

Illinois Municipal Retirement Fund

Popular Annual Financial Report for Members

for the year ending December 31, 2007

Published June 2008



As a retirement system, IMRF takes very seriously the promise to our members: that the money will be there when you retire. And how do we do that? By working toward a 100% funding goal.

During 2007, IMRF earned 8.5% on our investments and was 100% funded on a market value basis at year end. This marks the second year in a row that IMRF was the only major public pension plan in Illinois to achieve this funding level.

What does 100% funding mean to you?

As a member of IMRF, 100% funding means several things. You can be assured that when you retire, IMRF will have the funds to pay your pension for life. It also means your employer is making its contributions to IMRF when they are due.

Working toward 100% funding also allows IMRF to maximize our investment gains and provide benefits to our members at the lowest possible long-term cost to the taxpayer.

Our success at achieving 100% funding can be attributed partially to our highly diversified investment portfolio. Equally important is the ability of our independent Board of Trustees to set and collect employer contribution rates based on sound actuarial principles.

“Our 100 percent funding goal and disciplined funding method for each of our 2,900 employers is critical to our success,” said IMRF Executive Director Louis Kosiba. “As a result, our members can rest assured that the money for their pensions will be there when they retire.”

Slow and steady

Because IMRF takes very seriously its promise to provide a guaranteed, lifetime benefit to each of its 276,000 current members and beneficiaries, we design our portfolio to achieve the greatest return with an acceptable amount of risk.

IMRF invests its \$24 billion portfolio in many different types of investments: equity (stock), fixed income (bonds), real estate, alternative investments and short-term investments.

“We like to say slow and steady wins the race,” Kosiba added. “We are invested in all of the markets all of the time. That offers protection from market ups and downs.”

Not only is IMRF’s portfolio highly diversified by type, it is also diversified by geographic regions and management styles—all designed to maximize IMRF’s ability to earn the best possible returns.

IMRF’s *Popular Annual Financial Report* summarizes some of the information available in our *Comprehensive Annual Financial Report*. The *Comprehensive Report* offers detailed information regarding IMRF’s investment performance and funding as well as detailed demographic information for IMRF members and employers. You can read the 2007 *Comprehensive Annual Financial Report* at www.imrf.org or request one at 1-800-ASK-IMRF.





Growing IMRF's assets

IMRF accumulates money needed to pay benefits through member and employer contributions and returns on our investments.

In 2007, members and employers contributed \$898 million, 2% more than 2006.

In 2007, IMRF earned \$1,799 million on our investments. IMRF's total investment portfolio earned 8.5% in 2007 (compared to 13.9% for 2006) and reflected the slowing market performance in 2007.

Member contributions

Members contributed \$297 million in 2007, an increase of 6% from 2006. The increase is due to an increase in member wages; employers reported \$5,931 million of member wages in 2007 as compared to \$5,631 million in 2006.

Employer contributions

Employer contributions decreased in 2007, and the decrease is due to several factors.

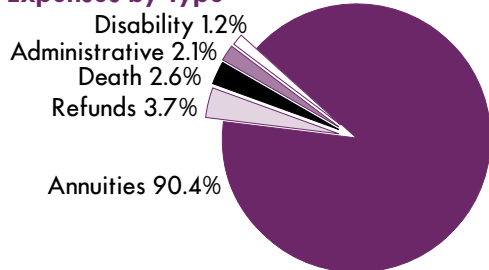
Although the wages employers reported increased (increasing employer contributions), the average employer contribution rate for all IMRF plans decreased from 10.71% in 2006 to 10.13% in 2007. (This rate reflects the average employer rate if we combine all IMRF plans. Each employer has its own unique rate for each IMRF plan it offers.)

The decrease in the "combined" average employer contribution rate is the result of IMRF's improved overall actuarial funded status which offset the increase in member wages reported in 2007.

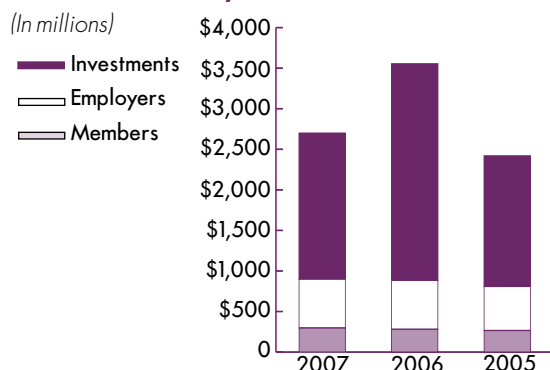
Net investment income

IMRF earned \$1.8 billion (8.5%) on our investments, a decrease of \$869 million from 2006 but greater than the 7.5% used to calculate employer contributions and our actuarial funding status.

2007 Expenses by Type



2007 Revenues by Source



Condensed Statements of Changes in Plan Net Assets (In millions)

	2007	2006	Dollar Change	Percent Change
Additions				
Member contributions	\$ 297	\$ 281	\$ 16	6%
Employer contributions	601	603	(2)	--
Net investment gain	1,799	2,668	(869)	(33)
Total additions	2,697	3,552	(855)	(24)
Deductions				
Benefits	924	857	67	8
Refunds	36	40	(4)	(10)
Administrative expenses	21	20	1	5
Total deductions	981	917	64	7
Net increase in plan net assets	\$1,716	\$2,635	\$(919)	(35)%
Net Assets Held in Trust for Pension Benefits				
Beginning of year	22,507	19,872	2,635	13
End of year	\$24,223	\$22,507	\$1,716	8%



IMRF's financial health continues

IMRF benefit promises include pensions, disability, refunds, and death benefits. When you add up all of the “benefit promises” IMRF has with all of our members—including members who left IMRF but still have contributions on deposit—you have the value of IMRF’s “actuarial liability.”

When you compare IMRF’s actuarial liability to our \$24.2 billion in assets you come up with our funded ratio—a very important number and one that illustrates a pension system’s financial health.

You can look at the value of IMRF’s assets and liabilities in one of two ways:

Market value

The first method is the simplest and most familiar: the market value. What is the value of IMRF’s assets and liabilities today? Or, what was the value on December 31, 2007?

As of December 31, 2007, the market value of IMRF’s net assets was \$24.2 billion. IMRF’s actuarial liability (our “benefit promises”) was also \$24.2 billion. This meant, that on a market value basis, IMRF was 100% funded—the second year in a row a major public pension fund in Illinois achieved this funding level.

What does 100% funding mean to you? If

As of December 31, 2007

Actuarial liability (benefit promises).....	\$24.2 billion
Market value of plan net assets.....	\$24.2 billion
Actuarial value of plan net assets.....	\$23.3 billion

IMRF went out of business tomorrow—which of course we won’t—we have enough money to pay for all of our benefit promises to our active, inactive and retired members and their beneficiaries. Read more about funding on page 5.

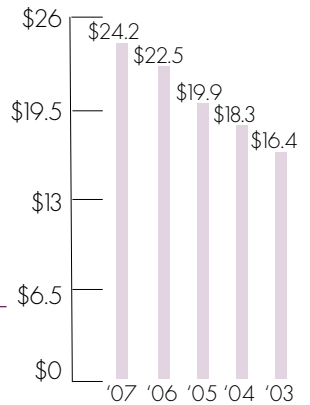
Actuarial value

The other method is less familiar—and not as simple. This method is called the “actuarial value” of assets. IMRF’s outside actuaries determine the actuarial value of IMRF’s assets by using a “five-year smoothing” technique.

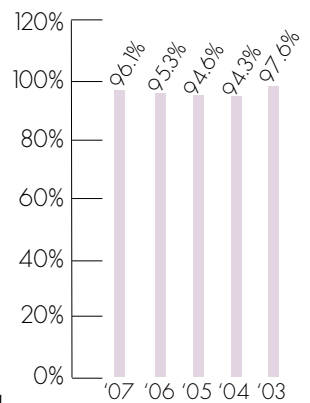
With five-year smoothing, investment gains (or losses) are spread over five years; they are not “recognized” completely in one year. The smoothing prevents employer contribution rates from changing drastically year to year because of short-term fluctuations in the financial markets.

As of December 31, 2007, IMRF’s actuarial funding was \$23.3 billion, less than the market-based funding value. It was less because there are \$937 million of unrecognized investments gains which will be recognized in the 2008 through 2011 period in keeping with the five-year smoothing technique.

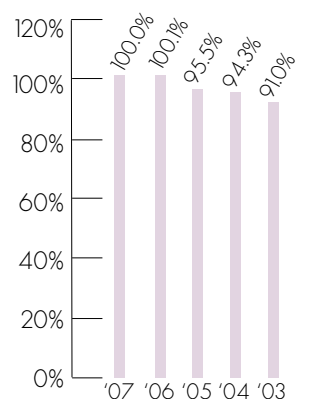
Net Assets for the Past 5 Years (in billions)



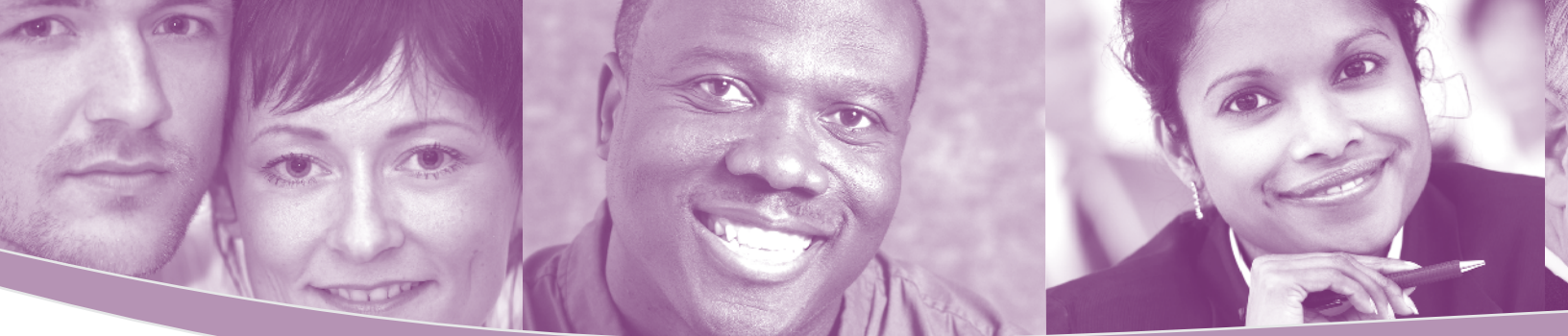
Actuarial Funding Status (for the past 5 years)



Market Funding Status (for the past 5 years)



On an actuarial basis, the assets held fund 96.1% of IMRF’s actuarial liability. On a market basis, the assets held fund 100% of IMRF’s actuarial liability.



“Plan Additions” represent income that increases our assets.

Investment income is the largest contributor to our assets.

The following chart illustrates investment income as a percentage of plan additions

Year	Percentage
2007	66.7%
2006	75.1%
2005	66.5%
2004	73.7%
2003	83.9%

2007 Investment Summary

Determining how IMRF invests its \$24.2 billion portfolio is one of the most important decisions the IMRF Board of Trustees makes.

Just as you may consider which mutual fund to select based upon its mix of stocks and bonds, a pension fund’s “asset allocation” is key to its investment strategy. Annually, the IMRF Board determines what percentage of our assets will be invested in equities (stocks), fixed income (bonds), real estate, etc.

The IMRF Board of Trustees employs an investment consultant who monitors and evaluates the investment management firms’ performance, aids in the selection of investment management firms, and assists in the development of investment policy.

Largest contributor to the plan

Even though IMRF employers and members both contribute to IMRF, earnings on IMRF’s investments are the major contributor. In 2007,

IMRF earned \$1.8 billion on our investments, which represents 66.7% of “Plan Additions.”

The total rate of return for IMRF’s portfolio in 2007 was 8.5% compared to 13.9% in 2006. As of December 31, 2007, IMRF’s investments totaled \$24.7 billion, up from \$23 billion at the end of 2006.

Long-term results

IMRF takes a conservative, long-term approach to investing on your behalf. IMRF designs our investment portfolio to achieve the greatest return with an acceptable amount of risk. Our diversified investment strategy results in steady and responsible returns.

For the four months ended April 30, 2008, the overall return on IMRF’s investments has been approximately -2.4%. As of April 30, 2008, IMRF’s total investments are approximately \$23.9 billion, a decrease of \$800 million since December 31, 2007.

Investment Rates of Return

Past 10 Years



Investment Portfolio Summary as of December 31

(in millions)

	2007		2006	
	Market Value	% of Total Market Value	Market Value	% of Total Market Value
Fixed Income	\$8,615.6	34.9%	\$7,713.1	33.5%
Stocks	13,738.1	55.6%	13,300.6	57.8%
Real Estate	624.3	2.5%	546.0	2.4%
Alternative	940.8	3.8%	865.2	3.8%
Short-Term	788.5	3.2%	577.9	2.5%
Total	\$24,707.3	100.0%	23,022.8	100.0%



IMRF Benefits & Funding

IMRF paid more than \$831 million in retirement benefits to more than 73,000 retired members in 2007.

However, IMRF is more than just a retirement system. Our mission of protecting our members' income begins long before retirement.

Protecting you and your loved ones

Few of us imagine a time when we will become injured or sick and must be off work. If that happens to you, you can turn to the IMRF disability benefit.

In 2007, IMRF paid more than \$11 million in disability benefits to more than 1,300 members.

Not only are these members receiving monthly disability benefit payments from IMRF, they are also earning IMRF service credit toward a future pension and their IMRF death benefit protection continues.

If we think little about being injured or sick, we probably think even less about our own death. But you can be assured that if your death occurs, your survivors will be protected

by the IMRF death benefit.

IMRF paid more than \$25 million in death benefits and approximately \$55 million in monthly benefit payments in 2007 to over 12,000 members' surviving spouses and beneficiaries.

IMRF's goal of protecting our members' income covers every phase of life.

Funding

Our investment returns are the largest source of IMRF income. IMRF administrative and direct investment costs are financed by investment income. However, members and employers also contribute to IMRF.

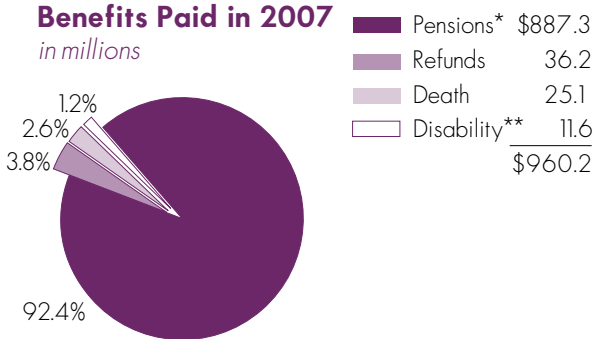
IMRF member contribution rates—4.5% for the Regular plan, 7.5% for the Sheriff's Law Enforcement Personnel and the Elected County Officials plans—are determined by Illinois statute.

Illinois statutes also require each IMRF employer to contribute the amount needed to finance the pensions of its own employees.

Employer contributions for disability benefits, death benefits, and the "13th payment" are pooled.

Benefits Paid in 2007

in millions

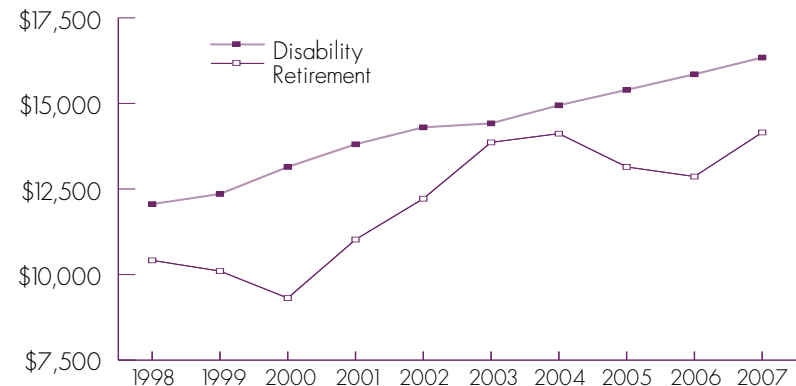


*Retirement, Surviving Spouse, Beneficiary, and Supplemental ("13th Payment")

**Includes payments for both Temporary disability benefits and for Total and Permanent disability benefits

Average Annual Benefit Payment Amounts

Past 10 years





Are you an "average" member?

As of December 31, 2007, out of 177,783 active members, the "average" member is:

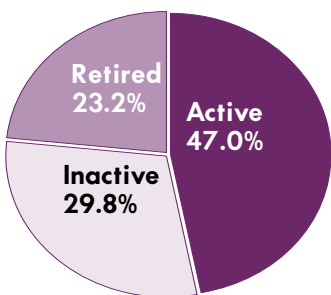
- Female
- 46 years old
- Participates in the Regular Plan
- Most likely works for a school district
- Earns \$33,607 a year
- Received a 3.3% salary increase in 2007
- Has 9.5 years of service credit

Are you an "average" retiree?

Of the 3,957 members who retired in 2007 under the Regular plan, the average retiree is:

- Female
- Had a final rate of earnings of \$3,039 a month
- Retired with approximately 19 years of service credit
- Receiving a pension of approximately \$1,154 a month

All Members by Participation

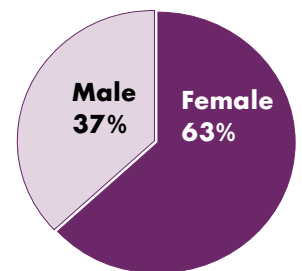
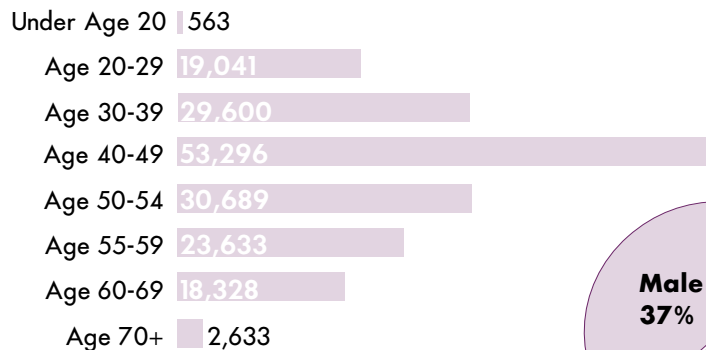


Although investment income provides the greatest source of IMRF income, both you and your employer contribute toward your future retirement benefit. You contribute a percentage of your salary as established by the Illinois Pension Code.

More than 97% of IMRF members

Active Members

By Age

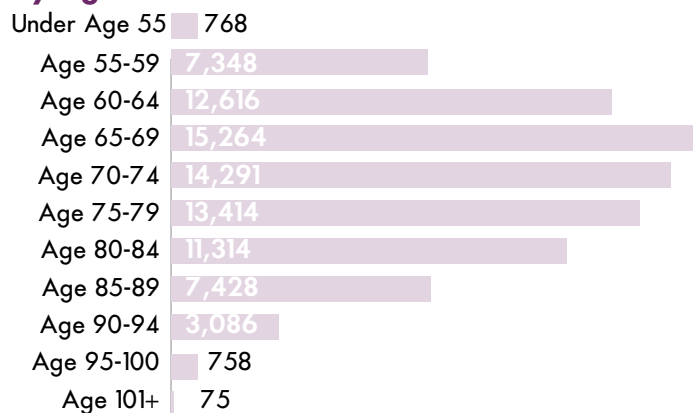


By Length of Service



Retired Members (Retirees, Surviving Spouses, Beneficiaries)

By Age



participate in the Regular plan and contribute 4.5% of their wages toward an IMRF pension. Less than 3% of members participate in the Sheriff's Law Enforcement Personnel or Elected County Official plans; these members contribute 7.5% toward a future pension.



Looking back on 2007

New Vision Statement

In connection with updating IMRF's 2008-2009 Strategic Plan, the IMRF Board adopted a new vision statement: "To provide the highest quality retirement services to our members, their beneficiaries and employers."

To achieve both our mission and vision, the IMRF Board adopted six inter-related strategic goals:

- Improve IMRF's effectiveness in addressing legislative issues
- Prepare the IMRF organization for changing demands in customer service
- Advocate preservation of the defined benefit plan
- Continue to promote the IMRF brand
- Maintain and promote the Board's independence
- Advocate preservation of the 100% funding goal

Continue to improve customer service through computer system development

IMRF's efforts in 2007 to enhance our computer systems focused on modifying our web-based and mainframe functions:

Web-based functions:

- Extending the successful Employer Access secure website to provide online member enrollment
- Installing backup hardware and Internet connections to ensure the highest levels of reliability and availability for our secure Employer and Member Access websites
- Adding over 1.5 million electronic

documents to our document archive to reduce paper mailing and improve security

Mainframe computer system functions:

- Implementing a New Benefit Estimates System and standardizing member data calculations to our mainframe computer systems to improve both speed and accuracy

In 2008, IMRF's system development efforts will focus on:

- Redesigning the Annual Member Statement to better communicate the value of IMRF benefits
- Implementing a revised Member Access website to expand self-service options
- Implementing new telephone and call center systems to further enhance service to members and employers
- Automating processing of the growing number of Reciprocal Retirement claims to speed approval times

e-Service Goals and Strategy

IMRF offers access to both member and employer specific data through secure areas on our website—imrf.org. Use of these areas continued to grow in 2007.

Our e-Service goals include improving customer service to our members and employers, reducing administrative costs, providing uncompromised privacy and security of information and instituting business process reengineering. *continued on page 8*

IMRF's new Vision Statement:

"To provide the highest quality retirement services to our members, their beneficiaries and employers."

For the second year in a row, IMRF received the highest service level score of the 63 retirement systems that participated in the CEM Defined Benefit Administration Benchmarking Study.

Max F. Bochmann
President
Employee Trustee
Naperville CUSD #203

Judi S. Voller
Vice-President
Employee Trustee
East Maine School
District 63

James W. Rasins
Secretary
Executive Trustee
DuPage County

Ruth E. Faklis
Executive Trustee
Prairie Trails Public
Library District

Martha H. Rademacher
Executive Trustee
Park District Risk
Management Agency

W. Thomas Ross
Executive Trustee
Winnebago County

Marvin Shoop, Jr.
Employee Trustee
City of Peoria

Sharon U. Thompson
Annuitant Trustee
(Formerly) Lee County

As of December 31, 2007, approximately 95% of our employers (representing 99.7% of our members) reported their members' wages and contributions via our on-line Web Wage Reporting system.

A number of enhancements to our e-Service offerings are planned for wide rollout in 2008 including online enrollment of new members.

Defined Benefit Administration Benchmarking Analysis

CEM Benchmarking Inc. conducts an annual 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 63 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.

Board of Trustees

Ruth E. Faklis, Library Director for Prairie Trails Public Library District, was elected as an executive trustee. Her five-year term began January 1, 2008.

IMRF's Popular Annual Financial Report summarizes some of the information available in our Comprehensive Annual Financial Report. The Comprehensive Report offers detailed information regarding IMRF's investment performance and funding as well as detailed demographic information for IMRF members and employers. You can read the 2007 Comprehensive Annual Financial Report at www.imrf.org or request one at 1-800-ASK-IMRF (1-800-275-4673) 7:30 a.m. to 5:30 p.m., Monday through Friday.



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