

ILLINOIS MUNICIPAL RETIREMENT FUND
MINUTES OF
REGULAR MEETING NO. 14-11
NOVEMBER 21, 2014

ILLINOIS MUNICIPAL RETIREMENT FUND

MEETING NO. 14-11

REGULAR MEETING

OF THE

BOARD OF TRUSTEES

The Regular Meeting of the Board of Trustees was held at 9:04 a.m., November 21, 2014, in the Fund Office at 2211 York Road, Suite 400, Oak Brook, Illinois.

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

Mr. Kosiba called the roll:

Present: Copper, Henry, Kuehne, Piechocinski, Stafford, Stanish, Stulir, Thompson
Absent: None

Ms. Becker-Wold and Mr. Ball from Callan Associates, and a representative from Topeka Capital Markets were also present.

Ms. Copper left the meeting at 9:16 a.m.

(14-11-01)(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, 2014.

The report was followed by discussion from Board Members.

(14-11-02) (Investment Manager Activities - Callan and Associates) Mr. Ball gave the following report to the Board on the activities of IMRF's investment managers:

(14-11-03) (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 14-08-22
Special Board Meeting 14-09S-25
Special Board Meeting 14-10S-23

Schedules - Dated November 2014

- Schedule A - Benefit award listing of retirement, temporary disability, death benefits, and refund of employee contributions processed during the preceding calendar month under Article 7 of the Illinois Pension Code.
- Schedule B - Adjustment of Benefit Awards showing adjustments required in benefit awards and the reasons therefore.
- Schedule C - Benefit Cancellations.
- Schedule D - Expiration of Temporary Disability Benefits terminated under the provisions of Section 7-147 of the Illinois Pension Code.
- Schedule E - Total and Permanent Disability Benefit Awards recommended by the Fund's medical consultants as provided by Section 7-150 of the Illinois Pension Code.
- Schedule F - Benefits Terminated.
- Schedule G - Administrative Benefit Denials.
- Schedule P - Administrative Denial of Application for Past Service Credit.
- Schedule R - Prior Service - New Governmental Units

Schedules - Dated October 2014

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

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

Bids

2015 Member Newsletters

Approved Bidder: Minors Printing

Approved Bid: \$107,231.63

Single Source: HP Quality Center Support

Approved Bidder: Orasi

Approved Bid: \$69,628.00

Adobe LiveCycle Annual Maintenance Renewals

Approved Bidder: Software House Inc.

Approved Bid: \$67,580.00

Participation of New Unit of Government

Justice Park District

County: Cook

2014 Rate: 14.14%

Effective Participation Date: December 1, 2014

Number of Participating Employees: 1

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

Vote: Unanimous Voice Vote

Absent: Copper

The Executive Director reported that the bid for the Konica Minolta C1100 Color Printer that the Board approved at its October Meeting was cancelled, because staff determined the purchase of this printer was not needed at this time.

(14-11-04) (Financial Reports) The Chair presented the following financial reports for approval.

- Review of October and November Financial Reporting Packages
- Statement of Fiduciary Net Position for August and September
- Impact of 2014 Year-To-Date Investment Income on Employer Reserves, Funding Status and Average Employer Contribution Rates for September, October and November.
- Schedule T - Report of Expenditures for October and November.

It was moved by Ms. Thompson, seconded by Ms. Henry, to approve the Financial Reports as presented.

Vote: Unanimous Voice Vote

Absent: Copper

(14-11-05) (Report of the Audit Committee) The Chair of the Audit Committee reported on the meeting held on November 21, 2014.

General Counsel reported on several items including Harassment Training and Code of Conduct Compliance Training completed by all employees; five complaints (regarding employees) were received via the hot-line and investigated.

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.

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 2015.

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 2015 for the agreed upon cost of \$69,750.

The Chair stated representatives from KPMG presented information on their 2014 audit services plan for the Fund's 2014 financial statements and assistance in the first year of the implementation of GASB 68 for the Fund's employers.

It was the consensus of the Audit Committee to recommend the Board accept KPMG's 2015 Arrangement Letter with the agreed upon cost of \$137,140.

IMRF's internal audit manager presented the 2015 internal audit plan which focused on the risk assessment process and the areas of emphasis including employer audits.

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

It was moved by Mr. Keuhne, seconded by Ms. Henry, to accept Crowe Horwath's 2015 Arrangement Letter with the agreed upon cost of \$69,750, and to accept KPMG's 2015 Arrangement Letter with the agreed upon cost of \$137,140.

Vote: Unanimous Voice Vote
Absent: Copper

(14-11-06) (Report of the Benefit Review Committee) The Chair of the Benefit Review Committee reported on the meeting held on November 20, 2014.

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

- To uphold staff's determination to deny Total and Permanent disability Benefits for Charlene Johnson.
- That Lori Tow undergo a Functional capacity Evaluation to obtain additional documentation regarding the extent of her conditions and her inability to work.

Vote:
Aye: Unanimous Voice Vote
Absent: Copper

(14-11-07) (Report of the Legislative Committee) The Chair of the Legislative Committee presented a report on the Committee Meeting that was held on November 20, 2014.

The Legislative Committee reviewed the Legislative Committee Charter. No changes to the Charter were proposed.

Next, it was the consensus of the Legislative Committee to suspend the Springfield Drive-Down and have staff continue to schedule meetings with legislators in their district offices when the General Assembly is not in session, allowing Board Members to attend as their schedule permits.

The Chair stated it was the consensus of the Legislative Committee to recommend the Board include the following provisions in its 2015 Legislative Agenda:

- Update a reference in the ERI statute that refers to the old SLEP employee contribution rate.
- Change the Board Meeting section to no longer require a full Board Meeting to take action, but rather allow decisions to be made at the Committee level.
- Reduce the time required before IMRF can begin the offset process with the treasurer or comptroller from 90 days delinquent to 60 days delinquent.

The Legislative Committee also recommended the Board table the proposal to require employers to report all employees to IMRF and have staff do further work on the proposal before bringing it back to the Committee.

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

Vote: Unanimous Voice Vote
Absent: Copper

(14-11-08) (Hearing Officer Proposal) General Counsel presented a recommendation to the Board to appoint a hearing officer or hearing officers to hear member and employer appeals of staff decisions, and to draft findings and conclusions for presentation to the Board. It was noted the estimated cost would be \$40,000 per year.

After questions and discussion, it was moved by Mr. Keuhne, seconded by Mr. Stulir, to table further discussion and action to the December 18, 2014 Benefit Review Committee Meeting.

Vote: Unanimous Voice Vote
Absent: Copper

(14-11-09) (2015 Compensation Plan) The Deputy Executive Director reviewed the 2015 IMRF Staff Compensation Package Report.

After questions and discussion, it was moved by Ms. Henry, seconded by Ms. Stanish, to approve the following recommendations:

- Increase the base salaries by 2.5% for employees in good standing, effective January 1, 2015.
- Allow discretionary increase pool equal to 1.75% for employees who have a proven history of exceeding performance standards effective January 1, 2015, with a pool of approximately \$214,000 to be distributed.
- Increase in premiums (3.1%) for the Blue Cross/Blue Shield HMO and PPO program, with one minor change to the coverage (separate out-of-pocket maximums for medical and pharmacy benefits to remain in compliance with the Affordable Care Act).
- Renew with Delta Dental of Illinois for one year, with no premium increase and no changes in benefits.
- The addition of a new Dental HMO Plan that offers enhanced benefits, including some orthodontia benefits.
- Continue the current split between employee-paid insurance premiums and employer-paid insurance premiums.
- The addition of an optional Supplemental Vision Insurance Plan. Participation in this plan is optional, and is paid by the employee.

Vote: Unanimous Voice Vote
Absent: Copper

(14-11-10) (2015 Planning and Budget Document) The Chief Financial Officer presented the proposed 2015 Planning and Budget Document for approval by the Board.

Illinois Municipal Retirement Fund

Adopted 2015 Budget



IMRF

Moving

forward in our

Journey of Excellence.

Illinois Municipal Retirement Fund 2211 York Road Suite 500 Oak Brook, IL 60523
1-800-ASK-IMRF (275-4673) www.imrf.org

Inside front cover.

Table of Contents

Content	Page
Overview	
IMRF Board of Trustees and Senior Leaders	1
IMRF Organization Chart	2
IMRF Mission, Vision and Values	3
Budgetary Structure	
Budget Transmittal Letter	4
Strategies Through Modernization	11
What is Modernization?	12
Revenues by Source	13
Contributions vs. Benefits Paid	14
IMRF Strategic Plan	15
Short-Term Goals and Long-Term Goals	21
Asset Allocation	22
IMRF Budget Foundation	
IMRF Profile	23
Legislative Update	25
Funding	26
Appropriations	26
Balanced Budget	26
Basis of Budgeting/Budget Policies/Debt Policy	27
Performance Measures	27
Revenue Schedules	28
Employer Contribution Rate Ranges	29
Budget Timeline	30
Summary of IMRF Benefits	31
Summary of IMRF Departments and Workforce	37
Funding Status	38
General Guidelines from the Executive Director	40

Table of Contents *(cont.)*

Content

Page

IMRF 2015 Budget Components

Revenues by Source.....	43
2015 Adopted Expenditures.....	44
Additions to Fund Balances	45
2015 Adopted Capital Additions.....	46
2015 Adopted Capital Additions – Summary	46
2015 Capital Purchases	47
Analysis of 2015 Adopted Budget to 2014 Estimated Actuarial Variances	51
Analysis of 2015 Adopted Budget to 2014 Adopted Actuarial Variances	52

IMRF 2015 Departmental Budgets

Administration	53
Benefits	55
Board of Trustees.....	57
Communications	58
Finance	60
Human Resources	62
Information Services	64
Internal Audit.....	67
Investments.....	69
Legal.....	72
Member & Field Services.....	74
Office Services	76
Operations.....	78
Program Management Office (PMO)	79
2015 IMRF Budget – Summary by Account	80

Supplementary Information

Appendix A: Account Descriptions/Policies	82
Appendix B: New Accounting Pronouncements	84
Appendix C: Strategic Planning Methodology	85
Appendix D: Statistical Data	88
Glossary of Budget Terms	89

Illinois Municipal Retirement Fund

2015 Adopted Budget



IMRF Board of Trustees

Natalie Copper, *President*

John Piechocinski, *Vice President*

Tom Kuehne, *Secretary*

Gwen Henry, *Executive Trustee*

Sue Stanish, *Executive Trustee*

William Stafford, *Executive Trustee*

Jeffrey A. Stulir, *Employee Trustee*

Sharon U. Thompson, *Annuitant Trustee*

IMRF Senior Leaders

Louis W. Kosiba, *Executive Director*

Daniel Duquette, *Deputy Executive Director*

Dhvani Shah, *Chief Investment Officer*

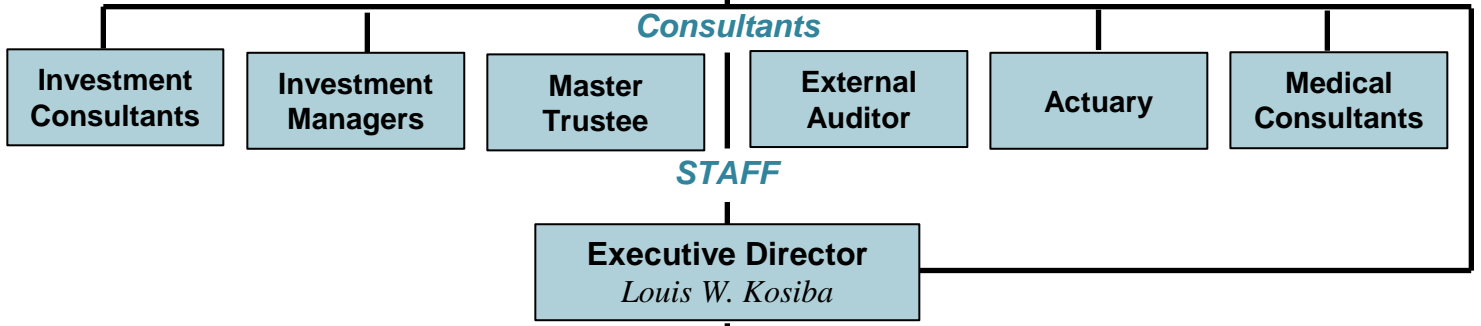
Mark Nannini, *Chief Financial Officer*

Kathy O'Brien, *General Counsel*

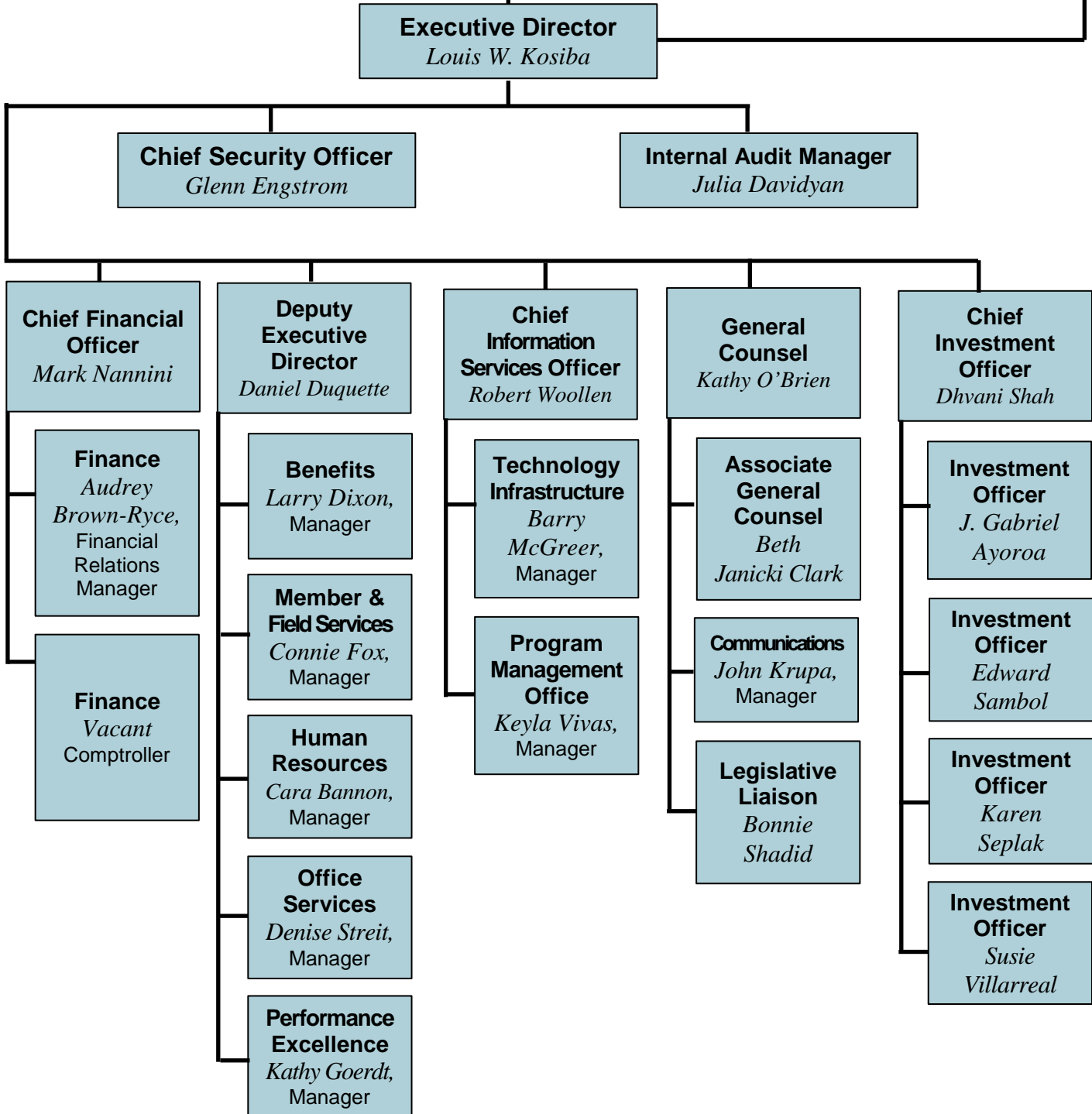
Robert Woollen, *Chief Information Services Officer*

Organization Chart

BOARD OF TRUSTEES



STAFF



IMRF Mission Statement, Vision, and Values

This vision and these values support IMRF's mission statement by providing goals and guiding principles as we develop, implement, and administer programs for our 173,826 active members, 107,732 retired members, and 2,977 employers.

Mission Statement

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

*Adopted,
September 26, 1991*

Vision

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

*Revised, August 24, 2007
Adopted, July 2, 2001*

Values

Guiding us to REACH our Mission, Vision, and Goals

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.

Accountability

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

Accuracy

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

Courage

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

Honesty

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

Revised 2010, 2013

Illinois Municipal Retirement Fund

2211 York Road Suite 500 Oak Brook IL 60523-2337 1-800-ASK-IMRF (275-4673) www.imrf.org

November 1, 2014

Board of Trustees
Illinois Municipal Retirement Fund
Oak Brook, Illinois 60523-2337

The Annual Budget for the Illinois Municipal Retirement Fund (IMRF) for the fiscal year ended December 31, 2015, is attached and submitted to the Board of Trustees. The management of IMRF is responsible for the compilation, content, and accuracy of this document. We have addressed the defined needs and objectives of the organization as outlined in the enclosed document. IMRF relies on the interest earned from the Trust to fund its administrative, investment, and operating expenses for the budget.

In developing this budget we received ideas and data from each operational department of IMRF. The objective is to continue to properly pay benefits and provide the utmost in customer service. IMRF has faced challenges in the past and will continue to face new challenges in the future based on the uncertain economic future. This budget reflects the organization's ability to adapt to the uncertainty and continue to provide annuitant benefits, employers' information and outstanding service to our internal and external customers.

IMRF is a solid, financially sound organization. We continue to involve a much larger segment of our workforce in the budget preparation process at IMRF. We demand sound financial, investment and operational decision-making by all employees and leaders. This year, we strengthened our approach by having our Chief Financial Officer lead an in-depth budgetary training session for IMRF leaders. Participants welcomed the professional development opportunity, and the Finance Department gained insight into each department's approach to budgeting.

Our fiscal year theme is "Strategies through Modernization." It reflects IMRF's organizational focus on updating systems, strengthening controls and preparing to deliver higher levels of service to our members, beneficiaries, and employers. IMRF's commitment to Modernization is aligned with our status as a national leader in the public pension industry, and positions IMRF to continue to provide world-class customer service now and into the future.

Profile of IMRF

IMRF is the administrator of an agent multiple-employer public employee retirement system. The Illinois State Legislature established IMRF in 1939. IMRF began operations in 1941 in order to provide

retirement, death, and disability benefits to employees of local units of government in Illinois. Members, employers, and annuitants elect eight trustees who govern IMRF. IMRF is separate and apart from the Illinois state government and is not included in the state's financial statements. IMRF now serves 2,977 different employers, 173,826 participating members, 118,034 inactive members, and 107,732 benefit recipients. The Illinois Pension Code requires IMRF to provide its financial statements to participating employers and to any participating member who requests them.

Spending Controls

The year's current budget reflects the activities needed to provide annuitant benefits, employers' information and outstanding service to our internal and external customers. Personnel changes in multiple areas reflect necessary staffing improvements to maintain customer service levels and meet the expectations of our customers. Insurance costs as outlined by the Human Resources Department are presented and described in their respective area of this budget.

Spending on special projects, such as the initiative to modernize IMRF's corporate brand, is identified throughout the budget document.

Capital projects are identified in the budget and prioritized as to how they align with the Strategic Plan. Some capital projects, such as the Modernization Program, are ongoing and will span several budget years.

Administrative Funding*

IMRF's revenue comes from three sources: investment earnings, employer contributions, and member contributions. Per state statute, IMRF employers are required to make actuarially required contributions to IMRF.

Members

12%



Employers (taxes, fees)

25%



Investment Income

63%



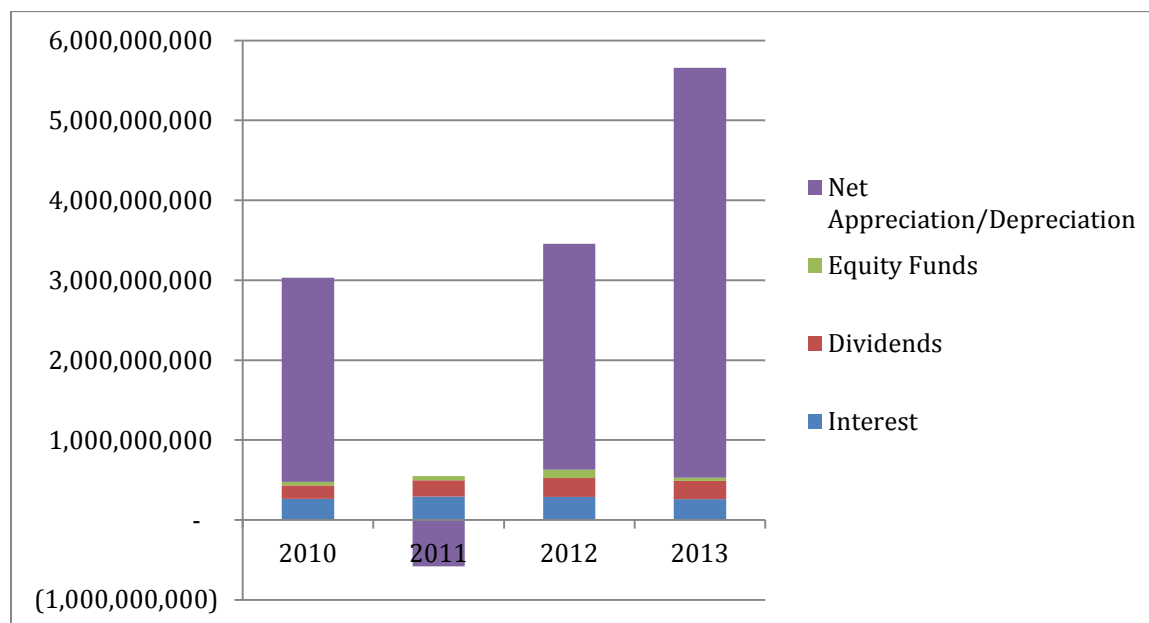
**Average percentages for 1982 through 12/31/2013.*

The revenue section of this document presents the details of the funding for IMRF.

Investments

The Investment Department this past year reorganized and added investment officers to monitor daily activity. These investment officers, under the direction of the Chief Investment Officer, manage 88 investment management firms, handling 119 separate accounts. These firms make investment decisions under the prudent man rule authorized by Article 1 of the Illinois Pension Code and by investment policy guidelines adopted by the Board of Trustees.

The Board employs an investment consultant to monitor and evaluate the investment management firms' performance, to aid in the selection of investment management firms and to assist in the development of investment policy. Our uppermost goal is to optimize the long-term total return of IMRF investments through a policy of diversification within a parameter of prudent risk as measured on the total portfolio. The Fiscal Year 2015 Investment budget reflects a new contractual commitment to investment consultant Callan Associates.



Personnel

Personnel requests are scrutinized as a percentage of the budget. All new requests are funneled through Human Resources and organizational leaders to justify the need and function of the respective positions. Throughout this budget document one can find the justification at the department level for the current staffing levels.

One new position is recommended in this 2015 budget. The new position is a Database Analyst position in the Information Services Department, which will report to the Technology Infrastructure Manager. The position will provide a second resource in this increasingly critical area. All other vacant positions will be filled during Fiscal Year 2015.

Benefit Management

IMRF will embark on a new program this year to provide identification cards to all annuitants. This undertaking is very large in scope and will benefit annuitants because their IMRF Member Identification Numbers are changing as part of the Horizon Project.

Information Systems Development

2014

IMRF's major 2014 system development priorities will focus on:

- Continuing the implementation phase of Horizon, including the design, construction, and testing of the first release of the new system planned for 2015.
- Reengineering business processes to achieve our Customer Service Goals while also maintaining all internal control and efficiency objectives.
- Implementing the hardware and software to support Horizon.

2015

IMRF's major 2015 system development priorities will focus on:

- Continuing the implementation phase of Horizon, including the design, construction, and testing of the first release of the new system planned for early 2015 (4a) and then onto second phase (4b).
- Reengineering business processes to achieve our Customer Service Goals while also maintaining all internal control and efficiency objectives.
- Implementing a new public website (www.imrf.org), incorporating our new branding/logo, improved maintainability, plain language, and a Spanish language version.
- Evaluation of phase two for the Microsoft Dynamics GP financial Software package.
- Implementing the first phase of the Microsoft Dynamics GP financial software package.

Strategic Plan

Our Strategic Plan provides the Fund with a road map for meeting the challenges and opportunities in achieving our vision to provide the highest quality retirement services to our members, their beneficiaries, and employers in a cost-effective manner. It guides our efforts to continuously improve our service to our employers and members.

The 2014-2016 IMRF Strategic Plan includes elements of the *Baldrige Criteria for Performance Excellence* to ensure we align our objectives, processes, and resources with our vision. Progress towards meeting our objectives is measured using the following five key results areas on our leadership scorecard:

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

Illinois Performance Excellence Silver Award for Progress toward Excellence

Illinois Performance Excellence (ILPEX) is a non-profit organization that seeks to help other organizations improve their performance by embracing the *Baldrige Criteria for Excellence* and aligning their processes to become more efficient and sustainable. Organizations that pursue the Baldrige management framework can demonstrate through the ILPEX award application that they have adopted proven performance practices, principles, and strategies that nurture excellence in all aspects of

their operations. This can range from customer relations, to workforce development, to specific operational and financial results. IMRF was one of six organizations that received the 2012 ILPEX Award for Excellence, and was one of only two organizations receiving the Silver Award – the highest award given in 2012. Our Silver Award affirmed IMRF’s status as a national leader in public pension administration. The comprehensive feedback report received from ILPEX provided additional guidance regarding how we can further leverage our strengths and pursue opportunities for improvement. We made application in 2014 to further validate our progress and to receive valuable feedback form ILPEX examiners and judges.

Defined Benefit Administration Benchmarking Analysis

CEM Benchmarking Inc. conducts an annual Defined Benefit Administration Benchmarking Study for public pension systems. IMRF has participated in this benchmarking program since 2001. This program provides insight into benefit administration costs, customer service levels, and industry best practices. IMRF’s service level scores scored in the top decile, while our costs were below the median as compared to our peer group of 40 public systems in the United States and Canada. We will continue our participation in this benchmarking program, as it is an important part of our Continuous Process Improvement Program.

Financial Policies

Financial policies provide the basic framework for the fiscal management of IMRF. These policies provide guidelines for the evaluation of current activities and proposals for the future. The policies represent long established principles, and practices that have guided IMRF in the past and leads to the financial stability of the organization today. These policies are located in the Appendix of this document.

Performance Measures

IMRF, in its quest to provide a more detailed budget document and to provide guidance through the process, is developing performance measures. This process will mature as the organization moves forward through the enhanced process. The performance measures are included in each operational section following the narrative for that section of the budget.

Highlights of the 2015 Budget

The budget as presented shows several areas of rising costs.

One area of rising cost is related to modernizing IMRF’s corporate brand. The new brand — which includes a new logo, color scheme, and typography — will roll out in conjunction with the new IMRF website design in early 2015. The project includes costs for rebranding all communications collateral, including customer correspondence and forms, benefit booklets and brochures, member and employer newsletters, etc. One-time costs associated with the rebranding include graphic artists to rebrand communications collateral and increased printing costs.

Another new endeavor is to provide new identification cards to all annuitants. This process will take place throughout the year and is reflected in the Field Services area of this budget document as well as the Records area for the postage to cover mailing the new identification cards.

The Modernization Program is now in its third year of the multiyear implementation. This multi-million dollar projects will continue through 2015 with the implementation of phase 4a in early 2015 and then

moving on to the phase 4b with the implementation dates to be determined in the 2015 operating year. Various costs budgeted in Fiscal Year 2014 that did not take place are again budgeted in Fiscal Year 2015. These expenses are presented in the capital budget for internally generated computer software.

The first phase for the change in financial software will take place in January 2015. The evaluation of the second phase and its implementation, which will impact Human Resources and Purchasing, is planned for the remainder of 2015. These funds are also budgeted again in Fiscal Year 2015 and presented in the capital budget for internally generated computer software.

Insurance costs are reflected in the Human Resources area and the Legal section as well. A 5.3% increase is budgeted in this area pending final renewal numbers.

Finally, investment management fees, which IMRF pays to third parties who manage the assets of the fund, continue to rise. These costs are reflected in the Investment Department's section of the budget. IMRF anticipates its investment return to offset these costs. Over the last 10 years, IMRF's total fund return of 8.17% significantly exceeded the fund's assumed rate of return of 7.5%.

Awards

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to IMRF for its Comprehensive Annual Financial Report (CAFR) for the year ended December 31, 2012. Application has been made for the Fiscal Year 2013 CAFR presentation and notice of the award is pending. The Certificate of Achievement for Excellence is a prestigious national award, recognizing conformance with the highest standards for preparation of state and local government financial reports. IMRF has received a Certificate of Achievement for the last 33 consecutive years (Fiscal Years 1980-2012). IMRF also received a Certificate of Achievement for Excellence in Financial Reporting for its Popular Annual Financial Report (PAFR) for the year ended December 31, 2012. IMRF has received the PAFR award eleven times.

In the spirit of achievement and excellence in reporting, for the first time this year IMRF will submit this budget document for the National GFOA's Distinguished Budget Awards Program. IMRF is proud of this document and its contents. We feel that it provides the reader pertinent information about IMRF as an organization, and makes clear the focus and direction of the organization into the future.

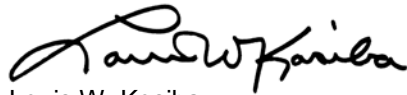
Acknowledgements

The production of this report reflects the combined effort of the IMRF staff under the leadership of the Board of Trustees and the Executive Director, Louis W. Kosiba. The Finance Department, under the direction of Mark Nannini, compiled the report. We believe this report provides complete and reliable information for making management decisions, for determining compliance with legal provisions and for determining responsible stewardship for the assets contributed by the members and their employers.

We will make this budget document available on the IMRF website. We hope that all users of the budget document will find it both informative and helpful.

The budget document is a culmination of a major effort by numerous members of the IMRF staff as well as the Board. We would like to especially thank the Directors, Managers, and Supervisors, Sue Arvesen, Kathy Goerdts, Michael Mandra, Aurora O'Neil, Augustina Shenkman and Jim Splitt for their help in preparing and assembling this document. On behalf of the management team, we are pleased to present the Fiscal Year 2015 IMRF budget for your consideration.

Respectfully submitted,



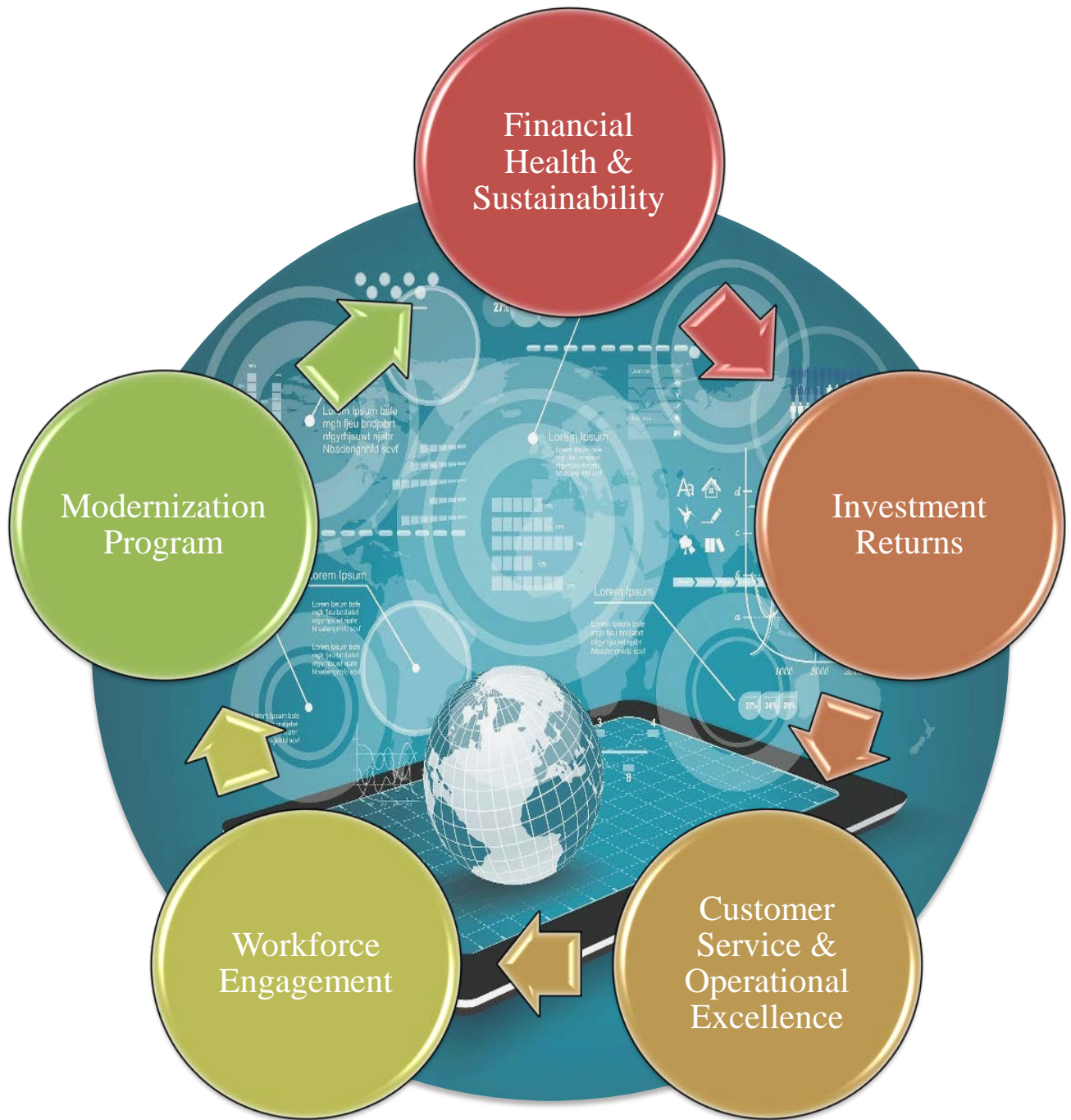
Louis W. Kosiba
Executive Director



Mark F. Nannini
Chief Financial Officer

Strategies through Modernization

Progress toward meeting our strategic objectives is measured using the following five key result areas on our Leadership Scorecard:



What is Modernization?

Modernization is an enterprise-wide initiative.

Modernization is an enterprise-wide initiative to redefine the way IMRF does business.

The program will involve the complete replacement of the obsolete technology IMRF uses to administer its pension system. This technology upgrade will impact all aspects of the organization, but most importantly, it includes the replacement of our pension administration system, Spectrum, with a new, modern, efficient, pension solution.

Modernization involves improving business practices.

Modernization is about more than upgrading technology. It is also about improving the way we do business.

More modern technology will allow for automation of some current business processes, allowing staff to focus on more analytical, engaging tasks.

Modernization is about improving our customer service.

The whole point of Modernization is to enhance the level of customer service IMRF provides members, employers, and taxpayers.

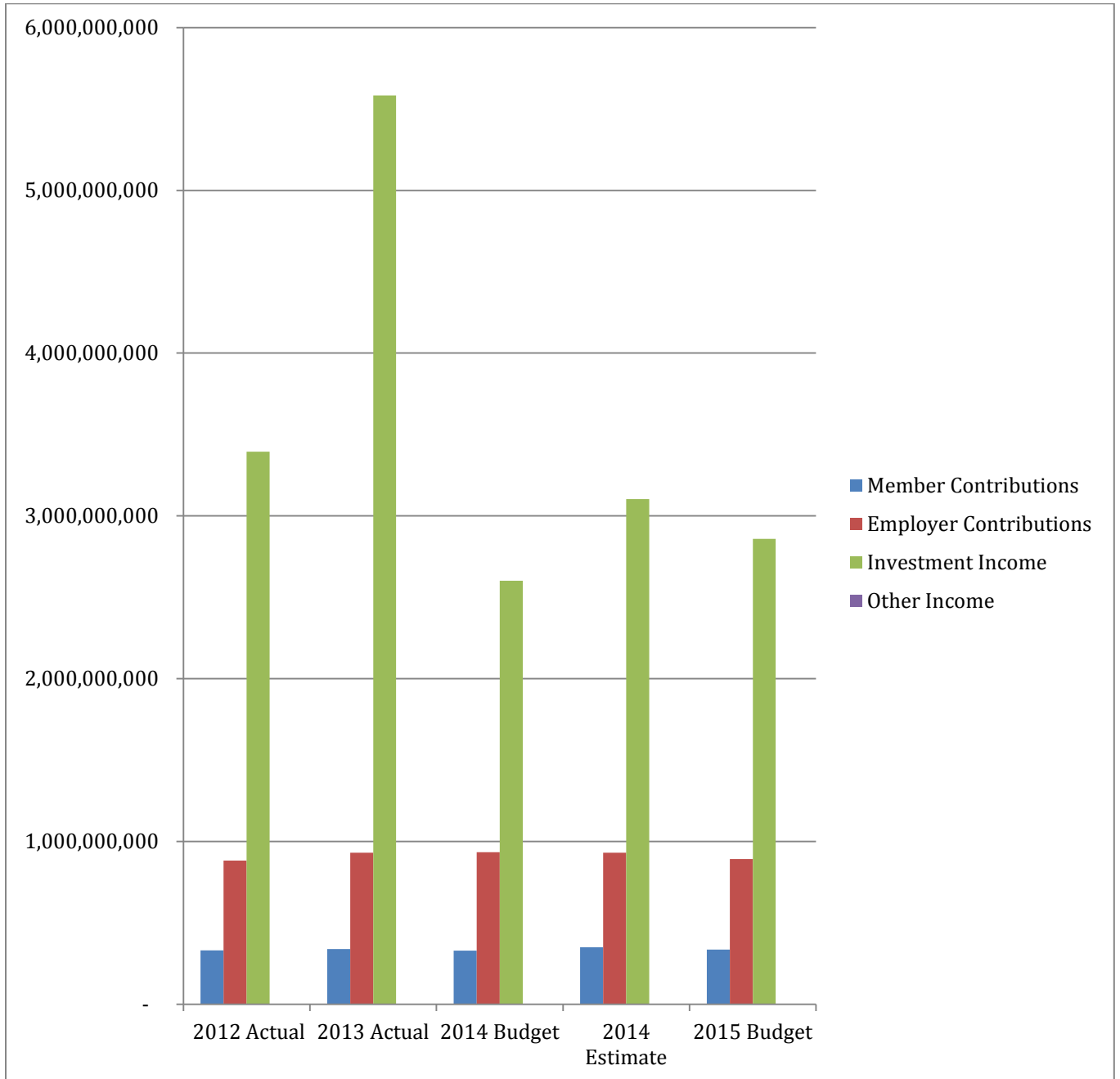
IMRF staff came together in early 2012 to develop six new customer service goals for our organization:

- Establish, manage, and communicate expectations, and then follow up.
- Supply timely and accurate information.
- Be simple, fast, and easy.
- Offer a variety of options.
- Have a global view of the customer
- Empower staff to resolve problems.

Every change Modernization makes should support at least one of these customer service goals.

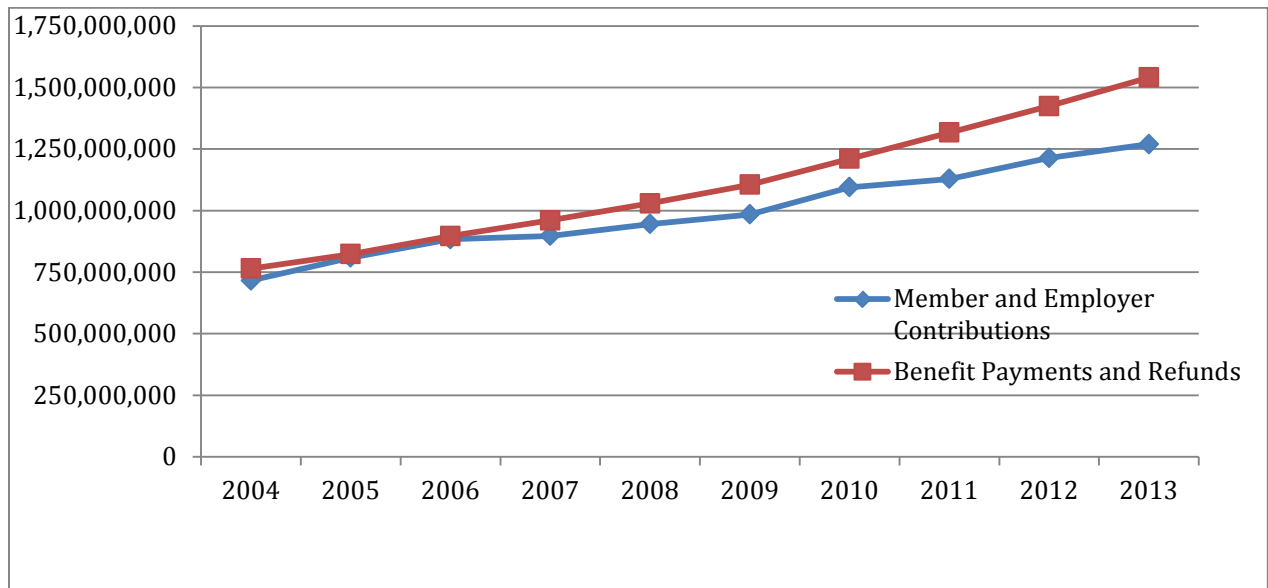
Revenues by Source

Source	2013 Actual	2014 Budget	2014 Estimate	2015 Budget
Member Contributions	\$ 338,934,421	\$ 329,542,700	\$ 350,141,084	\$ 335,285,376
Employer Contributions	930,969,056	934,239,756	930,501,299	891,285,376
Investment Income	5,583,120,005	2,601,751,950	3,103,710,544	2,859,588,666
Other Income	8,455	15,000	17,960	15,000
Total	\$ 6,853,031,937	\$ 3,865,549,406	\$ 4,384,370,887	\$ 4,086,174,418



Contributions vs. Benefits Paid

Year	Member and Employer Contributions	Benefit Payments And Refunds
2004	\$ 715,703,630	\$ 764,533,093
2005	808,332,009	823,454,491
2006	883,773,965	896,300,632
2007	897,512,205	960,212,783
2008	945,167,415	1,029,418,261
2009	984,470,203	1,105,278,532
2010	1,095,044,263	1,210,232,111
2011	1,128,485,142	1,317,305,714
2012	1,214,030,823	1,423,957,664
2013	1,269,903,477	1,540,318,362



IMRF Strategic Plan

November 2014

The Illinois Municipal Retirement Fund Board of Trustees and staff developed our 2014 - 2016 IMRF Strategic Plan in 2013. The Strategic Plan includes Strategic Objectives for each of our five Key Result Areas, our formal planning methodology, and our Mission, Vision and Values.

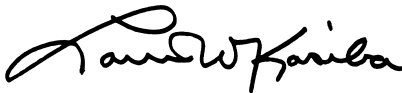
Our Strategic Objectives challenge us to achieve top 10% performance for most key result areas. These objectives are supported by a set of key strategies critical to the success of our plan. The complete list of Strategic Objectives and Key Strategies is included in the enclosed Strategic Plan.

IMRF received an Illinois Performance Excellence (ILPEX) *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. In furtherance and support of our continued Journey of Excellence, we re-applied for the ILPEX recognition cycle in 2014.

- ***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 2,977 employers; 173,826 participating members; 107,732 benefit recipients; and the taxpayers of Illinois.

We appreciate your interest in IMRF and welcome your feedback.



Louis W. Kosiba
Executive Director

Strategic Plan

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 proactively implementing improvements, as well as responding 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 studies.

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* and the *2012 Illinois Performance Excellence Award* were logical extensions of our continuous process improvement program. They also provided a 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 developed action plans, including milestones and timelines, for the key strategies associated with each of these objectives. We made excellent progress towards the completion of our action plans in 2014. Highlights of our achievements are included in quarterly updates to the Board of Trustees.

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 utilized 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 on the Employee Engagement Survey
- Achieving employee turnover levels below averages as measured by CompData Surveys

Key Strategies

- *Analyze the 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*

Short-Term Goals and Long-Term Goals

Leadership Scorecard	
KRAs	Leadership Scorecard Measures
Financial Health & Sustainability (TD)	<p>Funded status (% funding available) based on:</p> <ul style="list-style-type: none"> ▪ Actuarial assumptions ^(C) ▪ Market results <p>Percent change in employer contribution rate</p> <p>Funded status on market-value basis vs peers ^(C) (TD)</p>
Investment Returns	<p>Gross annual returns for:</p> <ul style="list-style-type: none"> ▪ 5/10/15 years vs. 7.5% actuarial assumption ▪ 3/5/10 years vs. total portfolio benchmark ^(C)
Customer Service and Operational Excellence (TD)	<p>Percent "Very Satisfied" for Overall Satisfaction on:</p> <ul style="list-style-type: none"> ▪ Member transactions, Member workshops ^(C) ▪ Employer transactions, Employer workshops ^(C) <p>Cobalt survey ACSI score (percentile rank) ^(C) (TD)</p> <p>CEM Overall Service score (percentile rank) ^(C) (TD)</p> <p>CEM Per Member Cost versus median ^(C)</p>
Workforce Engagement (TD)	<p>Leadership IQ Engagement survey percentile rank:</p> <ul style="list-style-type: none"> ▪ Recommend IMRF as great organization ^(C) (TD) ▪ Motivated to give 100% effort at work ^(C) (TD) <p>Total turnover vs CompData ^(C)</p>
Modernization Program	<p>Horizon program performance versus:</p> <ul style="list-style-type: none"> ▪ Milestones, Budget <p>Reengineering program performance versus:</p> <ul style="list-style-type: none"> ▪ Milestones, Budget <p>Website replacement project performance versus:</p> <ul style="list-style-type: none"> ▪ Milestones, Budget

(C) Comparative data available for 15 of 26 KPIs on Leadership Scorecard

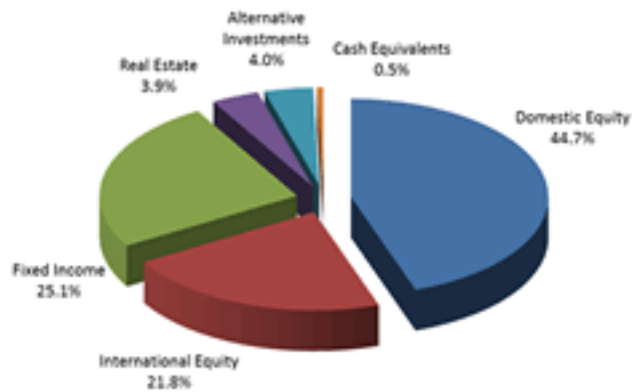
(TD) Strategic objectives for 3 of 5 KRAs aligned with goal to achieve top decile performance

Asset Allocation

Asset Allocation Summary as of June 30, 2014

Asset Class	Market Value		
	(in Millions)	% Target	% Actual
Domestic Equity	\$ 15,566.0	38.0%	44.7%
International Equity	7,575.5	17.0%	21.8%
Fixed Income	8,716.6	27.0%	25.1%
Real Estate	1,348.5	8.0%	3.9%
Alternative Investments	1,403.6	9.0%	4.0%
Cash Equivalents	181.3	1.0%	0.5%
Total	\$ 34,791.5	100%	100%

**IMRF Asset Allocation
as of June 30, 2014**



Profile of IMRF/History

IMRF is the administrator of an agent multiple-employer public employee retirement system. The Illinois State Legislature established IMRF in 1939. We began operations in 1941 in order to provide retirement, death and disability benefits to employees of local units of government in Illinois. Members, employers and annuitants elect eight trustees who govern IMRF. IMRF is separate and apart from the Illinois state government and is not included in the state's financial statements. IMRF now serves 2,977 different employers, 173,826 participating members and 107,732 benefit recipients. The Illinois Pension Code requires IMRF to provide its financial statements to participating employers and to any participating member who requests them. However, the Illinois Pension Code designates the State Treasurer ex-officio treasurer of IMRF and requires the Auditor General to approve appointment of independent public accountants.

Employers	2013	2012
Participating employers	2,977	2,969

The Illinois Pension Code specifies the units of government required to participate in IMRF and the units that may elect to join. Participation by the following units of government is mandatory:

- All counties except Cook,
- All school districts except Chicago and,
- All cities, villages and incorporated towns with a population over 5,000, other than Chicago, which do not provide Social Security or equivalent coverage for their employees before they reach a population of 5,000.

Other units of government with general taxing powers, such as townships and special districts, may elect to join. Participating instrumentalities, which include units of government without general taxing powers and not-for-profit organizations, associations, or cooperatives authorized by state statute, may participate. They must meet financial stability requirements. Units that elect to join the system may not under any circumstances terminate their participating employer status as long as they are in existence.

Members	2013	2012
Retirees and beneficiaries currently receiving benefits	107,732	103,929
Terminated members entitled to benefits but not yet receiving them	12,717	12,175
Terminated members—non-vested	105,317	103,179
Current members:		
Non-vested	82,380	83,745
Vested	<u>91,446</u>	<u>91,026</u>
Total current members	173,826	174,771
<i>Grand Total</i>	<u>399,592</u>	<u>394,054</u>

Employers must enroll employees in IMRF if the employees' positions meet the qualifications for IMRF membership. There are some exceptions. City hospital employees and elected officials have the option to participate. IMRF does not cover individuals in certificated teaching positions covered by the Illinois Teachers' Retirement System. Also, IMRF does not generally cover individuals performing police or fire protection duties for employers with local police and fire pension funds. Certain police chiefs may choose to participate as Sheriff's Law Enforcement Personnel (SLEP) members.

Succession Plan

IMRF is a strong, innovative organization. Our success—translated into providing the highest quality retirement services for our members and employers—depends on the talented and committed employees of IMRF. Developing this talent and guiding individuals who are looking to move forward with IMRF in managerial or supervisory positions, is critically important to the future sustainability and success of IMRF.

The IMRF Succession Plan was created to meet this need. By providing hands-on job experience, a variety of training opportunities, mentoring, and even formal education, many IMRF employees have grown personally and professionally through the Plan. Even for employees who are at the managerial level, the IMRF Succession Plan provides ways to further develop current capabilities and strengths.

Legislative Update

Four pieces of legislation, affecting IMRF, passed in the Illinois General Assembly in 2014:

House Bill 5696/Public Act 98-0932

The new law went into effect on August 15, 2014 and includes the following provisions:

- No longer requires an election to be held for the IMRF Board of Trustees if there is only one certified candidate.
- Codifies the Board's current omitted service procedures in statute.
- Removes references to obsolete transfer windows from the Illinois Pension Code. These windows allowed members to transfer service between IMRF and another police or fire pension system within a specific time frame that is now past.

House Bill 3902/Public Act 98-0712

This bill excludes IMRF participation of employees of an IMRF employer who are earning credit with a Taft-Hartley (union) pension plan for that service. It affects new employees only.

House Bill 4691/Public Act 98-0729

This bill changes the amount that is transferred from IMRF to a newly created police pension fund when members transfer to that fund.

Senate Bill 1/Public Act 98-0599

(On May 14, 2014 the Seventh Judicial Circuit Court of Sangamon County ordered a temporary stay to Public Act 98-0599.) For members who first begin participating after the effective date:

- No longer allows sick or vacation payouts to be included as pensionable wages;
- No longer allows unused, unpaid sick leave to be used to increase service credit amount; and
- Prohibits participation in IMRF for future employees of certain employers.

Funding

IMRF's actuary uses a five-year smoothed market-related value with a 20 percent corridor to determine the actuarial value of assets. The smoothing is intended to prevent extreme volatility in employer contribution rates due to short-term fluctuations in the investment markets. For the December 31, 2013 valuation, the aggregate actuarial value of assets was \$30.1 billion. The aggregate actuarial liability for all IMRF employers was \$34.4 billion. The aggregate actuarial funding ratio is currently 87.6 percent. The 87.6 percent funding ratio is an increase from the 2012 actuarial funding ratio of 84.3 percent. If the market value of assets is used (i.e., no actuarial smoothing), the aggregate funding ratio is 96.7 percent as of December 31, 2013, an increase from 85.9 percent as of December 31, 2012. The reason for the significant increase in the net market funding ratio is the 20 percent investment return in 2013. As of December 31, 2013, IMRF's market-based funding value was greater than the actuarial funding value since there were \$3,120 billion of unrecognized investments gains which will be reflected in the 2014 through 2017 period in keeping with the five-year smoothing technique discussed above. The preceding ratios are for the Fund as a whole. Under the Illinois Pension Code, each employer funds the pensions for its own employees. Funding ratios for individual employers and individual plans vary widely. IMRF members can look with a sense of security to the net asset base since these assets are irrevocably committed to the payment of their pensions when they retire. The actuary has determined that the present net asset base, expected future contributions and investment earnings thereon are sufficient to provide for full payment of future benefits under the level payroll percentage method of funding.

Appropriations

IMRF has no funds that are subject to legislative appropriation by the Illinois Legislature.

The assets and liabilities of each employer remain with that employer until a member retires. The assets of one employer cannot be used to pay the liabilities of another employer. The assets are combined for investment and administrative purposes, but maintained separately for accounting purposes.

Balanced Budget

IMRF does not employ governmental fund accounting when preparing the annual budget. IMRF does not operate under a balanced budget approach and pays the costs of administering the plan from investment income. The Board of Trustees, who monitors and sets spending levels each fiscal year, approves IMRF's annual budget.

Basis of Budgeting

The financial statements are prepared on an accrual basis in accordance with Generally Accepted Accounting Principles (GAAP). Employer and member contributions are recognized in the period in which the member provides service. Benefits and refunds are recognized when due, and payable in accordance with the terms of the plan.

IMRF prepares its budget using the accrual basis of accounting. It recognizes member and employer contributions as revenues in the month member earnings are received in accordance with the provisions of the Illinois Pension Code. Benefits and refunds are recognized as an expense when payable. Expenses are recorded when the corresponding liabilities are incurred regardless of when payment is made.

Budget Policies

- A one-year budget is presented each year to the Board of Directors for approval.
- The budget should focus on implementing the current Strategic Plan.
- Fiscal prudence should be tempered by the need to successfully and effectively implement current programs and initiatives.
- Capital projects not started or completed in the current year need to be resubmitted into the next year's budget. All projects will be subject to reprioritization and possibly elimination.
- Reallocation of expenditures is permissible with the approval of the Chief Financial Officer.
- Amendments to the budget need to be approved by the Board of Directors.

Debt Policy

IMRF carries no current debt obligations or issuances of any type, and does not anticipate incurring debt in the near future. IMRF's current Board does not allow for the issuance of any debt nor is the issuance of debt supported by the Illinois Pension Code, which established and governs IMRF.

Performance Measures

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan member to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities consistent with the long-term perspective of the calculations.

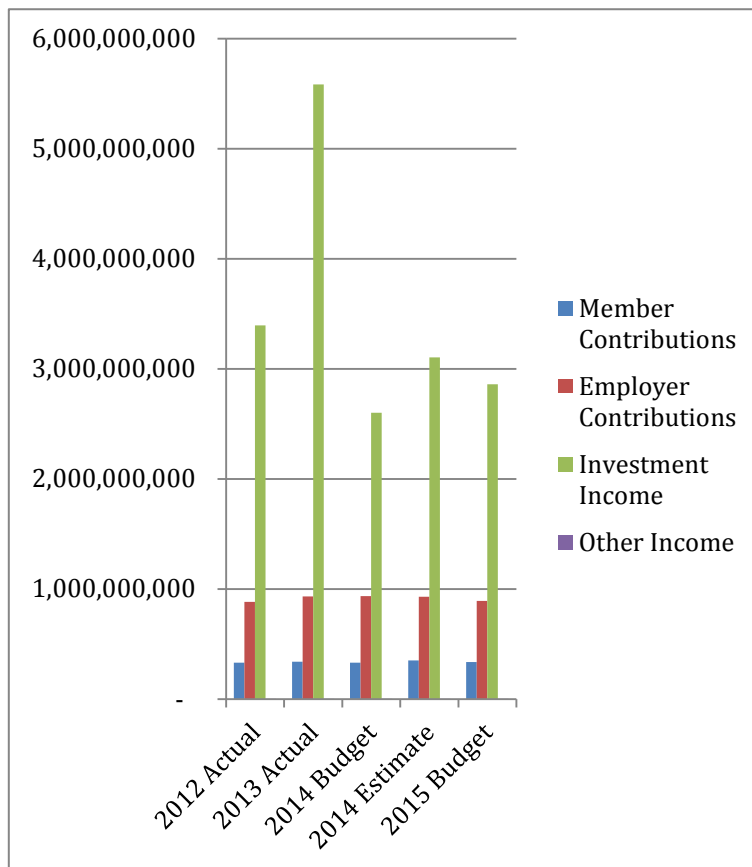
In the December 31, 2013, actuarial valuation, the individual entry age actuarial cost method was used. The actuarial Assumptions included a 7.5 percent investment rate of return which is based upon the employer's assumed return on its assets, reduced by decrements to an ultimate rate of 4 percent after nine years. Both rates include a 4 percent inflation assumption. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payrolls over an open 27-year period.

Revenue Schedules

IMRF employers are required by law to make contributions on a monthly basis to support the IMRF benefit. IMRF employers have a long history of commitment to remitting the required contributions.

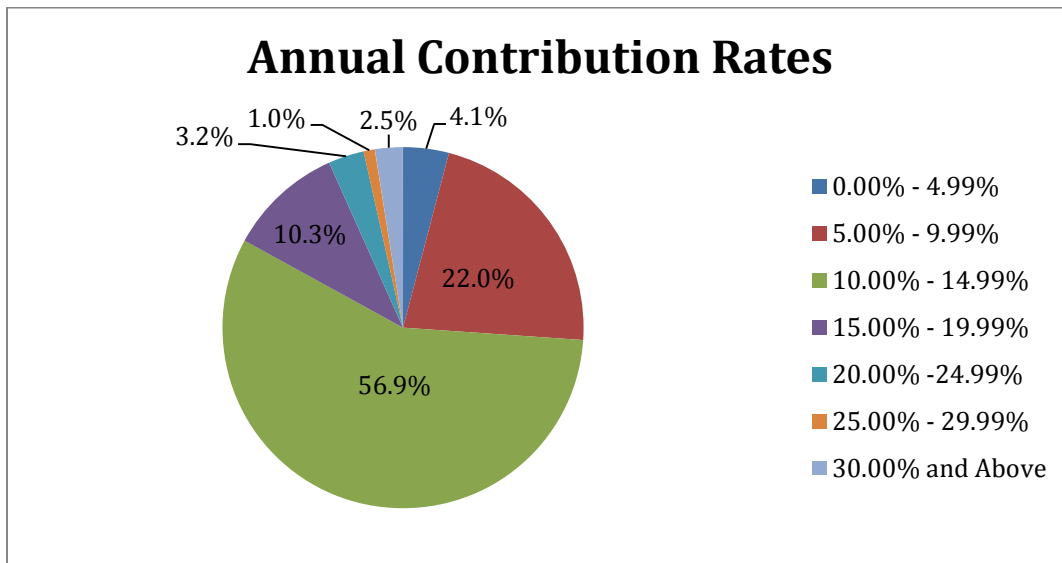
If an employer fails to make the required contributions, IMRF has the statutory authority to enforce payment. IMRF can intercept funds due an employer from the State Comptroller or real estate taxes due an employer from the County Treasurer.

	2013 Actual	2014 Budget	2014 Estimate	2015 Budget
Member Contributions	\$338,934,421	\$329,542,700	\$350,141,084	\$335,285,376
Employer Contributions	930,969,056	934,239,756	930,501,299	891,285,376
Investment Income	5,583,120,005	2,601,751,950	3,103,710,544	2,859,588,666
Other Income	8,455	15,000	17,960	15,000
Total	\$6,853,031,937	\$3,865,549,406	\$4,384,370,887	\$4,086,174,418



Employer Contribution Rate Ranges

Range	Percent of Employers	Regular Plan	SLEP Plan	ECO Plan	Total
0.00% - 4.99%	4.1%	132	3	1	136
5.00% - 9.99%	22.0%	720	5	0	725
10.00% - 14.99%	56.9%	1784	89	1	1874
15.00% - 19.99%	10.3%	278	54	8	340
20.00% -24.99%	3.2%	64	40	2	106
25.00% - 29.99%	1.0%	26	8	0	34
30.00% and Above	2.5%	22	4	55	81
	100.0%	3026	203	67	3296



Budget Timeline

Illinois Municipal Retirement Fund 2015 Administrative Expenses, Direct Investment Expenses and Capital Budget Schedule

Due Date	Item
08/15/14	Budget assumptions finalized by Executive Director
08/26/14 & 08/28/14	Finance presents Budget 101 workshops for staff
09/01/14	Budget worksheets, capital worksheets, and budget assumptions shared with managers and directors
09/01/14	Identification of 2014 Projects that will be carried over to 2015
09/15/14 thru 09/19/14	Department operating and capital budgets, along with estimated incremental costs associated with proposed 2015 Projects, due to Finance Department for review
09/22/14 thru 09/24/14	Executive Director reviews department-proposed 2015 projects and budgets with comparisons to prior year actual amounts, current year estimates and prior year budget
11/03/14	Final review of proposed 2015 projects and budget document by Directors
11/13/14	Distribution of proposed 2015 projects and budget document to Board of Trustees
11/21/14	Presentation of Compensation Report and Health Insurance Report to Board of Trustees
11/21/14	Presentation of proposed 2015 projects and budget document to Board of Trustees

Summary of IMRF Benefits

This is a brief plan description of IMRF benefits. Additional conditions and restrictions may apply. A complete description is found in Article 7 of the Illinois Pension Code.

General

IMRF serves 2,977 employers including cities, villages, counties, school districts, townships and various special districts, such as parks, forest preserves and sanitary districts. Each employer contributes to separate accounts to provide future retirement benefits for its own employees.

Employees of these employers are required to participate if they work in an IMRF qualified position. An IMRF qualified position is one that is expected to equal or exceed the employer's annual hourly standard; the standard is either 600 or 1,000 hours a year.

IMRF has three benefit plans. The Sheriff's Law Enforcement Personnel (SLEP) plan is for sheriffs, deputy sheriffs and selected police chiefs. Forest preserve districts may adopt the SLEP plan for their law enforcement personnel. Counties could adopt the Elected County Official (ECO) plan for their elected officials prior to August 8, 2011. The ECO plan was closed to new participants after that date. After a county adopted the ECO plan, participation was optional for the elected officials of that county. All remaining employees belong to the Regular plan.

On April 14, 2010, Public Act 96-0889 was signed by the Governor of Illinois. This law which became effective January 1, 2011, created a second tier for Regular and Elected County Official plan members who are initially hired on or after that date. On December 30, 2010, Public Act 96-1495 was signed by the Governor of Illinois. This law which became effective January 1, 2011, created a second tier for SLEP plan members who are initially hired on or after that date.

Both the employee (member) and the employer contribute toward retirement benefits. Members contribute a percentage of their salary as established by the Pension Code. The percentage depends on the plan in which the member participates. Regular members contribute 4.5 percent. SLEP and ECO members contribute 7.5 percent. Members also have the option of making voluntary after-tax contributions up to 10% of their salary. Employer contribution rates are actuarially calculated annually for each employer. (Beginning in 2010, employers were given the option to select a contribution rate less than the actuarial required contribution rate if the current year's actuarial required contribution rate were more than 10 percent higher than the prior year's rate.) Employers pay most of the cost for member and survivor pensions and all of the cost for supplemental retirement, death and disability benefits.

Vesting

Tier 1

Members are vested for pension benefits when they have at least eight years of qualifying service credit. SLEP members are vested for a SLEP pension when they have at least 20 years of SLEP service credit. SLEP members with more than eight years of service but less than 20 years of SLEP service will receive a Regular pension. Revised ECO members (those who joined the ECO plan after January 25, 2000) are vested with eight or more years of ECO service credit in the same elected county position. Revised ECO members with eight years of service, but less than eight years in the same elected county office will receive a Regular pension.

Tier 2

Members are vested for pension benefits when they have at least ten years of qualifying service credit. SLEP members are vested for a SLEP pension when they have at least ten years of SLEP service credit. ECO

members (those who joined the ECO plan after January 1, 2011 and before August 8, 2011) are vested with ten or more years of ECO service credit in the same elected county position. ECO members with at least ten years of total service credit, but less than ten years of service in the same elected county office, will receive a Regular pension.

Refunds

Non-vested members who stop working for an IMRF employer can receive a lump sum refund of their IMRF member contributions. Vested members can receive a lump sum refund of their IMRF member contributions if they stop working for an IMRF employer prior to age 55, or 62 for Tier 2 members. Vested members age 55 or older (62 or older for Tier 2 Members) may receive separation refunds if the member rolls over the refund into another defined benefit retirement plan for the purpose of purchasing service credit.

Members who retire without an eligible spouse (married to or in a civil union with the member at least one year before the member terminates IMRF participation) may receive a refund of their surviving spouse contributions with interest or an annuity.

If, upon a member's death, all of the member contributions with interest were not paid as a refund or pension to either the member or his or her spouse, the beneficiary will receive any balance in the member's account.

Pension Calculations

A Regular IMRF pension is:

- 1-2/3 percent of the final rate of earnings for each of the first 15 years of service credit, plus
- 2 percent for each year of service credit in excess of 15 years.

The maximum pension at retirement cannot exceed 75 percent of the final rate of earnings.

A SLEP pension is:

- 2-1/2 percent of the final rate of earnings for each year of service.

The maximum pension at retirement cannot exceed 80 percent (75 percent for Tier 2) of the final rate of earnings.

An ECO pension is:

- 3 percent of the final rate of earnings for each of the first eight years of service, plus
- 4 percent for each year of service between eight and 12 years of service, plus
- 5 percent for years of service credit over 12.

The maximum pension at retirement cannot exceed 80 percent (75 percent for Tier 2) of the final rate of earnings.

A money purchase minimum pension is provided if it exceeds the normal formula amount. The money purchase minimum is the amount that may be purchased by 2.4 times the member's applicable accumulated contributions, including interest thereon.

A reversionary pension option is provided to members at retirement. This option permits the member to revert a portion of his pension to one other person. This election is irrevocable.

An IMRF pension is paid for life.

Final Rate of Earnings (FRE)

Tier 1

The final rate of earnings for Regular and SLEP members is the highest total earnings during any 48 consecutive months within the last 10 years of IMRF service, divided by 48, or the total lifetime earnings divided by the total lifetime number of months of service. The final rate of earnings for ECO members is the annual salary of the ECO member on the day he or she retires. For Revised ECO members who join the plan after January 25, 2000, the final rate of earnings is the highest total earnings during any 48 consecutive months within the last 10 years of IMRF service, divided by 48 for each office held.

Tier 2

The final rate of earnings for Regular and SLEP members is the highest total earnings during any 96 consecutive months within the last 10 years of IMRF service, divided by 96, or the total lifetime earnings divided by the total lifetime number of months of service. ECO members who join the plan after January 1, 2011 and before August 8, 2011, the final rate of earnings is the highest total earnings during any 96 consecutive months within the last 10 years of IMRF service, divided by 96 for each office held.

Pensionable earnings are initially capped at \$106,800, which will increase annually beginning in 2012 by three percent or one-half of the increase of the Consumer Price Index, whichever is less. The pensionable earnings cap for 2013 was \$109,971.43. For Tier 2 SLEP members, overtime compensation is excluded from pensionable earnings.

Retirement Eligibility

Tier 1

Normal retirement for an unreduced pension is:

- Age 60 with eight or more years of service or 35 or more years of service at age 55,
- Age 50 with 20 or more years of SLEP service for members with SLEP service,
- Age 55 with eight or more years of service for members with ECO service, or
- Age 55 with eight or more years of service in the same elected county office for members with Revised ECO service.

Regular members may retire as early as age 55 with a reduced pension. The reduction is the lesser of:

- one-fourth percent for each month the member is under age 60, or
- one-fourth percent for each month of service less than 35 years.

Tier 2

Normal retirement for an unreduced pension is:

- Age 67 with ten or more years of service or 35 or more years of service at age 62,
- Age 55 with ten or more years of SLEP service for members with SLEP service, or
- Age 67 with ten or more years of service in the same elected county office for members with ECO service.

Regular members may retire as early as age 62 with a reduced pension. The reduction is the lesser of:

- one-half percent for each month the member is under age 67, or
- one-half percent for each month of service less than 35 years.

SLEP members may retire as early as age 50 with a reduced pension. The reduction is one-half percent for each month the member is under age 55.

Service Credit

Service credit is the total time under IMRF, stated in years and fractions. Service is credited monthly while the member is working, receiving IMRF disability benefits or on IMRF's Benefit Protection Leave. For revised ECO members, the ECO benefit formula is limited to service in an elected office.

Members may qualify for a maximum of one year of additional service credit for unused, unpaid sick leave accumulated with the last employer. Members who retire from a school district may utilize unused sick leave from all school district employers. This additional service credit applies only for members leaving employment for retirement. The service credit is earned at the rate of one month for every 20 days of unused, unpaid sick leave or fraction thereof.

IMRF is a participating plan under the Reciprocal Act, as are all other Illinois public pension systems, except local police and fire pension plans. Under the Reciprocal Act, service credit of at least one year may be considered together at the date of retirement or death for the purpose of determining eligibility for and amount of benefits. However, for teacher aides who meet certain criteria, service credit of less than one year may be considered in determining benefits under the Reciprocal Act.

Post-retirement Increases

Tier 1

Members in all plans receive an annual three percent increase based upon the original amount of the annuity. The increase for the first year is prorated for the number of months the member was retired.

Tier 2

Members in all plans receive an annual increase based upon the original amount of the annuity of three percent or one-half of the increase in the Consumer Price Index, whichever is less. For Regular and ECO members the annual increases do not begin until the retiree reaches the age of 67 or after 12 months of retirement, whichever is later. For SLEP members the increases begin at age 60 or after 12 months of retirement, whichever is later.

Early Retirement Incentive

IMRF employers may offer an early retirement incentive (ERI) program to their employees who are over 50 (57 for Tier 2 Regular and ECO members) years of age and who have at least 20 years of service credit. Eligible members may purchase up to five years of service credit and age. Employers must pay off the additional ERI liability within 10 years. Subsequent ERI programs may be offered by an employer after the liability for the previous ERI program is paid. Effective December 31, 2103, ERI programs will be limited to being offered once every five years.

Supplemental Retirement Benefits

Each July, IMRF provides a supplemental benefit payment to IMRF retirees and surviving spouses who have received IMRF pension payments for the preceding 12 months. The supplemental benefit payment amount will vary depending on the dollar amount to be distributed and the dollar amount of the benefits of persons eligible.

Disability Benefits

Regular and SLEP members are eligible for a maximum of 30 months of temporary disability benefits if they:

- Have at least 12 consecutive months of service credit since being enrolled in IMRF,
- Have at least nine months of service credit in the 12 months immediately prior to becoming disabled,
- Are unable to perform the duties of any position which might reasonably be assigned by the IMRF employer because of any illness, injury or other physical or mental condition, and
- Are not receiving any earnings from any IMRF employer.

Regular and SLEP members are eligible for total and permanent disability benefits until they become eligible for full Social Security Old Age benefits if they:

- Have exhausted their temporary disability benefits,
- Have a medical condition which did not pre-exist their IMRF participation or they have five years of IMRF participation without being on temporary disability, and
- Are unable to work in any gainful activity for any employer.

The monthly disability benefit payment is equal to 50 percent of the average monthly earnings based on the 12 months prior to the month the member became disabled.

ECO members are eligible for ECO disability benefits if they:

- Have at least 12 consecutive months of service credit since being enrolled in IMRF,
- Are in an elected county office at the time the disability occurred,
- Are making ECO contributions at the time the disability occurred,
- Are unable to reasonably perform the duties of their offices,
- Have resigned their offices, and
- Have two licensed physicians approved by IMRF certify that the ECO member is permanently disabled.

The monthly ECO disability benefit is equal to the greater of:

- 50 percent of the annualized salary payable on the last day of ECO participation divided by 12 or,
- The retirement benefit earned to date up to a maximum of 66-2/3 percent.

Disability benefits under all plans are offset by Social Security or workers' compensation benefits. If disabled members receive Social Security disability and/or workers' compensation benefits, IMRF pays the difference between those benefits and 50 percent of the member's average monthly earnings. However, IMRF will always pay a minimum monthly benefit of \$10. Members on disability earn pension service credit as if they were working.

Death Benefits

Beneficiaries of active members who have more than one year of service or whose deaths are job-related are entitled to lump sum IMRF death benefits. If the member was not vested or vested without an eligible spouse, the death benefit is equal to one year's earnings (limited to pensionable earnings cap for Tier 2 members) plus any balance in the member's account. Eligible spouses of deceased vested active members may choose the lump sum or a monthly surviving spouse pension.

Beneficiaries of inactive non-vested members receive a lump sum payment of any balance in the member's account including interest. If the beneficiary is an eligible spouse of an inactive vested member age 55 or older, the spouse may choose between the lump sum payment or a death benefit of \$3,000 plus a monthly surviving spouse pension. Beneficiaries of retired members receive a \$3,000 death benefit. Eligible spouses also receive a surviving spouse pension.

Surviving Spouse Pension

For Regular and SLEP members, a surviving spouse's monthly pension is one-half (66-2/3 percent for Tier 2) of the member's pension.

For ECO members, a surviving spouse's monthly pension is 66-2/3 percent of the member's pension. This pension is payable once the surviving spouse becomes 50 years old. If the spouse is caring for the member's minor, unmarried children, the spouse will receive (age 50 requirement does not apply): A monthly pension equal to 30 percent of the ECO member's salary at time of death plus 10 percent.

Surviving spouse pensions under all plans are increased each January 1. The increase is based on the original amount of the pension. The increase for the first year is prorated for the number of months the surviving spouse or the member received a pension. For Tier 1, the annual increase is three percent. For Tier 2, the annual increase is three percent or one-half the increase in the Consumer Price Index, whichever is less.

Summary of IMRF Departments and Workforce

Workforce Groups	Number of Staff			Average Tenure
	2013	2014	2015	
Administration including Audit and HR	14	16	15	10.4
Benefits	28	28	28	9.7
Finance	29	27	27	13.5
Information Systems, including PMO	40	38	39	13.8
Investments	10	12	11	9.4
Legal and Communications	10	12	13	9.6
Member & Field Services	30	33	33	9.5
Office Services	21	19	19	14.9
Total	182	185	186	11.7

Funding Status

The contribution requirements of plan members and IMRF are established by IMRF's Board of Trustees, within the provisions of the Illinois statutes. The required contribution is based on projected pay-as-you-go financing requirements. For 2013 and 2012, IMRF contributed \$1,906,930 and \$1,801,392, respectively, to the plan for current premiums, including a \$51,959 subsidy in 2013 and a \$52,182 subsidy in 2012 for retiree health and dental care premiums (78.6 percent and 78.8 percent of total premiums for each year). Plan members receiving benefits contributed \$519,774 in 2013 and \$483,631 in 2012, or 21.4 percent and 21.2 percent of the total premiums for each year, through their required contributions of between \$53 and \$452 per month based upon their coverage.

Changes in Fiduciary Net Position

Fiduciary Net Position

To begin the financial analysis, summarized comparisons of IMRF's Fiduciary Net Position for 2013 versus 2012 and 2012 versus 2011 are presented below.

Condensed Statements of Fiduciary Net Position

(In millions)

	<u>2013</u>	<u>2012</u>	<u>Dollar</u> <u>Change</u>	<u>Percent</u> <u>Change</u>
Cash and cash equivalents	\$ 23	\$ 36	\$ (13)	(36)%
Receivables and prepaids	411	635	(224)	(35)
Investments	33,248	28,075	5,173	18
Invested securities lending				
cash collateral	2,731	2,685	46	2
Capital assets, net	<u>12</u>	<u>5</u>	<u>7</u>	140
<i>Total assets</i>	36,425	31,436	4,989	16
Liabilities	<u>3,144</u>	<u>3,440</u>	<u>(296)</u>	(9)
<i>Fiduciary net position</i>	<u>\$ 33,281</u>	<u>\$ 27,996</u>	<u>\$ 5,285</u>	19%

As the previous table shows, fiduciary net position increased by \$5,269 million (19 percent) in 2013. This increase reflects the strong investment returns in 2013.

The following table presents the investment allocation as of year-end 2013 and 2012 as compared to IMRF's target allocation.

	<u>2013</u>	<u>Target</u>	<u>2012</u>
Fixed income	26.0%	29.0%	30.1%
Stocks	64.6	58.0	60.3
Real estate	3.3	6.0	2.8
Alternative	3.7	6.0	4.5
Short-term	2.4	1.0	2.3

The variance in the real estate allocation is due to the fact that IMRF is in the process of recapitalizing its real estate portfolio and actual investments trail commitments. IMRF is also looking to increase its allocation to alternative investment strategies. The current target allocations were reconfirmed in November 2013. IMRF continuously monitors its actual investment allocations in relation to its targets and rebalances as appropriate. The decrease in receivables and prepaids in 2013 is largely due to the decrease in the receivable from

brokers for unsettled trades at year-end due to a larger number of trades outstanding at year-end 2013 compared to 2012. The decrease in liabilities in 2013 is due primarily to the decrease in the payables to brokers for unsettled trades at year-end 2013.

Changes in Fiduciary Net Position

Summarized comparisons of IMRF's Changes in Fiduciary Net Position for 2013 versus 2012 are presented below.

Condensed Statements of Changes in Fiduciary Net Position

(In millions)

	<u>2013</u>	<u>2012</u>	<u>Dollar</u> <u>Change</u>	<u>Percent</u> <u>Change</u>
Additions				
Member contributions	\$ 339	\$ 331	\$ 8	2%
Employer contributions	931	883	48	5
Net investment gain (loss)	<u>5,564</u>	<u>3,394</u>	<u>2,170</u>	64
<i>Total additions</i>	6,834	4,608	2,226	48
Deductions				
Benefits	1,503	1,390	113	8
Refunds	37	34	3	9
Administrative Expenses	<u>26</u>	<u>25</u>	<u>1</u>	4
<i>Total deductions</i>	1,566	1,449	117	8
<i>Net increase (decrease) in fiduciary net position</i>	<u><u>\$ 5,268</u></u>	<u><u>\$ 3,159</u></u>	<u><u>\$ 2,109</u></u>	67%

General Guidelines from the Executive Director

The 2015 budget should focus on implementing the 2014-2016 Strategic Plan (action plans); as well as the next phases of the Horizon Project, the Modernization project and the implementation of phase 2 the new financial software.

Please consider the current budget activities, programs, staffing and consulting work you may need to successfully and effectively implement Modernization when preparing your budget. Additional Software packages and training may also need to be budgeted and justified. The objectives of your department, as presented in the IMRF Strategic Plan, is the focus of this budget for 2015.

Revenue

Securities Lending Program

The IMRF securities lending program is authorized by the IMRF Board of Trustees. IMRF lends securities (both equity and fixed income) to securities firms on a temporary basis through its agent, Northern Trust. There are no restrictions on the amount of securities that may be lent. IMRF receives fees for all loans and retains the right to all interest and dividend payments while the securities are on loan. All securities are loaned versus collateral that may include cash, U.S. government securities and irrevocable letters of credit. U.S. securities are loaned versus collateral valued, subject to de minimus rules, at 102 percent of the market value of the securities plus any accrued interest (105 percent for non-U.S. securities). As the market value of the securities loaned changes, the borrower must adjust the collateral accordingly. IMRF or the borrower has the right to close the loan at any time. The average term of overall loans was 125 days as of December 31, 2013, and 116 days as of December 31, 2012. When the loan closes, the borrower returns the securities loaned to IMRF, and IMRF returns the associated collateral to the borrower. IMRF cannot pledge or sell the non-cash collateral unless the borrower fails to return the securities borrowed.

Northern Trust pools all collateral received from securities lending transactions and invests any cash collateral. IMRF holds a prorated share of the collateral provided by the borrowers of its securities. The cash collateral is shown on IMRF's financial statements. Cash collateral is invested in a short-term investment pool, which had an interest sensitivity of 39 days as of December 31, 2013, and which had an interest sensitivity of 45 days as of December 31, 2012. Cash collateral may also be invested separately in "term loans," in which case the investments match the term of the loan. These loans can be terminated on demand by either lender or borrower.

Indemnification pertains to the situation in which a client's securities are not returned due to the insolvency of a borrower and Northern Trust has failed to live up to its contractual responsibilities relating to the lending of those securities. Northern Trust's responsibilities include performing appropriate borrower and collateral investment credit analyses, demanding adequate types and levels of collateral and complying with applicable Department of Labor and Federal Financial Institutions Examination Council regulations concerning securities lending. During 2013 and 2012, there were no violations of legal or contractual provisions and no borrower or lending agent default losses to the securities lending agent. There are no dividends or coupon payments owing on the securities lent. IMRF had no credit risk as a result of its securities lending program as the collateral held exceeded the market value of the securities lent.

Securities lent are included in the Statements of Fiduciary Net Position. The market value of collateral received includes cash collateral of \$2,730,710,325 and \$2,685,208,454 at December 31, 2013 and 2012, respectively.

Expenditures

Normal Expenditures

- Fiscal prudence needs to be the focus in the need to implement IMRF programs/initiatives.
- Consider whether staffing is appropriate. Reasonable, increases in staff will be considered with proper justification and documentation.
- Consider the training needs of staff as we pursue Individual Learning Plans and prepare for change brought about by Horizon and Modernization.

Projects

- 2014 projects that either are not completed or never initiated in 2014 will be subject to reprioritization (and possible elimination) in the new budget presentation by your department.
- New projects should be identified by priority with incremental cost estimates developed. As you identify new projects, work with the CPI Prioritization Team and Performance Excellence Manager, Kathy Goerd, to review your proposals. Consider how each potential project furthers strategic goals, transaction scorecards, CPI or responding to the feedback report from the Illinois Performance Excellence examiners. Some worthwhile projects may wait for implementation through Horizon.

Additional Information from Finance

The following information is available on-line for your use in preparation of departmental budgets:

- 2015 Budget Timeline
- Capital Budget worksheets to be used for all capital purchases over \$5,000. The capital request should specifically identify what is proposed to be purchased with a brief explanation supporting the need or benefit of the purchase, the date that it would be purchased and its estimated useful life. If you are unsure of the estimated useful life contact the Finance Department for assistance.
- Capital Budget worksheets for internally generated software. Information Services will identify the projects that will potentially qualify for capitalization (\$10,000 or more) under the GASB 51 standard. Once these projects are identified, IS will estimate the number of hours of development effort that will be required. Once the IS hours are estimated for these projects, the estimated number of user department hours that will be needed to support the development effort and related user acceptance testing will be determined and added to the worksheet. IS and the Finance Departments will work with the other impacted departments in developing these estimates. The Finance Department will then cost out the various projects and in conjunction with the IS department estimate in service dates.
- Expendable Equipment Budget worksheets to be used for all equipment purchases over \$500 but less than \$5,000. The expendable equipment request should specifically identify what is proposed to be purchased with a brief explanation supporting the need or benefit of the purchase.
- Proposed 2015 Project Budget worksheets to be used to identify incremental costs anticipated in 2015 in connection with proposed 2015 Projects.

- Budget worksheets by department that provide actual expenses by general ledger account for the 2 months ended July 31, 2014, broken out between the last five months of 2013 and the first seven months of 2014, and the 2014 budgeted amount for each general ledger account.
- Detailed analyses by department of the activity in each general ledger account for the four months ended December 31, 2013 and for the eight months ended August 31, 2014.
- Remaining amounts of prepaid expenses, if any, by department.
- A listing of 2014 Capital Expenditures, including internally developed software, budgeted and purchased through August 31, 2014 by department. For the items not yet purchased, please indicate the estimated date of purchase and an updated estimated cost if applicable. If the item will not be purchased in 2014, please indicate that fact. For internally developed software, please update the estimated remaining costs to be incurred in 2014 and the estimated in-service date.

The Capital budget worksheet, capital budget worksheet for internally generated software, expendable equipment budget worksheet, strategic planning and proposed 2015 project worksheet, budget timeline, and this memo are available in electronic form in Word at P:/Data/Everyone/Budget 2015. Budget worksheets, remaining prepaids for 2014 and 2015, and the 2014 capital expenditures summary are available in Excel at P:/Data/Everyone/Budget 2015. Detailed analyses by general ledger account are available in Adobe Acrobat PDF format at P:/Data/Everyone/Budget 2015. The Doc-link Smart Client can also be used as a resource to look up 2013 and 2014 invoices that have been paid. If you have any questions about how to use the search option, please call Augie Shenkman, Michelle Palya, or Mark Nannini. Please fill out the forms electronically and return them electronically with copies to both Jim Splitt and Mark Nannini. Please submit all budget forms using Microsoft Excel software only.

If you have any capital, expendable equipment or 2015 Project requests, please fill out a budget worksheet for each item or category of items. (For example, only one worksheet is needed for the purchase of PC replacements.) What you will need to do for the budgeted expenses is estimate what you believe will be the actual expenses for calendar year 2014 and your proposed 2015 budget amount for each general ledger account. This information should be entered into the blank columns on the budget worksheets. We believe that the detailed analyses of activity by general ledger account referred to above will provide most, if not all, of the information needed to assist you in providing the requested information. If any help is needed, contact either Jim Splitt or Mark Nannini.

The objective of this process is not to use zero based budget, but the requests reflecting that any increases in 2015 expenditures not related to strategic initiatives be minimal. One needs to carefully review prior period expenses to determine whether they are necessary or add value beyond their costs it IMRF. Funds spent on something last year is not a justification for its inclusion in the 2015 budget. (If during your review of the detail activity by general ledger account for 2014, you identify some transactions that may have been miscoded, please let Augie Shenkman, Jim Splitt or Mark Nannini know so they can be corrected.)

While filling out the budget worksheets, you may decide that some general ledger accounts are unnecessary or could be combined or you may feel that new accounts should be added to better track expenses. In these situations, please contact Jim Splitt or Mark Nannini to discuss the accounts so they can be appropriately included in the process.

Revenues by Source

Source	2013 Actual	2014 Budget	2014 Estimate	2015 Budget
Member Contributions	\$ 338,934,421	\$ 329,542,700	\$ 350,141,084	\$ 335,285,376
Employer Contributions	930,969,056	934,239,756	930,501,299	891,285,376
Investment Income	5,583,120,005	2,601,751,950	3,103,710,544	2,859,588,666
Other Income	8,455	15,000	17,960	15,000
Total	\$ 6,853,031,937	\$ 3,865,549,406	\$ 4,384,370,887	\$ 4,086,174,418

Explanation of Revenue Resources

Funding for IMRF's defined benefit plan is derived from three main sources: member contributions, employer contributions and investment income.

Member Contributions

Member contributions are set by statute at 4.5 percent for the Regular Plan and 7.5 percent for the Sherriff's Law Enforcement Plan (SLEP) and the Elected County Officials Plan (ECO).

Employer Contributions

Annually, individual contribution rates are calculated for each participating employer by an external actuary based on an individual employer's member demographics (age, salary history, length of service, etc.) and actuarial assumptions. The actuary uses the entry age normal funding method to calculate contribution rates. Under this method, the actuarial present value of projected benefits for each individual is allocated on a level basis over the projected service of the individual between entry age and assumed retirement age.

Investment Income

The investment portfolio is a major contributor to the Fund. In 2013, investment income of \$5,583 million represented 81.5 percent of plan additions for the year. Over the last five years investment income represented the following percentage of additions to fiduciary net position:

Year	Percentage of Additions
2013	81.5%
2012	73.7%
2011	(9.0)%
2010	73.1%
2009	81.8%

Currently, 88 professional investment management firms, handling 119 separate accounts, manage the investment portfolio. These firms make investment decisions under the prudent man rule authorized by Article 1 of the Illinois Pension Code and by investment policy guidelines adopted by the Board of Trustees. The Board employs an investment consultant to monitor and evaluate the investment management firms' performance, to aid in the selection of investment management firms and to assist in the development of investment policy. Our uppermost goal is to optimize the long-term total return of the Fund's investments through a policy of diversification within a parameter of prudent risk as measured on the total portfolio.

Miscellaneous Income

The majority of income in this category is received from fees to process Qualified Illinois Domestic Relations Orders (QILDRO)

2015 Adopted Expenditures

Summary by Department

	ACTUAL		BUDGET	ESTIMATED	ADOPTED	2015 ADOPTED AS % CHANGE OVER 2014	
	2012	2013	2014	2014	2015	Budget	Estimate
Capital Additions	\$1,336,942	\$8,201,122	\$15,676,228	\$3,473,275	\$13,240,190	(15.5)%	281.2%
Administrative Expenses							
Administration	423,109	443,253	448,758	465,522	474,319	5.7%	1.9%
Benefits	1,629,105	1,634,641	1,616,015	1,523,585	1,661,503	2.8%	9.1%
Board of Trustees	169,608	108,519	199,600	114,709	263,177	31.9%	129.4%
Communications	748,039	761,342	912,920	737,946	1,037,113	13.6%	40.5%
Finance	5,823,264	6,269,454	6,420,756	6,471,287	6,738,623	5.0%	4.1%
Human Resources	2,379,451	2,525,082	2,692,934	2,664,198	2,957,454	9.8%	11.0%
Information Services	4,295,360	4,685,146	5,322,161	4,754,658	5,176,900	(2.7)%	8.9%
Internal Audit	509,997	589,936	787,035	560,605	570,623	(27.5)%	1.8%
Investments	931,440	1,004,128	1,195,174	1,162,483	1,480,214	23.8%	27.3%
Legal	694,666	742,377	776,884	765,205	858,159	10.5%	12.1%
Member & Field Svc	1,755,310	1,848,445	1,935,174	2,004,793	2,083,475	7.7%	3.9%
Office Services	3,984,118	4,269,077	4,383,695	4,311,605	4,619,575	5.4%	7.1%
Operations	291,588	347,026	386,350	443,575	390,733	1.1%	(11.9)%
Program Mgmt Office	812,080	238,628	274,247	246,379	619,692	126.0%	151.5%
Total Administrative Expense	24,447,135	25,467,054	27,351,703	26,226,550	28,931,560	5.8%	10.3%
Direct Investment Expense	78,111,597	91,121,200	95,237,637	95,366,951	102,142,179	7.2%	7.1%
Total	\$103,895,674	\$124,789,376	\$138,265,568	\$125,066,776	\$144,313,929	4.4%	15.4%

Additions to Fund Balances

	2013 Actual	2014 Budget	2014 Estimate	2015 Budget
Revenues				
Contributions				
Member	\$ 338,934,421.00	\$ 329,542,700.00	\$ 350,141,084.00	\$ 335,285,376.00
Employer	930,969,056	934,239,756	930,501,299	891,285,376
Total Contributions	1,269,903,477	1,263,782,456	1,280,642,383	1,226,570,752
Investment Income	5,672,594,721	2,696,989,587	2,180,873,000	2,961,730,845
Less: Direct investment expense	(89,474,716)	(95,237,637)	(95,366,951)	(102,142,179)
Net investment income	5,583,120,005	2,601,751,950	2,085,506,049	2,859,588,666
Miscellaneous income	8,455	15,000	17,960	15,000
Total Additions	6,853,031,937	3,865,549,406	3,366,166,392	4,086,174,418
Expenses				
Benefits	1,540,317,977	1,668,767,315	1,668,293,844	1,669,506,564
Administrative expenses	25,463,299	27,351,703	26,226,550	28,876,488
	1,565,781,276	1,696,119,018	1,694,520,394	1,698,383,052
Net Increase	5,287,250,661	2,169,430,388	1,671,645,998	2,387,791,366
Fund Balance - Beginning of the year	27,996,327,263	33,283,577,924	33,283,577,924	34,955,223,922
Fund Balance - End of the year	\$33,283,577,924.00	\$35,453,008,312.00	\$34,955,223,922.00	\$37,343,015,288.00

2015 Adopted Capital Additions

	ACTUAL		BUDGET	ESTIMATED	ADOPTED BUDGET	2015 ADOPTED AS % CHANGE OVER 2014	
	2012	2013	2014	2014	2015	Budget	Estimate
Capital Purchases	\$938,342	\$272,575	\$783,832	\$158,612	\$1,107,256	41.3%	598.1%
Internally Generated Computer Software	398,600	7,928,547	14,892,396	3,314,663	12,132,934	(18.5)%	266.0%
Total Capital Budget	\$1,336,942	\$8,201,122	\$15,676,228	\$3,473,275	\$13,240,190	(15.5)%	281.2%

2015 Adopted Capital Additions - Summary

Capital Purchases

Mail Center Correspondence Bar Coder and Inserter	\$ 242,042
Financial System Replacement Phase 2	222,789
Network Performance Monitoring Tools	150,000
Servers	122,000
High Speed Color Copier for Print Center	98,450
Security Event Management	63,000
Network Access Control Device	55,000
Tape Backup Library	35,000
Wireless Connectivity	30,500
Cisco Switches	24,000
Server for Springfield Office	16,000
Leasehold Improvements	15,475
UPS Battery Replacement	15,000
Digital Copier/Printer	12,000
Fiber Connectivity for IS Lab	6,000

Capital Purchases	\$ 1,107,256
--------------------------	---------------------

Internally Generated Computer Software

Horizon Modernization Project	\$ 12,132,934
-------------------------------	---------------

Internally Generated Computer Software	\$ 12,132,934
---	----------------------

Total Capital Budget	\$ 13,240,190
-----------------------------	----------------------

2015 Capital Purchases

Mail Center Correspondence Bar Coder and Inserter

We propose to move from two tabletop inserter systems to one console class inserting system. The two tabletop inserter systems are one year beyond the recommended useful life for these type of inserting systems and are fully depreciated. This Console equipment is recommended to use with Planet Press Software which is included in the pricing. IMRF will move to the use of the 2D bar code with our correspondence pieces created in the new Horizon system. The 2D bar code is to be used for automation and quality control for mail pieces. The 2D bar code will take minimal space on a piece of correspondence, and will not distract the Member when reading their correspondence.

The new system has a product lifespan of ten years compared to the tabletop versions of five years. The DI2000 system has top loading continuous feeding inputs for uninterrupted operation. There is new vacuum fed paper and envelope feeding technology which results in less downtime and fewer stoppages. There is even more double document detection technology which is more accurate and reliable for our Members. We will experience faster production times as well. An additional advantage with this console classification of machine is that the machine is serviced by dedicated Production Mail Technicians. These are the only machines they support. Our current equipment is serviced by Mailing Technicians who service a variety of machines.

Printers generate heat that extracts naturally residing moisture in paper, which can result in paper ends bowing or curling, paper to paper adhesion from static electricity build up, and increased paper dust from paper brittleness. Console Inserters with vacuum fed/sonic sensors not susceptible to these problems, thus enabling higher uptimes of the equipment. Moving to the new equipment will save labor costs, as projects will require an average of 50% less time to process on the DI2000 Console System. This will help when the Horizon Project 4B phase goes into production. Correspondence that is now printed in several departments will be moved to be processed by the Mail Center instead of by Examiners and Clerks.

In order to build the inserting system here at IMRF, we have to make changes to the Mail Center. Work stations and equipment will be moved in order to fit the new system into the space. We need to do this work in advance to have the room ready for the new equipment.

Equipment	\$230,000
Reconfigure Mail Center (Leasehold Improvement)	<u>11,092</u>
Estimated purchase price:	\$242,092

Financial Replacement Phase Two

During 2014, the first phase of this project began to transition to a new financial management system. Microsoft Dynamics GP was chosen as the new project. The first phase included new general ledger, management reporting, accounts payable, fixed asset, and bank reconciliation modules. Phase two will include integrating purchasing, payroll, and human resources modules. The amount budgeted in 2014 for the project was \$350,000. The first phase is estimated to cost \$127,211. The 2015 budget is a carryover of the remaining amount initially budgeted in 2014.

Estimated purchase price: \$227,789

Network Performance Monitoring Tools

The IS Department lacks the ability to measure our network performance for the new Horizon applications and network architecture. The ability to isolate issues quickly when staff or customers have slow performance will be required for customer driven excellence. IMRF's network architecture has changed dramatically as a result of Horizon and the Crowe security findings. The ability to proactively prevent outages as well as quickly isolating where a problem is will give us greater flexibility for supporting the new environment.

Gartner reports have been used to help determine the Best Practices for implementing such a project which resulted in showing that a small number of tools are necessary for monitoring. An example being the Microsoft System Center being the main monitoring system but it requires other tools from F5, VMware, and Cisco to get performance data from these other network devices.

Estimated purchase price: \$150,000

Servers

The servers that we have are approaching end of life and need to be replaced. We propose to purchase server blades for the existing Dell chassis that was purchased for the Horizon project. Server blades are more cost-efficient, smaller and consume less power than traditional box-based servers. This will allow us to consolidate and standardize our systems. This will also include the Windows and VMware software licenses necessary for the blades.

Estimated purchase price: \$122,000

High Speed Color Copier for Print Center

The Digital Print Center currently has an almost three-year-old color copier that only prints 70 ppm (pages per minute). New technology released in September 2014 now offers a machine that prints 100 ppm. The current black and white production machine prints 120 ppm. Moving to printing more color in the current Digital Print Center configuration will slow productivity down from 120 ppm to 70 ppm. Instead of a difference of 50 ppm, there will be only a difference of 20 ppm; this will help keep current production levels static.

The current color machine has had some odd mechanical issues this past year. Even though the servicing company is able to get the color machine back on line, the service calls are longer in length than normal, which affects our color production. By upgrading to a new faster production machine, we eliminate these mechanical issues.

Estimated purchase price: \$98,450

Security Event Management

The existing Envision security product is now obsolete and needs replaced. The purpose of this product is to automatically capture all security events from all network devices to analyze and alert for security issues.

Estimated purchase price: \$63,000

Network Access Control Device

IMRF's IS internal control auditors, Crowe Horwath, has reported a recurring finding concerning the lack of a Network Access Control (NAC) system in place. The purpose of a NAC is to act as a gatekeeper for computers connecting to the IMRF network from inside the building (including wireless). This project will remediate the Crowe security finding and add another layer of security for our member's data.

Estimated purchase price: \$55,000

Tape Backup Library

The IMRF data growth with new servers requires that we add a tape library so that we can perform our backups in the nightly time window.

Estimated purchase price: \$35,000

Wireless Connectivity

The IMRF office space lacks wireless connectivity for the staff. The design of the existing wireless is only for external network traffic, it cannot be utilized for internal network traffic.

Estimated purchase price: \$30,500

Cisco Switches

The various projects from 2014 have consumed most of the available network ports for computers and phones.

Estimated purchase price: \$24,000

Server for Springfield Office

The Springfield office currently does not have a server. It is currently using a staff members' computer to share out files. A small server is needed to handle this task.

Estimated purchase price: \$16,000

Leasehold Improvements

Investment offices – War Room expansion

Estimated construction costs: \$15,475

UPS Battery Replacement

Our Data Center has an UPS (Uninterruptible Power Supply) that allows our servers and web site to stay running for 60 minutes during a power outage. The existing batteries have reached the end of their life and need to be replaced.

Estimated purchase price: \$15,000

Digital Copier/Printer

This purchase of one new digital copier/printer for the Oak Brook office to replace an old Kyocera copier/printer located on the 5th floor near Past Service, Internal Audit, and IS staff.

The copier/printer that is being replaced is fully depreciated. We are experiencing a higher number of service calls due to the age of the machine as well as more usage. There is more staff using this machine as a result of

the 2014 build-out project. In addition, replacement parts are becoming hard to locate due to the age and model of this machine.

Estimated purchase price: \$12,000

Fiber Connectivity for IS Lab

The Infrastructure department is currently unable to replicate proposed network changes before making the changes in our IMRF production environment. We have utilized older equipment for most other things we need but need a Fiber Channel switch for connectivity.

Estimated purchase price: \$6,000

INTERNALLY-GENERATED COMPUTER SOFTWARE

Horizon Modernization Project

The Horizon Project is a key component of our overall Modernization Strategic Objective to continue to achieve our customer service goals at a moderate cost.

This budget request is based upon the current 2015 deliverables and payment plan.

Professional services	\$ 9,700,000
Internal capitalized labor costs	<u>2,432,934</u>
Estimated 2015 capitalized costs	\$12,132,934

Analysis of 2015 Adopted Budget to 2014 Estimated Actual Variances

Illinois Municipal Retirement Fund

Analysis of 2015 Adopted Budget to 2014 Estimated Actual Variances

2015 Adopted Budget	\$28,931,560	Percentage Change
2014 Estimated Actual	<u>26,226,550</u>	
Increase	<u>\$2,705,010</u>	10.3%

Expense Variations by Major Expense Category

<u>Percent of Total Budget</u>		<u>Increase (Decrease)</u>	
45.3%	Salaries The increase in the budget versus the 2014 actual estimate is due to the anticipated decrease in capitalized salaries of \$799,800 related to internally developed software in 2015, principally related to the Horizon project/Modernization Program. This large decrease in capitalized wages more than offset the increases in salaries due to additional headcount, the 2.5% base salary adjustment and the \$214,000 merit pool.	\$821,028	6.7%
14.9%	Fringe Benefits The increase in the budget versus the 2014 actual estimate is due to the anticipated increase in capitalized fringe benefits of \$222,300 related to internally developed software in 2015, principally related to the Horizon project/Modernization Program. This large increase in capitalized fringe benefits is partially offset by the increases due to higher salaries due to factors discussed above and higher insurance premiums.	31,311	0.7%
2.9%	Personnel Costs - Indirect The majority of this increase is driven by higher anticipated training costs related to IMRF's individual learning plans, tuition reimbursement and succession planning.	229,007	37.2%
9.3%	Consulting Services The main reasons for the estimated increase are \$166,000 for incremental costs of implementing GASB 68, \$199,000 in actuarial costs including \$65,000 for the triennial experience study, \$70,000 in legal consulting, \$250,000 for additional controls testing surrounding the Horizon project, and \$700,000 for non-capitalized Horizon project costs.	1,160,220	76.4%
7.7%	Facility Expenses The majority of this increase (\$40,000) relates to the additional space being rented on the 3rd floor, rent escalation on the 4th and 5th floors and higher operating expenses. The other significant increase is a \$28,000 increase in telephone costs due to higher fees for local and long distance calls for the field representatives.	78,948	3.7%
8.2%	Commodities & Services The major increases in this area are related to the IMRF logo change and an anticipated increase in postage.	284,243	13.5%
10.2%	Equipment This decrease is due to a 37,000 decrease in depreciation and an \$150,000 decrease in software maintenance. These were offset by higher equipment maintenance costs of \$43,000 and higher expendable equipment purchases of \$87,000 due to new servers and software purchases.	(55,881)	-1.9%
1.5%	Miscellaneous The majority of this increase (\$144,000) is due to trustee elections. In 2015 there will be 5 board positions up for election; the annuitant and all 4 employer positions.	156,134	56.9%
100.0%		\$2,705,010	

Analysis of 2015 Adopted Budget to 2014 Adopted Budget Variances

Illinois Municipal Retirement Fund

Analysis of 2015 Adopted Budget to 2014 Adopted Budget Variances

2015 Adopted Budget	\$28,931,560	Percentage
2014 Adopted Budget	<u>27,351,703</u>	Change
Increase	<u>\$1,579,857</u>	5.8%

Expense Variations by Major Expense Category

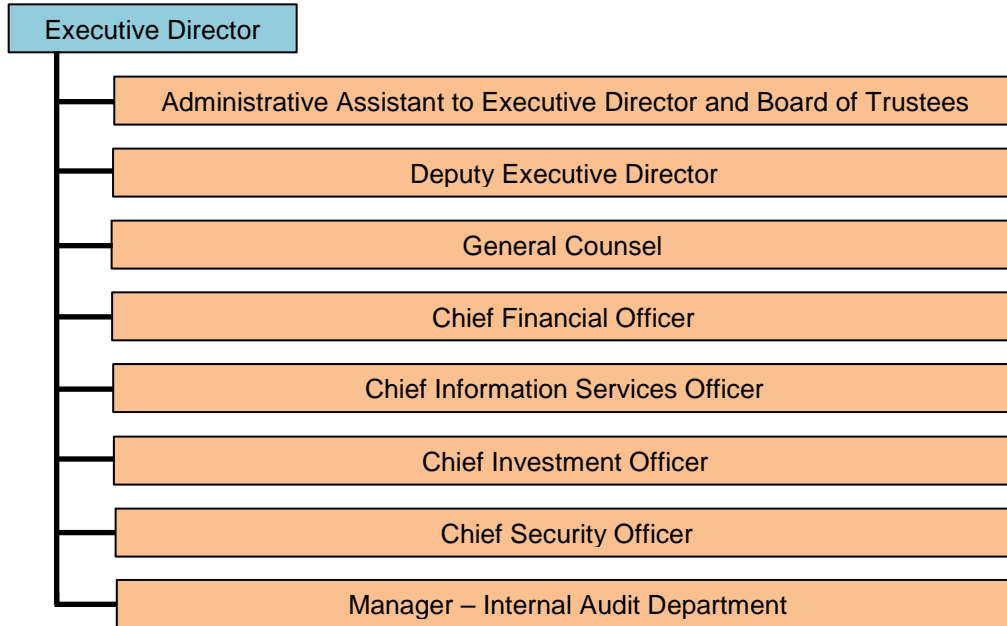
	<u>Percent of Total Budget</u>	<u>Increase (Decrease)</u>	
45.3%	Salaries The increase in the budget versus the 2014 budget is due to the anticipated decrease in capitalized salaries of \$414,500 related to internally developed software in 2015, principally related to the Horizon Project/Modernization Program. This large decrease in capitalized wages along with the increases in salaries due to additional headcount, the 2.5% base salary adjustment, the \$214,000 merit pool.	\$1,203,808	10.1%
14.9%	Fringe Benefits The increase in the budget versus the 2014 budget is due to the anticipated decrease in capitalized fringe benefits of \$203,800 related to internally developed software in 2015, principally related to the Horizon Project/Modernization Program. This decrease in capitalized fringe benefits more than offset the increases due to higher salaries due to factors discussed above and higher insurance premiums.	175,328	4.2%
2.9%	Personnel Costs - Indirect The majority of this increase is driven by higher anticipated training costs related to IMRF's individual learning plans, tuition reimbursement and succession planning.	151,421	21.8%
9.3%	Consulting Services The main reasons for the estimated increase are \$155,000 for incremental costs of implementing GASB 68, \$89,000 in actuarial costs including \$65,000 for the triennial experience study, \$40,000 in legal consulting, and \$30,000 for non-capitalized Horizon project costs.	255,642	10.5%
7.7%	Facility Expenses The majority of this increase (\$41,000) relates to the additional space being rented on the 3rd floor, rent escalation on the 4th and 5th floors and higher operating expenses.	51,046	2.4%
8.2%	Commodities & Services The major increases in this area are related to the IMRF logo change and an anticipated increase in postage.	130,486	5.8%
10.2%	Equipment This decrease is due primarily to lower depreciation of \$253,000 and a \$348,000 decrease in software maintenance costs. This was offset by an increase of \$108,000 in expendable equipment purchases for new software and servers.	(449,301)	-13.2%
1.5%	Miscellaneous The majority of this increase (\$58,000) is due to trustee elections. In 2015 there will be 5 board positions up for election; the annuitant and all 4 employer positions.	61,427	16.6%
100.0%		\$1,579,857	

Administration Department

The Administration Department is headed by the Executive Director who is appointed by the Board of Trustees “to manage the office and carry out the technical administrative duties of the Fund.”

The Executive Director is responsible for management of all operations; customer service; representation of IMRF; Board interaction; policy development and implementation; and, leadership of the organization. Staff are displayed below.

Administration Department – Organization Chart



Administration Department – Budget

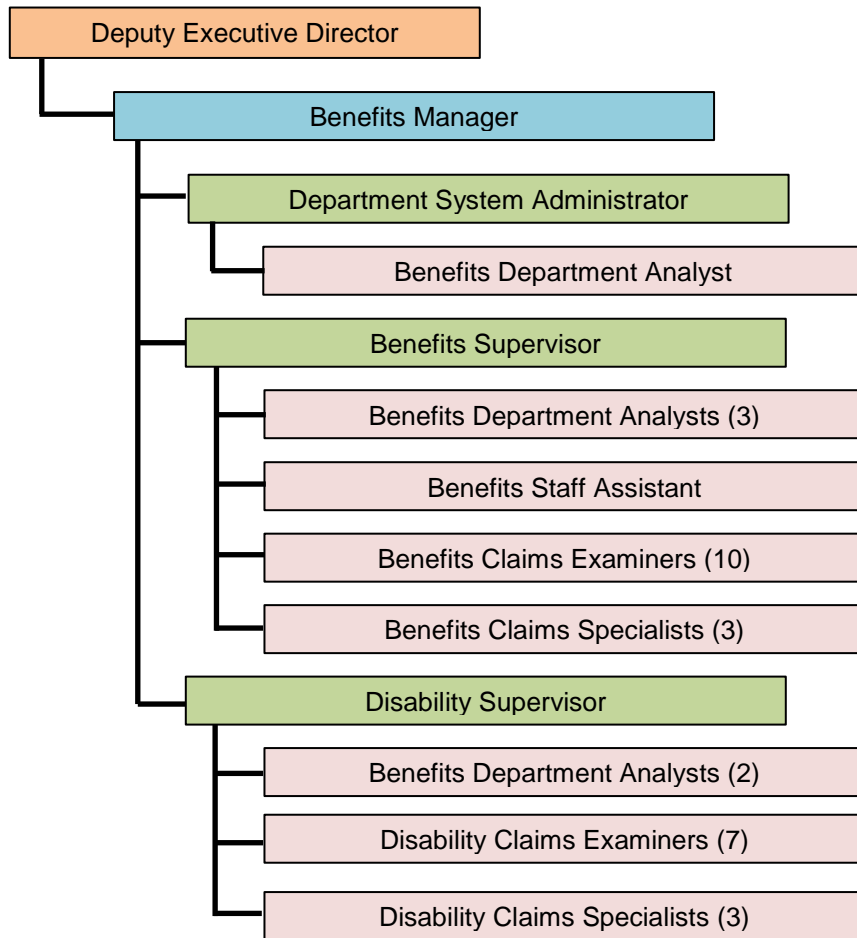
EXPENSE CLASSIFICATION	ACCT NO.	ACTUAL		BUDGET	ESTIMATED	ADOPTED BUDGET
		2012	2013	2014	2014	2015
Administration Department						
PERSONNEL COSTS -DIRECT						
Salaries	5501	\$388,120	\$416,729	\$413,983	\$436,947	\$438,319
PERSONNEL COSTS - INDIRECT						
Travel	5507	5,449	5,742	6,000	6,800	7,000
Other Personnel Costs	5510	5,335	--	5,500	--	5,000
Conferences & Meetings	5517	3,857	2,790	5,000	2,000	2,500
		<u>14,641</u>	<u>8,532</u>	<u>16,500</u>	<u>8,800</u>	<u>14,500</u>
COMMODITIES & SERVICES						
Publications & Dues	5535	15,430	16,039	16,000	17,500	18,000
Other Services	5540	1,275	1,275	1,275	1,275	1,500
		<u>16,705</u>	<u>17,314</u>	<u>17,275</u>	<u>18,775</u>	<u>19,500</u>
EQUIPMENT						
Auto Maintenance & Exp.	5576	3,643	678	1,000	1,000	2,000
Total Expenses		<u>\$423,109</u>	<u>\$443,253</u>	<u>\$448,758</u>	<u>\$465,522</u>	<u>\$474,319</u>

Benefits Department

The Benefits Department is led by one Manager, two Supervisors, and one System Administrator. The department is comprised of two units: the Benefits Unit and the Disability Unit. Six Analysts assist in the day-to-day activities, and approximately 20 Specialists and Examiners process claims.

The department serves our members, beneficiaries, and employers by providing information and service regarding all aspects of benefits claims processing. The department processes retirement, disability, death and refund claims. Some claims require coordination with other public pension systems in Illinois.

Benefits Department – Organization Chart



Benefits Department – Performance Measures

Standards	2009	2010	2011	2012	2013	2014 YTD
Processing time	7.87	8.08	6.64	7.09	6.69	5.06
Financial accuracy (M)	98.93%	99.64%	100.0%	89.73%	98.68%	93.89%
Financial accuracy (A)	94.85%	97.96%	99.64%	99.94%	100.0%	99.9%
Procedural accuracy (M)	98.63%	99.27%	100.0%	94.54%	97.54%	97.60%
Procedural accuracy (A)	98.62%	98.16%	99.03%	96.46%	98.96%	99.10%

Benefits Department – Budget

EXPENSE CLASSIFICATION	ACCT NO.	ACTUAL		BUDGET	ESTIMATED	ADOPTED BUDGET
		2012	2013	2014	2014	2015
Benefits Department						
PERSONNEL COSTS -DIRECT						
Salaries	5501	\$1,499,307	\$1,494,328	\$1,449,000	\$1,392,980	\$1,517,803
PERSONNEL COSTS -INDIRECT						
Travel	5507	14	48	3,000	--	200
Conferences & Meetings	5517	824	706	2,815	2,815	3,800
		838	754	5,815	2,815	4,000
CONSULTING SERVICES						
Medical & Field Investigations	5516	128,561	139,211	160,200	126,790	139,500
COMMODITIES & SERVICES						
Publications & Dues	5535	399	348	1,000	1,000	200
Total Expenses		\$1,629,105	\$1,634,641	\$1,616,015	\$1,523,585	\$1,661,503

Board of Trustees

IMRF is governed by an eight-member, elected Board of Trustees.

IMRF Board members serve five-year staggered terms:

- Four of the Board members are Executive Trustees and are elected by participating units of government,
- Three are Employee Trustees and are elected by participating IMRF members, and
- One Annuitant Trustee who is elected by IMRF annuitants.

Eligibility and nominating procedures vary based on the type of trustee.

The IMRF Board of Trustees meets at least four times a year for its full Board meeting and may meet monthly as needed. Board members serve without compensation but are reimbursed for their expenses, including lost wages if they are not paid by their employers during absences while performing IMRF board duties.

The Board is also divided into four committees — Audit, Benefit Review, Executive, Investment, and Legislative — to deal with different areas of business. Board committees meet as needed; the meeting schedule is published on www.imrf.org.

Natalie Copper, *President*

John Piechocinski, *Vice President*

Tom Kuehne, *Secretary*

William Stafford, *Executive Trustee*

Gwen Henry, *Executive Trustee*

Jeffrey A. Stulir, *Employee Trustee*

Sharon U. Thompson, *Annuitant Trustee*

Sue Stanish, *Executive Trustee*

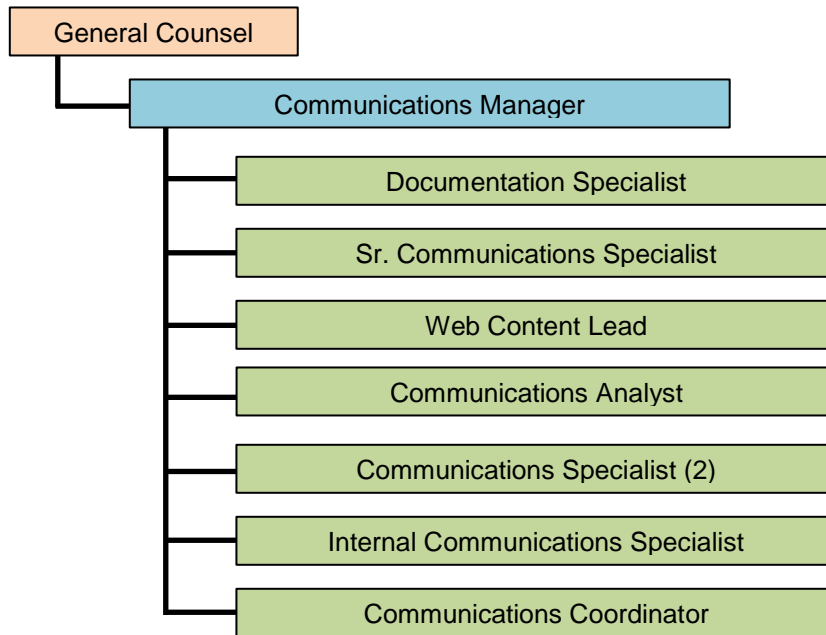
Board of Trustees – Budget

EXPENSE CLASSIFICATION	ACCT NO.	ACTUAL		BUDGET	ESTIMATED	ADOPTED BUDGET
		2012	2013	2014	2014	2015
Board of Trustees						
MISCELLANEOUS						
Trustee Employer Reimbursement	5580	\$48,192	\$53,820	\$59,000	\$56,000	\$55,000
Trustee Reimbursement & Education	5581	39,853	49,715	42,600	46,609	52,300
Trustee Elections	5582	81,563	4,984	98,000	12,100	155,877
Total Expenses		\$169,608	\$108,519	\$199,600	\$114,709	\$263,177

Communications Department

The IMRF Communications Department produces more than 100 print and web-based publications; creates, reviews, and edits print and web-based correspondence and forms and staff documentation for applications and processes; maintains the IMRF website; oversees internal communications including the IMRF Intranet; and manages the social media program and media relations program. The Department has a manager and eight communications professionals on staff.

Communications Department – Organization Chart



Communications Department – Performance Measures

Open Rate	2009	2010	2011	2012	2013	2014 YTD
Employer Digest	40.3%	37.6%	34.8%	33.0%	35.0%	40.5%
Legislative Update	NA	NA	48.2%	47.6%	51.6%	56.9%
IMRF Update	NA	NA	NA	32.6%	34.0%	42.0%

Standards based on the Open Rate for e-newsletters.
 Benchmark = industry-standard “open rate” for public entities of 23.89%.

Communications Department – Budget

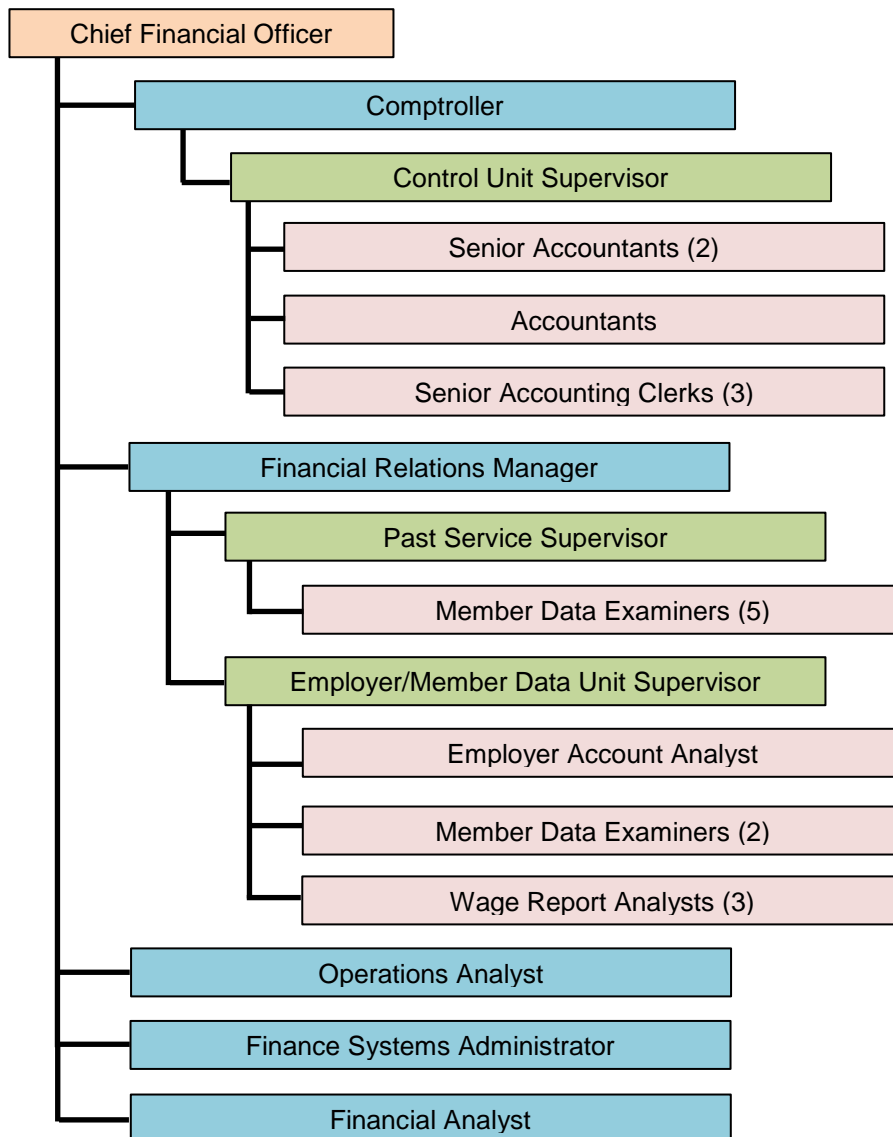
EXPENSE CLASSIFICATION	ACCT NO.	ACTUAL		BUDGET	ESTIMATED	ADOPTED BUDGET
		2012	2013	2014	2014	2015
Communications Department						
PERSONNEL COSTS - DIRECT						
Salaries	5501	\$472,224	\$490,600	\$419,995	\$410,194	\$443,098
Professional Services – Temps	5503	--	--	173,425	59,500	229,425
		<u>472,224</u>	<u>490,600</u>	<u>593,420</u>	<u>469,694</u>	<u>672,523</u>
PERSONNEL COSTS - INDIRECT						
Travel	5507	838	3,047	300	300	500
Conferences & Meetings	5517	1,590	915	3,000	--	11,750
		<u>2,428</u>	<u>3,962</u>	<u>3,300</u>	<u>300</u>	<u>12,250</u>
PUBLIC RELATIONS SERVICES						
PR/Marketing Agency	5519	84,430	82,309	89,700	89,700	89,700
COMMODITIES & SERVICES						
Forms & Info Materials	5532	184,923	179,760	212,150	164,050	246,075
Publications & Dues	5535	1,419	1,837	2,000	2,000	4,115
Professional Services – Other	5540	2,615	2,128	12,350	12,202	12,350
		<u>188,956</u>	<u>183,725</u>	<u>226,500</u>	<u>178,252</u>	<u>262,540</u>
EQUIPMENT						
Expendable Equipment	5575	--	746	--	--	100
Total Expenses		<u>\$748,039</u>	<u>\$761,342</u>	<u>\$912,920</u>	<u>\$737,946</u>	<u>\$1,037,113</u>

Finance Department

The Finance Department is headed by the Chief Financial Officer and is comprised of three units, Past Service Unit, Control Unit, and Employee/member Data Unit. In addition there are three analysts that assist the department in day-to-day activities.

The Finance Department is responsible for the financial reporting and accounting functions, actuarial reporting, processing past service information, and employers wage reporting. The Finance Department also processes staff payroll, accounts payable, recording and deposit of incoming checks and electronic transfers and issuance of benefit payments.

Finance Department – Organization Chart



Finance Department – Performance Measures

Standards	2009	2010	2011	2012	2013	2014 YTD
Outstanding wage reports	10	8	3	0	0	57
Past Service payments	NA	NA	89%	92%	93%	99%

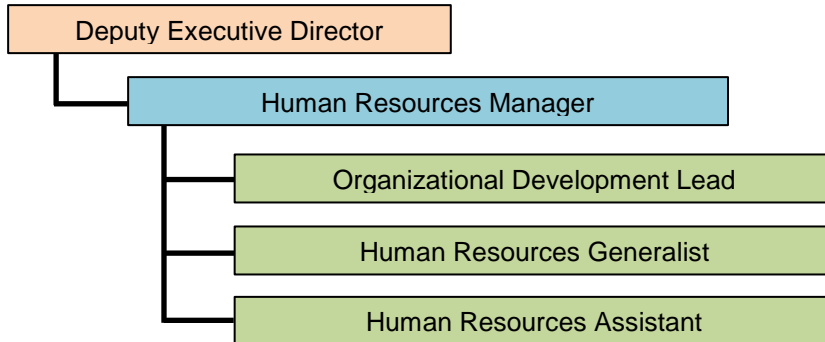
Finance Department – Budget

EXPENSE CLASSIFICATION	ACCT NO.	ACTUAL		BUDGET	ESTIMATED	ADOPTED BUDGET
		2012	2013	2014	2014	2015
Finance Department						
PERSONNEL COSTS -DIRECT						
Salaries	5501	\$1,649,670	\$1,747,750	\$1,452,738	\$1,621,000	\$1,589,682
Professional Services – Temp	5503	--	--	--	--	\$5,000
Fringe Benefits – Unemployment	5504	\$39,142	\$6,635	\$20,200	\$17,670	\$12,500
IMRF/SS ER Contributions	5505	2,177,925	2,291,954	2,211,570	2,326,022	2,301,750
		<u>3,866,737</u>	<u>4,046,339</u>	<u>3,684,508</u>	<u>3,964,692</u>	<u>3,908,932</u>
PERSONNEL COSTS - INDIRECT						
Travel	5507	1,184	1,933	\$500	2,100	2,400
Conferences & Meetings	5517	2,831	9,255	9,600	10,100	10,000
		<u>4,015</u>	<u>11,188</u>	<u>10,100</u>	<u>12,200</u>	<u>12,400</u>
CONSULTING SERVICES						
Auditing	5511	125,500	129,265	198,145	198,145	357,140
Actuarial	5512	290,324	358,285	484,101	474,101	673,308
		<u>415,824</u>	<u>487,550</u>	<u>682,246</u>	<u>672,246</u>	<u>1,030,448</u>
COMMODITIES & SERVICES						
Publications & Dues	5535	5,984	4,812	4,800	4,600	4,800
Other Services	5540	218,630	218,467	243,275	243,475	244,050
		<u>224,614</u>	<u>223,279</u>	<u>248,075</u>	<u>248,075</u>	<u>248,850</u>
EQUIPMENT						
Depreciation – Fixed Assets	5571	1,290,102	1,477,663	1,772,377	1,556,654	1,519,593
Software Maintenance PC	5574	12,652	14,115	14,100	7,500	8,400
		<u>1,302,754</u>	<u>1,491,778</u>	<u>1,786,477</u>	<u>1,564,154</u>	<u>1,527,993</u>
MISCELLANEOUS EXPENSES						
Filing fees	5586	9,320	9,320	9,350	9,920	10,000
Total Expenses		<u>\$5,823,264</u>	<u>\$6,269,454</u>	<u>\$6,420,756</u>	<u>\$6,471,287</u>	<u>\$6,738,623</u>

Human Resources Department

The Human Resources Department is led by one Manager, and also includes an Assistant, a Generalist, and an Organizational Development Lead. The Department is responsible for all employee functions, including: workforce planning and employment initiatives; record keeping; and, training and development. The department partners with Fund leadership for strategic Human Resources planning.

Human Resources Department – Organization Chart



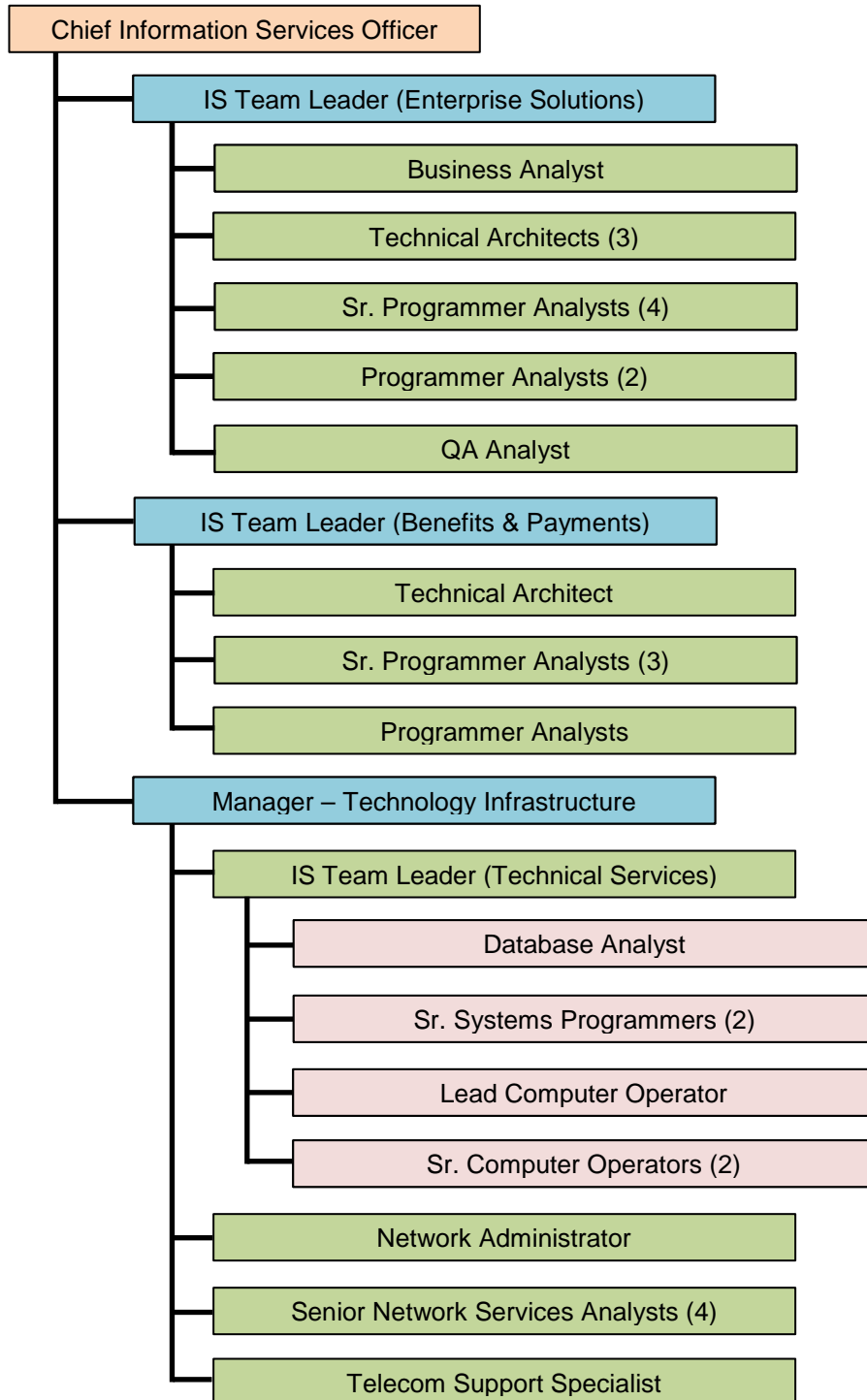
Human Resources Department – Budget

EXPENSE CLASSIFICATION	ACCT NO.	ACTUAL		BUDGET	ESTIMATED	ADOPTED BUDGET
		2012	2013	2014	2014	2015
Human Resources Department						
PERSONNEL COSTS -DIRECT						
Salaries	5501	\$300,009	\$293,355	\$301,353	\$302,372	\$319,412
Fringe Benefits	5504	1,853,919	1,876,890	1,919,181	1,951,276	2,012,029
		<u>2,153,928</u>	<u>2,170,245</u>	<u>2,220,534</u>	<u>2,253,648</u>	<u>2,331,441</u>
PERSONNEL COSTS - INDIRECT						
Travel & Training	5507	118,711	242,626	333,665	284,900	396,400
Recruitment & Testing	5509	29,955	52,694	63,400	60,300	77,350
Other Personnel Costs	5510	30,872	35,194	43,850	39,450	85,128
Conferences & Meetings	5517	3,028	2,930	3,310	2,800	9,535
		<u>182,566</u>	<u>333,444</u>	<u>444,225</u>	<u>387,450</u>	<u>568,185</u>
CONSULTING SERVICES						
Compensation & Benefits	5514	30,529	15,000	16,550	16,500	46,550
COMMODITIES & SERVICES						
Publications & Dues	5535	1,119	889	1,500	1,500	2,750
EQUIPMENT						
Maintenance & Rentals	5572	3,620	905	--	--	--
Software	5574	7,074	4,599	7,850	3,400	7,000
Expendable Equipment	5575	615	--	2,275	1,700	1,300
		<u>11,309</u>	<u>5,504</u>	<u>10,125</u>	<u>5,100</u>	<u>8,300</u>
Total Expenses		<u>\$2,379,451</u>	<u>\$2,525,082</u>	<u>\$2,692,934</u>	<u>\$2,664,198</u>	<u>\$2,957,454</u>

Information Services Department

The Information Services Department is headed by the Chief Information Services Officer, and is composed of three teams: Enterprise Solutions, Benefits/Payments Systems, and Infrastructure. IS Governance is the overall approach to ensure the quality and availability of data and information, software, and hardware. The IMRF Strategic Plan included a key strategy to replace the existing information systems and technology to better meet rising customer service requirements.

Information Services Department – Organization Chart



Information Services Department – Performance Measures

Standards	2009	2010	2011	2012	2013	2014 YTD
Outage Minutes	150	1620	1600	744	583	520
% Uptime	99.98%	99.69%	99.70%	99.86%	99.89%	99.85%
Transactions < 1 sec.	91.1%	89.7%	89.0%	94.0%	95.2%	94.2%
Technology Audit: High Risk Findings	1	4	0	5	2	3
Moderate & Low Risk Findings	31	32	19	27	23	6

BCP and DRP Drills	2007	2008	2009	2010	2011	2012	2013	2014 YTD
Desktop drills	0	1	1	1	1	0	1	0
Live drills at warm site	2	2	2	2	4	4	4	4
Restore Toll free #	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Restore Benefits System	Yes	Yes	Yes	Yes	Yes	Partial	Partial	Partial
Print Benefits Checks				Yes	Yes	No	Yes	TBD Nov Test
Critical Systems Capability	42%	72%	75%	64%	85%	40%	40%	TBD Nov Test

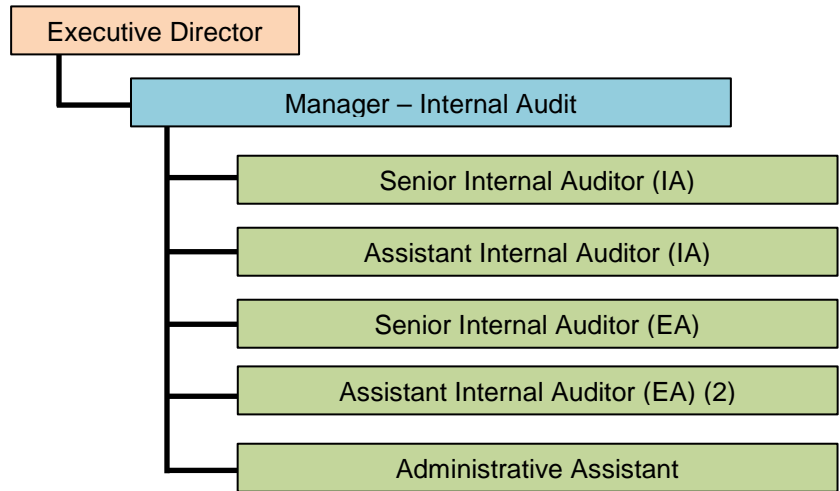
Information Services Department – Budget

EXPENSE CLASSIFICATION	ACCT NO.	ACTUAL		BUDGET	ESTIMATED	ADOPTED BUDGET
		2012	2013	2014	2014	2015
Information Services Department						
PERSONNEL COSTS -DIRECT						
Salaries	5501	\$2,875,833	\$2,959,912	\$2,539,471	\$2,813,200	\$2,877,400
PERSONNEL COSTS - INDIRECT						
Training	5507	2,750	1,106	2,000	2,000	3,000
Conferences & Meetings	5517	3,964	1,505	2,500	2,877	2,500
		<u>6,714</u>	<u>2,611</u>	<u>4,500</u>	<u>4,877</u>	<u>5,500</u>
CONSULTING SERVICES						
Systems Designs - Modernization	5515	71,033	264,854	896,000	331,112	626,000
FACILITY EXPENSES						
Telephone	5523	107,725	126,291	152,200	135,500	163,060
Other – Disaster Recovery/ Offsite Storage	5525	142,634	155,835	200,000	167,600	175,000
		<u>250,359</u>	<u>282,126</u>	<u>352,200</u>	<u>303,100</u>	<u>338,060</u>
COMMODITIES & SERVICES						
Office Supplies	5531	57,495	70,896	86,790	76,000	87,200
Publications & Dues	5535	2,436	2,614	3,500	2,500	3,500
		<u>59,931</u>	<u>73,510</u>	<u>90,290</u>	<u>78,500</u>	<u>90,700</u>
EQUIPMENT						
Equipment Maintenance	5572	191,827	164,444	209,000	192,500	210,940
Software Maintenance	5573	471,911	464,236	518,800	478,918	231,900
Software Maintenance PC	5574	196,399	310,597	554,000	407,800	495,000
Expendable Equipment	5575	170,759	161,460	157,300	143,251	300,000
		<u>1,030,896</u>	<u>1,100,737</u>	<u>1,439,100</u>	<u>1,222,469</u>	<u>1,237,840</u>
MISCELLANEOUS EXPENSES						
Filing fees	5586	594	1,396	600	1,400	1,400
Total Expenses		<u>\$4,295,360</u>	<u>\$4,685,146</u>	<u>\$5,322,161</u>	<u>\$4,754,658</u>	<u>\$5,176,900</u>

Internal Audit Department

The Internal Audit Department is headed by the Internal Audit Manager and is comprised of Senior Auditors, Staff Auditors, and an Administrative Assistant. This department is responsible for auditing employers through onsite visits to their respective payroll offices, ensuring compliance with the Illinois Pension Code. This department also audits IMRF's internal operations, ensuring compliance with policies, plans, and regulations, including the Illinois Pension Code. The Internal Audit Department also provides assistance to External Auditors.

Internal Audit Department – Organization Chart



Internal Audit Department – Budget

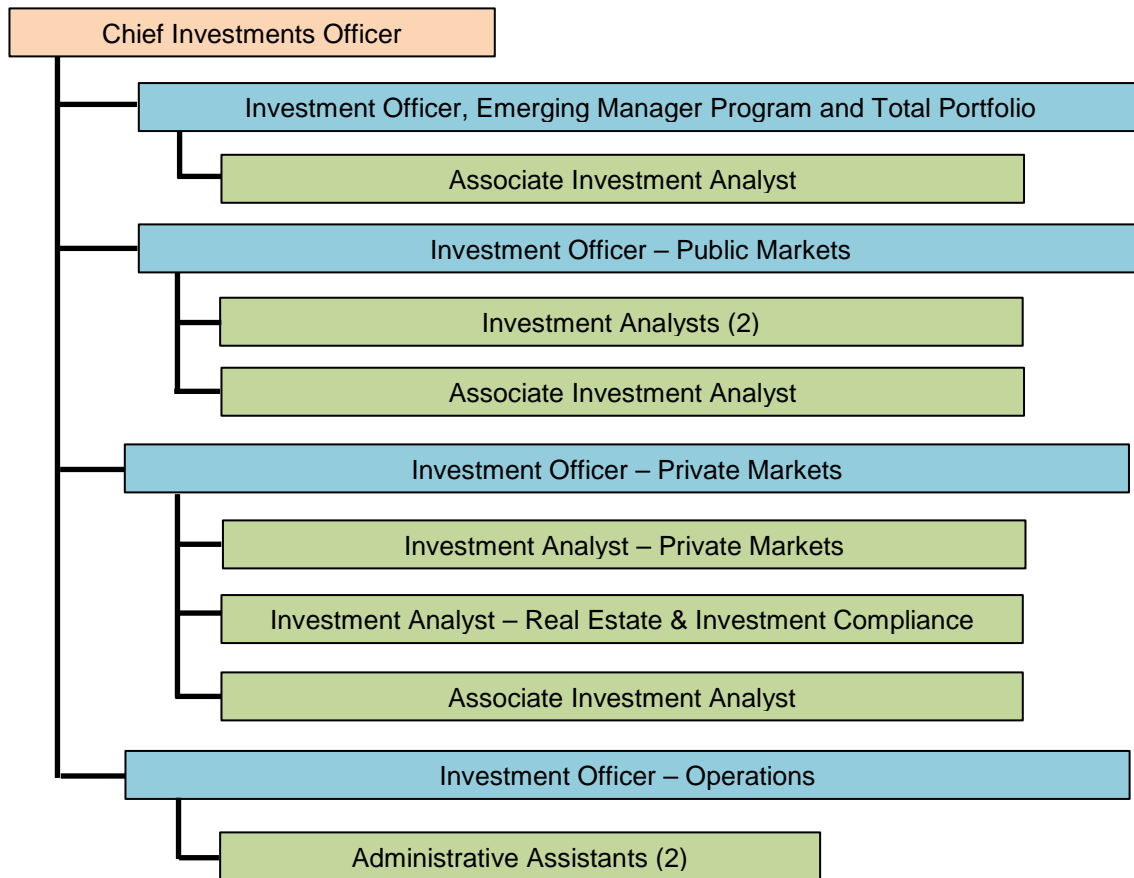
EXPENSE CLASSIFICATION	ACCT NO.	ACTUAL		BUDGET	ESTIMATED	ADOPTED BUDGET
		2012	2013	2014	2014	2015
Internal Audit Department						
PERSONNEL COSTS -DIRECT						
Salaries	5501	\$226,449	\$308,555	\$412,455	\$434,625	\$438,923
PERSONNEL COSTS - INDIRECT						
Travel	5507	3,824	8,231	12,000	12,000	12,000
Conferences & Meetings	5517	1,498	1,447	2,500	2,500	2,500
		<u>5,322</u>	<u>9,678</u>	<u>14,500</u>	<u>14,500</u>	<u>14,500</u>
CONSULTING SERVICES						
Auditing	5511	263,894	262,526	352,500	104,000	110,700
COMMODITIES & SERVICES						
Publications & Dues	5535	2,021	1,868	1,400	1,400	1,800
EQUIPMENT						
Software Maintenance PC	5574	2,040	1,330	3,080	3,080	3,200
Expendable Equipment	5575	8,000	2,000	2,100	2,000	--
Auto Maintenance & Exp.	5576	2,271	3,979	1,000	1,000	1,500
		<u>12,311</u>	<u>7,309</u>	<u>6,180</u>	<u>6,080</u>	<u>4,700</u>
Total Expenses		<u>\$509,997</u>	<u>\$589,936</u>	<u>\$787,035</u>	<u>\$560,605</u>	<u>\$570,623</u>

Investment Department

Investment Department works to optimize the total return of the IMRF investment portfolio through a policy of long-term diversified investment, using parameters of prudent risk management. The Investment Department’s strategic objective is to meet or exceed our actuarial assumed rate of return and outperform the total portfolio benchmark. The Chief Investment Officer heads the Investment Department and leads a team of 13 (based on approved positions). The Investment Department is organized by key function areas such as: Public Markets, Private Markets, Emerging Manager Program and Total Portfolio, and Operations.

Key highlights regarding the Investment Department activity include: Evaluation and analysis of current and prospective investments for the total portfolio, monitoring manager performance, development and implementation of the strategic asset allocation plan, working with the General Investment Consultant, and presenting investment recommendations to the Investment Committee of the Board.

Investment Department – Organization Chart



Investment Department – Performance Measures

Gross Annual Investment Returns for 1,3,5, 10 years.

Total Fund Performance	Last year 2013	Last 3 yrs 2011-13	Last 5 yrs 2009-13	Last 10 yrs 2004-13
IMRF Total Fund	20.26%	10.93%	14.07%	8.17%
Total Fund Benchmark	15.90%	9.68%	12.28%	7.33%
Difference	4.36%	1.25%	1.79%	0.84%
Rank: IMRF Total Fund	14	20	15	5

Goal is for IMRF returns greater than portfolio benchmarks over 3, 5 and 10 year periods.

Percentile rank = 14th in Callan Universe of 127 pension funds.

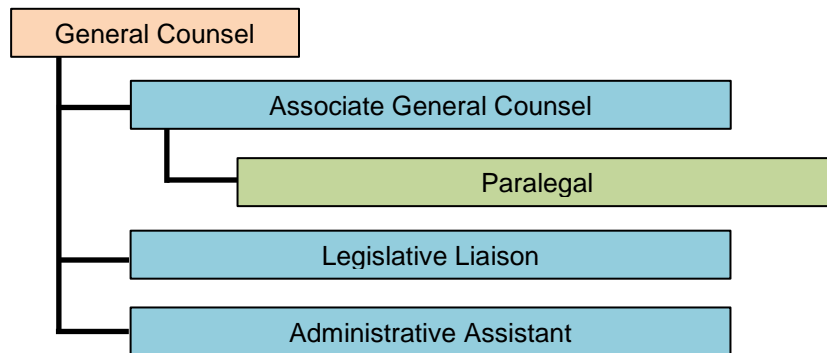
Investment Department – Budget

EXPENSE CLASSIFICATION	ACCT NO.	ACTUAL		BUDGET	ESTIMATED	ADOPTED BUDGET
		2012	2013	2014	2014	2015
Investment Department						
PERSONNEL COSTS - DIRECT						
Salaries	5501	\$925,741	\$997,919	\$1,179,449	\$1,158,461	\$1,480,214
Professional Services – Temps	5503	--	--	--	2,388	--
		<u>925,741</u>	<u>997,919</u>	<u>1,179,449</u>	<u>1,160,849</u>	<u>1,480,214</u>
PERSONNEL COSTS - INDIRECT						
Travel	5507	449	36	--	--	--
Conferences & Meetings	5517	3,452	1,058	8,000	284	--
		<u>3,901</u>	<u>1,094</u>	<u>8,000</u>	<u>284</u>	<u>--</u>
COMMODITIES & SERVICES						
Publications & dues	5535	1,798	5,115	7,725	1,350	--
Sub-total		<u>\$931,440</u>	<u>\$1,004,128</u>	<u>\$1,195,174</u>	<u>\$1,162,483</u>	<u>\$1,480,214</u>
INVESTMENTS EXPENSES						
Investment Manager Fees	5788	\$75,073,163	\$87,837,029	\$92,000,000	\$92,000,000	\$98,900,000
Master Trust Services	5789	250,000	255,000	275,000	275,000	280,000
Investment Travel	5790	58,743	44,910	80,000	80,000	85,000
Investment Legal Fees	5791	283,292	324,929	350,000	350,000	400,000
Security Litigation Monitoring	5792	25,021	25,056	38,555	25,055	25,055
Investment Consultants	5793	894,373	982,886	1,045,300	901,500	1,002,960
Securities Lending Fees	5794	1,516,798	1,646,484	1,400,000	1,708,000	1,400,000
Tax Preparation & Custodial Expense	5795	85	--	42,000	18,000	25,000
Investment Publications & Dues	5796	10,122	4,906	6,282	9,348	23,952
Investment Licenses	5797	--	--	500	48	212
Sub-total		<u>\$78,111,597</u>	<u>\$91,121,200</u>	<u>\$95,237,637</u>	<u>\$95,366,951</u>	<u>\$102,142,179</u>
Total Expenses		<u>\$79,043,037</u>	<u>\$92,125,328</u>	<u>\$96,432,811</u>	<u>\$96,529,434</u>	<u>\$103,622,393</u>

Legal Department – Budget

The IMRF Legal Department acts as legal counsel to the IMRF Board of Trustees; provides legal counsel to IMRF staff, interpreting the Illinois Pension Code and IMRF Board Policies; defends IMRF Board administrative decisions in court; and maintains a presence and represents the Board of Trustees at the Illinois Legislature. The Legal Department consists of two attorneys, a paralegal, a legal secretary, and a legislative liaison.

Legal Department – Organization Chart



Legal Department – Performance Measures

Turnaround of: (Standard)	2009	2010	2011	2012	2013	2014 YTD
FOIA requests (5 days)	31	113	181	237	204	127
	100%	100%	100%	100%	100%	100%
QILDROs (45 days)	140	145	164	180	159	207
	100%	100%	100%	100%	100%	100%
Contract review (3 days)	30	37	29	39	20	24
	100%	100%	100%	100%	100%	96%

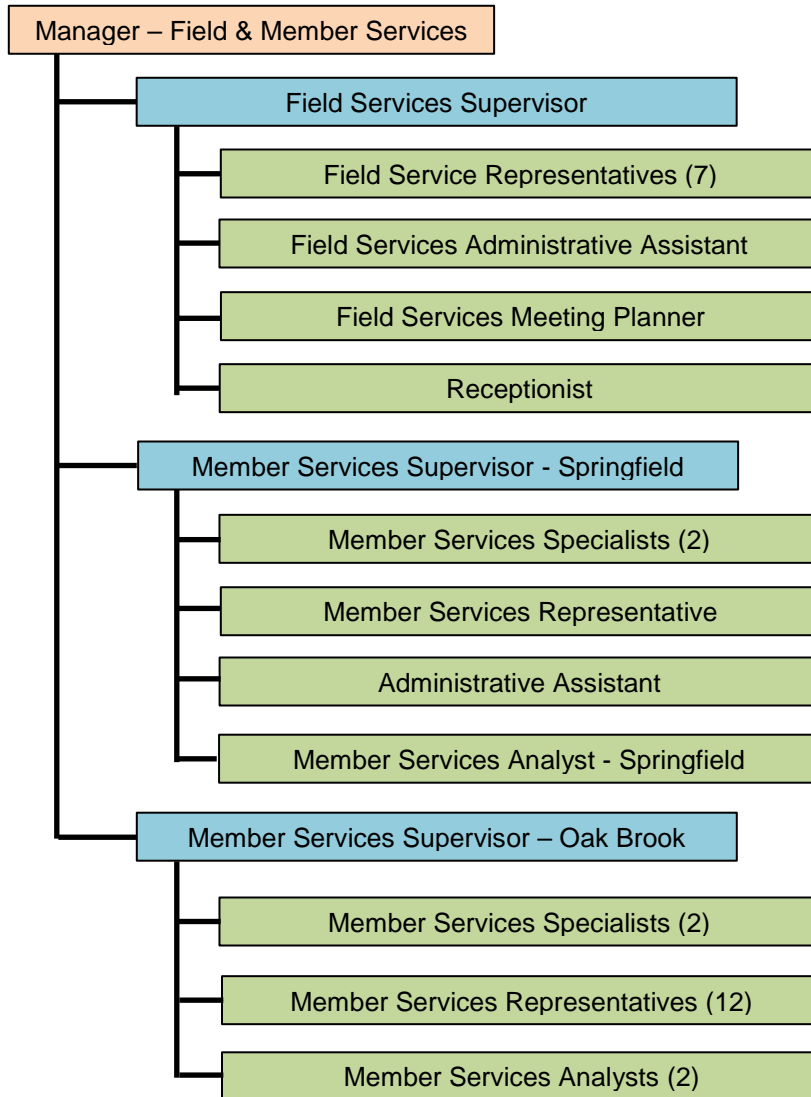
Legal Department Budget

EXPENSE CLASSIFICATION	ACCT NO.	ACTUAL		BUDGET	ESTIMATED	ADOPTED BUDGET
		2012	2013	2014	2014	2015
Legal Department						
PERSONNEL COSTS -DIRECT						
Salaries	5501	409,278	419,430	460,044	465,444	475,509
PERSONNEL COSTS - INDIRECT						
Travel	5507	8,569	12,607	12,700	10,516	14,500
Conferences & Meetings	5517	7,222	7,179	9,750	7,426	9,900
		<u>15,791</u>	<u>19,786</u>	<u>22,450</u>	<u>17,942</u>	<u>24,400</u>
CONSULTING SERVICES						
Legal Counsel	5513	31,249	58,137	31,100	34,330	100,500
LEGISLATIVE LOBBYING SERVICES						
	5518	67,200	68,160	68,800	68,800	69,500
COMMODITIES & SERVICES						
Publications & Dues	5535	25,964	30,201	28,740	24,775	25,750
EQUIPMENT						
Software Maintenance	5574	--	--	1,350	900	5,400
Expendable Equipment	5575	--	--	2,500	2,500	--
Auto Maintenance & Exp.	5576	1,595	2,313	2,200	2,000	1,000
		<u>1,595</u>	<u>2,313</u>	<u>6,050</u>	<u>5,400</u>	<u>6,400</u>
MISCELLANEOUS EXPENSES						
Insurance	5583	143,589	144,350	159,700	148,514	156,100
Total Expenses		<u>\$694,666</u>	<u>\$742,377</u>	<u>\$776,884</u>	<u>\$765,205</u>	<u>\$858,159</u>

Member & Field Services Department

The Member & Field Services Department is led by one Manager and three supervisors. The department is comprised of three divisions: Member Services – Oak Brook; Member Services – Springfield; and Field Services. Three Analysts assist the department in day-to-day activities; seven Field Representatives provide coverage throughout the state, and approximately 25 Specialists, Representatives, and support staff serve our membership.

Member & Field Services Department – Organization Chart



Member & Field Services – Performance Measures

Standards	2009	2010	2011	2012	2013	2014 YTD
ACD Log-on adherence	91.0%	91.7%	95.6%	95.9%	98.0%	98.0%
Call documentation	N.A.	89.6%	90.6%	92.1%	95.5%	93.7%
Call transfer rate	3.42%	3.52%	3.35%	3.48%	3.26%	3.38%

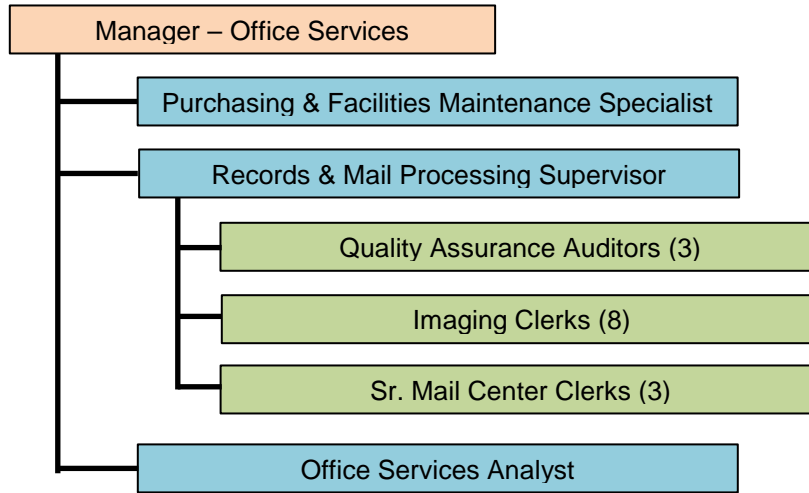
Member & Field Services Department - Budget

EXPENSE CLASSIFICATION	ACCT NO.	ACTUAL		BUDGET	ESTIMATED	ADOPTED BUDGET
		2012	2013	2014	2014	2015
Member & Field Services						
PERSONNEL COSTS - DIRECT						
Salaries	5501	\$1,580,549	\$1,661,318	\$1,753,999	\$1,819,753	\$1,879,195
PERSONNEL COSTS - INDIRECT						
Travel – Member Services	5507	6,743	6,828	3,700	5,400	7,000
Field Staff: Travel Meetings, Retiree Services, Exhibit Fees, AA Plaques	5508	133,484	147,578	144,750	148,000	160,000
Conferences & Meetings	5517	2,281	2,009	2,300	2,300	6,100
		<u>142,508</u>	<u>156,415</u>	<u>150,750</u>	<u>155,700</u>	<u>173,100</u>
FACILITY EXPENSES						
Telephone – Cellular	5523	6,277	6,336	5,940	6,150	6,300
COMMODITIES & SERVICES						
Office Supplies	5531	1,304	738	250	425	300
Postage & Delivery	5533	1,119	984	1,200	865	1,000
Publications & Dues	5535	689	645	935	900	1,080
Other Services	5540	--	591	400	800	800
		<u>3,112</u>	<u>2,958</u>	<u>2,785</u>	<u>2,990</u>	<u>3,180</u>
EQUIPMENT						
Maintenance & Rentals	5572	167	73	200	200	200
Expendable Equipment	5575	160	--	--	--	--
Auto Maintenance & Exp.	5576	22,537	21,345	21,500	20,000	21,500
		<u>22,864</u>	<u>21,418</u>	<u>21,700</u>	<u>20,200</u>	<u>21,700</u>
Total Expenses		<u>\$1,755,310</u>	<u>\$1,848,445</u>	<u>\$1,935,174</u>	<u>\$2,004,793</u>	<u>\$2,083,475</u>

Office Services Department

The Office Services Department is led by one Manager and one Supervisor. The department is comprised of four divisions: the Records Unit; Mail Center; Digital Print Center; and, Purchasing/Maintenance. There are 17 support employees. The department is responsible for processing member enrollments, processing all documents entered into the Imaging System, processing all incoming and outgoing mail, printing forms and other informational documents, managing vendor relations and processing purchasing orders, and managing our office space.

Office Services Department – Organization Chart



Office Services - Performance Measures

Standards	2009	2010	2011	2012	2013	2014 YTD
Accuracy: Error rate	0.07%	0.10%	0.07%	0.03%	0.15%	0.16%
Timeliness: % Same day	100%	100%	100%	100%	100%	100%

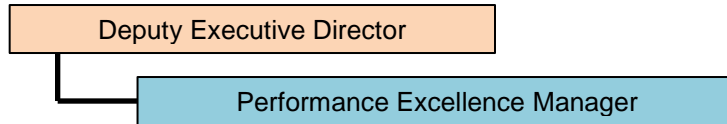
Office Services Department - Budget

EXPENSE CLASSIFICATION	ACCT NO.	ACTUAL		BUDGET	ESTIMATED	ADOPTED BUDGET
		2012	2013	2014	2014	2015
Office Services						
PERSONNEL COSTS - DIRECT						
Salaries	5501	\$974,083	\$947,923	\$893,741	\$884,887	\$901,413
Professional Services	5503	8,446	--	--	--	40,320
		<u>982,529</u>	<u>947,923</u>	<u>893,741</u>	<u>884,887</u>	<u>941,733</u>
PERSONNEL COSTS - INDIRECT						
Travel	5507	367	133	350	350	1,508
Conferences & Meetings	5517	881	--	2,400	2,400	2,400
		<u>1,248</u>	<u>133</u>	<u>2,750</u>	<u>2,750</u>	<u>3,908</u>
FACILITY EXPENSES						
Building Rent	5521	932,055	1,012,984	1,118,700	1,119,171	1,154,303
Electricity	5522	61,270	56,447	58,350	64,843	66,140
Building Operating Expenses	5524	439,575	528,544	569,100	569,297	574,522
Other Facility Expenses	5525	41,350	37,589	39,000	36,632	34,000
		<u>1,474,250</u>	<u>1,635,564</u>	<u>1,785,150</u>	<u>1,789,943</u>	<u>1,828,965</u>
COMMODITIES & SERVICES						
Office Supplies	5531	133,874	146,671	147,900	95,414	149,247
Forms & Informational Materials	5532	36,728	36,807	40,030	37,983	61,940
Postage & Delivery	5533	1,027,864	1,051,777	1,078,110	1,055,868	1,118,888
Publications & Dues	5535	1,309	659	924	1,416	1,416
Professional Services – Other	5540	241,875	274,195	281,500	220,750	317,728
		<u>1,441,650</u>	<u>1,510,108</u>	<u>1,548,464</u>	<u>1,411,431</u>	<u>1,658,070</u>
EQUIPMENT						
Maintenance & Rentals	5572	59,943	65,219	62,500	78,908	103,623
Expendable Equipment	5575	15,811	92,522	62,490	98,891	33,463
		<u>75,754</u>	<u>157,741</u>	<u>124,990</u>	<u>177,799</u>	<u>137,086</u>
MISCELLANEOUS						
Building Renovation/Relocation Expenses	5585	8,687	17,607	28,600	44,795	49,611
Total Expenses		<u>\$3,984,118</u>	<u>\$4,269,077</u>	<u>\$4,383,695</u>	<u>\$4,311,605</u>	<u>\$4,619,575</u>

Operations

The Deputy Executive Director provides leadership for the Benefits, Member & Field Services, Office Services, Human Resources, and Performance Excellence Departments. He is co-sponsor of IMRF's comprehensive Modernization Program, and also leads organizational effectiveness initiatives including the strategic planning process. The Deputy Executive Director supports the Executive Director and Board of Trustees as needed.

Operations – Organization Chart



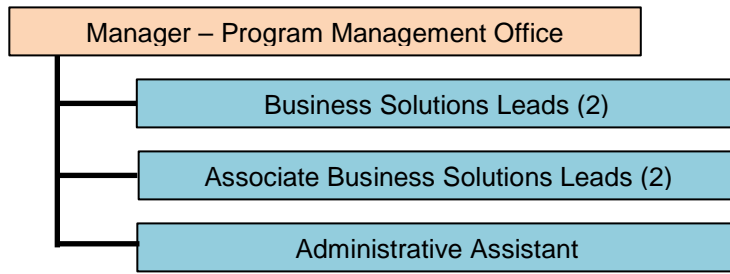
Operations – Budget

EXPENSE CLASSIFICATION	ACCT NO.	ACTUAL		BUDGET	ESTIMATED	ADOPTED BUDGET
		2012	2013	2014	2014	2015
Operations						
PERSONNEL COSTS -DIRECT						
Salaries	5501	\$183,748	\$268,936	\$297,501	\$303,091	\$298,344
PERSONNEL COSTS - INDIRECT						
Travel	5507	131	33	450	175	200
Conferences & Meetings	5517	4,458	4,458	6,250	5,210	7,340
		<u>4,589</u>	<u>4,491</u>	<u>6,700</u>	<u>5,385</u>	<u>7,540</u>
CONSULTING SERVICES						
Process Improvement Program	5515	10,050	11,850	5,400	5,400	16,200
COMMODITIES & SERVICES						
Publications & Dues	5535	343	349	349	349	849
Other Services	5540	92,858	61,400	76,400	129,350	67,800
		<u>93,201</u>	<u>61,749</u>	<u>76,749</u>	<u>129,699</u>	<u>68,649</u>
Total Expenses		\$291,588	\$347,026	\$386,350	\$443,575	\$390,733

Program Management Office (PMO) Department

The Program Management Office is headed by the PMO Manager and staffed by Business Solution Analysts. The establishment of the PMO Department is to manage the Modernization Program and provide systemic methods and the resources for Continuous Process Improvement and innovation. The PMO Department identifies reengineering as a key project within the Modernization Program by reengineering current processes and the adoption of best practices provided by the system solutions.

Program Management Office (PMO) – Organization Chart



Program Management Office (PMO) - Budget

EXPENSE CLASSIFICATION	ACCT NO.	ACTUAL		BUDGET	ESTIMATED	ADOPTED BUDGET
		2012	2013	2014	2014	2015
Program Management Office (PMO)						
PERSONNEL COSTS -DIRECT						
Salaries	5501	\$506,021	\$176,171	\$148,287	\$173,379	\$165,192*
PERSONNEL COSTS - INDIRECT						
Travel	5507	3,804	--	2,000	1,000	2,000
Conferences & Meetings	5517	1,688	1,417	2,000	2,000	2,500
		<u>5,492</u>	<u>1,417</u>	<u>4,000</u>	<u>3,000</u>	<u>4,500</u>
CONSULTING SERVICES						
Implementation Phase Consultant	5514	\$300,300	60,384	120,960	70,000	450,000
COMMODITIES & SERVICES						
Publications & Dues	5535	267	656	1,000	--	--
Total Expenses		<u>\$812,080</u>	<u>\$238,628</u>	<u>\$274,247</u>	<u>\$246,379</u>	<u>\$619,692</u>

*GASB 51 allows for capitalization of internally-developed software. The gross amount without capitalization is \$518,540.

2015 IMRF BUDGET – SUMMARY BY ACCOUNT

EXPENSE CLASSIFICATION	ACCT NO.	ACTUAL		BUDGET	ESTIMATED	ADOPTED BUDGET
		2012	2013	2014	2014	2015
IMRF - SUMMARY						
PERSONNEL COSTS - DIRECT						
Salaries	5501	\$11,991,032	\$12,182,926	\$11,722,016	\$12,216,333	\$12,824,504
Professional Services – Temps	5503	8,446	---	173,425	61,888	274,745
Fringe Benefits	5504	1,893,061	1,883,525	1,939,381	1,968,946	2,024,529
IMRF & SS ER Contributions	5505	2,177,925	2,291,954	2,211,570	2,326,022	2,301,750
		<u>16,070,464</u>	<u>16,358,405</u>	<u>16,046,392</u>	<u>16,573,189</u>	<u>17,425,528</u>
PERSONNEL COSTS - INDIRECT						
Training & Travel	5507	152,833	282,370	376,665	325,541	446,708
Field Staff	5508	133,484	147,578	144,750	148,000	160,000
Recruitment & Testing	5509	29,955	52,694	63,400	60,300	77,350
Other Personnel Costs	5510	36,207	35,194	49,350	39,450	90,128
Conferences & Meetings	5517	37,574	35,669	59,425	42,712	70,825
		<u>390,053</u>	<u>553,505</u>	<u>693,590</u>	<u>616,003</u>	<u>845,011</u>
CONSULTING SERVICES						
Auditing	5511	389,394	391,791	550,645	302,145	467,840
Actuarial	5512	290,324	358,285	484,101	474,101	673,308
Legal Counsel	5513	31,249	58,137	31,100	34,330	100,500
Compensation & Benefits	5514	340,879	87,234	142,910	91,900	46,550
Systems Design	5515	71,033	264,854	896,000	331,112	1,092,200
Medical & Field Investigations	5516	128,561	139,211	160,200	126,790	139,500
		<u>1,251,440</u>	<u>1,299,512</u>	<u>2,264,956</u>	<u>1,360,378</u>	<u>2,519,898</u>
LEGISLATIVE LOBBYING SERVICES						
Legislative Lobbying	5518	67,200	68,160	68,800	68,800	69,500
PUBLIC RELATIONS SERVICES						
Public Relations	5519	84,430	82,309	89,700	89,700	89,700
FACILITY EXPENSES						
Rent	5521	932,055	1,012,984	1,118,700	1,119,171	1,154,303
Electricity	5522	61,270	56,447	58,350	64,843	66,140
Telephone	5523	114,002	132,627	158,140	141,650	169,360
Building Operating Expenses	5524	439,575	528,544	569,100	569,297	574,522
Other Facility Expenses	5525	183,984	193,424	239,000	204,232	209,000
		<u>1,730,886</u>	<u>1,924,026</u>	<u>2,143,290</u>	<u>2,099,193</u>	<u>2,173,325</u>

2015 IMRF BUDGET – SUMMARY BY ACCOUNT (cont.)

EXPENSE CLASSIFICATION	ACCT NO.	ACTUAL		BUDGET	ESTIMATED	ADOPTED BUDGET
		2012	2013	2014	2014	2015
IMRF - SUMMARY						
COMMODITIES & SERVICES						
Office Supplies	5531	192,673	218,305	234,940	171,839	236,747
Forms & Informational Materials	5532	221,651	216,567	252,180	202,033	316,866
Postage & Delivery	5533	1,028,983	1,052,761	1,079,310	1,056,733	1,119,888
Publications & Dues	5535	59,178	66,032	69,873	59,290	64,260
Professional Services – Other	5540	557,253	558,056	615,200	607,852	644,228
		<u>2,059,738</u>	<u>2,111,721</u>	<u>2,251,503</u>	<u>2,097,747</u>	<u>2,381,989</u>
EQUIPMENT						
Depreciation	5571	1,290,102	1,477,663	1,772,377	1,556,654	1,519,593
Maintenance & Rentals	5572	255,557	230,641	271,700	271,608	314,965
Software Maintenance	5573	471,911	464,236	518,800	478,918	231,900
Software Maintenance – PC	5574	218,165	330,641	580,380	422,680	519,000
Expendable Equipment	5575	195,345	256,728	226,665	248,342	334,863
Auto Maintenance & Exp.	5576	30,046	28,315	25,700	24,000	26,000
		<u>2,461,126</u>	<u>2,788,224</u>	<u>3,395,622</u>	<u>3,002,202</u>	<u>2,946,321</u>
MISCELLANEOUS						
Trustee Employer Reimbursement	5580	48,192	53,820	59,000	56,000	55,000
Trustee Expenses	5581	39,853	49,715	42,600	46,609	52,300
Trustee Elections	5582	81,563	4,984	98,000	12,100	155,877
Insurance	5583	143,589	144,350	159,700	148,514	156,100
Building Renovation/Relocation	5585	8,687	17,607	28,600	44,795	49,611
Filing Fees	5586	9,914	10,716	9,950	11,320	11,400
		<u>331,798</u>	<u>281,192</u>	<u>397,850</u>	<u>319,338</u>	<u>480,288</u>
Sub-total		<u>24,447,135</u>	<u>25,467,054</u>	<u>27,351,703</u>	<u>26,226,550</u>	<u>28,931,560</u>
INVESTMENT EXPENSES						
Investment Manager Fees	5788	75,073,163	87,837,029	92,000,000	92,000,000	98,900,000
Master Trust Service	5789	250,000	255,000	275,000	275,000	280,000
Travel	5790	58,743	44,910	80,000	80,000	85,000
Legal Fees	5791	283,292	324,929	350,000	350,000	400,000
RFP Support	5792	25,021	25,056	38,555	25,055	25,055
Investment Consultants	5793	894,373	982,886	1,045,300	901,500	1,002,960
Securities Lending Fees	5794	1,516,798	1,646,484	1,400,000	1,708,000	1,400,000
Tax Preparation & Custodial Expense	5795	85	--	42,000	18,000	25,000
Publications & Dues	5796	10,122	4,906	6,282	9,348	23,952
Investment Licenses	5797	---	---	500	48	212
Sub-total		<u>78,111,597</u>	<u>91,121,200</u>	<u>95,237,637</u>	<u>95,366,951</u>	<u>102,142,179</u>
Total Expenses		<u>\$102,558,732</u>	<u>\$116,588,254</u>	<u>\$122,589,340</u>	<u>\$121,593,501</u>	<u>\$131,073,739</u>

Appendix A: Account Descriptions/Policies

Allocation of Final Budget by Month

After the budget is approved by the Board of Trustees, directors and managers are asked to allocate their approved budgeted amounts by general ledger account by month in order to enhance the budget to actual tracking for 2015. There will be a number of general ledger accounts for which the annual expense is mindlessly divide by twelve with no thought given to the actual historical pattern.

Anticipated Expenditures in 2015 related to 2015 Projects

Incremental expenditures which are anticipated in 2015 relating to 2015 Projects should be separately reported on the 2015 Project worksheets. The intent is to capture this information separately in order to report on the incremental financial "cost" of the 2015 Projects.

For example, if reprogramming SPECTRUM to total annuity payments by the annuitant's employer or employers were a 2015 Project, the costs associated with designing, developing and implementing this project would have to be analyzed. Part of that analysis would focus on whether any incremental expenditures would be incurred. Given that this would be an internal project, there may be no incremental costs that would have to be identified.

On the other hand, the incremental costs related to 2015 Modernization efforts will have to be identified by activity, if possible, and evaluated on whether they are expense or capital in nature. Since these costs may not be identified until late in the budget process, the budget process will begin by using the best available estimates and then updating the budget materials as more detailed information becomes available. Since the budgeting for the Modernization efforts will be a major challenge, the major parties (PMO, IS and Finance) dealing with the budgeting for the 2015 Modernization efforts will have to meet to discuss details.

Automobile Maintenance

Expenses such as car washes, oil changes, tires, brakes, etc. should be budgeted here. Gasoline expenses should be budgeted in the Travel account.

We are charged rent on the use of the lower level conference rooms. If you plan to use this space in 2015, please let Denise Streit or Vickie Lane know so she can incorporate that additional rental in the 2015 budget process.

Expendable Equipment

All purchases of equipment that are anticipated to cost over \$500 but less than \$5,000 should be specifically identified and budgeted here. Please fill out an expendable equipment budget worksheet for each different type of equipment.

Meetings & Conferences

These accounts are for director and manager conferences only. Please provide additional detail indicating the conference or meeting to be attended, the individual attending and the estimated cost. Except for the Reciprocal Conference, all conferences should be budgeted to this account. If a manager or director is going to attend more than one conference, he or she must get the approval of his or her direct supervisor. Travel costs related to attending a conference should be included here. Please provide the following information for each conference, for example:

GFOA Convention \$2,500

IGFOA Convention \$1,000

Office Salaries – Overtime

Departments should budget this based upon anticipated needs.

Office Salaries – Regular

These will be budgeted by Finance based upon the compensation guidelines for existing personnel and justified open positions.

- **Open positions that are not actively being recruited to fill, will be eliminated for 2015 budget purposes unless approved by the Executive Director.** For open positions actively being recruited, please provide this information via e-mail by October 1st.
- **New (incremental) positions must be cleared with the Executive Director.** Please provide a brief justification for the new position that can be incorporated into the budget documents. Also think about what incremental equipment, training, travel, or other expenses that might be associated the new employee.

Office Supplies

Most office supplies are purchased centrally through Office Services and accounted for in account 5531-A80-0 Office Supplies – General. Therefore, most departments have no need for a separate account. The one exception is for Field Services personnel who purchase miscellaneous supplies and are reimbursed via expense reports. In anticipation of a special project that might require additional office supplies, e.g. special binders for a trustee roundtable or anything else that is significantly out of the ordinary, please contact Office Services so it can be incorporated in the 2015 budget process.

Professional Services – Temporaries

Departments should budget this based upon anticipated needs.

Publications and Dues

Departments should budget this based upon anticipated needs.

Training

HR will continue to budget all training expenses. Each department should furnish HR with anticipated training needs for 2015. Please keep in mind the Individual Learning Plans that are required for all employees.

Travel

Travel should be budgeted based upon anticipated needs. However travel directly related to training should be budgeted as part of the training line item and furnished to HR. All gasoline expenses (except for Field Service Staff) should be budgeted in this account, not in the Automobile Maintenance account.

Tuition - Company-wide

Each department should furnish HR with the employees who anticipate using this benefit in 2015, the course of study and institution where it is being pursued, and the anticipated cost. Remember IMRF's policy is to limit reimbursement to \$5,250 on an annual basis except for employees who are in the Succession Plan.

The HR department will work with individuals in the Succession Plan to arrive at an estimate of the additional tuition expense related to this program. That expense will be separately budgeted.

Appendix B: *New Accounting Pronouncements*

In March 2012, GASB issued statement No. 65, “Items Previously Reported as Assets and Liabilities”. This statement identifies items that were previously identified as assets and liabilities that should now be reported as deferred inflows and outflows of resources or inflows and outflows of resources. In adopting GASB Statement No. 65 for its December 31, 2013 financial statements, IMRF is not required to reclassify any assets or liabilities as deferred inflows or outflows of resources or inflows or outflows of resources.

In June 2012, GASB issued Statement No. 67, “Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25”. The objective of this statement is to improve the usefulness of pension information included in the general purpose external financial reports of governmental pension plans for making decisions and accessing accountability. IMRF adopted GASB Statement No. 67 for its December 31, 2013 financial statements, available on our website, www.imrf.org.

In June 2012, GASB issued Statement No. 68, “Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27”. The objective of this statement is to improve the usefulness of information for decisions made by the various users of the general purpose financial reports of governments whose employees, both active and inactive, are provided with pensions. IMRF will implement GASB Statement No. 68 in Fiscal Year 2015.

In January 2013, GASB issued Statement No. 69, “Government Combinations and Disposals of Government Operations”. This statement establishes accounting and financial reporting standards for mergers, acquisitions, and transfers of operations (i.e., government combinations). The statement also provides guidance on how to determine the gain or loss on a disposal of government operations. This statement applies to all state and local governmental agencies. IMRF will adopt GASB Statement No. 69 for its December 31, 2014 financial statements.

In April 2013, GASB issued Statement No. 70, “Accounting and Financial Reporting for Nonexchange Financial Guarantees”. This statement establishes accounting and financial reporting standards for situations where a state or local government, as a guarantor, agrees to indemnify a third-party obligation holder under specific conditions (i.e., nonexchange financial guarantees). The issuer of the guaranteed obligations can be a legally separate entity or individual, including a blended or discretely presented component unit. IMRF will adopt GASB Statement No. 70 for its December 31, 2014 financial statements.

Appendix C: 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, Weaknesse, 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.)

- 1. 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.
- 2. 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.
- 3. 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.

4. **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.

5. **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.
6. **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.
7. **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

Appendix D: *Statistical Data*

IMRF:

- Created in 1939 by Illinois General Assembly in response to economic conditions (Great Depression); Social Security was not available to public employees
- Governed by Articles 1, 7, and 20 of the Illinois Pension Code
- Neither funded nor managed by the state
- Independently managed by autonomous Board of Trustees that represents municipal employers, employees, and retirees:
 - 4 elected by employers
 - 3 elected by active members
 - 1 elected by retired members
 - No appointed or ex-officio trustees
- Serves 2,977 units of local government (employers) that include 43 types of government such as cities, counties, park districts, and school districts (non-teaching personnel)
- One of 673+ public pensions in Illinois
- 82nd largest pension system in the world
- 52nd largest pension system in the U.S.
- Second largest public pension system in Illinois
- \$33 billion in assets as of 12/31/2013
- Best funded statewide system
 - 96.7% funded on a market basis
 - 87.6% funded on an actuarial basis
- **Not** Chicago or Cook County
- **Not** local police or fire
- 173,826 actively participating members
- 107,732 benefit recipients
- 108,034 inactive members
- Profile of average active member in 2013
 - Age: 48
 - Service: 11 years
 - Annual salary: \$38,059
- Profile of average member who retired in 2013
 - Age at retirement: 63
 - Service at retirement 22 years
 - Average final salary at retirement: \$42,216
 - Annual benefit: \$16,536
- Employees Regular = 4.5% of pay - SLEP = 7.5% of pay
- IMRF has enforcement authority—employers pay required contributions monthly and have a long history of commitment

Glossary of Budget Terms

A

ACSI (American Customer Satisfaction Index) – an index score reported by the Cobalt Community Research survey of member satisfaction with pension inception. Cobalt uses measurement methods similar to the University of Michigan's American Customer Satisfaction Index (ACSI), the only uniform, cross-industry measure of satisfaction available in the United States today. For over a decade, the index has been considered the “gold-standard” for customer satisfaction metrics in both the private sector and the federal government.

Action Plans – Each Strategic Goal is sponsored by an IMRF Director or Manager. Each Sponsor is responsible for assigning team members and developing high level Action Plans for a Strategic Goal. These Action Plans provide direction towards the achievement of the goals, but will be expanded to include a greater level of detail and corresponding timelines.

Active Member – A member currently working in an IMRF-qualified position and making contributions to IMRF, or who is receiving IMRF disability benefits.

Actuarial Assumptions – A formal set of estimates of what will happen to IMRF members, e.g., salary increases, retirement age, mortality. They are developed by the Board of Trustees with assistance from independent actuaries. They are also used to calculate funding levels and Employer contribution rates.

Administrative Review Hearing – The final step in the internal appeal process. A member or employer whose claim is denied by IMRF staff can request a hearing in front of the IMRF Board of Trustees' Benefit Review Committee. If the Review Committee also denies the claim, the member or employer can file an action for Administrative Review in Circuit Court.

Affinity Analysis – Through this analysis, an Affinity Diagram is created which helps to synthesize large amounts of data by finding relationships between ideas. The information is then gradually structured from the bottom up into meaningful groups.

Annual Member Statement of Account – Mailed to all active and inactive members each year. This statement provides an annual report of salary, member contributions, service credit earned, and estimates of IMRF benefit payments for each member. Also known as “Personal Statement of Benefits.”

Annual Benefit Statement of Account – Mailed to all retirees, surviving spouses, and beneficiaries each year. This statement includes the dollar amount of the annual 3% increase, the gross amount of the individual's pension with the increase, current beneficiary information for retirees and the estimated amount of the next 13th payment (if eligible). Also known as “Annuitant Statement of Benefits.” And “Benefit Statement of Account”

Annuitant – See “retired member.”

Asset Liability Study – a third party study to match revenues with future liabilities.

Assumed Rate of Return – IMRF's actuarial studies set 7.5% as the long-term assumed rate of return on investments

Audit Committee – Composed of at least three IMRF Trustees. Functions as an oversight role and communications link between the Board of Trustees, the outside auditors, the internal auditor, and IMRF senior management.

Authorized Agent – The employee designated by an employer (unit of government) to administer IMRF locally.

Authorized Agent Certification Workshops – These workshops offer training on IMRF policies and procedures for Authorized Agents and other employer representatives.

B

Balance Budget – A budget in which revenues equal expenditures.

Baldrige Award – The only formal recognition of the performance excellence of both public and private U.S. organizations given by the President of the United States.

Beneficiaries – The individual(s) or organization(s) members choose to receive their IMRF death benefits. Also, individuals who choose to receive their IMRF death benefit as a monthly payment.

Benefit Oversight Committee – Composed of IMRF’s Executive Director, the Deputy Executive Director, the General Counsel, and the Benefits Manager On a case-by-case basis, reviews administrative staff determinations adverse to a member’s claim for benefits or service credit. Decisions of the Benefit Oversight Committee are considered administrative staff determinations.

Benefit recipients – Those who receive some sort of benefit payment from IMRF, including disabled or retired members, surviving spouses of deceased members, and in some cases their children, etc.

Benefit Review Committee – Composed of at least five IMRF Trustees. When a member is denied a benefit, the member can appeal the denial. The Board Benefit Review Committee hears the appeal. This committee acts as a fact-finder and administrative judge. It reports its findings to the full board and recommends whether a denial should be upheld or reversed. The full Board of Trustees makes a final decision whether to uphold or reverse the denial. Adverse decisions can be appealed to the Circuit Court

Benefit Statement– see “Annual Benefit Statement of Account”

Board of Trustees – A group of eight persons organized to oversee IMRF; seven must be active members and one trustee must be receiving an IMRF pension. Four trustees are elected by employers, three are elected by active members, and one is elected by retired members. The Board hires an Executive Director to administer the Fund

C

Capital Expenditures – An expenditure greater than \$5,000 with an estimated useful life of three years or more. Capital assets are depreciated over their useful life and expensed each period.

CEM benchmarking study – CEM Benchmarking, Inc. Defined Benefit Administration Benchmarking Analysis. IMRF participates in the CEM analysis to evaluate its operations in such areas as benefit administration costs, service levels, and industry best practices. The CEM analysis aids IMRF in critically assessing the value it provides to members and employers compared to other retirement systems.

CompData Survey – CompData Surveys is a national compensation survey data and consulting firm. Each year, they gather compensation information from 5,000 organizations covering more than six million employees across the country.

Compliance Certification Process –IMRF is required to fully adhere to federal, state and local laws, rules and regulations governing all aspects of public pension fund administration. Quarterly, Directors must certify in writing that IMRF is in compliance with all applicable rules and regulations.

Contributions – See “member contributions” and “employer contributions.”

Continuous Process Improvement (CPI) Program – A formal program implemented in 2008 to enhance customer focus and ongoing improvement. The functions of CPI are generally being absorbed by the PMO driving IMRF’s Modernization program. (See PMO)

D

Defined Benefit (DB) Pension Plan – A retirement plan in which a member’s retirement income is determined by a formula that typically uses age, years of service, and salary history. Benefits are payable for life and the investment risk is borne by the Employer.

Defined Contribution (DC) Plan – A retirement plan in which a participant’s retirement income is based upon the amount contributed and on the performance of investment choices. These include 401(k), 403(b), and 457 type plans. Investment risk is borne by the Employee.

Disability benefits – IMRF provides both temporary or total and permanent disability benefit payments to active members. While on disability, members can earn service credit and have the same death benefit as if they were working.

Document Archive – The secure Employer Access area and the secure Member Access area of the IMRF website each include a Document Archive where employers and members can view documents related to their accounts, e.g., forms submitted, correspondence, or annual Member Statements.

Doyle Rowe LTD. – Doyle Rowe serves as IMRF’s insurance consultant. They identify, research, and administer health plans for active and retired members.

E

Early Retirement Incentive (ERI) – At the employer’s option, a member can purchase up to five years of service credit to qualify sooner for retirement. For each period of service credit purchased, the member’s age is increased accordingly. The member must be at least age 50 and have at least 20 years of service credit.

Elected County Official (ECO) Plan – This alternate benefit plan is available for some elected county officials. This plan was closed to new members effective August 8, 2011.

Emerging Investment Managers – As defined by the Illinois Pension Code, a qualified investment adviser that manages an investment portfolio of at least \$10 million but less than \$10 billion, and is a "minority owned business" or "female owned business" or "business owned by a person with a disability" as those terms are defined in the Business Enterprise for Minorities, Females, and Persons with Disabilities Act.

Employee Engagement – IMRF administers an annual employee engagement survey. IMRF analyzes the results and implements recommendations to improve engagement.

Employer – IMRF employers are local units of government in the state of Illinois (with the exclusion of the government of Cook County and the city of Chicago). Agency types eligible or mandated to join include school districts, counties, cities, villages, towns, townships, park districts, library districts, and other special districts, among others.

Employer Access – The secure Employer Access area of IMRF’s website provides IMRF employers with information specific to their employer and members’ accounts and allows employers to conduct business with IMRF, e.g., enroll new members or submit monthly wage reports.

Employer contributions – The percentage of payroll contributed by an employer and submitted to IMRF each month. Each employer has a unique contribution rate for each plan it participates in, determined by its individual funding level, demographics, and any optional programs it has adopted.

EnnisKnupp – Hewitt EnnisKnupp is a premier global investment consulting firm with best-in-class capabilities in every area of interest to institutional investors.

F

Fiduciary – Individuals required to exercise the highest standard of care when dealing with another’s assets. In the case of IMRF, its pension trust assets. The IMRF Board and staff are fiduciaries to IMRF members.

Fiduciary Counsel – The Illinois Pension Code requires Trustees to follow the Prudent Man Rule and discharge their duties “solely in the interest of the participants and beneficiaries.” IMRF retains fiduciary counsel to review Board materials, attend meetings, and offer guidance that helps Trustees fulfill their fiduciary duties.

Field Services Representatives/Field Services – Seven IMRF Field Services Representatives work in designated geographic areas to provide coverage for every member and employer throughout the state. They are trained to conduct counseling, provide educational programs, investigate problems, and to serve as a local representative to employers, members, and governing bodies.

Final Rate of Earnings – Average of the highest continuous 48 months (Tier 1) or 96 months (Tier 2) of the final 10 years of service.

FOIA (Freedom of Information Act) – The Freedom of Information Act (FOIA) is a U.S. federal law that grants the public access to information possessed by government agencies. Upon written request, agencies are required to release information unless it falls under one of nine exemptions. Though not an agency of state or federal government, IMRF is subject to FOIA requirements.

Formula – The Regular plan formula to calculate a pension is 1–2/3% of the FRE for each of the first 15 years of service credit, plus 2% of the FRE for each year of service credit thereafter, with a maximum benefit of 75% of the FRE. SLEP and ECO have separate formulas.

Fund – A fiscal entity with revenues and expenses which are segregated for the purpose of carrying out specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitation and constituting an independent fiscal and accounting entity.

Fund Balance – The cumulative difference between revenues and expenditures over the life of a fund. A negative fund balance is usually referred to as a deficit.

Funding – Ratio of IMRF’s assets to liabilities.

Funding, 100% Goal – An optimal homeostatic state in which assets equal liabilities.

G

GAAP (Generally Accepted Accounting Principles) – The common set of accounting principles, standards and procedures that companies use to compile their financial statements.

GASB (Governmental Accounting Standards Board) – The independent organization that establishes and improves standards of accounting and financial reporting for U.S. state and local governments.

Global Compliance Services – IMRF vendor for compliance. Reports of violations or suspected violations can be made by calling the toll-free number of our independent third party provider, Global Compliance.

H

Horizon -- Key project within the Modernization Program is a key strategic opportunity underway with partner Deloitte Consulting to develop a new, state of the art pension administration system. This new system is under development and will come online in stages, beginning in 2015. It includes an integrated set of applications:

Supplier	Application	Function
Deloitte	DPAS	Pension line of business
Microsoft	Dynamics CRM	Customer relationship management
IBM	Filenet	Enterprise content management
IBM	Cognos	Business intelligence, analytics

I

Illinois Pension Code – Articles 1, 7 and 20 specifically govern IMRF operations. (40 ILCS 5/1–101 et. seq)

Illinois General Assembly (IGA) – The Illinois State Legislature. Any changes to the IMRF plan must be introduced as legislation, passed by the General Assembly, and signed into law by the Governor.

Illinois Performance Excellence (ILPEX) – Illinois Performance Excellence

IMRF 101 – A presentation shared with reporters, editorial boards, community groups, and members of the General Assembly explaining who IMRF is, how we are funded, how benefits are calculated, and the positive impact IMRF pension payments have on local economies across Illinois.

Inactive Member – A member who no longer actively contributes to IMRF, but who has contributions on deposit for a future benefit.

Instrumentality – A local unit of government created under the laws of the State of Illinois that does not have power to levy taxes.

Intergenerational equity – The concept that current taxpayers should pay for the retirement benefits being earned by current public employees. This avoids a tax burden on future generations for work rendered in the past or a burden on the current generation for work to be rendered in the future.

Investment Committee – Composed of at least five IMRF Trustees. The Investment Committee assists the Board with its duty to invest the assets of the Fund. Its responsibilities include periodically reviewing and changing investment policy and asset allocation, evaluating investment portfolio and investment manager performance, and evaluating and selecting investment managers.

Investment Consultant – IMRF's current investment consultant is Callan Associates, Inc. A fiduciary who works for the IMRF Board of Trustees and makes recommendations on investment strategy and asset allocation; reports on the performance of the investment portfolio and investment managers; assists with the selection or termination of investment managers; and recommends new investment opportunities.

Investment Managers – IMRF hires independent, professional investment firms to manage our assets. As of December 31, 2013, IMRF had approximately 80 investment firms managing separate accounts.

Internal Revenue Code (IRC) – The Internal Revenue Code is the domestic portion of federal statutory tax law in the United States. Its implementing agency is the Internal Revenue Service (IRS)

J

K

KEEP program – IMRF’s Knowledge Exchange Employee Program, an internal, staff-driven knowledge transfer program to facilitate cross-organizational training.

L

Leadership scorecard – Leadership scorecards are IMRF’s highest-level scorecards. They summarize those issues of highest-level importance to IMRF, and are closely aligned with IMRF’s Strategic Plan. There are currently five key categories measured on IMRF Leadership Scorecards: Financial Health and Sustainability, Investment Returns, Customer Service and Operational Excellence, Workforce Engagement, and Modernization Program.

Legislative Committee – Composed of at least five IMRF Trustees. The committee provides an important contact between IMRF and its members with the General Assembly. Committee members may meet with key legislators to discuss legislative proposals endorsed by IMRF.

Legislative Drive-Down – An annual visit by the IMRF Board and senior staff to meet with Legislators to reinforce IMRF’s brand and share our legislative agenda.

M

Master Trustee – A Master Trust is an arrangement where a trust company acts as a Trustee to custody the assets or properties of IMRF. The master Trustee facilitates asset transactions and works with IMRF staff and investment managers.

Member Access – The Member Access area of IMRF’s website provides IMRF members with information specific to their IMRF account. Members can calculate pension estimates using their actual final rate of earnings and service credit, submit member information changes, changes in beneficiaries and applications for retirement. Members can also view a variety of documents via the Member Access Document Archive.

Member contributions – The percentage of an IMRF member’s gross salary withheld by the IMRF employer and submitted to IMRF each month in order to fund their health and retirement benefits. These monies are held until the member requests a refund or qualifies to receive a pension, or when the member’s beneficiaries receive a death benefit. The percentage is 4.5% for the Regular plan and 7.5% for SLEP and ECO.

Member Services Representatives/Unit – Member Services Representatives answer IMRF’s 1-800 toll-free line. They also meet one-on-one with members, and offer death benefit counseling to members’ beneficiaries.

Member Statement of Account – Mailed annually to all active and inactive members. This statement provides an annual report of salary, member contributions, service credit earned, and an estimate of IMRF benefit payments. Also known as “Personal Statement of Benefits.”

Members – Current or former employees of units of local government who participate in any of the IMRF plans. See “active member,” “retired member,” and “inactive member.” Also known as “participants.”

Mission – It is IMRF’s 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. IMRF incorporates its mission into the Illinois Compiled Statute 40ILCS5/7-102.

Modernization Program –A comprehensive program (managed by the PMO) that includes replacing or upgrading IMRF’s technology systems, continuous process improvement and the expansion of IMRF’s customer service capabilities.

N

National Association of State Retirement Administrators – (NASRA) A non-profit association whose members are the directors of the nation’s state, territorial, and largest statewide public retirement systems.

NASRA members oversee retirement systems that hold more than \$2.0 trillion in assets and that provide pension and other benefits to more than two-thirds of all state and local government employees.

National Change of Address – (NCOA) is a registry of people who move or otherwise change their address in the United States. It is maintained by the United States Postal Service and access to it is sold to firms that engage in direct mail; use of NCOA is required in order to obtain bulk mail rates, as it minimizes the number of misaddresses and eases the job of the postal service.

O

Opportunity for Improvement – (OFI) Formal suggestions to improve any process or procedure, e.g., modifying a current procedure, implementing an entirely new procedure to complete a task in a more effective, customer-focused way. OFIs can be identified in many ways, from staff suggestions to CEM benchmarking survey feedback.

P

Pension – A monthly payment paid as long as the member lives. It is increased by 3% of the original amount each year. No lump sum payouts are permitted.

Pension Benefit Information – (PBI) Provides a death audit service to accurately identify deceased participants and eliminate the possibility of overpayments or fraud.

Pension envy – The envy exhibited by private sector workers and taxpayers toward the disparity between the retirement plans available to them, and public sector employees who are furnished guaranteed pensions known as defined benefit pensions.

Personal Statement of Benefits – see member statement of account.

Plain Language Guidelines (PLG) - The federal Plain Writing Act of 2010 requires federal agencies to use "clear government communication that the public can understand and use." The Plain Language Guidelines (PLG) were created by a group of federal employees who support the use of clear communication in government writing. The PLG require writing with the reader's needs in mind, using everyday words, writing in the active voice, incorporating illustrations, writing short sentences, and avoiding jargon.

Portfolio Benchmarks – A standard against which the performance of a security or investment manager can be measured. Generally, broad market and market-segment stock and bond indexes are used for this purpose.

Program Management Body of Knowledge (PMBOK) – Published by the Project Management Institute, the PMBOK is the project management body of knowledge that generally recognized as good practice. The PMBOK recognizes 47 processes that fall into five basic groups that are typical of most projects. These include: (1) Initiating (2) Planning (3) Executing (4) Monitoring and Controlling and (5) Closing processes.

Program Management Office - Work unit responsible for facilitating the modernization program that will replace all current technology systems and improvement processes. The PMO incorporates the evolution of IMRF's prior version of CPI.

Prudent Man Rule – Also known as prudent or reasonable person rule. This standard assigns to the investment manager the responsibility to restrict investments to assets that a prudent person seeking reasonable income and preservation of capital might buy for his or her own portfolio.

Q

QILDRO – Qualified Illinois Domestic Relations Orders (QILDROs) are court orders that direct IMRF to pay a portion of a member's retirement benefit or refund to an alternate payee, typically a former spouse.

R

RV Kuhns – R.V. Kuhns & Associates, Inc., provides investment consulting services to institutional investors, including quarterly Investment Performance Reports that describe and analyze the performance of the client's investment managers and total asset pool.

Regular plan – Unless a member's position qualifies for participation in an alternate benefit plan (see "SLEP" and "ECO" plans), he or she participates in IMRF's Regular plan. Approximately 97% of IMRF's membership participates in this plan.

Reciprocal Act/System, Reciprocity – Reciprocity is a statutory requirement covering IMRF and 12 other Illinois public pension funds that allows a member's service credit to be combined to determine eligibility for and the amount of retirement benefits.

Retired Member – A person receiving an IMRF pension or surviving spouse pension.

S

Secure Messaging – IMRF's Member and Employer Access areas contain a secure messaging function that allows members and employers to send a message to IMRF through a secure portal.

Service credit – Service credit, service, or pension credits. Total time as an IMRF member. Service is credited monthly while working or while receiving IMRF disability benefits. Service credits are one factor in determining the retirement benefit.

Sheriff's Law Enforcement Personnel (SLEP) Plan – This alternate benefit plan is available to county sheriffs, deputy sheriffs, forest preserve rangers, airport police, and certain police chiefs. It provides a different formula and earlier retirement; members contribute 7.5%

Single Point Accountable – Individual responsible to ensure completion of an IMRF Action Plan.

SIPOC – An method for analysis of work systems that identifies Suppliers-Inputs-Process-Outputs-Customers

Sparklines - A very small line chart drawn without axes or coordinates. It presents the general shape of the variation over time in some measure <http://en.wikipedia.org/wiki/Sparkline> in a simple and highly condensed way.

Spectrum – IMRF's proprietary mainframe computer pension administration system.

Sponsor Each of IMRF's Strategic Goals is assigned a sponsor, either a director or manager. Each sponsor is responsible for assigning team members and developing high level Action Plans for the Strategic Goal.

Staff – An employee of IMRF. IMRF staff are also IMRF members.

Strategic Plan – Every three years, the IMRF Board and staff establish a multi-year strategic plan. The 2014-2016 plan includes objectives for five key result areas (KRAs).

Succession Planning Program – The IMRF Succession Planning Program was initiated to develop current employees for management positions, by providing training, on-the-job experiences and formal education. The Program provides participants with insight into the responsibilities of being in a leadership role at IMRF.

SWAT – Service, Wages and Adjustments Team; a dedicated team performing audits of member data.

T

Tier – A modification to a pension plan which offers reduced or enhanced benefits to members participating in that tier; pension plan tiers are often developed to provide reduced benefits to new members. "Tier 1" is the legacy program that applies to people entering the system prior to 1/1/2011. A "Tier 2" became effective for IMRF on January 1, 2011. Changes included increasing the earliest retirement age, increasing the years of service needed to vest for a pension (Regular and ECO plan), and increasing the number of months used to calculate the final rate of earnings.

U

Unit of Government – See “employer.”

UHD – Universal Help Desk, an information systems database, also used by IMRF as tool to track customer complaints

V

Values – Respect, Accountability, Accuracy, Empathy, Honesty, Courage.

Vest – Vesting establishes the right to a guaranteed future monthly retirement benefit. Under Tier 1, a member needs a minimum of eight years of credit to vest for the Regular plan, 20 years of SLEP service to vest for the SLEP plan, and eight years of service in the same elected office to vest for the ECO plan. Under Tier 2, a member needs a minimum of 10 years to vest for the Regular, 10 years of SLEP service to vest for the SLEP plan, and 10 years of service (eight in the same elected office) to vest for the ECO plan

Vision – “To provide the highest quality retirement services to our members, their beneficiaries and employers.”

W

Wiki – The IMRF WIKI is a repository of information in a searchable, linkable format, creating a way to find information quickly.

Workforce Engagement – Engagement of workforce to demonstrate they are highly involved with their work and the organization.

X

Y

Z



Illinois Municipal Retirement Fund

IMRF Main Office • 2211 York Road • Suite 500 • Oak Brook, IL 60523

Springfield Regional Counseling Center • 3000 Professional Drive • Suite 101 • Springfield, IL 62703-5934

1-800-ASK-IMRF (275-4673) • www.imrf.org

After questions and discussion, it was moved by Mr. Kuehne, seconded by Ms. Henry, to approve the 2015 Planning and Budget Document.

Vote: Unanimous Voice Vote
Absent: Copper

(14-11-11) (Legislative Update) The Legislative Liaison reported on current legislative activity.

She noted On November 21, 2014, the Sangamon County circuit court ruled that Public Act 98-0599 (pension reform for the State systems) signed by the Governor in 2013, is unconstitutional.

The Legislative Liaison reported the following two of the four bills from the Board's 2013 legislative agenda have been signed by the Governor and are now law:

- House Bill 5592 - allows members to elect a reversionary annuity prior to retirement as long as the member is vested and at least the minimum age for retirement.
- House Bill 5696 - includes three provisions from the Board's legislative agenda. It removed references in Article 7 to closed transfer windows; removed the requirement for write-in candidates in trustee elections when there is only one eligible candidate on the ballot, therefore no longer requiring an election to be held if there is only one eligible candidate for the position; and codifies the Board's current omitted service procedures from its resolutions.

Questions and discussion followed.

(14-11-12) (Litigation Update) The following is an update of the currently pending litigation:

VRAKAS, et al. v. COUNTY OF WILL, et al. (Will County)

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

Status: Summary judgment was granted to the county and the matter is being appealed.

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: The plaintiffs spent time finding all of the former stockholders to add as defendants; an agreement of the parties led to the small stockholders (under\$50,000 in proceeds) being dismissed; a motion to dismiss filed by certain of the defendants was granted and a portion of the complaint was dismissed. That ruling is on appeal and litigation on the remaining issues is proceeding.

The defendant groups have filed a joint motion to dismiss the remaining portions of the complaint.

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

Summary: This is an administrative review action challenging the IMRF Board's decision upholding the granting of MEABF and Deerfield credit transfers to Thomas Sheahan, the former police chief of Oak Brook and denying the Village's request to recalculate their liability excluding the service credits transferred from MEABF and Deerfield.

Status: On June 17, 2014 Judge Sheen issued a lengthy opinion wherein he found that the transfers of the Deerfield service and the MEABF service were done incorrectly. Specifically, Judge Sheen found that Mr. Sheahan was not active when the final payment was made to transfer his Deerfield credit and the statute required that he be active during all stages of such transfer and also that because Mr. Sheahan did not pay his portion to transfer the MEABF credit that IMRF acted improperly by crediting him with a portion of that service. A motion for a stay was filed by Mr. Sheahan and it was argued on July 28. The stay was denied. IMRF has ceased making pension payments to Mr. Sheahan and he has appealed that determination so this issue will come back before the Board. Also on July 28, Judge Sheen allowed a counterclaim to be filed by Sheahan against IMRF. Sheahan alleges breach of fiduciary duty and breach of contract against IMRF. Sheahan has appealed the circuit court order to the Second District Appellate Court. IMRF has filed a motion to dismiss the Counterclaim. Sheahan has appealed the termination of his pension to IMRF. On October 15, 2014, Judge Sheen stayed the counterclaim until IMRF makes its decision on the administrative appeal.

KATHERINE HINTERLONG V. IMRF (13 MR 1928) DUPAGE CO.

Summary: This is an administrative review action challenging the Board's decision upholding the denial of disability benefits for Katherine Hinterlong based upon failing to meet the initial eligibility standards.

Status: IMRF's brief was filed and a hearing on the merits was held on July 11, 2014. IMRF's determination that Ms. Hinterlong did not qualify to apply for disability benefits because she was separated from IMRF service at the time her disability was incurred was upheld by Judge Wheaton. Hinterlong has appealed to the 2nd District Appellate Court. IMRF's Brief is due 12/18/14.

KATHLEEN KONICKI V. IMRF (14 MR 32) (SANGAMON CO)

Summary: Administrative review challenging the Board's decision that Ms.

Konicki was not eligible to convert service into Original ECO.

Status: Filed on January 24, 2014. A hearing was held on August 15, 2014. The case was sent back to the BRC to join the County and the Attorney General's office on the issue of the constitutionality of the changes to the ECO plan for new enrollees.

BURGER v. IMRF (14 MR 79)

Summary: Appeal of denial of total and permanent disability.

Status: The circuit court remanded the case to IMRF in 2013 with instructions to allow the cross examination of Drs. Rao and Miller and to consider diagnoses after the termination date if such diagnoses are causally related to conditions diagnosed prior to termination. The case went back to the Benefit Review Committee in December which again upheld the denial of benefits (written decision dated 1/13/14). The Plaintiff's attorney unexpectedly passed away and a new attorney took the case. An appeal was filed on February 14, 2014.

IMRF filed the administrative record and its appearance on March 17, 2014. IMRF filed its brief on 10/3 and a hearing is scheduled for 1/8/15.

VILLAGE OF WESTMONT V. IMRF 2014 MR 528 (DUPAGE CO.)

Summary: This is an appeal of IMRF's determination that Westmont must enroll its part-time firefighters who work over 1000 hours in IMRF.

Status: Judge Wheaton upheld the Board's decision that Westmont is required to enroll its part time firefighters who work over 1000 hours a year. The Village has appealed to the Second District Appellate Court.

SCOTT TATE V. IMRF 2014 MR 34 (FRANKLIN CO)

Summary: This is an appeal of a denial of total and permanent disability benefits.

Status: Case filed on June 4, 2014 in Franklin County. IMRF has filed its answer and appearance.

KARYN O'CONNOR V. IMRF 14 MR 678 (DUPAGE CO)

Summary: This is an appeal of a termination of total and permanent disability.

Status: IMRF has answered and filed a motion to dismiss certain defendants. The motion to dismiss was granted, dismissing IMRF staff and Dr. Rao from the complaint. IMRF filed its brief on 10/16 and a hearing is scheduled before Judge Wheaton on 12/4/14.

PETERSON V. VILLAGE OF FOX LAKE AND IMRF 14 CV 9349(US DISTRICT COURT, ND

ILL)

Summary: This is a wrongful termination case and IMRF was joined solely for the purpose of any award that may be granted.

Status: IMRF has appeared in this matter. No further action will be necessary as no allegations concerning IMRF were made in this case.
SHANNON STERRETT v. IMRF (14-CH 15936-COOK CO)

Summary: Appeal of a denial of disability benefits.

Status: Case was filed in Cook County on 10/2/14. This is an improper venue. IMRF has moved to dismiss this case.

DWAYNE MCCANN V. IMRF (COOK COUNTY-14 CH 16047)

Summary: Appeal of a disability closure

Status: Case filed 10/6/14. Venue is improper. Plaintiff also missed the filing deadline. IMRF has moved to dismiss.

SENFNER V. IMRF (WILL COUNTY 14 MR 2304)

Summary: Appeal of a disability closure

Status: Appearance and motion to dismiss filed on 10/30/14.

(14-11-13) (Report of Executive Director)

Quarterly Strategic Objectives Report

The Executive Director updated the Board on the 3rd Quarter 2014 Strategic Objectives.

2015 Board Meeting Dates

The Executive Director presented a tentative list of 2015 Board Meeting dates for review and discussion.

(14-11-14) (Adjournment) It was moved by Ms. Thompson, seconded by Mr. Stafford, to adjourn the Board Meeting at 11:20 a.m., to reconvene in the Fund offices, 2211 York Road, Suite 400, Oak Brook, Illinois, at 9:00 a.m. on December 19, 2014.

Vote: Unanimous Voice Vote

Absent: Copper

President

Date

Secretary

Date

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