

FUNDAMENTALS

IMRF

ACTIVE MEMBER OVER 40 EDITION

VOLUME 34 | NUMBER 3
FALL 2019

Staying the course in a volatile market

No matter what turns the market takes, IMRF's long-term investment strategy ensures our financial health by balancing risk and reward.

Investment returns down in 2018

2018 was an unusually rocky year for investments. The markets seasawed between enthusiasm and caution, sometimes swinging as much as 1,000 points in a single session. Then, at year's end, prices dropped sharply across many broad asset classes amid trade tensions and inflation concerns.

"The S&P 500 and the Dow Jones Industrial Averages were both down 5% and 6%," said IMRF Executive Director Brian Collins. "We were down right along with them, about 4.4%."

By year's end, the IMRF total portfolio had fallen by \$1.76 billion to \$38.8 billion. However, during the first two months of 2019, the portfolio bounced back by \$2.8 billion to close at \$41.5 billion at the end of February.

"So it's not all bad news," Collins said. "We are still among the best-funded public pension funds in the country, at 90%."

Investing for the long haul

As a long-term investor, IMRF's investment approach is about making strong returns over time rather than responding to short-term market ups and downs.

For example, during the 2008 stock market crash, IMRF's portfolio saw losses of 24%. Knowing that downturns in the market are followed by upturns, IMRF weathered the tough times and stayed invested. The following year, IMRF's investments earned more than 24%.

By contrast, many individuals panicked and sold their investments at a loss, then



missed the upturn in the markets. If IMRF had done the same, we would have locked in those losses rather than benefiting from later market gains.

In March 2019, Bloomberg reported that losses during a bear market average 28%. By comparison, gains during a bull market average 129%. Selling off investments when times get tough means missing out on much larger gains when the market recovers.

A diverse investment portfolio

Diversification in investments is essential for guarding against market fluctuations and balancing high returns with reduced risk. Even if one asset class is underperforming at a given time, others will compensate for the loss. This strategy

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"We are still among the best-funded public pension funds in the country, at 90%."

—Brian Collins, IMRF Executive Director



Staying the course in a volatile market

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guards against excessive losses over the long term.

To mitigate risk while maximizing return, IMRF invests in a wide range of equities both domestic and international. Additionally, our position as a long-term institutional investor offers investment opportunities an individual investor couldn't afford to pursue.

In recent years, IMRF has made it a priority to increase our investment allocation in illiquid but profitable asset classes like private equity and real estate. IMRF's alternative assets also include agriculture holdings. We invest in vineyards and timberland as well as food products like pistachios and walnuts. These investments make the most of our long-term time horizon and the world's expanding population.

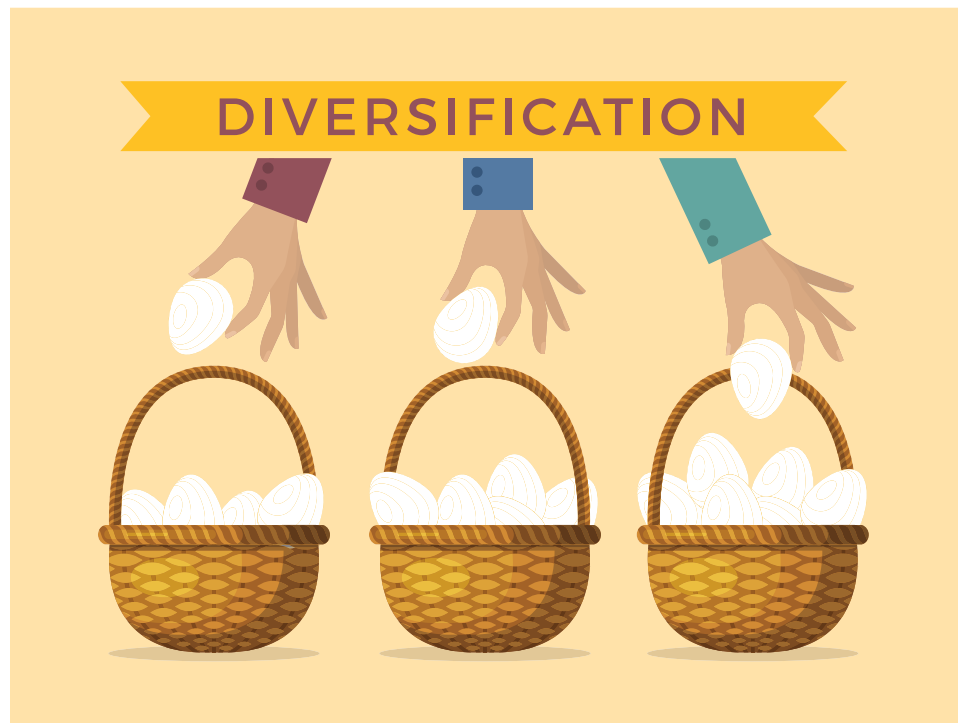
Expanding investments

During IMRF's early history, the law restricted the investments of public sector pension funds primarily to bonds and government securities to limit risk. This investment restriction sharply limited IMRF's investment income to around 2-1/2% to 3% annually.

Back then, the Board of Trustees decided on individual shares of bonds and stocks to purchase. IMRF hired consultants but did not do business with any investment firms.

In 1982, public sector pension funds, including IMRF, gained the ability to invest largely without restriction. This change allowed the pension funds to make any investment that a prudent person would make. They could also hire money managers bound to the same standards as the fund.

At first, IMRF hired just a few managers. But the growth of IMRF's assets demanded that our investment management become more sophisticated.



Diversification ensures that even if one asset class is underperforming at a given time, others will provide protection against excessive losses over the long term. To mitigate risk while maximizing return, IMRF invests in a wide range of equities both domestic and international.

Today the search casts a far wider net. IMRF staff researches managers with the aid of databases. They solicit bids from potential managers, customizing each search to the asset class under management (fixed income, equity, private markets, etc.). Then, they narrow down the list through interviews and office visits. Finally, they present a manager to the Board, which votes on whether to hire them.

IMRF now partners with about 90 investment firms to invest our assets.

Looking ahead

As IMRF looks to the future, we will continue to look for the best ways to invest our capital. Sometimes that means exploring new strategies and asset classes. Sometimes that means fine-tuning existing practices. Every investment decision will be guided by our vision statement: "To provide the highest quality retirement services to our members, their beneficiaries and employers." ■

IMRF stays strong despite tough market

Although 2018 was a rough year for the stock market and our investment portfolio, IMRF remains one of the nation's best-funded retirement systems.

INVESTMENTS

IMRF's investment portfolio was valued at \$38.5 billion on December 31, 2018.

The portfolio lost 4.41% after investment management fees during 2018, decreasing the value of the portfolio by \$2.7 billion from December 31, 2017.

Investors' appetite for risk, while elevated for much of 2018, evaporated as the year drew to a close and wiped out positive returns for the year across many broad assets classes.

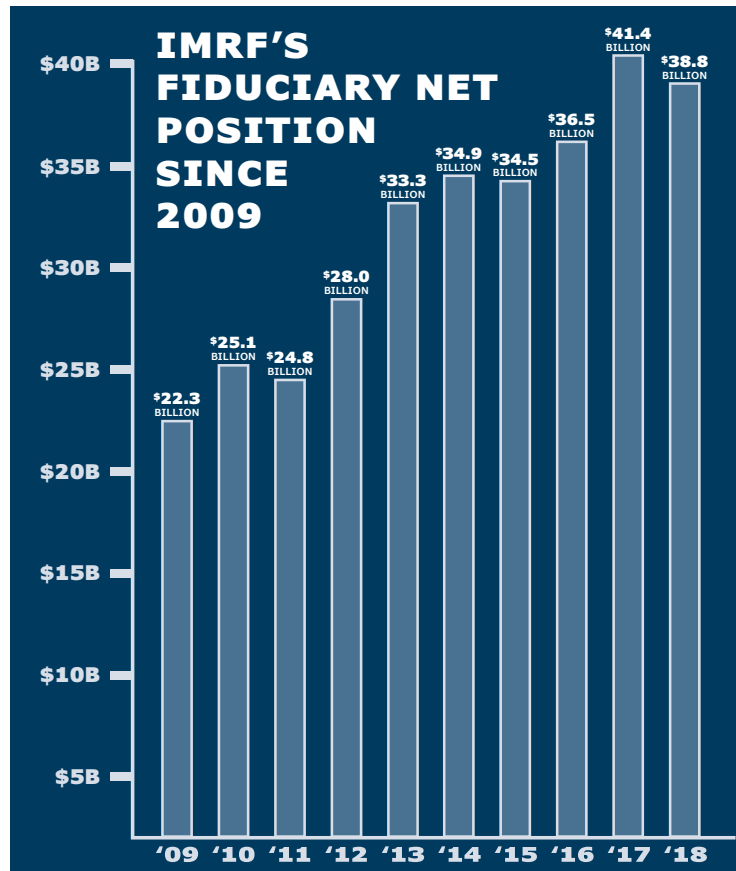
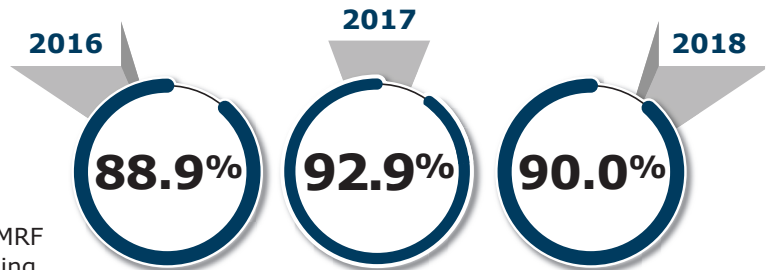
IMRF's domestic equity portfolio lost 6.3% after fees while the international equity portfolio lost 14.4% after fees in 2018. Conversely, IMRF's real estate portfolio returned 8.4% after fees and the alternative investments portfolio returned 17.1% after fees in 2018.

IMRF's long-term goal is to earn an annualized total fund return greater than the assumed rate of return, after investment management fees. While IMRF did not achieve this goal in 2018, IMRF does achieve its investment return goal over longer time horizons.

FUNDING STATUS

IMRF's funding status is a key indicator of our overall financial health. It reflects the percentage of benefit promises that IMRF has assets to pay. IMRF strives toward 100% funding because it guarantees that the system can meet its obligations and is most cost effective for taxpayers.

As of December 31, 2018, IMRF was 90% funded on an actuarial basis. IMRF's actuarial funding status is determined by independent actuaries using a "smoothing" technique that recognizes investment gains and losses over a five year period. The actuarial funding status is used to set IMRF contribution rates for participating units of government.



FIDUCIARY NET POSITION

IMRF's fiduciary net position—total assets and deferred outflow of resources minus liabilities and deferred inflow of resources—was \$38.8 billion as of December 31, 2018. This was a decrease of \$2.6 billion, or about 6.3%, from 2017. The decrease reflects the decline in investment returns in 2018.

IMRF's financial position remains strong. With 74% growth from 2009 to 2018—an addition of \$16.5 billion—IMRF will continue to provide secure and stable retirements for thousands of public employees in Illinois long into the future. ■

Excerpted from our 2018 Popular Annual Financial Report. See the full report at www.imrf.org/2018PAFR.

Have an IMRF question? Here's where to go.



Need general information about your IMRF benefits?

www.imrf.org

Need to know how long you'll have to work to receive an IMRF pension? Want to know more about Voluntary Additional Contributions? Not sure how IMRF disability works? You just might find your answers with a few minutes of browsing.

You can also access personal information about your membership if you log in to your Member Access account. Don't have one? See below for more information.



Have a question but don't need an immediate answer?

Secure Message (in Member Access)

Send IMRF a question and get an answer within two business days. How? Log in to your Member Access account and click "Secure Message" under Quick Links. Sending us messages this way keeps your private information safe.

Check back at the Secure Message Center for our reply. Each week, you'll get an email from us each if an unread message is waiting for you.



Need an answer to your question right now?

1-800-ASK-IMRF (275-4673)

If you're making a decision and need information from us to proceed, your best bet for getting a quick answer is to call 1-800-ASK-IMRF. One of our Member Services Representatives will help you out. We're open Monday-Friday, 7:30 AM-5:30 PM.

Since you're calling during working hours, our representatives can contact other departments in order to get the information you need or solve your problem.



Attending a workshop and have a question?

Your presenter (Field Representative)

Field Representatives are a great resource if you're at a workshop or a Personal Benefits Review and have a question, or if they're presenting at your workplace. At other times, though, you're better off calling 1-800-ASK-IMRF (275-4673) or sending us a Secure Message through Member Access.

Field Representatives are usually traveling and presenting, so it's unlikely that you'll get a quick answer if you send them an email.

Member Access LETS YOU SAFELY & EASILY...

- Protect your loved ones by updating your IMRF beneficiaries
- Sign up for a Pre-Retirement workshop and learn more about your benefits
- Make sure your IMRF contributions were reported correctly
- Ask us a question day or night and hear back in 2 business days
- Estimate your future IMRF pension with our Pension Calculator

...AND SO MUCH MORE!

SIGN UP FOR A MEMBER ACCESS ACCOUNT TODAY!

1. Go to www.imrf.org and click "Register" in the little green box at the top right of the page.
3. If you've already taken this step and have a registration key, click "yes" and enter the key code.
4. If you don't have a registration key, click "no." Enter your information (name, last four digits of your Social Security Number, birth date, address), then click "continue."
5. IMRF will then send you a 16-digit registration key code by mail. You have 60 days to use it.
6. When you get your registration key code in the mail, go back to www.imrf.org. Click "Register," then click "yes," and then enter your registration key.
7. Verify your security questions, then pick your username and password. Now you have access!

Gain peace of mind at a free Pre-Retirement Workshop

Workshop topics include:

- How and when to file for retirement.
- How earnings and service affect your retirement benefit calculations.
- How to purchase past service credit.

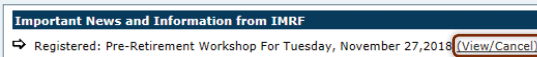
Who should attend?

- Vested members who want to learn about their IMRF benefits.
- Members within five years of retirement.
- Spouses, partners, or others who assist with your retirement planning.

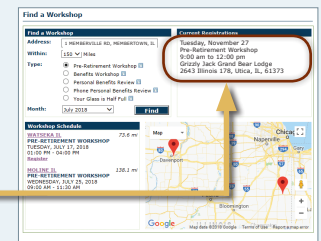
The Pre-Retirement Workshop schedule for 2019 is here! Register online today through your Member Access account (the best and fastest way) or by calling IMRF. These workshops, which are approximately three hours long, can benefit you no matter how close you are to retirement. We recommend attending a workshop as soon as you're vested, then again five years before your earliest possible retirement date, and once more when you're ready to retire. The closer you are to retirement, the more important it is that you attend. Many first-time attendees tell us they wish they'd gone to one sooner.

Signed up online and looking for your workshop?

When you sign up online, you won't receive a notification in the mail. To find your workshop, just sign in to Member Access, and at the top of your profile page, you'll see a new item: "Important News and Information from IMRF," shown below.



Click (View/Cancel); it's under "Current Registrations."



2019 Pre-Retirement Workshop Dates and Locations

September

DATE	LOCATION	STARTS AT
9/05 (Thu)	Oak Lawn	10 AM
9/05 (Thu)	Gurnee	1 PM
9/09 (Mon)	Effingham	5 PM
9/11 (Wed)	Moline	9 AM
9/11 (Wed)	Belleville	1 PM
9/11 (Wed)	Schaumburg	5 PM
9/17 (Tue)	Northbrook	1 PM
9/17 (Tue)	Naperville	6 PM
9/18 (Wed)	Rockford	9 AM
9/24 (Tue)	Hanover Park	10 AM
9/25 (Wed)	Peoria	6 PM
9/26 (Thu)	Collinsville	5 PM
9/30 (Mon)	Skokie	1 PM

October

DATE	LOCATION	STARTS AT
10/01 (Tue)	Itasca	1 PM
10/01 (Tue)	Tinley Park	2 PM
10/01 (Tue)	Highland Park	3 PM
10/02 (Wed)	Centralia	1 PM

10/03 (Thu)	Princeton	9 AM
10/08 (Tue)	Rock Falls	9 AM
10/08 (Tue)	Quincy	6 PM
10/10 (Thu)	Homewood	2 PM
10/11 (Fri)	Alton	9 AM
10/12 (Sat)	Skokie	10 AM
10/15 (Tue)	Beach Park	1 PM
10/16 (Wed)	Charleston	4 PM
10/19 (Sat)	Springfield	9 AM
10/22 (Tue)	Downers Gr.	1 PM
10/23 (Wed)	Moline	9 AM

November

DATE	LOCATION	STARTS AT
11/02 (Sat)	Elgin	9 AM
11/02 (Sat)	Naperville	9 AM
11/07 (Thu)	Champaign	1 PM
11/09 (Sat)	Peoria	9 AM
11/12 (Tue)	Elmhurst	5 PM
11/13 (Wed)	Geneseo	10 AM
11/13 (Wed)	Barrington	1 PM
11/13 (Wed)	Carbondale	1 PM

11/14 (Thu)	Sandwich	6 PM
11/16 (Sat)	Joliet	10 AM
11/19 (Tue)	Geneva	1 PM
11/19 (Tue)	Decatur	5 PM
11/23 (Sat)	Collinsville	9 AM

December

DATE	LOCATION	STARTS AT
12/03 (Tue)	Effingham	1 PM
12/03 (Tue)	Mt. Prospect	1 PM
12/04 (Wed)	Peoria	6 PM
12/07 (Sat)	Wheaton	9 AM
12/07 (Sat)	Rockford	9 AM
12/11 (Wed)	Springfield	2 PM
12/12 (Thu)	Mt. Vernon	5 PM
12/14 (Sat)	Moline	9 AM
12/17 (Tue)	Homewood	2 PM

Visit www.imrf.org for the most current list of workshops! Workshops fill up quickly, and additional dates/locations may be added throughout the year. Workshops that have already been filled do not appear on this list.

Is an optional Personal Benefits Review right for you?

A Personal Benefits Review (PBR) is an optional, one-on-one, 15-minute meeting with an IMRF Field Representative to discuss specific questions about your account. We know your time is precious—if you don't have particular concerns, there's no need to attend one of these sessions. **Remember: Before you schedule a PBR, you should already have attended a Pre-Retirement Workshop.** Try to book your PBR several months before you need it; appointments fill up fast! If you are unable to attend, please let us know in advance so the spot can go to someone who needs it.

Personal Benefits Reviews... by phone!

If you don't want to attend an in-person meeting, you can also set up a 25-minute phone call with an IMRF Field Representative. To view available times, sign in to your Member Access account. If you don't have an account, call 1-800-ASK-IMRF (275-4673) for more information.

Is a Personal Benefits Review right for you?

- Have you already attended a Pre-Retirement Workshop?
- Do you have specific account questions that weren't answered in the workshop?
- After a call to 1-800-ASK-IMRF (275-4673), has a representative referred you to a PBR?

If you answered yes to all of these questions, a PBR might help you answer your remaining questions.

What to bring to your PBR:

- A pension estimate or your Personal Statement of Benefits—available through your Member Access account or by calling 1-800-ASK-IMRF (275-4673).
- Questions you have that are specific to your IMRF account.

Personal Benefits Review time is limited; make sure you are on time and prepared!

2019 Personal Benefits Review Dates and Locations

September

DATE	LOCATION	STARTS AT
9/03 (Tue)	Robinson	11 AM
9/05 (Thu)	Utica	9 AM
9/10 (Tue)	Effingham	8 AM
9/12 (Thu)	Moline	9 AM
9/12 (Thu)	Schaumburg	10 AM
9/12 (Thu)	Gurnee	12:30 PM
9/24 (Tue)	Naperville	10 AM
9/24 (Tue)	O'Fallon	10:30 AM
9/25 (Wed)	Rockford	9 AM
9/25 (Wed)	Oak Lawn	11 AM
9/25 (Wed)	Northbrook	3 PM
9/26 (Thu)	Skokie	1 PM

October

DATE	LOCATION	STARTS AT
10/02 (Wed)	Collinsville	10 AM
10/03 (Thu)	Peoria	11 AM
10/03 (Thu)	Itasca	1 PM
10/07 (Mon)	Mascoutah	10:30 AM
10/10 (Thu)	Princeton	9 AM

10/10 (Thu)	Highland Park	1 PM
10/16 (Wed)	Rock Falls	9 AM
10/17 (Thu)	Alton	10 AM
10/22 (Tue)	Tinley Park	11 AM
10/22 (Tue)	Harrisburg	11:30 AM
10/22 (Tue)	Crystal Lake	3 PM
10/23 (Wed)	Charleston	11 AM
10/24 (Thu)	Moline	9 AM
10/24 (Thu)	Downers Gr.	1 PM
10/29 (Tue)	Oak Brook	10 AM
10/29 (Tue)	Zion	1 PM
10/29 (Tue)	Springfield	4 PM
10/30 (Wed)	Homewood	1 PM

November

DATE	LOCATION	STARTS AT
11/05 (Tue)	Naperville	10 AM
11/07 (Thu)	Centralia	4 PM
11/08 (Fri)	Champaign	9 AM
11/14 (Thu)	Peoria	11 AM
11/14 (Thu)	Oak Brook	1 PM
11/19 (Tue)	Geneseo	10 AM

11/19 (Tue)	Marion	10:30 AM
11/19 (Tue)	Woodstock	3 PM
11/20 (Wed)	Decatur	8 AM
11/25 (Mon)	Collinsville	3 PM

December

DATE	LOCATION	STARTS AT
12/04 (Wed)	Geneva	10 AM
12/05 (Thu)	Normal	11 AM
12/05 (Thu)	Joliet	11 AM
12/05 (Thu)	Mt. Prospect	1 PM
12/10 (Tue)	Effingham	11 AM
12/11 (Wed)	Rockford	9 AM
12/11 (Wed)	Fairview Hghts.	11 AM
12/11 (Wed)	Mundelein	1 PM
12/12 (Thu)	Wheaton	10 AM
12/12 (Thu)	Peoria	11 AM
12/17 (Tue)	Plano	11 AM
12/17 (Tue)	Mt. Vernon	11:30 AM
12/17 (Tue)	Highland Pk.	1 PM
12/17 (Tue)	Springfield	4 PM

Visit www.imrf.org for the most current list of appointments! Meetings fill up quickly, and additional dates/locations are added throughout the year. Meetings that have already been filled do not appear on this list.



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Locally funded, financially sound.

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FUNDAMENTALS

is published quarterly for active members
of IMRF over age 40.

Erin Cochran, editor, ecochran@imrf.org
1-800-ASK-IMRF (275-4673) • www.imrf.org

Board of Trustees

Reminder: Trustee election this fall

This fall, active members like you will elect one Employee Trustee for a five-year term. This term will run from January 1, 2020, through December 31, 2024.

If there is more than one candidate for Employee Trustee, you will receive a ballot in the mail. Your ballot will arrive in an envelope with your fourth quarter issue of *Fundamentals*. This packet will include voting procedures and candidate biographies.

If there is only one candidate, the Board will confirm that candidate as your new Trustee.

Interested in running for Trustee? You must:

- Be vested in IMRF as of December 31, 2019;
- Gather at least 350 signatures from those who participated in IMRF during July 2019; and
- Submit your nominating petition by September 16, 2019, 4:30 PM CST.

Visit www.imrf.org/en/about-imrf/board-of-trustees/2019-board-elections to learn more about running for Trustee and to download the materials you'll need.