodge & Cox	19.53	6.73	(08/31/03)

Five Lowest Returning Portfolios

Manager	Year-to-Date Return (in % points)	Since Inception Return (in % points)	
Northern Trust Barclays Agg	4.49	6.94	(01/31/90)
BlackRock Enhanced	5.26	6.39	(04/30/00)
BlackRock Core Plus	5.90	6.64	(03/31/07)
EARNEST Fixed Income	6.19	6.18	(04/30/05)
Progress Fixed Income	6.46	6.72	(12/31/05)

Returns are shown gross of investment management fees.

Excludes Real Estate and Alternative Investments portfolios.

(12-12-02) (2012 Diversity Report) The Chief Investment Officer presented the 2012 Annual Diversity Report to the Board for review, noting under Public Act 96-006, IMRF is required to submit an annual report to the Governor and General Assembly.

After questions and discussion, it was moved by Ms. Thompson, seconded by Ms. Faklis, to approve the submission of the 2012 Annual Diversity Report to the Governor and General Assembly.

Vote: Unanimous Voice Vote
Absent: None

(12-12-03) (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 #12-11-16

Schedules - Dated December 21, 2012

- 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
- Schedule S - Prior Service Adjustments

Administration - Master Trustee Report

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

Bids (3)

Microsoft Exchange Licenses
Approved Bidder: Software House, Inc.
Approved Bid: \$12,464.00

2012 Regular Benefits Booklet Tier 2
Approved Bidder: United Graphics
Approved Bid: \$8,565.05

Consulting Services for Exchange 2010 Migration
Approved Bidder: Valcom
Renewal Amount: \$21,460.00

Participation of New Unit of Government (1)

Rushville Township
County: Schuyler
2013 Employer Rate: 5.74%
Effective Participation Date: January 1, 2013
Number of Employees: 1

Participation of Township (1)

Township of Elbridge
County: Edgar
2014 Employer Rate: 18.56%
Effective Date: January 1, 2014
Number of Employees: 1

It was moved by Ms. Faklis, seconded by Mr. Nannini, to approve the items on the Consent Agenda.

Vote: Unanimous Voice Vote
Absent: None

(12-12-04) (Financial Reports) The Chair presented the following financial reports for approval.

- Review of December Financial Reporting Package
- October Interim Financial Statements
- Impact of 2012 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. Thompson, seconded by Mr. Piechocinski, to approve the Financial Reports as presented.

Vote: Unanimous Voice Vote
Absent: None

(12-12-05) (IMRF Funding Goal and Comprehensive Funding Policy) The Executive Director and Chief Financial Officer reviewed a proposed funding policy drafted by staff, that conforms to IMRF's current funding and rate setting policies that were discussed at the Board's September 2012 meeting. It was noted that a formal funding policy was needed because of the impending repeal of GASB 27 in light of the new GASB 68 standard.

They reported that staff also solicited feedback from employers on the proposed funding policy.

After questions and discussion, it was moved by Mr. Stafford, seconded by Mr. Nannini, to adopt the following "Funding Policy of the Illinois Municipal Retirement Fund":

Funding Policy of the Illinois Municipal Retirement Fund

Background

The fundamental financial objective of a public employee defined benefit pension plan is to fund the long-term cost of benefits promised to the plan participants. In order to assure that pension benefits will remain sustainable, the governmental plan sponsor should accumulate adequate resources for future benefit payments in a systematic and disciplined manner during the active service life of the benefitting employees. In pursuit of this objective, the Illinois Municipal Retirement Fund (IMRF) has adopted a funding policy targeting a 100 percent funded ratio.

IMRF believes that its funding policy and its implementation meets the recently released draft "Pension Funding Policy Guidelines" for state and local governments which address the following general policy objectives:

- Ensure pension funding plans are based on actuarially determined contributions
- Build funding discipline into the policy to ensure promised benefits can be paid
- Maintain intergenerational equity so the cost of employee benefits is paid by the generation of taxpayers who receive services
- Make employer costs a consistent percentage of payroll
- Require clear reporting to show how and when pension plans will be adequately funded

Implementation of Funding Policy

In order to actualize the aforementioned funding policy, the IMRF Board will set employer contribution rates required to fully fund promised benefits utilizing the following principles:

1. An actuarially determined annual required contribution expressed as a percentage of payroll will be calculated which will include a factor for normal cost for current service for each eligible plan and tier based upon the benefit provisions in the Illinois Pension Code and a factor to collect or refund any under or over funded amount.
2. Annual employer contributions will be calculated utilizing the annual required contribution rate.

3. In situations where the annual contributions based upon the annual required contribution rate times employer payroll are insufficient to reduce an unfunded liability, a minimum contribution will be calculated which will pay down the unfunded liability over a closed 20 year period.
4. Normal cost will be calculated using the entry age normal level percentage of payroll actuarial cost method utilizing the following:
 - a. Economic assumptions based upon the latest applicable triennial experience study. The current economic assumptions are as follows:
 - i. Investment rate of return - 7.5%
 - ii. Assumed wage inflation rate - 4%
 - b. Non-economic assumptions based upon the latest applicable triennial experience study including the following:
 - i. Rates of quitting among actives
 - ii. Rates of disability among actives
 - iii. Patterns of merit and longevity increases among actives
 - iv. Rates of retirements
 - v. Rates of mortality
5. Amortization of under or over funded status will be determined based upon the following:
 - a. Actuarial assets will be determined using a five-year smooth market related basis with a 20% corridor
 - b. Amortization will be based on a level percentage of payroll
 - c. The amortization period for taxing bodies will be a closed 29 years until it reaches 15 years at which time it will switch to a 15 year open period
 - d. The amortization period for non-taxing bodies will be a 10 year open period
6. IMRF will annually furnish employers information on the annual required contributions and the actual contributions received and a schedule of funding progress based on the above actuarial principles and assumptions.

All aspects of the funding policy and the individual factors in the calculation of the employer contribution rate which is the result of the above process are subject to the review and approval of the IMRF Board of Trustees and are subject to change if deemed appropriate and in the best interests of IMRF sponsors and participants

Vote: Unanimous Voice Vote
Absent: None

(12-12-06) (Certification of Results of Employee Trustee Election) The Legislative Liaison presented the results of the recent Employee Trustee Election.

3 Year Term, commencing January 1, 2013 - One to be Elected

	<u>Votes Received</u>
Jeffrey Stulir	11,380
Write-In Candidates	152
Spoiled Ballots	178

It was moved by Ms. Thompson, seconded by Ms. Copper, to certify the results of the 2012 Employee Trustee Election acknowledging the election of Jeffrey Stulir (3-Year Term).

Vote: Unanimous Voice Vote
Absent: None

(12-12-07) (Certification of Results of Executive Trustee Election) The Legislative Liaison presented the results of the recent Employee Trustee Election.

5 Year Term, commencing January 1, 2013 - One to be Elected

	<u>Votes Received</u>
Tom Kuehne	702
David C. Miller	413
Write-In Candidates	2
Spoiled Ballots	7

It was moved by Ms. Thompson, seconded by Ms. Faklis, to certify the results of the 2012 Executive Trustee Election acknowledging the election of Tom Kuehne (5-Year Term).

Vote: Unanimous Voice Vote
Absent: None

(12-12-08) (Election of 2013 Board Officers) The Nominating Committee recommended the Board approve the following Trustees for Board Offices: William Stafford for the Office of President of the Board, Natalie Copper for the Office of Vice President of the Board, and John Piechocinski for the Office of Secretary of the Board commencing January 1, 2013.

It was moved by Ms. Henry, seconded by Ms. Thompson, to approve the recommendations of the Nominating Committee.

Vote: Unanimous Voice Vote
Absent: None

(12-12-09) (Appointment to Ethics Commission) General Counsel noted it was in order for the Board to appoint a Board Member to the IMRF Ethics Commission for 2013.

The IMRF Ethics Commission is a three-person body established to investigate, conduct hearings and issue recommendations for disciplinary actions regarding violations of the IMRF Ethics Policy. The Commission is comprised of the Board President and the IMRF Internal Auditor, along with a third rotating member to be appointed by the Board each year.

General Counsel also requested that a conflict substitute for the third member be appointed for 2013.

It was moved by Ms. Copper, seconded by Ms. Faklis, that Mr. Nannini be appointed as the third member of the IMRF Ethics Commission and Ms. Thompson be appointed as his conflict substitute of the IMRF Ethics Commission for 2013.

Vote: Unanimous Voice Vote
Absent: None

(12-12-10) (Appointment to By-Laws Review Task Force) It was moved by Mr. Nannini, seconded by Ms. Copper, to appoint the following members to the By-Laws Task Force:

- Sharon U. Thompson, Chair
- John Piechocinski
- Bill Stafford
- Gwen Henry

Vote: Unanimous Voice Vote
Absent: None

(12-12-11) (Appointment of Consultants) The Executive Director stated it was in order to appoint the following firms to assist the Fund in 2013:

- BIK & Co., LLP, Internal Auditor (Doug Samz)
- Gabriel, Roeder, Smith & Co., Actuary (Brian Murphy)
- Drs. Noel Rao and Dolly Devara - Rehabilitation Medicine, Medical Consultant/Physical Medicine
- Rachelle Miller, M.D., Medical Consultant/Psychiatry
- Seyfarth Shaw, LLP, Fiduciary Counsel (Larry Moss)

It was moved by Ms. Faklis, seconded by Mr. Piechocinski, to retain the above firms for calendar year 2013.

Vote: Unanimous Voice Vote
Absent: None

(12-12-12) (Report of the Audit Committee) The Chair of the Audit Committee reported on the meeting held on November 16, 2012.

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. Several Committee Members expressed concerns about being fully and timely informed of significant matters. No other changes in procedures were suggested based on the responses.

General Counsel reported on the results of IMRF's compliance activities over the twelve months ending October 31, 2012. She indicated there were no reported violations of IMRF's Code of Conduct.

The Chief Financial Officer gave a report on the arrangements being made by staff regarding compliance testing for the Illinois Department of Insurance.

Next, representatives from Crowe Horwath presented the results of their work covering three areas: Network Security Assessment; Information Systems General Controls Review and Application Security Review; Internal Penetration Assessment and External Penetration Assessment. They commented on five high risk areas and six moderate risk areas identified by their work.

It was the consensus of the Audit Committee to recommend the Board accept Crowe Horwath's 2013 Arrangement Letter for internal control testing of IS operations with the agreed upon cost \$59,500.

Next, representatives from KPMG presented information on their 2012 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 2012 Arrangement Letter with the agreed upon cost for the financial audit of \$129,265.

IMRF's internal auditor, Doug Samz, presented the 2013 internal audit plan focusing on the risk assessment process and the areas of emphasis.

The Chief Financial Officer also updated the Committee on the status of the IRS appeal related to the late payment of withholding taxes. He also discussed the upcoming fraud brainstorming session scheduled for December 7, 2012.

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

It was moved by Mr. Nannini, seconded by Ms. Thompson, to approve the recommendations of the Audit Committee.

Vote: Unanimous Voice Vote

Absent: None

(12-12-13) (Report of the Benefit Review Committee) The Chair of the Benefit Review Committee reported on the meeting held on December 20, 2012.

It was moved by Ms. Faklis, seconded by Ms. Copper, to approve the following recommendations of the Benefit Review Committee:

- To uphold staff's determination and deny the application for total and permanent disability benefits filed by Steven Mumaw.
- To uphold staff's determination and deny the application for total and permanent disability benefits filed by Deeanna Beckham.
- To overturn staff's determination to deny Ann Zigrossi's application for IMRF disability benefits based upon her voluntary resignation from the City of Joliet.
- To uphold staff's determination that the effective date of Fred L. Schimel's IMRF pension may not be more than one year prior to the date of receipt by the fund of his pension application, August 1, 2011.

Vote: Unanimous Voice Vote

Absent: None

(12-12-14) (Report of the Investment Committee) The Chair of the Investment Committee reported on the meeting held on December 20, 2012.

Staff presented a review of EnCap Energy Capital, and recommended the following:

- Approve a commitment of up to \$25 million in EnCap Energy Capital Fund IX, L.P., subject to satisfactory legal diligence; and,
- Approve the authorization of staff to complete all documentation necessary to execute this recommendation.

Next, representatives from EnCap Capital gave a presentation of their firm's organization structure, investment strategy, prior fund experience, and performance history.

It was the consensus of the Investment Committee to recommend the Board approve the above recommendations.

It was moved by Mr. Stafford, seconded by Ms. Nannini, to confirm the recommendations of the Investment Committee:

Vote: Unanimous Voice Vote
Absent: None

(12-12-15) (Modernization Program - Update & Recommendations) The Deputy Executive Director and the Chief Information Services Officer presented an update regarding the IMRF Modernization Program that included: a program recap; 2012 highlights and accomplishments; 2013-2016 modernization program timeline; vendor selection recommendation; modernization program costs; and, the following budget recommendations:

- | | |
|--|-------------------|
| • retain Deloitte Consulting as the Modernization Solution Provider; | \$27,128,703 |
| • implementation of a lease for temporary office space on the Third Floor of building; and | \$ 693,000 |
| • purchase of related office furniture and equipment | <u>\$ 253,600</u> |
| Total: | \$28,075,303 |

After questions and discussion, it was moved by Ms. Faklis, seconded by Mr. Piechocinski, to approve staff's budget recommendation for \$28,075,303.

Vote: Unanimous Voice Vote
Absent: None

(12-12-16) (2013 Planning and Budget Document) The Executive Director and Chief Financial Officer presented the proposed 2013 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 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 included establishing a Program Management Office and 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. In 2012, IMRF successfully undertook the procurement phase of this project, culminating in a recommendation to hire a vendor and move forward with Modernization. This budget reflects the first year's costs of what will be a multiple budget year undertaking (potentially 2013 through 2016). 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 submitted an Illinois Performance Excellence Award Application in 2012. IMRF was honored with the Silver Award for "Progress Toward Excellence".

We estimate the 2012 administrative expenses will be \$24,930,587 or \$1,071,085 under budget (-4.1%). 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 \$26,512,272 (2%) higher than the approved budget for 2012. 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 2013 Planning and Budget Document, please call Richard DeCleene or me.

December 13, 2012

Louis W. Kosiba
Executive Director

Illinois Municipal Retirement Fund

Analysis of 2013 Budget to 2012 Estimated Actual Variances

	Dollars	Percentage Change
2013 Proposed Budget	\$26,512,272	
2012 Estimated Actual	<u>24,930,587</u>	
Increase	<u>\$1,581,685</u>	6.3%

Expense Variations by Major Expense Category

<u>Percent of Total Budget</u>		<u>Increase</u>	
47.4%	<p>Salaries</p> <p>The increase in salary expense reflects the impact of the 2013 compensation plan which provides for a 2.25% base salary increase, merit increases, special and salary range adjustments as well as new positions in 2013. Another factor impacting the increase is the fact that actual 2012 salaries were less than budget due to vacancies during the year. Offsetting these increases is the estimated increase in the amount of salaries which is anticipated to be capitalized due to Modernization.</p>	\$501,638	4.2%
16.7%	<p>Fringe Benefits</p> <p>This increase is due to increases in IMRF, social security and health insurance primarily due to higher salaries noted above and higher budgeted headcounts versus actual 2012 headcounts. Also impacting the increase is a rate increase of .66% for IMRF and 4.3% increase for health insurance. These increases are offset somewhat by the fringe benefits which are anticipated to be capitalized due to Modernization.</p>	119,795	2.8%
2.1%	<p>Personnel Costs - Indirect</p> <p>The majority of this increase is driven by higher anticipated training costs related to IMRF's individual learning plans, tuition reimbursement and succession planning. Historically IMRF tends to significantly under spend this budget category.</p>	147,968	36.5%
5.8%	<p>Consulting Services</p> <p>The increase in consulting services is primarily due to higher actuarial costs related to GASB 68, higher legal fees related to assistance on IRS rulings and increased costs related to redesigning IMRF's website.</p>	126,363	8.9%
7.7%	<p>Facility Expenses</p> <p>The majority of this increase (\$159,000) relates to the additional space being rented on the 3rd floor of 2211 York Road for the modernization project. The remainder is due to anticipated escalation in rent and operating expenses for the remaining space at 2211 York Road, higher telephone expenses and disaster recovery expenses.</p>	280,919	16.0%
8.3%	<p>Commodities & Services</p> <p>This increase is the net of increases for office supplies and postage offset by a decrease in other services primarily related to the microfiche conversion project.</p>	45,549	2.1%
10.9%	<p>Equipment</p> <p>This increase is due to higher depreciation of \$74,000, higher expendable equipment of \$50,000 primarily related to furnishing the additional space on the 3rd floor and increases in software maintenance of \$288,000, the bulk of this latter increase is due to new software licenses related to Modernization. Offsetting these increases is a \$34,000 decrease for maintenance and rentals.</p>	381,552	15.1%
1.1%	<p>Miscellaneous</p> <p>This decrease is primarily due to the netting of an estimated \$65,000 decrease in trustee election costs and higher estimated insurance costs of \$30,000 for a full year of fiduciary coverage.</p>	(22,099)	-6.9%
100.0%		\$1,581,685	

Illinois Municipal Retirement Fund

Analysis of 2013 Budget to 2012 Budget Variances

	Dollars	Percentage Change
2013 Proposed Budget	\$26,512,272	
2012 Budget	<u>26,001,672</u>	
Increase	<u><u>\$510,600</u></u>	2.0%

Expense Variations by Major Expense Category

<u>Percent of Total Budget</u>		<u>Increase</u>	
47.4%	<p>Salaries The net decrease in salary expense reflects the impact of the 2013 compensation plan which provides for a 2.25% base salary increase, merit increases, special and salary range adjustments as well as new positions in 2013. These increases were more than offset by the anticipated increase in the amount of salaries which will be capitalized due to Modernization.</p>	(\$29,887)	-0.2%
16.7%	<p>Fringe Benefits This increase is due to increases in IMRF, social security and health insurance due to higher rates for IMRF (.66%) and insurance (4.3%) and slightly higher budgeted headcounts versus the 2012 budget. The increase was partially offset by the increase in the amount of these costs anticipated to be capitalized due to Modernization.</p>	113,754	2.6%
2.1%	<p>Personnel Costs - Indirect The increase in this category is due primarily to anticipated increases in recruiting costs and field staff costs offset by a decrease in travel, education and conference costs.</p>	27,360	5.2%
5.8%	<p>Consulting Services The increase in consulting services is primarily due to the increased costs related to auditing due to triennial permanent disability audit, legal fees for IRS rulings, and web redesign assistance.</p>	69,850	4.7%
7.7%	<p>Facility Expenses The majority of this increase is due to costs related to renting additional space on the 3rd floor of 2211 York Rd to accommodate staff and consultants who will be working on Modernization.</p>	142,807	7.5%
8.3%	<p>Commodities & Services Decreases in postage and delivery and expenses related to the jacket conversion project more than offset increases in the office supply category which were driven by additional costs associated with the Modernization.</p>	(20,345)	-0.9%
10.9%	<p>Equipment This increase is primarily driven by higher software maintenance costs associated with new software licenses required for Modernization.</p>	219,976	8.2%
1.1%	<p>Miscellaneous This minor change is primarily the net of two larger changes. Trustee election expense will decrease by \$102,000 since there will only be an executive trustee election in 2012 and insurance expense will increase by \$74,000 due to a full year of fiduciary coverage.</p>	(12,915)	-4.2%
100.0%		\$510,600	

IMRF STRATEGIC PLAN

December 2012

The Illinois Municipal Retirement Fund Board of Trustees and staff developed our 2011-2013 IMRF Strategic Plan in 2010. The Strategic Plan includes our Mission, Vision, and Values, plus Strategic Objectives for each of our five Key Result Areas. Implementation of the Plan began in 2011 and continued in 2012.

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. We made significant progress toward achievement of all five Strategic Objectives during the first two years of this three-year plan. The Action Plans that drive accomplishment of the strategies were updated to ensure continuing progress during 2013.

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 2,964 employers; 175,844 participating members; 98,600 benefit recipients; and the taxpayers of Illinois.

We were very pleased to receive the *Silver Award for Progress Towards Excellence* from the Illinois Performance Excellence organization in 2012. Further, we were pleased that our strategic planning process was highlighted as an important strength in our journey towards achieving excellence.

We appreciate your interest in IMRF and welcome your feedback.

Louis W. Kosiba
Executive Director

Illinois Municipal Retirement Fund

STRATEGIC PLAN

2011 – 2013

(Updated December 2012)

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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, 2010, and again in 2012. *

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 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 and 2012.

* Revised 02/21/2012

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 across all 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. The Plan also provides an overview of the Key Strategies designed to support the Strategic Objectives. These Key Strategies will change throughout the three years of the Plan, as some will be completed or combined with another strategy. Listed below are the 12 Key Strategies that we will utilize in 2013 to help us achieve our objectives. This is streamlined from the 19 Key Strategies we started with in 2011.

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

- *Work with all impacted IMRF stakeholders to prepare for the implementation of GASB 68 for all employers by December 31, 2014*
- *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*
- *Improve customer interactions and follow-ups, including contacts with our call center*

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*
- *Administer 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

- *Complete the planning and design phases of the Modernization Program to define the process improvements and detailed systems requirements necessary to achieve IMRF’s six Customer Service Goals*
- *Deploy the technology infrastructure to support the Modernization Program*
- *Coordinate organizational effectiveness programs through scorecarding and benchmarking to identify best practices and additional opportunities for improvement*

2013
PROPOSED ADMINISTRATIVE EXPENSES,
PROPOSED DIRECT INVESTMENT EXPENSES,
AND
PROPOSED CAPITAL BUDGET

**ILLINOIS MUNICIPAL RETIREMENT FUND
2013 Proposed Administrative Expenses**

EXPENSE CLASSIFICATION	ACCT NO.	ACTUAL		BUDGET	ESTIMATED	PROPOSED BUDGET	2013 PROPOSED AS % CHANGE OVER	
		2010	2011	2012	2012	2013	2012 BUDGET	2012 ESTIMATED
PERSONNEL COSTS - DIRECT								
Salaries	5501	\$11,345,540	\$11,335,868	\$12,592,886	\$12,061,361	\$12,562,999	-0.2%	4.2%
Fringe Benefits	5504	3,770,101	3,910,769	4,308,811	4,302,770	4,422,565	2.6%	2.8%
		<u>15,115,641</u>	<u>15,246,637</u>	<u>16,901,697</u>	<u>16,364,131</u>	<u>16,985,564</u>	0.5%	3.8%
PERSONNEL COSTS - INDIRECT								
Travel, Education & Conferences	5507	237,260	178,753	340,280	205,875	326,290	-4.1%	58.5%
Field Staff	5508	141,076	155,053	117,250	133,992	138,300	18.0%	3.2%
Recruitment & Testing	5509	21,464	99,306	30,300	29,355	48,600	60.4%	65.6%
Other Personnel Costs	5510	34,115	31,717	38,500	36,500	40,500	5.2%	11.0%
		<u>433,915</u>	<u>464,829</u>	<u>526,330</u>	<u>405,722</u>	<u>553,690</u>	5.2%	36.5%
CONSULTING SERVICES								
Auditing	5511	363,606	403,460	357,125	379,325	378,000	5.8%	-0.3%
Actuarial	5512	261,186	385,110	355,325	290,324	353,285	-0.6%	21.7%
Legal Counsel	5513	36,359	57,425	55,100	44,088	70,100	27.2%	59.0%
Compensation & Benefits	5514	20,749	84,086	30,000	30,000	20,000	-33.3%	-33.3%
Management & Systems Design	5515	122,210	110,113	403,033	392,783	428,888	6.4%	9.2%
Medical Investigations	5516	114,928	117,601	118,000	125,500	136,000	15.3%	8.4%
Legislative	5518	64,104	66,024	67,200	67,200	68,160	1.4%	1.4%
Public Relations	5519	85,205	84,564	88,500	88,550	89,700	1.4%	1.3%
		<u>1,068,347</u>	<u>1,308,383</u>	<u>1,474,283</u>	<u>1,417,770</u>	<u>1,544,133</u>	4.7%	8.9%
FACILITY EXPENSES								
Rent and Maintenance	5521	1,423,243	1,479,842	1,453,000	1,382,300	1,613,307	11.0%	16.7%
Electricity	5522	84,518	74,114	80,000	66,100	74,150	-7.3%	12.2%
Telephone	5523	124,147	117,882	156,100	123,764	140,450	-10.0%	13.5%
Miscellaneous Facility Expenses	5525	158,558	195,033	202,800	181,624	206,800	2.0%	13.9%
		<u>\$1,790,466</u>	<u>\$1,866,871</u>	<u>\$1,891,900</u>	<u>\$1,753,788</u>	<u>\$2,034,707</u>	7.5%	16.0%

**ILLINOIS MUNICIPAL RETIREMENT FUND
2013 Proposed Administrative Expenses**

EXPENSE CLASSIFICATION	ACCT NO.	ACTUAL		BUDGET	ESTIMATED	PROPOSED BUDGET	2013 PROPOSED AS % CHANGE OVER 2012	
		2010	2011	2012	2012	2013	BUDGET	ESTIMATED
COMMODITIES & SERVICES								
Office Supplies	5531	\$168,073	\$191,858	\$226,550	\$206,620	\$257,660	13.7%	24.7%
Forms & Informational Materials	5532	189,273	208,044	205,300	217,948	219,410	6.9%	0.7%
Postage & Delivery	5533	1,092,791	1,068,814	1,112,954	1,042,507	1,087,047	-2.3%	4.3%
Publications & Dues	5535	61,008	52,218	63,175	62,518	66,252	4.9%	6.0%
Other Services	5540	391,889	445,544	605,560	618,052	562,825	-7.1%	-8.9%
		<u>1,903,034</u>	<u>1,966,478</u>	<u>2,213,539</u>	<u>2,147,645</u>	<u>2,193,194</u>	-0.9%	2.1%
EQUIPMENT								
Depreciation	5571	712,777	818,917	1,413,518	1,274,890	1,348,558	-4.6%	5.8%
Maintenance & Rentals	5572	244,877	252,331	272,670	300,899	270,620	-0.8%	-10.1%
Software Maintenance	5573	633,850	620,380	769,300	731,315	1,019,439	32.5%	39.4%
Expendable Equipment	5575	151,734	282,157	228,020	214,828	264,867	16.2%	23.3%
		<u>1,743,238</u>	<u>1,973,785</u>	<u>2,683,508</u>	<u>2,521,932</u>	<u>2,903,484</u>	8.2%	15.1%
MISCELLANEOUS								
Trustee Employer Reimbursement	5580	59,017	54,483	52,000	52,000	59,000	13.5%	13.5%
Trustee Expenses	5581	36,720	45,645	41,750	43,891	50,000	19.8%	13.9%
Trustee Elections	5582	44,156	6,432	108,670	71,220	6,400	-94.1%	-91.0%
Insurance	5583	115,730	89,495	98,000	142,502	172,000	75.5%	20.7%
Filing Fees	5586	9,859	9,718	9,995	9,986	10,100	1.1%	1.1%
		<u>265,482</u>	<u>205,773</u>	<u>310,415</u>	<u>319,599</u>	<u>297,500</u>	-4.2%	-6.9%
Total Expenses		<u>\$22,320,123</u>	<u>\$23,032,756</u>	<u>\$26,001,672</u>	<u>\$24,930,587</u>	<u>\$26,512,272</u>	2.0%	6.3%

**ILLINOIS MUNICIPAL RETIREMENT FUND
2013 ADMINISTRATIVE ACCOUNT EXPLANATIONS**

PERSONNEL - DIRECT
5501 SALARIES \$12,562,999

	2012 Budget	2012 Estimated	2013 Proposed	2013 Proposed as % Change Over 2012	
				Budget	Estimated
Regular	\$12,403,086	\$11,902,686	\$12,399,499	0.0%	4.2%
Overtime	178,800	150,229	163,500	-8.6%	8.8%
Part-time/Temp	11,000	8,446	0	-100.0%	-100.0%
	<u>\$12,592,886</u>	<u>\$12,061,361</u>	<u>\$12,562,999</u>	-0.2%	4.2%

5501 SALARIES - Regular \$12,399,499

Salaries for staff of 187 office and field personnel employed to administer a statewide retirement system, consisting of 2,964 governmental units and 175,844 participating members and 99,684 retirees and beneficiaries. The employee headcount is three more than the number budgeted for 2012.

Total estimated salaries at December 31, 2012	\$12,245,837
Impact of new positions in 2013	316,984
January 1 base salary adjustment - 2.25%	274,155
Estimated January 1 discretionary adjustments	71,321
Special salary adjustment	27,000
Salary range adjustments	20,211
Increase in compensated absence accrual	253,614
Impact of capitalizing salaries based on GASB 51	<u>(809,623)</u>
	<u>\$12,399,499</u>

The reason for the 2012 estimate being less than the 2012 budget is due to staff turnover during the year which left positions open for part of the year. The resulting replacements were hired at a lower wage. Offsetting these factors was the fact that less wages were capitalized than originally budgeted. The main reasons that the 2013 budget is basically the same as the 2012 budget is due to the fact that additional positions, base salary, discretionary, special salary adjustments, and salary range increases were offset by an estimated \$325,000 increase in capitalized salaries due to the impact of the modernization project.

5501 SALARIES - Overtime \$163,500

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. It is anticipated that 2013 overtime will be slightly higher than the estimated 2012 overtime.

5501 SALARIES - Part Time and Temporary \$0

Salaries for individuals hired for annual projects, peak work loads, and extended absences of full time staff. IMRF staff does not anticipated the need for any part time or temporary workers in 2013.

**ILLINOIS MUNICIPAL RETIREMENT FUND
2013 ADMINISTRATIVE ACCOUNT EXPLANATIONS**

5504 FRINGE BENEFITS \$4,422,565

	2012	2012	2013	2013 Proposed as % Change Over 2012	
	Budget	Estimated	Proposed	Budget	Estimated
IMRF	\$1,414,632	\$1,353,101	\$1,491,898	5.5%	10.3%
Social Security	911,411	868,698	910,250	-0.1%	4.8%
Health insurance	1,966,768	2,047,571	2,000,417	1.7%	-2.3%
Unemployment	14,000	32,000	18,000	28.6%	-43.8%
Mgr. physicals	2,000	1,400	2,000	0.0%	42.9%
	<u>\$4,308,811</u>	<u>\$4,302,770</u>	<u>\$4,422,565</u>	2.6%	2.8%

5504 FRINGE BENEFITS - IMRF Contributions \$1,491,898

Payment of employer IMRF contributions on staff salaries. The 2012 rate was 11.46%. The 2013 employer contribution rate is 12.12%. The increase in the rate reflects the carryover from the investment losses in 2008. The increased rate drove the higher budgeted IMRF costs for 2013.

5504 FRINGE BENEFITS - Social Security & Medicare \$910,250

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

	2012	2013
Social Security rate	6.20%	6.20%
Social Security wage base	\$111,100	\$113,700
Medicare rate	1.45%	1.45%
Medicare wage base	All wages	All wages

Social Security and Medicare expenses for the 2013 budget is similar to the 2012 budget due to the comparable salary amounts discussed above.

5504 FRINGE BENEFITS - Staff Health Insurance \$2,000,417

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 increased approximately 4.3% from 2012 while dental premiums were flat. The increase in the 2013 budget over 2012 budget and estimate is due to higher premiums, the higher head count anticipated in 2013 slightly offset by an increase in the amount of costs capitalized.

5504 FRINGE BENEFITS - Unemployment Insurance \$18,000

Reimbursement of actual unemployment compensation paid to former IMRF staff. During 2012, it is estimated that IMRF will have claims of \$32,000. Based upon potential claims pending and historical experience, we are estimating that 2013 costs will be \$18,000.

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
2013 ADMINISTRATIVE ACCOUNT EXPLANATIONS**

PERSONNEL - INDIRECT

5507- TRAVEL, EDUCATION & CONFERENCES \$326,290
5517

	2012 Budget	2012 Estimated	2013 Proposed
Training and tuition	\$294,800	\$170,263	\$270,150
Conferences and meetings	45,480	35,612	56,140
	\$340,280	\$205,875	\$326,290

5507 TRAVEL & EDUCATION - Training, Tuition and Business Travel \$270,150

	2012 Budget	2012 Estimated	2013 Proposed
Computer and business skills	\$131,125	\$73,297	\$130,000
CEBS courses and professional certification	5,000	2,200	9,000
Tuition reimbursement	45,000	37,000	52,900
Succession planning	50,000	24,000	30,000
Legislative travel	8,000	7,165	11,000
Business travel	55,675	26,601	37,250
	\$294,800	\$170,263	\$270,150

The proposed 2013 budget is 59% higher than estimated 2012 due mainly to higher training costs with the bulk of the increase related to the new individual learning plan initiative for all staff.

5517 MANAGEMENT CONFERENCES - Conferences & Meetings \$56,140

	2012 Budget	2012 Estimated	2013 Proposed
Human Resources	\$4,000	\$3,028	\$4,000
Administration	5,500	3,857	5,500
Operations	3,875	4,458	5,295
Benefits	885	824	745
Project Management Office	2,500	1,688	2,000
Member Services	2,250	2,281	2,000
Finance	5,000	2,100	8,750
Internal Audit	2,500	1,250	0
Information Systems	4,000	3,964	4,000
Investments	5,000	2,350	8,000
Legal	5,000	5,952	8,100
Legislative	1,620	1,070	1,550
Communications	2,000	1,590	3,500
Office Services	1,350	1,200	3,200
	\$45,480	\$35,612	\$56,640

Historically IMRF has under spent this account.

5508 TRAVEL, MEETINGS, EXPENSES - Field Staff \$138,300

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. The 2012 estimate and 2013 budget reflect an increase in the number of IMRF sponsored meetings.

**ILLINOIS MUNICIPAL RETIREMENT FUND
2013 ADMINISTRATIVE ACCOUNT EXPLANATIONS**

		2012	2012	2013
		Budget	Estimated	Proposed
5509	RECRUITMENT & TESTING	<u>\$30,300</u>	<u>\$29,355</u>	<u>\$48,600</u>

Cost of want ads, job posting fees, personnel agency fees, testing materials, on-line recruitment and employee background checks. The significant increase in the 2013 budget over the 2012 estimate is related to additional costs surrounding recruitment activities and new on-line capabilities.

5510	OTHER PERSONNEL COSTS	<u>\$40,500</u>
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		2012	2012	2013
		Budget	Estimated	Proposed
	Employee assistance and wellness programs	\$18,000	\$16,000	\$16,000
	Employee recognition activities	14,000	14,000	18,000
	Executive director evaluation and Board self-assessment	6,500	6,500	6,500
		<u>\$38,500</u>	<u>\$36,500</u>	<u>\$40,500</u>

Based upon a review of employee anniversaries in 2013, it is anticipated that employee recognition activities costs will increase modestly.

	CONSULTING SERVICES	
5511	AUDITING	<u>\$378,000</u>

		2012	2012	2013
		Budget	Estimated	Proposed
	External: KPMG	\$142,175	\$125,500	\$130,000
	Internal: BIK LLP	148,200	177,195	157,000
	IS internal control testing: Crowe Horwath	58,250	70,630	62,000
	Death match	8,500	6,000	6,500
	Permenant disability audit	0	0	22,500
		<u>\$357,125</u>	<u>\$379,325</u>	<u>\$378,000</u>

External audit expenses for 2013 reflect the agreed upon fees from the most recent RFP process. The 2012 external audit fees did not include the biennial compliance audit required by the Illinois Department of Insurance due to the Department's failure to agree on the scope of the work. Nothing has been included in the 2013 budget for this work. Internal audit fees for 2013 are anticipated to be significantly less than 2012 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 lower due to a decrease in the scope of the work for 2013. The scope of this work changes from year to year as key controls are tested on a rotating basis. In 2013, IMRF will be engaging a third party to perform our triennial permanent disability audit.

5512	ACTUARIAL	<u>\$353,285</u>
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		2012	2012	2013
		Budget	Estimated	Proposed
	Gabriel, Roeder, Smith & Company			
	Base fee, including ERI software upgrades	\$305,325	\$290,324	\$278,285
	Special studies	50,000	0	75,000
		<u>\$355,325</u>	<u>\$290,324</u>	<u>\$353,285</u>

GRS's base fee will decrease in 2013 since 2012 fees were impacted by the first time tier 2 calculations. The actual 2012 base fee was less than the 2012 budget due to efficiencies in handling tier 2. The 2012 budget contained an esitmate for potential costs related to the new pension accounting standards. Nothing ultimately was incurred in 2012. The 2013 budget includes estimated costs for special studies related to GASB 68. IMRF's goal is to provide all 2,964 employers a net pension obligation as of December 31, 2013.

**ILLINOIS MUNICIPAL RETIREMENT FUND
2013 ADMINISTRATIVE ACCOUNT EXPLANATIONS**

5513	LEGAL COUNSEL		<u>\$70,100</u>
		2012	2012
		Budget	Estimated
		2013	Proposed
	Fiduciary counsel	\$20,000	\$7,088
	Tax consultants	5,000	9,000
	Legal consulting	30,000	28,000
	Court costs	100	0
		<u>\$55,100</u>	<u>\$44,088</u>
			<u>\$70,100</u>

Fiduciary counsel has been engaged since 1998. The budget includes fees for tax consultants. Tax consulting fees will be significantly higher in 2013 since IMRF needs to renew its tax determination letter in 2013 and may need to get assistance on the tax status of the voluntary additional contribution program. The higher legal consulting fees in 2012 reflect the costs of negotiating the comprehensive contract with the lead provider of the IS modernization solution.

5514	COMPENSATION & BENEFITS		<u>\$20,000</u>
		2012	2012
		Budget	Estimated
		2013	Proposed
	Salary surveys	\$0	\$0
	Compensation study	15,000	15,000
	Benefit consulting on staff health insurance program	15,000	15,000
		<u>\$30,000</u>	<u>\$30,000</u>
			<u>\$20,000</u>

In 2012 IMRF had an in-depth compensation study which reviewed grade levels and compensation ranges for specified jobs. These studies are done approximately every three years. Each year IMRF engages a consultant to review and negotiate IMRF's staff health insurance program. In 2013 IMRF will participate in salary surveys in order to benchmark salary levels in the market place.

5515	MANAGEMENT AND SYSTEMS DESIGN		<u>\$428,888</u>
		2012	2012
		Budget	Estimated
		2013	Proposed
	Process improvement consulting in conjunction with strategic goals	\$25,200	\$9,750
	Member statement design	10,000	12,400
	Web design consulting	55,833	40,633
	Procurement consulting for IS modernization	312,000	312,000
	General system design consulting	0	18,000
	Consulting oversight on modernization project	0	0
	Consulting on modernization project	0	0
		<u>\$403,033</u>	<u>\$392,783</u>
			<u>\$428,888</u>

The process improvement activities reflect the use of an outside consultant. IMRF anticipates a major effort related to updating its web interface and improving its functionality in 2013. The costs related to procurement consulting were limited to 2012. The overall budget for consulting oversight on the modernization project is \$391,680. Of this amount IMRF staff estimates \$78,336 will be expensed with the remainder capitalized. It is also estimated that \$245,152 of consulting costs will be incurred for change management and training services.

**ILLINOIS MUNICIPAL RETIREMENT FUND
2013 ADMINISTRATIVE ACCOUNT EXPLANATIONS**

5516	MEDICAL AND FIELD INVESTIGATION			<u>\$136,000</u>
		2012	2012	2013
		Budget	Estimated	Proposed
	Medical records	\$7,500	\$5,500	\$6,500
	Medical consultant	91,500	97,000	100,000
	IME, testing and surveillance	18,000	23,000	29,000
	Non-disability investigations	1,000	0	500
		<u>\$118,000</u>	<u>\$125,500</u>	<u>\$136,000</u>

The 2013 budget reflects increases in medical consultant costs and independent medical exams, testing and surveillance primarily due to additional requests for information from the Benefit Review committee.

5518	LEGISLATIVE	2012	2012	2013
		Budget	Estimated	Proposed
		<u>\$67,200</u>	<u>\$67,200</u>	<u>\$68,160</u>

The 2013 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	2012	2012	2013
		Budget	Estimated	Proposed
		<u>\$88,500</u>	<u>\$88,550</u>	<u>\$89,700</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	2012	2012	2013
		Budget	Estimated	Proposed
		<u>\$1,453,000</u>	<u>\$1,382,300</u>	<u>\$1,613,307</u>
	Oak Brook office			\$1,579,587
	Springfield office			33,720
				<u>\$1,613,307</u>

Rent for office space in Oak Brook and Springfield. IMRF currently 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. The significant increase in rent and maintenance is due to additional space IMRF will rent on the 3rd floor in Oak Brook to accommodate the modernization project.

5521	ELECTRICITY	2012	2012	2013
		Budget	Estimated	Proposed
		<u>\$80,000</u>	<u>\$66,100</u>	<u>\$74,150</u>

The cost of electrical power to light the Oak Brook office and to operate equipment is expected to increase slightly in 2013 from the 2012 estimate. Part of the increase is due to the additional space on the 3rd floor as noted above.

5523	TELEPHONE	2012	2012	2013
		Budget	Estimated	Proposed
		<u>\$156,100</u>	<u>\$123,764</u>	<u>\$140,450</u>

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 2013 budget over the 2012 estimate is primarily due upgrading the internet connection.

**ILLINOIS MUNICIPAL RETIREMENT FUND
2013 ADMINISTRATIVE ACCOUNT EXPLANATIONS**

5525	MISCELLANEOUS FACILITY EXPENSES	\$206,800		
		2012	2012	2013
		Budget	Estimated	Proposed
	Mainframe/telecommunications backup facility	\$146,400	\$127,974	\$146,400
	Off-site storage for IS	24,000	13,450	24,000
	Off-site storage for Office Services	32,000	40,000	36,000
	Equipment disposal cost	400	200	400
		\$202,800	\$181,624	\$206,800

The major component of this cost is the backup facilities to support our business continuity plan. The increase in these costs for 2013 is due to the additional technology capabilities of IMRF that need to be backed up at our hot site. Off-site storage for IS centers on data backup. The increase in the cost for 2013 is due to more frequent backups to reduce IMRF's exposure to lost data. Off-site storage costs for Office Services 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.

COMMODITIES AND SERVICES				
5531	OFFICE SUPPLIES	\$257,660		
		2012	2012	2013
		Budget	Estimated	Proposed
	General	\$35,250	\$39,020	\$48,300
	Envelopes	76,100	56,900	57,000
	Mainframe cleaning and supplies	0	0	2,000
	PC supplies	65,500	60,000	76,500
	Paper - general	34,500	36,200	38,000
	Telecommunications	5,200	4,500	13,860
	Furniture	10,000	10,000	22,000
		\$226,550	\$206,620	\$257,660

The largest anticipated increase is related to the purchase of tables and chairs for new conference rooms and the additional space on the 3rd floor that are below the \$500 threshold for expendable equipment. General and PC supplies have increased due to anticipated price increases and additional usage due to the modernization project.

5532	INFORMATIONAL MATERIALS AND PRINTED FORMS	\$219,410		
		2012	2012	2013
		Budget	Estimated	Proposed
	Forms printed outside	\$14,550	\$22,055	\$21,340
	Checks, IRS forms and inserts	8,950	8,860	9,870
	Member statements	25,600	25,779	26,000
	New member folders	10,000	10,910	11,000
	Annual financial report	6,300	3,518	3,700
	Newsletters	92,000	101,000	101,000
	Booklets and AA/SLEP manuals	33,600	33,906	35,200
	Pre-retirement materials and other	12,000	11,020	11,300
	Target mailings	2,300	0	0
		\$205,300	\$217,048	\$219,410

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.

**ILLINOIS MUNICIPAL RETIREMENT FUND
2013 ADMINISTRATIVE ACCOUNT EXPLANATIONS**

5533	POSTAGE AND DELIVERY	<u>\$1,087,047</u>		
		2012	2012	2013
		Budget	Estimated	Proposed
	Correspondence and checks	\$523,724	\$502,954	\$516,179
	Newsletters	320,000	304,073	325,686
	Member statements	135,000	103,930	106,800
	IRS forms	46,625	47,026	48,607
	Delivery services	21,780	19,999	21,600
	Business reply, address corrections and fees	30,025	30,025	30,270
	Retiree Statements	35,800	34,500	37,905
		<u>\$1,112,954</u>	<u>\$1,042,507</u>	<u>\$1,087,047</u>

The increase in this area is due to the continued increase in volume and the anticipated increase in postal rates in 2013.

5535	PUBLICATIONS AND DUES	<u>\$66,252</u>		
		2012	2012	2013
		Budget	Estimated	Proposed
		\$63,175	\$62,518	\$66,252

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

5540	OTHER SERVICES	<u>\$562,825</u>		
		2012	2012	2013
		Budget	Estimated	Proposed
	Microfilm statements, records, files	\$1,000	\$500	\$1,000
	Member statement printing and mailing	85,600	82,086	82,100
	Shredding confidential documents	5,600	4,720	4,800
	Minute book binding	1,500	1,275	1,275
	Fees for bank accounts	238,000	235,900	238,450
	Clipping service	1,600	1,600	1,600
	Photographs	1,000	1,258	750
	Interpreter, translator, special services	4,400	400	4,400
	Address searches and instant ID	31,000	41,000	50,000
	CEM study and IL Performance Excellence award	66,050	93,813	60,450
	Code of Conduct Compliance hotline	500	500	500
	Microfiche conversion to imaging	169,310	155,000	117,500
		<u>\$605,560</u>	<u>\$618,052</u>	<u>\$562,825</u>

The primary reasons for the decrease in the 2013 budget over the 2012 estimate is a decrease in the scope of the jacket conversion project as it winds down and the fact that there will be no costs for applying for the Illinois Performance Excellence award in 2013.

**ILLINOIS MUNICIPAL RETIREMENT FUND
2013 ADMINISTRATIVE ACCOUNT EXPLANATIONS**

EQUIPMENT
5571 DEPRECIATION \$1,348,558

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 2013 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	2012 Budget	2012 Estimated	2013 Proposed
Office equipment	5-10 years	\$176,215	\$335,843	\$334,471
Computer equipment and software	3-6 years	439,218	140,019	174,047
Internally generated software	6 years	760,952	777,291	804,414
Automobiles	4 years	37,133	21,737	35,626
		<u>\$1,413,518</u>	<u>\$1,274,890</u>	<u>\$1,348,558</u>

The increase in 2013 budgeted depreciation expense over the 2012 estimate is primarily due to the increases in computer equipment and software, internally generated software and automobiles.

5572 MAINTENANCE AND RENTALS \$270,620

	2012 Budget	2012 Estimated	2013 Proposed
Mainframe equipment	\$63,000	\$76,665	\$62,400
PC network - maintenance	69,000	69,000	52,000
Telecommunications	46,000	56,000	60,000
Other equipment	67,450	72,024	65,400
Automobiles	27,220	27,210	30,820
	<u>\$272,670</u>	<u>\$300,899</u>	<u>\$270,620</u>

The main reason for the decrease in the 2013 budget from the 2012 estimate is the maintenance saving related to the mainframe computer, PC network and copiers.

5573- SOFTWARE MAINTENANCE \$1,019,439
5574

	2012 Budget	2012 Estimated	2013 Proposed
Mainframe software	\$498,000	\$499,245	\$502,650
PC and other software	271,300	232,070	516,789
	<u>\$769,300</u>	<u>\$731,315</u>	<u>\$1,019,439</u>

These costs represent the charges for the use and upgrading of outside computer software programs. The increase in PC and other software is due to two factors: The largest is an increase due to additional software maintenance related to purchased software for the modernization project. The second largest is due to the fact that our third party provider who supports IMRF's current imaging system will be working entirely on maintenance in 2013 with none of its costs capitalized.

**ILLINOIS MUNICIPAL RETIREMENT FUND
2013 ADMINISTRATIVE ACCOUNT EXPLANATIONS**

5575	EXPENDABLE EQUIPMENT	<u>\$264,867</u>		
		2012	2012	2013
		Budget	Estimated	Proposed
	Personal computers and laptops	\$101,200	\$87,000	\$83,270
	Servers and LAN infrastructure	10,600	10,600	0
	Software	101,300	89,000	64,190
	Printers	6,400	6,000	8,700
	Furniture	5,720	12,233	86,067
	Various office equipment	2,800	9,995	22,640
		<u>\$228,020</u>	<u>\$214,828</u>	<u>\$264,867</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 furniture is primarily related to new furniture for an investment department conference room and furniture to furnish the additional work space on the 3rd floor which will be devoted to the modernization project. The increase in various office equipment is primarily due to additional security monitoring devices.

MISCELLANEOUS		2012	2012	2013
		Budget	Estimated	Proposed
5580	TRUSTEE EMPLOYER REIMBURSEMENT	<u>\$52,000</u>	<u>\$52,000</u>	<u>\$59,000</u>

5581	TRUSTEE EXPENSES	<u>\$50,000</u>		
		2012	2012	2013
		Budget	Estimated	Proposed
	Expense reimbursements	\$35,000	\$42,000	\$45,000
	Trustee education	3,000	0	3,600
	Springfield drive-down	3,750	1,891	1,400
		<u>\$41,750</u>	<u>\$43,891</u>	<u>\$50,000</u>

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

MISCELLANEOUS		2012	2012	2013
		Budget	Estimated	Proposed
5582	TRUSTEE ELECTIONS	<u>\$108,670</u>	<u>\$71,220</u>	<u>\$6,400</u>

This line item reflects the costs of printing and mailing ballots. In 2012 there is an employer and employee election. The cost of an employee election is significantly higher since ballots are mailed to all active members. In 2013 there will only be an employer election.

**ILLINOIS MUNICIPAL RETIREMENT FUND
2013 ADMINISTRATIVE ACCOUNT EXPLANATIONS**

5583	INSURANCE	<u>\$172,000</u>		
		2012	2012	2013
		Budget	Estimated	Proposed
	Auto	\$15,000	\$10,749	\$15,000
	Commercial	10,000	9,255	11,000
	Employee dishonesty	5,000	4,312	5,000
	Umbrella and excess liability	16,000	14,983	17,000
	Workers' compensation	52,000	50,703	52,000
	Fiduciary	0	52,500	72,000
		<u>\$98,000</u>	<u>\$142,502</u>	<u>\$172,000</u>

The increase in insurance costs is due to the additional coverage associated with fiduciary liability. The coverage in 2012 reflects a partial year of coverage while the 2013 budget reflects a full year of coverage.

5586	FILING FEES	<u>\$10,100</u>		
		2012	2012	2013
		Budget	Estimated	Proposed
	GFOA Certificate of Achievement in Financial Reporting	\$1,095	\$1,070	\$1,100
	Popular Annual Financial Report	250	250	250
	State of Illinois Division of Insurance	8,000	8,000	8,000
	IMRF domain name	650	666	750
		<u>\$9,995</u>	<u>\$9,986</u>	<u>\$10,100</u>

**ILLINOIS MUNICIPAL RETIREMENT FUND
2013 Proposed Direct Investment Expenses**

EXPENSE CLASSIFICATION	ACCT NO.	ACTUAL		BUDGET	ESTIMATED	PROPOSED BUDGET	2013 PROPOSED AS % CHANGE OVER 2012	
		2010	2011	2012	2012	2013	BUDGET	ESTIMATED
Investment Manager Fees	5788	\$59,901,193	\$72,743,998	\$82,616,700	\$76,700,000	\$80,225,000	-2.9%	4.6%
Master Trustee Services	5789	255,500	250,000	250,000	250,000	250,000	0.0%	0.0%
Investment Travel	5790	41,638	42,606	45,000	51,200	75,000	66.7%	46.5%
Legal Fees	5791	47,282	72,792	95,000	177,700	202,800	113.5%	14.1%
Security Litigation Monitoring & RFP Costs	5792	33,000	42,161	34,375	25,033	25,044	-27.1%	0.0%
Investment Consultants	5793	858,089	863,922	868,000	909,720	1,165,300	34.3%	28.1%
Securities Lending Fees	5794	792,069	1,196,143	1,050,000	1,419,822	1,400,000	33.3%	-1.4%
Tax Preparation & Custodial Expense	5795	0	0	15,000	0	0	-100.0%	NM
Publications & Dues	5796	15,553	10,521	13,135	13,135	4,978	-62.1%	-62.1%
Investment Licenses	5797	5,000	0	500	0	5,500	1000.0%	NM
		<u>\$61,949,324</u>	<u>\$75,222,143</u>	<u>\$84,987,710</u>	<u>\$79,546,610</u>	<u>\$83,353,622</u>	-1.9%	4.8%

NM Not Meaningful

**ILLINOIS MUNICIPAL RETIREMENT FUND
2013 INVESTMENT ACCOUNT EXPLANATIONS**

		2012 Budget	2012 Estimated	2013 Proposed
5788	INVESTMENT MANAGERS FEES	<u>\$82,616,700</u>	<u>\$76,700,000</u>	<u>\$80,225,000</u>

Investment manager fees are anticipated to increase in 2013 over the 2012 estimate due to additional allocations to private equity and real estate which have higher fees.

		2012 Budget	2012 Estimated	2013 Proposed
5789	MASTER TRUSTEE SERVICES	<u>\$250,000</u>	<u>\$250,000</u>	<u>\$250,000</u>

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.

		2012 Budget	2012 Estimated	2013 Proposed
5790	INVESTMENT TRAVEL	<u>\$45,000</u>	<u>\$51,200</u>	<u>\$75,000</u>

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. The increase in this account is due to the additional emphasis that has been placed on IMRF staff meeting with managers during the year.

		2012 Budget	2012 Estimated	2013 Proposed
5791	LEGAL FEES	<u>\$95,000</u>	<u>\$177,700</u>	<u>\$202,800</u>

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 and private equity manager contracts. In 2013 it is anticipated that this level of activity will increase from the estimated 2012 level as work continues in the real estate and private equity areas of the portfolio.

		2012 Budget	2012 Estimated	2013 Proposed
5792	SECURITIES LITIGATION MONITORING & RFP COSTS	<u>\$34,375</u>	<u>\$25,033</u>	<u>\$25,044</u>

These costs are primarily to an outside firm to monitor securities litigation matters on behalf of IMRF.

**ILLINOIS MUNICIPAL RETIREMENT FUND
2013 INVESTMENT ACCOUNT EXPLANATIONS**

5793	INVESTMENT CONSULTANTS		<u>\$1,165,300</u>
		2012 <u>Budget</u>	2012 <u>Estimated</u>
		2013 <u>Proposed</u>	
	Wilshire Compass	\$36,000	\$36,000
	Investment Consultant		\$36,000
	General Advisory Services	250,000	250,000
	Performance Analytics	275,000	275,000
	Real Estate Advisory Services	250,000	250,000
	Institutional Shareholder Services		
	General Proxy Voting Services	57,000	47,000
	Investment Analytical Tools		39,720
	Indexes		2,000
	Subtotal: On-going costs	<u>\$868,000</u>	<u>\$909,720</u>
	Special Projects		
	Asset Liability Study		65,000
	Master Trust Evaluation		77,777
	Securities Lending Evaluation		22,223
		<u>\$868,000</u>	<u>\$909,720</u>
		<u>\$868,000</u>	<u>\$1,165,300</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. Beginning in 2012, the investment department began using various analytical tools and various indexes. The 2013 budget reflects a full year of these charges. In 2013 several investment related special projects are scheduled. The asset liability study is done approximately every three years and it assists IMRF in its strategic asset allocation approach. The other two studies assist IMRF in evaluating the related services and pricing.

		2012 <u>Budget</u>	2012 <u>Estimated</u>
		2013 <u>Proposed</u>	
5794	SECURITIES LENDING FEES	<u>\$1,050,000</u>	<u>\$1,419,822</u>
		<u>\$1,050,000</u>	<u>\$1,400,000</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.

		2012 <u>Budget</u>	2012 <u>Estimated</u>
		2013 <u>Proposed</u>	
5795	TAX PREPARATION & CUSTODIAL FEES	<u>\$15,000</u>	<u>\$0</u>
		<u>\$15,000</u>	<u>\$0</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. Currently IMRF does not anticipate any fees for 2012 or 2013.

		2012 <u>Budget</u>	2012 <u>Estimated</u>
		2013 <u>Proposed</u>	
5796	PUBLICATIONS & DUES	<u>\$13,135</u>	<u>\$13,135</u>
		<u>\$13,135</u>	<u>\$4,978</u>

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

		2012 <u>Budget</u>	2012 <u>Estimated</u>
		2013 <u>Proposed</u>	
5797	INVESTMENT LICENSES	<u>\$500</u>	<u>\$0</u>
		<u>\$500</u>	<u>\$5,500</u>

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

ILLINOIS MUNICIPAL RETIREMENT FUND
2013 Proposed Capital Additions

	ACTUAL		BUDGET	ESTIMATED	PROPOSED BUDGET	2013 PROPOSED AS % CHANGE OVER 2012	
	2010	2011	2012	2012	2013	Budget	Estimate
Capital Purchases	\$142,455	\$1,309,834	\$1,927,065	\$982,729	\$663,350	-65.6%	-32.5%
Internally Generated Computer Software	1,064,991	1,146,517	785,360	419,201	9,102,700	1059.0%	2071.4%
Total Capital Budget	<u>\$1,207,446</u>	<u>\$2,456,351</u>	<u>\$2,712,425</u>	<u>\$1,401,930</u>	<u>\$9,766,050</u>	260.0%	596.6%

Illinois Municipal Retirement Fund
2013 Proposed Capital Additions Summary

Capital Purchases

Workstations for Modernization Project	\$ 242,500
Network Access Switches	88,000
Network Performance Monitoring Software	76,000
Microsoft Exchange Upgrade	49,000
Air Conditioners for Print Center and Boardroom	44,500
Internet Link Load Balancers	34,000
Video Conferencing Equipment for Springfield Office	25,000
Secure Remote Access - VPN Upgrade	25,000
SQLServer Database Upgrades	22,000
2 Digital Copiers/Printers	21,850
Boardroom Audio System Upgrade	15,500
Uninterruptible Power Source Batteries	12,000
Training Room Projector and Screen	<u>8,000</u>

Capital Purchases \$ 663,350

Internally Generated Computer Software

Modernization	\$ 8,666,304
Modernization Consulting Services	313,344
Enhance Online Services and Tools	94,118
AP of MAR Charge - Phase 2	<u>28,934</u>

Internally Generated Computer Software \$ 9,102,700

Total Capital Budget \$ 9,766,050

Capital Purchases

Workstations for Modernization Project

Workstations are needed for the additional space required for the Modernization project. This space will be occupied by the Program Management Office and the consultants for the solution provider for the comprehensive pension administration system. 36 workstations will be purchased used since they will likely no longer be needed after the project is complete.

Estimated purchase price **\$242,500**

Network Access Switches

Access switches are the hardware which connect IMRF's PCs, phones and printers to the network. IMRF's current Cisco access switches are reaching the end of their life expectancy. For some, IMRF can no longer purchase a service contract. For others, although a service contract can still be purchased, there will be no new operating system updates after July 2013. IMRF proposes to purchase 24 new switches in 2013.

Estimated purchase price **\$88,000**

Network Performance Monitoring Software

Network performance monitoring software monitors statistics about Intel servers, both physical and virtual, accumulates historical data and provides reports based on this data.

To properly plan for the capacity needs of any server, statistics are needed. Sample needs are memory usage, central processor unit usage, and disk activity. In a virtualized environment, it is even more critical. In addition to real time information, historical information is needed to watch for 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 should also help staff spot performance problems that can be corrected without the need for additional hardware.

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

Microsoft Exchange Upgrade

IMRF needs to upgrade its Microsoft Exchange software (email server software) to Exchange 2010. The upgrade effort includes software and implementation services.

Microsoft Exchange is the software which provides IMRF's email capability. We are currently using Exchange 2003, which was installed in summer of 2007 and was the most current version of the software at that time. 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.

Software	\$19,000
Implementation services	<u>30,000</u>
Estimated purchase price	\$49,000

Air Conditioners for Print Center and Boardroom

Air conditioning for the Print Center and the Boardroom is controlled by their own individual compressor units located on the roof of the 2211 York Road building. The current units are 18 years old and are fully depreciated. IMRF has had to place numerous service calls for these old units in recent years. Staff believes it is prudent to replace these units before they fail completely.

Estimated Cost of Purchase	\$44,500
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Internet Link Load Balancers

Link load balancers allow IMRF to use multiple internet service providers (ISP) and dynamically route users to the ISP that is least busy. IMRF has had its pair of link load balancers for six years. While IMRF will be able to purchase maintenance on them in 2013, these current link load balancers are almost "maxed out" and will not support the addition of another high speed internet connection.

The modernization initiative will make access to/from the internet even more crucial than it is today. Replacing the two current link load balancers with two new ones will help ensure that access.

Estimated purchase price	\$34,000
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Video Conferencing Equipment for Springfield Office

The video conferencing equipment in the Springfield office is 11 years old and fully depreciated. This equipment is used regularly for:

- Springfield staff participation in weekly meetings with Oak Brook Member Services staff
- Springfield staff participation in IMRF training sessions and Town Hall meetings
- IMRF members from southern Illinois utilize the Springfield video conferencing capability for Benefits Review Committee appearances rather than travelling to Oak Brook.

Given the age of the equipment and its regular use, staff believes that the video conferencing equipment should be replaced with current technology.

Estimated purchase price	\$25,000
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Secure Remote Access – VPN Upgrade

IMRF's virtual private network (VPN) device has reached the end of its useful life. IMRF can no longer obtain a maintenance contract. Replacing it is an absolute necessity in order to maintain this essential capability. The VPN device provides secure remote access to our network. It allows field representatives to securely connect to the IMRF network. It is used regularly by many IMRF staff members to work remotely from home or if away on business. In the event of a disaster, a number of IMRF staff members could access the IMRF network at the disaster recovery site via the VPN. An SSL VPN device is unique in that it requires no special software on the remote user's PC.

Staff is requesting a pair of these devices so they may be configured for "high availability" should one of the pair fail the other would automatically take over.

Estimated purchase price **\$25,000**

SQL Server Database Upgrades

IMRF needs to purchase Microsoft SQL Server 2012 software licenses for four servers. The version of Microsoft SQL Server which IMRF currently uses has reached the end of its life. Microsoft will no longer provide updates and security patches for it. IMRF's information technology security auditors, Crowe Horwath, have pointed out that this poses a vulnerability which must be remediated. Microsoft SQL Server 2012 is the newest version of the software.

Estimated purchase price **\$22,000**

2 Digital Copiers/Printers

Staff is requesting the purchase of two digital copier/printers for the Oak Brook Office. One is for the third floor office space which will be utilized by the modernization project and the other is for the Benefits department. The Benefits department copier/printer is fully depreciated and is experiencing a higher number of service calls. In addition, replacement parts are becoming hard to locate due to the age and model of this machine.

Estimated purchase price **\$21,850**

Boardroom Audio System Upgrade

The audio equipment in the Board Room is more than 15 years old. The old equipment cannot filter out extraneous noise in the Board Room. Current technology can provide this sound filtering. By replacing the "brains" of the audio, we will significantly improve the sound quality of conference calls.

Estimated purchase price **\$15,500**

Uninterruptible Power Source Batteries

IMRF utilizes an uninterruptible power source (UPS) to ensure that the Data Center can bridge brief power outages which occur regularly. The UPS also ensures that there is enough time to shutdown all systems in an orderly fashion in the event of a longer outage.

For the UPS to function, it must have batteries which can hold a charge and handle the full Data Center load for at least one hour in the event that IMRF loses outside power. It has been IMRF's experience that these batteries begin to fail just after the 3 year mark. Placing one new battery in with older batteries significantly shortens the life of the new battery and is not recommended by any UPS vendor. We have two battery racks. Rack two received new batteries in spring of 2012.

The batteries currently being used in rack one were installed in May of 2010 and will need to be replaced in mid-year 2013.

Estimated purchase price **\$12,000**

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

Modernization

In late 2012 we completed the Procurement Phase of the Modernization Program, selected a Comprehensive Pension Administration Solution Provider, and are seeking Board approval to proceed to the multi-year Implementation Phase.

In 2013 we plan to:

- Complete the planning and design phases of the Modernization Program to define the process improvements and detailed system requirements necessary to achieve IMRF's six Customer Service Goals
- Begin to deploy the technology infrastructure to support the Modernization Program
- It is estimated that approximately 14,658 hours of internal IMRF hours will be capitalized in 2013.

The Modernization Program will be implemented in phases. It is targeted to be completed in late 2016.

Professional services	\$6,474,784
Software license costs	820,258
Hardware costs	397,114
Internal costs	<u>974,148</u>
Estimated 2013 capitalized costs	\$8,666,304

Modernization Consulting

The IMRF modernization program is a large, complex, multi-year initiative, incorporating new technology, business changes, and retraining for almost all IMRF staff. Since pension systems like IMRF only undertake such initiatives once every 15 to 20 years, it is critical to IMRF's success to secure significant consulting assistance from a firm with deep experience in overseeing such projects.

At the October 2012 Board meeting, the IMRF Board awarded a multi-year consulting services contract to Provaliant Retirement Solutions. The cost for 2013 is \$391,680 and is contingent upon the IMRF Board approving a modernization program solution provider. Under the provisions of generally accepted accounting principles for governmental entities, certain of these consulting costs will be capitalized as internally developed software costs while others will be expensed currently. Currently, staff is estimating that \$78,336 will be expensed with the remaining \$313,344 being capitalized.

Estimated capitalized costs	\$313,344
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Enhance Online Services and Tools

The projects below build on the prior work related to the IMRF Member and Employer Access websites. They will expand capability, improve functionality and usability, enhance data quality and data security, and enable automation which are all intended to improve customer service, increase utilization of the Member Access website, and improve overall efficiency of the business process.

- Expand Member Access Eforms

Reinstatement of Service Credit Application—Provide the ability for members to submit a 603 form online to initiate the purchase of service process.

Pension Estimate Request—Provide the ability for members to submit a BF20 form online to request a formal pension estimate.

- Expand Employer Access Eforms

Employer Statement – Disability Claim —Provide the ability for employers to submit a 541 form online for disability claims submitted by their employees.

Employer's Notice of Termination of Disability of Trial Work Period —Provide the ability for employers to submit a 545 form online to report the termination of a disability or a trial work period for their employees.

Estimated internal costs	\$94,118
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Accelerated Payment of MAR Charge – Phase 2

The second phase of the Accelerated Payments of MAR Charges project will add additional automation that will assist the Finance department with the higher anticipated volume and reduce some of the time-consuming manual processing. This project will mostly focus on financial transactions, reports, and correspondence related to accelerated payment processing.

Estimated internal costs	\$28,934
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After questions and discussion, it was moved by Mr. Nannini, seconded by Mr. Piechocinski, to approve the 2013 Planning and Budget Document.

Vote: Unanimous Voice Vote
Absent: None

(12-12-17) (Approval of 2013 Board Meeting Calendar) It was moved by Mr. Nannini, seconded by Ms. Copper, to adopt the following 2013 Board Meeting dates:

- January 25, 2013
- February 22, 2013
- March 22, 2013
- April 26, 2013
- May 31, 2013
- June 19-21, 2013 (Regional Manager Meeting/Trustee Roundtable)
- June 28, 2013
- July 26, 2013
- August 23, 2013
- September 27, 2013
- October 25, 2013
- November 22, 2013
- December 20, 2013

Vote: Unanimous Voice Vote
Absent: None

(12-12-18) (Legislative Update) The Legislative Liaison updated the Board on recent legislative activity.

She noted the Fall veto session of the General Assembly completed work the week of December 3rd, noting no pension legislation was discussed, although one major bill (HB 6258) was introduced as an additional proposal for pension reform. IMRF is not included in this bill.

Lastly, the Legislative Liaison discussed the Board's April 17, 2013 Springfield Drive-Down.

Discussion followed.

(12-12-19) (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: Cross appeals filed with the Second District Appellate Court. Settlement negotiations ongoing.

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: Case has settled. Settlement agreement to be entered on December 20, 2012.

WABASH COUNTY, ILLINOIS vs. IMRF, et al.

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

Status: Motion to Dismiss was denied by Judge Wheaton. Briefing schedule has been set and matter is set for a hearing on February 1, 2013.

JOSEPH PRAZEN v. IMRF

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

Status: Petition for Leave to appeal granted on November 28, 2012.

LIARAKOS V. IMRF

Summary: Appeal of denial of total and permanent disability.

Status: IMRF brief in support of administrative decision filed on November 30, 2012. Matter is set for hearing on January 11, 2013.

IN RE TRIBUNE CO, ET AL. , THE OFFICIAL COMMITTEE OF UNSECURED CREDITORS OF TRIBUNE CO, ET AL. VS. FITZSIMONS, ET AL.

Summary: The unsecured creditors in the Tribune bankruptcy have sued investors who sold their Tribune stock at the time of the buyout.

Status: IMRF has joined with other public plans and is using a shared counsel (Ice Miller LLP).

BURGER v. IMRF (12 MR 127)

Summary: Appeal of denial of total and permanent disability.

Status: Briefing schedule has been entered. Hearing set for February 11, 2013.

DIEHL V. BOARD OF TRUSTEES 912 MR 1282 Dupage)

Summary: Appeal of denial of total and permanent disability based on a voluntary resignation.

Status: Record and appearance were filed on October 4, 2012. Initial status is set for December 28, 2012.

LEHMAN BROS. SPECIAL FINANCING, INC. V. BANK OF AMERICA NATIONAL ASSOC.,
ET AL.

Summary: This case was filed in the Lehman Bros. Bankruptcy matter. IMRF owned a bond, purchased by one of the Progress managers, for which we were paid in full at the time Lehman became insolvent. In this case, certain of the parties in the Lehman bankruptcy are attempting to recoup the proceeds of our bond, as well as others.

DEWAYNE C. JONES V. IMRF (12 MR 223 WILLIAMSON CO.)

Summary: Termination of total and permanent disability payments due to failure to provide proof of continuing medical treatment.

Status: Motion for voluntary dismissal filed. IMRF has agreed to review medical records.

VICTORIAL KING V. IMRF (12 MR 361 ST. CLAIR CO.)

Summary: Closure of temporary disability claim due to failure to provide requested documentation.

Status: IMRF has agreed to review medical records and make determination based upon that review.

ANEGELINA TELLONE V. IMRF (2012 MR 1617 - DUPAGE CO.)

Summary: Closure of temporary disability claim due to failure to provide requested documentation.

Status: Appearance and answer have been filed, benefits is working with member to obtain additional documentation.

HAWLEY V. IMRF (12 MR 305 MADISON)

Summary: Closure of temporary disability claim due to failure to provide requested documentation.

Status: Materials received and claim was processed and granted. Plaintiff's attorney to voluntarily dismiss.

JANET DOHERTY V. IMRF (12 MR 1804 LAKE)

Summary: Appeal of denial of temporary disability benefits.

Status: IMRF field answer consisting of Administrative Record and Appearance on December 3, 2012.

(12-12-20) (Report of the Executive Director)

Representation of IMRF

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

(12-12-21) (Appreciation of Service - Ruth E. Faklis) Members of the Board of Trustees honored Ruth E. Faklis who will be stepping down from the IMRF Board, effective January 1, 2013, with the following resolution:

Resolution of Appreciation

WHEREAS, Ruth E. Faklis has served as an IMRF Executive Trustee from March 2007 through December 2012, and;

WHEREAS, during her tenure as an Executive Trustee, Ruth E. Faklis served as Board President, Board Vice President, and Board Secretary, as a member of the Benefit Review Committee including one term as Chair, the Legislative Committee including one term as Chair, the Investment Committee, and the Ethics Commission, and;

WHEREAS, Ruth E. Faklis demonstrated a strong personal commitment to IMRF members and employers by supporting legislative changes including expanding surviving spouse eligibility for certain spouses of retired members, eliminating the grandfathering of the 600-hour standard, giving the Annuitant Trustee the right to vote and by supporting a Board resolution opposing salary increases paid during the final years of retirement with the purpose of increasing a member's pension beyond the limitations of the Pension Code, and;

WHEREAS, during her time as an Executive Trustee, Ruth E. Faklis supported many improvements to IMRF including major improvements to IMRF's purchase of service system, expansion of Employer Access and Member Access including implementation of additional self-service options for members, establishment of comprehensive, online access to in-depth investment information to improve transparency of IMRF investment activities, redesign of the annual member statement to better communicate the value of

IMRF benefits, participation in the Lincoln Foundation for Performance Excellence resulting in a Bronze award and Illinois Performance Excellence resulting in a Silver award, and the development of a long-term strategy for the overall modernization of IMRF's enterprise pension administration system, and;

WHEREAS, as an Executive Trustee, Ruth E. Faklis has served honorably as a member of the IMRF Board of Trustees 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 Ruth E. Faklis for her contributions and service to the Illinois Municipal Retirement Fund.

Adopted by the IMRF Board of Trustees on Friday, December 21, 2012.

It was moved by Mr. Piechocinski, seconded by Ms. Copper to adopt the resolution.

The motion was approved by acclamation.

(12-12-22) (Adjournment) It was moved by Ms. Faklis, seconded by Mr. Piechocinski, to adjourn the Board Meeting at 10:50 a.m., to reconvene in the Fund offices, 2211 York Road, Suite 400, Oak Brook, Illinois, at 9:00 a.m. on January 25, 2013.

Vote: Unanimous Voice Vote
Absent: None

President

Date

Secretary

Date

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