

# Illinois Municipal Retirement Fund

## *Popular Annual Financial Report for Members*

for the year ending December 31, 2009

Published June 2010

It was 70 years ago, on July 29, 1939, that legislation creating IMRF became effective.

*th* By January 1, 1941, IMRF had five employers: the City of Evanston, City of Galesburg, Village of Riverside, Rockford Park District and the City of Rockford.

In the 70 years since, IMRF's net assets have grown to more than \$22 billion and today,

2,950 employers provide IMRF benefits to their employees.

We applaud those first five employers for their historic commitment to public workers. By joining IMRF, they guaranteed their municipal employees a secure, modest retirement income.

### *Attracting, retaining*

By offering IMRF, our employers know that they can attract and retain quality workers. These workers play vital roles in ensuring that communities across the state run smoothly.

Defined benefit public pension plans like IMRF are a form of deferred

compensation, promises made to workers often in lieu of higher pay they might receive in similar private sector jobs.

### *Economic impact*

Once IMRF members retire and begin receiving their IMRF pension, those pension payments have a direct and positive impact on the economy.

IMRF's 2009 Economic Impact Study looked at the \$896 million paid to Illinois residents in 2009. It analyzed the ripple effect to the economy as residents spent those benefit payments on goods and services throughout the state.

It found that IMRF's 2009 pension payments produced nearly \$1.5 billion in economic activity in the state of Illinois.

### *Protecting pensions*

IMRF's responsible investment practices and 100% funding goal protects current and future retirees' pensions.

Over the long term, our full-funding goal also enables IMRF to receive more than half of its funds from investment returns, which ensures the lowest possible taxpayer contribution and makes sure that costs for today's benefits aren't passed on to future generations.



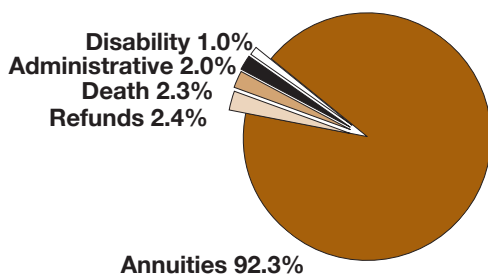
*Anniversary*

1939 - 2009

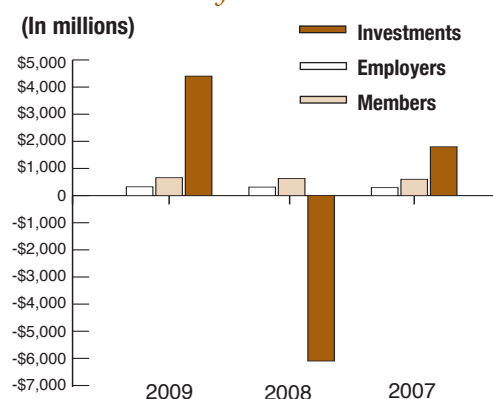
To provide the highest quality retirement services to  
our members, their beneficiaries, and employers.

# IMRF Assets

## 2009 Expenses by Type



## 2009 Revenues by Source



*Dramatic and sometimes prolonged swings in market value are inevitable and must be kept in perspective.*

*If we look at 1998 through 2009, IMRF earned around \$11.5 billion despite market downturns in 2001, 2002 and 2008 (the largest loss in IMRF's 70-year history). We are confident our diversified portfolio will continue to be a reliable source of income in the long-term.*

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

In 2009, members and employers contributed \$984 million, 4.1% more than 2008.

## Member contributions

Members contributed \$324 million in 2009, an increase of 3% from 2008. The increase in member contributions is due to an increase in total member earnings to \$6,462 million from \$6,259 million in 2008.

## Employer contributions

Employers contributed \$660 million in 2009, an increase of 5% from 2008. The increase in employer contributions is the net effect of several factors.

Member earnings increased overall by 3.2% which caused employer contributions to increase.

In addition, employers made additional payments to IMRF totaling \$18 million in an effort to decrease

their unfunded pension liabilities.

Although total employer contributions increased, the average employer rate decreased to 9.62 percent of payroll in 2009 from 10.08 percent in 2008. (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.)

## Investment gains

Investment gains for 2009 were 24.5% and contrasted sharply with the 2008 loss of 24.8%.

The \$4,424 million investment gain in 2009 represents a \$10,520 million change from the \$6,096 million loss in 2008.

IMRF's 2009 total investment portfolio return reflected the sharp rebound from the impact of the housing decline, credit crisis and dramatic slow down in the global economy in 2008.

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

	2009	2008	Dollar Change	Percent Change
<b>Additions</b>				
Member contributions	\$ 324	\$ 314	\$ 10	3%
Employer contributions	660	631	29	5%
Net investment gain	4,424	(6,096)	10,520	NM
Total additions	5,408	(5,151)	10,559	NM
<b>Deductions</b>				
Benefits	1,078	997	81	8%
Refunds	27	32	(5)	(16)%
Administrative expenses	22	21	1	5%
Total deductions	1,127	1,050	77	7%
<b>Net increase (decrease)</b>				
in plan net assets	\$4,281	\$(6,201)	\$10,482	NM%
<b>Net Assets Held in Trust for Pension Benefits</b>				
Beginning of year	18,022	24,223	(\$6,201)	(26)%
End of year	\$22,303	\$18,022	\$4,281	24%

# Building for your future

When you add up all of IMRF's "benefit promises" (pensions, disability, refunds, and death benefits), you have the value of IMRF's "actuarial liability."

You can look at the value of IMRF's assets and liabilities in one of two ways: Market Value and Actuarial Value.

## 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, 2009?

As of December 31, 2009, the market value of IMRF's net assets was \$22.3 billion. IMRF's actuarial liability (our "benefit promises") was \$27.3 billion. This meant, that on a market value basis, IMRF was 81.6% funded, which is considered well funded by all standards, especially considering the severe market drop in 2008.

## 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.

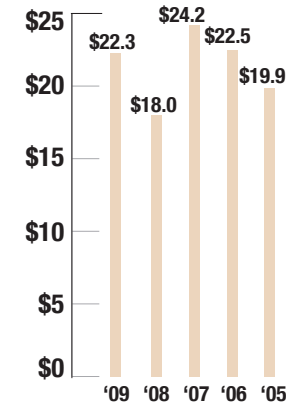
Despite IMRF's 24.5% investment return in 2009, the 83.2% actuarial funding ratio is a slight drop from the 2008 actuarial funding ratio of 84.3% due to 2008 investment losses that are being recognized over a five-year period.

The ratios described here are for IMRF as a whole. Each IMRF employer funds the pensions for its own employees. Funding ratios for individual employers and individual plans vary widely.

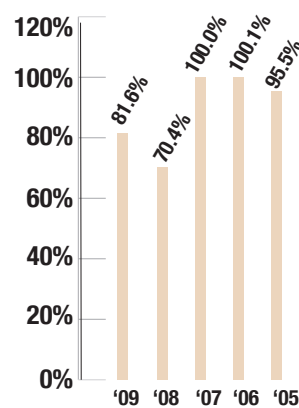
## Sense of security

You can look with a sense of security to IMRF's net asset base of \$22.3 billion because these assets are irrevocably committed to the payment of our current retirees' pensions and your future pension when you retire.

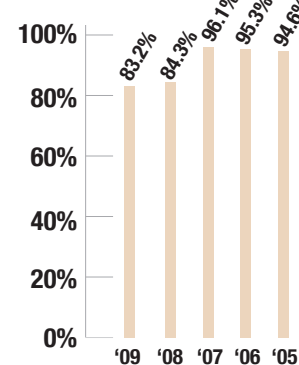
*Net Assets for the Past 5 Years*  
(in billions)



*Market Funding Status*  
(for the past 5 years)



*Actuarial Funding Status*  
(for the past 5 years)



## As of December 31, 2009

Actuarial liability (benefit promises) .....	\$27.3 billion
Market value of plan net assets.....	\$22.3 billion
Actuarial value of plan net assets.....	\$22.7 billion

*IMRF's full funding goal means IMRF asks for consistent, fiscally responsible employer contributions to work toward reaching 100 percent funded status. It is cost-effective for taxpayers because more money is available to accrue investment returns.*

In 2009, IMRF earned \$4.4 billion

## 2009 Investment Summary

With the aid of the unprecedented government stimulus program, financial markets rebounded sharply in 2009.

In 2009 IMRF earned 24.5% versus a negative 24.8% in 2008.

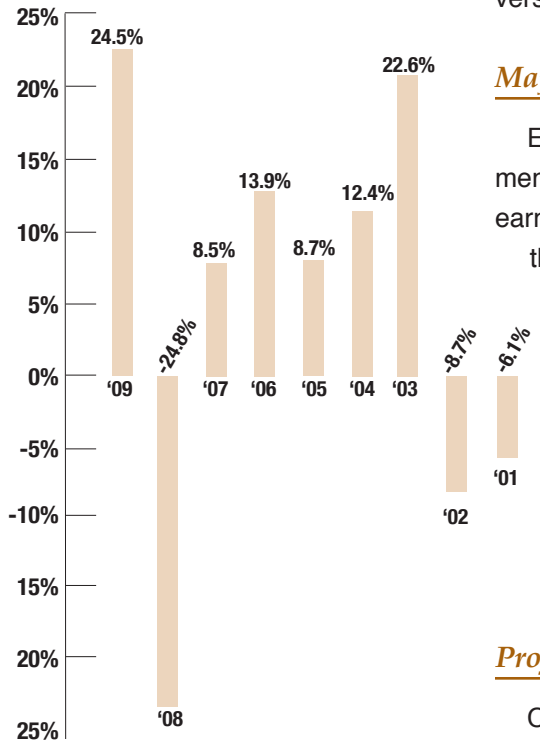
handling 83 separate accounts, manage the investment portfolio. These firms make investment decisions under the prudent man rule authorized by Article 1 of the Illinois Pension Code and by investment policy guidelines adopted by the Board of Trustees.

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.

### 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.

### Investment Rates of Return Past 10 Years



### Major contributor

Even though IMRF employers and members both contribute to IMRF, earnings on IMRF's investments are the major contributor. In 2009, IMRF earned \$4,424 million—this amount represents 81.8% of Plan Additions for the year.

As of December 31, 2009, IMRF's investments totaled \$22.3 billion, up from \$18.4 billion at the end of 2008.

### Professional management

Currently, 70 professional investment management firms,

The "Plan Additions" represent income that increases our assets.

Investment income is the largest contributor to our assets.

The chart below illustrates investment income as a percentage of plan additions.

Year	Percentage
2009	81.8%
2008	(118.3)%
2007	66.7%
2006	75.1%
2005	66.5%

### Investment Portfolio Summary as of December 31 (in millions)

Value	2009		2008	
	Market Value	% of Total Market Value	Market Value	% of Total Market Value
Fixed Income	\$6,797.0	30.4%	\$8,401.8	45.6%
Stocks	13,569.1	60.7%	7,907.1	43.0%
Real Estate	413.1	1.8%	506.4	2.8%
Alternative	906.2	4.1%	873.1	4.7%
Short-Term	662.3	3.0%	724.4	3.9%
<b>Total</b>	<b>\$22,347.7</b>	<b>100.0%</b>	<b>\$18,412.8</b>	<b>100.0%</b>

# IMRF Benefits & Funding

IMRF paid more than \$1 billion in retirement benefits to more than 92,000 retired members and survivors in 2009.

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 2009, IMRF paid more than \$10 million in disability benefits to more than 1,200 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 \$26 million in death benefits and approximately \$63 million in monthly benefit payments in 2009 to over 12,000 members' surviving spouses and beneficiaries.

## 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.

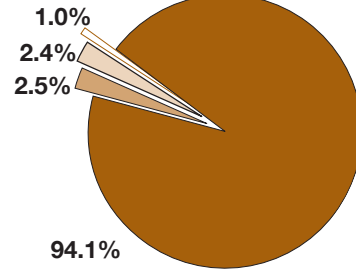
IMRF member contribution rates—4.5% for the Regular plan, 7.5% for the Sheriff's Law Enforcement Personnel and the Elected County Officials plans—are determined by Illinois statute.

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 2009

(in millions)

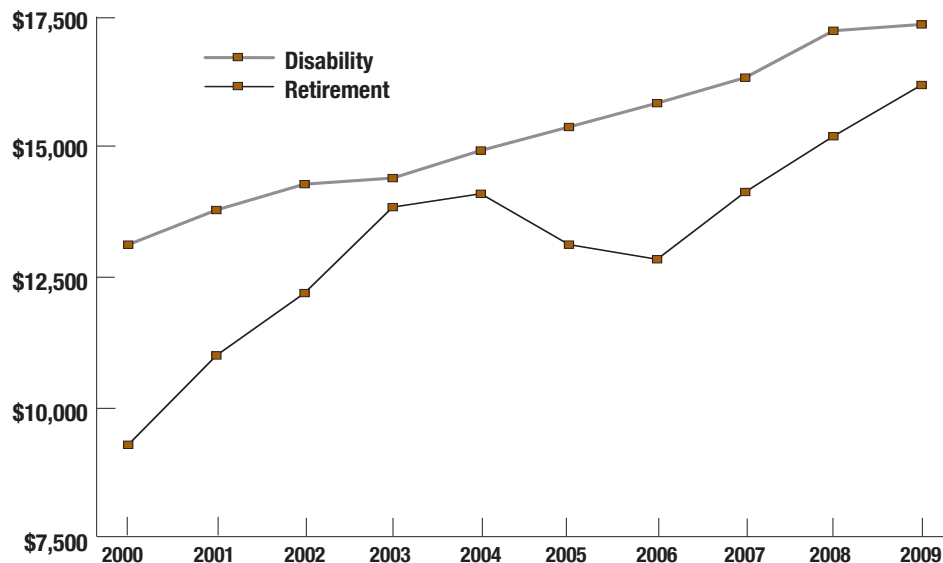


Pensions.....	\$1,040.6
Refunds.....	27.4
Death.....	26.4
Disability.....	10.9

According to a study by the National Institute on Retirement, a defined benefit plan—like IMRF—provides the same retirement income at nearly half the cost—46% less than individual DC accounts.

## Average Annual Benefit Payment Amounts

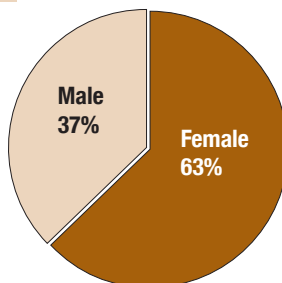
Past 10 years



## Active Members

### By Age

Under Age 20	406
Age 20-29	19,328
Age 30-39	29,309
Age 40-49	50,815
Age 50-54	31,840
Age 55-59	25,847
Age 60-69	20,949
Age 70+	2,886



### By Length of Service

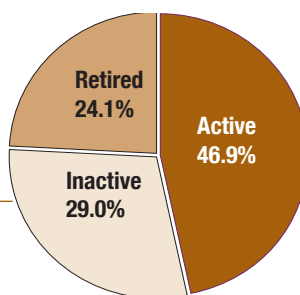
Under 1 yr	14,950
1-7yrs	77,606
8-14 yrs	46,749
15 yrs +	42,075

## Retired Members

(Retirees, Surviving Spouses, Beneficiaries)

### By Age

Under Age 55	715
Age 55-59	7,681
Age 60-64	14,025
Age 65-69	16,820
Age 70-74	15,266
Age 75-79	13,313
Age 80-84	11,624
Age 85-89	8,059
Age 90-94	3,468
Age 95-100	967
Age 101+	90



## All Members by Participation

*A secure pension for municipal workers helps them remain financially independent when they retire, and helps minimize the likelihood that they will become financially dependent on government programs or on family members.*

## Are you an "average" member?

As of December 31, 2009, out of 181,380 active members, the "average" member is:

- Female
- 47 years old
- Participates in the Regular Plan
- Most likely works for a school district
- Earns \$35,771 a year
- Received a 3.2% salary increase in 2009
- Has 9.8 years of service credit

## Are you an "average" retiree?

Of the 4,066 members who retired in 2009 under the Regular plan, the average retiree is:

- Female
- Had a final rate of earnings of \$3,413 a month
- Retired with approximately 21 years of service credit
- Receives a pension of approximately \$1,389 a month

## IMRF members

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 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 2009

## Lincoln Award

In recognition of its commitment to improving its management systems and processes, IMRF earned a 2009 Lincoln Foundation Bronze Award for Commitment to Excellence. IMRF was one of four Illinois organizations receiving a Lincoln Award in 2009.

The comprehensive application process compared our practices, policies, operations, and results against the Malcolm Baldrige National Quality Program's Criteria for Performance Excellence. The seven criteria are: Leadership; Strategic Planning; Customer Focus; Measurement, Analysis, and Knowledge Management; Workforce Focus; Process Management; and Results.

The Feedback Report from the Lincoln Foundation complements IMRF's Continuous Process Improvement program as it identifies opportunities for improvement regarding our key processes.

## Continuous Process Improvement Program

IMRF implemented a Continuous Process Improvement (CPI) program in 2009. A CPI program provides a method to formalize the manner in which we analyze our processes and procedures with the goal of improving the services we provide.

Our CPI program will play a key role in supporting our strategic goal "To prepare the IMRF Organization for Changing Demands in Customer Service." IMRF staff received extensive training in CPI methods and tools. More than 70 Opportunities for Improvement (OFIs)

were identified by staff during the first phase of the CPI program.

## Strategic Plan

The IMRF Strategic Plan for 2008 – 2010 includes 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; and advocate preservation of the 100% funding goal.

We will continue to pursue a series of action plans to achieve these goals as we strive to achieve both our mission and vision. We will also complete a strategic planning process cycle in 2010 as we prepare a new Strategic Plan for 2011 – 2013.

## 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 bench-marking program since 2001.

This program provides insight into benefit administration costs, customer service levels, and industry best practices. IMRF again received a high service level score and was ranked

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*2009 benefit payments from IMRF produced nearly \$1.5 billion in economic output and created more than 11,000 jobs in the state of Illinois.*

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**Ruth E. Faklis**  
President  
Executive Trustee  
Prairie Trails Public  
Library District

**Martha H. Rademacher**  
Vice President  
Executive Trustee  
Park District Risk  
Management Agency

**Marvin Shoop, Jr.**  
Secretary  
Employee Trustee  
City of Peoria

**Max F. Bochmann**  
Employee Trustee  
Naperville CUSD #203

**Natalie Copper**  
Employee Trustee  
Evanston SD 65

**Gwen Henry**  
Executive Trustee  
DuPage County

**William Stafford**  
Executive Trustee  
Evanston Township  
High School Dist. 202

**Sharon U. Thompson**  
Annuitant Trustee  
(Formerly) Lee County

## Looking back...

near the top in both our peer group and in the total universe of the 66 participating retirement systems.

Though IMRF received 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.

### Board of Trustees

Max F. Bochmann, School Bus Operator for Naperville CUSD #203, was elected as an employee trustee. His one-year term began January 1, 2010.

Natalie Copper, School-age Child Care Site-coordinator for Dawes School in Evanston School District 65, was elected as an employee trustee. Her five-year term began January 1, 2010.

### Legislative activity

On April 3, 2009, the Illinois Pension Ethics Reform Act became law. It establishes new ethical requirements for members of Boards of Trustees, substantially changes the procurement process for investment consultants and managers, requires greater transparency of investment activities through website enhancements, and requires the adoption of new policies fostering greater diversity for all contractors and suppliers with IMRF, trustees and staff.

On April 14, 2010, the Governor signed Public Act 96-0889 which created a second tier of IMRF benefits for regular and elected county official members who are first enrolled in IMRF on or after January 1, 2011.

The new law does not affect members currently participating in IMRF or members who ever participated in IMRF or in a reciprocal system prior to January 1, 2011.

**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 2009 Comprehensive Annual Financial Report at [www.imrf.org](http://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.**



Illinois Municipal Retirement Fund

### *Popular Annual Financial Report for Members*

for the year ending December 31, 2009

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