



# 2015 POPULAR ANNUAL FINANCIAL REPORT

FOR THE YEARS ENDED DECEMBER 31, 2015, AND DECEMBER 31, 2014

PROUD LEGACY  
BRIGHT FUTURE



1941 - 2016

# BOARD OF TRUSTEES

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**TOM KUEHNE**  
*Executive Trustee*  
Village of Arlington Heights  
Jan. 1, 2013-Dec. 31, 2017  
**2016 Board President**



**GWEN HENRY**  
*Executive Trustee*  
DuPage County  
Jan. 1, 2016-Dec. 31, 2020



**SUE STANISH**  
*Executive Trustee*  
Naperville Park District  
Jan. 1, 2014-Dec. 31, 2018  
**2016 Board Vice President**



**DAVID MILLER**  
*Executive Trustee*  
North Shore Water  
Reclamation District  
Jan. 1, 2015-Dec. 31, 2016



**NATALIE COPPER**  
*Employee Trustee*  
Evanston School District 65  
Jan. 1, 2015-Dec. 31, 2019  
**2016 Board Secretary**



**JOHN PIECHOCINSKI**  
*Employee Trustee*  
Plainfield Community  
Consolidated School District  
Jan. 1, 2016-Dec. 31, 2020



**SHARON U. THOMPSON**  
*Annuitant Trustee*  
Lee County (formerly)  
Jan. 1, 2016-Dec. 31, 2020



**TRUDY WILLIAMS**  
*Employee Trustee*  
Fulton County State's  
Attorney's Office  
Jan. 1, 2016-Dec. 31, 2020



**\$34.5 BILLION**

*Fiduciary Net Position as of December 31, 2015*

**87.4%**

*funded on a market basis as of  
December 31, 2015*

## EXECUTIVE SUMMARY

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IMRF's 2015 Popular Annual Financial Report (PAFR) provides insight into the organization's financial condition. Derived from IMRF's 2015 Comprehensive Annual Financial Report (CAFR), the PAFR is written for IMRF stakeholders without a background in finance.

### **FIDUCIARY NET POSITION AND FUNDING STATUS**

IMRF's fiduciary net position—total assets minus liabilities—was \$34.5 billion as of December 31, 2015. That was a decrease of \$354 million, or about 1%, from 2014. Most of the decrease is attributable to flat 2015 investment returns. Over the last five years, IMRF's fiduciary net position has increased by \$9.7 billion.

As of December 31, 2015, IMRF was 87.4% funded on a market basis. This means IMRF had 87 cents for every \$1 in promised benefits.

### **INVESTMENTS**

In 2015, IMRF achieved a 0.20% rate of return. This translated to investment gains of \$200 million, after paying investment management fees. The IMRF portfolio was valued at \$34.3 billion as of December 31, 2015.

### **REVENUE AND EXPENSES**

IMRF paid about \$1.7 billion in pensions during 2015 to 118,038 retirees and survivors. IMRF paid \$9.8 million in disability benefits and \$27.8 million in death benefits during 2015. IMRF's total expenses during 2015 were about \$1.8 billion.

### **MEMBERS AND EMPLOYERS**

IMRF had 413,800 active members, inactive members, and retirees on December 31, 2015, up from 405,170 one year prior. In 2015, 2,972 units of government participated in IMRF, compared to 2,909 in 2006.

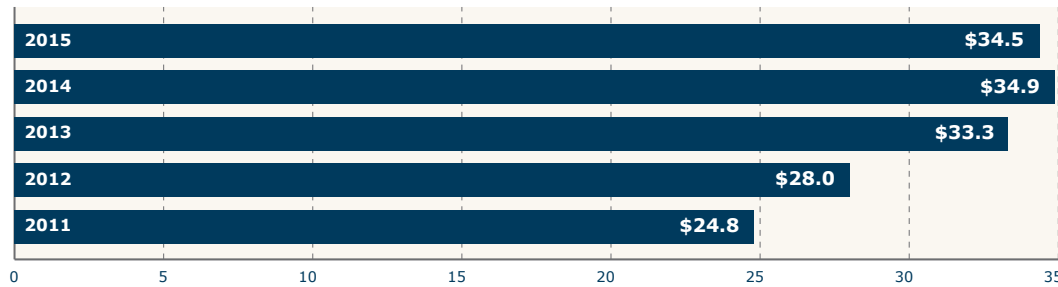
### **YEAR IN REVIEW**

Gwen Henry, John Piechocinski, and Sharon U. Thompson were re-elected to the IMRF Board of Trustees. Trudy Williams was elected to the Board for the first time.

# FIDUCIARY NET POSITION AND FUNDING STATUS

## FIDUCIARY NET POSITION

IMRF’s fiduciary net position—total assets minus liabilities—was \$34.5 billion as of December 31, 2015. That was a decrease of \$354 million, or about 1%, from 2014. Most of the decrease is attributable to flat 2015 investment returns. Over the last five years, IMRF’s fiduciary net position has increased by \$9.7 billion.



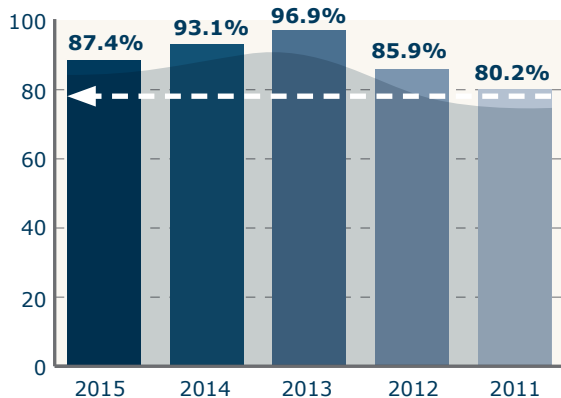
## FUNDING STATUS

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

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, 2015, IMRF was 87.4% funded on a market basis.** IMRF’s market funding status decreased from 2014 to 2015 due to flat investment returns.

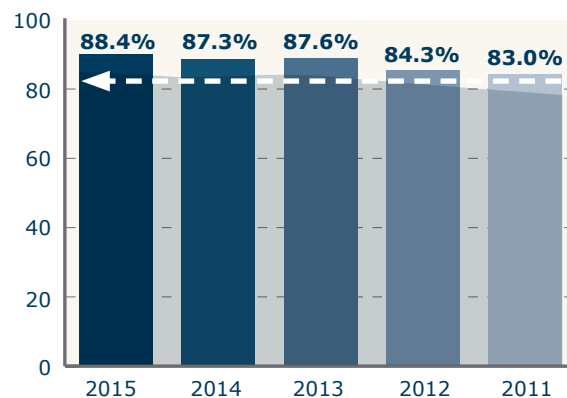
Another method to determine funding status is the actuarial funding status. Under this method, independent actuaries determine the actuarial value of IMRF assets using a “smoothing” technique that recognizes investment gains and losses over a five-year period. **As of December 31, 2015, IMRF was 88.4% percent funded on an actuarial basis.** IMRF’s actuarial funding status increased from 2014 to 2015 due to the recognition of prior years’ investment gains.

MARKET FUNDING STATUS FOR THE PAST 5 YEARS



**7.2 PERCENTAGE POINT GAIN FROM 2011-2015**

ACTUARIAL FUNDING STATUS FOR THE PAST 5 YEARS



**5.4% PERCENTAGE POINT GAIN FROM 2011-2015**

7.5%

Long-term  
investment goal

ANNUALIZED TOTAL FUND RETURN

8.37%

Last 3 Years

7.54%

Last 5 Years

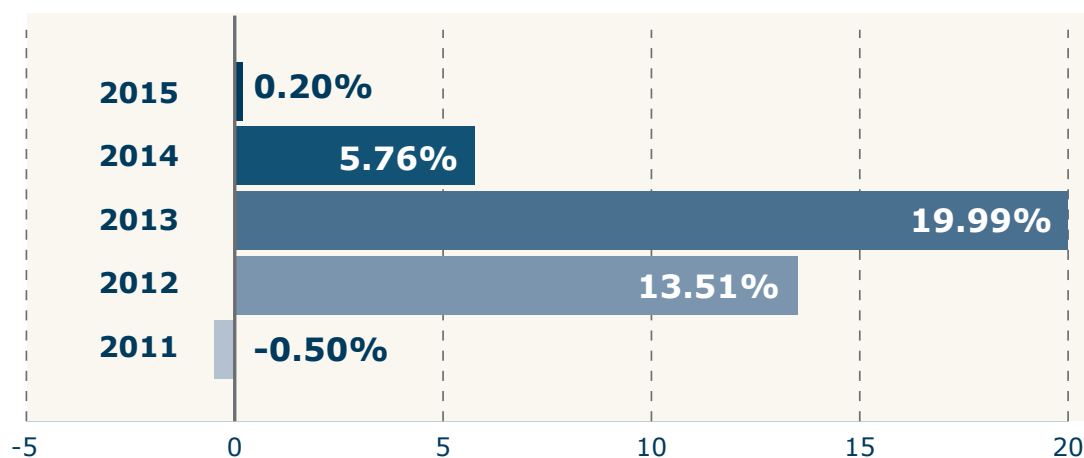
## INVESTMENTS

The IMRF investment portfolio was valued at \$34.3 billion on December 31, 2015.

The 2015 total fund return of 0.20%, after investment management fees, reflected the underperformance of markets globally. International and U.S. equities, in addition to fixed income, produced flat to negative returns, essentially neutralizing strong gains from IMRF's real estate holdings and alternative investments.

While IMRF fell short of achieving its 7.5% long-term investment goal during 2015, performance over the last five years has met expectations. IMRF's five-year, annualized, total fund return is 7.54%, after paying investment management fees.

## TOTAL FUND RETURNS FOR THE PAST 5 YEARS

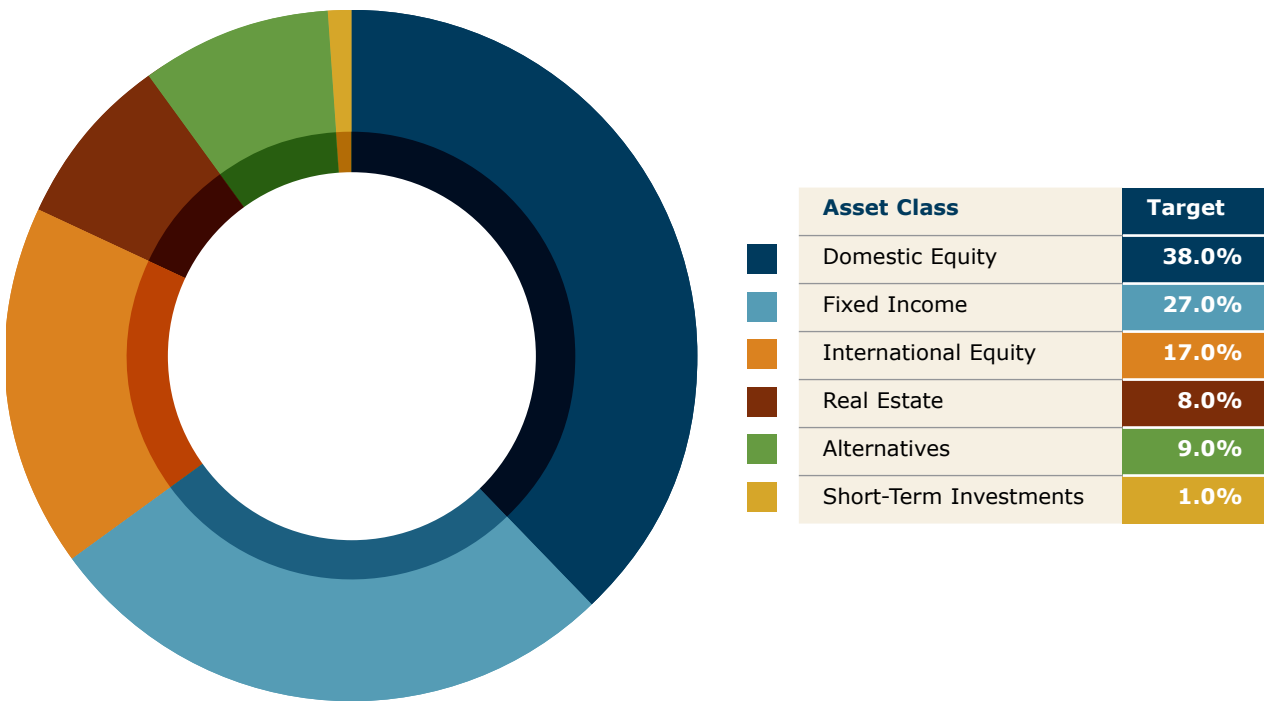


**INVESTMENT PORTFOLIO SUMMARY**

*As of December 31, 2015 (In Millions of Dollars)*

	As of December 31, 2015		As of December 31, 2014	
	Fair Value	Percent of Total Fair Value	Fair Value	Percent of Total Fair Value
Stocks	\$ 20,722.6	60.3%	\$ 21,901.1	63.2%
Fixed Income	9,500.5	27.7%	9,069.4	26.1%
Alternative Investments	1,659.8	4.9%	1,564.6	4.5%
Real Estate	1,804.9	5.2%	1,500.0	4.3%
Short-Term Investments	662.1	1.9%	655.1	1.9%
<b>Total Portfolio</b>	<b>\$34,349.9</b>	<b>100.0%</b>	<b>\$34,690.2</b>	<b>100.0%</b>

**TARGET ASSET ALLOCATION**



# REVENUE AND EXPENSES

## 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 2015 totaled almost \$1.5 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 \$368 million in 2015.

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 \$900 million in 2015.

**Member and employer contributions are invested, which generate IMRF's largest source of income. Investment income was about \$201 million during 2015.**

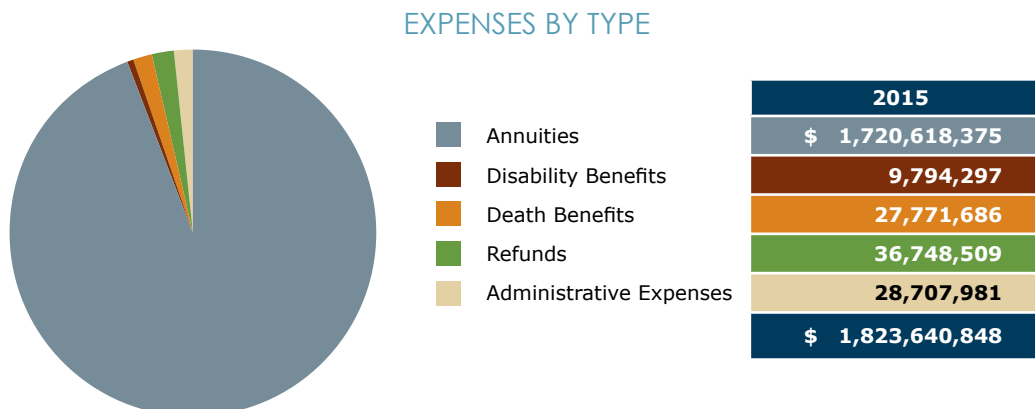


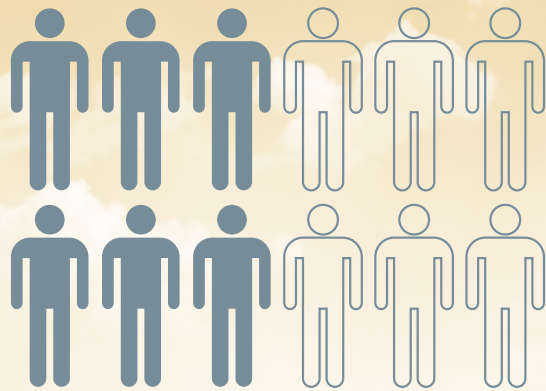
## EXPENSES

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 2015 equaled about \$1.8 billion.

IMRF paid about \$1.7 billion in pensions during 2015. Total pension payments increased from about \$1.6 billion in 2014.

IMRF paid \$9.8 million in disability benefits and \$27.8 million in death benefits during 2015.





**HALF OF IMRF'S 118,038 RETIREES**

RECEIVE

**LESS THAN \$9,000**

ANNUALLY

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# MEMBERS AND EMPLOYERS

## MEMBERS

IMRF had 413,800 active members, inactive members, and retirees on December 31, 2015, up from 405,170 one year prior. The number of retirees increased 5,276.

Members	2015	2014
Active	174,098	173,968
Inactive	121,664	118,440
Retirees	118,038	112,762
<b>Grand Total</b>	<b>413,800</b>	<b>405,170</b>

The typical IMRF retiree receives a modest benefit, earned after decades of public service. In 2015, out of IMRF's 118,038 retirees, 62 percent received an annual benefit of \$12,000 or less. Half of retirees receive a benefit of less than \$9,000 annually.

## DISTRIBUTION OF CURRENT ANNUITANTS BY PENSION AMOUNT

Monthly Pension Amount	All Annuities
Under \$100	6,698
\$100 to under \$250	15,444
\$250 to under \$500	22,860
\$500 to under \$750	16,336
\$750 to under \$1,000	11,431
\$1,000 to under \$2,000	24,317
\$2,000 to under \$3,000	10,046
\$3,000 to under \$4,000	4,984
\$4,000 to under \$5,000	2,686
\$5,000 to under \$6,000	1,461
\$6,000 and over	1,775
<b>Total</b>	<b>118,038</b>

## EMPLOYERS

The Illinois Pension Code specifies the units of government required to participate in IMRF and those that may elect to join. In 2015, 2,972 units of government participated in IMRF, compared to 2,909 in 2006.

## NUMBER OF ACTIVELY PARTICIPATING EMPLOYERS

Calendar Year End	Cities	Villages	Counties	School Districts	Townships	Other	Total
2015	259	415	101	850	478	869	2,972
2006	255	398	101	870	467	818	2,909

# YEAR IN REVIEW

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## BOARD OF TRUSTEES

- Trudy Williams, from the Fulton County State's Attorney Office, was elected as an Employee Trustee, for a five-year term that began January 1, 2016.
- Gwen Henry, who has served as Executive Trustee since 2008, was elected to a second five-year term, which began January 1, 2016.
- John Piechocinski, who has served as a Trustee since 2011, was elected to his second term as Employee Trustee. His second five-year term began January 1, 2016.
- Annuitant Trustee Sharon U. Thompson of Dixon (formerly Lee County) was re-elected by IMRF retirees to serve a third five-year term. Her new term began January 1, 2016.

## STRATEGIC PLAN

IMRF's Strategic Plan provides the Fund with a road map for meeting the challenges and opportunities in achieving our Vision to provide the highest quality retirement services to our members, their beneficiaries, and employers in a cost-effective manner. The Plan guides our efforts to continuously improve customer service to our employers and members.

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 implemented a series of action plans that support our five Strategic Objectives during 2015. We include the following five key result areas on our leadership scorecard to measure our progress towards meeting our objectives:

- Financial Health and Sustainability
- Investment Returns
- Customer Service and Operational Excellence
- Workforce Engagement
- 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 its Strategic Objectives serve as a challenge to achieve top 10% performance for most key result areas. IMRF will conduct its triennial strategic planning process in 2016 as the 2017-2019 Strategic Plan is developed. Stakeholders, IMRF staff, and the Board of Trustees will provide input to inform the development of the new strategic objectives.

## SYSTEMS DEVELOPMENT

IMRF's major 2015 system development priorities focused on:

- Implementing the first phase of its Modernization initiative, including new Content Management, Customer Relationship Management, and Business Analytics functionality.
- Introducing a new and improved IMRF website, [www.imrf.org](http://www.imrf.org), in concert with an overall branding initiative.

PROUD LEGACY  
BRIGHT FUTURE



1941 - 2016

IMRF celebrates its 75<sup>th</sup> Anniversary in 2016, prepared to best serve its members and retirees into the future.

### LEGISLATIVE ACTIVITY APPLICABLE TO IMRF (PASSED IN 2015)

Four bills that affect IMRF passed the General Assembly in 2015:

- **Public Act 99-0462** sets an aspirational goal for Illinois public pension systems to utilize at least 20% minority firms in investments and contracts awarded.
- **Public Act 99-0239** reduces the time required before IMRF can begin the delinquent employer offset process with the State Comptroller and/or County Treasurer from 90 days delinquent to 60 days delinquent.
- **Public Act 99-0382** updates obsolete language in the Pension Code to reflect current member contribution rates when purchasing service credit under an IMRF Early Retirement Incentive program.
- **Public Act 99-0008** removes the State Treasurer as the IMRF ex officio Treasurer. It also made explicit that most local pension systems (including IMRF) can offset monies from the State Comptroller to pay delinquent employer contributions.

### AWARDS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to IMRF for its Comprehensive Annual Financial Report for the year ended December 31, 2014. IMRF has received a Certificate of Achievement from the GFOA for the last 35 consecutive years (fiscal years 1980-2014).

IMRF also received a Certificate of Achievement for Excellence in Financial Reporting for its Popular Annual Financial Report for the year ended December 31, 2014.

The GFOA also awarded the Distinguished Budget Presentation Award for the first time to IMRF for its 2015 Budget document.

In 2015, in recognition of meeting professional standards for plan administration and funding as set forth in the Public Pension Standards, IMRF received an award from the Public Pension Coordinating Council, a confederation of the National Association of Retirement Administrators, the National Conference on Public Employee Retirement Systems, and the National Council on Teacher Retirement.

In 2016, PLANSPONSOR, a national publication dedicated to retirement and benefit programs, named IMRF a “Standout” as part of its 2016 “Awards for Excellence” program. This is IMRF’s second consecutive nomination for a PLANSPONSOR award.



*Locally funded, financially sound.*

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**Contact IMRF**

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

IMRF's **2015 Popular Annual Financial Report** offers a summary of information presented in the 2015 Comprehensive Annual Financial Report. The 2015 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 2015 Comprehensive Annual Financial Report may be reviewed online at [www.imrf.org](http://www.imrf.org).