

ILLINOIS MUNICIPAL RETIREMENT FUND  
MINUTES OF  
REGULAR MEETING NO. 15-11  
NOVEMBER 20, 2015



ILLINOIS MUNICIPAL RETIREMENT FUND

MEETING NO. 15-11

REGULAR MEETING

OF THE

BOARD OF TRUSTEES

The Regular Meeting of the Board of Trustees was held at 9:10 a.m., November 20, 2015, in the Fund Office at 2211 York Road, Suite 400, Oak Brook, Illinois.

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

Ms. Enright called the roll:

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

Ms. Becker-Wold and Mr. Ball from Callan Associates, Mr. Moss from Seyfarth Shaw, and representatives from Loop Capital and Pensions and Investments were also present.

(15-11-01) (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, 2015.

The report was followed by discussion from Board Members.

(15-11-02) (Investment Manager Activities - Callan and Associates) Mr. Ball gave the following report to the Board on the activities of IMRF's investment managers:

October 31, 2015



**Illinois Municipal  
Retirement Fund  
Monthly Performance Report**

**Investment Measurement Service  
Monthly Review**

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The following report was prepared by Callan Associates Inc. ("CAI") using information from sources that include the following: fund trustee(s); fund custodian(s); investment manager(s); CAI computer software; CAI investment manager and fund sponsor database; third party data vendors; and other outside sources as directed by the client. CAI assumes no responsibility for the accuracy or completeness of the information provided, or methodologies employed, by any information providers external to CAI. Reasonable care has been taken to assure the accuracy of the CAI database and computer software. Callan does not provide advice regarding, nor shall Callan be responsible for, the purchase, sale, hedge or holding of individual securities, including, without limitation securities of the client (i.e., company stock) or derivatives in the client's accounts. In preparing the following report, CAI has not reviewed the risks of individual security holdings or the conformity of individual security holdings with the client's investment policies and guidelines, nor has it assumed any responsibility to do so. Advice pertaining to the merits of individual securities and derivatives should be discussed with a third party securities expert. Copyright 2015 by Callan Associates Inc.

**Major Market Returns  
Returns**

**for Periods Ended October 31, 2015**

Index	Last Month	Year to Date	Last Year	Last 3 Years	Last 5 Years	Last 10 Years
Russell:3000 Index	7.90	2.02	4.49	16.09	14.14	7.94
Russell:1000 Index	8.09	2.43	4.86	16.28	14.32	7.98
Russell:Midcap Index	6.20	(0.01)	2.77	16.61	13.91	8.85
Russell:2000 Index	5.63	(2.53)	0.34	13.90	12.06	7.47
MSCI:ACWI x US (Net)	7.44	(1.82)	(4.68)	4.69	2.60	4.16
MSCI:EAFE US\$	7.82	2.13	(0.07)	8.02	4.81	4.05
MSCI:Emer Markets	7.14	(9.17)	(14.22)	(2.53)	(2.47)	6.03
Barclays:Aggregate Index	0.02	1.14	1.96	1.65	3.03	4.72
NFI-ODCE Index	1.21	12.65	15.08	13.62	13.93	6.66
NAREIT Equity Index	5.87	1.86	5.81	12.01	12.25	7.69

Financial market volatility eased during October and equities around the globe rebounded after a very difficult September. The People's Bank of China (PBOC) unveiled a series of monetary stimulus actions which reassured market participants that the world's second largest economy wouldn't become a drag on global growth. In this environment, the Russell 3000 Index rose 7.9%, its best monthly mark since 2011. Equity returns outside the U.S. fared nearly as well, gaining 7.4% (MSCI ACWI x US Index). While yields increased across the curve, spreads narrowed and the Barclays Aggregate Index was essentially flat (+2 bps) for the month.

The U.S. economy decelerated during the third quarter. The first estimate of growth showed the economy expanded 1.5%, after GDP increased at a 3.9% rate during the prior quarter. Inventory levels, having risen in the first half of the year, fell in the third quarter, detracting 1.4% from GDP. Meanwhile, consumer spending and residential investment contributed positively.

Federal Reserve officials maintained their 0% to 0.25% target range for the federal funds rate during their October meeting while indicating in a statement that a December rate hike remains in play. October employment data from the Bureau of Labor Statistics is likely to strengthen the case for a rate hike as job growth accelerated to 271,000 positions added to payrolls. The unemployment rate also fell slightly, dropping to 5.0%, the lowest it has been since April 2008. The labor force participation rate remained steady at 62.4%.

In response to decelerating growth, the PBOC announced two measures to prop up the economy. First, the central bank announced a quarter percent cut in its benchmark interest rates, marking the sixth such cut since November of 2014. Second, the PBOC reduced their member banks' required reserve ratio by 0.5%, the fourth cut over the same time frame. Both measures are intended to prop up growth, which dropped below 7% in the third quarter for the first time since 2009. An additional tailwind to global equity markets occurred when European Central Bank (ECB) president, Mario Draghi, indicated that their current quantitative easing program could be aggressively expanded if inflation continues to be weak amid a tepid recovery.

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

U.S. Equity Overview

Returns

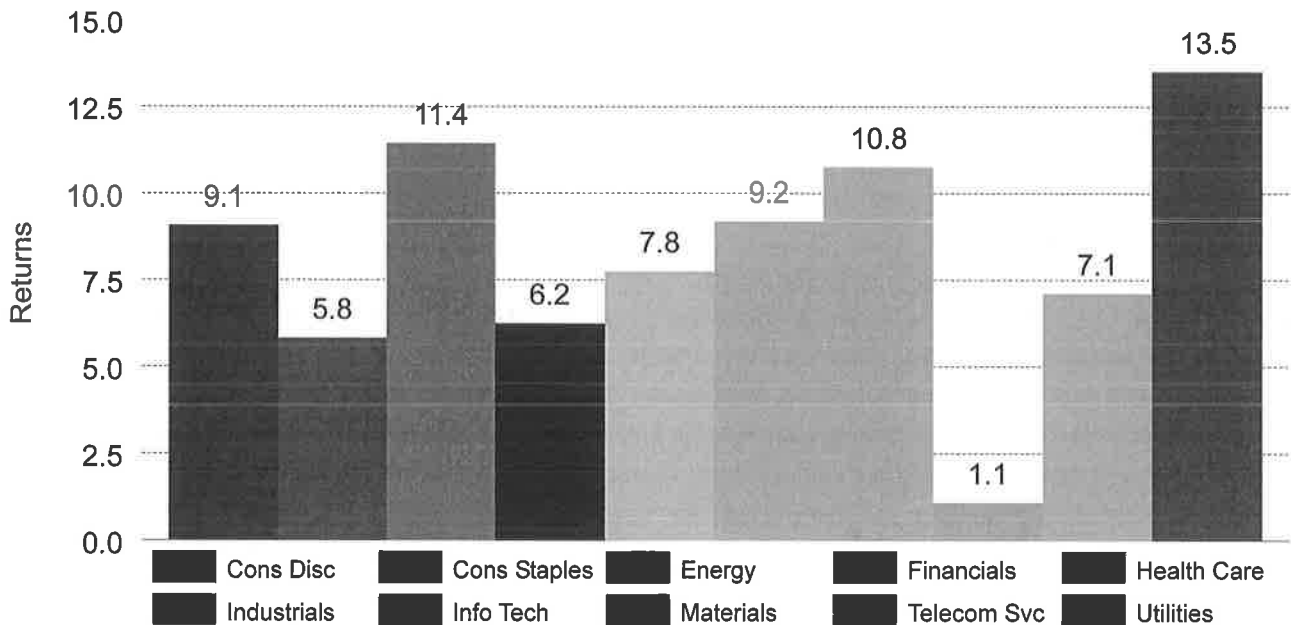
for Periods Ended October 31, 2015

Index	Last Month	Year to Date	Last Year	Last 3 Years	Last 5 Years	Last 10 Years
Russell:3000 Index	7.90	2.02	4.49	16.09	14.14	7.94
Russell:1000 Index	8.09	2.43	4.86	16.28	14.32	7.98
Russell:1000 Growth	8.61	6.94	9.18	17.94	15.30	9.09
Russell:1000 Value	7.55	(2.09)	0.53	14.52	13.26	6.75
Russell:Midcap Index	6.20	(0.01)	2.77	16.61	13.91	8.85
Russell:2000 Index	5.63	(2.53)	0.34	13.90	12.06	7.47
Russell:2000 Growth	5.67	(0.10)	3.52	16.16	13.56	8.67
Russell:2000 Value	5.60	(5.02)	(2.88)	11.65	10.53	6.19

Equities in the U.S. bounced back from a volatile September to post their largest monthly gain in four years and reentered positive territory year-to-date. Energy, technology, and utility shares led the rally in October as concerns over the weakness in China eased and the Fed pushed off hiking interest rates for another session. The broad U.S. equity market advanced 7.9% (Russell 3000 Index) to regain all loses experienced over the summer. Large cap stocks performed the best (Russell 1000 Index: 8.1%). Small cap stocks again trailed their larger counterparts (Russell 2000 Index: 5.6%). Growth stocks outperformed value stocks by a small margin in this segment. The mid cap segment also posted solid returns, with the Russell Midcap Index returning 6.2%.

All economic sectors of the S&P 500 finished the month in positive territory. Utilities (+13.5%), Energy (+11.4%) and Information Technology (+10.8%) were the strongest performers. Materials lagged all other sectors by a wide margin, only gaining 1.1% in October.

S&P 500 Sector Returns for 1 Month Ended October 31, 2015



**MARKET ENVIRONMENT**  
**Non-U.S. Equity Overview**  
**Returns**

October 31, 2015

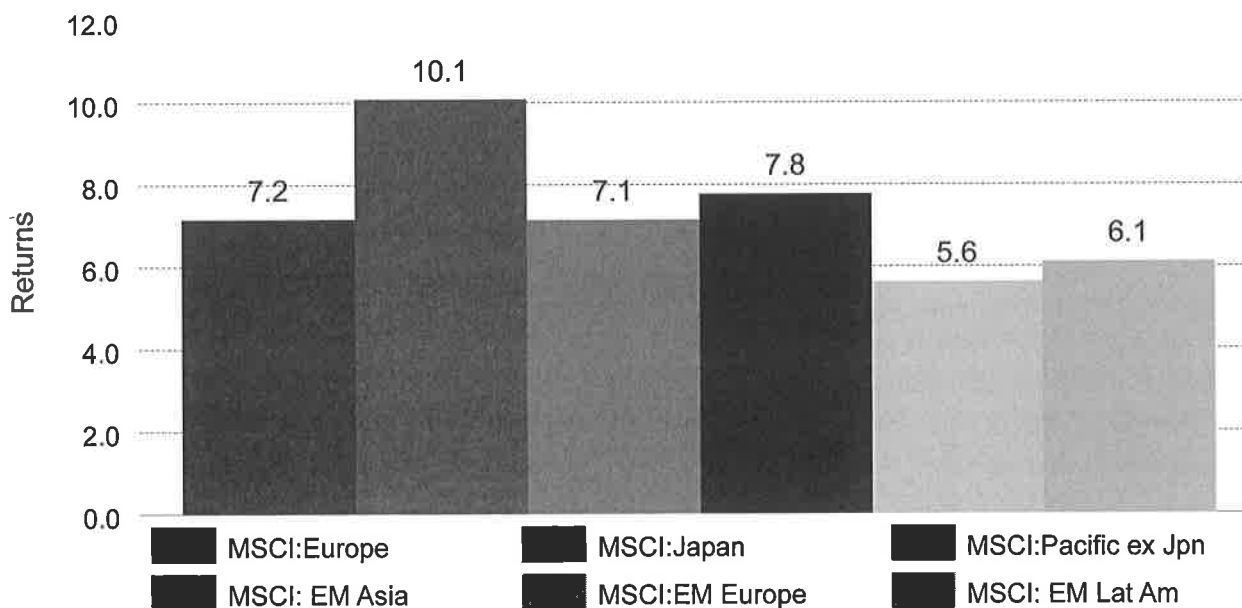
**for Periods Ended October 31, 2015**

Index	Last Month	Year to Date	Last Year	Last 3 Years	Last 5 Years	Last 10 Years
MSCI:ACWI x US (Net)	7.44	(1.82)	(4.68)	4.69	2.60	4.16
MSCI:ACWI x US Gr	7.58	1.49	(0.46)	6.51	3.93	5.13
MSCI:ACWI x US Val	7.32	(4.41)	(8.06)	3.72	2.14	4.07
MSCI:EAFE US\$	7.82	2.13	(0.07)	8.02	4.81	4.05
MSCI:EAFE Hedged Gross	7.84	4.16	5.89	11.85	5.83	2.05
MSCI:Emer Markets	7.14	(9.17)	(14.22)	(2.53)	(2.47)	6.03
MSCI:ACWI SC x US	5.93	3.24	1.53	7.54	4.20	6.11

Equities outside of the U.S. rose in October (MSCI: ACWI x US (Net) Index: 7.4%). Year-to-date, the MSCI ACWI x US (Net) remains in negative territory, down 1.8%. Returns for the MSCI EAFE Hedged Index were in line with their unhedged counterpart (MSCI EAFE Hedged Gross: 7.8%; MSCI EAFE US\$: 7.8%). Emerging markets trailed the broader market, gaining 7.1% (MSCI Emerging Markets Index). This was a large improvement compared to the poor performance EM showed over the summer due to falling commodity prices and slowing growth in China. Year-to-date, the MSCI Emerging Markets Index is down 9.2%. Small cap stocks outside of the U.S. gained 5.9% (MSCI ACWI SC ex-U.S.) for the month.

MSCI regional returns were positive across the board in October. Japan led, gaining 10.1% (MSCI Japan Index), followed by Asian emerging markets (MSCI EM Asia Index: 7.8%), developed Europe (MSCI Europe Index: 7.2%), and Pacific ex-Japan (MSCI Pacific ex-Japan Index: 7.1%). Latin American emerging markets and European emerging markets followed closely behind gaining 6.1% and 5.6%, respectively, during the month (MSCI EM Latin America Index, MSCI EM Europe Index).

**Regional Returns for 1 Month Ended October 31, 2015**

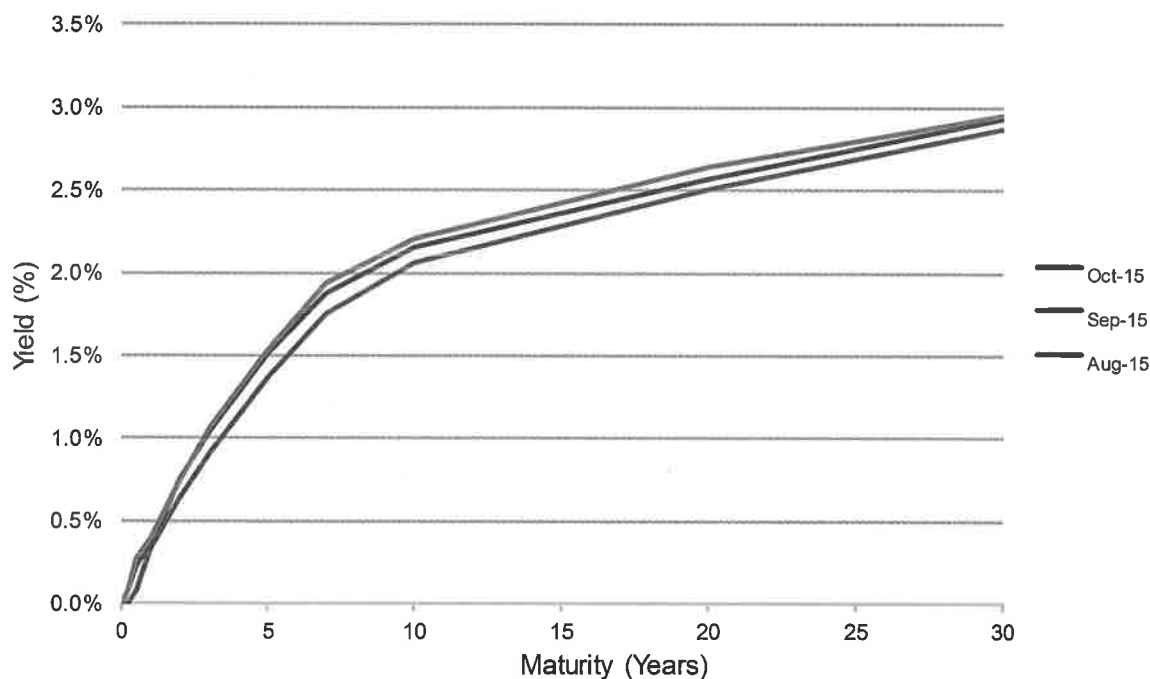


U.S. Fixed Income Overview  
Returns

for Periods Ended October 31, 2015

Index	Last Month	Year to Date	Last Year	Last 3 Years	Last 5 Years	Last 10 Years
Barclays:Aggregate Index	0.02	1.14	1.96	1.65	3.03	4.72
Barclays:Govt Index	(0.35)	1.43	2.36	1.23	2.41	4.31
Barclays:Credit	0.47	0.21	0.90	1.80	4.17	5.45
Barclays:Mortgage Idx	0.07	1.68	2.50	2.06	2.84	4.79
Barclays:US TIPS Index	0.25	(0.55)	(1.42)	(2.03)	2.06	4.17
3 Month T-Bill	(0.01)	0.01	0.02	0.05	0.07	1.31
ML:High Yield CP Idx	2.75	0.17	(2.01)	4.07	5.98	7.41
CS:Lev Loan	(0.14)	1.47	0.81	3.58	4.38	4.30
JPM:EMBI Global	3.16	2.83	(0.50)	1.28	4.69	7.25
JPM:GBI-EM GI Div	4.53	(11.06)	(17.42)	(7.53)	(2.95)	5.11

Treasury Yield Curve



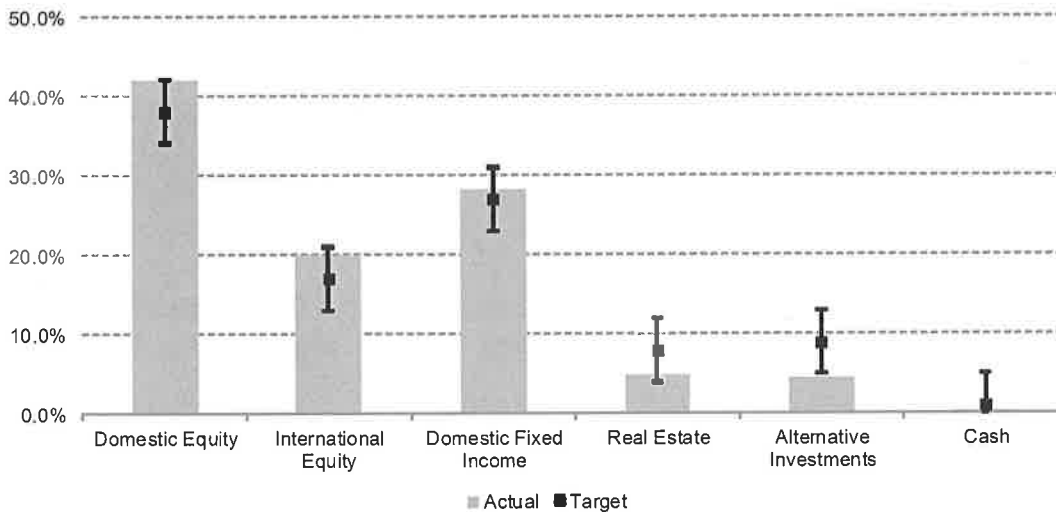
The Federal Reserve kept the Fed Funds target at 0% to 0.25% during the October FOMC meeting but softened their language about global economic conditions. Yields rose across all maturities but the broad fixed income market was flat for the month (Barclays Aggregate Index: 0.0%). Government securities retreated 0.4% (Barclays Government Index) as treasury yields rose. Investment grade credit securities gained 0.5% (Barclays Credit Index) and mortgage related securities returned 0.1% (Barclays Mortgage Index) as spreads tightened. Real yields fell during October and inflation protected securities increased in value (Barclays US TIPS Index: 0.3%). High yield bonds bounced back during the month gaining 2.8% (Merrill Lynch High Yield CP Index), inching back into the black for the year (+0.2% YTD). Levered loans fell 0.1% (CS: Lev Loan Index). The JPM:GBI-EM GI Div Index finally saw positive returns, rising 4.5% in October as emerging markets rebounded. The JPM:EMBI Global Index also gained, advancing 3.2%.



**Total Fund**

Total Fund assets at the end of October were \$34.79 billion, up from \$33.45 billion at the end of September. The Fund returned 4.53% for the month, outperforming the benchmark return by 10 basis points. U.S. Equity underperformed its benchmark, while Non-U.S. Equities performed in line with its benchmark. Both Real Estate and Alternatives trailed their respective benchmarks. Fixed Income outperformed its benchmark by 0.42%. Over the last year, the fund returned 2.71% while trailing the benchmark return of 3.52%.

Current policy states that when the actual allocations of the asset classes differ by more than four percentage points from their policy targets, a recommendation for rebalancing will be made to the Board of Trustees. As of October, Alternatives trailed its target allocation by 4.5%. All other asset classes were within the allowable range. The Chief Investment Officer and Consultant do not recommend any rebalancing at this time.



**U.S. Equity**

The U.S. equity composite returned 7.19%, relative to the 7.90% return for the Russell 3000. Growth trumped value in large cap stocks, but there was minimal performance dispersion in the small cap space. The smaller capitalization bias had a negative effect for the month as small cap stocks underperformed large cap stocks by 246 basis points.

Large Cap: In aggregate, the Fund's large cap managers returned 8.35% which was ahead of the Russell 1000 Index return of 8.09%. Growth managers advanced nearly 10%, beating the Russell 1000 Growth Index by 1.37%. Sands was the best performing active growth manager, returning 11.81%. Value portfolios collectively returned 7.29%, underperforming the Russell 1000 Value Index during the month by 26 basis points. Dodge & Cox was the best performing value manager with a return of 7.85%.

Small Cap: The Small Cap composite returned 4.05% and underperformed the Russell 2000 Index by 158 basis points. Small Cap Growth and Value returned 3.45% and 5.70%, respectively. Pyramis was the best performing small cap growth manager and Channing was the best in value. Micro Cap returned 2.02% in October. DFA was the top performer in the micro-cap segment returning 6.10% for the month.

**International Equity**

In October, the International equity performed in line with the MSCI ACWI ex-U.S. (Net) Index returning 7.43%. The index posted an October return of 7.44%.

Large Cap: International Large Cap managers returned 7.55%. This return was modestly ahead of the MSCI ACWI ex-U.S. (Net) Index. International Large Cap Growth returned 6.74% with William Blair performing best (+6.93%). International Large Cap Value returned 7.65% for the month. Lombardia (+8.23%) led all other value managers. The International Large Cap Active Core Group returned 7.66% in October with GlobeFlex leading the way producing a 8.95% return.

International Small Cap and Emerging Markets: The International Small Cap managers returned 5.35%, but trailed the ACWI Small Cap ex-U.S. Index by 58 basis points. The emerging markets portfolio, managed by Genesis, returned 7.72% during October which outpaced the MSCI Emerging Markets Index by 58 basis points.

**Fixed Income**

For the month, the total fixed income portfolio returned 0.44% (ahead of the BC Aggregate Index return of 0.02%) as the yield curve steepened. The Emerging Markets segment was the best performer, advancing 4.42%.

Active Core: The active core fixed income component, which is made up of EARNEST Partners, Piedmont and Garcia Hamilton, returned 0.05% and slightly exceeded the BC Aggregate Index by 3 basis points.

Core Plus: The core plus managers returned 0.58%, which outperformed the BC Aggregate Index by 56 basis points. Taplin, Canida, Habacht outperformed the other managers returning 0.89%.

Bank Loans: The bank loans component, managed by Babson, fell 0.75%, which was 67 basis points below its custom benchmark.

Emerging Markets: The emerging markets component, managed by Standish, returned 4.42%, which was 66 basis points ahead of its custom benchmark.

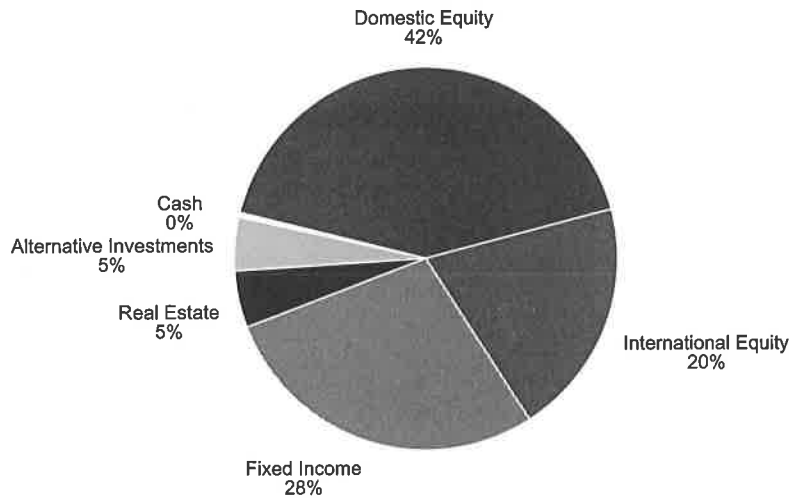
Opportunistic: The opportunistic component, managed by Crescent, produced a -1.58% return, underperforming its custom benchmark by 285 basis points.

High Yield: The high yield manager, MacKay Shields, returned 2.33%, trailing the ML High Yield Cash Pay Index by 42 basis points.

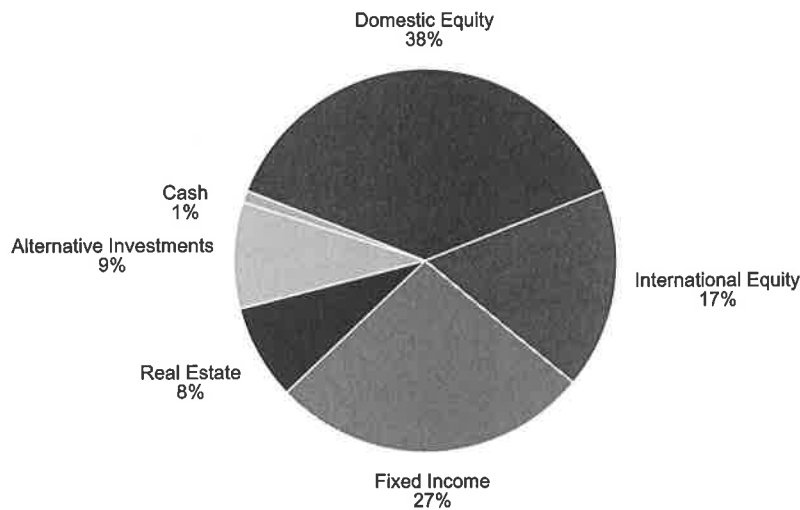
## Actual vs Target Asset Allocation

The first chart below shows the Fund's asset allocation as of October 31, 2015. The second chart shows the Fund's target asset allocation as outlined in the investment policy statement.

### Actual Asset Allocation



### Target Asset Allocation



Asset Class	\$Millions Actual	Percent Actual	Percent Target	Percent Difference	\$Millions Difference
Domestic Equity	14,618	42.0%	38.0%	4.0%	1,399
International Equity	6,958	20.0%	17.0%	3.0%	1,044
Fixed Income	9,830	28.3%	27.0%	1.3%	438
Real Estate	1,682	4.8%	8.0%	(3.2%)	(1,100)
Alternative Investments	1,566	4.5%	9.0%	(4.5%)	(1,565)
Cash	131	0.4%	1.0%	(0.6%)	(217)
<b>Total</b>	<b>34,785</b>	<b>100.0%</b>	<b>100.0%</b>		

\* Current Month Target = 38.0% Russell 3000 Index, 27.0% Barclays Aggregate Index, 17.0% MSCI ACWI x US (Net), 9.0% 9% Annually, 8.0% NFI-ODCE Value Weight Net and 1.0% 3-month Treasury Bill.

## Investment Manager Asset Allocation

The table below contrasts the distribution of assets across the Fund's investment managers as of October 31, 2015, with the distribution as of September 30, 2015.

### Asset Distribution Across Investment Managers

	October 31, 2015		September 30, 2015	
	Market Value	Percent	Market Value	Percent
<b>Domestic Equity</b>	<b>\$14,617,898,220</b>	<b>42.02%</b>	<b>\$13,827,155,999</b>	<b>41.34%</b>
<b>Large Cap Growth</b>				
Holland	856,664,835	2.46%	787,670,073	2.36%
NTGI S&P 500 Growth Idx	1,444,532,922	4.15%	1,320,553,356	3.95%
Sands	1,218,699,975	3.50%	1,209,731,914	3.62%
Vision	171,078,069	0.49%	158,518,703	0.47%
<b>Large Cap Value</b>				
Dodge & Cox	1,117,942,094	3.21%	1,038,356,296	3.10%
BMO	1,226,433,354	3.53%	1,146,439,033	3.43%
LSV	1,202,365,909	3.46%	1,126,973,772	3.37%
NTGI S&P 500 Value Idx	902,867,795	2.60%	841,120,644	2.51%
<b>Large Cap Core</b>				
NTGI MarketCap Index	2,649,663,305	7.62%	2,456,087,191	7.34%
<b>Small Cap Growth</b>				
Frontier	627,917,464	1.81%	613,725,288	1.84%
Pyramis	925,410,827	2.66%	887,811,062	2.65%
<b>Small Cap Value</b>				
Channing	173,522,974	0.50%	161,613,210	0.48%
Dimensional Small Cap Value	683,306,811	1.96%	647,327,569	1.94%
Inv. Counselors of Maryland	545,832,488	1.57%	517,684,895	1.55%
Lombardia	152,429,367	0.44%	144,296,528	0.43%
<b>Micro Cap</b>				
Ariel	66,553,379	0.19%	66,312,698	0.20%
Ativo	53,714,169	0.15%	51,147,018	0.15%
Dimensional Micro Cap	301,457,546	0.87%	284,137,317	0.85%
Wall Street	297,504,938	0.86%	367,649,436	1.10%
<b>International Equity</b>	<b>\$6,957,893,164</b>	<b>20.00%</b>	<b>\$6,476,573,759</b>	<b>19.36%</b>
<b>International Large Cap Growth</b>				
EARNEST Partners	491,730,642	1.41%	461,419,919	1.38%
William Blair	600,659,636	1.73%	561,724,912	1.68%
<b>International Large Cap Value</b>				
Brandes	505,467,841	1.45%	469,061,982	1.40%
Lombardia	30,282,800	0.09%	27,981,320	0.08%
Mondrian	483,773,710	1.39%	449,457,040	1.34%
Lazard	93,852,510	0.27%	87,779,031	0.26%
<b>International Large Cap Core</b>				
Arrowstreet	521,879,964	1.50%	485,674,166	1.45%
Brown	285,332,335	0.82%	267,743,765	0.80%
GlobeFlex	512,777,826	1.47%	470,664,374	1.41%
NTGI MSCI EAFE Index	2,199,704,380	6.32%	2,040,155,520	6.10%
Progress Intl Equity	231,667,703	0.67%	217,139,487	0.65%
<b>International Small Cap</b>				
Franklin Templeton	189,780,696	0.55%	180,466,861	0.54%
William Blair	228,001,618	0.66%	216,093,912	0.65%
<b>Emerging Markets</b>				
Genesis	582,981,505	1.68%	541,211,471	1.62%

## Investment Manager Asset Allocation

The table below contrasts the distribution of assets across the Fund's investment managers as of October 31, 2015, with the distribution as of September 30, 2015.

### Asset Distribution Across Investment Managers

	October 31, 2015		September 30, 2015	
	Market Value	Percent	Market Value	Percent
<b>Fixed Income</b>	<b>\$9,830,097,867</b>	<b>28.26%</b>	<b>\$9,608,973,774</b>	<b>28.73%</b>
<b>Domestic Fixed Core</b>				
EARNEST Partners	560,706,900	1.61%	563,048,369	1.68%
Piedmont	546,321,850	1.57%	547,252,296	1.64%
Garcia Hamilton	249,617,126	0.72%	249,921,014	0.75%
<b>Passive Core</b>				
BlackRock US Debt	1,364,250,548	3.92%	1,364,196,393	4.08%
NTGI BC Aggregate Index	1,479,343,019	4.25%	1,479,139,341	4.42%
<b>Domestic Fixed Core Plus</b>				
BlackRock Core Plus	745,922,845	2.14%	745,690,742	2.23%
LM Capital	865,067,353	2.49%	862,674,431	2.58%
Progress Fixed Income	825,183,263	2.37%	623,552,651	1.86%
Taplin, Canada, & Habacht	850,511,133	2.45%	845,930,534	2.53%
Western	1,161,889,422	3.34%	1,156,918,545	3.46%
<b>Bank Loans</b>				
Babson	297,635,974	0.86%	299,880,079	0.90%
<b>Emerging Markets Debt</b>				
Standish	170,624,845	0.49%	163,401,416	0.49%
<b>Opportunistic Fixed Income</b>				
Crescent	114,601,202	0.33%	117,980,328	0.35%
<b>High Yield</b>				
MacKay Shields	590,357,240	1.70%	581,462,309	1.74%
Pyramis High Yield	8,065,149	0.02%	7,925,326	0.02%
<b>Real Estate</b>	<b>\$1,682,404,179</b>	<b>4.84%</b>	<b>\$1,672,781,205</b>	<b>5.00%</b>
<b>Real Estate Core</b>				
TA Buckhead Ind. Prop.	323,387,063	0.93%	323,538,363	0.97%
Cornerstone Patriot	134,513,829	0.39%	134,530,917	0.40%
INVESCO Core RE	174,784,906	0.50%	176,289,105	0.53%
AEW Core Property Trust	215,820,271	0.62%	209,725,424	0.63%
CBRE US Core Property Trust	146,261,767	0.42%	143,274,669	0.43%
<b>Real Estate Non-Core</b>				
Franklin Templeton EMREFF	49,480,543	0.14%	49,480,543	0.15%
Olympus Real Estate Fund II	144,024	0.00%	144,024	0.00%
Security Capital	51,427,229	0.15%	51,981,227	0.16%
Dune II	40,528,568	0.12%	40,528,568	0.12%
Non-Core Real Estate Funds*	438,816,537	1.26%	429,044,378	1.28%
Non-Core Intl Real Estate Funds**	26,857,819	0.08%	26,342,188	0.08%
Rockwood Fund VIII	11,811,040	0.03%	16,877,773	0.05%
Almanac ARS V	25,096,215	0.07%	27,549,658	0.08%
TA Fund IX	43,474,368	0.12%	43,474,368	0.13%
<b>Alternative Investments</b>	<b>\$1,566,184,696</b>	<b>4.50%</b>	<b>\$1,553,422,468</b>	<b>4.64%</b>
<b>Absolute Return</b>				
Aurora	525,461,208	1.51%	520,522,306	1.56%
<b>Private Equity</b>				
Abbott	318,532,798	0.92%	318,710,694	0.95%
Muller & Monroe ILPEFF	8,761,672	0.03%	8,937,478	0.03%
Muller & Monroe MPEFF	12,414,485	0.04%	12,414,485	0.04%
Pantheon	195,154,714	0.56%	198,758,823	0.59%
Private Equity Fund - Domestic	252,332,489	0.73%	240,614,640	0.72%
Private Equity Fund - International	3,296,457	0.01%	3,233,170	0.01%
<b>Agriculture</b>				
Premiere Partners IV	172,755,620	0.50%	172,755,617	0.52%
<b>Timberland</b>				
Forest Investment Assoc.	77,475,253	0.22%	77,475,255	0.23%
<b>Cash</b>	<b>\$131,006,625</b>	<b>0.38%</b>	<b>\$306,494,482</b>	<b>0.92%</b>
<b>Total Fund</b>	<b>\$34,785,484,750</b>	<b>100.0%</b>	<b>\$33,445,401,687</b>	<b>100.0%</b>

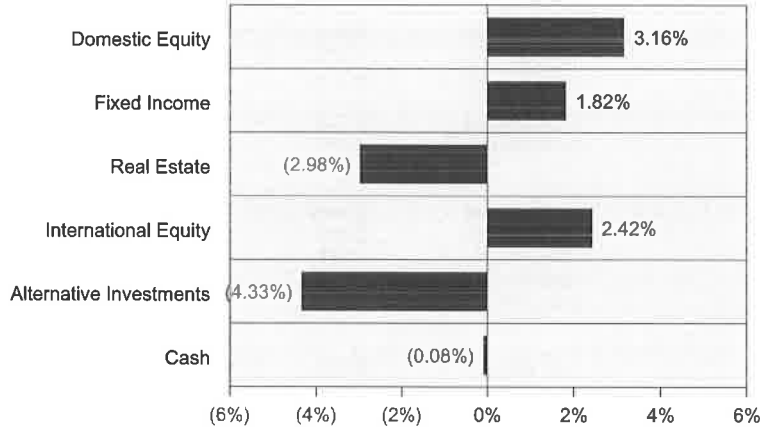
\* Non-Core Real Estate Funds funded since September 2011.

\*\* Non-Core International Real Estate Funds funded since August 2014.

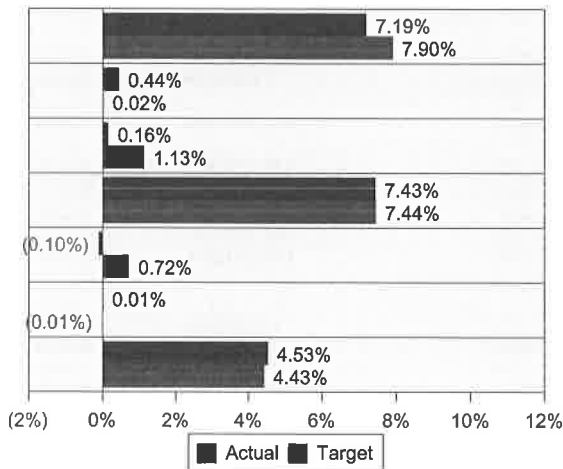
## Monthly Total Fund Relative Attribution - October 31, 2015

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

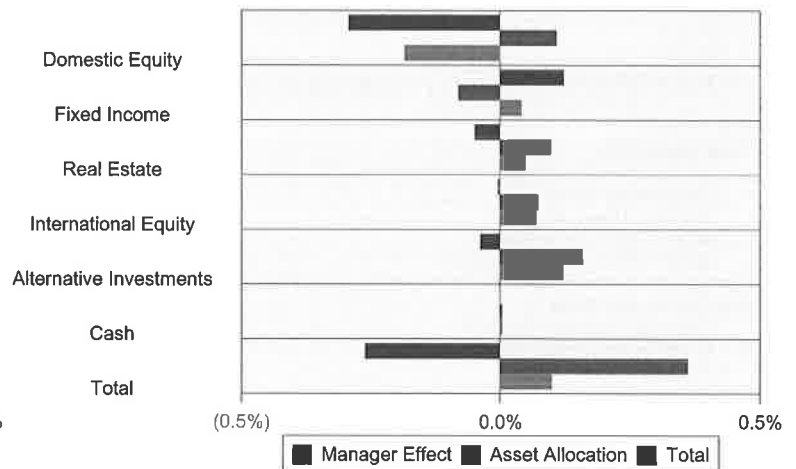
### Asset Class Under or Overweighting



### Actual vs Target Returns



### Relative Attribution by Asset Class



### Relative Attribution Effects for Month ended October 31, 2015

Asset Class	Effective Actual Weight	Effective Target Weight	Actual Return	Target Return	Manager Effect	Asset Allocation	Total Relative Return
Domestic Equity	41%	38%	7.19%	7.90%	(0.29%)	0.11%	(0.18%)
Fixed Income	29%	27%	0.44%	0.02%	0.12%	(0.08%)	0.04%
Real Estate	5%	8%	0.16%	1.13%	(0.05%)	0.10%	0.05%
International Equity	19%	17%	7.43%	7.44%	(0.00%)	0.07%	0.07%
Alternative Investments	5%	9%	(0.10%)	0.72%	(0.04%)	0.16%	0.12%
Cash	1%	1%	0.01%	(0.01%)	0.00%	0.00%	0.00%
<b>Total</b>			<b>4.53%</b>	<b>4.43%</b>	<b>(0.26%)</b>	<b>0.36%</b>	<b>0.10%</b>

\* Current Month Target = 38.0% Russell 3000 Index, 27.0% Barclays Aggregate Index, 17.0% MSCI ACWI x US (Net), 9.0% 9% Annually, 8.0% NFI-ODCE Value Weight Net and 1.0% 3-month Treasury Bill.

## Asset Class Returns

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

### Returns for Periods Ended October 31, 2015

	Last Month	Last 3 Months	Year to Date	Last 12 Months
Domestic Equity	7.19%	(2.63%)	1.59%	4.13%
Blended Benchmark**	7.90%	(1.57%)	2.02%	4.48%
Domestic Equity - Net	7.16%	(2.68%)	1.39%	3.89%
International Equity	7.43%	(4.56%)	0.94%	(1.19%)
MSCI ACWI x US (Net)	7.44%	(5.37%)	(1.82%)	(4.68%)
International Equity - Net	7.43%	(4.62%)	0.72%	(1.50%)
Fixed Income	0.44%	0.18%	1.17%	1.42%
BC Aggregate Index	0.02%	0.55%	1.14%	1.96%
Fixed Income - Net	0.43%	0.15%	1.06%	1.29%
Real Estate	0.16%	2.83%	9.15%	12.34%
Blended Benchmark***	1.13%	3.43%	11.77%	14.01%
Real Estate - Net	0.16%	2.83%	9.15%	12.34%
Alternative Investments	(0.10%)	1.27%	4.91%	8.44%
Alternatives Custom Benchmark****	0.72%	2.18%	7.45%	9.00%
Alternative Investments - Net	(0.10%)	1.17%	4.60%	8.02%
Absolute Return	(0.00%)	(2.74%)	0.05%	1.32%
HFR Fund-of-Funds Index	0.87%	(2.87%)	(0.05%)	1.53%
Private Equity	(0.17%)	2.96%	8.58%	11.05%
Alternatives Custom Benchmark****	0.72%	2.18%	7.45%	9.00%
Agriculture	0.00%	5.67%	4.98%	23.18%
Blended Benchmark***	1.13%	3.43%	11.77%	14.01%
Timberland	(0.25%)	3.56%	4.48%	7.26%
Blended Benchmark***	1.13%	3.43%	11.77%	14.01%
<b>Total Fund</b>	<b>4.53%</b>	<b>(1.91%)</b>	<b>1.77%</b>	<b>2.71%</b>
Total Fund - Net	4.51%	(1.96%)	1.59%	2.49%
Total Fund Benchmark	4.43%	(0.77%)	2.57%	3.52%

\* Current Month Target = 38.0% Russell 3000 Index, 27.0% Barclays Aggregate Index, 17.0% MSCI ACWI x US (Net), 9.0% 9% Annually, 8.0% NFI-ODCE Value Weight Net and 1.0% 3-month Treasury Bill.

\*\* The Blended Benchmark is currently Russell 3000 Index. Returns prior to January 1, 2015, reflect those of the Dow Jones U.S. Total Stock Market Index.

\*\*\* The Blended Benchmark is currently ODCE Value Weighted Index. Returns between January 1, 2007 and December 31, 2012 reflect NPI+1%. Returns prior to January 1, 2007, reflect those of the Consumer Price Index +5%. Given that ODCE returns are updated quarterly, an approximation of the Index is used in the monthly reports.

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

## Asset Class Returns

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

### Returns for Periods Ended October 31, 2015

	Last 36 Months	Last 60 Months	Last 120 Months	Since Inception
Domestic Equity	16.60%	14.14%	8.16%	11.61% <sup>(1/82)</sup>
Blended Benchmark**	16.02%	14.12%	8.08%	11.33% <sup>(1/82)</sup>
Domestic Equity - Net	16.33%	13.86%	7.90%	7.65% <sup>(1/05)</sup>
International Equity	7.55%	4.91%	5.21%	7.87% <sup>(9/86)</sup>
MSCI ACWI x US (Net)	4.69%	2.60%	4.16%	-
International Equity - Net	7.23%	4.59%	4.87%	5.26% <sup>(1/05)</sup>
Fixed Income	2.30%	4.02%	5.53%	8.69% <sup>(1/82)</sup>
BC Aggregate Index	1.65%	3.03%	4.72%	8.21% <sup>(1/82)</sup>
Fixed Income - Net	2.15%	3.87%	5.39%	5.08% <sup>(1/05)</sup>
Real Estate	11.65%	12.00%	6.23%	5.01% <sup>(5/85)</sup>
Blended Benchmark***	12.72%	13.29%	7.45%	7.82% <sup>(5/85)</sup>
Real Estate - Net	11.65%	12.00%	6.23%	6.71% <sup>(1/05)</sup>
Alternative Investments	10.04%	8.78%	7.52%	10.84% <sup>(2/86)</sup>
Alternatives Custom Benchmark****	9.00%	9.00%	10.39%	13.18% <sup>(2/86)</sup>
Alternative Investments - Net	9.70%	8.48%	7.22%	7.96% <sup>(1/05)</sup>
Absolute Return	4.84%	3.57%	3.88%	4.61% <sup>(1/02)</sup>
HFR Fund-of-Funds Index	4.57%	2.57%	2.66%	3.57% <sup>(1/02)</sup>
Private Equity	12.44%	11.96%	10.15%	13.01% <sup>(2/86)</sup>
Alternatives Custom Benchmark****	9.00%	9.00%	10.39%	13.18% <sup>(2/86)</sup>
Agriculture	21.98%	17.21%	12.87%	8.47% <sup>(10/97)</sup>
Blended Benchmark***	12.72%	13.29%	7.45%	7.52% <sup>(10/97)</sup>
Timberland	6.96%	5.06%	5.43%	8.67% <sup>(10/92)</sup>
Blended Benchmark***	12.72%	13.29%	7.45%	7.54% <sup>(10/92)</sup>
<b>Total Fund</b>	<b>10.06%</b>	<b>8.88%</b>	<b>7.27%</b>	<b>10.04%</b> <sup>(1/82)</sup>
Total Fund - Net	9.83%	8.65%	7.03%	6.88% <sup>(1/05)</sup>
Total Fund Benchmark	9.17%	8.46%	6.93%	6.69% <sup>(1/05)</sup>

\* Current Month Target = 38.0% Russell 3000 Index, 27.0% Barclays Aggregate Index, 17.0% MSCI ACWI x US (Net), 9.0% 9% Annually, 8.0% NFI-ODCE Value Weight Net and 1.0% 3-month Treasury Bill.

\*\* The Blended Benchmark is currently Russell 3000 Index. Returns prior to January 1, 2015, reflect those of the Dow Jones U.S. Total Stock Market Index.

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

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

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



## Large Cap Equity Returns

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

### Returns for Periods Ended October 31, 2015

	Last Month	Last 3 Months	Year to Date	Last 12 Months
<b>Large Cap Equity</b>	<b>8.35%</b>	<b>(1.41%)</b>	<b>2.67%</b>	<b>5.00%</b>
Russell 1000 Index	8.09%	(1.20%)	2.43%	4.86%
<b>Large Cap Growth</b>	<b>9.98%</b>	<b>(0.00%)</b>	<b>6.58%</b>	<b>7.67%</b>
Holland	8.76%	0.19%	9.98%	10.00%
LCG Blended Benchmark*	8.61%	(0.51%)	6.94%	9.18%
Russell 1000 Growth Index	8.61%	(0.51%)	6.94%	9.18%
Holland - Net	8.76%	0.14%	9.81%	9.82%
NTGI S&P 500 Growth Idx	9.39%	0.46%	7.00%	9.21%
S&P/Citi 500 Growth Index	9.40%	0.48%	7.03%	9.23%
NTGI S&P 500 Growth Idx - Net	9.39%	0.46%	7.00%	9.21%
Sands	11.81%	(0.21%)	3.74%	4.49%
LCG Blended Benchmark*	8.61%	(0.51%)	6.94%	9.18%
Russell 1000 Growth Index	8.61%	(0.51%)	6.94%	9.18%
Sands - Net	11.74%	(0.32%)	3.50%	4.19%
Vision	7.84%	(3.91%)	1.43%	2.64%
LCG Blended Benchmark*	8.61%	(0.51%)	6.94%	9.18%
Russell 1000 Growth Index	8.61%	(0.51%)	6.94%	9.18%
Vision - Net	7.84%	(3.91%)	1.21%	2.43%
<b>Large Cap Value</b>	<b>7.29%</b>	<b>(2.45%)</b>	<b>(0.18%)</b>	<b>2.54%</b>
Dodge & Cox	7.85%	(3.51%)	(0.90%)	1.67%
LCV Blended Benchmark**	7.55%	(1.91%)	(2.09%)	0.53%
Russell 1000 Value Index	7.55%	(1.91%)	(2.09%)	0.53%
Dodge & Cox - Net	7.79%	(3.61%)	(1.11%)	1.45%
BMO	7.13%	(1.72%)	1.30%	4.52%
LCV Blended Benchmark**	7.55%	(1.91%)	(2.09%)	0.53%
Russell 1000 Value Index	7.55%	(1.91%)	(2.09%)	0.53%
BMO - Net	7.13%	(1.77%)	1.13%	4.29%
LSV	6.90%	(2.70%)	(0.01%)	2.32%
LCV Blended Benchmark**	7.55%	(1.91%)	(2.09%)	0.53%
Russell 1000 Value Index	7.55%	(1.91%)	(2.09%)	0.53%
LSV - Net	6.83%	(2.76%)	(0.25%)	2.07%
NTGI S&P 500 Value Idx	7.34%	(1.88%)	(1.90%)	0.88%
S&P/Citi 500 Value Index	7.32%	(1.91%)	(1.98%)	0.81%
NTGI S&P 500 Value Idx - Net	7.34%	(1.88%)	(1.91%)	0.87%
<b>Large Cap Passive Core</b>	<b>7.88%</b>	<b>(1.58%)</b>	<b>2.02%</b>	<b>4.49%</b>
NTGI MarketCap Idx	7.88%	(1.58%)	2.02%	4.49%
DJ U.S. Total Stock Market Index	7.86%	(1.60%)	1.95%	4.41%
NTGI MarketCap Idx - Net	7.88%	(1.58%)	2.01%	4.49%

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

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

## Large Cap Equity Returns

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

### Returns for Periods Ended October 31, 2015

	Last 36 Months	Last 60 Months	Last 120 Months	Since Inception	
<b>Large Cap Equity</b>	<b>17.09%</b>	<b>14.59%</b>	<b>8.05%</b>	<b>11.19%</b>	(1/82)
Russell 1000 Index	16.28%	14.32%	7.98%	11.54%	(1/82)
<b>Large Cap Growth</b>	<b>17.98%</b>	<b>15.05%</b>	<b>8.90%</b>	<b>11.72%</b>	(1/82)
Holland	17.77%	14.85%	9.26%	10.39%	(11/94)
LCG Blended Benchmark*	17.94%	15.30%	9.05%	9.66%	(11/94)
Russell 1000 Growth Index	17.94%	15.30%	9.09%	8.86%	(11/94)
Holland - Net	17.55%	14.59%	8.98%	8.08%	(1/05)
NTGI S&P 500 Growth Idx	18.08%	15.68%	9.27%	6.49%	(9/01)
S&P/Citi 500 Growth Index	18.06%	15.66%	9.24%	6.45%	(9/01)
NTGI S&P 500 Growth Idx - Net	18.08%	15.67%	9.25%	8.56%	(1/05)
Sands	19.62%	17.67%	10.74%	11.51%	(11/03)
LCG Blended Benchmark*	17.94%	15.30%	9.05%	8.51%	(11/03)
Russell 1000 Growth Index	17.94%	15.30%	9.09%	8.58%	(11/03)
Sands - Net	19.37%	17.41%	10.46%	10.15%	(1/05)
Vision	12.80%	-	-	10.97%	(7/11)
LCG Blended Benchmark*	17.94%	15.30%	9.05%	14.34%	(7/11)
Russell 1000 Growth Index	17.94%	15.30%	9.09%	14.34%	(7/11)
Vision - Net	12.43%	-	-	10.53%	(7/11)
<b>Large Cap Value</b>	<b>16.91%</b>	<b>14.57%</b>	<b>7.41%</b>	<b>10.35%</b>	(10/82)
Dodge & Cox	16.67%	14.28%	7.16%	8.95%	(9/03)
LCV Blended Benchmark**	14.52%	13.26%	6.77%	7.98%	(9/03)
Russell 1000 Value Index	14.52%	13.26%	6.75%	8.20%	(9/03)
Dodge & Cox - Net	16.43%	14.04%	6.91%	6.78%	(1/05)
BMO	17.82%	15.48%	8.05%	7.91%	(2/01)
LCV Blended Benchmark**	14.52%	13.26%	6.77%	4.82%	(2/01)
Russell 1000 Value Index	14.52%	13.26%	6.75%	6.07%	(2/01)
BMO - Net	17.56%	15.22%	7.80%	8.04%	(1/05)
LSV	18.23%	15.21%	8.29%	11.22%	(2/03)
LCV Blended Benchmark**	14.52%	13.26%	6.77%	9.20%	(2/03)
Russell 1000 Value Index	14.52%	13.26%	6.75%	9.21%	(2/03)
LSV - Net	17.94%	14.91%	7.99%	7.84%	(1/05)
NTGI S&P 500 Value Idx	14.26%	12.96%	6.40%	4.90%	(9/99)
S&P/Citi 500 Value Index	14.15%	12.89%	6.34%	4.88%	(9/99)
NTGI S&P 500 Value Idx - Net	14.26%	12.95%	6.39%	6.06%	(1/05)
<b>Large Cap Passive Core</b>	<b>16.10%</b>	<b>14.18%</b>	<b>7.97%</b>	<b>11.04%</b>	(1/85)
NTGI MarketCap Idx	16.10%	14.18%	7.98%	10.79%	(2/85)
DJ U.S. Total Stock Market Index	15.99%	14.11%	8.07%	10.74%	(2/85)
NTGI MarketCap Idx - Net	16.09%	14.18%	7.97%	7.55%	(1/05)

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

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

## Small Cap Equity Returns

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

### Returns for Periods Ended October 31, 2015

	Last Month	Last 3 Months	Year to Date	Last 12 Months
<b>Small Cap Equity</b>	<b>4.05%</b>	<b>(5.97%)</b>	<b>(1.40%)</b>	<b>1.77%</b>
Russell 2000 Index	5.63%	(5.86%)	(2.53%)	0.34%
<b>Small Cap Growth</b>	<b>3.45%</b>	<b>(7.51%)</b>	<b>2.66%</b>	<b>7.37%</b>
Frontier	2.31%	(12.47%)	(6.45%)	(2.21%)
Russell 2000 Growth Index	5.67%	(8.50%)	(0.10%)	3.52%
Frontier - Net	2.16%	(12.60%)	(7.02%)	(2.81%)
Pyramis	4.24%	(3.72%)	10.90%	16.16%
Russell 2000 Growth Index	5.67%	(8.50%)	(0.10%)	3.52%
Pyramis - Net	4.24%	(3.84%)	10.51%	15.57%
<b>Small Cap Value</b>	<b>5.70%</b>	<b>(2.03%)</b>	<b>(2.14%)</b>	<b>0.09%</b>
Channing	7.37%	(2.71%)	0.38%	1.53%
Russell 2000 Value Index	5.60%	(3.06%)	(5.02%)	(2.88%)
Channing - Net	7.37%	(2.83%)	0.13%	1.16%
DFA Small Cap Value	5.56%	(2.47%)	(3.14%)	(0.42%)
Russell 2000 Value Index	5.60%	(3.06%)	(5.02%)	(2.88%)
DFA Small Cap Value - Net	5.56%	(2.59%)	(3.51%)	(0.80%)
Inv. Counselors of Maryland	5.44%	(0.68%)	(0.71%)	1.34%
Russell 2000 Value Index	5.60%	(3.06%)	(5.02%)	(2.88%)
Inv. Couns. of Maryland - Net	5.44%	(0.79%)	(1.01%)	0.94%
Lombardia	5.45%	(5.07%)	(6.48%)	(4.44%)
Russell 2000 Value Index	5.60%	(3.06%)	(5.02%)	(2.88%)
Lombardia - Net	5.45%	(5.07%)	(6.96%)	(4.93%)
<b>Micro Cap</b>	<b>2.02%</b>	<b>(10.23%)</b>	<b>(7.14%)</b>	<b>(4.75%)</b>
Ariel	0.37%	(13.13%)	(25.85%)	(24.14%)
Russell Microcap Index	5.38%	(6.14%)	(3.66%)	0.82%
Russell 2000 Value Index	5.60%	(3.06%)	(5.02%)	(2.88%)
Russell 2000 Index	5.63%	(5.86%)	(2.53%)	0.34%
Ariel - Net	0.37%	(13.13%)	(26.32%)	(24.78%)
Ativo	5.03%	(2.28%)	2.98%	3.63%
Russell Microcap Index	5.38%	(6.14%)	(3.66%)	0.82%
Russell 2000 Growth Index	5.67%	(8.50%)	(0.10%)	3.52%
Russell 2000 Index	5.63%	(5.86%)	(2.53%)	0.34%
Ativo - Net	5.03%	(2.28%)	2.40%	3.04%
DFA Micro Cap	6.10%	(2.30%)	(1.10%)	1.46%
Russell 2000 Value Index	5.60%	(3.06%)	(5.02%)	(2.88%)
Russell 2000 Index	5.63%	(5.86%)	(2.53%)	0.34%
DFA Micro Cap - Net	6.10%	(2.43%)	(1.48%)	0.95%
Wall Street	(1.50%)	(16.45%)	(9.36%)	(6.78%)
Russell 2000 Growth Index	5.67%	(8.50%)	(0.10%)	3.52%
Russell 2000 Index	5.63%	(5.86%)	(2.53%)	0.34%
Wall Street - Net	(1.50%)	(16.45%)	(9.88%)	(7.31%)

## Small Cap Equity Returns

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

### Returns for Periods Ended October 31, 2015

	Last 36 Months	Last 60 Months	Last 120 Months	Since Inception
<b>Small Cap Equity</b>	<b>15.54%</b>	<b>13.11%</b>	<b>9.46%</b>	<b>12.44%</b> (7/88)
Russell 2000 Index	13.90%	12.06%	7.47%	9.32% (7/88)
<b>Small Cap Growth</b>	<b>17.92%</b>	<b>14.02%</b>	<b>10.21%</b>	<b>13.29%</b> (7/88)
Frontier	14.70%	11.71%	9.70%	13.05% (8/88)
Russell 2000 Growth Index	16.16%	13.56%	8.67%	7.89% (8/88)
Frontier - Net	14.10%	11.07%	6.91%	6.58% (1/05)
Pyramis	20.98%	16.02%	11.57%	14.14% (8/88)
Russell 2000 Growth Index	16.16%	13.56%	8.67%	7.89% (8/88)
Pyramis - Net	20.47%	15.42%	10.93%	11.60% (1/05)
<b>Small Cap Value</b>	<b>14.54%</b>	<b>12.80%</b>	<b>8.54%</b>	<b>12.06%</b> (9/89)
Channing	16.47%	-	-	12.31% (7/11)
Russell 2000 Value Index	11.65%	10.53%	6.19%	8.63% (7/11)
Channing - Net	15.94%	-	-	11.67% (7/11)
DFA Small Cap Value	15.35%	13.63%	8.35%	12.67% (2/96)
Russell 2000 Value Index	11.65%	10.53%	6.19%	2/96
DFA Small Cap Value - Net	14.83%	13.10%	7.81%	7.67% (1/05)
Inv. Counselors of Maryland	14.08%	12.33%	8.62%	11.35% (5/99)
Russell 2000 Value Index	11.65%	10.53%	6.19%	8.92% (5/99)
Inv. Couns. of Maryland - Net	13.64%	11.89%	8.12%	7.65% (1/05)
Lombardia	11.87%	-	-	7.99% (6/11)
Russell 2000 Value Index	11.65%	10.53%	6.19%	7.85% (6/11)
Lombardia - Net	11.19%	-	-	7.31% (6/11)
<b>Micro Cap</b>	<b>13.19%</b>	<b>11.86%</b>	<b>7.07%</b>	<b>11.91%</b> (7/84)
Ariel	1.75%	4.74%	-	4.74% (11/10)
Russell Microcap Index	14.50%	12.30%	5.76%	12.30% (11/10)
Russell 2000 Value Index	11.65%	10.53%	6.19%	10.53% (11/10)
Russell 2000 Index	13.90%	12.06%	7.47%	12.06% (11/10)
Ariel - Net	0.99%	3.92%	-	3.92% (11/10)
Ativo	21.31%	14.70%	-	15.61% (10/10)
Russell Microcap Index	14.50%	12.30%	5.76%	13.30% (10/10)
Russell 2000 Growth Index	16.16%	13.56%	8.67%	14.27% (10/10)
Russell 2000 Index	13.90%	12.06%	7.47%	12.74% (10/10)
Ativo - Net	20.47%	13.86%	-	14.78% (10/10)
DFA Micro Cap	15.83%	14.01%	8.20%	11.20% (8/87)
Russell 2000 Value Index	11.65%	10.53%	6.19%	9.84% (8/87)
Russell 2000 Index	13.90%	12.06%	7.47%	8.64% (8/87)
DFA Micro Cap - Net	15.25%	13.45%	7.68%	7.21% (1/05)
Wall Street	12.44%	11.26%	6.93%	13.60% (8/90)
Russell 2000 Growth Index	16.16%	13.56%	8.67%	7.88% (8/90)
Russell 2000 Index	13.90%	12.06%	7.47%	9.67% (8/90)
Wall Street - Net	11.68%	10.46%	6.11%	6.41% (1/05)

## International Equity Returns

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

### Returns for Periods Ended October 31, 2015

	Last Month	Last 3 Months	Year to Date	Last 12 Months
<b>Intl Large Cap Equity</b>	<b>7.55%</b>	<b>(4.89%)</b>	<b>1.61%</b>	<b>(0.35%)</b>
MSCI ACWI ex-US Index	7.44%	(5.37%)	(1.82%)	(4.68%)
<b>Intl Large Cap Growth</b>	<b>6.74%</b>	<b>(4.99%)</b>	<b>(1.77%)</b>	<b>(3.49%)</b>
EARNEST Partners	6.52%	(6.32%)	(6.35%)	(8.69%)
MSCI ACWI ex-US Index	7.44%	(5.37%)	(1.82%)	(4.68%)
MSCI ACWI ex-US Growth	7.58%	(4.22%)	1.49%	(0.46%)
EARNEST Partners - Net	6.52%	(6.32%)	(6.49%)	(8.85%)
William Blair	6.93%	(3.88%)	2.31%	1.22%
MSCI ACWI ex-US Index	7.44%	(5.37%)	(1.82%)	(4.68%)
MSCI ACWI ex-US Growth	7.58%	(4.22%)	1.49%	(0.46%)
William Blair - Net	6.93%	(3.97%)	2.03%	0.85%
<b>Intl Large Cap Value</b>	<b>7.65%</b>	<b>(5.57%)</b>	<b>1.00%</b>	<b>(1.15%)</b>
Brandes	7.76%	(5.38%)	2.55%	(0.06%)
MSCI ACWI ex-US Index	7.44%	(5.37%)	(1.82%)	(4.68%)
MSCI ACWI ex-US Value	7.32%	(6.42%)	(4.41%)	(8.06%)
Brandes - Net	7.76%	(5.38%)	2.39%	(0.27%)
Lombardia	8.23%	(5.92%)	(1.24%)	(3.68%)
MSCI ACWI ex-US Index	7.44%	(5.37%)	(1.82%)	(4.68%)
MSCI ACWI ex-US Value	7.32%	(6.42%)	(4.41%)	(8.06%)
Lombardia - Net	8.23%	(5.92%)	(1.68%)	(4.10%)
Mondrian	7.64%	(5.76%)	(0.17%)	(1.85%)
MSCI ACWI ex-US Index	7.44%	(5.37%)	(1.82%)	(4.68%)
MSCI ACWI ex-US Value	7.32%	(6.42%)	(4.41%)	(8.06%)
Mondrian - Net	7.64%	(5.88%)	(0.55%)	(2.35%)
Lazard	6.92%	(5.52%)	(0.27%)	(2.48%)
MSCI ACWI ex-US Index	7.44%	(5.37%)	(1.82%)	(4.68%)
MSCI ACWI ex-US Value	7.32%	(6.42%)	(4.41%)	(8.06%)
Lazard - Net	6.92%	(5.59%)	(0.80%)	(3.05%)

## International Equity Returns

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

### Returns for Periods Ended October 31, 2015

	Last 36 Months	Last 60 Months	Last 120 Months	Since Inception
<b>Intl Large Cap Equity</b>	<b>8.27%</b>	<b>5.26%</b>	<b>5.02%</b>	<b>7.91%</b> <sup>(9/86)</sup>
MSCI ACWI ex-US Index	4.69%	2.60%	4.16%	-
<b>Intl Large Cap Growth</b>	<b>6.05%</b>	<b>4.45%</b>	<b>5.26%</b>	<b>8.70%</b> <sup>(9/02)</sup>
EARNEST Partners	3.10%	2.56%	7.89%	9.47% <sup>(10/04)</sup>
MSCI ACWI ex-US Index	4.69%	2.60%	4.16%	5.80% <sup>(10/04)</sup>
MSCI ACWI ex-US Growth	6.51%	3.93%	5.13%	6.67% <sup>(10/04)</sup>
EARNEST Partners - Net	2.79%	2.21%	7.40%	7.83% <sup>(1/05)</sup>
William Blair	8.74%	6.49%	6.21%	10.44% <sup>(10/02)</sup>
MSCI ACWI ex-US Index	4.69%	2.60%	4.16%	8.60% <sup>(10/02)</sup>
MSCI ACWI ex-US Growth	6.51%	3.93%	5.13%	8.76% <sup>(10/02)</sup>
William Blair - Net	8.37%	6.09%	5.80%	6.31% <sup>(1/05)</sup>
<b>Intl Large Cap Value</b>	<b>7.94%</b>	<b>4.12%</b>	<b>3.84%</b>	<b>9.25%</b> <sup>(10/95)</sup>
Brandes	9.63%	4.74%	4.15%	9.50% <sup>(1/96)</sup>
MSCI ACWI ex-US Index	4.69%	2.60%	4.16%	4.95% <sup>(1/96)</sup>
MSCI ACWI ex-US Value	3.72%	2.14%	4.07%	-
Brandes - Net	9.40%	4.51%	3.86%	4.00% <sup>(1/05)</sup>
Lombardia	8.71%	-	-	7.71% <sup>(4/12)</sup>
MSCI ACWI ex-US Index	4.69%	2.60%	4.16%	3.80% <sup>(4/12)</sup>
MSCI ACWI ex-US Value	3.72%	2.14%	4.07%	3.21% <sup>(4/12)</sup>
Lombardia - Net	8.17%	-	-	7.17% <sup>(4/12)</sup>
Mondrian	6.42%	-	-	5.28% <sup>(4/12)</sup>
MSCI ACWI ex-US Index	4.69%	2.60%	4.16%	3.80% <sup>(4/12)</sup>
MSCI ACWI ex-US Value	3.72%	2.14%	4.07%	3.21% <sup>(4/12)</sup>
Mondrian - Net	5.93%	-	-	4.79% <sup>(4/12)</sup>
Lazard	7.28%	-	-	6.90% <sup>(4/12)</sup>
MSCI ACWI ex-US Index	4.69%	2.60%	4.16%	3.80% <sup>(4/12)</sup>
MSCI ACWI ex-US Value	3.72%	2.14%	4.07%	3.21% <sup>(4/12)</sup>
Lazard - Net	6.46%	-	-	6.20% <sup>(4/12)</sup>

## International Equity Returns

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

### Returns for Periods Ended October 31, 2015

	Last Month	Last 3 Months	Year to Date	Last 12 Months
<b>Intl Large Cap Active Core</b>	<b>7.66%</b>	<b>(3.94%)</b>	<b>3.29%</b>	<b>1.64%</b>
Arrowstreet	7.45%	(5.80%)	1.28%	0.24%
MSCI ACWI ex-US Index	7.44%	(5.37%)	(1.82%)	(4.68%)
Arrowstreet - Net	7.45%	(5.92%)	0.92%	(0.23%)
Brown	6.57%	(3.07%)	8.38%	7.37%
MSCI ACWI ex-US Index	7.44%	(5.37%)	(1.82%)	(4.68%)
Brown - Net	6.57%	(3.13%)	8.18%	6.22%
GlobeFlex	8.95%	(1.94%)	4.05%	1.87%
MSCI ACWI ex-US Index	7.44%	(5.37%)	(1.82%)	(4.68%)
GlobeFlex - Net	8.95%	(2.05%)	3.73%	1.45%
Progress Intl Equity	6.69%	(5.05%)	(0.61%)	(3.18%)
Custom Benchmark	7.15%	(4.66%)	(0.82%)	(3.85%)
MSCI ACWI ex-US Index	7.44%	(5.37%)	(1.82%)	(4.68%)
Progress Intl Equity - Net	6.69%	(5.05%)	(0.98%)	(3.55%)
<b>Intl Large Cap Pass. Core</b>	<b>7.82%</b>	<b>(5.14%)</b>	<b>2.50%</b>	<b>0.30%</b>
NTGI MSCI EAFE Idx	7.82%	(5.14%)	2.50%	0.30%
MSCI EAFE Index	7.82%	(5.19%)	2.13%	(0.07%)
NTGI EAFE Idx - Net	7.82%	(5.15%)	2.49%	0.29%
<b>International Small Cap</b>	<b>5.35%</b>	<b>(1.80%)</b>	<b>6.53%</b>	<b>6.04%</b>
Franklin Templeton	5.16%	(3.33%)	4.14%	4.26%
ACWI Small Cap ex US	5.93%	(2.84%)	3.24%	1.53%
Franklin Templeton - Net	5.16%	(3.52%)	3.57%	3.49%
William Blair	5.51%	(0.48%)	8.61%	7.58%
ACWI Small Cap ex US	5.93%	(2.84%)	3.24%	1.53%
Intl SC Blended Benchmark	5.93%	(2.84%)	3.24%	1.53%
William Blair - Net	5.51%	(0.67%)	7.98%	6.74%
<b>Emerging Markets</b>	<b>7.72%</b>	<b>(3.17%)</b>	<b>(8.66%)</b>	<b>(13.15%)</b>
Genesis	7.72%	(3.17%)	(8.66%)	(13.15%)
MSCI Emerging Markets Index	7.14%	(5.41%)	(9.17%)	(14.22%)
Genesis - Net	7.72%	(3.27%)	(9.08%)	(13.62%)

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

Progress Custom Benchmark is a comprised of each manager's weighted benchmark.

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

## International Equity Returns

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

### Returns for Periods Ended October 31, 2015

	Last 36 Months	Last 60 Months	Last 120 Months	Since Inception
<b>Intl Large Cap Active Core</b>	<b>10.09%</b>	<b>6.72%</b>	-	<b>3.61%</b> (2/08)
Arrowstreet	10.29%	6.48%	-	3.50% (3/08)
MSCI ACWI ex-US Index	4.69%	2.60%	4.16%	0.15% (3/08)
Arrowstreet - Net	9.78%	5.98%	-	3.02% (3/08)
Brown	14.38%	8.96%	7.46%	8.53% (10/04)
MSCI ACWI ex-US Index	4.69%	2.60%	4.16%	5.80% (10/04)
Brown - Net	13.53%	8.21%	6.96%	6.84% (1/05)
GlobeFlex	8.35%	6.48%	-	4.16% (3/06)
MSCI ACWI ex-US Index	4.69%	2.60%	4.16%	2.77% (3/06)
GlobeFlex - Net	7.95%	6.05%	-	3.70% (3/06)
Progress Intl Equity	-	-	-	(6.02%) (7/14)
Custom Benchmark	-	-	-	(7.19%) (7/14)
MSCI ACWI ex-US Index	4.69%	2.60%	4.16%	(8.05%) (7/14)
Progress Intl Equity - Net	-	-	-	(6.31%) (7/14)
<b>Intl Large Cap Pass. Core</b>	<b>8.42%</b>	<b>5.22%</b>	<b>4.45%</b>	<b>2.93%</b> (1/00)
NTGI MSCI EAFE Idx	8.42%	5.22%	4.44%	3.37% (2/00)
MSCI EAFE Index	8.02%	4.81%	4.05%	2.99% (2/00)
NTGI EAFE Idx - Net	8.41%	5.22%	4.43%	4.66% (1/05)
<b>International Small Cap</b>	<b>10.34%</b>	<b>7.95%</b>	<b>4.13%</b>	<b>4.16%</b> (12/05)
Franklin Templeton	9.85%	-	-	5.82% (8/11)
ACWI Small Cap ex US	7.54%	4.20%	6.11%	2.89% (8/11)
Franklin Templeton - Net	9.11%	-	-	5.09% (8/11)
William Blair	10.76%	8.52%	-	11.33% (9/10)
ACWI Small Cap ex US	7.54%	4.20%	6.11%	7.13% (9/10)
Intl SC Blended Benchmark	7.54%	4.87%	5.33%	7.76% (9/10)
William Blair - Net	9.98%	7.68%	-	10.50% (9/10)
<b>Emerging Markets</b>	<b>(1.17%)</b>	<b>(0.17%)</b>	<b>8.42%</b>	<b>8.89%</b> (2/92)
Genesis	(1.21%)	(0.19%)	8.42%	11.52% (5/04)
MSCI Emerging Markets Index	(2.53%)	(2.47%)	6.03%	8.79% (5/04)
Genesis - Net	(1.73%)	(0.75%)	7.80%	9.10% (1/05)

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

Progress Custom Benchmark is a comprised of each manager's weighted benchmark.

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



## Fixed Income Returns

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

### Returns for Periods Ended October 31, 2015

	Last Month	Last 3 Months	Year to Date	Last 12 Months
<b>Dom. Fixed Active Core</b>	<b>0.05%</b>	<b>0.47%</b>	<b>1.61%</b>	<b>2.25%</b>
EARNEST Partners	(0.06%)	0.93%	1.87%	3.02%
BC Aggregate Index	0.02%	0.55%	1.14%	1.96%
EARNEST Partners - Net	(0.11%)	0.88%	1.66%	2.81%
Piedmont	0.25%	(0.00%)	1.27%	1.37%
BC Aggregate Index	0.02%	0.55%	1.14%	1.96%
Piedmont - Net	0.21%	(0.04%)	1.14%	1.25%
Garcia Hamilton	(0.12%)	0.59%	-	-
BC Aggregate Index	0.02%	0.55%	1.14%	1.96%
Garcia Hamilton	(0.12%)	0.57%	-	-
<b>Dom. Fixed Passive Core</b>	<b>0.01%</b>	<b>0.58%</b>	<b>1.22%</b>	<b>2.09%</b>
BlackRock US Debt	0.00%	0.58%	1.22%	2.12%
BC Aggregate Index	0.02%	0.55%	1.14%	1.96%
BlackRock US Debt - Net	0.00%	0.58%	1.22%	2.11%
NTGI BC Agg. Index	0.01%	0.57%	1.21%	2.06%
BC Aggregate Index	0.02%	0.55%	1.14%	1.96%
NTGI BC Agg. Index - Net	0.01%	0.57%	1.20%	2.05%

## Fixed Income Returns

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

### Returns for Periods Ended October 31, 2015

	Last 36 Months	Last 60 Months	Last 120 Months	Since Inception
<b>Dom. Fixed Active Core</b>	<b>2.13%</b>	<b>3.83%</b>	<b>5.08%</b>	<b>4.85%</b> <sup>(4/01)</sup>
EARNEST Partners	2.42%	4.00%	5.22%	5.02% <sup>(5/05)</sup>
BC Aggregate Index	1.65%	3.03%	4.72%	4.51% <sup>(5/05)</sup>
EARNEST Partners - Net	2.21%	3.79%	5.01%	4.80% <sup>(5/05)</sup>
Piedmont	1.81%	3.60%	4.92%	4.63% <sup>(6/05)</sup>
BC Aggregate Index	1.65%	3.03%	4.72%	4.44% <sup>(6/05)</sup>
Piedmont - Net	1.65%	3.44%	4.73%	4.43% <sup>(6/05)</sup>
Garcia Hamilton	-	-	-	0.59% <sup>(6/15)</sup>
BC Aggregate Index	1.65%	3.03%	4.72%	0.14% <sup>(6/15)</sup>
Garcia Hamilton	-	-	-	0.57% <sup>(6/15)</sup>
<b>Dom. Fixed Passive Core</b>	<b>1.68%</b>	<b>3.06%</b>	<b>4.68%</b>	<b>6.33%</b> <sup>(1/90)</sup>
BlackRock US Debt	-	-	-	3.49% <sup>(10/13)</sup>
BC Aggregate Index	1.65%	3.03%	4.72%	3.32% <sup>(10/13)</sup>
BlackRock US Debt - Net	-	-	-	3.49% <sup>(10/13)</sup>
NTGI BC Agg. Index	1.68%	3.07%	4.68%	6.40% <sup>(2/90)</sup>
BC Aggregate Index	1.65%	3.03%	4.72%	6.39% <sup>(2/90)</sup>
NTGI BC Agg. Index - Net	1.67%	3.06%	4.67%	4.41% <sup>(1/05)</sup>

## Fixed Income Returns

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

### Returns for Periods Ended October 31, 2015

	Last Month	Last 3 Months	Year to Date	Last 12 Months
<b>Domestic Fixed Core Plus</b>	<b>0.58%</b>	<b>0.33%</b>	<b>1.11%</b>	<b>1.60%</b>
BlackRock Core Plus	0.29%	0.65%	1.72%	2.43%
BC Aggregate Index	0.02%	0.55%	1.14%	1.96%
BlackRock Core Plus - Net	0.18%	0.55%	1.59%	2.28%
LM Capital	0.62%	0.75%	1.77%	2.33%
BC Aggregate Index	0.02%	0.55%	1.14%	1.96%
LM Capital - Net	0.62%	0.71%	1.65%	2.17%
Progress Fixed Income	0.22%	0.43%	1.31%	1.78%
BC Aggregate Index	0.02%	0.55%	1.14%	1.96%
Progress Fixed Inc. - Net	0.22%	0.43%	1.04%	1.42%
Taplin, Canida, Habacht	0.89%	(0.33%)	(0.13%)	0.16%
BC Aggregate Index	0.02%	0.55%	1.14%	1.96%
Taplin, Canida, Hab. - Net	0.89%	(0.36%)	(0.23%)	0.02%
Western	0.74%	0.28%	1.69%	2.22%
BC Aggregate Index	0.02%	0.55%	1.14%	1.96%
Western - Net	0.74%	0.24%	1.59%	2.09%
<b>Bank Loans</b>	<b>(0.75%)</b>	<b>(2.67%)</b>	<b>0.44%</b>	<b>0.01%</b>
Babson	(0.75%)	(2.67%)	0.44%	0.01%
Custom Benchmark	(0.08%)	(1.26%)	1.85%	1.27%
Babson - Net	(0.75%)	(2.67%)	0.44%	0.01%
<b>Emerging Markets</b>	<b>4.42%</b>	<b>(3.12%)</b>	<b>(5.54%)</b>	<b>(12.01%)</b>
Standish	4.42%	(3.12%)	(5.54%)	(12.01%)
Custom Benchmark	3.76%	(1.98%)	(4.14%)	(9.10%)
Standish - Net	4.42%	(3.20%)	(5.80%)	(12.30%)
<b>Opportunistic Fixed Income</b>	<b>(1.58%)</b>	<b>(1.26%)</b>	<b>(0.11%)</b>	<b>(0.90%)</b>
Crescent	(1.58%)	(1.26%)	(0.11%)	(0.90%)
Custom Benchmark	1.27%	(1.59%)	0.72%	(0.77%)
Crescent - Net	(1.58%)	(1.26%)	(0.11%)	(0.90%)
<b>High Yield</b>	<b>2.32%</b>	<b>(0.81%)</b>	<b>3.30%</b>	<b>1.13%</b>
MacKay Shields	2.33%	(0.79%)	3.12%	1.05%
ML High Yield Cash Pay Index	2.75%	(1.68%)	0.17%	(2.01%)
MacKay Shields - Net	2.33%	(0.88%)	2.84%	0.69%

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

Babson Custom Benchmark is comprised of the Credit Suisse US Leveraged Loan Index and the Credit Suisse Western European Leveraged Loan Index, weighted by the portfolio's market value to each sector.

Standish Custom Benchmark is 50% JPM GBI-EM Index, 25% JPM EMBI Global Index and 25% JPM Corporate EMBI Diversified Index.

Crescent Custom Benchmark is 50% ML U.S. High Yield Master II Index and 50% S&P/LSTA Leveraged Loan Index.

## Fixed Income Returns

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

### Returns for Periods Ended October 31, 2015

	Last 36 Months	Last 60 Months	Last 120 Months	Since Inception
<b>Domestic Fixed Core Plus</b>	<b>2.26%</b>	<b>4.13%</b>	<b>5.31%</b>	<b>8.53%</b> (1/82)
BlackRock Core Plus	2.24%	3.80%	-	5.17% (4/07)
BC Aggregate Index	1.65%	3.03%	4.72%	4.65% (4/07)
BlackRock Core Plus - Net	2.00%	3.61%	-	5.04% (4/07)
LM Capital	2.18%	3.91%	5.55%	5.34% (5/05)
BC Aggregate Index	1.65%	3.03%	4.72%	4.51% (5/05)
LM Capital - Net	2.03%	3.74%	5.39%	5.17% (5/05)
Progress Fixed Income	2.33%	3.80%	-	5.33% (1/06)
BC Aggregate Index	1.65%	3.03%	4.72%	4.66% (1/06)
Progress Fixed Inc. - Net	2.00%	3.44%	-	4.99% (1/06)
Taplin, Canida, Habacht	2.01%	4.37%	5.36%	5.15% (5/05)
BC Aggregate Index	1.65%	3.03%	4.72%	4.51% (5/05)
Taplin, Canida, Hab. - Net	1.89%	4.24%	5.23%	5.02% (5/05)
Western	2.75%	4.60%	5.47%	5.72% (11/01)
BC Aggregate Index	1.65%	3.03%	4.72%	4.61% (11/01)
Western - Net	2.62%	4.46%	5.31%	5.11% (1/05)
<b>Bank Loans</b>	-	-	-	<b>(0.30%)</b> (8/14)
Babson	-	-	-	(0.30%) (8/14)
Custom Benchmark	-	-	-	1.04% (8/14)
Babson - Net	-	-	-	(0.30%) (8/14)
<b>Emerging Markets</b>	-	-	-	<b>(7.07%)</b> (8/14)
Standish	-	-	-	(7.07%) (8/14)
Custom Benchmark	(2.92%)	0.79%	5.98%	(8.36%) (8/14)
Standish - Net	-	-	-	(7.32%) (8/14)
<b>Opportunistic Fixed Income</b>	-	-	-	<b>(2.17%)</b> (9/14)
Crescent	-	-	-	(2.17%) (9/14)
Custom Benchmark	3.60%	5.08%	6.06%	(1.22%) (9/14)
Crescent - Net	-	-	-	(2.17%) (9/14)
<b>High Yield</b>	<b>5.03%</b>	<b>6.63%</b>	<b>7.90%</b>	<b>9.82%</b> (4/86)
MacKay Shields	4.86%	6.88%	7.51%	9.13% (11/00)
ML High Yield Cash Pay Index	4.07%	5.98%	7.41%	7.68% (11/00)
MacKay Shields - Net	4.50%	6.50%	7.14%	6.78% (1/05)

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

Babson Custom Benchmark is comprised of the Credit Suisse US Leveraged Loan Index and the Credit Suisse Western European Leveraged Loan Index, weighted by the portfolio's market value to each sector.

Standish Custom Benchmark is 50% JPM GBI-EM Index, 25% JPM EMBI Global Index and 25% JPM Corporate EMBI Diversified Index.

Crescent Custom Benchmark is 50% ML U.S. High Yield Master II Index and 50% S&P/LSTA Leveraged Loan Index.

## Manager Summary

### Five Best Performing Portfolio's vs. Benchmarks

Manager	Year-to-Date Outperformance	Since Inception Outperformance	
	(in % points)	(in % points)	
Pyramis SCG	11.00	6.24	07/31/1988
Brown	10.21	2.73	09/30/2004
Channing	5.40	3.68	06/30/2011
William Blair Int'l SC	5.37	4.20	08/31/2010
Brandes	4.38	4.55	12/31/1995

### Five Worst Performing Portfolio's vs. Benchmarks

Manager	Year-to-Date Underperformance	Since Inception Underperformance	
	(in % points)	(in % points)	
Ariel	-20.83	-5.79	10/31/2010
Wall Street	-9.26	5.72	07/31/1990
Frontier	-6.35	5.16	07/31/1988
Vision	-5.52	-3.36	06/30/2011
Earnest Int'l Equity	-4.52	3.67	09/30/2004

### Five Highest Returning Portfolios

Manager	Year-to-Date Return	Since Inception Return	
	(in % points)	(in % points)	
Pyramis SCG	10.90	14.14	07/31/1988
Holland	9.98	10.39	10/31/1994
William Blair Int'l SC	8.61	11.33	08/31/2010
Brown	8.38	8.53	09/30/2004
NTGI S&P500 Gr	7.00	6.49	07/31/2001

### Five Lowest Returning Portfolios

Manager	Year-to-Date Return	Since Inception Return	
	(in % points)	(in % points)	
Ariel	-25.85	4.74	10/31/2010
Wall Street	-9.36	13.60	07/31/1990
Genesis	-8.66	11.52	04/30/2004
Lombardia	-6.48	7.99	05/31/2011
Frontier	-6.45	13.05	07/31/1988

Returns are shown gross of investment management fees.

Excludes Real Estate and Alternative Investments portfolios.

(15-11-03) (Cost Savings Initiatives and 2014 Investment Management Fees)  
The Chief Investment Officer discussed her cost saving initiatives an overview of the investment manager fees saved for the fund in 2014.

Discussion followed.

(15-11-04) (Renewal Master Trust Fee Schedule) The Chief Investment Officer recommended the Board approve a three-year extension of the current Northern Trust master trust fee schedule through March 31, 2019.

She stated IMRF's current master trust fee schedule with Northern Trust expires on March 31, 2016. Northern Trust agreed to a three-year extension of the current fee schedule (which will run through March 31, 2019).

She further noted that the current master trust fee schedule would be extended without any cost increases.

It was moved by Ms. Henry, seconded by Ms. Copper to approve the three-year extension of the current Northern Trust master trust fee schedule through March 31, 2019.

Vote: Unanimous Voice Vote  
Absent: None

(15-11-05) (Renewal of Revised Proxy Voting Services Agreement) The Chief Investment Officer recommended the Board approve the three-year renewal of the revised ISS agreement through December 31, 2018.

She reported IMRF's current proxy voting services agreement expires on December 31, 2015. The revised agreement acknowledges ISS as a fiduciary to IMRF and is consistent with the agreements in place with our investment managers and consultant.

It was moved by Ms. Henry, seconded by Ms. Copper, to approve the three year renewal of the revised ISS agreement through December 31, 2018.

Vote: Unanimous Voice Vote  
Absent: None

(15-11-06) (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 15-08-28  
Special Board Meeting 15-09S-24  
Special Board Meeting 15-10S-22

Schedules - Dated November 2015

- 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 2015

- 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.

Schedules - Dated September 2015

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

Bids

Security Incident and Event Management Replacement

Approved Bidder: Software House, Inc.

Approved Bid: \$172,334.00

2016 Member Newsletters

Approved Bidder: Darwill Printing

Approved Bid: \$183,225.00

Sole Source: IBM Hardware Maintenance

Approved Bidder: IBM

Approved Bid: \$105,777.

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

Vote: Unanimous Voice Vote

Absent: None



(15-11-07) (Financial Reports) The Chair presented the following financial reports for approval.

- Review of September, October and November Financial Reporting Packages
- Statement of Fiduciary Net Position for July, August and September
- Impact of 2015 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 September, 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: None

(15-11-08) (Report of the Audit Committee) The Chair of the Audit Committee reported on the meeting held on November 20, 2015.

General Counsel reported on several items including Code of Conduct Compliance Training completed by all employees; receipt of three complaints (regarding employees), all via the hot-line, and all investigated with appropriate actions taken as deemed necessary.

Next, representatives from Crowe Horwath presented the results of their work covering three areas: Network Security; Internal Penetration Assessment; and, External Penetration Assessment, summarizing several high, moderate and low risk areas that were identified during their testing.

Representatives from Crowe Horwath presented information regarding the Internal Audit proposed work plan for 2016.

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 2016 for the agreed upon cost of \$85,000.

Next, a representative from KPMG presented information and a timeline related to the 2015 audit plan for the Fund's SOC1 Type II report, noting the final report would be available, per IMRF's request, by mid-April 2016.

It was the consensus of the Audit Committee to recommend the Board accept RSM's 2016 contract for the audit of IMRF's financials for the agreed upon cost of \$197,420.

IMRF's Chief Audit Officer presented the 2016 internal audit plan which will focus on the risk assessment process and other areas of emphasis including employer audits.

Lastly, private sessions were conducted separately with the internal auditors from Crowe Horwath, and IMRF.

It was moved by Ms. Henry, seconded by Ms. Stanish, to accept Crowe Horwath's 2016 Arrangement Letter with the agreed upon cost of \$85,000, and to accept RSM's 2016 contract with the agreed upon cost of \$197,420.

Vote: Unanimous Voice Vote  
Absent: None

(15-11-09) (Report of the Benefit Review Committee) The Chair of the Benefit Review Committee reported on the meeting held on November 19, 2015.

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

- To accept the hearing officer's findings and conclusions and deny an exemption from the accelerated payment requirement for Fulton County CUSD#3.
- To defer a decision pending additional information regarding Edward J. Henschel's medical condition and information regarding his CDL license.
- To overturn staff's determination to deny total and permanent disability benefits for John D. Reynolds.

Vote:  
Aye: Unanimous Voice Vote  
Absent: None

(15-11-10) (Report of the Investment Committee) The Chair of the Investment Committee reported on the Committee Meeting held on November 19, 2015.

The Investment Committee heard a presentation from staff on two current Real Estate Managers (Blackstone Real Estate Debt Strategies III, L.P. and Ares European Property Enhancement Partners II), followed by presentations from these two managers.

Staff and consultant presented an overview of the MBPDOB Real Estate Manager-of-Managers search, followed by presentations from MBPDOB Real Estate Manager-of-Managers, Artemis Real Estate Partners.

It was the consensus of the Investment Committee to recommend the Board approve the following recommendations:

For Real Estate

- Allocate up to \$100 million to Blackstone Real Estate Debt Strategies III, L.P., subject to satisfactory legal due diligence;
- Allocate up to €100 million (approximately \$110 million) to Ares European Property Enhancement Partners II, L.P., subject to satisfactory legal due diligence; and,
- Authorize staff to complete all documentation necessary to execute these recommendations.

For MFPDOB Real Estate Manager-of-Managers

- Allocate up to \$75 million as an initial commitment to Artemis Real Estate Partners, LLC for an evergreen separate account with additional annual commitments consistent with IMRF's strategic plan;
- Authorize staff to determine the annual commitment to Artemis Real Estate Partners, LLC consistent with IMRF's strategic plan; and,
- Authorize staff to complete all documentation necessary to execute these recommendations.

Vote: Unanimous Voice Vote

Absent: None

(15-11-11) ((Report of the Legislative Committee) The Chair of the Legislative Committee presented a report on the Committee Meeting held on November 19, 2015.

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

Next, the Committee reviewed legislation from the Board's 2015 and 2016 Legislative Agenda.

It was the consensus of the Legislative Committee to recommend the Board include the following items in its 2016 Legislative Agenda:

- Allow the Board to assess a penalty on employers for certain retiree return to work violations;
- Clarify that IMRF will accept one past service purchase payment after termination, as long as valid application is received while the member is still active;
- Increase the pension minimum at which a member is ineligible to take a refund of contributions; and,
- Remove the one year limitation for the retroactive payment of surviving spouse annuities.

The Legislative Committee also directed IMRF staff to craft a proposal for a Board rule defining "gainful employment", to be reviewed by the Benefit Review Committee.

Lastly, the Committee tabled a proposal to terminate the Early Retirement Incentive program until after staff completes a survey of employers, and develops alternatives to completely terminating the program.

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

Vote: Unanimous Voice Vote

Absent: None

(15-11-12) (2016 Compensation Plan) The Human Resources Manager reviewed the 2016 IMRF Staff Compensation Package Report.

After questions and discussion, it was moved by Mr. Kuehne, seconded by Ms. Copper, to approve the following recommendations:

- Increase the base salaries by 4.5% for employees in good standing, effective January 1, 2016.
- Create a discretionary increase pool equal to .50% of total 2015 salaries for employees who have a proven history of exceeding performance standards effective January 1, 2016, with a pool of approximately \$66,000 to be distributed.
- Provide for staff health insurance coverage through the current Blue Cross/Blue Shield HMO and PPO program, with no benefit changes, and an increase in premiums of 2.6%.
- Renew with Delta Dental of Illinois for one year, with a 3.0% increase to the PPO plan and no premium increase to the HMO plan.
- Continue the current split between employee-paid insurance premiums and employer-paid insurance premiums.
- Continue to offer a Supplemental Vision Insurance Plan through our contract with EyeMed. Participation in this plan is optional, and is paid by the employee.

Vote: Unanimous Voice Vote  
Absent: None

(15-11-13) (2016 Planning and Budget Document) The Chief Financial Officer presented the proposed 2016 Planning and Budget Document for approval by the Board.

PROUD LEGACY  
BRIGHT FUTURE



1941 - 2016

IMRF PROPOSED BUDGET



# **PROPOSED 2016 BUDGET**

**PREPARED BY**  
THE FINANCE DEPARTMENT  
OF THE  
ILLINOIS MUNICIPAL RETIREMENT FUND

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# BOARD OF TRUSTEES

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**NATALIE COPPER**  
Employee Trustee  
Evanston School District 65  
Jan. 1, 2015-Dec. 31, 2019



**JOHN PIECHOCINSKI**  
Employee Trustee  
Plainfield Community  
Consolidated School District  
Jan. 1, 2011-Dec. 31, 2015  
**2015 Board President**



**GWEN HENRY**  
Executive Trustee  
DuPage County Treasurer  
Jan. 1, 2011-Dec. 31, 2015



**SUE STANISH**  
Executive Trustee  
Naperville Park District  
Jan. 1, 2014-Dec. 31, 2018



**TOM KUEHNE**  
Executive Trustee  
Village of Arlington Heights  
Jan. 1, 2013-Dec. 31, 2017  
**2015 Board Vice President**



**JEFFREY A. STULIR**  
Employee Trustee  
Rock Island County Sheriff's  
Department  
Feb. 24, 2012-Dec. 31, 2015  
**2015 Board Secretary**



**DAVID MILLER**  
Executive Trustee  
North Shore Water  
Reclamation District  
Jan. 1, 2015-Dec. 31, 2016

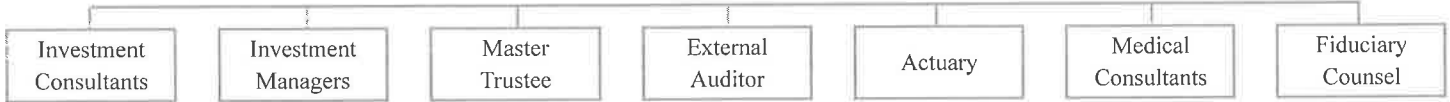


**SHARON U. THOMPSON**  
Annuitant Trustee  
Lee County (formerly)  
Jan. 1, 2011-Dec. 31, 2015

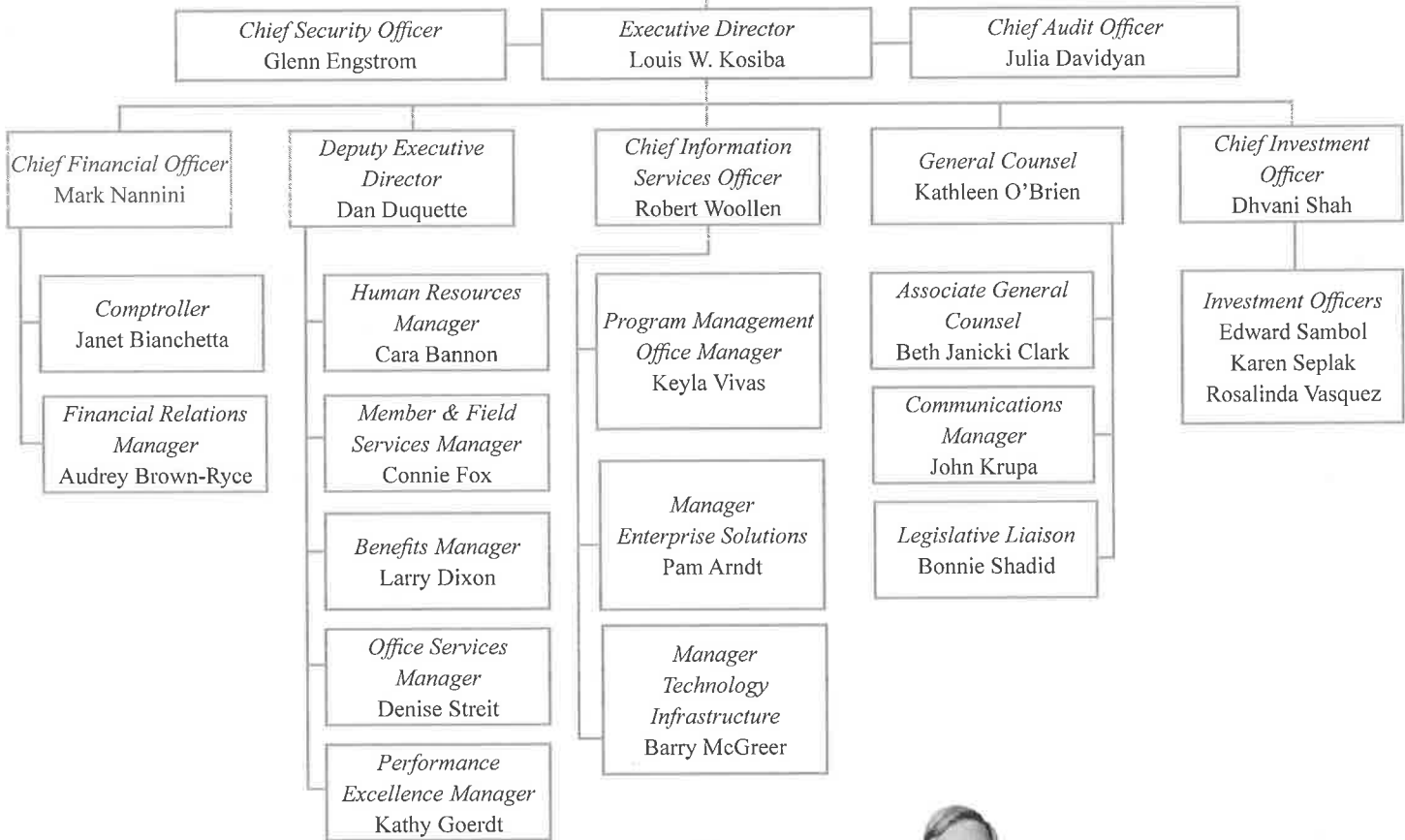
# ORGANIZATION CHART

## Board of Trustees

### Consultants



### Staff



IMRF Senior Leaders (from left):  
Cara Bannon, Dan Duquette,  
Kathy Goerd, Robert Woollen,  
Dhvani Shah, Kathleen O'Brien,  
Mark Nannini, Louis W. Kosiba



GOVERNMENT FINANCE OFFICERS ASSOCIATION

*Distinguished  
Budget Presentation  
Award*

PRESENTED TO

**Illinois Municipal Retirement Fund**

**Illinois**

For the Fiscal Year Beginning

**January 1, 2015**

*Jeffrey R. Egan*

Executive Director

## 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 173,968 active members, 112,762 retired members, and 2,976 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.

### VISION

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

### VALUES

Guiding us to REAACH our Mission and Vision.

#### 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

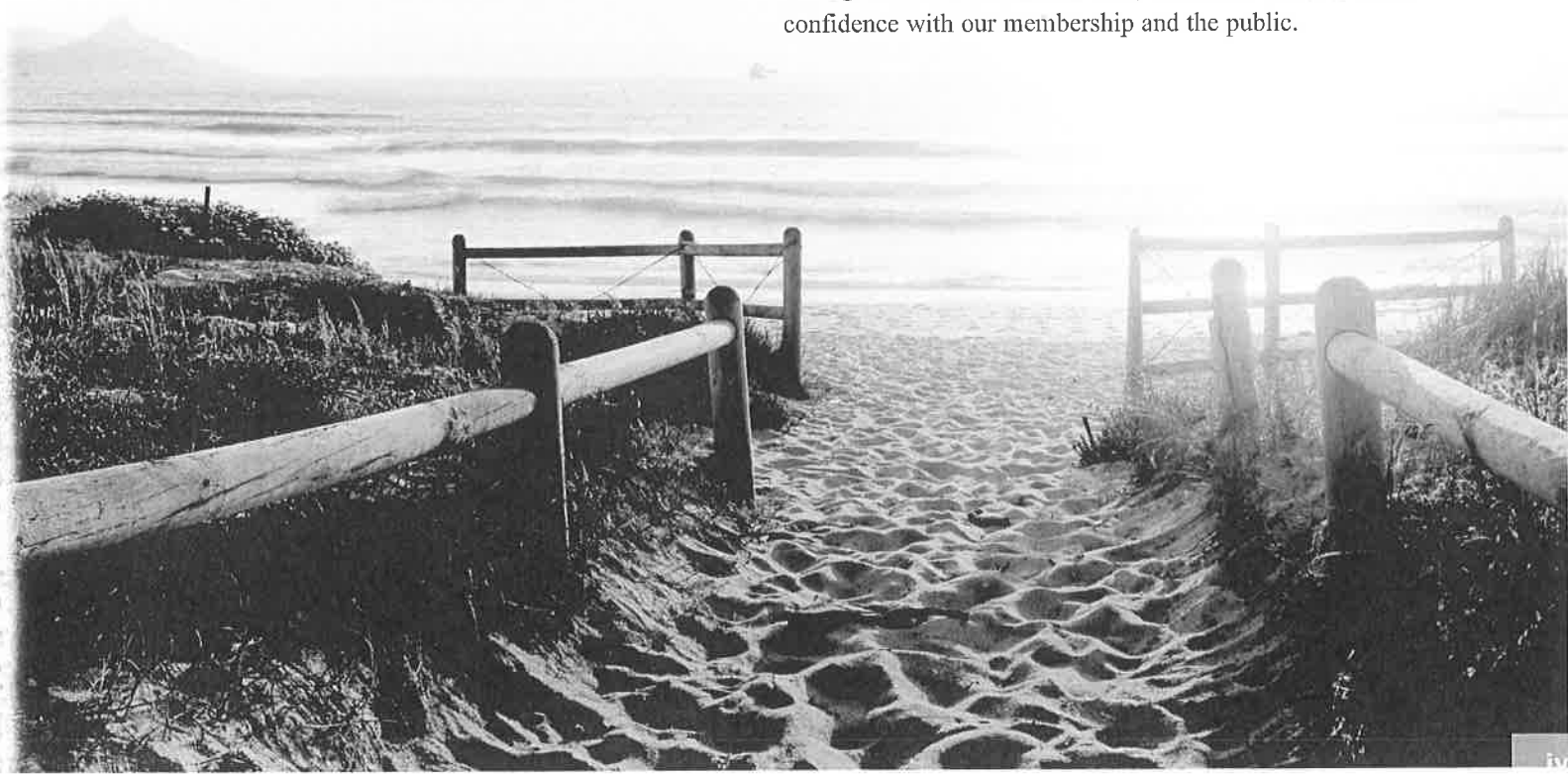
Performing our duties in an accurate and timely manner ensures our members receive the service and benefits to which they are entitled.

#### 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.







November 20, 2015

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, 2016, 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 expenses.

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 top decile service at a median cost. IMRF has faced challenges in the past and will continue to face new challenges based on an 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 conduct an in-depth budgetary training sessions for IMRF leaders. As IMRF celebrates its 75<sup>th</sup> anniversary, our focus remains on updating systems, strengthening controls, and delivering higher levels of service to our members, beneficiaries, and employers. IMRF's commitment to modernizing the technology used to administer the pension system reflects on our status as a national leader in the public pension industry, and positions IMRF to continue to provide top decile 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 2,976 different employers, 173,968 participating members, 118,440 inactive members, and 112,762 benefit recipients.

## 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.

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. Projects unique to this budget year are: replacement vehicles for staff, a new backup system replacement, Intranet replacement, the creation of a development environment, Firewall replacement, data circuit upgrade, Cisco LAN management system, various data center racks, two digital copiers, and several other projects. One special project to highlight for 2016 includes communications and activities aimed at promoting the 75<sup>th</sup> Anniversary of IMRF operations.

## 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. Historically, investment income has funded the majority of pension costs.



Investment income pays for all IMRF administrative and investment costs.

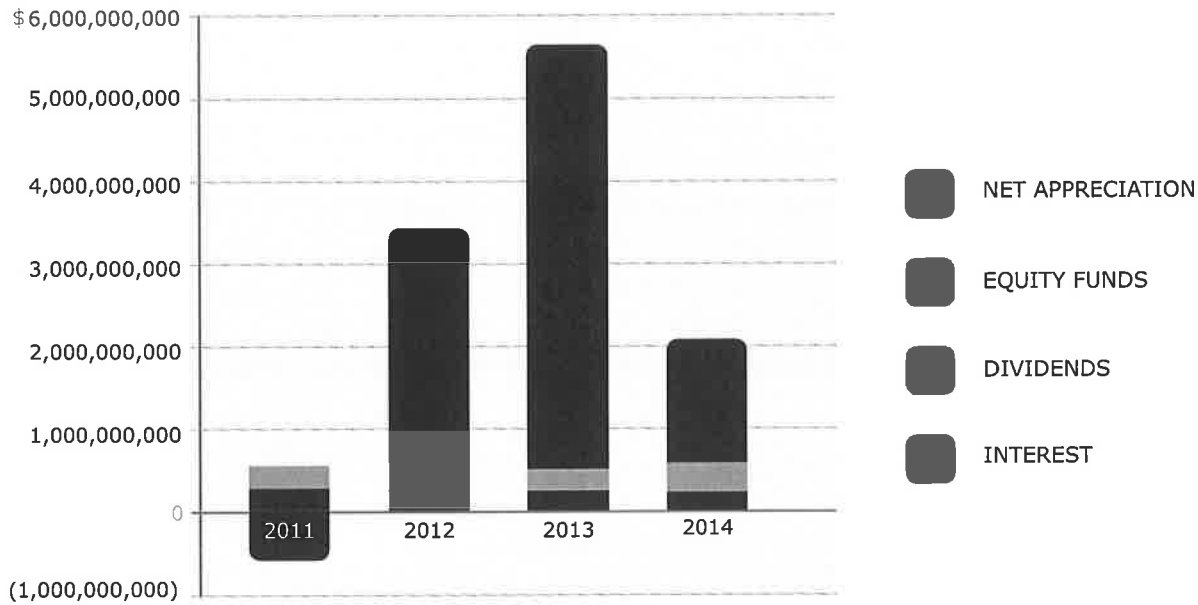
## INVESTMENTS

This past year, the Investment Department's senior staff reorganized and added investment officers to monitor daily activity. Under the leadership of the Chief Investment Officer, the department's public markets portfolio includes 49 professional investment management firms, handling 62 mandates. The private markets portfolio invested in 38 investment firms across 59 separate funds. 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 2016 Investment Budget reflects a new contractual commitment to investment consultant Callan Associates.



## INVESTMENT INCOME



## PERSONNEL

All requests to add staff positions are funneled through Human Resources and senior leaders to verify the need for the respective positions.

Seven new positions are recommended in this 2016 budget. The seven new positions are:

- 2 new Member Services Representatives
- 2 new Records Unit positions
- 1 new Field Service Representative
- 1 new Performance Excellence Analyst
- 1 new Internal Auditor Supervisor

All other vacant positions will be filled during Fiscal Year 2016.

## BENEFIT MANAGEMENT

IMRF embarked on a new program in 2015 to provide identification cards to all annuitants, which includes the IMRF Member Identification Number (MID). This program is ongoing for new annuitants in 2016 and beyond. The cards are also available to active members via secure Member Access. The IMRF Call Center is able to more efficiently process calls when members can provide their MID.

## INFORMATION SYSTEMS DEVELOPMENT

### 2015

IMRF's major 2015 system development priorities included:

- Continuing the implementation phase of the Horizon Project, including the design, construction, testing, and implementation of the first release of the new system.
- Re-engineering 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](http://www.imrf.org)), featuring enhanced navigation, improved maintainability, text written in plain language, and a Spanish-language version.
- Replacing IMRF's employee Intranet to enhance knowledge management, internal communications, and customer service.
- Implementing phase one of the Microsoft Dynamics GP financial software package.
- Evaluating phase two of the Microsoft Dynamics GP financial software package.

## 2016

IMRF's major 2016 system development priorities will focus on:

- Continuing the investigation and implementation of the next phases of the Horizon Project, including the design, construction, and testing of the phases following 4a.
- Ongoing re-engineering of business processes to achieve our Customer Service Goals while also maintaining all internal control and efficiency objectives.
- Continuing to strengthen our internal systems controls to achieve our control objectives.
- Implementing and refining the new IMRF Intranet to assist in our customer service goals.
- Revisit phase two of the Microsoft Dynamics GP financial software package for the additional phases of implementation.

## STRATEGIC PLAN

IMRF's Strategic Plan provides the Fund with a road map for meeting the challenges and opportunities to achieve our vision of providing the highest quality retirement services to our members, their beneficiaries, and employers in a cost-effective manner. This plan 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 in our leadership scorecard:

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

In 2016, IMRF staff will begin the process of updating the new Strategic Plan for 2017-2019. Focus group meetings will begin in the first quarter of 2016 in preparation for developing the new Strategic Plan.

## 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 placed in the top 15 percent while our costs were below the median, as compared to our peer group of 44 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 led to the financial stability of the organization today. These policies are located in Appendix A of this document.

## PERFORMANCE MEASURES

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

## HIGHLIGHTS OF THE 2016 BUDGET

The budget as presented shows the distribution of resources for 2016. This includes:

- The Modernization Program, now in the fourth year of a multi-year implementation. This multi-million dollar project will continue through 2016 and beyond with the implementation of phases beyond 4a. These expenses are presented in the capital budget for internally generated computer software, and internal development environment for staff support.
- Other computer-related initiatives include: new software, servers, switches, routers, circuits, and racks for the computer room.
- The second phase of implementing new financial software (i.e. purchase orders, payroll, project management, etc.) will take place in 2016. These funds are presented in the capital budget.
- Insurance costs are reflected in the Human Resources and the Legal sections. A 2.6 percent increase is budgeted for health insurance premiums, as proposed by our provider.
- In the Legal Department, two new ventures are proposed this year. Cyber insurance is added to this year's budget to protect members, employers, and the operations of IMRF. The other new venture is the investigation of a codification program to organize and index current and future Board Resolutions.
- A pilot program has been added to the Office Services area to convert film rolls to digital files for member and employer records.
- Additional digital information displays and Smart Boards have been added to the 2016 budget. These are similar to the ones in the lobby of the Oak Brook and Springfield offices.
- The replacement of 12 vehicles is presented in the capital plan. This is part of the rotation of the fleet. With the last vehicle rotation plan in 2012, lower mileage vehicles were retained in the fleet. Due to age and use, three cars and nine SUVs will be purchased in the third quarter of 2016.
- 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. Over time, IMRF anticipates its investment return to offset investment management costs. Over the last five years, IMRF's total fund return of 10.2 percent after fees significantly exceeded the fund's assumed rate of return of 7.5 percent.

## AWARDS

The Government Finance Officers Association (GFOA) awarded a Distinguished Budget Presentation Award to IMRF for its annual budget for the fiscal year beginning January 1, 2014. In order to receive this award, a governmental unit must publish a budget document as an operational guide, as a financial plan, and as a communications device. IMRF believes its current budget continues to conform to the GFOA requirements, and will submit this budget document to GFOA to determine its eligibility for another award.

# “IMRF’S STRATEGIC PLAN PROVIDES THE FUND WITH A ROAD MAP FOR MEETING THE CHALLENGES AND OPPORTUNITIES TO ACHIEVE OUR VISION.”

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Also, the 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, 2013. Application has been made for the Fiscal Year 2014 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 34 consecutive years (Fiscal Years 1980-2013).

IMRF also received a Certificate of Achievement for Excellence in Financial Reporting from the GFOA for its Popular Annual Financial Report (PAFR) for the year ended December 31, 2013. IMRF has received the PAFR award 12 times.

## ACKNOWLEDGMENTS

The production of this report reflects the combined efforts of IMRF’s 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 this document will find it both informative and helpful.

The budget document is a culmination of a major effort by numerous members of IMRF’s staff as well as the Board. We would like to especially thank the Directors, Managers, and Supervisors, Pamela Graves, Kathy Goerd, Julian Estacio, John Krupa, Janet Bianchetta, Audrey Brown-Ryce, 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 2016 IMRF Budget for your consideration.

Respectfully submitted,



Louis W. Kosiba  
*Executive Director*



Mark F. Nannini  
*Chief Financial Officer*

PROUD LEGACY  
BRIGHT FUTURE



1941 - 2016

# CELEBRATING 75 YEARS

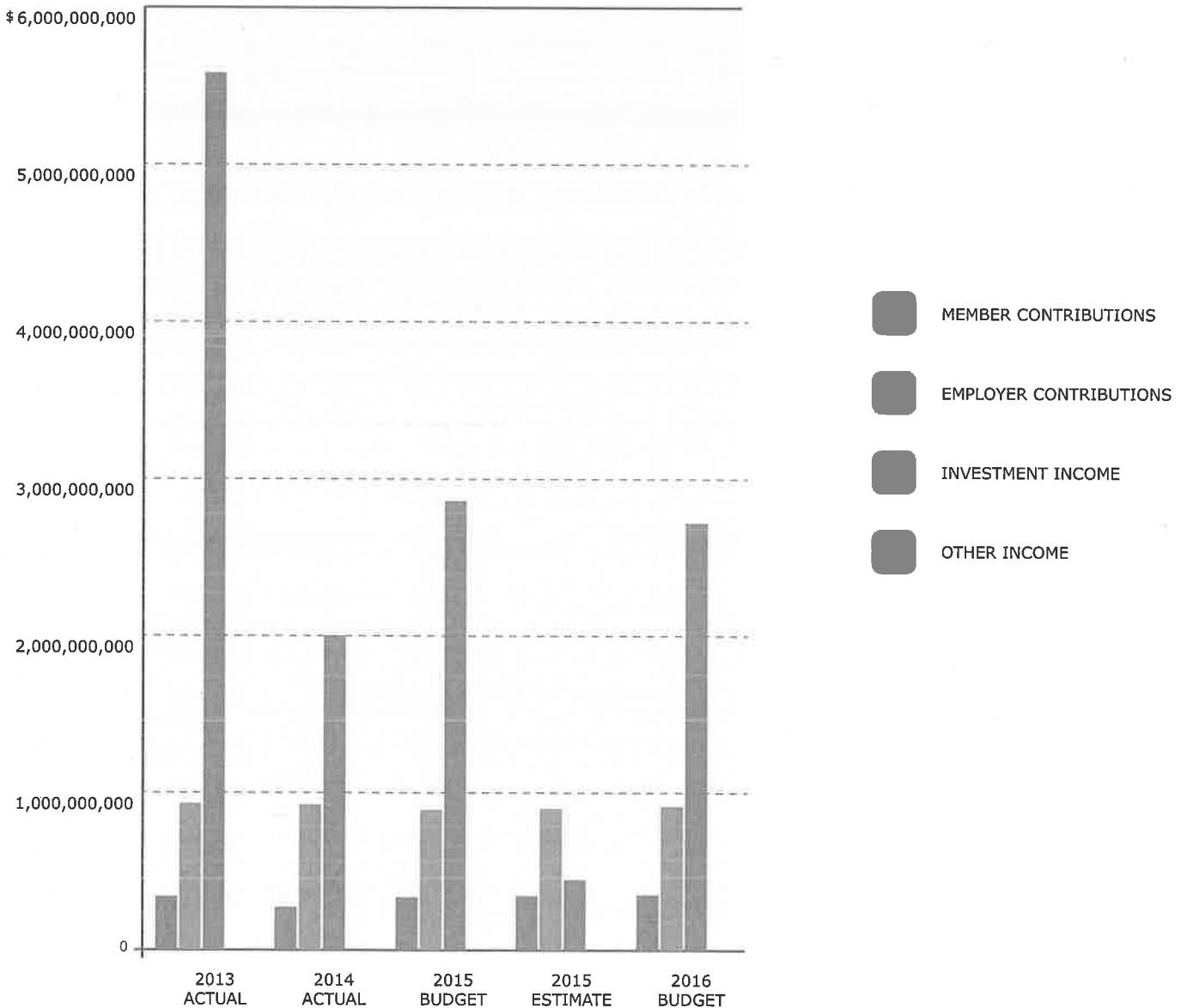
In 2016, IMRF will celebrate its 75<sup>th</sup> anniversary. Through tremendous growth and a changing Illinois pension climate, we have maintained unparalleled success and commitment to securing the future of our retirees.

IMRF's start was a modest one. We began operating in 1941 with just five employers. Shortly afterward, we made our first investment: a U.S. Treasury Bond valued at \$5,000. In time, more municipalities began to trickle in, and the trickle became a flood. Today, 2,976 units of government participate in IMRF, and our investment portfolio is valued at \$34.7 billion.

Throughout our year-long celebration, we have a number of special activities and communications planned for our employers, members, and retirees. A few of these include a site tour and reception for employers, a commemorative IMRF history book, a special anniversary edition of our newsletter, and more. Come celebrate with us. After all, you're the reason for our success.

**REVENUES BY SOURCE**

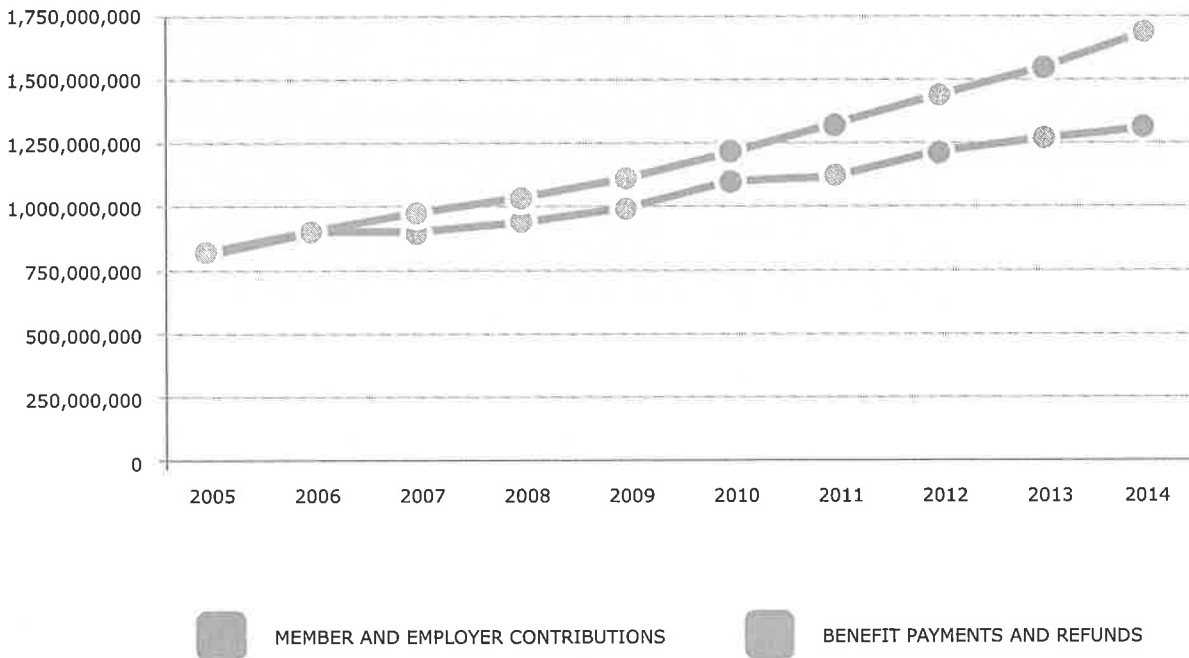
Source	2013 Actual	2014 Actual	2015 Budget	2015 Estimate	2016 Budget
MEMBER CONTRIBUTIONS	\$ 338,934,421	\$ 351,089,445	\$ 335,285,376	\$ 345,344,150	\$ 351,655,861
EMPLOYER CONTRIBUTIONS	930,969,056	923,382,825	891,285,376	889,752,994	913,187,396
INVESTMENT INCOME	5,583,120,005	2,001,420,871	2,859,588,666	331,439,880	2,611,038,366
OTHER INCOME	8,455	19,157	15,000	4,000	256,340
<b>TOTAL</b>	<b>\$ 6,853,031,937</b>	<b>\$ 3,275,912,298</b>	<b>\$ 4,086,174,418</b>	<b>\$ 1,566,541,024</b>	<b>\$ 3,876,137,963</b>



Revenues to IMRF include member and employer contributions based on the reported wages from the nearly 174,000 active members reported from 2,976 employers. Investment income is projected at 8 percent (gross of fees) investment return target. The increase in "Other Income" for 2016 includes cost reimbursements for improvements made under IMRF's lease provisions for the Oak Brook location.

### CONTRIBUTIONS VS. BENEFITS PAID

YEAR	MEMBER AND EMPLOYER CONTRIBUTIONS	BENEFIT PAYMENTS & REFUNDS
2005	\$ 808,832,009	\$ 823,454,491
2006	883,772,965	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
2014	1,274,472,270	1,666,012,340





November, 2015

### IMRF Strategic Plan

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 percent performance for most key result areas. These objectives are supported by a set of key strategies critical to the success of our Plan. A complete list of Strategic Objectives and Key Strategies is included in the following Strategic Plan.

IMRF received an Illinois Performance Excellence (ILPEX) Silver Award for Progress Toward Excellence in 2012 and again in 2014. These honors 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 the Strategic Plan, which aligns our objectives with the five key result areas of the Fund:

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

Our Strategic Plan provides the Fund with a road map for meeting the challenges and opportunities of providing the highest quality retirement services to our members, their beneficiaries, and employers. It guides our efforts to continuously improve our service to our 2,976 employers, 173,968 participating members, 112,762 benefit recipients, and the taxpayers of Illinois.

We appreciate your interest in IMRF and welcome your feedback.

Louis W. Kosiba  
*Executive Director*



## EXECUTIVE SUMMARY

IMRF implemented a formal strategic planning process and methodology in 2005 to ensure the IMRF Board of Trustees and staff had a mechanism to plan for the future needs of the Fund. This systematic process facilitates discussion and agreement between the Board of Trustees, staff, and key stakeholders on the appropriate direction for IMRF. Consistent with the spirit of our continuous process improvement program, the process was updated and improved in 2007, 2010, and again in 2013.

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

We expanded our strategic planning process in 2010 to include elements of the Baldrige Criteria for Performance Excellence to ensure we align our objectives, processes, and resources with our Vision. Our application for the 2009 Lincoln Award for Performance Excellence (currently known as Illinois Performance Excellence Award, or ILPEX) was a logical extension of our continuous process improvement program and provided a new sense of direction for our planning process. Our continuing Journey of Excellence has been validated by the receipt of a bronze award in 2009, and silver awards in 2012 and 2014. The feedback from our application cycles

continues to lead to innovation and improvements in our 28 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 percent ranking in each key area of importance to their stakeholders. We are following that same path, as 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 provided 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. This provided a framework for establishment of our new Strategic Objectives. This process will be repeated in 2016 in anticipation of the development of the 2017-2019 Strategic Plan.

Our five Strategic Objectives provide the basis for our 2014-2016 Strategic Plan. IMRF staff developed action plans, including milestones and time lines, for the key strategies associated with each of these Objectives.

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“OUR STRATEGIC OBJECTIVES FORCE US TO THINK STRATEGICALLY ABOUT HOW WE CAN ACHIEVE AND/OR MAINTAIN EXCELLENCE IN EACH OF OUR KEY RESULT AREAS.”

## 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 changed throughout the three years of the Plan, as some were completed or combined with another strategy. Listed below are our five Strategic Objectives and the 21 Key Strategies we will utilize in 2016 to help us achieve those Objectives.

### Key Result Area (KRA): 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 percent 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 percent 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 percent annual return over the long term (over a 5-, 10-, and 15-year basis)
- Outperforming the total portfolio benchmark (over a 3-, 5-, and 10-year basis)

11/20/15

#### 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 percent “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 (OFI)
- Evaluate and improve key internal processing standards
- Reanalyze 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
- Monitor the new website to identify opportunities to further 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

**SUMMARY OF STRATEGIC PLAN (2014-2016)**

ALIGNMENT COLUMN identifies: SA-Strategic Advantages and SC-Strategic Challenges; CC-Core Competencies, Key stakeholders aligned with strategic objectives  
KEY STRATEGIES COLUMN identifies: Strategic opportunities (SO); Near (N) and Long-term (L); Changes in Products (P), Customers (C), Suppliers (S), Operations (O)

KRA	Strategic Objectives	Alignment	Key Strategies	Comparisons	Key Measures Leadership Scorecard	2014	2015	2016
						Goals		
						Projections		
Financial Health and Sustainability	To achieve and maintain a funding level that sustains the Plan	SA-1, 2 SC-1, 2, 3 CC1, 6  Employers, Members IGA	Legislation to address pension sustainability issues (N, L, P, O)  Educate and advocate for "prudent man rule" and 100% funding (N, L, O)  Techniques to moderate rate volatility (N, L, O)	IL, National average - Pew study	Funded status Actuarial	89.7%	92.3%	94.6%
						92.3%	94.6%	96.5%
				Techniques to moderate rate volatility (N, L, O)	Funded status Market	95.6%	96.2%	96.7%
						96.2%	96.7%	97.1%
				Wilshire universe of pension funds	Funded status percentile rank	79th	83rd	87th
		83rd	87th	91st				
			NA	Employer rate change		-6.97%	7.67%	8.31%
						-7.67%	-8.31%	-7.87%
Investment Returns	To meet or exceed assumed rate of return and outperform benchmark	SA-3, 4, 5 SC-4, 5, 6 CC1 Investment partners	Asset liability study (L, S, O)  Portfolio construction tools and principles (N, L, S, O)	Actuarial assumption (7.5 percent)	Gross annual return 5/10/15 year basis	7.5%	7.5%	7.5%
						7.5%	7.5%	7.5%
				Total fund benchmark, Callan rank, individual asset class benchmarks	Gross annual return 3/5/10 year basis	Outperform benchmark each year		
Customer Service and Operational Excellence	To provide world class customer service	SA-6, 7, 9 SC-7, 8, 9, 10, 11, 15  CC2, 3, 4, 5  Members, Employers	Identify and implement improvements (N, O) based on: <ul style="list-style-type: none"><li>• CEM Benchmarking Survey</li><li>• Cobalt and VOC surveys</li><li>• Continuous Process Improvement (CPI)</li><li>• ILPEX Feedback and Key Approach self-assessment</li><li>• Performance standards</li></ul>	Baldrige Recipient SDH 80 percent top box benchmark, SDH	Percent Very Satisfied/top box; Member Transactions	> 90%	> 90%	> 90%
						85%	87%	89%
				SDH	Member Workshops	> 90%	> 90%	> 90%
						74%	77%	80%
				SDH	Employer Workshops	> 90%	> 90%	> 90%
						75%	72%	69%
				ACSI benchmarks and other pension funds	Cobalt survey for pension inception	90 <sup>th</sup>	90 <sup>th</sup>	90 <sup>th</sup>
						100 <sup>th</sup>	100 <sup>th</sup>	100 <sup>th</sup>
CEM Peer avg and max	Overall Service Score	87 <sup>th</sup>	88 <sup>th</sup>	90 <sup>th</sup>				
		83 <sup>rd</sup>	82 <sup>nd</sup>	81 <sup>st</sup>				
			CEM Peer average	Per member cost	Less than or equal to median			
					93% of median	92% of median	91% of median	
Workforce Engagement	To foster and maintain an engaged workforce	SA-1, 2, 8, 9 SC-4, 12, 13, 14  CC2, CC5  Staff	Identify and implement improvements based on Engagement survey, Turnover (N, O)  Administer ILP program to provide staff development opportunities (N, L, O)	Leadership IQ survey Percentile rank for two engagement questions	"I would recommend IMRF as a great organization"	90 <sup>th</sup>	90 <sup>th</sup>	90 <sup>th</sup>
						92 <sup>nd</sup>	94 <sup>th</sup>	96 <sup>th</sup>
					"I am motivated to give 100% effort"	90 <sup>th</sup>	90 <sup>th</sup>	90 <sup>th</sup>
						100 <sup>th</sup>	100 <sup>th</sup>	100 <sup>th</sup>
				Total turnover vs CompData	CompData survey of IL employers	Below average for State of IL		
		Avg - 4%	Avg - 3%	Avg - 2%				
Modernization Program	To implement efficient and effective business solutions	SA-2, 10, 11, 12  SC-5, 6, 8, 15, 16  CC2, 3, 4, 5  Key partner Deloitte	(SO) Horizon Project (N, L, O, S) Technology infrastructure upgrades (N, L, O)  (SO) Re-engineering project (N, L, O)  (SO) Website replacement project (N, O)	NA	Horizon Project Milestones	100%	100%	100%
						100%	NA	NA
					Expense vs. budget	<100%	<100%	<100%
						100%	NA	NA
					Re-engineering project Milestones	100%	100%	100%
						100%	NA	NA
					Expense vs. budget	<100%	<100%	<100%
						100%	NA	NA
			NA	NA	NA			
					Project complete in January 2015			
11/20/15					100%	Page 268153		

2016 IMRF PROPOSED BUDGET

SHORT-TERM GOALS AND LONG-TERM GOALS

Leadership Scorecard

Key Result Areas (KRA)	LEADERSHIP SCORECARD MEASURES
 <p><b>FINANCIAL HEALTH &amp; STABILITY<sup>(TD)</sup></b></p>	<p>Funded Status (percent funding available) based on:</p> <ul style="list-style-type: none"> <li>• Actuarial assumptions<sup>(C)</sup></li> <li>• Market results</li> </ul> <p>Percent change in employer contribution rate                      Funded status on market-value basis vs. peers<sup>(C)(TD)</sup></p>
 <p><b>INVESTMENT RETURNS</b></p>	<p>Gross annual returns for:</p> <ul style="list-style-type: none"> <li>• 5, 10, 15 years vs. 7.5 percent actuarial assumption</li> <li>• 3, 5, 10 years vs. total portfolio benchmark<sup>(C)</sup></li> </ul>
 <p><b>CUSTOMER SERVICE &amp; OPERATIONAL EXCELLENCE<sup>(TD)</sup></b></p>	<p>Percent "Very Satisfied" for overall satisfaction on:</p> <ul style="list-style-type: none"> <li>• Member transactions, Member workshops<sup>(C)</sup></li> <li>• Employer transactions, Employer workshops<sup>(C)</sup></li> </ul> <p>Cobalt survey ACSI score (percentile rank)<sup>(C)(TD)</sup>                      CEM Overall Service score (percentile rank)<sup>(C)(TD)</sup>                      CEM Per Member Cost vs. median<sup>(C)</sup></p>
 <p><b>WORKFORCE ENGAGEMENT<sup>(TD)</sup></b></p>	<p>McLean Engagement survey percentile rank:</p> <ul style="list-style-type: none"> <li>• Recommend IMRF as great organization<sup>(C)(TD)</sup></li> <li>• Motivated to give 100 percent effort at work<sup>(C)(TD)</sup></li> </ul> <p>Total turnover vs. CompData<sup>(C)</sup></p>
 <p><b>MODERNIZATION PROGRAM</b></p>	<p>Horizon program performance versus:</p> <ul style="list-style-type: none"> <li>• Milestones, Budget</li> </ul> <p>Re-engineering program performance versus:</p> <ul style="list-style-type: none"> <li>• Milestones, Budget</li> </ul> <p>Website replacement project performance versus:</p> <ul style="list-style-type: none"> <li>• Milestones, Budget</li> </ul>

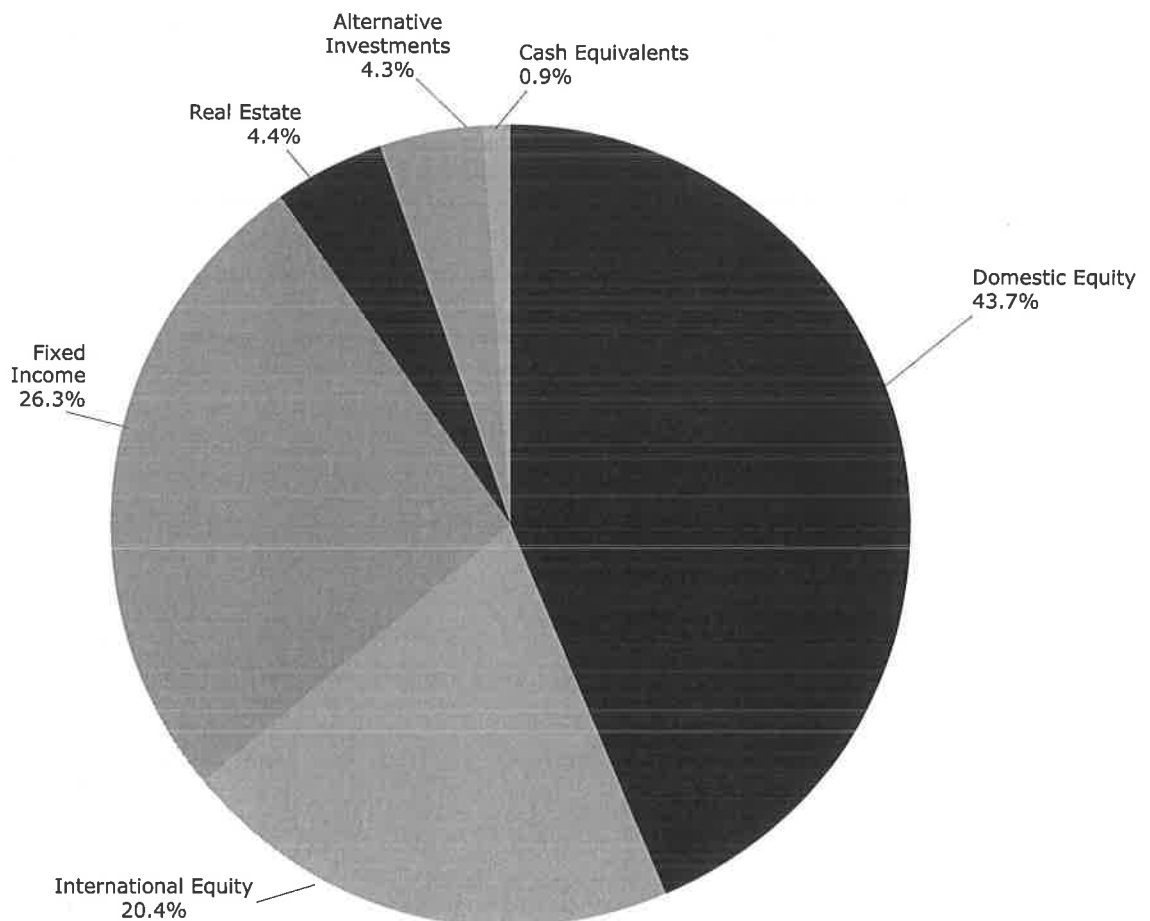
(C) Comparative data available for 15 of 26 Key Performance Indicators (KPI) on Leadership Scorecard  
 (TD) Strategic objectives for 3 of 5 KRAs aligned with goal to achieve top decile performance

## ASSET ALLOCATION

Asset Allocation Summary as of June 30, 2015

MARKET VALUE		ALLOCATION	
Asset Class	(in Millions)	Target	Actual
Domestic Equity	\$ 15,547.7	38.0%	43.7%
International Equity	7,270.7	17.0%	20.4%
Fixed Income	9,356.5	27.0%	26.3%
Real Estate	1,560.2	8.0%	4.4%
Alternative Investments	1,539.3	9.0%	4.3%
Cash Equivalents	309.6	1.0%	0.9%
<b>Total</b>	<b>\$ 35,584.0</b>	<b>100%</b>	<b>100%</b>

### IMRF ASSET ALLOCATION AS OF JUNE 30, 2015



## 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 2,976 different employers, 173,968 participating members, and 112,762 benefit recipients.

### Employers

	2014	2013
Participating employers	2,976	2,977

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

Inactive members	2014	2013
Retirees and beneficiaries currently receiving benefits	112,762	107,732
Terminated members entitled to benefits but not yet receiving them	12,682	12,717
Terminated members—non-vested	105,758	105,317
<b>Total inactive members</b>	<b>231,202</b>	<b>225,766</b>
Active members		
Non-vested	82,105	82,380
Vested	91,863	91,446
<b>Total active members</b>	<b>173,968</b>	<b>173,826</b>
<b>Grand Total</b>	<b>405,170</b>	<b>399,592</b>

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.

### LEGISLATIVE UPDATE

Four bills that affect IMRF became law in 2015:

#### Public Act 99-0239

The law became effective on August 3, 2015, and it reduces the minimum time required before IMRF can begin the offset process for delinquent employers with the county treasurer or state comptroller from 90 days delinquent to 60 days.

#### Public Act 99-0008

This law became effective on July 9, 2015. In the provisions applicable to IMRF, it removes the State Treasurer as the ex officio treasurer for IMRF. It also clarifies that the pension funds are permitted to offset delinquent employer receipts with the State Comptroller.

#### Public Act 99-382

The provisions in this bill updated obsolete language in the Pension Code. It became effective on August 17, 2015.

## Public Act 99-0462

This bill makes changes to provisions regarding goals for the use of investment managers and other professional service providers that are owned by minorities, females, and persons with disabilities. It became effective August 25, 2015.

In addition, **Public Act 98-0599**/Senate Bill 1 was struck down in its entirety by the Illinois Supreme Court on May 8, 2015. The bill focused on reforming the state-funded retirement systems. Some minor provisions would have impacted future members of IMRF if upheld.

## 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, 2014, valuation, the aggregate actuarial value of assets was \$32.7 billion. The aggregate actuarial liability for all IMRF employers was \$37.5 billion. The aggregate actuarial funding ratio is currently 87.3 percent (a decrease from the 2013 ratio of 87.6 percent). This takes into account a change in the mortality tables utilized by the actuary as well as the market impact on returns. If the market value of assets is used (i.e., no actuarial smoothing), the aggregate funding ratio is 93.1 percent as of December 31, 2014, a decrease from 96.7 percent as of December 31, 2013. The reason for the decrease in the net market funding ratio is the 5.8 percent investment return in 2014 and an increase in the liability based on the mortality table change. As of December 31, 2014, IMRF's market-based funding value change was greater than the actuarial funding value since there were \$2,133 million of unrecognized investments gains, which will be reflected in the 2015 through 2019 period in keeping with the five-year smoothing technique discussed previously. 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. The funding policy was last reviewed by the IMRF Board in

December 2012 and new mortality tables were adopted by the IMRF Board in December 2014.

## 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 sets and monitors spending levels each fiscal year, as well as 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 Trustees 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, and 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 Trustees.

## 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.

## 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.

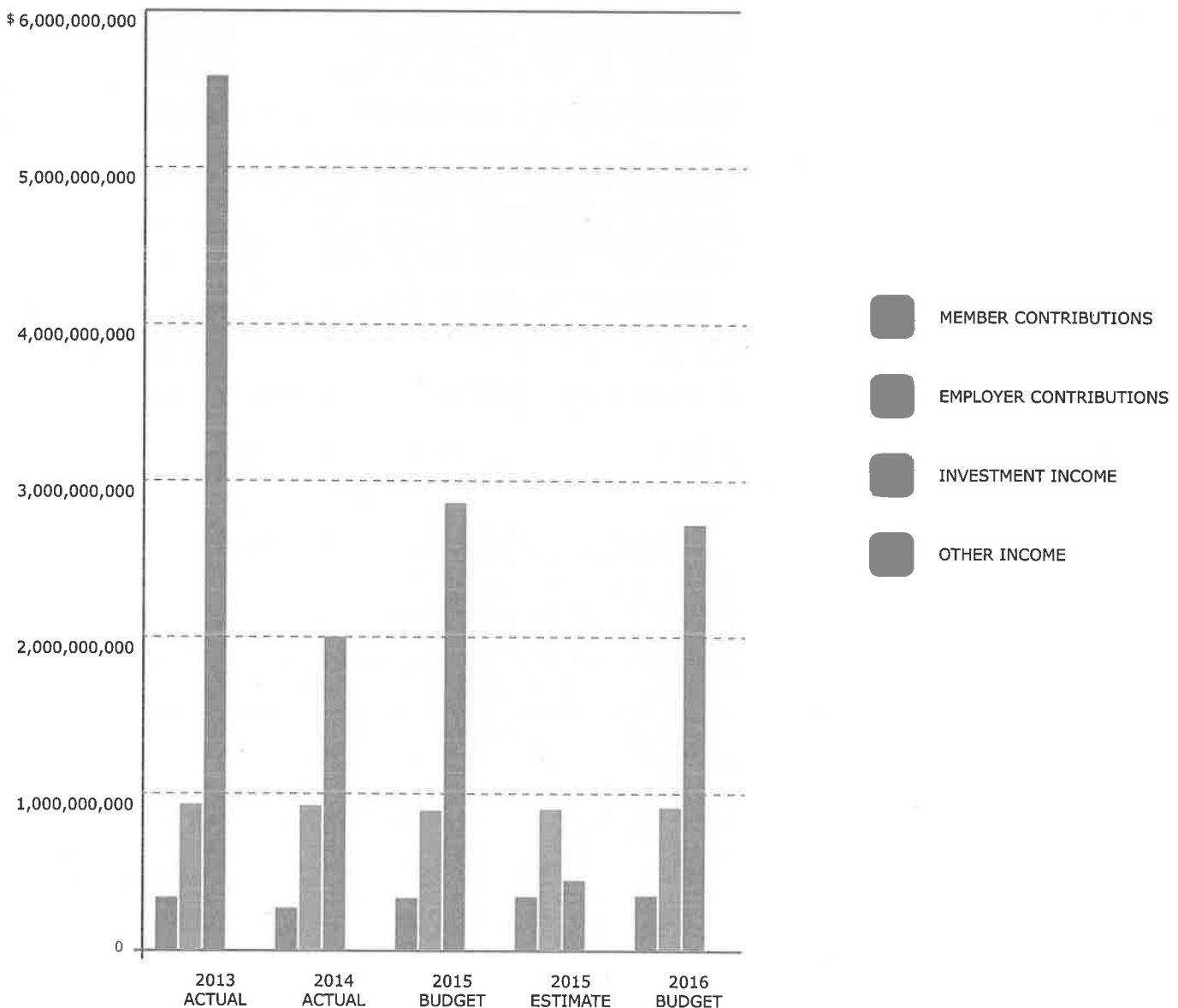
In the December 31, 2014, actuarial valuation, the individual entry age actuarial cost method was used. The actuarial assumptions included a 7.5 percent investment rate of return which is based upon the employer's assumed return on its assets, reduced by decrements to an ultimate rate of 4 percent after nine years. Both rates include a 3.5 percent inflation assumption. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payrolls over a closed 26-year period.

## REVENUE SCHEDULES

IMRF employers are required by law to make contributions on a monthly basis to support IMRF benefits. 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.

Source	2013 Actual	2014 Actual	2015 Budget	2015 Estimate	2016 Budget
MEMBER CONTRIBUTIONS	\$ 338,934,421	\$ 351,089,445	\$ 335,285,376	\$ 345,344,150	\$ 351,655,861
EMPLOYER CONTRIBUTIONS	930,969,056	923,382,825	891,285,376	899,752,994	913,187,396
INVESTMENT INCOME	5,583,120,005	2,001,420,871	2,859,588,666	331,439,880	2,611,038,366
OTHER INCOME	8,455	19,157	15,000	4,000	256,340
<b>TOTAL</b>	<b>\$ 6,853,031,937</b>	<b>\$ 3,275,912,298</b>	<b>\$ 4,086,174,418</b>	<b>\$ 1,566,541,024</b>	<b>\$ 3,876,137,963</b>

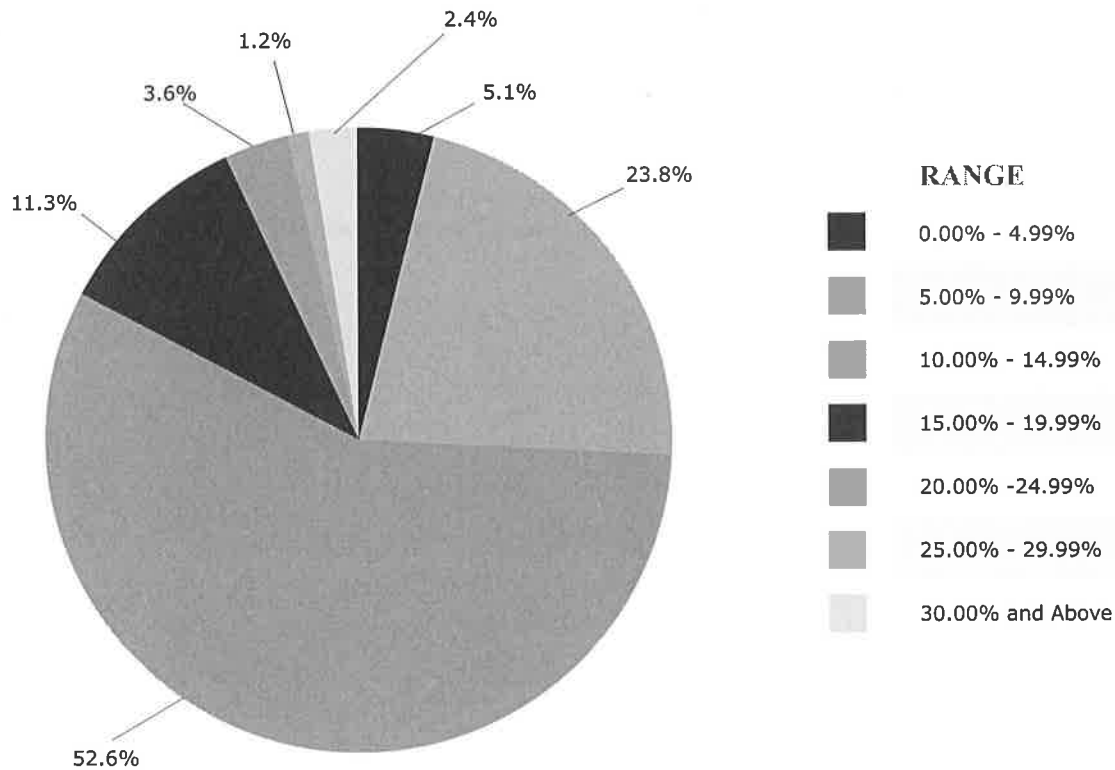


## EMPLOYER CONTRIBUTION RATE RANGES

RANGE	PERCENT OF EMPLOYERS	REGULAR PLAN	SLEP PLAN	ECO PLAN	TOTAL
0.00% - 4.99%	5.1%	164	4	1	169
5.00% - 9.99%	23.8%	778	6	0	784
10.00% - 14.99%	52.6%	1,636	99	1	1,736
15.00% - 19.99%	11.3%	315	46	10	371
20.00% -24.99%	3.6%	83	33	2	118
25.00% - 29.99%	1.2%	25	15	1	41
30.00% and Above	2.4%	24	3	52	79
	<b>100.0%</b>	<b>3,025</b>	<b>206</b>	<b>67</b>	<b>3,298*</b>

\*Differs from total number of participating employers because some employers participate in multiple IMRF pension plans.

## ANNUAL CONTRIBUTION RATES



**BUDGET TIMELINE**

**Illinois Municipal Retirement Fund  
2016 Administrative Expenses, Direct Investment  
Expenses and Capital Budget Schedule**

DUE DATE	ITEM
08/11/15	Budget assumptions finalized by Executive Director
08/18/15 and 8/21/15	Finance Department presents Budget 101 workshops for IMRF staff
09/01/15	Identification of 2015 Projects that will be carried over into 2016
9/14/15 thru 9/19/15	Finance Department reviews department budgets with respective departments
9/21/15 thru 9/26/15	Executive Director reviews department proposed 2016 projects and overall budget with comparisons to prior year actual amounts, current year estimates, and prior year budget
9/28/15 thru 10/24/15	Finance and Communications prepare new Budget Document format
11/03/15	Final review of proposed 2016 projects and Budget Document by Directors
11/13/15	Distribution of proposed 2016 projects and Budget Document to Board of Trustees
11/20/15	Presentation of Compensation Report and Health Insurance Report to Board of Trustees
11/20/15	Presentation of proposed 2016 projects and Budget Document to the Board of Trustees

2016 IMRF Board Meeting

## 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 2,976 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 were 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 were 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 percent 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 was 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 2015 was \$111,571.63. 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

11/20/15

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, 2013, 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
	2014	2015*	2016	
Administration including Audit and HR	16	16	18	11.2
Benefits	28	32	32	8.7
Finance	27	27	27	12.9
Information Systems, including PMO	38	41	41	15.3
Investments	12	14	14	9.7
Legal and Communications	12	14	14	8.1
Member and Field Services	33	35	38	8.8
Office Services	19	19	21	14.1
<b>Total</b>	<b>185</b>	<b>198</b>	<b>205</b>	<b>11.5</b>

\*As of October 31, 2015.

**FUNDED STATUS AND FUNDING PROGRESS**

As of December 31, 2014, the most recent actuarial valuation date, the plan on an aggregate basis was 87.3 percent funded on an actuarial basis. The actuarial accrued liability for benefits was \$37.5 billion, and the actuarial value of assets was \$32.7 billion, resulting in an unfunded actuarial accrued liability (UAAL) of \$4.8 billion. The covered payroll (annual payroll of active employees covered by the plan) was \$6.7 billion, and the ratio of the UAAL to the covered payroll was 70.8 percent.

The schedule of funding progress presents multi-year trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

**Additional information as of the latest actuarial valuation follows:**

Valuation date	December 31, 2014
Actuarial cost method	Entry age normal
Amortization method	Level percent of payroll for Regular and SLEP; level dollars for ECO
Amortization period	Taxing bodies: closed, 27 years Entities over 120 percent funded on a market basis: varies by funding status Non-taxing bodies: open, 10 years
Asset valuation method	Five-year smoothed market related with a 20 percent corridor

**Actuarial assumptions:**

Investment rate of return	7.5 percent
Projected salary increases	3.8 to 14.5 percent
Assumed wage inflation rate	3.5 percent
Group size growth rate	0.0 percent
Assumed payroll growth rate	3.5 percent
Post-retirement increase	Tier 1 - 3.0 percent—simple; Tier 2 - 3.0 percent—simple or 1/2 increase in CPI, whichever is less

**Mortality table:**

For non-disabled lives, an IMRF specific mortality table was used with fully generational projection scale MP-2014 (base year 2014). The IMRF specific rates were developed from the RP-2014 Blue Collar Health Annuitant Mortality Table with adjustments to match current IMRF projection experience. For disabled retirees, an IMRF specific mortality table was used with fully generational scale MP-2014 (base year 2014). The IMRF specific rates were developed from the RP-2014 Disabled Retirees Mortality Table applying the same adjustment that were applied for disabled lives. For active members, an IMRF specific mortality table was used with fully generational projection scale MP-2014 (base year 2014). The IMRF specific rates were developed from the RP-2014 Employee Mortality Table with adjustments to match current IMRF experience.

## SCHEDULE OF AGGREGATE FUNDING PROGRESS

Last ten years

Actuarial Valuation Date December 31	Aggregate Actuarial Liabilities (AAL)			Unfunded Actuarial Liabilities (UAL)		
	Total AAL Entry Age (a)	Actuarial Assets (b)	Actuarial Assets as a percent of AAL (b/a)	Total UAL (a-b)	Member Payroll (c)	UAL as a percent of Member Payroll (a-b)/c
2005**	\$ 20,815,060,842	\$ 19,698,401,285	94.6%	\$ 1,116,659,557	\$ 5,374,585,943	20.8%
2006	22,488,185,031	21,427,139,356	95.3	1,061,045,675	5,630,683,054	18.8
2007	24,221,543,716	23,274,361,198	96.1	947,182,518	5,931,443,117	16.0
2008*	25,611,199,349	21,601,053,512	84.3	4,010,145,837	6,259,283,197	64.1
2009	27,345,113,216	22,754,803,784	83.2	4,590,309,432	6,461,696,602	71.0
2010	29,129,228,239	24,251,136,889	83.3	4,878,091,350	6,391,164,701	76.3
2011*	30,962,815,428	25,711,287,584	83.0	5,251,527,844	6,431,296,235	81.7
2012	32,603,244,099	27,491,809,785	84.3	5,111,434,314	6,496,076,569	78.7
2013	34,356,575,473	30,083,042,548	87.6	4,273,532,925	6,602,479,436	64.7
2014	37,465,147,612	32,700,208,537	87.3	4,764,939,075	6,732,500,876	70.8

\* After assumption change

# After benefit change

This data was provided by the actuary.

## CHANGES IN FIDUCIARY NET POSITION

Additions						
Calendar Year	Investment Earnings Net of Direct Investment Expense	Employer Contributions		Member Contributions	Other	Total Additions
		Dollars	Percent of Annual Covered Payroll			
2005	\$ 1,607,733,405	\$ 543,263,475	10.11%	\$ 265,568,534	\$ 5,190	\$ 2,416,570,604
2006	2,667,700,578	602,775,795	10.71%	280,997,170	6,315	3,551,479,858
2007	1,799,391,405	600,822,135	10.13%	296,690,070	6,049	2,696,909,659
2008	(6,096,480,733)	631,147,476	10.08%	314,019,939	18,722	(5,151,294,596)
2009	4,423,550,741	660,399,408	10.22%	324,070,795	9,148	5,408,030,092
2010	2,976,549,317	770,142,278	12.05%	324,901,985	7,032	4,071,600,612
2011	(92,930,304)	800,804,253	12.45%	327,680,889	9,852	1,035,564,690
2012	3,393,689,073	883,216,281	13.60%	330,814,542	12,037	4,607,731,933
2013	5,583,120,005	930,969,056	14.10%	338,934,421	8,455	6,853,031,937
2014	2,001,420,871	923,382,825	13.72%	351,089,445	19,157	3,275,912,298
Deductions						
Calendar Year	Benefits	Refunds	Administrative Expenses	Total Deductions	Net Increase (Decrease)	
2005	\$ 791,333,700	\$ 32,120,791	\$ 19,650,440	\$ 843,104,931	\$ 1,573,465,673	
2006	856,205,596	40,095,036	20,339,190	916,639,822	2,634,840,036	
2007	924,005,832	36,206,951	20,811,398	981,024,181	1,715,885,478	
2008	997,492,141	31,926,120	20,727,536	1,050,145,797	(6,201,440,393)	
2009	1,077,852,453	27,426,079	21,967,308	1,127,245,840	4,280,784,252	
2010	1,178,030,534	32,201,577	22,318,493	1,232,550,604	2,839,050,008	
2011	1,284,405,609	32,900,105	23,086,712	1,340,392,426	(304,827,736)	
2012	1,389,815,471	34,142,193	24,508,053	1,448,465,717	3,159,266,216	
2013	1,503,374,148	36,944,214	25,463,299	1,565,781,661	5,287,250,276	
2014	1,626,821,250	39,191,090	26,431,652	1,692,443,992	1,583,468,306	

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## GENERAL GUIDELINES FROM THE CHIEF FINANCIAL OFFICER

August 10, 2015

From: Mark Nannini, Chief Financial Officer

To: IMRF Directors and Managers

The 2016 budget should focus on implementing the 2014-2016 Strategic Plan (action plans); as well as the next phases of the Horizon Project, the Modernization Program 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 the Modernization Program 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, are the focus of this budget for 2016.

### 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 the Horizon Project and the Modernization Program.

#### Projects

- 2015 projects that either are not completed or never initiated in 2015 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 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 online for your use in preparation of departmental budgets:

- 2016 Budget Timeline

- 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 2016 Project Budget worksheets to be used to identify incremental costs anticipated in 2016 in connection with proposed 2016 projects.
- Budget worksheets by department that provide actual expenses by general ledger account for the 12 months ended July 31, 2015, broken out between the last five months of 2014 and the first seven months of 2015, and the 2015 budgeted amount for each general ledger account.
- Detailed analyses by department of the activity in each general ledger account for the five months ended December 31, 2014 and for the seven months ended July 31, 2015.
- Remaining amounts of prepaid expenses, if any, by department.
- A listing of 2015 Capital Expenditures, including internally developed software, budgeted and purchased through July 31, 2015 by department. For the items not yet purchased, please indicate the estimated date of purchase and an updated estimated cost, if available. If the item will not be purchased in 2015, please indicate that fact. For internally developed software, please update the estimated remaining costs to be incurred in 2015 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 2016 project worksheet, budget timeline, and this memo are available on the network. Budget worksheets, remaining pre-pays for 2015 and 2016 are also available. The 2015 capital expenditures

summary is available for your reference. Detailed analyses by general ledger account are available in Adobe Acrobat PDF format. The Doc-link Smart Client can be used as a resource to look up 2014 and 2015 invoices that have been paid. If you have any questions about how to use the search option, please call the Finance Department. Please fill out the forms electronically within the Budget Workshop file directly. Please submit all budget forms using Microsoft Excel software only. When you completed your department's budget, please notify Finance.

If you have any capital, expendable equipment or 2016 project requests, please make a copy of the file and 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.) Please estimate the budgeted expenses that you believe will be the actual expenses for calendar year 2015 and your proposed 2016 budget amount for each general ledger account. This information should be entered into the blank columns on the budget worksheets. 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 or additional information is needed, contact Finance.

The objective of this process is to create a budget that reflects the needs to further implement the Strategic Plan for 2016 in a manner that is fiscally responsible. Expenditures not related to strategic initiatives should be minimal. One needs to carefully review expenses to determine whether they are necessary or add value beyond their costs to IMRF. Funds spent on something last year is not a justification for its inclusion in the 2016 budget. (If during your review of the detail activity by general ledger account for 2015, you identify some transactions that may have been miscoded, please let the Finance Department 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 Finance to discuss the accounts so they can be appropriately included in the process.

The following information serves as a guide for common account coding:

#### Office Salaries - Regular

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

If you have an open position that you are not currently recruiting to fill, the position will be eliminated for 2016 budget purposes unless approved by the Executive Director. If you have open positions that you are recruiting for, please provide this information to the Chief Financial Officer via e-mail by October 1, 2015.

New (incremental) positions must be approved by the Executive Director. Please provide a brief justification for the new position that can be incorporated into the budget documents. Also consider what incremental equipment, training, travel, or other expenses might be associated with the new employee.

#### Office Salaries - Overtime

Departments should budget this based upon anticipated needs.

#### Professional Services - Temporaries

Departments should budget this based upon anticipated needs.

#### Tuition - Company-wide

Each department should furnish Human Resources (HR) with the employees who anticipate using this benefit in 2016, the course of study and institution where it is being pursued, and the anticipated cost. Remember IMRF's policy changed to a reimbursement of \$10,500 on an annual basis.

#### Training

HR will continue to budget all training expenses. Each department should furnish HR with anticipated training needs for 2016. Please keep in mind the Individual Learning Plans that are required for all employees.

If you plan to the lower level conference room in 2016, please let Office Services or Purchasing know so they can incorporate the additional rental in the 2016 budget process.

#### 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.

#### 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	"Employee Name"	\$ 2,500
IGFOA Convention	"Employee Name"	\$ 1,000

**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. If you are anticipating a special project that might require additional office supplies, e.g. special binders for a trustee round-table or anything else that is significantly out of the ordinary, please let Purchasing know so it can be incorporated in the 2016 budget process.

**Publications and Dues**

Departments should budget this based upon anticipated needs.

**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.

**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.

**Anticipated Expenditures in 2016 related to 2016 Projects**

Incremental expenditures which we anticipate incurring in 2016 related to 2016 Projects should be separately reported on the 2016 Project worksheets. Our intent is to capture this information separately in order to report on the incremental financial "cost" of the 2016 Projects.

For example, if reprogramming SPECTRUM to total annuity payments by the annuitant's employer or employers was a 2016 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 expenditure 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 2016 Modernization efforts will have to be identified by activity, if possible, and evaluated on whether they are an expense or capital in nature. Since these costs may not be identified until late in the budget process, we will begin the budget process 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 2016 Modernization efforts will have to meet to discuss details.

**Allocation of Final Budget by Month**

After the budget is approved in November or December by the Board of Trustees, it is responsibility of the respective department to provide final allocation by budget line. Finance will request directors and managers to allocate their approved budgeted amounts by general ledger account by month. This is in order to enhance our budget to actual tracking throughout 2016. It is recommended that you retain as much information as you think you will need to facilitate this process. In addition to the information you have received, the budget to actual comparisons distributed monthly should be helpful.

## REVENUES BY SOURCE

Source	2013 Actual	2014 Actual	2015 Budget	2015 Estimate	2016 Budget
Member Contributions	\$ 338,934,421	\$ 351,089,445	\$ 335,285,376	\$ 345,344,150	\$ 351,655,861
Employer Contributions	930,969,056	923,382,825	891,285,376	889,752,994	913,187,396
Investment Income	5,583,120,005	2,001,420,871	2,859,588,666	331,439,880	2,611,038,366
Other Income	8,455	19,157	15,000	4,000	256,340
<b>Total</b>	<b>\$ 6,853,031,937</b>	<b>\$3,275,912,298</b>	<b>\$4,086,174,418</b>	<b>\$1,566,541,024</b>	<b>\$3,876,137,963</b>

## 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 Sheriff'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 2014, investment income of \$2,001 million represented 61.1 percent of plan additions for the year. Over the last six years investment income represented the following percentage of additions to fiduciary net position:

Year	Percentage of Additions
2014	61.1%
2013	81.5%
2012	73.7%
2011	(9.0)%
2010	73.1%

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. Our assumed investment rate of return is 7.5 percent.

### Other Income

The majority of income in this category is reimbursements for office space improvements made at the Oak Brook office from the landlord. In 2016, \$238,192 is being budgeted for leasehold improvements in the capital purchases section. The remainder of income is received from fees to process Qualified Illinois Domestic Relations Orders (QILDRO).

## 2016 PROPOSED EXPENDITURES

### Summary by Department

	ACTUAL		BUDGET	ESTIMATED	PROPOSED	2016 PROPOSED AS PERCENT CHANGE OVER 2015	
	2013	2014	2015	2015	2016	Budget	Estimate
<b>Capital Additions</b>	\$ 8,201,122	\$ 14,277,377	\$ 13,240,190	\$ 5,842,120	\$ 3,771,694	(71.5)%	(35.4)%
<b>Administrative Expenses</b>							
Administration	443,253	478,005	474,319	509,037	499,946	5.4%	(1.8)%
Benefits	1,634,641	1,579,818	1,661,503	1,783,855	1,829,165	10.1%	2.5%
Board of Trustees	108,519	121,268	263,177	253,877	122,578	(53.4)%	(51.7)%
Communications	761,342	810,105	1,037,113	970,015	1,089,148	5.0%	12.3%
Finance	6,265,699	6,389,595	7,513,623	7,347,697	8,026,556	6.8%	9.2%
Human Resources	2,525,082	2,617,176	2,957,454	3,193,177	3,617,622	22.3%	13.3%
Information Services	4,685,146	4,680,478	5,176,900	4,718,239	5,770,056	11.5%	22.3%
Internal Audit	589,936	549,440	570,623	579,110	701,794	23.0%	21.2%
Investments	1,004,128	1,172,437	1,480,214	1,402,308	1,593,819	7.7%	13.7%
Legal	742,377	791,420	858,159	847,556	1,070,705	24.8%	26.3%
Member and Field Services	1,848,445	2,070,131	2,083,475	2,163,595	2,358,277	13.2%	9.0%
Office Services	4,269,077	4,489,329	4,619,575	4,497,959	4,390,464	(5.0)%	(2.4)%
Operations	347,026	421,051	390,733	379,519	478,114	22.4%	26.0%
Program Management Office	238,628	261,399	619,692	455,957	1,379,757	122.7%	202.6%
<b>Total Administrative Expenses</b>	<b>25,463,299</b>	<b>26,431,652</b>	<b>29,706,560</b>	<b>29,101,901</b>	<b>32,928,001</b>	<b>10.8%</b>	<b>13.1%</b>
<b>Direct Investment Expenses</b>	<b>91,121,200</b>	<b>110,648,492</b>	<b>102,142,179</b>	<b>116,581,179</b>	<b>108,856,914</b>	<b>6.6%</b>	<b>(6.6)%</b>
<b>Total</b>	<b>\$ 124,785,621</b>	<b>\$ 143,368,106</b>	<b>\$ 145,088,929</b>	<b>\$ 151,525,200</b>	<b>\$ 145,556,609</b>	<b>0.3%</b>	<b>(3.9)%</b>



ADDITIONS TO FUND BALANCES

	2014 ACTUAL	2015 BUDGET	2015 ESTIMATE	2016 BUDGET
<b>Revenues</b>				
<b>Contributions</b>				
Member Contributions	\$ 351,089,445	\$ 335,285,376	\$ 345,344,150	\$ 351,655,861
Employer Contributions	923,382,825	891,285,376	889,752,994	913,187,396
<b>Total Contributions</b>	<b>1,274,472,270</b>	<b>1,226,570,752</b>	<b>1,235,097,144</b>	<b>1,264,843,257</b>
<b>Investment Income</b>				
Investment Income	2,110,445,427	2,961,730,845	448,021,059	2,719,895,280
Less: Direct Investment Expense	(109,024,556)	(102,142,179)	(116,581,179)	(108,856,914)
<b>Net Investment Income</b>	<b>2,001,420,871</b>	<b>2,859,588,666</b>	<b>331,439,880</b>	<b>2,611,038,366</b>
Miscellaneous Income	19,157	15,000	4,000	256,340
<b>Total Additions</b>	<b>3,275,912,298</b>	<b>4,086,174,418</b>	<b>1,566,541,024</b>	<b>3,876,137,963</b>
<b>Expenses</b>				
Benefits	1,666,012,340	1,669,506,564	1,784,440,066	1,814,801,798
Administrative Expenses	26,431,652	29,706,560	29,101,901	32,928,001
	1,692,443,992	1,699,213,124	1,813,541,967	1,847,729,799
Net Increase (Decrease)	1,583,468,306	2,386,961,294	(247,000,943)	2,028,408,164
<b>Fund Balance - Beginning of the Year</b>	<b>33,283,577,539</b>	<b>34,867,045,845</b>	<b>34,867,045,845</b>	<b>34,620,044,902</b>
<b>Fund Balance - End of the Year</b>	<b>\$34,867,045,845</b>	<b>\$37,254,007,139</b>	<b>\$34,620,044,902</b>	<b>\$36,648,453,066</b>

**2016 PROPOSED CAPITAL ADDITIONS - SUMMARY**

	ACTUAL		BUDGET	ESTIMATED	PROPOSED	2016 PROPOSED AS PERCENT CHANGE OVER 2015	
	2013	2014	2015	2015	2016	Budget	Estimate
Capital Purchases	\$ 272,575	\$ 910,568	\$ 1,107,256	\$ 767,528	\$ 3,282,099	196.4%	327.6%
Internally Generated Computer Software	7,928,547	13,316,809	12,132,934	5,074,592	489,595	(96.0)%	(90.4)%
<b>Total Capital Budget</b>	<b>\$8,201,122</b>	<b>\$14,227,377</b>	<b>\$13,240,190</b>	<b>\$5,842,120</b>	<b>\$3,771,694</b>	<b>(71.5)%</b>	<b>(35.4)%</b>

**2016 PROPOSED CAPITAL ADDITIONS**

<b>Capital Purchases</b>	
Backup System Replacement	\$ 750,000
Intranet Replacement	599,097
Horizon Phase 4a Enhancements	450,000
Foundry Load Balance Replacement	110,000
Replacement Vehicles (14)	251,847
Leasehold Improvements	238,192
Development Environment	267,000
Financial System Replacement Phase 2	150,558
Firewall Replacement	145,000
Internal Server Firewall	115,000
SharePoint Replacement	60,000
Cisco Prime LAN Management System	30,500
Data Center Racks	25,000
Legal Codification Project	25,000
Digital Copier/Printer (2)	24,000
Cisco TACACS+ Authentication	15,000
Security System Upgrade	12,105
Mail Center Software Upgrade	7,800
Password Policy Enforcement Replacement	6,000
<b>Total Capital Purchases</b>	<b>3,282,099</b>
<b>Total Internally Generated Computer Software</b>	<b>489,595</b>
<b>TOTAL CAPITAL BUDGET</b>	<b>\$ 3,771,694</b>

2016 CAPITAL PURCHASES

**Backup System Replacement Project**

Our system for backing up electronic records and files has been problematic for quite some time. This software and hardware would give us the capability, and the capacity, to more reliably backup our environment. From there, we can use this software/equipment to more efficiently respond to FOIA and customer restore requests, and to update our Disaster Recovery site at Sungard in Wood Dale, IL

Included is backup software for IBM FileNet Image Data, tape libraries, backup servers, and connectivity components to integrate the components.

<b>Estimated purchase price</b>	<b>\$ 750,000</b>
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**Intranet Replacement Project**

This request supports the Customer Service and Operational Excellence Key Result Area of the 2014-2016 Strategic Plan. As communicated to Senior Management in a June 2015 presentation, the purpose of the Intranet Replacement Project is to replace the current Intranet with a superior knowledge management, internal communication, and customer service tool by the end of 2016.

Current project requirements have been developed with input from a cross-functional team made up of representatives from nearly every department in IMRF. The team analyzed data from an all-staff survey, current Intranet analytics, and more than a dozen staff focus groups.

<b>Estimated purchase price</b>	<b>\$ 599,097</b>
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**Horizon Phase 4a Enhancements**

This request supports ongoing enhancements or other changes to the Phase 4a Horizon system deferred to post-implementation. Until the end of the warranty period (September 2016), most enhancements to Horizon Phase 4a will need to be developed and implemented by Deloitte. We have budgeted for about 3,000 hours at Deloitte's blended rate of \$144/hour.

<b>Estimated purchase price</b>	<b>\$ 450,000</b>
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**Foundry Load Balance Replacement**

The Foundry Load Balance devices require replacement. This project would purchase new F5 replacement devices. We

already utilize F5 appliances in the network, so this allows us to continue to standardize on one platform.

<b>Estimated purchase price</b>	<b>\$ 110,000</b>
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**Vehicles Replacement**

Consistent with our historical four-year replacement cycle, we are due to replace our Fund-owned vehicles in 2016 for the Field Services Representatives, Internal Audit, Legislative Liaison and Executive Director. A proposal for one additional Field Representative and Internal Auditor would increase the car purchase from 12 to 14 for this cycle. A four-year cycle has been found to be most economical due to depreciation and maintenance costs.

The 2016 Chevrolet Impala contract price is \$21,779 through the Illinois Department of Central Management Services (CMS). The estimated trade-in value to offset the purchase price for these vehicles is \$76,000 (estimates received through Car Max).

Several employees have requested the purchase of an SUV-type vehicle. The primary business reasons supporting this request are related to safety concerns:

1. A SUV-type vehicle can be safer for the Field Reps when lifting the heavy boxes of workshop binders. Instead of lifting up and out of a car trunk, it is less physically wearing to remove heavy items from a waist-high SUV. This will continue to be an issue as the number of workshops increase.
2. An SUV-type vehicle with all-wheel drive can be safer for driving in winter/wet weather conditions. This is especially important for those employees driving in open/remote spaces most common in central, southern, and northwestern Illinois.

The 2016 Ford Escape contract price is \$24,328 through Bredemann Ford, Glenview, Illinois. This is a premium of only \$2,549 over the cost of an Impala. Each employee would be given the option of a sedan (Impala) or the SUV (Escape).

The cost to purchase 14 vehicles with a combination of Impalas and Escapes are as follows:

5 Chevy Impalas @ \$21,779	\$ 108,895
9 Ford Escapes @ \$24,328	218,952
<b>Total</b>	<b>327,847</b>
Less trade-in value	(76,000)

<b>Estimated purchase price</b>	<b>\$ 251,847</b>
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## Leasehold Improvements

The new lease extension for the Oak Brook office includes a reimbursement clause for tenant improvements up to \$241,340 each year. For 2016, the following areas are planned for improvement:

Lunchroom and Department kitchens	\$ 116,988
Reception	76,386
Washrooms	23,926
Mother's room/Wellness room	16,892
Design fees	4,000

<b>Estimated construction costs</b>	<b>\$ 238,192</b>
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## Development Environment

Ongoing development of Horizon 4a, previously performed by Deloitte, will transition to internal staff in late 2016. Currently, IMRF staff has no environment to complete this work. This request will at least provide a Data Center cabinet, electrical outlets, servers, storage, and switches:

Infrastructure	\$ 72,000
Development Software	100,000
<b>Total</b>	<b>\$ 172,000</b>

There are some aspects of this project that have not yet been completely architected. Additional items may be necessary for creation and support of the development environment, and specialty software that may need to be purchased to do the work. As the development team's requirements become known, the budget amount will be revised as needed to meet the requirements.

<b>Estimated purchase price</b>	<b>\$ 267,000</b>
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## Financial Replacement Phase Two

During 2014, the first phase of this project began to transition IMRF 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, originally budgeted for 2015, included integrating purchasing, payroll, and the human resources modules. The amount budgeted in 2014 for the project was \$350,000. The

2016 budget is a carryover of the remaining amount initially budgeted in 2014 and 2015.

<b>Estimated purchase price</b>	<b>\$ 150,558</b>
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## Firewall Replacement

The McAfee firewall needs to be replaced. These devices are critical to our IMRF network security. A failure would be disruptive to our business operations and prevent our customers from accessing our web services.

This project would replace the existing redundant firewalls at Oak Brook, add a firewall at Springfield, and add a firewall at Sungard (Disaster Recovery site) as part of the Data Circuit Upgrade project.

<b>Estimated purchase price</b>	<b>\$ 145,000</b>
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## Internal Server Firewall

This server level firewall will add an additional layer of security for any action that attempts to access protected data. This solution will improve security, allow new functionality, and implement a standardized consistent set of security rules..

<b>Estimated purchase price</b>	<b>\$ 115,000</b>
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## SharePoint Replacement

The existing version of SharePoint is an old freeware version. While this was usable as a proof of concept, we need a more robust version to expand the use to the libraries and content management functions. Price includes software and professional services to install.

<b>Estimated purchase price</b>	<b>\$ 60,000</b>
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## Cisco Prime LAN Management System

This software will allow the management of our Cisco router and switch equipment. With it, we can have backups, configuration version control, software updates, and the ability to push configuration, including security updates to multiple switches simultaneously.

<b>Estimated purchase price</b>	<b>\$ 30,500</b>
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## Data Center Racks

The existing racks in the Data Center are in need of reorganization, for easier maintenance and greater flexibility as we evolve and grow.

<b>Estimated purchase price</b>	<b>\$ 25,000</b>
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## Legal Codification Project

The Legal department would like to explore the potential use of a codification company to help us organize the current and future Board Resolutions to make them user friendly and to help create a historical perspective of changes made to resolutions over time. Having a comprehensive system of codification will assist staff in finding resolutions that are currently difficult to find.

Estimated purchase price	\$ 25,000
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## Digital Copier/Printers (2)

We request the purchase of two new digital copier/printers for the Oak Brook office to replace the oldest two copiers. The two copier/printers that are being replaced are fully depreciated. We are experiencing a higher number of service calls due to the age of the machines.

Estimated purchase price	\$ 24,000
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## Cisco TACACS+ Authentication

This software will allow unified management to our Cisco router and switch equipment. With it, we can add granular access rights to IMRF network resources as employees come and go, as well as consultants working in our environment.

Estimated purchase price	\$ 15,000
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## Mail Center Software Upgrade

Planet Press Software is for the new folder inserter console system installed in the Mail Center in September 2015. Spectrum correspondence is to be rewritten in Phase 4b. Part of the correspondence change is to add the 2D bar code. This bar code will tell the machine how many pages and pieces to pull to put into one envelope together. We purchased the base software in 2015 and are delaying the cost of the full production software until IMRF will actually change correspondence. At the present time, a majority of this correspondence continues to be hand folded in the Mail Center. IMRF can decide to add this bar code without Phase 4b. If this is not needed in 2016, the purchase will be delayed until 2017.

Estimated purchase price	\$ 7,800
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## Password Policy Enforcement Replacement

The password policy enforcement software requires replacement. This software is what enforces our password usage based on complexity rules. This software ensures that we meet our security policies and procedures.

Estimated purchase price	\$ 6,000
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ANALYSIS OF 2016 PROPOSED BUDGET TO 2015 ESTIMATED ACTUAL VARIANCES

		Percentage Change
2016 Proposed Budget	\$ 32,928,001	
2015 Estimated Actual	29,101,901	
<b>Increase</b>	<b>\$3,826,100</b>	<b>13.1%</b>

**Expense Variations by Major Expense Category**

Percent of Total Budget		Increase (Decrease)	
46.3%	<p><b>Salaries</b> The increase in the budget versus the 2015 actual estimate is due to the increase in headcount, the 4.5 percent base salary adjustment and the \$66,724 merit pool. This is also increased due to the anticipated decrease in capitalized salaries of \$362,578 related to internally developed software in 2016, principally related to the Horizon Project/Modernization Program.</p>	\$ 1,702,990	12.6%
16.1%	<p><b>Fringe Benefits</b> The increase in the budget is due to the anticipated decrease in capitalized fringe benefits of \$154,336 related to internally developed software in 2016, 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.</p>	517,021	10.8%
3.2%	<p><b>Personal Costs - Indirect</b> The majority of this increase is driven by higher training costs related to IMRF's individual learning plans, tuition reimbursement and succession planning.</p>	375,359	55.9%
7.1%	<p><b>Consulting Services</b> The main reasons for the estimated increase is an additional \$565,000 for PMO consulting. These costs were previously partially capitalized in 2015. This is offset by a decrease in Modernization training and change management of \$365,000, and a decrease in GASB 68 implementation costs of \$219,000.</p>	4,263	0.2%
6.0%	<p><b>Facility Expenses</b> The majority of this decrease (\$218,000) relates to the renegotiated lease for the Oak Brook location. This is offset by an increase in Internet fees, \$45,000, and disaster recovery expenses of \$55,000.</p>	(121,414)	(5.8)%
7.8%	<p><b>Commodities &amp; Services</b> The majority of increases in this area are related higher costs to print newsletters, \$74,600, and \$60,700 in related services for the Intranet redesign project.</p>	144,155	6.0%
12.2%	<p><b>Equipment</b> This increase is due to a \$553,700 increase in depreciation due to Horizon Phase 4a being placed in service. The remainder of the increase is due to higher equipment and software maintenance fees of \$456,800.</p>	1,186,556	41.9%
1.3%	<p><b>Miscellaneous</b> This increase is due to the addition of a cyber insurance policy for \$140,000 and an increase of \$20,000 in the trustee employer reimbursement account. This is offset by a decrease of \$(148,300) related to trustee elections.</p>	17,170	4.1%
<b>100%</b>		<b>\$ 3,826,100</b>	

ANALYSIS OF 2016 PROPOSED BUDGET TO 2015 ADOPTED BUDGET VARIANCES

		Percentage Change
2016 Proposed Budget	\$ 32,928,001	
2015 Adopted Budget	29,706,560	
<b>Increase</b>	<b>\$3,221,441</b>	<b>10.8%</b>

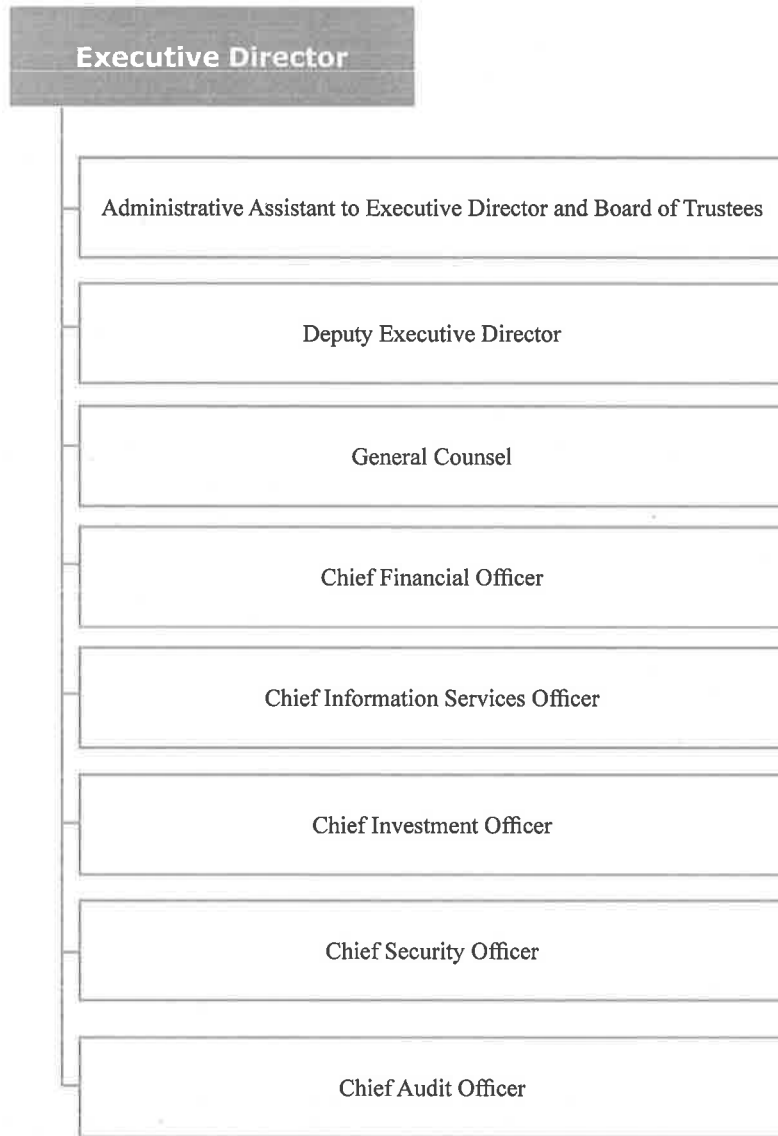
**Expense Variations by Major Expense Category**

Percent of Total Budget		Increase (Decrease)	
46.3%	<p><b>Salaries</b>                      The increase in the budget versus the 2015 budget is due to the anticipated decrease in capitalized salaries of \$1,404,219 related to internally developed software in 2016, principally related to the Horizon Project/Modernization Program. The large decrease in capitalized wages along with the increases in salaries due to additional headcount, the 4.5 percent base salary adjustment, and the \$66,724 merit pool make up the majority of this increase.</p>	\$ 2,168,313	16.6%
16.1%	<p><b>Fringe Benefits</b>                      The increase in the budget versus the 2015 budget is due to the anticipated decrease in capitalized fringe benefits of \$452,362 related to internally developed software in 2016, principally related to the Horizon Project/Modernization Program. This is coupled with an increase in health insurance rates amounting to a \$317,160 increase.</p>	965,312	22.3%
3.2%	<p><b>Personal Costs - Indirect</b>                      The majority of this increase is driven by higher training costs related to IMRF's individual learning plans, tuition reimbursement and succession planning.</p>	201,310	23.8%
7.1%	<p><b>Consulting Services</b>                      The main reasons for the estimated decrease are \$(878,650) less for implementing GASB 68 and a \$(525,000) decrease in Modernization training and change management costs. These are offset by a \$340,000 increase in Modernization consulting costs that were previously being capitalized as part of Phase 4a.</p>	(1,111,748)	(32.2)%
6.0%	<p><b>Facility Expenses</b>                      The majority of this decrease (\$321,800) relates to the renegotiated lease for the Oak Brook location. This is offset by an increase in Internet fees, \$42,500, and disaster recovery expenses of \$43,000.</p>	(258,109)	(11.6)%
7.8%	<p><b>Commodities &amp; Services</b>                      The majority of increases in this area are related higher costs to print newsletters, \$74,600, and \$60,700 in related services for the Intranet redesign project.</p>	180,761	7.6%
12.2%	<p><b>Equipment</b>                      This increase is due to a \$664,300 increase in depreciation due to Horizon Phase 4a being placed in service. The remainder of the increase is due to higher equipment and software maintenance fees of \$401,000.</p>	1,071,701	36.4%
1.3%	<p><b>Miscellaneous</b>                      This increase is due to the addition of a cyber insurance policy for \$140,000 and an increase of \$15,000 in the trustee expense reimbursement account. This is offset by a decrease of \$(148,300) related to trustee elections.</p>	3,901	0.9%
<b>100%</b>		<b>\$ 3,221,441</b>	

## 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.

### ADMINISTRATION DEPARTMENT – ORGANIZATION CHART



2016 IMRF PROPOSED BUDGET



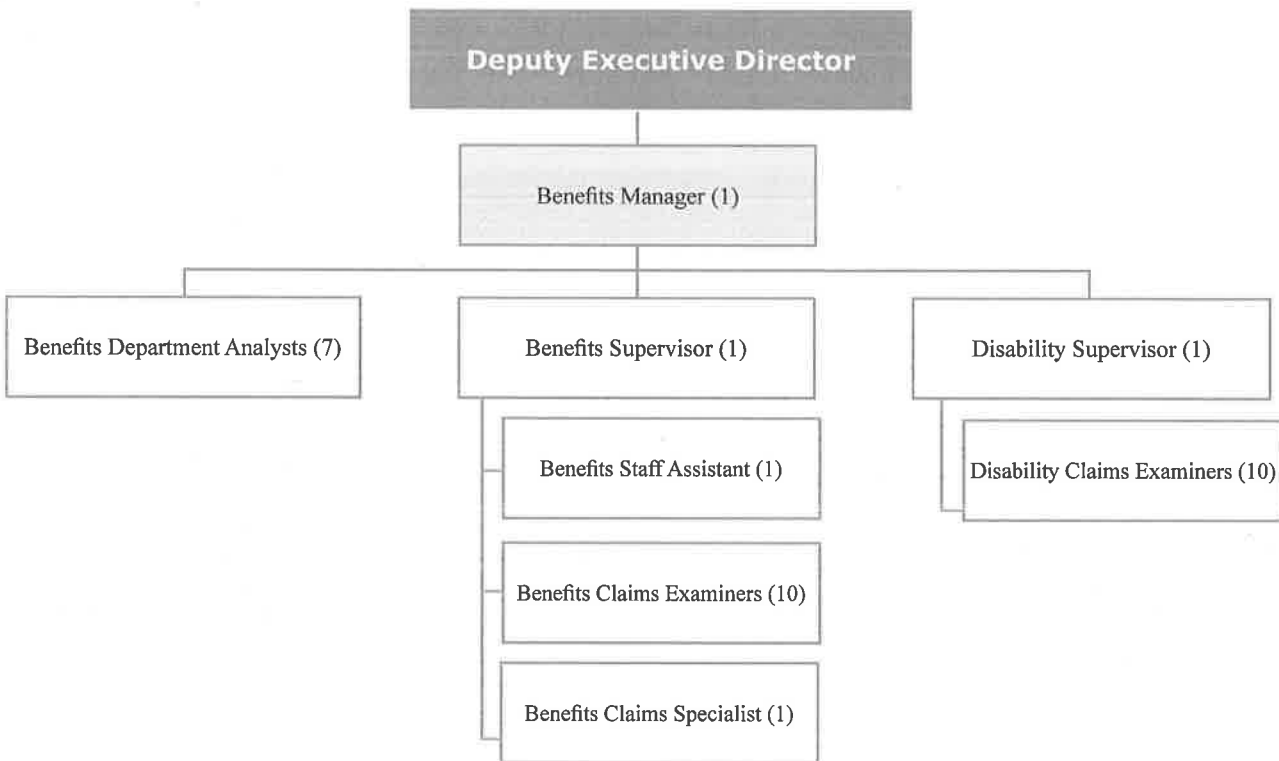
ADMINISTRATION DEPARTMENT – BUDGET

Expense Classification	Account No.	Actual 2013	Actual 2014	Budget 2015	Estimated 2015	Proposed 2016
<b>Administration Department</b>						
<b>Personnel Costs - Direct</b>						
Salaries	5501	\$ 416,729	\$ 441,395	\$ 438,319	\$ 467,334	\$ 456,246
<b>Personnel Costs - Indirect</b>						
Travel	5507	5,742	6,721	7,000	11,000	12,000
Other Personnel Costs	5510		7,403	5,000	7,403	7,500
Conferences & Meetings	5517	2,790	3,043	2,500	2,000	2,500
		<b>8,532</b>	<b>17,167</b>	<b>14,500</b>	<b>20,403</b>	<b>22,000</b>
<b>Commodities &amp; Services</b>						
Publications & Dues	5535	16,039	16,616	18,000	18,000	18,000
Other Services	5540	1,275	1,000	1,500	1,000	1,200
		<b>17,314</b>	<b>17,616</b>	<b>19,500</b>	<b>19,000</b>	<b>19,200</b>
<b>Equipment</b>						
Auto Maintenance & Exp	5576	678	1,827	2,000	2,300	2,500
<b>Total Expenses</b>		<b>\$ 443,253</b>	<b>\$ 478,005</b>	<b>\$ 474,319</b>	<b>\$ 509,037</b>	<b>\$ 499,946</b>

**BENEFITS DEPARTMENT**

The Benefits department is led by one Manager and two Supervisors. The department consists of two units: the Benefits Unit and the Disability Unit. Seven Analysts assist in the day-to-day activities, and approximately 22 Specialists and Examiners process claims. The department serves IMRF's members, beneficiaries, and employers by providing information and services related to all aspects of benefits claims processing. The department processes retirement, disability, death, and refund claims accurately and timely. Some claims require coordination with other public pension systems in Illinois.

**BENEFITS DEPARTMENT – ORGANIZATION CHART**



2015 IMRF PROPOSED BUDGET

**BENEFITS DEPARTMENT – PERFORMANCE MEASURES**

<b>Standards</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015 YTD</b>
Average Processing Time (days) for all claim types	8.08	6.64	7.09	6.69	5.06	5.3
Financial Accuracy (M)	99.64%	100.00%	89.73%	98.68%	93.89%	96.60%
Financial Accuracy (A)	97.96%	99.64%	99.94%	100.00%	99.90%	99.28%
Procedural Accuracy (M)	99.27%	100.00%	94.54%	97.54%	97.60%	98.09%
Procedural Accuracy (A)	98.16%	99.03%	96.46%	98.96%	99.10%	96.60%

M = Manual

A = Automated

**BENEFITS DEPARTMENT – BUDGET**

<b>Expense Classification</b>	<b>Account No.</b>	<b>Actual 2013</b>	<b>Actual 2014</b>	<b>Budget 2015</b>	<b>Estimated 2015</b>	<b>Proposed 2016</b>
<b>Benefits Department</b>						
<b>Personnel Costs - Direct</b>						
Salaries	5501	\$ 1,494,328	\$ 1,420,991	\$ 1,517,803	\$ 1,656,405	\$ 1,686,065
<b>Personnel Costs - Indirect</b>						
Travel	5507	48	3,059	200	100	3,400
Conferences & Meetings	5517	706	-	3,800	3,250	1,000
		754	3,059	4,000	3,350	4,400
<b>Consulting Services</b>						
Medical & Field Investigations	5516	139,211	155,420	139,500	124,000	138,500
<b>Commodities &amp; Services</b>						
Publications & Dues	5535	348	348	200	100	200
<b>Total Expenses</b>		<b>\$ 1,634,641</b>	<b>\$ 1,579,818</b>	<b>\$ 1,661,503</b>	<b>\$ 1,783,855</b>	<b>\$ 1,829,165</b>



**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.

The IMRF Board of Trustees meets at least four times a year for its full Board meeting. Board members serve without compensation, but are reimbursed for their expenses. The Board is divided into five committees — Audit, Benefit Review, Executive, Investment, and Legislative — to deal with different areas of business.

**THE 2015 BOARD OF TRUSTEES INCLUDES:**

**John Piechocinski, President**

**Gwen Henry, Executive Trustee**

**Tom Kuehne, Vice President**

**David Miller, Executive Trustee**

**Jeffrey A. Stulir, Secretary**

**Sue Stanish, Executive Trustee**

**Natalie Copper, Employee Trustee**

**Sharon U. Thompson, Annuitant Trustee**

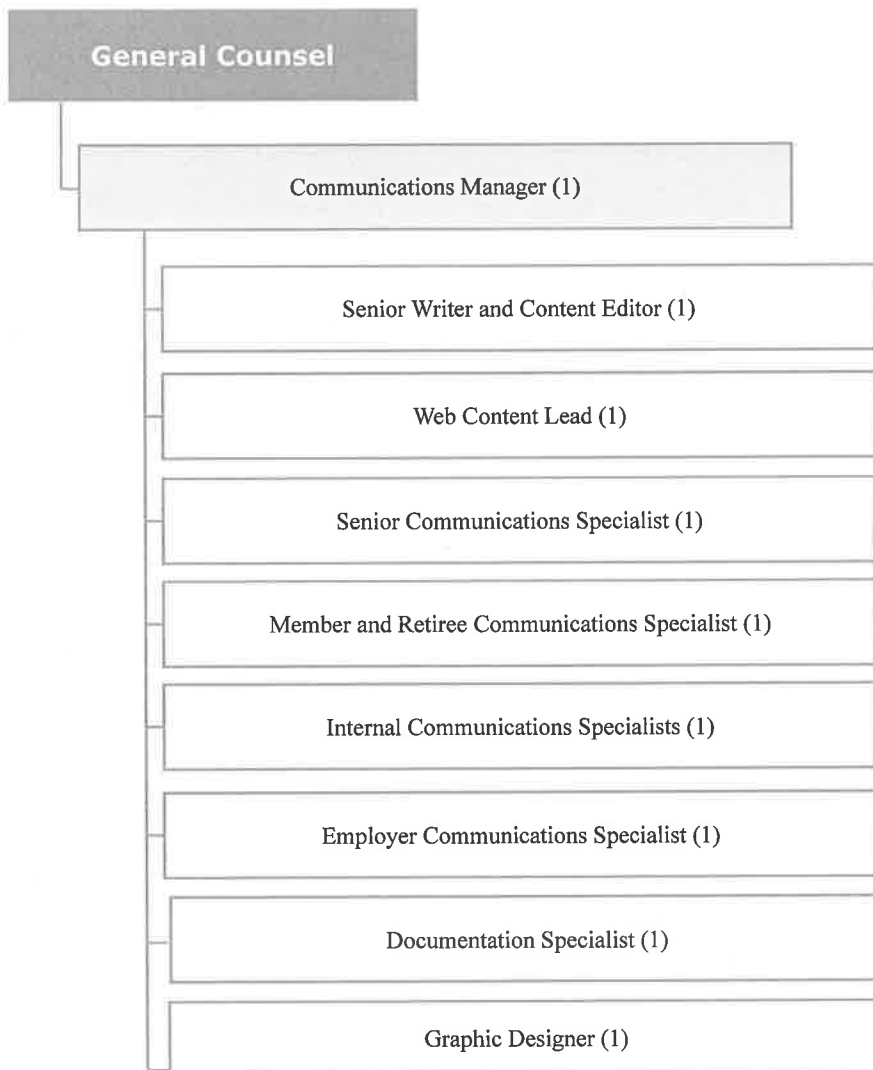
**BOARD OF TRUSTEES – BUDGET**

Expense Classification	Account No.	Actual 2013	Actual 2014	Budget 2015	Estimated 2015	Proposed 2016
<b>Board of Trustees</b>						
Miscellaneous						
Trustee Employer Reimbursement	5580	\$ 53,820	\$ 50,885	\$ 55,000	\$ 30,000	\$ 50,000
Trustee Reimbursement & Education	5581	49,715	58,284	52,300	68,000	65,000
Trustee Elections	5582	4,984	12,100	155,877	155,877	7,578
<b>Total Expenses</b>		<b>\$ 108,519</b>	<b>\$ 121,269</b>	<b>\$ 263,177</b>	<b>\$ 253,877</b>	<b>\$ 122,578</b>

## COMMUNICATIONS DEPARTMENT

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

### COMMUNICATIONS DEPARTMENT – ORGANIZATION CHART



### COMMUNICATIONS DEPARTMENT – PERFORMANCE MEASURES

Open Rate	2010	2011	2012	2013	2014	2015 YTD
Employer Digest	37.6%	34.8%	33.0%	35.0%	40.5%	45.5%
Legislative Update	N/A	48.2%	47.6%	51.6%	56.9%	56.8%
IMRF Update	N/A	N/A	32.6%	34.0%	42.0%	75.7%

Standards based on the Open Rate for e-newsletters.

Benchmark = Industry-standard "Open Rate" for public entities of 23.89%.

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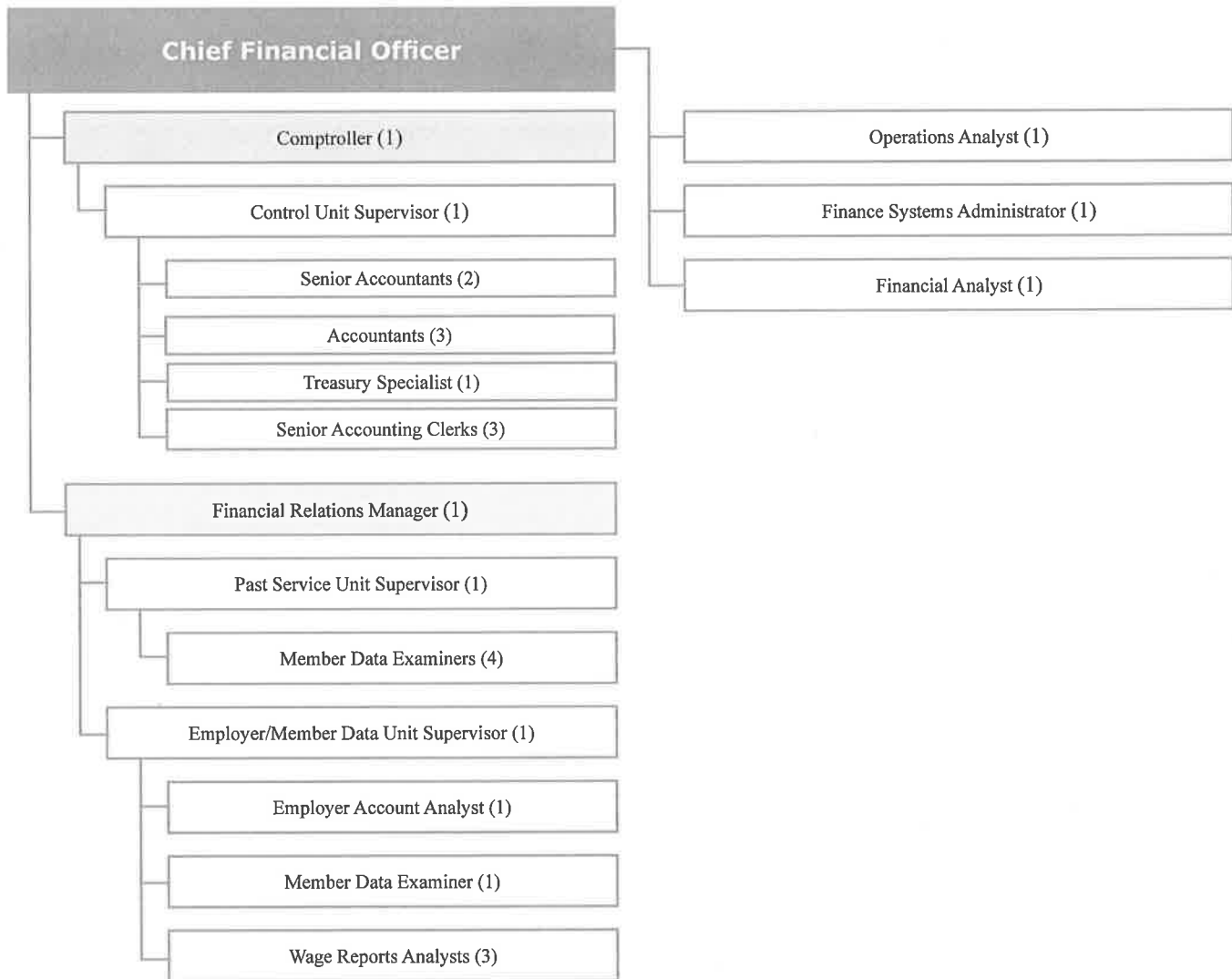
**COMMUNICATIONS DEPARTMENT – BUDGET**

Expense Classification	Account No.	Actual 2013	Actual 2014	Budget 2015	Estimated 2015	Proposed 2016
<b>Communications Department</b>						
<b>Personnel Costs - Direct</b>						
Salaries	5501	\$ 490,600	\$ 456,024	\$ 443,098	\$ 541,281	\$ 583,203
Professional Services – Temps	5503	-	64,115	229,425	60,000	-
		<b>490,600</b>	<b>520,139</b>	<b>672,523</b>	<b>601,281</b>	<b>583,203</b>
<b>Personnel Costs - Indirect</b>						
Travel	5507	3,047	334	500	700	700
Conferences & Meetings	5517	915	-	11,750	10,625	11,125
		<b>3,962</b>	<b>334</b>	<b>12,250</b>	<b>11,325</b>	<b>11,825</b>
<b>Public Relations Services</b>						
PR/Marketing Agency	5519	82,309	96,995	89,700	89,700	89,700
<b>Commodities &amp; Services</b>						
Forms & Info Materials	5532	179,760	176,866	246,075	248,176	323,520
Publications & Dues	5535	1,837	2,236	4,115	5,500	2,500
Professional Services – Other	5540	2,128	9,498	12,350	13,933	77,300
		<b>183,725</b>	<b>188,600</b>	<b>262,540</b>	<b>267,609</b>	<b>403,320</b>
<b>Equipment</b>						
Expendable Equipment	5575	746	4,038	100	100	1,100
<b>Total Expenses</b>		<b>\$ 761,342</b>	<b>\$ 810,106</b>	<b>\$ 1,037,113</b>	<b>\$ 970,015</b>	<b>\$ 1,089,148</b>

## FINANCE DEPARTMENT

IMRF's Finance department is headed by the Chief Financial Officer and consists of three units: the Past Service Unit, the Control Unit, and the Employer/Member Data Unit. Additionally, there are three analysts that assist the department in day-to-day activities. The Finance department is responsible for financial reporting and accounting functions, actuarial reporting, processing past service information, and employer's wage reporting. The Finance department also processes staff payroll, accounts payable, recording and deposit of incoming checks and electronic transfers, and the issuance of benefit payments.

### FINANCE DEPARTMENT – ORGANIZATION CHART



### FINANCE DEPARTMENT – PERFORMANCE MEASURES

Standards	2010	2011	2012	2013	2014	2015 YTD
Outstanding Wage Reports	8	3	0	0	0	98
Past Service Payments -processed within 3 days	N/A	89%	92%	93%	99%	99%

**FINANCE DEPARTMENT – BUDGET**

Expense Classification	Account No.	Actual 2013	Actual 2014	Budget 2015	Estimated 2015	Proposed 2016
<b>Finance Department</b>						
<b>Personnel Costs - Direct</b>						
Salaries	5501	\$ 1,747,750	\$ 1,608,392	\$ 1,589,682	\$ 1,797,419	\$ 1,816,974
Professional Services Temps	5503	-	-	5,000	-	5,000
Unemployment Costs	5504	6,635	15,898	12,500	6,081	12,500
IMRF/SS ER Contributions	5505	2,291,954	2,310,206	2,301,750	2,396,919	2,741,970
		<b>4,046,339</b>	<b>3,934,496</b>	<b>3,908,932</b>	<b>4,200,419</b>	<b>4,576,444</b>
<b>Personnel Costs - Indirect</b>						
Travel	5507	1,933	1,633	2,400	6,500	9,700
Conferences & Meetings	5517	9,255	7,515	10,000	12,000	14,000
		<b>11,188</b>	<b>9,148</b>	<b>12,400</b>	<b>18,500</b>	<b>23,700</b>
<b>Consulting Services</b>						
Auditing	5511	129,265	196,715	1,132,140	351,000	285,000
Actuarial	5512	354,530	466,786	673,308	834,018	615,000
		<b>483,795</b>	<b>663,501</b>	<b>1,805,448</b>	<b>1,185,018</b>	<b>900,000</b>
<b>Commodities &amp; Services</b>						
Publications & Dues	5535	4,812	4,507	4,800	5,550	5,500
Professional Services - Other	5540	218,467	198,201	244,050	277,200	297,500
		<b>223,279</b>	<b>202,708</b>	<b>248,850</b>	<b>282,750</b>	<b>303,000</b>
<b>Equipment</b>						
Depreciation - Capital Assets	5571	1,477,663	1,561,159	1,519,593	1,627,210	2,180,912
Software Maintenance PC	5574	14,115	9,388	8,400	24,000	32,000
		<b>1,491,778</b>	<b>1,570,547</b>	<b>1,527,993</b>	<b>1,651,210</b>	<b>2,212,912</b>
<b>Miscellaneous Expenses</b>						
Filing Fees	5586	9,320	9,195	10,000	9,800	10,500
<b>Total Expenses</b>		<b>\$ 6,265,699</b>	<b>\$ 6,389,595</b>	<b>\$ 7,513,623</b>	<b>\$ 7,347,697</b>	<b>\$ 8,026,556</b>

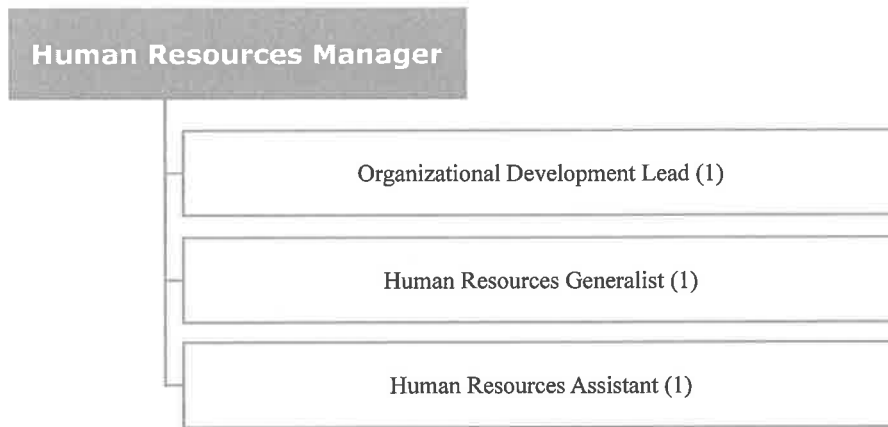
2015 TIME REPORT PRINT



## HUMAN RESOURCES DEPARTMENT

The Human Resources department is led by one Manager, and includes an Assistant, a Generalist, and an Organizational Development Lead. The department is responsible for all employee relations 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 – PERFORMANCE MEASURES

Year	2013	2014	2015
Workforce Engagement Survey (Percentile Rank)	95 <sup>th</sup>	97 <sup>th</sup>	96 <sup>th</sup>

Year	2013	2014	2015
Turnover Rate - IMRF	13.45	11.35	7.94
Turnover Rate - CompData average	13.80	15.40	N/A

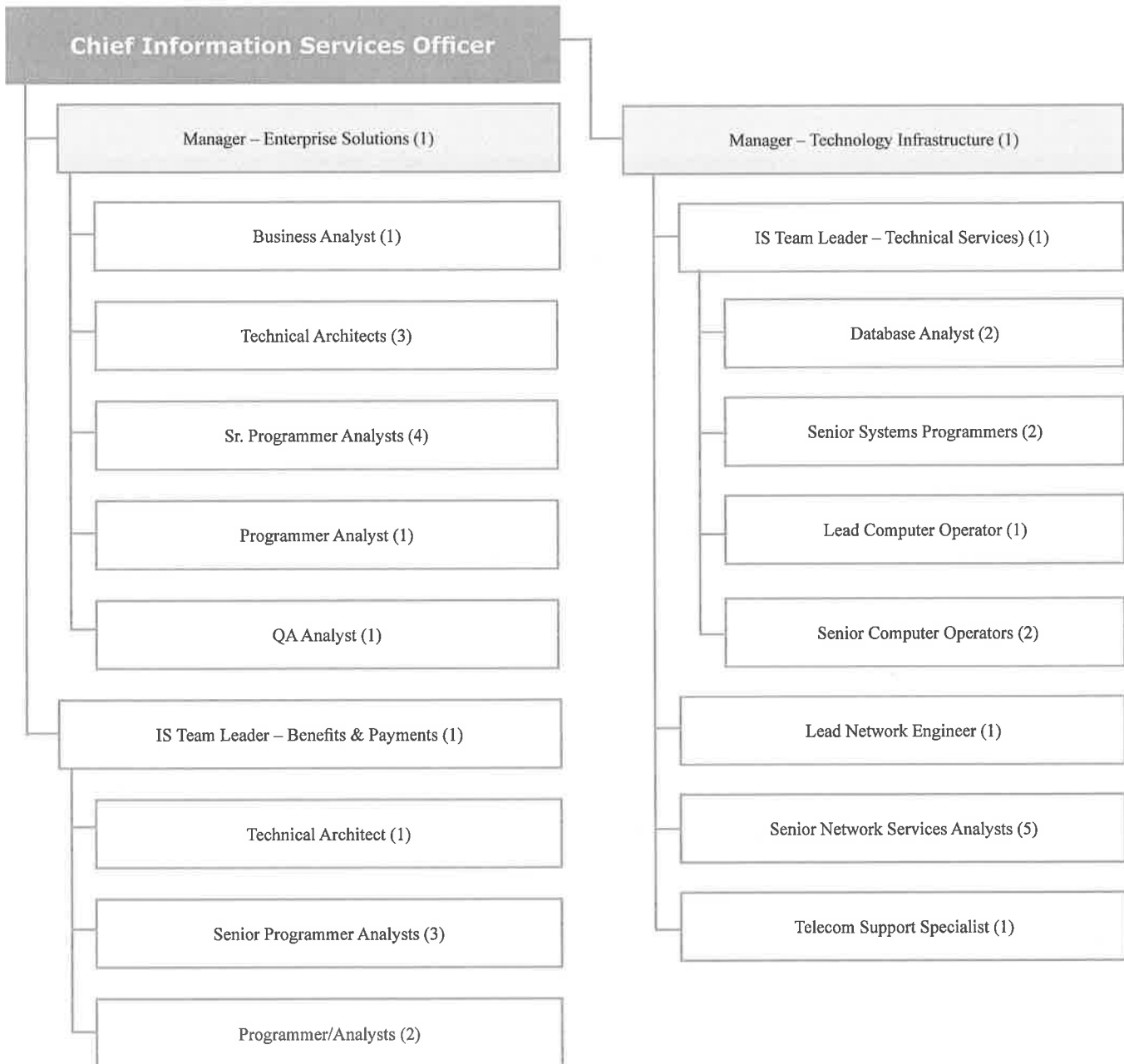
## HUMAN RESOURCES DEPARTMENT – BUDGET

Expense Classification	Account No.	Actual 2013	Actual 2014	Budget 2015	Estimated 2015	Proposed 2016
<b>Human Resources Department</b>						
<b>Personnel Costs - Direct</b>						
Salaries	5501	\$ 293,355	\$ 286,693	\$ 319,412	\$ 346,562	\$ 350,664
Fringe Benefits	5504	1,876,890	1,963,401	2,012,029	2,371,570	2,537,121
		<b>2,170,245</b>	<b>2,250,094</b>	<b>2,331,441</b>	<b>2,718,132</b>	<b>2,887,785</b>
<b>Personnel Costs - Indirect</b>						
Travel & Training	5507	242,626	244,774	396,400	245,338	522,817
Recruitment & Testing	5509	52,694	52,815	77,350	68,511	78,925
Other Personnel Costs	5510	35,194	36,450	85,128	58,627	74,470
Conferences & Meetings	5517	2,930	2,038	9,535	3,450	7,500
		<b>333,444</b>	<b>336,077</b>	<b>568,413</b>	<b>375,926</b>	<b>683,712</b>
<b>Consulting Services</b>						
Compensation & Benefit Surveys	5514	15,000	22,977	46,550	92,400	39,050
<b>Commodities &amp; Services</b>						
Publications & Dues	5535	889	1,377	2,750	1,450	2,600
Professional Services - Other	5540	-	412	-	-	-
		<b>889</b>	<b>1,789</b>	<b>2,750</b>	<b>1,450</b>	<b>2,600</b>
<b>Equipment</b>						
Maintenance & Rentals	5572	905	500	-	169	1,975
Software Maintenance PC	5574	4,599	4,410	7,000	5,100	2,500
Expendable Equipment	5575	-	1,329	1,300	-	-
		<b>5,504</b>	<b>6,239</b>	<b>8,300</b>	<b>5,269</b>	<b>4,475</b>
<b>Total Expenses</b>		<b>\$ 2,525,082</b>	<b>\$ 2,617,176</b>	<b>\$ 2,957,454</b>	<b>\$ 3,193,177</b>	<b>\$ 3,617,622</b>

## INFORMATION SERVICES DEPARTMENT

The Information Services department is headed by the Chief Information Services Officer and consists of two teams: Enterprise Solutions and Technology Infrastructure. Information Services' Governance is the overall approach to ensure the quality and availability of data and information, software, and hardware. IMRF's Strategic Plan includes 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	2010	2011	2012	2013	2014	2015 YTD
Outage Minutes	1620	1600	744	583	520	650
Percent Uptime	99.7%	99.7%	99.9%	99.9%	99.9%	99.6%
Transactions < 1 sec.	91.1%	89.7%	89.0%	95.2%	94.2%	93.0%
Technology Audit: High Risk Findings	4	0	5	2	3	2
Moderate & Low Risk Findings	32	19	27	23	11	22

Business Continuity and Disaster Recovery Drills	2010	2011	2012	2013	2014	2015 YTD
Desktop drills	1	1	0	1	0	0
Live drills at warm site	2	4	4	4	4	4
Restore Toll free number	Yes	Yes	Yes	Yes	Yes	Yes
Restore Benefits System	Yes	Yes	Partial	Partial	Partial	Yes
Print Benefits Checks	Yes	Yes	No	Yes	No	Yes
Critical Systems Capability	64%	85%	40%	40%	0%	75%

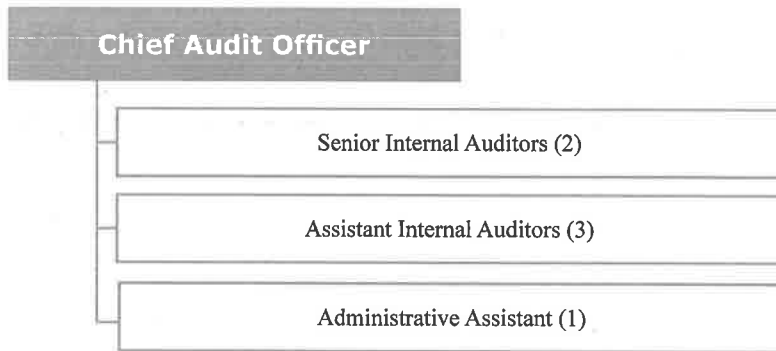
**INFORMATION SERVICES DEPARTMENT – BUDGET**

Expense Classification	Account No.	Actual 2013	Actual 2014	Budget 2015	Estimated 2015	Proposed 2016
<b>Information Services Department</b>						
<b>Personnel Costs - Direct</b>						
Salaries	5501	\$ 2,959,912	\$ 2,796,635	\$ 2,877,400	\$ 2,954,291	\$ 3,602,181
<b>Personnel Costs - Indirect</b>						
Travel	5507	1,106	1,080	3,000	3,000	7,000
Conferences & Meetings	5517	1,505	2,878	2,500	3,500	6,000
		<b>2,611</b>	<b>3,958</b>	<b>5,500</b>	<b>6,500</b>	<b>13,000</b>
<b>Consulting Services</b>						
Systems Design - Modernization	5515	264,854	329,331	626,000	372,150	61,000
<b>Facility Expenses</b>						
Telephone	5523	126,291	128,974	163,060	138,500	199,300
Other Facility Expense	5525	155,835	160,189	175,000	163,000	218,000
		<b>282,126</b>	<b>289,163</b>	<b>338,060</b>	<b>301,500</b>	<b>417,300</b>
<b>Commodities &amp; Services</b>						
Office Supplies	5531	70,896	80,572	87,200	73,000	83,800
Publications & Dues	5535	2,614	1,166	3,500	4,000	5,000
		<b>73,510</b>	<b>81,738</b>	<b>90,700</b>	<b>77,000</b>	<b>88,800</b>
<b>Equipment</b>						
Maintenance & Rentals	5572	164,444	164,523	210,940	187,540	229,000
Software Maintenance	5573	464,236	486,708	231,900	193,900	218,000
Software Maintenance PC	5574	310,597	389,397	495,000	485,000	864,000
Expendable Equipment	5575	161,460	139,025	300,000	138,958	275,375
		<b>1,100,737</b>	<b>1,179,653</b>	<b>1,237,840</b>	<b>1,005,398</b>	<b>1,586,375</b>
<b>Miscellaneous Expenses</b>						
Filing fees	5586	1,396	-	1,400	1,400	1,400
<b>Total Expenses</b>		<b>\$ 4,685,146</b>	<b>\$ 4,680,478</b>	<b>\$ 5,176,900</b>	<b>\$ 4,718,239</b>	<b>\$ 5,770,056</b>

**INTERNAL AUDIT DEPARTMENT**

The Internal Audit department is headed by the Chief Audit Officer and is comprised of Senior Auditors, Assistant Auditors, and an Administrative Assistant. This department is responsible for auditing employers through on-site visits to their respective payroll offices and 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 - EMPLOYER AUDITS  
AND PERCENT OF ACTIVE MEMBERSHIP AUDITED**

	2011	2012	2013	2014	2015 YTD
Employer audits	151	105	118	172	163
Percent of Active Membership Audited	9%	11%	15%	20%	19%

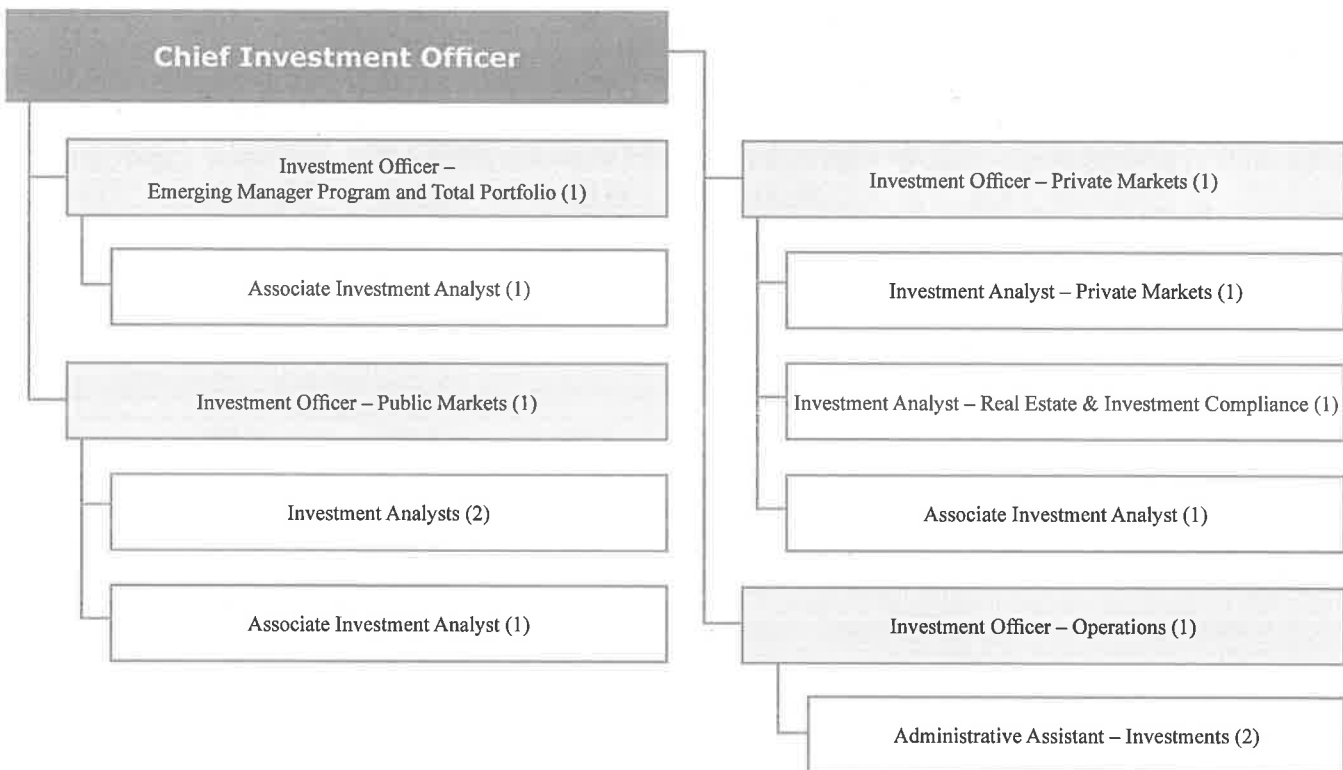
INTERNAL AUDIT DEPARTMENT – BUDGET

Expense Classification	Account No.	Actual 2013	Actual 2014	Budget 2015	Estimated 2015	Proposed 2016
<b>Internal Audit Department</b>						
<b>Personnel Costs - Direct</b>						
Salaries	5501	\$ 308,555	\$ 426,110	\$ 438,923	\$ 452,860	\$ 529,594
<b>Personnel Costs - Indirect</b>						
Travel	5507	8,231	14,780	12,000	10,000	12,000
Conferences & Meetings	5517	1,447	2,411	2,500	2,500	12,700
		<b>9,678</b>	<b>17,191</b>	<b>14,500</b>	<b>12,500</b>	<b>24,700</b>
<b>Consulting Services</b>						
Auditing	5511	262,526	99,141	110,700	107,250	137,500
<b>Commodities &amp; Services</b>						
Publications & Dues	5535	1,868	1,576	1,800	1,800	2,000
<b>Equipment</b>						
Software Maintenance PC	5574	1,330	2,705	3,200	3,200	3,500
Expendable Equipment	5575	2,000	2,000	-	-	2,000
Auto Maintenance & Expense	5576	3,979	717	1,500	1,500	2,500
		<b>7,309</b>	<b>5,422</b>	<b>4,700</b>	<b>4,700</b>	<b>8,000</b>
<b>Total Expenses</b>		<b>\$ 589,936</b>	<b>\$ 549,440</b>	<b>\$ 570,623</b>	<b>\$ 579,110</b>	<b>\$ 701,794</b>

**INVESTMENT DEPARTMENT**

IMRF’s 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 IMRF’s 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 including: Public Markets, Private Markets, Emerging Manager Program and Total Portfolio, and Operations. Key highlights of the Investment department’s activity in 2015 include: working with the General Investment Consultant; an Asset Liability Study; an Annual Strategic Asset Allocation Review; evaluation and analysis of current and prospective investments for the total portfolio; monitoring portfolio performance; and presenting investment recommendations to the Investment Committee of the IMRF Board of Trustees.

**INVESTMENT DEPARTMENT – ORGANIZATION CHART**



**INVESTMENT DEPARTMENT – PERFORMANCE MEASURES**

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

Total Fund Performance	Last year 2014	Last 3 yrs 2011-14	Last 5 yrs 2009-14	Last 10 yrs 2004-14
IMRF Total Fund	6.01%	13.20%	10.44%	7.53%
Total Fund Benchmark	7.38%	11.73%	9.80%	7.00%
Difference	(1.37)%	1.47%	0.64%	0.53%
Rank: IMRF Total Fund	59	15	27	10

Goal is for IMRF returns greater than portfolio benchmarks over 3-, 5-, and 10-year periods.  
Percentile rank = 59<sup>th</sup> in Callan Universe of 134 pension funds.

2016 Three Percenters Report



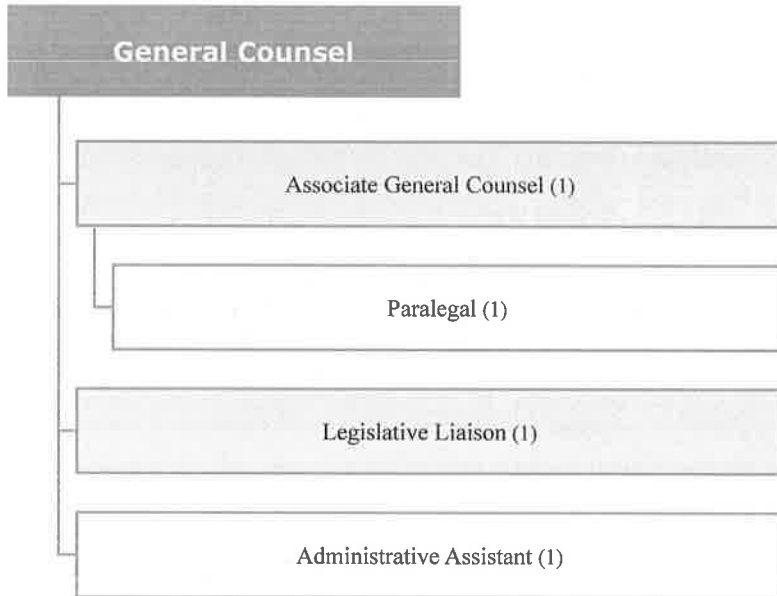
INVESTMENT DEPARTMENT – BUDGET

Expense Classification	Account No.	Actual 2013	Actual 2014	Budget 2015	Estimated 2015	Proposed 2016
<b>Investment Department</b>						
<b>Personnel Costs - Direct</b>						
Salaries	5501	\$ 997,919	\$ 1,168,415	\$ 1,480,214	\$ 1,389,478	\$ 1,593,819
Professional Services Temps	5503	-	2,388	-	12,830	-
		<b>997,919</b>	<b>1,170,803</b>	<b>1,480,214</b>	<b>1,402,308</b>	<b>1,593,819</b>
<b>Personnel Costs - Indirect</b>						
Travel	5507	36	-	-	-	-
Conferences & Meetings	5517	1,058	284	-	-	-
		<b>1,094</b>	<b>284</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Commodities &amp; Services</b>						
Publications & Dues	5535	5,115	1,350	-	-	-
<b>Investment Expenses</b>						
Investment Managers Fees	5788	87,837,029	107,310,060	98,900,000	113,644,000	106,317,500
Master Trust Services	5789	255,000	268,750	280,000	275,000	275,000
Investment Travel	5790	44,910	76,598	85,000	85,000	85,000
Investment Legal Fees	5791	324,929	471,541	400,000	400,000	350,000
Security Litigation Monitoring	5792	25,056	25,026	25,055	25,055	25,055
Investment Consultants	5793	982,886	863,833	1,002,960	1,002,960	937,960
Securities Lending Fees	5794	1,646,484	1,623,937	1,400,000	1,100,000	795,000
Tax Preparation & Custodial Expense	5795	-	-	25,000	25,000	42,000
Investment Publications & Dues	5796	4,906	8,735	23,952	23,952	25,187
Investment Licenses	5797	-	12	212	212	4,212
		<b>91,121,200</b>	<b>110,648,492</b>	<b>102,142,179</b>	<b>116,581,179</b>	<b>108,856,914</b>
<b>Total Expenses</b>		<b>\$ 92,125,328</b>	<b>\$ 111,820,929</b>	<b>\$ 103,622,393</b>	<b>\$ 117,983,487</b>	<b>\$ 110,450,733</b>

**LEGAL DEPARTMENT**

IMRF's Legal department acts as legal counsel to the IMRF Board of Trustees; provides legal counsel to IMRF staff, interprets 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**

Open Rate	2010	2011	2012	2013	2014	2015 YTD
FOIA requests	113	181	237	204	127	155
FOIA request turnaround time (standard = 5 days)	100%	100%	100%	100%	100%	100%
QILDROs	145	164	180	159	207	187
QILDRO turnaround time (standard = 45 days)	100%	100%	100%	100%	100%	100%
Contract review	37	29	39	20	24	31
Contract review turnaround time (standard = 3 days)	100%	100%	100%	100%	96%	100%

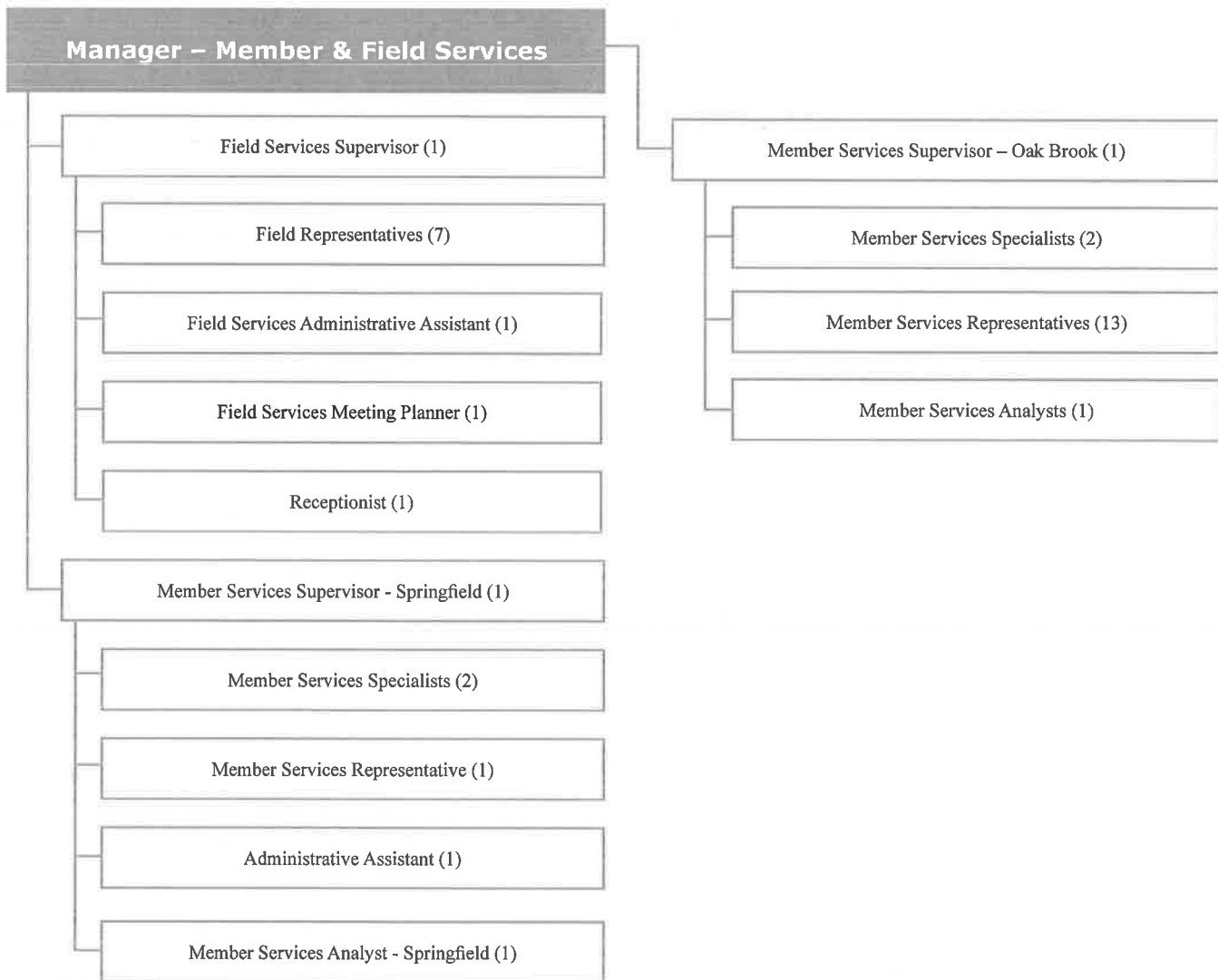
LEGAL DEPARTMENT – BUDGET

Expense Classification	Account No.	Actual 2013	Actual 2014	Budget 2015	Estimated 2015	Proposed 2016
<b>Legal Department</b>						
<b>Personnel Costs - Direct</b>						
Salaries	5501	\$ 419,430	\$ 482,256	\$ 475,509	\$ 502,555	\$ 513,805
<b>Personnel Costs - Indirect</b>						
Travel	5507	12,607	8,360	14,500	12,991	15,500
Conferences & Meetings	5517	7,179	7,127	9,900	7,115	10,100
		<b>19,786</b>	<b>15,487</b>	<b>24,400</b>	<b>20,106</b>	<b>25,600</b>
<b>Consulting Services</b>						
Legal Counsel	5513	58,137	41,521	100,500	62,827	100,500
Legislative Lobbying Services	5518	68,160	68,796	69,500	69,492	70,800
		<b>126,297</b>	<b>110,317</b>	<b>170,000</b>	<b>132,319</b>	<b>171,300</b>
<b>Commodities &amp; Services</b>						
Publications & Dues	5535	30,201	24,476	25,750	28,470	29,000
Professional Services - Other	5540	-	-	-	-	25,000
		<b>30,201</b>	<b>24,476</b>	<b>25,750</b>	<b>28,470</b>	<b>54,000</b>
<b>Equipment</b>						
Software Maintenance PC	5574	-	1,350	5,400	10,800	5,400
Expendable Equipment	5575	-	2,500	-	-	-
Auto Maintenance & Expense	5576	2,313	1,999	1,000	975	500
		<b>2,313</b>	<b>5,849</b>	<b>6,400</b>	<b>11,775</b>	<b>5,900</b>
<b>Miscellaneous Expenses</b>						
Insurance	5583	144,350	153,035	156,100	152,331	300,100
<b>Total Expenses</b>		<b>\$ 742,377</b>	<b>\$ 791,420</b>	<b>\$ 858,159</b>	<b>\$ 847,556</b>	<b>\$ 1,070,705</b>

## 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. Two Analysts assist the department in day-to-day activities; seven Field Representatives provide coverage throughout the state, and approximately 22 specialists, representatives, and support staff serve IMRF’s membership.

## MEMBER & FIELD SERVICES DEPARTMENT – ORGANIZATION CHART



## MEMBER & FIELD SERVICES – PERFORMANCE MEASURES

Standards	2010	2011	2012	2013	2014	2015 YTD
All Call Distribution (ACD) Log-on adherence	91.7%	95.6%	95.9%	98.0%	98.0%	99.4%
Call documentation	89.6%	90.6%	92.1%	95.5%	93.7%	94.0%
Call transfer rate	3.5%	3.4%	3.5%	3.3%	3.4%	4.6%

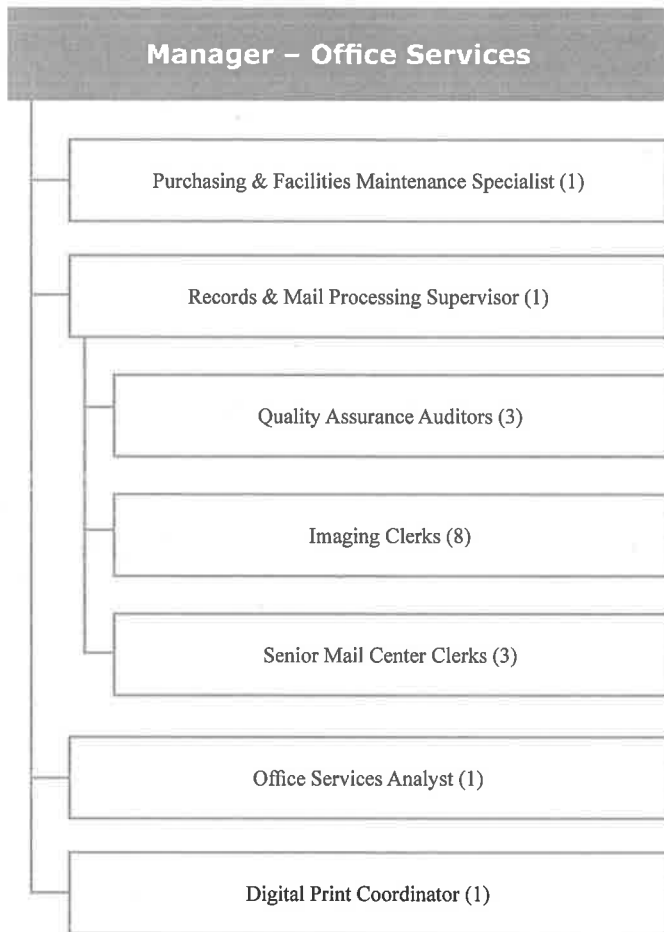
MEMBER & FIELD SERVICES DEPARTMENT – BUDGET

Expense Classification	Account No.	Actual 2013	Actual 2014	Budget 2015	Estimated 2015	Proposed 2016
<b>Member &amp; Field Services Department</b>						
<b>Personnel Costs - Direct</b>						
Salaries	5501	\$ 1,661,318	\$ 1,859,000	\$ 1,879,195	\$ 1,935,695	\$ 2,131,560
Professional Services Temps	5503	-	-	-	4,120	-
		<b>1,661,318</b>	<b>1,859,000</b>	<b>1,879,195</b>	<b>1,939,815</b>	<b>2,131,560</b>
<b>Personnel Costs - Indirect</b>						
Travel	5507	6,828	6,159	7,000	7,000	10,250
Field Staff	5508	147,578	171,608	160,000	180,000	194,500
Conferences & Meetings	5517	2,009	2,351	6,100	6,100	7,250
		<b>156,415</b>	<b>180,118</b>	<b>173,100</b>	<b>193,100</b>	<b>212,000</b>
<b>Facility Expenses</b>						
Telephone	5523	6,336	6,038	6,300	6,300	6,982
<b>Commodities &amp; Services</b>						
Office Supplies	5531	738	687	300	1,200	800
Postage & Delivery	5533	984	1,055	1,000	1,000	1,000
Publications & Dues	5535	645	1,020	1,080	1,080	935
Professional Services - Other	5540	591	391	800	800	800
		<b>2,958</b>	<b>3,153</b>	<b>3,180</b>	<b>4,080</b>	<b>3,535</b>
<b>Equipment</b>						
Maintenance & Rentals	5572	73	-	200	300	200
Auto Maintenance & Expense	5576	21,345	21,822	21,500	20,000	4,000
		<b>21,418</b>	<b>21,822</b>	<b>21,700</b>	<b>20,300</b>	<b>4,200</b>
<b>Total Expenses</b>		<b>\$ 1,848,445</b>	<b>\$ 2,070,131</b>	<b>\$ 2,083,475</b>	<b>\$ 2,163,595</b>	<b>\$ 2,358,277</b>

**OFFICE SERVICES DEPARTMENT**

The Office Services department is led by one Manager and one Supervisor. The department is comprised of three units: the Records and Mail Processing Unit, the Digital Print Center, and Purchasing/Maintenance. There are 18 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 IMRF’s office space. The mission statement of the Office Services department is: “Our high level of support services will allow our internal customers the opportunity to focus on serving the needs of the IMRF members, employers, and annuitants.” The department’s vision statement is: “To provide timely and accurate support services to all of our internal and external customers.”

**OFFICE SERVICES DEPARTMENT – ORGANIZATION CHART**



**OFFICE SERVICES - PERFORMANCE MEASURES**

Standards	2009	2010	2011	2012	2013	2014	2015 YTD
Accuracy: Error rate	0.07%	0.10%	0.07%	0.03%	0.15%	0.16%	0.00%
Timeliness: Percent same day	100%	100%	100%	100%	100%	100%	100%

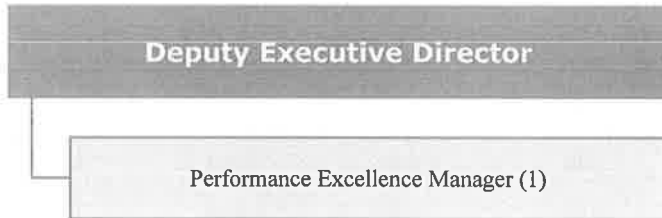
OFFICE SERVICES DEPARTMENT - BUDGET

Expense Classification	Account No.	Actual 2013	Actual 2014	Budget 2015	Estimated 2015	Proposed 2016
<b>Member &amp; Field Services Department</b>						
<b>Personnel Costs - Direct</b>						
Salaries	5501	\$ 947,923	\$ 895,633	\$ 901,413	\$ 904,261	\$ 1,019,106
Professional Services Temps	5503	-	-	40,320	2,892	3,000
		<b>947,923</b>	<b>895,633</b>	<b>941,733</b>	<b>907,153</b>	<b>1,022,106</b>
<b>Personnel Costs - Indirect</b>						
Travel	5507	133	340	1,508	1,050	1,250
Conferences & Meetings	5517	-	2,045	2,400	2,400	6,394
		<b>133</b>	<b>2,385</b>	<b>3,908</b>	<b>3,450</b>	<b>7,644</b>
<b>Facility Expenses</b>						
Building Rent	5521	1,012,984	1,119,059	1,154,303	1,044,748	922,357
Electricity	5522	56,447	57,803	66,140	65,224	66,528
Building Operating Expense	5524	528,544	570,063	574,522	578,978	484,127
Other Facility Expense	5525	37,589	39,590	34,000	36,632	34,000
		<b>1,635,564</b>	<b>1,786,515</b>	<b>1,828,965</b>	<b>1,725,582</b>	<b>1,507,012</b>
<b>Commodities &amp; Services</b>						
Office Supplies	5531	146,671	128,940	149,247	199,971	176,463
Forms & Informational Materials	5532	36,807	37,850	70,791	70,330	40,375
Postage & Delivery	5533	1,051,777	1,167,337	1,118,888	1,091,198	1,156,643
Publications & Dues	5535	659	1,616	1,416	1,420	1,420
Professional Services - Other	5540	274,195	254,735	317,728	315,582	252,708
		<b>1,510,109</b>	<b>1,590,478</b>	<b>1,658,070</b>	<b>1,678,501</b>	<b>1,627,609</b>
<b>Equipment</b>						
Maintenance & Rentals	5572	65,219	75,379	103,825	89,052	99,674
Expendable Equipment	5575	92,522	84,620	33,463	41,362	92,886
		<b>157,741</b>	<b>159,999</b>	<b>137,288</b>	<b>130,414</b>	<b>192,560</b>
<b>Miscellaneous Expenses</b>						
Building Renovation/Relocation Exp.	5585	17,607	54,319	49,611	52,859	33,533
<b>Total Expenses</b>		<b>\$ 4,269,077</b>	<b>\$ 4,489,329</b>	<b>\$ 4,619,575</b>	<b>\$ 4,497,959</b>	<b>\$ 4,390,464</b>

## OPERATIONS

The Deputy Executive Director provides leadership for the Benefits, Member and Field Services, Office Services, Human Resources, and Performance Excellence departments. The Deputy Executive Director is co-sponsor of IMRF's 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

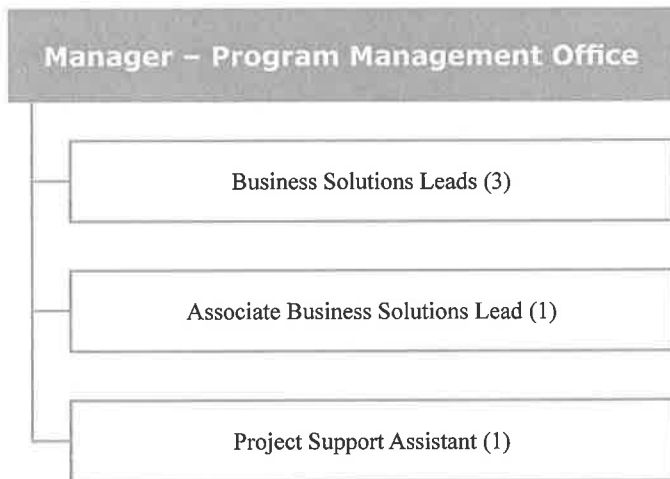
Expense Classification	Account No.	Actual 2013	Actual 2014	Budget 2015	Estimated 2015	Proposed 2016
<b>Operations</b>						
<b>Personnel Costs - Direct</b>						
Salaries	5501	\$ 268,936	\$ 298,992	\$ 298,344	\$ 305,632	\$ 397,688
<b>Personnel Costs - Indirect</b>						
Travel	5507	33	356	200	258	500
Conferences & Meetings	5517	4,458	3,997	7,340	5,544	6,140
		<b>4,491</b>	<b>4,353</b>	<b>7,540</b>	<b>5,802</b>	<b>6,640</b>
<b>Consulting Services</b>						
Process Improvement Program	5515	11,850	3,300	16,200	10,250	15,300
<b>Commodities &amp; Services</b>						
Publications & Dues	5535	349	349	849	499	596
Professional Services - Other	5540	61,400	114,057	67,800	57,336	57,890
		<b>61,749</b>	<b>114,406</b>	<b>68,649</b>	<b>57,835</b>	<b>58,486</b>
<b>Total Expenses</b>		<b>\$ 347,026</b>	<b>\$ 421,051</b>	<b>\$ 390,733</b>	<b>\$ 379,519</b>	<b>\$ 478,114</b>



## PROGRAM MANAGEMENT OFFICE (PMO)

The Program Management Office (PMO) is headed by the Program Management Office Manager and staffed by Business Solution Leads. The PMO department was created to manage the Modernization Program and provide systematic methods and resources for Continuous Process Improvement and innovation.

### PROGRAM MANAGEMENT OFFICE (PMO) – ORGANIZATION CHART



### PROGRAM MANAGEMENT OFFICE (PMO) - BUDGET

Expense Classification	Account No.	Actual 2013	Actual 2014	Budget 2015	Estimated 2015	Proposed 2016
<b>Program Management Office (PMO)</b>						
<b>Personnel Costs - Direct</b>						
Salaries	5501	\$ 176,171	\$ 139,999	\$ 165,192	\$ 230,957	\$ 578,657
<b>Personnel Costs - Indirect</b>						
Travel	5507	-	1,600	2,000	-	4,000
Conferences & Meetings	5517	1,417	1,420	2,500	-	7,100
		<b>1,417</b>	<b>3,020</b>	<b>4,500</b>	<b>-</b>	<b>11,100</b>
<b>Consulting Services</b>						
Implementation Phase Consultant	5514	60,384	118,380	450,000	225,000	790,000
<b>Commodities &amp; Services</b>						
Publications & Dues	5535	656	-	-	-	-
<b>Total Expenses</b>		<b>\$ 238,628</b>	<b>\$ 261,399</b>	<b>\$ 619,692</b>	<b>\$ 455,957</b>	<b>\$ 1,379,757</b>

## 2016 IMRF BUDGET – SUMMARY BY ACCOUNT

Expense Classification	Account No.	Actual 2013	Actual 2014	Budget 2015	Estimated 2015	Proposed 2016
<b>IMRF Summary</b>						
<b>Personnel Costs - Direct</b>						
Salaries	5501	\$ 12,182,926	\$ 12,280,535	\$ 12,824,504	\$ 13,484,730	\$ 15,259,562
Professional Services - Temps	5503	-	66,503	274,745	79,842	8,000
Fringe Benefits	5504	1,883,525	1,979,299	2,024,529	2,377,651	2,549,621
IMRF & Payroll Employer Contributions	5505	2,291,954	2,310,206	2,301,750	2,396,919	2,741,970
		<b>16,358,405</b>	<b>16,636,543</b>	<b>17,425,528</b>	<b>18,339,142</b>	<b>20,559,153</b>
<b>Personnel Costs - Indirect</b>						
Training & Travel	5507	282,370	289,195	446,708	297,937	599,117
Field Staff	5508	147,578	171,608	160,000	180,000	194,500
Recruitment & Testing	5509	52,694	52,815	77,350	68,511	78,925
Other Personnel Costs	5510	35,194	43,853	90,128	66,030	81,970
Conferences & Meetings	5517	35,669	35,106	70,825	58,484	91,809
		<b>553,505</b>	<b>592,577</b>	<b>845,011</b>	<b>670,962</b>	<b>1,046,321</b>
<b>Consulting Services</b>						
Auditing	5511	391,791	295,856	1,242,840	458,250	422,500
Actuarial	5512	358,285	465,791	673,308	834,018	615,000
Legal Counsel	5513	58,137	41,522	100,500	62,827	100,500
Compensation & Benefits	5514	15,000	22,977	46,550	92,400	39,050
Systems Design	5515	337,088	451,011	1,092,200	607,400	866,300
Medical & Field Investigations	5516	139,211	155,420	139,500	124,000	138,500
		<b>1,299,512</b>	<b>1,432,577</b>	<b>3,294,898</b>	<b>2,178,895</b>	<b>2,181,850</b>
<b>Legislative and Lobbying Services</b>						
Legislative Lobbying	5518	68,160	68,796	69,500	69,492	70,800
<b>Public Relations Services</b>						
Public Relations	5519	82,309	96,996	89,700	89,700	89,700
<b>Facility Expenses</b>						
Rent	5521	1,012,984	1,119,059	1,154,303	1,044,748	922,357
Electricity	5522	56,447	57,803	66,140	65,224	66,528
Telephone & Internet	5523	132,627	135,012	169,360	144,800	206,282
Building Operating Expenses	5524	528,544	570,063	574,522	578,978	484,127
Other Facility Expenses	5525	193,424	199,779	209,000	199,632	252,000
		<b>1,924,026</b>	<b>2,081,716</b>	<b>2,173,325</b>	<b>2,033,382</b>	<b>1,931,294</b>

2016 IMRF BUDGET – SUMMARY BY ACCOUNT (cont.)

Expense Classification	Account No.	Actual 2013	Actual 2014	Budget 2015	Estimated 2015	Proposed 2016
<b>IMRF Summary</b>						
<b>Commodities and Services</b>						
Office Supplies	5531	\$ 218,305	\$ 210,199	\$ 236,747	\$ 274,171	\$ 261,063
Forms & Informational Materials	5532	216,567	214,716	316,866	318,506	363,895
Postage & Delivery	5533	1,052,761	1,168,392	1,119,888	1,092,198	1,157,643
Publications & Dues	5535	66,032	56,638	64,260	67,869	67,751
Professional Services - Other	5540	558,056	578,293	644,228	665,851	712,398
		<b>2,111,721</b>	<b>2,228,238</b>	<b>2,381,989</b>	<b>2,418,595</b>	<b>2,562,750</b>
<b>Equipment</b>						
Depreciation - Fixed Assets	5571	1,477,663	1,561,159	1,519,593	1,627,210	2,180,912
Maintenance & Rentals	5572	230,641	240,402	314,965	277,061	330,849
Software Maintenance	5573	464,236	486,708	231,900	193,900	218,000
Software Maintenance PC	5574	330,641	407,251	519,000	528,100	907,400
Expendable Equipment	5575	256,728	233,512	334,863	180,420	371,361
Auto Maintenance & Expense	5576	28,315	26,365	26,000	24,775	9,500
		<b>2,788,224</b>	<b>2,955,397</b>	<b>2,946,321</b>	<b>2,831,466</b>	<b>4,018,022</b>
<b>Miscellaneous</b>						
Trustee Employer Reimbursement	5580	53,820	50,884	55,000	30,000	50,000
Trustee Expenses	5581	49,715	58,284	52,300	68,000	65,000
Trustee Elections	5582	4,984	12,100	155,877	155,877	7,578
Insurance	5583	144,350	153,035	156,100	152,331	300,100
Building Renovation/Relocation	5585	17,607	54,319	49,611	52,859	33,533
Filing Fees	5586	10,716	9,195	11,400	11,200	11,900
		<b>281,192</b>	<b>337,817</b>	<b>480,288</b>	<b>470,267</b>	<b>468,111</b>
<b>Sub-total Administrative Expenses</b>		<b>25,467,054</b>	<b>26,430,657</b>	<b>29,706,560</b>	<b>29,101,901</b>	<b>32,928,001</b>
<b>Investment Expenses</b>						
Investment Managers Fees	5788	87,837,029	107,310,060	98,900,000	113,644,000	106,317,500
Master Trust Services	5789	255,000	268,750	280,000	275,000	275,000
Travel	5790	44,910	76,598	85,000	85,000	85,000
Legal Fees	5791	324,929	471,541	400,000	400,000	350,000
RFP Support	5792	25,056	25,026	25,055	25,055	25,055
Investment Consultants	5793	982,886	863,833	1,002,960	1,002,960	937,960
Securities Lending Fees	5794	1,646,484	1,623,937	1,400,000	1,100,000	795,000
Tax Preparation & Custodial Expense	5795	-	-	25,000	25,000	42,000
Publications & Dues	5796	4,906	8,735	23,952	23,952	25,187
Investment Licenses	5797	-	12	212	212	4,212
<b>Sub-total Investment Expenses</b>		<b>91,121,200</b>	<b>110,648,492</b>	<b>102,142,179</b>	<b>116,581,179</b>	<b>108,856,914</b>
<b>Total Expenses</b>		<b>\$116,588,254</b>	<b>\$137,079,149</b>	<b>\$131,848,739</b>	<b>\$145,683,080</b>	<b>\$141,784,915</b>

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 2016.

**Anticipated Expenditures in 2016 related to 2016 Projects**

Incremental expenditures which are anticipated in 2016 relating to 2016 Projects should be separately reported on the 2016 Project worksheets. The intent is to capture this information separately in order to report on the incremental financial "cost" of the 2016 Projects.

For example, if reprogramming SPECTRUM to total annuity payments by the annuitant's employer or employers was a 2016 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 2016 Modernization efforts will have to be identified by activity, if possible, and evaluated on whether they are an 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 (Program Management Office, Information Services, and Finance) dealing with budgeting for the 2016 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.

**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	"Employee Name"	\$ 2,500
IGFOA Convention	"Employee Name"	\$ 1,000

**Office Salaries – Overtime**

Departments should budget this based upon anticipated needs.

**Office Salaries – Regular**

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

- Open positions that are not actively being recruited to fill, will be eliminated for 2016 budget purposes unless approved by the Executive Director. For open positions actively being recruited, please provide this information via e-mail by October 1<sup>st</sup>.
- New (incremental) positions must be approved by 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 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

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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 round-table or anything else that is significantly out of the ordinary, please contact Office Services so it can be incorporated into the 2016 budget process.

### **Professional Services – Temporaries**

Departments should budget this based on anticipated needs.

### **Publications and Dues**

Departments should budget this based on anticipated needs.

### **Training**

Human Resources will continue to budget all training expenses. Each department should furnish HR with anticipated training needs for 2016. Please keep in mind the Individual Learning Plans that are required for all employees.

### **Travel**

Travel should be budgeted based on anticipated needs. However travel directly related to training should be budgeted as part of the training line item and furnished to Human Resources. 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 Human Resources with the names of employees who anticipate using this benefit in 2016, the course of study and institution where it will be pursued, and the anticipated cost. Remember, IMRF's policy is to limit reimbursement to \$10,400 on an annual basis except for employees who are in the Succession Plan.

The Human Resources 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 budgeted separately.

## APPENDIX B

### NEW ACCOUNTING PRONOUNCEMENTS

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](http://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 implemented 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 adopted 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 adopted GASB Statement No. 70 for its December 31, 2014, financial statements.

In November 2013, GASB issued Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68." The objective of this statement is to address an issue regarding application of the transition provisions for Statement No. 68, Accounting and Financial Reporting for Pensions. The issue being reporting of contributions made by a state or

local governmental employer to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. IMRF will adopt GASB Statement No. 71 for its December 31, 2015 financial statements.

In February 2015, GASB issued Statement No. 72, "Fair Value Measurement and Application." This statement addresses accounting and financial reporting issues related to fair value measurements. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. IMRF will early adopt GASB Statement No. 72 for its December 31, 2015 financial statements.

In June 2015, GASB issued Statement No. 73, "Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68 and Amendments to Certain Provisions of GASB Statements 67 and 68." The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all post-employment benefits with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. IMRF does not fall within the scope of Statement No. 73, therefore there is no impact to its financial statements.

In June 2015, GASB issued Statement No. 74, "Financial Reporting for Post-employment Benefit Plans Other Than Pension Plans." The objective of this Statement is to improve the usefulness of information about post-employment benefits other than pensions (other post-employment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. IMRF as a plan, does not provide Post-employment Benefits other than pensions to its annuitants; therefore there is no impact on its financial statements.

In June 2015, GASB issued Statement No. 75, "Accounting and Financial Reporting for Post-employment Benefit Other Than Pension Plans." The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for post-employment benefits other than pensions (other post-employment benefits or OPEB). It also

improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. IMRF will adopt GASB Statement No. 75 for its December 31, 2017 financial statements.

In June 2015, GASB issued Statement No. 76, “The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments.” The objective of this Statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). The “GAAP hierarchy” consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. IMRF will adopt GASB Statement No. 76 for its December 31, 2016 financial statements.

In August 2015, GASB issued Statement No. 77, “Tax Abatement Disclosures.” Financial statements prepared by state and local governments in conformity with generally accepted accounting principles provide citizens and taxpayers, legislative and oversight bodies, municipal bond analysts, and others with information they need to evaluate the financial health of governments, make decisions, and assess accountability. This information is intended, among other things, to assist these users of financial statements in assessing (1) whether a government’s current-year revenues were sufficient to pay for current-year services (known as interperiod equity), (2) whether a government complied with finance-related legal and contractual obligations, (3) where a government’s financial resources come from and how it uses them, and (4) a government’s financial position and economic condition and how they have changed over time. IMRF does not fall within the scope of Statement No. 77, therefore there is no impact to its financial statements.

## APPENDIX C STRATEGIC PLANNING METHODOLOGY

### Assess and Develop Phase

*(Steps in this phase are completed every three years as part of the three-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 three years and must be considered during Strategic Planning.

#### 3. Conduct a SWOT Analysis:

Meetings are held to identify our major Strengths, Weaknesses, Opportunities, and Threats utilizing a SWOT Analysis. A SWOT analysis of each Key Result Area (KRA) is facilitated by the Deputy Executive Director and/or the Performance Excellence Manager. Fact sheets 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 groups 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, time lines, 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 objectives “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, evaluate completion of action plans twice each year (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.

APPENDIX D  
STATISTICAL DATA

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- Created in 1939 by Illinois General Assembly in response to economic conditions (Great Depression); Social Security was not available to public employees
- Began operations in 1941
- 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 2,976 units of local government (employers) that include 43 types of government such as cities, counties, park districts, and school districts (non-teaching personnel)
- Second largest public pension system in Illinois
- \$34.7 billion in assets as of December 31, 2014
- Best funded statewide system
- 93.1 percent funded on a market basis
- 87.3 percent funded on an actuarial basis
- 173,968 actively participating members
- 112,762 benefit recipients
- 118,440 inactive members
- Profile of average active member in 2014
  - Age: 47.9
  - Service: 10.6 years
  - Annual salary: \$38,786
- Profile of average member who retired in 2014
  - Age at retirement: 63.6
  - Service at retirement 20.1 years
  - Average monthly pension: \$1,439
- Employees Regular = 4.5 percent of pay, SLEP = 7.5 percent 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 are expanded to include a greater level of detail and corresponding time lines.

#### 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. The assumptions are developed by the Board of Trustees with assistance from independent actuaries. They are also used to calculate funding levels and employer contribution rates.

#### 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.

#### 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 percent as the long-term assumed rate of return on investments.

#### Authorized Agent

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

### B

#### Balanced 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 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.

#### 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.'s 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 Surveys

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.

## 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 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.

## 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 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.

## F

### Fiduciary

Individuals required to exercise the highest standard of care when dealing with another’s assets. In the case of IMRF, it’s 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 percent of the Final Rate of Earnings (FRE) for each of the first 15 years of service credit, plus 2 percent of the FRE for each year of service credit thereafter, with a maximum benefit of 75 percent 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

The ratio of IMRF's assets to liabilities.

## Funding, 100% Goal

An optimal 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.

## H

### Horizon

A key project within the Modernization Program and a key strategic opportunity with Deloitte Consulting to develop a new, state-of-the-art pension administration system. This new system is in development and will come on line in stages, beginning in 2015.

## 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, a non-profit organization that seeks to help other organizations improve their performance by embracing the Baldrige Criteria for Performance Excellence and aligning their processes to become more efficient and sustainable

### Inactive Member

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

### 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, 2014, IMRF had approximately 87 investment firms managing 121 separate accounts.

## J

## K

## 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.

## 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 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 percent for the Regular plan and 7.5 percent for SLEP and ECO.

### Members

Current or former employees of units of local government who participate in any IMRF plan. 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 Program Management Office) that includes replacing or upgrading IMRF's technology systems, continuous process improvement, and the expansion of IMRF's customer service capabilities.

## N

## O

### Opportunity for Improvement (OFI)

Formal suggestions to improve any process or procedure, e.g., modifying a current procedure, or 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 percent of the original amount each year. No lump sum payouts are permitted.

### 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 Office (PMO)

The 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

### 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 percent 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

### Service Credit

This is the total time as an IMRF member, referred to as service credit, service, or pension credits. 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 percent

## SIPOC

A method for analysis of work systems that identifies Suppliers-Inputs-Process-Outputs-Customers.

## 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).

## 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. The "Tier 2" program 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."

## V

### Values

IMRF's Values: Respect, Empathy, Accountability, Accuracy, 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

IMRF's Vision: "To provide the highest quality retirement services to our members, their beneficiaries, and employers."

## W

### Workforce Engagement

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

## X

## Y

## Z



PROUD LEGACY  
BRIGHT FUTURE



1941 - 2016



*Locally funded, financially sound.*

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**Oak Brook Office**

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

**Springfield Regional Counseling Center**

3000 Professional Drive, Suite 101  
Springfield, IL 62703

**Contact IMRF**

1-800-ASK-IMRF (275-4673)  
[www.imrf.org](http://www.imrf.org)

After questions and discussion, it was moved by Ms. Stanish, seconded by Mr. Kuehne, to approve the 2016 Planning and Budget Document.

Vote: Unanimous Voice Vote  
Absent: None

(15-11-14) (Board Resolution Updates) General Counsel presented several resolutions for review and amendment.

She stated that staff is currently reviewing the Board's resolutions to ensure they conform to the Pension Code as amended and are otherwise current and complete.

After questions and discussion, it was moved by Mr. Miller, seconded by Ms. Henry, to adopt the following resolutions:

#### **Service Credit**

WHEREAS, section 7-198 of the Illinois Pension Code authorizes the Board of Trustees of the Illinois Municipal Retirement Fund (IMRF) to establish rules necessary or desirable for the efficient administration of the Fund; and

WHEREAS, section 7-139 provides for various types of service credit to be added to a member's IMRF account under certain conditions, upon application.

NOW, THEREFORE, BE IT RESOLVED by the Board of Trustees that:

An employee's record of creditable service and credit shall not be corrected or any creditable service or credit granted (other than that granted during disability or leave of absence) unless an application thereof is received by the Fund while the employee is a participant in this Fund and in active employment with a participating municipality or participating instrumentality or in active employment as a participant in a reciprocal system.

#### **Benefit Protection Leave**

WHEREAS, section 7-139(a)4 of the Illinois Pension Code provides for pension credit for authorized leaves of absence without pay under certain conditions; and

WHEREAS, section 7-198 of the Pension Code authorizes the Board of Trustees of the Illinois Municipal Retirement Fund (IMRF) to establish rules necessary or desirable for the efficient administration of the Fund; and

WHEREAS, it is necessary for the Board of Trustees to establish the following rules regarding service credit for authorized leaves of absence without pay:

Employees shall be entitled to creditable service and credit for leaves of absence without earnings upon compliance with the following conditions:

a. Application shall be filed while the employee is in an employment relationship (including leave of absence periods).

b. No more than 12 months of creditable service or credit shall be counted for purposes of determining any benefits payable.

c. Upon application by an employee for creditable service and credit, an estimate of the cost shall be made by the municipality in the manner directed by the Fund and the governing body shall approve the grant of creditable service and credit and the estimated cost thereof.

d. Employee contributions for the leave of absence period, plus interest at the effective rate when made, shall be made. The contributions shall be computed upon the assumption earnings continued at the rate in effect immediately prior to the leave of absence. Interest shall be computed from the end of the leave period to the date of payment.

e. Temporary disability benefits, total and permanent disability benefits and death benefits shall be payable to employees on leave of absence if application for creditable service and service credit has been filed with the Fund prior to the date the employee becomes disabled or dies. If such benefit is payable, the computation of which includes the recognition of creditable service or credit during leave of absence as provided in this paragraph, any unpaid employee contributions shall be deducted from the first benefit payment.

f. Creditable service and credits will not be granted for leave of absence (other than military leave) without earnings during any period of prior service. This will apply to all applications, including adjustments, for prior service filed on or after December 31, 1967, and to determination of prior service of employees of municipalities or participating instrumentalities beginning participation on and after January 1, 1968.

#### **Beneficiary Designations**

WHEREAS, section 7-198 of the Illinois Pension Code authorizes the Board of Trustees of the Illinois Municipal Retirement Fund to establish rules necessary for the efficient administration of the fund; and

WHEREAS, section 7-118 of the Illinois Pension Code provides that the beneficiary of a member's IMRF death benefits is any person or persons, trust, or charity designated as a beneficiary. If no beneficiary designation is on file, the member's estate is the beneficiary; and

WHEREAS, the Illinois Pension Code requires that a member's beneficiary designation shall be in writing on forms prescribed by the board; and

WHEREAS, it has been the staff policy of IMRF to not allow agents, guardians or others to sign beneficiary designations on behalf of a member; and

WHEREAS, the Board of Trustees has determined that the previous staff policy should be ratified by the adoption of a formal board rule; and

WHEREAS, the Board of Trustees has determined that the Illinois Pension Code and best practice do not allow agents, guardians or others to sign beneficiary designations on behalf of a member.

NOW, THEREFORE BE IT RESOLVED by the Board of Trustees of the Illinois Municipal Retirement Fund that IMRF members must personally sign beneficiary designations and that beneficiary designations signed by agents acting under a power of attorney or as guardians are not valid.

BE IT FURTHER RESOLVED that beneficiary designations filed via the IMRF Secure Member Access system will be presumed to be the action of the member and not an agent or guardian.

### **Delinquent Accounts**

WHEREAS, section 7-198 of the Illinois Pension Code authorizes the Board of Trustees of the Illinois Municipal Retirement Fund to establish rules necessary or desirable for the efficient administration of the Fund; and

WHEREAS, section 7-172.1 of the Pension Code provides the methods by which the Fund may collect delinquent employer contributions; and

WHEREAS, it is appropriate that the Board of Trustees adopt procedures for collection of delinquent contributions.

THEREFORE BE IT RESOLVED that municipalities and participating instrumentalities with delinquent account receivable balances will be informed of their obligation to pay employee and municipal contributions with each payroll report;

Municipalities and participating instrumentalities with delinquent balances for 30 days or more will be notified of the IMRF delinquent employer collection process under section 7-172.1;

The Executive Director is authorized to institute the appropriate legal action under section 7-172.1 against municipalities and participating instrumentalities which do not make satisfactory arrangement for payment of delinquent balances.

### **Background Investigations**

WHEREAS, section 7-198 of the Illinois Pension Code authorizes the Board of Trustees of the Illinois Municipal Retirement Fund to establish rules necessary for the efficient administration of the fund; and

WHEREAS, sections 7-186, 7-189, and 7-190 authorize the Board of Trustees to appoint an executive director and hire other staff necessary for the efficient administration of the fund; and

WHEREAS it is prudent that best practices always be followed in the process of hiring staff members.

THEREFORE, be it resolved by the Board of Trustees that

Appropriate investigations of all new employees be made by a service providing employment verification and background checks.

### **Rescission**

WHEREAS, section 7-198 of the Illinois Pension Code authorizes the Board of Trustees of the Illinois Municipal Retirement Fund to establish rules and regulations regarding the efficient administration of the fund; and

WHEREAS, the Board of Trustees has over the years established such rules and regulations by resolution; and

WHEREAS, certain of those rules and regulations are now out-of-date because of changes to the governing statutes or because they have been superseded by subsequent Board action; and

WHEREAS, it is appropriate that the Board of Trustees rescind such out-of-date rules and regulations.

NOW THEREFORE BE IT RESOLVED that the following resolutions of the IMRF Board of Trustees by and are hereby rescinded:

Resolution 1966-6652 This resolution is out of date because of changes to both the Illinois Pension Code and the U.S. Social Security Act.

Resolution 1974-9047 This resolution is out of date because 1) there is no longer a Department of Local Government Affairs and 2) intervening Board policy on Blind Mailings provides for the use of member addresses.

Vote: Unanimous Voice Vote

Absent: None

It was moved by Ms. Henry, seconded by Ms. Stanish to adopt the following resolution as amended:

### **Electronic Payments**

WHEREAS, sections 7-172(h) and 7-198 of the Illinois Pension Code authorize the Board of Trustees of the Illinois Municipal Retirement Fund to establish rules regarding the time and manner of reporting and paying IMRF contributions by participating employers; and

WHEREAS, processing paper bank checks is an expensive and time consuming process for IMRF; and

WHEREAS, participating employers are able to transmit IMRF contributions electronically via telephone or internet, at no cost to the employers, using First Data Government Solutions (First\_Data) , a third party vendor; and

WHEREAS, participating employers using First Data have found it to be a convenient, efficient, and safe way to pay IMRF contributions; and

WHEREAS, the Board of Trustees has determined that a significant cost savings can be achieved if all IMRF participating employers pay their contributions through the First Data system; and

WHEREAS, cost savings to IMRF result in lower administrative expenses, which is of benefit to all IMRF participating employers; and

WHEREAS, the Board of Trustees finds that it is appropriate that all participating employers pay their IMRF contributions using an electronic funds transfer system (such as First Data).

NOW THEREFORE BE IT RESOLVED that all contributions payable to IMRF must be made via an electronic funds transfer system (such as First Data) as of October 1, 2004.

BE IT FURTHER RESOLVED that an administrative fee of \$25 will be assessed for each paper check submitted to IMRF by a participating employer after September 30, 2004.

Vote: Unanimous Voice Vote

Absent: None

Lastly, General Counsel presented a new resolution for Board approval that formalizes a negotiating position for staff when working on limited partnership agreements for alternative investments.

It was the consensus of the Board to have staff consult with investment counsel regarding the resolution and, if appropriate, amend it and bring it back to the Board for approval at a later date.

(15-11-15) (Security and Privacy Liability Insurance - Cyber Data Breach or Extortion) General Counsel is recommending the Board approve the purchase of an insurance policy covering privacy and network security, also called Cyber Insurance.

Representatives from IMRF's insurance brokers, Tave Risk Management, were present to explain this type of insurance coverage and answer questions.

After questions and discussion, it was the consensus of the Board to defer a decision until the December Board Meeting, at which time staff will provide further information concerning how many pension plans carry cyber insurance, and the possible out-of-pocket expenses IMRF may incur if a security breach occurs.

Trustee Stanish left the meeting at 12:30 p.m.

(15-11-16) (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:** The PLA was denied. The case will proceed at the trial court level to identify eligible plaintiffs and the availability of attorneys fees.

**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:** An agreement of the parties led to the claim against 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. A joint motion to dismiss the remaining portions of the complaint was filed, but the court has not yet ruled.

**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:** The PLA was denied. IMRF's motion to dismiss the cross claim was granted. MEABF recently attempted to file a motion to clarify the judge's ruling regarding Sheahan's MEABF credits, but the judge denied the motion. Sheahan's counsel has filed a second amended counterclaim and his request for leave to file that claim is before the Court on November 17, 2015.

**THOMAS SHEAHAN V. IMRF (15 MR 418) DUPAGE CO.**

**Summary:** Appeal of the February 24, 2015 BRC decision to uphold the termination of Mr. Sheahan's pension payments.



**Status:** IMRF has filed its brief and a hearing on the matter was set for November 5, 2015. On November 5, Judge Wheaton overturned the Board's decision. IMRF has filed a notice of appeal.

**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:** In August, the BRC upheld the staff determination and the matter will now go back to circuit court on administrative review. Ms. Konicki has filed a motion for leave to file an amended complaint which will be presented to the Court on December 1, 2015.

**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.

**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 has been transferred to new counsel in Lake County and IMRF is waiting for transfer order.

**ROGER C. BOLIN v. IMRF (PUTNAM COUNTY 14 MR 23)**

**Summary:** Appeal of Board decision to deny omitted service application and enrollment of Putnam County Public Defender

**Status:** This case is currently being briefed. IMRF has filed its brief. A hearing will be set when all briefs are filed.

**IN RE ENERGY FUTURE HOLDINGS CORP. ET AL. (US BANKRUPTCY COURT-DISTRICT OF DELAWARE)**

**Summary:** This is a bankruptcy adversary complaint filed in an attempt to claim ownership for the bankruptcy estate of a particular high yield bond in which we have an interest. This bond is in our Pyramis High Yield Bond account.

**Status:** We have a joint representation agreement with other Fidelity entities, which also have interests in the bond at issue. Pyramis has agreed to pay our legal expenses up to a limit of \$40,000. Our proportionate share of the estimated legal expenses for the joint defense is 1%. So far, our expenses have been well below the limit.

**HOCHSTATTER V. IMRF (15 MR 25 LASALLE COUNTY)**

**Summary:** This was a return to work case where it was found that Mr. Hochstatter owed the fund a prepayment

**Status:** IMRF has appeared and filed a motion to dismiss. A status hearing was held on July 15, 2015. The Plaintiff has filed a civil suit against the Township. A briefing schedule and hearing date have been set.

**DONNELLY V. VILLAGE OF TINLEY PARK AND IMRF (15 CH 5038) COOK CO.**

**Summary:** This is a mandamus and declaratory judgement action. The Village of Tinley Park refused to allow Mr. Donnelly's application for service credit with IMRF and enrollment. He was a firefighter and had terminated his employment with the Village prior to the Village enrolling its firefighters as a result of an IMRF audit but was employed during those discussions.

**Status:** IMRF has filed its appearance and a motion to dismiss in this case. The motion has been briefed and a hearing on the motion is set for November 6, 2015. On November 6, Judge Kennedy dismissed IMRF from this case and as such it will be coming off the Board's report.

**BARBARA RIFKIN V. IMRF (COOK COUNTY 15 CH 6950)**

**Summary:** This is an appeal of a denial of IMRF temporary disability benefits which was filed on April 27, 2015.

**Status:** IMRF has filed a motion to dismiss and an appearance. The Court has referred the matter for potential representation for Ms. Rifkin. Status is set for November 6, 2015. On November 6, the case was continued to November 18 at 10 am for potential representation.

**DENNIS GIANOPOLUS V. IMRF (COOK COUNTY 15 CH 8223)**

**Summary:** This is an appeal from an administrative decision of the IMRF finding Mr. Gianopolus was not eligible to participate in IMRF as Corporation Counsel/prosecutor for the City of Calumet City.

**Status:** IMRF has filed an appearance and the record. IMRF's brief is due on December 11, 2015 and a status is set for December 24, 2015.

(15-11-17) (Report of Executive Director)

2016 Board Meeting Dates

The Executive Director presented a tentative list of 2016 Board Meeting dates for review and discussion.

Horizon Update

The Executive Director updated the Board on recent Horizon 4a developments.

Senate Hearings

The Executive Director reported on the November 18<sup>th</sup> Senate Hearings attended by staff and four Board Members.

Quarterly Strategic Objectives Report

The Executive Director updated the Board on the 3<sup>rd</sup> Quarter 2015 Strategic Objectives.

Trustee Henry left the meeting at 12:55 p.m.

(15-11-18) (Trustee Forum) The Chair reported the following Trustee requested authorization from the Board for the following conference:

Tom Kuehne                      "Investments Institute"  
IFEBP  
March 14-16, 2016  
Las Vegas, NV

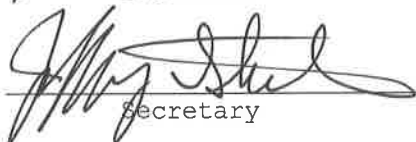
It was moved by Mr. Stulir, seconded by Ms. Copper to approve the above Trustee requests.

Vote: Unanimous Voice Vote  
Absent: Henry, Stanish

(15-11-19) (Adjournment) It was moved by Mr. Kuehne, seconded by Ms. Copper, to adjourn the Board Meeting at 1:00 p.m., to reconvene in the Fund offices, 2211 York Road, Suite 400, Oak Brook, Illinois, at 9:00 a.m. on December 18, 2015.

Vote: Unanimous Voice Vote  
Absent: Henry, Stanish

  
\_\_\_\_\_  
President

  
\_\_\_\_\_  
Secretary

12-18-15  
\_\_\_\_\_  
Date

12-18-15  
\_\_\_\_\_  
Date

