



Illinois Municipal Retirement Fund

2211 York Road Suite 500 Oak Brook IL 60523-2337

Member Services Representatives 1-800-ASK-IMRF

www.imrf.org

GENERAL MEMORANDUM

Number: 576

Date: September 30, 2008

To: All Authorized Agents

Subject: Recent Economic Events: IMRF and Main Street

PLEASE SHARE THIS INFORMATION WITH YOUR MEMBERS

Recent events in our financial markets have been unprecedented. Failures on Wall Street and the inability of Congress to pass the Emergency Economic Stabilization Act have shaken the foundations of the American economy.

I want to share my thoughts regarding the economy in general and IMRF in particular.

First, **IMRF is secure**. It is important to remember that IMRF began 2008 being 100% funded on a market basis. This funding level is providing a cushion to better weather current market downturns. Our broadly diversified approach to investing and our long-term investment perspective protects IMRF from catastrophic investment losses.

Second, **our retirees can be assured that they will continue to receive their monthly benefit payments in full and on time.**

However, a program of diversification and a long-term investment perspective does not insulate us completely from market events. Nor does it insulate you and your members.

Finance 101

Some people are characterizing recent economic events as a “problem with five banks on Wall Street.” Their attitude: let the investment bankers suffer the consequences of their bad decisions and reckless behavior. Leave the American taxpayer out of it.

The truth: American taxpayers are in it. We have *always* been in it. What happens on Wall Street directly affects us. The current economic crisis *is* about Main Street. How much have you lost in your 457 plan, 403b plan or IRA? The loss in value of those accounts are the direct result of the current economic situation.

And with the loss in value of assets, comes a decrease in the availability of credit. You may not be in the market for a car loan or mortgage. But the credit freeze has a much larger impact.

Almost 80% of all businesses in America are small businesses; these small companies run on credit. When a small business owner, a plumber for example, wins a bid for a contract, he uses a form of credit to purchase supplies to complete the job. When the job is completed and he is paid, he pays off the loan.

However, with the freeze in the credit markets, those small, short-term loans become more difficult to obtain.

These are the same small businesses who pay property taxes, whose customers pay sales taxes, and who provide municipalities with tax receipts they need to provide essential services to their community.

Congress must act

IMRF was disappointed that Congress did not pass the \$700 billion Emergency Economic Stabilization Act on September 29, 2008. Its inability to pass the legislation resulted in the markets losing \$1,200 billion.

It is difficult for most of us to comprehend those amounts of money. We can think of it this way: you have a small leak, the plumber says it will cost \$700 to fix. You think that's too expensive. Instead, you do nothing. The pipe explodes and you lose \$1,200 in water. AND you still have to pay to fix the leak.

We may ask for your help

IMRF will continue to monitor this situation very closely. We will review any legislation Congress will consider. We expect Congress to vote on a new bill on either Thursday, October 2 or Friday, October 3, 2008.

After reviewing the language in a new bill, IMRF may ask you to contact your legislator to support the bill. The Illinois delegation was split on the original bill: nine voted for it, nine voted against; and one legislator did not cast a vote.

We understand that you are skeptical of any economic rescue bill; as concerned citizens you should be. But we believe it is important to ensure the stability of America's economic foundations and to have Congress act swiftly and decisively to find a solution.

Please continue to check www.imrf.org for updates.

Sincerely,



Louis W. Kosiba
Executive Director