

Fundamentals

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RETIRED MEMBER EDITION



New Executive Director to focus on customer service, efficiency

This is my first opportunity to write you as IMRF's Executive Director. I am fortunate to be following Bob Cusma who, as Executive Director, was committed to improving IMRF's administrative capabilities by hiring and training good people and who had the vision to invest in and develop the technologies which enhance our ability to serve you.

"Customer Service" is our focus and we pledge to treat you as we would like to be treated. We also pledge to be honest with you and to be held accountable for what we say and do. Our promise is to ensure that you receive every benefit you are entitled to under the Illinois Pension Code in an efficient, professional and friendly manner.

I realize that I begin my tenure as Executive Director at what some say are "the worst of times." The financial markets are in turmoil. It's a greater challenge to invest IMRF monies. Government revenues are down. And our membership continues to increase: 159,000 active members and 70,000 retirees (as of June 2001). Some people are questioning the wisdom of

defined benefit plans like IMRF where your benefits are guaranteed and you do not have to worry about investment risk.

But I do not see these as "the worst of times." The coming years will bring opportunities for both staff and Board members to meet the challenges of fluctuating markets, growing membership and higher expectations. Each of you deserves our attention and our time so that you thoroughly understand your rights and your benefits.

I am honored the Board of Trustees selected me to be the next Executive Director. I will work each day to fulfill their expectations and yours. Please remember, everyone at IMRF is working for you.



Louis Kosiba
Executive Director

Lou Kosiba has been with IMRF since 1988, first as Manager of Field Services, then as Director of Member Services and Legal, and most recently as General Counsel. Before coming to IMRF Lou served as General Counsel for the Illinois Teachers' Retirement System.

A native Chicagoan, Lou earned a law degree and Masters in Business Administration from the University of Illinois-Urbana. His undergraduate degree is from Northern Illinois University.

Assets continue to grow

2000 Annual Financial Report

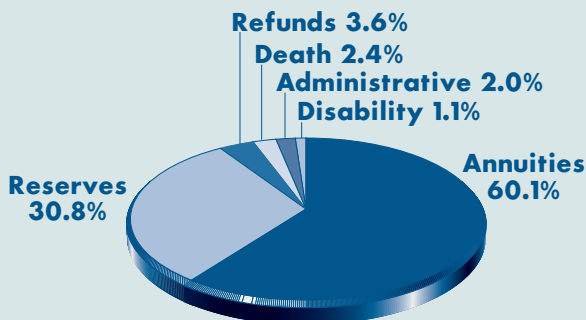
Each year, IMRF compiles information for its Comprehensive Annual Financial Report. The following article summarizes that information.

Despite a significant decrease in investment earnings from 1999, IMRF assets grew to exceed \$16.1 billion in fiscal year 2000. The reduction in net additions to net assets reflects the overall market conditions in 2000 (see table on page 2). Contributions and net investment returns for 2000 totaled \$839.5 million.

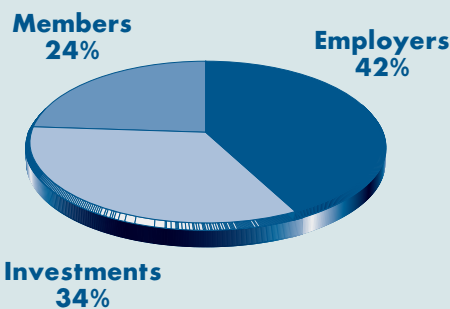
Even in a year of marginal returns, such as 2000, investments provide a significant contribution. Net investment return provided 34 percent of total additions to the net assets. Employers contributed 42 percent and working members contributed 24 percent.

Continue to page 2

Revenues bring net asset base to \$16.1 billion



2000 Revenues by Application



2000 Revenues by Source

from page 1

2000 Annual Financial Report

Investing for 300,000 lifetimes

When comparing IMRF's investment returns, it is important to remember that as a pension fund, IMRF's investment program has a long timeline.

We are not investing for the lifetime of one member, but for the lifetimes of more than 300,000 members: some as young as 20 and others over 100. Therefore, while it is important that we pay close attention to short-term returns, it is *essential* that we focus on the long-term value of IMRF's assets.

Although the total return for the investment portfolio in 2000 totaled 1.87 percent (compared to 20.93 percent in 1999), over the past five years IMRF investments have seen annualized returns of 13.26 percent, and over the past 10 years, investment returns averaged 12.58 percent.

Through IMRF's continued adherence to an investment plan of growth and diversity, we will continue to protect our assets (the money needed to pay your future benefits) against swings in market performance.

Growing reserves

In 2000, additions to net assets of \$839.5 million exceeded deductions of \$580.6 million by \$258.9 million. This brought the Plan's net asset base to \$16.1 billion.

Rise in benefit payments

IMRF retired members can consider IMRF's net asset base as irrevocably committed to the payment of your pension. Visit the publications area of IMRF's website (www.imrf.org) to view an online version of the IMRF 2000 Comprehensive Annual Financial Report.

IMRF Net Assets as of December 31, 2000 (in millions)

ASSETS	Millions	RESERVES	Millions
Cash	\$ 9.3	Member (contributions and interest)	\$ 2,473.6
Receivables	412.3	Annuitant (amount required to pay pensions granted)	5,284.3
Investments (Fair Value)	16,083.1	Employer (amount accumulated to pay benefits to be awarded in the future)	<u>8,306.5</u>
Cash Collateral	1,428.2		
Prepaid Expenses	26.6		
Equipment and Fixtures	<u>1.0</u>		
Total Assets	\$ 17,960.5	Total Reserves	<u>\$ 16,064.4</u>
Less Liabilities	<u>1,896.1</u>		
Net Assets	<u>\$ 16,064.4</u>		

Changes in IMRF Net Assets (in millions)

	2000	1999
ADDITIONS		
Member IMRF contributions	\$ 200.2	\$ 192.3
Employer IMRF contributions	356.2	379.2
Income from Investments	<u>283.1</u>	<u>2,689.1</u>
Total additions	\$ 839.5	\$ 3,260.6
DEDUCTIONS		
Benefits	\$ 533.7	\$ 496.4
Refunds	29.8	28.1
Administrative expenses	<u>17.1</u>	<u>16.2</u>
Total deductions	<u>580.6</u>	<u>540.7</u>
Net increase	<u>\$ 258.9</u>	<u>\$ 2,719.9</u>

NET ASSETS HELD IN TRUST FOR PENSION BENEFITS

Beginning of year	15,805.5	13,085.6
End of year	\$16,064.4	\$15,805.5

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IMRF Office: 2211 York Road, Oak Brook, IL 60523-2374

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

Fundamentals Editor: Jennifer Becker, jbecker@imrf.org

The search for static security... is misguided.

The fact is security can only be achieved through constant change, adapting old ideas that have outlived their usefulness to current facts.

— William O. Douglas