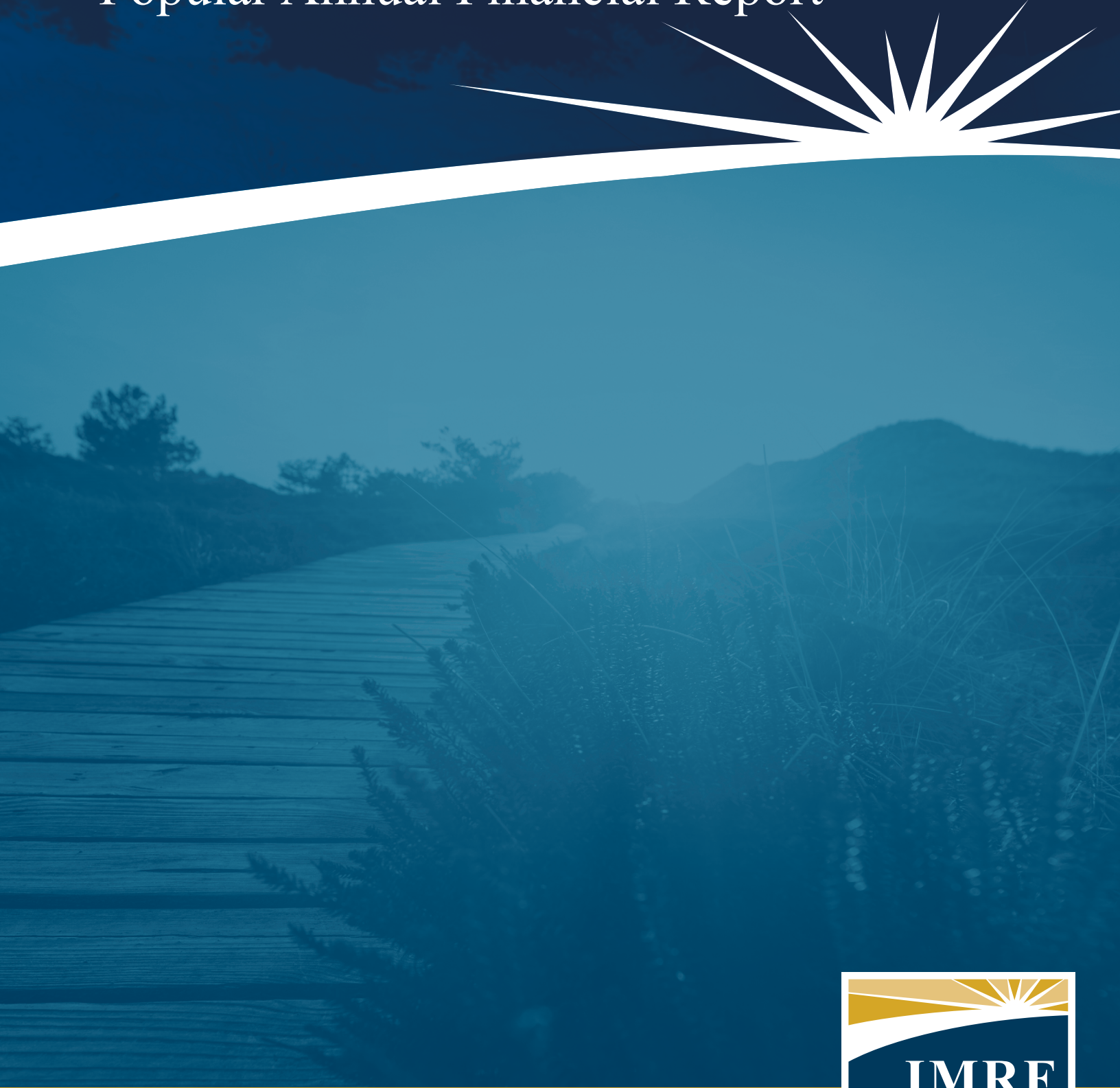


FOR THE YEARS ENDED DECEMBER 31, 2014, AND DECEMBER 31, 2013

**IMRF**

# Popular Annual Financial Report



*Locally funded, financially sound.*

*Oak Brook, Illinois*

IMRF's 2014 Popular Annual Financial Report (PAFR) provides insight into the organization's financial condition. Derived from IMRF's 2014 Comprehensive Annual Financial Report (CAFR), the PAFR is written for IMRF stakeholders who do not have a background in finance. The document relies on graphics and other visual elements to compliment the financial message, and is not technical in nature.

## FIDUCIARY NET POSITION AND FUNDING STATUS

IMRF's fiduciary net position—total assets minus liabilities—was \$34.9 billion as of December 31, 2014. That was an increase of \$1.6 billion, or about 5%, from 2013. Most of the increase is attributable to 2014 investment gains. Over the last five years, IMRF's fiduciary net position has increased by \$9.8 billion.

As of December 31, 2014, IMRF was 93.1% funded on a market basis. This means IMRF had 93 cents for every \$1 in promised benefits.

## INVESTMENTS

In 2014, IMRF achieved a 5.8% rate of return, after paying investment management fees. This translated to investment gains of \$2 billion. The IMRF portfolio was valued at \$34.7 billion as of December 31, 2014.

## REVENUE AND EXPENSES

IMRF paid about \$1.6 billion in pensions during 2014 to 112,762 retirees and survivors. IMRF paid \$10.9 million in disability benefits and \$28.6 million in death benefits during 2014. IMRF's total expenses during 2014 were about \$1.7 billion.

## MEMBERS AND EMPLOYERS

IMRF had 405,170 active members, inactive members, and retirees on December 31, 2014, up from 399,592 one year prior. In 2014, 2,976 units of government participated in IMRF, compared to 2,896 in 2005.

## YEAR IN REVIEW

David Miller, Deputy Executive Director for the North Shore Water Reclamation District, was elected as an Executive Trustee. Natalie Copper, who has served as a Trustee since 2010, was elected to her second term as Employee Trustee.



# \$34.7 BILLION

*In 2014, IMRF achieved a 5.8% annual rate of return, earning \$2 billion in investment income, with an investment portfolio totaling \$34.7 billion.*

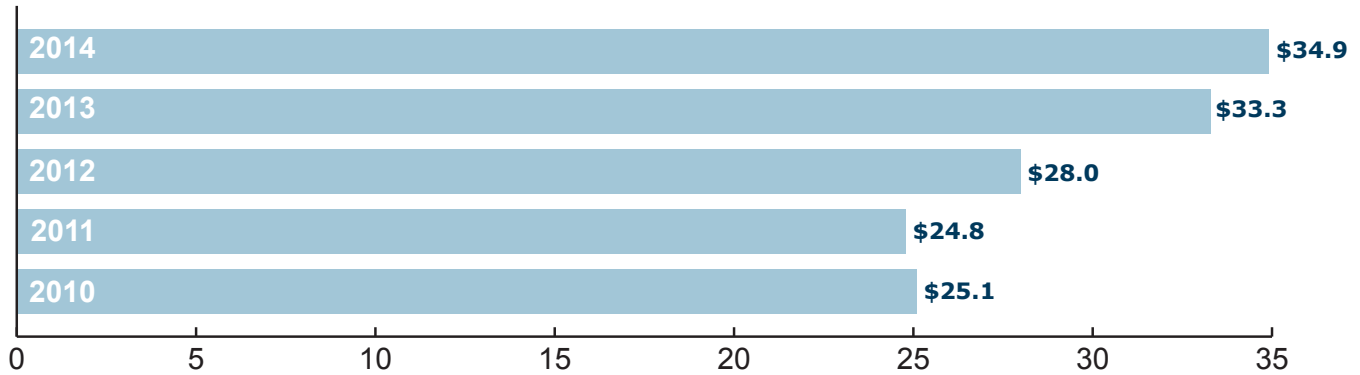
# 93.1%

*As of December 31, 2014, IMRF was 93.1% funded on a market basis.*

## FIDUCIARY NET POSITION

IMRF’s fiduciary net position—total assets minus liabilities—was \$34.9 billion as of December 31, 2014. That was an increase of \$1.6 billion, or about 5%, from 2013. Most of the increase is attributable to 2014 investment gains. Over the last five years, IMRF’s fiduciary net position has increased by \$9.8 billion.

FIDUCIARY NET POSITION FOR THE PAST FIVE YEARS *(In Billions)*



## FUNDING STATUS

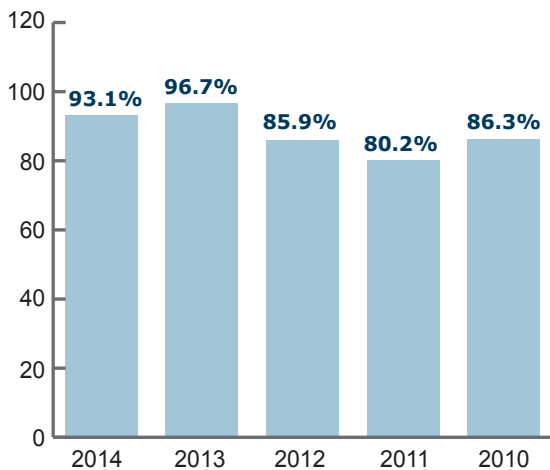
IMRF’s funding status is a key indicator of its financial health. It reflects the percentage of IMRF’s benefit promises that IMRF has assets to pay. IMRF strives toward full funding because it guarantees that IMRF can meet its obligations. Full funding is also cost effective for taxpayers.

IMRF’s funding status decreased slightly from 2013 to 2014 largely due to the adoption of new mortality tables and reassessment of other actuarial assumptions. The new, more conservative tables increased IMRF’s member lifespan assumptions, thereby increasing IMRF’s liabilities.

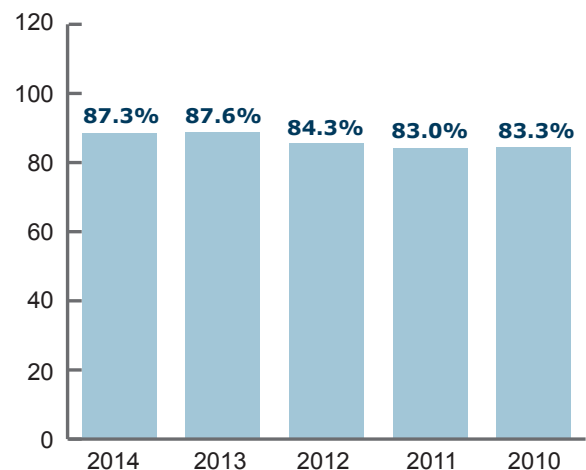
One method to determine funding status is market funding status. This describes the percentage of assets IMRF has to pay all current and projected benefits, as of a specific date in time. **As of December 31, 2014, IMRF was 93.1% funded on a market basis.**

Another method to determine funding status is the actuarial funding status. Under this method, independent actuaries determine the actuarial value of IMRF assets using a “smoothing” technique that recognizes investment gains and losses over a five-year period. **As of December 31, 2014, IMRF was 87.3% percent funded on an actuarial basis.**

MARKET FUNDING STATUS FOR THE PAST 5 YEARS



ACTUARIAL FUNDING STATUS FOR THE PAST 5 YEARS



One of the IMRF Board of Trustees' most important functions is to decide how IMRF will invest its member and employer contributions. The Board does so by setting a target asset allocation for IMRF's investment portfolio. Over long periods of time, research shows that asset allocation is the strongest driver of overall investment performance.

IMRF's target asset allocation is designed to deliver maximum return with an acceptable level of risk. IMRF's investment portfolio is broadly diversified across many asset classes including U.S. and international equities (stocks), fixed income (bonds), alternative investments (private equity, hedge funds, agricultural investments, and timberland), real estate, and short-term investments (cash holdings).

**Earnings on the investment of IMRF member and employer contributions have historically been the largest contributor to the fund. In 2014, IMRF achieved a 5.8% annual rate of return (after paying investment management fees), earning \$2 billion in investment income. The IMRF portfolio was valued at \$34.7 billion on December 31, 2014.**

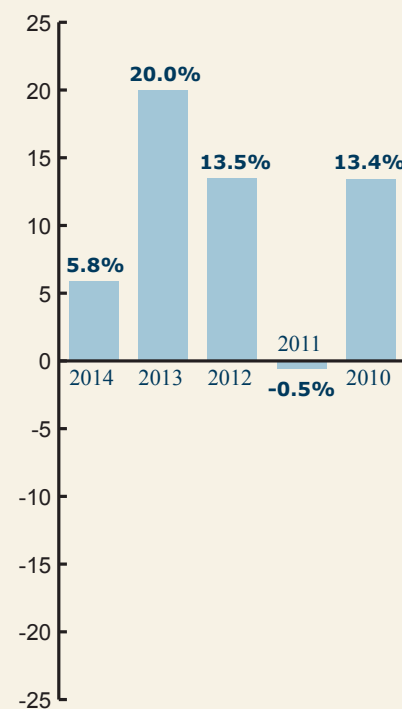
IMRF hires professional firms to invest IMRF assets. Currently, 87 firms manage 121 separate investment mandates. These firms make investment decisions according to the policy guidelines adopted by the Board of Trustees. The performance of each investment management firm is monitored by IMRF's Chief Investment Officer and staff, with assistance from an independent consultant. Decisions to hire or terminate investment management firms are approved by the Board.

## INVESTMENT PORTFOLIO AS OF DECEMBER 31, 2014

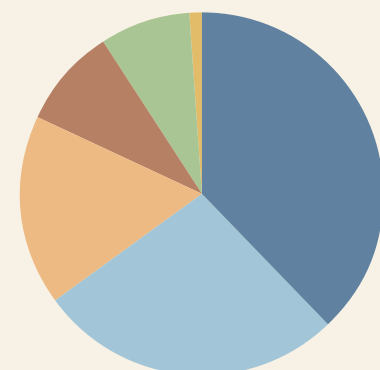
*In Millions of Dollars*

	As of December 31, 2014		As of December 31, 2013	
	Fair Value	Percent of Total Fair Value	Fair Value	Percent of Total Fair Value
Stocks	21,901.1	63.2%	21,473.6	64.6%
Fixed Income	9,069.4	26.1%	8,642.6	26.0%
Alternative Investments	1,564.6	4.5%	1,260.2	3.7%
Real Estate	1,500.0	4.3%	1,081.9	3.3%
Short-Term Investments	655.1	1.9%	789.7	2.4%
<b>Total Portfolio</b>	<b>\$34,690.2</b>	<b>100.0%</b>	<b>\$33,248.0</b>	<b>100.0%</b>

## INVESTMENT RATES OF RETURN FOR THE PAST 5 YEARS



## TARGET ASSET ALLOCATION



## REVENUE

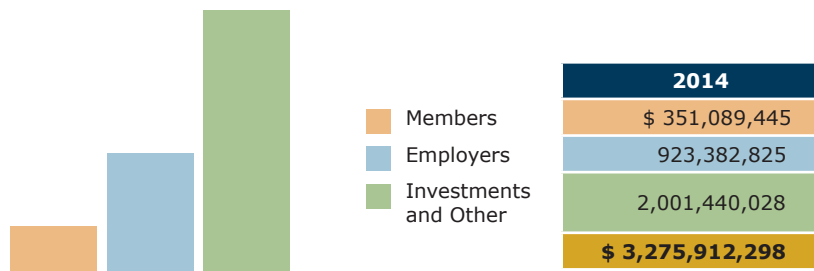
IMRF’s revenue comes from member contributions, contributions from participating units of government (also called IMRF employers), and investment income. IMRF’s total revenue during 2014 totaled almost \$3.3 billion.

About 97% of IMRF members participate in the Regular Plan. These members pay 4.5% out of every paycheck to fund IMRF benefits. Total member contributions were about \$351 million in 2014.

All IMRF employers also make monthly payments to support the IMRF benefit system. Each IMRF employer pays an amount calculated by IMRF based on its IMRF assets and liabilities. Total employer contributions were about \$923 million in 2014.

**Member and employer contributions are invested, which generate IMRF’s largest source of income. Investment income was about \$2 billion during 2014.**

REVENUES BY SOURCE



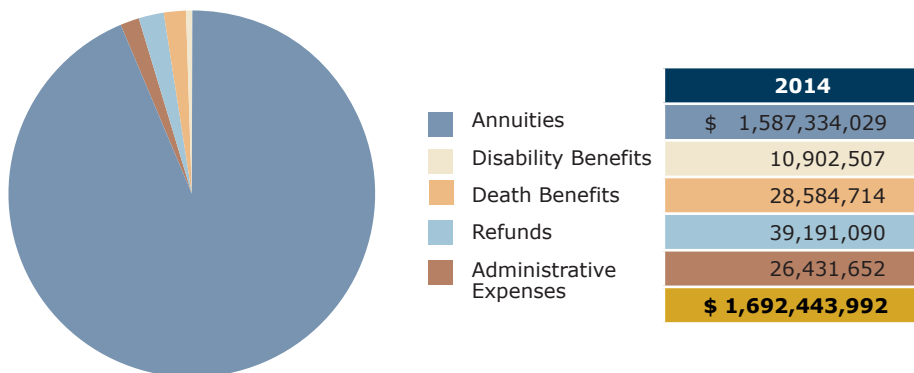
## EXPENSES

IMRF’s expenses include annuities (pension payments), disability and death benefits, refunds to members, and the cost to administer IMRF’s benefit system. IMRF’s total expenses during 2014 totaled about \$1.7 billion.

IMRF paid about \$1.6 billion in pensions during 2014. Total pension payments increased from about \$1.5 billion in 2013 and about \$1.3 billion in 2012.

IMRF paid \$10.9 million in disability benefits and \$28.6 million in death benefits during 2014.

EXPENSES BY TYPE



## MEMBERS

IMRF had 405,170 active members, inactive members, and retirees on December 31, 2014, up from 399,592 one year prior. The number of active and inactive members stayed relatively stable during 2014, while the number of retirees increased 5,030.

Members	2014	2013
Active	173,968	173,826
Inactive	118,440	118,034
Retirees	112,762	107,732
<b>Grand Total</b>	<b>405,170</b>	<b>399,592</b>

The typical IMRF retiree receives a modest benefit, earned after decades of public service. In 2014, out of IMRF's 112,762 retirees, 63 percent received an annual benefit of \$12,000 or less. About 39% of all retirees received a benefit of less than \$6,000 annually.

### DISTRIBUTION OF CURRENT ANNUITANTS BY PENSION AMOUNT

Monthly Pension Amount	All Annuities Number of	
	Males	Females
Under \$100	1,438	5,284
\$100 to under \$250	3,085	12,357
\$250 to under \$500	5,041	17,219
\$500 to under \$750	4,196	11,495
\$750 to under \$1,000	3,161	7,807
\$1,000 to under \$2,000	7,872	14,907
\$2,000 to under \$3,000	4,615	4,632
\$3,000 to under \$4,000	2,908	1,589
\$4,000 to under \$5,000	1,819	563
\$5,000 to under \$6,000	1,073	200
\$6,000 and over	1,331	170
<b>Total</b>	<b>36,539</b>	<b>76,223</b>

## EMPLOYERS

The Illinois Pension Code specifies the units of government required to participate in IMRF and those that may elect to join. In 2014, 2,976 units of government participated in IMRF, compared to 2,896 in 2005.

### NUMBER OF ACTIVELY PARTICIPATING EMPLOYERS

Calendar Year End	Cities	Villages	Counties	School Districts	Townships	Other	Total
2014	258	414	101	855	478	870	2,976
2005	253	395	101	871	463	813	2,896

## BOARD OF TRUSTEES

- David Miller, Deputy Executive Director for the North Shore Water Reclamation District, was elected as an Executive Trustee. His two-year term began January 1, 2015.
- Natalie Copper, who has served as a Trustee since 2010, was elected to her second term as Employee Trustee. Her new five-year term began January 1, 2015.

## STRATEGIC PLAN

The 2014-2016 IMRF Strategic Plan includes elements of the Baldrige Criteria for Performance Excellence to ensure we align our objectives, processes, and resources with our Vision. IMRF Staff embarked on the first year of our Strategic Plan in 2014 by implementing a series of action plans that support our five Strategic Objectives. Progress towards meeting our objectives is measured using the following five key results areas on our leadership scorecard: Financial Health and Sustainability; Investment Returns; Customer Service and Operational Excellence; Workforce Engagement; and the Modernization Program.

Baldrige recipient organizations often set their overarching Strategic Objectives to achieve a top decile ranking in each key area of importance to their stakeholders. IMRF is following that same path, as our Strategic Objectives challenge us to achieve top 10 percent performance for most key result areas.

## ILPEX SILVER AWARD FOR PROGRESS TOWARD EXCELLENCE

Once again, IMRF received a Silver Award denoting “Progress Toward Excellence” for 2014 from Illinois Performance Excellence (ILPEX). The award recognized IMRF for its commitment to outstanding customer service and continuous improvement.

ILPEX is a non-profit organization that seeks to help Illinois organizations improve their performance and contribute to the economic vitality of the state and its communities. ILPEX encourages organizations to embrace the Baldrige Criteria for Performance Excellence as a guide to providing the highest quality retirement services.

## SYSTEMS DEVELOPMENT

IMRF’s major 2014 system development priorities focused on:

- Initiating the implementation phase of the Modernization initiative (Horizon).
- Preparing our core technology infrastructure to support the Horizon hardware and software.

## LEGISLATIVE ACTIVITY APPLICABLE TO IMRF (PASSED IN 2014)

Five bills passed the Illinois General Assembly in 2014 that affect IMRF:

- Public Act 98-0712 allows employees of IMRF-participating employers, who have concurrent participation in IMRF and a Taft-Hartley pension plan for the same service, to participate only in the Taft-Hartley plan. This bill applies only to new participants. Effective July 16, 2014.
- Public Act 98-0729 changes the amounts required to be transferred from IMRF to a newly formed police pension fund. Effective July 16, 2014.
- Public Act 98-0932 made changes to the IMRF Article of the Illinois Pension Code. Effective August 15, 2014.
- Public Act 98-1022 requires firms bidding for contracts with a pension fund to provide investment or consulting services or private market fund commitments to report on the use of minority-, women-, and disabled person-owned businesses (MWDOB) in their bid information and for that information to be included in the decision-making process by the fund. Effective January 1, 2015.
- Public Act 98-1078 allows, in certain circumstances, an irrevocable election of a reversionary annuity before retirement. Effective January 1, 2015.

IMRF's *2014 Popular Annual Financial Report* offers a summary of information presented in the *2014 Comprehensive Annual Financial Report*. The *2014 Comprehensive Annual Financial Report* provides detailed information regarding IMRF's investment performance and funding as well as detailed demographic information for IMRF members and employers.

The *2014 Comprehensive Annual Financial Report* may be reviewed online at [www.imrf.org](http://www.imrf.org).

### **IMRF 2015 Board of Trustees**

#### **Natalie Copper**

Employee Trustee  
Evanston School District 65  
January 1, 2015-December 31, 2019

#### **Gwen Henry**

Executive Trustee  
DuPage County Treasurer  
January 1, 2011-December 31, 2015

#### **Tom Kuehne**

Executive Trustee  
Village of Arlington Heights  
January 1, 2013-December 31, 2017  
*2015 Board Vice President*

#### **David Miller**

Executive Trustee  
North Shore Water Reclamation District  
January 1, 2015-December 31, 2016

#### **John Piechocinski**

Employee Trustee  
Plainfield Community  
Consolidated School District  
January 1, 2011-December 31, 2015  
*2015 Board President*

#### **Sue Stanish**

Executive Trustee  
Naperville Park District  
January 1, 2014-December 31, 2018

#### **Jeffrey A. Stulir**

Employee Trustee  
Rock Island County Sheriff's Department  
February 24, 2012-December 31, 2015  
*2015 Board Secretary*

#### **Sharon U. Thompson**

Annuitant Trustee  
Lee County (formerly)  
January 1, 2011-December 31, 2015

### **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.

### **IMRF Values**

#### ***Respect***

Recognizing the worth, uniqueness and importance of ourselves, our coworkers, and our membership builds collaboration and cooperation.

#### ***Empathy***

Being aware of the feelings of others and how our actions affect them enables us to be responsive to the needs of our membership.

#### ***Accountability***

Accepting responsibility for our actions cultivates the trust of our coworkers, members, and employers.

#### ***Accuracy***

Performing our duties in an accurate and timely manner ensures our members receive the service and benefits to which they are entitled.

#### ***Courage***

Recognizing the need for innovation and being willing to change strengthens our ability to meet future challenges and opportunities.

#### ***Honesty***

Acting in a truthful, ethical, and professional manner builds confidence with our membership and the public.

### **Oak Brook Office**

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

### **Springfield Regional Counseling Center**

3000 Professional Drive, Suite 101  
Springfield, IL 62703

### **Contact IMRF**

1-800-ASK-IMRF (1-800-275-4673)  
[www.imrf.org](http://www.imrf.org)