



FUNDAMENTALS

IMRF 75th ANNIVERSARY EDITION

ACTIVE MEMBER UNDER 40

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IMRF: Investing in your future for 75 years

In 1941, IMRF started small, with a single \$5,000 U.S. Treasury Bond. Since those early years, IMRF has developed into a sophisticated investment powerhouse with \$34.5 billion under management and one goal: to secure the future of its members and retirees.

A cautious start

The Illinois Pension Code created IMRF, and in doing so charged the organization with the fiduciary duty of acting “for the exclusive purpose of providing benefits to participants.”

In regard to investment strategy, the law required IMRF to safeguard benefits by limiting large market losses. In the beginning, state law went so far as to restrict the type of investment IMRF could make to just bonds and government securities. While this conservative strategy reduced investment risk, it sharply limited investment income to no more than 2-1/2% to 3% annually.

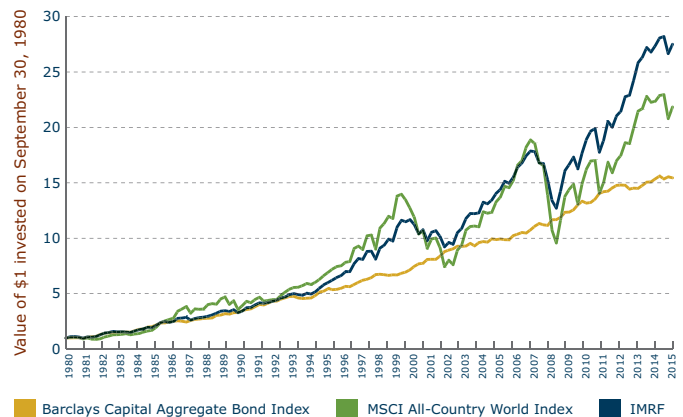
Growth through diversification

In 1982, IMRF gained the ability to invest according to the “prudent man” rule. This meant IMRF could invest in the market broadly, as any prudent person might.

Today, in addition to bonds, IMRF invests in both domestic and international equity (stocks). Its holdings include shares in some of the world’s largest corporations, like Apple and Google, as well as smaller companies, which have the potential to grow rapidly. The portfolio also includes alternative investments like real estate, agricultural tracts, timberland, and private equity (investments in privately held companies).

Growing IMRF’s allocation to alternative investments has been a priority for IMRF in recent years. At the end of 2010, about 5.8% of the IMRF portfolio was invested in real estate and alternatives. At the end of 2015, the allocation was about 9.7% of the portfolio.

Growth of a Dollar – As of December 31, 2015



History has shown IMRF’s diversification strategy was sound. Since the portfolio was diversified in 1982:

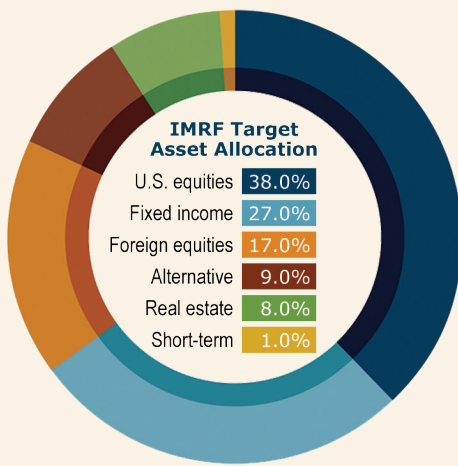
- IMRF has earned an annualized total fund return of 9.94%.
- Returns have proven less volatile as compared to equity markets.

\$1 invested in IMRF’s diversified portfolio in 1980 would be worth \$27.50 today. The same \$1 would be worth \$21.84 if invested entirely in equities and \$15.45 if invested entirely in bonds.

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An evolution in strategy

In the 1940s, the IMRF Board of Trustees made all investment decisions, going so far as to pick individual bonds to purchase.

Over time, the growth of IMRF's assets required that IMRF increase the sophistication of its investment strategy. In the 1980s, IMRF began to hire professional money managers to help guide its investment decisions.

At that time, when IMRF decided to hire an investment manager, IMRF looked to a pool of local investment professionals that the organization had experience working with. In 1986, for example, IMRF worked with just 21 investment firms.

At the end of 2010, IMRF had 66 investment firms managing 80 strategies. Today, IMRF's portfolio consists of 48 public markets managers and 39 private markets managers, for a total of 87. These firms manage 128 strategies for IMRF,

leading to further diversification of the portfolio. For example, some of the newer mandates include bank loans, emerging market debt, private debt, international real estate, venture capital, and European private equity.

Looking ahead

As IMRF looks to the future, it will continue to find better ways to deploy its capital by exploring new asset classes and fine-tuning existing practices. Historically, investment returns have funded more than half of every IMRF pension, so continuous improvement is required. While IMRF's investment approach will continue to change, the goal will remain the same: maximize investment return, within a responsible level of risk, in order to secure its members' retirement futures. ■

Spotlight on Member Services

Over IMRF's 75-year history, our members' expectations have evolved, and so have the services IMRF provides. As members become more educated about their IMRF benefits, Member Services Representatives are going deeper to help members work through situations unique to their circumstances.

A direct line to service

IMRF first created its Member Services unit in 1993, just before moving from Chicago to its current Oak Brook location. Member Services began with five representatives devoted to answering member questions over the phone.

"Employers had requested that they have an 800 number for them to call in on, so it was opened up for both members and employers at that time," said Member and Field Services Manager Connie Fox.

It was a huge leap forward. Prior to 1993, if members had questions for IMRF, they called the main number and were transferred to the claims examiner.

"The snowball effect from that was that the examiners became backlogged in processing the claims," Fox said. "From 40- and 50-day turnaround times, we're now down to a maximum of seven- to 10-day turnaround times for refunds."

More ways to communicate

After it became established, Member Services added a steady stream of additional representatives to keep up with the increase in calls from both members and employers, bringing in approximately one new staff member every year or two. When IMRF's Springfield office opened in 2001, an additional three representatives began at that location.

With member contact on the increase, in 2010 Member Services dedicated a staff member to helping members who come to the office for assistance. Members and retirees can stop by to drop off paperwork at any time, but are required to call ahead if an in-person appointment is desired.

Members aren't limited to the phone or in-person appointments. With their Member Access account, members can send secure online messages to IMRF at any time of day or night, and representatives will respond within 24 to 48 hours.

Digging deeper

Back during the early days of Member Services, representatives spent much of their time mailing forms to members, helping members fill out forms, and guiding members through the retirement process. Today, their role has shifted toward one-on-one counseling, both on the phone and in person.

"People are more informed about their IMRF benefits, so they're asking more in-depth questions," Fox said.

To prepare for the breadth of member questions they will encounter, representatives go through a rigorous 12-week training program.

Member Services Representative Melissa Camuy finds the job at its most rewarding when members come away with a better understanding of their benefits. Any number of times, vested members only a couple years from retirement have called with the intent of getting a refund of their contributions, but ultimately decided against it because she was able to show them how much more they would receive in value from an IMRF pension.

"You want them to see the bigger picture. That's what I try to do as a rep," Camuy said. ■

As we celebrate our 75th anniversary, retirees shared with us the profound effects an IMRF pension has had on their retirement years, in ways they never anticipated when they began working for an IMRF employer.

In my first paycheck, the deductions included the usual income tax, medical for the family, and IMRF? What was that and why the deduction? "For my retirement" was the explanation. Retirement? I am 33 years of age, wife, and three sons all in grade school. I do not need to have any money set aside now for such a far-off eventuality. "It is the law," I was informed. So be it.



Move ahead to October 1982, 55 years of age. I jokingly explained that by then I was well paid for all of the mistakes they were willing to pay me for. Retired!

Always wished to live in the country and preferably in the woods. Built a home in virgin timber near a small town about 20 miles from Waterloo, Iowa near the family of my wife. Had a big Ford van that we had converted for travel, sort of a poor man's version of an RV. Traveled over much of the United States, and all went so well until my wife became a victim of cancer and had other needs for better health care.

We had a good life and retirement and could not have done it all without IMRF.

Cliff I. • Waterloo, Iowa

Many employees my husband and I worked with really didn't want to have money for IMRF taken from our checks. We were in our 20s with few worries or cares. We kind of lived day-to-day in our youthful-thinking minds.



We are so glad now that we are in our 60s that we had people looking out for us with knowledge of what would be needed as we aged. Around age 50 the city had a big push to remove many older employees who had a lot of benefits and higher wages. After a buyout, the IMRF pensions helped us survive, and then eventually thrive, when we picked up smaller outside jobs. My daughter recently received her master's degree, which we contributed a significant sum of money to. It has been a hard, long road, but compared to people that we currently work with, my husband and I are so much better off.

Thank you, IMRF, for having the plan and making us be a part of it and thinking of our future when we were not.

Jeff & Kathy A. • Quincy, Illinois

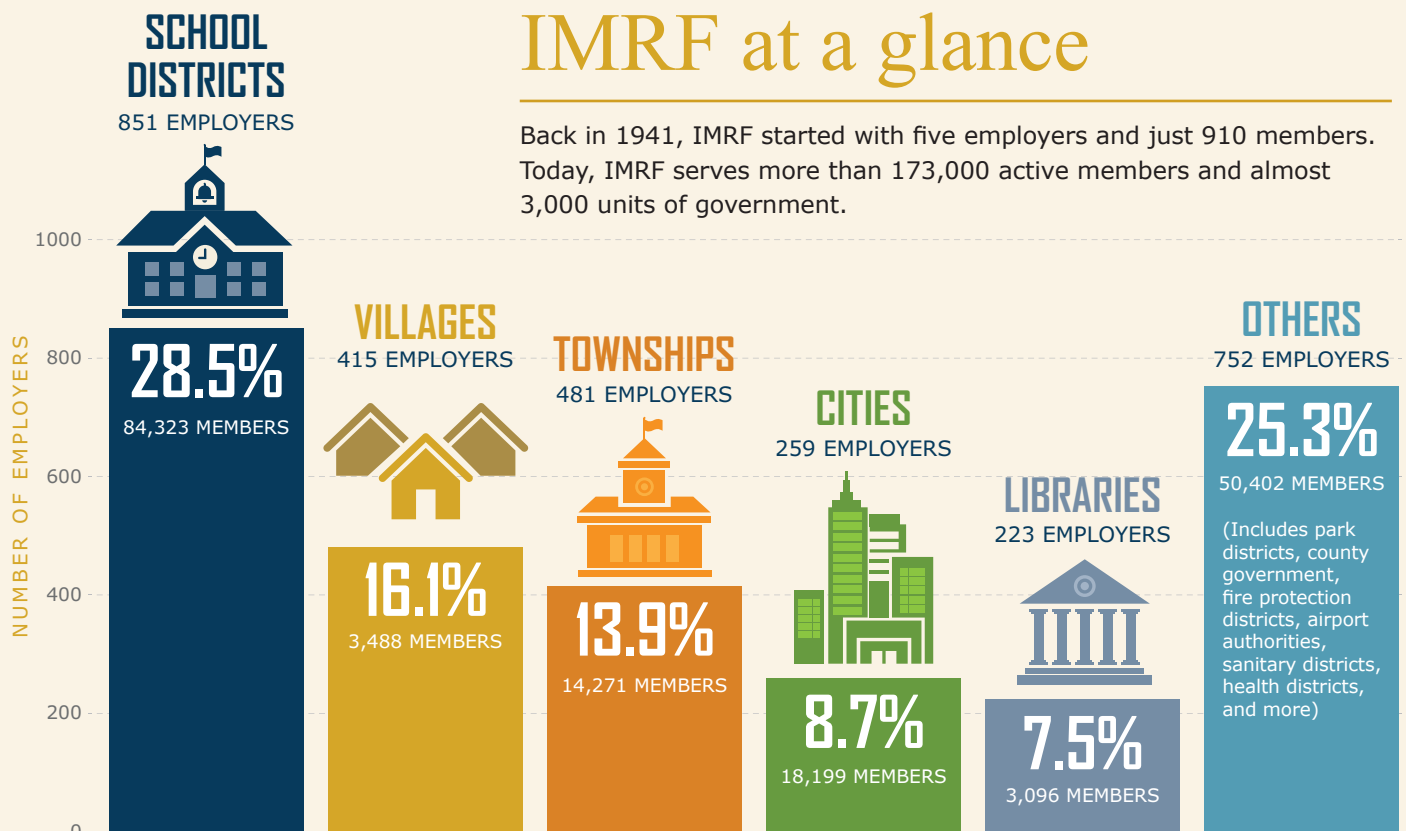
A defined benefit pension has given me peace of mind knowing that I have provided security for my wife and children. It has allowed me the freedom to plan a vacation, go out for dinner, and play a round of golf without feeling the guilt that would, without a doubt, be associated with a fluctuating, under-funded retirement account.



Ken M. • Glenarm, Illinois

I retired some three years ago after having worked for thirty-eight years for the same IMRF employer. I started as the youngest employee and retired as the oldest. When I took the position, all that I was concerned with was the salary. Prior to retiring, I attended some workshops and realized that the pension that I would be receiving on a monthly basis would be equal to what an annuity of \$850,000 would provide. It has allowed me to have the freedom to travel and pursue other interests as I enjoy my retirement years, thanks to the security that the IMRF community affords all of its members!

Rikk M. • Huntley, Illinois





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

Your Glass is Half Full

Understanding Your IMRF Benefits

*This returning workshop shows you how IMRF helps
you now and when you retire.*

2016 Workshop Dates & Locations

June

DATE	LOCATION	START TIME
(Tues) 6/21	Effingham	4 PM
(Thurs) 6/30	Bolingbrook	6 PM

July

DATE	LOCATION	START TIME
(Thurs) 7/14	Grayslake	5 PM
(Tues) 7/19	Mt. Vernon	5 PM

August

DATE	LOCATION	START TIME
(Thurs) 8/11	Springfield	5:30 PM
(Thurs) 8/11	Tinley Park	6 PM
(Tues) 8/16	Bloomington	6 PM
(Wed) 8/17	Galesburg	6 PM
(Thurs) 8/18	Aurora	6 PM

October

DATE	LOCATION	START TIME
(Wed) 10/26	Mt. Prospect	5 PM

Inside and at www.imrf.org:
IMRF is celebrating its 75th anniversary!