

ILLINOIS MUNICIPAL RETIREMENT FUND
MINUTES OF
REGULAR MEETING NO. 13-11
NOVEMBER 22, 2013

ILLINOIS MUNICIPAL RETIREMENT FUND

MEETING NO. 13-11

REGULAR MEETING

OF THE

BOARD OF TRUSTEES

The Regular Meeting of the Board of Trustees was held at 9:30 a.m., November 22, 2013, 2013 in the Fund Office at 2211 York Road, Suite 400, Oak Brook, Illinois.

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

Ms. Enright called the roll:

Present: Copper, Henry, Kuehne, Piechocinski, Stafford, Thompson
Absent: Stulir

Ms. Becker-Wold and Ms. Harris, and Mr. Ball from Callan Associates, Ms. Widlus from Seyfarth Shaw LLP., and representative from Pension & Investments and Academy Securities were also present.

(13-11-01) (3rd Quarter Investment Performance Report) Ms. Becker-Wold of Callan and Associates gave an evaluation of IMRF's investment performance for the quarter ending September 30, 2013.

The report was followed by discussion from Board Members.

(13-11-02) (Investment Manager Activities - Callan and Associates) Mr. Ball gave the following report to the Board on the activities of IMRF's investment managers:

October 31, 2013



**Illinois Municipal
Retirement Fund
Monthly Performance Report**

**Investment Measurement Service
Monthly Review**

The following report was prepared by Callan Associates Inc. ("CAI") using information from sources that include the following: fund trustee(s); fund custodian(s); investment manager(s); CAI computer software; CAI investment manager and fund sponsor database; third party data vendors; and other outside sources as directed by the client. CAI assumes no responsibility for the accuracy or completeness of the information provided, or methodologies employed, by any information providers external to CAI. Reasonable care has been taken to assure the accuracy of the CAI database and computer software. In preparing the following report, CAI has not reviewed the risks of individual security holdings or the compliance/non-compliance of individual security holdings with investment policies and guidelines of a fund sponsor, nor has it assumed any responsibility to do so. Copyright 2013 by Callan Associates Inc.

Major Market Returns

Returns
for Periods Ended October 31, 2013

Index	Last Month	Year to Date	Last Year	Last 3 Years	Last 5 Years	Last 10 Years
DJ:US Total Mkt Ix	4.25	26.36	28.85	16.90	16.01	8.13
Russell:1000 Index	4.40	26.08	28.40	16.83	15.84	7.83
Russell:Midcap Index	3.53	28.73	33.79	17.40	19.67	10.35
Russell:2000 Index	2.51	30.90	36.28	17.69	17.04	9.03
MSCI:ACWI ex-US (Net)	3.67	14.08	20.29	6.04	12.48	8.48
MSCI:EAFE US\$	3.36	20.05	26.88	8.38	11.99	7.71
MSCI:Emer Markets	4.87	0.62	6.90	0.63	15.76	12.77
Barclays:Aggregate Index	0.81	(1.10)	(1.08)	3.02	6.09	4.78
NCREIF: ODCE Index	1.17	11.74	13.48	14.09	1.70	7.12
NAREIT Equity Index	4.48	7.83	11.55	12.26	15.12	9.82

The U.S. government has indicated that it will again reach its debt limit on February 15 of next year so more political turmoil is to be expected. Investors are also guessing about the prospects for a tapering of QE now that Janet Yellen has been nominated to replace Ben Bernanke at the head of the Federal Reserve Board. The labor market is also sending mixed signals. While 204,000 jobs were created 720,000 workers left the workforce and the unemployment rate inched up to 7.3%. The first estimate of third quarter GDP came out at 2.8%, higher than the second quarter increase of 2.5%. Inventory accumulation accounted for the majority of the gain as consumer spending and nonresidential business investment grew at a slower pace.

Despite the prolonged government shutdown and debt ceiling debate the capital markets turned in another strong month. U.S. equities gained more than 4.2% and international equities jumped 3.7%. The year is shaping up to be one of the broadest bull runs as 448 of the 500 stocks in the S&P 500 Index are in positive territory. This is very close to the record set in 1980. The bond market was also able to ignore the commotion in Washington D.C. to provide investors with a gain of 0.8%.

Emerging markets added a 4.9% gain in October to its 6.5% gain the prior month. These two months have been enough to pull the year-to-date performance into the black (+0.6%). Over the last ten years, emerging markets outpaced domestic and international equities by 4.6% and 4.3%, respectively.

*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.

U.S. Equity Overview

Returns

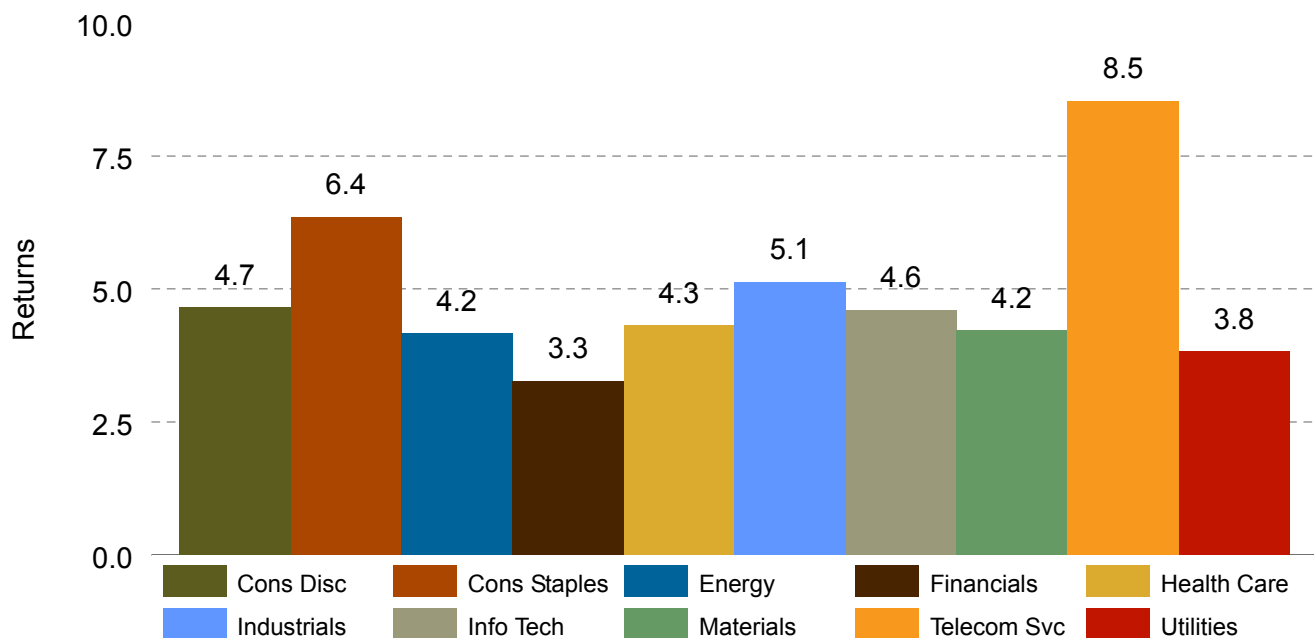
for Periods Ended October 31, 2013

Index	Last Month	Year to Date	Last Year	Last 3 Years	Last 5 Years	Last 10 Years
DJ:US Total Mkt Ix	4.25	26.36	28.85	16.90	16.01	8.13
Russell:1000 Index	4.40	26.08	28.40	16.83	15.84	7.83
Russell:1000 Growth	4.42	26.22	28.30	16.81	17.51	7.70
Russell:1000 Value	4.38	25.75	28.29	16.76	14.06	7.81
Russell:Midcap Index	3.53	28.73	33.79	17.40	19.67	10.35
Russell:2000 Index	2.51	30.90	36.28	17.69	17.04	9.03
Russell:2000 Growth	1.82	34.89	39.84	19.00	19.27	9.14
Russell:2000 Value	3.25	27.07	32.83	16.33	14.84	8.78

U.S. stocks rallied again in October, up 4.3% for the month and 28.9% over the trailing twelve months. Every sector recorded gains with Telecom rising the most (+8.5%). Financials lagged all other sectors returning 3.3%.

In the small cap space value outperformed growth (Russell 2000 Value: +3.3%; Russell 2000 Growth: +1.8%). Over the last year, small cap stocks (Russell 2000 Index) led large cap stocks (Russell 1000 Index) by 7.9%.

S&P 500 Sector Returns for Month Ended October 31, 2013



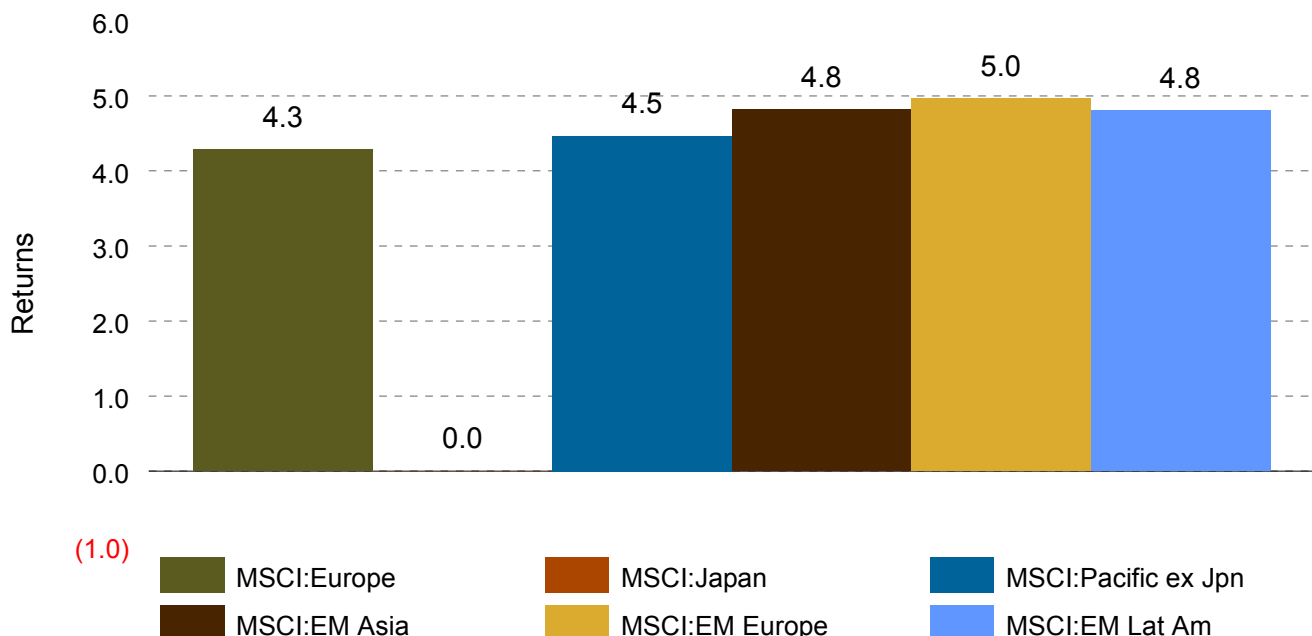
Returns
for Periods Ended October 31, 2013

Index	Last Month	Year to Date	Last Year	Last 3 Years	Last 5 Years	Last 10 Years
MSCI:ACWI ex-US (Net)	3.67	14.08	20.29	6.04	12.48	8.48
MSCI:ACWI ex US Gr	3.25	14.27	20.16	6.45	12.80	8.50
MSCI:ACWI ex US Val	4.11	14.75	21.40	6.55	13.15	9.35
MSCI:EAFE US\$	3.36	20.05	26.88	8.38	11.99	7.71
MSCI:EAFE Hedged	3.23	20.13	27.18	6.47	7.02	3.91
MSCI:Emer Markets	4.87	0.62	6.90	0.63	15.76	12.77
MSCI:ACWI ex-US Sm Cap (Net)	3.09	17.97	23.70	6.91	18.94	10.67

International equities followed U.S. equities in October, rising 3.7%. Small caps (MSCI ACWI ex-U.S. Small Cap (Net): +3.1%) trailed the broader market. The dollar was relatively flat against a basket of foreign currencies during the month, as local currency returns (+3.2%) lagged U.S. dollar returns (+3.4%) by only thirteen basis points.

All major international regions rose during the month except Japan, which fell by less than one basis point. All other markets performed in-line with each other. Performance within these regions ranged from 4.3% on the low end (MSCI Europe Index) to 5.0% on the high end (MSCI EM Europe Index).

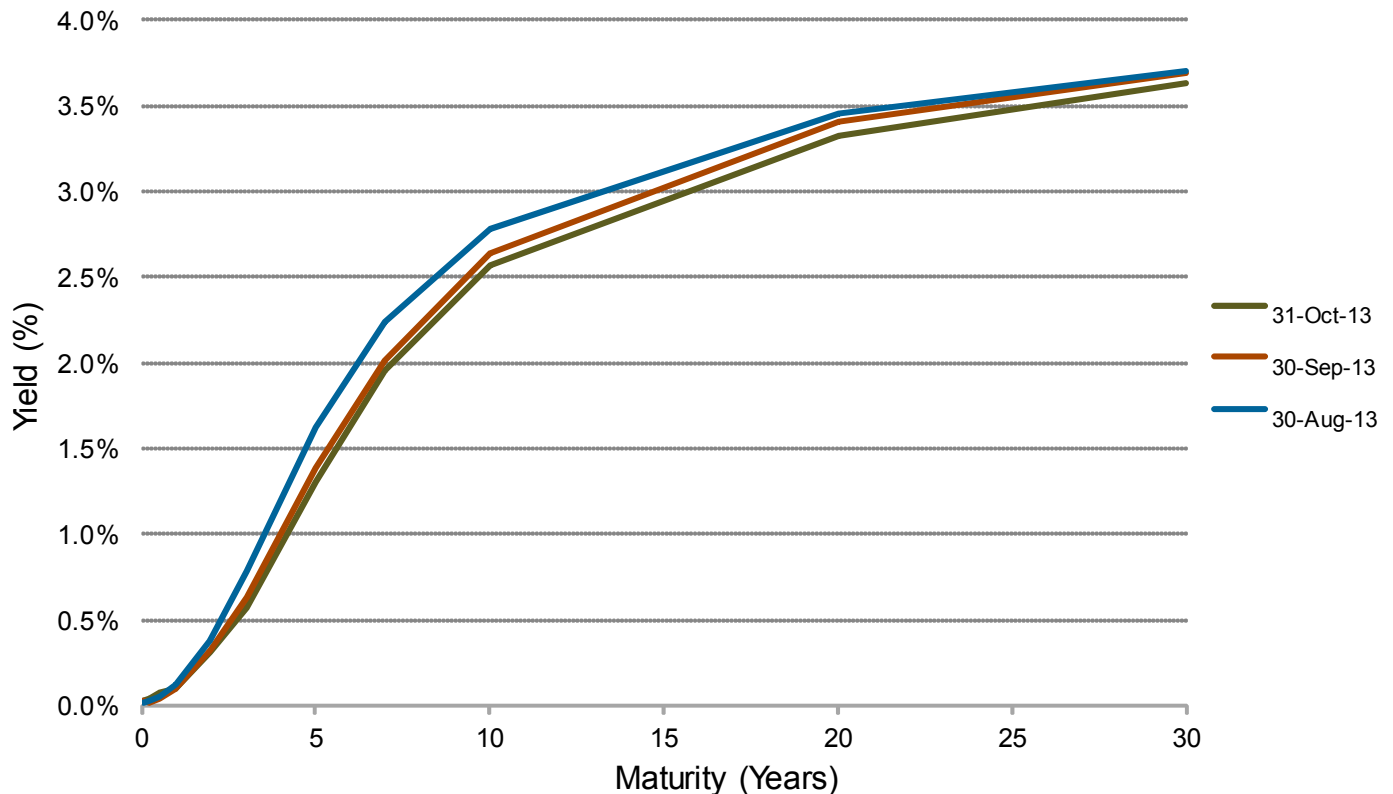
Regional Returns for Month Ended October 31, 2013



Returns
for Periods Ended October 31, 2013

Index	Last Month	Year to Date	Last Year	Last 3 Years	Last 5 Years	Last 10 Years
Barclays:Aggregate Index	0.81	(1.10)	(1.08)	3.02	6.09	4.78
Barclays:Govt Index	0.47	(1.45)	(1.37)	2.32	4.15	4.37
Barclays:Credit	1.44	(1.50)	(1.58)	4.59	10.16	5.45
Barclays:Mortgage Idx	0.68	(0.33)	(0.36)	2.55	5.07	4.86
Barclays:US TIPS Index	0.55	(6.23)	(6.39)	3.31	7.36	5.23
ML:High Yield CP Idx	2.46	6.32	8.76	8.86	17.88	8.67
3 Month T-Bill	0.00	0.05	0.09	0.10	0.14	1.69

Treasury Yield Curve

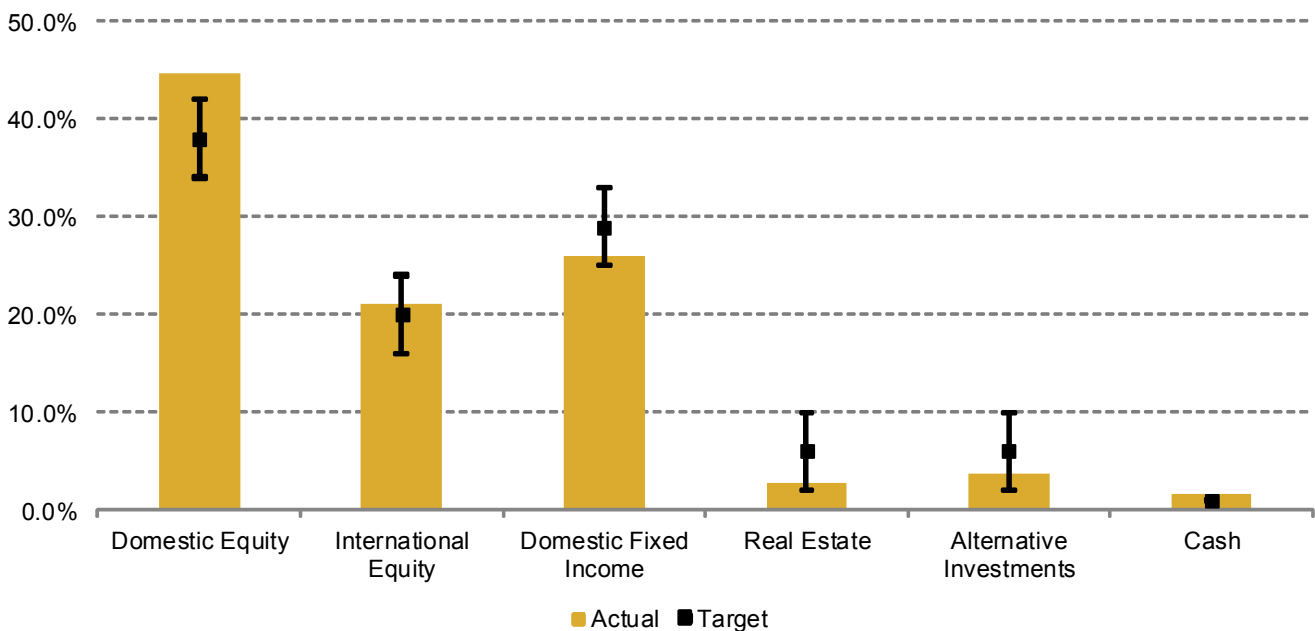


In October the yield curve moved down for the second consecutive month and spreads tightened, both of which boosted fixed income returns. The BC Aggregate Bond Index gained 0.8% for the month but is still negative for the year (-1.1%). High yield credit followed the strong return of equities in the month jumping 2.5%. This is the only part of the fixed income market to provide positive year-to-date returns. Government bonds lagged all other major sectors but still rose 0.5%. Credit performed well in October, gaining 1.4%.

Total Fund

Total Fund assets at the end of October were \$32.34 billion, up from \$31.35 billion at the end of September. The Fund rose 2.78% for the month, outperforming the benchmark return by 8 basis points. International equity and domestic fixed income beat their respective benchmarks. Over the last year, the fund is up 19.43% exceeding the benchmark by 3.80%.

Current policy states that when the actual allocations of the asset classes differ by more than four percentage points from their policy targets, a recommendation for rebalancing will be made to the Board of Trustees. As of October 31, domestic equity exceeded its target allocation by 6.7%. All other asset classes were within the allowable range. The Chief Investment Officer and Consultant recommend moving \$325 million from US equity and placing it in fixed income.



US Equity

Large Cap: In aggregate, the Fund's large cap managers gained 4.05%, trailing the Russell 1000 Index by 0.35%. Growth portfolios collectively returned 3.82%, underperforming their benchmark by 60 basis points for the month. Sands was the best performing active manager with a return of 4.50%. Value outperformed growth with a return of 4.35% but underperformed the Russell 1000 Value Index by 3 basis points. LSV was the best performing manager in the group with a return of 4.48%. The Large Cap Active Core segment gained 2.73%, significantly trailing the Dow Jones U.S. Total Stock Market Index's return of 4.25%.

Small Cap: The Small Cap portfolio advanced 2.75%, outperforming the Russell 2000 Index by 0.24%. Small Cap Growth and Value returned 1.56% and 3.49%, respectively. Frontier was the best performing small cap growth manager and Dimensional Fund Advisors was the best in value. The Micro Cap segment returned 3.44% in October. Ariel was the top performer in the micro-cap segment, increasing 8.67% for the month.

International Equity

Large Cap: The IMRF international equity composite edged out its U.S. equity counterpart. IMRF's International Large Cap managers rose 3.70%. This return was 3 basis points ahead of the MSCI ACWI ex-U.S. Index. International Large Cap Growth rose 3.84% with Earnest performing best (+3.92%). International Large Cap Value returned 4.52% for the month. Mondrian (+4.80%) led all other value managers with significant assets. The Large Cap Active Core Group grew 3.49% in October with Arrowstreet providing the strongest performance (+3.57%).

International Small Cap and Emerging Markets: The International Small Cap managers gained 3.38%, outperforming the ACWI Small Cap ex-U.S. Index by 29 basis points. The emerging markets portfolio, managed by Genesis, rose 4.95% during October, outperforming the MSCI Emerging Markets Index by 8 basis points.

Domestic Fixed Income

The total fixed income portfolio returned 1.19% (ahead of the BC Aggregate Index return of +0.81%) as yields fell from the prior month. The high yield segment was the best performer, rising 2.43%.

Active Core: The active core fixed income component gained 0.82%, outperforming the BC Aggregate Index by 1 basis point.

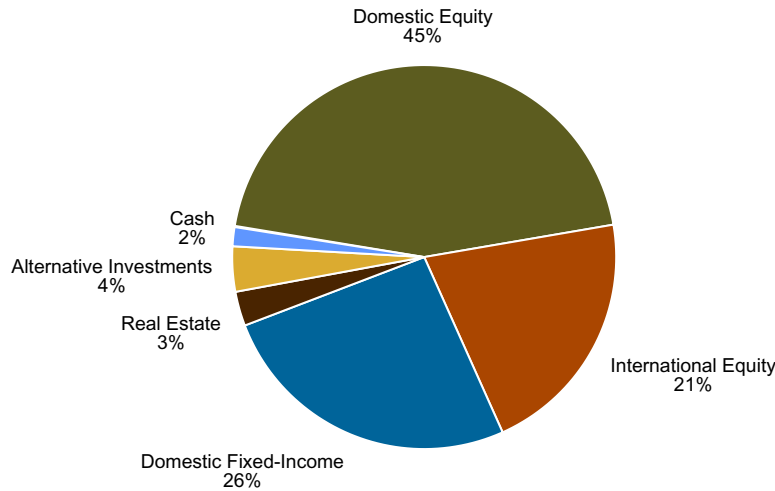
Core Plus: The core plus managers returned 1.19%, leading the Barclays Aggregate Index by 38 basis points. Taplin, Canida, Habacht outperformed the other managers, rising 1.49%.

High Yield: The high yield component gained 2.43% in October, slightly trailing the ML High Yield Cash Pay Index (+2.46%). Pyramis outperformed McKay Shields returning 2.71% and 2.15%, respectively.

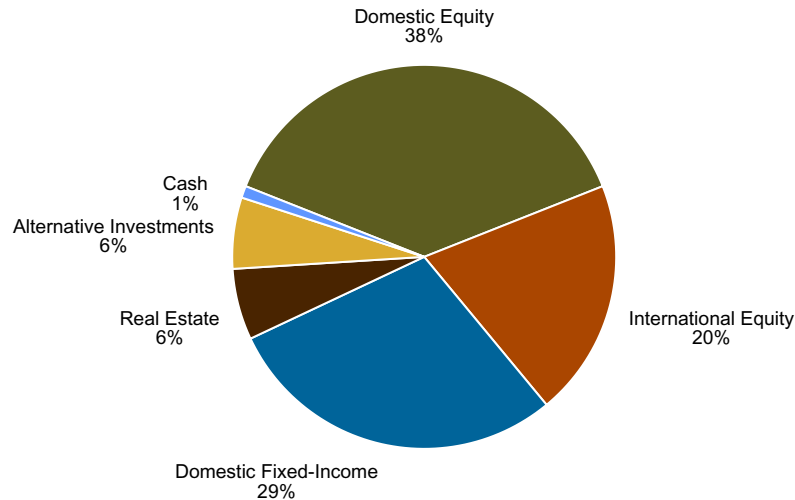
Actual vs Target Asset Allocation

The first chart below shows the Fund's asset allocation as of October 31, 2013. 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	14,469	44.7%	38.0%	6.7%	2,179
International Equity	6,787	21.0%	20.0%	1.0%	319
Domestic Fixed-Income	8,392	25.9%	29.0%	(3.1%)	(987)
Real Estate	929	2.9%	6.0%	(3.1%)	(1,011)
Alternative Investments	1,231	3.8%	6.0%	(2.2%)	(709)
Cash	532	1.6%	1.0%	0.6%	209
Total	32,341	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% NFI-ODCE Value Weight Gr+1.0%, 6.0% 9% Annually and 1.0% 3-month Treasury Bill.

Investment Manager Asset Allocation

The table below contrasts the distribution of assets across the Fund's investment managers as of October 31, 2013, with the distribution as of September 30, 2013.

Asset Distribution Across Investment Managers

	October 31, 2013		September 30, 2013	
	Market Value	Percent	Market Value	Percent
Domestic Equity	\$14,468,696,994	44.74%	\$14,116,903,841	45.03%
Large Cap Growth				
BlackRock LCG	524,441,142	1.62%	509,801,327	1.63%
Holland	948,818,267	2.93%	923,092,710	2.94%
NTGI S&P 500 Growth Idx	892,153,374	2.76%	851,278,965	2.72%
Sands	1,129,037,645	3.49%	1,080,449,823	3.45%
Vision	148,084,283	0.46%	143,955,409	0.46%
Large Cap Value				
Dodge & Cox	963,320,467	2.98%	924,498,991	2.95%
BMO	994,533,293	3.08%	953,135,942	3.04%
LSV	1,005,252,851	3.11%	962,154,230	3.07%
NTGI S&P 500 Value Idx	761,545,961	2.35%	729,603,588	2.33%
Large Cap Core				
Piedmont	431	0.00%	164,843,741	0.53%
Progress	577,532,498	1.79%	561,474,332	1.79%
NTGI MarketCap Index	2,615,478,293	8.09%	2,508,533,575	8.00%
Small Cap Growth				
Fortaleza	43,529,232	0.13%	43,272,905	0.14%
Frontier	698,041,259	2.16%	685,183,520	2.19%
Pyramis	720,918,421	2.23%	711,615,547	2.27%
Small Cap Value				
Channing	155,968,056	0.48%	150,810,056	0.48%
Dimensional Small Cap Value	623,946,580	1.93%	601,728,310	1.92%
Inv. Counselors of Maryland	692,425,069	2.14%	669,733,433	2.14%
Lombardia	149,806,386	0.46%	145,172,163	0.46%
Micro Cap				
Ariel	91,831,125	0.28%	84,504,221	0.27%
Ativo	44,229,611	0.14%	43,172,096	0.14%
Dimensional Micro Cap	273,538,590	0.85%	264,562,698	0.84%
Wall Street	414,264,159	1.28%	404,326,260	1.29%
International Equity	\$6,786,968,507	20.99%	\$6,539,852,038	20.86%
International Large Cap Growth				
EARNEST Partners	538,525,532	1.67%	518,201,478	1.65%
McKinley	44,846	0.00%	75,612	0.00%
William Blair	574,929,437	1.78%	554,065,655	1.77%
International Large Cap Value				
Brandes	509,427,354	1.58%	488,535,034	1.56%
Lombardia	33,129,687	0.10%	31,628,077	0.10%
Mondrian	482,093,692	1.49%	460,024,166	1.47%
Lazard	94,043,846	0.29%	90,082,205	0.29%
International Large Cap Core				
Arrowstreet	500,912,039	1.55%	483,653,316	1.54%
Brown	253,249,961	0.78%	245,241,094	0.78%
GlobeFlex	491,464,703	1.52%	474,734,563	1.51%
NTGI MSCI EAFE Index	2,386,715,201	7.38%	2,308,855,799	7.36%
International Small Cap				
Franklin Templeton	184,106,320	0.57%	177,463,992	0.57%
William Blair	218,898,916	0.68%	212,376,906	0.68%

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 October 31, 2013, with the distribution as of September 30, 2013.

Asset Distribution Across Investment Managers

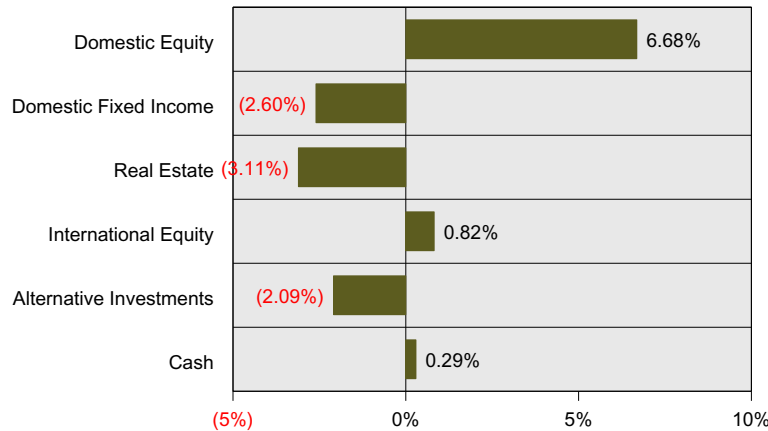
	October 31, 2013		September 30, 2013	
	Market Value	Percent	Market Value	Percent
Emerging Markets				
Genesis	519,426,972	1.61%	494,914,141	1.58%
Domestic Fixed-Income	\$8,391,895,320	25.95%	\$8,292,295,622	26.45%
Domestic Fixed Core				
EARNEST Partners	533,113,698	1.65%	529,941,000	1.69%
Piedmont	527,460,940	1.63%	522,038,050	1.67%
BlackRock Enhanced	4,073	0.00%	771,559,346	2.46%
Passive Core				
BlackRock US Debt	954,246,961	2.95%	175,180,503	0.56%
NTGI BC Aggregate Index	1,390,975,827	4.30%	1,379,948,114	4.40%
Domestic Fixed Core Plus				
BlackRock Core Plus	711,988,806	2.20%	706,077,146	2.25%
LM Capital	830,597,035	2.57%	820,473,457	2.62%
Progress Fixed Income	429,313,384	1.33%	424,845,552	1.36%
Taplin, Canida, & Habacht	818,036,516	2.53%	806,045,659	2.57%
Western	1,102,379,080	3.41%	1,088,934,538	3.47%
High Yield				
MacKay Shields	536,708,463	1.66%	525,437,071	1.68%
Pyramis High Yield	557,070,538	1.72%	541,815,186	1.73%
Real Estate	\$929,324,992	2.87%	\$894,726,113	2.85%
Real Estate Core				
TA Buckhead Ind. Prop.	245,156,812	0.76%	247,182,709	0.79%
Cornerstone Patriot	104,711,120	0.32%	91,995,955	0.29%
INVESCO Core RE	95,017,129	0.29%	93,174,574	0.30%
AEW Core Property Trust	48,212,337	0.15%	47,270,605	0.15%
Real Estate Non-Core				
Franklin Templeton EMREFF	35,649,050	0.11%	32,711,731	0.10%
Olympus Real Estate Fund II	330,536	0.00%	330,536	0.00%
Security Capital	53,682,738	0.17%	53,682,738	0.17%
Dune II	39,313,398	0.12%	42,226,501	0.13%
Non-Core Real Estate Funds*	170,205,859	0.53%	150,352,786	0.48%
Rockwood Fund VIII	35,527,773	0.11%	35,216,521	0.11%
Almanac ARS V	50,982,401	0.16%	50,045,618	0.16%
TA Fund IX	50,535,839	0.16%	50,535,839	0.16%
Alternative Investments	\$1,231,325,416	3.81%	\$1,227,147,393	3.91%
Absolute Return				
Aurora	513,779,807	1.59%	513,779,807	1.64%
Mesirov	2,332,505	0.01%	3,094,805	0.01%
Private Equity				
Abbott	286,464,405	0.89%	291,806,484	0.93%
Muller & Monroe ILPEFF	12,382,316	0.04%	12,211,433	0.04%
Muller & Monroe MPEFF	16,542,472	0.05%	17,242,452	0.05%
Pantheon	172,346,675	0.53%	176,678,463	0.56%
Private Equity Fund - Domestic	26,746,426	0.08%	18,985,833	0.06%
Agriculture				
Cozad/Westchester	133,724,246	0.41%	129,357,038	0.41%
Timberland				
Forest Investment Assoc.	67,006,564	0.21%	63,991,078	0.20%
Cash	\$532,348,236	1.65%	\$280,159,221	0.89%
Total Fund	\$32,340,559,465	100.0%	\$31,351,084,227	100.0%

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

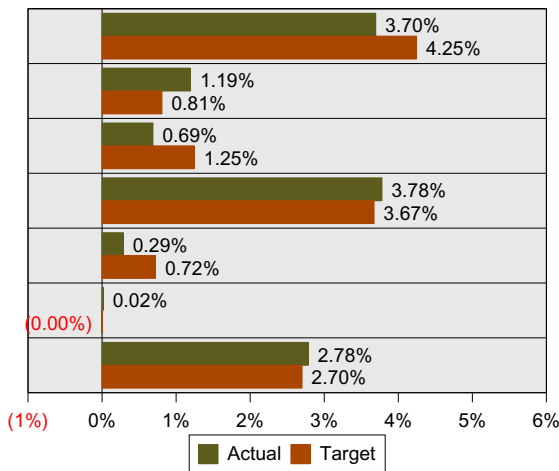
Monthly Total Fund Relative Attribution - October 31, 2013

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

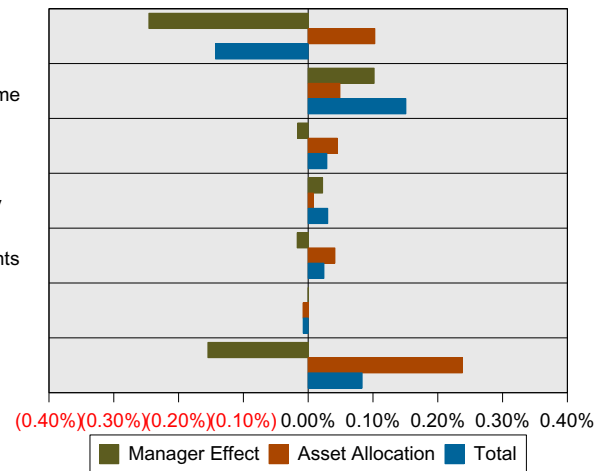
Asset Class Under or Overweighting



Actual vs Target Returns



Relative Attribution by Asset Class



Relative Attribution Effects for Month ended October 31, 2013

Asset Class	Effective Actual Weight	Effective Target Weight	Actual Return	Target Return	Manager Effect	Asset Allocation	Total Relative Return
Domestic Equity	45%	38%	3.70%	4.25%	(0.25%)	0.10%	(0.14%)
Domestic Fixed Income	26%	29%	1.19%	0.81%	0.10%	0.05%	0.15%
Real Estate	3%	6%	0.69%	1.25%	(0.02%)	0.04%	0.03%
International Equity	21%	20%	3.78%	3.67%	0.02%	0.01%	0.03%
Alternative Investments	4%	6%	0.29%	0.72%	(0.02%)	0.04%	0.02%
Cash	1%	1%	0.02%	(0.00%)	0.00%	(0.01%)	(0.01%)
Total			2.78%	2.70%	(0.15%)	0.24%	0.08%

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

Asset Class Returns

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

Returns for Periods Ended October 31, 2013

	Last Month	Last 3 Months	Year to Date	Last 12 Months
Domestic Equity (12/31/81)	3.70%	5.93%	29.10%	33.27%
DJ U.S. Total Stock Market Index	4.25%	4.99%	26.36%	28.85%
Domestic Equity - Net (12/31/04)	3.68%	5.89%	28.86%	33.00%
International Equity (08/31/86)	3.78%	9.60%	18.24%	24.68%
MSCI ACWI x US (Net)	3.67%	9.35%	14.08%	20.29%
International Equity - Net (12/31/04)	3.77%	9.53%	17.97%	24.35%
Domestic Fixed-Income (12/31/81)	1.19%	1.61%	(0.01%)	0.45%
BC Aggregate Index	0.81%	1.24%	(1.10%)	(1.08%)
Domestic Fixed-Inc. - Net (12/31/04)	1.19%	1.59%	(0.14%)	0.31%
Real Estate (04/30/85)	0.69%	1.79%	7.75%	9.70%
Blended Benchmark**	1.25%	3.79%	12.55%	14.62%
Real Estate - Net (12/31/04)	0.69%	1.79%	7.75%	9.70%
Alternative Investments (01/31/86)	0.29%	1.44%	7.33%	9.13%
Alternatives Custom Benchmark***	0.72%	2.18%	7.45%	9.00%
Alternative Investments - Net (12/31/04)	0.24%	1.39%	7.19%	8.96%
Absolute Return (12/31/01)	0.00%	0.74%	3.81%	4.75%
HFR Fund-of-Funds Index	1.48%	2.11%	6.61%	8.30%
Private Equity (01/31/86)	0.10%	2.50%	9.18%	10.14%
Alternatives Custom Benchmark***	0.72%	2.18%	7.45%	9.00%
Agriculture (09/30/97)	0.00%	(1.52%)	14.31%	26.06%
Blended Benchmark**	1.25%	3.79%	12.55%	14.62%
Timberland (09/30/92)	4.71%	4.45%	9.41%	7.64%
Blended Benchmark**	1.25%	3.79%	12.55%	14.62%
Total Fund (12/31/81)	2.78%	5.15%	16.30%	19.43%
Total Fund Benchmark	2.70%	4.49%	13.33%	15.63%
Total Fund - Net (12/31/04)	2.77%	5.11%	16.10%	19.21%

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

** The Blended Benchmark is currently ODCE Value Weigh Index+1%. Returns between January 1, 2007 and December 31, 2012 reflect NPI+1%. Returns prior to January 1, 2007, reflect those of the Consumer Price Index +5%.

Given that ODCE returns are updated quarterly, an approximation of the Index is used in the monthly reports.

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

Asset Class Returns

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

Returns for Periods Ended October 31, 2013

	Last 36 Months	Last 60 Months	Last 120 Months	Since Inception
Domestic Equity (12/31/81)	17.66%	17.03%	8.78%	11.74%
DJ U.S. Total Stock Market Index	16.90%	16.01%	8.13%	11.28%
Domestic Equity - Net (12/31/04)	17.38%	16.75%	-	7.32%
International Equity (08/31/86)	8.39%	14.45%	9.21%	8.46%
MSCI ACWI x US (Net)	6.04%	12.48%	8.48%	-
International Equity - Net (12/31/04)	8.07%	14.11%	-	6.53%
Domestic Fixed-Income (12/31/81)	4.55%	8.83%	5.73%	9.02%
BC Aggregate Index	3.02%	6.09%	4.78%	8.39%
Domestic Fixed-Inc. - Net (12/31/04)	4.38%	8.67%	-	5.48%
Real Estate (04/30/85)	11.56%	0.75%	5.92%	4.48%
Blended Benchmark**	14.30%	5.62%	6.89%	7.56%
Real Estate - Net (12/31/04)	11.44%	0.68%	-	5.32%
Alternative Investments (01/31/86)	7.65%	4.94%	8.19%	10.83%
Alternatives Custom Benchmark***	9.00%	9.99%	11.01%	13.49%
Alternative Investments - Net (12/31/04)	7.43%	4.68%	-	7.42%
Absolute Return (12/31/01)	2.71%	4.51%	4.18%	4.54%
HFR Fund-of-Funds Index	2.45%	3.54%	3.38%	3.77%
Private Equity (01/31/86)	10.87%	4.77%	11.29%	12.92%
Alternatives Custom Benchmark***	9.00%	9.99%	11.01%	13.49%
Agriculture (09/30/97)	15.39%	9.39%	10.16%	7.08%
Blended Benchmark**	14.30%	5.62%	6.89%	7.02%
Timberland (09/30/92)	4.04%	4.05%	4.38%	8.83%
Blended Benchmark**	14.30%	5.62%	6.89%	7.15%
Total Fund (12/31/81)	11.09%	13.30%	8.29%	10.29%
Total Fund Benchmark	10.07%	11.74%	7.56%	-
Total Fund - Net (12/31/04)	10.85%	13.07%	-	7.15%

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

** The Blended Benchmark is currently ODCE Value Weigh Index+1%. Returns between January 1, 2007 and December 31, 2012 reflect NPI+1%. Returns prior to January 1, 2007, reflect those of the Consumer Price Index +5%.

Given that ODCE returns are updated quarterly, an approximation of the Index is used in the monthly reports.

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

Large Cap Equity Returns

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

Returns for Periods Ended October 31, 2013

	Last Month	Last 3 Months	Year to Date	Last 12 Months
Large Cap Equity (12/31/81)	4.05%	5.77%	27.40%	30.99%
Russell 1000 Index	4.40%	5.06%	26.08%	28.40%
Large Cap Growth (12/31/81)	3.82%	8.61%	27.22%	31.39%
BlackRock LCG (07/31/11)	2.87%	8.50%	23.06%	26.95%
LCG Blended Benchmark*	4.42%	7.21%	26.22%	28.30%
Russell 1000 Growth Index	4.42%	7.21%	26.22%	28.30%
BlackRock LCG - Net (07/31/11)	2.87%	8.42%	22.80%	26.68%
Holland (10/31/94)	2.79%	4.58%	24.08%	28.53%
LCG Blended Benchmark*	4.42%	7.21%	26.22%	28.30%
Russell 1000 Growth Index	4.42%	7.21%	26.22%	28.30%
Holland - Net (12/31/04)	2.74%	4.53%	23.84%	28.28%
NTGI S&P 500 Growth Idx (07/31/01)	4.80%	6.31%	25.18%	26.25%
S&P/Citi 500 Growth Index	4.81%	6.33%	25.18%	26.18%
NTGI S&P 500 Growth Idx - Net (12/31/04)	4.80%	6.30%	25.17%	26.24%
Sands (10/31/03)	4.50%	14.83%	35.56%	42.89%
LCG Blended Benchmark*	4.42%	7.21%	26.22%	28.30%
Russell 1000 Growth Index	4.42%	7.21%	26.22%	28.30%
Sands - Net (12/31/04)	4.50%	14.83%	35.40%	42.73%
Vision (06/30/11)	2.87%	5.27%	21.57%	24.33%
LCG Blended Benchmark*	4.42%	7.21%	26.22%	28.30%
Russell 1000 Growth Index	4.42%	7.21%	26.22%	28.30%
Vision - Net (06/30/11)	2.87%	5.27%	21.07%	23.82%
Large Cap Value (09/30/82)	4.35%	3.91%	28.53%	32.47%
Dodge & Cox (08/31/03)	4.20%	5.53%	30.60%	34.81%
LCV Blended Benchmark**	4.38%	2.94%	25.75%	28.29%
Russell 1000 Value Index	4.38%	2.94%	25.75%	28.29%
Dodge & Cox - Net (12/31/04)	4.15%	5.49%	30.36%	34.56%
BMO (01/31/01)	4.34%	3.33%	26.80%	30.65%
LCV Blended Benchmark**	4.38%	2.94%	25.75%	28.29%
Russell 1000 Value Index	4.38%	2.94%	25.75%	28.29%
BMO - Net (12/31/04)	4.34%	3.27%	26.60%	30.36%
LSV (01/31/03)	4.48%	3.54%	31.38%	35.75%
LCV Blended Benchmark**	4.38%	2.94%	25.75%	28.29%
Russell 1000 Value Index	4.38%	2.94%	25.75%	28.29%
LSV - Net (12/31/04)	4.48%	3.48%	31.14%	35.50%
NTGI S&P 500 Value Idx (07/31/99)	4.38%	3.13%	25.20%	28.56%
S&P/Citi 500 Value Index	4.37%	3.11%	25.43%	28.36%
NTGI S&P 500 Value Idx - Net (12/31/04)	4.38%	3.13%	25.19%	28.54%

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

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

Large Cap Equity Returns

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

Returns for Periods Ended October 31, 2013

	Last 36 Months	Last 60 Months	Last 120 Months	Since Inception
Large Cap Equity (12/31/81)	17.26%	16.24%	8.16%	11.19%
Russell 1000 Index	16.83%	15.84%	7.83%	11.46%
Large Cap Growth (12/31/81)	17.28%	18.10%	8.27%	11.69%
BlackRock LCG (07/31/11)	-	-	-	11.48%
LCG Blended Benchmark*	16.81%	17.51%	7.62%	16.57%
Russell 1000 Growth Index	16.81%	17.51%	7.70%	16.57%
BlackRock LCG - Net (07/31/11)	-	-	-	11.20%
Holland (10/31/94)	16.28%	17.75%	8.18%	10.14%
LCG Blended Benchmark*	16.81%	17.51%	7.62%	9.40%
Russell 1000 Growth Index	16.81%	17.51%	7.70%	8.52%
Holland - Net (12/31/04)	15.98%	17.42%	-	7.03%
LCG Blended Benchmark*	16.81%	17.51%	7.62%	7.68%
Russell 1000 Growth Index	16.81%	17.51%	7.70%	7.86%
NTGI S&P 500 Growth Idx (07/31/01)	16.67%	16.82%	7.63%	5.22%
S&P/Citi 500 Growth Index	16.65%	16.77%	7.60%	5.17%
NTGI S&P 500 Growth Idx - Net (12/31/04)	16.66%	16.81%	-	7.25%
S&P/Citi 500 Growth Index	16.65%	16.77%	7.60%	7.65%
Sands (10/31/03)	23.49%	26.74%	11.93%	12.22%
LCG Blended Benchmark*	16.81%	17.51%	7.62%	8.03%
Russell 1000 Growth Index	16.81%	17.51%	7.70%	8.22%
Sands - Net (12/31/04)	23.24%	26.44%	-	10.27%
LCG Blended Benchmark*	16.81%	17.51%	7.62%	7.68%
Russell 1000 Growth Index	16.81%	17.51%	7.70%	7.86%
Vision (06/30/11)	-	-	-	14.09%
LCG Blended Benchmark*	16.81%	17.51%	7.62%	15.43%
Russell 1000 Growth Index	16.81%	17.51%	7.70%	15.43%
Vision - Net (06/30/11)	-	-	-	13.53%
Large Cap Value (09/30/82)	17.85%	14.85%	8.29%	10.35%
Dodge & Cox (08/31/03)	18.28%	16.79%	8.68%	9.17%
LCV Blended Benchmark**	16.76%	14.06%	7.56%	8.10%
Russell 1000 Value Index	16.76%	14.06%	7.81%	8.30%
Dodge & Cox - Net (12/31/04)	18.05%	16.54%	-	6.38%
LCV Blended Benchmark**	16.76%	14.06%	7.56%	6.32%
Russell 1000 Value Index	16.76%	14.06%	7.81%	6.47%
BMO (01/31/01)	17.94%	14.46%	9.21%	7.33%
LCV Blended Benchmark**	16.76%	14.06%	7.56%	4.61%
Russell 1000 Value Index	16.76%	14.06%	7.81%	5.73%
BMO - Net (12/31/04)	17.67%	14.19%	-	7.16%
LCV Blended Benchmark**	16.76%	14.06%	7.56%	6.32%
Russell 1000 Value Index	16.76%	14.06%	7.81%	6.47%
LSV (01/31/03)	18.58%	16.44%	9.53%	11.04%
LCV Blended Benchmark**	16.76%	14.06%	7.56%	9.03%
Russell 1000 Value Index	16.76%	14.06%	7.81%	9.08%
LSV - Net (12/31/04)	18.27%	16.12%	-	7.27%
LCV Blended Benchmark**	16.76%	14.06%	7.56%	6.32%
Russell 1000 Value Index	16.76%	14.06%	7.81%	6.47%
NTGI S&P 500 Value Idx (07/31/99)	16.60%	13.56%	7.30%	4.26%
S&P/Citi 500 Value Index	16.53%	13.49%	7.24%	4.25%
NTGI S&P 500 Value Idx - Net (12/31/04)	16.59%	13.55%	-	5.63%
S&P/Citi 500 Value Index	16.53%	13.49%	7.24%	5.97%

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

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

Large Cap Equity Returns

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

Returns for Periods Ended October 31, 2013

	Last Month	Last 3 Months	Year to Date	Last 12 Months
Large Cap Active Core (12/31/04)	2.73%	4.30%	25.60%	28.27%
Progress (01/31/05)	2.86%	4.86%	27.06%	30.13%
DJ U.S. Total Stock Market Index	4.25%	4.99%	26.36%	28.85%
Progress - Net (01/31/05)	2.86%	4.86%	26.52%	29.56%
Large Cap Passive Core (12/31/84)	4.26%	5.01%	26.47%	29.00%
NTGI MarketCap Idx (01/31/85)	4.26%	5.01%	26.47%	29.00%
DJ U.S. Total Stock Market Index	4.25%	4.99%	26.36%	28.85%
NTGI MarketCap Idx - Net (12/31/04)	4.26%	5.00%	26.46%	28.99%

Large Cap Equity Returns

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

Returns for Periods Ended October 31, 2013

	Last 36 Months	Last 60 Months	Last 120 Months	Since Inception
Large Cap Active Core (12/31/04)	15.87%	14.99%	-	6.80%
Progress (01/31/05)	16.22%	15.20%	-	6.98%
DJ U.S. Total Stock Market Index	16.90%	16.01%	8.13%	7.10%
Progress - Net (01/31/05)	15.54%	14.56%	-	6.36%
Large Cap Passive Core (12/31/84)	16.96%	16.18%	8.01%	11.07%
NTGI MarketCap Idx (01/31/85)	16.96%	16.20%	8.02%	11.11%
DJ U.S. Total Stock Market Index	16.90%	16.01%	8.13%	11.07%
NTGI MarketCap Idx - Net (12/31/04)	16.95%	16.19%	-	6.91%
DJ U.S. Total Stock Market Index	16.90%	16.01%	8.13%	7.46%

Small Cap Equity Returns

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

Returns for Periods Ended October 31, 2013

	Last Month	Last 3 Months	Year to Date	Last 12 Months
Small Cap Equity (06/30/88)	2.75%	6.38%	34.25%	40.30%
Russell 2000 Index	2.51%	5.59%	30.90%	36.28%
Small Cap Growth (06/30/88)	1.56%	6.66%	33.25%	39.27%
Fortaleza (11/30/06)	0.59%	4.53%	28.20%	30.47%
Russell 2000 Growth Index	1.82%	6.78%	34.89%	39.84%
Fortaleza - Net (11/30/06)	0.47%	4.41%	27.58%	29.69%
Frontier (07/31/88)	1.88%	7.60%	34.47%	41.25%
Russell 2000 Growth Index	1.82%	6.78%	34.89%	39.84%
Frontier - Net (12/31/04)	1.76%	7.48%	33.84%	40.59%
Pyramis (07/31/88)	1.31%	5.90%	32.41%	37.95%
Russell 2000 Growth Index	1.82%	6.78%	34.89%	39.84%
Pyramis - Net (12/31/04)	1.31%	5.90%	31.99%	37.53%
Small Cap Value (08/31/89)	3.49%	5.58%	31.26%	38.45%
Channing (06/30/11)	3.42%	7.33%	32.90%	42.02%
Russell 2000 Value Index	3.25%	4.38%	27.07%	32.83%
Channing - Net (06/30/11)	3.42%	7.33%	32.17%	41.25%
DFA Small Cap Value (01/31/96)	3.69%	4.68%	32.57%	40.16%
Russell 2000 Value Index	3.25%	4.38%	27.07%	32.83%
DFA Small Cap Value - Net (12/31/04)	3.69%	4.56%	32.11%	39.49%
Inv. Counselors of Maryland (04/30/99)	3.39%	6.45%	29.42%	36.55%
Russell 2000 Value Index	3.25%	4.38%	27.07%	32.83%
Inv. Couns. of Maryland - Net (12/31/04)	3.39%	6.35%	29.06%	36.04%
Lombardia (05/31/11)	3.19%	4.00%	33.03%	37.83%
Russell 2000 Value Index	3.25%	4.38%	27.07%	32.83%
Lombardia - Net (05/31/11)	3.02%	3.83%	32.17%	36.94%
Micro Cap (06/30/84)	3.44%	7.42%	42.25%	45.92%
Ariel (10/31/10)	8.67%	5.45%	40.10%	45.15%
Russell 2000 Value Index	3.25%	4.38%	27.07%	32.83%
Russell 2000 Index	2.51%	5.59%	30.90%	36.28%
Russell Microcap Index	1.74%	5.45%	34.36%	38.72%
Ariel - Net (10/31/10)	8.46%	5.25%	39.02%	44.03%
Ativo (09/30/10)	2.50%	6.55%	45.36%	47.04%
Russell 2000 Growth Index	1.82%	6.78%	34.89%	39.84%
Russell 2000 Index	2.51%	5.59%	30.90%	36.28%
Russell Microcap Index	1.74%	5.45%	34.36%	38.72%
Ativo - Net (09/30/10)	2.50%	6.55%	44.56%	46.22%
DFA Micro Cap (07/31/87)	3.39%	6.68%	34.80%	41.00%
Russell 2000 Value Index	3.25%	4.38%	27.07%	32.83%
Russell 2000 Index	2.51%	5.59%	30.90%	36.28%
DFA Micro Cap - Net (12/31/04)	3.39%	6.55%	34.33%	40.32%
Wall Street (07/31/90)	2.48%	8.46%	47.80%	49.41%
Russell 2000 Growth Index	1.82%	6.78%	34.89%	39.84%
Russell 2000 Index	2.51%	5.59%	30.90%	36.28%
Wall Street - Net (12/31/04)	2.48%	8.45%	47.00%	48.60%

Small Cap Equity Returns

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

Returns for Periods Ended October 31, 2013

	Last 36 Months	Last 60 Months	Last 120 Months	Since Inception
Small Cap Equity (06/30/88)	18.97%	20.32%	11.80%	13.02%
Russell 2000 Index	17.69%	17.04%	9.03%	10.00%
Small Cap Growth (06/30/88)	17.85%	20.14%	11.73%	13.63%
Fortaleza (11/30/06)	19.32%	17.15%	-	7.02%
Russell 2000 Growth Index	19.00%	19.27%	9.14%	8.33%
Fortaleza - Net (11/30/06)	18.66%	16.57%	-	6.49%
Frontier (07/31/88)	17.64%	21.15%	10.84%	13.71%
Russell 2000 Growth Index	19.00%	19.27%	9.14%	7.95%
Frontier - Net (12/31/04)	16.96%	20.29%	-	9.74%
Russell 2000 Growth Index	19.00%	19.27%	9.14%	8.65%
Pyramis (07/31/88)	17.87%	20.79%	13.22%	14.21%
Russell 2000 Growth Index	19.00%	19.27%	9.14%	7.95%
Pyramis - Net (12/31/04)	17.23%	20.15%	-	11.22%
Russell 2000 Growth Index	19.00%	19.27%	9.14%	8.65%
Small Cap Value (08/31/89)	18.94%	18.90%	11.05%	12.69%
Channing (06/30/11)	-	-	-	18.51%
Russell 2000 Value Index	16.33%	14.84%	8.78%	14.30%
Channing - Net (06/30/11)	-	-	-	17.68%
DFA Small Cap Value (01/31/96)	20.03%	20.55%	11.63%	13.52%
Russell 2000 Value Index	16.33%	14.84%	8.78%	10.32%
DFA Small Cap Value - Net (12/31/04)	19.47%	19.97%	-	8.39%
Russell 2000 Value Index	16.33%	14.84%	8.78%	6.86%
Inv. Counselors of Maryland (04/30/99)	18.05%	17.90%	10.67%	12.94%
Russell 2000 Value Index	16.33%	14.84%	8.78%	10.45%
Inv. Couns. of Maryland - Net (12/31/04)	17.58%	17.34%	-	8.44%
Russell 2000 Value Index	16.33%	14.84%	8.78%	6.86%
Lombardia (05/31/11)	-	-	-	14.33%
Russell 2000 Value Index	16.33%	14.84%	8.78%	12.61%
Lombardia - Net (05/31/11)	-	-	-	13.58%
Micro Cap (06/30/84)	20.79%	22.77%	10.40%	12.76%
Ariel (10/31/10)	20.21%	-	-	20.21%
Russell 2000 Value Index	16.33%	14.84%	8.78%	16.33%
Russell 2000 Index	17.69%	17.04%	9.03%	17.69%
Russell Microcap Index	18.17%	16.74%	6.82%	18.17%
Ariel - Net (10/31/10)	19.24%	-	-	19.24%
Ativo (09/30/10)	17.81%	-	-	19.26%
Russell 2000 Growth Index	19.00%	19.27%	9.14%	20.07%
Russell 2000 Index	17.69%	17.04%	9.03%	18.70%
Russell Microcap Index	18.17%	16.74%	6.82%	19.75%
Ativo - Net (09/30/10)	16.96%	-	-	18.42%
DFA Micro Cap (07/31/87)	20.45%	19.58%	10.08%	11.80%
Russell 2000 Value Index	16.33%	14.84%	8.78%	10.56%
Russell 2000 Index	17.69%	17.04%	9.03%	9.09%
DFA Micro Cap - Net (12/31/04)	19.88%	19.00%	-	7.77%
Russell 2000 Growth Index	19.00%	19.27%	9.14%	8.65%
Russell 2000 Index	17.69%	17.04%	9.03%	7.81%
Wall Street (07/31/90)	21.46%	25.13%	10.94%	15.07%
Russell 2000 Growth Index	19.00%	19.27%	9.14%	7.82%
Russell 2000 Index	17.69%	17.04%	9.03%	9.91%
Wall Street - Net (12/31/04)	20.62%	24.16%	-	8.63%
Russell 2000 Growth Index	19.00%	19.27%	9.14%	8.65%
Russell 2000 Index	17.69%	17.04%	9.03%	7.81%

International Equity Returns

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

Returns for Periods Ended October 31, 2013

	Last Month	Last 3 Months	Year to Date	Last 12 Months
Intl Large Cap Equity (08/31/86)	3.70%	9.61%	19.25%	25.92%
MSCI ACWI ex-US Index	3.67%	9.35%	14.08%	20.29%
Intl Large Cap Growth (08/31/02)	3.84%	8.79%	14.47%	21.53%
EARNEST Partners (09/30/04)	3.92%	9.65%	12.16%	20.07%
MSCI ACWI ex-US Index	3.67%	9.35%	14.08%	20.29%
MSCI ACWI ex-US Growth	3.25%	8.40%	14.27%	20.16%
EARNEST Partners - Net (12/31/04)	3.92%	9.65%	12.00%	19.52%
William Blair (09/30/02)	3.77%	7.99%	16.71%	22.94%
MSCI ACWI ex-US Index	3.67%	9.35%	14.08%	20.29%
MSCI ACWI ex-US Growth	3.25%	8.40%	14.27%	20.16%
William Blair - Net (12/31/04)	3.77%	7.89%	16.39%	22.60%
Intl Large Cap Value (09/30/95)	4.52%	10.73%	20.92%	26.39%
Brandes (12/31/95)	4.28%	12.57%	26.77%	32.87%
MSCI ACWI ex-US Index	3.67%	9.35%	14.08%	20.29%
MSCI ACWI ex-US Value	4.11%	10.40%	14.75%	21.40%
Brandes - Net (12/31/04)	4.28%	12.51%	26.57%	32.66%
Lombardia (3/31/12)	4.75%	15.49%	29.48%	40.51%
MSCI ACWI ex-US Index	3.67%	9.35%	14.08%	20.29%
MSCI ACWI ex-US Value	4.11%	10.40%	14.75%	21.40%
Lombardia - Net (3/31/12)	4.75%	15.49%	29.06%	40.06%
Mondrian (3/31/12)	4.80%	8.92%	15.53%	20.11%
MSCI ACWI ex-US Index	3.67%	9.35%	14.08%	20.29%
MSCI ACWI ex-US Value	4.11%	10.40%	14.75%	21.40%
Mondrian - Net (3/31/12)	4.80%	8.77%	15.09%	19.65%
Lazard (3/31/12)	4.40%	8.83%	17.00%	23.71%
MSCI ACWI ex-US Index	3.67%	9.35%	14.08%	20.29%
MSCI ACWI ex-US Value	4.11%	10.40%	14.75%	21.40%
Lazard - Net (3/31/12)	4.40%	8.76%	15.76%	22.33%

International Equity Returns

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

Returns for Periods Ended October 31, 2013

	Last 36 Months	Last 60 Months	Last 120 Months	Since Inception
Intl Large Cap Equity (08/31/86)	8.63%	14.06%	8.72%	8.46%
MSCI ACWI ex-US Index	6.04%	12.48%	8.48%	-
Intl Large Cap Growth (08/31/02)	8.20%	15.21%	9.23%	10.44%
EARNEST Partners (09/30/04)	7.54%	16.91%	-	13.10%
MSCI ACWI ex-US Index	6.04%	12.48%	8.48%	7.98%
MSCI ACWI ex-US Growth	6.45%	12.80%	8.50%	8.42%
EARNEST Partners - Net (12/31/04)	7.07%	16.38%	-	10.77%
MSCI ACWI ex-US Index	6.04%	12.48%	8.48%	6.61%
MSCI ACWI ex-US Growth	6.45%	12.80%	8.50%	7.09%
William Blair (09/30/02)	9.40%	17.29%	9.59%	10.85%
MSCI ACWI ex-US Index	6.04%	12.48%	8.48%	9.52%
MSCI ACWI ex-US Growth	6.45%	12.80%	8.50%	9.38%
William Blair - Net (12/31/04)	8.98%	16.84%	-	7.26%
MSCI ACWI ex-US Index	6.04%	12.48%	8.48%	6.61%
MSCI ACWI ex-US Growth	6.45%	12.80%	8.50%	7.09%
Intl Large Cap Value (09/30/95)	7.15%	10.78%	8.03%	10.31%
Brandes (12/31/95)	8.33%	11.52%	8.38%	10.56%
MSCI ACWI ex-US Index	6.04%	12.48%	8.48%	5.92%
MSCI ACWI ex-US Value	6.55%	13.15%	9.35%	-
Brandes - Net (12/31/04)	8.11%	11.23%	-	5.04%
MSCI ACWI ex-US Index	6.04%	12.48%	8.48%	6.61%
MSCI ACWI ex-US Value	6.55%	13.15%	9.35%	7.04%
Lombardia (3/31/12)	-	-	-	25.21%
MSCI ACWI ex-US Index	6.04%	12.48%	8.48%	12.10%
MSCI ACWI ex-US Value	6.55%	13.15%	9.35%	13.28%
Lombardia - Net (3/31/12)	-	-	-	24.71%
Mondrian (3/31/12)	-	-	-	12.10%
MSCI ACWI ex-US Index	6.04%	12.48%	8.48%	12.10%
MSCI ACWI ex-US Value	6.55%	13.15%	9.35%	13.28%
Mondrian - Net (3/31/12)	-	-	-	11.64%
Lazard (3/31/12)	-	-	-	16.46%
MSCI ACWI ex-US Index	6.04%	12.48%	8.48%	12.10%
MSCI ACWI ex-US Value	6.55%	13.15%	9.35%	13.28%
Lazard - Net (3/31/12)	-	-	-	15.59%

International Equity Returns

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

Returns for Periods Ended October 31, 2013

	Last Month	Last 3 Months	Year to Date	Last 12 Months
Intl Large Cap Active Core (01/31/08)	3.49%	9.36%	19.91%	26.76%
Arrowstreet (02/29/08)	3.57%	10.25%	20.45%	28.87%
MSCI ACWI ex-US Index	3.67%	9.35%	14.08%	20.29%
Arrowstreet - Net (02/29/08)	3.57%	10.12%	20.03%	28.28%
Brown (09/30/04)	3.27%	9.12%	25.78%	32.83%
MSCI ACWI ex-US Index	3.67%	9.35%	14.08%	20.29%
Brown - Net (12/31/04)	3.27%	9.12%	25.56%	32.60%
GlobeFlex (02/28/06)	3.52%	8.59%	16.57%	21.86%
MSCI ACWI ex-US Index	3.67%	9.35%	14.08%	20.29%
GlobeFlex - Net (02/28/06)	3.52%	8.47%	16.21%	21.48%
Intl Large Cap Pass. Core (12/31/99)	3.37%	9.59%	20.50%	27.38%
NTGI MSCI EAFE Idx (01/31/00)	3.37%	9.59%	20.50%	27.38%
MSCI EAFE Index	3.36%	9.54%	20.05%	26.88%
NTGI EAFE Idx - Net (12/31/04)	3.37%	9.59%	19.40%	26.23%
International Small Cap (11/30/05)	3.38%	9.57%	24.33%	29.61%
Franklin Templeton (07/31/11)	3.74%	9.71%	22.82%	28.60%
ACWI Small Cap ex US	3.09%	10.38%	17.97%	23.70%
Franklin Templeton - Net (07/31/11)	3.56%	9.52%	21.94%	27.68%
William Blair (08/31/10)	3.07%	9.45%	25.63%	30.46%
ACWI Small Cap ex US	3.09%	10.38%	17.97%	23.70%
Intl SC Blended Benchmark	3.09%	10.38%	17.97%	23.70%
William Blair - Net (08/31/10)	3.07%	9.24%	24.90%	29.71%
Emerging Markets (01/31/92)	4.95%	9.53%	4.38%	9.33%
Genesis (04/30/04)	4.95%	9.53%	4.38%	9.33%
MSCI Emerging Markets Index	4.87%	9.85%	0.62%	6.90%
Genesis - Net (12/31/04)	4.95%	9.42%	3.83%	8.64%

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

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

International Equity Returns

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

Returns for Periods Ended October 31, 2013

	Last 36 Months	Last 60 Months	Last 120 Months	Since Inception
Intl Large Cap Active Core (01/31/08)	9.56%	16.79%	-	3.90%
Arrowstreet (02/29/08)	9.56%	16.78%	-	3.96%
MSCI ACWI ex-US Index	6.04%	12.48%	8.48%	1.52%
Arrowstreet - Net (02/29/08)	9.04%	16.26%	-	3.49%
Brown (09/30/04)	10.87%	16.75%	-	9.58%
MSCI ACWI ex-US Index	6.04%	12.48%	8.48%	7.98%
Brown - Net (12/31/04)	10.36%	16.33%	-	7.18%
MSCI ACWI ex-US Index	6.04%	12.48%	8.48%	6.61%
GlobeFlex (02/28/06)	9.44%	14.56%	-	4.63%
MSCI ACWI ex-US Index	6.04%	12.48%	8.48%	4.05%
GlobeFlex - Net (02/28/06)	9.01%	14.11%	-	4.17%
Intl Large Cap Pass. Core (12/31/99)	8.84%	12.48%	8.12%	3.34%
NTGI MSCI EAFE Idx (01/31/00)	8.84%	12.46%	8.11%	3.35%
MSCI EAFE Index	8.38%	11.99%	7.71%	2.97%
NTGI EAFE Idx - Net (12/31/04)	8.51%	12.25%	-	5.58%
MSCI EAFE Index	8.38%	11.99%	7.71%	5.82%
International Small Cap (11/30/05)	12.25%	15.44%	-	4.72%
Franklin Templeton (07/31/11)	-	-	-	9.79%
ACWI Small Cap ex US	6.91%	18.94%	10.67%	5.27%
Franklin Templeton - Net (07/31/11)	-	-	-	9.00%
William Blair (08/31/10)	13.05%	-	-	17.61%
ACWI Small Cap ex US	6.91%	18.94%	10.67%	11.69%
Intl SC Blended Benchmark	8.04%	16.36%	9.89%	12.78%
William Blair - Net (08/31/10)	12.18%	-	-	14.94%
Emerging Markets (01/31/92)	3.95%	20.98%	15.81%	10.34%
Genesis (04/30/04)	3.95%	20.98%	-	14.84%
MSCI Emerging Markets Index	0.63%	15.76%	12.77%	11.31%
Genesis - Net (12/31/04)	3.31%	20.23%	-	12.86%
MSCI Emerging Markets Index	0.63%	15.76%	12.77%	11.07%

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

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

Domestic Fixed-Income Returns

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

Returns for Periods Ended October 31, 2013

	Last Month	Last 3 Months	Year to Date	Last 12 Months
Dom. Fixed Active Core (03/31/01)	0.82%	1.11%	(0.92%)	(0.72%)
EARNEST Partners (04/30/05)	0.60%	0.90%	(1.03%)	(0.84%)
BC Aggregate Index	0.81%	1.24%	(1.10%)	(1.08%)
EARNEST Partners - Net (04/30/05)	0.60%	0.90%	(1.19%)	(0.99%)
Piedmont (05/31/05)	1.04%	1.32%	(0.80%)	(0.60%)
BC Aggregate Index	0.81%	1.24%	(1.10%)	(1.08%)
Piedmont - Net (05/31/05)	1.00%	1.28%	(1.01%)	(0.80%)
Dom. Fixed Passive Core (12/31/89)	0.80%	1.25%	(1.17%)	(1.16%)
NTGI BC Agg. Index (01/31/90)	0.80%	1.25%	(1.17%)	(1.16%)
BC Aggregate Index	0.81%	1.24%	(1.10%)	(1.08%)
NTGI BC Agg. Index - Net (12/31/04)	0.80%	1.25%	(1.18%)	(1.17%)

Domestic Fixed-Income Returns

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

Returns for Periods Ended October 31, 2013

	Last 36 Months	Last 60 Months	Last 120 Months	Since Inception
Dom. Fixed Active Core (03/31/01)	3.99%	7.61%	4.66%	5.02%
EARNEST Partners (04/30/05)	3.94%	6.87%	-	5.34%
BC Aggregate Index	3.02%	6.09%	4.78%	4.97%
EARNEST Partners - Net (04/30/05)	3.75%	6.66%	-	5.13%
Piedmont (05/31/05)	3.98%	7.06%	-	4.96%
BC Aggregate Index	3.02%	6.09%	4.78%	4.85%
Piedmont - Net (05/31/05)	3.80%	6.87%	-	4.75%
Dom. Fixed Passive Core (12/31/89)	3.02%	6.27%	4.73%	6.58%
NTGI BC Agg. Index (01/31/90)	3.02%	6.27%	4.73%	6.61%
BC Aggregate Index	3.02%	6.09%	4.78%	6.60%
NTGI BC Agg. Index - Net (12/31/04)	3.02%	6.26%	-	4.66%

Domestic Fixed-Income Returns

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

Returns for Periods Ended October 31, 2013

	Last Month	Last 3 Months	Year to Date	Last 12 Months
Domestic Fixed Core Plus (12/31/81)	1.19%	1.67%	(0.56%)	(0.31%)
BlackRock Core Plus (03/31/07)	0.84%	1.61%	(0.53%)	(0.32%)
BC Aggregate Index	0.81%	1.24%	(1.10%)	(1.08%)
BlackRock Core Plus - Net (03/31/07)	0.84%	1.58%	(0.79%)	(0.58%)
LM Capital (04/30/05)	1.23%	1.75%	(0.71%)	(0.37%)
BC Aggregate Index	0.81%	1.24%	(1.10%)	(1.08%)
LM Capital - Net (04/30/05)	1.23%	1.75%	(0.83%)	(0.49%)
Progress Fixed Income (12/31/05)	1.05%	1.37%	(0.12%)	0.21%
BC Aggregate Index	0.81%	1.24%	(1.10%)	(1.08%)
Progress Fixed Inc. - Net (12/31/05)	1.05%	1.37%	(0.39%)	(0.06%)
Taplin, Canida, Habacht (04/30/05)	1.49%	1.55%	(1.19%)	(1.07%)
BC Aggregate Index	0.81%	1.24%	(1.10%)	(1.08%)
Taplin, Canida, Hab. - Net (04/30/05)	1.49%	1.51%	(1.30%)	(1.18%)
Western (10/31/01)	1.23%	1.87%	(0.17%)	0.11%
BC Aggregate Index	0.81%	1.24%	(1.10%)	(1.08%)
Western - Net (12/31/04)	1.23%	1.82%	(0.29%)	(0.01%)
High Yield (03/31/86)	2.43%	2.58%	5.50%	8.15%
MackKay Shields (10/31/00)	2.15%	3.00%	6.13%	8.20%
ML High Yield Cash Pay Index	2.46%	2.86%	6.32%	8.76%
MackKay Shields - Net (12/31/04)	2.15%	2.91%	5.86%	7.83%
Pyramis (07/31/86)	2.71%	2.17%	4.90%	8.10%
ML High Yield Cash Pay Index	2.46%	2.86%	6.32%	8.76%
Pyramis - Net (12/31/04)	2.63%	2.06%	4.56%	7.74%

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 October 31, 2013

	Last 36 Months	Last 60 Months	Last 120 Months	Since Inception
Domestic Fixed Core Plus (12/31/81)	4.50%	8.91%	5.48%	8.82%
BlackRock Core Plus (03/31/07)	3.97%	7.77%	-	5.60%
BC Aggregate Index	3.02%	6.09%	4.78%	5.08%
BlackRock Core Plus - Net (03/31/07)	3.82%	7.66%	-	5.50%
LM Capital (04/30/05)	4.20%	8.81%	-	5.80%
BC Aggregate Index	3.02%	6.09%	4.78%	4.97%
LM Capital - Net (04/30/05)	4.03%	8.64%	-	5.63%
Progress Fixed Income (12/31/05)	4.06%	7.41%	-	5.90%
BC Aggregate Index	3.02%	6.09%	4.78%	5.14%
Progress Fixed Inc. - Net (12/31/05)	3.70%	7.06%	-	5.56%
Taplin, Canida, Habacht (04/30/05)	4.89%	8.69%	-	5.46%
BC Aggregate Index	3.02%	6.09%	4.78%	4.97%
Taplin, Canida, Hab. - Net (04/30/05)	4.77%	8.57%	-	5.37%
Western (10/31/01)	4.94%	10.12%	5.83%	6.23%
BC Aggregate Index	3.02%	6.09%	4.78%	5.02%
Western - Net (12/31/04)	4.80%	9.96%	-	5.32%
BC Aggregate Index	3.02%	6.09%	4.78%	4.83%
High Yield (03/31/86)	8.78%	16.84%	9.19%	10.26%
Mackay Shields (10/31/00)	9.39%	15.44%	8.98%	9.95%
ML High Yield Cash Pay Index	8.86%	17.88%	8.67%	8.31%
Mackay Shields - Net (12/31/04)	8.99%	15.02%	-	7.61%
ML High Yield Cash Pay Index	8.86%	17.88%	8.67%	8.26%
Pyramis (07/31/86)	8.19%	18.32%	9.42%	10.01%
ML High Yield Cash Pay Index	8.86%	17.88%	8.67%	8.89%
Pyramis - Net (12/31/04)	7.71%	17.87%	-	8.31%
ML High Yield Cash Pay Index	8.86%	17.88%	8.67%	8.26%

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

Manager Summary

Five Best Performing Portfolios vs. Benchmarks

Manager	Year-to-Date Outperformance	Since Inception Outperformance	
	(in % points)	(in % points)	
Lombardia	15.39	13.11	(03/31/12)
Ariel	13.03	3.87	(10/31/10)
Wall Street	12.92	7.25	(07/31/90)
Brandes	12.68	4.64	(12/31/95)
Brown	11.70	1.60	(09/30/04)

Five Worst Performing Portfolios vs. Benchmarks

Manager	Year-to-Date Underperformance	Since Inception Underperformance	
	(in % points)	(in % points)	
Fortaleza	-6.69	-1.31	(11/30/06)
Vision	-4.65	-1.34	(06/30/11)
BlackRock LCG	-3.16	-5.08	(07/31/11)
Pyramis SC	-2.48	6.27	(07/31/88)
Holland	-2.13	0.74	(10/31/94)

Five Highest Returning Portfolios

Manager	Year-to-Date Return	Since Inception Return	
	(in % points)	(in % points)	
Wall Street	47.80	15.07	(07/31/90)
Ativo	45.36	19.23	(09/30/10)
Ariel	40.10	20.21	(10/31/10)
Sands	35.56	12.22	(10/31/03)
DFA Micro Cap	34.80	11.80	(07/31/87)

Five Lowest Returning Portfolios

Manager	Year-to-Date Return	Since Inception Return	
	(in % points)	(in % points)	
Taplin, Canida, Habacht	-1.19	5.46	(04/30/05)
NT Barclays Agg	-1.17	6.61	(01/31/90)
EARNEST FI	-1.03	5.34	(04/30/05)
Piedmont Fixed Income	-0.80	4.96	(05/31/05)
LM Capital	-0.71	5.80	(04/30/05)

Returns are shown gross of investment management fees.

Excludes Real Estate and Alternative Investments portfolios.

(13-11-03) (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 #13-10-24

Schedules - Dated November 22, 2013

- 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.

Bids

2014 Member Newsletters

Approved Bidder: Marquardt Printing

Approved Bid: \$89,653.00

Sole Source: Software AG License Renewal

Approved Bidder: Software AG (Sole Source)

Approved Bid: \$71,215.33

Participation of New Unit of Government

Barclay Public Library District

County: Macon

2013 Rate: 7.53%

Effective Participation Date: December 1, 2013

Number of Participating Employees: 4

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

Vote: Unanimous Voice Vote
Absent: Stulir

(13-11-04) (Financial Reports) The Chair presented the following financial reports for approval.

- Review of November Financial Reporting Package
- September Interim Financial Statements
- Impact of 2013 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. Henry, seconded by Mr. Kuehne, to approve the Financial Reports as presented.

Vote: Unanimous Voice Vote
Absent: Stulir

(13-11-05) (Trustee Vacancy) The Executive Director stated that with Mark Nannini's resignation, effective at the end of the day on October 25, 2013, there is a Board vacancy for approximately three years and two months.

He further noted that by statute IMRF must hold an election to fill the final two years in Mark Nannini's term. Since an election cannot be held until the fall of 2014, an appointment by the Board to fill the vacancy would be in order through the election in 2014.

After discussion, Trustee Kuehne nominated William Stafford for the position of Executive Trustee for the period January 1, 2014 through December 31, 2014.

It was moved by Mr. Kuehne, seconded by Ms. Thompson, to appoint William Stafford as Executive Trustee effective January 1, 2014 through December 31, 2014.

Vote:
Aye: Henry, Kuehne, Piechocinski, Thompson, Copper
Nay: None
Abstain: Stafford
Absent: Stulir

(13-11-06) (Report of the Audit Committee) The Chair of the Audit Committee reported on the meeting held on November 22, 2013.

The Chief Financial Officer presented an analysis of the Audit 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.

General Counsel reported on several items including Harassment Training completed by all employees electronically; Code of Conduct training to take place December 5 & 6, 2013; and, two complaints (regarding employees) were received via the hot-line and investigated.

Next, representatives from Crowe Horwath presented the results of their work covering three areas: Network Security; Internal Penetration Assessment; and, External Penetration Assessment, noting server access and protocols on the network were tested and any weaknesses were noted and addressed by management.

Representatives from Crowe Horwath presented information regarding the Internal Audit proposed work plan for 2014, noting it will focus primarily on areas impacted by the Horizon project.

It was the consensus of the Audit Committee to recommend the Board accept Crowe Horwath's arrangement letter for internal control testing of the IS operations for 2014 for the agreed upon cost of \$96,250.

The Chair stated representatives from KPMG presented information on their 2013 audit services plan for the Fund's 2013 financial statements and assistance in the execution of GASB 68 for the Fund.

It was the consensus of the Audit Committee to recommend the Board accept KPMG's 2014 Arrangement Letter with the agreed upon cost of \$133,145.

IMRF's internal audit manager presented the 2014 internal audit plan, and presented a recommendation to the Committee to ask the Board of Trustees to authorize management to solicit proposals for internal control testing of the management processes of the Horizon Project. She further reported the estimated cost is \$230,000, and is included in the 2014 administrative budget.

Lastly, private sessions were conducted separately with the internal auditors from Crowe Horwath, the external auditors from KPMG and IMRF's internal audit manager.

It was moved by Ms. Henry, seconded by Ms. Copper, to accept Crowe Horwath's 2014 Arrangement Letter with the agreed upon cost of \$96,250; accept KPMG's 2014 Arrangement Letter with the agreed upon cost of \$133,145; and, to authorize management to solicit proposals for internal control testing of the management processes related to the Horizon Project.

Vote: Unanimous Voice Vote
Absent: Stulir

(13-11-07) (Report of the Benefit Review Committee) The Chair of the Benefit Review Committee reported on the meeting held on November 21, 2013.

It was moved by Ms. Copper, seconded by Mr. Kuehne, to accept the following recommendation of the Benefit Review Committee:

- To uphold staff's determination that Katherine Hinterlong is not eligible to apply for IMRF disability benefits.

Vote: Unanimous Voice Vote
Absent: Stulir

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

- That the matter of disputed eligibility to participate in IMRF filed by Dennis Gianopolus - City of Calumet City, be remanded back to the administrative staff for further investigation and legal argument on the issue of Dennis Gianopolus' status as an independent contractor or a common law employee of the City of Calumet City.

Vote:

Aye: Henry, Kuehne, Piechocinski, Copper, Stafford
Nay: None
Abstain: Thompson
Absent: Stulir

(13-11-08) (Report of the Investment Committee) The Chair of the Investment Committee presented a report on the Committee Meeting that was held on November 21, 2013.

She reported the Chief Investment Officer presented an overview of Torchlight Debt Opportunity Fund IV, LLC. and recommended the following:

- An additional commitment of up to \$35 million to Torchlight Debt Opportunity Fund IV, LLC., subject to satisfactory legal due diligence; and,
- Authorizing staff to complete all documentation necessary to execute this recommendation.

The Chair stated that the Chief Investment Officer presented an overview and recommendations for IMRF's current Domestic Equity and Fixed Income allocations, and recommended the following:

- Reducing the Domestic Equity allocation by withdrawing \$225 million from the NTI Growth Index Fund and \$100 million from the NTI Value Index Fund;
- Increasing the Fixed Income allocation by contributing \$325 million to the BlackRock U.S. Debt Index; and,
- Authorizing staff to complete all documentation necessary to execute these recommendations.

Next, staff and consultant presented the results of the 2013 Asset Liability Modeling Study. The Chief Investment Officer recommended the following:

- Reducing exposure to the International Equity asset class from 20% to 17%;
- Reducing exposure to the Fixed Income asset class from 29% to 27%;
- Increasing exposure to the Real Estate asset class from 6% to 8%; and,
- Increasing exposure to the Alternative asset class from 6% to 9%.

Lastly, the Chief Investment Officer presented the following Strategic Asset Allocation recommendation to the Investment Committee:

- Authorizing the adoption of a strategic asset allocation as of January 1, 2014 with the following targets:
 - o 38% Domestic Equity
 - o 17% International Equity
 - o 27% Fixed Income
 - o 1% Cash
 - o 8% Real Estate
 - o 9% Alternatives

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

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

Vote: Unanimous Voice Vote
Absent: Stulir

(13-11-09) (Report of the Legislative Committee) The Chair of the Legislative Committee presented a report on the Committee Meeting that was held on November 21, 2013.

It was the consensus of the Legislative Committee to recommend the Board approve a change to the Legislative Committee Charter to remove the requirement that the Committee meet in October of each year and to eliminate the reference that the President of the Board appoint the Committee Members at the January Board Meeting.

Next, it was the consensus of the Legislative Committee to direct staff to craft a proposal allowing retired members to exclude an otherwise qualified spouse from the surviving spouse pension if the annuitant divorces after retirement.

It was the consensus of the Legislative Committee to recommend the Board include the provisions of House Bill 1537 in its 2014 Legislative Agenda, as amended by the Committee.

The Chair stated it was the consensus of the Legislative Committee to recommend the Board include the following provisions in its 2014 Legislative Agenda:

- Remove references in Article 7 to closed transfer windows;
- Remove the requirement for write-in candidates in trustee elections when there is only one eligible candidate on the ballot and allow that candidate to be certified as the winner of the election;
- Allow the retroactive annuity start date to go back to the first date of eligibility, rather than one year from application;
- Make prior service employer optional (choice irrevocable), with rules to be determined by the Board;
- Codify the Board's omitted service procedures from its Resolutions; and,

- Allow members to "pre-file" a special needs annuity application, allowing their spouse to receive the additional benefit if the member dies before retirement. The choice of the special needs annuity would be irrevocable.

After questions and discussion, it was moved by Mr. Piechocinski, seconded by Ms. Henry, to approve the above recommendations of the Legislative Committee.

Vote: Unanimous Voice Vote
Absent: Stulir

The Chair of the Legislative Committee reported it was the consensus of the Legislative Committee to also include the following provision in its 2014 Legislative Agenda:

- Limit participation by attorneys to those who meet the hourly standard and who have income from a private law practice that is no more than half of their total income, including compliance procedures to be determined by the Board.

After questions and discussion, it was moved by Mr. Piechocinski, seconded by Ms. Henry, to approve the above recommendation of the Legislative Committee.

Vote: Henry, Kuehne, Piechocinski, Copper, Stafford
Absent: Stulir
Abstain: Thompson

(13-11-10) (Modernization Status Update) The Chief Information Services Officer made a presentation to the Board on IMRF's Modernization Status Update, Risk Management and Internal Controls.

He reviewed the accomplishments that were made in 2013 and plans for 2014.

Questions and discussion followed.

(13-11-11) (2014-2016 Proposed Strategic Plan Document) The Deputy Executive Director presented the following proposed 2014-2016 Strategic Plan Document for Board approval.

IMRF STRATEGIC PLAN

November 2013

The Illinois Municipal Retirement Fund Board of Trustees and staff are proud to present our 2014 - 2016 IMRF Strategic Plan. The Strategic Plan includes Strategic Objectives for each of our five Key Result Areas, our formal planning methodology, and our Mission, Vision and Values.

Our Strategic Objectives challenge us to achieve top 10% performance for most key result areas. 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.

IMRF received an Illinois Performance Excellence *Silver Award for Progress Toward Excellence* in 2012. This honor not only recognized our accomplishments towards achieving organizational excellence, but also provided a framework to continue our efforts toward fulfilling our Vision. This framework helped shape the development of our new Strategic Plan, which aligns our objectives with the five key result areas of the Fund.

- ***Financial Health and Sustainability***
- ***Investment Returns***
- ***Customer Service and Operational Excellence***
- ***Workforce Engagement***
- ***Modernization Program***

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 2,969 employers; 174,771 participating members; 103,929 benefit recipients; and the taxpayers of Illinois.

We appreciate your interest in IMRF and welcome your feedback.

Louis W. Kosiba
Executive Director

Illinois Municipal Retirement Fund

STRATEGIC PLAN

2014 – 2016

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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 2013.

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. The feedback from our 2012 application was used to identify 26 key business approaches, which we evaluate and improve twice per year. 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 are following 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 12-step planning process, the Board of Trustees and staff completed a re-examination and validation of our Mission, Vision, and Values in July 2013. 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, challenges, and opportunities that helped validate our five Key Result Areas and provided a framework for establishment of our new Strategic Objectives.

Our five strategic objectives provide the basis for our 2014 - 2016 Strategic Plan. Staff will develop action plans, including milestones and timelines, for the key strategies associated with each of these objectives.

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 2013)

STRATEGIC OBJECTIVES and KEY STRATEGIES for 2014 - 2016

Our five Strategic Objectives define our approach to realize our Vision, and as such, constitute the focus of our Strategic Plan for 2014 -2016. These five inter-related objectives address internal and external strategic advantages, challenges and opportunities. The objectives and corresponding 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 our five Strategic Objectives and the 20 Key Strategies we will utilize in 2014 to help us achieve those Objectives.

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

Strategic Objective

To achieve and maintain a funding level that sustains the Plan

As measured by:

- Achieving stable/declining employer contribution rates
- Achieving top decile funding level on a market-value basis relative to a universe of public pension funds
- Achieving progress toward a 100% funding goal

Key Strategies

- *Evaluate techniques to moderate rate volatility, including phase-in rates and minimum employer contribution rates*
- *Introduce legislation to address pension sustainability issues and defend against adverse legislation*
- *Continue to educate and advocate the “prudent man rule” and 100% funding principle*

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

Strategic Objective

To meet or exceed our actuarial assumed rate of return and outperform the total portfolio benchmark

As measured by:

- Achieving or exceeding a 7.5% annual return over the long term (over 5, 10 and 15 year basis).
- Outperforming the total portfolio benchmark (over 3, 5 and 10 year basis)

Key Strategies

- Conduct an asset liability study and choose a rate of return and asset mix that is consistent with IMRF's risk tolerance
 - Utilize portfolio construction tools and principles including portfolio optimization, cost control, evaluation of various investment program structures, and relevant performance measurements
-

Key Result Area: ***Customer Service and Operational Excellence***

Strategic Objective

To provide world class customer service

As measured by:

- Achieving top decile "Overall Service Score" ranking for the CEM Benchmarking Survey
- Achieving top decile "American Customer Satisfaction Index" (ACSI) ranking for the Cobalt Retirement Fund Benchmarking Survey
- Achieving 90% "Very Satisfied" ratings on member and employer satisfaction surveys
- Achieving per-member-cost at or below the median of the CEM administrative cost measure

Key Strategies

- *Analyze the CEM benchmarking survey report to identify and implement best practices and opportunities for improvement*
 - *Analyze the Cobalt Retirement Fund Benchmarking Survey report to identify and implement improvements*
 - *Analyze Voice of the Customer survey feedback to identify and implement improvements*
 - *Analyze Continuous Process Improvement (CPI) program results to identify and implement improvements*
 - *Evaluate and improve Key Approaches through self-assessment*
 - *Analyze ILPEX Feedback Report to identify and implement Opportunities for Improvement*
 - *Evaluate and improve key internal processing standards*
 - *Develop appropriate measures of customer engagement and develop plans to improve customer engagement levels*
-

Key Result Area: ***Workforce Engagement***

Strategic Objective

To foster and maintain an engaged workforce

As measured by:

- Achieving top decile ranking for “recommended place to work” on the Leadership IQ Employee Engagement Survey
- Achieving top decile ranking for “motivated to give 100%” on the Leadership IQ Employee Engagement Survey
- Achieving employee turnover levels below averages as measured by CompData Surveys

Key Strategies

- *Analyze the Leadership IQ Employee Engagement Survey report to identify and implement improvements*
 - *Analyze turnover statistics to identify trends and implement improvements*
 - *Administer a formalized program to provide training and development opportunities for staff*
 - *Analyze absenteeism statistics to identify trends and implement improvements*
-

Key Result Area: ***Modernization Program***

Strategic Objective

To implement efficient and effective business solutions

As measured by:

- Meeting Horizon Project milestones
- Achieving Horizon Project objectives, including the achievement of the six customer service goals
- Being within the Horizon Project budget
- Meeting Web Replacement Project milestones
- Achieving Web Replacement Project objectives
- Being within the Web Replacement Project budget

Key Strategies

- *Manage the Horizon Project to replace current information systems to address needs for improved correspondence, Customer Relationship Management, Reporting and Analysis, and full integration of our various technology systems to support our customer service and operational excellence objectives*
- *Implement the technology infrastructure required to support and achieve the Horizon Project data security, redundancy, performance, availability, and disaster recovery goals*
- *Manage the web replacement project to replace our existing website to enhance our online services and tools to support our customer service and operational excellence objectives*

- *Identify and implement process and organizational re-engineering opportunities to increase efficiencies and effectiveness*

Refer to Appendix C for a table summarizing alignment of Strategic Objectives and Key Strategies with IMRF's strategic challenges and advantages.

IMPLEMENTATION OF THE STRATEGIC PLAN

ACTION PLANS

Each Strategic Objective is assigned sponsorship by an IMRF senior leader. These sponsors identify the appropriate employee who will serve as the single point accountable (SPA) for each Key Strategy associated with that Objective. These SPAs are responsible to form teams as needed to develop high level action plans, determine possible budget implications for each strategy, work with their sponsor to obtain resources as needed, lead the implementation of action plans, and provide regular updates to leadership on the progress and status of plans. The action plans for each key strategy are aligned with the overarching Strategic Objective, but provide a greater level of detail and corresponding timelines and milestones for the actions and resources required to implement the strategy. Action plans are continually reviewed and revised to ensure the Strategic Plan remains both relevant and responsive to the needs of the organization and all our key stakeholders.

ANNUAL OPERATING BUDGET

Implementation of the action plans may require some incremental increases in the IMRF administrative budget. The administration of an annual employee engagement survey, an enhanced training program, voice of the customer surveying tools, and additional meeting costs highlight these incremental increases. Costs associated with the Strategic Plan will be included in the administrative budget.

INTEGRATION OF STRATEGIC OBJECTIVES WITH LEADERSHIP SCORECARD AND PERFORMANCE MANAGEMENT

There is an adage that “What gets measured gets managed.” We apply this concept to the Strategic Plan to ensure it receives the appropriate attention needed for successful implementation. For each Key Result Area, measures on the Leadership Scorecard have been identified. Monthly reviews of Leadership Scorecard measures and Action Plan updates will enable leadership to track the achievement of action plans and the effectiveness of related key strategies.

We will update the performance goals of senior management such that they are aligned with the Strategic Plan. Senior management will complete this same exercise for the management group. Performance towards completing the Strategic Plan will play an important role in the evaluation of the manager’s performance.

COMMUNICATION PLAN

The Strategic Plan is a tool, one that must become part of the culture of IMRF. Therefore, we must emphasize the communication of the Plan to our staff, Board

of Trustees, and all stakeholders. Our communication plan will be simple, but possess a systematic approach to spreading our message.

IMRF Staff

A formal introduction of our new Plan will be made to our staff. The full Plan is posted for review on our Intranet. The Strategic Objectives will be highlighted in employee meetings. All employees will be reminded of our Vision, and gain an understanding of their role in achieving our Strategic Objectives.

Board of Trustees

The Trustees reviewed and validated the Strategic Plan as part of the *2014 Planning and Budget Document* at the November 2013 Board Meeting. We provided quarterly status updates to the Trustees during 2013, and will continue to do so throughout 2014. In October 2008, the Board extended our Strategic Plan to a three-year cycle, making our current plan effective through 2016. Another comprehensive strategic planning process will be completed by staff and the Board in 2016.

IMRF Stakeholders

We will include highlights of the Plan in our *Fundamentals* newsletter articles and in memos to our employers. We will also post our Plan at www.imrf.org.

* * *

BOARD AUTHORIZATION

The IMRF Board of Trustees and IMRF management understand, support, and adopt the IMRF Strategic Plan for 2014 - 2016 as described in this document.

William Stafford
Board President

Louis W. Kosiba
Executive Director

APPENDIX A

ORGANIZATION OVERVIEW **ABOUT THE ILLINOIS MUNICIPAL RETIREMENT FUND**

The Illinois Municipal Retirement Fund was created in 1939 by the Illinois General Assembly and began operating in 1941 with five original employers and \$5,000 in assets. As of December 31, 2012, IMRF provided services for 2,969 employers and managed \$28 billion in assets.

Since 1941, IMRF has provided employees of local governments and public school districts (with the exception of the City of Chicago and Cook County) with a sound and efficient system for the payment of retirement, disability, and death benefits. IMRF has a long history of excellence in providing high quality service to our membership, and we are always striving to further enhance that tradition.

As of December 2012, the date of the latest annual report, IMRF had 174,771 active members, 103,929 benefit recipients, and 2,969 units of local government in Illinois.

IMRF is established under statutes adopted by the Illinois General Assembly. It is governed by a Board of seven trustees who must be vested, active members of IMRF and one trustee who must be receiving an IMRF annuity.

Four trustees are elected by employers, three are elected by participating members, and one trustee is elected by IMRF annuitants (individuals receiving IMRF retirement benefits). Trustees receive no compensation, only reimbursement for expenses.

The Board appoints an Executive Director who is responsible for all administrative functions and supervision of staff employees. The Board also appoints medical and investment consultants, an actuary, and an independent auditor.

Key Services

IMRF administers six plans: Regular (Tier 1 and Tier 2), Sheriff's Law Enforcement Personnel (SLEP) (Tier 1 and Tier 2), and Elected County Official (ECO) (Tier 1 and Tier 2). Our primary service is payment of benefits to members and beneficiaries in response to an event, such as separation from employment, disability, retirement, or death.

Key Customer Groups and Requirements

Customer groups include employers and members. For both groups, key requirements include accuracy and timeliness. Employers also expect

transparency and cost-effective and efficient operations. Members also expect clear and correct information.

Key Processes and Core Competencies

To meet the needs of our customers, IMRF relies on key work processes that are organized around three work systems and aligned with our core competencies, as summarized below.

Work System	Key Work Processes	Aligned Core Competencies
Asset Investment Management	Asset allocation	Investment management
	Selection of money managers	Knowledge/compliance with Illinois Pension Code
	Monitoring, reporting, compliance	
Employer Services	Data collection and data maintenance	Maintenance of a high quality database of member and employer information Development of IS Systems responsive to administering the Illinois Pension Code
	Contribution collection	Knowledge/compliance with Illinois Pension Code Development of IS Systems responsive to administering the Illinois Pension Code Ability to collect employer contributions and establish contribution rates
	Employer communication, education and training	Ongoing communications and education Ability to collect employer contributions and establish contribution rates
Member Services	Data collection and data maintenance	Maintenance of a high quality database of member and employer information Development of IS Systems responsive to administering the Illinois Pension Code

	Benefit processing and payments	<p>Knowledge/compliance with Illinois Pension Code</p> <p>Development of IS Systems responsive to administering the Illinois Pension Code</p> <p>Ongoing member and employer contact, communications, education, and training</p>
	Member contact, communications, education and counseling	<p>Maintenance of a high quality database of member and employer information</p> <p>Development of IS Systems responsive to administering the Illinois Pension Code</p> <p>Ongoing member and employer contact, communications, education, and training</p>

APPENDIX B

STRATEGIC PLANNING METHODOLOGY

ASSESS and DEVELOP PHASE

(Steps in this phase are completed every 3 years as part of the 3-year Strategic Planning Process. Steps 1-2 require active involvement of the Board of Trustees and the IMRF management team. Step 3 requires active involvement of the Board of Trustees, stakeholders, IMRF management, and staff. Steps 4-5 are to be completed by management and staff, with periodic reports to the Board of Trustees.)

- 1. Examine Mission, Vision, and Values (MVV):** Examine the Mission statement to determine if it answers the question “Why does our organization exist?” Examine the Vision statement to determine if it answers the question “What do we want for our membership?” Examine our Values to determine if they represent our priorities in how we carry out our activities with key stakeholders. Senior Leaders make any needed changes to draft versions of the MVV in preparation for review by the Board.
- 2. Conduct an Environmental Scan:**
The Board of Trustees and Senior Leaders meet to discuss how shifts in Societal, Technological, Economic, and Political factors are impacting IMRF utilizing a STEP Analysis. National Association of State Retirement Administrators (NASRA) articles, recent or pending legislation, demographic trends, possible competitive factors, and how our stakeholders perceive IMRF are used as inputs to frame the STEP Analysis. The output of the STEP Analysis is a list of Societal, Technological, Economic, and Political factors that may have an effect on the Fund over the next 3 years and must be considered during Strategic Planning.
- 3. Conduct a SWOT Analysis:**
Meetings are held to identify our major Strengths, Weaknesses, Opportunities, and Threats utilizing a SWOT Analysis. A SWOT analysis of each Key Result Area (KRA) is facilitated by the Deputy Executive Director and/or the Performance Excellence Manager. Factsheets using input from CEM, Cobalt, Leadership IQ, and Leadership Scorecards are used to frame these brainstorming sessions. The following SWOT Analyses are performed:

- Cross functional teams of Fund employees perform a SWOT analysis for each KRA
- External stakeholder groups such as special interest group representing members and employers perform an overall Fund SWOT
- The Board and senior managers perform a SWOT analysis for each KRA

These SWOT Analyses consider how our reputation, funding, finances, operational efficiencies, monopolistic position, staff issues, employee expertise, depth of knowledge, staff development, succession planning, expectations, and possible threats affect the Fund. The output of the SWOT analyses is a list of Fund Strengths, Weaknesses, Opportunities, and Threats that must be considered during Strategic Planning.

4. Summarize Key Strategic Challenges, Advantages, and Opportunities, and validate Core Competencies

Cross functional teams summarize the STEP and SWOT Analyses into a set of key strategic challenges, opportunities, and advantages for each KRA that IMRF must address, both short and long term. Guidelines for these analyses include:

- Relative to the weaknesses and threats identified, what are our key strategic challenges? Consider what improvements or contingencies might be necessary to address these challenges.
- Relative to the opportunities identified, what are our key strategic opportunities?
- Relative to the strengths and opportunities identified, what are the key strategic advantages? Consider how we can leverage these advantages to ensure current and future success.
- Consider issues over the term of our strategic plan, but especially look closely at the next year. Avoid looking too far into the future.
- Consider the relative priority of challenges and advantages. Concentrate on the most important issues.
- Focus on those issues we can affect. Avoid addressing broad issues which we cannot control.

The output of these summaries is a short list (3 – 5) of key strategic challenges, opportunities, and advantages for each KRA. Senior leaders consider these summaries in reviewing and revising the Fund Core Competencies. Senior Leaders make any needed changes to the core competencies

5. Establish Strategic Objectives

Cross functional teams use the summaries of key strategic challenges, opportunities, and advantages identified in Step 4 to develop strategic objectives for each KRA to ensure we accomplish our Mission and realize our Vision. Objectives clarify what IMRF must achieve to remain successful in both the short- and long-term, and will be used to

communicate direction, and guide goal-setting, action planning, resource allocation and prioritization. They must balance the needs of all key stakeholders, and address opportunities for innovation in services and operations, utilizing current and future core competencies. A member of the senior leadership team will serve as sponsor with overall responsibility for each of the strategic objectives. Each strategic objective consists of two parts – a description of the objective and the method(s) of measuring the achievement of the objective. The output of Step Five is a draft strategic objective and one or more measures for each KRA. These drafts are reviewed, revised, and approved by the Board.

IMPLEMENTATION PHASE

(Steps in this phase are completed every year in order to ensure that the strategies, action plans, Leadership Scorecard, and budget remain up to date and reflect recent changes within and outside the Fund. These steps are completed by management and staff, with periodic reports to the Board of Trustees.)

6. Develop Key Strategies for each Strategic Objective

Identify the short- and long-term strategies required to achieve our strategic objectives. Consider strategies over the term of the strategic plan, but pay particular attention to the next 12 months. Each year, the strategic objectives are re-validated, strategies are updated and the remaining steps in the Strategic Planning Process are repeated to refresh the plan for the coming year. Annual updates to strategic objectives and key strategies are included in the Planning and Budget document submitted to the Board of Trustees for their approval in November each year.

7. Develop or Update Action Plans

Assign individuals as Single Point Accountable (SPA) to take the lead role in planning and executing each key strategy. Each SPA documents the actions required to implement the strategy and reviews plans with the sponsor for their strategic objective. There will usually be one action plan for each strategy. Action plans identify needed actions, resources, timelines and the staff responsible to ensure completion of the action. Action plan details will be used to determine staffing plans and the annual operating budget in Step 9. SPAs also determine the Key Performance Measures (KPMs) that will be used to track the effectiveness of action plans in achieving strategic objectives.

8. Align Leadership Scorecard Measures and Goals with Strategic Objectives

The Key Performance Measures (KPMs) that are used to evaluate progress toward achievement of the strategic objective are defined in the strategic objective's "as measured by" clause. Each KPM is tracked on the Leadership Scorecard and evaluated to determine historical performance and projected improvements expected from identified strategies. Appropriate comparisons, projections and requirements are reviewed to establish short- and long-term goals for the KPMs on the Leadership Scorecard. Taken together, objectives, goals and measures must be specific, measurable, attainable, relevant, time-bound and aligned with our mission, vision, and values.

9. Develop an Annual Operating Budget

Determine the resources needed to implement the strategies and action plans that are required to achieve strategic objectives. Include corresponding resource requests in development of the annual operating budget for the coming year. As part of the annual operating budget process, assess workforce capability and capacity needs as follows:

- Each Department Manager assesses the workforce capability and capacity needed to maintain current operations and meet future needs
- Each Action Plan SPA assesses the workforce capability and capacity needed to implement key strategies and action plans

Where current staffing does not meet these needs, senior leaders develop a plan to restructure, add staff, or take other measures to align workforce capability and capacity with what is needed to achieve the strategic objectives. The annual operating budget is included in the Planning and Budget document submitted to the Board of Trustees in November of each year for their approval.

10. Align Performance Goals of Senior Leaders with Strategic Objectives

Senior leaders are responsible for strategic objectives, key goals, and the alignment of action plans with the strategic plan. The Board updates the performance objectives of the Executive Director such that they are aligned with achievement of the strategic plan. The Executive Director completes this same exercise for each member of the senior management group. Sponsors ensure that SPAs are responsible for implementation of their action plans.

11. Communicate and Deploy the Strategic Plan

Complete all sections of the plan document, including an Executive Summary, a Board Authorization section, and an Organization Information section that includes a history of the Fund, our services, highlights of accomplishments, etc., and a description of the process used to develop the strategic plan. Senior management communicates highlights of the

Strategic Plan, Strategic Objectives, Leadership Scorecard, key goals and action plans to Trustees, staff, and our membership. Discuss the plan at Board Meetings and publish portions of the plan in member newsletters and employer memos. Develop department plans and scorecards that directly align with and support the overall Strategic Plan.

12. Implement, Monitor, and Adjust

Develop a calendar of meetings to review the Leadership Scorecard and Action Plan status during the year in order to evaluate organizational performance and monitor progress to achieve strategic objectives. Prior to each monthly Leadership Scorecard and Action Plan review meeting, Sponsors will update the Leadership Scorecard and SPAs will update action plans. These updates and review meetings also provide the information needed for quarterly reports to the Board of Trustees, which address whether objectives are being met, outline current issues, and ensure that the resources needed to implement the plan are in place. In addition to monthly review meetings, twice each year evaluate completion of action plans (mid-year and year-end) and determine whether to continue, modify or discontinue existing plans, or develop new plans. Each year during Step 6 evaluate key strategies and develop or modify action plans as needed. As progress is made and goals are achieved, communicate and celebrate successes, including employee events and Board recognition as appropriate.

Updated October 2013

Our Strategic Plan provides the Fund with a road map for meeting our challenges and leveraging our strengths and opportunities in providing excellent service to our annuitants, members, and employers.

APPENDIX C

ALIGNMENT OF STRATEGIC OBJECTIVES AND KEY STRATEGIES WITH CHALLENGES AND ADVANTAGES

As described in Appendix B, Steps 2-3 of the Strategic Planning Process utilized STEP and SWOT Analyses to scan the environment and assess the current strengths and weaknesses of IMRF. These analyses gathered input from the Board of Trustees, Senior Leadership, all Departments of IMRF, and external stakeholders. The resulting analyses were summarized into a set of Key Strategic Challenges and Advantages. The table below summarizes these Challenges and Advantages, and illustrates their alignment with the Key Strategies and Strategic Objectives of IMRF.

For each Key Strategy, a Single Point Accountable (SPA) has been identified with responsibility to develop an action plan and update and report progress on the plan regularly.

Key Result Areas	Strategic Objective	Strategic Advantages	Strategic Challenges	Key Strategies
Financial Health and Sustainability	<p>To achieve and maintain a funding level that sustains the Plan As measured by:</p> <ul style="list-style-type: none"> • Achieving top decile funding level on a market-value basis relative to a universe of public pension funds • Achieving stable/declining employer contribution rates • Achieving progress toward a 100% funding goal 	<p>Autonomous board operates under sound financial, accounting, and actuarial principles</p> <p>Strong IMRF reputation</p>	<p>Pension reform may lead under-funded employers to request relief or convert defined benefit plan to defined contribution or cash balance plan for new members</p> <p>We have little or no control over employer actions and rely on employers to provide valid and correct information; the large number of employers create a large scope for auditing</p> <p>Some members and employers may “work the system” to receive inflated benefits</p>	<p>Evaluate techniques to moderate rate volatility, including phase-in rates and minimum employer contribution rates</p> <p>Introduce legislation to address pension sustainability issues and defend against adverse legislation</p> <p>Continue to educate and advocate the “prudent man rule” and 100% funding principle</p>

Key Result Areas	Strategic Objective	Strategic Advantages	Strategic Challenges	Key Strategies
Investment Returns	<p>To meet or exceed our actuarial assumed rate of return and outperform the total portfolio benchmark As measured by:</p> <ul style="list-style-type: none"> Achieving or exceeding a 7.5% annual return over the long term (over 5, 10 and 15 year basis). Out-performing the total portfolio benchmark (over 3, 5 and 10 year basis) 	<p>We set our own budget – not part of state budget</p> <p>Strong investment strategy and policy</p> <p>Board of Trustees not appointed results in independent evaluation of investments</p>	<p>Higher staff turnover in investments organization</p> <p>Lack of full investment authority due to RFP requirement</p> <p>FOIA consumes large amounts of time and resources</p>	<p>Conduct an asset liability study and choose a rate of return and asset mix that is consistent with IMRF's risk tolerance</p> <p>Utilize portfolio construction tools and principles including portfolio optimization, cost control, evaluation of various investment program structures, and relevant performance measurements</p>
Customer Service and Operational Excellence	<p>To provide world class customer service As measured by:</p> <ul style="list-style-type: none"> Achieving top decile "Overall Service Score" ranking for the CEM Benchmarking Survey Achieving top decile "American Customer Satisfaction Index" (ACSI) ranking for the Cobalt Retirement Fund Benchmarking Survey Achieving 90% "Very Satisfied" ratings on member and employer satisfaction surveys Achieving per-member-cost at or below the median of the CEM administrative cost measure 	<p>Staff is highly engaged, practices our values and collaborates to achieve great results.</p> <p>We use ILPEX criteria, Voice of Customer results and benchmark data to identify and implement continuous process and service improvements Our Board and management strive to maintain a balance between high customer service levels and median costs</p>	<p>Hire skilled employees who share our values and maintain proper staffing levels in an environment of increasing turnover due to staff retirements and growing workloads due to rising member and employer requests for service</p> <p>Maintain current service levels during the implementation of Horizon and its associated process and organization changes</p> <p>Develop, collect, report, and analyze new performance metrics and analytics and ensure Horizon captures the data needed to support them</p> <p>Use our technology, staff, and processes to better serve our members when they contact us</p> <p>Manage the high level of change we will</p>	<p>Analyze the CEM benchmarking survey report to identify and implement best practices and opportunities for improvement</p> <p>Analyze the Cobalt Retirement Fund Benchmarking Survey report to identify and implement improvements</p> <p>Analyze Voice of the Customer survey feedback to identify and implement improvements</p> <p>Analyze Continuous Process Improvement (CPI) program results to identify and implement improvements</p> <p>Evaluate and improve Key Approaches through self-assessment</p> <p>Analyze ILPEX Feedback Report to identify and implement Opportunities for Improvement</p> <p>Evaluate and improve key internal processing</p>

Key Result Areas	Strategic Objective	Strategic Advantages	Strategic Challenges	Key Strategies
			experience during the Horizon implementation and the potential resistance to this change by staff, retirees, members, and employers	standards Develop appropriate measures of customer engagement and develop plans to improve customer engagement levels
Workforce engagement	To foster and maintain an engaged workforce As measured by: <ul style="list-style-type: none"> • Achieving top decile ranking for “recommended place to work” on the Leadership IQ Employee Engagement Survey • Achieving top decile ranking for “motivated to give 100%” on the Leadership IQ Employee Engagement Survey • Achieving employee turnover levels below averages as measured by CompData Surveys 	Senior Leaders articulate a vision for the future centered on practicing the IMRF Values, continuous improvement, and world-class customer service Independently managed by an autonomous Board of Trustees and administration Strong IMRF brand and reputation Engaged workforce	Develop new leaders who measure performance, reward employees who excel, and coach those with performance problems Successful implementation of the Horizon Project, including managing communication, training, organizational change, staffing levels, and technology integration Develop and formalize a program to provide training and development opportunities for staff through Individual Learning Plans (ILPs)	Analyze the Leadership IQ Employee Engagement Survey report to identify and implement improvements Administer a formalized program to provide training and development opportunities for staff Analyze absenteeism statistics to identify trends and implement improvements Analyze turnover statistics to identify trends and implement improvements
Modernization Program	To implement efficient and effective business solutions As measured by: <ul style="list-style-type: none"> • Meeting Horizon Project milestones • Achieving Horizon Project objectives, including the achievement of the six customer service goals • Being within the Horizon Project budget • Meeting Web Replacement Project milestones • Achieving Web Replacement Project objectives 	Long-tenured, experienced staff with some systematic training systems in place Our funding mechanism and funded status allow our Board and management to invest in projects and people to ensure continued excellent customer service High capacity, efficient systems allow us to provide a high level of customer service to employers and	Inconsistent communication and approaches used between departments Working to ensure that Horizon Project meets our expectations so that we can provide even higher service levels to our membership Maintaining high service levels during a period of increasing staff turnover and increasing work volumes	Manage the Horizon Project to replace current information systems to address needs for improved correspondence, Customer Relationship Management, Reporting and Analysis, and full integration of our various technology systems to support our customer service and operational excellence objectives* Implement the technology infrastructure required to support and achieve the Horizon Project data security, redundancy, performance, availability, and disaster recovery goals

Key Result Areas	Strategic Objective	Strategic Advantages	Strategic Challenges	Key Strategies
	<ul style="list-style-type: none"> • Being within the Web Replacement Project budget 	<p>members</p> <p>Strong IMRF brand with all key stakeholders</p>		<p>Manage the web replacement project to replace our existing website to enhance our online services and tools to support our customer service and operational excellence objectives*</p> <p>Identify and implement process and organizational re-engineering opportunities to increase efficiencies and effectiveness</p>

* Note: These strategies are also considered key Strategic Opportunities

APPENDIX D

Key Performance Measures

The following list contains the Key Performance Measures used to track the accomplishment of our 2011 – 2013 Strategic Objectives. These measures are reviewed by senior leaders at monthly Leadership Scorecard and Action Plan meetings. The measures in the table below are for the last 3 fiscal years for which complete data is available.

Key Result Area (KRA)	Key Performance Measure (KPM)	Year-end 2010		Year-end 2011		Year-end 2012	
		Actual	Comp	Actual	Comp	Actual	Comp
Financial Health	Funded status -- <i>Actuarial</i>	83.3%	79.8%	83.0%	74.0%	84.3%	74.0%
	Funded status -- <i>Market</i>	86.3%	81.3%	80.2%	70.5%	85.9%	70.5%
	Admin Exp. as % of Members	\$76	\$109	\$78	\$108	\$83	\$110
		For 2012		For 2013		For 2014	
	Rate -- Level	12.09%	8.52%	12.68%	8.69%	12.53%	8.54%
	Rate -- Volatility	5.41%	0.47%	4.88%	2.00%	-1.18%	-1.73%
Investment Returns	Gross annual return vs. 7.5%	13.60%	7.50%	-0.29%	7.50%	13.75%	7.50%
	Net annual return vs. 7.5%	13.35%	7.50%	-0.50%	7.50%	13.48%	7.50%
	Gross annual return vs. Portfolio benchmark	13.60%	12.70%	-0.29%	1.46%	13.75%	12.17%
	Net annual return vs. Portfolio benchmark	13.35%	12.70%	-0.50%	1.46%	13.48%	12.17%
Customer Engagement and Satisfaction	Member Transaction Engagement	73.9%	NA	78.2%	NA	81.2%	NA
	Member Workshop Engagement			70.1%		85.7%	NA
	Member Transaction Satisfaction	93.5%	NA	95.9%	NA	96.4%	NA
	Member Workshop Satisfaction			97.2%		99.8%	NA
	Member Transaction Dissatisfaction	3.1%	NA	1.8%	NA	1.8%	NA
	Member Workshop Dissatisfaction			0.3%		0.0%	NA
	Employer Transaction Engagement -Authorized Agents	63.9%	NA	65.6%	NA	70.7%	NA

	Employer Workshop Engagement -Authorized Agents			87.5%		76.0%	NA
	Employer Transaction Satisfaction -Authorized Agents	94.2%	NA	97.0%	NA	96.6%	NA
	Employer Workshop Satisfaction -Authorized Agents			99.0%		97.5%	NA
	Employer Transaction Dissatisfaction -Authorized Agents	1.4%	NA	0.3%	NA	1.5%	NA
	Employer Workshop Dissatisfaction -Authorized Agents			0.3%		1.2%	NA
Workforce Engagement	Employee Engagement Survey Question "I recommend IMRF as a great organization to work for"	80th percentile		85th percentile		83rd percentile	
	Employee Engagement Survey Question: "I am motivated to give 100% effort when I'm at work"	82nd percentile		91st percentile		95th percentile	
	Total turnover	9.9%	15.1%	8.6%	13.3%	8.6%	14.8%
	Availability	89.70%	NA	89.84%	NA	89.51%	NA
	Absenteeism	1.81%	2.3%	1.57%	3.0%	1.72%	2.11%
Service & Operational Outcomes	CEM Service Score	82	76	86	78	85	78
	Volume / Activity Index	NA	NA	113.3%	NA	112.1%	NA

It was moved by Ms. Henry, seconded by Ms. Copper, to adopt the 2014-2016 Strategic Plan as presented.

Vote: Unanimous Voice Vote
Absent: Stulir

(13-11-12) (2014 Planning and Budget Document) The Chief Financial Officer presented the proposed 2014 Planning and Budget Document for approval by the Board.

2014
PROPOSED ADMINISTRATIVE EXPENSES,
PROPOSED DIRECT INVESTMENT EXPENSES,
AND
PROPOSED CAPITAL BUDGET

ILLINOIS MUNICIPAL RETIREMENT FUND
2014 Proposed Administrative Expenses

EXPENSE CLASSIFICATION	ACCT NO.	ACTUAL		BUDGET		ESTIMATED		PROPOSED BUDGET		2014 PROPOSED AS % CHANGE OVER 2013	
		2011	2012	2013	2013	2013	2013	2014	2014		
PERSONNEL COSTS - DIRECT											
Salaries	5501	\$11,335,868	\$11,999,478	\$12,562,999	\$12,241,667	\$11,895,441				-5.3%	-2.8%
Fringe Benefits	5504	3,910,769	4,070,986	4,422,565	4,201,321	4,150,951				-6.1%	-1.2%
		15,246,637	16,070,464	16,985,564	16,442,988	16,046,392				-5.5%	-2.4%
PERSONNEL COSTS - INDIRECT											
Travel, Education & Conferences	5507	178,753	190,407	326,290	308,594	436,090				33.7%	41.3%
Field Staff	5508	155,053	133,484	138,300	138,300	144,750				4.7%	4.7%
Recruitment & Testing	5509	99,306	29,955	48,600	51,075	63,400				30.5%	24.1%
Other Personnel Costs	5510	31,717	36,207	40,500	37,200	49,350				21.9%	32.7%
		464,829	390,053	553,690	535,169	693,590				25.3%	29.6%
CONSULTING SERVICES											
Auditing	5511	403,460	389,394	378,000	399,065	550,645				45.7%	38.0%
Actuarial	5512	385,110	290,324	353,285	328,285	484,101				37.0%	47.5%
Legal Counsel	5513	57,425	31,249	70,100	51,400	31,100				-55.6%	-39.5%
Compensation & Benefits	5514	84,086	40,579	20,000	15,550	16,550				-17.3%	6.4%
Management & Systems Design	5515	110,113	371,333	428,888	391,602	1,022,360				138.4%	161.1%
Medical Investigations	5516	117,601	128,561	136,000	129,200	160,200				17.8%	24.0%
Legislative	5518	66,024	67,200	68,160	68,160	68,800				0.9%	0.9%
Public Relations	5519	84,564	84,430	89,700	89,700	89,700				0.0%	0.0%
		1,308,383	1,403,070	1,544,133	1,472,962	2,423,456				56.9%	64.5%
FACILITY EXPENSES											
Rent and Maintenance	5521	1,479,842	1,371,630	1,613,307	1,558,369	1,716,400				6.4%	10.1%
Electricity	5522	74,114	61,270	74,150	57,200	58,350				-21.3%	2.0%
Telephone	5523	117,882	114,002	140,450	143,800	158,140				12.6%	10.0%
Miscellaneous Facility Expenses	5525	195,033	192,671	206,800	198,267	239,000				15.6%	20.5%
		\$1,866,871	\$1,739,573	\$2,034,707	\$1,957,636	\$2,171,890				6.7%	10.9%

ILLINOIS MUNICIPAL RETIREMENT FUND
2014 Proposed Administrative Expenses

EXPENSE CLASSIFICATION	ACCT NO.	ACTUAL		BUDGET		ESTIMATED		PROPOSED		2014 PROPOSED AS % CHANGE OVER 2013	
		2011	2012	2013	2013	2013	2013	2014	BUDGET ESTIMATED		
COMMODITIES & SERVICES											
Office Supplies	5531	\$191,858	\$192,673	\$257,660	\$228,790	\$234,940				-8.8%	2.7%
Forms & Informational Materials	5532	208,044	221,651	219,410	211,841	252,180				14.9%	19.0%
Postage & Delivery	5533	1,068,814	1,028,983	1,087,047	1,007,622	1,079,310				-0.7%	7.1%
Publications & Dues	5535	52,218	59,178	66,252	64,152	69,873				5.5%	8.9%
Other Services	5540	445,544	557,253	562,825	586,378	615,200				9.3%	4.9%
		<u>1,966,478</u>	<u>2,059,738</u>	<u>2,193,194</u>	<u>2,098,783</u>	<u>2,251,503</u>				<u>2.7%</u>	<u>7.3%</u>
EQUIPMENT											
Depreciation	5571	818,917	1,290,102	1,348,558	1,475,127	1,772,377				31.4%	20.2%
Maintenance & Rentals	5572	252,331	285,603	270,620	270,161	297,400				9.9%	10.1%
Software Maintenance	5573	620,380	690,077	1,019,439	842,024	1,099,180				7.8%	30.5%
Expendable Equipment	5575	282,157	195,345	264,867	253,176	226,665				-14.4%	-10.5%
		<u>1,973,785</u>	<u>2,461,127</u>	<u>2,903,484</u>	<u>2,840,488</u>	<u>3,395,622</u>				<u>16.9%</u>	<u>19.5%</u>
MISCELLANEOUS											
Trustee Employer Reimbursement	5580	54,483	48,192	59,000	57,000	59,000				0.0%	3.5%
Trustee Expenses	5581	45,645	39,853	50,000	50,261	42,600				-14.8%	-15.2%
Trustee Elections	5582	6,432	81,563	6,400	5,350	98,000				1431.3%	1731.8%
Insurance	5583	89,495	143,589	172,000	147,222	159,700				-7.2%	8.5%
Filing Fees	5586	9,718	9,914	10,100	9,950	9,950				-1.5%	0.0%
		<u>205,773</u>	<u>323,111</u>	<u>297,500</u>	<u>269,783</u>	<u>369,250</u>				<u>24.1%</u>	<u>36.9%</u>
Total Expenses		<u>\$23,032,756</u>	<u>\$24,447,136</u>	<u>\$26,512,272</u>	<u>\$25,617,809</u>	<u>\$27,351,703</u>				<u>3.2%</u>	<u>6.8%</u>

**ILLINOIS MUNICIPAL RETIREMENT FUND
2014 ADMINISTRATIVE ACCOUNT EXPLANATIONS**

PERSONNEL - DIRECT
5501 SALARIES \$11,895,441

	2013	2013	2014	2014 Proposed as % Change Over 2013	
	Budget	Estimated	Proposed	Budget	Estimated
Regular	\$12,399,499	\$12,006,567	\$11,484,501	-7.4%	-4.3%
Overtime	163,500	235,100	237,515	45.3%	1.0%
Part-time/Temp	0	0	173,425	NM	NM
	<u>\$12,562,999</u>	<u>\$12,241,667</u>	<u>\$11,895,441</u>	-5.3%	-2.8%

5501 SALARIES - Regular \$11,484,501

Salaries for staff of 195 office and field personnel employed to administer a statewide retirement system, consisting of 2,969 governmental units and 174,771 participating members and 103,929 retirees and beneficiaries. The employee headcount is eight more than the number budgeted for 2013.

Total estimated salaries at December 31, 2013	\$12,691,185
Impact of new positions in 2014	388,334
January 1 base salary adjustment - 2%	245,348
Estimated January 1 discretionary adjustments	152,327
Special salary adjustment	48,000
Increase in compensated absence accrual	197,614
Impact of capitalizing salaries based on GASB 51	<u>(2,238,307)</u>
	<u>\$11,484,501</u>

The reason for the 2013 estimate being less than the 2013 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 reason that the 2014 budget is lower than the 2013 estimate is due to the fact that the estimated amount of capitalized salaries related to internally developed software for 2014 is significantly higher than the 2013 estimate of \$619,000 which offsets the impact of the additional positions, base salary, discretionary, and special salary adjustments. The additional five positions were budgeted to ensure the continued high level of customer service.

5501 SALARIES - Overtime \$237,515

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 2014 overtime will be slightly higher than the estimated 2013 overtime. The increase in overtime in 2013 and 2014 is directly impacted by the higher demands on staff due to the modernization project.

5501 SALARIES - Part Time and Temporary \$173,425

Salaries for individuals hired for annual projects, peak work loads, and extended absences of full time staff. The amounts budgeted for 2014 are directly connected with additional communication requirements related to the Horizon and new website projects as well as the "plain English" initiative which will B111impact much of IMRF correspondence.

**ILLINOIS MUNICIPAL RETIREMENT FUND
2014 ADMINISTRATIVE ACCOUNT EXPLANATIONS**

5504 FRINGE BENEFITS \$4,150,951

	2013	2013	2014	2014 Proposed as % Change Over 2013	
	Budget	Estimated	Proposed	Budget	Estimated
IMRF	\$1,491,898	\$1,411,609	\$1,364,816	-8.5%	-3.3%
Social Security	910,250	868,427	846,754	-7.0%	-2.5%
Health insurance	2,000,417	1,906,694	1,917,981	-4.1%	0.6%
Unemployment	18,000	13,841	20,200	12.2%	45.9%
Mgr. physicals	2,000	750	1,200	-40.0%	60.0%
	<u>\$4,422,565</u>	<u>\$4,201,321</u>	<u>\$4,150,951</u>	-6.1%	-1.2%

5504 FRINGE BENEFITS - IMRF Contributions \$1,364,816

Payment of employer IMRF contributions on staff salaries. The 2013 rate was 12.12%. The 2014 employer contribution rate is 12.02%. The decrease in the rate reflects the slight improvement in the agency's funded status and the impact of Tier 2. The anticipated increase in the amount of capitalized salaries offset the increase in the gross salary levels resulting in lower budgeted IMRF expense for 2014.

5504 FRINGE BENEFITS - Social Security & Medicare \$846,754

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

	2013	2014
Social Security rate	6.20%	6.20%
Social Security wage base	\$113,700	\$117,000
Medicare rate	1.45%	1.45%
Medicare wage base	All wages	All wages

The increase in the gross social security and Medicare costs for 2014 are estimated to be offset by the increase in capitalized salaries resulting in lower budgeted expense for 2014.

5504 FRINGE BENEFITS - Staff Health Insurance \$1,917,981

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 3.1% from 2013 while dental premiums were flat. The slight increase in the 2014 budget over the 2013 estimate is due to the fact that the higher premiums and higher anticipated head count were only partially offset by the estimated increase in capitalized salaries in 2014.

5504 FRINGE BENEFITS - Unemployment Insurance \$20,200

Reimbursement of actual unemployment compensation paid to former IMRF staff. During 2013, it is estimated that IMRF will have claims of \$13,841. Based upon potential claims pending and historical experience, we are estimating that 2014 costs will be \$20,200.

5504 FRINGE BENEFITS - Manager Health Examinations \$1,200

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

**ILLINOIS MUNICIPAL RETIREMENT FUND
2014 ADMINISTRATIVE ACCOUNT EXPLANATIONS**

PERSONNEL - INDIRECT

5507- TRAVEL, EDUCATION & CONFERENCES \$436,090
5517

	2013 Budget	2013 Estimated	2014 Proposed
Training and tuition	\$270,150	\$267,384	\$376,665
Conferences and meetings	56,140	41,210	59,425
	\$326,290	\$308,594	\$436,090

5507 TRAVEL & EDUCATION - Training, Tuition and Business Travel \$376,665

	2013 Budget	2013 Estimated	2014 Proposed
Computer and business skills	\$130,000	\$150,900	\$204,640
CEBS courses and professional certification	9,000	9,000	14,025
Tuition reimbursement	52,900	42,000	65,000
Succession planning	30,000	30,000	50,000
Legislative travel	11,000	11,580	11,700
Business travel	37,250	23,904	31,300
	\$270,150	\$267,384	\$376,665

The proposed 2014 budget is 41% higher than estimated 2013 due mainly to higher training costs with the bulk of the increase related to the individual learning plan initiative for all staff.

5517 MANAGEMENT CONFERENCES - Conferences & Meetings \$59,425

	2013 Budget	2013 Estimated	2014 Proposed
Human Resources	\$4,000	\$4,125	\$3,310
Administration	5,000	5,000	5,000
Operations	5,295	4,458	6,250
Benefits	745	706	2,815
Project Management Office	2,000	1,416	2,000
Member Services	2,000	2,200	2,300
Finance	8,750	8,750	9,600
Internal Audit	0	575	2,500
Information Systems	4,000	1,500	2,500
Investments	8,000	4,000	8,000
Legal	8,100	5,884	8,000
Legislative	1,550	1,596	1,750
Communications	3,500	1,000	3,000
Office Services	3,200	0	2,400
	\$56,140	\$41,210	\$59,425

The 2014 budget is consistent with the 2013 budget.

5508 TRAVEL, MEETINGS, EXPENSES - Field Staff \$144,750

Lodging and food expenses for the Field Services Manager, Field Services supervisor 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 2014 budget reflects an increase in the number of IMRF sponsored meetings.

**ILLINOIS MUNICIPAL RETIREMENT FUND
2014 ADMINISTRATIVE ACCOUNT EXPLANATIONS**

	2013 Budget	2013 Estimated	2014 Proposed
5509 RECRUITMENT & TESTING	\$48,600	\$51,075	\$63,400

Cost of want ads, job posting fees, personnel agency fees, testing materials, on-line recruitment and employee background checks. The significant increase in the 2014 budget over the 2013 estimate is related to additional costs surrounding an anticipated increase in recruitment activities due to staff expansion and turnover.

5510 OTHER PERSONNEL COSTS \$49,350

	2013 Budget	2013 Estimated	2014 Proposed
Employee recognition activities	\$16,000	\$18,000	\$25,650
Employee assistance and wellness programs	18,000	16,000	18,200
Executive director evaluation and Board self-assessment	6,500	3,200	5,500
	<u>\$40,500</u>	<u>\$37,200</u>	<u>\$49,350</u>

Based upon a review of employee anniversaries in 2014 and the new "Bravo" initiative, it is anticipated that employee recognition activities costs will increase next year.

CONSULTING SERVICES

5511 AUDITING \$550,645

	2013 Budget	2013 Estimated	2014 Proposed
External: KPMG	\$130,000	\$129,265	\$133,145
GASB 68 consulting	0	\$15,000	\$65,000
Internal: BIK LLP	157,000	163,800	15,750
IS internal control testing: Crowe Horwath	62,000	62,000	96,250
Business process controls risk assessment	0	0	234,000
Death match	6,500	6,500	6,500
Permanent disability audit	22,500	22,500	0
	<u>\$378,000</u>	<u>\$399,065</u>	<u>\$550,645</u>

External audit expenses for 2014 reflect the agreed upon fees bases upon the most recent RFP process. GASB 68 consulting fees represent an estimate of additional services from KPMG that will be required in order to provide "audit assurance" to IMRF employers for the incorporation of the new pension requirements in their financial statements. Internal audit fees for 2014 with BIK LLP represent potential transition costs surrounding the 2013 year-end. The fees for the IS internal control testing will increase due to a scope expansion covering the Horizon project. A major increase in estimated 2014 costs is the inclusion of outside assistance to evaluate the business process controls surrounding the Horizon project to assure that the controls are present as the processes are developed.

5512 ACTUARIAL \$484,101

	2013 Budget	2013 Estimated	2014 Proposed
Gabriel, Roeder, Smith & Company			
Base fee, including ERI software upgrades	\$278,285	\$278,285	\$284,101
GASB 68 reporting	\$75,000	\$50,000	\$200,000
	<u>\$353,285</u>	<u>\$328,285</u>	<u>\$484,101</u>

GRS's base fee for the regular actuarial valuation will increase moderately in 2014. The 2013 budget included estimated costs for special studies related to GASB 68. IMRF will provide all employers a net pension obligation as of December 31, 2012 in November of this year. In 2014 GRS will develop the infrastructure to report all the required GASB 68 actuarial data to meet the requirements of IMRF employers beginning in fiscal 2015.

**ILLINOIS MUNICIPAL RETIREMENT FUND
2014 ADMINISTRATIVE ACCOUNT EXPLANATIONS**

5513 LEGAL COUNSEL \$31,100

	2013 Budget	2013 Estimated	2014 Proposed
Fiduciary counsel	\$10,000	\$6,000	\$6,000
Tax consultants	50,000	23,000	15,000
Legal consulting	10,000	22,000	10,000
Court costs	100	400	100
	\$70,100	\$51,400	\$31,100

Fiduciary counsel has been engaged since 1998. The budget includes fees for tax consultants. Tax consulting fees are anticipated to be lower in 2014 since the bulk of the work to be done on the renewal of IMRF's tax determination letter will be done in 2013. The higher legal consulting fees in 2013 reflect the costs of negotiating the comprehensive contract with the lead provider of the IS modernization solution.

5514 COMPENSATION & BENEFITS \$16,550

	2013 Budget	2013 Estimated	2014 Proposed
Salary surveys	\$5,000	\$550	\$1,550
Benefit consulting on staff health insurance program	15,000	15,000	15,000
	\$20,000	\$15,550	\$16,550

Each year IMRF engages a consultant to review and negotiate IMRF's staff health insurance program. As in prior years, IMRF will participate in salary surveys in 2014 in order to benchmark salary levels in the market place.

5515 MANAGEMENT AND SYSTEMS DESIGN \$1,022,360

	2013 Budget	2013 Estimated	2014 Proposed
Process improvement consulting in conjunction with strategic goals	\$12,900	\$12,600	\$5,400
Member statement design	7,500	11,027	12,000
Web design consulting	85,000	112,975	0
Consulting oversight on modernization project	78,336	78,000	120,960
Consulting on modernization project	245,152	177,000	884,000
	\$428,888	\$391,602	\$1,022,360

The process improvement activities reflect the use of an outside consultant. IMRF engaged Sikich Consulting to assist in a major effort to redesign its website. 2014 costs will be capitalized and are reflected in the capital budget. The overall budget for consulting oversight on the modernization project for 2014 is \$403,360. Of this amount IMRF staff estimates \$120,960 will be expensed with the remainder capitalized. It is also estimated that \$884,000 of Deloitte consulting costs related to change management and training services will be expensed in 2014.

**ILLINOIS MUNICIPAL RETIREMENT FUND
2014 ADMINISTRATIVE ACCOUNT EXPLANATIONS**

5516	MEDICAL AND FIELD INVESTIGATION	<u>\$160,200</u>		
		2013	2013	2014
		Budget	Estimated	Proposed
	Medical records	\$6,500	\$2,200	\$3,500
	Medical consultant	100,000	112,000	137,200
	IME, testing and surveillance	29,000	15,000	19,000
	Non-disability investigations	500	0	500
		<u>\$136,000</u>	<u>\$129,200</u>	<u>\$160,200</u>

The 2014 budget reflects increases in medical consultant costs for training for IMRF disability examiners as well as an 8.3% increase in the consultants' hourly rate, the first increase since 2010.

5518	LEGISLATIVE	2013	2013	2014
		Budget	Estimated	Proposed
		<u>\$68,160</u>	<u>\$68,160</u>	<u>\$68,800</u>

The 2014 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	2013	2013	2014
		Budget	Estimated	Proposed
		<u>\$89,700</u>	<u>\$89,700</u>	<u>\$89,700</u>

These costs represent the use of the public relations services of Sikich to assist IMRF in various efforts impacting its constituents.

5521 - 5524	FACILITY EXPENSES RENT AND MAINTENANCE	2013	2013	2014
		Budget	Estimated	Proposed
		<u>\$1,613,307</u>	<u>\$1,558,369</u>	<u>\$1,716,400</u>
	Oak Brook office			\$1,682,100
	Springfield office			34,300
				<u>\$1,716,400</u>

Rent for office space in Oak Brook and Springfield. IMRF currently rents space on the 3rd, 4th and 5th floors in Oak Brook. The current lease expires in October 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 October of 2016. Electricity costs are included in the Springfield lease terms. The increase in rent and maintenance is due to the annual escalation charges and an anticipated increase in service charges in Oak Brook.

5521	ELECTRICITY	2013	2013	2014
		Budget	Estimated	Proposed
		<u>\$74,150</u>	<u>\$57,200</u>	<u>\$58,350</u>

The cost of electrical power to light the Oak Brook office and to operate equipment is expected to increase slightly in 2014 from the 2013 estimate.

5523	TELEPHONE	2013	2013	2014
		Budget	Estimated	Proposed
		<u>\$140,450</u>	<u>\$143,800</u>	<u>\$158,140</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 2014 budget over the 2013 estimate is primarily due to higher internet and cellular costs.

**ILLINOIS MUNICIPAL RETIREMENT FUND
2014 ADMINISTRATIVE ACCOUNT EXPLANATIONS**

5525 MISCELLANEOUS FACILITY EXPENSES \$239,000

	2013 Budget	2013 Estimated	2014 Proposed
Mainframe/telecommunications backup facility	\$146,400	\$132,887	\$175,000
Off-site storage for IS	24,000	23,880	25,000
Off-site storage for Office Services	36,000	41,500	39,000
Equipment disposal cost	400	0	0
	<u>\$206,800</u>	<u>\$198,267</u>	<u>\$239,000</u>

The major component of this cost is the backup facilities to support our business continuity plan. The increase in these costs for 2014 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. 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.

5531 COMMODITIES AND SERVICES OFFICE SUPPLIES \$234,940

	2013 Budget	2013 Estimated	2014 Proposed
General	\$48,300	\$37,250	\$41,250
Envelopes	57,000	57,000	60,000
Mainframe cleaning and supplies	2,000	40	2,000
PC supplies	76,500	75,000	75,000
Paper - general	38,000	28,900	30,300
Telecommunications	13,860	10,500	9,790
Furniture	22,000	20,100	16,600
	<u>\$257,660</u>	<u>\$228,790</u>	<u>\$234,940</u>

The largest decreases in the 2014 budget versus the 2013 budget are for paper and furniture below the \$500 threshold for expendable equipment. The lower paper costs are driven by the use of lower cost copy paper in 2013. The decrease in furniture is due to the spike that occurred in 2013 when the new space on the third floor was furnished.

5532 INFORMATIONAL MATERIALS AND PRINTED FORMS \$252,180

	2013 Budget	2013 Estimated	2014 Proposed
Forms printed outside	\$21,340	\$15,440	\$21,380
Checks, IRS forms and inserts	9,870	10,585	9,550
Member statements	26,000	26,400	29,100
New member folders	11,000	7,000	13,000
Annual financial report	3,700	3,031	3,200
Newsletters	101,000	99,000	101,000
Booklets and AA/SLEP manuals	35,200	38,185	61,000
Pre-retirement materials and other	11,300	12,200	13,950
	<u>\$219,410</u>	<u>\$211,841</u>	<u>\$252,180</u>

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. The large increase in booklets is due to the anticipated increase in the printing of Tier 1 and Tier 2 booklets in 2014.

**ILLINOIS MUNICIPAL RETIREMENT FUND
2014 ADMINISTRATIVE ACCOUNT EXPLANATIONS**

5533	POSTAGE AND DELIVERY	<u>\$1,079,310</u>		
		2013	2013	2014
		Budget	Estimated	Proposed
	Correspondence and checks	\$516,179	\$426,100	\$452,510
	Newsletters	325,686	319,700	337,200
	Member statements	106,800	123,186	138,400
	IRS forms	48,607	50,800	54,800
	Delivery services	21,600	22,300	24,200
	Business reply, address corrections and fees	30,270	27,536	31,400
	Retiree Statements	37,905	38,000	40,800
		<u>\$1,087,047</u>	<u>\$1,007,622</u>	<u>\$1,079,310</u>

The increase in this area is due to the continued increase in volume and the anticipated 6% increase in postal rates in 2014.

5535	PUBLICATIONS AND DUES	<u>\$69,873</u>		
		2013	2013	2014
		Budget	Estimated	Proposed
		<u>\$66,252</u>	<u>\$64,152</u>	<u>\$69,873</u>

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

5540	OTHER SERVICES	<u>\$615,200</u>		
		2013	2013	2014
		Budget	Estimated	Proposed
	Microfilm statements, records, files	\$1,000	\$0	\$500
	Member statement printing and mailing	82,100	84,800	89,900
	Shredding confidential documents	4,800	5,600	6,000
	Minute book binding	1,275	1,275	1,275
	Fees for bank accounts	238,450	235,182	242,775
	Clipping service	1,600	1,600	1,600
	Photographs	750	702	750
	Interpreter, translator, special services	4,400	730	10,400
	Address searches and instant ID	50,000	62,700	62,700
	CEM study and IL Performance Excellence award	60,450	66,689	76,400
	Code of Conduct Compliance hotline	500	500	500
	Microfiche conversion to imaging	117,500	126,600	122,400
		<u>\$562,825</u>	<u>\$586,378</u>	<u>\$615,200</u>

The primary reasons for the increase in the 2014 budget over the 2013 estimate is an increase in member statement printing and mailing, higher bank fees, increased use of Spanish translation services due to the new website and new printed materials, and higher Illinois Performance Excellence award expenses.

**ILLINOIS MUNICIPAL RETIREMENT FUND
2014 ADMINISTRATIVE ACCOUNT EXPLANATIONS**

EQUIPMENT
5571 DEPRECIATION \$1,772,377

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 2014 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	2013 Budget	2013 Estimated	2014 Proposed
Office equipment	5-10 years	\$334,471	\$357,381	\$373,772
Computer equipment and software	3-6 years	174,047	202,010	419,978
Internally generated software	6-10 years	804,414	880,113	940,534
Automobiles	4-5 years	35,626	35,626	38,093
		<u>\$1,348,558</u>	<u>\$1,475,130</u>	<u>\$1,772,377</u>

The increase in 2014 budgeted depreciation expense over the 2013 estimate is primarily due to the increases in computer equipment and software. The increase in the amortization on internally generated software reflects the prospects on a potential December 2014 implementation for the first phase of the Horizon project.

5572 MAINTENANCE AND RENTALS \$297,400

	2013 Budget	2013 Estimated	2014 Proposed
Mainframe equipment	\$62,400	\$61,738	\$80,000
PC network - maintenance	52,000	60,000	64,000
Telecommunications	60,000	59,500	65,000
Other equipment	65,400	63,380	62,700
Automobiles	30,820	25,543	25,700
	<u>\$270,620</u>	<u>\$270,161</u>	<u>\$297,400</u>

The main reason for the increase in the 2014 budget from the 2013 estimate is the additional costs related to the new mainframe color printer.

5573- SOFTWARE MAINTENANCE \$1,099,180
5574

	2013 Budget	2013 Estimated	2014 Proposed
Mainframe software	\$502,650	\$465,500	\$518,000
PC and other software	516,789	376,524	581,180
	<u>\$1,019,439</u>	<u>\$842,024</u>	<u>\$1,099,180</u>

These costs represent the charges for the use and upgrading of outside computer software programs. The increase in mainframe software is due primarily to \$40,000 of additional software to support the Horizon project. The increase in PC and other software is also due to additional software to support the Horizon project of approximately \$192,500.

**ILLINOIS MUNICIPAL RETIREMENT FUND
2014 ADMINISTRATIVE ACCOUNT EXPLANATIONS**

5575	EXPENDABLE EQUIPMENT		<u>\$226,665</u>
		2013	2013
		Budget	Estimated
		2014	Proposed
	Personal computers and laptops	\$83,270	\$71,000
	Software	64,190	82,000
	Printers	8,700	3,500
	Furniture	86,067	80,700
	Various office equipment	22,640	15,976
		<u>\$264,867</u>	<u>\$253,176</u>
			<u>\$226,665</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. Due to timing and the increase in staff positions the number of PC's and laptops schedule to be purchased in 2014 has increased. The decrease in furniture is primarily related to the fact that 2013 additions spiked somewhat due to new furniture for an investment department conference room and additional furniture to furnish the additional work space on the 3rd floor devoted to the modernization project. The increase in various office equipment is primarily due to additional security monitoring devices.

	MISCELLANEOUS	2013	2013
		Budget	Estimated
5580	TRUSTEE EMPLOYER REIMBURSEMENT	<u>\$59,000</u>	<u>\$57,000</u>
			<u>\$59,000</u>

5581	TRUSTEE EXPENSES		<u>\$42,600</u>
		2013	2013
		Budget	Estimated
		2014	Proposed
	Expense reimbursements	\$45,000	\$39,000
	Trustee education	3,600	9,800
	Springfield drive-down	1,400	1,600
		<u>\$50,000</u>	<u>\$50,261</u>
			<u>\$42,600</u>

Trustee expenses vary from year to year based upon programs attended and fiduciary training requirements. No Trustee Roundtable is scheduled for 2014.

	MISCELLANEOUS	2013	2013
		Budget	Estimated
5582	TRUSTEE ELECTIONS	<u>\$6,400</u>	<u>\$5,350</u>
			<u>\$98,000</u>

This line item reflects the costs of printing and mailing ballots. In 2014 there will be an employer and employee election. The cost of an employee election is significantly higher since ballots are mailed to all active members. In 2013 there was only be an employer election.

**ILLINOIS MUNICIPAL RETIREMENT FUND
2014 ADMINISTRATIVE ACCOUNT EXPLANATIONS**

5583	INSURANCE		<u>\$159,700</u>
		2013	2013
		Budget	Estimated
		2014	Proposed
	Auto	\$15,000	\$13,708
	Commercial	11,000	17,567
	Employee dishonesty	5,000	4,527
	Umbrella and excess liability	17,000	15,550
	Workers' compensation	52,000	29,720
	Fiduciary	72,000	66,150
		<u>\$172,000</u>	<u>\$147,222</u>
			<u>\$159,700</u>

The lower estimated 2013 expense versus the budget is due to the much lower workers' compensation costs than anticipated. The higher 2014 budgeted costs are due to the higher anticipated costs for fiduciary insurance.

5586	FILING FEES		<u>\$9,950</u>
		2013	2013
		Budget	Estimated
		2014	Proposed
	GFOA Certificate of Achievement in Financial Reporting	\$1,100	\$1,100
	Popular Annual Financial Report	250	250
	State of Illinois Division of Insurance	8,000	8,000
	IMRF domain name	750	600
		<u>\$10,100</u>	<u>\$9,950</u>
			<u>\$9,950</u>

ILLINOIS MUNICIPAL RETIREMENT FUND
2014 Proposed Direct Investment Expenses

EXPENSE CLASSIFICATION	ACCT NO.	ACTUAL		BUDGET		ESTIMATED		PROPOSED BUDGET		2014 PROPOSED AS %	
		2011	2012	2013	2013	2013	2013	2014	2014	CHANGE OVER 2013	BUDGET ESTIMATED
Investment Manager Fees	5788	\$72,743,998	\$75,073,162	\$80,225,000	\$82,755,000	\$92,000,000	\$92,000,000			14.7%	11.2%
Master Trustee Services	5789	250,000	250,000	250,000	250,000	275,000	275,000			10.0%	10.0%
Investment Travel	5790	42,606	58,743	75,000	70,000	80,000	80,000			6.7%	14.3%
Legal Fees	5791	72,792	283,292	202,800	370,000	350,000	350,000			72.6%	-5.4%
Security Litigation Monitoring & RFP Costs	5792	42,161	25,021	25,044	25,044	38,555	38,555			53.9%	53.9%
Investment Consultants	5793	863,922	894,373	1,165,300	982,000	1,045,300	1,045,300			-10.3%	6.4%
Securities Lending Fees	5794	1,196,143	1,516,798	1,400,000	1,647,925	1,400,000	1,400,000			0.0%	-15.0%
Tax Preparation & Custodial Expense	5795	0	85	0	21,000	42,000	42,000			NM	100.0%
Publications & Dues	5796	10,521	10,122	4,978	5,296	6,282	6,282			26.2%	18.6%
Investment Licenses	5797	0	0	5,500	5,000	500	500			-90.9%	-90.0%
		<u>\$75,222,143</u>	<u>\$78,111,596</u>	<u>\$83,353,622</u>	<u>\$86,131,265</u>	<u>\$95,237,637</u>	<u>\$95,237,637</u>			<u>14.3%</u>	<u>10.6%</u>

NM Not Meaningful

**ILLINOIS MUNICIPAL RETIREMENT FUND
2014 INVESTMENT ACCOUNT EXPLANATIONS**

	2013 Budget	2013 Estimated	2014 Proposed
5788 INVESTMENT MANAGERS FEES	\$80,225,000	\$82,755,000	\$92,000,000

Investment manager fees are anticipated to increase in 2014 over the 2013 estimate due to additional allocations to private equity and real estate which have higher fees as well as growth in the overall portfolio.

	2013 Budget	2013 Estimated	2014 Proposed
5789 MASTER TRUSTEE SERVICES	\$250,000	\$250,000	\$275,000

Master trustee services provided by the Northern Trust include the safekeeping of IMRF securities, the collection of all investment income, and the preparation of investment reports. The current contract which was renegotiated in 2008 calls for a flat fee of \$250,000 per year for basic custodial services. The increase for 2014 represents additional services for Northern's Alert Compliance System.

	2013 Budget	2013 Estimated	2014 Proposed
5790 INVESTMENT TRAVEL	\$75,000	\$70,000	\$80,000

This account is used to cover expenses, incurred by the Board and staff, for travel which is directly related to the management of the IMRF investment portfolio. This account also includes the cost of the annual Regional Managers review meetings. The increase in this account is due to the additional emphasis that has been placed on IMRF staff meeting with managers during the year.

	2013 Budget	2013 Estimated	2014 Proposed
5791 LEGAL FEES	\$202,800	\$370,000	\$350,000

This account is used to cover investment legal fees. The recent fee increases have been primarily related to additional work related to new real estate and private equity manager contracts. In 2014 it is anticipated that this level of activity will approximate the estimated 2013 level as work continues in the real estate and private equity areas of the portfolio.

	2013 Budget	2013 Estimated	2014 Proposed
5792 SECURITIES LITIGATION MONITORING & RFP COSTS	\$25,044	\$25,044	\$38,555

These costs are primarily to an outside firm to monitor securities litigation matters on behalf of IMRF. The increase in the 2014 budgeted amount is due to anticipated onsite due diligence reviews on new manager searches.

**ILLINOIS MUNICIPAL RETIREMENT FUND
2014 INVESTMENT ACCOUNT EXPLANATIONS**

5793	INVESTMENT CONSULTANTS	\$1,045,300		
		2013	2013	2014
		Budget	Estimated	Proposed
	Wilshire Compass	\$36,000	\$36,000	\$36,000
	Investment Consultant			
	General Advisory Services	250,000	250,000	250,000
	Performance Analytics	275,000	275,000	275,000
	Real Estate Advisory Services	250,000	250,000	250,000
	Additional Private Market Search	0	0	40,000
	Institutional Shareholder Services	0	0	0
	General Proxy Voting Services	47,000	47,000	47,000
	Investment Analytical Tools	125,300	42,000	130,300
	Indexes	17,000	17,000	17,000
	Subtotal: On-going costs	\$1,000,300	\$917,000	\$1,045,300
	Special Projects			
	Asset Liability Study	65,000	65,000	0
	Master Trust Evaluation	77,777	0	0
	Securities Lending Evaluation	22,223	0	0
		\$1,165,300	\$982,000	\$1,045,300

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. In 2013 several investment related special projects were scheduled but only the asset liability study was done. The asset liability study is done approximately every three years and it assists IMRF in its strategic asset allocation approach. IMRF determined the other two studies were not needed. The increase in the 2014 budget over the 2013 estimate is due to additional private market searches and a greater use of analytical tools which more than offset the lack of an asset liability study in 2014.

5794	SECURITIES LENDING FEES	2013	2013	2014
		Budget	Estimated	Proposed
		\$1,400,000	\$1,647,925	\$1,400,000

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. Higher securities lending fees will typically correspond to higher securities lending revenue.

5795	TAX PREPARATION & CUSTODIAL FEES	2013	2013	2014
		Budget	Estimated	Proposed
		\$0	\$21,000	\$42,000

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 anticipates that it will incur fees for 2013 and 2014.

5796	PUBLICATIONS & DUES	2013	2013	2014
		Budget	Estimated	Proposed
		\$4,978	\$5,296	\$6,282

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

**ILLINOIS MUNICIPAL RETIREMENT FUND
2014 INVESTMENT ACCOUNT EXPLANATIONS**

	2013	2013	2014
	Budget	Estimated	Proposed
5797 INVESTMENT LICENSES	<u>\$5,500</u>	<u>\$5,000</u>	<u>\$500</u>

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

ILLINOIS MUNICIPAL RETIREMENT FUND
2014 Proposed Capital Additions

	ACTUAL	BUDGET	ESTIMATED	PROPOSED	2014 PROPOSED AS %		
	2011	2012	2013	BUDGET	CHANGE OVER 2013		
			2013	2014	Budget		
					Estimate		
Capital Purchases	\$1,309,834	\$942,050	\$663,350	\$238,502	\$783,832	18.2%	228.6%
Internally Generated Computer Software	1,146,517	387,774	9,102,700	7,618,693	14,892,396	63.6%	95.5%
Total Capital Budget	<u>\$2,456,351</u>	<u>\$1,329,824</u>	<u>\$9,766,050</u>	<u>\$7,857,195</u>	<u>\$15,676,228</u>	<u>60.5%</u>	<u>99.5%</u>

Illinois Municipal Retirement Fund

2014 Proposed Capital Additions Summary

Capital Purchases

IMRF Provided Horizon Infrastructure	\$	482,000
Leasehold Improvements		69,332
Color Laser/LED Printer		60,000
Internet Link Load Balancers		36,000
Cisco Routers		32,000
Tape Backup Servers		28,000
Network Access Control Device		20,000
Automobile		18,500
Digital Copier/Fax/Printer		17,500
Training Room Projector and Screen		8,000
Wide Format Inkjet Printer		6,500
Window Coverings for Mail Center		6,000

Capital Purchases \$ 783,832

Internally Generated Computer Software

Horizon Modernization Project	\$	14,080,164
Financial System Replacement		514,263
Website Redesign		297,969

Internally Generated Computer Software \$ 14,892,396

Total Capital Budget \$ 15,676,228

Capital Purchases

IMRF Provided Horizon Infrastructure

The January 2013 contract with Deloitte requires IMRF to provide certain hardware and software infrastructure components that the new Horizon system will utilize.

Deloitte's proposed Horizon hardware and software plan was designed to leverage and reuse much of the current IMRF technology infrastructure, including our core network, internet connectivity, enterprise disk storage, and other components. This approach reduced overall infrastructure costs, and was the basis of the hardware/software contract with Deloitte.

However, the contract requires IMRF to provide certain other core infrastructure general purpose components so that Horizon can utilize and access these components.

The IMRF-provided components include:

- Disk storage to expand our Enterprise Storage Area Network to support Horizon data storage requirements.
- Network performance and user response time monitoring software. Deloitte's contract includes strict user response time targets, but today we have no tools to measure this.
- Job scheduling software. This software is used to coordinate processes on the various servers at IMRF.
- Fax software that allows Horizon to send and receive facsimiles directly to and from the system including Imaging.
- Adobe software to allow Member or Employer access enterable forms to send data directly to Horizon.

Estimated purchase price

\$482,000

Leasehold Improvements

In order to accommodate additional staff who are anticipated to join IMRF in 2014 and to accommodate future staff growth, IMRF has solicited estimates for the cost of reworking the configuration of certain space on the fourth and fifth floors at 2211 York Road. The plan is to construct three additional offices and four workstations on the fourth floor and three additional offices, five workstations and an interview room on the fifth floor.

Estimated construction price

\$69,332

Color Laser/LED Printer

We are asking IMRF to purchase a high-speed color printer that will be used to print Horizon correspondence, reports and forms.

Horizon correspondence, which will be developed using Microsoft Word, provides an excellent opportunity for IMRF to help our customers better understand the information we provide them via our in-house printed correspondence.

As a result of this opportunity and in an effort to provide excellent customer service, IMRF has adopted Plain Language for Horizon correspondence.

Plain Language extends beyond words, sentences, and paragraphs. Plain Language also includes the use of “visual” language, such as subheads, bulleted lists, graphics and color.

By applying the principles of Plain Language, improved visual design, and color to in-house printed correspondence and forms, IMRF will

- Show customer focus
- Communicate effectively
- Eliminate barriers
- Reduce time spent explaining
- Improve compliance

We are asking for a high-speed color printer to allow IMRF to help our members and employers more easily scan and find the information they are looking for, understand that information, and act appropriately on their understanding.

Estimated Cost of Purchase price **\$60,000**

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 seven years. 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 **\$36,000**

Cisco Routers

IMRF’s four Cisco routers will be 7 years old in 2014 and are on Cisco’s “end of life” list. Cisco maintenance can no longer be purchased for them.

Two of the routers are used to connect IMRF’s Oak Brook and Springfield offices. The third and fourth routers connect IMRF’s Oak Brook office to the Internet. They are in need of replacement in 2014.

Estimated purchase price **\$32,000**

Tape Backup Servers

Two of IMRF's Tape Backup Servers are now eight years old are in need of replacement. As the servers are used for "disk to disk" backup, they will be equipped with a large amount of disk space and high speed network and storage adapters.

Estimated purchase price **\$28,000**

Network Access Control Device

IMRF's IS internal control auditors, Crowe Horwath, have recommended that IMRF implement network access controls. The recommendation is that IMRF should implement some controls around the network ports to prevent unauthorized access to the network. Installing a Network Access Control (NAC) appliance will address this issue.

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

Automobile

IMRF maintains a fleet of cars that are utilized by field service personnel, the legislative liaison, internal audit and the executive director. In 2014 IMRF plans to add a field services supervisor who will need a car.

IMRF purchases these cars through the state of Illinois and receives the benefit of its purchasing power. We are proposing to purchase an additional car similar to our existing fleet of Chevrolet Impalas.

Estimated purchase price **\$18,500**

Digital Copier/Fax/Printer

A new digital copier/printer/fax machine for the Springfield office will replace an old Kyocera copier/printer that is fully depreciated and is experiencing a high number of service calls.

Estimated purchase price **\$17,500**

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**

Wide Format Inkjet Printer

The current Communications color printer is limited to pages 11 x 14. In order to print process/flow charts, Gantt charts and other communications a printer with more capabilities is needed. The PMO department also needs to print business process flow charts and other Horizon related information. Due to these requirements, IMRF proposes to purchase a roll-fed color printer plotter with a minimum width of 44 inches.

Estimated purchase price **\$6,500**

Window Coverings for Mail Center

An analysis of the Mail Center environment indicates that the heat and ultra violet rays from the westerly windows create problems for our mail processing equipment and supplies. The installation of window coverings constructed of sun control fabrics should resolve this problem.

The Mail Center staff utilizes several pieces of mail processing equipment to process daily mail, as well as large monthly and periodic mailings. This equipment includes two folder/inserters and the postage meter. This expensive equipment, as well as the paper and envelopes that go through the equipment, operates at maximum efficiency in a controlled environment. We experience performance problems, repeated maintenance calls, and processing delays when the equipment and/or the paper/envelopes are not within the ideal tolerances.

IMRF has three primary high volume processing centers: the Data Center, the High Speed Digital Print Center, and the Mail Center. Each work area was designed with dedicated air conditioning units, as temperature and humidity levels significantly impact operating efficiencies. The main environmental difference between the areas is that the Mail Center is the only room with windows. The heat and UV rays resulting from the windows create operating inefficiencies that can be mitigated with this solution.

Estimated purchase price **\$6,000**

Internally Generated Computer Software

Horizon Modernization Project

During 2014 IMRF will be making payments to Deloitte for professional services, hardware cost and software licenses cost. There are important deliverables attached to specific payments such as Solution Specification documents for phase 4a - Customer Relationship Management, Enterprise Content Management and Benefit Payments processing and phase 4b – Member and Employer functionality, the user acceptance

testing of phase 4a and the implementation of phase 4a functionality. At the same time important change management activities will happen as well as the implementation of the production environment at the IMRF data center. All payments are in keeping with the overall contract agreed to by IMRF and Deloitte in 2013.

Professional services	\$10,723,000
Software/hardware costs	497,000
Internal capitalized labor costs	<u>2,860,164</u>
Estimated 2014 capitalized costs	\$14,080,164

Financial System Replacement

Support for the financial management software currently used for processing IMRF accounting transactions, recording investment cost and market values, and generating IMRF financial statements has been discontinued and will be “orphaned” in 2014. Since all financial records come together in this financial management software, it must be replaced in order to provide accurate, timely, and comprehensive financial statements. During 2014, a project is planned to begin the phased transition to a new financial management system. The project will begin with a market search for available products and will be followed by a request for proposal (RFP) to solicit bids on software and implementation services. Once these proposals are evaluated, a firm will be selected to provide the software and services required to deliver a new financial management solution. While the proposals will determine the exact phasing and project schedule, it is anticipated that this project will begin in mid-2014 and that the replacement of IMRF’s current systems will be completed by the end of 2014. Additional enhancements to this new software will be explored at a later date.

Software costs	350,000
Internal capitalized labor costs	<u>164,263</u>
Estimated 2014 capitalized costs	\$514,263

Website Redesign

The website replacement project is a part of the Modernization Program, providing a contemporary design and management system to make the IMRF public website a more effective tool for communicating with our customers and the general public. The design and plans for replacing the website that were developed in 2013 will be implemented in 2014. This project will incur costs for software purchase and licensing for an enterprise content management system (CMS) and the technical infrastructure that will run it. The project will also require a writer to assist with content revisions and a contracted consultant for implementation services involved in installing and configuring the CMS and implementing the new design within it. IMRF will be releasing a formal request for proposal for this work with an estimated target date for awarding a contract in late February 2014. The costs below are estimates pending the finalization of the contract in 2014.

Hardware/Software costs	283,000
Internally capitalized labor costs	<u>14,969</u>
Estimated 2014 capitalized costs	\$297,969

After questions and discussion, it was moved by Ms. Henry, seconded by Mr. Kuehne, to approve the 2014 Planning and Budget Document.

Vote: Unanimous Voice Vote
Absent: Stulir

(13-11-13) (IMRF Website Replacement Project) A representative from Sikich LLP. and IMRF's Communication's Manager gave a presentation to the Board on IMRF's Website Replacement Project, focusing on the needs assessment and the perceptions of the IMRF Brand.

Staff presented several proposed logo designs for Board approval.

After questions and discussion, it was the consensus of the Board to table any action on a new logo design until the December Board Meeting. At that time staff will present several additional proposed logo designs for the Board's review.

(13-11-14) (Legislative Update) The Legislative Liaison reported on current legislative activity, noting no legislation directly affecting IMRF was passed during the second week of the fall veto session, although a pension reform bill relating to the Chicago Park District fund was passed by both chambers.

She noted the focal point of discussion was House Bill 1523, which makes changes to the Chicago Park District fund.

Lastly, the Legislative Liaison reported there was no activity on a pension reform proposal for the state systems during the final week of the official veto session.

Questions and discussion followed.

(13-11-15) (Litigation Update) The following is an update of the currently pending litigation:

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. Just as in the Stevens case, IMRF has been named as a "necessary party" to the lawsuit so that any judgment can be properly enforced.

Status: On February 7, 2013, the parties appeared before the Court where the County indicated that it had changed its mind and was no longer interested in settling the case. The Plaintiffs have filed a motion to enforce the settlement agreement. The hearing on that motion that was set for April 2, 2013 was postponed. The County has now hired a private law firm as a special assistant state's attorney to represent them. There is a trial date set in February.

**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. The plaintiff's theory is that the buyout was fraudulent and therefore a portion of those stockholders' proceeds from the stock sale was due to the fraud and should be returned to the Tribune's bankruptcy estate.

Status: IMRF has joined with other public plans and is using a shared counsel (Ice Miller LLP). The Defendants filed a motion to dismiss a portion of this lawsuit and the motion was granted. The dismissed plaintiff's filed an appeal of the judge's decision to dismiss, which will be fast-tracked.

**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.

Status: This adversary proceeding in the bankruptcy matter is currently stayed (on hold) while the proper defendants are determined.

VILLAGE OF OAK BROOK V. THOMAS SHEAHAN, ET. AL. (13 MR 942)

Summary: This is an administrative review action challenging the Board's decision upholding the granting of MEABF and Deerfield credit transfers to Thomas Sheahan, the former police chief of Oak Brook and deny the Village's request to recalculate their liability excluding the service credits transferred from MEABF and Deerfield. The Village is also seeking a declaratory judgment that Section 8-226.7 is unconstitutional special legislation.

Status: Case was filed on June 6, 2013. On October 3, 2013, the judge set a briefing schedule on the issue of whether all proper parties have been named. IMRF's brief is due November 1, 2013 and a hearing is set for January 7, 2014.

ESTATE OF MICHAEL STAMPER V. IMRF (2013 CH 1805) DUPAGE CO.

Summary: Decedent's mother and administrator of his estate is suing IMRF requesting the judge issue a temporary restraining order and an injunction issue preventing IMRF from paying out a benefit pursuant to a 1978 6.11 form which names her son's friends as his beneficiaries.

Status: Case was filed on June 26, 2013. IMRF has filed a motion to dismiss for failure to name necessary parties and cross claim for interpleader. On October 1, 2013, an order was entered requiring necessary parties to be joined, the deposit of death benefit with court, and dismissal of IMRF as a party. Benefit has been deposited with the court, IMRF is no longer involved.

MICHELLE MITTS-HARRIS V. IMRF AND BRENDA LINDSEY (13CH23076) COOK COUNTY.

Summary: Decedent's wife is suing IMRF and his named beneficiary requesting the judge issue a temporary restraining order and an injunction issue preventing IMRF from paying out a benefit pursuant to a 6.11 form which she claims is fraudulent.

Status: Case was filed on October 10, 2013 with a hearing set for November 7, 2013 on the injunction.

MATTHEW FECORATTA V. IMRF (13CH24473) COOK COUNTY

Summary: This is an administrative review action appealing the final administrative decision to deny Plaintiff's claim for disability benefits based on his failure to provide requested documents. His case was permanently closed according to IMRF procedures.

Status: Case was filed on October 30, 2013. IMRF must answer by filing the administrative record within 35 days.

(13-11-16) (Report of Executive Director)

Representation of IMRF

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

Trustee Ethics Training

The Executive Director stated that all Trustees have completed their required ethics training for 2012 of at least 8 hours.

2014 Board Meeting Dates

The Executive Director presented three proposed lists of 2014 Board Meeting dates. He noted PA 98-0218 amends section 7-177 of the Illinois Pension Code, which states the Board is no longer required to hold monthly meetings. The Board is now required to hold meetings at least four times in a year.

After discussion, it was moved by Ms. Henry, seconded by Ms. Copper, to adopt the following 2014 Board Meeting dates:

- January 24, 2014
- February 28, 2014
- May 30, 2014
- August 22, 2014
- November 21, 2014
- December 19, 2014

Vote: Unanimous Voice Vote
Absent: Stulir

(13-11-17) (Trustee Forum) The Chair reported the following Trustees requested authorization from the Board to attend the following conference:

William Stafford "Custom Target-Date Strategies Summit"
Pensions & Investments
November 19, 2013
Chicago, IL

Sharon U. Thompson "5th Annual Hyannis Port Compass Conference"
RFK Compass
June 23-25, 2014
Cape Cod, MA

It was moved by Ms. Henry, seconded by Ms. Copper, to approve the above Trustee requests.

Vote: Unanimous Voice Vote
Absent: Stulir

(13-11-18) (Adjournment) It was moved by Ms. Copper, seconded by Ms. Thompson, to adjourn the Board Meeting at 12:40 p.m., to reconvene in the Fund offices, 2211 York Road, Suite 400, Oak Brook, Illinois, at 9:00 a.m. on December 20, 2014.

Vote: Unanimous Voice Vote
Absent: Stulir

President

Date

Secretary

Date

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