

ILLINOIS MUNICIPAL RETIREMENT FUND
MINUTES OF
REGULAR MEETING NO. 18-11
NOVEMBER 16, 2018

ILLINOIS MUNICIPAL RETIREMENT FUND

MEETING NO. 18-11

REGULAR MEETING

OF THE

BOARD OF TRUSTEES

The Regular Meeting of the Board of Trustees was held at 9:00 a.m. November 16, 2018, in the Fund Office at 2211 York Road, Suite 400, Oak Brook, Illinois.

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

Ms. Enright took a visual roll:

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

Trustees Wallace and Williams were present via telephone.

Ms. Becker-Wold and Mr. Ball from Callan Associates, Messrs. Murphy, Buis and Pieterse from Gabriel Roeder Smith and Company and representatives from Pensions and Investments and Loop Capital were also present.

(18-11-01) (Gabriel Roeder Smith & Company - Funding Policy)

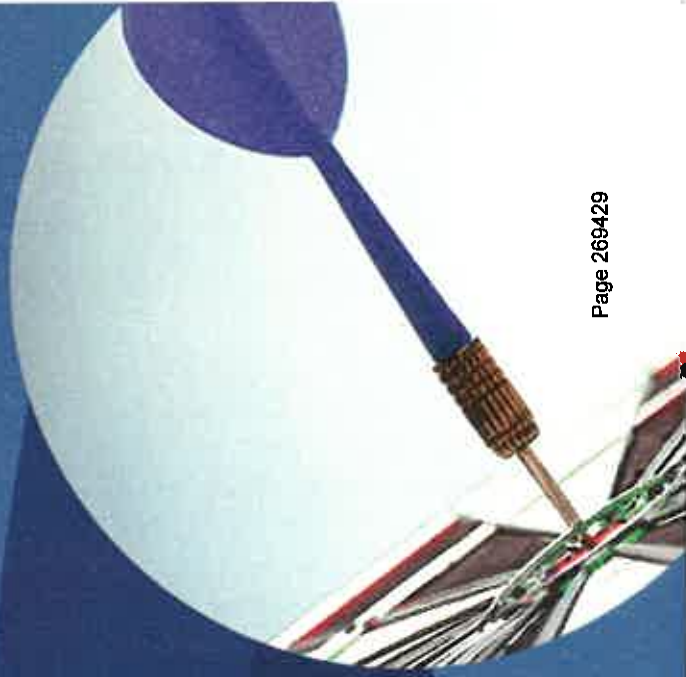
Messrs. Murphy, Buis and Pieterse were present from Gabriel Roeder Smith & Company (GRS) to give the following presentation to the Board regarding IMRF's current Investment Return Assumption and Funding Policy:



Illinois Municipal Retirement Fund

Brian Murphy, FSA, EA, FCA, MAAA
Mark Buis, FSA, EA, FCA, MAAA
Francois Pieterse, ASA, FCA, MAAA

November 16, 2018



Background

- Historically, GRS prepares a full Experience Study (Assumption review) every 3 years
- Last Experience Study was presented in November of 2017
- GRS recommended reducing the investment return assumption to 7.25%, but the Board elected to remain at 7.5%
- Due to GASB requirements and Actuarial Standards, actuaries need to ensure the reasonableness of the Investment Return Assumption (actually all assumptions) annually

Background

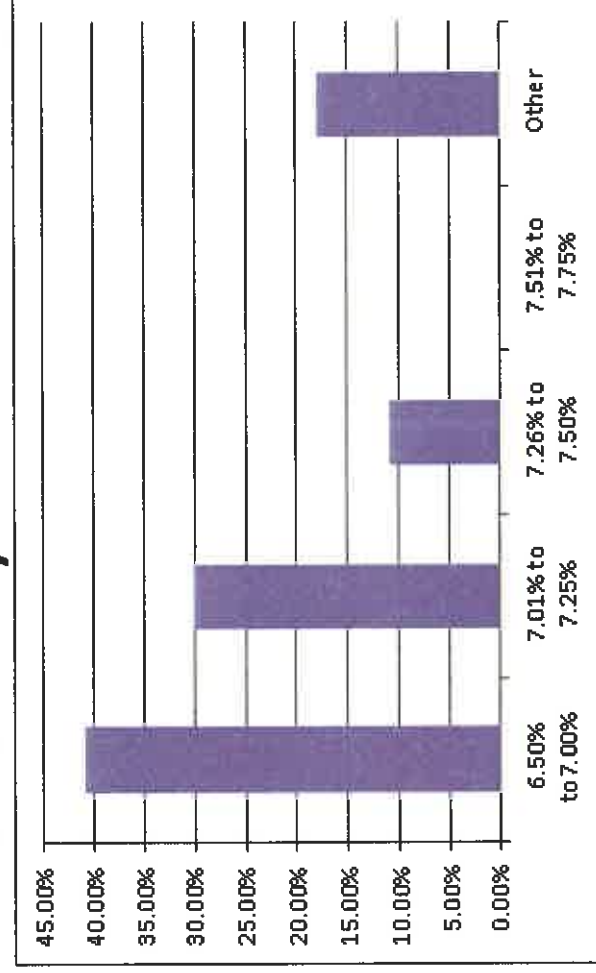
- We are not investment experts, we consider the following items:
 - Historical Patterns
 - Forward Expectations of Investment Consultants
 - Investment Policy
 - Funding Levels
 - Comparison to Other Systems
 - Actuarial Standards of Practice
- Typically, a Board's decision with input from Investment Experts and Actuary

Background

- Current assumption of 7.5% has been in effect for 25 years
- While 7.5% assumed rate of return was historically conservative compared to other Systems, it is now considered aggressive
- The median return according to NASRA is now below 7.5% and falling
- Conservative assumptions have contributed to IMRF's strong funding position

What Are Other Actuaries Recommending?

- Recent Survey of Assumed Investment Return recommended by Public Sector Actuaries



- NASRA surveys will tend to lag actuarial recommendations by 1 to 2 years

What Are Other Systems Doing?

- Recent changes by other Systems
 - CALPERS – 7.5% to 7.0% over 3 years
 - CALSTRS – 7.5% to 7.0% over 2 years
 - State of Michigan – 7.5% to 7.05%
 - Ohio PERS – 7.5% to 7.2%
 - Texas Teachers 8.0% to 7.25%
 - Minnesota (PERA & SRS) – 8.0% to 7.5%
 - Minnesota Teachers – 8.5% to 7.5%
 - Kentucky – 6.75% to 5.25%
 - Illinois SURS – 7.25% to 6.75%
 - Illinois SERS – 8.5% to 7.0% (since 2010)
 - Chicago Public Schools – 7.25% to 7.0%
- 75% of the 129 plans that NASRA surveys have lowered their assumption since 2010.

Assumptions Within Illinois

Retirement System/Fund	Investment Return Assumption
State Universities Retirement System of Illinois	6.75%
State Employees' Retirement System of Illinois	7.00%
Teachers' Retirement System of Illinois	7.00%
Judges' Retirement System of Illinois	6.75%
General Assembly Retirement System of Illinois	6.75%
County Employees' and Officers' Annuity and Benefit Fund of Cook County	7.25%
Forest Preserve District Employees' Annuity and Benefit Fund of Cook County	7.25%
Laborer's and Retirement Board Employees' Annuity and Benefit Fund of Chicago	7.25%
Policemen's Annuity and Benefit Fund of Chicago	7.25%
Firemen's Annuity and Benefit Fund of Chicago*	7.50%
Illinois Municipal Retirement Fund	7.50%
Municipal Employees' Annuity and Benefit Fund of Chicago	7.00%
Park Employees' Annuity and Benefit Fund of Chicago	7.50%
Metropolitan Water and Reclamation District Retirement Fund	7.50%

Why Are so Many Systems Lowering Their Assumed Return?

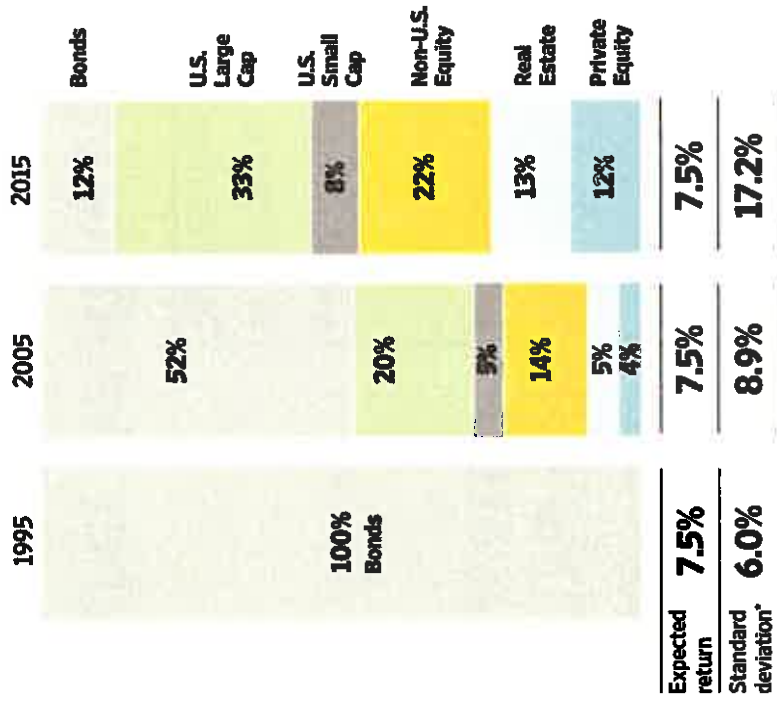
- Expected real returns are consistent or slightly higher than historical real returns, but historical total returns of 8% or more were largely driven by high inflation that is not expected to be repeated

	Historical Return (over last 50 years)	Forward Looking Returns
Inflation	4.0%	2.5%
Real Return	<u>4.0%</u>	<u>4.5%</u>
Total Return	8.0%	7.0%

- Higher Volatility (volatility drag) is also reducing the median return by about 50 basis points over historical averages

Increasing Risk for a Given Return

Estimates of what investors needed to earn 7.5%



*Likely amount by which returns could vary
Source: Callan Associates

THE WALL STREET JOURNAL.

- IMRF has been assuming 7.5% since mid 1990's
- It takes much more risk today to produce a portfolio earning 7.5% than it did years ago
- While IMRF's current Standard Deviation is below the figure in this generic study, it is much higher than it would have been in 1995

IMRF Asset Allocation

As of June 30, 2018

Asset Class	(in Millions)	% Target	% Actual
Domestic Equity	\$18,084.70	37.00%	43.80%
International Equity	\$8,147.60	18.00%	19.70%
Fixed Income	\$10,883.40	28.00%	26.40%
Real Estate	\$2,376.30	9.00%	5.80%
Alternative Investments	\$1,624.60	7.00%	3.90%
Cash Equivalents	\$169.90	1.00%	0.40%
Total	\$41,286.50	100.00%	100.00%

From IMRF Website

Capital Market Assumption Modeling

- GRS does not provide investment advice
- GRS maintains capital market assumptions from 12 different investment consulting firms over differing time horizons
 - 11 consultants provide 10-year assumptions; one provides 5-7 year assumptions. These tend to be quantitatively based. Using these assumptions, we produce “10-year expectations”
 - One consultant also provides 20-year assumptions. Two provide 30-year assumptions. The longer term assumptions are less quantitative than the 10-year assumptions. Using these assumptions, we develop rough “30-year expectations”
 - The 30-year expectations assume very favorable returns after the first 10 years
- GRS maps the IMRF asset allocation into the capital market assumptions of the 12 investment consultants to develop an approximation of what they would expect from the portfolio

Arithmetic Average Expectation over 10 Years (IMRF Target Allocation)

Investment Consultant (1)	Investment Consultant Expected Nominal Return (2)	Investment Consultant Inflation Assumption (3)	Expected Real Return (2)-(3) (4)	Actuary Inflation Assumption (5)	Expected Nominal Return (4)+(5) (6)	Plan Incurred Administrative Expenses (7)	Expected Nominal Return Net of Expenses of (6)-(7) (8)	Standard Deviation of Expected Return (1-Year) (9)
1	5.88%	2.20%	3.68%	2.50%	6.18%	0.08%	6.10%	12.73%
2	6.54%	2.50%	4.04%	2.50%	6.54%	0.08%	6.46%	12.65%
3	6.26%	2.21%	4.05%	2.50%	6.55%	0.08%	6.47%	13.14%
4	6.34%	2.26%	4.08%	2.50%	6.58%	0.08%	6.50%	10.90%
5	6.45%	2.25%	4.20%	2.50%	6.70%	0.08%	6.62%	12.36%
6	6.70%	2.50%	4.20%	2.50%	6.70%	0.08%	6.62%	12.72%
7	6.37%	2.00%	4.37%	2.50%	6.87%	0.08%	6.79%	11.74%
8	6.43%	2.00%	4.43%	2.50%	6.93%	0.08%	6.85%	10.90%
9	6.79%	2.31%	4.49%	2.50%	6.99%	0.08%	6.91%	12.37%
10	7.12%	2.26%	4.86%	2.50%	7.36%	0.08%	7.28%	14.40%
11	6.85%	1.95%	4.90%	2.50%	7.40%	0.08%	7.32%	12.57%
12	7.66%	2.00%	5.66%	2.50%	8.16%	0.08%	8.08%	11.16%
Average	6.62%	2.20%	4.41%	2.50%	6.91%	0.08%	6.83%	12.30%

Only one of 12 consultants expects arithmetic return to exceed 7.5%, and that consultant appears to be an outlier.

Geometric Average Return (Based on 10-Year Assumptions) (IMRF Target Allocation)

Investment Consultant	Distribution of 20-Year Average Geometric Net Nominal Return						Probability of exceeding 7.50%	Probability of exceeding 7.25%	Probability of exceeding 7.00%	Probability of exceeding 6.75%
	40th	50th	60th	(4)	(5)	(6)				
1	4.65%	5.36%	6.07%	22.51%	25.21%	28.09%	31.11%	34.81%	35.16%	36.60%
2	4.88%	5.61%	6.35%	25.94%	28.76%	31.72%	34.81%	35.16%	36.60%	37.13%
3	4.98%	5.68%	6.39%	25.90%	28.83%	31.93%	32.81%	33.85%	34.28%	36.87%
4	5.31%	5.92%	6.53%	25.79%	29.20%	32.81%	33.85%	34.28%	36.87%	40.52%
5	5.11%	5.82%	6.54%	27.68%	30.69%	33.85%	34.28%	36.87%	40.52%	42.37%
6	5.20%	5.89%	6.58%	27.91%	31.02%	34.28%	38.20%	41.71%	44.57%	47.60%
7	5.47%	6.13%	6.79%	29.95%	33.33%	36.87%	41.48%	44.04%	47.60%	61.80%
8	5.67%	6.28%	6.90%	30.83%	34.53%	38.38%	44.04%	47.60%	61.80%	40.92%
9	5.48%	6.18%	6.87%	31.53%	34.80%	38.20%	41.48%	44.04%	47.60%	61.80%
10	5.52%	6.32%	7.12%	35.51%	38.46%	41.48%	44.04%	47.60%	61.80%	40.92%
11	5.88%	6.58%	7.29%	37.11%	40.53%	44.04%	47.60%	61.80%	61.80%	40.92%
12	6.87%	7.49%	8.11%	49.81%	53.85%	57.86%	61.80%	61.80%	61.80%	40.92%
Average	5.42%	6.10%	6.80%	30.87%	34.10%	37.46%	40.92%	44.04%	47.60%	61.80%

Only one consultant would think there is a 50% chance of achieving 7.5%, and that one seems to be an outlier.

Summary

		Actuarial Investment Return Assumption		Probability of Earning 7.5%
		Preferred	Also Acceptable	
10 year	12 Consultants	6.1%	6.8%	31.19%
30 year	3 Consultants	6.8%	Something above 6.8%	39.6%

Based upon this analysis, there is approximately a 2/3rds chance that contribution rates calculated based upon a 7.5% assumption will not be met resulting in higher contribution rates. We would view continuation of this assumption as aggressive and not in the best interest of IMRF.

Comments

- The State’s auditing actuary challenged the use of a 7.5% assumption as being “overly aggressive” almost a year ago
- The auditing actuary also indicated a need for support for focusing only on the longer term expectation of certain investment consultants in the same audit. (in other words, reliance on the 30-year expectations would require specific justification)

Conclusions

- Current 7.5% assumption is aggressive based on 10-year capital market expectations.
- Preferred actuarial assumption for IMRF is now 6.1% with anything up to 6.8% being routinely acceptable.
- The 6.8% upper bound can be stretched a little by giving extra weight to the 30-year expectations.
- But in our view, any assumption greater than 6.1% probably has less than a 50% chance of being achieved.
- Recommend decreasing assumed rate of return by at least 25 basis points (i.e., to 7.25% as previously recommended), and preferably by 50 basis points or more.
- Continued annual review of this assumption will be necessary.

Conclusions

- A reduction in assumed return will cause 2020 contribution rates to increase from 2019 levels, but recall that 2019 rates will be lower than current (2018) rates
 - 2018 average contribution rate – 11.24%
 - 2019 average contribution rate – 9.06%
 - 2020 estimated rate (using 7.25% return) – 10.15% to 10.65%
- Impact will vary by employer based on demographics
- Continued progression of active members into Tier 2 cost structure will decrease the contribution rate by about 0.10% of payroll per year on average
- 2020 rates will also be affected by 2018 investment return and carryover gains from 2017

IMRF Assumed Investment Return

Final Comments

- Lowering the actuarial assumed rate of return should not impact the asset allocation strategy or actual investment return to the plan
- Using more realistic assumed rate of return will be in the best interest of IMRF

APPENDIX

List of Investment Consulting Firms

Surveyed

- Callan
- Wilshire
- NEPC
- PCA
- Bank of New York Mellon
- JP Morgan
- RV Kuhn
- Mercer
- Marquette
- Summit
- Aon
- Voya

Geometric vs. Arithmetic Return

- **Arithmetic return** is the arithmetic average of annual returns expected on a given portfolio over a given time horizon. For example maybe it is 7%.
- Standard deviation is a measure of the variability of return. For most portfolios today it is on the order of 10-15%.
- Variability drags down return.
- **Geometric return** is the compounded return expected on a given portfolio over a given time horizon. It will be lower than arithmetic due to variability.

Geometric vs. Arithmetic Return

- Suppose standard deviation is 10%. Then “most of the time” annual returns would be between 7%+10% and 7%-10% in our example.
- Compounded (Geometric) return would be about 50 basis points lower than arithmetic in that case.
- $(1.17 \times 0.97)^{1/2} = 1.0653$ or about 6.5% compounded return.
- Variability drags down return!

Geometric vs. Arithmetic Return

- The **expected geometric rate of return** is the **preferred actuarial** assumption because over a long enough time horizon it has a 50% probability of being achieved.
- **Expected arithmetic return is also reasonable** because in any given year it has no expected gain or loss.
 - *But it is important to remember that arithmetic return has less than a 50% chance of being achieved over a time horizon if standard deviation is not 0%.*

What Is an Appropriate Time Horizon?

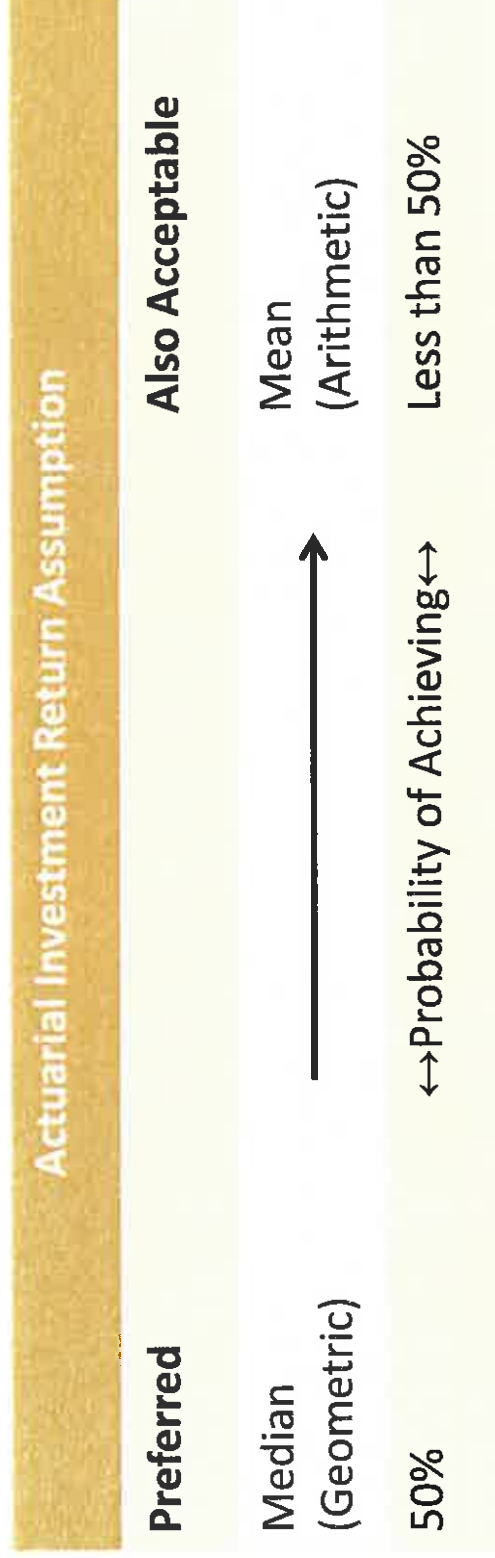
- Present Value of Future IMRF Benefits is \$48 Billion. 40+% is paid out in the next ten years and well over half in the first 15 years as shown below.

% of PVB Paid By year	
Years	% Paid
1-10	40.58%
11-15	16.50%
16-30	30.62%
31-100	12.30%
All	100.00%

What Is an Appropriate Time Horizon?

- In terms of time horizon, the first 10 to 15 years are very important.
- While the years after that do matter, there is not much of an empirical basis for developing assumptions that far into the future.

Summary



Disclaimers

- This presentation shall not be construed to provide tax advice, legal advice or investment advice.
- This presentation expresses the views of the author and does not necessarily express the views of Gabriel, Roeder, Smith & Company.

After questions and discussion, the Board directed staff to communicate to IMRF stakeholders the possible changing of IMRF's current Investment Return Assumption.

The Board will take action at the December 14, 2018 Board Meeting.

(18-11-02) (Adoption of New Actuarial Tables) The Chief Financial Officer presented a resolution to the Board to adopt new actuarial tables:

He stated the Board approved the Triennial Experience Study using 2015-2017 data, and that Gabriel Roeder Smith & Co. (GRS) has used that study to review and update the present value tables used by IMRF.

It was moved by Mr. Miller, seconded by Ms. Thompson, to adopt the following resolution:

Whereas, Section 7-182 of the Illinois Pension Code authorizes the IMRF Board of Trustees to adopt actuarial tables; and

Whereas, the IMRF actuary has previously reported the results of its 2015-2017 Triennial Experience Study; and

Whereas, based upon the Triennial Study the IMRF actuary has recommended certain changes to the actuarial tables; and

Whereas, it is appropriate that these recommendations be accepted and the actuarial tables recommended by the actuary be adopted.

NOW THEREFORE BE IT RESOLVED that the present value tables with adjustments for IMRF experience and the MP2017 projection scale (GRS Factor Tables dated October 1, 2018) are hereby adopted by the IMRF Board.

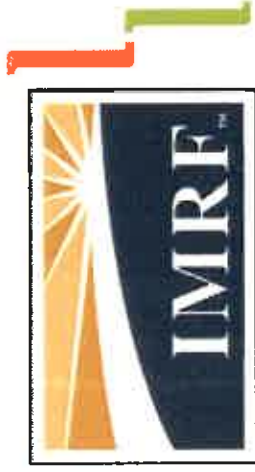
Vote:

Aye: Stanish, Thompson, Wallace, Williams, Henry, Miller
Nay: Kuehne
Absent: None

(18-11-03) (3rd Quarter Investment Performance Report) Ms. Becker-Wold from Callan Associates presented an evaluation of IMRF's investment performance for the period ending September 30, 2018.

Questions and discussion followed.

(18-11-04) (Investment Manager Activities - Callan Associates) Mr. Ball of Callan Associates presented the following report to the Board on the activities of IMRF's investment managers for the month of October 2018:



Monthly Performance Review

October 2018

Janet Becker-Wold, CFA
Senior Vice President

Ryan Ball, CFA
Senior Vice President

IMRF Performance Highlights

October 2018

- The market value of the Total Fund was \$40.02 billion at the end of October, a decrease of \$2.39 billion from the prior month.
- The Fund returned -5.45% during the month, trailing the -4.30% return of its benchmark.
- The Domestic Equity allocation is 6.3% above its target.
 - The Board approved rebalancing actions totaling \$1.7 billion across Domestic Equity and Fixed Income at the October meeting. This rebalancing reduces the overweight allocation to Domestic Equity by approximately 2% and underweight allocation to Fixed Income by approximately 2%.
- Domestic Equity trailed its respective benchmark for the month, while International Equity beat its benchmark.
 - The IMRF Domestic Equity composite returned -8.43% relative to the -7.36% return of the Russell 3000 Index.
 - The large cap component returned -7.95% (Russell 1000 Index: -7.08%).
 - The small cap component returned -10.99% (Russell 2000 Index: -10.86%).
 - The IMRF International Equity composite returned -7.96% (MSCI ACWI ex-U.S. Index: -8.13%).
- The Fixed Income composite returned -0.73%, besting the return on the Bloomberg Aggregate Index (-0.79%).


Economic Overview

October 2018

- The “advanced” estimate of third quarter GDP growth showed an annualized rate of 3.5%.
- Headline CPI increased 0.3% in October and Core CPI, which excludes food and energy prices, also advanced 0.2%. Over the last 12 months, Headline CPI rose 0.2% to 2.5% and Core CPI fell to 2.1%.
- Non-farm payroll growth was above average for October.
 - 250,000 jobs were added in October, compared to an average monthly gain of 211,000 over the prior 12 months.
 - The unemployment rate remained at 3.7% in October.
- Domestic equities fell in October (Russell 3000 Index: -7.36%).
 - Value outperformed growth.
- International equities also had negative returns for the month (MSCI ACWI ex-U.S. Index: -8.13%).
- Rates rose across the yield curve in October.
 - Bloomberg Aggregate Index (-0.79%) posted negative returns for the month. Year-to-date, the index has struggled (-2.38%).
 - Yield on the 10-year Treasury ended October at 3.15%, up from the September month end figure of 3.05%.

Market Overview – Broad Market Index Returns

Periodic Table of Investment Returns
for Periods Ended October 31, 2018

Best  Worst

	Last Month	Year to Date	Last Year	Last 3 Years	Last 5 Years	Last 10 Years
Bimbg:Aggregate (0.8%)	Russell:1000 Index 2.7%	Russell:1000 Index 7.0%	Russell:1000 Index 11.3%	Russell:1000 Index 11.1%	Russell:1000 Index 13.4%	
Russell:1000 Index (7.1%)	Russell:3000 Index 2.4%	Russell:3000 Index 6.6%	Russell:3000 Index 11.3%	Russell:3000 Index 10.8%	Russell:3000 Index 13.3%	
Russell:3000 Index (7.4%)	Russell:2000 Index (0.6%)	Russell:2000 Index 1.9%	Russell:2000 Index 10.7%	Russell:2000 Index 8.0%	Russell:2000 Index 12.4%	
MSCI:ACWI ex US (8.1%)	Bimbg:Aggregate (2.4%)	Bimbg:Aggregate (2.1%)	MSCI:ACWI ex US 4.4%	Bimbg:Aggregate 1.8%	MSCI:ACWI ex US 6.9%	
Russell:2000 Index (10.9%)	MSCI:ACWI ex US (11.0%)	MSCI:ACWI ex US (8.2%)	Bimbg:Aggregate 1.0%	MSCI:ACWI ex US 1.6%	Bimbg:Aggregate 3.9%	

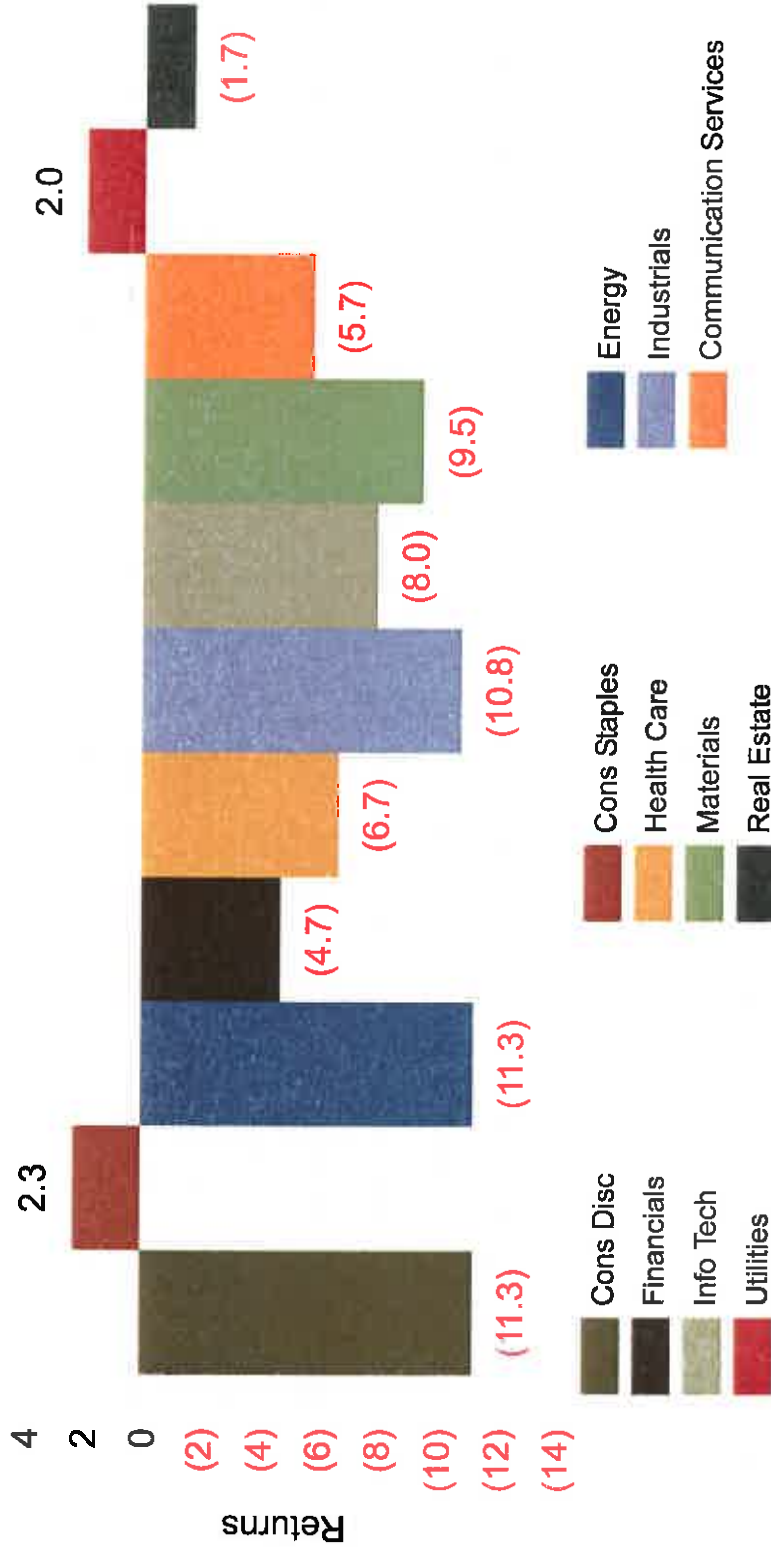
Market Overview – U.S. Equity Returns

Returns for Periods Ended October 31, 2018

Index	Last Month	Year to Date	Last Year	Last 3 Years	Last 5 Years	Last 10 Years
Russell:3000 Index	(7.36)	2.43	6.60	11.27	10.81	13.35
S&P:500	(6.84)	3.01	7.35	11.52	11.34	13.24
Russell:1000 Index	(7.08)	2.67	6.98	11.31	11.05	13.42
Russell:1000 Growth	(8.94)	6.62	10.71	13.67	13.43	15.45
Russell:1000 Value	(5.18)	(1.46)	3.03	8.88	8.61	11.30
Russell:Midcap Index	(8.31)	(1.47)	2.79	9.04	8.97	14.19
Russell:2000 Index	(10.86)	(0.60)	1.85	10.68	8.01	12.44
Russell:2000 Growth	(12.65)	1.11	4.13	10.72	8.75	13.89
Russell:2000 Value	(8.95)	(2.46)	(0.59)	10.52	7.18	10.95

Market Overview – U.S. Equity Sector Returns

S&P 500 Sector Returns for 1 Month Ended October 31, 2018

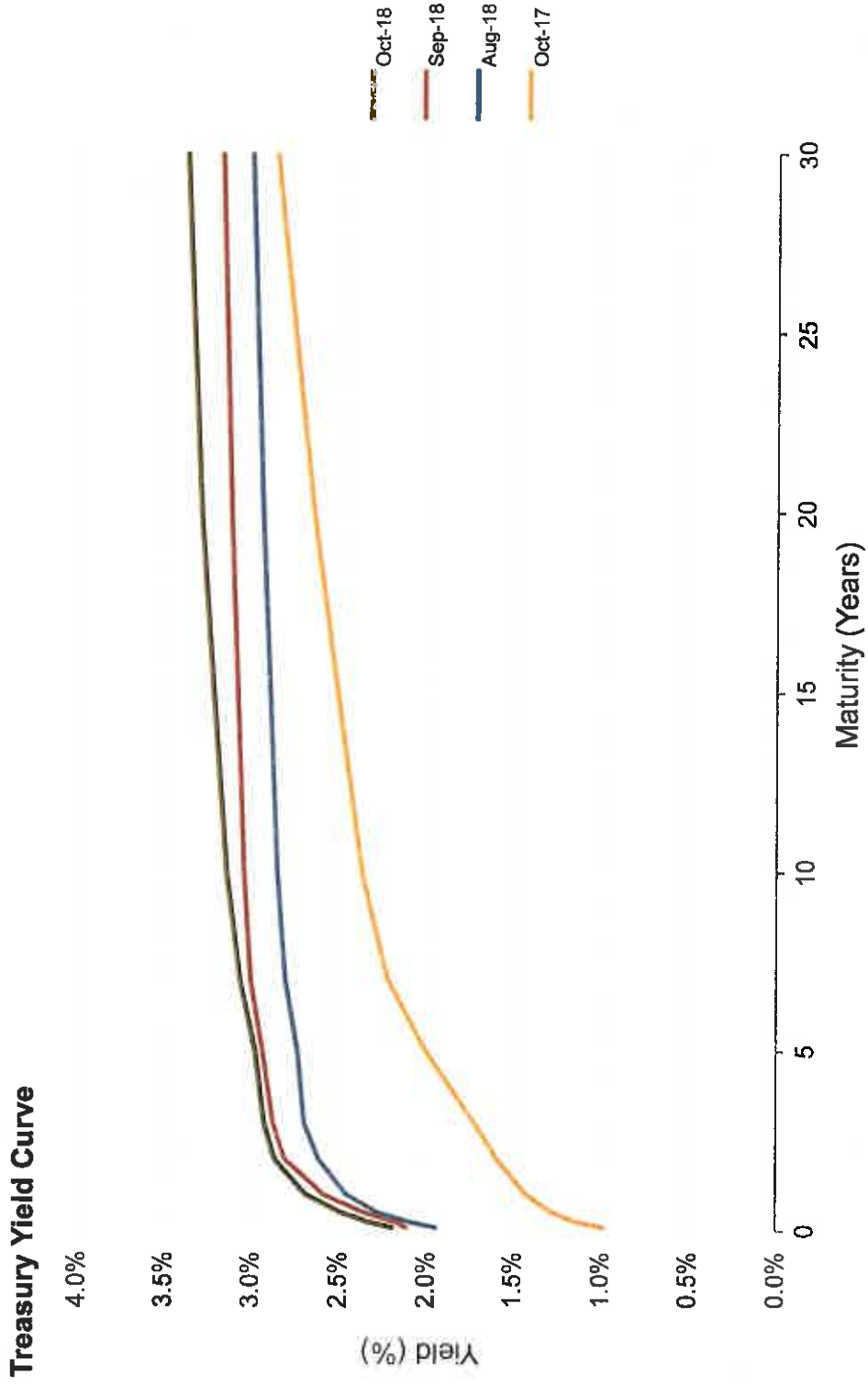


Market Overview – Non-U.S. Equity Returns

Returns for Periods Ended October 31, 2018

Index	Last Month	Year to Date	Last Year	Last 3 Years	Last 5 Years	Last 10 Years
MSCI:ACWI ex US	(8.13)	(10.97)	(8.24)	4.37	1.63	6.92
MSCI:ACWIxUS Growth Gross	(9.35)	(11.36)	(8.42)	4.84	2.99	7.78
MSCI:ACWIxUS Val Gross	(6.86)	(9.79)	(7.17)	4.87	1.17	6.99
MSCI:EAFE	(7.96)	(9.28)	(6.85)	3.62	2.02	6.89
MSCI:EAFE Hedged Net	(6.23)	(3.48)	(2.56)	5.67	6.45	8.34
MSCI:EM	(8.71)	(15.72)	(12.52)	6.52	0.78	7.84
MSCI:ACWI ex US Small Cap	(9.73)	(13.71)	(9.73)	5.47	3.36	10.88
Regional Returns						
MSCI:Europe	(7.63)	(9.90)	(8.34)	2.51	1.21	6.54
MSCI:Japan	(8.46)	(7.01)	(3.56)	5.44	4.89	6.72
MSCI:Pacific ex Japan	(8.76)	(11.09)	(6.17)	6.85	1.09	9.79
MSCI:EM Europe Gross	(5.49)	(10.91)	(6.08)	7.04	(4.98)	3.22
MSCI:Latin Am Free Gross	3.46	(3.43)	(2.08)	13.10	(2.20)	5.21
MSCI:EM Asia Gross	(10.92)	(16.74)	(14.28)	6.87	3.67	10.34

Market Overview – U.S. Treasury Yield Curve



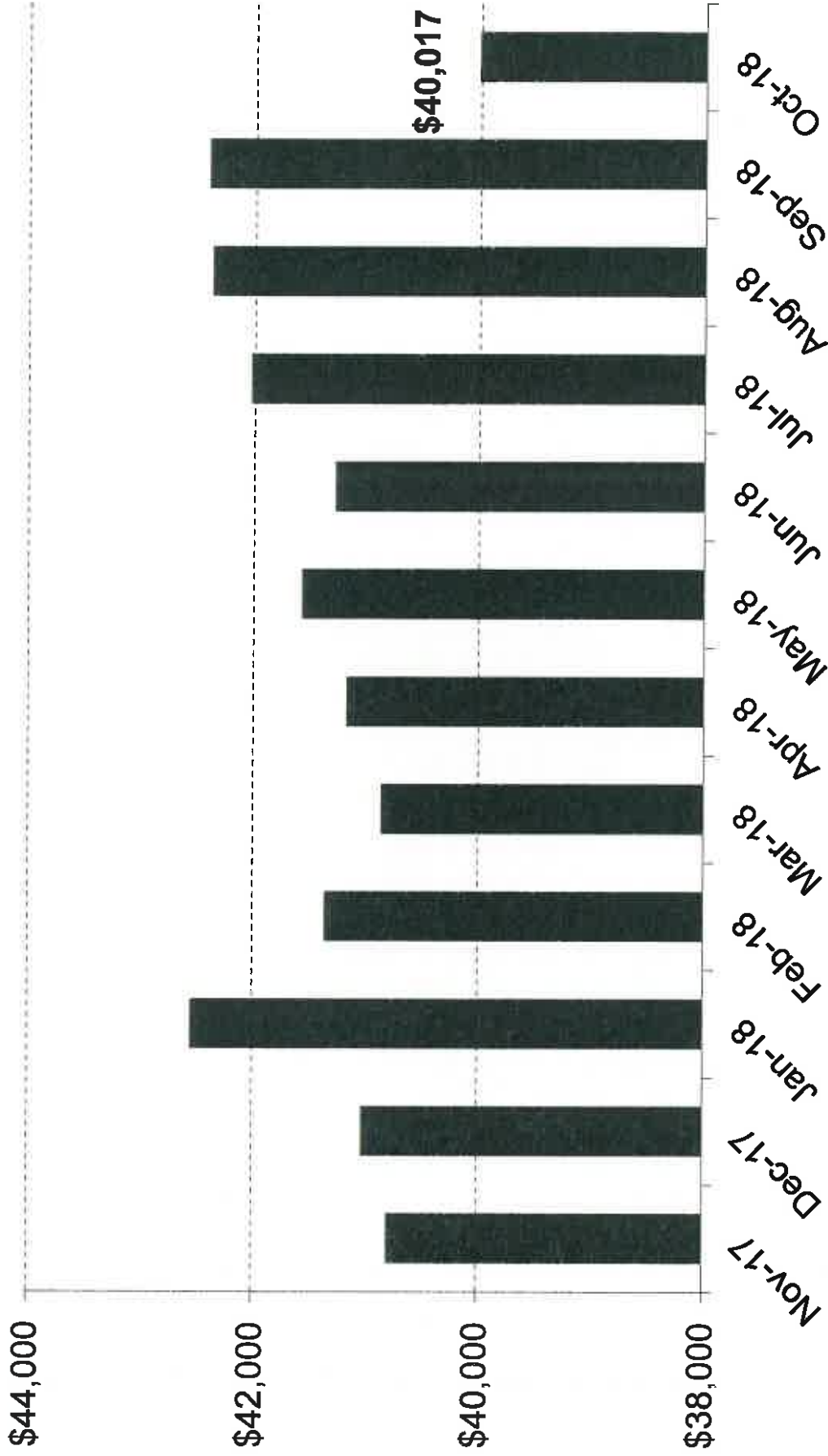
Market Overview – U.S. Fixed Income Returns

Returns for Periods Ended October 31, 2018

Index	Last Month	Year to Date	Last Year	Last 3 Years	Last 5 Years	Last 10 Years
Bimbg:Aggregate	(0.79)	(2.38)	(2.05)	1.04	1.83	3.94
Bimbg:US Government	(0.47)	(2.08)	(1.92)	0.22	1.15	2.64
Bimbg:Credit	(1.40)	(3.49)	(2.81)	2.34	2.81	6.43
Bimbg:Mortgage Backed Sec	(0.63)	(1.70)	(1.52)	0.74	1.75	3.40
Bimbg:US TIPS	(1.43)	(2.27)	(1.24)	1.46	0.97	4.11
3 Month T-Bill	0.17	1.48	1.68	0.90	0.55	0.35
ML:US High Yield Cash Pay	(1.64)	0.82	0.83	6.61	4.66	11.07
CS:Leveraged Loan	0.01	4.36	4.89	5.48	4.18	7.27
JPM:EMBI Global	(2.23)	(5.61)	(5.27)	3.83	3.61	8.75
JPM:GBI-EM Global Dvsfd	(1.96)	(9.95)	(6.58)	2.95	(2.59)	4.07

IMRF Last 12 Month-End Asset Balances (\$ millions)

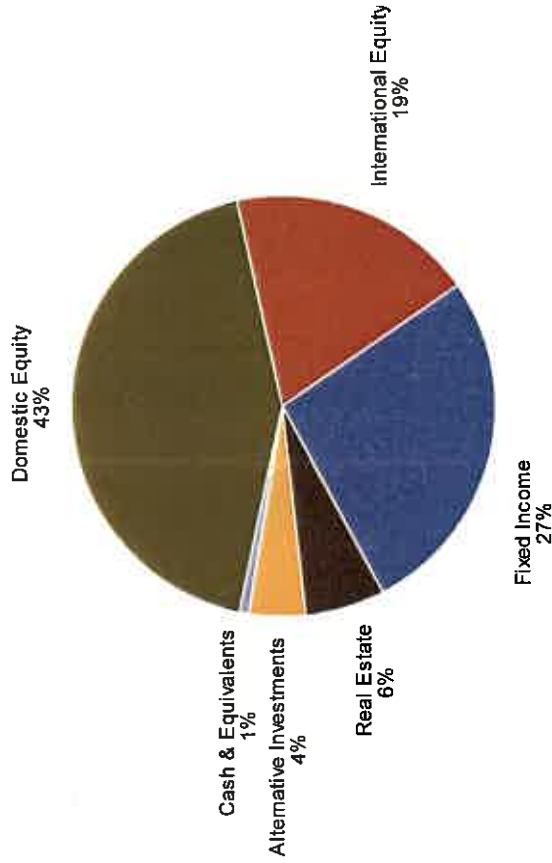
Period ending October 31, 2018



Asset Distribution

Period ending October 31, 2018

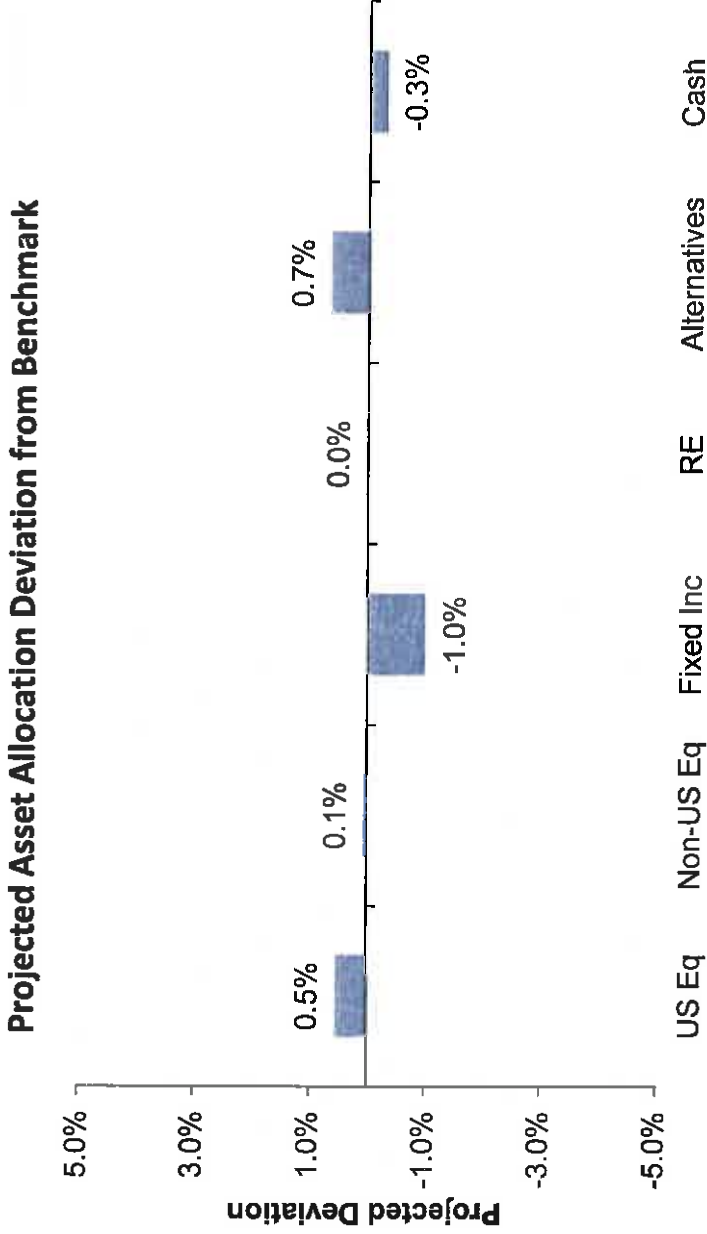
Actual Asset Allocation



Asset Class	\$Millions Actual	Percent Actual	Percent Target	Percent Difference	\$Millions Difference
Domestic Equity	17,308	43.3%	37.0%	6.3%	2,502
International Equity	7,491	18.7%	18.0%	0.7%	288
Fixed Income	10,824	27.0%	28.0%	(1.0%)	(381)
Real Estate	2,389	6.0%	9.0%	(3.0%)	(1,212)
Alternative Investments	1,726	4.3%	7.0%	(2.7%)	(1,075)
Cash & Equivalents	280	0.7%	1.0%	(0.3%)	(121)
Total	40,017	100.0%	100.0%		

Projected Deviation from Benchmark

Period ending October 31, 2018



- Includes committed but unfunded amounts for real estate (\$1,224.1 million) and alternatives (\$1,341.6 million).
- Assumes that outstanding commitments are funded from the overweight asset classes (U.S. equity and non-U.S. equity) in proportion to their respective weights in the Total Fund Target.

Asset Class Composite Returns & Total Fund Return

Periods ending October 31, 2018

	Last Month	Last 3 Months	Year to Date	Last 12 Months
Domestic Equity	(8.43%)	(5.72%)	1.70%	5.40%
Blended Benchmark**	(7.36%)	(3.95%)	2.43%	6.60%
Domestic Equity - Net	(8.44%)	(5.77%)	1.54%	5.19%
International Equity	(7.96%)	(9.31%)	(9.79%)	(7.07%)
MSCI ACWI x US (Net)	(8.13%)	(9.65%)	(10.97%)	(8.24%)
International Equity - Net	(7.97%)	(9.30%)	(9.95%)	(7.29%)
Fixed Income	(0.73%)	(0.62%)	(1.71%)	(1.21%)
Blmgb Aggregate Index	(0.79%)	(0.79%)	(2.38%)	(2.05%)
Fixed Income - Net	(0.73%)	(0.65%)	(1.82%)	(1.35%)
Real Estate	0.53%	2.77%	6.38%	8.94%
Blended Benchmark***	0.62%	1.87%	6.41%	7.71%
Real Estate - Net	0.53%	2.77%	6.38%	8.94%
Alternative Investments	0.66%	4.47%	10.70%	14.16%
Alternatives Custom Benchmark****	0.72%	2.18%	7.45%	9.00%
Alternative Investments - Net	0.66%	4.44%	10.58%	14.01%
Private Equity	0.74%	5.52%	13.81%	17.99%
Alternatives Custom Benchmark****	0.72%	2.18%	7.45%	9.00%
Agriculture	0.61%	(0.30%)	(3.23%)	(3.43%)
Blended Benchmark***	0.62%	1.87%	6.41%	7.71%
Timberland	(0.25%)	(2.22%)	(3.74%)	(0.99%)
Blended Benchmark***	0.62%	1.87%	6.41%	7.71%
Unlisted Infrastructure	0.00%	5.51%	-	-
Alternatives Custom Benchmark****	0.72%	2.18%	7.45%	9.00%
Total Fund	(5.45%)	(4.19%)	(0.96%)	1.56%
Total Fund - Net	(5.44%)	-1.14%	-1.13%	1.40%
Total Fund Benchmark	(4.30%)	(3.07%)	(0.62%)	1.71%
				Excess Return
				Net of Fees
				-0.31%

See full Monthly Performance report for explanation of notes. Performance for Alternatives and Real Estate are preliminary.

Questions and discussion followed.

(18-11-05) (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 Board Meeting 18-08-24
Special Board Meeting 18-10-25

Schedules - Dated September 2018

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

Schedules - Dated October 2018

- 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 November 16, 2018

- 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

The following bids were presented to the Board for approval:

2019 Member Newsletters
 Approved Bidder: Meridien
 Approved Bid: \$102,024.79

Lease of One (1) Digital Mail Meter System
 Approved Bidder: Pitney Bowes, Inc.
 Approved Bid: \$35,847.84

Data Center Electrical
Approved Bidder: Russ King Electric
Approved Bid: \$58,200.00

Disaster Recovery Services
Approved Bidder: Sungard Availability Services
Approved Bid: \$192,621.60 per year.

IBM Hardware Maintenance
Approved Bidder: Sirius Computer Solutions
Approved Bid: \$148,447.14

Sitefinity Web Content Management
Approved Bidder: SHI Corp.
Approved Bid: \$86,957.00.

VEEAM Availability Suite Backup Software
Approved Bidder: Zones, Inc.
Approved Bid: \$172,557.60

IBM Security Guardium License & Support
Approved Bidder: Information Insights
Approved Bid: \$70,468.23

Participation of New Units of Government

QComm911
Rock Island County
2019 Rate: 9.42%
Effective Participation Date: January 1, 2019
Number of Participating Employees: 0

City of Litchfield
Montgomery County
2018 Rate: 15.04%
Effective Participation Date: December 1, 2018
Number of Participating Employees: 36

Old Ripley Township
Bond County
2019 Rate: 9.43%
Effective Participation Rate: 9.43%
Number of Participating Employees: 3

Hillsboro Area Pub Library Dist
Montgomery County
2018 Rate: 8.42%
Number of Participating Employees: 1

Pilot-Norton MTAD
Kankakee County
2018 Rate: 9.40%
Number of Participating Employees: 1

Review of September, October and November Financial Reporting Packages

Impact of 2018 Year-To-Date Investment Income of Employer Reserves, Funding Status and Average Employer Contribution Rate (September, October and November)

Statement of Fiduciary Net Position (July, August, September)

Schedule T - Report of Expenditures (August, September, October)

It was moved by Ms. Henry, seconded by Ms. Stanish, to approve the items on the consent agenda.

Vote: Unanimous Voice Vote
Absent: None

(18-11-06) (Investment Committee Meeting) The Chair of the Investment Committee reported on the Investment Committee Meeting held on November 8, 2018.

The Chief Investment Officer gave a presentation along with recommendations on Private Equity to the Investment Committee, followed by presentations from a Private Equity Manager, (ABRY Partners IX, L.P.).

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

For Private Equity

- Authorize a commitment of up to \$50 million to ABRY Partners IX, L.P., subject to satisfactory legal due diligence; and,
- Authorize staff to complete all documentation necessary to execute this recommendation.

Next, the Chief Investment Officer gave a presentation along with recommendations on Real Estate, followed by presentations from three Real Estate Managers (Blackstone Real Estate Partners IX, L.P., LaSalle Income & Growth Fund VIII, L.P., and Oak Street Seeding & Strategic Capital Fund II - MW, L.P.).

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

For Real Estate

- Authorize a commitment of up to \$150 million to Blackstone Real Estate Partners IX, L.P., subject to satisfactory legal due diligence.
- Authorize a commitment of up to \$25 million to LaSalle Income & Growth Fund VIII, L.P., subject to satisfactory legal due diligence.
- Authorize a commitment of up to \$100 million to Oak Street Seeding & Strategic Capital Fund II - MW, L.P., subject to satisfactory legal due diligence; and,
- Authorize staff to complete all documentation necessary to execute these recommendations.

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

Vote: Unanimous Voice Vote
Absent: None

Lastly, the Chief Investment Officer presented a verbal update to the Committee on the internal management project.

(18-11-07) (Legislative Committee Meeting) The Chair reported on the Legislative Committee Meeting held on November 8, 2018.

It was the consensus of the Legislative Committee to recommend the Board approve conducting a Springfield drive-down in 2019.

Vote: Unanimous Voice Vote
Absent: None

The Chair noted there were no staff proposals for a 2019 Legislative Agenda.

Lastly, the Legislative Committee discussed a potential proposal allowing terminated Board members to complete their current term of office. Action on this proposal was tabled for further discussion at a December meeting of the Legislative Committee.

(18-11-08) (2019 Compensation Plan) The Director of Human Resources reviewed the 2019 IMRF Staff Compensation Package Report with the Board.

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

Insurance Package

- Provide staff health insurance coverage through the current Blue Cross/Blue Shield HMO and PPO program, with no benefit changes, and no premium increase.
- Renew with MetLife High/Low PPO Dental Plan for one year with a premium increase of 24.20%.
- Continue the current split between employee-paid insurance premiums and employer-paid insurance premiums.
- Continue to offer a Supplemental Vision Insurance Plan through EyeMed. Participation in this plan is optional, and is paid by the employee.
- Renew with MetLife as our Life and accidental death and dismemberment (AD&D) Insurance Provider with a premium increase of 10.83%.
- Continue with NCPERS and MetLife as an additional provider of Voluntary Life/AD&D Insurance.

Vote: Unanimous Voice Vote
Absent: None

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

Compensation Package

- To approve salary ranges Grades A; B; C; D; E; F; G; H/Field Representatives; I; J; Supervisors; Investment Officers and IS Team

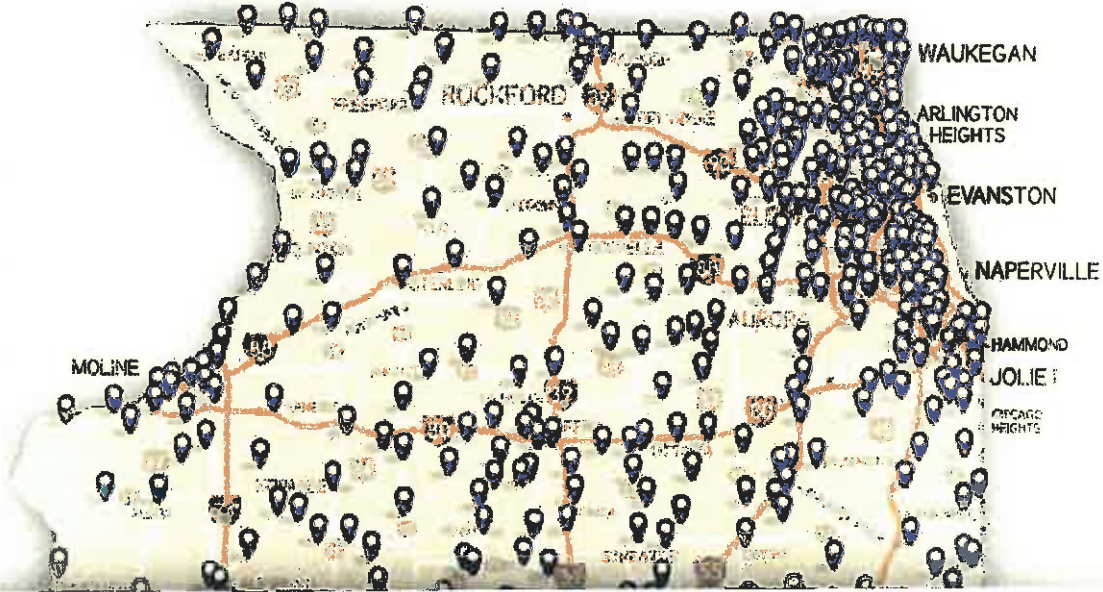
Leaders; Quantitative Equity Trader -new; Equity Portfolio Manager - new; Managers and Directors, that would reflect an increase of 2.20% from the range minimum.

- To approve bringing five (5) employees to the minimum of their new salary range.
- To approve moving 10 positions (total of 23 employees) into the new salary grades.
- To approve a 3% salary adjustment for the 23 employees moving from their current salary grade to their new salary grade.
- A Base Salary Adjustment of 2.75% to eligible salaries as of December 31, 2018.
- Create a discretionary increase pool equal to 1.0% of December 31, 2018 staff salaries, with a 5.0% cap.

Vote: Unanimous Voice Vote

Absent: None

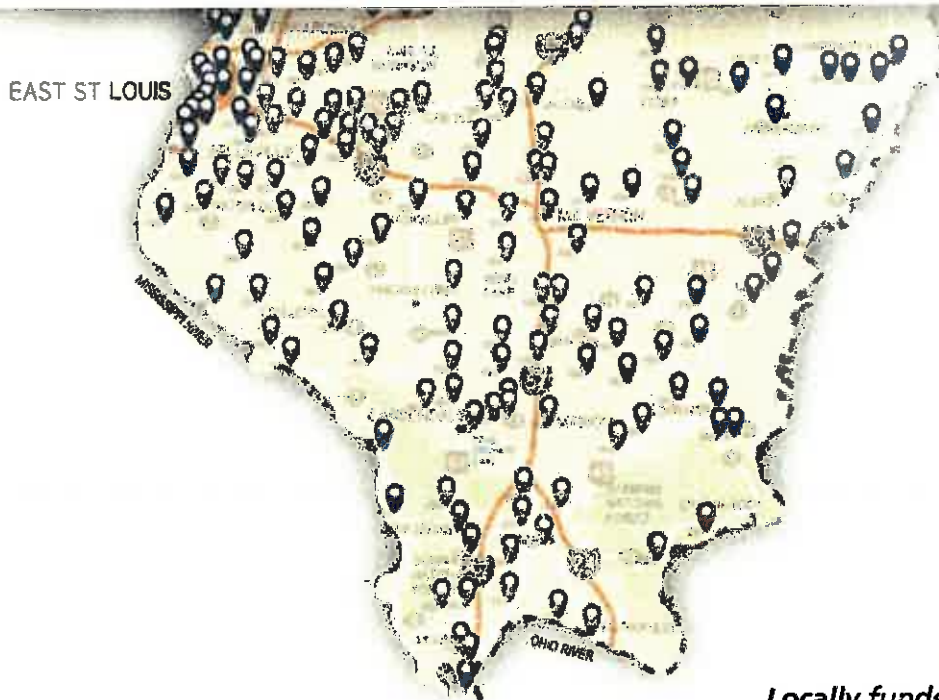
(18-11-09) (2019 Planning and Budget Document) The Chief Financial Officer presented the following proposed 2019 Planning and Budget Document for approval by the Board:

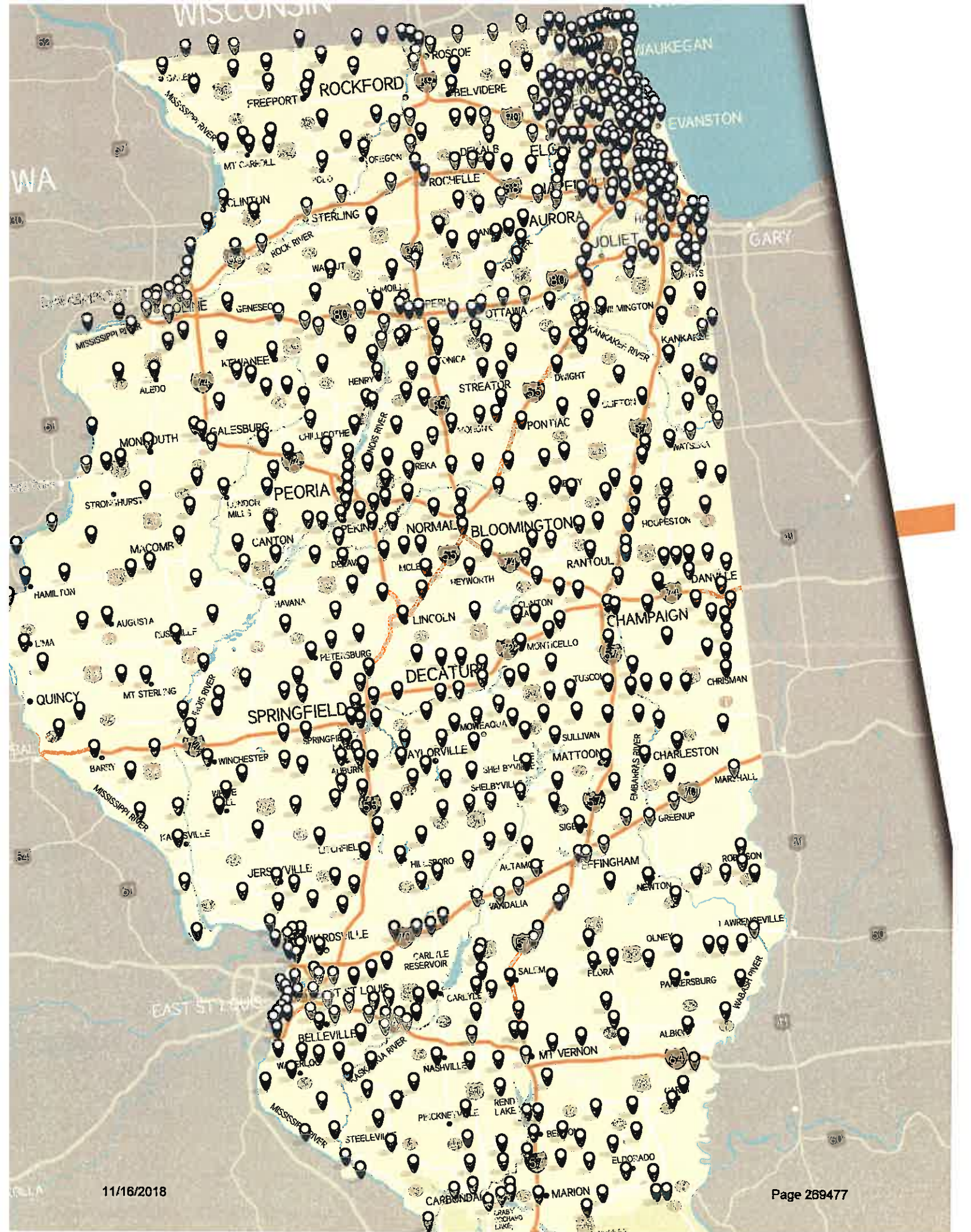


2019 PROPOSED BUDGET



*Offices in Oak Brook and Springfield,
serving members and employers all across Illinois.*







LOCALLY FUNDED...

Despite covering the entire state of Illinois, IMRF is locally funded. That means that local government—not the state of Illinois—contributes the money needed to fund pension payments. The 2,997 local governments participating in IMRF, with more than 420,000 members, pool their money together that results in a \$41.4 billion pension fund, one of the largest in the United States. There are 43 types of local government in IMRF, ranging from 4,000-employee county governments to rural road districts with just a handful of staff. No matter the size of the local government: each one is important, each one is significant, and each one helps IMRF be one of the best-funded public pensions in America.

IMRF's budget is more than just an allocation of resources—it's really about how IMRF serves our employers and members by responsibly using resources sourced from these groups. With this budget, IMRF demonstrates its commitment to being locally funded and financially sound, now and in the future.



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BOARD OF TRUSTEES

The IMRF Board of Trustees is responsible for the prudent management of IMRF’s assets, and for making sure the money is there to pay the benefits earned by every IMRF member and beneficiary, now and for years to come. The Board carries the responsibility to ensure that IMRF continues to be a well-run, successful pension fund.

An eight-member Board of Trustees governs IMRF:

- Four Executive Trustees elected by participating units of government
- Three Employee Trustees elected by participating IMRF members
- One Annuitant Trustee elected by IMRF annuitants.

The Board meets at least four times a year and may meet more often as needed. Trustees are elected to five-year terms and serve without compensation. In their five-year term, each Trustee will have the opportunity to hold each officer position at least one time. Trustees are not subjected to term limits.

NATALIE COPPER
2018 PRESIDENT
EMPLOYEE TRUSTEE

Current term ending Dec. 31, 2019

Dawes School in Evanston



DAVID MILLER
2018 VICE PRESIDENT
EXECUTIVE TRUSTEE

Current term ending Dec. 31, 2021

North Shore Water Reclamation District



ALEX WALLACE, JR.
2018 SECRETARY
EMPLOYEE TRUSTEE

Current term ending Dec. 31, 2020

Oswego Community Unit School District 308



GWEN HENRY
EXECUTIVE TRUSTEE

Current term ending Dec. 31, 2020

DuPage County



TRUDY WILLIAMS
EMPLOYEE TRUSTEE

Current term ending Dec. 31, 2020

Fulton County State’s Attorney’s Office



TOM KUEHNE
EXECUTIVE TRUSTEE

Current term ending Dec. 31, 2022

Village of Arlington Heights



SHARON U. THOMPSON
ANNUITANT TRUSTEE

Current term ending Dec. 31, 2020

Formerly Lee County



SUE STANISH
EXECUTIVE TRUSTEE

Current term ending Dec. 31, 2018

Naperville Park District





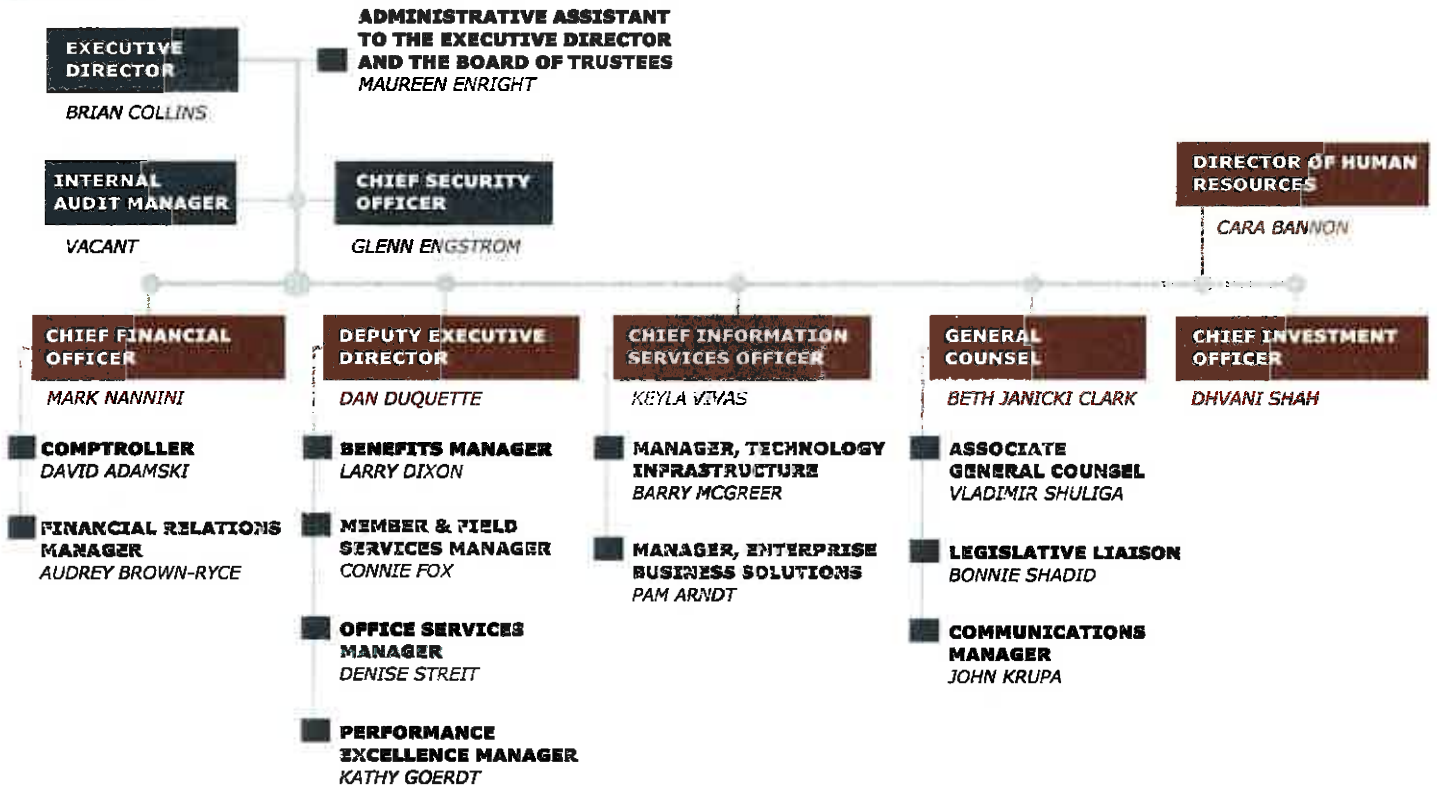
ORGANIZATION CHART

BOARD OF TRUSTEES

CONSULTANTS



STAFF



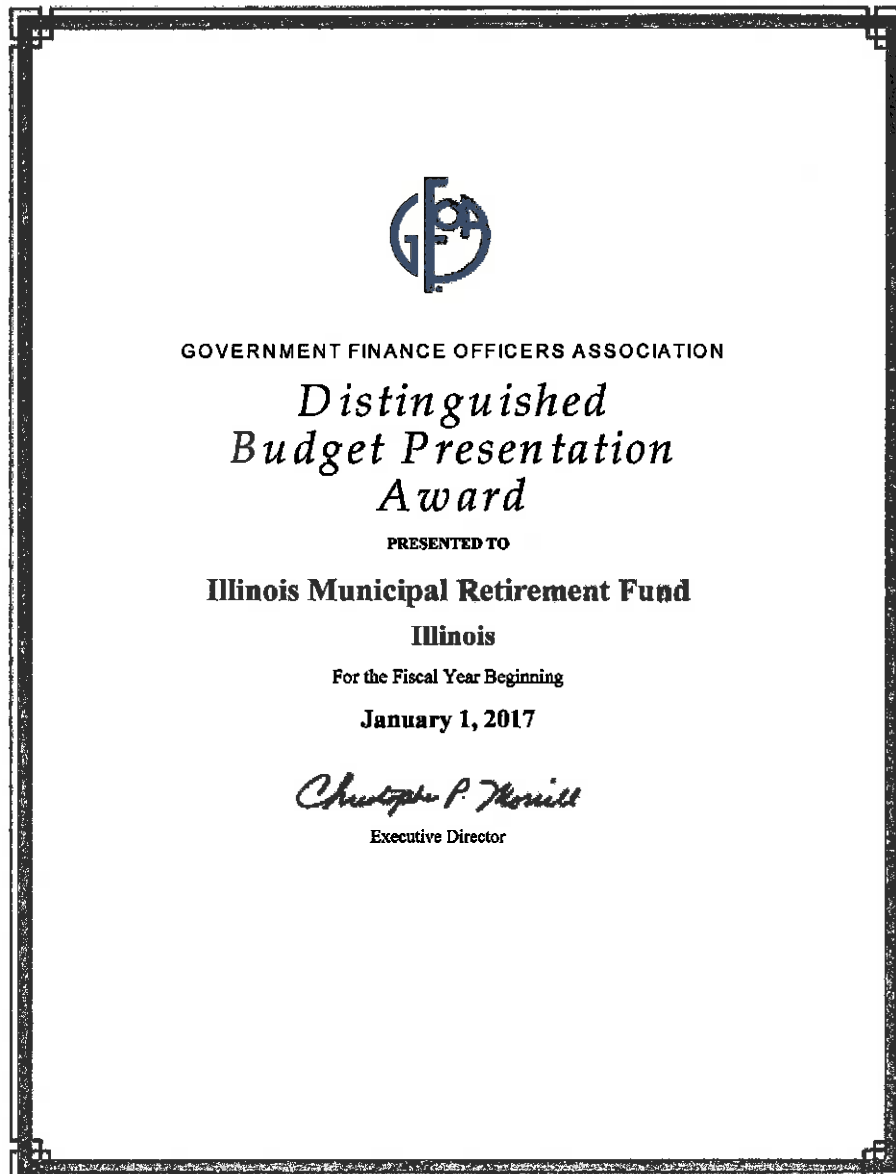


GFOA AWARDS

IMRF takes great pride in its reputation for transparency. To ensure this reputation continues, IMRF seeks feedback from the Government Finance Officers Association (GFOA) through its various award programs.

In 2018, IMRF received the Distinguished Budget Presentation Award for the fourth consecutive year. To achieve the award, IMRF earned outstanding or proficient ratings across all award criteria. This honor showcases IMRF's ongoing commitment to the core values of accuracy and accountability, and to providing the resources required to support members and employers across Illinois.

IMRF will continue to participate in the GFOA awards programs and intends to submit this budget in early 2019.





MISSION, VISION & VALUES

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 REACH OUR MISSION AND VISION:

R

Respect

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

E

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.

A

Accountability

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

A

Accuracy

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

C

Courage

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

H

Honesty

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

BUDGETARY STRUCTURE

IMRF is the administrator of an agent multiple-employer public employee retirement system, which began operations in 1941 to provide retirement, death, and disability benefits to employees of local units of government in Illinois. In an effort to provide a more informative document, the Budgetary Structure includes an outline of IMRF's funding, business practices, and direction.

- 11** Budget Transmittal Letter
- 19** IMRF Strategic Plan
- 21** Implementation of the Strategic Plan
- 22** Asset Allocation
- 23** Contributions vs. Benefits Paid



November 1, 2018

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 ending December 31, 2019, is attached and submitted to the Board of Trustees. The management of IMRF is responsible for the compilation, content, and accuracy of this document. Our goal is to address the defined needs and objectives of the organization, as outlined in the enclosed document. IMRF relies on the interest earned from the Trust to fund its administrative, investment, and operating expenses.

The budget presented is different from the previous budgets submitted to the Board of Trustees. This budget addresses the first year of a three year focus for completion of the \$50 million Modernization project known as the "Horizon Project". This document isolates and highlights the incremental costs for the Horizon Project.

Also included in this year's budget is the restructuring of the Investment department to include a new Internal Equity Management Division. The Budget reflects the initial year of the implementation of these services with staffing and relevant costs.

In developing this budget, we input data from each operational department of IMRF. This budget reflects our plan to adapt to change while continuing to provide annuitant benefits, employer information, and outstanding service to all stakeholders.

HIGHLIGHTS OF THE 2019 BUDGET

Overall administrative expenses are projected to decrease by (1.8)% from 2018 to 2019. This is a comparison of budgets without the additional items associated with Horizon Project and the new Internal Equity Management team. The budget items for these special projects are presented separately to provide a more meaningful comparison of year to year changes in the base budget. When including the additional Horizon and Internal Equity Management team costs, administration expenses are projected to increase 11.5%.

Investment expenses are projected to increase from 2018 to 2019 by 4.2%, with the new proposed Internal Equity Management Division. The capital plan includes a increase of about \$51 thousand over the prior year, which is largely due to a projected decrease in capitalized salary expenses associated with the Horizon Project and the replacement of IMRF's pension administration systems.

PROFILE OF IMRF

IMRF is the administrator of an agent multiple-employer public employee retirement system, which 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 2,997 different employers, 175,565 participating members, 115,970 inactive members, and 128,264 benefit recipients.

FUNDING

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



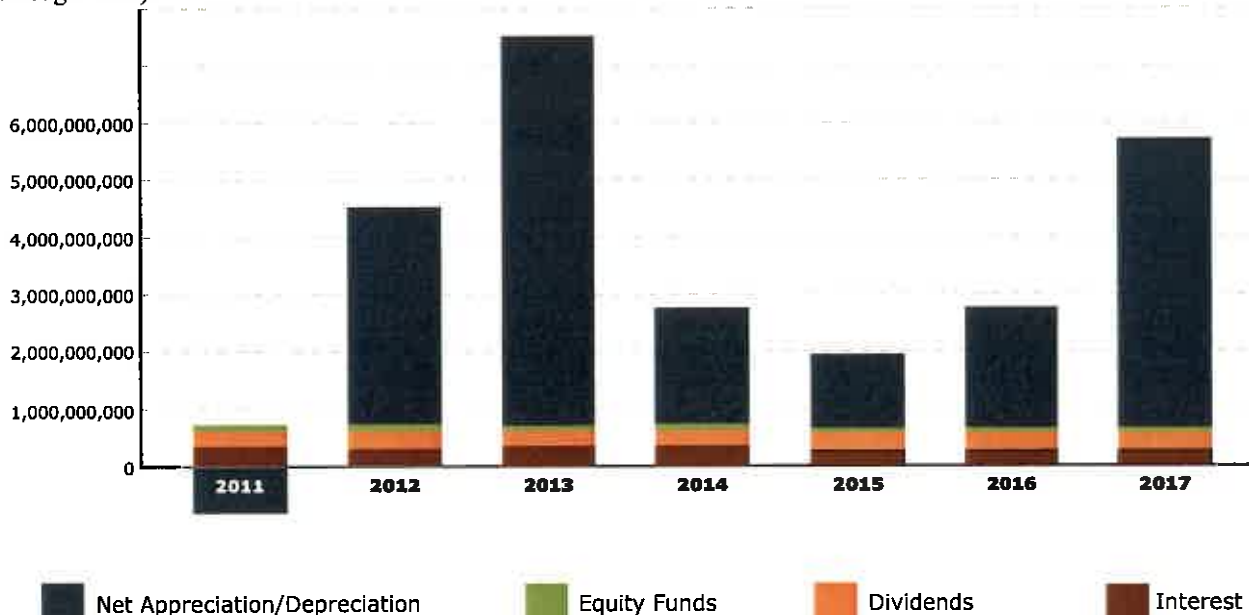
The Revenues by Source section of this document presents the details of the funding for IMRF.

INVESTMENTS

The Investment department is under the direction of the Chief Investment Officer. Currently, the public markets portfolio is managed by 40 professional investment management firms, handling 44 mandates. The private markets portfolio is invested by 52 firms, including 117 separate funds. These firms make investment decisions under the prudent person rule authorized by Article 1 of the Illinois Pension Code and by investment policy guidelines adopted by the IMRF Board of Trustees.

The Investment department is developing an internal management program which is included in the 2019 budget. It includes program implementation, strategy evaluation, staffing, and other related costs. The Chief Investment Officer received guidance to include this project in the 2019 budget from the Investment Committee during their meeting on August 23, 2018.

The Trustees employ an investment consultant to monitor and evaluate the investment management firms' performance. Our primary goal is to optimize the long-term total return of IMRF investments through a policy of diversification within a parameter of prudent risk. The Fiscal Year 2019 Investment budget reflects a contractual commitment to investment consultant Callan Associates (through 2019).



2019 BUDGET

PERSONNEL

In total there are 17 new positions presented in the 2019 budget document. Total staffing for 2019 will increase to 223 from 206 as presented in the 2018 budget. This includes 12 new positions to bolster department resources in conjunction with the start of the multi-year Phase Four of the Horizon Project which incorporates implementation and user testing of the system. Our main goal is to continue to provide excellent customer service to all our customers while key staff are heavily involved with the Horizon Project, as well as develop the next generation of employees in response to natural attrition of staff as they retire from IMRF.

Department	Headcount			2019 Budget Total
	2018 Budget Total	2019 Horizon Additional	2019 Permanent Additional	
HR	4	-	-	4
Administration	3	-	-	3
Operations	3	-	-	3
Benefits	35	1	-	36
Member Services	39	5	-	44
Finance	25	3	-	28
Internal Audit	8	-	-	8
IS	42	2	-	44
Investment	14	-	-	14
Internal Equity Mgt	0	-	3	3
Legal	6	-	-	6
Communications	8	2	-	10
Office Services	19	1	-	20
Total	206	14	3	223

INFORMATION SYSTEMS DEVELOPMENT

2018

IMRF's major 2018 system development priorities have focused on:

- Fit / Gap Analysis and Design of Horizon functionality for the multiple phases of the Horizon Project to replace our current pension administration systems.
- Enhancing and replacing the current major backup systems.
- Installation of a new SAN Backup System.

2019

IMRF's major 2019 system development priorities will focus on:

- Configuring and customizing COTS product to build Horizon functionality to replace our current pension administration system.
- Building development environment on site for the Horizon implementation, including integration with FileNet, GP Dynamics, and Avaya telephony components.
- Upgrading Disaster Recovery services at Sungard to improve our ability to meet our Recovery Time Objectives goals.

STRATEGIC PLAN SUMMARY

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

The 2017-2019 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 four key results areas on our leadership scorecard:

- Financial Health
- Customer Engagement
- Workforce Engagement
- Operational Excellence

More information about our Strategic Plan is located on page 19 of this document.

ILLINOIS PERFORMANCE EXCELLENCE PROGRAM

The IMRF Journey of Excellence is based upon the framework of the Malcolm Baldrige National Quality Award. This award was established by Congress to promote improved quality of goods and services in U.S. companies and organizations. This program is administered both at a state level (Illinois Performance Excellence-ILPEX) and national level (Malcolm Baldrige National Quality Award-MBNQA). The program identifies and recognizes role-model organizations, establishes the criteria for evaluating improvement efforts, and promotes dissemination and sharing of best practices. Seven categories make up the Baldrige Criteria for Excellence:

- Leadership—Examines how senior executives guide and sustain the organization and how the organization addresses governance, ethical, legal and community responsibilities

- Strategic planning—Examines how the organization sets strategic directions and how it determines and deploys key action plans
- Customer focus—Examines how the organization determines requirements and expectations of customers and markets; builds relationships with customers; and acquires, satisfies, and retains customers
- Measurement, analysis, and knowledge management—Examines the management, use, analysis, and improvement of data and information to support key organization processes as well as how the organization reviews its performance
- Workforce focus—Examines how the organization engages, manages, and develops all those actively involved in accomplishing the work of the organization to develop full potential and how the workforce is aligned with the organization's objectives
- Process management—Examines aspects of how key production/delivery and support processes are designed, managed, and improved
- Results—Examines the organization's performance and improvement in its key business areas: customer satisfaction, financial and marketplace performance, workforce, product/service, and operational effectiveness, and leadership; as well as how the organization performs relative to competitors.

The state program, Illinois Performance Excellence (ILPEX) is a non-profit organization that seeks to help Illinois organizations improve their performance by embracing the Baldrige Criteria for Excellence and aligning their processes to become more efficient and sustainable. Organizations that pursue the Baldrige management framework can demonstrate through the ILPEX award application that they have adopted proven performance practices, principles, and strategies that nurture excellence in all aspects of their operations. This can range from customer relations, to workforce development, to specific operational and financial results. IMRF participates cyclically in the ILPEX process and was awarded the Bronze: Commitment to Excellence in 2009, the Silver: Progress towards Excellence in 2012 and 2014, and Gold: Achievement of Excellence 2017. In addition to validating our progress and commitment to excellence, the program provides valuable feedback from ILPEX examiners and judges. The comprehensive feedback report received from ILPEX provided additional guidance regarding how we can further leverage our strengths and pursue opportunities for improvement. Our ILPEX Gold Award affirmed IMRF's status as a national leader in public pension administration.

Having achieved the highest award designation possible within the state program, IMRF qualified to apply for the national program via the Malcolm Baldrige National Quality Award (MBNQA). IMRF completed an application for the national Baldrige Award in 2018. We were one of only 12 organizations nationwide selected for a site visit. As of the writing of this letter the decision regarding our award status for 2018 is unknown. All feedback from the Baldrige application will help IMRF identify additional process improvements to enhance customer service and overall excellence in the future

To continue IMRF's Journey of Excellence, funds are included in the 2019 budget to follow up on our 2018 Baldrige Award application and corresponding feedback report. We are excited about working towards our goal of receiving the national Baldrige Award, something not achieved by any other pension.

DEFINED BENEFIT ADMINISTRATION BENCHMARKING ANALYSIS

Annually, IMRF participates in a benchmarking study to further identify potential process improvements. 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. Our goal is to provide the highest quality of service at a median cost. In 2018, IMRF's service level scores ranked in the 83rd percentile amongst the 44 North American public pensions within the peer group, while our costs were only slightly above the median. We will continue our participation in this benchmarking program in 2019.

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 lead to the financial stability of the organization today. These policies are described in the General Guidelines from the Chief Financial Officer beginning on page 41 of this document.

PERFORMANCE MEASURES

IMRF, in an effort to provide a more informative document, is including performance measures for each operational area within the budget.

DEPARTMENT GOALS AND OBJECTIVES

IMRF's department goals and objectives, presented for each operational department, are expanded this year. The goals and objectives are identified by each operational unit to provide a better perspective of each operational area in relation to overall IMRF operations.

AWARDS

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to IMRF for its Comprehensive Annual Financial Report (CAFR) for the year ended December 31, 2016. An application has been made for the Fiscal Year 2017 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 36 consecutive years (Fiscal Years 1980-2016). IMRF also received a Certificate of Achievement for Excellence in Financial Reporting for its Popular Annual Financial Report (PAFR) for the year ended December 31, 2016. IMRF has received the PAFR award 15 times.

Also in 2018, IMRF received for the fourth straight year the Distinguished Budget Presentation Award from the Government Finance Officers Association (GFOA). IMRF is proud of the 2019 budget document and its contents. We feel that it provides the reader pertinent information about IMRF as an organization, and makes clear the focus and direction of the organization into the future. IMRF will continue to strive to obtain this award on an annual basis.

IMRF received the Illinois ILPEX Gold Award in 2018 (based upon our 2017 application). This privilege qualified IMRF to seek the National Baldrige Award in 2018. The application evaluation process concludes in mid-November 2018 and the selection of the National Baldrige Award recipients will be announced in December.

ACKNOWLEDGMENTS

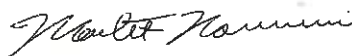
The production of this document reflects the combined effort of IMRF staff under the leadership of the Board of Trustees and the Executive Director, Brian F. Collins. The Finance department, under the direction of Mark Nannini, compiled the report. We believe this report provides complete and reliable 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 hope that all users of this budget document will find it both informative and helpful.

The budget document is a culmination of a major effort by numerous staff members of IMRF as well as the Board. We would like to especially thank the Directors, Managers, Supervisors, Kathy Goerd, John Krupa, Nick Kurz, Meghan Hunt, David Adamski, Audrey Brown-Ryce, Sharon Brown, 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 2019 IMRF budget for your consideration.



Brian Collins
Executive Director



Mark F. Nannini
Chief Financial Officer



November 2018

IMRF Strategic Plan

The Illinois Municipal Retirement Fund Board of Trustees and staff are proud to present our updated Strategic Plan for 2017-2019. The Strategic Plan includes our Mission, Vision and Values; Strategic Objectives for each of our four Key Result Areas; and our formal planning methodology.

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

IMRF received an Illinois Performance Excellence Gold Award for Achievement of Excellence in 2017. This prestigious honor not only recognized our organizational excellence, but also provided a comprehensive feedback report to continue our efforts toward fulfilling our Vision. The Baldrige Framework helped shape the development of our Strategic Plan, which aligns our objectives with the four Key Result Areas of the Fund:

- Financial Health
- Customer Engagement
- Workforce Engagement
- Operational Excellence

Our Strategic Plan provides the Fund with a road map for meeting the challenges and opportunities in providing the highest quality retirement services to our members, their beneficiaries, and employers. It guides our efforts to continuously improve our service to our 2,997 employers; 175,565 participating members; 128,264 benefit recipients; and the taxpayers of Illinois.

We appreciate your interest in IMRF and welcome your feedback.

Brian Collins
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, 2013, and again in 2016.

IMRF has a long history of implementing operational improvements in response to the increasing needs and demands of our stakeholders. These changes 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 (renamed Illinois Performance Excellence {ILPEX} in 2011) was a logical extension of our continuous process improvement program and provided a new sense of direction for our planning process. The feedback from our additional applications was used to identify 30 key business approaches, which we evaluate and improve. Feedback from our 2018 Baldrige application will provide a new overview of our strengths, opportunities for improvement, and an update on the progress we made over the past several years.

While the measures of success that we use for our strategic objectives may change over time, we will strive to achieve top 10% performance for most Key Result Areas. Baldrige recipient organizations often set their overarching strategic objectives to achieve a top 10% ranking in each key area of importance to their stakeholders. We are following that same path. We believe this high level of performance is how we should benchmark ourselves. This is consistent with our Values, and provides a means to assess progress toward realization of our Vision. Our Strategic Objectives force us to think strategically about how we can achieve and/or maintain excellence in each of our Key Result Areas. They provide a target we can aspire to over the three years of this Strategic Plan.

As a critical part of our formal 12-step planning process, the Board of Trustees and staff completed a re-examination and validation of our Mission, Vision, and Values in July 2016. 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 four Key Result Areas and provided a framework for establishment of our new Strategic Objectives.

Our four Strategic Objectives provide the basis for our 2017-2019 Strategic Plan. Staff developed action plans, including milestones and timelines, for the Key Strategies associated with each of these objectives.

STRATEGIC OBJECTIVES AND KEY STRATEGIES FOR 2017-2019

The four Strategic Objectives define our approach to realize our Vision, and as such, constitute the focus of our Strategic Plan for 2017-2019. These four 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 four parts of one plan. The Plan highlights the four Strategic Objectives. The Plan also provides an overview of the Key Strategies designed to support the Strategic Objectives. These Key Strategies change throughout the three years of the Plan, as some will be completed or combined with another strategy. Listed below are our four Strategic Objectives and the 20 Key Strategies we will utilize in 2019 to help us achieve those objectives.

Key Result Area: Financial Health

Strategic Objective

To achieve and maintain a funding level that sustains the Plan.

As measured by:

- Achieving stable/declining employer contribution rates

2017-2019 STRATEGIC PLAN



- Achieving top decile funding level on a market-value basis relative to a universe of public pension funds
- Achieving progress toward a 100% funding goal
- Achieving or exceeding a 7.5% annual return over the long term (over 5, 10 and 15 year basis).
- Outperforming the total portfolio benchmark (over 3, 5 and 10 year basis)

Key Strategies

- Utilize portfolio construction tools and principles, including asset liability models, portfolio optimization, cost control, evaluation of various investment program structures, and relevant performance measurements to increase net returns
- Develop and periodically revise sound funding policies and procedures to ensure calculation of employer contribution rates consistent with GASB and GAAP

Key Result Area: Customer Engagement

Strategic Objective

To foster and maintain engaged members and employers.

As measured by:

- Achieving top decile “American Customer Satisfaction Index” (ACSI) ranking for the Cobalt Retirement Fund Benchmarking Survey
- Achieving 90% “Very Likely to Promote” ratings on member engagement surveys
- Achieving 90% “Very Likely to Promote” ratings on employer engagement surveys
- Achieving 90% “Very Satisfied” ratings on member and employer satisfaction surveys

Key Strategies

- Develop appropriate measures of member engagement and improve member engagement levels through education, communication strategy and excellent customer service
- Develop appropriate measures of employer engagement and improve employer engagement levels through education, communication strategy and excellent customer service

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 and other data to identify and implement improvements regarding staff retention and staff engagement drivers
- Enhance our approach for effective internal communications (excluding Horizon project activities)

Key Result Area: Operational Excellence

Strategic Objective

To provide world-class customer service at a reasonable cost.

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% “Overall Satisfaction” ratings on member and employer satisfaction surveys
- Achieving per-member-cost at or below the median of the CEM administrative cost measure

Key Strategies

- Implement Fund-wide formal project portfolio management tools and practices, including resource allocation, and workforce capacity (excluding Horizon Project)
- Manage the Horizon Project to replace current systems to support our customer engagement and operational excellence objectives
- Develop an approach to minimize the risk of cybersecurity attacks
- Develop and track measures for each Key Business Process as part of Operational Excellence Action Plans
- Identify and implement business process re-engineering opportunities to increase efficiencies and effectiveness
- Streamline key business processes and develop internal processing metrics and standards
- Develop and track measures for each Key Business Process as part of Operational Excellence Action Plans
- Expand our approach to Fund-wide continuous process improvement and innovation
- Implement an approach to ensure continuation of our Journey of Excellence by new leadership
- Analyze workforce capability and provide training and development opportunities for staff
- Develop an approach to ensure knowledge transfer between employees and departments
- Research call center best practices and implement an approach to improve operations and metrics to reach top decile performance goal
- Implement the technology infrastructure required to support and achieve the Horizon Project data security, redundancy, performance, availability, and disaster recovery goals
- Develop an approach to monitor and manage enterprise risk – excluding investment activities

IMPLEMENTATION OF THE STRATEGIC PLAN

Action Plans

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

Annual Operating Budget

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

Integration of Strategic Objectives With Leadership Scorecard and Performance Management

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

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

Communication Plan

The Strategic Plan is a tool is part of the culture of IMRF. We emphasize the communication of the Plan to our staff, Board of Trustees, and all stakeholders. Our communication plan is simple, but possesses a systematic approach for spreading our message.

IMRF Staff: A formal introduction of our new Plan was made to our staff in January 2017. The full Plan is posted for review on our Intranet. The Strategic Objectives continue to be highlighted in employee meetings. All employees will be reminded of our Vision, and gain an understanding of their role in achieving our Strategic Objectives.

Board of Trustees: The Trustees will review and validate the Strategic Plan as part of the 2019 Proposed Budget document at the November 2018 Board Meeting. We will provide quarterly status updates to the Trustees during 2019, throughout the three-year cycle of this Plan. Another comprehensive triennial strategic planning process will be completed by staff and the Board in 2019.

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

Board Authorization: The IMRF Board of Trustees and IMRF management understand and support the IMRF Strategic Plan for 2017 - 2019 as described in this document.

Natalie Copper
Board President

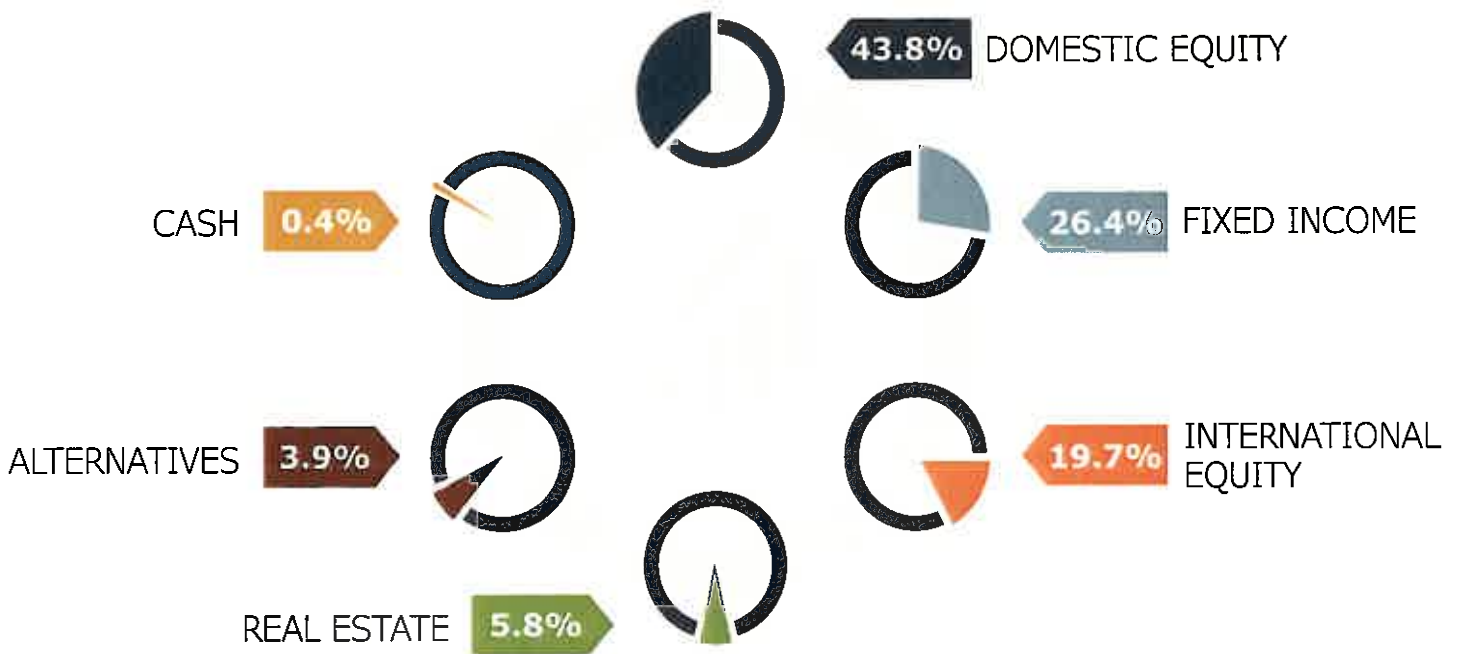
Brian Collins
Executive Director



ASSET ALLOCATION

IMRF's public markets portfolio is managed by 40 professional investment management firms, handling 44 mandates. The Fund's private markets portfolio is invested by 52 firms, including 117 separate funds. These firms make investment decisions under the prudent person rule authorized by Article 1 of the Illinois Pension Code and by investment policy guidelines adopted by the IMRF Board of Trustees. IMRF's primary goal is to optimize the long-term total return of its investments through a policy of diversification within a parameter of prudent risk.

ASSET ALLOCATION SUMMARY AS OF JUNE 30, 2018



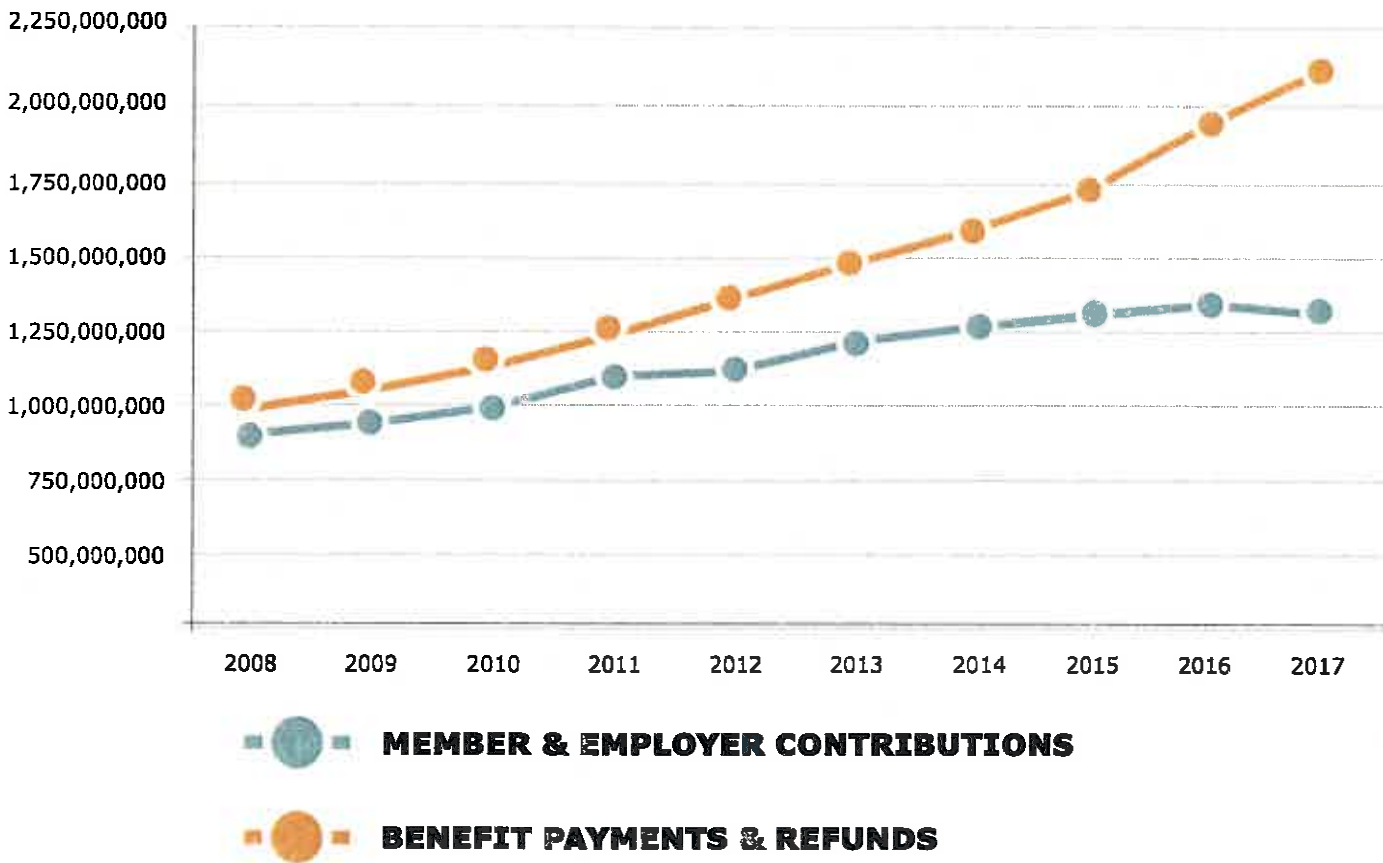
	Market Value in Millions	Target Asset Allocation	Actual Asset Allocation	Variance
Domestic Equity	\$ 18,085	37.0%	43.8%	+6.8%
International Equity	8,148	18.0%	19.7%	+1.7%
Fixed Income	10,883	28.0%	26.4%	-1.6%
Real Estate	2,376	9.0%	5.8%	-3.2%
Alternative Investments	1,625	7.0%	3.9%	-3.1%
Cash & Cash Equivalents	170	1.0%	0.4%	-0.6%
Total	\$ 41,287	100.0%	100.0%	

*Asset Allocation is updated quarterly online at www.imrf.org.



CONTRIBUTIONS VS. BENEFITS PAID

Year	Member and Employer Contributions	Benefit Payments & Refunds	Member/Employer Net Cash Flow
2008	\$ 945,167,415	\$ 1,029,418,261	\$ (84,250,846)
2009	984,470,203	1,105,278,532	(120,808,329)
2010	1,095,044,263	1,210,232,111	(115,187,848)
2011	1,128,485,142	1,317,305,714	(188,820,572)
2012	1,214,030,823	1,423,957,664	(209,926,841)
2013	1,269,903,477	1,540,318,362	(270,414,885)
2014	1,274,472,270	1,666,012,340	(391,540,070)
2015	1,268,482,155	1,794,932,867	(526,450,712)
2016	1,314,322,336	1,939,829,996	(625,507,660)
2017	1,297,229,891	2,086,165,717	(788,935,826)



Negative cash flow is a common feature of “mature” pension plans with a large number of retirees. Over time, IMRF investment income fills the gap between contributions and payments/refunds.

BUDGETARY FOUNDATION

IMRF takes great consideration to best utilize its resources to provide plan benefits, employer information, and outstanding service to all stakeholders. The documentation in this section presents a narrative introduction, analysis, and overview of the Fund's financial data.

- 25** Profile of IMRF
- 26** Legislative Update
- 26** Funding
- 26** Appropriations
- 27** Balanced Budget
- 27** Basis of Budgeting
- 27** Budget Policies
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- 27** Actuarial Methods and Assumptions
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- 32** Employer Contribution Rate Ranges
- 33** Budget Timeline
- 34** Summary of IMRF Benefits
- 39** Summary of IMRF Departments and Workforce
- 40** Funded Status and Funding Progress
- 41** Schedule of Aggregate Funding Progress and Changes in Fiduciary Net Position

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 2,997 different employers, 175,565 participating members, and 128,264 benefit recipients.

Employers

	2017	2016
Participating employers	2,997	2,987

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. Instrumentalities, which include units of government without general taxing powers and not-for-profit organizations, associations, or cooperatives authorized by state statute, may participate. If they 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 (AS OF DECEMBER 31, 2017)

Inactive members	2017	2016
Retirees and beneficiaries currently receiving benefits	128,264	123,206
Terminated members entitled to benefits but not yet receiving them	13,775	13,366
Terminated members—non-vested	102,195	99,238
Total inactive members	244,234	235,810
Active members		
Non-vested	86,520	83,219
Vested	89,045	91,800
Total active members	175,565	175,019
Grand Total	419,799	410,829

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

The Illinois Pension Code determines how IMRF operates and administers IMRF benefit plans. IMRF serves its members and employers as a source of information about legislation that affects the pension code and serves as an advocate to represent the interests of members and employers to state lawmakers.

Two bills that affect IMRF passed the General Assembly in 2018:

Public Act 100-1097

This law prohibits IMRF participation by former police chiefs who meet all of the following criteria:

- Participated as a police chief in an Article 3 police pension fund in a city, village, or town.
- Take a new job working with the same municipality for the police department or in an advisory capacity.
- Have no IMRF service credit prior to August 26, 2018.

(Note: IMRF will send additional information to employers who may be affected by this bill.)

Public Act 100-0935

This law allows IMRF to offer electronic voting options for its Employee and Annuitant Trustee elections. IMRF plans to postpone implementing an electronic voting system until after 2021, once we've completed an upgrade of our database. Any electronic system we introduce will continue to allow members and annuitants to vote via paper ballot if they prefer.

FUNDING

IMRF's actuary uses a five-year smoothed market-related value with a 20% 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, 2017 valuation, the aggregate actuarial value of assets was \$39.2 billion. The aggregate actuarial liability for all IMRF employers was \$42.2 billion. The aggregate actuarial funding ratio is currently 92.9% (an increase from the 2016 ratio of 88.9%). This takes into account the five-year smoothing of investment returns utilized by the actuary. If the market value of assets is used (i.e., no actuarial smoothing), the aggregate funding ratio is 98.2% as of December 31, 2017, an increase from 88.3% as of December 31, 2016. As of December 31, 2017, IMRF's market-based funding value change was higher than the actuarial funding value since there were \$2.1 billion of unrecognized investments losses, which will be reflected in the 2018 through 2021 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 of Trustees in December 2016 and new mortality tables were adopted by the IMRF Board of Trustees in December 2017.

APPROPRIATIONS

IMRF does not receive any funds that are subject to legislative appropriation by the Illinois State Legislature.

As an agent multiple employer pension fund, 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. Member and employer contributions (assets) are combined for investment purposes, but maintained separately by employer for accounting purposes. Administrative expenses are netted from investment gains.

Appropriations	2018	2017	2016	2015
Appropriation by Year	\$0	\$0	\$0	\$0

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 in the next year's budget, and will be subject to re-prioritization and possible elimination.
- Re-allocation 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, 2017 actuarial valuation, the aggregate entry age normal actuarial cost method was used. The actuarial assumptions included a 7.5% investment rate of return which includes a 2.5% price inflation component. Payroll growth is assumed to be 2.5%. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payrolls over a closed 24-year period.

FUND DESCRIPTION AND STRUCTURE

IMRF is a fiduciary trust fund established by the Illinois state legislature to provide pension, disability, and death benefits to eligible employees of participating employers. Fiduciary funds are used to report assets held in a trustee capacity on behalf of others. The fund maintains the following reserve accounts under the trust to account for member and employer contributions, benefits payments, and investment income.

Member Reserve

The member reserve accounts for retirement contributions paid monthly by eligible members. Member contributions are 4.5% for the Regular plan and 7.5% for the SLEP and ECO plans. Contributions from members to buy back prior service or military service are amassed in this reserve as well. The reserve is also used to accumulate member contributions to the Voluntary Additional (VA) plan. Refunds of member contributions are deducted from this reserve. Members' balances are granted 7.5% interest at year end based on their opening balance of the fiscal year. The interest is accounted for in this reserve as well.

Employer Reserve

The employer reserve accounts for retirement contributions paid monthly by participating employers. Each employer has a unique contribution rate calculated annually by IMRF's actuary to cover the retirement costs for their participating employees. Employers' balances are granted 7.5% interest at year end based on their opening balance of the fiscal year. The interest is accounted for in this reserve as well. In addition, the employer reserve accounts for residual investment income or loss distributed annually.

Annuitant Reserve

The annuitant reserve accounts for the member and employer contributions once a member retires. Member contributions and accumulated interest are transferred in from the member reserve. The difference between the present value of the annuity and the member contributions and interest are then transferred from the employer reserve. The annuitant reserve also accounts for members who are on permanent disability. The present value of the disability is transferred in from the disability reserve. Monthly benefit payments are deducted from this reserve. Annuitant balances are granted 7.5% interest at year end based on their opening balance of the fiscal year. The interest is accounted for in this reserve as well.

Supplemental Reserve

The supplemental reserve accounts for monthly employer contributions at a rate of 0.62% of payroll. The supplemental benefit is paid out of this reserve each July to annuitants receiving a benefit for the preceding 12 months. Interest is not granted on this reserve.

Disability Reserve

The disability reserve accounts for monthly employer contributions for temporary disability. The contribution rate is set annually at a rate to cover the estimated benefit payments for the year. For 2019 the rate is 0.08% of payroll. Temporary disability benefit payments are deducted from this reserve. For members who are granted permanent disability, the present value of the annuity is transferred from this reserve to the annuitant reserve. Interest is not granted on this reserve.

Death Reserve

The death reserve accounts for employer contributions for lump sum death benefits. The contribution rate is set annually at a rate to cover the estimated benefit payments for the year. For 2019 the rate is 0.09% of payroll. Interest is not granted on this reserve.

Earnings & Experience Reserve

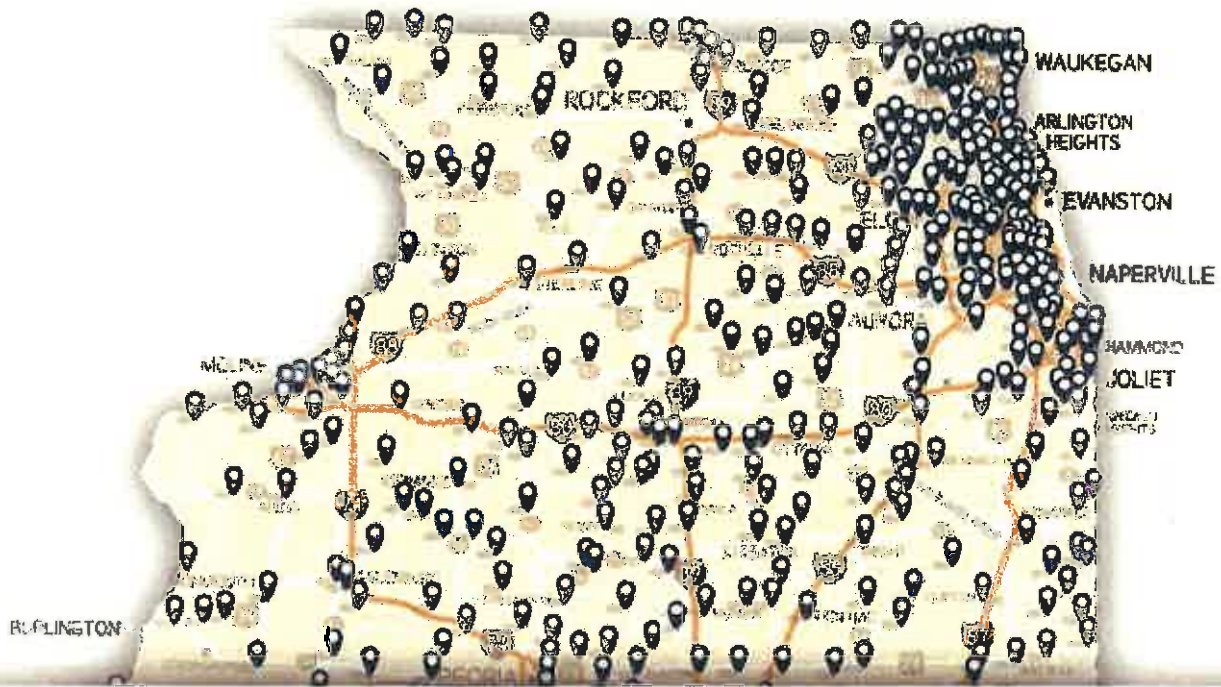
The earnings & experience reserve accounts for the accumulation of investment income for the fiscal year as well as payment of investment and administrative expenses. Interest granted to the member, employer, and annuitant reserves is also deducted from this reserve. Any remainder is credited to the employer reserve as residual income. If the reserve ends up with a negative balance at year end, the employer reserve is charged with the residual loss.

For a more detailed description of IMRF benefits, please see pages 34-38.

Department to Fund Relationship Matrix

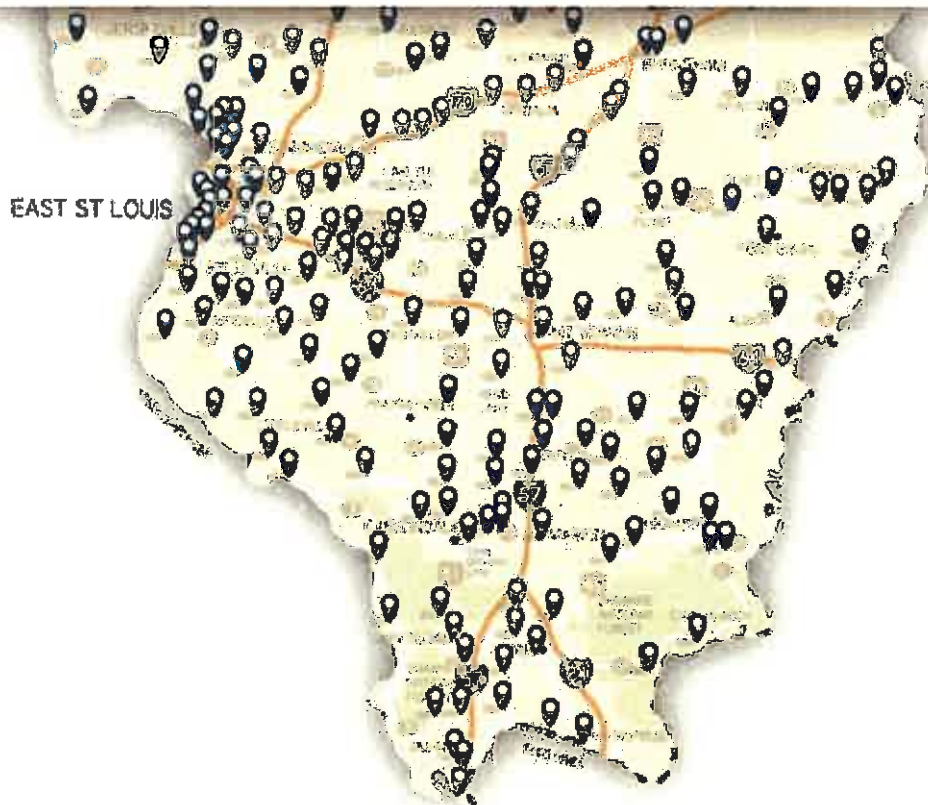
The matrix below correlates the relationship between IMRF's reserves under its sole fund to each organizational department:

	IMRF Fiduciary Trust Fund						
	Member Reserve	Employer Reserve	Annuitant Reserve	Supplemental Reserve	Disability Reserve	Death Reserve	Earnings & Experience Reserve
Administration							✓
Benefits			✓		✓	✓	
Board of Trustees			✓		✓	✓	✓
Communications	✓	✓	✓	✓	✓	✓	✓
Finance	✓	✓	✓	✓	✓	✓	✓
Human Resources							✓
Information Services	✓	✓	✓	✓	✓	✓	✓
Internal Audit	✓	✓	✓	✓	✓	✓	✓
Investments							✓
Legal	✓	✓	✓	✓	✓	✓	✓
Member and Field Services	✓	✓	✓	✓	✓	✓	
Office Services	✓	✓					✓
Operations							✓



IMRF NOW SERVES

2,997 DIFFERENT EMPLOYERS,
175,565 PARTICIPATING MEMBERS,
 AND **128,264** BENEFIT RECIPIENTS.

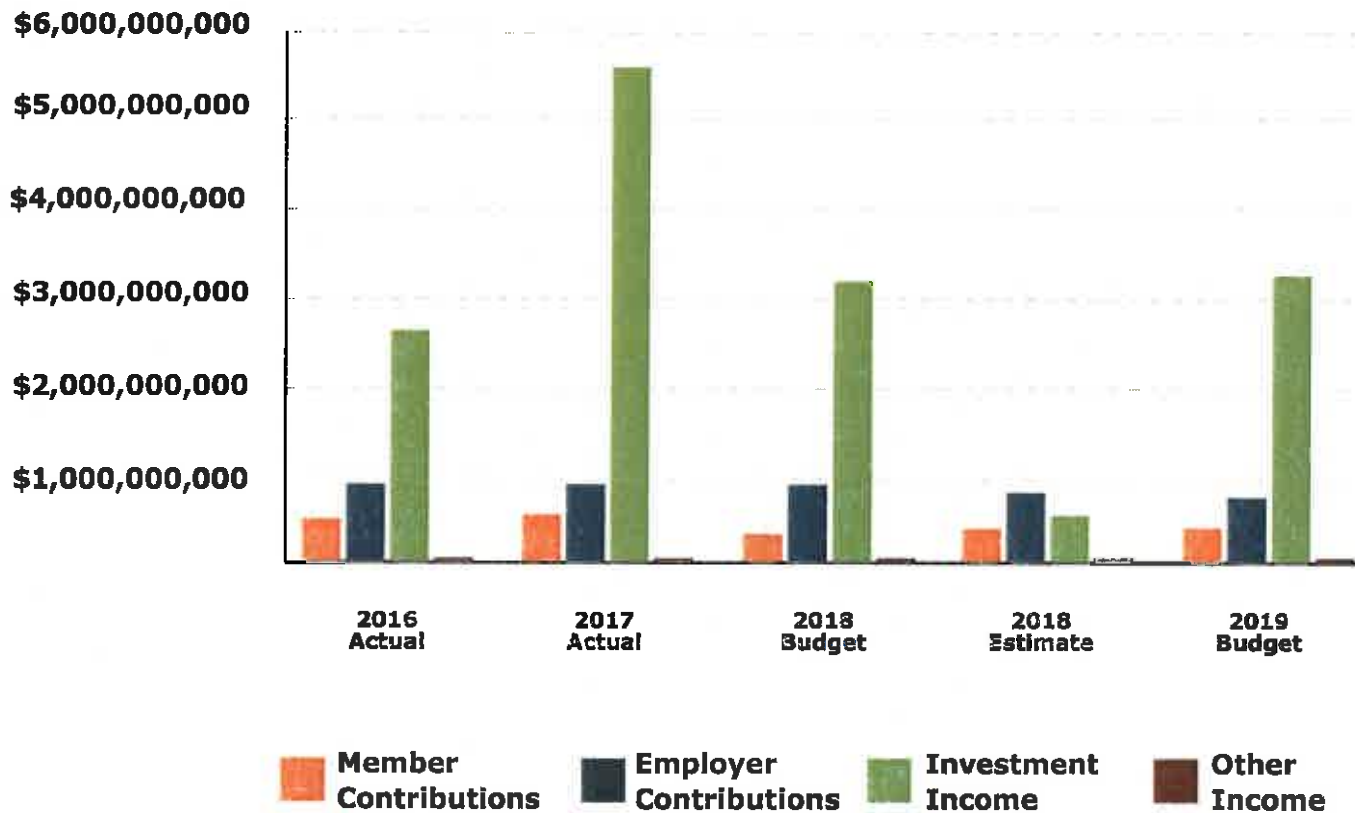


REVENUE SCHEDULES

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.

Revenues to IMRF include member and employer contributions based on the reported wages from the 175,565 active members reported from 2,997 employers. Investment income is projected at 8% (gross of fees) investment return target.

	2016 Actual	2017 Actual	2018 Budget	2018 Estimate	2019 Budget
Member Contributions	\$380,385,015	\$393,747,860	\$358,966,967	\$407,978,953	\$415,753,486
Employer Contributions	933,937,321	903,482,031	892,791,609	897,002,197	751,570,519
Investment Income	2,664,864,774	5,718,221,626	3,268,108,271	499,989,910	3,337,183,215
Other Income	12,340	13,200	25,000	10,000	10,000
Total	\$3,979,199,450	\$7,015,464,717	\$4,519,891,847	\$1,804,981,060	\$4,504,517,220



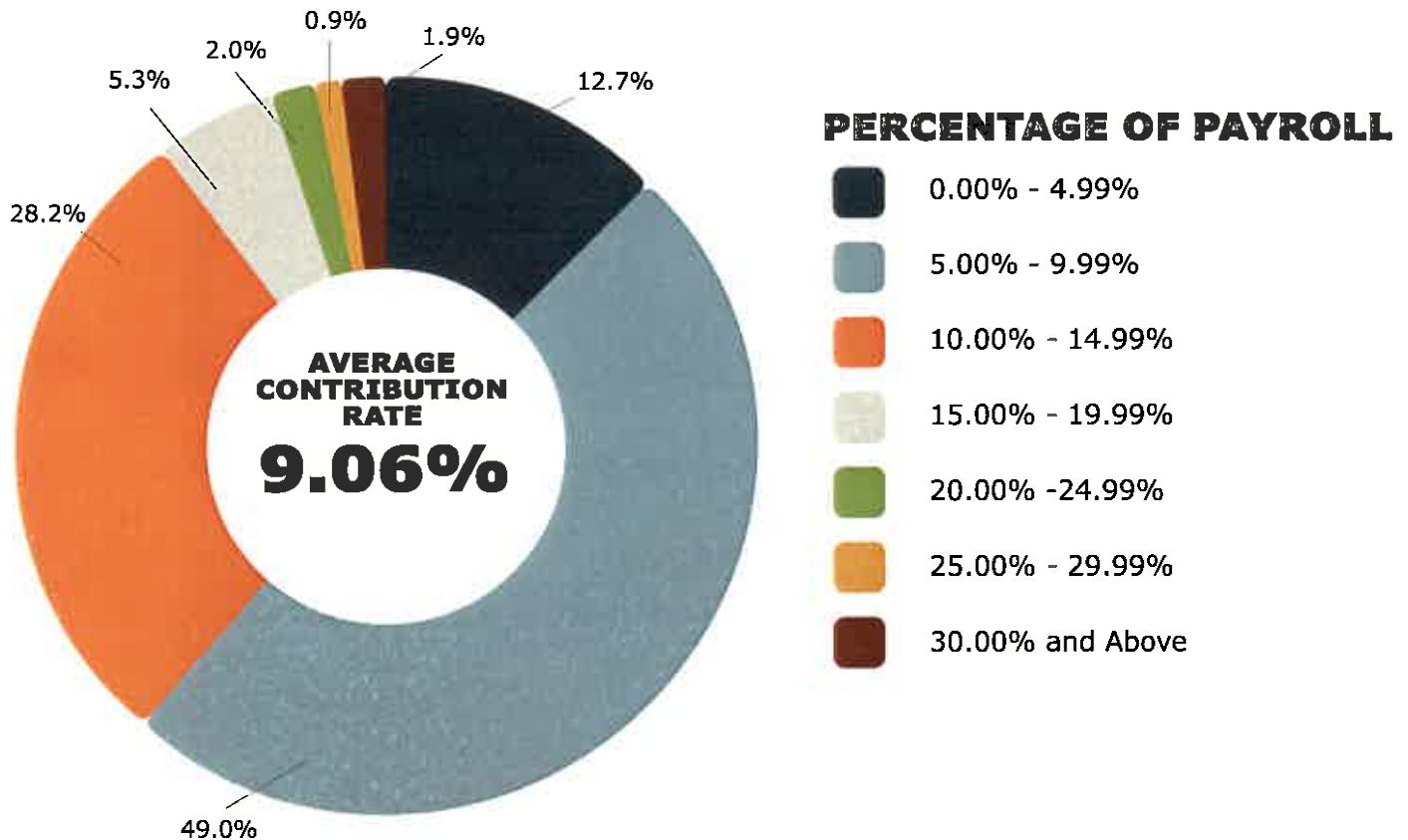
EMPLOYER CONTRIBUTION RATE RANGES

Expressed as a percentage of payroll

Percentage of Payroll	Percent of Employers	Regular Plan	SLEP Plan	ECO Plan	Total
0.00% - 4.99%	12.7%	414	8	2	424
5.00% - 9.99%	49.0%	1,610	20	1	1,631
10.00% - 14.99%	28.2%	789	128	21	938
15.00% - 19.99%	5.3%	143	32	2	177
20.00% - 24.99%	2.0%	46	18	1	65
25.00% - 29.99%	0.9%	22	7	2	31
30.00% and Above	1.9%	23	2	38	63
	100.0%	3,047	215	67	3,329

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

2019 Annual Contribution Rates





2019 BUDGET TIMELINE

2019 Administrative expenses, direct investment expenses, and capital budget schedule.

7/30/2018

Staffing requests and 2019 Budget assumptions finalized by Executive Director

**8/20 THROUGH
8/24/2018**

Finance department presents Budget 101 workshops for IMRF staff

8/31/2018

Identification of 2019 projects that will be carried over into 2019

9/26/2018

Budget submissions due to Finance department

**9/27 THROUGH
10/05/2018**

Finance department reviews budget submissions with respective departments

**10/8 THROUGH
10/12/2018**

Executive Director reviews department-proposed 2019 projects and budgets, overall budget with comparisons to prior year actual amounts, current year estimates, and prior year budget

**10/8 THROUGH
10/17/2018**

Finance and Communications prepares Budget Document

11/01/2018

Final review of proposed 2019 projects and Budget Document by Directors

11/08/2018

Distribution of proposed 2019 projects and Budget Document to Board of Trustees

11/16/2018

Presentation of Compensation Report and Health Insurance Report to Board of Trustees

11/16/2018

Presentation of proposed 2019 projects and Budget Document to the Board of Trustees

SUMMARY OF 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 2,997 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 vast majority of IMRF members participate in the Regular plan. 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 three IMRF benefit plans have two tiers. Tier 2 benefits are lower than Tier 1, and cost about 40 percent less to provide. All IMRF members initially hired on or after January 1, 2011, are in Tier 2.

Both the 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%; SLEP and ECO members contribute 7.5%. Members also have the option of making voluntary after-tax contributions up to 10% of their salary. Employer contribution rates are actuarially calculated annually for each employer. (Beginning in 2010, employers were given the option to select a contribution rate less than the actuarial required contribution rate if the current year's actuarial required contribution rate was more than 10% 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. All contributions are pooled for investment purposes. Since 1982, investment returns account for 64% of IMRF's revenue.

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 total service credit with at least eight years in the same elected county position. ECO members with at least ten years of total service credit, but less than eight 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% of the final rate of earnings for each of the first 15 years of service credit, plus
- 2% for each year of service credit in excess of 15 years.

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

A SLEP pension is:

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

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

An ECO pension is:

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

The maximum pension at retirement cannot exceed 80% (75% 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, whichever is higher. 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, 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, whichever is higher. For ECO members who joined 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 were initially capped at \$106,800, which have increased annually beginning in 2012 by 3% or one-half of the increase of the Consumer Price Index, whichever is less. The pensionable earnings cap in 2017 is \$112,408.42 and for 2018 is \$113,644.91. 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:

- 1/4% for each month the member is under age 60, or
- 1/4% for each month of service less than 35 years.

Tier 2

Normal retirement for an unreduced pension is:

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

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

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

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

Service Credit

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

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

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

Post-retirement Increases

Tier 1

Members in all plans receive an annual 3% 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 3% 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 (ERI)

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 only after the liability for the previous ERI program is paid. An employer may only offer an ERI program 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% 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.

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% 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 the pensionable earnings cap for Tier 2 members) plus any balance in the member's account. Eligible spouses of deceased, vested, or 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 ($66\frac{2}{3}\%$ for Tier 2) of the member's pension.

For ECO members, a surviving spouse's monthly pension is $66\frac{2}{3}\%$ 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 (the age 50 requirement does not apply):

- A monthly pension equal to 30% of the ECO member's salary at the time of death, plus
- 10% of the ECO member's salary at the time of death for each minor, unmarried child. The maximum total monthly benefit payable to spouse and children cannot exceed 50% of the ECO member's salary at the time of death, or
- A monthly pension equal to $66\frac{2}{3}\%$ of the pension the member had earned.

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 3% or one-half the increase in the Consumer Price Index, whichever is less.



SUMMARY OF DEPARTMENTS AND WORKFORCE

Calendar Year	Administration	Internal Audit	Human Resources	Finance	Investments	Internal Equity Mgmt	Legal	Communications	Member Services	Benefits	Information Services	Program Management	Office Services	Total	Total Head Count*	Vacant Positions	Approved Head Count
	ADM	IA	HR	FIN	INV	IEM	LGL	COM	MS	BEN	IS	PMO	OFS				
2013	4	4	4	28	9	-	4	7	28	28	34	4	22	176	9	185	
2014	4	7	3	29	10	-	4	6	30	28	35	5	21	182	11	193	
2015	4	7	4	27	13	-	5	7	33	28	33	5	19	185	14	199	
2016	4	7	4	27	13	-	5	9	35	31	34	6	19	194	5	199	
2017	6	8	4	23	14	-	5	8	36	32	34	6	18	194	11	205	
2018	6	8	4	25	14	-	6	8	38	29	41	-	19	198	8	206	

*October Human Resources Reports submitted to the Board

2018 Vacancies

Vacancies	ADM	IA	HR	FIN	INV	IEM	LGL	COM	MS	BEN	IS	OFS	Total
2018	-	-	-	-	-	-	-	-	1	6	1	-	8

2019 Proposed Staffing Additions

	ADM	IA	HR	FIN	INV	IEM	LGL	COM	MS	BEN	IS	OFS	Total
2019 Horizon	-	-	-	3	-	-	-	2	5	1	2	1	14
2019 Additional	-	-	-	-	-	3	-	-	-	-	-	-	3
2019 Total	6	8	4	28	14	3	6	10	44	35	44	20	223

FUNDED STATUS AND FUNDING PROGRESS

As of December 31, 2017, the most recent actuarial valuation date, the plan on an aggregate basis was 92.9 percent funded on an actuarial basis. The actuarial accrued liability for benefits was \$42.2 billion, and the actuarial value of assets was \$39.2 billion, resulting in an unfunded actuarial accrued liability (UAAL) of \$3.0 billion. The covered payroll (annual payroll of active employees covered by the plan) was \$7.1 billion, and the ratio of the UAAL to the covered payroll was 42.0 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, 2017
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, 24 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%
Projected salary increases	3.39 to 14.25%
Assumed wage inflation rate	3.25%
Group size growth rate	0.0%
Assumed payroll growth rate	2.5%
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 retirees, an IMRF specific mortality table was used with two-dimensional, fully generational improvements using the MP-2017 Mortality Improvement Scale (base year 2015). The IMRF specific rates were developed from the RP-2014 Blue Collar Mortality Table with adjustments to match current IMRF experience. For disabled retirees, an IMRF specific mortality table was used with two-dimensional, fully generational improvements using the MP-2017 Mortality Improvement Scale. The IMRF specific rates were developed using the RP-2014 Disabled Mortality Table with adjustments to match current IMRF experience. For active members, the mortality rates are based on the RP-2014 Employee Mortality Table for both males and females with two-dimensional, fully generational improvements using the MP-2017 Mortality Improvement Scale. Among active members, 75% of males and 70% of females were assumed to be married.

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
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%
2015	39,486,573,890	34,913,127,469	88.4%	4,573,446,421	6,919,337,807	66.1%
2016	41,358,710,402	36,773,397,527	88.9%	4,585,312,875	7,006,710,264	65.4%
2017*	42,179,482,656	39,187,802,312	92.9%	2,991,680,344	7,127,492,621	42.0%

*After assumption 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			Other	Total Additions
		Dollars	Percent of Annual Covered Payroll	Member Contributions		
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
2015	200,727,209	900,476,884	13.01%	368,005,271	464,050	1,469,673,414
2016	2,664,864,774	933,937,321	13.33%	380,385,015	12,340	3,979,199,450
2017	5,718,221,626	903,482,031	12.68%	393,747,860	13,200	7,015,464,717

Deductions					
Calendar Year	Benefits	Refunds	Administrative Expenses	Total Deductions	Net Increase (Decrease)
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
2015	1,758,184,358	36,748,509	28,707,981	1,823,640,848	(353,967,434)
2016	1,902,139,898	37,690,098	37,550,066	1,977,380,062	2,001,819,388
2017	2,043,613,657	42,552,060	31,031,320	2,117,197,037	4,898,267,680

BUDGET COMPONENTS

IMRF is separate and apart from the Illinois state government. The Fund's revenues come from three sources: investment earnings, employer contributions, and member contributions. This section provides an analysis of revenue resources, proposed expenditures, and estimated versus adopted variances used to assess IMRF's funding.

- 43** General Guidelines from the Chief Financial Officer
- 47** Revenues Projections
- 49** 2019 Proposed Expenditures
- 50** Additions to Fund Balances
- 51** 2019 Proposed Capital Additions – Summary
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GENERAL GUIDELINES FROM THE CHIEF FINANCIAL OFFICER

July 31, 2018

From: Brian Collins and Mark Nannini

To: IMRF Directors and Managers

Re: 2019 Budget Guidelines and Additional Information

IMRF's **number one priority** for 2019 is the Horizon Project, followed by maintaining high service levels for our members and employers. This necessitates a careful, realistic analysis of overtime, recruitment, capital asset purchases, and the use of temporary staff for each area to function at the necessary level of service. Overall, the focus of the 2019 budget is to prepare for Phase Four of the Horizon Project.

Important items to consider as you prepare your budget are the current activities, programs, staffing, and consulting work you may need to support Modernization as well as IMRF's 2017-2019 Strategic Plan.

Each department may need to account for additional personnel, software, and training in their budget, along with justification for each of these items. The proper process must be followed to request additional staffing, either for permanent or temporary staffing. The goals and objectives of your department are the focus of this budget for 2019. Any items that overlap with other departments need to be clearly communicated in the documentation as well as shared with the respective department.

Expenditures

- Throughout the budget process, the focus will be on implementing IMRF's programs and initiatives while remaining fiscally prudent. This focus is applicable to the entire organization.
- The request for additional staff will be considered if justified, reviewed, and determined that a need is demonstrated. Departments may transfer head counts between departments as long as both departments agree to the change. All staffing requests, transfers, or changes must be submitted to the Director of Human Resources and Chief Financial Officer prior to the final budget submission in September. Please remember to budget for office and computer equipment needs for all new additions to the total head count.
- Include in your budget submission your staff's individual training needs as well as preparation for changes due to Horizon and Modernization. Organization-wide training must be included in the Human Resources budget while department-specific training (individual) must be included in your department budget.
- Please round all expenditures to the nearest whole dollar amount.

Projects

- Projects intended for the 2018 approved operating budget that were not completed or never initiated will be subject to reprioritization and possible elimination in your department's 2019 budget request. If the 2018 project is necessary to carry forward, you should include updated amounts to complete the project in your 2019 budget. Please include the reason why the project was not previously completed as well as the justification to budget for it in 2019.
- Identify, prioritize, and develop incremental cost estimates for new projects for 2019 in your budget. As new projects are identified, please work with the Performance Excellence Manager Kathy Goerdts to review your proposals. The proposals are to include justification for how each potential project furthers strategic goals, action plans, transaction scorecards, continuous process improvement, or responds to the Baldrige Criteria or Illinois Performance Excellence feedback report. Keep in mind that some worthwhile projects may need to wait until after the implementation of Horizon.

Additional Information from Finance

Please use the resources listed below when preparing your department budget.

- **2019 Budget Timeline 2019 Capital Budget Worksheet.** This worksheet should be used for:
 - Capital purchases over \$5,000. Please include a brief explanation supporting the need or benefit of the purchase, the date it will be purchased, and its estimated useful life.
 - Internally generated software over \$10,000. Information Services will identify the projects that will potentially qualify for capitalization under the GASB 51 standard and will estimate the number of hours of development effort that will be required. Once the Information Services hours are estimated for these projects, the estimated number of department hours to support the development effort and related user acceptance testing will be determined and added to the worksheet. Information Services and Finance will work with the impacted departments to develop these estimates. Finance will then cost out the various projects and estimate the service dates in conjunction with Information Services.
 - Expendable equipment purchases between \$500 and \$5,000. The expendable equipment request should describe the proposed purchase with a brief explanation of the need or benefit.
 - Leasehold improvement projects over \$5,000.
- **Proposed 2019 Project Budget Worksheets**

Use these worksheets to identify incremental costs anticipated in 2019 in connection with proposed 2019 projects.
- **Department Budget Worksheets**

These worksheets include your actual expenses for the 12 months ended July 31, 2018, broken out between the last five months of 2017 and the first seven months of 2018, and the 2018 budgeted amount for each general ledger account as comparison.
- **Remaining amounts of prepaid expenses, if any, by department.**
- **List of 2018 Capital Expenditures**

2018 Capital Expenditures, including internally-developed software budgeted and purchased through July 31, 2018. For the items not yet purchased, please indicate the estimated date of purchase and an updated estimated cost if applicable within in the form. Please also indicate if the item will not be purchased in 2018. For internally developed software, please update the estimated remaining costs to be incurred in 2018 and the estimated in-service date. Capital expenditures for 2019 are to be reported separately using the Project Budget Worksheet.

To further assist you in developing your departmental budget, Finance has created detailed analyses by department of the activity in each general ledger account for the five months ended December 31, 2017, and for the seven months ended July 31, 2018.

You can also use the Doc-link Smart Client to look up 2016 and 2017 invoices that have been paid. Please contact Sharon Brown, Mark Fink, or David Adamski with any questions about how to use the search option.

Important: Please complete all budget forms electronically and return them to both David Adamski and Jim Splitt. Please use Microsoft Excel ONLY.

Helpful Tips

Use these tips when completing your department budget:

- For capital, expendable equipment, or 2019 project requests, fill out a Project Budget Worksheet for each item or category of items. (For example, only one worksheet is needed for the purchase of PC replacements.)
- Estimate what you believe are the actual expenses for calendar year 2018 and your proposed 2019 budget amount for each general ledger account. Enter this information in the blank columns on the budget worksheet. Refer to the detailed analysis of activity for your department for information.
- Carefully review prior period expenses to determine whether they are necessary or add value beyond their costs to IMRF. Funds spent on something in the current year do not alone justify inclusion in the 2019 budget.
- You may decide that some general ledger accounts are unnecessary, could be combined, or that new accounts should be added to better track expenses. Contact David Adamski or Jim Splitt to discuss these changes.

- If you think it more appropriate for another department to be responsible for an account, please bring this to David Adamski and Jim Splitt's attention for resolution.

Budget Account Descriptions

Office Salaries – Regular

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

If you have an open position that you are not currently recruiting to fill, it will be eliminated for 2019 budget purposes unless approved by the Executive Director. If you are recruiting for open positions, please provide this information via email by October 1 to the Human Resources Manager and Chief Financial Officer.

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

Office Salaries – Overtime

Departments should budget this based upon anticipated needs.

Professional Services

Departments should budget this based upon anticipated needs.

Tuition

Each department should provide Human Resources with a list of employees who they anticipate will use this benefit in 2019, the course of study and institution, and the anticipated cost. As a reminder, IMRF offers tuition reimbursement up to a maximum of \$10,500 per year.

Training

All external training expenses (courses, workshops, seminars) will now be budgeted by each department. Human Resources can assist you with this change. The Seminar Approval Form (for any external seminar) will continue to be approved by HR before an employee enrolls in an external training program. External training related to an employee's ILP should be included in this budget account.

All conference expenses will continue to be budgeted by each department.

All internal training requiring purchase of materials and/or use of external vendors for on-site training (multiple staff in one department, multiple departments or IMRF-wide) will still be budgeted and coordinated by Human Resources. Please report your anticipated internal training activities and expenses for 2019 to HR by September 1.

Travel

Travel should be budgeted based on anticipated needs. Travel directly related to training should be budgeted as part of the training line item budget in each department. All gasoline expenses should be budgeted in this account, not in the Automobile Maintenance account. **Travel expenses related to meeting and conferences should be budgeted in the Meetings & Conferences accounts.**

Meetings & Conferences

These accounts are for staff conferences. Please provide additional details about the specific conference or meeting, who will be attending, and the estimated cost. All conferences, including the Reciprocal Conference, should be budgeted to this account. If a staff member is going to attend more than one conference, they must get approval from their 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"	\$500
Reciprocal Conference	"Employee Name"	\$100
Lodging Reciprocal Con.	"Employee Name"	\$400

Office Supplies

Most office supplies are purchased centrally through Office Services. Therefore, most departments have no need for a separate account. The one exception is for Field Services staff that purchase miscellaneous supplies and are reimbursed via expense reports. If you are anticipating a special project that might require additional office supplies, e. g. projectors bulbs, GPS units, or anything else that is significantly out of the ordinary, please let Denise Streit in Office Services know so it can be incorporated in their 2019 budget.

Publications and Dues

Departments should budget this based upon anticipated needs.

Expendable Equipment

All purchases of equipment between \$500 and \$5,000, is expendable equipment (not Capital) and should be identified and budgeted in this account. Please complete the 2019 Capital Budget Worksheet for each type of equipment and include a brief explanation of the need or benefit.

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.**

Miscellaneous

IMRF is charged a fee for the use of the lower level conference room. If you plan to use this space in 2019, please let Denise Streit or Vickie Lane know so they can incorporate the additional rental in their 2019 budget.

2019 Modernization Budget

Budgeting for Modernization will be a significant challenge for IMRF. While other 2019 projects will be budgeted based on incremental costs, Modernization-related costs must be identified by activity, if possible, and evaluated on whether they are expense or capital in nature. Since these costs may not be identified until late in the budget process, we will begin the budget process using the best available estimates and then update the budget materials as more detailed information becomes available. Information Services and Finance will need to work closely together to determine the details for the 2019 Modernization budget.

Final Budget Allocation by Month

Once the final budget is approved by the IMRF Board of Trustees in November or December, you will be asked to allocate your approved budgeted amounts by month. This allows Finance to more effectively track the budget for 2019.

Please keep as much information you think is necessary to complete this step in the process. The more accurate your monthly allocations are, the less likely you will be asked to explain differences between budgeted and actual expenses each month of the new budget year.

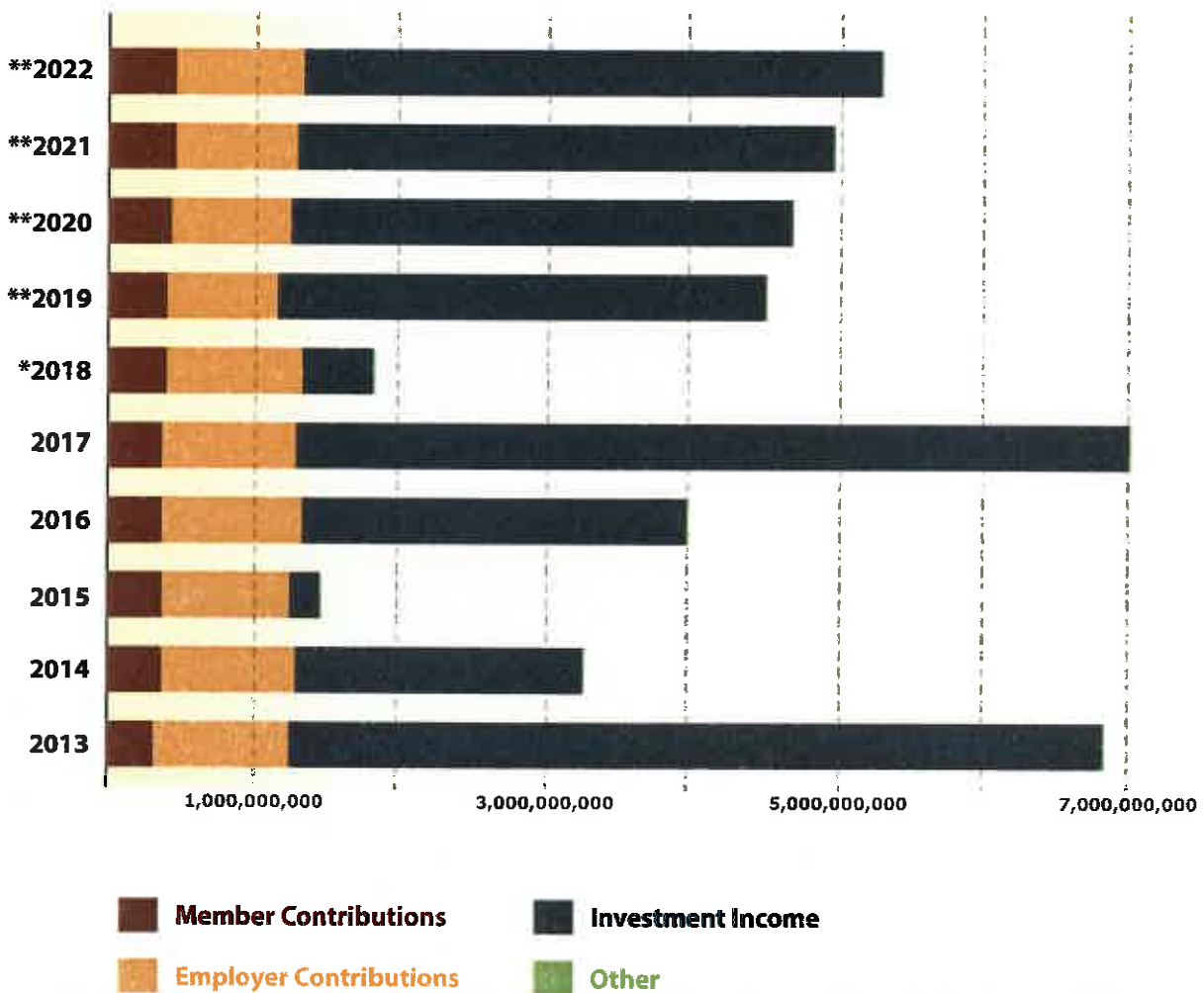
Contact

If you have any questions, need assistance, or require an explanation about anything included in this memo, contact David Adamski (x 4222), Sharon Brown (x 4582), Mark Fink (x 4769), Jim Splitt (x 4260), or Mark Nannini (x4345).

REVENUE PROJECTIONS

Year	Member Contributions	Employer Contributions	Investment Income	Other	Total
2013	\$ 338,934,421	\$ 930,969,056	\$5,583,120,005	\$ 8,455	\$ 6,853,031,937
2014	351,089,445	923,382,825	2,001,420,871	19,157	3,275,912,298
2015	368,005,271	900,476,884	200,727,209	464,050	1,469,673,414
2016	380,385,015	933,937,321	2,664,864,774	12,340	3,979,199,450
2017	393,747,860	903,482,031	5,718,221,626	13,200	7,015,464,717
2018 *	407,978,953	897,002,197	499,989,910	10,000	1,804,981,060
2019 **	415,753,486	751,570,519	3,337,183,215	10,000	4,504,517,220
2020 **	432,174,126	836,400,031	3,416,157,872	10,000	4,684,742,029
2021 **	448,722,892	850,868,567	3,677,450,502	10,000	4,977,051,961
2022 **	465,517,694	865,930,962	3,959,646,542	10,000	5,291,105,198

* Estimated
** Projected



Explanation of Revenue Projections

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 independent 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 2017, investment income of \$5,718.2 million represented 81.5 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
2017	81.5%
2016	67.0%
2015	13.7%
2014	61.1%
2013	81.5%

Currently, 84 professional investment management firms handling 169 separate accounts manage the investment portfolio. These firms make investment decisions under the prudent person 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%.

Other Income

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

2019 PROPOSED EXPENDITURES

Summary by Department

	Actual		Budget	Estimated	Proposed	2019 Proposed as a Percent Change Over 2018	
	2016	2017	2018	2018	2019	Budget	Estimate
Capital Additions	\$2,293,486	\$5,259,979	\$13,311,146	\$13,414,833	\$13,458,538	1.1%	0.3%
Administrative Expenses							
Administration	499,758	592,584	656,131	507,529	602,962	(8.1)%	18.8%
Benefits	1,833,201	1,922,335	1,938,714	1,958,926	2,017,614	4.1%	3.0%
Board of Trustees	82,166	119,466	152,341	138,732	248,683	63.2%	79.3%
Communications	1,059,773	792,583	895,289	866,797	1,189,344	32.8%	37.2%
Finance	8,360,196	8,045,283	7,696,601	7,730,062	8,058,629	4.7%	4.3%
Human Resources	3,205,405	3,101,275	3,201,847	3,251,034	3,421,939	6.9%	5.3%
Information Services	6,302,426	5,871,622	6,729,228	6,215,891	7,579,531	12.6%	21.9%
Internal Audit	614,431	649,884	718,342	664,490	740,743	3.1%	11.5%
Investments	1,686,771	1,732,967	1,806,797	1,810,371	1,932,410	7.0%	6.7%
Investments Equity Internal Management	-	-	-	-	755,427	NM	NM
Legal	1,035,843	1,000,792	1,026,138	1,016,616	1,072,280	4.5%	5.5%
Member and Field Services	2,375,913	2,629,984	2,529,210	2,706,409	2,888,538	14.2%	6.7%
Office Services	4,369,627	4,354,392	4,538,956	4,654,009	4,954,255	9.1%	6.5%
Operations	455,438	535,045	571,363	674,627	731,971	28.1%	8.5%
Total Administrative Expenses	31,880,948	31,348,212	32,460,957	32,195,493	36,194,326	11.5%	12.4%
Direct Investment Expenses							
Investments	113,285,435	116,864,208	130,824,083	126,659,813	135,775,485	3.8%	7.2%
Investments Equity Internal Management	-	-	-	-	551,256	NM	NM
Total Direct Investment Expenses	113,285,435	116,864,208	130,824,083	126,659,813	136,326,741	4.2%	7.6%
Total	\$145,166,383	\$148,212,420	\$163,285,040	\$158,855,306	\$172,521,067	5.7%	8.6%

MN=not meaningful

ADDITIONS TO FUND BALANCES

	2017 Actual	2018 Budget	2018 Estimate	2019 Budget
Revenues				
Contributions				
Member Contributions	\$393,747,860	\$358,966,967	\$407,978,953	\$415,753,486
Employer Contributions	903,482,031	892,791,609	897,002,197	751,570,519
Total Contributions	1,297,229,891	1,251,758,576	1,304,981,150	1,167,324,005
Investment Income				
Investment Income	5,834,352,070	3,268,108,271	499,989,910	3,337,183,215
Less: Direct Investment Expense	(116,130,444)	(130,824,083)	(126,659,813)	(136,326,741)
Net Investment Income	5,718,221,626	3,137,284,188	373,330,097	3,200,856,474
Miscellaneous Income	13,200	25,000	10,000	10,000
Total Additions	7,015,464,717	4,389,067,764	1,678,321,247	4,368,190,479
Expenses				
Benefits (Paid)	2,086,165,717	2,267,120,553	2,219,201,672	2,435,409,928
Administrative Expenses	31,031,320	32,460,957	32,195,493	36,194,326
Total Expenses	2,117,197,037	2,299,581,510	2,251,397,165	2,471,604,254
Net Increase (Decrease)	4,898,267,680	2,089,486,254	(573,075,918)	1,896,586,225
Net Position Restricted for Pensions Beginning of the Year	36,514,897,799	41,413,165,479	41,413,165,479	40,840,089,561
Net Position Restricted for Pensions End of the Year	\$41,413,165,479	\$43,502,651,733	\$40,840,089,561	\$42,736,675,786

2019 PROPOSED CAPITAL ADDITIONS - SUMMARY

	Actual		Budget	Estimated	Proposed	2019 Proposed as a Percent Change Over 2018	
	2016	2017	2018	2018	2019	Budget	Estimate
Capital Purchases	\$1,548,434	\$4,107,810	\$7,852,989	\$3,164,833	\$10,406,843	32.5%	(14.5)%
Internally Generated Computer Software	745,052	1,152,169	5,458,157	1,250,000	3,051,695	(44.1)%	144.1%
Total Capital Budget	\$2,293,486	\$5,259,979	\$13,311,146	\$4,414,833	\$13,458,538	1.1%	0.3%

2019 PROPOSED CAPITAL ADDITIONS

Capital Purchases	
Horizon Project	\$11,370,093
Disaster Recovery Site	460,000
Avaya Telecom for Horizon	442,400
Generator	300,000
Oak Brook Leasehold Improvements	207,525
Double Capacity of UPS Batteries	180,000
Fourth Floor Cisco Switches	155,000
Exchange Mail Upgrade	130,000
Fourth Floor Network Rewiring	86,000
Six Scanners	48,000
Paper Cutter/Slitter/Creaser	32,520
Three Copiers	29,000
UPS Batteries	18,000
Total Capital Budget	\$13,458,538

2019 CAPITAL PURCHASES

Horizon Project

This multi-year project will replace the Spectrum system and complete the Horizon system. The 2019 amount includes \$2,319,796 of internally generated costs that will be capitalized upon completion of the project.

Estimated purchase price	\$11,370,093
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Disaster Recovery Site Equipment Replacement

The existing equipment at the disaster recovery site is reaching end of life and needs to be replaced. This includes a new SAN, Dell chassis, replication software, and a SAN fiber switch. This new equipment at the disaster recovery site will allow IMRF to improve on the Recovery Time Objective (RTO) and Recovery Point Objective (RPO) for bringing up the business in the event of a significant disaster.

Estimated purchase price	\$460,000
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Avaya Telecom for Horizon

This is a bundle of Avaya telecom software necessary for the selected business functionality for the Horizon Project.

Estimated purchase price	\$442,400
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Generator

Since 2010, there have been several power outages, some lasting for extended periods. In many cases, the outage lasts longer than the batteries in the UPS could hold up. The UPS is only able to keep the Data Center running for 60 minutes. Air conditioning is not included. Even if the UPS could keep the equipment running, the equipment would eventually have to be shut down to avoid heat damage. In 2019, three new Dell server chassis and the new SAN will be added to the UPS which will drop the run time to about 40 minutes.

Estimated purchase price	\$300,000
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Oak Brook Leasehold Improvements

The new lease extension for the Oak Brook office includes a reimbursement clause for tenant improvements. For 2019, the following areas are planned for improvement:

Exterior Office Window Film	\$ 55,800
Office Space Redesign	45,000
Finance and Member Services Kitchen Update	39,055
New Flooring all Kitchens	25,512
Data Center Remodel	22,328
Replace Boardroom Carpet	14,830
Work Station Add-on	5,000
Estimated purchase price	\$207,525

Double Capacity of UPS Batteries

Increasing the number of servers and other hardware in the Data Center is beginning to stretch the capacity of the current UPS. An in-place upgrade with a software change in the UPS is required.

Estimated purchase price	\$180,000
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Cisco Switches – 4th Floor

There is a need to put new network switches into the wiring closets on 4th floor. The existing network switch stack needs to be split due to the additional overhead the network switches have incurred as part of implementing security projects. The Policy Based Routing from the firewall project in addition to the VLAN segmentation has added significant load.

Estimated construction costs	\$155,000
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Exchange Mail Upgrade

The current Exchange server configuration utilizes Forefront for the external facing email access. Forefront will be EOL in 2020 so we will need to replace our email system in 2019. The first preference will be to utilize a cloud provider, but in the event that there are technical or security issues that arise IMRF will have to upgrade the existing Exchange environment from 2010 to the newest version available.

Estimated purchase price	\$130,000
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4th Floor Network Rewiring

This is to remove and replace all network wiring on the 4th floor workstations. Upgrading from Cat 5 to Cat 6 network cabling will better support increased bandwidth requirements for Horizon. The 5th floor was rewired in 2018.

Estimated purchase price	\$ 86,000
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Scanners

Replacement of our scanners used by Finance, Records, and the Enterprise Business Solutions team. The existing scanners are FI-6240z to be replaced with FI-6770. Six scanners at \$8,000 each are needed.

Estimated purchase price	\$48,000
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Paper Cutter/Slitter/Creaser

Communications and Office Services are proposing to bring a variety of print jobs in-house for an estimated savings of \$12,000 a year. With the ability to score and cut in house, these departments would be able to redesign many publications to feature full-bleed margins and use higher quality, thicker paper. IMRF has the print capabilities to facilitate these requests already. This cutter purchase is the limiting factor in the ability to create higher quality publications.

IMRF would also save on storage and stock release fees for these publications by not needing to print as much ahead of time or store as much stock in the warehouse.

Estimated purchase price	\$32,520
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Digital Copier/Printer Replacement

Office Services is requesting the purchase of three new digital copier/printers in 2019. Two are for the Oak Brook office to replace two of the oldest copiers that are fully depreciated. These are located on the IS 4th floor and on the 3rd floor. One is to replace the fully depreciated copier in Springfield with a color copier. They do not have a color printer in Springfield

Estimated purchase price	\$29,000
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UPS Battery Replacement

The Oak Brook electric power has been notoriously uneven with periodic power spikes and outages. It will be fine for a long period then have problems several times over a few months. Power spikes could adversely impact equipment in the Data Center. The Uninterruptible Power Supply (UPS) keeps the Data Center running when the electrical power goes out. The batteries are supposed to last five years but rarely last longer than three years. This is due to various factors; as they carry the load for an outage, then recharge, they lose their ability to function. Typically this manifests itself as a bad cell in one battery, which then damages other batteries. To make the UPS reliable at all times, it has been IMRF's practice to replace the batteries every three years. There are two strings of batteries, each is replaced in different years. This way, the UPS will be up at all times, even while the replacement work goes on. Replacement typically takes one day.

Estimated purchase price	\$18,000
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LONG-TERM CAPITAL PLAN (5 YEARS)

IMRF's 5 year capital plan is a planning tool that gives a snapshot into the next five years. It serves as a guide for planning projects and equipment replacements in the near future. This plan is reviewed and updated annually to reflect the changing needs and priorities of the organization.

	Budget Items	Department	Estimated Cost
2020	Network Switches Replacement	IS	\$ 98,000
	Cisco Switches Replacement	IS	9,800
	Microsoft Exchange Upgrade	IS	130,000
	Sitecore	IS	15,000
	Arial Software	IS	1,500,000
	Horizon	IS & Provaliant	9,067,834
	Black & White Copier Replacement	Office Services	20,000
2021	Automobile Replacement	Member & Field Services, Internal Audit, Legal, and Administration	330,000
	Black and White Copier Replacement (2)	Office Services	26,750
	Horizon	IS & Provaliant	6,823,413
2022	Horizon	IS	724,295
2023	Horizon	IS	N/A
2024	N/A	N/A	N/A
Long-term Capital Plan Total			\$ 18,745,092

The impact of IMRF's multi-year modernization project, Horizon, on the current operating budget can be found in several areas. For the 2019 budget, increases in operating costs for temporary personnel and overtime has been requested to assist with keeping normal operations at expected service levels while current staff continue work on the development and implementation of the project. These increased costs are partially offset by the capitalizing of costs per GASB 51 (Accounting and Financial Reporting for Intangible Assets). The increases in these areas will continue until the project completion in 2023.

Software maintenance increases will also be an impact as the Horizon Project moves forward and new systems are put in place.

Also continuing to impact the operating budget due to the Horizon Project are project oversight and change management consulting costs. These again are expected to continue until the completion of the project.

ANALYSIS OF 2019 PROPOSED BUDGET TO 2018 ESTIMATED ACTUAL VARIANCES

		Percentage Change
2019 Proposed Budget	\$36,194,326	
2018 Estimated Actual	32,195,493	
Increase	\$3,998,833	12.4%

Expense Variations by Major Expense Category

Percent of Total Budget		Increase (Decrease)	% Change
43.2%	<p>Salaries The increase in the 2019 budget versus the 2018 estimated actual is being driven by an increase in staff from 206 FTE (Full Time Equivalent) to 223 FTE due to increased staff commitments in the next phase of the Horizon Project and the creation of an Investment Equity Internal Management division. This will add \$1.2 million in additional salary expense. Staff salary increases based on a 2.75% base salary adjustment and 1.00% average discretionary are an additional \$601 thousand and increases in accrued compensation will add an additional \$487 thousand. Additional temporary services with an additional increase of \$1.1 million. This is offset by a \$(1.8) million increase in the amount of salaries capitalized as part of the next phase of the Horizon Project and a \$(77) thousand reduction in overtime.</p>	\$1,369,997	8.9%
14.2%	<p>Fringe Benefits The decrease in the 2019 budget versus the 2018 estimated actual is due to the decrease of \$(124) thousand, as a result of decrease in the IMRF employer contribution rate for IMRF staff from 11.01% to 8.72% in 2019 as well as an increase in capitalized IMRF contributions and health insurance of \$(374) thousand related to internally developed software related to the Horizon Project/Modernization Program. This is being offset by an increase of \$143 thousand payroll taxes and \$97 thousand in health and dental insurance premiums due to the increase in staff.</p>	(306,748)	(6.1)%
3.5%	<p>Personnel Costs - Indirect The majority of this increase, \$293 thousand, is driven by higher projected training costs related to IMRF's individual learning plans, tuition reimbursement and organization wide training.</p>	331,140	40.9%
9.4%	<p>Consulting Services This increase in the 2019 budget versus the 2018 estimated is driven by a \$288 thousand increase for internet consulting. Also included are increases of \$45 thousand for telecommunications consulting, \$42 thousand for Process Improvement consulting, \$42 thousand for IS Risk Assessment auditing, and \$20 thousand for actuarial. This is offset by a decrease in Horizon Project consulting of \$(37) thousand.</p>	1,777,966	93.8%
7.0%	<p>Facility Expenses The majority of this increase, \$71 thousand, is related to increases in disaster recovery capabilities and \$64 thousand related to increases in telephone and internet fees. In addition, we anticipate a \$32 thousand increase in rent for the Oak Brook and Springfield locations.</p>	183,020	8.4%
7.8%	<p>Commodities & Services The major increases in this area are related to postage and delivery - \$131 thousand, risk assessment - \$100 thousand, banking fees - \$68 thousand, and continuation of the jacket conversion project - \$48 thousand.</p>	383,505	17.4%
13.6%	<p>Equipment The majority of the increase here is due to an anticipated increase in depreciation of \$529 thousand due to capitalization of the first phase of the Horizon Project. Also an increase of \$165 thousand for equipment and software maintenance costs. This is offset by a decrease of \$(376) thousand in expendable equipment purchases.</p>	141,235	3.2%
1.3%	<p>Miscellaneous This major increases in this area relate to the 2019 trustee election, \$95 thousand and trustee reimbursements of \$20 thousand.</p>	123,718	31.6%
100%		\$3,998,833	

ANALYSIS OF 2019 PROPOSED BUDGET TO 2018 ADOPTED BUDGET VARIANCES

		Percentage Change
2019 Proposed Budget	\$36,194,326	
2018 Adopted Actual	32,460,957	
Increase	\$3,733,369	11.5%

Expense Variations by Major Expense Category

Percent of Total Budget		Increase (Decrease)	% Change
43.2%	<p>Salaries While the 2019 budget versus the 2018 budget includes an increase in salaries of \$601 thousand based on a 2.75% base salary adjustment and 1.00% discretionary, the major increase here is due to the increase in FTE's from 206 to 223 due to increased staff commitments in the next phase of the Horizon Project and the creation of an Investment Equity Internal Management department as well as filling open positions. This accounts for \$1.2 million of the 2019 vs. 2018 budget increase. Additional temporary services add an additional increase of \$1.1 million and an increase in the projected capitalized salaries of \$(263) thousand related to internally developed software in 2019 related to the Horizon Project/Modernization Program. Per GASB Statement No. 51, these costs are reclassified from salary expense and capitalized as part of the total project costs and amortized over it's estimated useful life.</p>	\$2,621,183	18.7%
14.2%	<p>Fringe Benefits The increase in the 2019 budget versus the 2018 budget is bring driven by a \$136 thousand increase in health and dental insurance and \$221 thousand increase in payroll taxes due to the increase in staff as explained above. This is being offset by \$(222) thousand due to the decrease in the IMRF employer contribution rate for IMRF staff from 11.01% to 8.72% in 2019.</p>	159,115	3.5%
3.5%	<p>Personnel Costs - Indirect The 2019 budget contains \$14 thousand increase in recruiting costs due to the increase in staff.</p>	17,249	1.5%
9.4%	<p>Consulting Services This decrease in the 2019 budget versus the 2018 budget is being driven by the decrease for the Horizon Project consulting expenses and more of these will move to be capitalized.</p>	603,622	19.7%
7.0%	<p>Facility Expenses Increases in this category are related to a \$33 thousand increase in rent for the Oak Brook location as well as an increase of \$21 thousand in operating expenses for the Oak Brook offices. Also an increase in disaster recovery expense of \$36 thousand.</p>	80,654	3.5%
7.8%	<p>Commodities & Services The major increase in this area is related to higher costs for postage, \$145 thousand. This is offset by a reduction in forms and newsletters of \$(75) thousand in 2019.</p>	67,613	2.7%
13.6%	<p>Equipment The majority of the increase here is due to a \$173 thousand increase in depreciation due to capitalization of the first phase of the Horizon Project. Also, there is an anticipated \$222 thousand increase in equipment and software maintenance. This is offset by a decrease of \$(306) thousand in expendable equipment purchases.</p>	95,152	2.2%
1.3%	<p>Miscellaneous This increase is due to a \$95 thousand increase in trustee elections budget.</p>	88,781	20.8%
100%		\$3,733,369	

DEPARTMENTAL BUDGETS

To develop this budget document, IMRF received proposals and data from each operational department within the organization. As outlined on the following pages, consideration is allocated to programs, staffing, training, and consulting work necessary to best achieve the Fund's goals and objectives.

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CONDENSED 2019 BUDGET COMPARISON

The table below provides a synopsis of the 2019 budget with and without the effects of the additional staff and related expense requests for the Horizon Project and the creation of the Investments Internal Equity Management team. For comparison purposes, the 2018 budget and 2018 estimated amounts are also provided.

2019 Budget Summary by Department

	2018 Budget	2018 Estimated	2019 Budget w/o Horizon and EIM Costs	2019 Budget w/o Horizon and EIM Increase/ (Decrease) over 2018 Budget	Percent
Administrative Expense					
Admin	656,131	507,529	602,962	(53,169)	(8.1)%
Benefits	1,938,714	1,958,926	1,984,281	45,567	2.4%
Trustees	152,341	138,732	248,683	96,342	63.2%
Communications	895,289	866,797	797,972	(97,317)	(10.9)%
Finance	7,696,601	7,730,062	7,897,347	200,746	2.6%
Human Resources	3,201,847	3,251,034	3,319,470	117,623	3.7%
Information Services	6,729,228	6,215,891	5,054,303	(1,674,925)	(24.9)%
Internal Audit	718,342	664,490	740,743	22,401	3.1%
Investments	1,806,797	1,810,371	1,932,410	125,613	7.0%
Investments - Equity Internal Management (EIM)	-	-	-	-	-
Legal	1,026,138	1,016,616	1,072,280	46,142	4.5%
Field/Member Services	2,529,210	2,706,409	2,697,871	168,661	6.7%
Office Services	4,538,956	4,654,009	4,805,872	266,916	5.9%
Operations	571,363	674,627	731,971	160,608	28.1%
Sub-total	32,460,957	32,195,493	31,886,165	(574,792)	(1.8)%
Direct Investment Expense					
Investments	130,824,083	126,659,813	135,775,485	4,951,402	3.8%
Investments - Equity Internal Management (EIM)	-	-	-	-	-
Sub-total	130,824,083	126,659,813	135,775,485	4,951,402	3.8%
Total	\$ 163,285,040	\$ 158,855,306	\$ 167,661,650	\$ 4,376,610	2.7%

CONDENSED 2019 BUDGET COMPARISON - CONTINUED

2019 Budget Incremental Increase Due to Horizon and EIM	2019 Aggregate Budget with Horizon and EIM	2019 Aggregate Budget Increase/ (Decrease) over 2018 Budget	Percent	2019 Aggregate Budget Increase over 2018 Estimate	Percent
-	602,962	(53,169)	(8.1)%	95,433	18.8%
33,333	2,017,614	78,900	4.1%	58,688	3.0%
-	248,683	96,342	63.2%	109,951	79.3%
391,372	1,189,344	294,055	32.8%	322,547	37.2%
161,282	8,058,629	362,028	4.7%	328,567	4.3%
102,469	3,421,939	220,092	6.9%	170,905	5.3%
2,525,228	7,579,531	850,303	12.6%	1,363,640	21.9%
-	740,743	22,401	3.1%	76,253	11.5%
-	1,932,410	125,613	7.0%	122,039	6.7%
755,427	755,427	755,427	-	755,427	-
-	1,072,280	46,142	4.5%	55,664	5.5%
190,667	2,888,538	359,328	14.2%	182,129	6.7%
148,383	4,954,255	415,299	9.1%	300,246	6.5%
-	731,971	160,608	28.1%	57,344	8.5%
4,308,161	36,194,326	3,733,369	11.5%	3,998,833	12.4%
-	135,775,485	4,951,402	3.8%	9,115,672	7.2%
551,256	551,256	551,256	-	551,256	-
551,256	136,326,741	5,502,658	4.2%	9,666,928	7.5%
\$ 4,859,417	\$ 172,521,067	\$ 9,236,027	5.7%	\$ 13,665,761	8.6%

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 – Goals and Objectives

- 1) To support and adhere to the Strategic Plan for the current fiscal year.
- 2) To meet with IMRF members, employers and legislators to promote the IMRF brand.
- 3) Provide and support a balanced budget.
- 4) Support and manage our modernization efforts (Horizon Project).

Administration Department – Organization Chart



Administration Department – Budget

Expense Classification	Account No.	Actual 2016	Actual 2017	Budget 2018	Estimated 2018	Proposed 2019
Personnel Costs - Direct						
Salaries	5501	\$461,797	\$475,621	\$481,131	\$1,804,181	\$1,837,514
Total Personnel Costs - Direct		461,797	475,621	481,131	1,804,181	1,837,514
Personnel Costs - Indirect						
Travel	5507	6,334	5,633	12,000	2,500	14,000
Other Personnel Costs	5510	-	-	25,000	-	-
Conferences & Meetings	5517	2,846	3,208	5,000	5,000	5,000
Total Personnel Costs - Indirect		9,180	8,841	42,000	7,500	19,000
Commodities & Services						
Publications & Dues	5535	24,922	9,430	28,000	28,500	30,000
Other Services	5540	1,000	98,377	100,000	1,000	100,000
Total Commodities & Services		25,922	107,807	128,000	29,500	130,000
Equipment						
Auto Maintenance & Expenses	5576	2,859	315	5,000	1,500	5,000
Total Equipment		2,859	315	5,000	1,500	5,000
Total Expenses		\$499,758	\$592,584	\$656,131	\$1,984,281	\$2,017,614
2019 Percent Change					2.4%	4.1%

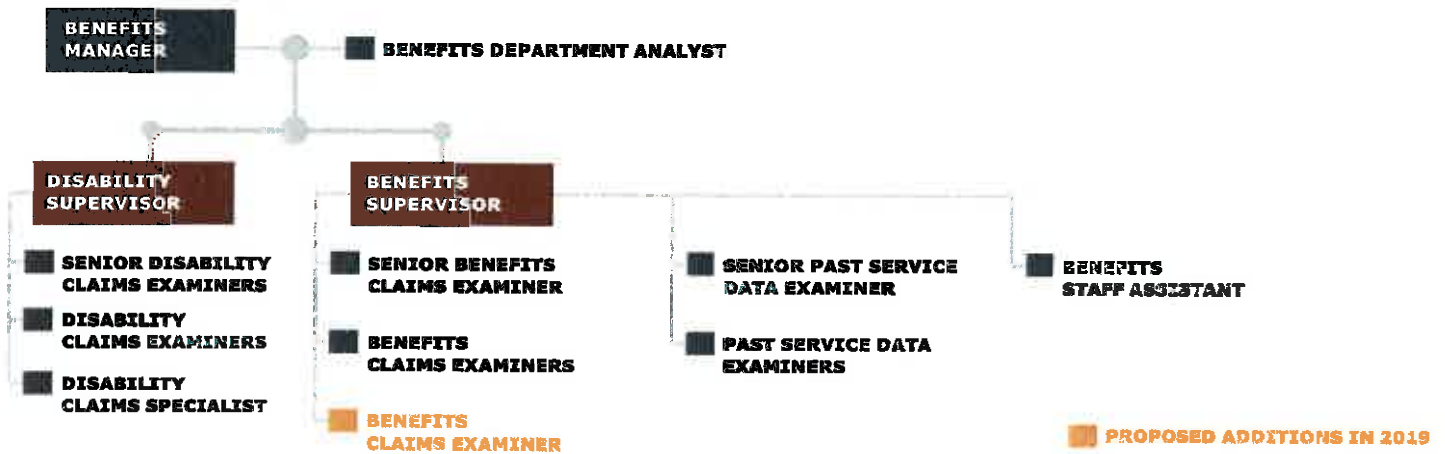
BENEFITS DEPARTMENT

The Benefits department is led by one manager and two supervisors. The department consists of three units: the Benefits Unit, the Disability Unit, and the Past Service Unit. Six analysts assist in the day-to-day activities, and approximately 26 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 application processing. The department processes retirement, disability, death, past service, and refund applications. Some applications require coordination with other public pension systems in Illinois.

Goals and Objectives

- 1) Process benefit applications accurately and in a timely manner according to department identified standards.
- 2) Support Modernization and shift responsibilities as necessary to complete core tasks.
- 3) Work with the Finance department to support the SOC-1 audit.
- 4) Carry out and support the organization's identified strategic objectives to provide sustainable financial health, operational excellence, workforce engagement, and customer engagement.

Benefits Department – Organization Chart



Benefits Department – Performance Measures

Standards	2013	2014	2015	2016	2017	2018 YTD
Average Processing Time (days) for all claim types	6.69	5.06	5.05	7.43	7.89	6.11
Financial Accuracy (M)	98.68%	93.89%	97.76%	99.90%	90.00%	93.48%
Financial Accuracy (A)	100.00%	99.90%	99.76%	99.10%	94.70%	98.66%
Procedural Accuracy (M)	97.54%	97.60%	98.08%	99.10%	78.30%	75.00%
Procedural Accuracy (A)	98.96%	99.10%	98.40%	98.80%	88.60%	91.63%

M = Manual

A = Automated

Benefits Department – Budget

Expense Classification	Account No.	Actual 2016	Actual 2017	Budget 2018	Estimated 2018	Proposed 2019 w/out Horizon	Proposed 2019 w/ Horizon
Personnel Costs - Direct							
Salaries	5501	\$ 1,701,688	\$ 1,775,427	\$ 1,784,314	\$1,810,676	\$1,804,181	\$1,837,514
Total Personnel Costs - Direct		1,701,688	1,775,427	1,784,314	1,810,676	1,804,181	1,837,514
Personnel Costs - Indirect							
Travel & Training	5507	106	826	8,300	3,500	11,000	11,000
Conferences & Meetings	5517	-	-	1,000	650	1,000	1,000
Total Personnel Costs - Indirect		106	826	9,300	4,150	12,000	12,000
Consulting Services							
Medical & Field Investigations	5516	131,407	145,849	145,000	144,000	168,000	168,000
Total Consulting Services		131,407	145,849	145,000	144,000	168,000	168,000
Commodities & Services							
Publications & Dues	5535	-	233	100	100	100	100
Total Commodities & Services		-	233	100	100	100	100
Total Expenses		\$1,833,201	\$1,922,335	\$1,938,714	\$1,958,926	\$1,984,281	\$2,017,614
2019 Percent Change						2.4%	4.1%

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 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 handle different areas of business.

Goals and Objectives

- 1) To monitor annual investment returns for the Fund.
- 2) Set employer contributions rates required to fully fund the guaranteed benefits of our members.
- 3) Discuss and review actuarial assumption.
- 4) Continuing education in Board Governance, Administration, and Investments to assist in managing the Fund.

The 2018 Board of Trustees include:

Natalie Copper, President

Gwen Henry

David Miller, Vice President

Sharon U. Thompson

Alex Wallace, Jr., Secretary

Sue Stanish

Tom Kuehne

Trudy Williams

Board of Trustees – Budget

Expense Classification	Account No.	Actual 2016	Actual 2017	Budget 2018	Estimated 2018	Proposed 2019
Commodities & Services						
Publications & Dues	5535	\$ 230	\$ 345	\$ 500	\$ 500	\$ 500
Total Personal Costs - Direct		230	345	500	500	500
Miscellaneous						
Trustee Employer Reimbursement	5580	28,186	34,807	55,000	35,000	55,000
Trustee Reimbursement & Education	5581	51,421	78,845	87,700	94,091	88,555
Trustee Elections	5582	2,329	5,469	9,141	9,141	104,628
Total Miscellaneous		81,936	119,121	151,841	138,232	248,183
Total Expenses		\$82,166	\$119,466	\$152,341	\$138,732	\$248,683
2019 Percent Change						63.2%

COMMUNICATIONS DEPARTMENT

IMRF's Communications department produces more than 100 print and web-based publications; creates, reviews, and edits print and web-based newsletters, correspondence, forms, and staff documentation for applications and processes; manages IMRF's website and social media; oversees internal communications, including IMRF's intranet; and administers IMRF's public outreach program, including its media relations.

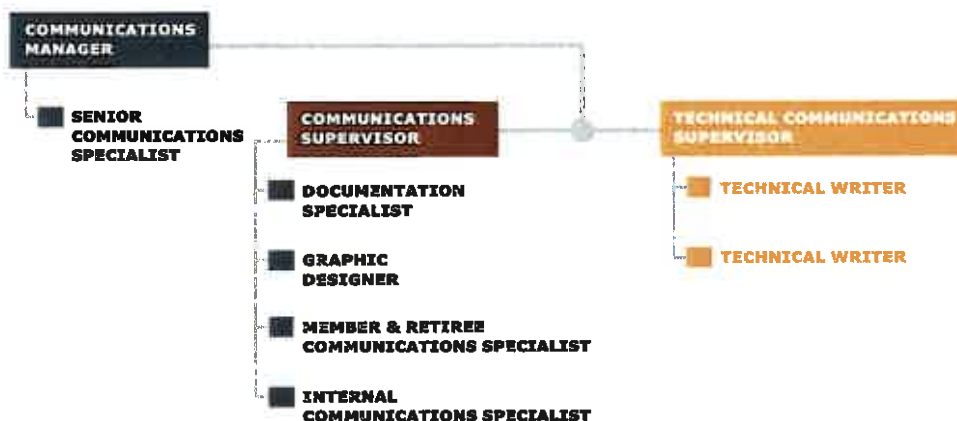
Goals and Objectives

- 1) Key Result Area: Financial Health
 - The Communications department educates members, employers, and external stakeholders about IMRF's 100% funding principle.
- 2) Key Result Area: Customer Engagement
 - The Communications department educates members and employers about IMRF's benefits program.
- 3) Key Result Area: Workforce Engagement
 - The Communications department manages internal knowledge assets, shares organizational news, and promotes IMRF's Mission, Vision, and Values with IMRF staff.
- 4) Key Result Area: Operational Excellence
 - The Communications department executes IMRF's Voice Of the Customer survey program, which supports fact-based decision-making throughout the organization.

Communications Department – Organization Chart 2018



Communications Department – Proposed Organization Chart for 2019



Communications Department – Performance Measures

Key Result Area: Financial Health

Open Rate	2013	2014	2015	2016	2017	2018 YTD
Employer Digest newsletter	35.00%	40.95%	45.65%	43.04%	46.90%	45.6%
Legislative Update newsletter	51.60%	56.90%	57.10%	58.50%	61.30%	60.3%

Standards based on the Open Rate for e-newsletters.

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

Key Result Area: Customer Engagement

Measures	2013	2014	2015	2016	2017	2018 YTD
www.imrf.org Total page views	N/A	1,409,613	6,916,512	7,557,570	7,662,271	6,329,691
www.imrf.org Average session duration	N/A	2:38	7:09	7:03	7:00	6:55

Key Result Area: Workforce Engagement

Measures	2013	2014	2015	2016	2017	2018 YTD
Staff intranet total page views	N/A	129,560	113,554	113,633	128,159	349,394
Staff intranet average session duration	N/A	3:07	2:37	2:26	7:47	8:35
IMRF Update newsletter	N/A	41.10%	77.00%	80.08%	81.70%	82.38%

Communications Department – Budget

Expense Classification	Account No.	Actual 2016	Actual 2017	Budget 2018	Estimated 2018	Proposed 2019 w/out Horizon	Proposed 2019 w/ Horizon
Personnel Costs - Direct							
Salaries	5501	\$629,390	\$575,004	\$558,169	\$617,729	\$570,882	\$592,549
Professional Services – Temps	5503	9,241	-	5,000	14,000	-	369,705
Total Personnel Costs - Direct		638,631	575,004	563,169	631,729	570,882	962,254
Personnel Costs - Indirect							
Travel	5507	1,673	3,973	20,320	12,845	10,615	10,615
Conferences & Meetings	5517	2,226	2,524	15,000	9,909	18,915	18,915
Total Personnel Costs - Indirect		3,899	6,497	35,320	22,754	29,530	29,530
Public Relations Services							
Public Relations	5519	90,396	1,256	31,500	6,500	7,700	7,700
Total Public Relations Services		90,396	1,256	31,500	6,500	7,700	7,700
Commodities & Services							
Forms & Informational Materials	5532	279,714	205,245	259,800	201,078	185,050	185,050
Publications & Dues	5535	913	4,581	3,800	3,800	3,390	3,390
Professional Services – Other	5540	43,026	-	1,500	-	-	-
Total Commodities & Services		323,653	209,826	265,100	204,878	188,440	188,440
Equipment							
Expendable Equipment	5575	3,194	-	200	936	1,420	1,420
Total Equipment		3,194	-	200	936	1,420	1,420
Total Expenses		\$1,059,773	\$792,583	\$895,289	\$866,797	\$797,972	\$1,189,344
2019 Percent Change						(10.9)%	32.8%

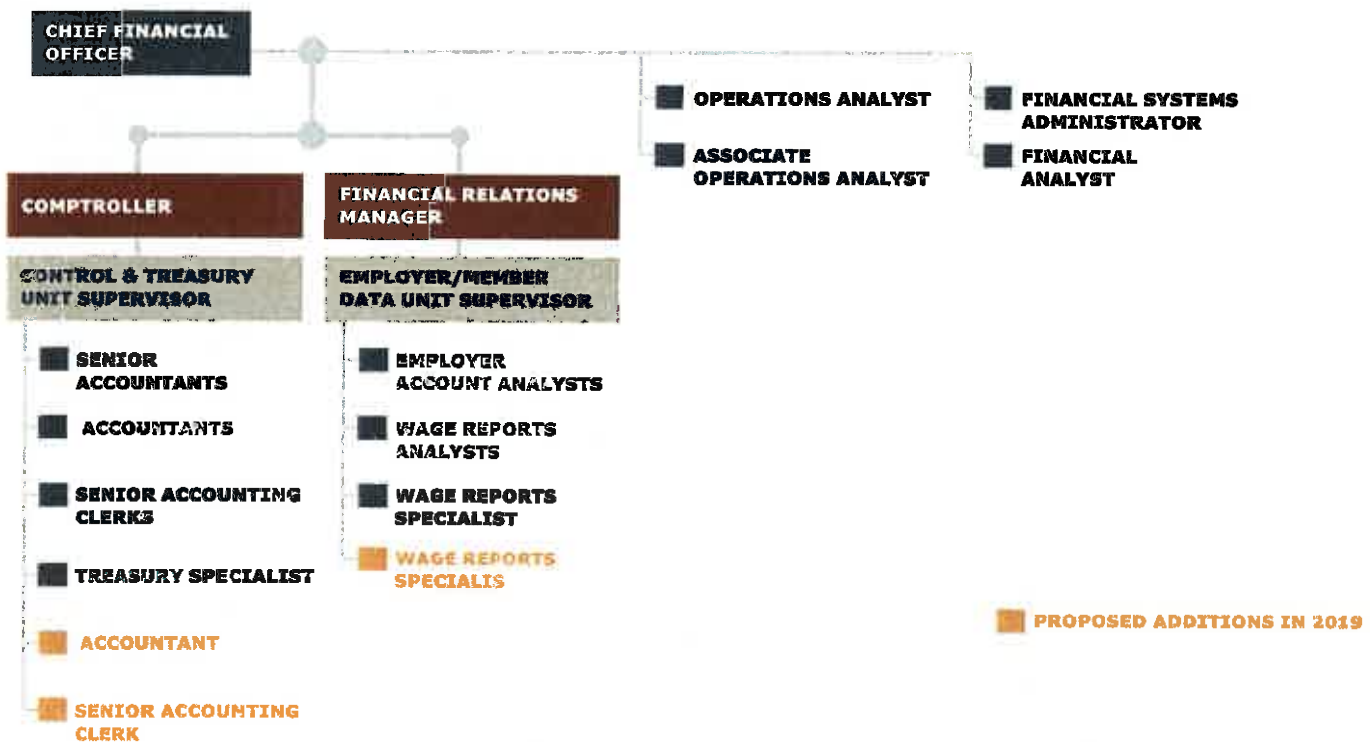
FINANCE DEPARTMENT

IMRF's Finance department is headed by the Chief Financial Officer and consists of three units: the Treasury 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, financial reporting, 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.

Goals and Objectives

- 1) Close each month within 30 business days of month-end.
- 2) Provide monthly financial reports to the Board of Directors.
- 3) Provide preliminary Expense versus Budget reports by the 17th business day of the month to management staff.
- 4) Strive to continue to receive the Government Finance Officers Association Certificate of Achievement for Excellence in Financial Reporting and Distinguished Budget Presentation Award.

Finance Department – Organization Chart



Finance Department – Performance Measures

Standards	2013	2014	2015	2016	2017	2018 YTD
Outstanding wage reports	-	-	-	-	-	315
Benefit checks issued in lieu of EFTs	110,464	101,626	93,847	48,103	41,547	25,987
Benefit payments - EFTs	1,357,660	1,438,124	1,519,414	1,586,270	1,666,392	1,210,170
Treasury transactions	47,167	44,464	47,912	50,777	45,684	34,310

Finance Department – Budget

Expense Classification	Account No.	Actual 2016	Actual 2017	Budget 2018	Estimated 2018	Proposed 2019 w/out Horizon	Proposed 2019 w/ Horizon
Personnel Costs - Direct							
Salaries	5501	\$1,715,210	\$1,672,561	\$1,521,160	\$1,815,727	\$1,722,335	\$1,847,335
Unemployment Costs	5504	20,758	20,615	12,500	14,563	15,000	15,000
IMRF/SS ER Contributions	5505	2,661,485	3,026,526	2,440,217	2,743,237	2,356,056	2,392,338
Total Personnel Costs - Direct		4,397,453	4,719,702	3,973,877	4,573,527	4,093,391	4,254,673
Personnel Costs - Indirect							
Travel & Training	5507	453	7,588	20,000	9,000	11,000	11,000
Other Personnel Costs	5510	121	-	-	-	-	-
Conferences & Meetings	5517	10,622	4,655	20,000	12,500	15,000	15,000
Total Personnel Costs - Indirect		11,196	12,243	40,000	21,500	26,000	25,000
Consulting Services							
Auditing	5511	226,464	326,683	345,000	304,550	326,500	326,500
Actuarial	5512	709,964	698,757	685,000	620,000	640,365	640,365
Total Personnel Costs - Indirect		936,428	1,025,440	1,030,000	924,550	966,865	966,865
Commodities & Services							
Publications & Dues	5535	4,231	4,023	5,500	5,400	5,500	5,500
Professional Services - Other	5540	167,402	184,874	238,600	140,106	208,600	208,600
Total Personnel Costs - Indirect		171,633	188,897	244,100	145,506	214,100	214,100
Equipment							
Depreciation - Capital Assets	5571	2,817,420	2,074,006	2,361,124	2,005,354	2,534,241	2,534,241
Software Maintenance PC	5574	15,973	15,900	35,000	50,305	52,000	52,000
Total Personnel Costs - Indirect		2,833,393	2,089,906	2,396,124	2,055,659	2,586,241	2,586,241
Miscellaneous Expenses							
Filing Fees	5586	10,094	9,095	12,500	9,320	10,750	10,750
Total Miscellaneous Expenses		10,094	9,095	12,500	9,320	10,750	10,750
Total Expenses		\$8,360,197	\$8,045,283	\$7,696,601	\$7,730,062	\$7,897,347	\$8,058,629
2019 Percent Change						2.6%	4.7%

HUMAN RESOURCES DEPARTMENT

The Human Resources department is led by one director, and includes an assistant, a senior 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.

Goals and Objectives

The Human Resources Team partners with our colleagues across the Fund, and we leverage HR best practices to support IMRF's Journey of Excellence and our mission. We do this in many ways, such as enhancing staff engagement, developing and implementing sound employment practices, developing and administering a competitive compensation and benefits package, recruiting and retaining engaged team members, developing an effective workforce planning process, leading change management practices, training and developing our leaders and staff members, implementing performance management standards, processing payroll, and supporting a safe and healthy work environment.

1) Maintain Top Decile Employee Engagement Survey Results

- Implement tactics outlined in Strategic Action Plan WE-01 Employee Engagement
- Implement tactics outlined in Strategic Action Plan WE-02 Staff Communication

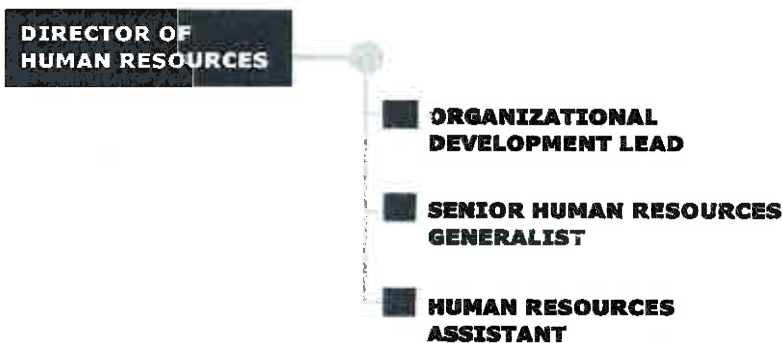
2) Maintain Overall Turnover Below CompData Midwest Benchmark

- Implement tactics outlined in Strategic Action Plan WE-01 Workforce Engagement
- Maintain Absenteeism Percent below Bureau of Labor Statistics

3) Achieve top decile "Overall Service Score" ranking for the CEM Benchmarking Survey; Achieve top decile "American Customer Satisfaction Index" (ACSI) ranking for the Cobalt Retirement Fund Benchmarking Survey; Achieve 90% "Likely to Promote" ratings on member and employer engagement surveys; Achieve per-member cost at or below the median of the CEM administrative cost measure

- Implement tactics outlined in Strategic Action Plan OE-07 Workforce Capability

Human Resources Department – Organization Chart



Human Resources – Performance Measures

Year	2014	2015	2016	2017	2018
Workforce Engagement Survey (Percentile Rank)	97th	96th	94th	95th	95th
Year	2014	2015	2016	2017	2018
Turnover Rate - IMRF	11.35	7.94	6.32%	5.91%*	9.60%*
Turnover Rate - CompData average	15.40	16.80	18.20%	20.80%	N/A

*Through September 2018

Human Resources Department – Budget

Expense Classification	Account No.	Actual 2016	Actual 2017	Budget 2018	Estimated 2018	Proposed 2019 w/out Horizon	Proposed 2019 w/ Horizon
Personnel Costs - Direct							
Salaries	5501	\$ 365,672	\$ 375,062	\$ 312,373	\$ 402,143	\$ 403,687	\$ 453,687
Fringe Benefits	5504	2,406,735	2,349,320	2,149,347	2,310,127	2,181,707	2,234,176
Total Personnel Costs - Direct		2,772,407	2,724,382	2,461,720	2,712,270	3,585,394	2,687,863
Personnel Costs - Indirect							
Travel & Training	5507	281,906	204,492	438,282	242,760	464,066	464,066
Recruitment & Testing	5509	58,282	47,586	51,650	52,100	65,700	65,700
Other Personnel Costs	5510	40,416	48,903	75,325	73,250	92,950	92,950
Conferences & Meetings	5517	2,491	1,647	7,500	4,784	7,400	7,400
Total Personnel Costs - Indirect		393,095	302,628	572,757	372,894	630,116	630,116
Consulting Services							
Compensation & Benefit Surveys	5514	38,887	63,206	131,920	130,420	74,675	74,675
Total Consulting Services		38,887	63,206	131,920	130,420	74,675	74,675
Commodities & Services							
Publications & Dues	5535	2,871	1,706	2,375	2,375	2,610	2,610
Total Commodities & Services		2,871	1,706	2,375	2,375	2,610	2,610
Equipment							
Maintenance & Rentals	5572	1,240	1,490	1,200	1,200	500	500
Software Maintenance PC	5574	6,905	7,863	30,000	30,000	25,000	25,000
Expendable Equipment	5575	-	-	1,875	1,875	1,175	1,175
Total Equipment		8,145	9,353	33,075	33,075	26,675	26,675
Total Expenses		\$3,205,405	\$3,101,275	\$3,201,847	\$3,251,034	\$3,319,470	\$3,421,939
2019 Percent Change						3.7%	6.9%

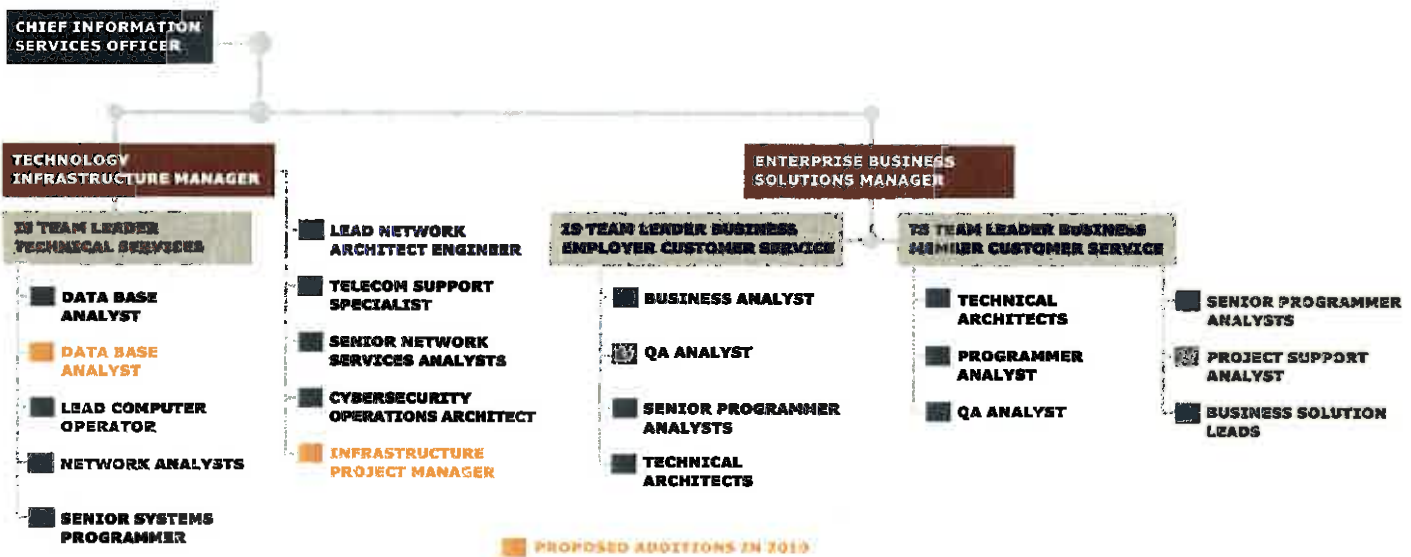
INFORMATION SERVICES

The Information Services department is headed by the Chief Information Services Officer and consists of two teams: Enterprise Business 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.

Goals and Objectives

- 1) Develop and maintain a technology strategy for IMRF that supports the strategic plans and business requirements of the organization, including but not limited to the Modernization program.
- 2) Ensure that adequate computing resources provide for the efficient operation of the Fund including system response times that meet the performance needs of IMRF's staff, employers, and members including peak period demand.
- 3) Ensure that systems are developed/configured in accordance with the Illinois Statute (Pension Code), IMRF Policies, and IS standards.
- 4) Implement appropriate controls and safeguards to manage electronic and other data/information to ensure their accuracy and validity, integrity and reliability, currency, and availability.
- 5) Ensure that appropriate procedures are used for the evaluation and selection of purchased software, and for the contractual arrangements with vendors for the implementation and support of critical software and hardware systems.
- 6) Develop staff's skills and depth to both meet project requirements and ensure depth of support knowledge (cross-training).

Information Services Department – Organization Chart



Information Services Department – Performance Measures

Standards	2013	2014	2015	2016	2017	2018 YTD
Outage minutes	744	583	520	810	N/A	N/A
Percent uptime	99.9%	99.9%	99.9%	99.8	N/A	N/A
Transactions < 1 sec.	89.0%	95.2%	94.2%	94.0	93.2%	93.0%
Technology audit: High-risk findings	5	2	3	3	1	-
Moderate & low-risk findings	27	23	11	22	26	28

Business Continuity and Disaster Recovery Drills	2013	2014	2015	2016	2017	2018 YTD
Desktop drills	1	-	-	-	1	-
Live drills at warm site	4	4	2	2	2	1
Restore toll-free number	Yes	Yes	No	No	yes	yes
Restore benefits system	Partial	Partial	Yes	Yes	yes	yes
Print benefits checks	Yes	No	Yes	Yes	no	no
Critical systems capability	40%	0%	85%	85%	100%	91%

Information Services Department – Budget

Expense Classification	Account No.	Actual 2016	Actual 2017	Budget 2018	Estimated 2018	Proposed 2019 w/out Horizon	Proposed 2019 w/ Horizon
Personnel Costs - Direct							
Salaries	5501	\$4,022,003	\$3,737,097	\$2,788,558	\$3,448,286	\$2,625,268	\$2,630,237
Professional Services - Temps	5503	-	-	-	-	-	735,000
Total Personnel Costs - Direct		4,022,003	3,737,097	2,788,558	3,448,286	2,625,268	3,365,237
Personnel Costs - Indirect							
Travel & Training	5507	8,072	10,997	83,400	70,000	55,700	74,700
Conferences & Meetings	5517	8,623	6,076	32,250	10,000	10,500	10,500
Total Personnel Costs - Indirect		16,695	17,073	115,650	80,000	66,200	85,200
Consulting Services							
Implementation Phase Consulting	5514	790,881	626,212	1,186,560	155,000	90,828	1,743,287
Systems Design - Modernization	5515	65,438	161,344	255,325	92,900	199,000	199,000
Total Consulting Services		856,319	787,556	1,441,885	247,900	289,828	1,942,287
Facility Expenses							
Telephone	5523	141,732	156,598	245,500	171,000	235,520	235,520
Other Facility Expense	5525	220,400	173,508	247,000	203,000	282,795	282,795
Total Consulting Services		362,132	330,106	492,500	374,000	518,315	518,315
Commodities & Services							
Office Supplies	5531	105,198	69,511	171,500	82,000	107,900	113,100
Publications & Dues	5535	1,135	1,188	5,000	1,000	1,500	1,500
Total Consulting Services		106,333	70,699	176,500	83,000	109,400	114,600
Equipment							
Maintenance & Rentals	5572	221,289	233,889	367,335	288,827	407,335	407,335
Software Maintenance	5573-5574	634,445	544,650	668,000	834,010	822,357	822,357
Expendable Equipment	5575	78,525	148,917	676,500	858,930	213,400	322,000
Total Equipment		934,259	927,456	1,711,835	1,981,767	1,443,092	1,551,692
Miscellaneous Expenses							
Filing fees	5586	4,685	1,635	2,300	938	2,200	2,200
Total Miscellaneous		4,685	1,635	2,300	938	2,200	2,200
Total Expenses		\$6,302,426	\$5,871,622	\$6,729,228	\$6,215,891	\$5,054,303	\$7,579,531
2019 Percent Change						(24.9)%	22.6%

INTERNAL AUDIT DEPARTMENT

The Internal Audit department is headed by the Internal Audit Manager and is comprised of a supervisor, senior internal auditor, internal audit associate and an internal audit support analyst. 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.

Goals and Objectives

- 1) Audit IMRF employers through on-site visits to their respective payroll offices, ensuring compliance with the Illinois Pension Code.
- 2) Audit IMRF’s internal operations, ensuring compliance with policies, plans, and regulations, including the Illinois Pension Code.
- 3) Provide assistance to external auditors.
- 4) Train staff on audit-related issues and processes specific to IMRF’s benefits.
- 5) Review and/or update testing policies and procedures annually to ensure effectiveness and efficiency of the audit process.
- 6) Strive for 90% employer engagement in post-audit surveys.

Internal Audit Department – Organization Chart



Internal Audit - Employer Audits and Percent of Active Membership Audited

	2013	2014	2015	2016	2017	2018
Employer audits	118	172	179	174	205	203
Percent of active membership audited	15.0%	20.0%	20.0%	20.0%	20.4%	19.0%

2018 PROPOSED BUDGET

Internal Audit Department – Budget

Expense Classification	Account No.	Actual 2016	Actual 2017	Budget 2018	Estimated 2018	Proposed 2019
Personnel Costs - Direct						
Salaries	5501	\$ 482,126	\$ 534,028	\$ 572,142	\$ 520,295	\$ 563,743
Total Personnel Costs - Direct		482,126	534,028	572,142	520,295	563,743
Personnel Costs - Indirect						
Travel & Training	5507	11,267	6,426	12,500	11,000	12,500
Conferences & Meetings	5517	11,977	7,075	6,000	6,000	6,000
Total Personnel Costs - Indirect		23,244	13,501	18,500	17,000	18,500
Consulting Services						
Auditing	5511	101,484	93,044	115,000	115,000	146,300
Total Consulting Services		101,484	93,044	115,000	115,000	146,300
Commodities & Services						
Publications & Dues	5535	1,885	2,283	3,000	3,000	3,000
Total Commodities & Services		1,885	2,283	3,000	3,000	3,000
Equipment						
Software Maintenance PC	5574	2,643	6,002	5,200	5,200	6,200
Expendable Equipment	5575	-	-	2,500	1,995	-
Auto Maintenance & Expense	5576	3,049	1,026	2,000	2,000	3,000
Total Equipment		5,692	7,028	9,700	9,195	9,200
Total Expenses		\$614,431	\$649,884	\$718,342	\$664,490	\$740,743
2019 Percent Change						3.1%

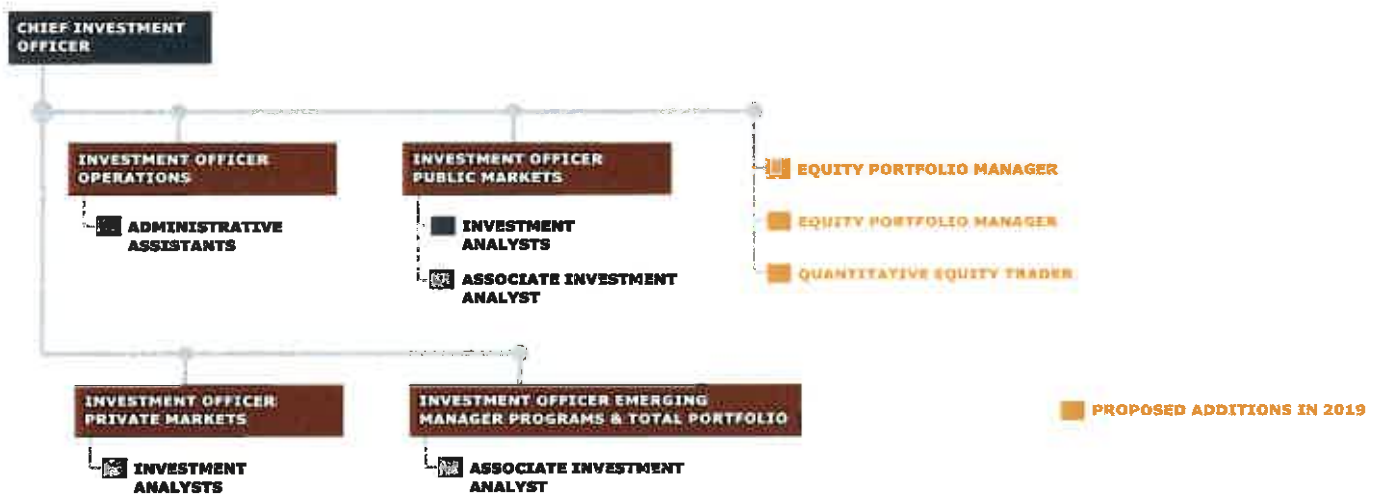
INVESTMENT DEPARTMENT

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 2018 include: working with the General Investment Consultant; 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.

Goals and Objectives

- 1) Achieve and maintain a funding level that sustains the Plan.
- 2) Utilize portfolio construction tools and principles, including asset liability models, portfolio optimization, cost control, evaluation of various investment program structures, and relevant performance measurements, to increase net returns.
- 3) Achieve or exceed a 7.5% annual return over the long term (over 5-, 10-, and 15-year basis).
- 4) Outperform the total portfolio benchmark (over 3-, 5-, and 10-year basis).

Investment Department – Organization Chart



Investment Department – Performance Measures Gross Annual Investment Returns for 1-, 3-, 5-, and 10-years.

Total Fund Performance	2018 YTD	2017	Last 3 yrs	Last 5 yrs	Last 10 yrs
IMRF Total Fund	4.88%	15.96%	7.98%	9.94%	6.85%
Total Fund Benchmark	3.77%	14.35%	7.76%	9.24%	6.54%
Difference	1.11%	1.61%	0.22%	0.70%	0.31%
Rank: IMRF Total Fund	N/A	57	52	27	14

Goal is for IMRF returns greater than portfolio benchmarks over 3-, 5-, and 10-year periods.
Percentile rank = 57th in Callan Universe of 99 pension funds for the year ending 12/31/17.

Investment Department – Budget

Expense Classification	Account No.	Actual 2016	Actual 2017	Budget 2018	Estimated 2018	Proposed 2019
Personnel Costs - Direct						
Salaries	5501	\$1,686,771	\$1,729,397	\$1,798,427	\$1,802,001	\$1,923,145
Total Personnel Costs - Direct		1,686,771	1,729,397	1,798,427	1,802,001	1,923,145
Personnel Costs - Indirect						
Travel and Training	5507	-	3,570	8,370	8,370	9,265
Total Personnel Costs - Indirect		-	3,570	8,370	8,370	9,265
Sub-total Administrative Expenses		\$1,686,771	\$1,732,967	\$1,806,797	\$1,810,371	1,932,410
2019 Percent Change						7.0%
Investment Expenses						
Investment Managers Fees	5788	110,822,480	114,168,794	127,977,300	123,726,000	132,992,900
Master Trust Services	5789	280,000	280,000	280,000	280,000	280,000
Investment Travel	5790	83,173	65,376	95,000	95,000	105,000
Investment Legal Fees	5791	271,604	335,079	325,000	410,000	400,000
Security Litigation Monitoring	5792	25,033	41	55	-	-
Investment Consultants	5793	928,455	1,176,287	1,305,550	1,307,550	1,344,586
Securities Lending Fees	5794	764,062	733,764	735,000	735,000	599,000
Tax Preparation & Custodial Expense	5795	89,844	89,020	90,000	90,000	37,000
Investment Publications & Dues	5796	20,784	15,847	15,966	16,051	16,787
Investment Licenses	5797	-	-	212	212	212
Total Investment Expenses		113,285,435	116,864,208	130,824,083	126,659,813	135,775,485
2019 Percent Change						3.8%
Total Expenses		\$114,972,206	\$118,597,175	\$132,630,880	\$128,470,184	\$137,707,895
2019 Percent Change						3.8%

Equity Internal Management - Budget

PROPOSED FOR 2019

Expense Classification	Account No.	Actual 2016	Actual 2017	Budget 2018	Estimated 2018	Proposed 2019
Personnel Costs - Direct						
Salaries	5501					\$607,562
Fringe Benefits	5504					46,665
IMRF/SS ER Contributions	5505					73,000
Total Personnel Costs - Direct						727,227
Commodities & Services						
Office Supplies	5531					600
Total Consulting Services						600
Equipment						
Expendable Equipment	5575					27,600
Total Equipment						27,600
Sub-total Administrative Expenses						755,427
Investment Expenses						
Investment Travel	5790					35,900
Investment Consultants	5793					512,956
Investment Publications & Dues	5796					2,400
Total Investment Expenses						551,256
Total Expenses						\$1,306,683

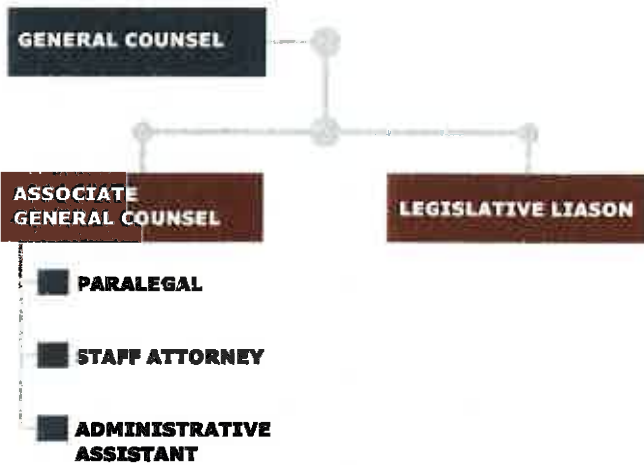
LEGAL DEPARTMENT

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 three attorneys, a paralegal, a legal secretary, and a legislative liaison.

Goals and Objectives

- 1) Vigorously defend the IMRF Board’s administrative decisions in state court.
- 2) Serve as counsel to the IMRF Board of Trustees Benefit Review Committee and as staff counsel in administrative hearings before the IMRF hearing officer.
- 3) Provide legal advice to the IMRF Executive Director, Board of Trustees, and IMRF staff.
- 4) Review, interpret, and opine on various state and federal statutes.
- 5) Provide a timely response to inquiries from employers, members, and other individuals regarding the Illinois Pension Code.
- 6) Review and approve Request For Proposals and contracts, and assure compliance with purchasing rules.
- 7) Effectively represent IMRF’s position before the Illinois General Assembly, including drafting and interpreting legislative proposals.
- 8) Assure that IMRF is adequately protected through the purchase of insurance coverage.
- 9) Serve as IMRF’s FIOA officer and timely comply with FOIA requests pursuant to statute.
- 10) Oversee and administer IMRF Board of Trustees elections.
- 11) Review, approve, and administer QILDROS.

Legal Department – Organization Chart



Legal Department – Performance Measures

Open Rate	2013	2014	2015	2016	2017	2018 YTD
FOIA requests	204	127	179	199	172	151
FOIA request turnaround time (standard = 5 days)	100%	100%	100%	100%	100%	100%
QILDROS	159	207	210	198	192	223
QILDRO turnaround time (standard = 45 days)	100%	100%	100%	100%	100%	100%
Contract review	20	24	37	80	70	126
Contract review turnaround time (standard = 3 days)	100%	96%	100%	100%	100%	100%

Legal Department – Budget

Expense Classification	Account No.	Actual 2016	Actual 2017	Budget 2018	Estimated 2018	Proposed 2019
Personnel Costs - Direct						
Salaries	5501	\$544,250	\$548,294	\$570,095	\$494,169	\$528,069
Professional Services Temps	5503	-	-	-	3,765	-
Total Personnel Costs - Direct		544,250	548,294	570,095	497,934	528,069
Personnel Costs - Indirect						
Travel & Training	5507	12,227	15,089	11,000	9,199	14,300
Conferences & Meetings	5517	7,768	8,304	11,000	10,962	14,014
Total Personnel Costs - Indirect		19,995	23,393	22,000	20,161	28,314
Consulting Services						
Legal Counsel	5513	121,675	69,538	56,000	143,591	136,000
Legislative Lobbying Services	5518	70,800	72,100	73,200	73,200	79,100
Total Consulting Services		192,475	141,638	129,200	216,791	215,100
Commodities & Services						
Publications & Dues	5535	19,874	25,402	27,000	20,966	23,020
Professional Services - Other	5540	-	-	-	-	2,000
Total Commodities & Services		19,874	25,402	27,000	20,966	25,020
Equipment						
Software Maintenance PC	5574	5,580	12,822	18,120	17,832	20,480
Auto Maintenance & Expense	5576	167	51	250	245	1,535
Total Equipment		5,747	12,873	18,370	18,077	22,015
Miscellaneous Expenses						
Insurance	5583	253,502	249,192	259,473	242,687	253,762
Total Miscellaneous		253,502	249,192	259,473	242,687	253,762
Total Expenses		\$1,035,843	\$1,000,792	\$1,026,138	\$1,016,616	\$1,072,280
2019 Percent Change						4.5%

2019 PROPOSED BUDGET

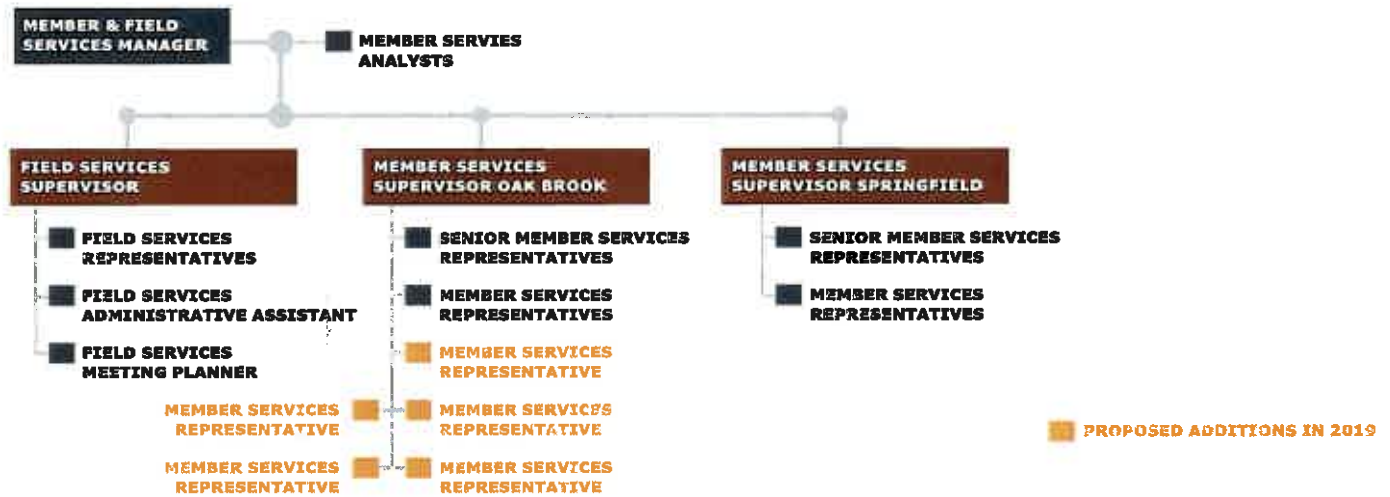
MEMBER & FIELD SERVICES DEPARTMENT

The Member & Field Services department is led by one manager and three supervisors. Eight Field Representatives provide assistance to IMRF members and employers through workshops, compliance reviews, and more. Member Services Representatives are available from 7:30 AM to 5:30 PM, Monday through Friday, to answer members' and employers' questions.

Goals and Objectives

- 1) Research call center best practices and implement an approach to improve operations and metrics to reach top decile performance goal.
 - Reassessing and revising graduated scale to be more in line with capabilities.
 - Analyze quarterly graduated scale call standards following industry best practices.
 - **TSF (Telephone Service Factor)** - A threshold value measured in seconds, the wait time to reach a representative.
 - **ASF (Answer Service Factor)** - the percentage of the total calls offered to the queue that are answered. Calculate the ASF for a queue by dividing the number of calls answered for the queue by the total number of calls offered to the queue.
- 2) Review/develop/innovate appropriate measures for member and employer engagement and improve engagement levels through education, communication strategy, and excellent customer service.
 - Monthly Voice Of the Customer meetings; identify best practices and Opportunities for Improvement (OFI).
 - Communicate survey results with our customers; implement improvements.
- 3) Build stronger relationships with other IMRF departments.
 - Designing "new employee training" for new Benefit hires that will begin in Member Services for the first four weeks of employment. This will provide a stronger foundation and overview of IMRF as well as consistency in training between groups and building relationships with others.
 - Monthly meeting with a department to share common issues from members and employers; learn about each other's workflow – needing more in-depth understanding about a topic; social interaction to build relationships.
- 4) Providing consistent information to our customers through Quality Assurance measurements.
 - Telephone
 - Written correspondence
 - Email responses
 - Counseling sessions

Member & Field Services Department – Organization Chart



Member & Field Services – Performance Measures

Standards	2013	2014	2015	2016	2017	2018 YTD
All Call Distribution (ACD) Log-on adherence	98.0%	97.8%	99.4%	98.0%	95.0%	99.1%
Call documentation	95.5%	93.4%	94.8%	97.1%	93.6%	93.7%
Call transfer rate	3.26%	3.56%	4.78%	5.82%	3.49%	4.17%*

*Change in process for call transfers – Active disability claim calls as of 2/15/2017 are now transferred to the Disability call group.

Results	2012	2013	2014	2015	2017	2018 YTD
Call hold time (in seconds)	N/A	139	154	112	79	78
Target (seconds)	N/A	< 120	< 120	< 120	< 120	< 120

Results	2013	2014	2015	2016	2017	2018 YTD
Undesired calls	N/A	55,973	77,491	58,972	47,060	32,239
Percent undesired calls	N/A	28.59%	35.08%	29.15%	23.54%	19.91%
Target	N/A	< 20%	< 20%	< 20%	< 20%	< 20%

Member & Field Services Department – Budget

Expense Classification	Account No.	Actual 2016	Actual 2017	Budget 2018	Estimated 2018	Proposed 2019 w/out Horizon	Proposed 2019 w/ Horizon
Personnel Costs - Direct							
Salaries	5501	\$2,151,650	\$2,375,764	\$2,267,304	\$2,427,859	\$2,442,216	\$2,608,883
Professional Services Temps	5503	7,330	10,534	8,400	26,000	3,500	3,500
Total Personnel Costs - Direct		2,158,980	2,386,298	2,275,704	2,453,859	2,445,716	2,612,383
Personnel Costs - Indirect							
Travel & Training	5507	8,408	10,239	27,248	13,700	10,760	34,760
Field Staff	5508	187,122	215,037	201,558	214,200	212,645	212,645
Conferences & Meetings	5517	2,309	4,727	5,950	5,950	7,100	7,100
Total Personnel Costs - Indirect		197,839	230,003	234,756	233,850	230,505	254,505
Facility Expenses							
Telephone	5523	6,491	7,025	7,200	7,200	7,200	7,200
Total Facility Expenses		6,491	7,025	7,200	7,200	7,200	7,200
Commodities & Services							
Office Supplies	5531	284	1,009	400	650	600	600
Postage & Delivery	5533	930	844	1,300	1,000	1,000	1,000
Publications & Dues	5535	500	1,244	1,450	1,450	1,450	1,450
Professional Services - Other	5540	-	-	800	800	800	800
Total Commodities & Services		1,714	3,097	3,950	3,900	3,850	3,850
Equipment							
Auto Maintenance & Expense	5576	10,889	3,561	7,600	7,600	10,600	10,600
Total Equipment		10,889	3,561	7,600	7,600	10,600	10,600
Total Expenses		\$2,375,913	\$2,629,984	\$2,529,210	\$2,706,409	\$2,697,871	\$2,888,538
2019 Percent Change						6.7%	14.2%

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 17 support employees. The department is responsible for processing member enrollments, processing all documents entered into the Imaging System, processing all incoming and outgoing mail, printing forms and other informational documents, managing vendor relations and processing purchasing orders, and managing 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." The performance measures listed below illustrate the error rate of indexing documents and the timeliness measurement evaluates that all mail is sorted, batched, scanned, and indexed on the day the mail is initially received.

Goals and Objectives

Office Services supports the Modernization strategic objective by participating in meetings identified for the department and contributing to the discussions. Procurement will work towards expanding the Vendor Management program.

Office Services Department – Organization Chart



Office Services - Performance Measures

Standards	2013	2014	2015	2016	2017	2018 YTD
Indexing accuracy: Error rate	0.15%	0.08%	0.07%	0.38%	0.22%	0.20%
Mail timeliness: Percent same day	100%	100%	100%	100%	100%	100%

Year	2013	2014	2015	2016	2017	2018 YTD
Volume	241,395	359,746	338,848	217,566	395,209	300,209
Errors	367	288	214	825	861%	651%
Error rate	0.15%	0.08%	0.06%	0.38%	0.22%	0.20%
Accuracy rate	100%	100%	100%	100%	100%	100%

Office Services Department - Budget

Expense Classification	Account No.	Actual 2016	Actual 2017	Budget 2018	Estimated 2018	Proposed 2019 w/out Horizon	Proposed 2019 w/ Horizon
Personnel Costs - Direct							
Salaries	5501	\$980,233	\$993,498	\$981,233	\$1,014,549	\$1,010,142	\$1,074,475
Professional Services Temps	5503	2,882	2,819	-	-	-	-
Total Personnel Costs - Direct		983,115	996,317	981,233	1,014,549	1,010,142	1,074,475
Personnel Costs - Indirect							
Travel & Training	5507	1,146	4,577	5,307	1,890	5,249	5,249
Conferences & Meetings	5517	5,068	4,782	5,345	5,345	6,200	6,200
Total Personnel Costs - Indirect		6,214	9,359	10,652	7,235	11,449	11,449
Facility Expenses							
Building Rent	5521	946,625	997,528	1,044,112	1,043,315	1,075,585	1,075,585
Electricity	5522	63,177	71,046	65,280	70,874	67,340	67,340
Building Operating Expense	5524	608,194	577,813	620,572	643,497	642,461	642,461
Other Facility Expense	5525	25,318	25,088	25,200	23,342	24,000	24,000
Total Facility Expenses		1,643,314	1,671,475	1,755,164	1,781,028	1,809,386	1,809,386
Commodities & Services							
Office Supplies	5531	162,041	142,436	150,082	177,525	175,746	178,346
Forms & Informational Materials	5532	38,101	36,387	43,824	40,130	43,592	43,592
Postage & Delivery	5533	1,012,437	1,109,478	1,172,461	1,187,022	1,317,945	1,317,945
Publications & Dues	5535	1,385	1,029	3,640	894	1,432	1,432
Professional Services - Other	5540	218,599	151,356	158,899	164,343	217,399	217,399
Total Commodities & Services		1,432,563	1,440,686	1,528,906	1,569,914	1,754,114	1,758,714
Equipment							
Maintenance & Rentals	5572	126,882	116,295	125,562	138,748	138,881	138,881
Expendable Equipment	5575	136,552	74,479	101,439	116,265	43,283	124,733
Total Equipment		263,434	190,774	227,001	255,013	182,164	263,614
Miscellaneous Expenses							
Building Renovation/Relocation Exp.	5585	40,987	45,782	36,000	26,270	36,617	36,617
Total Miscellaneous		40,987	45,782	36,000	26,270	36,617	36,617
Total Expenses		\$4,369,627	\$4,354,393	\$4,538,956	\$4,654,009	\$4,805,872	\$4,954,255
2019 Percent Change						5.9%	9.1%

OPERATIONS/PERFORMANCE EXCELLENCE DEPARTMENT

The Performance Excellence Department provides organizational support across a broad range of key strategies. “Performance Excellence” refers to an integrated approach to organizational performance management that results in:

- Delivery of ever-improving value to customers and stakeholders, contributing to organizational sustainability;
- Improvement of overall organizational effectiveness and capabilities; and
- Organizational and personal learning.

Goals and Objectives

- 1) Support the strategic plan by monitoring objectives and metrics via the Leadership Scorecard process.
- 2) Oversee the Journey of Excellence and the application of the Baldrige Criteria for Performance Excellence at IMRF.
- 3) Administer the CEM and COBALT benchmarking studies.
- 4) Support the Deputy Executive Director with the Triennial Strategic Planning Process.
- 5) Manage the Continuous Process Improvement initiatives.

Operations – Organization Chart



Operations - Performance Measures

Standards	2013	2014	2015	2016	2017	2018 YTD
Key approach update on-time compliance	100%	100%	100%	100%	100%	100%
Annual CEM benchmarking study completion	100%	100%	100%	100%	100%	100%
Triennial Strategic Plan milestones	100%	N/A	N/A	N/A	100%	N/A

2018 OPERATIONAL BUDGET

Operations – Budget

Expense Classification	Account No.	Actual 2016	Actual 2017	Budget 2018	Estimated 2018	Proposed 2019
Personnel Costs - Direct						
Salaries	5501	\$380,403	\$408,923	\$373,118	\$411,382	\$418,241
Total Personnel Costs - Direct		380,403	408,923	373,118	411,382	418,241
Personnel Costs - Indirect						
Travel & Training	5507	197	3,538	825	825	2,900
Conferences & Meetings	5517	4,235	6,929	13,100	13,100	13,700
Total Personnel Costs - Indirect		4,432	10,467	13,925	13,925	16,600
Consulting Services						
Process Improvement/Scorecarding	5514	11,640	8,407	45,200	110,200	152,400
Total Consulting Services		11,640	8,407	45,200	110,200	152,400
Commodities & Services						
Publications & Dues	5535	632	974	730	730	1,580
Professional Services - Other	5540	58,331	106,274	138,390	138,390	143,150
Total Commodities & Services		58,963	107,248	139,120	139,120	144,730
Total Expenses		\$455,438	\$535,045	\$571,363	\$674,627	\$731,971
2019 Percent Change						28.1%

2019 IMRF BUDGET – SUMMARY BY ACCOUNT

Expense Classification	Account No.	Actual 2016	Actual 2017	Budget 2018	Estimated 2018	Proposed 2019 w/out Horizon	Proposed 2019 w/ Horizon
Personnel Costs - Direct							
Office Salaries - Regular	5501	\$15,121,193	\$15,200,676	\$14,008,024	\$15,233,845	\$14,460,871	\$15,534,402
Office Salaries - Temps & Interns	5503	19,453	13,353	13,400	43,765	3,500	1,108,205
Fringe Benefits	5504	2,427,493	2,369,935	2,161,847	2,324,690	2,196,707	2,295,841
IMRF & Payroll Employer Contributions	5505	2,661,485	3,026,526	2,440,217	2,743,237	2,356,056	2,465,338
Total Personnel Costs - Direct		20,229,624	20,610,490	18,623,488	20,345,537	19,017,134	21,403,786
Personnel Costs - Indirect							
Training & Travel	5507	331,789	276,948	647,552	385,589	621,355	664,355
Field Staff	5508	187,122	215,037	201,558	214,200	212,645	212,645
Recruitment & Testing	5509	58,282	47,586	51,650	52,100	65,700	65,700
Other Personnel Costs	5510	40,537	48,903	100,325	73,250	92,950	92,950
Conferences & Meetings	5517	58,166	49,927	122,145	84,200	104,829	104,829
Total Personnel Costs - Indirect		675,896	538,401	1,123,230	809,339	1,097,479	1,140,479
Consulting Services							
Auditing	5511	327,948	419,727	460,000	419,550	472,800	472,800
Actuarial	5512	709,964	698,757	685,000	620,000	640,365	640,365
Legal Counsel	5513	121,675	69,538	56,000	143,591	136,000	136,000
Compensation & Benefits	5514	841,408	697,825	1,363,680	395,620	317,903	1,970,362
Systems Design	5515	65,438	161,344	255,325	92,900	199,000	199,000
Medical & Field Investigations	5516	131,407	145,849	145,000	144,000	168,000	168,000
Total Consulting Services		2,197,840	2,193,040	2,965,005	1,815,661	1,934,068	3,586,527
Legislative and Lobbying Services							
Legislative Lobbying/Public Relations	5518	70,800	72,100	73,200	73,200	79,100	79,100
Public Relations Services							
Public Relations	5519	90,395	1,256	31,500	6,500	7,700	7,700
Facility Expenses							
Building Rent	5521	946,625	997,528	1,044,112	1,043,315	1,075,585	1,075,585
Electricity	5522	63,177	71,046	65,280	70,874	67,340	67,340
Telephone	5523	148,222	163,623	252,700	178,200	242,720	242,720
Building Operating Expenses	5524	608,194	577,813	620,572	643,497	642,461	642,461
Other Facility Expenses	5525	245,718	198,596	272,200	226,342	306,795	306,795
Total Facility Expenses		\$2,011,936	\$2,008,606	\$2,254,864	\$2,162,228	\$2,334,901	\$2,334,901

2019 IMRF BUDGET - SUMMARY BY ACCOUNT (CONT.)

Expense Classification	Account No.	Actual 2016	Actual 2017	Budget 2018	Estimated 2018	Proposed 2019 w/out Horizon	Proposed 2019 w/ Horizon
Commodities and Services							
Office Supplies	5531	267,523	212,956	321,982	260,175	284,246	292,646
Forms & Informational Materials	5532	317,815	241,632	303,624	241,208	228,642	228,642
Postage & Delivery	5533	1,013,367	1,110,321	1,173,761	1,188,022	1,318,945	1,318,945
Publications & Dues	5535	58,578	52,437	81,095	68,715	74,082	74,082
Professional Services - Other	5540	488,358	540,881	638,189	444,639	671,949	671,949
Total Commodities and Services		2,145,641	2,158,227	2,518,651	2,202,759	2,577,865	2,586,264
Equipment							
Depreciation - Fixed Assets	5571	2,817,420	2,074,006	2,361,124	2,005,354	2,534,241	2,534,241
Equipment Maintenance & Rentals	5572	349,411	351,674	494,097	428,775	546,716	546,716
Software Maintenance	5573 - 5574	665,546	587,237	756,320	937,347	926,037	926,037
Expendable Equipment	5575	218,272	223,396	782,514	980,001	259,278	476,928
Auto Maintenance & Expense	5576	16,965	4,954	14,850	11,345	20,135	20,135
Total Equipment		4,067,614	3,241,267	4,408,905	4,362,822	4,286,407	4,504,057
Miscellaneous							
Trustee Employer Reimbursement	5580	28,186	34,807	55,000	35,000	55,000	55,000
Trustee Travel & Education	5581	51,420	76,845	87,700	94,091	88,555	88,555
Trustee Elections	5582	2,329	5,469	9,141	9,141	104,628	104,628
Insurance	5583	253,502	249,192	259,473	242,687	253,762	253,762
Building Renovation/Relocation Expense	5585	40,987	45,782	36,000	26,270	36,617	36,617
Other Items	5586	14,778	10,730	14,800	10,258	12,950	12,950
Total Miscellaneous		391,202	424,825	462,114	417,447	551,512	551,512
Sub-total Administrative Expenses		31,680,948	31,348,212	32,460,957	32,195,493	31,886,165	36,194,326
2019 Percent Change						(1.8)%	11.5%
Investment Expenses							
Investment Managers Fees	5788	\$110,822,480	\$114,168,794	\$127,977,300	\$123,726,000	\$132,992,900	\$132,992,900
Master Trust Services	5789	280,000	280,000	280,000	280,000	280,000	\$280,000
Travel	5790	83,173	65,376	95,000	95,000	105,000	\$140,900
Legal Fees	5791	271,604	335,079	325,000	410,000	400,000	\$400,000
Securities Litigation Monitoring/ RFP Support	5792	25,033	41	55	0	0	\$0
Investment Consultants	5793	928,455	1,176,287	1,305,550	1,307,550	1,344,586	\$1,857,542
Securities Lending Fees	5794	764,062	733,764	735,000	735,000	599,000	\$599,000
Tax Preparation & Custodial Expense	5795	89,844	89,020	90,000	90,000	37,000	\$37,000
Publications & Dues	5796	20,784	15,847	15,966	16,051	16,787	\$19,187
Investment Licenses	5797	0	0	212	212	212	\$212
Sub-total Investment Expenses		113,285,435	116,864,208	130,824,083	126,659,813	135,775,485	135,325,741
2019 Percent Change						3.8%	4.2%
Total Expenses		\$145,166,383	\$148,212,420	\$163,285,040	\$158,855,306	\$167,661,650	\$172,521,067
11/16/2018 2019 Percent change						2.7%	5.7%

SUPPLEMENTARY INFORMATION

IMRF adheres to Governmental Accounting Standards Board (GASB) accounting principles and a defined Strategic Plan, offering a road map to continuously provide the highest quality retirement services. A compilation of commonly used terms completes this document to best translate IMRF's operations and procedures.

- 91** Appendix A: New Accounting Pronouncements
- 92** Appendix B: Strategic Planning Methodology
- 95** Appendix C: Statistical Data
- 96** Appendix D: 2018 Proposed Salary Detail by Department
- 97** Glossary of Budget Terms

APPENDIX A

New Accounting Pronouncements

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, 2018 financial statements.

In January 2017, GASB issued Statement No. 84, “Fiduciary Activities.” The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported by primary governments. IMRF is not a primary government that reports component units, therefore there is no impact on its financial statements.

In March 2017, GASB issued Statement No. 85, “Omnibus 2017.” The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). Where applicable, IMRF will adopt GASB Statement No. 85 for its December 31, 2018 financial statements.

In May 2017, GASB issued Statement No. 86, “Certain Debt Extinguishment Issues.” The objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources (resources other than the proceeds of refunding debt) are placed in an irrevocable trust for the sole purpose of extinguishing debt. IMRF does not fall within the scope of Statement No. 86; therefore there is no impact on its financial statements.

In June 2017, GASB issued Statement No. 87, “Leases.” The objective of this Statement is to improve accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. IMRF will adopt Statement No. 87 for its December 31, 2019, financial statements.

In March 2018, GASB issued Statement No. 88, “Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements.” The objective of this Statement is to improve information that is disclosed in the notes to financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. IMRF does not carry any debt and therefore does not fall within the scope of Statement No. 88. There is no impact on its financial statements.

In June, 2018, GASB issued Statement No. 89, “Accounting for Interest Cost Incurred before the End of a Construction Period.” The objective of this Statement is (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. IMRF does not borrow funds for construction projects and therefore there is no impact to its financial statements.

In August 2018, GASB issued Statement No. 90, "Majority Equity Interests." The primary objectives of this Statement is to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It also defines a majority equity interest and specifies how it should be reported. As IMRF already reported majority equity interests as investments per GASB Statement No. 72, "Fair Value Measurement and Application", there is no impact to its financial statements. Therefore IMRF has adopted this statement with its December 31, 2018 financial statements.

APPENDIX B

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.)

6. Develop Key Strategies for each Strategic Objective:

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

7. Develop or Update Action Plans:

Assign individuals as Single Point Accountable (SPA) to take the lead role in planning and executing each key strategy. Each SPA documents the actions required to implement the strategy and reviews plans with the sponsor for their Strategic Objective. There will usually be one action plan for each strategy. Action plans identify needed actions, resources, 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.

8. Align Leadership Scorecard Measures and Goals with Strategic Objectives:

The Key Performance Measures (KPMs) that are used to evaluate progress toward achievement of the Strategic Objective are defined in the Strategic 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.

9. Develop an Annual Operating Budget:

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

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

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

10. Align Performance Goals of Senior Leaders with Strategic Objectives:

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

11. Communicate and Deploy the Strategic Plan:

Complete all sections of the plan document, including an Executive Summary, a Board Authorization section, and an Organization Information section that includes a history of the Fund, our services, highlights of accomplishments, etc., and a description of the process used to develop the strategic plan. Senior management communicates highlights of the Strategic Plan, Strategic Objectives, Leadership Scorecard, key goals and action plans to Trustees, staff, and our membership. Discuss the plan at Board Meetings and publish portions of the plan in member newsletters and employer memos. Develop department plans and scorecards that directly align with and support the overall Strategic Plan.

12. Implement, Monitor, and Adjust:

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

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

APPENDIX C

Statistical Data

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 2,997 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
- \$41.4 billion in assets as of December 31, 2017
- Best funded statewide system
- 98.2 percent funded on a market basis
- 92.9 percent funded on an actuarial basis
- 175,565 actively participating members
- 128,264 benefit recipients
- 115,970 inactive members
- Profile of average active member in 2017
 - Age: 47.8
 - Service: 10.4 years
 - Annual salary: \$40,597
- Profile of average member who retired in 2017
 - Age at retirement: 63.1
 - Service at retirement 20.1 years
 - Average monthly pension: \$1,771
- 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

APPENDIX D

2019 Proposed Salary Detail by Department

The following chart provides detailed salary expenditures for IMRF staff by department. Gross salaries are budgeted at the proposed level of 223 staff positions (see page 39). Per GASB Statement No. 16, accrued absences are budgeted based on the estimated increase of the liability for compensated absences. Per GASB Statement No. 51, staff time associated with the Horizon Project are capitalized based on the estimated time allocated to the project and the employee's salary. Overtime is budgeted to compensate staff during heavy workload periods.

	Gross Salaries	Accrued Absences	Horizon Capitalized Costs	Overtime	Net Salaries
Administration	\$467,324	\$7,840	\$(26,202)	\$-	\$448,962
Benefits	1,920,146	42,163	(136,795)	12,000	1,837,514
Communications	693,907	17,792	(131,650)	12,500	592,549
Finance	1,999,368	54,302	(254,336)	48,000	1,847,334
HR	459,788	22,902	(30,003)	1,000	453,687
Information Services	4,587,790	141,532	(2,199,086)	100,000	2,630,236
Internal Audit	562,207	12,742	(11,206)	-	563,743
Investments	1,874,972	47,173	-	1,000	1,923,145
Investments Internal Equity Management	573,339	34,223	-	-	607,562
Legal	533,695	8,292	(13,918)	-	528,069
Member and Field Services	2,688,237	60,032	(176,386)	37,000	2,608,883
Office Services	1,012,057	24,301	(32,884)	71,000	1,074,474
Operations	444,006	13,464	(39,229)	-	418,241
Total	\$17,816,836	\$486,758	\$(3,051,695)	\$282,500	\$15,534,399

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% 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 Person Rule and discharge their duties "solely in the interest of the participants and beneficiaries." IMRF retains fiduciary counsel to review Board materials, attend meetings, and offer guidance that helps Trustees fulfill their fiduciary duties.

Field Services Representatives/Field Services

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

Final Rate of Earnings

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

FOIA (Freedom of Information Act)

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

Formula

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

Fund

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

Fund Balance

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

Funding

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 to develop a new, state-of-the-art pension administration system.

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, 2017, IMRF's public markets portfolio is managed by 40 professional investment management firms handling 44 mandates. IMRF's private markets portfolio is invested with 52 investment firms across 117 separate funds.

J

K

Key Result Areas (KRA)

Five Action Plans — Financial Health and Sustainability, Investment Returns, Customer Satisfaction, Workforce Engagement, and Service and Operational Excellence — for each Key Strategy to clarify the steps and responsibilities for the tactics that will enable IMRF to accomplish its objectives

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% for the Regular plan and 7.5% 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 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.

Prudent Person 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%.

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 2017-2019 is includes objectives for the four 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



Locally funded, financially sound.

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



After questions and discussion, it was moved by Mr. Miller, seconded by Mr. Kuehne, to approve the 2019 Planning and Budget Document.

Vote: Unanimous Voice Vote
Absent: None

(18-11-10) (Final 2019 Employer Contribution Rates) The Chief Financial Officer presented the 2019 Employer Contribution Rates for Board approval.

It was moved by Ms. Thompson, seconded by Mr. Miller to approve the 2019 Employer Contribution Rates.

Vote: Unanimous Voice Vote
Absent: None

(18-11-11) (Executive Director Performance Appraisal Procedure) General Counsel discussed using a consulting service to assist in the Executive Director Performance Appraisal and the Board Self-Appraisal Process, as has been the practice the past several years.

After discussion, the Board directed staff to issue a Request For Proposal (RFP) for consulting services to assist in the Executive Director Performance Appraisal and the Board Self-Appraisal Process, and report back at the December Board Meeting.

(18-11-12) (Legislative Update) General Counsel gave an update to the Board on current legislative activity.

She noted the General Assembly returned for the first of two weeks of veto session on November 13th, and will most likely reconvene for a few days in early January to finish the 100th General Assembly. The 101st General Assembly will convene on January 9, 2019.

General Counsel reported that the following legislation was introduced in November that would affect IMRF:

- SB 3638 - would extend the definition of "emerging investment manager" to include investment managers with assets under management of between \$10 million and \$10 billion at the time of contract.
- SB 3639 - would require all funds to make committee and Board meetings available by livestream on the Fund's website.

Discussion followed.

(18-11-13) (Litigation Update) The following is an update of the currently pending or recently concluded litigation:

The following is an update of the currently pending or recently concluded litigation:

**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 sued investors who sold their Tribune stock at the time of the buyout by the Sam Zell group. The plaintiff's theory is that the buyout was fraudulent and therefore a portion of those stockholders' proceeds from the stock sale was due to the fraud and should be returned to the Tribune's bankruptcy estate.

Status: The stockholders' motion to dismiss the intentional fraudulent transfer claim was granted on January 6, 2017 and the claim against them was dismissed. Another portion of this claim against the stockholders was previously dismissed on motions and that decision was upheld on appeal.

The Court has granted the creditors motion for an order allowing an appeal of the January 6 decision, notwithstanding that claims against other defendants remain to be litigated. The U.S. Supreme Court issued an order in early April stating that the petition for certiorari would not be ruled upon for a period of time which may result in something being filed by plaintiffs in the lower court. The Defendants' Executive Committee had a conference call on June 26, 2018 to discuss a recent court order which required a joint filing indicating the parties' interest in finding a global resolution to the matter. On July 9, 2018 a joint letter was submitted stating the Defendant Shareholder's Executive Committee supports a formal mediation process while the Plaintiffs oppose it. The Defendant Shareholder's Committee has been recently approached about the possibility of mediating in advance of any court ordered mediation and has agreed to participate in the process.

**MOTORS LIQUIDATION COMPANY AVOIDANCE ACTION TRUST VS. JP MORGAN CHASE, ET
AL. (US BANKRUPTCY CT., SO. DIST. OF N.Y.)**

Summary: This is an adversary action stemming from the General Motors bankruptcy. A loan in which IMRF was an investor was paid off after the bankruptcy filing. It was later discovered that an error, before the bankruptcy, had released part of the security. A group of unsecured creditors sued to force the recipients of the loan pay-off proceeds to return them.

Status: The parties are currently litigating the value of the remaining security, which if it is sufficient would end the case. We are sharing our defense counsel with several other public pension funds.

THERESA MILLER V. IMRF (16 MR 58 MONROE COUNTY)

Summary: This is an administrative review of the Board's decision to deny total and permanent disability benefits to Ms. Miller.

Status: On April 6, 2018, the Circuit Court upheld IMRF's decision. On May 3, 2018, the Plaintiff filed her Notice of Appeal to the Fifth Circuit Appellate Court. Oral argument is set for December 6, 2018.

CARRIE MCHUGH V. IMRF (17 MR 135 KANE COUNTY)

Summary: This is an administrative review of the IMRF Board's decision adopting the recommendation of the IMRF hearing officer which found that Ms. McHugh was ineligible for disability benefits due to a voluntary termination of her employment with the City of Aurora.

Status: On October 19, 2018, the circuit court affirmed IMRF's final administrative decision. The time for filing an appeal has not run yet.

JOSHUA PEA V. IMRF (ST. CLAIR COUNTY 17 MR 1380)

Summary: This is an administrative review of the IMRF Board's denial of total and permanent disability benefits.

Status: This matter has been fully briefed. The previous judge was going to forego oral argument and rule based on the written briefs. However, this case has been transferred to a new judge who has set the matter for status on December 17, 2018.

LSR v. IMRF (SANGAMON COUNTY 2017 MR 782)

Summary: This is an administrative review of staff's termination of a member's total and permanent disability benefits. The member did not appeal the staff determination, so a hearing was not held before the BRC.

Status: The court granted IMRF's motion to dismiss on August 1, 2018. The Plaintiff's motion to reconsider was denied on September 18, 2018. Since the last litigation report, IMRF staff learned that an appeal was filed but notice was not sent to IMRF. The record on appeal is due to the Appellate Court on December 19, 2018 and a briefing schedule will be set thereafter.

JAMES SWEENEY, ET AL v. IMRF, ET AL (U.S. DISTRICT CT FOR NORTHERN DIST. OF ILL. 2018 CV 1410)

Summary: This is a case alleging that mandatory participation in IMRF is a violation of First Amendment. In its Second Amended Complaint, the Plaintiffs have added a new count alleging that the Board of Trustees has breached its fiduciary duty by investing in companies which participate in anti-union lobbying.

Status: IMRF's Motion to Dismiss Plaintiffs' Second Amended Complaint was filed on September 14, 2018. Plaintiff's response is due October 12, 2018 and IMRF's reply is due October 26, 2018. The case is set for status on January 10, 2019 at which point a ruling on the Motion to Dismiss is expected.

THOMAS SHEAHAN v. MEABF AND IMRF (COOK COUNTY 2017 CH 14040)

Summary: This is a case in which the Plaintiff is attempting to reinstate creditable service with the MEABF as a result of the prior *Village of Oak Brook v. Sheahan* and *Sheahan v. IMRF* litigation. IMRF was recently added as a co-defendant. MEABF also filed a crossclaim against IMRF for payment of interest on the disputed funds.

Status: IMRF has filed motions to dismiss the Plaintiff's Amended Complaint and MEABF's amended counterclaim. Responses are due October 2, 2018 with IMRF's reply due October 16, 2018. The case is set for argument on December 4, 2018.

JEFF INTRAVAIA v. IMRF (WILL COUNTY 18 MR 1553)

Summary: This is administrative review of IMRF's closure of Plaintiff's disability claim.

Status: IMRF's motion to dismiss was granted. Plaintiff was granted until August 17, 2018 to amend his complaint. Plaintiff is representing himself in this matter and the court has granted him additional time to amend his complaint. An amended complaint was filed but not sent to IMRF. IMRF has been granted until December 3, 2018 to file a responsive pleading with this matter set for status on January 7, 2018.

WILLIAMSON COUNTY v. IMRF (WILLIAMSON COUNTY 18 MR 215)

Summary: This is administrative review of IMRF's adoption of hearing officer recommendation to affirm the staff decision to terminate the IMRF participation of the County Commissioners.

Status: IMRF has filed its answer and administrative record to Plaintiffs' First Amended Complaint. This matter is set for status on December 20, 2018.

JEFF BOYD v. IMRF (ROCK ISLAND COUNTY 18 MR 514)

Summary: This is administrative review of IMRF's adoption of hearing officer recommendation to affirm the staff decision to plaintiff's service credit and salary related to his service as Sheriff.

Status: IMRF filed a motion to dismiss Plaintiff's Complaint which is set for argument before the court on November 19, 2018. At the request of the Plaintiff, the argument has been postponed to December 11, 2018.

HERAKOVICH v. IMRF (DUPAGE COUNTY 18 MR 967)

Summary: This is administrative review of IMRF's adoption of hearing officer recommendation to affirm the staff decision to exclude taxable allowances from the Plaintiff's reportable wages.

Status: After IMRF and the employer filed their respective motions to dismiss Plaintiff's Complaint. Plaintiffs' have since dismissed their complaint with prejudice as to all defendants. This matter is now closed.

BRENDA HORTON v. IMRF (COOK COUNTY 18 CH 10774)

Summary: This is administrative review of IMRF's closure of Plaintiff's disability claim.

Status: IMRF filed a motion to dismiss this matter which is set for presentment on November 13, 2018.

ROBERT ALLEN v. IMRF (ST. CLAIR COUNTY 18 MR 303)

Summary: This is administrative review of IMRF's adoption of hearing officer recommendation to affirm the staff decision to terminate the IMRF participation of the County Board Member, Robert Allen.

Status: IMRF filed a motion to dismiss. No briefing schedule has been entered yet.

RICHARD CHAPPELL v. IMRF, ET AL. (COOK COUNTY 18 CH 12400)

Summary: This is administrative review of IMRF's adoption of hearing officer recommendation to affirm the staff decision to remove omitted service credit from the Plaintiff based on the employer conducting its own audit and determining that he was not entitled to omitted service. Plaintiff has named both IMRF and his former employer, River Forest Township, as defendants in the lawsuit.

Status: IMRF will be filing a motion to dismiss. No briefing schedule has been entered yet.

(18-11-14) (2019 Board Meeting Dates) The Executive Director presented a proposed calendar for the 2019 Board Meeting dates.

After questions and discussion, it was the consensus of the Board to defer making a decision on the meeting dates for 2019 until the December Board Meeting.

(18-11-15) (Report of Executive Director) The Executive Director discussed MWBE investment manager fees. The Board will discuss setting a goal for MWBE investment manager fees at the February Investment Committee Meeting.

(18-11-16) (Trustee Forum) The Chair reported the following Trustees requested authorization from the Board for the following conferences:

Natalie Copper 65th Annual Employee Benefits Conference
International Foundation
October 20-23, 2019
San Diego, CA

Alex Wallace, Jr. 65th Annual Employee Benefits Conference
International Foundation
October 20-23, 2019
San Diego, CA


Tom Kuehne 65th Annual Employee Benefits Conference
International Foundation
October 20-23, 2019
San Diego, CA

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

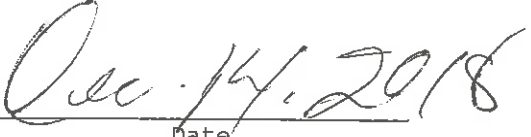
Vote: Unanimous Voice Vote
Absent: None

(18-11-17) (Adjournment) It was moved by Ms. Thompson, seconded by Ms. Stanish, to adjourn the Board Meeting at 12:13 p.m., to reconvene in the Fund offices, 2211 York Road, Suite 400, Oak Brook, Illinois, at 9:00 a.m. on December 14, 2018.

Vote: Unanimous Voice Vote
Absent: None



President



Date

Secretary

Date

