

2006

Illinois Municipal Retirement Fund



*Comprehensive
Annual Financial Report*



For the year ending December 31, 2006

2006

Illinois Municipal Retirement Fund

Comprehensive Annual Financial Report

IMRF Mission Statement

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.

Prepared By

The Finance Department of the Illinois Municipal
Retirement Fund

2211 York Road Suite 500

Oak Brook, IL 60523-2337

www.imrf.org

1-800-ASK-IMRF

Louis W. Kosiba,
Executive Director



Table of Contents

Introduction

| | |
|--------------------------------------|----|
| 2007 Board of Trustees | 4 |
| Organization Chart | 5 |
| Certificate of Achievement | 6 |
| Transmittal Letter | 7 |
| Revenue and Expense Charts | 13 |

Financial

| | |
|--|----|
| Independent Auditors' Report | 15 |
| Management's Discussion and Analysis | 16 |
| Financial Statements | |
| <i>Statements of Plan Net Assets</i> | 21 |
| <i>Statements of Changes in Plan Net Assets</i> | 22 |
| <i>Notes to Financial Statements</i> | 23 |
| Required Supplementary Information | |
| <i>Schedule of Funding Progress</i> | 37 |
| <i>Schedule of Employer Contributions</i> | 37 |
| <i>Notes to Required Supplementary Information</i> | 38 |
| Supplementary Information | 39 |

Investments

| | |
|---|----|
| Investment Consultant's Report | 41 |
| Master Trustee's Report | 43 |
| Investment Consultants | 44 |
| Investment Policies | 46 |
| Returns by Asset Class | 50 |
| Investment Portfolio Summary | 51 |
| Investment Portfolio Charts | 52 |
| Asset Allocation | 53 |
| Ten Largest Holdings | 54 |
| Domestic Brokerage Commissions | 55 |
| International Brokerage Commissions | 56 |
| Schedule of Investment Fees | 57 |

Actuarial

| | |
|--|----|
| Actuarial Report | 60 |
| Summary of Actuarial Assumptions | 62 |
| Solvency Test | 63 |
| Participating Member Statistics. | 63 |
| Schedule of Adds and Removals from Rolls | 64 |
| Contribution Rates | 65 |
| Actuarial Balance Sheet. | 66 |
| Analysis of Under Funded Actuarial Liability | 66 |
| Derivation of Experience Gain (Loss) | 67 |
| Summary of Benefits. | 68 |

Statistical

| | |
|---|----|
| Changes in Plan Net Assets. | 74 |
| Benefit Expense by Type. | 75 |
| Net Cash Flow from Contributions and Benefits | 76 |
| Average Benefit Payment Amounts | 77 |
| Operating Statistics - Number of Initial Benefit Payments | 78 |
| Number of Employees | 78 |
| Number of Actively Participating Employers | 79 |
| Principal Participating Employers | 79 |
| Number of Actively Participating Members | 80 |
| Participating Members' Length of Service. | 80 |
| Distribution of Current Annuitants by Pension Amount | 80 |
| Analysis of Initial Retirement Benefits - Regular. | 81 |
| Analysis of Initial Retirement Benefits - SLEP | 82 |
| Analysis of Initial Retirement Benefits - ECO. | 83 |
| Annuitants by Age | 84 |
| Active Members by Age | 84 |

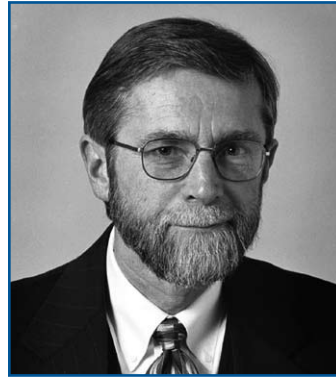
2007 Board of Trustees



Marvin R. Shoop, Jr.
Employee Trustee
City of Peoria

January 1, 2006 -
December 31, 2010

2007 President



Max F. Bochmann
Employee Trustee
Naperville CUSD #203

January 1, 2005 -
December 31, 2009

2007 Vice President



Judi S. Voller
Employee Trustee
East Maine
School District #63

January 1, 2006 -
December 31, 2010

2007 Secretary



Ruth E. Faklis
Executive Trustee
Prairie Trails Public
Library District

February 23, 2007 -
December 31, 2007



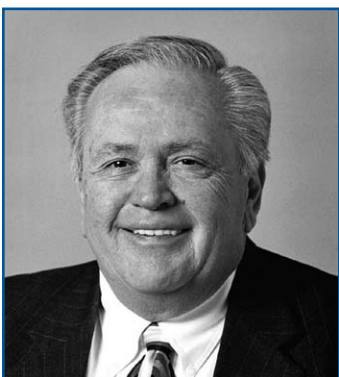
Martha H. Rademacher
Executive Trustee
Park District Risk
Management Agency

January 1, 2007 -
December 31, 2011



James W. Rasins
Executive Trustee
DuPage County

January 1, 2007
December 31, 2008



W. Thomas Ross
Executive Trustee
Winnebago County

January 1, 2006 -
December 31, 2010

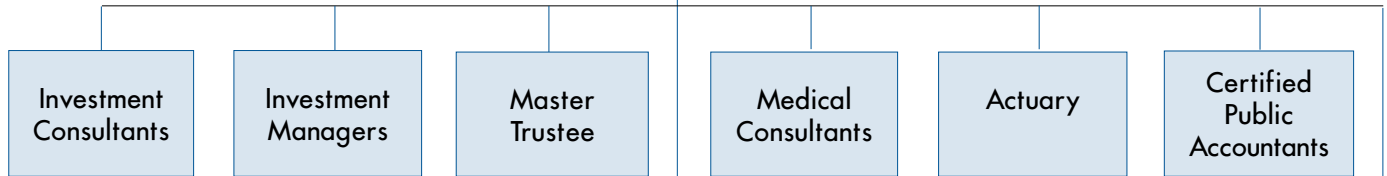


Sharon U. Thompson
Annuitant Trustee
(formerly)
Lee County

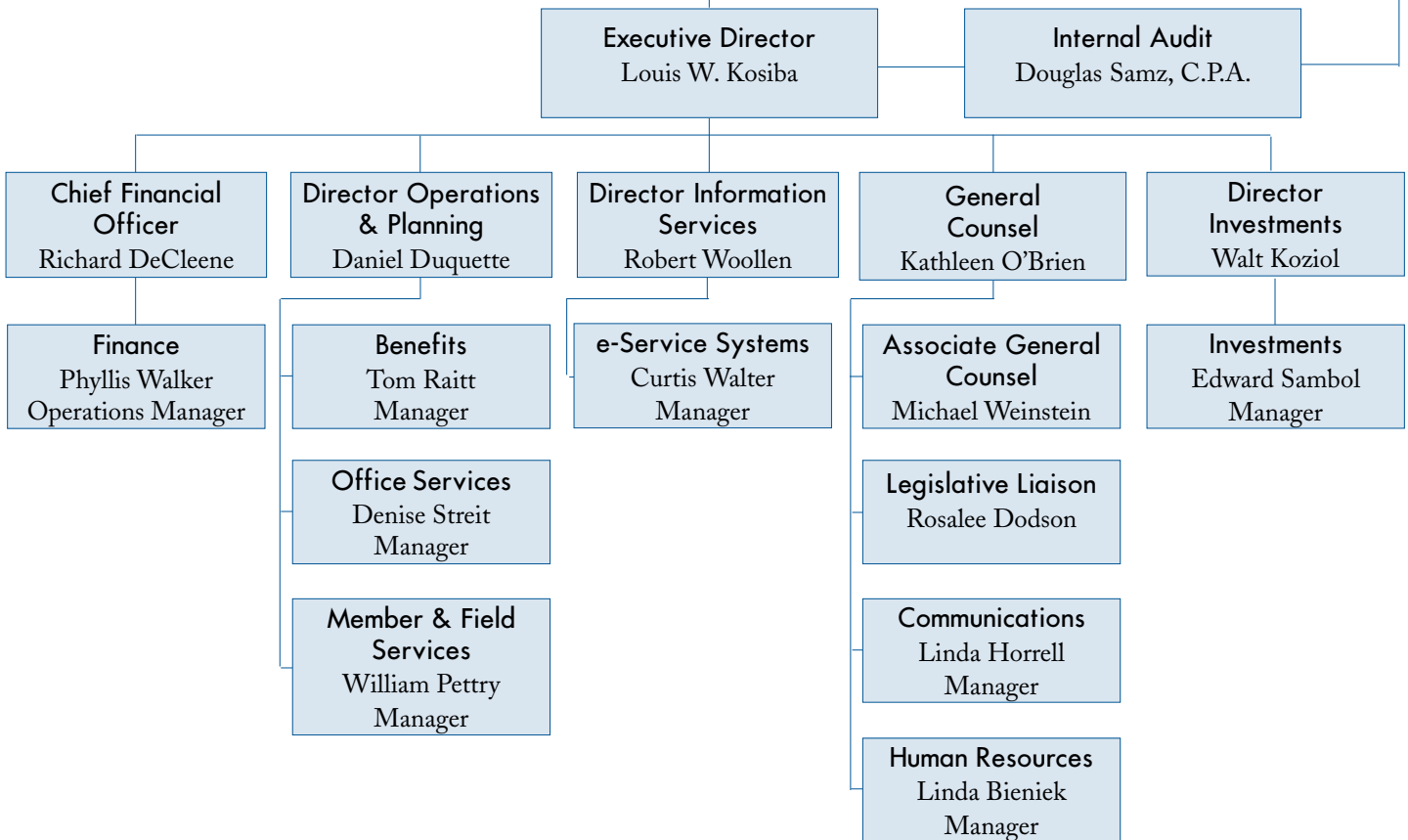
January 1, 2006 -
December 31, 2010

BOARD OF TRUSTEES

CONSULTANTS



STAFF



Consultants - Investment Consultants are listed on page 44

| | | | | |
|--|---|---|---|--|
| Actuary Gabriel, Roeder, Smith & Company Brian B. Murphy, F.S.A. Mark Buis, F.S.A. Southfield, Michigan | Auditors Deloitte & Touche LLP Alice Wunderlich Gerry Fink Chicago, Illinois | Commercial Bank Northern Trust Richard Deeter, Vice President Chicago, Illinois | Independent Fiduciary Counsel Seyfarth Shaw Attorneys LLP Lawrence Moss Chicago, Illinois | Medical Consultants Marianjoy Medical Group Wheaton, Illinois Leonard Kessler, M.D. Highland Park, Illinois |
|--|---|---|---|--|

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Illinois Municipal Retirement Fund

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2005

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director



Illinois Municipal Retirement Fund

Suite 500 2211 York Road Oak Brook IL 60523-2337

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

www.imrf.org

May 8, 2007

Board of Trustees
Illinois Municipal Retirement Fund
Oak Brook, Illinois 60523-2337

Formal Transmittal

We are pleased to submit the Comprehensive Annual Financial Report of the Illinois Municipal Retirement Fund (IMRF) for the year ended December 31, 2006. The management of IMRF is responsible for the compilation and accuracy of the financial, investment, actuarial and statistical information contained in this report. To the best of our knowledge and belief, the enclosed information is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of IMRF.

In developing and evaluating IMRF's accounting system, we consider the adequacy of internal accounting controls. We design these controls to provide reasonable assurance regarding the safekeeping of assets and the reliability of financial records.

IMRF employs the services of an outside certified public accountant to function as the Internal Auditor. He is aided by a full-time assistant on staff. We use a detailed internal audit program that encompasses examination of internal controls as well as the Fund's financial transactions and records.

The internal audit function reports directly to the Executive Director and the Board of Trustees. The Board of Trustees has established an Audit Committee, consisting entirely of Board members. Annually, the Internal Auditor presents his report to the Audit Committee covering the results of internal audit procedures performed. The Internal Auditor may also meet with the committee on an as-needed basis. Again this year the Internal Auditor reported that IMRF's system of internal controls appears adequate and is being adhered to in the areas tested.

This report has five sections. The Introductory Section contains this transmittal letter and an organization chart. The Financial Section contains the report of the independent public accountants as well as management's discussion and analysis, the financial statements, notes and supplemental information. The Investment Section contains summaries of investments held and the reports of the investment consultant and master trustee. The Actuarial Section contains the report of the actuary, a description of the actuarial assumptions, a summary of benefits and various ratios and tables. The Statistical Section contains various tables describing the Fund.

Profile of IMRF

IMRF is the administrator of an agent multiple-employer public employee retirement system. The Illinois State Legislature established IMRF in 1939. We 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 2,909 different employers, 174,008 participating members and 84,704 benefit recipients. The Illinois Pension Code requires IMRF to provide its financial statements to participating employers and to any participating member who requests them.

Economic Conditions

Summary of Financial Information

The following table summarizes additions and deductions to the plan's net assets for 2006 and 2005.

| | <u>2006</u> <u>(millions)</u> | <u>2005</u> <u>(millions)</u> | <u>Dollar</u> <u>Change</u> | <u>Percent</u> <u>Change</u> |
|------------|----------------------------------|----------------------------------|--------------------------------|---------------------------------|
| Additions | \$3,552 | \$2,417 | \$1,135 | 47% |
| Deductions | 917 | 843 | 74 | 9 |
| Net Change | <u>\$2,635</u> | <u>\$1,574</u> | <u>\$1,061</u> | 67% |

The significant change in Additions between 2006 and 2005 is primarily due to a \$1,060 million increase in investment income. The financial markets in 2006 provided a total return of 13.9 percent versus a total return in 2005 of 8.7 percent. The increase in Deductions is primarily due to increased benefit payments caused by an increase in the number of benefit recipients from 82,108 to 84,704. For a full understanding of IMRF's financial results, the reader is urged to review the Financial Section of this report that contains the auditors' report, management's discussion and analysis, the financial statements and other supplemental information. Management's discussion and analysis provides a narrative introduction, overview and analysis of the financial statements and complements this transmittal letter.

Funding

IMRF's actuary uses a five-year smoothed market-related value with a 15% corridor to determine the actuarial value of assets. The smoothing prevents extreme volatility in employer contribution rates due to short-term fluctuations in the investment markets. For the December 31, 2006 valuation, the actuarial value of assets was \$21.4 billion. The aggregate actuarial liability for all IMRF employers was \$22.5 billion. The actuarial funding ratio is currently 95.3 percent. This is an increase from the funding ratio of 94.6 percent for 2005. 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 Actuarial Section contains the actuary's letter and further information on IMRF's funding.

Investments

The investment portfolio is a major contributor to the Fund. 2006 investment earnings were \$2,668 million and represented 75.1 percent of Plan Additions. In the five years—2006 through 2002—investment income represented the following percentage of Additions to plan net assets:

| <u>Year</u> | <u>Percentage of Plan Additions</u> |
|-------------|-------------------------------------|
| 2006 | 75.1% |
| 2005 | 66.5% |
| 2004 | 73.7% |
| 2003 | 83.9% |
| 2002 | (166.4)% |

The Investment Section of this report contains a summary of the portfolio.

Currently, 67 professional investment management firms, handling 77 separate accounts, manage the investment portfolio. These firms make investment decisions under the prudent man rule authorized by Article 1 of the Illinois Pension Code and by investment policy guidelines adopted by the Board of Trustees. The Board employs an investment consultant to monitor and evaluate the investment management firms' performance, to aid in the selection of investment management firms and to assist in the development of investment policy. Our uppermost goal is to optimize the long-term total return of the Fund's investments through a policy of diversification within a parameter of prudent risk as measured on the total portfolio.

The Investment Section contains a summary of IMRF's investment performance, the Investment Consultant's report, the Master Trustee's report and a summary of the investment objectives and policies.

Current and Future Developments

a. Board of Trustees

Martha H. Rademacher, Director of Finance and Programs for the Park District Risk Management Agency, was re-elected as an executive trustee. Her five-year term began January 1, 2007.

James W. Rasins, DuPage County Auditor, was elected as an executive trustee. His two-year term began January 1, 2007.

Ruth E. Faklis, Library Director for Prairie Trails Public Library District, was appointed February 23, 2007, as an executive trustee to fill the unexpired term of R. Steven Sonnemaker, who resigned effective December 1, 2006. Her term ends December 31, 2007.

b. Systems Development

IMRF's major system development efforts in 2006 focused on modifying functionality to support newly enacted pension legislation including:

- SLEP Plan benefit enhancements.
- The Pension Protection Act of 2006.
- Revised methods for dividing benefits during a divorce accomplished through a Qualified Illinois Domestic Relations Order.
- Reciprocal retirement enhancements for teacher aides with less than one year of service who become teachers.

IMRF's major 2007 system development priorities focus on:

- Extending the successful Employer secure website to automate the member enrollment process.
- Redesigning the Annual Member Statement to better communicate the value of the IMRF benefits.
- Enhancing Reciprocal Claims Processing.
- Implementing a revised Member Access website.
- Implementing redundant (backup) web hardware and internet connectivity to ensure the highest levels of reliability and availability.

c. Investment Activities

The Board of Trustees, its consultant and IMRF staff review the asset allocation annually. In 2006, the strategic targets for the asset classes used by IMRF changed to the following:

| Asset Class | Original Target | New Target |
|-------------------------|-----------------|------------|
| US Equities | 41% | 39% |
| Non-US Equities | 15% | 15% |
| Fixed Income | 36% | 36% |
| Real Estate | 2% | 4% |
| Cash | 1% | 1% |
| Alternative Investments | 5% | 5% |

Introduction

Within the debt/equity structure used by IMRF, it was confirmed, by an Asset/Liability Study, that an increased allocation to real estate added diversification benefits, increased current income and increased the potential to improve total return. The real estate target allocation was therefore increased from 2% to 4% and the US equity target allocation was reduced from 41% to 39%.

On January 27, 2006, Illinois Public Act 94-0079, the Act to End Atrocities and Terrorism in the Sudan, became effective. Under this Act, IMRF and its investment managers must:

1. Not loan to, invest in or otherwise transfer any IMRF assets to a forbidden entity as established by this Act;
2. Have at least 60% of IMRF assets divested from forbidden entities by January 27, 2007; and
3. Be 100% divested of forbidden entities by July 27, 2007.

IMRF has taken the steps necessary to implement this legislation and has received the necessary certifications from its investment managers. As of January 27, 2007 they are 60% divested of forbidden entities.

On February 23, 2007, the Federal District Court for the Northern District of Illinois ruled that the Act “violates federal constitutional provisions that preclude the states from taking actions that interfere with the federal government’s authority over foreign affairs and commerce with foreign countries.” The Court permanently enjoined the state from enforcing the Act. The state of Illinois filed a notice of appeal on April 30, 2007. It has not requested a stay which would lift the injunction. IMRF is following these developments and will assess what actions, if any, it should take with regard to the July 27, 2007, date to achieve 100% divestment as required under the original Act.

In September 2006, the IMRF Board of Trustees adopted a policy requiring financial institutions, eligible for investment or deposit of funds from the IMRF, to submit a certification that they do not engage in predatory lending practices. These certifications are due annually by May 15 of each year. The certifications have been received from the financial institutions that conduct business with IMRF.

Other major investment activities since last year and through April 30, 2007, included:

- Terminated the BPI International equity portfolio.
- Retained GlobeFlex and McKinley Capital to manage non-US equity portfolios.
- Retained CopperRock Capital Partners, Buford, Dickson, Harper & Sparrow, Cordillera Asset Management and Fortaleza Asset Management to manage US small capitalization growth equity portfolios.
- Terminated the Payden & Rygel fixed income portfolio.
- Sold the Drake Oak Brook Office Plaza.
- Retained BlackRock to manage a core plus fixed income portfolio.

d. e-Service Goals and Strategy

IMRF offers access to both member and employer specific data through secure areas on our website—imrf.org. Utilization of these areas continued to grow in 2006. Our e-service goals include improving customer service, reducing administrative costs, providing uncompromised privacy and security of information and instituting business process reengineering. As of December 31, 2006, approximately 95% of our employers reported their wages and contributions via our on-line web page reporting system. A number of enhancements to our e-Service offerings are contemplated for 2007 including on-line enrollment of new members.

e. Strategic Plan

The IMRF Strategic Plan provides the Fund with a road map for meeting the challenges and opportunities in providing excellent retirement services for our annuitants, members, and employers. It sets goals and objectives for improving customer service, increasing efficiencies, enhancing the IMRF brand, and advocating the preservation of a prudent defined benefit program for our membership. The IMRF Strategic Plan is a two-year plan, covering 2006 and 2007. The Plan proved to be effective in 2006 as we began to successfully address our identified challenges and opportunities. We will continue to follow the current Plan in 2007. We will also work to update and expand the Plan for 2008 and beyond.

f. Defined Benefit Administration Benchmarking Analysis

CEM Benchmarking, Inc. conducts an annual Defined Benefit Administration Benchmarking Study for public pension systems. IMRF has participated in this benchmarking program since 2001. This program provides insight into benefit administration costs, customer service levels, and industry best practices. IMRF received the highest service level score of the 51 participating retirement systems. Though IMRF receives high marks for our excellent customer service, the real value of the study is identifying areas for further improvement. We will continue our participation in this program, and will co-host the CEM World Pension Administration Peer Conference in May 2007.

g. Business Continuity Planning

IMRF expanded its disaster recovery and business continuity planning process during 2006. We have plans in place to effectively and efficiently restore key data and operating systems at a “hot site” in the event a disaster prevents access to our current office space. Our goal is to have the capacity to provide service to our membership within 24 hours of any disaster event. We work to continuously improve our readiness. In 2007, we will focus on the readiness and recovery of our secure member, employer, and reciprocal websites.

Reports to Membership

IMRF issued a variety of reports covering 2005 and 2006 activity. We mail employer statements every month. We mailed member statements in February. We will send a summary of the annual report to members and annuitants in the summer issues of Fundamentals. We will mail this report, as well as our Popular Annual Financial Report, to Authorized Agents in June. Both this CAFR and the PAFR will be available on our website—imrf.org.

Awards and Acknowledgements

Awards

The GFOA awarded a Certificate of Achievement for Excellence in Financial Reporting to the Illinois Municipal Retirement Fund for its comprehensive annual financial report for the year ended December 31, 2005. The Certificate of Achievement is a prestigious national award, recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such a report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. IMRF has received a Certificate of Achievement for the last 26 consecutive years (fiscal years 1980-2005). We believe our current report continues to conform to the Certificate of Achievement program requirements, and we will be submitting it to the GFOA.

IMRF also received a Certificate of Achievement for Excellence in Financial Reporting for its popular annual financial report for the year ended December 31, 2005.

IMRF was presented with the Public Pension Standards 2006 Award by the Public Pension Coordinating Council in recognition of meeting professional standards for plan design and administration as set forth in the Public Pension Standards.

Acknowledgements

The production of this report reflects the combined effort of the IMRF staff under the leadership of the Board of Trustees and the Executive Director, Louis W. Kosiba. The Finance Department, under the direction of Richard DeCleene and Phyllis Walker, 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 send this report to the Authorized Agents for all participating units of government. They form the link between IMRF and its membership. Their cooperation, for which we are thankful, contributes significantly to the success of IMRF. We hope they will find this report both informative and helpful.

Respectfully submitted,

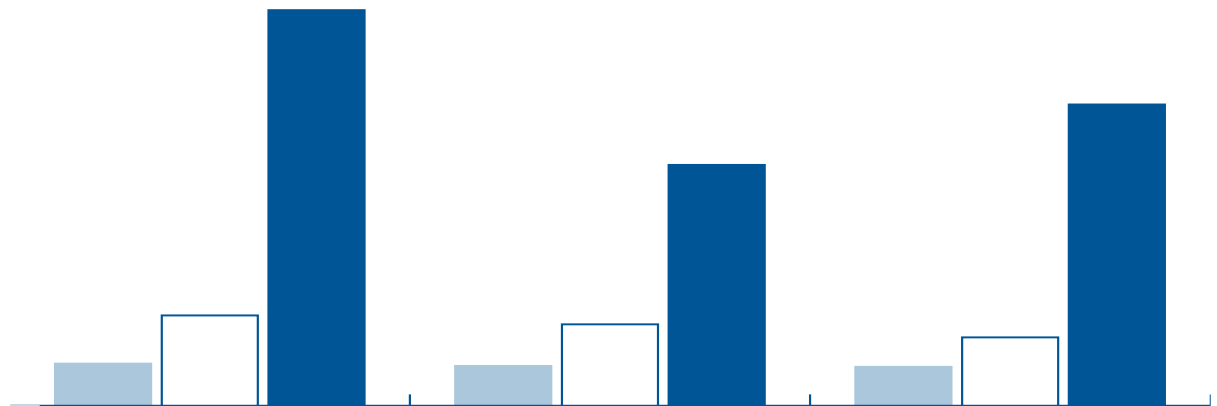


Louis W. Kosiba
Executive Director



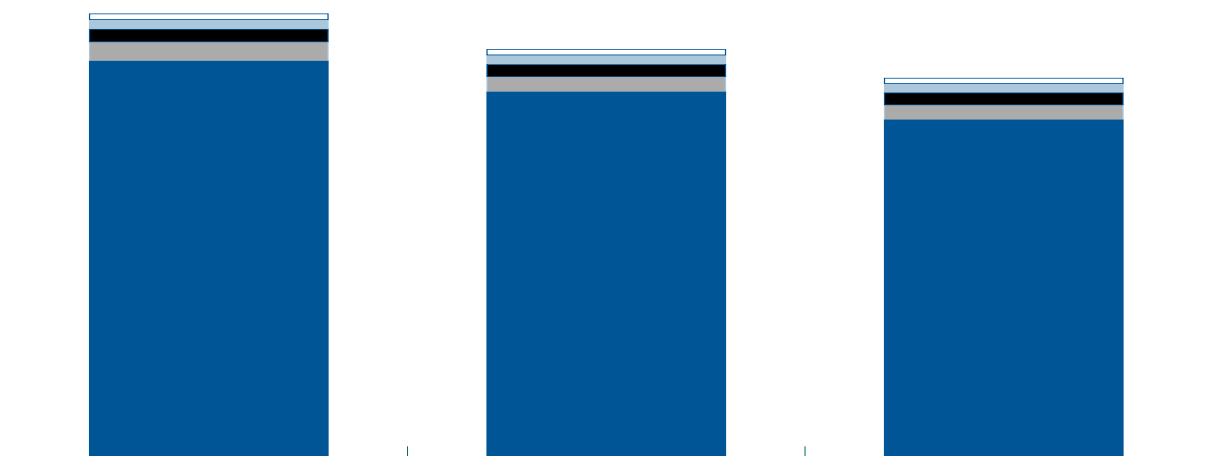
Richard J. DeCleene
Chief Financial Officer

Revenues by Source
(in millions)



| | 2006 | 2005 | 2004 |
|-------------|------------------------|------------------------|------------------------|
| Members | \$280,997,170 | \$265,568,534 | \$259,505,532 |
| Employers | 602,775,795 | 543,263,475 | 456,198,098 |
| Investments | 2,667,706,893 | 1,607,738,595 | 2,010,710,468 |
| | <u>\$3,551,479,858</u> | <u>\$2,416,570,604</u> | <u>\$2,726,414,098</u> |

Expenses by Type
(in millions)



| | 2006 | 2005 | 2004 |
|----------------|----------------------|----------------------|----------------------|
| Annuities | \$818,940,511 | \$ 755,367,768 | \$697,913,082 |
| Refunds | 40,095,036 | 32,120,791 | 31,156,292 |
| Death | 25,612,734 | 24,666,238 | 24,645,797 |
| Administrative | 20,339,190 | 19,650,440 | 19,405,567 |
| Disability | 11,652,351 | 11,299,694 | 10,817,922 |
| | <u>\$916,639,822</u> | <u>\$843,104,931</u> | <u>\$783,938,660</u> |

Financial

2006

| | |
|--|----|
| Independent Auditors' Report | 15 |
| Management's Discussion and Analysis | 16 |
| Financial Statements | |
| <i>Statements of Plan Net Assets</i> | 21 |
| <i>Statements of Changes in Plan Net Assets</i> | 22 |
| <i>Notes to Financial Statements</i> | 23 |
| Required Supplementary Information | |
| <i>Schedule of Funding Progress</i> | 37 |
| <i>Schedule of Employer Contributions</i> | 37 |
| <i>Notes to Required Supplementary Information</i> | 38 |
| Supplementary Information | 39 |





Deloitte & Touche LLP
111 S. Wacker Drive
Chicago, IL 60606-4301
USA

Tel: +1 312 486 1000
Fax: +1 312 486 1486
www.deloitte.com

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Illinois Municipal Retirement Fund
Oak Brook, Illinois

We have audited the accompanying financial statements of the Illinois Municipal Retirement Fund (the "Fund") as of December 31, 2006 and 2005, and for the years then ended listed under the financial caption in the foregoing Table of Contents. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements referred to above present fairly, in all material respects, the net assets of the Fund as of December 31, 2006 and 2005, and the changes in its net assets for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis and the Required Supplementary Information listed under the financial caption in the Table of Contents are not a required part of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. This supplementary information is the responsibility of the Fund's management. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit such information and we do not express an opinion on it.

Our audits were conducted for the purpose of forming an opinion on the Fund's basic financial statements taken as a whole. The Supplementary Information listed under the financial caption in the Table of Contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements. This Supplementary Information is the responsibility of the Fund's management. The Supplementary Information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects when considered in relation to the basic financial statements taken as a whole.

The information in the Introductory Section, Investment Section, Actuarial Section, and Statistical Section are presented for the purpose of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in our audit of the basic financial statements and, accordingly, we express no opinion on them.

Deloitte & Touche LLP

May 8, 2007

Member of
Deloitte Touche Tohmatsu

Management's Discussion and Analysis

The following Management's Discussion and Analysis (MD&A) of the Illinois Municipal Retirement Fund's (IMRF) financial performance provides an introduction to the financial statements of IMRF for the years ended December 31, 2006 and 2005. Since the MD&A is designed to focus on current activities, resulting changes and current known facts, please read it in conjunction with the transmittal letter (pages 7-12), the financial statements, required supplementary information and supplementary information.

Required Financial Statements

IMRF, an agent multiple-employer public employee retirement system, prepares its financial statements on an accrual basis in accordance with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board. The Statement of Plan Net Assets includes all of IMRF's assets and liabilities and provides information about the nature and amount of investments available to satisfy the pension benefits of the plan. All additions to and deductions from the net assets held in trust for pension benefits are accounted for in the Statement of Changes in Plan Net Assets. This statement measures IMRF's success over the past year in increasing the net assets available for pension benefits.

Financial Analysis of IMRF

While the Statement of Plan Net Assets and Statement of Changes in Plan Net Assets measure the value of plan net assets and the changes to them, another important factor needs to be considered in order to determine the financial health of IMRF. That additional factor is the plan's funded status. In 2006, contributions of \$884 million and investment income of \$2,668 million exceed deductions to net assets of \$917 million by \$2,635 million. This net increase brought the Plan's net asset base to \$22.5 billion. For actuarial calculations, IMRF's actuary uses a five-year smoothed market-related value with a 15 percent corridor to determine the actuarial value of assets. The smoothing prevents extreme volatility in employer contribution rates due to short-term fluctuations in the investment markets. For the December 31, 2006 valuation, the actuarial value of assets was \$21.4 billion. The aggregate actuarial liability for all IMRF employers was \$22.5 billion. On an actuarial basis, the assets held currently fund 95.3 percent of this liability. This is an increase from the funding ratio of 94.6 percent for 2005. If the market value of assets is used (i.e., no actuarial smoothing), the funding ratio is 100.1 percent as of December 31, 2006, an increase from 95.5 percent as of December 31, 2005. The main reason for the increase in the actuarial funding ratio is the fact that the Fund earned an 8.8 percent actuarial investment return versus an actuarial investment return assumption of 7.5 percent. As of December 31, 2006, IMRF's market-based funding value was greater than the actuarial funding value since there were \$1,025 million of unrecognized investments gains which will be reflected in the 2007 through 2010 period in keeping with the five-year smoothing discussed above.

Plan Net Assets

To begin the financial analysis, summarized comparisons of IMRF's Plan Net Assets for 2006 versus 2005 and 2005 versus 2004 are presented below.

Condensed Statements of Plan Net Assets

(In millions)

| | 2006 | 2005 | Dollar Change | Percent Change |
|------------------------------|------------------|------------------|------------------|-------------------|
| Cash and cash equivalents | \$ 22 | \$ 21 | \$ 1 | 5% |
| Receivables and prepaids | 1,040 | 751 | 289 | 38 |
| Investments | 23,003 | 20,130 | 2,873 | 14 |
| Invested securities lending | | | | |
| cash collateral | 2,640 | 2,781 | (141) | (5) |
| Capital assets, net | 1 | 1 | -- | -- |
| <i>Total assets</i> | <u>26,706</u> | <u>23,684</u> | <u>3,022</u> | 13 |
| Liabilities | 4,198 | 3,811 | 387 | 10 |
| <i>Total plan net assets</i> | <u>\$ 22,508</u> | <u>\$ 19,873</u> | <u>\$ 2,635</u> | 13% |

As the previous table shows, plan net assets increased by \$2,635 million (13 percent) in 2006. This increase reflects the strong investment gains in 2006 due to the continuing bull market that began in 2003.

The following table presents the investment allocation as of year-end 2006 and 2005 as compared to IMRF's target allocation for 2006 and 2005.

| | <u>2006</u> | <u>2006 Target</u> | <u>2005</u> | <u>2005 Target</u> |
|--------------|-------------|--------------------|-------------|--------------------|
| Fixed Income | 33.5% | 36.0% | 31.9% | 36.0% |
| Stocks | 57.8 | 54.0 | 58.9 | 56.0 |
| Real Estate | 3.0 | 4.0 | 3.5 | 2.0 |
| Alternative | 3.2 | 5.0 | 3.1 | 5.0 |
| Short-Term | 2.5 | 1.0 | 2.6 | 1.0 |

The increase in receivables and prepaids in 2006 is largely due to the increase in the receivable from brokers for unsettled trades at year-end as well as an increase in accrued investment income. The increase in liabilities in 2006 is due to an increase in payables to brokers for unsettled trades at year-end offset by a decrease in securities lending cash collateral held at year-end due to the fact that fewer securities were on loan at December 31, 2006 compared to the prior year.

Condensed Statements of Plan Net Assets

(In millions)

| | <u>2005</u> | <u>2004</u> | <u>Dollar Change</u> | <u>Percent Change</u> |
|---|------------------|------------------|----------------------|-----------------------|
| Cash and cash equivalents | \$ 21 | \$ 31 | \$ (10) | (32)% |
| Receivables and prepaids | 751 | 565 | 186 | 33 |
| Investments | 20,130 | 18,497 | 1,633 | 9 |
| Invested securities lending cash collateral | 2,781 | 2,585 | 196 | 8 |
| Capital assets, net | 1 | 1 | -- | -- |
| <i>Total assets</i> | <u>23,684</u> | <u>21,679</u> | <u>2,005</u> | <u>9</u> |
| Liabilities | 3,811 | 3,380 | 431 | 13 |
| <i>Total plan net assets</i> | <u>\$ 19,873</u> | <u>\$ 18,299</u> | <u>\$ 1,574</u> | <u>9 %</u> |

As the above table shows, plan net assets increased by \$1,574 million (9 percent) in 2005. This increase reflects the strong investment gains in 2005 due to the continuing bull market that began in 2003.

The increase in receivables and prepaids in 2005 is largely due to the increase in the receivable from brokers for unsettled trades at year-end. The increase in liabilities in 2005 is due to an increase in payables to brokers for unsettled trades at year-end and an increase in securities lending cash collateral held at year-end.

Changes in Plan Net Assets

Summarized comparisons of IMRF's Changes in Plan Net Assets for 2006 versus 2005 and 2005 versus 2004 are presented below.

Condensed Statements of Changes in Plan Net Assets

(In millions)

| | <u>2006</u> | <u>2005</u> | <u>Dollar Change</u> | <u>Percent Change</u> |
|------------------------------------|-----------------|-----------------|--------------------------|---------------------------|
| Additions | | | | |
| Member contributions | \$ 281 | \$ 266 | \$ 15 | 6% |
| Employer contributions | 603 | 543 | 60 | 11 |
| Net investment gain | 2,668 | 1,608 | 1,060 | 66 |
| Total additions | <u>3,552</u> | <u>2,417</u> | <u>1,135</u> | 47 |
| Deductions | | | | |
| Benefits | 857 | 791 | 66 | 8 |
| Refunds | 40 | 32 | 8 | 25 |
| Administrative expenses | 20 | 20 | -- | -- |
| Total deductions | <u>917</u> | <u>843</u> | <u>74</u> | 9 |
| Net increase in plan net assets | <u>\$ 2,635</u> | <u>\$ 1,574</u> | <u>\$ 1,061</u> | 67% |

Additions

Additions needed to fund benefits are accumulated through contributions and returns on invested funds. Contributions for 2006 totaled \$884 million which was 9 percent more than 2005. Investment returns for 2006 were quite strong and surpassed those of 2005. The \$2,668 million investment gain in 2006 represents a \$1,060 million increase from the \$1,608 gain in 2005. IMRF's total investment portfolio, reflecting the improved market performance from 2005, returned 13.9 percent in 2006 compared to 8.7 percent in 2005.

The increase in member contributions is due to an increase in total member earnings to \$5,631 million from \$5,375 million in 2005. The member contribution rate remained at 4.5 percent of earnings for Regular members and 7.5 percent for the optional Elected County Officials (ECO) members. The member contribution rate for Sheriff's Law Enforcement Personnel members increased to 7.5 percent from 6.5 percent effective June 1, 2006.

The increase in employer contributions is the net effect of several factors. Member earnings increased overall by 4.8 percent. This increase in member earnings caused employer contributions to increase. In addition, the average Regular Plan, SLEP Plan and ECO Plan employer rates increased to 10.04 percent from 9.25 percent, to 18.25 percent from 17.15 percent and to 44.90 percent from 42.66 percent, respectively. These employer rate increases are primarily due to the negative investment return in 2002.

In 2006, IMRF achieved net appreciation in the value of investments of \$2,175 million, a \$948 million increase from the \$1,227 million of appreciation recorded in 2005. Interest, dividends and equity fund income totaled \$543 million, an increase of \$117 million from 2005. Securities lending income net of related expenses was \$7.9 million for 2006, an increase of \$.7 million from 2005. Direct investment expenses increased to \$58.6 million in 2006 from \$52.0 million in 2005.

The total rate of return for the portfolio in 2006 was 13.9 percent compared to 8.7 percent in 2005. IMRF's U.S. stock portfolio returned 13.9 percent compared to 15.8 percent for the Dow Jones Wilshire 5000 Index. The fixed income portfolio returned 5.6 percent compared to 4.3 percent for the Lehman Aggregate Bond Index. Our international stock portfolio returned 27.7 percent compared to 26.7 percent for the MSCI All-Country World Free ex-US Index. The real estate portfolio returned 24.9 percent compared to 16.6 percent for the NCREIF Property Index. The alternative investment portfolio returned 14.4 percent versus a target return of 12 percent.

When comparing returns it is important to remember that as a pension fund, IMRF's investment program has a very long time horizon. Some of the longer-term results for the total fund for the period ending December 31, 2006 are:

| <u>Period</u> | <u>Annualized returns</u> |
|---------------|---------------------------|
| Three years | 11.6% per year |
| Five years | 9.3% per year |
| Ten years | 8.9% per year |

Deductions

The expenses paid by IMRF include benefit payments, refunds, and administrative expenses. Expenses for 2006 totaled \$917 million, an increase of \$74 million over 2005. The increase in benefit payments to members and beneficiaries resulted primarily from growth in the number of annuitants to 84,704 in 2006 from 82,108 in 2005 as well as an increase in the amount of the average benefit.

Condensed Statements of Changes in Plan Net Assets

(In millions)

| | <u>2005</u> | <u>2004</u> | <u>Dollar Change</u> | <u>Percent Change</u> |
|---------------------------------|----------------|----------------|----------------------|-----------------------|
| Additions | | | | |
| Member contributions | \$ 266 | \$ 260 | \$ 6 | 2% |
| Employer contributions | 543 | 456 | 87 | 19 |
| Net investment gain | 1,608 | 2,010 | (402) | (20) |
| Total additions | <u>2,417</u> | <u>2,726</u> | <u>(309)</u> | (11) |
| Deductions | | | | |
| Benefits | 791 | 734 | 57 | 8 |
| Refunds | 32 | 31 | 1 | 3 |
| Administrative expenses | 20 | 19 | 1 | 5 |
| Total deductions | <u>843</u> | <u>784</u> | <u>59</u> | 8 |
| Net increase in plan net assets | <u>\$1,574</u> | <u>\$1,942</u> | <u>\$ (368)</u> | (19)% |

Additions

Additions needed to fund benefits are accumulated through contributions and returns on invested funds. Contributions for 2005 totaled \$809 million which was 13 percent more than 2004. While investment returns for 2005 were strong, they did not match the 2004 return. The \$1,608 million investment gain in 2005 represents a \$402 million decrease from the \$2,010 gain in 2004. IMRF's total investment portfolio, reflecting a slowing in the bull market that has existed since 2003, returned 8.7 percent in 2005 compared to 12.4 percent in 2004.

The increase in member contributions is due to an increase in total member earnings to \$5,375 million from \$5,161 million in 2004. The member contribution rate remained at 4.5 percent of earnings for Regular members, 6.5 percent for Sheriff's Law Enforcement Personnel (SLEP) members, and 7.5 percent for the optional Elected County Officials (ECO) members.

The increase in employer contributions is the net effect of several factors. Member earnings increased overall by 4.1 percent. This increase in member earnings caused employer contributions to increase. In addition, the average Regular Plan and SLEP Plan employer rates increased to 9.25 percent from 7.82 percent and to 17.15 percent from 16.29 percent. The average rate for the very small ECO plan decreased from 44.90 percent to 42.66 percent. These employer rate increases are primarily due to the negative investment returns in 2002 and 2001.

In 2005, IMRF achieved net appreciation in the value of investments of \$1,227 million, a \$474 million decrease from the \$1,701 million of appreciation recorded in 2004. Interest, dividends and equity fund income totaled \$426 million, an increase of \$76 million from 2004. Securities lending income net of related expenses was \$7.2 million for 2005, an increase of \$2.1 million from 2004. Direct investment expenses increased to \$52.0 million in 2005 from \$45.2 million in 2004.

Deductions

The expenses paid by IMRF include benefit payments, refunds, and administrative expenses. Expenses for 2005 totaled \$843 million, an increase of \$59 million over 2004. The increase in benefit payments to members and beneficiaries resulted primarily from growth in the number of annuitants to 82,108 in 2005 from 79,628 in 2004 as well as an increase in the amount of the average benefit.

Economic Factors Impacting 2007

Employer contributions will be greater in 2007 than in 2006 due to a projected increase in covered payroll which is consistent with past historical trends and higher average employer rates for the SLEP plan. These increases will be offset somewhat by lower average employer rates for the Regular and ECO plans. The average Regular plan rate for employers—which accounts for the vast majority of covered payroll—will decrease from 10.04 percent to 9.72 percent, a decrease of 3.2 percent.

The Fund's estimated investment return for the four months ended April 30, 2007, has been approximately 5 percent, 15 percent on an annualized basis. IMRF's total investments as of April 30, 2007, are approximately \$24 billion, an increase of \$1 billion since year-end.

Statements of Plan Net Assets

| | December 31 | |
|--|-------------------------|-------------------------|
| | <u>2006</u> | <u>2005</u> |
| Assets | | |
| Cash and cash equivalents | <u>\$22,390,221</u> | <u>\$21,114,762</u> |
| Receivables and prepaid expenses | | |
| Contributions | 65,592,044 | 60,287,894 |
| Investment income | 115,342,085 | 74,537,479 |
| Receivables from brokers for unsettled trades | 801,275,828 | 563,270,536 |
| Prepaid expenses | <u>58,136,711</u> | <u>52,757,073</u> |
| <i>Total receivables and prepaid expenses</i> | <u>1,040,346,668</u> | <u>750,852,982</u> |
| Investments, at fair value | | |
| Fixed income | 7,713,129,550 | 6,429,017,173 |
| Stocks | 13,300,645,015 | 11,849,943,391 |
| Short term investments | 577,937,893 | 518,158,750 |
| Real estate | 676,157,516 | 698,443,846 |
| Alternative investments | <u>734,969,240</u> | <u>634,270,934</u> |
| <i>Total investments</i> | <u>23,002,839,214</u> | <u>20,129,834,094</u> |
| Invested securities lending cash collateral | <u>2,639,794,666</u> | <u>2,780,849,337</u> |
| Capital assets | | |
| Equipment, at cost | 4,654,286 | 4,386,444 |
| Accumulated depreciation | <u>(3,998,291)</u> | <u>(3,755,312)</u> |
| <i>Total capital assets</i> | <u>655,995</u> | <u>631,132</u> |
| <i>Total assets</i> | <u>26,706,026,764</u> | <u>23,683,282,307</u> |
| Liabilities | | |
| Accrued expenses and benefits payable | 22,179,849 | 21,855,581 |
| Securities lending cash collateral | 2,639,794,666 | 2,780,849,337 |
| Payables to brokers for unsettled trades | <u>1,536,442,811</u> | <u>1,007,807,987</u> |
| <i>Total liabilities</i> | <u>4,198,417,326</u> | <u>3,810,512,905</u> |
| Net assets held in trust for pension benefits | <u>\$22,507,609,438</u> | <u>\$19,872,769,402</u> |

(A schedule of funding progress is presented on page 37.)

The accompanying notes are an integral part of the financial statements.

Statements of Changes in Plan Net Assets

| | Years Ended December 31 | |
|--|-------------------------|-------------------------|
| | 2006 | 2005 |
| Additions | | |
| Contributions | | |
| Members for retirement coverage | \$280,997,170 | \$265,568,534 |
| Employers for benefit plan coverage | 602,775,795 | 543,263,475 |
| <i>Total contributions</i> | <u>883,772,965</u> | <u>808,832,009</u> |
| Investment Income | | |
| From investing activities | | |
| Interest | 286,545,278 | 214,570,967 |
| Dividends | 160,146,627 | 134,873,428 |
| Equity fund income, net | 96,362,399 | 76,166,558 |
| Net appreciation in fair value of investments | 2,175,316,837 | 1,226,966,203 |
| Investment activity gain | 2,718,371,141 | 1,652,577,156 |
| Less: Direct investment expense | (58,589,935) | (52,045,693) |
| Net investment activity gain | <u>2,659,781,206</u> | <u>1,600,531,463</u> |
| From security lending activity | | |
| Securities lending income | 146,165,074 | 88,782,042 |
| Securities lending management fees | (1,396,463) | (1,382,520) |
| Securities lending borrower rebates | (136,849,239) | (80,197,580) |
| Net security lending activity income | <u>7,919,372</u> | <u>7,201,942</u> |
| <i>Total investment gain</i> | <u>2,667,700,578</u> | <u>1,607,733,405</u> |
| Other | 6,315 | 5,190 |
| <i>Total additions</i> | <u>3,551,479,858</u> | <u>2,416,570,604</u> |
| Deductions | | |
| Annuities | 818,940,511 | 755,367,768 |
| Disability benefits | 11,652,351 | 11,299,694 |
| Death benefits | 25,612,734 | 24,666,238 |
| Refunds | 40,095,036 | 32,120,791 |
| Administrative expenses | 20,339,190 | 19,650,440 |
| <i>Total deductions</i> | <u>916,639,822</u> | <u>843,104,931</u> |
| Net increase | 2,634,840,036 | 1,573,465,673 |
| Net assets held in trust for pension benefits | | |
| Beginning of year | <u>19,872,769,402</u> | <u>18,299,303,729</u> |
| End of year | <u>\$22,507,609,438</u> | <u>\$19,872,769,402</u> |

The accompanying notes are an integral part of the financial statements.

Notes to Financial Statements

December 31, 2006

A. Plan Description

The Illinois Municipal Retirement Fund (IMRF or the “Fund”) is the administrator of an agent multiple-employer public employee retirement system. The Illinois State Legislature established IMRF to provide employees of local governments and school districts a sound and efficient retirement system. Members, employers and annuitants elect eight trustees who govern IMRF. State law authorizes the Board to make investments, pay benefits, set employer contribution rates, hire staff and consultants and perform all necessary functions to carry out the provisions of the Illinois Pension Code. Benefit and contribution provisions are established by state law and may be amended only by the Illinois General Assembly. IMRF is administered in accordance with Illinois statutes. The statutes do not provide for termination of the plan under any circumstances.

IMRF is separate and apart from the Illinois state government and is not included in the state’s financial statements. However, the Illinois Pension Code designates the State Treasurer ex-officio treasurer of IMRF and requires the Auditor General to approve appointment of independent public accountants.

| 1. Employers | 2006 | 2005 |
|-------------------------|-------------|-------------|
| Participating employers | 2,909 | 2,896 |

The Illinois Pension Code specifies the units of government required to participate in IMRF and the units that may elect to join. Participation by the following units of government is mandatory:

- All counties except Cook,
- All school districts except Chicago and
- All cities, villages and incorporated towns with a population over 5,000, other than Chicago, which do not provide Social Security or equivalent coverage for their employees before they reach a population of 5,000.

Other units of government with general taxing powers, such as townships and special districts, may elect to join. Participating instrumentalities, which include units of government without general taxing powers and not-for-profit organizations, associations, or cooperatives authorized by state statute, may participate. They must meet financial stability requirements. Units that elect to join the system may not under any circumstances terminate their participating employer status as long as they are in existence.

| 2. Members | 2006 | 2005 |
|--|-----------------------|-----------------------|
| Retirees and beneficiaries currently receiving benefits | 84,704 | 82,108 |
| Terminated members entitled to benefits but not yet receiving them | <u>10,541</u> | <u>10,259</u> |
| Terminated members—non-vested | <u>98,216</u> | <u>94,626</u> |
| Current members: | | |
| Non-vested | 95,535 | 95,491 |
| Vested | <u>78,473</u> | <u>75,437</u> |
| Total current members | <u>174,008</u> | <u>170,928</u> |
| <i>Grand Total</i> | <u><u>367,469</u></u> | <u><u>357,921</u></u> |

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 Sheriffs’ Law Enforcement Personnel (SLEP) members.

3. Funding

The member contribution rates—4.5 percent for regular members, 7.5 percent for SLEP members and the Elected County Officials Plan (ECO) members—are set by statute. The statutes require each participating employer to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. Employer contributions for disability benefits, death benefits and the supplemental retirement benefits are pooled. See the Required Supplementary Information and the Actuarial Section for data on the funding status. Costs of administering the plan are financed by investment income.

4. Benefit Provisions

Benefits are established by statute and may only be changed by the General Assembly. The benefit provisions in effect on the member's date of termination determine a member's benefit. The following is a summary of the IMRF benefit provisions as of December 31, 2006 and 2005. A more extensive description of the plan can be found in the Actuarial Section. The ECO plan was created by statute in 1997 and was revised in 2000.

Refunds

Members who terminate their IMRF participation may withdraw their contributions and forfeit future retirement benefits.

Retirement

| Plan | Regular | SLEP | Original ECO | Revised ECO |
|--|--|--|---|--|
| Vesting | 8 years | 20 years | 8 years | 8 years in each elected position |
| Minimum age for unreduced benefit | 35+ years of service: 55, otherwise 60 | 50 | Sheriffs with 20 years of SLEP service: 50, otherwise 55 | Sheriffs with 20 years of SLEP service: 50, otherwise 55 |
| Final rate of earnings | Highest consecutive 48 months in the last 10 years | Highest consecutive 48 months in the last 10 years | Annual salary on the last day of ECO participation | Highest consecutive 48 months in the last 10 years for each elected position |
| Survivor benefits | Annuity for eligible spouse | Annuity for eligible spouse | Annuity for eligible spouse and unmarried children under 18 | Annuity for eligible spouse and unmarried children under 18 |
| Post-retirement increase | 3% of original amount | 3% of original amount | 3% of original amount | 3% of original amount |
| Early retirement | At age 55, discount based on age and service | None | None | None |

IMRF employers may offer an early retirement incentive (ERI) for active members who have 20 or more years of service and are age 50 or older. The program is optional with employers and may not be offered until the liability for any previous ERI is paid.

Supplemental Retirement Benefit

Retirees and surviving spouses who have been receiving benefits for at least one year receive a supplemental retirement benefit in July. The total supplemental benefit pool in each year is equal to 0.62 percent of the participating payroll for the previous year. An individual receives a pro-rata share of the total pool based upon the ratio of his individual benefits to the total benefits paid to all IMRF recipients.

Death Benefits

An eligible spouse of a deceased retired member receives a one-time death benefit of \$3,000 plus a monthly pension equal to one-half (66-2/3 percent for ECO retirees) of the member’s pension. The beneficiaries of a participating member who had at least one year of service receive a lump sum death benefit equal to one year’s earnings plus the member’s contributions with interest. Death benefits paid upon the death of an inactive member vary depending on the member’s age and service.

Disability

Members who have at least one year of service and meet the disability medical requirements will receive a benefit of up to 50 percent of the average monthly earnings in the 12 months preceding disability. Disabled ECO members receive a disability benefit equal to the benefit they would receive upon retirement. IMRF reduces the benefit by Social Security or Workers’ Compensation awards. Members paid disability continue to receive pension service credit and death benefit protection.

5. IMRF as Employer

IMRF as an employer provides pension, disability and death benefits for all of its full-time employees through the Fund.

| Members | 2006 | 2005 |
|--|-------------|-------------|
| Retirees and beneficiaries currently receiving benefits | <u>59</u> | <u>60</u> |
| Terminated members entitled to benefits but not yet receiving them | <u>56</u> | <u>52</u> |
| Terminated members—non-vested | <u>22</u> | <u>20</u> |
| Current members: | | |
| Non-vested | 66 | 67 |
| Vested | <u>109</u> | <u>108</u> |
| Total current members | <u>175</u> | <u>175</u> |
| <i>Grand Total</i> | <u>312</u> | <u>307</u> |

Trend Information

| <u>Actuarial Valuation Date</u> | <u>Annual Pension Cost (APC)</u> | <u>Percentage of APC Contributed</u> | <u>Net Pension Obligation</u> |
|---|--------------------------------------|--|-----------------------------------|
| 12/31/2006 | \$1,047,079 | 100% | \$0 |
| 12/31/2005 | 943,494 | 100% | 0 |
| 12/31/2004 | 880,451 | 100% | 0 |
| 12/31/2003 | 532,034 | 100% | 0 |
| 12/31/2002 | 374,674 | 100% | 0 |
| 12/31/2001 | 549,541 | 100% | 0 |

Schedule of Funding Progress

| <u>Actuarial Valuation Date</u> | <u>Actuarial Value of Assets (a)</u> | <u>Actuarial Accrued Liability (AAL) Entry Age (b)</u> | <u>Unfunded AAL (UAAL) (b-a)</u> | <u>Funded Ratio (a/b)</u> | <u>Covered Payroll (c)</u> | <u>UAAL as a Percentage of Covered Payroll ((b-a)/c)</u> |
|---|--|--|--|-----------------------------------|------------------------------------|--|
| 12/31/2006 | \$26,373,541 | \$27,621,782 | \$1,248,241 | 95.5% | \$10,608,707 | 11.77% |
| 12/31/2005 | 23,420,031 | 25,214,021 | 1,793,990 | 92.9% | 10,166,962 | 17.65% |
| 12/31/2004 | 20,586,259 | 22,740,505 | 2,154,246 | 90.5% | 10,050,814 | 21.43% |
| 12/31/2003 | 19,962,212 | 21,187,622 | 1,225,410 | 94.2% | 9,870,762 | 12.41% |
| 12/31/2002 | 18,640,449 | 18,657,894 | 17,445 | 99.9% | 9,485,417 | 0.18% |
| 12/31/2001 | 21,262,088 | 18,429,814 | (2,832,274) | 115.4% | 9,038,500 | -31.34% |

B. Summary of Significant Accounting Policies

1. Reporting Entity

As defined by generally accepted accounting principles established by the Governmental Accounting Standards Board (GASB), the financial reporting entity consists of a primary government, as well as its component units, which are legally separate organizations for which the elected officials of the primary government are financially accountable. Financial accountability is defined as:

- (1) Appointment of a voting majority of the component unit's board and that the component unit will provide a financial benefit to or impose a financial burden on the primary government; or
- (2) Fiscal dependency on the primary government.

Based upon these criteria, IMRF has no component units and IMRF is not a component unit of any other entity.

2. Basis of Accounting

IMRF prepares its financial statements using the accrual basis of accounting. It recognizes member and employer contributions as revenues in the month member earnings are paid in accordance with the provisions of the Illinois Pension Code. Benefits and refunds are recognized as expenses when payable. Expenses are recorded when the corresponding liabilities are incurred regardless of when payment is made.

3. Use of Estimates

The preparation of IMRF's financial statements in conformity with generally accepted accounting principles requires management to make significant estimates and assumptions that effect the reported amounts and plan net assets at the date of the financial statements and the actuarial information included in the required supplementary information as of the benefit information date, the changes in IMRF plan net assets during the reporting period and, when applicable, disclosures of the contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

4. Income Taxes

IMRF is exempt from federal and state income taxes and has received a favorable determination from the Internal Revenue Service under Code section 401(a).

5. Method Used to Value Investments

IMRF reports securities at fair value. Where appropriate, the fair value includes estimated disposition costs. Fair value for stocks is determined by using the closing price listed on the national securities exchanges as of December 31. Market value for fixed income securities is determined principally by using quoted market prices provided by independent pricing services. For commingled funds, the net asset value is determined and certified by the commingled fund manager as of December 31. Alternative investments, which include private equity and absolute return funds, are valued based on amounts established by fund managers which are subject to annual audit. Fair values for directly owned real estate investments are determined by appraisals.

6. Broker Commission Credits

IMRF has directed commission arrangements with several brokers. Under these arrangements, certain expenses related to the operation of IMRF, and exclusively for the benefit of IMRF, are paid using a percentage of commissions earned on investment transactions. At December 31, 2006 and 2005, IMRF has accumulated \$1,724,341 and \$2,245,295, respectively, for future expenditures, and these credits are included in plan net assets.

C. Deposits and Investment Risk Disclosures

1. Deposits

Custodial credit risk for deposits is the risk that, in the event of a financial institution failure, IMRF's deposits may not be returned. All non-investment related bank balances at year-end are insured or collateralized with securities held by the Illinois State Treasurer or agents in the name of the State Treasurer. The Illinois State Treasurer is ex-officio Treasurer of IMRF. Cash held in the investment related bank account is neither insured nor collateralized for amounts in excess of \$100,000. These deposits are not required to be collateralized by statute and there is no related deposit policy for custodial risk. These assets are under the custody of the Northern Trust Company. The Northern Trust Company has a AA- Long Term Deposit/Debt rating by Standard & Poor and an Aa3 rating by Moody.

| | | |
|---|---------------------|---------------------|
| Carrying amounts at December 31: | <u>2006</u> | <u>2005</u> |
| Cash | \$22,390,221 | \$21,114,762 |
| Bank balances at December 31: | | |
| <i>Total</i> | <u>\$16,469,930</u> | <u>\$19,141,770</u> |
| Amount exposed to custodial credit risk | <u>\$954,710</u> | <u>\$552,875</u> |

2. Investment Policies

The Illinois Pension Code prescribes the "prudent man rule" as IMRF's investment authority, effective August 25, 1982. This rule requires IMRF to make investments with the care, skill, prudence and diligence, under the circumstances then prevailing, that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an entity of like character with like aims. Within the "prudent man" framework, the Board of Trustees adopts investment guidelines for IMRF investment managers which are included within their respective Investment Management agreements. The Investment Section contains a summary of these guidelines. By statute all investments are held in the name of the Illinois Municipal Retirement Fund or in the name of a nominee created for the express purpose of securities registration.

3. Investment Summary

The following table presents a summary of the Fund's investments by type at December 31, 2006, and 2005.

| | <u>2006</u> | <u>2005</u> |
|--|-------------------------|-------------------------|
| U.S. government & agency fixed income | \$2,469,926,166 | \$2,372,773,965 |
| U.S. corporate fixed income | 2,704,085,216 | 1,853,938,079 |
| U.S. fixed income funds | 2,166,377,882 | 1,876,393,973 |
| Foreign fixed income securities | 372,740,286 | 325,911,156 |
| U.S. equities | 7,019,031,550 | 6,013,448,397 |
| U.S. stock funds | 2,822,460,662 | 2,734,252,561 |
| Foreign equities | 3,010,979,473 | 2,760,677,337 |
| Foreign stock funds | 448,173,330 | 341,565,096 |
| Foreign currency forward contracts | 147,067 | 391,319 |
| Pooled short-term investment funds | 568,144,438 | 505,106,126 |
| Real estate | 676,157,516 | 698,443,846 |
| Private equity | 390,522,339 | 324,206,509 |
| Absolute return funds | 344,446,901 | 310,064,425 |
| Commercial paper | 510,000 | 4,997,282 |
| Swaps | 6,998,561 | (3,224,467) |
| Options | 2,137,827 | 1,632,213 |
| Other bank deposits | -- | 7,546,277 |
| Margin cash | -- | 1,710,000 |
| <i>Total Investments at fair value</i> | <u>\$23,002,839,214</u> | <u>\$20,129,834,094</u> |

Short-term securities include commercial paper or notes having a maturity of less than 90 days. Pooled short-term investment funds are commingled funds managed by Northern Trust. Under the terms of the investment agreement for these funds, Northern Trust may invest in a variety of short-term investment securities. Alternative investments include commingled funds and separate accounts that invest in private equity and absolute return funds.

There are no individual investments held by IMRF that represent five percent or more of the Fund's net assets at year-end. As of December 31, 2006, IMRF had \$2,166,377,882 invested in the NTGI QM Collective Daily Aggregate Bond Special Purpose Index Fund and \$1,524,013,005 invested in the NTGI QM Collective Daily Marketcap Equity Fund. As of December 31, 2005, IMRF had \$1,879,212,792 invested in the NTGI QM Collective Daily Aggregate Bond Special Purposes Index Fund.

4. Custodial Credit Risk for Investments

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, IMRF will not be able to recover the value of investments or collateral securities that are in the possession of an outside party. As of December 31, the following investments were uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the Fund's name.

| | 2006 | 2005 |
|--|-------------|-------------|
| Investments in foreign currency | \$6,296,452 | \$5,748,258 |

5. Concentration of Credit Risk Debt Securities

The debt security portfolios are managed by professional investment management firms. These investment management firms are required to maintain diversified portfolios. Each investment manager must comply with risk management guidelines individually assigned to them as part of their Investment Management Agreement.

The total debt securities portfolio is managed using the following general guidelines adopted by the IMRF Board of Trustees:

- A. Bonds, notes or other obligations of indebtedness issued or guaranteed by the U.S. government, its agencies or instrumentalities are permissible investments and may be held without restriction.
- B. The average credit quality of the total portfolio must be investment grade.
- C. Debt obligations of any single U.S. corporation shall generally be limited to a maximum of 5 percent of the total portfolio at market value.
- D. Generally, no more than 30 percent of a manager's assets at market value may be invested in securities rated below investment grade at the time of purchase. Investment managers using high yield disciplines will not be subject to this restriction.
- E. Debt obligations of any U.S. industry shall generally be limited to a maximum of 25 percent of the total portfolio at market value.
- F. Bonds or other debt obligations of foreign countries and corporations payable in U.S. and in non-U.S. funds are authorized but, in general, will not exceed 15 percent of the portfolio.

| | 2006 | 2005 |
|--|------------------------|------------------------|
| Quality Rating | | |
| AAA | \$1,461,379,235 | \$755,578,268 |
| AA+ | 31,104,096 | 24,361,954 |
| AA | 94,771,100 | 38,483,413 |
| AA- | 68,912,246 | 63,901,649 |
| A+ | 104,802,234 | 100,666,678 |
| A | 85,637,186 | 161,022,775 |
| A- | 68,739,960 | 65,381,821 |
| BBB+ | 114,885,099 | 82,217,890 |
| BBB | 112,645,401 | 106,019,545 |
| BBB- | 53,906,316 | 57,096,475 |
| BB+ | 108,412,731 | 53,011,273 |
| BB | 77,155,282 | 117,213,143 |
| BB- | 94,627,842 | 88,992,861 |
| B+ | 157,734,098 | 111,857,646 |
| B | 182,628,334 | 129,489,492 |
| B- | 112,011,940 | 115,180,940 |
| CCC+ | 56,869,893 | 30,008,375 |
| CCC | 22,192,857 | 23,341,644 |
| CCC- | 5,435,867 | 11,340,321 |
| CC | 1,832,800 | 695,653 |
| C | 7,648,749 | 246,305 |
| D | 11,461,705 | 6,543,526 |
| Not Rated | 28,386,726 | 26,866,569 |
| Other | <u>13,643,805</u> | <u>10,331,019</u> |
| <i>Total Credit Risk Debt—Securities</i> | 3,076,825,502 | 2,179,849,235 |
| U.S. Government & Agencies | 2,469,926,166 | 2,372,773,965 |
| U.S. Fixed Income Fund | <u>2,166,377,882</u> | <u>1,876,393,973</u> |
| | <u>\$7,713,129,550</u> | <u>\$6,429,017,173</u> |

6. Interest Rate Risk

The Illinois Municipal Retirement Fund manages its exposure to fair value losses arising from interest rate risk by diversifying the debt securities portfolio and maintaining the debt securities portfolio at an effective duration range between 80 and 120 percent of the benchmark index.

Duration is a measure of a debt investment's exposure to fair value changes arising from changing interest rates. It uses the present value of cash flows, weighted for those cash flows as a percentage of the investment's full price. The effective duration measures the sensitivity of market price to parallel shifts in the yield curve. The Illinois Municipal Retirement Fund benchmarks its debt security portfolio to the Lehman Aggregate Bond Index. At December 31, 2006 and 2005, the effective duration of the Lehman Aggregate Bond Index was 4.46 and 4.57, respectively. At the same points in time, the effective duration of the Illinois Municipal Retirement Fund debt securities portfolio was 4.27 and 4.14, respectively.

| <u>Investment</u> | <u>2006 Fair Value</u> | <u>Effective Weighted Duration Rate</u> | <u>2005 Fair Value</u> | <u>Effective Weighted Duration Weight</u> |
|----------------------------|----------------------------|---|----------------------------|---|
| U.S. Corporate | \$2,704,085,216 | 3.26 | \$1,853,938,079 | 3.67 |
| U.S. Government & Agencies | 2,469,926,166 | 5.24 | 2,372,773,965 | 3.94 |
| Fixed Income Fund | 2,166,377,882 | 4.41 | 1,876,393,973 | 4.57 |
| International | <u>372,740,286</u> | 4.43 | <u>325,911,156</u> | 5.84 |
| <i>Total</i> | <u>\$7,713,129,550</u> | 4.27 | <u>\$6,429,017,173</u> | 4.14 |

7. Foreign Currency Risk

The international portfolio is constructed on the principles of diversification, quality, growth and value. Country exposure is limited to 25 percent or two times the benchmark weighting at market value. Risk of loss arises from changes in currency exchange rates. International managers may also engage in transactions to hedge currency at their discretion. Currency trading may not be used for speculative purposes.

| | <u>2006</u> | <u>2005</u> |
|-----------------------------|------------------------|------------------------|
| Foreign Equities | | |
| Australian dollar | \$71,990,300 | \$28,760,106 |
| Bermuda dollar | 218,890 | -- |
| Brazilian real | 25,719,376 | 19,430,670 |
| British pound sterling | 536,440,406 | 455,653,364 |
| Canadian dollar | 102,480,893 | 42,075,384 |
| Chilean peso | 203,579 | -- |
| Czech koruna | 4,904,100 | 3,055,533 |
| Danish krone | 13,321,742 | 13,159,858 |
| Euro | 999,998,379 | 990,070,045 |
| Hong Kong dollar | 91,131,958 | 49,826,261 |
| Hungarian forint | 2,808,736 | -- |
| Indian rupee | 35,072,511 | 13,911,382 |
| Indonesian rupee | 8,945,845 | 6,987,794 |
| Japanese yen | 493,378,774 | 434,527,431 |
| Malaysian ringgit | 5,165,497 | 555,326 |
| Mexican peso | 27,765,028 | 21,387,038 |
| New Taiwan dollar | 24,807,821 | -- |
| New Zealand dollar | 7,497,045 | 12,777,028 |
| Norwegian krone | 23,080,763 | 32,795,766 |
| Polish zloty | 2,902,924 | -- |
| Singapore dollar | 39,350,499 | 32,879,915 |
| South African rand | 13,735,085 | 10,484,966 |
| South Korean won | 70,425,787 | 50,518,197 |
| Swedish krona | 45,235,635 | 16,136,284 |
| Swiss franc | 168,761,023 | 350,839,929 |
| Thai baht | -- | 5,515,186 |
| Turkish lira | 2,086,995 | 3,905,970 |
| United States dollar | 641,723,212 | 506,989,000 |
| | <u>3,459,152,803</u> | <u>3,102,242,433</u> |
| Foreign Fixed Income | | |
| Argentine peso | 1,731,595 | -- |
| Australian dollar | 579,740 | 3,483,168 |
| British pound sterling | 3,637,377 | -- |
| Canadian dollar | 2,877,216 | 2,813,113 |
| Euro | 22,198,453 | -- |
| Japanese yen | 612,822 | -- |
| Mexican peso | -- | 7,546,538 |
| New Zealand dollar | 722,419 | -- |
| Norwegian krone | 286,454 | -- |
| Swedish krona | 1,276,625 | -- |
| United States dollar | 338,817,585 | 312,068,337 |
| | <u>372,740,286</u> | <u>325,911,156</u> |
| | <u>\$3,831,893,089</u> | <u>\$3,428,153,589</u> |

D. Securities Lending Program

The IMRF securities lending program is authorized by the IMRF Board of Trustees. IMRF lends securities (both equity and fixed income) to securities firms on a temporary basis through its agent, Northern Trust. There are no restrictions on the amount of securities that may be lent. IMRF receives fees for all loans and retains the right to all interest and dividend payments while the securities are on loan. All securities are loaned versus collateral that may include cash, U.S. government securities and irrevocable letters of credit. U.S. securities are loaned versus collateral valued, subject to de minimus rules, at 102 percent of the market value of the securities plus any accrued interest (105 percent for non-U.S. securities). As the market value of the securities loaned changes, the borrower must adjust the collateral accordingly. IMRF or the borrower has the right to close the loan at any time. The average term of overall loans was 112 days as of December 31, 2006, and 81 days as of December 31, 2005. When the loan closes, the borrower returns the securities loaned to IMRF, and IMRF returns the associated collateral to the borrower. IMRF cannot pledge or sell the non-cash collateral unless the borrower fails to return the securities borrowed.

Northern Trust pools all collateral received from securities lending transactions and invests any cash collateral. IMRF holds a prorated share of the collateral provided by the borrowers of its securities. The cash collateral is shown on IMRF's financial statements. Cash collateral is invested in a short-term investment pool, which had an interest sensitivity of 42 days as of December 31, 2006, and which had an interest sensitivity of 40 days as of December 31, 2005. Cash collateral may also be invested separately in "term loans," in which case the investments match the term of the loan. These loans can be terminated on demand by either lender or borrower.

Indemnification pertains to the situation in which a client's securities are not returned due to the insolvency of a borrower and Northern Trust has failed to live up to its contractual responsibilities relating to the lending of those securities. Northern Trust's responsibilities include performing appropriate borrower and collateral investment credit analyses, demanding adequate types and levels of collateral and complying with applicable Department of Labor and Federal Financial Institutions Examination Council regulations concerning securities lending. During 2006 and 2005, there were no violations of legal or contractual provisions and no borrower or lending agent default losses to the securities lending agent. There are no dividends or coupon payments owing on the securities lent. IMRF had no credit risk as a result of its securities lending program as the collateral held exceeded the market value of the securities lent.

Securities lent are included in the Statements of Plan Net Assets. The market value of collateral received includes cash collateral of \$2,639,794,666 and \$2,780,849,337 at December 31, 2006 and 2005, respectively.

| Loans outstanding as of | December 31, 2006 | December 31, 2005 |
|-------------------------------------|--------------------------|--------------------------|
| Market value of securities loaned | <u>\$2,684,116,598</u> | <u>\$2,808,158,730</u> |
| Market value of collateral received | <u>\$2,767,581,580</u> | <u>\$2,895,865,485</u> |

E. Derivatives

IMRF's investment managers may enter into derivative transactions as permitted by their guidelines. A derivative financial instrument is an investment whose payoff depends upon the value of an underlying such as bond or stock prices, a market index, or commodity prices. Derivative financial instruments involve, to varying degrees, credit risk and market risk. Credit risk is the possibility that a loss may occur because a party to a transaction fails to perform according to terms. IMRF's investment managers seek to control this risk through counterparty credit evaluations and approvals, counterparty credit limits and exposure monitoring procedures. Market risk is the possibility that a change in interest or currency rates will cause the value of a financial instrument to decrease or become more costly to settle. The market risk associated with derivatives, the prices of which are constantly fluctuating, is regulated by imposing strict limits as to the types, amounts and degree of risk that investment managers may undertake. Senior investment management approves these limits and the risk positions of the investment managers are reviewed on a periodic basis to monitor compliance with the limits. IMRF does not purchase derivatives with borrowed funds.

During the year, IMRF's derivative investments included foreign currency forward contracts, financial futures, options and swaps. Foreign currency forward contracts are used to hedge against the currency risk in IMRF's foreign stock and fixed income security portfolios. The remaining derivative financial instruments are used to improve yield, adjust the duration of the fixed income portfolio, or to hedge changes in interest rates.

Foreign currency forward contracts are agreements to buy or sell a specific amount of a specific currency at a specified delivery or maturity date for an agreed upon price. As the market value of the underlying currency varies from the original contract price, IMRF records an unrealized gain or loss. The market value of forward currency contracts outstanding at December 31, 2006 and 2005 are as follows:

| Market Value as of | December 31, 2006 | December 31, 2005 |
|----------------------------|--------------------------|--------------------------|
| Forward currency purchases | \$ 63,441,029 | \$101,932,866 |
| Forward currency sales | <u>63,293,962</u> | <u>101,541,547</u> |
| Unrealized, gain (loss) | <u>\$ 147,067</u> | <u>\$ 391,319</u> |

Financial futures are similar to forward contracts, except futures contracts are standardized and traded on organized exchanges. As the market value of the underlying hedging assets vary from the original contract price, a gain or loss is recognized and is settled through the clearinghouse. Financial futures represent an off-balance sheet obligation as there are no balance sheet assets or liabilities associated with those contracts. The contractual amounts of future contracts outstanding at December 31, 2006 and 2005 are as follows:

| Contractual Amount as of | December 31, 2006 | December 31, 2005 |
|--|--------------------------|--------------------------|
| Fixed income futures sold | <u>\$ 53,501,219</u> | <u>\$ 30,301,993</u> |
| Fixed income futures purchased | <u>\$ 53,501,219</u> | <u>\$ 30,301,993</u> |
| Equity futures purchased | <u>\$ 16,478,475</u> | <u>\$ 70,103</u> |
| Equity futures sold | <u>\$ 16,478,475</u> | <u>\$ 70,103</u> |
| Cash and cash equivalent futures sold | <u>\$103,646,250</u> | <u>\$ 33,068,513</u> |
| Cash and cash equivalent futures purchased | <u>\$103,646,250</u> | <u>\$ 33,068,513</u> |

Contractual amounts, which represent the market value of the underlying assets of the derivative contracts, are often used to express the volume of these positions. Such amounts do not reflect the extent to which positions may offset one another or the potential risk, which is generally a lesser amount.

Financial options are agreements that give one party the right, but not the obligation, to buy or sell a specific amount of an asset for a specified price, called the strike price, on or before a specified expiration date. As a writer of financial options, IMRF receives a premium at the outset of the agreement and bears the risk of an unfavorable change in the price of the assets underlying the option. Gains and losses on options are determined based on market values and are recorded in the Statement of Changes in Plan Net Assets. The market value of financial options outstanding at year-end is as follows:

| Market Value as of | December 31, 2006 | December 31, 2005 |
|---------------------------|--------------------------|--------------------------|
| Financial options, gain | \$ 2,137,827 | \$ 1,632,213 |

Interest rate swaps are agreements between two or more parties to exchange sets of cash flows over a period of time. In the most common type of interest rate swap arrangement, one party agrees to pay fixed interest payments on designated dates to a counterparty who, in turn, agrees to make return interest payments that float with some reference rate. In addition to interest rate swaps, one of IMRF's investment managers utilizes credit default swaps which, in addition to the exchange of interest payment streams as in a common interest rate swap, add liquidity to individual credits and protect specific positions. Gains and losses on swaps are determined based on market values and are recorded in the Statement of Changes in Plan Net Assets. The market value of swaps outstanding at year-end is as follows:

| Market Value as of | December 31, 2006 | December 31, 2005 |
|---------------------------|--------------------------|--------------------------|
| Swaps, gain (loss) | \$ 6,998,561 | \$ (3,224,467) |

F. Future Investment Commitments

At December 31, 2006 and 2005, IMRF had future commitments for additional contributions to real estate and alternative investment managers totaling \$299,876,340 and \$346,976,447 respectively.

G. IMRF as Employer - Postemployment Benefits Other Than Pensions

1. Plan Description

IMRF, as an employer, administers a single-employer defined benefit healthcare plan ("Retiree Health Plan") under the provisions of ILCS Chapter 215, Article 5, Section 367j. As required by the statutes, the Retiree Health Plan provides lifetime health and dental care insurance for eligible retirees and their spouses through IMRF's group health insurance plan, which covers both active and retired members. Currently 16 retirees are in the plan and 164 active employees could be eligible at retirement. Benefit subsidy provisions have been established by IMRF's Board of Trustees that cover a percentage of the retiree's insurance premiums from the date of retirement to the date the retiree becomes eligible for Medicare. The amount of the subsidy varies based upon the retiree's years of service with IMRF. These benefit subsidy provisions can be modified or terminated at the sole discretion of the IMRF Board. Except for any eligible subsidy, retirees must pay the entire blended insurance premium for their coverage. IMRF adopted Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions (GASB Statement 45) in 2005.

2. Funding Policy

The contribution requirements of plan members and IMRF are established by IMRF's Board of Trustees within the provisions of the Illinois statutes. The required contribution is based on projected pay-as-you-go financing requirements. For 2006 and 2005, IMRF contributed \$1,448,316 and \$1,286,688, respectively, to the plan for current premiums, including a \$29,010 subsidy in 2006 and a \$26,986 subsidy in 2005 for retiree health and dental care premiums (79.6 percent and 79.3 percent of total premiums for each year). Plan members receiving benefits contributed \$371,304 in 2006 and \$335,133 in 2005, or 20.4 percent and 20.7 percent of the total premiums for each year, through their required contributions of between \$42 and \$353 per month based upon their coverage.

3. Annual OPEB Cost and Net OPEB Obligation

IMRF's annual other postemployment benefit (OPEB) expense is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The following table shows the components of IMRF's annual OPEB cost, the amount actually contributed to the plan, and changes in IMRF's net OPEB obligation to the Retiree Health Plan:

| | <u>2006</u> | <u>2005</u> |
|--|-------------------|------------------|
| Annual required contribution | \$179,675 | \$150,325 |
| Interest on net OPEB obligation | 6,311 | -- |
| Adjustment to annual required contribution | (2,805) | -- |
| Annual OPEB expense | <u>183,181</u> | <u>150,325</u> |
| Contributions made | (80,851) | (66,172) |
| Increase in net OPEB obligation | 102,330 | 84,153 |
| Net OPEB obligation – beginning of year | 84,153 | -- |
| Net OPEB obligation – end of year | <u>\$ 186,483</u> | <u>\$ 84,153</u> |

In 2006 and 2005, IMRF contributed 45 percent and 44 percent, respectively, of the annual required OPEB contribution to the plan.

4. Actuarial Valuation Information

| Actuarial Valuation Date | Accrued Liability (AAL) (a) | Actuarial Covered Annual Payroll (b) | AAL as a Percentage of Covered Payroll (a/b) |
|--------------------------|--------------------------------|---|---|
| 12/31/2006 | 1,810,853 | 9,872,250 | 18.3 |
| 12/31/2005 | 1,926,352 | 9,222,369 | 20.9 |

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. Since IMRF does not intend to fund the plan, no schedule of funding progress is presented.

5. 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, 2006 and 2005 actuarial valuations, the entry age actuarial cost method was used. The actuarial assumptions included a 7.5 percent investment rate of return which is based upon the employer's assumed return on its assets and an annual healthcare cost trend rate of 12 percent initially, reduced by decrements to an ultimate rate of 4 percent after ten years. Both rates include a 4 percent inflation assumption. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll over a period of 30 years.

H. Reserves

IMRF maintains several reserves as required by the Illinois Pension Code and Board policy. All reserves are fully funded with the exception of some individual employer retirement reserves. These reserves do not equal the present value of expected retirement benefits for all employers. In 2006, the retirement reserves for all employers combined exceeded the present value of expected retirement benefits by \$19,424,407. In 2005, the present value of expected retirement benefits exceeded the retirement reserves, for all employers combined, by \$942,291,440.

| 1. Member Contribution Reserve | 2006 | 2005 |
|---------------------------------------|------------------------|------------------------|
| Balance at December 31 | <u>\$3,960,727,585</u> | <u>\$3,688,148,208</u> |
| 2. Annuity Reserve | 2006 | 2005 |
| Balance at December 31 | <u>\$8,650,635,472</u> | <u>\$7,966,135,229</u> |
| 3. Employer Reserves | 2006 | 2005 |
| Balance at December 31 | | |
| Retirement contribution reserve | \$9,858,318,319 | \$8,128,240,861 |
| Earnings and experience reserve | 17,335,558 | 74,833,130 |
| Supplemental retirement benefit | 1,947,786 | 1,528,266 |
| Pooled death benefit reserve | 8,175,295 | 5,613,410 |
| Pooled disability benefit reserve | <u>10,469,423</u> | <u>8,270,298</u> |
| | <u>\$9,896,246,381</u> | <u>\$8,218,485,965</u> |

I. Other Notes

| 1. Prepaid Expenses | 2006 | 2005 |
|--|----------------------|----------------------|
| Balance at December 31 | | |
| Prepaid administrative expenses | \$ 580,695 | \$ 633,437 |
| January 1 benefits charged to bank account in December | 57,556,016 | 52,123,636 |
| | <u>\$ 58,136,711</u> | <u>\$ 52,757,073</u> |

2. Capital Assets

Capital assets are recorded at their cost at the time of acquisition. Depreciation is computed using the straight-line method over the estimated useful life of the related asset. The estimated useful lives are 1) furniture: ten years, 2) equipment: five to eight years and 3) automobiles: four years.

| Year ended December 31 | 2006 | 2005 |
|--------------------------------------|-------------------|-------------------|
| Equipment, furniture and automobiles | | |
| Beginning balance | \$4,386,444 | \$4,504,052 |
| Additions | 341,722 | 195,277 |
| Deletions | <u>(73,880)</u> | <u>(312,885)</u> |
| Ending balance | <u>4,654,286</u> | <u>4,386,444</u> |
| Accumulated depreciation | | |
| Beginning balance | 3,755,312 | 3,778,686 |
| Additions | 316,859 | 280,387 |
| Deletions | <u>(73,880)</u> | <u>(303,761)</u> |
| Ending balance | <u>3,998,291</u> | <u>3,755,312</u> |
| Capital assets, net | <u>\$ 655,995</u> | <u>\$ 631,132</u> |

3. Compensated Absences

Annual vacation leave is earned by all employees. Upon termination, employees are eligible to receive compensation for their accrued annual leave balances. At December 31, 2006, a liability existed for accumulated annual leave calculated at the employee's December 31, 2006 pay rate in the amount of \$553,512. Employees who have been continuously employed by IMRF for at least five years prior to the date of their retirement, resignation or death will receive payment for their accumulated sick leave balance with such payment not to exceed the sum of ninety days of the employee's annual compensation. For employees who have not been employed for five continuous years, an accrued liability is calculated assuming the likelihood that they will meet the five-year threshold in the future. At December 31, 2006, a liability existed for accumulated and accrued sick leave calculated at the employee's December 31, 2006 pay rate in the amount of \$1,870,094. The total leave liability of \$2,423,606 and \$2,247,275 as of December 31, 2006, and 2005, respectively, is reflected on the Statement of Plan Net Assets in accrued expenses and benefits payable.

4. Lease Agreements

The Fund leases its headquarters facilities at the Drake Oak Brook Plaza under an agreement with the building's management. In 2005 the Fund entered into a new agreement covering the period January 1, 2006, through May 31, 2011. The base rent was abated until May 31, 2006. The Fund is amortizing the abated rent over the period covered by the agreement. Total rental expense for 2006 and 2005 was \$741,477 and \$1,044,287 respectively.

The Fund also leases office space in Springfield for its Regional Counseling Center under an agreement that expired on October 31, 2006. In 2006 the Fund entered into a new agreement covering the period November 1, 2006, through October 31, 2011. Total rental expense for 2006 and 2005 was \$30,554 and \$30,004, respectively.

The minimum commitments for the remainder of these leases are as follows:

| | |
|------|-----------|
| 2007 | \$846,864 |
| 2008 | 871,776 |
| 2009 | 897,756 |
| 2010 | 924,276 |
| 2011 | 410,640 |

5. Risk Management

IMRF carries commercial, business and automobile liability insurance coverage provided by private insurance carriers. These policies limit the risk of loss from torts; theft of, damage to and destruction of assets; errors and omission; injuries to employees; and natural disasters. There have been no material insurance claims filed or paid during the last three years. The Fund is also exposed to investment risk. This risk is limited by diversification of the portfolio, establishment and monitoring of investment policies and guidelines and monitoring of investment performance. In addition, investment consultants and fiduciary counsel monitor the Fund's activities and advise the Board of Trustees.

6. Contingencies

IMRF is a defendant in a number of lawsuits that, in management's opinion, will not have a material effect on the financial statements.

J. Ten-Year Historical Trend Information

Ten-year historical trend information designed to provide information about IMRF's progress made in accumulating sufficient assets to pay benefits when due is presented as required supplementary information following the footnotes.

Required Supplementary Information
Schedule of 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 % of AAL (b/a) | Total UAL (a-b) | Member Payroll (c) | UAL as a % of Member Payroll ((a-b)/c) |
| 1997 | \$10,807,969,067 | \$10,273,116,034 | 95.1% | \$534,853,033 | \$3,454,621,933 | 15.5% |
| 1998 | 11,860,879,198 | 11,636,495,534 | 98.1% | 224,383,664 | 3,696,074,942 | 6.1% |
| 1999* | 13,005,023,293 | 13,520,192,111 | 104.0% | (515,168,818) | 3,952,129,535 | -13.0% |
| 2000 | 14,153,055,774 | 15,169,369,263 | 107.2% | (1,016,313,489) | 4,184,702,169 | -24.3% |
| 2001 | 15,318,517,575 | 16,305,022,254 | 106.4% | (986,504,679) | 4,503,092,615 | -21.9% |
| 2002* | 16,559,907,302 | 16,800,195,504 | 101.5% | (240,288,202) | 4,755,103,888 | -5.1% |
| 2003 | 17,966,103,451 | 17,529,890,818 | 97.6% | 436,212,633 | 4,944,767,495 | 8.8% |
| 2004 | 19,424,667,016 | 18,315,987,910 | 94.3% | 1,108,679,106 | 5,161,127,432 | 21.5% |
| 2005*# | 20,815,060,842 | 19,698,401,285 | 94.6% | 1,116,659,557 | 5,374,585,943 | 20.8% |
| 2006 | 22,488,185,031 | 21,427,139,356 | 95.3% | 1,061,045,675 | 5,630,683,054 | 18.8% |

* After assumption change.

After benefit change.

This data was provided by the actuary.

Schedule of Employer Contributions

Last ten years

| Year Ended December 31 | Normal Contributions | Amortization of Unfunded Actuarial Liability | Death & Disability Benefit Contributions | Supplemental Retirement Benefit Contributions | Total Contributions | Percentage Contributed |
|------------------------|----------------------|--|--|---|---------------------|------------------------|
| 1997 | \$254,168,099 | \$46,697,036 | \$13,868,304 | \$21,516,048 | \$336,249,487 | 100% |
| 1998 | 274,024,269 | 50,551,829 | 16,661,873 | 22,958,697 | 364,196,668 | 100% |
| 1999 | 293,310,795 | 47,851,978 | 13,647,855 | 24,384,264 | 379,194,892 | 100% |
| 2000 | 289,815,409 | 25,817,059 | 14,498,307 | 26,022,673 | 356,153,448 | 100% |
| 2001 | 244,301,259 | 24,361,513 | 16,427,003 | 27,917,864 | 313,007,639 | 100% |
| 2002 | 232,765,220 | 14,951,535 | 17,488,736 | 29,729,931 | 294,935,422 | 100% |
| 2003 | 257,835,660 | 15,136,077 | 16,916,553 | 31,161,549 | 321,049,839 | 100% |
| 2004 | 367,704,509 | 36,473,252 | 19,617,440 | 32,402,897 | 456,198,098 | 100% |
| 2005 | 448,921,946 | 40,296,343 | 20,407,466 | 33,637,720 | 543,263,475 | 100% |
| 2006 | 512,880,073 | 29,573,773 | 25,166,224 | 35,155,725 | 602,775,795 | 100% |

See notes to required supplementary information on following page.

Notes to Required Supplementary Information

| | |
|---|---|
| Valuation date | December 31, 2006 |
| Actuarial cost method | Entry age normal |
| Amortization method | Level percent of payroll |
| Remaining amortization period | Taxing bodies: closed, 24 years Overfunded taxing bodies: varies by funding status Non-taxing bodies: generally 5 years |
| Asset valuation method | Five year smoothed market related with a 15% corridor |
| Actuarial assumptions: | |
| Investment rate of return | 7.5 percent |
| Projected salary increases | 4.65 to 8.25 percent |
| Assumed wage inflation rate | 4.0 percent |
| Group size growth rate | 0.0 percent |
| Assumed payroll growth rate | 4.0 percent |
| Post-retirement increase | 3.0 percent – simple |
| Mortality table | For non-disabled lives, the 1994 Group Annuity Mortality Table for males multiplied by 110% and the 1994 Group Annuity Mortality Table for females multiplied by 87%; for disabled lives, the 1994 Group Annuity Mortality Table for males multiplied by 110% and the 1994 Group Annuity Mortality Table for females multiplied by 87% and set forward ten years. |

Supplementary Information

Schedule of Administrative Expenses

| | <u>2006</u> | <u>2005</u> |
|------------------------------|---------------------|---------------------|
| Personal services | \$14,593,648 | \$13,348,748 |
| Supplies | 360,867 | 374,558 |
| Professional services | 980,861 | 1,000,740 |
| Occupancy and utilities | 1,373,243 | 1,785,050 |
| Postage and delivery | 811,277 | 850,153 |
| Equipment service and rental | 690,027 | 737,962 |
| Expendable equipment | 196,802 | 148,266 |
| Miscellaneous | 1,015,606 | 1,124,576 |
| Depreciation | 316,859 | 280,387 |
| Total | <u>\$20,339,190</u> | <u>\$19,650,440</u> |

Schedule of Payments to Consultants

| | <u>2006</u> | <u>2005</u> |
|--------------------------------------|-------------------|---------------------|
| External auditor | \$ 111,000 | \$ 89,000 |
| Internal auditor | 55,845 | 52,920 |
| Other auditing/consulting | 36,000 | 35,738 |
| Medical consultant | 70,025 | 66,838 |
| Legal services | 9,785 | 12,564 |
| Tax consultant | 10,863 | 2,868 |
| Actuary | 264,476 | 312,761 |
| Compensation and benefit consultants | 66,183 | -- |
| Legislative and lobbying consultant | 55,861 | 52,850 |
| Public relations consultant | 150,145 | -- |
| IT consultants | 150,678 | 375,201 |
| Total | <u>\$ 980,861</u> | <u>\$ 1,000,740</u> |

Schedule of Investment Expenses

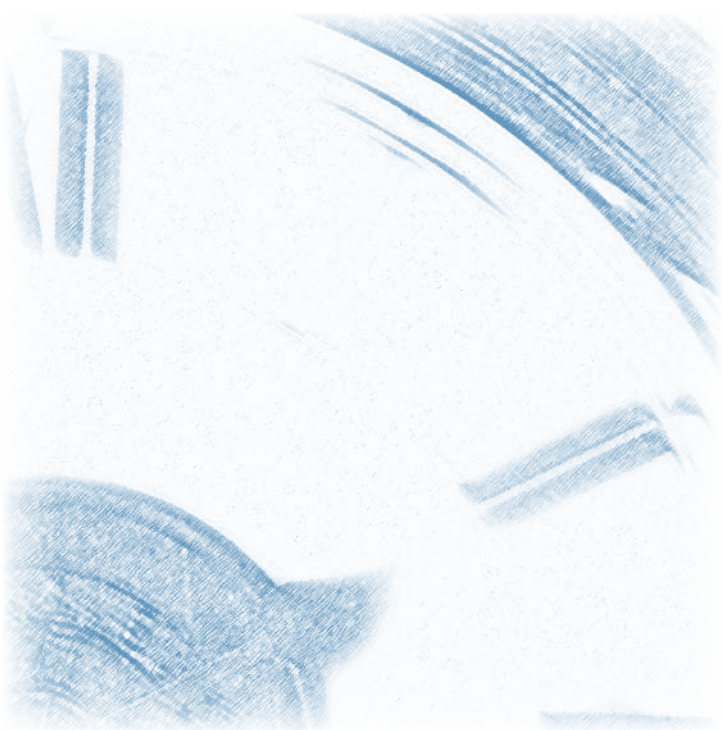
| | <u>2006</u> | <u>2005</u> |
|-------------------------|---------------------|---------------------|
| Investment manager fees | \$57,529,977 | \$51,005,654 |
| Master trustee fees | 275,625 | 277,500 |
| Investment consultants | 697,275 | 690,116 |
| Investment legal fees | 10,221 | 5,535 |
| Miscellaneous | 76,837 | 66,888 |
| Total | <u>\$58,589,935</u> | <u>\$52,045,693</u> |

A schedule of investment related fees can be found in the Investment Section.

Investments

2006

| | |
|--|----|
| Investment Consultant's Report..... | 41 |
| Master Trustee's Report..... | 43 |
| Investment Consultants..... | 44 |
| Investment Policies..... | 46 |
| Returns by Asset Class..... | 50 |
| Investment Portfolio Summary..... | 51 |
| Investment Portfolio Charts..... | 52 |
| Asset Allocation..... | 53 |
| Ten Largest Holdings..... | 54 |
| Domestic Brokerage Commissions..... | 55 |
| International Brokerage Commissions..... | 56 |
| Schedule of Investment Fees..... | 57 |



ENNISKNUPP

May 2, 2007

The Board of Trustees
The Executive Director
Illinois Municipal Retirement Fund
2211 York Road, Suite 500
Oak Brook, IL 60523

Dear Trustees and Executive Director:

Ennis Knupp + Associates is pleased to report the results of the Illinois Municipal Retirement Fund (IMRF) investment program for the calendar year 2006.

All major capital markets ended the year in positive territory. U.S. equity markets returned 15.8%, as measured by the Dow Jones Wilshire 5000 Index, non-U.S. equity markets returned 26.7%, as measured by the MSCI All Country World ex-U.S. Index, and fixed income markets returned 4.3%, as measured by the Lehman Brothers Aggregate Bond Index.

The Illinois Municipal Retirement Fund reported total net assets of \$22.5 billion at year end. This represented an increase of approximately \$2.6 billion from December 31, 2005.

The Total Fund returned 13.9% during the 2006 fiscal year, outpacing the Total Fund Benchmark by 1.3 percentage points. The Total Fund Benchmark is composed of the individual asset class benchmarks in the same proportion as the target asset class allocations¹. The Total Fund ranked just below the median of the Mellon Analytical Services (MAS) Public Fund Universe for the one-year period. (Note that plan sponsor type universes may include funds that have widely differing asset allocation structures making comparisons inconclusive and should only be used as a point of interest rather than for an evaluation of results.) All asset classes advanced in absolute terms over the one-year period. In addition, all asset classes with the exception of U.S. equity exceeded their benchmarks and ranked above the median of their respective peer groups. The performance of the Total Fund can be attributed to the Fund's broad and well diversified structure.

¹ As of December 31, 2006, the Total Fund Benchmark consisted of 39% of the DJ Wilshire 5000 Index, 36% of the LB Aggregate Bond Index, 15% of the MSCI AC World ex-U.S. Index, 4% of the CPI + 5% Index, 5% of the Alternatives Custom Benchmark, and 1% of the Citigroup 90-Day T-Bill Index.

Ennis Knupp + Associates
10 South Riverside Plaza, Suite 1600
Chicago, Illinois 60606-3709

vox 312 715 1700
fax 312 715 1952
www.ennisknupp.com

The U.S. equity portfolio, which has a policy target allocation of 39%, advanced 13.9% for the year ending December 31, 2006, underperforming the Dow Jones Wilshire 5000 Index by 1.9 percentage points. All of the component's aggregated sub-portfolios advanced in absolute terms. However, while the Fund's small cap growth and micro cap portfolios outperformed their respective benchmarks, the Fund's large cap value, large cap growth, and small cap value portfolios underperformed their respective benchmarks. Relative performance for the U.S. equity portfolio over the trailing three-, five-, and ten-year periods has been favorable.

The non-U.S. equity portfolio gained 27.7% over the one-year period and outperformed the MSCI All-Country World ex-U.S. Index by 1.0 percentage point. The non-U.S. equity portfolio, which has a policy target allocation of 15%, is broadly invested and includes a dedicated allocation to international small cap stocks and emerging markets. The strong relative performance from the non-U.S. equity portfolio's large cap managers in aggregate and the portfolio's exposure to international small cap and emerging market stocks benefited relative performance during the year. Relative performance for the non-U.S. equity portfolio over the trailing three-, five-, and ten-year periods has been favorable.

Advancing 5.6%, the Total Fund's fixed income portfolio outpaced the return of the Lehman Aggregate Bond Index by 1.3 percentage points. The fixed income portfolio has a policy target allocation of 36%. All of the fixed income component's sub-portfolios posted gains in terms of absolute and relative performance. The fixed income portfolio is well-diversified including dedicated investments in high yield securities and core plus type strategies, which benefited the portfolio over the trailing one-year period. Despite trailing the Index over the trailing ten-year period, the fixed income portfolio's relative performance over the three- and five-year periods has been favorable.

Investment measurements and comparisons have been made using standard performance evaluation methods, and results are presented in a manner consistent with the investment industry in general and public pension funds in particular. Rates of return were determined using a modified time-weighted return calculation.

Sincerely,



Ennis Knupp + Associates

Ennis Knupp + Associates

\\ekfile01\Client\IMRFWP\Letters\Investment Summary Letters\2006 Investment Summary.doc

2

The Northern Trust Company
 50 South La Salle Street
 Chicago, Illinois 60675
 (312) 630-6000



Northern Trust

March 15, 2007

Board of Trustees and Executive Director
 Illinois Municipal Retirement Fund
 2211 York Road
 Oak Brook, IL 60521-2374

To the Board of Trustees and the Executive Director

The Northern Trust Company as Master Trustee has provided detailed financial reports of all investments, receipts, disbursements, purchases and sales of securities and other transactions pertinent to the Fund for the period January 1, 2006, through December 31, 2006. Also, a statement of assets together with their fair market value was provided, showing the properties held as of December 31, 2006. The Northern Trust Company certifies that the statements contained therein are fairly presented and are true and accurate.

In addition to the custody of the assets, The Northern Trust Company provided and will continue to provide the following services as Master Trustee:

1. Receive and hold all amounts paid to the Trust Fund by the Board of Trustees.
2. Accept and deliver securities in accordance with the instructions of appointed Investment Managers.
3. Collect dividends and registered interest payments.
4. Collect matured or called securities and coupons.
5. Securities Lending.
6. Invest cash balances held from time to time in the individual investment management accounts in short term, cash equivalent securities.
7. Exercise rights of ownership in accordance with pre-described jurisdiction of stock subscriptions and conversion rights.
8. Hold securities in the name of the Master Trust or nominee form.
9. Employ agents with the consent of the Board of Trustees.
10. Provide disbursement and security fail float income.
11. Checking Accounts.
12. On-line Trust and Banking reporting.

THE NORTHERN TRUST COMPANY

By: Richard L. Deeter

Richard L. Deeter
 Vice President



Investments

Investment Consultants

Master Trustee

The Northern Trust Company
Richard L. Deeter, Vice President
Chicago, Illinois

Performance Evaluation

Ennis Knupp + Associates
Kristine L. Ford, Principal
Chicago, Illinois

Investment Consultant

Ennis Knupp + Associates
Kristine L. Ford, Principal
Chicago, Illinois

Investment Managers

Abbott Capital Management, LLC
New York, New York

Adams Street Partners, LLC
Chicago, Illinois

Alliance Capital Management L.P.
Chicago, Illinois

Ambassador Capital Management
Detroit, Michigan

Apex Capital Management, Inc.
Dayton, Ohio

Atlanta Life Investment Advisors
Atlanta, Georgia

AXA Rosenberg Investment Management, LLC
Orinda, California

BlackRock Financial Management, Inc.
New York, New York

Blue Creek Investment Partners
Huntsville, Alabama

The Boston Company Asset Management, LLC
Boston, Massachusetts

Brandes Investment Partners, L.P.
San Diego, California

Brown Capital Management, Inc.
Baltimore, Maryland

Buford, Dickson, Harper & Sparrow, Inc.
St. Louis, Missouri

Channing Capital Management, LLC
Chicago, Illinois

Copper Rock Capital Partners
Boston, Massachusetts

Cordillera Asset Management
Denver, Colorado

Cozad/Westchester Agricultural Asset Management
Champaign, Illinois

Cypress Asset Management
Carmel, California

Denali Advisors, LLC
San Diego, California

Dimensional Fund Advisors
Santa Monica, California

Dodge & Cox Investment Managers
San Francisco, California

EARNEST Partners, LLC
Atlanta, Georgia

EH Williams Capital Management, LLC
New York, New York

Forest Investment Associates
Atlanta, Georgia

Fortaleza Asset Management, Inc.
Chicago, Illinois

Frontier Capital Management Co.
Boston, Massachusetts

Genesis Asset Managers International, Ltd.
London, England

GlobeFlex Capital, L.P.
San Diego, California

Grosvenor Capital Management, L.P.
Chicago, Illinois

GW Capital, Inc.
Bellevue, Washington

Harris Alternatives LLC
Chicago, Illinois

Harris Investment Management, Inc.
Chicago, Illinois

High Pointe Capital Management, LLC
Buffalo Grove, Illinois

Holland Capital Management
Chicago, Illinois

Investment Counselors of Maryland, LLC
Baltimore, Maryland

Jacobs Levy Equity Management, Inc.
Florham Park, New Jersey

Lazard Frères Real Estate Investors, LLC
New York, New York

LM Capital Group, LLC
San Diego, California

LSV Asset Management
Chicago, Illinois

Lynmar Capital Group, Inc.
Marlton, New Jersey

MacKay Shields, LLC
New York, New York

McKinley Capital Management, Inc.
Anchorage, Alaska

Mesirow Advanced Strategies, Inc.
Chicago, Illinois

Morgan Stanley
Atlanta, Georgia

Muller & Monroe Asset Management, LLC
Chicago, Illinois

New Century Advisors
Bethesda, Maryland

Northern Trust Investments, N.A.
Chicago, Illinois

Olympus Real Estate Corporation
Dallas, Texas

Palisades Investment Partners, LLC
Santa Monica, California

Pantheon Ventures, Inc.
San Francisco, California

Paradigm Asset Management Co., LLC
New York, New York

Payden & Rygel
Los Angeles, California

Permira Advisors, Ltd.
London, England

Piedmont Investment Advisors, LLC
Durham, North Carolina

Profit Investment Management
Silver Spring, Maryland

Progress Investment Management Company
San Francisco, California

Prudential Investment Management
Parsippany, New Jersey

Pugh Capital Management
Seattle, Washington

Pyramis Global Advisors
Boston, Massachusetts

Rutland Dickson Asset Management
Dallas, Texas

Sands Capital Management, LLC
Arlington, Virginia

Security Capital Markets Group, Inc.
Santa Fe, New Mexico

Sentinel Real Estate Corporation
New York, New York

Taplin, Canida & Habacht
Miami, Florida

Wall Street Associates
La Jolla, California

Western Asset Management Company
Pasadena, California

William Blair & Company
Chicago, Illinois

Investment Policies

The Board of Trustees, operating within the prudent man framework, has adopted the following investment objectives and guidelines. The objectives and guidelines presented here are intended to be summarizations. Specific contractual objectives and guidelines are in effect for individual investment managers.

A. Investment Objectives

1. To diversify the investment portfolio so as to optimize investment returns.
2. To set investment and actuarial policies that assure the adequate accumulation of assets and maintain a reasonable funded status.
3. To achieve rates of return greater than the current actuarial investment assumption of 7.5 percent.
4. To achieve rates of return consistent with expectations for each asset class used, without significantly changing the expected risk profile of the asset class or the investment portfolio.
5. To achieve in U.S. equities a total return that exceeds the total return of the Dow Jones Wilshire 5000 Index. In addition, the Board expects to earn a minimum of 5 percent in excess of inflation over moving five-year periods.
6. To achieve in international equities a total return that exceeds the total return of the Morgan Stanley Capital International, All Country World Index Ex-US (MSCI ACWI-Ex U.S.). In addition, the Board expects to earn a minimum of 5 percent in excess of inflation over moving five-year periods.
7. To achieve in fixed income securities a total return that exceeds the total return of the Lehman Aggregate Bond Index. In addition, the Board expects to earn a minimum of 2 percent in excess of inflation over moving five-year periods.
8. To achieve in equity real estate investments a return that exceeds the National Council of Real Estate Investment Fiduciaries Property Index (NPI) by 1 percent over a three-year period.
9. To achieve in alternative investments a return equal to 150 percent of the expected equity return over moving five-year periods.
10. To achieve in internally managed short-term securities relative performance better than 30-day U.S. Treasury Bills.

B. Proxy Voting Guidelines

The Board of Trustees of the Illinois Municipal Retirement Fund (IMRF) recognizes its fiduciary responsibility to prudently manage the assets of the Fund. The assets include common stock in many different companies and, as a shareowner, the Board also owns proxy voting rights. The Board acknowledges that it not only has a right to vote proxies, but also a duty to vote them. Proxies have economic value and, therefore, the Board has the duty to prudently oversee the management of them as it does all other Fund assets.

The Board shall vote proxies in accordance with the exclusive benefit rule which requires the Board to act solely in the economic interest of the Fund's members and beneficiaries.

Generally, proxies related to corporate governance shall be voted in favor of shareholder-sponsored proposals requiring corporate boards to act in the best interests of shareholders. Proxies related to director, executive, and employee compensation shall be voted in favor of compensation plans that motivate directors, executives, and employees to achieve high performance for the long-term benefits of all shareowners. Proxies related to takeover defenses shall be voted in favor of proposals allowing

shareholders to vote on poison pills and golden parachutes. Proxies related to capital structure issues shall be voted in favor of proposals requiring shareowner approval for reasonable share increases needed for business purposes. Proxies related to mergers, acquisitions, and corporate restructuring will be voted on a case-by-case basis. Proxies related to routine management issues shall generally be voted in accordance with management's view on such issues. In keeping with the Board's fiduciary duty to act solely in the economic interest of the Fund, and because empirical evidence is inconclusive about whether all social and political proposals enhance shareowner value, IMRF will abstain from voting on such proposals.

C. Domestic Equity Investment Guidelines

1. The domestic equity portfolio as a whole shall be constructed on four fundamental principles: diversification, quality, growth and value.
2. Generally, no individual security shall comprise more than 5 percent of the total portfolio at market value.
3. The total portfolio shall generally not hold more than 5 percent of the outstanding shares of any one company.
4. Holdings of any one issuer, at the time of purchase, shall generally be limited to not more than 15 percent of a manager's portfolio market value.
5. Sector exposure in the total portfolio shall generally not differ by more than 5 percentage points from the sector exposure of the Dow Jones Wilshire 5000.
6. Domestic equity managers must invest in equity securities that are listed on principal U.S. exchanges or traded over the counter. ADRs of foreign companies are permissible.

D. International Equity Investment Guidelines

1. The international equity portfolio as a whole shall be constructed on four fundamental principles: diversification, quality, growth and value.
2. Generally, no individual security shall comprise more than 6 percent of the total portfolio at market value.
3. The total portfolio shall generally not hold more than 5 percent of the outstanding shares of any one company.
4. Holdings of any one issuer, at the time of purchase, shall generally be limited to a maximum of 8 percent of a manager's portfolio market value.
5. Sector exposure in the portfolio shall not exceed the higher of 25 percent or two times the benchmark weighting at market value.
6. Country exposure in the portfolio shall not exceed the higher of 25 percent or two times the benchmark weighing at market value.
7. International equity managers shall generally invest in equity securities of companies domiciled outside of the U.S.
8. Investments in emerging market securities will not exceed 25 percent of the total portfolio at market value.
9. International equity managers may engage in various transactions to hedge currency. Forward contracts, futures and options may be used for currency hedging purposes. Currency trading may not be used for speculative purposes.

E. Fixed Income Investment Guidelines

1. Bonds, notes or other obligations of indebtedness issued or guaranteed by the U.S. government, its agencies or instrumentalities, are permissible investments and may be used without restrictions.
2. The average credit quality of the total portfolio will be investment grade.
3. Debt obligations of any single U.S. corporation shall generally be limited to a maximum of 5 percent of the total portfolio market value.
4. Generally, no more than 30 percent of an investment manager's assets at market value may be invested in securities rated below investment grade at the time of purchase. High yield bond managers are not subject to this restriction.
5. Debt obligations of any U.S. industry shall generally be limited to no more than 25 percent of the total portfolio at market value.
6. Bonds or other debt obligations of foreign countries and corporations payable in U.S. and in non-U.S. funds are authorized, but in general will not exceed, 15 percent of total portfolio.
7. The total portfolio shall have an effective duration range between 80-120 percent of the benchmark index.
8. Private placements are authorized by the Board on an individual manager basis.
9. The use of swaps, exchange-traded financial futures, exchange-traded options on financial futures, and over-the-counter options are subject to individual manager guidelines. Leverage is not allowed except as permitted for rolling mortgage pass-through securities.
10. No assets shall be committed to short sale contracts.

F. Equity Real Estate Investment Guidelines

The real estate asset class investments will consist of equity ownership of privately held commercial real estate. Non-equity investments should not exceed 15 percent. Investments in publicly traded real estate securities will not exceed 20 percent. Investments will not be made in vehicles that invest solely in single family residential real estate or in real estate debt. The portfolio will be diversified by:

1. Property type: the majority of the investments will be allocated to the primary sectors of the NPI Index.
2. Geography: within the U.S., no more than 20 percent of the asset class will reside within one metropolitan statistical area.
3. Life cycle: 60 to 80 percent of the assets will be invested in core properties (at least 80 percent leased/occupied and less than 20 percent in development or restructuring).
4. Individual investment: no individual property, as measured by gross asset value, shall exceed 10 percent of the real estate portfolio for core properties and 5 percent for non-core properties.
5. Leverage: total asset class leverage will be kept below 20 percent loan to value. Individual account limits will be kept below 60 percent.
6. Liquidity: at least 20 percent of the portfolio will be kept outside of closed end funds.

G. Alternative Investment Guidelines

The Alternative Investment Portfolio will consist of venture capital, buyout, mezzanine, special situation, and absolute return investments. The investments will be made for long-term returns, generally through the use of limited partnership vehicles, separate account vehicles and commingled funds. Investments will be diversified in a manner that will broaden the portfolio exposure to a wide range of opportunities and provide a means of controlling the inherent risks of new and different investment areas.

H. Short-Term Investment Guidelines

Permissible short-term investments are U.S. Treasury Bills and Notes, high-grade commercial paper, repurchase agreements, banker's acceptances, and certificates of deposit. Commercial paper investments shall be made in instruments rated "A-2" or "P-2" or better as defined by a recognized rating service. Comparable ratings are required for banker's acceptances and certificates of deposit. No more than \$20 million of current market value shall be invested in the securities of any one issuer, with the exception of the U.S. government and its agencies.

Investments

Returns by Asset Class

Periods ending December 31

| | 2006 | 2005 | 2004 | 2003 | 2002 | Annualized | | |
|------------------------------------|--------|--------|--------|--------|---------|------------|--------|--------|
| | | | | | | 3 Yrs | 5 Yrs | 10 Yrs |
| Total Fund | | | | | | | | |
| Time-Weighted Returns | | | | | | | | |
| IMRF | 13.87% | 8.71% | 12.38% | 22.56% | -8.72% | 11.63% | 9.25% | 8.91% |
| CPI (Inflation) | 2.54% | 3.42% | 3.26% | 1.88% | 2.39% | 3.07% | 2.69% | 2.44% |
| Equities - U.S. | | | | | | | | |
| IMRF | 13.91% | 8.94% | 14.44% | 32.65% | -21.09% | 12.39% | 8.24% | 9.87% |
| Dow Jones Wilshire 5000 | 15.77% | 6.39% | 12.62% | 31.65% | -20.86% | 11.48% | 7.62% | 8.65% |
| Russell 2000 | 18.35% | 4.55% | 18.33% | 47.25% | -20.48% | 13.55% | 11.38% | 9.44% |
| S&P 500 | 15.80% | 4.91% | 10.88% | 28.71% | -22.10% | 10.44% | 6.19% | 8.42% |
| Equities - International | | | | | | | | |
| IMRF | 27.67% | 18.00% | 22.24% | 44.03% | -16.71% | 22.57% | 17.18% | 10.93% |
| MSCI ACWI Ex-U.S. | 26.65% | 16.62% | 21.36% | 41.40% | -14.68% | 21.32% | 16.42% | 8.23% |
| MSCI EAFE | 26.34% | 13.54% | 20.69% | 39.17% | -15.66% | 19.93% | 14.98% | 7.67% |
| Fixed Income | | | | | | | | |
| IMRF | 5.60% | 2.70% | 5.51% | 8.04% | 8.81% | 4.59% | 6.11% | 6.09% |
| Lehman Aggregate | 4.33% | 2.43% | 4.34% | 4.10% | 10.27% | 3.70% | 5.06% | 6.24% |
| Lehman Government/Credit | 3.78% | 2.37% | 4.21% | 4.67% | 11.02% | 3.44% | 5.17% | 6.26% |
| Merrill Lynch High Yield | 11.64% | 2.83% | 10.76% | 27.23% | -1.14% | 8.34% | 9.85% | 6.86% |
| Real Estate | | | | | | | | |
| IMRF | 24.88% | 10.46% | 10.09% | 5.35% | 6.61% | 14.94% | 11.31% | 9.88% |
| NCREIF Property | 16.59% | 20.06% | 14.49% | 9.00% | 6.75% | 17.02% | 13.27% | 12.72% |
| Alternative Investments | | | | | | | | |
| IMRF | 14.43% | 19.00% | 11.10% | 8.23% | -8.75% | 14.80% | 8.37% | 14.22% |
| Cash & Cash Equivalents | | | | | | | | |
| IMRF | 9.83% | 7.69% | 6.00% | 5.71% | 4.38% | 7.83% | 6.71% | 7.26% |
| U.S. Treasury Bills | 3.90% | 3.00% | 1.30% | 1.04% | 1.78% | 2.50% | 2.00% | 3.30% |

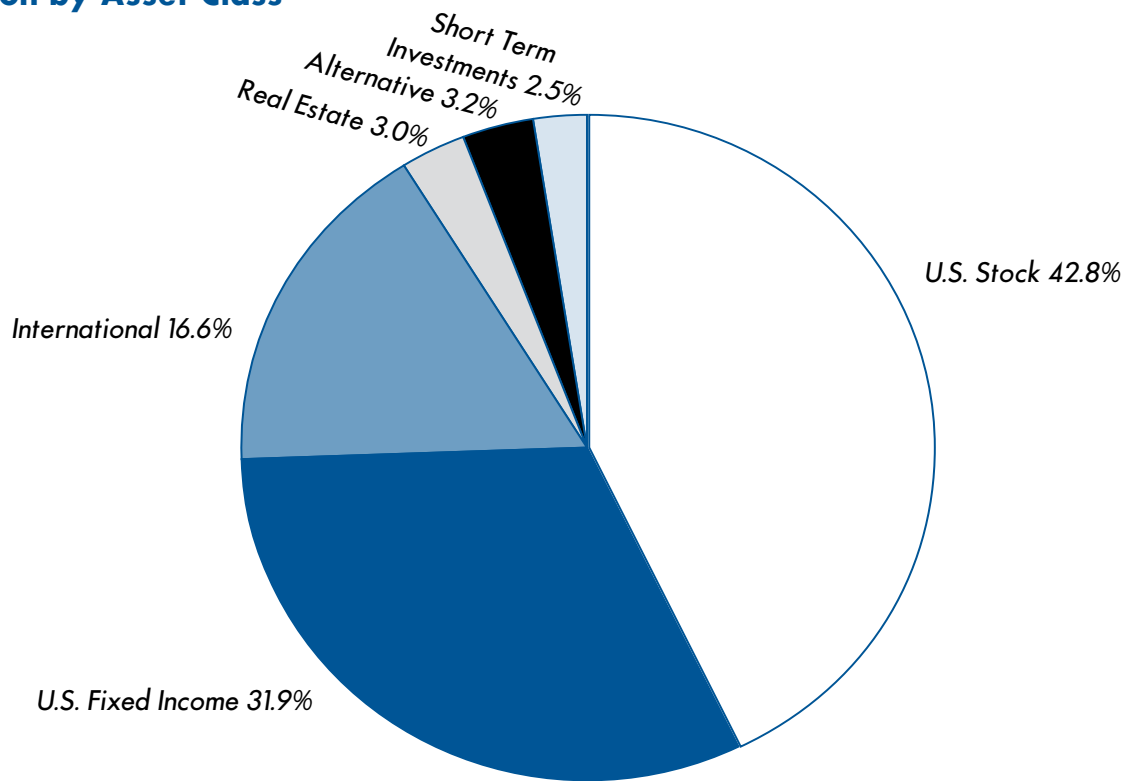
These investment results are calculated and presented using standard performance evaluation methods in a manner consistent with the investment industry in general and public pension funds in particular. Rates of return were determined using a modified time-weighted return calculation.

**Schedule I
Investment Portfolio Summary**
In Millions of Dollars

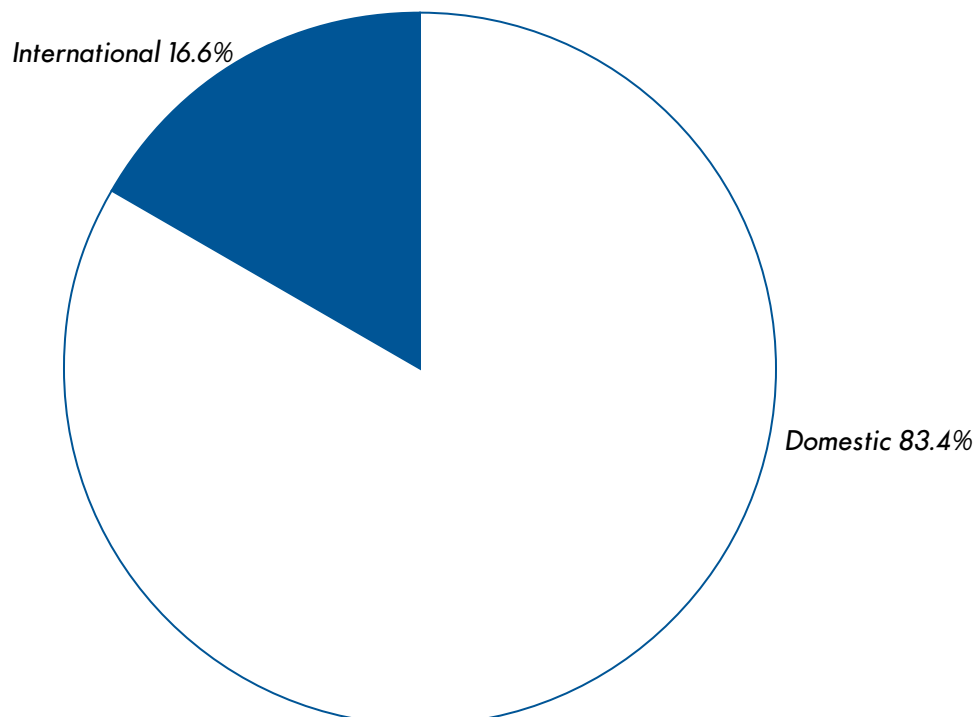
| | <u>December 31, 2006</u> | | <u>December 31, 2005</u> | |
|--------------------------------|--------------------------|------------------------------------|--------------------------|------------------------------------|
| | <u>Fair Value</u> | <u>Percent of Total Fair Value</u> | <u>Fair Value</u> | <u>Percent of Total Fair Value</u> |
| Fixed Income: | | | | |
| Government & Agencies | \$2,469.9 | 10.7% | \$2,372.8 | 11.8% |
| Corporate | 2,704.1 | 11.8% | 1,853.9 | 9.2% |
| Index Funds | 2,166.4 | 9.4% | 1,876.4 | 9.3% |
| Foreign | <u>372.7</u> | <u>1.6%</u> | <u>325.9</u> | <u>1.6%</u> |
| | <u>7,713.1</u> | <u>33.5%</u> | <u>6,429.0</u> | <u>31.9%</u> |
| Stocks: | | | | |
| U.S. Common & Preferred | 7,019.0 | 30.5% | 6,013.4 | 29.9% |
| U.S. Stock Funds | 2,822.4 | 12.3% | 2,734.2 | 13.6% |
| Foreign Common & Preferred | 3,011.0 | 13.1% | 2,760.7 | 13.7% |
| Foreign Stock Funds | <u>448.2</u> | <u>1.9%</u> | <u>341.6</u> | <u>1.7%</u> |
| | <u>13,300.6</u> | <u>57.8%</u> | <u>11,849.9</u> | <u>58.9%</u> |
| Real Estate: | | | | |
| Commingled Funds | 318.5 | 1.4% | 330.3 | 1.6% |
| Directly Owned | 227.5 | 1.0% | 217.5 | 1.1% |
| Timber and Agricultural | <u>130.2</u> | <u>0.6%</u> | <u>150.6</u> | <u>0.8%</u> |
| | <u>676.2</u> | <u>3.0%</u> | <u>698.4</u> | <u>3.5%</u> |
| Alternative Investments | | | | |
| Commingled Funds | <u>735.0</u> | <u>3.2%</u> | <u>634.3</u> | <u>3.1%</u> |
| Short-Term Investments | <u>577.9</u> | <u>2.5%</u> | <u>518.2</u> | <u>2.6%</u> |
| Total Portfolio | <u>\$23,002.8</u> | <u>100.0%</u> | <u>\$20,129.8</u> | <u>100.0%</u> |

Investment Portfolio as of December 31, 2006

Allocation by Asset Class



Total Investments by Region



**Schedule II
Asset Allocation**

Last Five Years

| | Fair Value as a Percent of Portfolio | | | | |
|--------------------------------|--------------------------------------|---------------|---------------|---------------|---------------|
| | <u>2006</u> | <u>2005</u> | <u>2004</u> | <u>2003</u> | <u>2002</u> |
| Fixed Income | | | | | |
| U.S. Government & Agencies | 10.7% | 11.8% | 11.7% | 12.7% | 15.8% |
| Corporate | 11.8% | 9.2% | 8.5% | 8.2% | 10.8% |
| Index Fund | 9.4% | 9.3% | 9.9% | 10.0% | 9.6% |
| Foreign | <u>1.6%</u> | <u>1.6%</u> | <u>1.9%</u> | <u>2.0%</u> | <u>2.1%</u> |
| | <u>33.5%</u> | <u>31.9%</u> | <u>32.0%</u> | <u>32.9%</u> | <u>38.3%</u> |
| Stocks | | | | | |
| U.S. Common & Preferred | 30.5% | 29.9% | 31.2% | 30.5% | 29.3% |
| U.S. Stock Funds | 12.3% | 13.6% | 11.2% | 10.6% | 9.6% |
| Foreign Common & Preferred | 13.1% | 13.7% | 12.3% | 11.3% | 7.5% |
| Foreign Stock Funds | <u>1.9%</u> | <u>1.7%</u> | <u>4.8%</u> | <u>4.1%</u> | <u>4.3%</u> |
| | <u>57.8%</u> | <u>58.9%</u> | <u>59.5%</u> | <u>56.5%</u> | <u>50.7%</u> |
| Real Estate | | | | | |
| Commingled Funds | 1.4% | 1.6% | 1.7% | 1.7% | 2.0% |
| Directly Owned | 1.0% | 1.1% | 1.0% | 1.0% | 1.3% |
| Timber and Agricultural | <u>0.6%</u> | <u>0.8%</u> | <u>0.7%</u> | <u>0.8%</u> | <u>0.9%</u> |
| | <u>3.0%</u> | <u>3.5%</u> | <u>3.4%</u> | <u>3.5%</u> | <u>4.2%</u> |
| Alternative Investments | | | | | |
| Commingled Funds | <u>3.2%</u> | <u>3.1%</u> | <u>3.1%</u> | <u>3.1%</u> | <u>3.4%</u> |
| Short-Term Investments | <u>2.5%</u> | <u>2.6%</u> | <u>2.0%</u> | <u>4.0%</u> | <u>3.4%</u> |
| Total Portfolio | <u>100.0%</u> | <u>100.0%</u> | <u>100.0%</u> | <u>100.0%</u> | <u>100.0%</u> |

Investments

Ten Largest Fixed Income Investment Holdings

Excludes Commingled Funds and Short-Term Investments

| | Market Value | Percent of Total Invested Market |
|---|----------------------|---|
| FNMA 5.00% Due 1/1/2036 | \$187,164,344 | 0.81% |
| U.S. Treasury Bonds 7.25% Due 8/15/2022 | 172,193,559 | 0.75% |
| FNMA 6.00% Due 1/01/2036 | 114,546,756 | 0.50% |
| FNMA 5.50% Due 1/01/2021 | 85,773,230 | 0.37% |
| FNMA 6.50% Due 1/01/2036 | 76,813,750 | 0.33% |
| FNMA 6.00% Due 2/01/2036 | 76,092,625 | 0.33% |
| FNMA 5.50% Due 2/01/2036 | 74,797,125 | 0.33% |
| U.S. Treasury Bonds 4.5% Due 2/15/2036 | 57,671,537 | 0.25% |
| U.S. Treasury Notes 4.75% Due 3/31/2011 | 49,022,219 | 0.21% |
| U.S. Treasury Notes 4.00% Due 2/15/2015 | 32,359,447 | 0.14% |
| | <u>\$926,434,592</u> | <u>4.02%</u> |

Ten Largest Equity Investment Holdings

Excludes Commingled Funds

| | Market Value | Percent of Total Invested Market |
|------------------|----------------------|---|
| Exxon Mobil | \$128,825,835 | 0.56% |
| Citigroup | 119,452,326 | 0.52% |
| General Electric | 111,538,203 | 0.48% |
| Google | 94,801,320 | 0.41% |
| Bank America | 94,667,517 | 0.41% |
| Hewlett Packard | 89,859,527 | 0.39% |
| Microsoft | 89,811,087 | 0.39% |
| JP Morgan Chase | 81,321,937 | 0.35% |
| Pfizer | 77,080,731 | 0.34% |
| Apple | 72,027,972 | 0.31% |
| | <u>\$959,386,455</u> | <u>4.16%</u> |

A complete listing of investments is available upon request.

Schedule of 2006 Domestic Brokerage Commissions
In order of commissions received

| <u>Broker Name</u> | <u>Shares</u> | <u>Commissions</u> | <u>Per Share</u> |
|--|--------------------|--------------------|------------------|
| Loop Capital Markets/Broadcort Capital | 9,494,443 | \$277,980 | \$0.03 |
| Citation Group | 5,315,990 | 253,948 | 0.05 |
| Investment Technology Group Inc. | 30,218,090 | 252,528 | 0.01 |
| Pacific American Securities | 5,899,607 | 218,753 | 0.04 |
| Lehman Brothers Inc.* | 4,814,519 | 196,180 | 0.04 |
| Merrill Lynch Pierce Fenner & Smith* | 4,666,304 | 156,266 | 0.03 |
| Liquidnet Inc. | 7,470,726 | 151,497 | 0.02 |
| Bear Stearns | 3,263,586 | 130,078 | 0.04 |
| Cantor Fitzgerald & Co. | 3,394,239 | 117,157 | 0.03 |
| UBS Warburg LLC | 3,310,272 | 109,986 | 0.03 |
| Credit Suisse First Boston Corporation | 3,617,915 | 106,066 | 0.03 |
| Citigroup Global Markets Inc./Smith Barney | 5,061,912 | 101,075 | 0.02 |
| C. L. King & Associates | 2,410,176 | 93,616 | 0.04 |
| BNY ESI Securities Co. | 2,123,787 | 90,096 | 0.04 |
| Goldman Sachs & Company | 2,521,577 | 86,439 | 0.03 |
| Deutsche Bank Alex Brown | 3,457,634 | 84,582 | 0.02 |
| Jefferies & Company | 1,985,270 | 83,227 | 0.04 |
| Lynch Jones & Ryan* | 1,605,900 | 72,923 | 0.05 |
| Piper Jaffray Inc. | 1,638,358 | 72,693 | 0.04 |
| J. P. Morgan Securities Inc. | 1,833,005 | 71,664 | 0.04 |
| M. Ramsey King Securities | 1,581,480 | 70,959 | 0.04 |
| Prudential Equity Group | 1,308,724 | 57,815 | 0.04 |
| Instinet | 2,149,863 | 56,674 | 0.03 |
| M. R. Beal and Company | 1,206,589 | 54,556 | 0.05 |
| Banc America Securities Montgomery Div. | 1,376,038 | 53,032 | 0.04 |
| Kinnard John G. & Company | 1,335,382 | 52,535 | 0.04 |
| National Financial Services | 2,385,873 | 51,589 | 0.02 |
| Morgan Stanley & Co. Inc. | 1,827,183 | 51,348 | 0.03 |
| CIBC World Markets Corp. | 1,164,239 | 48,483 | 0.04 |
| Gardner Rich & Co. | 1,166,360 | 47,760 | 0.04 |
| Other Brokers | <u>37,072,526</u> | <u>1,420,818</u> | <u>0.04</u> |
| Total | <u>156,677,567</u> | <u>\$4,692,323</u> | <u>\$0.03</u> |

*Commission recapture broker

Investments

Schedule of 2006 International Brokerage Commissions

In order of commissions received

| <u>Broker Name</u> | <u>Shares</u> | <u>Commissions</u> | <u>Per Share</u> |
|---|----------------------|--------------------|------------------|
| Merrill Lynch & Co. Inc.* | 84,581,457 | \$836,220 | \$0.010 |
| Pershing LLC | 27,988,178 | 701,219 | 0.025 |
| UBS Securities | 32,148,398 | 345,490 | 0.011 |
| Morgan Stanley & Co. Inc. | 15,381,151 | 225,868 | 0.015 |
| Bear Stearns Securities Corp. | 11,056,517 | 219,451 | 0.020 |
| Credit Suisse First Boston | 20,166,562 | 212,767 | 0.011 |
| Goldman Sachs & Co. | 11,958,143 | 194,742 | 0.016 |
| J. P. Morgan | 22,861,014 | 189,099 | 0.008 |
| Citigroup, Inc. | 10,416,150 | 174,037 | 0.017 |
| Investment Technology Group | 15,048,683 | 172,095 | 0.011 |
| Nomura Securities | 13,472,246 | 163,265 | 0.012 |
| Credit Lyonnais Securities | 13,237,427 | 131,861 | 0.010 |
| Deutsche Bank AG | 7,408,283 | 111,624 | 0.015 |
| Lehman Brothers Inc.* | 23,150,362 | 110,530 | 0.005 |
| Macquarie Equities LTD | 11,318,644 | 105,180 | 0.009 |
| Instinet | 6,679,371 | 100,014 | 0.015 |
| Dresdner Kleinwort Wasserstein Securities | 2,103,564 | 66,512 | 0.032 |
| Donaldson Lufkin and Jenrette Securities | 1,387,900 | 51,618 | 0.037 |
| Cheuvreux de Virieu | 2,772,449 | 51,314 | 0.019 |
| Societe Generale | 1,449,143 | 50,068 | 0.035 |
| Banco Santander New York | 1,401,585,700 | 48,990 | 0.000 |
| ABN Amro | 2,346,294 | 40,735 | 0.017 |
| Cantor Fitzgerald and Co. | 8,012,890 | 38,989 | 0.005 |
| Daiwa Securities America New York | 1,812,424 | 38,573 | 0.021 |
| BNP Prime Peregrine Securities Hong Kong | 4,965,720 | 34,210 | 0.007 |
| Jefferies & Co. Inc. New Jersey-DTC 19 | 1,695,314 | 30,048 | 0.018 |
| Kotak Securities Bombay | 488,700 | 29,095 | 0.060 |
| ABG Securities | 967,375 | 28,496 | 0.029 |
| Cazenove & Co. | 5,143,949 | 26,725 | 0.005 |
| Exane Inc. | 260,708 | 26,127 | 0.100 |
| Other Brokers | 31,394,403 | 577,765 | 0.018 |
| Total | <u>1,793,259,119</u> | <u>\$5,132,727</u> | <u>\$0.003</u> |

*Commission recapture broker

Commissions in U.S. dollar terms

Schedule of Investment Fees

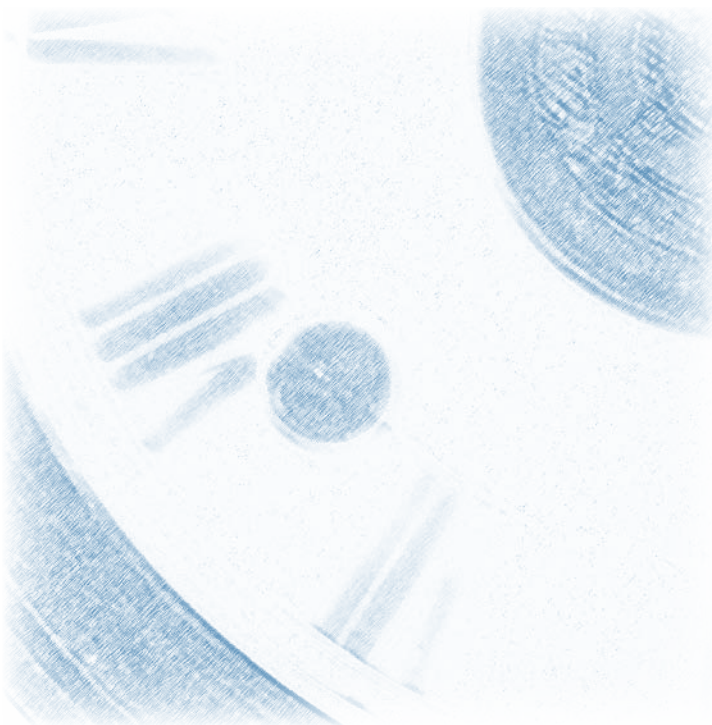
| | 2006 Fees | 2006 Assets under management at year end (in thousands)* | Basis Points | 2005 Fees | 2005 Assets under management at year end (in thousands)* | Basis Points |
|----------------------------------|----------------------|--|-----------------|---------------------|--|-----------------|
| Investment manager fees | | | | | | |
| Fixed income managers | \$6,443,064 | \$6,425,751 | 10 | \$5,551,579 | \$5,661,447 | 10 |
| Stock managers | 20,847,323 | 9,443,541 | 22 | 17,700,900 | 8,289,341 | 21 |
| International managers | 14,713,633 | 5,099,965 | 29 | 14,406,831 | 4,496,438 | 32 |
| Real estate managers | 5,427,359 | 720,072 | 75 | 5,911,208 | 716,329 | 83 |
| Alternative Investment managers | 10,098,598 | 753,438 | 114 | 7,435,136 | 650,420 | 114 |
| | <u>57,529,977</u> | <u>\$22,442,767</u> | | <u>51,005,654</u> | <u>\$19,813,975</u> | |
| Other investment fees | | | | | | |
| Master trustee fees | 275,625 | | | 277,500 | | |
| Investment consulting fees | 697,275 | | | 690,116 | | |
| Total investment fees | <u>58,502,877</u> | | | <u>51,973,270</u> | | |
| Non-fee investment expenses | 87,058 | | | 72,423 | | |
| Total direct investment expenses | <u>\$58,589,935</u> | | | <u>\$52,045,693</u> | | |
| Securities lending fees | | | | | | |
| Rebated earnings | \$136,849,239 | | | \$80,197,580 | | |
| Bank fees and commissions | 1,396,463 | | | 1,382,520 | | |
| | <u>\$138,245,702</u> | | | <u>\$81,580,100</u> | | |

*Assets under management include accrued investment income and unsettled trades.

This page intentionally left blank

Actuarial 2006

| | |
|---|----|
| Actuarial Report | 60 |
| Summary of Actuarial Assumptions..... | 62 |
| Solvency Test..... | 63 |
| Participating Member Statistics..... | 63 |
| Schedule of Adds and Removals from Rolls..... | 64 |
| Contribution Rates..... | 65 |
| Actuarial Balance Sheet..... | 66 |
| Analysis of Under Funded Actuarial Liability..... | 66 |
| Derivation of Experience Gain (Loss)..... | 67 |
| Summary of Benefits..... | 68 |





Gabriel Roeder Smith & Company
Consultants & Actuaries

One Towne Square
Suite 800
Southfield, MI 48076-3723

248.799.9000 phone
248.799.9020 fax
www.gabrielroeder.com

May 1, 2007

Board of Trustees
Illinois Municipal Retirement Fund
2211 York Road, Suite 500
Oak Brook, Illinois 60521-2374

Dear Board Members:

The basic financial objective of the Illinois Municipal Retirement Fund (IMRF) is to establish and receive contributions which:

- when expressed in terms of percents of active member payroll will remain approximately level from generation to generation, and
- when combined with present assets and future investment returns will be sufficient to meet the financial obligations of IMRF employers to present and future retirees and beneficiaries.

Actuarial valuations are performed annually to assess the plan's progress toward meeting its financial objective. The valuation process develops contribution rates that are sufficient to fund the plan's current cost (i.e., the costs assigned by the valuation method to the year of service about to be rendered), as well as to fund unfunded actuarial accrued liabilities as a level percent of active member payroll over a finite period. The most recent valuations were completed based upon population data, asset data, and plan provisions as of December 31, 2006.

The plan administrative staff provides the actuary with data for the actuarial valuation. The actuary relies on the data after reviewing it for internal and year-to-year consistency. The actuary summarizes and tabulates population data in order to analyze longer-term trends. The Plan's external auditor also audits the actuarial data annually. The actuary prepared the following supporting schedules for the Comprehensive Annual Financial Report:

Schedule of Funding Progress
Solvency Test
Actuarial Balance Sheet
Analysis of Unfunded Liability
Gain and Loss Analysis

Assets are valued on a market related basis that recognizes each year's difference between actual and assumed investment return over a closed five-year period.

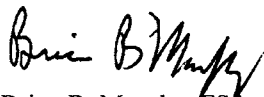
Board of Trustees
May 1, 2007
Page 2

Actuarial valuations are based upon assumptions regarding future activity in specific risk areas including the rates of investment return and payroll growth, eligibility for the various classes of benefits, and longevity among retired lives. The Board adopts these assumptions after considering the advice of the actuary and other professionals. The assumptions and the methods comply with the requirements of Statement No. 25 of the Governmental Accounting Standards Board. Each actuarial valuation takes into account all prior differences between actual and assumed experience in each risk area and adjusts the contribution rates as needed. The December 31, 2006 valuations were based upon assumptions that were recommended in connection with a study of experience covering the 2002-2004 period. The next experience study will cover the period from January 1, 2005 to December 31, 2007.

Combined experience was favorable during 2006, producing a decrease in contribution rates for many employers. Contribution rates for most SLEP employers increased due to benefit changes associated with Public Act 94-712, higher pays than expected, and additional data on reciprocal service.

Based upon the results of the December 31, 2006 valuations, we are pleased to report to the Board that the Illinois Municipal Retirement System is meeting its basic financial objective and continues to operate in accordance with actuarial principles of level percent of payroll financing.

Respectfully submitted,



Brian B. Murphy, FSA, EA, MAAA



Mark Buis, FSA, EA, MAAA

**Illinois Municipal Retirement Fund
Brief Summary of Actuarial Assumptions Used in 2006 Valuations
(Adopted as of December 31, 2004, except as noted below)**

| | |
|--------------------------------------|---|
| Investment Return | 7.5% per annum, compounded annually, net of expenses (effective December 31, 1991), including a wage inflation component of 4.0% and a real return component of 3.5%. |
| Payroll Growth | 4.00% per annum, compounded annually. Membership is assumed to remain constant. |
| Retirement Rates | Rates varying by age and sex. See table below for sample values. |
| Mortality for Actives and Annuitants | 1994 Group Annuity Mortality Table multiplied by 110% for males and 1994 Group Annuity Mortality Table multiplied by 87% for females. The active tables were further modified to reflect IMRF experience. Among the active members, 80% of males and 70% of females were assumed to be married. |
| Mortality for Disabled Cases | Graduated rates by age. |
| Disability & Separation | Graduated rates by age and service. See table below for sample values. |
| Salary Increases | Graduated rates by age and service. See table below. |
| Asset Valuation Method | Market Related Value that reflects five-year averaging of investment gains and losses. |
| Liability Valuation Method | The Entry Age Actuarial Cost Method is applied on an aggregate basis to determine plan liabilities. Gains and Losses become part of unfunded liabilities. |

| Sample Probabilities | | | | | Pay Increase Next Year (6+ Yrs. Of Service) |
|----------------------|------------------|--------|------------|--------|--|
| Age | Active Mortality | | Disability | | |
| | Male | Female | Male | Female | |
| 20 | 0.03% | 0.01% | 0.01% | 0.01% | 6.0% |
| 30 | 0.04% | 0.02% | 0.02% | 0.01% | 5.7% |
| 40 | 0.05% | 0.04% | 0.05% | 0.03% | 4.9% |
| 50 | 0.13% | 0.07% | 0.13% | 0.06% | 4.6% |
| 60 | 0.40% | 0.22% | 0.26% | 0.17% | 4.4% |
| 65 | 0.73% | 0.43% | 0.28% | 0.20% | 4.4% |

| Age | Separation | | | Retirement | | | | |
|-----|----------------------------|--------|-------------------|---------------|--------|------------------|--------|--------|
| | Regular (8+ Yrs. Serv.) | | SLEP (7+ Yrs.) | Reduced Early | | Normal Unreduced | | SLEP |
| | Male | Female | | Male | Female | Male | Female | |
| 30 | 5.5% | 6.5% | 3.4% | - % | - % | - % | - % | - % |
| 35 | 4.4% | 5.8% | 2.5% | - | - | - | - | - |
| 40 | 3.4% | 4.8% | 2.1% | - | - | - | - | - |
| 45 | 2.8% | 4.3% | 1.8% | - | - | - | - | - |
| 50 | 2.5% | 3.7% | 1.8% | - | - | - | - | 25.0% |
| 55 | - | - | - | 6.5% | 6.5% | 35.0% | 35.0% | 25.0% |
| 60 | - | - | - | - | - | 10.0% | 10.0% | 10.0% |
| 65 | - | - | - | - | - | 35.0% | 25.0% | 25.0% |
| 70 | - | - | - | - | - | 18.0% | 18.0% | 100.0% |

Solvency Test

Last ten years

| Calendar Year | Aggregate Actuarial Liabilities For | | | | Portion of Actuarial Liabilities Covered by Assets | | |
|---------------|-------------------------------------|-------------------|---|------------------|--|--------|--------|
| | (1) Active Member Contributions | (2) Annuitants | (3) Active Members (Employer Financed Portion) | Actuarial Assets | (1) | (2) | (3) |
| 1997 | \$1,933,512,014 | \$3,995,946,514 | \$4,878,510,539 | \$10,273,116,034 | 100.0% | 100.0% | 89.0% |
| 1998 | 2,086,679,470 | 4,485,651,306 | 5,288,548,422 | 11,636,495,534 | 100.0% | 100.0% | 95.8% |
| 1999 | 2,258,628,401 | 4,915,467,275 | 5,830,927,617 | 13,520,192,111 | 100.0% | 100.0% | 108.8% |
| 2000 | 2,473,646,891 | 5,284,275,174 | 6,395,133,709 | 15,169,369,271 | 100.0% | 100.0% | 115.9% |
| 2001 | 2,708,833,984 | 5,613,708,283 | 6,995,975,308 | 16,305,022,254 | 100.0% | 100.0% | 114.1% |
| 2002 | 2,950,041,671 | 6,050,882,416 | 7,558,983,215 | 16,800,195,504 | 100.0% | 100.0% | 103.2% |
| 2003 | 3,186,234,066 | 6,674,490,186 | 8,105,379,199 | 17,529,890,818 | 100.0% | 100.0% | 94.6% |
| 2004 | 3,423,785,725 | 7,332,542,340 | 8,668,338,951 | 18,315,987,910 | 100.0% | 100.0% | 87.2% |
| 2005 | 3,688,148,208 | 7,966,135,229 | 9,160,777,415 | 19,698,401,285 | 100.0% | 100.0% | 87.8% |
| 2006 | 3,960,880,175 | 8,652,328,762 | 9,874,976,094 | 21,427,139,356 | 100.0% | 100.0% | 89.3% |

Total obligation and actuarial value of assets calculated by the actuary.

Table I
Participating Member Statistics

Last ten years

| Calendar Year | Total Salaries | Percent Increase in Total Salaries | Average Annual Salary | Percent Increase in Average Salary | Number of Participating Members | Average Attained Age | Average Years of Service |
|---------------|-----------------|------------------------------------|-----------------------|------------------------------------|---------------------------------|----------------------|--------------------------|
| 1997 | \$3,454,621,933 | 12.0% | \$23,991 | 8.5% | 146,659 | 44.1 | 8.2 |
| 1998 | 3,696,047,942 | 7.0% | 24,871 | 3.7% | 150,428 | 44.3 | 8.2 |
| 1999 | 3,952,129,535 | 6.9% | 25,678 | 3.2% | 155,517 | 44.4 | 8.6 |
| 2000 | 4,184,702,169 | 5.9% | 26,514 | 3.3% | 159,810 | 44.6 | 8.2 |
| 2001 | 4,503,092,615 | 7.6% | 27,477 | 3.6% | 164,845 | 44.9 | 8.3 |
| 2002 | 4,755,103,888 | 5.6% | 28,582 | 4.0% | 167,776 | 45.3 | 8.5 |
| 2003 | 4,944,767,495 | 4.0% | 29,709 | 3.9% | 167,952 | 45.7 | 8.8 |
| 2004 | 5,161,127,432 | 4.4% | 30,899 | 4.0% | 168,536 | 46.0 | 9.0 |
| 2005 | 5,374,585,943 | 4.1% | 31,640 | 2.4% | 170,928 | 46.3 | 9.1 |
| 2006 | 5,630,683,054 | 4.8% | 32,535 | 2.8% | 174,008 | 46.5 | 9.1 |

Source for salaries, average annual salary, attained age and average years of service is actuary report.

Table II
Schedule of Adds and Removals from Rolls
Last eight years

Schedule of Retirees and Beneficiaries Added to and Removed from Rolls

| Calendar Year | Added to Rolls | | Removed from Rolls | | End of Year Rolls | | Average Annual Benefit | % Increase in Average Benefit |
|---------------|----------------|-----------------|--------------------|-----------------|-------------------|-----------------|------------------------|-------------------------------|
| | Number | Annual Benefits | Number | Annual Benefits | Number | Annual Benefits | | |
| 1999 | 4,854 | \$53,330,772 | 2,795 | \$13,682,958 | 68,331 | \$451,411,565 | 6,606 | 6.3% |
| 2000 | 4,406 | 45,664,981 | 2,875 | 14,034,136 | 69,862 | 483,042,410 | 6,914 | 4.7% |
| 2001 | 4,576 | 50,181,969 | 3,006 | 15,106,461 | 71,432 | 518,117,918 | 7,253 | 4.9% |
| 2002 | 4,896 | 59,379,384 | 2,968 | 16,313,114 | 73,360 | 561,184,188 | 7,650 | 5.5% |
| 2003 | 5,378 | 73,056,745 | 2,963 | 17,193,231 | 75,775 | 617,047,702 | 8,143 | 6.4% |
| 2004 | 5,542 | 77,466,919 | 3,075 | 18,886,006 | 78,242 | 675,628,615 | 8,635 | 6.0% |
| 2005 | 5,768 | 76,887,679 | 3,291 | 20,705,563 | 80,719 | 731,810,731 | 9,066 | 5.0% |
| 2006 | 5,885 | 85,515,147 | 3,219 | 21,441,076 | 83,385 | 795,884,802 | 9,545 | 5.3% |

Schedule of Disabilitants Added to and Removed from Rolls

| Calendar Year | Added to Rolls | | Removed from Rolls | | End of Year Rolls | | Average Annual Benefit | % Increase in Average Benefit |
|---------------|----------------|-----------------|--------------------|-----------------|-------------------|-----------------|------------------------|-------------------------------|
| | Number | Annual Benefits | Number | Annual Benefits | Number | Annual Benefits | | |
| 1999 | 1,805 | \$15,943,227 | 1,905 | \$16,439,192 | 1,384 | \$8,140,900 | 5,882 | 1.1% |
| 2000 | 1,810 | 18,164,312 | 1,777 | 17,238,156 | 1,417 | 9,067,056 | 6,399 | 8.8% |
| 2001 | 1,989 | 20,029,507 | 2,006 | 19,466,956 | 1,400 | 9,629,607 | 6,878 | 7.5% |
| 2002 | 2,261 | 24,251,986 | 2,353 | 24,145,825 | 1,308 | 9,735,768 | 7,443 | 8.2% |
| 2003 | 2,491 | 26,343,203 | 2,459 | 25,773,165 | 1,340 | 10,305,806 | 7,691 | 3.3% |
| 2004 | 2,533 | 27,551,323 | 2,487 | 27,084,088 | 1,386 | 10,773,041 | 7,773 | 1.1% |
| 2005 | 2,474 | 28,100,189 | 2,471 | 27,180,978 | 1,389 | 11,692,252 | 8,418 | 8.3% |
| 2006 | 2,339 | 27,529,685 | 2,409 | 28,024,170 | 1,319 | 11,197,767 | 8,490 | 0.9% |

Table III
Average Employer Contribution Rates
Last five years

| Calendar Year | Normal Cost | Prior Service Cost | Disability and Death | Supplemental Retirement Benefit | Total |
|---|-------------|--------------------|----------------------|---------------------------------|--------|
| Regular members | | | | | |
| 2004* | 7.60% | -0.78% | 0.38% | 0.62% | 7.82% |
| 2005 | 7.61% | 0.64% | 0.38% | 0.62% | 9.25% |
| 2006 | 7.64% | 1.34% | 0.44% | 0.62% | 10.04% |
| 2007* | 7.43% | 1.23% | 0.44% | 0.62% | 9.72% |
| 2008 | 7.42% | 1.09% | 0.34% | 0.62% | 9.47% |
| Sheriff's Law Enforcement Personnel members (SLEP) | | | | | |
| 2004* | 12.47% | 2.82% | 0.38% | 0.62% | 16.29% |
| 2005 | 12.48% | 3.67% | 0.38% | 0.62% | 17.15% |
| 2006 | 12.56% | 4.62% | 0.45% | 0.62% | 18.25% |
| 2007*# | 11.66% | 5.69% | 0.45% | 0.62% | 18.42% |
| 2008 | 11.63% | 6.73% | 0.35% | 0.62% | 19.33% |
| Elected County Officials (ECO) members | | | | | |
| 2004* | 18.18% | 25.73% | 0.37% | 0.62% | 44.90% |
| 2005 | 18.07% | 23.55% | 0.42% | 0.62% | 42.66% |
| 2006 | 18.01% | 25.84% | 0.43% | 0.62% | 44.90% |
| 2007* | 17.52% | 22.72% | 0.44% | 0.62% | 41.30% |
| 2008 | 16.96% | 23.88% | 0.34% | 0.62% | 41.80% |

* Assumptions changed due to experience study.

Benefit change

Table IV
Participating Member Contribution Rates
Last ten years

| Calendar Year | Regular IMRF | | | Sheriff's Law Enforcement Personnel | | | | Elected County Officials | | | |
|---------------|--------------|----------|-------|-------------------------------------|----------|--------|-------|--------------------------|----------|-------|-------|
| | Normal | Survivor | Total | Normal | Survivor | SLEP | Total | Normal | Survivor | ECO | Total |
| 1997 | 3.75% | 0.75% | 4.50% | 3.75% | 0.75% | 2.00% | 6.50% | 3.75% | 0.75% | 3.00% | 7.50% |
| 1998 | 3.75% | 0.75% | 4.50% | 3.75% | 0.75% | 2.00% | 6.50% | 3.75% | 0.75% | 3.00% | 7.50% |
| 1999 | 3.75% | 0.75% | 4.50% | 3.75% | 0.75% | 2.00% | 6.50% | 3.75% | 0.75% | 3.00% | 7.50% |
| 2000 | 3.75% | 0.75% | 4.50% | 3.75% | 0.75% | 2.00% | 6.50% | 3.75% | 0.75% | 3.00% | 7.50% |
| 2001 | 3.75% | 0.75% | 4.50% | 3.75% | 0.75% | 2.00% | 6.50% | 3.75% | 0.75% | 3.00% | 7.50% |
| 2002 | 3.75% | 0.75% | 4.50% | 3.75% | 0.75% | 2.00% | 6.50% | 3.75% | 0.75% | 3.00% | 7.50% |
| 2003 | 3.75% | 0.75% | 4.50% | 3.75% | 0.75% | 2.00% | 6.50% | 3.75% | 0.75% | 3.00% | 7.50% |
| 2004 | 3.75% | 0.75% | 4.50% | 3.75% | 0.75% | 2.00% | 6.50% | 3.75% | 0.75% | 3.00% | 7.50% |
| 2005 | 3.75% | 0.75% | 4.50% | 3.75% | 0.75% | 2.00% | 6.50% | 3.75% | 0.75% | 3.00% | 7.50% |
| 2006 | 3.75% | 0.75% | 4.50% | 3.75% | 0.75% | 3.00%* | 7.50% | 3.75% | 0.75% | 3.00% | 7.50% |

* The SLEP enhancement percentage changed from 2.00% to 3.00% on June 1, 2006.

Actuarial Balance Sheet

| | Amount at December 31 | |
|--|-------------------------|-------------------------|
| | 2006 | 2005 |
| Sources of Funds | | |
| Actuarial value of assets | \$21,427,139,356 | \$19,698,401,285 |
| Actuarial present value of future contributions: | | |
| Member | 2,293,928,263 | 2,208,832,020 |
| Employer Normal Costs | 3,773,011,381 | 3,639,995,727 |
| Under Funded Actuarial Accrued Liability | 1,061,045,675 | 1,116,659,557 |
| Total Sources | <u>\$28,555,124,675</u> | <u>\$26,663,888,589</u> |
| Uses of Funds | | |
| Retired members and beneficiaries | \$ 8,652,328,762 | \$ 7,966,135,229 |
| Inactive members | 2,080,710,728 | 1,903,988,080 |
| Active members | 17,803,245,151 | 16,779,881,572 |
| Death and disability benefits | 18,840,034 | 13,883,708 |
| | <u>\$28,555,124,675</u> | <u>\$26,663,888,589</u> |

Analysis of Under Funded Actuarial Liability

| | Amount at December 31 | |
|---|------------------------|------------------------|
| | 2006 | 2005 |
| Under funded liability beginning of year | \$1,116,659,557 | \$1,108,679,106 |
| Assumed net (payments) during year | (84,330,016) | (41,532,338) |
| Assumed interest (7.5 percent) | 80,625,205 | 81,612,241 |
| Expected under funded liability | 1,112,954,746 | 1,148,759,009 |
| Decrease due to assumption changes | ---- | (41,673,502) |
| Increase due to benefit change | 20,926,312 | 53,930,918 |
| Change due to investment performance | (262,216,466) | (23,771,312) |
| Change due to other sources | 189,381,083 | (20,585,556) |
| Under funded liability end of year | <u>\$1,061,045,675</u> | <u>\$1,116,659,557</u> |

Derivation of Experience Gain (Loss)

| Type of Risk Area | <u>2006</u> | <u>2005</u> |
|---|-------------------------------------|-------------------------------------|
| | (in millions) | |
| Risks Related to Assumptions | | |
| Economic Risk Areas | | |
| Investment Return | \$ 262.2 | \$ 23.8 |
| Pay Increases | 23.5 | 130.0 |
| Demographic Risk Areas | | |
| Service Retirements | (8.6) | (10.4) |
| Early Retirements | (3.4) | (5.0) |
| Vested Deferred Retirements | (32.7) | (28.3) |
| Death and Survivor Benefits | 2.1 | 1.9 |
| Disability Benefits | 9.4 | 12.0 |
| Terminated with Refund | 11.1 | 19.3 |
| Risks Not Related to Assumptions | <u>(211.7)</u> ^{<1>} | <u>(111.2)</u> ^{<2>} |
| Total Gain (or Loss) During Year | <u>\$ 51.9</u> | <u>\$ 32.1</u> |

Regular actuarial valuations give information about the composite change in unfunded actuarial accrued liabilities—whether or not the liabilities are increasing or decreasing and by how much. The objective of a gain and loss analysis is to determine the portion of the change in actuarial condition (unfunded actuarial accrued liabilities) attributable to each risk area. The fact that actual experience differs from assumed experience is to be expected—the future cannot be predicted within 100 percent precision. The economic risk areas (particularly investment return and pay increases) are volatile. It is assumed that gains and losses will be in balance over a period of years, but sizable year to year fluctuations are common.

- <1> This includes approximately \$68 million in unfunded liability attributable to reciprocal service being added to the data and \$46 million due to actual reserve transfers for retirees being higher than the estimated reserve transfers.
- <2> This includes approximately \$102 million in unfunded liability attributable to new members joining IMRF during the year and \$10 million due to actual reserve transfers for retirees being higher than estimated reserve transfers.

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 2,909 employers including cities, villages, counties, school districts, townships and various special districts, such as parks, forest preserves and sanitary districts. Each employer contributes to separate accounts to provide future retirement benefits for its own employees.

Employees of these employers are required to participate if they work in an IMRF qualified position. An IMRF qualified position is one that is expected to equal or exceed the employer's annual hourly standard; the standard is either 600 or 1,000 hours a year.

IMRF has three benefit plans. The Sheriff's Law Enforcement Personnel (SLEP) plan is for sheriffs, deputy sheriffs and selected police chiefs. Forest preserve districts may adopt the SLEP plan for their law enforcement personnel. Counties may adopt the Elected County Official (ECO) plan for their elected officials. After a county has adopted the ECO plan, participation is optional for the elected officials of that county. A county may opt out of the ECO plan. All remaining employees belong to the Regular plan.

Both the employee (member) and the employer contribute toward retirement benefits. Members contribute a percentage of their salary as established by the Pension Code. The percentage depends on the plan in which the member participates. Regular members contribute 4.5 percent. SLEP members contribute 7.5 percent. ECO members contribute 7.5 percent. Members also have the option of making voluntary after-tax contributions up to 10 percent of their salary. Employer contribution rates are actuarially calculated annually for each employer. Employers pay most of the cost for member and survivor pensions and all of the cost for supplemental retirement, death and disability benefits.

Vesting

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 join 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.

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. Vested members age 55 or older 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 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, the beneficiary will receive any balance in the member's account.

Pension Calculations

A Regular IMRF pension is:

- 1-2/3 percent of the final rate of earnings for each of the first 15 years of service credit, plus
- 2 percent for each year of service credit in excess of 15 years.

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

A SLEP pension is:

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

The maximum pension at retirement cannot exceed 80 percent of the final rate of earnings.

An ECO pension is:

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

The maximum pension at retirement cannot exceed 80 percent 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 and is increased by three percent of the original amount on January 1 of each year after the member retires. The increase for the first year is pro-rated for the number of months the member was retired.

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. The final rate of earnings for ECO members is the annual salary of the ECO member on the day he or she retires. For new ECO members who join the plan after January 25, 2000, the final rate of earnings is a four-year average calculated for each office held.

Retirement Eligibility

Normal retirement for an unreduced pension is:

- Age 60 with eight or more years of service or 35 or more years of service at age 55,
- Age 50 with 20 or more years of SLEP service for members with SLEP service,
- Age 55 with eight or more years of service for members with ECO service, or
- Age 55 with eight or more years of service in the same elected county office for members with Revised ECO service.

Regular members may retire as early as age 55 with a reduced pension. The reduction is the lesser of:

- one-fourth percent for each month the member is under age 60, or
- one-fourth percent for each month of service less than 35 years.

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. 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.

Early Retirement Incentive

IMRF employers may offer an early retirement incentive (ERI) program to their employees who are over 50 years of age and who have at least 20 years of service credit. Eligible members may purchase up to five years of service credit and age. Employers must pay off the additional ERI liability within 10 years. Subsequent ERI programs may be offered by an employer after the liability for the previous ERI program is paid.

Supplemental Retirement Benefits

Each July, IMRF provides a supplemental benefit payment to IMRF retirees and surviving spouses who have received IMRF pension payments for the preceding 12 months. The supplemental benefit payment amount will vary depending on the dollar amount to be distributed and the dollar amount of the benefits of persons eligible.

Disability Benefits

Regular and SLEP members are eligible for a maximum of 30 months of temporary disability benefits if they:

- Have at least 12 consecutive months of service credit since being enrolled in IMRF,
- Have at least nine months of service credit in the 12 months immediately prior to becoming disabled,
- Are unable to perform the duties of any position which might reasonably be assigned by the IMRF employer because of any illness, injury or other physical or mental condition and
- Are not receiving any earnings from any IMRF employer.

Regular and SLEP members are eligible for total and permanent disability benefits until they become eligible for full Social Security Old Age benefits if they:

- Have exhausted their temporary disability benefits,
- Have a medical condition which did not pre-exist their IMRF participation or they have five years of IMRF participation without being on temporary disability and
- Are unable to work in any gainful activity for any employer.

The monthly disability benefit payment is equal to 50 percent of the average monthly earnings based on the 12 months prior to the month the member became disabled.

ECO members are eligible for ECO disability benefits if they:

- Have at least 12 consecutive months of service credit since being enrolled in IMRF,
- Are in an elected county office at the time the disability occurred,
- Are making ECO contributions at the time the disability occurred,
- Are unable to reasonably perform the duties of their offices,
- Have resigned their offices and
- Have two licensed physicians approved by IMRF certify that the ECO member is permanently disabled.

The monthly ECO disability benefit is equal to the greater of:

- 50 percent of the annualized salary payable on the last day of ECO participation divided by 12 or,
- The retirement benefit earned to date up to a maximum of 66-2/3 percent.

Disability benefits under all plans are offset by Social Security or workers' compensation benefits. If disabled members receive Social Security disability and/or workers' compensation benefits, IMRF pays the difference between those benefits and 50 percent of the member's average monthly earnings. However, IMRF will always pay a minimum monthly benefit of \$10. Members on disability earn pension service credit as if they were working.

Death Benefits

Beneficiaries of active members who have more than one year of service or whose deaths are job-related are entitled to lump sum IMRF death benefits. If the member was not vested or vested without an eligible spouse, the death benefit is equal to one year's earnings plus any balance in the member's account. Eligible spouses of deceased vested active members may choose the lump sum or a monthly surviving spouse pension.

Beneficiaries of inactive non-vested members receive a lump sum payment of any balance in the member's account including interest. If the beneficiary is an eligible spouse of an inactive vested member age 55 or older, the spouse may choose between the lump sum payment or a death benefit of \$3,000 plus a monthly surviving spouse pension. Beneficiaries of retired members receive a \$3,000 death benefit. Eligible spouses also receive a surviving spouse pension.

Surviving Spouse Pension

For Regular and SLEP members, a surviving spouse's monthly pension is one-half of the member's pension.

For ECO members, a surviving spouse's monthly pension is $66\frac{2}{3}$ percent of the member's pension. This pension is payable once the surviving spouse becomes 50 years old. If the spouse is caring for the member's minor, unmarried children, the spouse will receive (age 50 requirement does not apply):

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

Surviving spouse pensions under all plans are increased each January 1 by three percent of the original amount. The increase for the first year is prorated for the number of months the surviving spouse or the member received a pension.

Plan Changes

Public Act 94-0834 was signed into law on June 6, 2006. This new law revised the Illinois Retirement Systems Reciprocal Act to allow a former teacher aide who transferred to a position covered by the Teachers' Retirement System and who has less than 12 months of IMRF service credit to apply that service toward a reciprocal pension.

This page intentionally left blank

Statistical

2006

| | |
|--|----|
| Changes in Plan Net Assets | 74 |
| Benefit Expenses by Type | 75 |
| Net Cash Flow from Contributions and Benefits..... | 76 |
| Average Benefit Payment Amounts | 77 |
| Operating Statistics - Number of Initial Benefit Payments..... | 78 |
| Number of Employees..... | 78 |
| Number of Actively Participating Employers..... | 79 |
| Principal Participating Employers..... | 79 |
| Number of Actively Participating Members..... | 80 |
| Participating Members' Length of Service..... | 80 |
| Distribution of Current Annuitants by Pension Amount | 80 |
| Analysis of Initial Retirement Benefits - Regular..... | 81 |
| Analysis of Initial Retirement Benefits - SLEP..... | 82 |
| Analysis of Initial Retirement Benefits - ECO..... | 83 |
| Annuitants by Age..... | 84 |
| Active Members by Age..... | 84 |

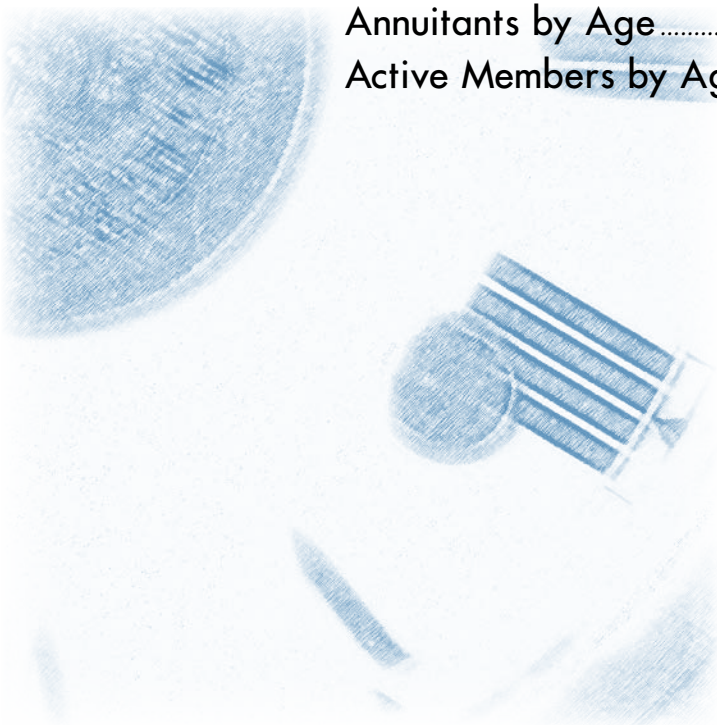


Table V
Changes in Plan Net Assets

Last ten years

Additions

| Calendar Year | Investment Earnings Net of Direct Investment Expense | Employer Contributions | | | Member Contributions | Other | Total Additions |
|---------------|--|------------------------|-----------------------------------|---------------|----------------------|-----------------|-----------------|
| | | Dollars | Percent of Annual Covered Payroll | | | | |
| 1997 | \$1,550,409,109 | \$336,249,487 | 9.73% | \$168,501,275 | \$ 1,232 | \$2,055,161,103 | |
| 1998 | 1,416,152,349 | 364,196,668 | 9.85% | 190,259,213 | 66,938 | 1,970,675,168 | |
| 1999 | 2,689,086,076 | 379,194,892 | 9.59% | 192,356,900 | 6,957 | 3,260,644,825 | |
| 2000 | 283,134,582 | 356,153,448 | 8.51% | 200,209,408 | 739 | 839,498,177 | |
| 2001 | (1,010,875,498) | 313,007,639 | 6.95% | 216,150,677 | 4,050 | (481,713,132) | |
| 2002 | (1,325,374,842) | 294,935,422 | 6.20% | 233,935,559 | 5,200 | (796,498,661) | |
| 2003 | 2,996,066,692 | 321,049,839 | 6.49% | 255,498,279 | 5,050 | 3,572,619,860 | |
| 2004 | 2,010,704,974 | 456,198,098 | 8.84% | 259,505,532 | 5,494 | 2,726,414,098 | |
| 2005 | 1,607,733,405 | 543,263,475 | 10.11% | 265,568,534 | 5,190 | 2,416,570,604 | |
| 2006 | 2,667,700,578 | 602,775,795 | 10.71% | 280,997,170 | 6,315 | 3,551,479,858 | |

Deductions

| Calendar Year | Benefits | Refunds | Administrative Expenses | Total Deductions | Change in Plan Net Assets |
|---------------|---------------|--------------|-------------------------|------------------|---------------------------|
| 1997 | \$410,417,029 | \$26,088,854 | \$14,700,542 | \$451,206,425 | \$1,603,954,678 |
| 1998 | 451,496,766 | 27,121,071 | 16,527,175 | 495,145,012 | 1,475,530,156 |
| 1999 | 496,363,836 | 28,126,601 | 16,190,583 | 540,681,020 | 2,719,963,805 |
| 2000 | 533,683,244 | 29,791,950 | 17,125,395 | 580,600,589 | 258,897,588 |
| 2001 | 570,548,544 | 27,507,628 | 18,470,776 | 616,526,948 | (1,098,240,080) |
| 2002 | 613,606,477 | 36,641,773 | 18,727,800 | 668,976,050 | (1,465,474,711) |
| 2003 | 668,534,229 | 29,186,749 | 18,785,811 | 716,506,789 | 2,856,113,071 |
| 2004 | 733,376,801 | 31,156,292 | 19,405,567 | 783,938,660 | 1,942,475,438 |
| 2005 | 791,333,700 | 32,120,791 | 19,650,440 | 843,104,931 | 1,573,465,673 |
| 2006 | 856,205,596 | 40,095,036 | 20,339,190 | 916,639,822 | 2,634,840,036 |

Table VI
Benefit Expense by Type

Last ten years

| Calendar Year | DEATH | | | | DISABILITY | |
|---------------|--------------|-------------|-------------|-----------|-------------|-------------|
| | Supplemental | Refund | Burial | Residual | Permanent | Temporary |
| 1997 | \$7,083,244 | \$5,376,069 | \$5,458,990 | \$493,928 | \$3,089,085 | \$5,274,900 |
| 1998 | 7,534,697 | 5,912,822 | 5,585,751 | 516,511 | 3,093,157 | 5,130,272 |
| 1999 | 7,107,276 | 5,440,949 | 6,234,757 | 155,382 | 3,150,728 | 5,286,122 |
| 2000 | 8,211,433 | 5,864,391 | 5,947,348 | 405,080 | 3,081,562 | 6,022,246 |
| 2001 | 7,146,093 | 6,341,938 | 6,314,132 | 658,284 | 3,140,589 | 6,424,182 |
| 2002 | 8,609,843 | 5,836,970 | 6,539,959 | 502,963 | 3,255,522 | 6,585,585 |
| 2003 | 7,962,909 | 6,120,345 | 6,583,839 | 586,550 | 3,473,294 | 7,060,682 |
| 2004 | 9,929,302 | 7,319,032 | 6,881,926 | 515,537 | 3,440,867 | 7,377,055 |
| 2005 | 9,389,674 | 7,096,253 | 7,182,437 | 997,874 | 3,746,535 | 7,553,159 |
| 2006 | 9,874,057 | 7,565,398 | 7,464,813 | 708,466 | 3,857,144 | 7,795,207 |

| Calendar Year | ANNUITIES | | | | REFUNDS | | |
|---------------|---------------|------------------|-------------|--------------|--------------|------------|---------------|
| | Retirement | Surviving Spouse | Beneficiary | Supplemental | Separation | Other | Total |
| 1997 | \$336,784,723 | \$24,815,833 | \$615,880 | \$21,424,377 | \$25,760,143 | \$328,711 | \$436,505,883 |
| 1998 | 374,124,084 | 26,334,572 | 635,074 | 22,629,826 | 26,589,126 | 531,945 | 478,617,837 |
| 1999 | 414,515,394 | 29,272,679 | 697,985 | 24,502,564 | 27,998,118 | 128,483 | 524,490,437 |
| 2000 | 445,581,289 | 32,129,182 | 749,696 | 25,691,017 | 29,423,748 | 368,202 | 563,475,194 |
| 2001 | 477,490,779 | 34,622,766 | 785,027 | 27,624,754 | 27,039,539 | 468,089 | 598,056,172 |
| 2002 | 513,656,258 | 37,907,435 | 850,558 | 29,861,384 | 26,031,474 | 10,610,299 | 650,248,250 |
| 2003 | 563,294,375 | 41,009,876 | 953,238 | 31,489,121 | 28,286,009 | 900,740 | 697,720,978 |
| 2004 | 619,816,366 | 44,426,578 | 1,073,847 | 32,596,291 | 29,802,863 | 1,353,429 | 764,533,093 |
| 2005 | 673,325,914 | 47,245,463 | 1,206,562 | 33,589,829 | 30,952,680 | 1,168,111 | 823,454,491 |
| 2006 | 732,090,146 | 50,788,527 | 1,325,633 | 34,736,205 | 32,707,901 | 7,387,135 | 896,300,632 |

Statistical

Table VII
Net Cash Flow from Contributions and Benefits

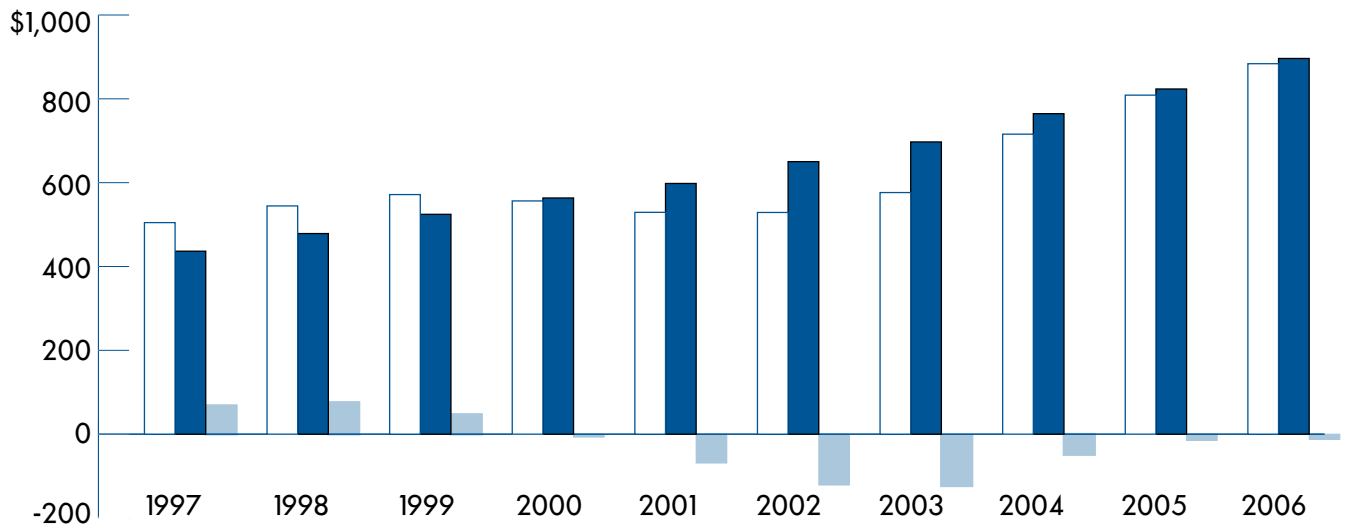
Last ten years

| <u>Calendar Year</u> | <u>Employer Contributions</u> | <u>Member Contributions</u> | <u>Total Contributions</u> | <u>Total Benefit Payments</u> | <u>Net Cash Flow</u> |
|----------------------|-------------------------------|-----------------------------|----------------------------|-------------------------------|----------------------|
| 1997 | \$336,249,487 | \$168,501,275 | \$504,750,762 | \$436,505,883 | \$68,244,879 |
| 1998 | 364,196,668 | 190,259,213 | 554,455,881 | 478,617,837 | 75,838,044 |
| 1999 | 379,194,892 | 192,356,900 | 571,551,792 | 524,490,437 | 47,061,355 |
| 2000 | 356,153,448 | 200,209,408 | 556,362,856 | 563,475,194 | (7,112,338) |
| 2001 | 313,007,639 | 216,150,677 | 529,158,316 | 598,056,172 | (68,897,856) |
| 2002 | 294,935,422 | 233,935,559 | 528,870,981 | 650,248,250 | (121,377,269) |
| 2003 | 321,049,839 | 255,498,279 | 576,548,118 | 697,720,978 | (121,172,860) |
| 2004 | 456,198,098 | 259,505,532 | 715,703,630 | 764,533,093 | (48,829,463) |
| 2005 | 543,263,475 | 265,568,534 | 808,832,009 | 823,454,491 | (14,622,482) |
| 2006 | 602,775,795 | 280,997,170 | 883,772,965 | 896,300,632 | (12,527,667) |

Net Cash Flow

Last ten years

In Millions



- Contributions
- Benefit Payments
- Net Cash Flow

Table VIII
Average Benefit Payment Amounts
Last ten years

| Calendar Year | Single Sum Payments | | Recurring Payments | |
|---------------|---------------------|------------------------|-----------------------|-----------------------|
| | Separation Refunds | Lump Sum Death Benefit | Annual Disability (1) | Annual Retirement (2) |
| 1997 | \$1,859 | \$21,779 | \$11,764 | \$10,643 |
| 1998 | 1,966 | 32,627 | 12,059 | 10,415 |
| 1999 | 2,027 | 30,645 | 12,355 | 10,102 |
| 2000 | 2,095 | 31,999 | 13,144 | 9,314 |
| 2001 | 2,048 | 27,888 | 13,807 | 11,023 |
| 2002 | 2,044 | 28,668 | 14,302 | 12,217 |
| 2003 | 2,235 | 25,991 | 14,418 | 13,862 |
| 2004 | 2,445 | 29,022 | 14,946 | 14,118 |
| 2005 | 2,656 | 26,524 | 15,396 | 13,145 |
| 2006 | 2,814 | 35,014 | 15,860 | 12,864 |

(1) Prior to Social Security and workers' compensation offsets.
 (2) Includes voluntary additional benefits.

Average Benefit Payment Amounts
 In Millions

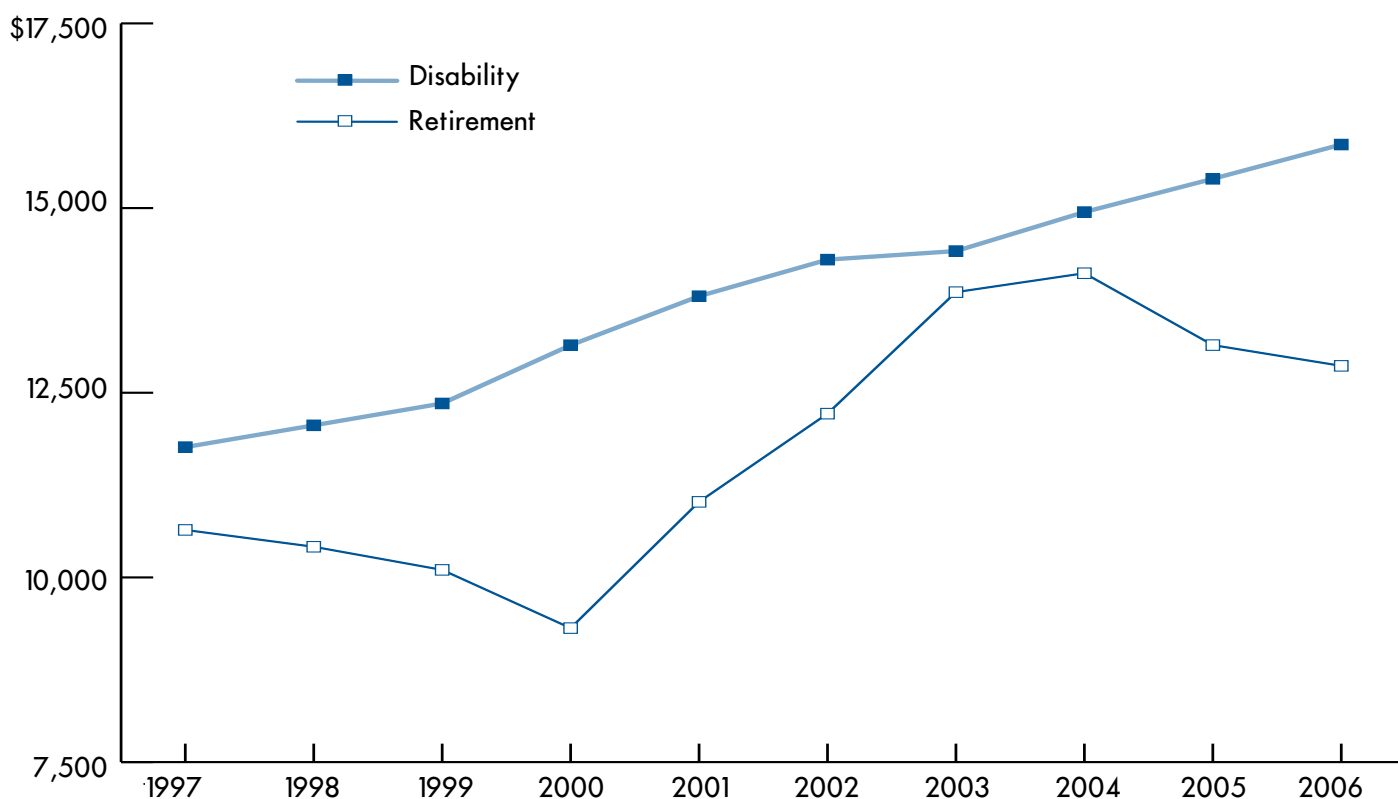


Table IX
Operating Statistics - Number of Initial Benefit Payments
Last ten years

| <u>Calendar Year</u> | <u>Annuity</u> | <u>Disability</u> | <u>Death</u> | <u>Refund</u> | <u>Total</u> |
|----------------------|----------------|-------------------|--------------|---------------|--------------|
| 1997 | 4,962 | 2,169 | 915 | 13,841 | 21,887 |
| 1998 | 4,025 | 1,953 | 2,367 | 13,373 | 21,718 |
| 1999 | 3,892 | 2,004 | 2,517 | 13,542 | 21,955 |
| 2000 | 3,527 | 2,044 | 2,374 | 13,997 | 21,942 |
| 2001 | 3,647 | 1,989 | 2,646 | 13,162 | 21,444 |
| 2002 | 3,963 | 2,261 | 2,695 | 12,603 | 21,522 |
| 2003 | 4,442 | 2,491 | 2,699 | 12,507 | 22,139 |
| 2004 | 4,555 | 2,716 | 2,693 | 11,999 | 21,963 |
| 2005 | 4,868 | 2,474 | 2,971 | 11,677 | 21,990 |
| 2006 | 4,848 | 2,504 | 2,870 | 11,634 | 21,856 |

Table X
Number of Employees
Last ten years

| <u>Calendar Year</u> | <u>Administration</u> | <u>Human Resources</u> | <u>Finance</u> | <u>Investments</u> | <u>Legal</u> | <u>Communications</u> | <u>Member Services</u> | <u>Benefits</u> | <u>Information Services</u> | <u>Office Services</u> | <u>Total</u> |
|----------------------|-----------------------|------------------------|----------------|--------------------|--------------|-----------------------|------------------------|-----------------|-----------------------------|------------------------|--------------|
| 1997 | 3 | 4 | 40 | 10 | 4 | 4 | 22 | 23 | 41 | 25 | 176 |
| 1998 | 4 | 4 | 41 | 9 | 4 | 3 | 21 | 23 | 40 | 27 | 176 |
| 1999 | 4 | 4 | 41 | 10 | 4 | 4 | 22 | 24 | 40 | 26 | 179 |
| 2000 | 4 | 4 | 41 | 9 | 4 | 5 | 20 | 24 | 43 | 25 | 179 |
| 2001 | 4 | 4 | 39 | 10 | 3 | 5 | 24 | 25 | 43 | 27 | 184 |
| 2002 | 4 | 4 | 38 | 10 | 4 | 5 | 24 | 25 | 45 | 27 | 186 |
| 2003 | 4 | 4 | 36 | 10 | 4 | 5 | 24 | 25 | 45 | 26 | 183 |
| 2004 | 4 | 4 | 33 | 10 | 4 | 5 | 24 | 25 | 43 | 25 | 177 |
| 2005 | 4 | 4 | 32 | 10 | 4 | 5 | 24 | 25 | 44 | 24 | 176 |
| 2006 | 4 | 4 | 30 | 11 | 3 | 5 | 23 | 27 | 43 | 26 | 176 |

Table XI
Number of Actively Participating Employers
Last ten years

| <u>Calendar Year End</u> | <u>Cities</u> | <u>Villages</u> | <u>Counties</u> | <u>School Districts</u> | <u>Townships</u> | <u>Other</u> | <u>Total</u> |
|------------------------------|---------------|-----------------|-----------------|-----------------------------|------------------|--------------|--------------|
| 1997 | 245 | 347 | 101 | 898 | 402 | 713 | 2,706 |
| 1998 | 247 | 356 | 101 | 894 | 417 | 729 | 2,744 |
| 1999 | 247 | 363 | 101 | 893 | 425 | 739 | 2,768 |
| 2000 | 249 | 364 | 101 | 891 | 432 | 754 | 2,791 |
| 2001 | 251 | 373 | 101 | 890 | 444 | 767 | 2,826 |
| 2002 | 252 | 377 | 101 | 890 | 451 | 782 | 2,853 |
| 2003 | 252 | 383 | 101 | 885 | 458 | 792 | 2,871 |
| 2004 | 252 | 389 | 101 | 877 | 463 | 801 | 2,883 |
| 2005 | 253 | 395 | 101 | 871 | 463 | 813 | 2,896 |
| 2006 | 255 | 398 | 101 | 870 | 467 | 818 | 2,909 |

Table XII
Principal Participating Employers
Current year and nine years ago

| <u>Employer</u> | <u>2006</u> | | | <u>1997</u> | | |
|------------------------------|---------------------------|-------------|---|---------------------------|-------------|---|
| | <u>Active Members</u> | <u>Rank</u> | <u>Percentage of Total Active Members</u> | <u>Active Members</u> | <u>Rank</u> | <u>Percentage of Total Active Members</u> |
| DuPage County | 3,474 | 1 | 2.00% | 3,394 | 1 | 2.31% |
| Lake County | 2,954 | 2 | 1.70% | 2,620 | 2 | 1.79% |
| Will County | 2,178 | 3 | 1.25% | 1,675 | 4 | 1.14% |
| Union School District 46 | 2,043 | 4 | 1.17% | 1,444 | 6 | 0.98% |
| Winnebago County | 1,874 | 5 | 1.08% | 1,529 | 5 | 1.04% |
| Rockford School District 205 | 1,567 | 6 | 0.90% | 1,782 | 3 | 1.22% |
| Kane County | 1,389 | 7 | 0.80% | 1,236 | 8 | 0.84% |
| City of Springfield | 1,317 | 8 | 0.76% | 1,430 | 7 | 0.98% |
| Peoria School District 150 | 1,315 | 9 | 0.76% | 1,173 | 9 | 0.80% |
| McHenry County | 1,230 | 10 | 0.71% | | | |
| Madison County | | | | 1,117 | 10 | 0.76% |
| | <u>19,341</u> | | <u>11.13%</u> | <u>17,400</u> | | <u>11.86%</u> |

Table XIII
Number of Actively Participating Members
Last ten years

| <u>Calendar Year End</u> | <u>Male Participants</u> | <u>Female Participants</u> | <u>Total</u> |
|--------------------------|--------------------------|----------------------------|--------------|
| 1997 | 56,424 | 90,235 | 146,659 |
| 1998 | 57,181 | 93,247 | 150,428 |
| 1999 | 58,419 | 97,098 | 155,517 |
| 2000 | 59,728 | 100,082 | 159,810 |
| 2001 | 61,245 | 103,600 | 164,845 |
| 2002 | 62,216 | 105,560 | 167,776 |
| 2003 | 62,597 | 105,355 | 167,952 |
| 2004 | 62,611 | 105,925 | 168,536 |
| 2005 | 63,323 | 107,605 | 170,928 |
| 2006 | 64,136 | 109,872 | 174,008 |

Table XIV
Participating Members' Length of Service
Last ten years

| <u>Calendar Year</u> | <u>Total Active Members</u> | <u>Under 1 Year</u> | <u>1 to 7 Years</u> | <u>8 to 14 Years</u> | <u>15 Years and Over</u> | <u>Percent Vested (8 or More Years of Service)</u> |
|----------------------|-----------------------------|---------------------|---------------------|----------------------|--------------------------|--|
| 1997 | 146,659 | 20,761 | 64,579 | 33,337 | 27,982 | 41.8% |
| 1998 | 150,428 | 21,503 | 65,472 | 35,343 | 28,110 | 42.2% |
| 1999 | 155,517 | 22,831 | 68,007 | 35,498 | 29,181 | 41.6% |
| 2000 | 159,810 | 22,461 | 72,144 | 34,473 | 30,732 | 40.8% |
| 2001 | 164,845 | 22,286 | 76,006 | 34,261 | 32,292 | 40.4% |
| 2002 | 167,776 | 18,566 | 80,607 | 34,920 | 33,683 | 40.9% |
| 2003 | 167,952 | 16,678 | 80,610 | 35,468 | 35,196 | 42.1% |
| 2004 | 168,536 | 17,225 | 78,499 | 35,765 | 37,047 | 43.2% |
| 2005 | 170,928 | 18,723 | 76,768 | 36,735 | 38,702 | 44.1% |
| 2006 | 174,008 | 19,245 | 76,290 | 38,781 | 39,692 | 45.1% |

Table XV
Distribution of Current Annuitants by Pension Amount

| <u>Monthly Pension Amount</u> | <u>Retirement Number of</u> | | <u>Survivor Number of</u> | | <u>All Annuities Number of</u> | |
|-------------------------------|-----------------------------|----------------|---------------------------|----------------|--------------------------------|----------------|
| | <u>Males</u> | <u>Females</u> | <u>Males</u> | <u>Females</u> | <u>Males</u> | <u>Females</u> |
| Under \$100 | 933 | 4,708 | 697 | 1,367 | 1,630 | 6,075 |
| \$100 to under \$250 | 2,032 | 10,030 | 960 | 3,175 | 2,992 | 13,205 |
| \$250 to under \$500 | 4,150 | 11,741 | 664 | 2,746 | 4,814 | 14,487 |
| \$500 to under \$750 | 3,327 | 7,004 | 210 | 1,161 | 3,537 | 8,165 |
| \$750 to under \$1,000 | 2,624 | 4,479 | 72 | 552 | 2,696 | 5,031 |
| \$1,000 to under \$2,000 | 5,639 | 7,023 | 40 | 592 | 5,679 | 7,615 |
| \$2,000 to under \$3,000 | 2,769 | 1,503 | -- | 63 | 2,769 | 1,566 |
| \$3,000 to under \$4,000 | 1,370 | 358 | -- | 5 | 1,370 | 363 |
| \$4,000 and over | 1,231 | 154 | -- | 6 | 1,231 | 160 |
| Total | <u>24,075</u> | <u>47,000</u> | <u>2,643</u> | <u>9,667</u> | <u>26,718</u> | <u>56,667</u> |

Note: Counts do not include disabled annuitants.

Table XVI
Analysis of Initial Retirement Benefits - Regular Plan
Last Ten Years

| | Years of Credited Service | | | | | | | Total |
|---------------------|---------------------------|---------|---------|---------|---------|---------|---------|---------|
| | 8-9 | 10-14 | 15-19 | 20-24 | 25-29 | 30-34 | 35+ | |
| 1997 | | | | | | | | |
| Avg Monthly Annuity | \$221 | \$336 | \$544 | \$817 | \$1,175 | \$1,514 | \$2,096 | \$769 |
| Avg Monthly FRE | \$1,577 | \$1,714 | \$1,874 | \$2,151 | \$2,413 | \$2,593 | \$2,986 | \$2,055 |
| Number of Retirees | 462 | 749 | 746 | 526 | 689 | 307 | 160 | 3,639 |
| 1998 | | | | | | | | |
| Avg Monthly Annuity | \$236 | \$365 | \$601 | \$833 | \$1,309 | \$1,677 | \$2,637 | \$894 |
| Avg Monthly FRE | \$1,667 | \$1,860 | \$2,074 | \$2,182 | \$2,695 | \$2,898 | \$3,767 | \$2,286 |
| Number of Retirees | 444 | 696 | 638 | 523 | 535 | 324 | 231 | 3,391 |
| 1999 | | | | | | | | |
| Avg Monthly Annuity | \$235 | \$368 | \$623 | \$853 | \$1,334 | \$1,845 | \$2,810 | \$864 |
| Avg Monthly FRE | \$1,647 | \$1,853 | \$2,176 | \$2,247 | \$2,755 | \$3,184 | \$4,036 | \$2,302 |
| Number of Retirees | 409 | 774 | 591 | 588 | 453 | 294 | 148 | 3,257 |
| 2000 | | | | | | | | |
| Avg Monthly Annuity | \$250 | \$400 | \$656 | \$911 | \$1,270 | \$1,764 | \$2,499 | \$808 |
| Avg Monthly FRE | \$1,776 | \$2,005 | \$2,277 | \$2,392 | \$2,664 | \$3,065 | \$3,595 | \$2,315 |
| Number of Retirees | 383 | 705 | 558 | 574 | 375 | 205 | 94 | 2,894 |
| 2001 | | | | | | | | |
| Avg Monthly Annuity | \$254 | \$385 | \$635 | \$903 | \$1,352 | \$2,007 | \$2,616 | \$845 |
| Avg Monthly FRE | \$1,821 | \$1,942 | \$2,233 | \$2,388 | \$2,822 | \$3,476 | \$3,757 | \$2,363 |
| Number of Retirees | 389 | 742 | 575 | 563 | 356 | 213 | 131 | 2,969 |
| 2002 | | | | | | | | |
| Avg Monthly Annuity | \$265 | \$397 | \$693 | \$951 | \$1,449 | \$2,010 | \$2,756 | \$965 |
| Avg Monthly FRE | \$1,896 | \$2,005 | \$2,450 | \$2,504 | \$3,017 | \$3,490 | \$3,981 | \$2,558 |
| Number of Retirees | 387 | 667 | 594 | 520 | 483 | 298 | 152 | 3,101 |
| 2003 | | | | | | | | |
| Avg Monthly Annuity | \$273 | \$448 | \$746 | \$1,084 | \$1,490 | \$2,151 | \$3,122 | \$1,119 |
| Avg Monthly FRE | \$1,947 | \$2,255 | \$2,609 | \$2,842 | \$3,091 | \$3,734 | \$4,496 | \$2,824 |
| Number of Retirees | 417 | 685 | 643 | 460 | 553 | 361 | 245 | 3,364 |
| 2004 | | | | | | | | |
| Avg Monthly Annuity | \$293 | \$433 | \$719 | \$1,077 | \$1,567 | \$2,236 | \$3,251 | \$1,147 |
| Avg Monthly FRE | \$2,099 | \$2,185 | \$2,533 | \$2,816 | \$3,266 | \$3,841 | \$4,665 | \$2,866 |
| Number of Retirees | 410 | 715 | 676 | 461 | 559 | 367 | 261 | 3,449 |
| 2005 | | | | | | | | |
| Avg Monthly Annuity | \$289 | \$452 | \$728 | \$1,104 | \$1,545 | \$2,158 | \$3,000 | \$1,063 |
| Avg Monthly FRE | \$2,074 | \$2,293 | \$2,537 | \$2,913 | \$3,225 | \$3,747 | \$4,308 | \$2,807 |
| Number of Retirees | 473 | 781 | 748 | 590 | 544 | 348 | 221 | 3,705 |
| 2006 | | | | | | | | |
| Avg Monthly Annuity | \$293 | \$477 | \$768 | \$1,212 | \$1,523 | \$2,393 | \$3,605 | \$1,137 |
| Avg Monthly FRE | \$2,094 | \$2,407 | \$2,676 | \$3,218 | \$3,209 | \$4,135 | \$5,165 | \$2,984 |
| Number of Retirees | 500 | 764 | 754 | 608 | 537 | 308 | 229 | 3,700 |

FRE = Final Rate of Earnings used to calculate retirement benefit.

Note: This schedule excludes members retiring with money purchase benefits, reciprocal benefits, or multiple plans.

Table XVII
Analysis of Initial Retirement Benefits - Sheriffs' Law Enforcement Personnel Plan (SLEP)
Last Ten Years

| | Years of Credited Service | | | | Total |
|---------------------|---------------------------|--------------|--------------|------------|---------|
| | <u>20-24</u> | <u>25-29</u> | <u>30-34</u> | <u>35+</u> | |
| 1997 | | | | | |
| Avg Monthly Annuity | \$1,719 | \$2,509 | \$3,036 | \$5,235 | \$2,582 |
| Avg Monthly FRE | \$3,210 | \$4,083 | \$4,407 | \$6,981 | \$4,070 |
| Number of Retirees | 22 | 29 | 29 | 3 | 83 |
| 1998 | | | | | |
| Avg Monthly Annuity | \$1,615 | \$2,212 | \$2,905 | \$4,219 | \$2,230 |
| Avg Monthly FRE | \$3,192 | \$3,803 | \$4,444 | \$5,625 | \$3,795 |
| Number of Retirees | 30 | 22 | 22 | 2 | 76 |
| 1999 | | | | | |
| Avg Monthly Annuity | \$1,752 | \$2,820 | \$3,531 | | \$2,609 |
| Avg Monthly FRE | \$3,306 | \$4,450 | \$5,279 | | \$4,278 |
| Number of Retirees | 25 | 23 | 18 | | 66 |
| 2000 | | | | | |
| Avg Monthly Annuity | \$1,698 | \$2,717 | \$3,303 | \$3,581 | \$2,379 |
| Avg Monthly FRE | \$3,360 | \$4,306 | \$4,668 | \$8,287 | \$4,053 |
| Number of Retirees | 16 | 15 | 5 | 1 | 37 |
| 2001 | | | | | |
| Avg Monthly Annuity | \$1,774 | \$3,394 | \$3,891 | \$849 | \$2,843 |
| Avg Monthly FRE | \$3,566 | \$5,588 | \$5,624 | \$1,132 | \$4,691 |
| Number of Retirees | 27 | 16 | 21 | 1 | 65 |
| 2002 | | | | | |
| Avg Monthly Annuity | \$2,079 | \$2,933 | \$3,976 | \$3,532 | \$3,131 |
| Avg Monthly FRE | \$3,947 | \$4,778 | \$5,669 | \$4,710 | \$4,917 |
| Number of Retirees | 13 | 27 | 22 | 1 | 63 |
| 2003 | | | | | |
| Avg Monthly Annuity | \$2,851 | \$3,479 | \$4,128 | \$3,732 | \$3,423 |
| Avg Monthly FRE | \$5,587 | \$5,465 | \$6,028 | \$4,977 | \$5,609 |
| Number of Retirees | 21 | 33 | 14 | 1 | 69 |
| 2004 | | | | | |
| Avg Monthly Annuity | \$2,555 | \$3,581 | \$3,773 | \$4,175 | \$3,332 |
| Avg Monthly FRE | \$4,925 | \$5,698 | \$5,329 | \$5,567 | \$5,370 |
| Number of Retirees | 24 | 33 | 18 | 3 | 78 |
| 2005 | | | | | |
| Avg Monthly Annuity | \$2,295 | \$4,150 | \$3,613 | \$5,336 | \$3,439 |
| Avg Monthly FRE | \$4,517 | \$6,214 | \$4,975 | \$6,823 | \$5,452 |
| Number of Retirees | 25 | 23 | 5 | 6 | 59 |
| 2006 | | | | | |
| Avg Monthly Annuity | \$2,689 | \$3,948 | \$4,738 | \$5,165 | \$3,817 |
| Avg Monthly FRE | \$5,046 | \$5,835 | \$6,099 | \$6,768 | \$5,692 |
| Number of Retirees | 27 | 36 | 25 | 2 | 90 |

FRE = Final Rate of Earnings used to calculate retirement benefit.

Note: This schedule excludes members retiring with money purchase benefits, reciprocal benefits, or multiple plans.

Table XVIII
Analysis of Initial Retirement Benefits - Elected County Official Plan (ECO)

Last Ten Years

| | Years of Credited Service | | | | | | Total | |
|---------------------|---------------------------|---------|---------|---------|---------|-------|---------|---------|
| | 8-9 | 10-14 | 15-19 | 20-24 | 25-29 | 30-34 | | 35+ |
| 1997 | | | | | | | | |
| Avg Monthly Annuity | | | | | \$2,348 | | \$2,600 | \$2,474 |
| Avg Monthly FRE | | | | | \$2,935 | | \$3,250 | \$3,093 |
| Number of Retirees | | | | | 1 | | 1 | 2 |
| 1998 | | | | | | | | |
| Avg Monthly Annuity | \$604 | \$1,207 | \$2,011 | \$2,438 | \$2,422 | | | \$1,564 |
| Avg Monthly FRE | \$2,599 | \$2,882 | \$2,317 | \$3,047 | \$3,028 | | | \$2,882 |
| Number of Retirees | 4 | 9 | 6 | 4 | 1 | | | 24 |
| 1999 | | | | | | | | |
| Avg Monthly Annuity | | \$1,158 | \$2,402 | \$670 | | | | \$1,344 |
| Avg Monthly FRE | | \$2,887 | \$2,895 | \$837 | | | | \$2,434 |
| Number of Retirees | | 4 | 3 | 2 | | | | 9 |
| 2000 | | | | | | | | |
| Avg Monthly Annuity | | \$1,086 | \$3,707 | \$1,664 | | | | \$2,201 |
| Avg Monthly FRE | | \$2,964 | \$5,600 | \$2,080 | | | | \$3,474 |
| Number of Retirees | | 3 | 4 | 5 | | | | 12 |
| 2001 | | | | | | | | |
| Avg Monthly Annuity | | \$292 | \$452 | \$1,345 | \$1,824 | | | \$864 |
| Avg Monthly FRE | | \$1,202 | \$1,282 | \$1,808 | \$2,280 | | | \$1,560 |
| Number of Retirees | | 3 | 4 | 3 | 2 | | | 12 |
| 2002 | | | | | | | | |
| Avg Monthly Annuity | \$619 | \$441 | \$1,892 | \$2,849 | | | | \$1,462 |
| Avg Monthly FRE | \$2,330 | \$1,126 | \$2,907 | \$3,562 | | | | \$2,389 |
| Number of Retirees | 4 | 10 | 9 | 7 | | | | 30 |
| 2003 | | | | | | | | |
| Avg Monthly Annuity | \$315 | \$454 | \$2,932 | \$3,790 | \$7,117 | | | \$2,633 |
| Avg Monthly FRE | \$1,312 | \$1,137 | \$4,321 | \$4,737 | \$8,896 | | | \$3,708 |
| Number of Retirees | 1 | 3 | 3 | 3 | 1 | | | 11 |
| 2004 | | | | | | | | |
| Avg Monthly Annuity | | \$1,215 | \$3,671 | \$3,874 | | | \$1,780 | \$2,840 |
| Avg Monthly FRE | | \$2,779 | \$5,567 | \$4,843 | | | \$4,111 | \$4,294 |
| Number of Retirees | | 7 | 5 | 8 | | | 1 | 21 |
| 2005 | | | | | | | | |
| Avg Monthly Annuity | | \$1,787 | \$3,365 | \$5,627 | \$6,926 | | | \$4,392 |
| Avg Monthly FRE | | \$3,612 | \$4,160 | \$7,034 | \$8,658 | | | \$5,878 |
| Number of Retirees | | 2 | 1 | 3 | 1 | | | 7 |
| 2006 | | | | | | | | |
| Avg Monthly Annuity | \$609 | \$1,296 | \$3,113 | \$3,063 | | | | \$2,046 |
| Avg Monthly FRE | \$2,437 | \$2,942 | \$4,434 | \$4,021 | | | | \$3,491 |
| Number of Retirees | 6 | 8 | 8 | 6 | | | | 28 |

FRE = Final Rate of Earnings used to calculate retirement benefit.

Note: This schedule excludes members retiring with money purchase benefits, reciprocal benefits, or multiple plans.

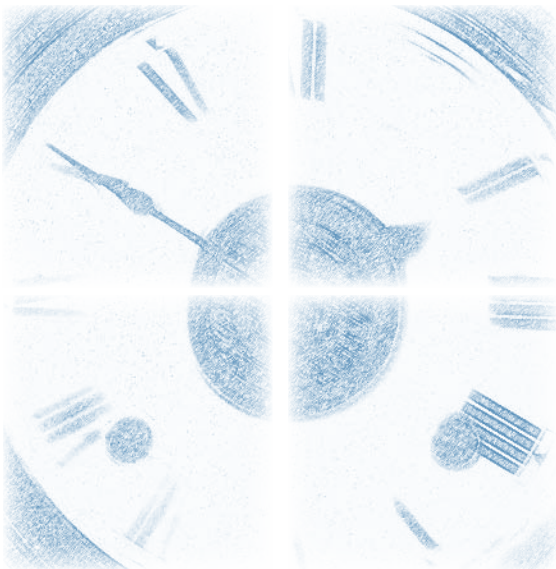
Table XIX
Annuitants by Age

| Ages | Retirees | | | Surviving Spouses | | | Beneficiaries | | |
|--------------|---------------|---------------|---------------|-------------------|--------------|---------------|---------------|------------|------------|
| | Male | Female | Total | Male | Female | Total | Male | Female | Total |
| Under 55 | 422 | 88 | 510 | 12 | 102 | 114 | 49 | 99 | 148 |
| 55 to 59 | 2,852 | 4,194 | 7,046 | 21 | 198 | 219 | 4 | 31 | 35 |
| 60 to 64 | 3,670 | 7,547 | 11,217 | 92 | 434 | 526 | 13 | 43 | 56 |
| 65 to 69 | 4,350 | 9,112 | 13,462 | 172 | 700 | 872 | 9 | 33 | 42 |
| 70 to 74 | 4,202 | 8,152 | 12,354 | 362 | 1,164 | 1,526 | 10 | 25 | 35 |
| 75 to 79 | 3,790 | 7,285 | 11,075 | 522 | 1,785 | 2,307 | 6 | 27 | 33 |
| 80 to 84 | 2,827 | 5,625 | 8,452 | 641 | 2,056 | 2,697 | 4 | 27 | 31 |
| 85 to 89 | 1,402 | 3,348 | 4,750 | 477 | 1,764 | 2,241 | 4 | 16 | 20 |
| 90 to 94 | 475 | 1,325 | 1,800 | 197 | 897 | 1,094 | 2 | 10 | 12 |
| 95 to 100 | 80 | 299 | 379 | 43 | 229 | 272 | 1 | 3 | 4 |
| 101 and over | 5 | 25 | 30 | 2 | 22 | 24 | -- | 2 | 2 |
| Total | <u>24,075</u> | <u>47,000</u> | <u>71,075</u> | <u>2,541</u> | <u>9,351</u> | <u>11,892</u> | <u>102</u> | <u>316</u> | <u>418</u> |

Table XX
Active Members by Age

| Ages | All Plans | | | Sheriff's Law Enforcement Personnel | | | Elected County Officials | | |
|-------------|---------------|----------------|----------------|--|------------|--------------|-----------------------------|------------|------------|
| | Male | Female | Total | Male | Female | Total | Male | Female | Total |
| Under 20 | 210 | 339 | 549 | -- | -- | -- | -- | -- | -- |
| 20 to 29 | 7,813 | 10,594 | 18,407 | 558 | 94 | 652 | 1 | -- | 1 |
| 30 to 39 | 11,980 | 17,279 | 29,259 | 1,316 | 216 | 1,532 | 28 | 8 | 36 |
| 40 to 49 | 18,133 | 36,085 | 54,218 | 1,144 | 207 | 1,351 | 101 | 53 | 154 |
| 50 to 54 | 10,078 | 19,475 | 29,553 | 417 | 68 | 485 | 102 | 42 | 144 |
| 55 to 59 | 7,943 | 14,739 | 22,682 | 220 | 41 | 261 | 72 | 29 | 101 |
| 60 to 69 | 6,637 | 10,170 | 16,807 | 106 | 12 | 118 | 71 | 35 | 106 |
| 70 and Over | 1,342 | 1,191 | 2,533 | 6 | 2 | 8 | 37 | 12 | 49 |
| Total | <u>64,136</u> | <u>109,872</u> | <u>174,008</u> | <u>3,767</u> | <u>640</u> | <u>4,407</u> | <u>412</u> | <u>179</u> | <u>591</u> |

Illinois Municipal Retirement Fund



Member Service Representatives
1-800-ASK-IMRF
(1-800-275-4673)
www.imrf.org

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

Springfield
3000 Professional Drive
Suite 101
Springfield, IL 62703

