



2017 ADOPTED BUDGET





Adopted 2017 Budget

PREPARED BY

*The Finance Department of the
Illinois Municipal Retirement Fund*

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Board of Trustees



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



Alex Wallace, Jr.
Employee Trustee
Oswego Community Unit
School District 308
July 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

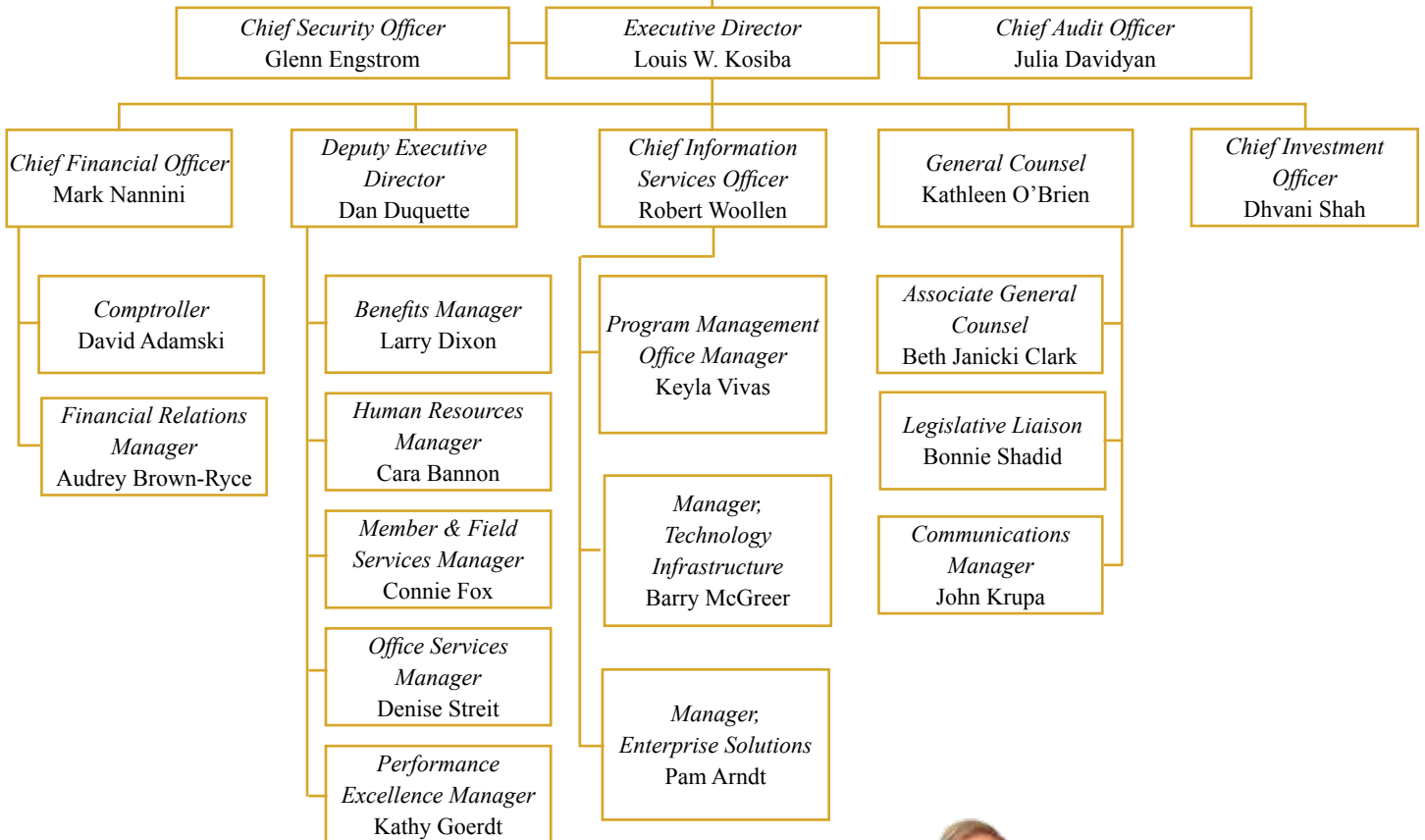
Organization Chart

Board of Trustees

Consultants



Staff



IMRF Senior Leaders (from left):
 Cara Bannon, Dan Duquette,
 Kathy Goerd, Robert Woollen,
 Dhvani Shah, Kathleen O'Brien,
 Mark Nannini, Louis W. Kosiba.



GOVERNMENT FINANCE OFFICERS ASSOCIATION

*Distinguished
Budget Presentation
Award*

PRESENTED TO

Illinois Municipal Retirement Fund

Illinois

For the Fiscal Year Beginning

January 1, 2016

Executive Director

IMRF Mission Statement, Vision, *and* Values

This vision and these values support IMRF's mission statement by providing goals and guiding principles as we develop, implement, and administer programs for our **174,098** active members, **118,038** benefit recipients, and **2,972** employers.

Mission Statement

To efficiently and impartially develop, implement, and administer programs that provide income protection to the members and beneficiaries on behalf of participating employers in a prudent manner.

Vision

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

Values

Guiding us to **REAACH** our Mission and Vision:

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.

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November 1, 2016

Board of Trustees

Illinois Municipal Retirement Fund

Oak Brook, Illinois 60523-2337

The Annual Budget for the Illinois Municipal Retirement Fund (IMRF) for the fiscal year ending December 31, 2017, is attached and submitted to the Board of Trustees. The management of IMRF is responsible for the compilation, content, and accuracy of this document. We have addressed the defined needs and objectives of the organization, as outlined in the enclosed document. IMRF relies on the interest earned from the Trust to fund its administrative, investment, and operating expenses.

In developing this budget, we received proposals and data from each operational department of IMRF. The objective is to continue to properly pay benefits and provide the utmost in customer service. IMRF has faced challenges in the past and will continue to face new challenges in the future based on the uncertain economic future. This budget reflects the organization's ability to adapt to uncertainty and continue to provide annuitant benefits, employers information, and outstanding service to all stakeholders.

IMRF is a solid, financially sound organization. We continue to involve a much larger segment of our workforce in the budget preparation process at IMRF. We demand sound financial, investment, and operational decision-making by all employees and leaders.

Beyond the funds needed to operate the system day-to-day, this budget includes resources aimed at furthering a number of multi-year organizational initiatives. These include the project to modernize IMRF's technology systems, as well as IMRF's ongoing effort to better align its business process with the Baldrige Criteria for Performance Excellence.

Highlights of the 2017 Budget

Overall administrative expenses are projected to decrease by 4.8 percent from 2016 to 2017. Investment expenses are projected to increase from 2016 to 2017 by 7.8 percent. The capital plan includes an increase of about \$4.7 million over the prior year, which is largely due to projected expenses associated with the Horizon Project to replace IMRF's pension administration systems.

Profile of IMRF

IMRF is the administrator of an agent multiple-employer public employee retirement system, which began operations in 1941 in order to provide retirement, death, and disability benefits to employees of local units of government in Illinois.

Members, employers, and annuitants elect eight trustees who govern IMRF. IMRF is separate and apart from the Illinois state government and is not included in the state's financial statements. IMRF now serves 2,972 different employers, 174,098 participating members, 121,664 inactive members, and 118,038 benefit recipients.

Funding

IMRF’s revenue comes from three sources: investment earnings, employer contributions, and member contributions. Per state statute, IMRF employers are required to make actuarially required contributions to IMRF.



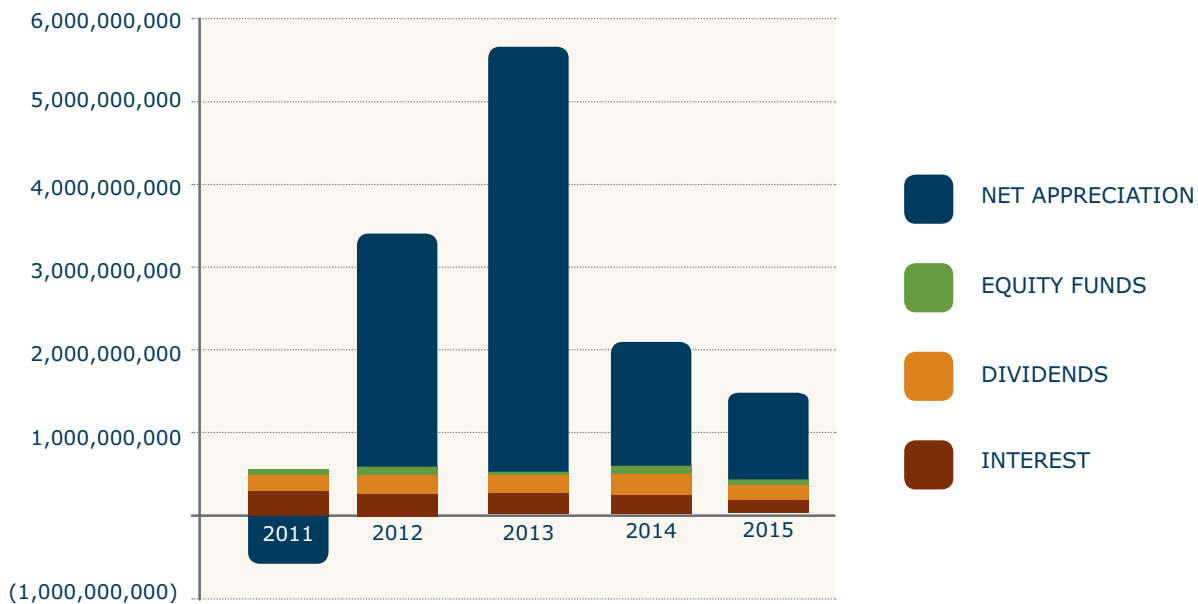
Average percentages for 1982 through December 31, 2015.

The Revenues by Source section of this document presents the details of the funding for IMRF.

Investments

The Investment Department is under the direction of the Chief Investment Officer. Currently the public markets portfolio is managed by 46 professional investment management firms, handling 60 mandates. The private markets portfolio is invested by 40 firms including 84 separate funds. 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 IMRF Board of Trustees.

The Trustees employ an investment consultant to monitor and evaluate the investment management firms’ performance. Our primary goal is to optimize the long-term total return of IMRF investments through a policy of diversification within a parameter of prudent risk. The Fiscal Year 2017 Investment budget reflects a contractual commitment to investment consultant Callan Associates.



Personnel

There are no new positions presented in the 2017 Budget Document. There are 15 vacant positions to be filled during Fiscal Year 2017. Total staffing remains the same at the 205 head count presented in the 2016 Budget.

Information Systems Development

2016

IMRF's major 2016 system development priorities have focused on:

- Transitioning responsibility from the vendor to IMRF for enhancing and supporting the first phase of the Horizon Project to replace our pension administration systems.
- Publishing a comprehensive Request For Proposal (RFP) for the second phase of the Horizon Project to replace our current pension administration systems.
- Initiating a project to completely replace IMRF's intranet.
- Implementing new firewalls and other access controls to further protect IMRF's systems and data.
- Publishing a RFP for phase two of a project to replace our accounting and human resources administration systems.

2017

IMRF's major 2017 system development priorities will focus on:

- Selecting a vendor and initiating the second phase of the Horizon Project.
- Re-engineering business processes to enhance customer service while also maintaining all internal control and efficiency objectives.
- Replacing several components of our telecommunications systems to support re-engineered call center processes.
- Implementing the new IMRF intranet.
- Implementing phase two of a project to replace our accounting and human resources administration systems.

Strategic Plan

Our new 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. It guides our efforts to continuously improve our service to our employers and members.

The 2017-2019 Strategic Plan includes elements of the Baldrige Criteria for Performance Excellence to ensure we align our objectives, processes, and resources with our vision. Progress towards meeting our objectives is measured using the following four key results areas on our leadership scorecard:

- Financial Health
- Customer Engagement
- Workforce Engagement
- Operational Excellence

Our new Strategic Plan for 2017-2019 is being finalized and will be presented to the IMRF Board of Trustees at the November 2016 Board meeting.

Illinois Performance Excellence Program

Illinois Performance Excellence (ILPEX) is a non-profit organization that seeks to help other organizations improve their performance by embracing the Baldrige Criteria for Excellence and aligning their processes to become more efficient and sustainable. Organizations that pursue the Baldrige management framework can demonstrate through the ILPEX award application that they have adopted proven performance practices, principles, and strategies that nurture excellence in all aspects of their operations. This can range from customer relations, to workforce development, to specific operational and financial results. IMRF participates cyclically in the ILPEX process and was awarded the Bronze: Commitment to Excellence in 2009 and the Silver: Progress towards Excellence in 2012 and 2014. This further validates our progress and commitment to receive valuable feedback from ILPEX examiners and judges. Our Silver Awards affirmed IMRF's status as a national leader in public pension administration. The comprehensive feedback report received from ILPEX provided additional guidance regarding how we can further leverage our strengths and pursue opportunities for improvement.

To continue IMRF's journey towards excellence, funds are included in the 2017 budget to submit another ILPEX award application during the 2017 award cycle. Feedback from ILPEX on the application will undoubtedly help IMRF identify additional process improvement to enhance customer service in the future.

Defined Benefit Administration Benchmarking Analysis

Annually, IMRF participates in a benchmarking study to further identify potential process improvements. CEM Benchmarking Inc., conducts an annual Defined Benefit Administration 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. In 2016, IMRF's service level scores ranked in the top 16 percent of the peer group of 44 North American public pensions, while our costs were below the median. We will continue our participation in this benchmarking program in 2017.

Financial Policies

Financial policies provide the basic framework for the fiscal management of IMRF. These policies provide guidelines for the evaluation of current activities and proposals for the future. The policies represent long established principles and practices that have guided IMRF in the past, and lead to the financial stability of the organization today. These policies are located in the Appendix of this document.

Performance Measures

IMRF, in an effort to provide a more informative document, is including performance measures for each operational area within the budget.

Awards

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to IMRF for its Comprehensive Annual Financial Report (CAFR) for the year ended December 31, 2014. An application has been made for the Fiscal Year 2015 CAFR presentation and notice of the award is pending. The Certificate of Achievement for Excellence is a prestigious national award, recognizing conformance with the highest standards for preparation of state and local government financial reports. IMRF has received a Certificate of Achievement 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 (PAFR) for the year ended December 31, 2014. IMRF has received the PAFR award 13 times.

Also in 2016, IMRF received for the second straight year the Distinguished Budget Presentation Award from the Government Finance Officers Association (GFOA). IMRF is proud of the 2017 Budget Document and its contents. We feel that it provides the

reader pertinent information about IMRF as an organization, and makes clear the focus and direction of the organization into the future. IMRF will continue to strive to obtain this award on an annual basis.

Acknowledgments

The production of this document reflects the combined effort of the IMRF staff under the leadership of the Board of Trustees and the Executive Director, Louis W. Kosiba. The Finance Department, under the direction of Mark Nannini, compiled the report. We believe this report provides complete and reliable information for making management decisions, for determining compliance with legal provisions, and for determining responsible stewardship for the assets contributed by the members and their employers.

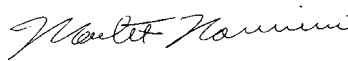
We hope that all users of this Budget Document will find it both informative and helpful.

The Budget Document is a culmination of a major effort by numerous staff members of IMRF as well as the Board. We would like to especially thank the Directors, Managers, and Supervisors, Pamela Graves, Kathy Goerd, John Krupa, David Adamski, Audrey Brown-Ryce, Sharon Brown, and Jim Splitt for their help in preparing and assembling this document. On behalf of the management team, we are pleased to present the Fiscal Year 2017 IMRF budget for your consideration

Respectfully submitted,

Handwritten signature of Louis W. Kosiba in black ink.

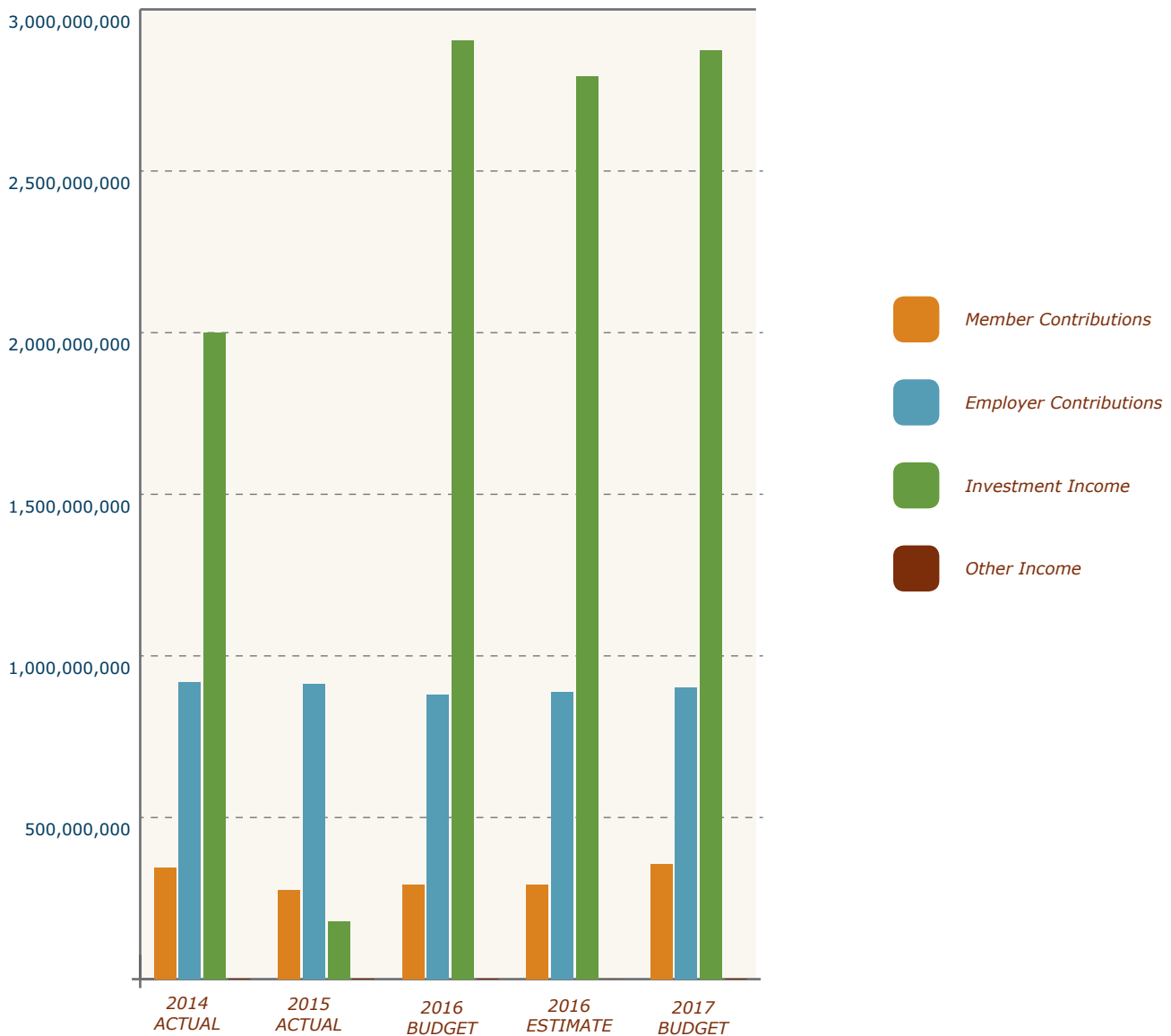
Louis W. Kosiba
Executive Director

Handwritten signature of Mark F. Nannini in black ink.

Mark F. Nannini
Chief Financial Officer

Revenues By Source

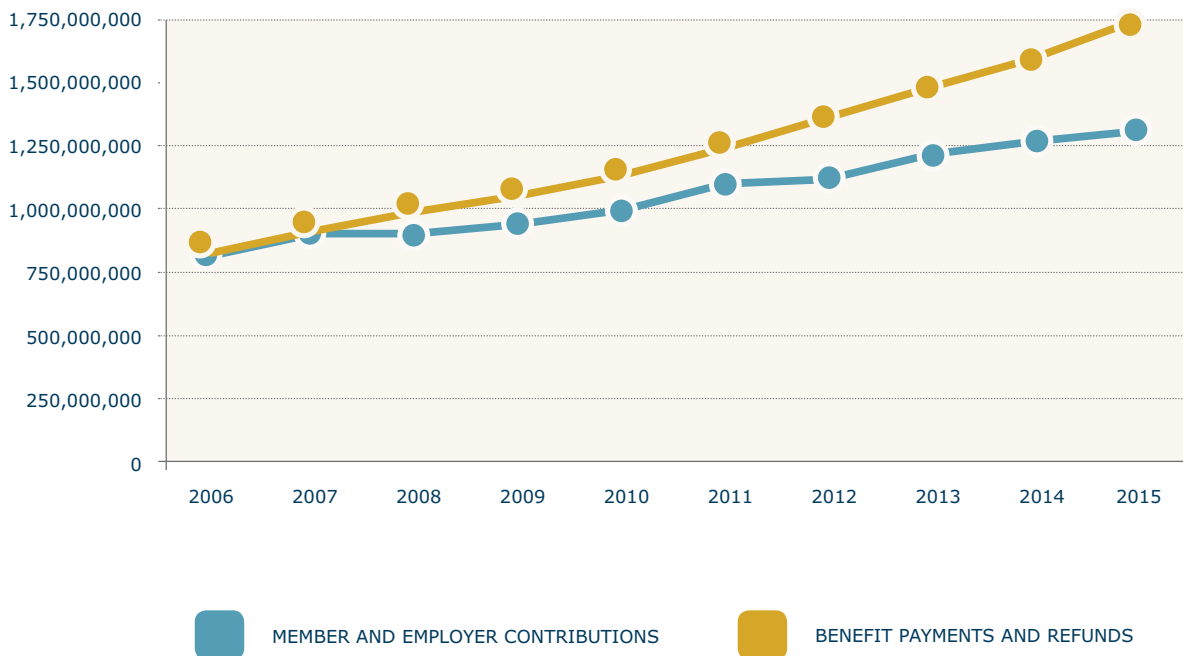
Source	2014 Actual	2015 Actual	2016 Budget	2016 Estimate	2017 Budget
MEMBER CONTRIBUTIONS	\$ 351,089,445	\$ 368,005,271	\$ 351,655,861	\$ 354,955,659	\$ 363,900,347
EMPLOYER CONTRIBUTIONS	923,382,825	900,476,884	913,187,396	921,432,667	914,014,449
INVESTMENT INCOME	2,001,420,871	318,562,700	2,611,038,366	2,877,598,569	2,927,738,451
OTHER INCOME	19,157	464,050	256,340	254,640	256,340
TOTAL	\$ 3,275,912,298	\$ 1,587,508,905	\$ 3,876,137,963	\$ 4,154,241,535	\$ 4,205,909,587



Revenues to IMRF include member and employer contributions based on the reported wages from the nearly 174,098 active members reported from 2,972 employers. Investment income is projected at 8 percent (gross of fees) investment return target. The increase in "Other Income" for 2017 includes cost reimbursements for improvements made under IMRF's lease provisions for the Oak Brook location.

Contributions vs. Benefits Paid

YEAR	MEMBER AND EMPLOYER CONTRIBUTIONS	BENEFIT PAYMENTS & REFUNDS	MEMBER/EMPLOYER NET CASH FLOW
2006	\$ 883,772,965	\$ 896,300,632	\$ (12,527,667)
2007	897,512,205	960,212,783	(62,700,578)
2008	945,167,415	1,029,418,261	(84,250,846)
2009	984,470,203	1,105,278,532	(120,808,329)
2010	1,095,044,263	1,210,232,111	(115,187,848)
2011	1,128,485,142	1,317,305,714	(188,820,572)
2012	1,214,030,823	1,423,957,664	(209,926,841)
2013	1,269,903,477	1,540,318,362	(270,414,885)
2014	1,274,472,270	1,666,012,340	(391,540,070)
2015	1,268,482,155	1,794,932,867	(526,450,712)



Negative cash flow is a common feature of "mature" pension plans with a large number of retirees. Over time, IMRF investment income fills the gap between contributions and payments/refunds.



November 2016

IMRF Strategic Plan

The Illinois Municipal Retirement Fund Board of Trustees and staff are proud to present our 2017-2019 IMRF Strategic Plan. The Strategic Plan includes our Mission, Vision and Values; Strategic Objectives for each of our four Key Result Areas; and our formal planning methodology.

Our Strategic Objectives challenge us to achieve top 10% performance for most Key Result Areas. These objectives are supported by a set of Key Strategies critical to the success of our Plan. The complete list of Strategic Objectives and Key Strategies is included in the enclosed Strategic Plan.

IMRF received an Illinois Performance Excellence Silver Award for Progress Toward Excellence in 2012, and again in 2014. These honors not only recognized our accomplishments towards achieving organizational excellence, but also provided a framework to continue our efforts toward fulfilling our Vision. This framework helped shape the development of our new Strategic Plan, which aligns our objectives with the four Key Result Areas of the Fund:

- Financial Health
- Customer Engagement
- Workforce Engagement
- Operational Excellence

Our Strategic Plan provides the Fund with a road map for meeting the challenges and opportunities in providing the highest quality retirement services to our members, their beneficiaries, and employers. It guides our efforts to continuously improve our service to our 2,972 employers, 174,098 participating members, 118,038 benefit recipients, and the taxpayers of Illinois.

We appreciate your interest in IMRF and welcome your feedback

Louis W. Kosiba
Executive Director

Executive Summary

IMRF implemented a formal strategic planning process and methodology in 2005 to ensure the IMRF Board of Trustees and staff had a mechanism to plan for the future needs of the Fund. This systematic process facilitates discussion and agreement between the Board of Trustees, staff, and key stakeholders on the appropriate direction for IMRF. Consistent with the spirit of our continuous process improvement program, the process was updated and improved in 2007, 2010, 2013, and again in 2016.

IMRF has a long history of implementing operational improvements in response to the increasing needs and demands of our stakeholders. These changes allowed the Fund to effectively and efficiently respond to many challenges, including new benefit programs and ever-increasing workloads. Our success continues to be validated through the high marks received on customer satisfaction surveys and through outside benchmarking services.

We expanded our strategic planning process in 2010 to include elements of the Baldrige Criteria for Performance Excellence to ensure we align our objectives, processes, and resources with our Vision. Our application for the 2009 Lincoln Award for Performance Excellence (renamed Illinois Performance Excellence {ILPEX} in 2011) was a logical extension of our continuous process improvement program and provided a new sense of direction for our planning process. The feedback from our 2012 and 2014 applications was used to identify 28 key business approaches, which we evaluate and improve. Baldrige recipient organizations often set their overarching strategic objectives to achieve a top 10% ranking in each key area of importance to their stakeholders. We are following that same path.

While the measures of success that we use for our strategic objectives may change over time, we will strive to achieve top 10% performance for most Key Result Areas. We believe this high level of performance is how we should benchmark ourselves. This is consistent with our Values, and provides a

means to assess progress toward realization of our Vision. Our Strategic Objectives force us to think strategically about how we can achieve and/or maintain excellence in each of our Key Result Areas. They provide a target we can aspire to over the three years of this Strategic Plan.

As a critical part of our formal 12-step planning process, the Board of Trustees and staff completed a re-examination and validation of our Mission, Vision, and Values in July 2016. We also completed a comprehensive overview of our external environment, as well as an analysis of our strengths, weaknesses, opportunities, and threats. These analyses resulted in a list of strategic advantages, challenges, and opportunities that helped validate our four Key Result Areas and provided a framework for establishment of our new Strategic Objectives.

Our four Strategic Objectives provide the basis for our 2017-2019 Strategic Plan. Staff will develop action plans, including milestones and timelines, for the Key Strategies associated with each of these objectives.

Strategic Objectives and Key Strategies for 2017-2019

Our four Strategic Objectives define our approach to realize our Vision, and as such, constitute the focus of our Strategic Plan for 2017-2019. These four inter-related objectives address internal and external strategic advantages, challenges and opportunities. The objectives and corresponding strategies are aligned with our Vision across all Key Result Areas. This integration is critical to the success of our Strategic Plan, as these objectives must be considered as four parts of one plan. The Plan highlights the four Strategic Objectives. The Plan also provides an overview of the Key Strategies designed to support the Strategic Objectives. These Key Strategies may change throughout the three years of the Plan, as some will be completed or combined with another strategy. Listed on the following pages are our four Strategic Objectives and the 21 Key Strategies we will utilize in 2017 to help us achieve those objectives.

Key Result Area: Financial Health

Strategic Objective

To achieve and maintain a funding level that sustains the Plan:

As measured by:

- Achieving stable/declining employer contribution rates
- Achieving top decile funding level on a market-value basis relative to a universe of public pension funds
- Achieving progress toward a 100% funding goal
- Achieving or exceeding a 7.5% annual return over the long term (over 5-, 10- and 15-year basis).
- Outperforming the total portfolio benchmark (over 3-, 5- and 10-year basis)

Key Strategies

- Utilize portfolio construction tools and principles, including asset liability models, portfolio optimization, cost control, evaluation of various investment program structures, and relevant performance measurements to increase net returns
- Educate and advocate our 100% funding principle and maintain sound funding policy
- Ensure the collection of the actuarial required contributions from employers
- Monitor and incorporate the impact of Tier II on employer rates
- Monitor negative cash flow and reflect its impact in financial reporting

Key Result Area: Customer Engagement

Strategic Objective

To foster and maintain engaged members and employers.

As measured by:

- Achieving 90% rating on member engagement survey question “Very Likely to Promote”
- Achieving 90% rating on employer engagement survey question “Very Likely to Promote”

Key Strategies

- Develop appropriate measures of member engagement and improve member engagement levels through education, communication strategy and excellent customer service
- Develop appropriate measures of employer engagement and improve employer engagement levels through education, communication strategy and excellent customer service

Key Result Area: Workforce Engagement

Strategic Objective

To foster and maintain an engaged workforce.

As measured by:

- Achieving top decile ranking on the Employee Engagement Survey
- Achieving employee turnover levels below averages as measured by CompData Surveys

Key Strategies

- Analyze the Employee Engagement Survey report and other data to identify and implement improvements regarding staff retention and staff engagement drivers
- Implement an approach for effective internal communications and staff inclusion in key decisions

Key Result Area: Operational Excellence

Strategic Objective

To provide world-class customer service at a reasonable cost.

As measured by:

- Achieving top decile “Overall Service Score” ranking for the CEM Benchmarking Survey
- Achieving top decile “American Customer Satisfaction Index” (ACSI) ranking for the Cobalt Retirement Fund Benchmarking Survey
- Achieving 90% “Overall Satisfaction” ratings on member and employer “Voice of the Customer” surveys
- Achieving per-member cost at or below the median of the CEM administrative cost measure

Key Strategies

- Implement Fund-wide formal project management tools and practices for the Modernization Program, including resource allocation, workforce capacity, Business Process Re-engineering (BPR) and the Horizon Project
- Manage the Horizon Project to replace current systems to support our customer engagement and operational excellence objectives
- Develop an approach to monitor and manage cybersecurity threats and issues
- Identify and implement business process re-engineering opportunities to increase efficiencies and effectiveness
- Expand our approach to Fund-wide continuous process improvement and innovation

- Maintain a high-quality database of member and employer information
- Implement an approach to ensure continuation of our Journey of Excellence by new leadership
- Develop an approach to ensure knowledge transfer between employees and departments
- Analyze workforce capability and provide training and development opportunities for staff
- Develop and track measures for each Key Business Process as part of Operational Excellence Action Plans
- Streamline Key Business Processes and develop internal processing metrics and standards
- Research call center best practices and implement an approach to improve operations and metrics to reach top decile performance goal

Implementation of the Strategic Plan

Action Plans

Each Strategic Objective is assigned sponsorship by an IMRF senior leader. These sponsors identify the appropriate employee who will serve as the single point accountable (SPA) for each Key Strategy associated with that objective. These SPAs are responsible to form teams, develop high level action plans, determine possible budget implications for each strategy, work with their sponsor to obtain resources as needed, lead the implementation of action plans, and provide regular updates to leadership on the progress and status of plans. The action plans for each key strategy are aligned with the overarching Strategic Objective. They also provide a greater level of detail, corresponding timelines and milestones for the actions, and the resources required to implement the strategy. Action plans are continually reviewed and revised to ensure the Strategic Plan remains both relevant and responsive to the needs of the organization and to all our key stakeholders.

Annual Operating Budget

Implementation of the action plans may require some incremental increases in the IMRF Administrative budget. The administration of an annual employee engagement survey, an enhanced training program, voice of the customer surveying tools, and additional meeting costs highlight these incremental increases. Costs associated with the Strategic Plan will be included in the Administrative budget.

Integration of Strategic Objectives With Leadership Scorecard and Performance Management

There is an adage that "What gets measured gets managed." We apply this concept to the Strategic Plan to ensure it receives the appropriate attention needed for successful implementation. For each Key Result Area, measures are identified for the Leadership Scorecard. Monthly reviews of Leadership Scorecard measures and Action Plan updates enable leadership to track the achievement of action plans and the effectiveness of related key strategies.

We will update the performance goals of senior management such that they are aligned with the Strategic Plan. Senior management will complete this same exercise for the management group. Performance towards completing the Strategic Plan will play an important role in the evaluation of the managers' performance.

Communication Plan

The Strategic Plan is a tool that must become part of the culture of IMRF. Therefore, we must emphasize the communication of the Plan to our staff, Board of Trustees, and all stakeholders. Our communication plan is simple, but will possess a systematic approach for spreading our message.

IMRF Staff: A formal introduction of our new Plan will be made to our staff. The full Plan is posted for review on our Intranet. The Strategic Objectives will be highlighted in employee meetings. All employees will be reminded of our Vision, and gain an understanding of their role in achieving our Strategic Objectives.

Board of Trustees: The Trustees will review and validate the Strategic Plan as part of the 2017 Adopted Budget Document at the November 2016 Board Meeting. We will provide quarterly status updates to the Trustees during 2017, and will continue to do so throughout the three-year cycle of this Plan. Another comprehensive strategic planning process will be completed by staff and the Board in 2019.

IMRF Stakeholders: We will include highlights of the Plan in our *Fundamentals* newsletter articles and in memos to our employers. We will also post our Plan at www.imrf.org.

Board Authorization: The IMRF Board of Trustees and IMRF management understand, support, and adopt the IMRF Strategic Plan for 2017-2019, as described in this document.

Thomas F. Kuehne
Board President

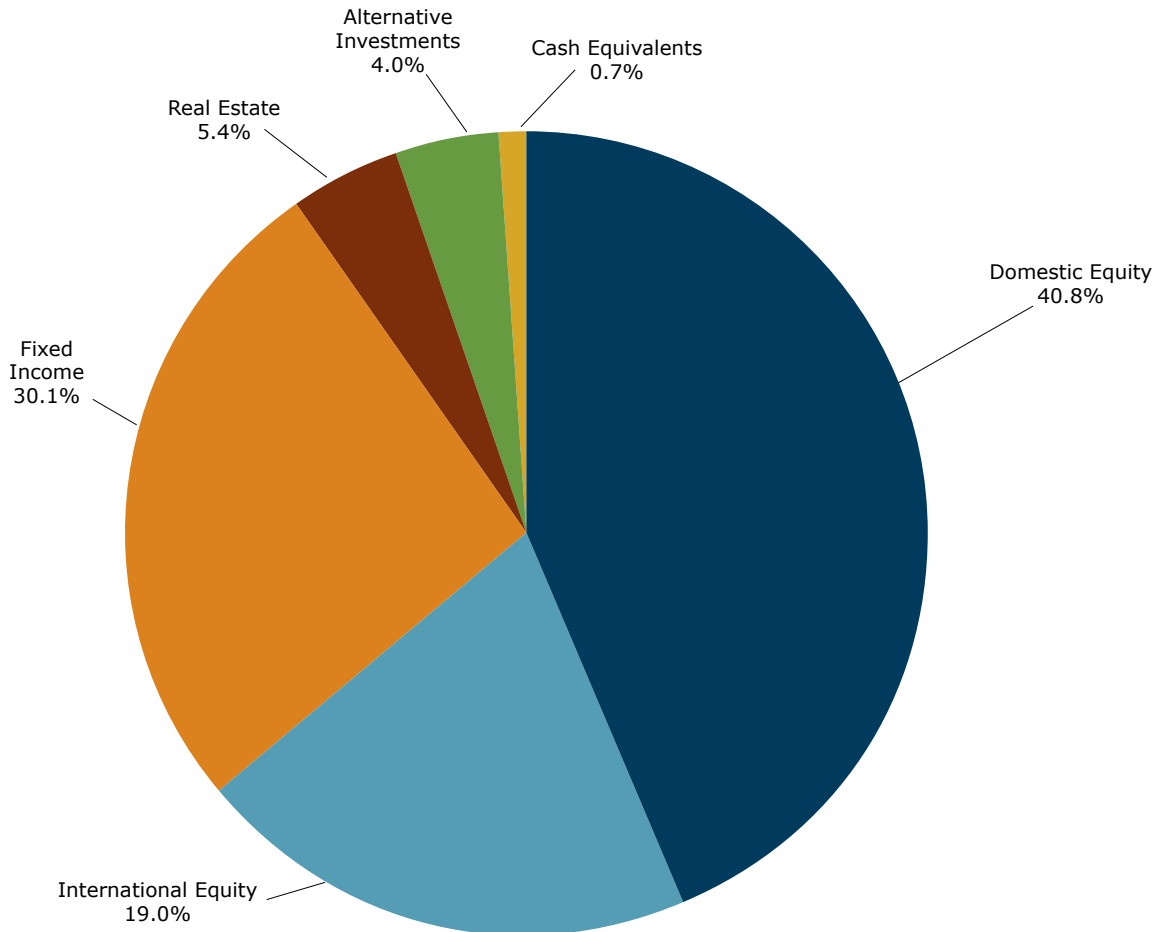
Louis W. Kosiba
Executive Director

Asset Allocation

Asset Allocation Summary as of June 30, 2016

MARKET VALUE		ALLOCATION	
Asset Class	(in Millions)	Target	Actual
Domestic Equity	\$ 14,143.6	38.0%	40.8%
International Equity	6,592.5	17.0%	19.0%
Fixed Income	10,447.0	27.0%	30.1%
Real Estate	1,879.5	8.0%	5.4%
Alternative Investments	1,383.4	9.0%	4.0%
Cash & Cash Equivalents	256.4	1.0%	0.7%
Total	\$ 34,702.4	100%	100%

IMRF Asset Allocation as of June 30, 2016



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Profile of IMRF

IMRF is the administrator of an agent multiple-employer public employee retirement system. The Illinois State Legislature established IMRF in 1939. IMRF began operations in 1941 in order to provide retirement, death, and disability benefits to employees of local units of government in Illinois. Members, employers, and annuitants elect eight trustees who govern IMRF. IMRF is separate and apart from the Illinois state government and is not included in the state’s financial statements. IMRF now serves 2,972 different employers, 174,098 participating members, and 118,038 benefit recipients.

Employers

	2015	2014
Participating employers	2,972	2,976

The Illinois Pension Code specifies the units of government required to participate in IMRF and the units that may elect to join. Participation by the following units of government is mandatory:

- All counties except Cook,
- All school districts except Chicago and,
- All cities, villages, and incorporated towns with a population over 5,000, other than Chicago, which do not provide Social Security or equivalent coverage for their employees before they reach a population of 5,000.

Other units of government with general taxing powers, such as townships and special districts, may elect to join. Participating instrumentalities, which include units of government without general taxing powers and not-for-profit organizations, associations, or cooperatives authorized by state statute, may participate. They must meet financial stability requirements. Units that elect to join the system may not under any circumstances terminate their participating employer status as long as they are in existence.

Members

(As of December 31, 2015)

Inactive members	2015	2014
Retirees and beneficiaries currently receiving benefits	118,038	112,762
Terminated members entitled to benefits but not yet receiving them	13,054	12,682
Terminated members—non-vested	108,610	105,758
Total inactive members	239,702	231,202
Active members		
Non-vested	81,928	82,105
Vested	92,170	91,863
Total active members	174,098	173,968
Grand Total	413,800	405,170

Employers must enroll employees in IMRF if the employees’ positions meet the qualifications for IMRF membership. There are some exceptions. City hospital employees and elected officials have the option to participate. IMRF does not cover individuals in certificated teaching positions covered by the Illinois Teachers’ Retirement System. Also, IMRF does not generally cover individuals performing police or fire protection duties for employers with local police and fire pension funds. Certain police chiefs may choose to participate as Sheriff’s Law Enforcement Personnel (SLEP) members.

Legislative Update

The Illinois Pension Code determines how IMRF operates and administers IMRF benefit plans. IMRF serves its members and employers as a source of information about legislation that affects the pension code and serves as an advocate to represent the interests of members and employers to state lawmakers.

While the Illinois General Assembly is in session, IMRF sends twice monthly Legislative Updates to the Legislative Committee.

Eight bills that affect IMRF became law in 2016:

Public Act 99-580

This law became effective on July 15, 2016, and removes the one-year limitation on the retroactive payment of surviving spouse pensions.

Public Act 99-682

This law has two parts. The first part allows certain annuitants to re-establish eligibility for a surviving spouse pension. It also extends the provision making the second spouse eligible for a surviving spouse pension, if the annuitant had an eligible spouse at retirement who predeceased the annuitant, to all current annuitants (instead of just those who retired after March of 1992). The bill was effective as of July 29, 2016, although the window to apply to reestablish surviving spouse pension eligibility begins December 29, 2016.

Public Act 99-683

This law was effective on July 29, 2016, and requires all pension systems to conduct checks at least monthly to confirm benefit recipients are still living.

Public Act 99-745

This law was effective August 5, 2016, and gives IMRF the authority to assess employers penalties for return-to-work violations, up to half of the annuity paid to the member during the return-to-work period.

Public Act 99-747

This law will become effective January 1, 2017. It increases the threshold from the current \$30 to \$100, above which a member can no longer take a refund if he or she is immediately eligible to take a pension of at least that amount.

Public Act 99-830

This law will be effective on January 1, 2017. In the provisions applicable to IMRF, it excludes new employees of four IMRF employers from participation: Illinois Municipal League, Illinois Association of Park Districts, Township Officials of Illinois, and the United Counties Council.

Public Act 99-900

This law was effective August 26, 2016. It prohibits IMRF participation for new county board members. For current board members, the employer must file a resolution no less than 90 days after an election of any board member certifying that the position continues to meet the hourly standard and the member must submit monthly logs of time worked to the employer.

Public Act 99-646

This law was effective on July 28, 2016. It requires the governing bodies of IMRF employers to approve certain payments to members before they can be paid to the member. This bill does not affect IMRF directly, as it does not amend the Pension Code.

IMRF NOW SERVES **2,972** DIFFERENT EMPLOYERS, **174,098** PARTICIPATING MEMBERS, AND **118,038** BENEFIT RECIPIENTS.

Funding

IMRF's actuary uses a five-year smoothed market-related value with a 20 percent corridor to determine the actuarial value of assets. The smoothing is intended to prevent extreme volatility in employer contribution rates due to short-term fluctuations in the investment markets. For the December 31, 2015, valuation, the aggregate actuarial value of assets was \$34.9 billion. The aggregate actuarial liability for all IMRF employers was \$39.5 billion. The aggregate actuarial funding ratio is currently 88.4 percent (an increase from the 2014 ratio of 87.3 percent).

This takes into account the five-year smoothing of investment returns utilized by the actuary. If the market value of assets is used (i.e., no actuarial smoothing), the aggregate funding ratio is 87.4 percent as of December 31, 2015, a decrease from 93.1 percent as of December 31, 2014. The reason for the decrease in the net market funding ratio is the 0.20 percent return. As of December 31, 2015, IMRF's market-based funding value change was lower than the actuarial funding value since there were \$452.1 million of unrecognized investments losses, which will be reflected in the 2016 through 2020 period in keeping with the five-year smoothing technique discussed previously. The preceding ratios are for the Fund as a whole. Under the Illinois Pension Code, each employer funds the pensions for its own employees. Funding ratios for individual employers and individual plans vary widely. IMRF members can look with a sense of security to the net asset base since these assets are irrevocably committed to the payment of their pensions when they retire. The actuary has determined that the present net asset base, expected future contributions, and investment earnings thereon are sufficient to provide for full payment of future benefits under the level payroll percentage method of funding. The funding policy was last reviewed by the IMRF Board of Trustees in December 2012 and new mortality tables were adopted by the IMRF Board of Trustees in December 2014.

Appropriations

IMRF has no funds that are subject to legislative appropriation by the Illinois Legislature.

The assets and liabilities of each employer remain with that employer until a member retires. The assets of one employer cannot be used to pay the liabilities of another employer. The assets are combined for investment and administrative purposes, but maintained separately for accounting purposes.

Balanced Budget

IMRF does not employ governmental fund accounting when preparing the annual budget. IMRF does not operate under a balanced budget approach and pays the costs of administering the plan from investment income. The Board of Trustees sets and monitors spending levels each fiscal year, as well as approves IMRF's annual budget.

Basis of Budgeting

The financial statements are prepared on an accrual basis in accordance with Generally Accepted Accounting Principles (GAAP). Employer and member contributions are recognized in the period in which the member provides service. Benefits and refunds are recognized when due, and payable in accordance with the terms of the plan.

IMRF prepares its budget using the accrual basis of accounting. It recognizes member and employer contributions as revenues in the month member earnings are received in accordance with the provisions of the Illinois Pension Code. Benefits and refunds are recognized as an expense when payable. Expenses are recorded when the corresponding liabilities are incurred regardless of when payment is made.

Budget Policies

- A one-year budget is presented each year to the Board of Trustees for approval.
- The budget should focus on implementing the current Strategic Plan.
- Fiscal prudence should be tempered by the need to successfully and effectively implement current programs and initiatives.
- Capital projects not started or completed in the current year need to be resubmitted in the next year's budget, and will be subject to reprioritization and possible elimination.
- Reallocation of expenditures is permissible with the approval of the Chief Financial Officer.
- Amendments to the budget need to be approved by the Board of Trustees.

Debt Policy

IMRF carries no current debt obligations or issuances of any type, and does not anticipate incurring debt in the near future. IMRF's current Board does not allow for the issuance of any debt nor is the issuance of debt supported by the Illinois Pension Code.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan member to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities consistent with the long-term perspective of the calculations.

In the December 31, 2015, actuarial valuation, the individual entry age actuarial cost method was used. The actuarial assumptions included a 7.5 percent investment rate of return which is based upon the employer's assumed return on its assets, reduced by decrements to an ultimate rate of 4 percent after nine years. Both rates include a 3.5 percent inflation assumption. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payrolls over a closed 26-year period. This 26-year closed period declines annually until it is a rolling 15-year period.

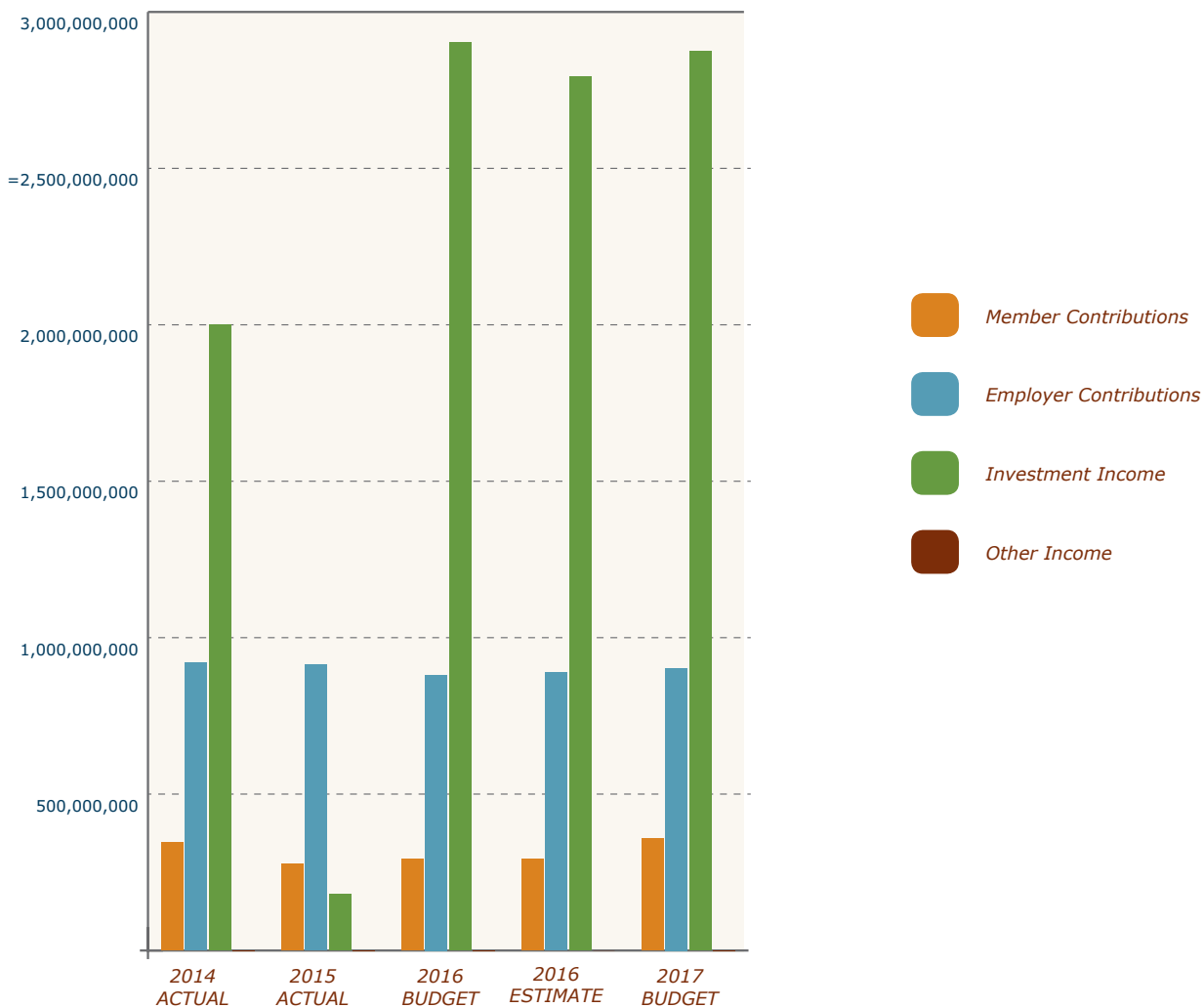
IMRF BEGAN OPERATIONS IN **1941** TO **PROVIDE** RETIREMENT, DEATH, AND DISABILITY **BENEFITS** TO EMPLOYEES OF LOCAL UNITS OF GOVERNMENT IN **ILLINOIS**.

Revenue Schedules

IMRF employers are required by law to make contributions on a monthly basis to support IMRF benefits. IMRF employers have a long history of commitment to remitting the required contributions.

If an employer fails to make the required contributions, IMRF has the statutory authority to enforce payment. IMRF can intercept funds due an employer from the State Comptroller or real estate taxes due an employer from the County Treasurer.

SOURCE	2014 Actual	2015 Actual	2016 Budget	2016 Estimate	2017 Budget
MEMBER CONTRIBUTIONS	\$ 351,089,445	\$ 368,005,271	\$ 351,655,861	\$ 354,955,659	\$ 363,900,347
EMPLOYER CONTRIBUTIONS	923,382,825	900,476,884	913,187,396	921,432,667	914,014,449
INVESTMENT INCOME	2,001,420,871	318,562,7000	2,611,038,366	2,877,598,569	2,927,738,451
OTHER INCOME	19,157	464,050	256,340	254,640	256,340
TOTAL	\$ 3,275,912,298	\$ 1,587,508,905	\$ 3,876,137,963	\$ 4,154,241,535	\$ 4,205,909,587



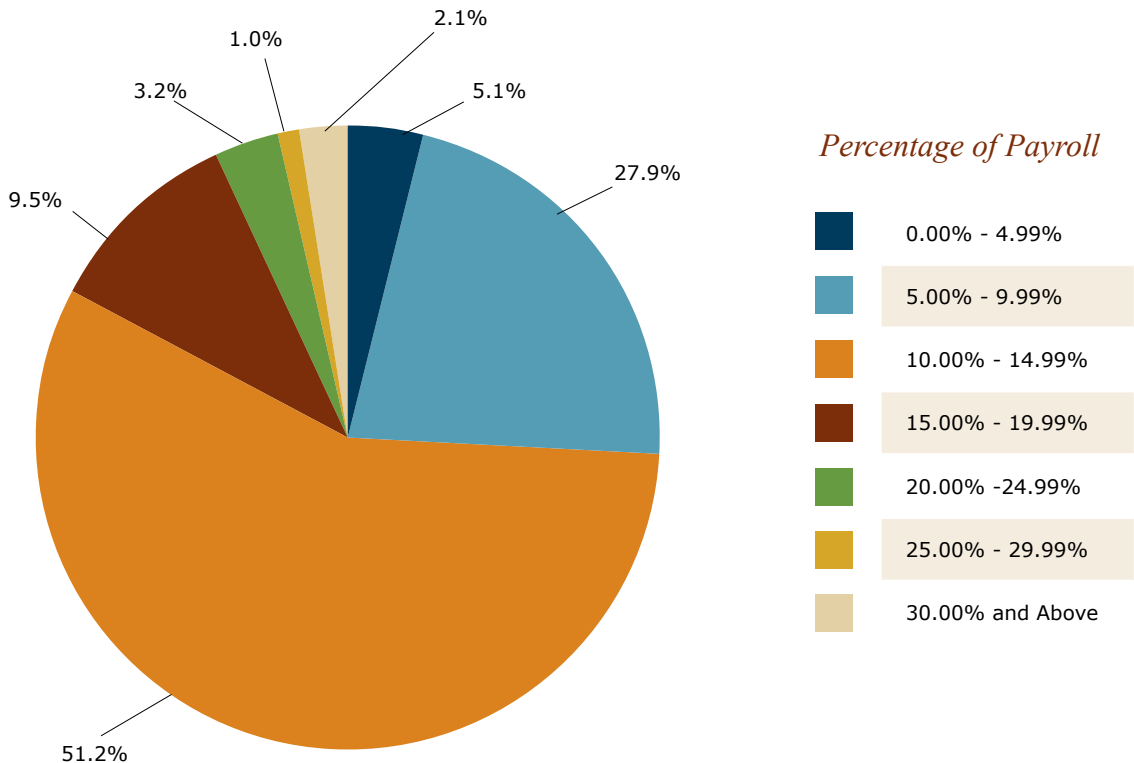
Employer Contribution Rate Ranges

Expressed as a percentage of payroll

PERCENTAGE OF PAYROLL	PERCENT OF EMPLOYERS	REGULAR PLAN	SLEP PLAN	ECO PLAN	TOTAL
0.00% - 4.99%	5.1%	164	4	1	169
5.00% - 9.99%	27.9%	917	6	0	923
10.00% - 14.99%	51.2%	1,588	103	2	1,693
15.00% - 19.99%	9.5%	251	51	10	312
20.00% -24.99%	3.2%	71	31	3	105
25.00% - 29.99%	1.0%	19	12	2	33
30.00% and Above	2.1%	19	2	49	70
	100.0%	3,029	209	67	3,305*

*Differs from total number of participating employers because some employers participate in multiple IMRF pension plans.

Annual Contribution Rates



2017 Budget Timeline

Illinois Municipal Retirement Fund

2017 Administrative Expenses, Direct Investment Expenses, and Capital Budget Schedule

DUE DATE	ITEM
8/12/16	Budget assumptions finalized by Executive Director
8/18/16 and 8/22/16	Finance department presents Budget 101 workshops for IMRF staff
9/01/16	Identification of 2016 projects that will be carried over into 2017
9/14/16 through 9/19/16	Finance department reviews department budgets with respective departments
9/21/16 through 9/26/16	Executive Director reviews department-proposed 2017 projects and budgets, overall budget with comparisons to prior year actual amounts, current year estimates, and prior year budget
9/28/16 through 10/24/16	Finance and Communications prepare new Budget Document format
11/01/16	Final review of proposed 2017 projects and Budget Document by Directors
11/10/16	Distribution of proposed 2017 projects and Budget Document to Board of Trustees
11/18/16	Presentation of Compensation Report and Health Insurance Report to Board of Trustees
11/18/16	Presentation of proposed 2017 projects and Budget Document to the Board of Trustees

Summary of IMRF Benefits

This is a brief plan description of IMRF benefits. Additional conditions and restrictions may apply. A complete description is found in Article 7 of the Illinois Pension Code.

General

IMRF serves 2,972 employers including cities, villages, counties, school districts, townships, and various special districts, such as parks, forest preserves, and sanitary districts. Each employer contributes to separate accounts to provide future retirement benefits for its own employees.

Employees of these employers are required to participate if they work in an IMRF-qualified position. An IMRF-qualified position is one that is expected to equal or exceed the employer's annual hourly standard; the standard is either 600 or 1,000 hours a year.

IMRF has three benefit plans. The vast majority of IMRF members participate in the Regular plan (RP). The Sheriff's Law Enforcement Personnel (SLEP) plan is for sheriffs, deputy sheriffs, and selected police chiefs. Forest preserve districts may adopt the SLEP plan for their law enforcement personnel. Counties could adopt the Elected County Official (ECO) plan for their elected officials prior to August 8, 2011. The ECO plan was closed to new participants after that date. After a county adopted the ECO plan, participation was optional for the elected officials of that county.

All three IMRF benefit plans have two tiers. Tier 2 benefits are lower than Tier 1, and cost about 40 percent less to provide. All IMRF members initially hired on or after January 1, 2011, are in Tier 2.

Both the member and the employer contribute toward retirement benefits. Members contribute a percentage of their salary, as established by the Pension Code. The percentage depends on the plan in which the member participates. Regular members contribute 4.5 percent; SLEP and ECO members contribute 7.5 percent. Members also have the option of making voluntary after-tax contributions up to 10 percent of their salary. Employer contribution rates are actuarially calculated annually for each employer. (Beginning in 2010, employers were given the option to select a contribution rate less than the actuarial required contribution rate if the current year's actuarial required contribution rate was more than 10 percent higher than the prior year's rate.) Employers pay most of the cost for member and survivor pensions and all of the cost for supplemental retirement, death, and disability benefits. All contributions are pooled for

investment purposes. Since 1982, investment returns account for 62 percent of IMRF's revenue.

Vesting

Tier 1

Members are vested for pension benefits when they have at least eight years of qualifying service credit. SLEP members are vested for a SLEP pension when they have at least 20 years of SLEP service credit. SLEP members with more than eight years of service, but less than 20 years of SLEP service, will receive a Regular pension. Revised ECO members (those who joined the ECO plan after January 25, 2000) are vested with eight or more years of ECO service credit in the same elected county position. Revised ECO members with eight years of service, but less than eight years in the same elected county office, will receive a Regular pension.

Tier 2

Members are vested for pension benefits when they have at least ten years of qualifying service credit. SLEP members are vested for a SLEP pension when they have at least ten years of SLEP service credit. ECO members (those who joined the ECO plan after January 1, 2011, and before August 8, 2011) are vested with ten or more years of total service credit with at least eight years in the same elected county position. ECO members with at least ten years of total service credit, but less than eight years of service in the same elected county office, will receive a Regular pension.

Refunds

Non-vested members who stop working for an IMRF employer can receive a lump sum refund of their IMRF member contributions. Vested members can receive a lump sum refund of their IMRF member contributions if they stop working for an IMRF employer prior to age 55, or 62 for Tier 2 members. Vested members age 55 or older (62 or older for Tier 2 members) may receive separation refunds if the member rolls over the refund into another defined benefit retirement plan for the purpose of purchasing service credit.

Members who retire without an eligible spouse (married to or in a civil union with the member at least one year before the member terminates IMRF participation) may receive a refund

of their surviving spouse contributions with interest or an annuity.

If, upon a member's death, all of the member contributions with interest were not paid as a refund or pension to either the member or his or her spouse, the beneficiary will receive any balance in the member's account.

Pension Calculations

A Regular IMRF pension is:

- 1-2/3 percent of the final rate of earnings for each of the first 15 years of service credit, plus
- 2 percent for each year of service credit in excess of 15 years.

The maximum pension at retirement cannot exceed 75 percent of the final rate of earnings.

A SLEP pension is:

- 2-1/2 percent of the final rate of earnings for each year of service.

The maximum pension at retirement cannot exceed 80 percent (75 percent for Tier 2) of the final rate of earnings.

An ECO pension is:

- 3 percent of the final rate of earnings for each of the first eight years of service, plus
- 4 percent for each year of service between eight and 12 years of service, plus
- 5 percent for years of service credit over 12.

The maximum pension at retirement cannot exceed 80 percent (75 percent for Tier 2) of the final rate of earnings.

A money purchase minimum pension is provided if it exceeds the normal formula amount. The money purchase minimum is the amount that may be purchased by 2.4 times the member's applicable accumulated contributions, including interest thereon.

A reversionary pension option is provided to members at retirement. This option permits the member to revert a portion of his pension to one other person. This election is irrevocable.

An IMRF pension is paid for life.

Final Rate of Earnings (FRE)

Tier 1

The final rate of earnings for Regular and SLEP members is the highest total earnings during any 48 consecutive months within the last 10 years of IMRF service, divided by 48, or the total lifetime earnings divided by the total lifetime number of months of service, whichever is higher. The final rate of earnings for ECO members is the annual salary of the ECO member on the day he or she retires. For Revised ECO members, the final rate of earnings is the highest total earnings during any 48 consecutive months within the last 10 years of IMRF service, divided by 48, for each office held.

Tier 2

The final rate of earnings for Regular and SLEP members is the highest total earnings during any 96 consecutive months within the last 10 years of IMRF service, divided by 96, or the total lifetime earnings divided by the total lifetime number of months of service, whichever is higher. For ECO members who joined the plan after January 1, 2011, and before August 8, 2011, the final rate of earnings is the highest total earnings during any 96 consecutive months within the last 10 years of IMRF service, divided by 96, for each office held.

Pensionable earnings are initially capped at \$106,800, which have increased annually beginning in 2012 by three percent or one-half of the increase of the Consumer Price Index, whichever is less. The pensionable earnings cap for 2015 was \$111,571.63 and for 2016 is \$111,571.63. For Tier 2 SLEP members, overtime compensation is excluded from pensionable earnings.

Retirement Eligibility

Tier 1

Normal retirement for an unreduced pension is:

- Age 60 with eight or more years of service or 35 or more years of service at age 55,
- Age 50 with 20 or more years of SLEP service for members with SLEP service,
- Age 55 with eight or more years of service for members with ECO service, or
- Age 55 with eight or more years of service in the same elected county office for members with Revised ECO service.

Regular members may retire as early as age 55 with a reduced pension. The reduction is the lesser of:

- One-fourth percent for each month the member is under age 60, or
- One-fourth percent for each month of service less than 35 years.

Tier 2

Normal retirement for an unreduced pension is:

- Age 67 with ten or more years of service or 35 or more years of service at age 62,
- Age 55 with ten or more years of SLEP service for members with SLEP service, or
- Age 67 with ten or more years of service in the same elected county office for members with ECO service.

Regular members may retire as early as age 62 with a reduced pension. The reduction is the lesser of:

- One-half percent for each month the member is under age 67, or
- One-half percent for each month of service less than 35 years.

SLEP members may retire as early as age 50 with a reduced pension. The reduction is one-half percent for each month the member is under age 55.

Service Credit

Service credit is the total time under IMRF, stated in years and fractions. Service is credited monthly while the member is working, receiving IMRF disability benefits or on IMRF's Benefit Protection Leave. For revised ECO members, the ECO benefit formula is limited to service in an elected office.

Members may qualify for a maximum of one year of additional service credit for unused, unpaid sick leave accumulated with the last employer. Members who retire from a school district may utilize unused sick leave from all school district employers. This additional service credit applies only for members leaving employment for retirement. The service credit is earned at the rate of one month for every 20 days of unused, unpaid sick leave or fraction thereof.

IMRF is a participating plan under the Reciprocal Act, as are all other Illinois public pension systems, except local police and fire pension plans. Under the Reciprocal Act, service credit of at least one year may be considered together at the date of retirement or death for the purpose of determining eligibility for and amount of benefits. However, for teacher

aides who meet certain criteria, service credit of less than one year may be considered in determining benefits under the Reciprocal Act.

Post-retirement Increases

Tier 1

Members in all plans receive an annual three percent increase based upon the original amount of the annuity. The increase for the first year is prorated for the number of months the member was retired.

Tier 2

Members in all plans receive an annual increase based upon the original amount of the annuity of three percent or one-half of the increase in the Consumer Price Index, whichever is less. For Regular and ECO members the annual increases do not begin until the retiree reaches the age of 67 or after 12 months of retirement, whichever is later. For SLEP members the increases begin at age 60 or after 12 months of retirement, whichever is later.

Early Retirement Incentive (ERI)

IMRF employers may offer an Early Retirement Incentive (ERI) program to their employees who are over 50 (57 for Tier 2 Regular and ECO members) years of age and who have at least 20 years of service credit. Eligible members may purchase up to five years of service credit and age. Employers must pay off the additional ERI liability within 10 years. Subsequent ERI programs may be offered by an employer only after the liability for the previous ERI program is paid. An employer may only offer an ERI program once every five years.

Supplemental Retirement Benefits

Each July, IMRF provides a supplemental benefit payment to IMRF retirees and surviving spouses who have received IMRF pension payments for the preceding 12 months. The supplemental benefit payment amount will vary depending on the dollar amount to be distributed and the dollar amount of the benefits of persons eligible.

Disability Benefits

Regular and SLEP members are eligible for a maximum of 30 months of temporary disability benefits if they:

- Have at least 12 consecutive months of service credit since being enrolled in IMRF,
- Have at least nine months of service credit in the 12 months immediately prior to becoming disabled,

- Are unable to perform the duties of any position which might reasonably be assigned by the IMRF employer because of any illness, injury, or other physical or mental condition, and
- Are not receiving any earnings from any IMRF employer.

Regular and SLEP members are eligible for total and permanent disability benefits until they become eligible for full Social Security Old Age benefits if they:

- Have exhausted their temporary disability benefits,
- Have a medical condition which did not pre-exist their IMRF participation, or they have five years of IMRF participation without being on temporary disability, and
- Are unable to work in any gainful activity for any employer.

The monthly disability benefit payment is equal to 50 percent of the average monthly earnings based on the 12 months prior to the month the member became disabled.

ECO members are eligible for ECO disability benefits if they:

- Have at least 12 consecutive months of service credit since being enrolled in IMRF,
- Are in an elected county office at the time the disability occurred,
- Are making ECO contributions at the time the disability occurred,
- Are unable to reasonably perform the duties of their offices,
- Have resigned their offices, and
- Have two licensed physicians approved by IMRF certify that the ECO member is permanently disabled.

The monthly ECO disability benefit is equal to the greater of:

- 50 percent of the annualized salary payable on the last day of ECO participation divided by 12 or,
- The retirement benefit earned to date.

Disability benefits under all plans are offset by Social Security or workers' compensation benefits. If disabled members receive Social Security disability and/or workers' compensation benefits, IMRF pays the difference between those benefits and 50 percent of the member's average monthly earnings. However, IMRF will always pay a minimum monthly benefit of \$10. Members on disability earn pension service credit as if they were working.

Death Benefits

Beneficiaries of active members who have more than one year of service, or whose deaths are job-related, are entitled to lump sum IMRF death benefits. If the member was not vested, or vested without an eligible spouse, the death benefit is equal to one year's earnings (limited to the pensionable earnings cap for Tier 2 members) plus any balance in the member's account. Eligible spouses of deceased, vested, or active members may choose the lump sum or a monthly surviving spouse pension.

Beneficiaries of inactive, non-vested members receive a lump sum payment of any balance in the member's account, including interest. If the beneficiary is an eligible spouse of an inactive, vested member age 55 or older, the spouse may choose between the lump sum payment or a death benefit of \$3,000, plus a monthly surviving spouse pension. Beneficiaries of retired members receive a \$3,000 death benefit. Eligible spouses also receive a surviving spouse pension.

Surviving Spouse Pension

For Regular and SLEP members, a surviving spouse's monthly pension is one-half (66-2/3 percent for Tier 2) of the member's pension.

For ECO members, a surviving spouse's monthly pension is 66-2/3 percent of the member's pension. This pension is payable once the surviving spouse becomes 50 years old. If the spouse is caring for the member's minor, unmarried children, the spouse will receive (the age 50 requirement does not apply):

- A monthly pension equal to 30 percent of the ECO member's salary at the time of death, plus
- 10 percent of the ECO member's salary at the time of death for each minor, unmarried child. The maximum total monthly benefit payable to spouse and children cannot exceed 50 percent of the ECO member's salary at the time of death, or
- A monthly pension equal to 66-2/3 percent of the pension the member had earned.

Surviving spouse pensions under all plans are increased each January 1. The increase is based on the original amount of the pension. The increase for the first year is prorated for the number of months the surviving spouse or the member received a pension. For Tier 1, the annual increase is three percent. For Tier 2, the annual increase is three percent or one-half the increase in the Consumer Price Index, whichever is less.

Summary of IMRF Departments and Workforce

Calendar Year	Administration	Internal Audit	Human Resources	Finance	Investments	Legal	Communications	Member Services	Benefits	Information Services	Program Management	Office Services	Total Head Count*	Vacant Positions Head Count**	Approved Head Count**
2011	4	4	4	27	10	4	7	26	28	34	6	22	176	5	181
2012	4	4	4	28	9	4	7	28	28	34	4	22	176	9	185
2013	4	7	3	29	10	4	6	30	28	35	5	21	182	11	193***
2014	4	7	4	27	13	5	7	33	28	33	5	19	185	14	199
2015	4	7	4	27	13	5	9	35	31	34	6	19	194	5	199
2016	6	8	4	23	14	5	8	36	32	34	6	18	194	11	205

*Mid-December Human Resources Reports submitted to the Board

**December 31st total - Comprehensive Annual Financial Report (CAFR)

***Head count adjusted by three full-time employees during the year.

Vacancies	Administration	Internal Audit	Human Resources	Finance	Investments	Legal	Communications	Member Services	Benefits	Information Services	Program Management	Office Services	Total Head Count*	Vacant Positions Head Count**	Approved Head Count**
Pending total head count	0	0	0	1	0	0	1	1	3	2	1	2	0	0	11*
Pending approved	0	0	0	4	0	0	1	2	5	3	0	2	0	17**	-

*As presented, as of 9/30/2016

**As of 11/10/2016

Funded Status and Funding Progress

As of December 31, 2015, the most recent actuarial valuation date, the plan on an aggregate basis was 88.4 percent funded on an actuarial basis. The actuarial accrued liability for benefits was \$39.5 billion, and the actuarial value of assets was \$34.9 billion, resulting in an unfunded actuarial accrued liability (UAAL) of \$4.6 billion. The covered payroll (annual payroll of active employees covered by the plan) was \$6.9 billion, and the ratio of the UAAL to the covered payroll was 66.1 percent.

The schedule of funding progress presents multi-year trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Additional information as of the latest actuarial valuation follows:

Valuation date	December 31, 2015
Actuarial cost method	Entry age normal
Amortization method	Level percent of payroll for Regular and SLEP; level dollars for ECO
Amortization period	Taxing bodies: closed, 26 years Entities over 120 percent funded on a market basis: varies by funding status Non-taxing bodies: open, 10 years
Asset valuation method	Five-year smoothed market related with a 20 percent corridor

Actuarial assumptions:

Investment rate of return	7.5 percent
Projected salary increases	4.0 to 14.5 percent
Assumed wage inflation rate	3.5 percent
Group size growth rate	0.0 percent
Assumed payroll growth rate	3.5 percent
Post-retirement increase	Tier 1 - 3.0 percent—simple; Tier 2 - 3.0 percent—simple or 1/2 increase in CPI, whichever is less

Mortality table:

For non-disabled retirees, an IMRF-specific mortality table was used with two-dimensional, fully generational projection scale MP-2014 (base year 2014). The IMRF-specific rates were developed from the RP-2014 Blue Collar Health Annuitant Mortality Table with adjustments to match current IMRF projection experience. For disabled retirees, an IMRF-specific mortality table was used with two-dimensional, fully generational scale MP-2014 (base year 2014). The IMRF-specific rates were developed from the RP-2014 Disabled Retirees Mortality Table applying the same adjustments that were applied for disabled lives. For active members, an IMRF-specific mortality table was used with two-dimensional, fully generational projection scale MP-2014 (base year 2014). The IMRF-specific rates were developed from the RP-2014 Employee Mortality Table with adjustments to match current IMRF experience.

Schedule of Aggregate Funding Progress

Last ten years

Actuarial Valuation Date December 31	Aggregate Actuarial Liabilities (AAL)			Unfunded Actuarial Liabilities (UAL)		
	Total AAL Entry Age (a)	Actuarial Assets (b)	Actuarial Assets as a percent of AAL (b/a)	Total UAL (a-b)	Member Payroll (c)	UAL as a percent of Member Payroll (a-b)/c
2006	\$22,488,185,031	\$21,427,139,356	95.3%	\$1,061,045,675	\$5,630,683,054	18.8%
2007	24,221,543,716	23,274,361,198	96.1	947,182,518	5,931,443,117	16.0
2008*	25,611,199,349	21,601,053,512	84.3	4,010,145,837	6,259,283,197	64.1
2009	27,345,113,216	22,754,803,784	83.2	4,590,309,432	6,461,696,602	71.0
2010	29,129,228,239	24,251,136,889	83.3	4,878,091,350	6,391,164,701	76.3
2011*	30,962,815,428	25,711,287,584	83.0	5,251,527,844	6,431,296,235	81.7
2012	32,603,244,099	27,491,809,785	84.3	5,111,434,314	6,496,076,569	78.7
2013	34,356,575,473	30,083,042,548	87.6	4,273,532,925	6,602,479,436	64.7
2014	37,465,147,612	32,700,208,537	87.3	4,764,939,075	6,732,500,876	70.8
2015	39,486,573,890	34,913,127,469	88.4	4,573,446,421	6,919,337,807	66.1

* After assumption change
This data was provided by the Actuary.

Changes in Fiduciary Net Position

Additions						
Calendar Year	Investment Earnings Net of Direct Investment Expense	Employer Contributions		Member Contributions	Other	Total Additions
		Dollars	Percent of Annual Covered Payroll			
2006	\$ 2,667,700,578	\$ 602,775,795	10.71%	\$ 280,997,170	\$ 6,315	\$ 3,551,479,858
2007	1,799,391,405	600,822,135	10.13	296,690,070	6,049	2,696,909,659
2008	(6,096,480,733)	631,147,476	10.08	314,019,939	18,722	(5,151,294,596)
2009	4,423,550,741	660,399,408	10.22	324,070,795	9,148	5,408,030,092
2010	2,976,549,317	770,142,278	12.05	324,901,985	7,032	4,071,600,612
2011	(92,930,304)	800,804,253	12.45	327,680,889	9,852	1,035,564,690
2012	3,393,689,073	883,216,281	13.60	330,814,542	12,037	4,607,731,933
2013	5,583,120,005	930,969,056	14.10	338,934,421	8,455	6,853,031,937
2014	2,001,420,871	923,382,825	13.72	351,089,445	19,157	3,275,912,298
2015	200,727,209	900,476,884	13.01	368,005,271	464,050	1,469,673,414
Deductions						
Calendar Year	Benefits	Refunds	Administrative Expenses	Total Deductions	Net Increase (Decrease)	
2006	\$ 856,205,596	\$ 40,095,036	\$ 20,339,190	\$ 916,639,822	\$ 2,634,840,036	
2007	924,005,832	36,206,951	20,811,398	981,024,181	1,715,885,478	
2008	997,492,141	31,926,120	20,727,536	1,050,145,797	(6,201,440,393)	
2009	1,077,852,453	27,426,079	21,967,308	1,127,245,840	4,280,784,252	
2010	1,178,030,534	32,201,577	22,318,493	1,232,550,604	2,839,050,008	
2011	1,284,405,609	32,900,105	23,086,712	1,340,392,426	(304,827,736)	
2012	1,389,815,471	34,142,193	24,508,053	1,448,465,717	3,159,266,216	
2013	1,503,374,148	36,944,214	25,463,299	1,565,781,661	5,287,250,276	
2014	1,626,821,250	39,191,090	26,431,652	1,692,443,992	1,583,468,306	
2015	1,758,184,358	36,748,509	28,707,981	1,823,640,848	(353,967,434)	

General Guidelines from the Chief Financial Officer

August 22, 2016

From: Mark Nannini, Chief Financial Officer

To: IMRF Directors and Managers

Re: 2017 Budget Guidelines and Additional Information

The 2017 Budget should support IMRF's 2017-2019 Strategic Plan as well as the next phases of the Horizon Project, the Modernization project, and the implementation of phase 2 of the new financial software.

Please consider the current budget activities, programs, staffing, and consulting work you may need to successfully and effectively implement Modernization when preparing your budget. Additional software packages and training may also need to be budgeted and justified. The objectives of your department, as presented in the IMRF key result areas, is the focus of this budget for 2017.

Expenditures

Normal Expenditures

- Fiscal prudence needs to be the focus in the need to implement IMRF programs and initiatives.
- No additions to staff beyond the Board approved head count of 205 will be approved. Transferring head counts between departments will be acceptable.
- Consider the training needs of staff as we pursue Individual Learning Plans and prepare for change brought about by Horizon and Modernization.

Projects

- 2016 projects that either are not completed or never initiated in 2016 will be subject to reprioritization (and possible elimination) in the new budget presentation by your department.
- New projects should be identified by priority with incremental cost estimates developed. As you identify new projects, work with the Performance Excellence Manager Kathy Goerdts to review your proposals. Consider how each potential project furthers strategic goals, transaction scorecards, CPI, or responding to the feedback report from the Illinois Performance Excellence examiners. Some worthwhile projects may wait for implementation through Horizon.

Additional Information from Finance

The following information is available online for your use in preparation of departmental budgets:

- 2017 Budget Timeline
- Capital Budget worksheets to be used for all capital purchases over \$5,000. The capital request should specifically identify what is proposed to be purchased, with a brief explanation supporting the need or benefit of the purchase, the date that it would be purchased and its

estimated useful life. If you are unsure of the estimated useful life, contact the Finance Department for assistance.

- Capital Budget worksheets for internally generated software. Information Services (IS) will identify the projects that will potentially qualify for capitalization (\$10,000 or more) under the GASB 51 standard. Once these projects are identified, IS will estimate the number of hours of development effort that will be required. Once the IS hours are estimated for these projects, the estimated number of user department hours that will be needed to support the development effort and related user acceptance testing will be determined and added to the worksheet. IS and the Finance departments will work with the other impacted departments in developing these estimates. The Finance department will then cost out the various projects and, in conjunction with the IS department, estimate in service dates.
- Expendable Equipment Budget worksheets to be used for all equipment purchases over \$500 but less than \$5,000. The expendable equipment request should specifically identify what is proposed to be purchased with a brief explanation supporting the need or benefit of the purchase.
- Adopted 2017 Project Budget worksheets to be used to identify incremental costs anticipated in 2017 in connection with proposed 2017 Projects.
- Budget worksheets by department that provide actual expenses by general ledger account for the 12 months ended July 31, 2016, broken out between the last five months of 2015 and the first seven months of 2016, and the 2015 budgeted amount for each general ledger account.
- Detailed analyses by department of the activity in each general ledger account for the five months ended December 31, 2015, and for the seven months ended July 31, 2016.
- Remaining amounts of prepaid expenses, if any, by department.
- A listing of 2016 Capital Expenditures, including internally developed software, budgeted and purchased through July 31, 2016, by department. For the items not yet purchased, please

indicate the estimated date of purchase and an updated estimated cost, if applicable. If the item will not be purchased in 2016, please indicate that fact. For internally developed software, please update the estimated remaining costs to be incurred in 2016 and the estimated in-service date.

The Capital Budget worksheet, Capital Budget worksheet for internally generated software, Expendable Equipment Budget worksheet, Strategic Planning and proposed 2017 project worksheet, Budget Timeline, and this memo are available in electronic form in Word on the J:Drive. Budget worksheets, remaining prepaids for 2016 and 2017, and the 2016 Capital Expenditures summary are available in Excel on the J:Drive. Detailed analyses by general ledger account are available in Adobe Acrobat PDF format on the J:Drive. The Doc-link Smart Client can also be used as a resource to look up 2015 and 2016 invoices that have been paid. If you have any questions about how to use the search option, please call Sharon Brown, Accounts Payable, or me. Please fill out the forms electronically and return them electronically with copies to both Jim Splitt and Mark Nannini. Please submit all budget forms using Microsoft Excel software only.

If you have any capital, expendable equipment or 2017 project requests, please fill out a budget worksheet for each item or category of items. (For example, only one worksheet is needed for the purchase of PC replacements.) What you will need to do for the budgeted expenses is estimate what you believe will be the actual expenses for calendar year 2016 and your proposed 2017 budget amount for each general ledger account. This information should be entered into the blank columns on the budget worksheets. We believe that the detailed analyses of activity by general ledger account referred to above will provide most, if not all, of the information needed to assist you in providing the requested information. If any help is needed, contact either Jim Splitt or Mark Nannini.

The objective of this process is not to use zero-based budgets, but the requests reflecting that any increases in 2017 expenditures not related to strategic initiatives are minimal. One needs to carefully review prior period expenses to determine whether they are necessary or add value beyond their costs to IMRF. Funds spent on something in the current year are not a justification for its inclusion in the 2017 budget. (If during your review of the detail activity by general ledger account for 2016, you identify some transactions that may have been miscoded, please let Sharon Brown, Jim Splitt, or Mark Nannini know so they can be corrected. We are not interested in correcting information from 2015).

While filling out the budget worksheets, you may decide that some general ledger accounts are unnecessary or could be combined, or you may feel that new accounts should be added to better track expenses. In these situations, please contact Jim Splitt or Mark Nannini to discuss the accounts so they can be appropriately included in the process. (There is a place on the Excel spreadsheets for adding accounts. Please do not add accounts anywhere else on the spreadsheets.) In addition, one department might believe that another department might more

appropriately be responsible for an account. If there are any cases where this might apply, please bring them to Jim Splitt's or Mark Nannini's attention so they can be resolved.

While we cannot anticipate all questions, the following information is intended to answer those we think we can.

Office Salaries – Regular

These will be budgeted by Finance based upon the compensation guidelines for existing personnel and justified open positions.

If you have an open position that you are not currently recruiting to fill, it will be eliminated for 2017 budget purposes unless approved by the Executive Director. If you have open positions that you are recruiting for, please provide this information via e-mail by October 1 to the Human Resources Manager and Chief Financial Officer.

New (incremental) positions must be cleared with the Executive Director. Please provide a brief justification for the new position that can be incorporated into the budget documents. Also think about what incremental equipment, training, travel, or other expenses might be associated the new employee.

Office Salaries – Overtime

Departments should budget this based upon anticipated needs.

Professional Services – Temporaries

Departments should budget this based upon anticipated needs.

Tuition - Company-wide

Each department should furnish Human Resources with the employees who anticipate using this benefit in 2017, the course of study and institution where it is being pursued, and the anticipated cost. Remember: IMRF's policy is to limit reimbursement to \$10,500 on an annual basis.

Training

All external training expenses (courses, workshops, seminars, webinars as well as associated travel and meal reimbursements) are to be budgeted in each respective department's budget. Human Resources can assist each department with this change and their anticipated needs for 2017. The Seminar Approval Form (for any external seminar) will continue to be approved by Human Resources before an employee enrolls in an external training program. External training related to an employee's ILP should be included in this budget account. The account to use for these expenses is 5507-XXX-0.

All conference expenses will continue to be budgeted by each department. See the following page for more information.

All internal training requiring purchase of materials and/or use of external vendors for onsite training (multiple staff in

one department, multiple departments or Fund-wide) will still be budgeted and coordinated by Human Resources. Please report to Human Resources your anticipated internal training activities and expenses for 2017 by September 1.

Travel

Travel should be budgeted based upon anticipated needs. Travel directly related to training should be budgeted as part of the training line item budget in each department. For example, travel related to attendance at employer meetings. The account to use for these expenses is 5507-XXX-5. All gasoline expenses (Account 5508 is utilized for the Field Services staff) should be budgeted in this account, not in the Automobile Maintenance account. For most departments, we anticipate very little budgeted in this account.

Meetings & Conferences

These accounts are for staff conferences. The account to use for these expenses is 5517-XXX-0. Please provide additional detail indicating the conference or meeting to be attended, the individual attending, and the estimated cost. Except for the Reciprocal Conference, all conferences should be budgeted to this account. If a staff member is going to attend more than one conference, he or she must get the approval of his or her direct supervisor. Travel costs related to attending a conference should be included here. Please provide the following information for each conference, for example:

GFOA Convention	"Employee Name"	\$ 2,500
IGFOA Convention	"Employee Name"	\$ 1,000

Office Supplies

Most office supplies are purchased centrally through Office Services and accounted for in account 5531-A80-0 Office Supplies – General. Therefore, most departments have no need for a separate account. The one exception is for Field Services personnel who purchase miscellaneous supplies and are reimbursed via expense reports. If you are anticipating a special project that might require additional office supplies, e.g. special binders for a trustee roundtable or anything else that is significantly out of the ordinary, please let Denise Streit or Vickie Lane in Office Services know so it can be incorporated in the 2017 budget process.

Publications and Dues

Departments should budget this based upon anticipated needs.

Expendable Equipment

All purchases of equipment that are anticipated to cost over \$500 but less than \$5,000 should be specifically identified and budgeted here. Please fill out an Expendable Equipment Budget worksheet for each different type of equipment.

Automobile Maintenance

Expenses such as car washes, oil changes, tires, brakes, etc. should be budgeted here. **Gasoline expenses should be budgeted in the Travel account.**

IMRF is charged a fee for the use of the lower level conference rooms. If you plan to use this space in 2017, please let Denise Streit or Vickie Lane know so she can incorporate that additional rental in the 2017 budget process.

Anticipated Expenditures in 2017 related to 2017 Projects

Incremental expenditures, which we anticipate incurring in 2017 related to 2017 Projects, should be separately reported on the 2017 Project worksheets. Our intent is to capture this information separately in order to report on the incremental financial “cost” of the 2017 Projects.

For example, if reprogramming SPECTRUM to total annuity payments by the annuitant’s employer or employers was a 2017 project, the costs associated with designing, developing and implementing this project would have to be analyzed. Part of that analysis would focus on whether any incremental expenditure would be incurred. Given that this would be an internal project, there may be no incremental costs that would have to be identified.

On the other hand, the incremental costs related to 2017 Modernization efforts will have to be identified by activity, if possible, and evaluated on whether they are an expense or capital in nature. Since these costs may not be identified until late in the budget process, we will begin the budget process using the best available estimates and then update the budget materials as more detailed information becomes available. Since the budgeting for the Modernization efforts will be a major challenge, the major parties (PMO, IS, and Finance) dealing with the budgeting for the 2017 Modernization efforts will have to meet to discuss details.

Allocation of Final Budget by Month

After the budget is approved in November or December by the Board of Trustees, we will come back to the directors and managers and ask them to allocate their approved budgeted amounts by general ledger account by month in order to enhance our budget to actual tracking for 2017. We would suggest that you retain as much information as you think you will need to facilitate this process. In addition to the information you have received, the budget to actual comparisons distributed monthly should be helpful. Remember: the more accurate your monthly allocations are, the less likely you will be requested to explain budget to actual variations due to timing. We continue to have a number of general ledger accounts for which the annual expense is mindlessly divided by twelve with no thought given to the actual historical pattern.

2017 Budget Components

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Revenues by Source

Source	2014 Actual	2015 Actual	2016 Budget	2016 Estimate	2017 Budget
Member Contributions	\$ 351,089,445	\$ 368,005,271	\$ 351,655,861	\$ 354,955,659	\$ 363,900,347
Employer Contributions	923,382,825	900,476,884	913,187,396	921,432,667	914,014,449
Investment Income	2,001,420,871	318,562,700	2,611,038,366	2,877,598,569	2,927,738,451
Other Income	19,157	464,050	256,340	254,640	256,340
Total	\$3,275,912,298	\$1,587,508,905	\$3,876,137,963	\$4,154,241,535	\$4,205,909,587

Explanation of Revenue Resources

Funding for IMRF’s defined benefit plan is derived from three main sources: member contributions, employer contributions, and investment income.

Member Contributions

Member contributions are set by statute at 4.5 percent for the Regular Plan, and 7.5 percent for the Sheriff’s Law Enforcement Plan (SLEP) and the Elected County Officials Plan (ECO).

Employer Contributions

Annually, individual contribution rates are calculated for each participating employer by an independent actuary based on an individual employer’s member demographics (age, salary history, length of service, etc.) and actuarial assumptions. The actuary uses the entry age normal funding method to calculate contribution rates. Under this method, the actuarial present value of projected benefits for each individual is allocated on a level basis over the projected service of the individual between entry age and assumed retirement age.

Investment Income

The investment portfolio is a major contributor to the Fund. In 2015, investment income of \$318.5 million represented 61.1 percent of plan additions for the year. Over the last six years investment income represented the following percentage of additions to fiduciary net position:

Year	Percentage of Additions
2015	13.7%
2014	61.1%
2013	81.5%
2012	73.7%
2011	(9.0)%

Currently, 87 professional investment management firms handling 128 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. Our uppermost goal is to optimize the long-term total return of the Fund’s investments through a policy of diversification within a parameter of prudent risk, as measured on the total portfolio. Our assumed investment rate of return is 7.5 percent.

Other Income

The majority of income in this category is reimbursements for office space improvements made at the Oak Brook office from the landlord. In 2016, \$238,192 is being budgeted for leasehold improvements in the capital purchases section. The remainder of income is received from fees to process Qualified Illinois Domestic Relations Orders (QILDRO).

2017 Adopted Expenditures

Summary by Department

	ACTUAL		BUDGET	ESTIMATED	ADOPTED	2017 ADOPTED AS A PERCENT CHANGE OVER 2016	
	2014	2015	2016	2016	2017	Budget	Estimate
Capital Additions	\$14,227,377	\$6,862,487	\$3,771,694	\$2,696,335	\$8,838,232	134.3%	227.8%
Administrative Expenses							
Administration	478,005	483,105	499,946	503,217	633,831	26.8%	26.0%
Benefits	1,579,818	1,806,736	1,829,165	1,804,447	1,954,023	6.8%	8.3%
Board of Trustees	121,269	330,074	122,578	135,780	246,979	101.5%	-81.9%
Communications	810,106	926,215	1,089,148	1,071,301	964,515	-11.4%	-10.0%
Finance	6,389,595	7,353,839	8,026,556	7,938,870	7,033,903	-12.4%	-11.4%
Human Resources	2,617,176	2,913,211	3,617,622	3,361,396	3,164,012	-12.5%	-5.9%
Information Services	4,680,478	4,586,788	5,770,056	4,712,539	5,211,030	-9.7%	10.6%
Internal Audit	549,440	565,732	701,794	610,826	850,539	21.2%	39.2%
Investment	1,172,437	1,418,945	1,593,819	1,659,549	1,707,502	7.1%	2.9%
Legal	791,420	847,994	1,070,705	1,015,621	1,260,738	17.7%	24.1%
Member and Field Services	2,070,131	2,223,709	2,358,277	2,325,179	2,388,463	1.3%	2.7%
Office Services	4,489,329	4,489,506	4,390,464	4,168,039	4,423,896	0.8%	6.1%
Operations	421,051	380,013	478,114	450,720	540,310	13.0%	19.9%
Program Management Office (PMO)	261,399	382,114	1,379,757	1,297,684	966,202	-30.0%	-25.5%
Total Administrative Expenses	26,431,652	28,707,981	32,928,001	31,055,168	31,345,943	-4.8%	0.9%
Direct Investment Expenses	110,648,492	119,016,042	108,856,914	103,586,858	117,308,162	7.8%	13.2%
Total	\$ 151,307,521	\$ 154,586,510	\$ 145,556,609	\$ 137,338,361	\$ 157,492,337	8.2%	14.7%

BUDGET COMPONENTS

Additions to Fund Balances

	2015 ACTUAL	2016 BUDGET	2016 ESTIMATE	2017 BUDGET
REVENUES				
Contributions				
Member Contributions	\$ 368,005,271	\$ 351,655,861	\$ 354,955,659	\$ 363,900,347
Employer Contributions	900,476,884	913,187,396	921,432,667	914,014,449
Total Contributions	1,268,482,155	1,264,843,257	1,276,388,326	1,277,914,796
Investment Income				
Investment Income	318,562,700	2,719,895,280	2,877,598,569	2,927,738,451
Less: Direct Investment Expense	(117,835,491)	(108,856,914)	(103,586,858)	(117,308,162)
Net Investment Income	200,727,209	2,611,038,366	2,774,011,711	2,810,430,289
Miscellaneous Income	464,050	256,340	254,640	256,340
Total Additions	1,469,673,414	3,876,137,963	\$ 4,050,654,677	\$ 4,088,601,425
EXPENSES				
Benefits	1,794,932,867	1,814,801,798	1,935,947,277	2,106,296,035
Administrative Expenses	28,707,981	32,928,001	31,055,168	31,345,943
	1,823,640,848	1,847,729,799	1,967,002,445	2,137,641,978
Net Increase (Decrease)	(353,967,434)	2,028,408,164	2,083,652,232	1,950,959,447
Fund Balance - Beginning of the Year	34,867,045,845	34,513,078,411	34,513,078,411	36,596,730,643
Fund Balance - End of the Year	\$ 34,513,078,411	\$ 36,541,486,575	\$ 36,596,730,643	\$ 38,547,690,090

2017 Adopted Capital Additions - Summary

	ACTUAL		BUDGET	ESTIMATED	ADOPTED BUDGET	2017 ADOPTED AS PERCENT CHANGE OVER 2016	
	2014	2015	2016	2016	2017	Budget	Estimate
Capital Purchases	\$ 910,568	\$ 1,116,333	\$ 3,282,099	\$ 2,034,095	\$ 7,531,741	129.5%	270.3%
Internally Generated Computer Software	13,316,809	5,746,154	489,595	662,240	1,306,491	166.9%	97.3%
Total Capital Budget	\$14,227,377	\$6,862,487	\$3,771,694	\$2,696,335	\$8,838,232	134.3%	227.8%

2017 Adopted Capital Additions

Capital Purchases	
Horizon Project	\$ 8,056,491
HP Storage Area Network (SAN) Disk Expansion	160,000
Springfield Office Expansion	136,600
Foundry Load Balance Replacement	135,000
Voice Mail System Replacement	85,000
Phone Call Recording System Replacement	85,000
Oak Brook Leasehold Improvements	84,141
Authorized Agent (AA) Manual Conversion to Sitecore	35,000
COMPASS and Lobby Information Boards Improvements	25,000
Springfield Network Connection Replacement	20,000
Audio/Visual (AV) Solution for 4-Large Conference Room	10,000
Security Cameras for Third Floor	6,000
TOTAL CAPITAL BUDGET	\$ 8,838,232

2017 Capital Purchases

Horizon Project

This multi-year project will replace our Spectrum system and complete the Horizon system. A vendor will be selected and approved in the first quarter of 2017 with project work beginning in April. Included in the budgeted amount is \$1,306,491 of internally generated costs that will be capitalized.

Estimated purchase price	\$ 8,056,491
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HP Storage Area Network (SAN) Disc Expansion

The HP Storage Area Network (SAN) is the device that holds all IMRF data, and all systems (including the mainframe) utilize it. Experience with the first phase of Horizon shows a need to have extra data storage capacity available. This line item is strictly in the event that our data storage has a sudden increase in usage during the next phase of the Horizon Project.

Estimated purchase price	\$ 160,000
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Springfield Office Expansion

The Springfield office will be expanded in 2017 with a dedicated counseling room to better serve visiting members. Additionally, the office will expand to be able to add more staff for Member Services in Springfield. The project includes architect services, construction to expand the current office space to incorporate the neighboring office, as well as the purchase of new workstations and office furniture. The total cost of the project is \$162,000, with \$136,600 being capital. The remainder is budgeted as part of the Administrative Expense Budget as expendable equipment and supplies.

Estimated purchase price	\$ 136,600
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Foundry Load Balance Replacement

The Foundry Load Balance devices have reached end of life and require replacement. This project would purchase new F5 replacement devices. F5 appliances are currently utilized in the network, therefore this allows us to continue to standardize on one platform.

Estimated purchase price	\$ 135,000
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Voice Mail System Replacement

Objectworld is the software for our current voice mail system for the organization. It is a third-party application that adds complexity to our current environment. Avaya provides a voice mail solution that offers better integration, an easier upgrade path, as well as more interface with our environment.

Estimated purchase price	\$ 85,000
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Phone Call Recording System Replacement

The Member Services department would like the Taske & CXM software replaced due to limited flexibility of the system with the current phone system. Taske is the software used for both real-time and historical reporting of the 800-number member and employer phone lines. The CXM software is used to record the inbound calls so that if there is a dispute, the actual call with the Member Services Representative can be played back. The project would include a Request For Proposal (RFP) with vendor(s) providing a Proof of Concept for Member Services' approval.

Estimated purchase price	\$ 85,000
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Oak Brook Leasehold Improvements

The new lease extension for the Oak Brook office includes a reimbursement clause for tenant improvements up to \$241,340 each year. For 2017, the following areas are planned for improvement:

Painting of hallways and doors	\$ 35,133
Benefits workstation construction	22,387
Workstation construction	14,798
Miscellaneous construction	6,153
Design fees	5,670

Estimated construction costs	\$ 84,141
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Authorized Agent (AA) Manual Conversion to Sitecore

Sitecore development work to modernize the Authorized Agent (AA) Manual.

Estimated purchase price	\$ 35,000
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COMPASS and Lobby Information Boards Improvements

Funds to enhance the user experience and make administration of the associated websites more efficient.

Estimated purchase price	\$ 25,000
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Springfield Network Connection Replacement

The installation of a Palo Alto firewall and a data circuit is needed to replace the current data circuit that goes to Springfield. The office currently has an extremely slow connection that also is not useful in the event of a disaster recovery occurrence. The new configuration will resolve all current data performance issues. We will continue using the existing circuit for voice connections (800-number call support).

Estimated purchase price	\$ 20,000
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Audio/Visual (AV) Solution for 4-Large Conference Room

The 4 Large conference room currently has no Audio/Visual (AV) capabilities. This limits the usefulness of room. This project will also help with scheduling conflicts where AV capabilities are needed.

Estimated purchase price	\$ 10,000
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Security Cameras for Third Floor

All office areas in use by IMRF in Oak Brook need to have video equipment to monitor the entrances to the office space. The third floor currently is not covered for this and needs to be included in this security surveillance.

Estimated purchase price	\$ 6,000
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Analysis of 2017 Adopted Budget to 2016 Estimated Actual Variances

		Percentage Change
2017 Adopted Budget	\$ 31,345,943	
2016 Estimated Actual	31,055,168	
Increase	\$ 290,775	0.9%

Expense Variations by Major Expense Category

Percent of Total Budget		Increase (Decrease)	
47.8%	<p>Salaries</p> <p>The decrease in the 2017 budget versus the 2016 estimated actual is being driven by an \$(1.2) million increase in the amount of salaries capitalized as part of the next phase of the Horizon Project. This is offset by a \$1.1 million increase in staff salaries based on a 3.0% base salary adjustment.</p>	\$ (68,921)	0.8%
15.5%	<p>Fringe Benefits</p> <p>The decrease in the 2017 budget versus the 2016 estimated actual is due to the decrease in health and dental insurance premiums \$(24,317) and the projected increase in capitalized fringe benefits of \$(382,660) related to internally developed software related to the Horizon project/Modernization Program. This large increase in capitalized fringe benefits is partially offset by a \$138,141 increase in payroll taxes due to higher salaries due to factors discussed above.</p>	(287,534)	(5.5)%
3.3%	<p>Personnel Costs - Indirect</p> <p>The majority of this increase is driven by higher projected training costs related to IMRF's individual learning plans, tuition reimbursement and succession planning.</p>	248,554	31.1%
8.8%	<p>Consulting Services</p> <p>This increase in the budget versus the 2016 estimated is being driven by the addition of \$180,000 for an independent verification and validation auditor for the next phase of the Horizon Project as well as an increase of \$229,836 in legal fees.</p>	468,807	20.4%
6.7%	<p>Facility Expenses</p> <p>The majority of this increase, \$60,743, relates to increases in rent for the Oak Brook and Springfield locations. In addition, we anticipate a \$46,218 increase in telephone and Internet fees.</p>	120,665	6.1%
7.4%	<p>Commodities & Services</p> <p>The major increases in this area are related to projected higher costs for postage amounting to \$108,000 and \$100,200 related to the search for a new Executive Director.</p>	237,896	11.5%
8.8%	<p>Equipment</p> <p>This decrease in part is due to a \$(887,945) decrease in depreciation due internally developed software projects related to Spectrum development being fully depreciated in 2016. This is being offset by an increase in the purchase of expendable equipment of \$327,950, mostly for replacement of servers, computers, printers, software, and office furniture.</p>	(548,726)	(16.6)
1.7%	<p>Miscellaneous</p> <p>This increase is due to a \$101,199 increase in trustee election expense, \$10,000 in the trustee employer reimbursement and travel expenses along with a \$8,361 increase in Fiduciary and Cyber insurance costs.</p>	120,034	29.8%
100%		\$ 290,775	

Analysis of 2017 Adopted Budget to 2016 Adopted Budget Variances

		Percentage Change
2017 Adopted Budget	\$ 31,345,943	
2016 Adopted Budget	32,928,001	
Increase	\$ (1,582,058)	(4.8)%

Expense Variations by Major Expense Category

Percent of Total Budget		Increase (Decrease)	
47.8%	<p>Salaries</p> <p>While the 2017 budget versus the 2016 budget includes an increase in salaries of \$554,000 based on a 3.0% base salary adjustment, the decrease in salary expense is primarily due to the projected increase in capitalized salaries of \$878,000 related to internally developed software in 2017 related to the Horizon Project/Modernization Program. Per GASB Statement No. 51, these costs are reclassified from salary expense and capitalized as part of the total project costs, and amortized over its estimated useful life.</p>	\$ (286,042)	(1.9)%
15.5%	<p>Fringe Benefits</p> <p>The decrease in the 2017 budget versus the 2016 budget is due to the decrease in health and dental insurance premiums \$(185,000) and the projected increase in capitalized fringe benefits of \$(289,000) related to internally developed software related to the Horizon project/Modernization Program. This large increase in capitalized fringe benefits is partially offset a \$44,000 increase in payroll taxes due to higher salaries due to factors discussed above.</p>	(431,262)	(8.1)%
3.3%	<p>Personnel Costs - Indirect</p> <p>While the 2017 budget contains a \$20,857 increase in staff training and travel, it is offset by a \$(19,815) decrease in recruitment and employee recognition costs.</p>	1,042	0.1%
8.8%	<p>Consulting Services</p> <p>This increase in the 2017 budget versus the 2016 budget is being driven by the addition of \$180,000 for an independent verification and validation auditor for the next phase of the Horizon Project as well as an increase of \$250,000 in legal fees.</p>	422,877	18.1%
6.7%	<p>Facility Expenses</p> <p>The majority of this increase is related to a \$85,481 increases in rent for the Oak Brook and Springfield locations as well as an increase of \$111,825 in operating expenses for the Oak Brook office. This is offset by decreases in telephone, \$(12,682), and off-site storage fees, \$(22,400).</p>	136,515	6.9%
7.4%	<p>Commodities & Services</p> <p>The major decreases in this area are related to lower costs for postage, \$(72,443), \$(102,300) related services for the intranet redesign project, and \$(88,050) for the jacket conversion project.</p>	(254,479)	(9.9)%
8.8%	<p>Equipment</p> <p>This decrease is due in part to a \$(716,925) decrease in depreciation due to internally developed software projects related to Spectrum development being fully depreciated in 2016. Also, there is an anticipated \$(572,380) decrease in software maintenance expenses.</p>	(1,258,518)	(31.3)%
1.7%	<p>Miscellaneous</p> <p>This increase is due to a \$99,401 increase in the trustee elections budget, as well as a \$25,000 increase in the trustee employer reimbursement and travel expenses budget. This is offset by a \$(37,578) decrease in the Cyber insurance budget. 2016 was the first year including a Cyber Insurance policy to the budget. Actual costs are projected to be \$68,520 under budget.</p>	87,809	20.2%
100%		\$ (1,582,058)	



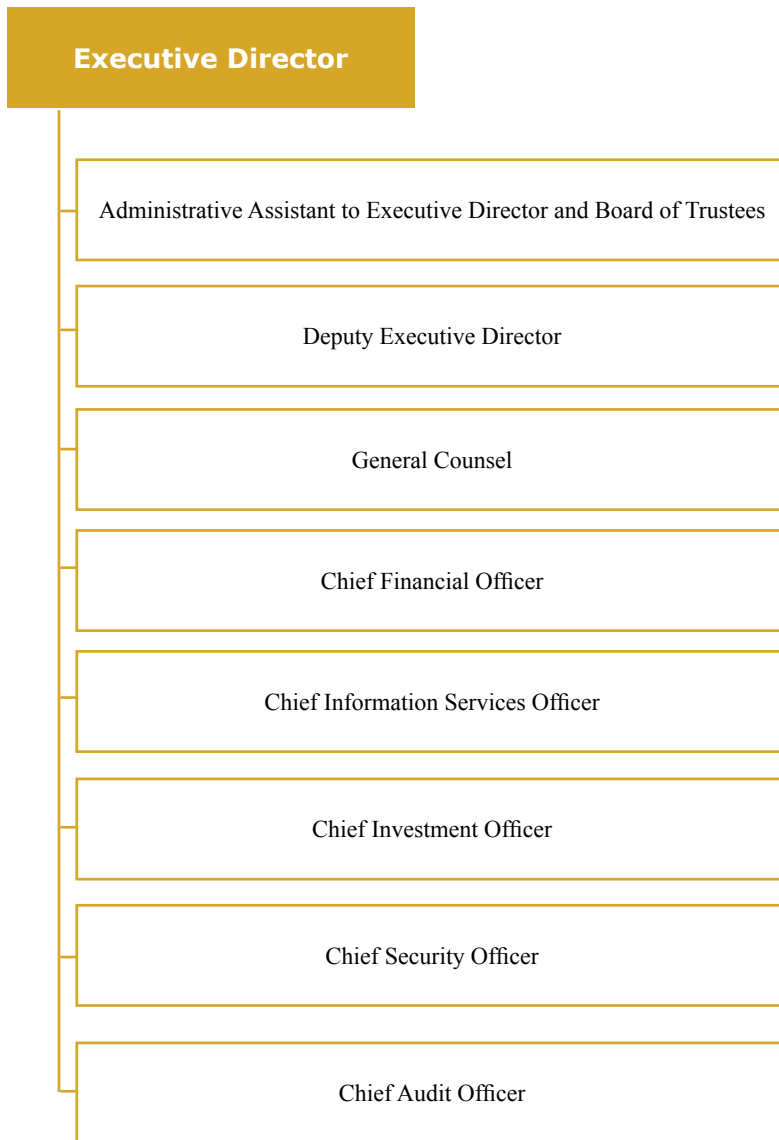
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Administration Department

The Administration department is headed by the Executive Director who is appointed by the Board of Trustees “to manage the office and carry out the technical administrative duties of the Fund.” The Executive Director is responsible for management of all operations, customer service, representation of IMRF, Board interaction, policy development and implementation, and leadership of the organization.

Administration Department – Organization Chart



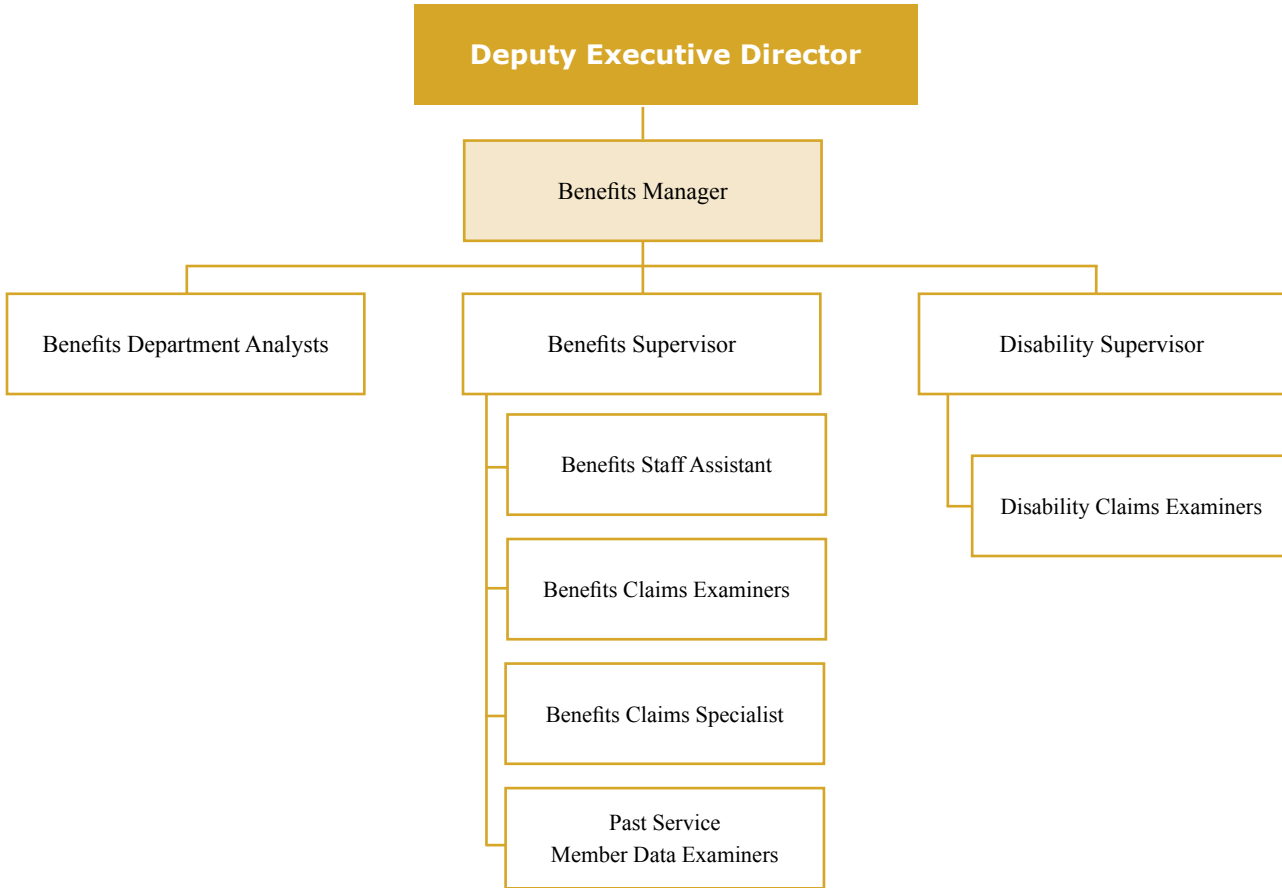
Administration Department – Budget

Expense Classification	Account No.	Actual 2014	Actual 2015	Budget 2016	Estimated 2016	Adopted 2017
Administration Department						
Personnel Costs - Direct						
Salaries	5501	\$441,395	\$442,605	\$456,246	\$457,817	\$483,431
Personnel Costs - Indirect						
Travel & Training	5507	6,721	9,942	12,000	10,000	12,000
Other Personnel Costs	5510	7,403	0	7,500	0	0
Conferences & Meetings	5517	3,043	3,248	2,500	4,200	5,000
		17,167	13,190	22,000	14,200	17,000
Commodities & Services						
Publications & Dues	5535	16,616	24,808	18,000	25,000	25,000
Other Services	5540	1,000	1,000	1,200	1,200	101,400
		17,616	25,808	19,200	26,200	126,400
Equipment						
Auto Maintenance & Expenses	5576	1,827	1,502	2,500	5,000	7,000
Total Expenses		\$478,005	\$483,105	\$499,946	\$503,217	\$633,831

Benefits Department

The Benefits department is led by one Manager and two Supervisors. The department consists of two units: the Benefits Unit and the Disability Unit. Seven Analysts assist in the day-to-day activities, and approximately 28 Specialists and Examiners process claims. The department serves IMRF’s members, beneficiaries, and employers by providing information and services related to all aspects of benefits claims processing. The department processes retirement, disability, death, and refund claims. Some claims require coordination with other public pension systems in Illinois.

Benefits Department – Organization Chart



Benefits Department – Performance Measures

Standards	2010	2011	2012	2013	2014	2015	2016 YTD
Average Processing Time (Days) For All Claim Types	8.08	6.64	7.09	6.69	5.06	5.05	5.30
Financial Accuracy (M)	99.64%	100.00%	89.73%	98.68%	93.89%	97.76%	96.60%
Financial Accuracy (A)	97.96%	99.64%	99.94%	100.00%	99.90%	99.76%	99.28%
Procedural Accuracy (M)	99.27%	100.00%	94.54%	97.54%	97.60%	98.08%	98.09%
Procedural Accuracy (A)	98.16%	99.03%	96.46%	98.96%	99.10%	98.40%	96.60%

M = Manual
A = Automated

Benefits Department – Budget

Expense Classification	Account No.	Actual 2014	Actual 2015	Budget 2016	Estimated 2016	Adopted 2017
Benefits Department						
Personnel Costs - Direct						
Salaries	5501	\$1,420,991	\$1,647,016	\$1,686,065	\$1,668,897	\$1,797,823
Personnel Costs - Indirect						
Travel & Training	5507	3,059	430	3,400	100	11,000
Conferences & Meetings	5517	0	2,950	1,000	650	1,000
		3,059	3,380	4,400	750	12,000
Consulting Services						
Medical & Field Investigations	5516	155,420	156,340	138,500	134,700	144,000
Commodities & Services						
Publications & Dues	5535	348	0	200	100	200
Total Expenses		\$1,579,818	\$1,806,736	\$1,829,165	\$1,804,447	\$1,954,023

Board of Trustees

IMRF is governed by an eight-member, elected Board of Trustees. IMRF Board members serve five-year, staggered terms:

- Four of the Board members are Executive Trustees and are elected by participating units of government,
- Three are Employee Trustees and are elected by participating IMRF members, and
- One Annuitant Trustee who is elected by IMRF annuitants.

The IMRF Board of Trustees meets at least four times a year for its full Board meeting. Board members serve without compensation, but are reimbursed for their expenses. The Board is divided into five committees — Audit, Benefit Review, Executive, Investment, and Legislative — to deal with different areas of business.

The 2016 Board of Trustees include:

Tom Kuehne, President

Sue Stanish, Vice President

Natalie Copper, Secretary

Sharon U. Thompson, Annuitant Trustee

Gwen Henry, Executive Trustee

David Miller, Executive Trustee

Alex Wallace, Jr., Executive Trustee

Trudy Williams, Employee Trustee

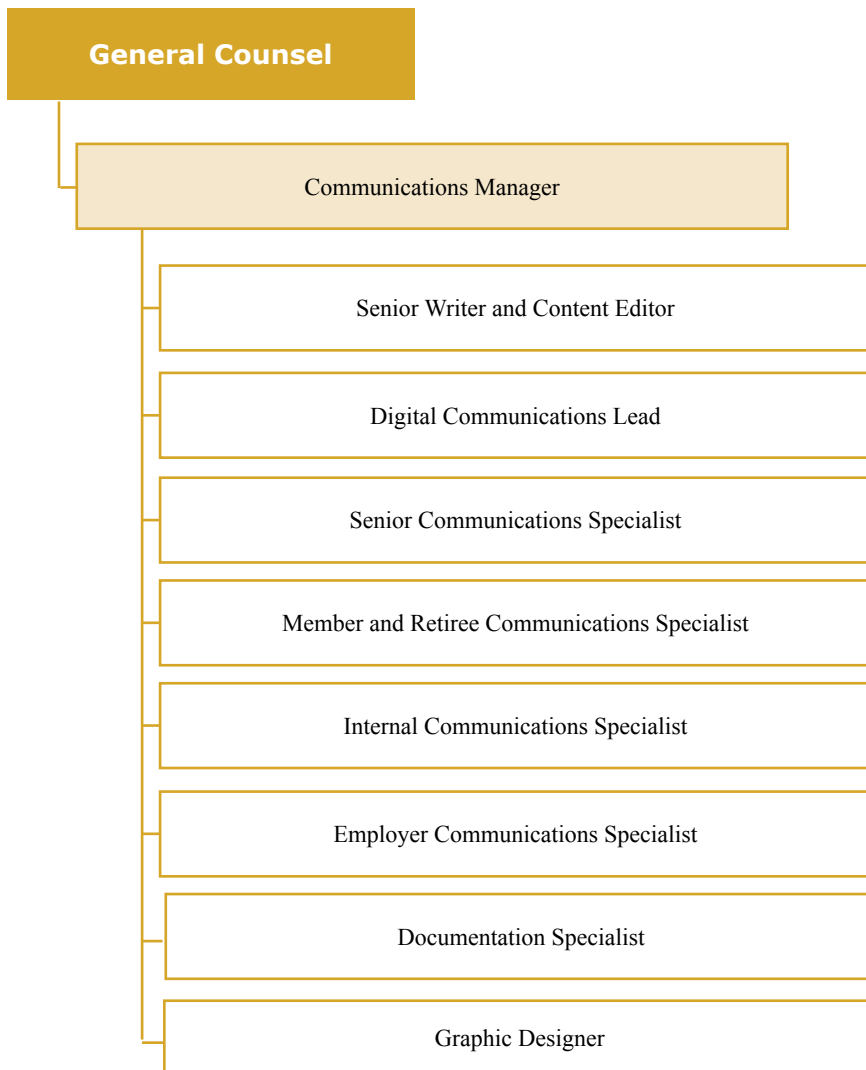
Board of Trustees – Budget

Expense Classification	Account No.	Actual 2014	Actual 2015	Budget 2016	Estimated 2016	Adopted 2017
Board of Trustees						
Miscellaneous						
Trustee Employer Reimbursement	5580	\$50,885	\$37,505	\$50,000	\$50,000	\$55,000
Trustee Reimbursement & Education	5581	58,284	94,446	65,000	80,000	85,000
Trustee Elections	5582	12,100	198,123	7,578	5,780	106,979
Total Expenses		\$121,269	\$330,074	\$122,578	\$135,780	\$246,979

Communications Department

IMRF’s Communications department produces more than 100 print and web-based publications; creates, reviews, and edits print and web-based newsletters, correspondence, forms, and staff documentation for applications and processes; manages IMRF’s website and social media; oversees internal communications, including IMRF’s Intranet; and administers IMRF’s public outreach program, including its media relations. The department has a manager and eight communications professionals on staff.

Communications Department – Organization Chart



Communications Department – Performance Measures

Open Rate	2011	2012	2013	2013	2015	2016 YTD
Employer Digest	34.8%	33.0%	35.0%	40.5%	44.8%	42.02%
IMRF Update	N/A	32.6%	34.0%	42.0%	76.8%	80.6%

Standards based on the Open Rate for e-newsletters.
 Benchmark = Industry-standard "Open Rate" for public entities of 23.89%.

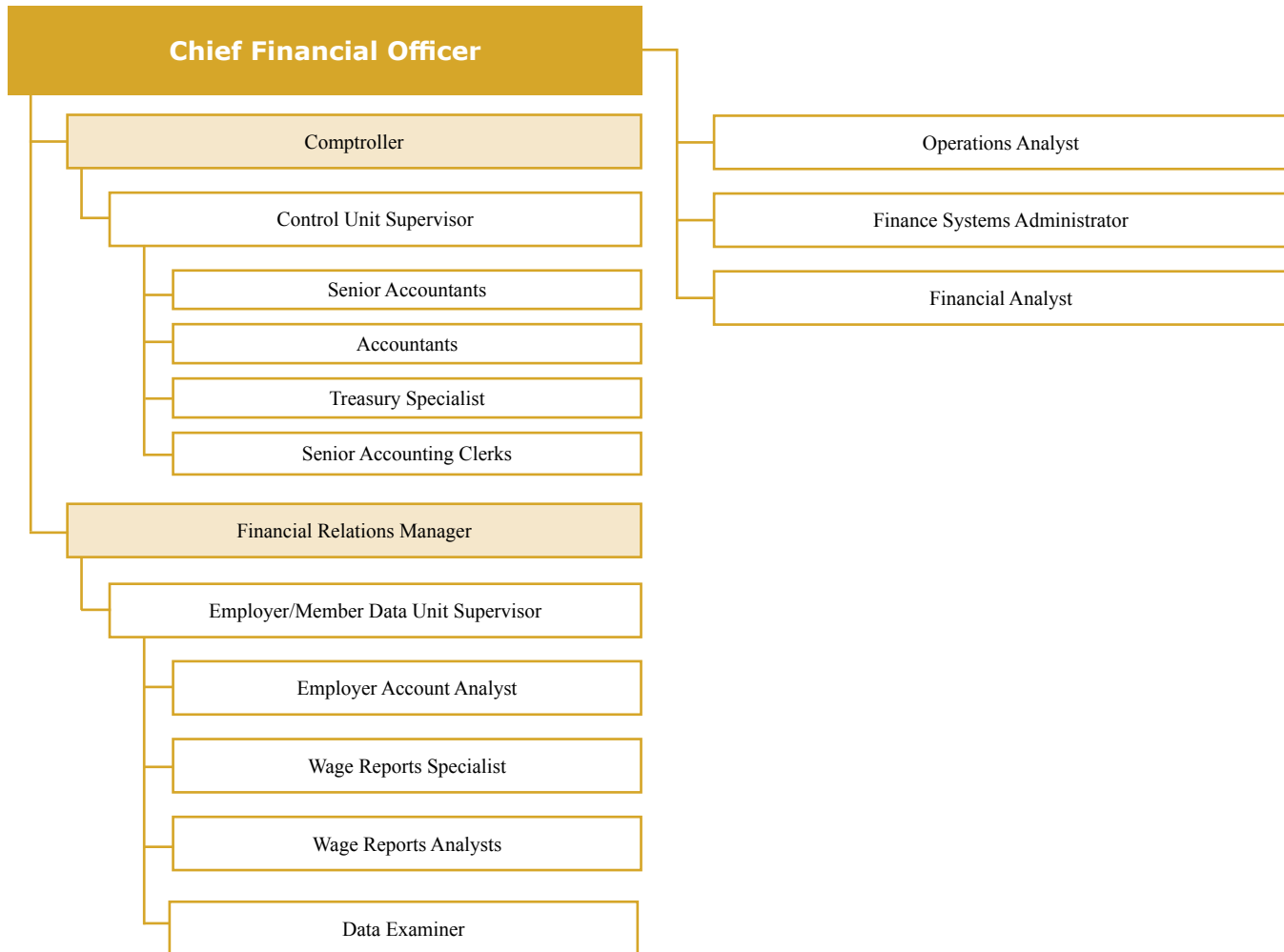
Communications Department – Budget

Expense Classification	Account No.	Actual 2014	Actual 2015	Budget 2016	Estimated 2016	Adopted 2017
Communications Department						
Personnel Costs - Direct						
Salaries	5501	\$456,024	\$529,315	\$583,203	\$636,608	\$579,577
Professional Services – Temps	5503	64,115	34,809	0	0	20,000
		520,139	564,124	583,203	636,608	599,577
Personnel Costs - Indirect						
Travel & Training	5507	334	1,034	700	2,000	14,750
Conferences & Meetings	5517	0	2,566	11,125	5,392	9,615
		334	3,600	11,825	7,392	24,365
Public Relations Services						
Public Relations	5519	96,995	90,123	89,700	89,700	31,500
Commodities & Services						
Forms & Informational Materials	5532	176,866	251,452	323,520	272,189	306,123
Publications & Dues	5535	2,236	5,995	2,500	1,712	1,950
Professional Services – Other	5540	9,498	10,921	77,300	63,700	0
		188,600	268,368	403,320	337,601	308,073
Equipment						
Expendable Equipment	5575	4,038	0	1,100	0	1,000
Total Expenses		\$810,106	\$926,215	\$1,089,148	\$1,071,301	\$964,515

Finance Department

IMRF's Finance department is headed by the Chief Financial Officer and consists of three units: the Treasury Unit, the Control Unit, and the Employer/Member Data Unit. Additionally, there are three analysts that assist the department in day-to-day activities. The Finance department is responsible for financial reporting and accounting functions, actuarial reporting, financial reporting, and employer's wage reporting. The Finance department also processes staff payroll, accounts payable, recording and deposit of incoming checks and electronic transfers, and the issuance of benefit payments.

Finance Department – Organization Chart



Finance Department – Performance Measures

Standards	2011	2012	2013	2014	2015	2016 YTD
Outstanding Wage Reports	3	0	0	0	0	83
Benefit Checks Issued In Lieu of EFTs	126,942	117,589	110,464	101,626	93,847	69,486
Benefit Payments - EFTs	1,214,593	1,282,865	1,357,660	1,438,124	1,519,414	1,221,229
Treasury Transactions	N/A	43,273	47,167	44,464	47,912	38,715

Finance Department – Budget

Expense Classification	Account No.	Actual 2014	Actual 2015	Budget 2016	Estimated 2016	Adopted 2017
Finance Department						
Personnel Costs - Direct						
Salaries	5501	\$1,608,392	\$1,793,724	\$1,816,974	\$1,769,235	\$1,682,864
Professional Services Temps	5503	0	0	5,000	0	0
Unemployment Costs	5504	15,898	8,620	12,500	21,500	12,500
IMRF/SS ER Contributions	5505	2,310,206	2,389,000	2,741,970	2,706,468	2,626,715
		3,934,496	4,191,344	4,576,444	4,497,203	4,322,079
Personnel Costs - Indirect						
Travel & Training	5507	1,633	2,205	9,700	9,700	20,000
Other Personnel Costs	5510	0	0	0	121	0
Conferences & Meetings	5517	7,515	9,627	14,000	14,000	18,000
		9,148	11,832	23,700	23,821	38,000
Consulting Services						
Auditing	5511	196,715	439,484	285,000	251,464	315,900
Actuarial	5512	466,786	914,103	615,000	619,000	677,257
		663,501	1,353,587	900,000	870,464	993,157
Commodities & Services						
Publications & Dues	5535	4,507	4,612	5,500	3,950	5,500
Professional Services - Other	5540	198,201	180,191	297,500	171,000	190,680
		202,708	184,803	303,000	174,950	196,180
Equipment						
Depreciation - Capital Assets	5571	1,561,159	1,576,511	2,180,912	2,351,932	1,463,987
Software Maintenance PC	5574	9,388	17,502	32,000	10,000	10,000
		1,570,547	1,594,013	2,212,912	2,361,932	1,473,987
Miscellaneous Expenses						
Filing Fees	5586	9,195	10,295	10,500	10,500	10,500
Total Expenses		\$6,389,595	\$7,345,874	\$8,026,556	\$7,938,870	\$7,033,903

Human Resources Department

The Human Resources department is led by one Manager, and includes an Assistant, a Generalist, and an Organizational Development Lead. The department is responsible for all employee relations functions, including workforce planning and employment initiatives, record keeping, and training and development. The department partners with Fund leadership for strategic Human Resources planning.

Human Resources Department – Organization Chart



Human Resources – Performance Measures

Year	2013	2014	2015	2016
Workforce Engagement Survey (Percentile Rank)	95 th	97 th	96 th	94 th

Year	2013	2014	2015	2016
Turnover Rate - IMRF	13.45	11.35	7.94	6.32%*
Turnover Rate - CompData average	13.80	15.40	16.80	N/A

**Through September 2016*

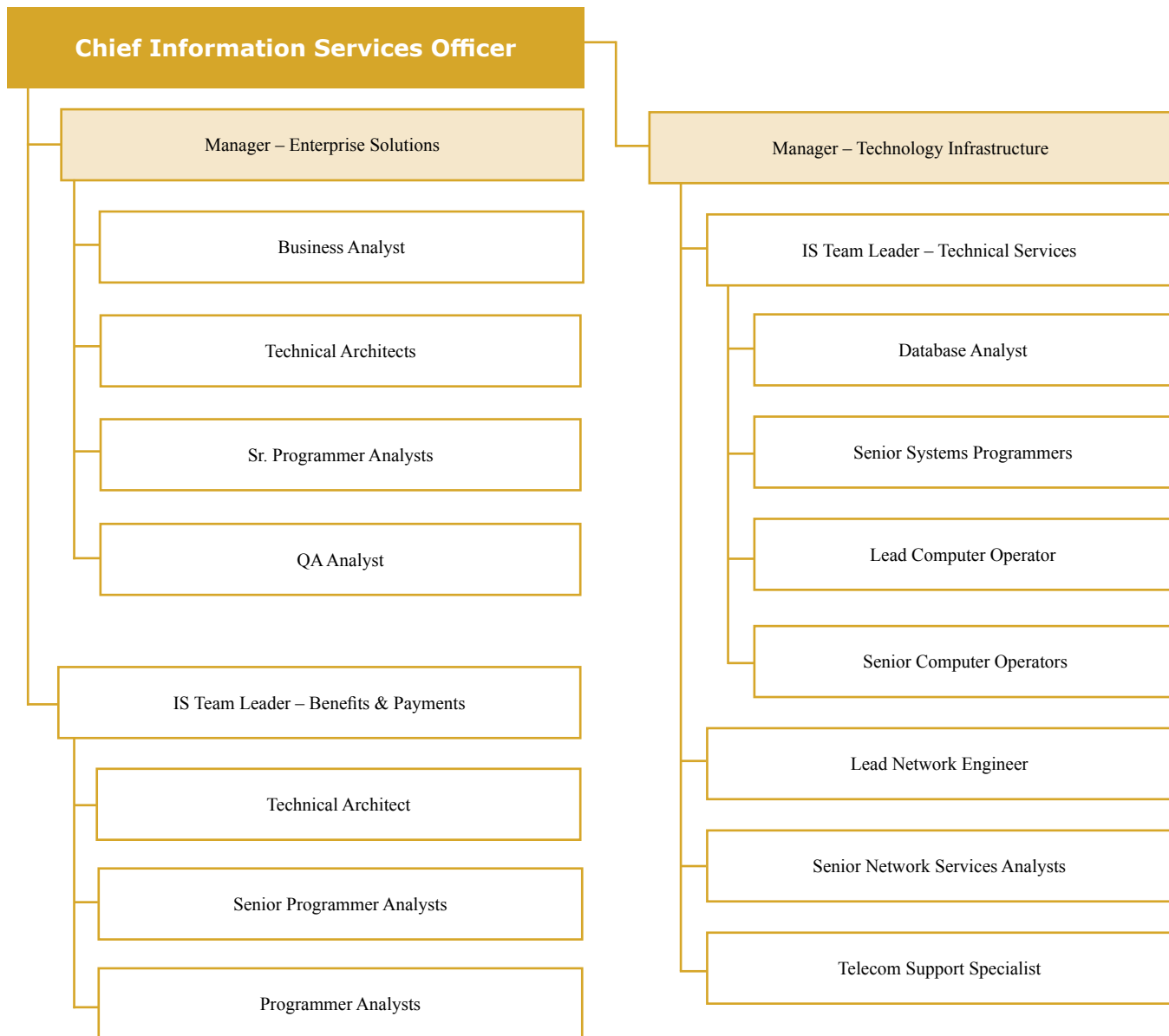
Human Resources Department – Budget

Expense Classification	Account No.	Actual 2014	Actual 2015	Budget 2016	Estimated 2016	Adopted 2017
Human Resources Department						
Personnel Costs - Direct						
Salaries	5501	\$286,693	\$347,221	\$350,664	\$363,212	\$317,825
Fringe Benefits	5504	1,963,401	2,148,052	2,537,121	2,419,895	2,221,114
		2,250,094	2,495,273	2,887,785	2,783,107	2,538,939
Personnel Costs - Indirect						
Travel & Training	5507	244,774	203,130	522,817	374,638	393,148
Recruitment & Testing	5509	52,815	55,184	78,925	65,101	70,550
Other Personnel Costs	5510	36,450	55,955	74,470	57,000	70,530
Conferences & Meetings	5517	2,038	2,687	7,500	6,500	3,700
		336,077	316,956	683,712	503,239	537,928
Consulting Services						
Compensation & Benefit Surveys	5514	22,977	92,745	39,050	66,250	69,470
Commodities & Services						
Publications & Dues	5535	1,377	1,669	2,600	2,000	2,000
Professional Services - Other	5540	412	0	0	0	0
		1,789	1,669	2,600	2,000	2,000
Equipment						
Maintenance & Rentals	5572	500	169	1,975	1,200	1,600
Software Maintenance PC	5574	4,410	6,399	2,500	5,600	12,200
Expendable Equipment	5575	1,329	0	0	0	1,875
		6,239	6,568	4,475	6,800	15,675
Total Expenses		\$ 2,617,176	\$ 2,913,211	\$ 3,617,622	\$ 3,361,396	\$ 3,164,012

Information Services Department

The Information Services department is headed by the Chief Information Services Officer and consists of two teams: Enterprise Solutions and Technology Infrastructure. Information Services' governance is the overall approach to ensure the quality and availability of data and information, software, and hardware. IMRF's Strategic Plan includes a key strategy to replace the existing information systems and technology to better meet rising customer service requirements.

Information Services Department – Organization Chart



Information Services Department – Performance Measures

Standards	2011	2012	2013	2014	2015	2016 YTD
Outage Minutes	1600	744	583	520	810	540
Percent Uptime	99.7%	99.9%	99.9%	99.9%	99.8	99.9%
Transactions < 1 sec.	89.7%	89.0%	95.2%	94.2%	94.0	95.0%
Technology Audit: High Risk Findings	0	5	2	3	3	1
Moderate & Low Risk Findings	19	27	23	11	22	29

Business Continuity and Disaster Recovery Drills	2011	2012	2013	2014	2015	2016 YTD
Desktop Drills	1	0	1	0	0	1
Live Drills at Warm Site	4	4	4	4	2	2
Restore Toll-free Number	Yes	Yes	Yes	Yes	No	Yes
Restore Benefits System	Yes	Partial	Partial	Partial	Yes	Yes
Print Benefits Checks	Yes	No	Yes	No	Yes	No
Critical Systems Capability	85%	40%	40%	0%	85%	90%

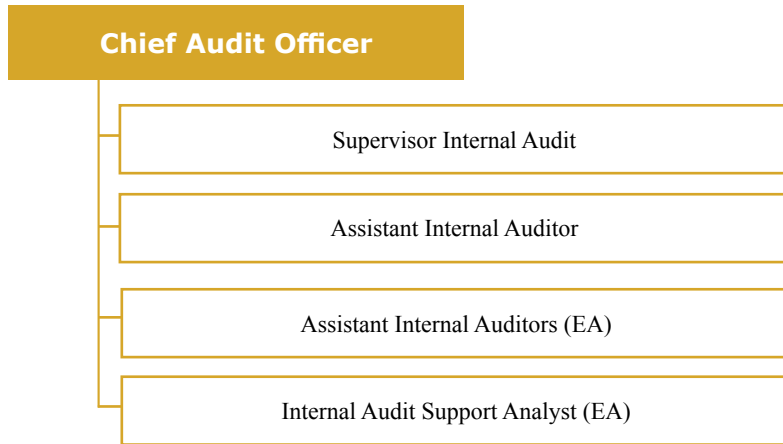
Information Services Department – Budget

Expense Classification	Account No.	Actual 2014	Actual 2015	Budget 2016	Estimated 2016	Adopted 2017
Information Services Department						
Personnel Costs - Direct						
Salaries	5501	\$2,796,635	\$2,977,633	\$3,602,181	\$3,472,281	\$3,463,705
Personnel Costs - Indirect						
Travel & Training	5507	1,080	1,844	7,000	6,000	89,000
Conferences & Meetings	5517	2,878	3,036	6,000	4,000	6,000
		3,958	4,880	13,000	10,000	95,000
Consulting Services						
Website Consulting	5514	48,593	0	0	0	0
Systems Design - Modernization	5515	280,738	344,142	61,000	88,100	129,000
		329,331	344,142	61,000	88,100	129,000
Facility Expenses						
Telephone	5523	128,974	132,228	199,300	140,400	186,400
Other Facility Expense	5525	160,189	180,968	218,000	187,000	204,595
		289,163	313,196	417,300	327,400	390,995
Commodities & Services						
Office Supplies	5531	80,572	74,813	83,800	77,714	88,580
Publications & Dues	5535	1,166	4,528	5,000	1,000	3,000
		81,738	79,341	88,800	78,714	91,580
Equipment						
Maintenance & Rentals	5572	164,523	164,222	229,000	195,537	285,550
Software Maintenance	5573	486,708	180,781	218,000	190,766	521,000
Software Maintenance PC	5574	389,397	429,437	864,000	307,956	0
Expendable Equipment	5575	139,025	92,002	275,375	37,885	232,000
		1,179,653	866,442	1,586,375	732,144	1,038,550
Miscellaneous Expenses						
Filing fees	5586	0	1,154	1,400	3,900	2,200
Total Expenses		\$ 4,680,478	\$ 4,586,788	\$ 5,770,056	\$ 4,712,539	\$ 5,211,030

Internal Audit Department

The Internal Audit department is headed by the Chief Audit Officer and is comprised of a Supervisor, Assistant Auditors, and an Administrative Assistant. This department is responsible for auditing employers through on-site visits to their respective payroll offices and ensuring compliance with the Illinois Pension Code. This department also audits IMRF’s internal operations, ensuring compliance with policies, plans, and regulations, including the Illinois Pension Code. The Internal Audit department also provides assistance to External Auditors.

Internal Audit Department – Organization Chart



Internal Audit - Employer Audits and Percent of Active Membership Audited

	2012	2013	2014	2015	2016 YTD
Employer Audits	105	118	172	179	149
Percent of Active Membership Audited	11%	15%	20%	20%	16.6%

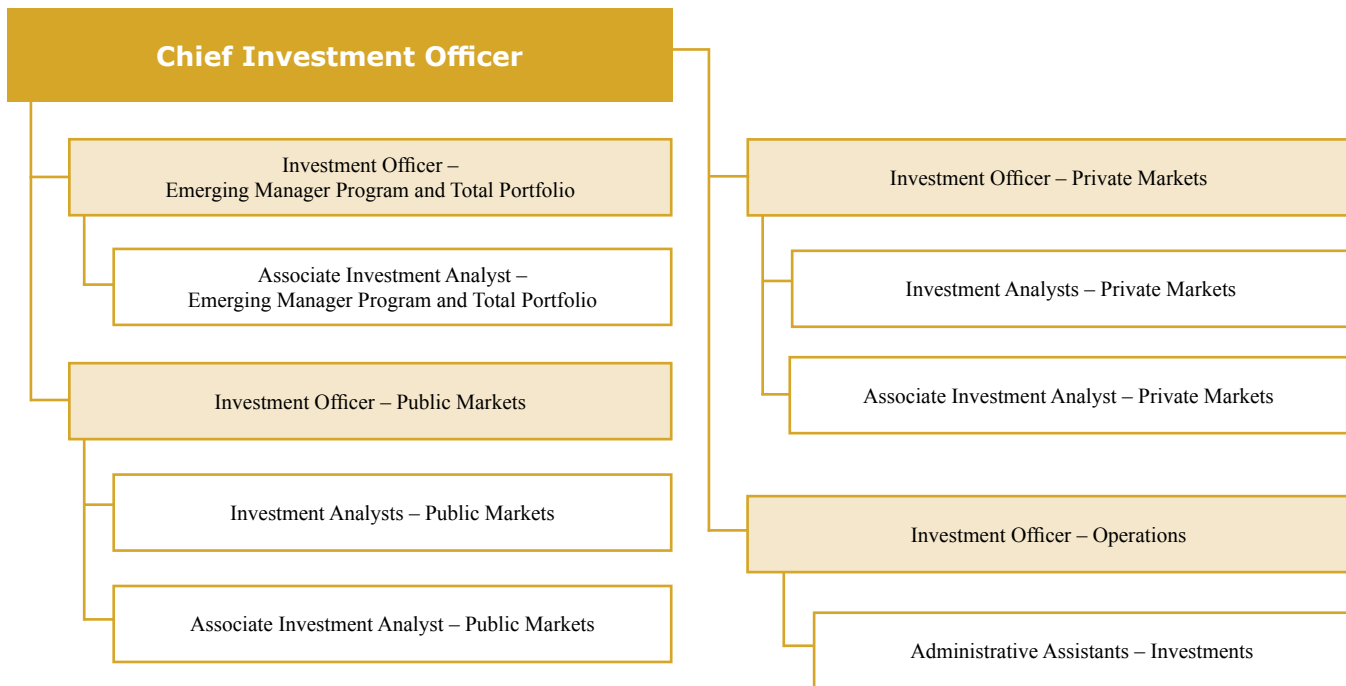
Internal Audit Department – Budget

Expense Classification	Account No.	Actual 2014	Actual 2015	Budget 2015	Estimated 2015	Adopted 2017
Internal Audit Department						
Personnel Costs - Direct						
Salaries	5501	\$426,110	\$456,644	\$529,594	\$467,626	\$547,039
Personnel Costs - Indirect						
Travel & Training	5507	14,780	12,663	12,000	8,000	13,500
Conferences & Meetings	5517	2,411	2,460	12,700	12,700	5,000
		17,191	15,123	24,700	20,700	18,500
Consulting Services						
Auditing	5511	99,141	87,357	137,500	114,000	276,000
Commodities & Services						
Publications & Dues	5535	1,576	2,668	2,000	2,000	3,000
Equipment						
Software Maintenance PC	5574	2,705	2,631	3,500	3,500	4,000
Expendable Equipment	5575	2,000	0	2,000	2,000	0
Auto Maintenance & Expense	5576	717	1,309	2,500	1,000	2,000
		5,422	3,940	8,000	6,500	6,000
Total Expenses		\$ 549,440	\$ 565,732	\$ 701,794	\$ 610,826	\$ 850,539

Investment Department

IMRF’s Investment department works to optimize the total return of the IMRF investment portfolio through a policy of long-term diversified investment, using parameters of prudent risk management. The Investment department’s strategic objective is to meet or exceed IMRF’s actuarial assumed rate of return and outperform the total portfolio benchmark. The Chief Investment Officer heads the Investment department and leads a team of 13 (based on approved positions). The Investment department is organized by key function areas including: Public Markets, Private Markets, Emerging Manager Program and Total Portfolio, and Operations. Key highlights of the Investment department’s activity in 2016 include: working with the General Investment Consultant; an Asset Liability Study; an Annual Strategic Asset Allocation Review; evaluation and analysis of current and prospective investments for the total portfolio; monitoring portfolio performance; and presenting investment recommendations to the Investment Committee of the IMRF Board of Trustees.

Investment Department – Organization Chart



Investment Department – Performance Measures

Gross Annual Investment Returns for 1, 3, 5, and 10 years.

Total Fund Performance	Last year 2015	Last 3 yrs 2012-15	Last 5 yrs 2010-15	Last 10 yrs 2005-15
IMRF Total Fund	0.44%	8.61%	7.78%	6.69%
Total Fund Benchmark	1.43%	8.04%	7.50%	6.44%
Difference	(0.99)%	0.57%	0.28%	0.25%
Rank: IMRF Total Fund	53	23	30	5

Goal is for IMRF returns greater than portfolio benchmarks over 3-, 5-, and 10-year periods. Percentile rank = 53rd in Callan Universe of 117 pension funds.

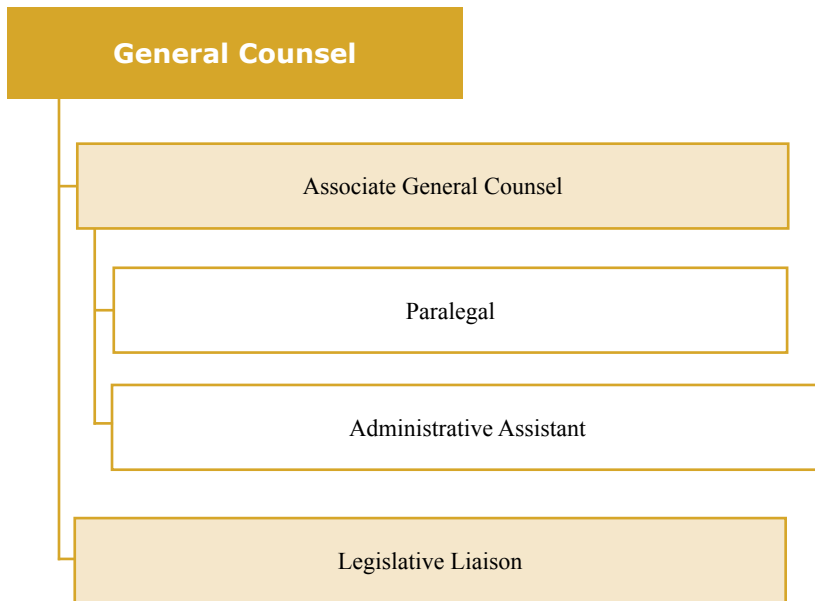
Investment Department – Budget

Expense Classification	Account No.	Actual 2014	Actual 2015	Budget 2016	Estimated 2016	Adopted 2017
Investment Department						
Personnel Costs - Direct						
Salaries	5501	\$1,168,415	\$1,406,633	\$1,593,819	\$1,659,549	\$1,699,202
Professional Services Temps	5503	2,388	12,312	0	0	0
		1,170,803	1,418,945	1,593,819	1,659,549	1,699,202
Personnel Costs - Indirect						
Travel & Training	5507	0	0	0	0	8,300
Conferences & Meetings	5517	284	0	0	0	0
		284	0	0	0	8,300
Commodities & Services						
Publications & Dues	5535	1,350	0	0	0	0
		1,172,437	1,418,945	1,593,819	1,659,549	1,707,502
Investment Expenses						
Investment Managers Fees	5788	107,310,060	116,375,118	106,317,500	100,994,600	114,291,300
Master Trust Services	5789	268,750	280,000	275,000	280,000	280,000
Investment Travel	5790	76,598	53,366	85,000	85,000	95,000
Investment Legal Fees	5791	471,541	171,992	350,000	350,000	350,000
Security Litigation Monitoring	5792	25,026	25,028	25,000	25,055	25,055
Investment Consultants	5793	863,833	910,060	937,960	937,960	1,404,418
Securities Lending Fees	5794	1,623,937	1,180,550	795,000	795,000	781,000
Tax Preparation & Custodial Expense	5795	0	0	42,000	89,844	65,000
Investment Publications & Dues	5796	8,735	19,926	25,187	25,187	16,177
Investment Licenses	5797	12	2	4,212	4,212	212
		110,648,492	119,016,042	108,856,859	103,586,858	117,308,162
Total Expenses		\$ 111,820,929	\$ 120,434,987	\$ 110,450,678	\$ 105,246,407	\$ 119,015,664

Legal Department

IMRF’s Legal department acts as legal counsel to the IMRF Board of Trustees; provides legal counsel to IMRF staff; interprets the Illinois Pension Code and IMRF Board Policies; defends IMRF Board administrative decisions in court; and maintains a presence and represents the Board of Trustees at the Illinois Legislature. The Legal department consists of two attorneys, a paralegal, a legal secretary, and a legislative liaison.

Legal Department – Organization Chart



Legal Department – Performance Measures

Open Rate	2011	2012	2013	2014	2015	2016 YTD
FOIA Requests	181	237	204	127	179	155
FOIA Request Turnaround Time (Standard = 5 days)	100%	100%	100%	100%	100%	100%
QILDROs	164	180	159	207	210	187
QILDRO Turnaround Time (Standard = 45 days)	100%	100%	100%	100%	100%	100%
Contract Review	29	39	20	24	37	31
Contract Review Turnaround Time (Standard = 3 days)	100%	100%	100%	96%	100%	100%

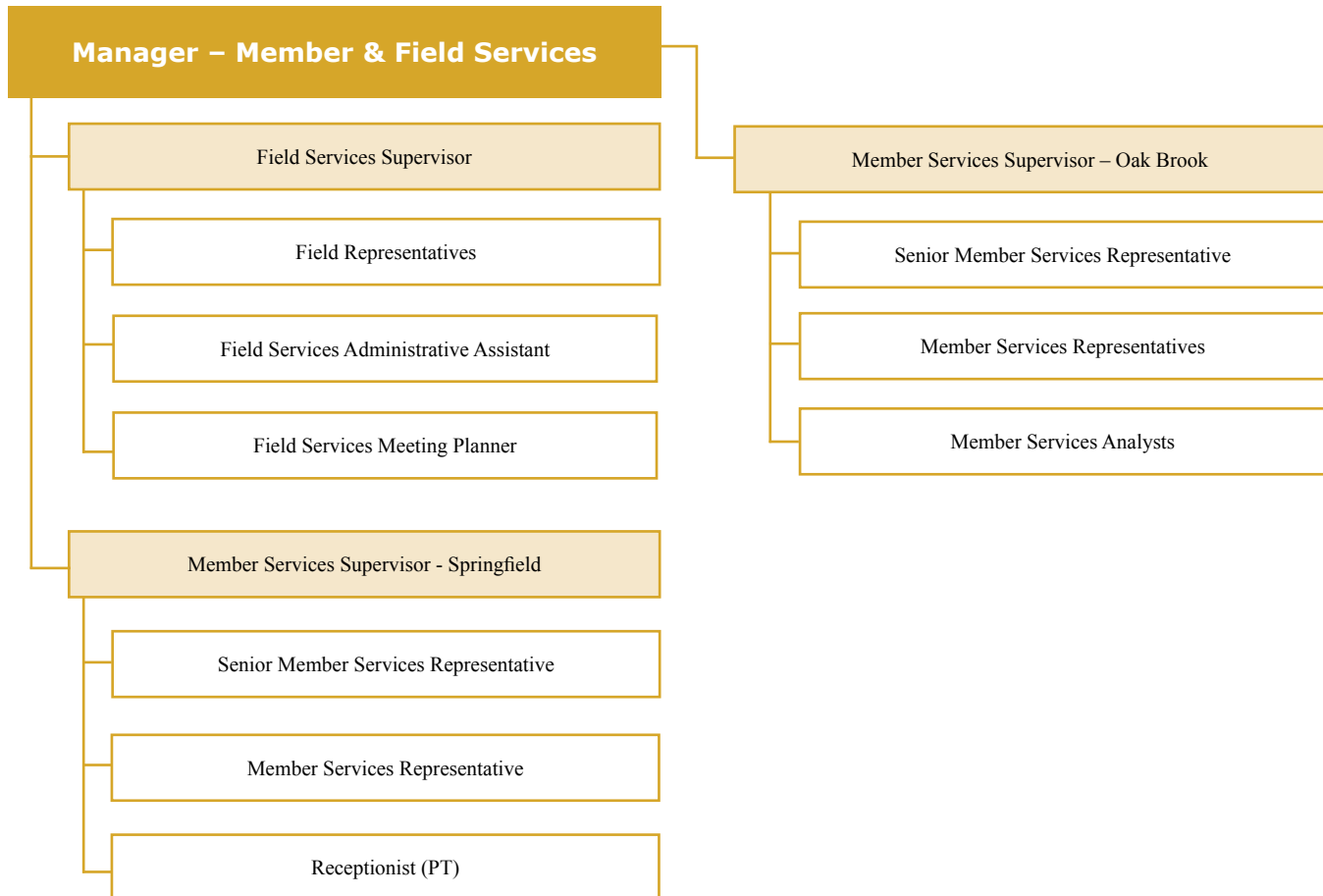
Legal Department – Budget

Expense Classification	Account No.	Actual 2014	Actual 2015	Budget 2016	Estimated 2016	Adopted 2017
Legal Department						
Personnel Costs - Direct						
Salaries	5501	\$482,256	\$497,695	\$513,805	\$542,702	\$533,410
Personnel Costs - Indirect						
Travel & Training	5507	8,360	12,663	15,500	10,249	18,900
Conferences & Meetings	5517	7,127	6,953	10,100	8,018	11,000
		15,487	19,616	25,600	18,267	29,900
Consulting Services						
Legal Counsel	5513	41,521	75,134	100,500	101,216	330,500
Legislative Lobbying Services	5518	68,796	69,492	70,800	70,800	72,000
		110,317	144,626	171,300	172,016	402,500
Commodities & Services						
Publications & Dues	5535	24,476	30,599	29,000	24,666	26,000
Professional Services - Other	5540	0	0	25,000	0	0
		24,476	30,599	54,000	24,666	26,000
Equipment						
Software Maintenance PC	5574	1,350	5,400	5,400	5,580	5,820
Expendable Equipment	5575	2,500	0	0	0	0
Auto Maintenance & Expense	5576	1,999	1,081	500	217	400
		5,849	6,481	5,900	5,797	6,220
Miscellaneous Expenses						
Insurance	5583	153,035	148,977	300,100	252,173	262,708
Total Expenses		\$ 791,420	\$ 847,994	\$ 1,070,705	\$ 1,015,621	\$ 1,260,738

Member & Field Services Department

The Member & Field Services department is led by one manager and three supervisors. Seven Field Representatives provide assistance to IMRF members and employers through workshops, compliance reviews, and more. Member Services Representatives are available from 7:30 AM to 5:30 PM, Monday through Friday, to answer members’ and employers’ questions.

Member & Field Services Department – Organization Chart



Member & Field Services – Performance Measures

Standards	2010	2011	2012	2013	2014	2015	2016 YTD
All Call Distribution (ACD) Log-on Adherence	91.7%	95.6%	95.9%	98.0%	98.0%	98.9%	99.1%
Call Documentation	89.6%	90.6%	92.1%	95.5%	93.7%	94.8	95.8%
Time to Answer (Minutes)	N/A	N/A	N/A	2:05	2:19	2:34	1:59
Member Workshop Engagement %	N/A	70.1%	85.7%	80.6%	94.5%	89.0%	96.0%
Employer Workshop Engagement %	N/A	87.5%	76.0%	81.1%	94.0%	92.0%	82.7%

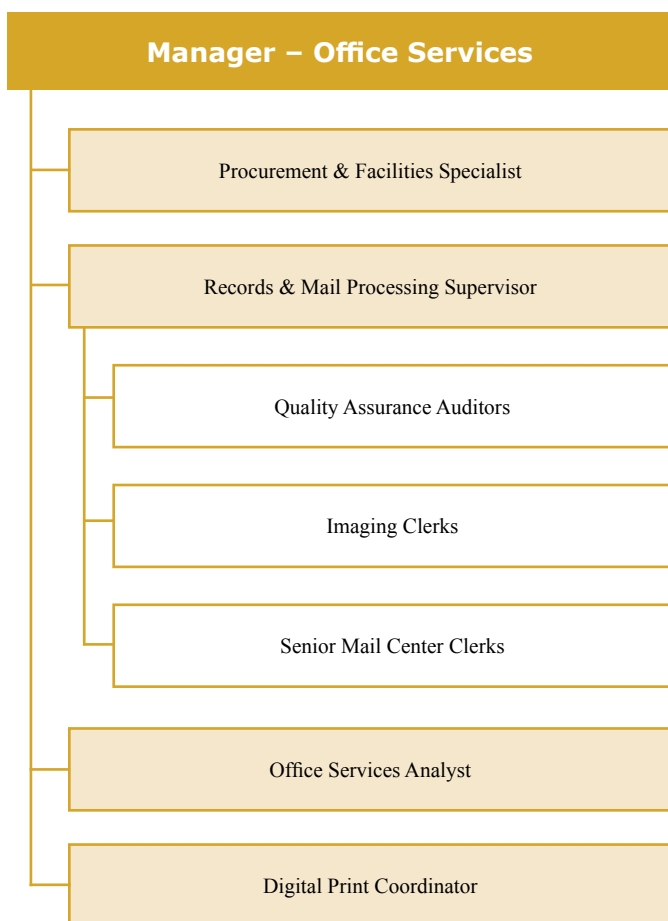
Member & Field Services Department – Budget

Expense Classification	Account No.	Actual 2014	Actual 2015	Budget 2016	Estimated 2016	Adopted 2017
Member & Field Services Department						
Personnel Costs - Direct						
Salaries	5501	\$1,859,000	\$1,986,360	\$2,131,560	\$2,113,892	\$2,107,578
Professional Services Temps	5503	0	8,847	0	4,120	31,500
		1,859,000	1,995,207	2,131,560	2,118,012	2,139,078
Personnel Costs - Indirect						
Travel & Training	5507	6,159	9,656	10,250	7,000	25,000
Field Staff	5508	171,608	188,115	194,500	176,000	200,000
Conferences & Meetings	5517	2,351	2,615	7,250	3,850	7,050
		180,118	200,386	212,000	186,850	232,050
Facility Expenses						
Telephone	5523	6,038	6,151	6,982	6,982	7,200
Commodities & Services						
Office Supplies	5531	687	971	800	600	600
Postage & Delivery	5533	1,055	961	1,000	1,000	1,000
Publications & Dues	5535	1,020	924	935	935	935
Professional Services - Other	5540	391	0	800	800	800
		3,153	2,856	3,535	3,335	3,335
Equipment						
Maintenance & Rentals	5572	0	0	200	0	0
Auto Maintenance & Expense	5576	21,822	19,109	4,000	10,000	6,800
		21,822	19,109	4,200	10,000	6,800
Total Expenses		\$ 2,070,131	\$ 2,223,709	\$ 2,358,277	\$ 2,325,179	\$ 2,388,463

Office Services Department

The Office Services department is led by one Manager and one Supervisor. The department is comprised of three units: the Records and Mail Processing Unit, the Digital Print Center, and Purchasing/Maintenance. There are 17 support employees. The department is responsible for processing member enrollments, processing all documents entered into the Imaging System, processing all incoming and outgoing mail, printing forms and other informational documents, managing vendor relations and processing purchasing orders, and managing IMRF’s office space. The mission statement of the Office Services department is: “Our high level of support services will allow our internal customers the opportunity to focus on serving the needs of the IMRF members, employers, and annuitants.” The department’s vision statement is: “To provide timely and accurate support services to all of our internal and external customers.” The performance measures listed below illustrate the error rate of indexing documents and the timeliness measurement evaluates that all mail is sorted, batched, scanned, and indexed on the day the mail is initially received.

Office Services Department – Organization Chart



Office Services - Performance Measures

Standards	2009	2010	2011	2012	2013	2014	2015	2016 YTD
Indexing Accuracy: Error rate	0.07%	0.10%	0.07%	0.03%	0.15%	0.16%	0.02%	0.42%
Mail Timeliness: Percent same day	100%	100%	100%	100%	100%	100%	100%	100%

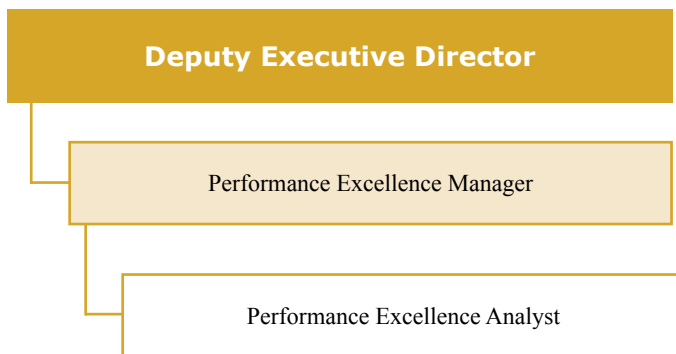
Office Services Department - Budget

Expense Classification	Account No.	Actual 2014	Actual 2015	Budget 2016	Estimated 2016	Adopted 2017
Member & Field Services Department						
Personnel Costs - Direct						
Salaries	5501	\$895,633	\$917,566	\$1,019,106	\$971,179	\$1,057,864
Professional Services Temps	5503	0	5,014	3,000	2,189	1,800
		895,633	922,580	1,022,106	973,368	1,059,664
Personnel Costs - Indirect						
Travel & Training	5507	340	1,362	1,250	1,050	4,250
Conferences & Meetings	5517	2,045	2,418	6,394	5,060	4,600
		2,385	3,780	7,644	6,110	8,850
Facility Expenses						
Building Rent	5521	1,119,059	968,773	922,357	947,105	1,007,848
Electricity	5522	57,803	67,820	66,528	61,335	62,562
Building Operating Expense	5524	570,063	565,981	484,127	607,300	595,452
Other Facility Expense	5525	39,590	40,921	34,000	19,970	25,200
		1,786,515	1,643,495	1,507,012	1,635,710	1,691,062
Commodities & Services						
Office Supplies	5531	128,940	183,138	176,463	158,954	154,328
Forms & Informational Materials	5532	37,850	61,155	40,375	41,966	43,590
Postage & Delivery	5533	1,167,337	1,159,452	1,156,643	942,424	1,084,200
Publications & Dues	5535	1,616	1,165	1,420	1,420	735
Professional Services - Other	5540	254,735	305,554	252,708	217,445	165,110
		1,590,478	1,710,464	1,627,609	1,362,209	1,447,963
Equipment						
Maintenance & Rentals	5572	75,379	98,163	99,674	108,909	111,197
Expendable Equipment	5575	84,620	46,990	92,886	71,148	93,075
		159,999	145,153	192,560	180,057	204,272
Miscellaneous Expenses						
Building Renovation/Relocation Exp.	5585	54,319	64,034	33,533	10,585	12,085
Total Expenses		\$ 4,489,329	\$ 4,489,506	\$ 4,390,464	\$ 4,168,039	\$ 4,423,896

Operations

The Operations Group includes the Benefits, Member and Field Services, Office Services, Human Resources, and Performance Excellence departments. The Operations departments include predominantly customer-facing positions, providing customer service to our membership (i.e. processing benefits, answering telephone and email inquiries, and facilitating educational workshops and counseling sessions). Other positions provide administrative services to internal and external customers (i.e. mail and document processing, print services, and employee relations activities). The Operations Group also facilitates a number of organizational effectiveness initiatives including the Strategic Planning Process.

Operations – Organization Chart



Operations – Budget

Expense Classification	Account No.	Actual 2014	Actual 2015	Budget 2016	Estimated 2016	Adopted 2017
Operations						
Personnel Costs - Direct						
Salaries	5501	\$298,992	\$306,004	\$397,688	\$376,350	\$400,850
Personnel Costs - Indirect						
Travel & Training	5507	356	376	500	80	11,320
Conferences & Meetings	5517	3,997	5,258	6,140	4,500	10,000
		4,353	5,634	6,640	4,580	21,320
Consulting Services						
Process Improvement/ Scorecarding	5514	3,300	9,750	15,300	11,190	14,600
Commodities & Services						
Publications & Dues	5535	349	379	596	640	850
Professional Services - Other	5540	114,057	58,246	57,890	57,960	102,690
		114,406	58,625	58,486	58,600	103,540
Total Expenses		\$ 421,051	\$ 380,013	\$ 478,114	\$ 450,720	\$ 540,310

Program Management Office (PMO)

The Program Management Office (PMO) is headed by the Program Management Office Manager and staffed by Business Solution Leads. The PMO department was created to manage the Modernization Program and provide systematic methods and resources for Continuous Process Improvement and innovation.

Program Management Office (PMO) – Organization Chart



Program Management Office (PMO) - Budget

Expense Classification	Account No.	Actual 2014	Actual 2015	Budget 2016	Estimated 2016	Adopted 2017
Program Management Office (PMO)						
Personnel Costs - Direct						
Salaries*	5501	\$139,999	\$226,148	\$578,657*	\$544,784*	\$257,052
Personnel Costs - Indirect						
Travel & Training	5507	1,600	550	4,000	0	2,600
Conferences & Meetings	5517	1,420	2,015	7,100	2,900	1,550
		3,020	2,565	11,100	2,900	4,150
Consulting Services						
Implementation Phase Consultant	5514	118,380	153,401	790,000	750,000	705,000
Total Expenses		\$ 261,399	\$ 382,114	\$ 1,379,757	\$ 1,297,684	\$ 966,052

*The increase in salaries for 2016 is due to the reduction in capitalized wages.

2017 IMRF Budget – Summary by Account

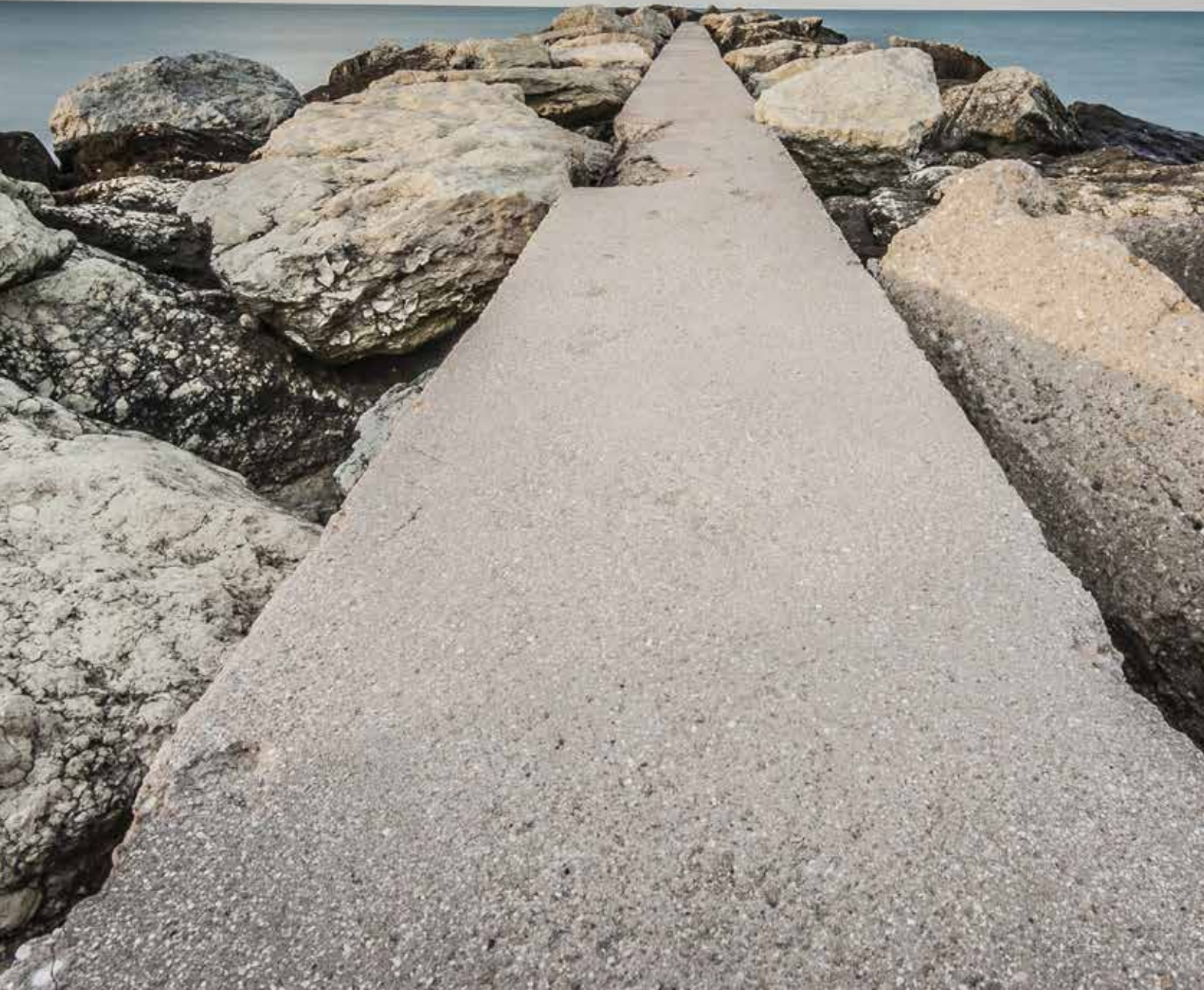
Expense Classification	Account No.	Actual 2014	Actual 2015	Budget 2016	Estimated 2016	Adopted 2017
IMRF Summary						
Personnel Costs - Direct						
Office Salaries - Regular	5501	\$12,280,535	\$13,534,564	\$15,259,562	\$15,044,132	\$14,928,220
Office Salaries - Temps & Interns	5503	66,503	60,983	8,000	6,309	53,300
Fringe Benefits	5504	1,979,299	2,156,672	2,549,621	2,441,395	2,233,614
IMRF & Payroll Employer Contributions	5505	2,310,206	2,389,000	2,741,970	2,706,468	2,626,715
		16,636,543	18,141,219	20,559,153	20,198,304	19,841,849
Personnel Costs - Indirect						
Travel & Training	5507	289,195	255,854	599,117	428,817	623,768
Field Staff	5508	171,608	188,115	194,500	176,000	200,000
Recruitment & Testing	5509	52,815	55,184	78,925	65,101	70,550
Other Personnel Costs	5510	43,853	55,955	81,970	57,121	70,530
Conferences & Meetings	5517	35,106	45,833	91,809	71,770	82,515
		592,577	600,941	1,046,321	798,809	1,047,363
Consulting Services						
Auditing	5511	295,856	526,841	422,500	365,464	591,900
Actuarial	5512	465,791	914,103	615,000	619,000	677,257
Legal Counsel	5513	41,522	75,134	100,500	101,216	330,500
Website Consulting	5514	193,250	255,896	844,350	77,440	84,070
Systems Design	5515	280,738	344,142	61,000	838,100	834,000
Medical & Field Investigations	5516	155,420	156,340	138,500	134,700	144,000
		1,432,577	2,272,456	2,181,850	2,135,920	2,661,727
Legislative and Lobbying Services						
Legislative Lobbying/Public Relations	5518	68,796	69,492	70,800	70,800	72,000
Public Relations Services						
Public Relations	5519	96,996	90,123	89,700	89,700	31,500
Facility Expenses						
Building Rent	5521	1,119,059	968,773	922,357	947,105	1,007,848
Electricity	5522	57,803	67,820	66,528	61,335	62,562
Telephone	5523	135,012	138,378	206,282	147,382	193,600
Building Operating Expenses	5524	570,063	565,981	484,127	607,300	595,452
Other Facility Expenses	5525	199,779	221,889	252,000	206,970	229,795
		2,081,716	1,962,841	1,931,294	1,970,092	2,089,257

2017 IMRF Budget – Summary by Account (cont.)

Expense Classification	Account No.	Actual 2014	Actual 2015	Budget 2016	Estimated 2016	Adopted 2017
IMRF Summary						
Commodities and Services						
Office Supplies	5531	\$ 210,199	\$ 258,922	\$ 261,063	\$ 237,268	\$ 243,508
Forms & Informational Materials	5532	214,716	312,607	363,895	314,155	349,713
Postage & Delivery	5533	1,168,392	1,160,413	1,157,643	943,424	1,085,200
Publications & Dues	5535	56,638	77,348	67,751	63,423	69,170
Professional Services - Other	5540	578,293	555,911	712,398	512,105	560,680
		2,228,238	2,365,201	2,562,750	2,070,375	2,308,271
Equipment						
Depreciation - Fixed Assets	5571	1,561,159	1,576,511	2,180,912	2,351,932	1,463,987
Equipment Maintenance & Rentals	5572	240,402	262,554	330,849	305,646	398,347
Software Maintenance	5573/5574	893,959	642,149	1,125,400	523,402	553,020
Expendable Equipment	5575	233,512	138,992	371,361	111,033	327,950
Auto Maintenance & Expense	5576	26,365	23,002	9,500	16,217	16,200
		2,955,397	2,643,208	4,018,022	3,308,230	2,759,504
Miscellaneous						
Trustee Employer Reimbursement	5580	50,884	37,505	50,000	50,000	55,000
Trustee Travel & Education	5581	58,284	94,446	65,000	80,000	85,000
Trustee Elections	5582	12,100	198,123	7,578	5,780	106,979
Insurance	5583	153,035	148,977	300,100	252,173	262,708
Building Renovation/Relocation Expense	5585	54,319	64,034	33,533	10,585	12,085
Other Items	5586	9,195	11,449	11,900	14,400	12,700
		337,817	554,534	468,111	412,938	534,472
Sub-total Administrative Expenses		26,430,657	28,700,015	32,928,001	31,055,168	31,345,943
Investment Expenses						
Investment Managers Fees	5788	107,310,060	116,375,118	106,317,500	\$100,994,600	\$114,291,300
Master Trust Services	5789	268,750	280,000	275,000	280,000	280,000
Travel	5790	76,598	53,366	85,000	85,000	95,000
Legal Fees	5791	471,541	171,992	350,000	350,000	350,000
Securities Litigation Monitoring/ RFP Support	5792	25,026	25,028	25,055	25,055	25,055
Investment Consultants	5793	863,833	910,060	937,960	937,960	1,404,418
Securities Lending Fees	5794	1,623,937	1,180,550	795,000	795,000	781,000
Tax Preparation & Custodial Expense	5795	0	0	42,000	89,844	65,000
Publications & Dues	5796	8,735	19,926	25,187	25,187	16,177
Investment Licenses	5797	12	2	4,212	4,212	212
Sub-total Investment Expenses		110,648,492	119,016,042	108,856,914	103,586,858	117,308,162
Total Expenses		\$137,079,149	\$147,716,057	\$141,784,915	\$134,642,026	\$148,654,105

SUPPLEMENTARY INFORMATION

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Appendix A

Account Descriptions/Policies

Allocation of Final Budget by Month

After the budget is approved by the Board of Trustees, directors and managers are asked to allocate their approved budgeted amounts by general ledger account by month in order to enhance the budget to actual tracking for 2017.

Anticipated Expenditures in 2017 Related to 2017 Projects

Incremental expenditures which are anticipated in 2017 relating to 2017 Projects should be separately reported on the 2017 Project worksheets. The intent is to capture this information separately in order to report on the incremental financial "cost" of the 2017 Projects.

For example, if reprogramming SPECTRUM to total annuity payments by the annuitant's employer or employers was a 2017 Project, the costs associated with designing, developing, and implementing this project would have to be analyzed. Part of that analysis would focus on whether any incremental expenditures would be incurred. Given that this would be an internal project, there may be no incremental costs that would have to be identified.

On the other hand, the incremental costs related to 2017 Modernization efforts will have to be identified by activity, if possible, and evaluated on whether they are an expense or capital in nature. Since these costs may not be identified until late in the budget process, the budget process will begin by using the best available estimates and then updating the budget materials as more detailed information becomes available. Since the budgeting for the Modernization efforts will be a major challenge, the major parties (Program Management Office, Information Services, and Finance) dealing with budgeting for the 2017 Modernization efforts will have to meet to discuss details.

Automobile Maintenance

Expenses such as car washes, oil changes, tires, brakes, etc., should be budgeted here. Gasoline expenses should be budgeted in the Travel account.

Expendable Equipment

All purchases of equipment that are anticipated to cost over \$500, but less than \$5,000, should be specifically identified and budgeted here. Please fill out an expendable equipment budget worksheet for each different type of equipment.

Meetings & Conferences

These accounts are for director and manager conferences only. Please provide additional detail indicating the conference or meeting to be attended, the individual attending, and the estimated cost. Except for the Reciprocal Conference, all conferences should be budgeted to this account. If a manager or director is going to attend more than one conference, he or she must get the approval of his or her direct supervisor. Travel costs related to attending a conference should be included here. Please provide the following information for each conference, for example:

GFOA Convention	"Employee Name"	\$ 2,500
IGFOA Convention	"Employee Name"	\$ 1,000

Office Salaries – Overtime

Departments should budget this based upon anticipated needs.

Office Salaries – Regular

These will be budgeted by Finance based on the compensation guidelines for existing personnel and justified open positions.

- Open positions that are not actively being recruited to fill, will be eliminated for 2017 budget purposes unless approved by the Executive Director. For open positions actively being recruited, please provide this information via e-mail by October 1st.
- New (incremental) positions must be approved by the Executive Director. Please provide a brief justification for the new position that can be incorporated into the budget documents. Also think about what incremental equipment, training, travel, or other expenses might be associated the new employee.

Office Supplies

Most office supplies are purchased centrally through Office Services and accounted for in account 5531-A80-0 Office Supplies – General. Therefore, most departments have no need for a separate account. The one exception is for Field Services personnel who purchase miscellaneous supplies and are reimbursed via expense reports. In anticipation of a special project that might require additional office supplies, e.g., special binders for a trustee round-table or anything else that is significantly out of the ordinary, please contact Office Services so it can be incorporated into the 2017 budget process.

Professional Services – Temporaries

Departments should budget this based on anticipated needs.

Publications and Dues

Departments should budget this based on anticipated needs.

Training

Human Resources will continue to budget all training expenses. Each department should furnish HR with anticipated training needs for 2017. Please keep in mind the Individual Learning Plans that are required for all employees.

Travel

Travel should be budgeted based on anticipated needs. However travel directly related to training should be budgeted as part of the training line item and furnished to Human

Resources. All gasoline expenses (except for Field Service Staff) should be budgeted in this account, not in the Automobile Maintenance account.

Tuition - Company-wide

Each department should furnish Human Resources with the names of employees who anticipate using this benefit in 2017, the course of study and institution where it will be pursued, and the anticipated cost. IMRF’s policy is to limit reimbursement to \$10,500 on an annual basis.

The Human Resources department will work with individuals in the Succession Plan to arrive at an estimate of the additional tuition expense related to this program. That expense will be budgeted separately.

Appendix B

New Accounting Pronouncements

In November 2013, GASB issued Statement No. 71, “Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68.” The objective of this statement is to address an issue regarding application of the transition provisions for Statement No. 68, Accounting and Financial Reporting for Pensions. The issue being reporting of contributions made by a state or local governmental employer to a defined benefit pension plan after the measurement date of the government’s beginning net pension liability. IMRF will adopt GASB Statement No. 71 for its December 31, 2016 financial statements.

In February 2015, GASB issued Statement No. 72, “Fair Value Measurement and Application.” This statement addresses accounting and financial reporting issues related to fair value measurements. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. IMRF will early adopt GASB Statement No. 72 for its December 31, 2016 financial statements.

In June 2015, GASB issued Statement No. 73, “Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68 and Amendments to Certain Provisions of GASB Statements 67 and 68.” The objective of this Statement is to improve

the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all post-employment benefits with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. IMRF does not fall within the scope of Statement No. 73, therefore there is no impact to its financial statements.

In June 2015, GASB issued Statement No. 74, “Financial Reporting for Post-employment Benefit Plans Other Than Pension Plans.” The objective of this Statement is to improve the usefulness of information about post-employment benefits other than pensions (other post-employment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. IMRF, as a plan, does not provide Post-employment Benefits other than pensions to its annuitants; therefore there is no impact on its financial statements.

In June 2015, GASB issued Statement No. 75, “Accounting and Financial Reporting for Post-employment Benefit Other Than Pension Plans.” The primary objective of this Statement is to improve accounting and financial reporting by state and

local governments for post-employment benefits other than pensions (other post-employment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. IMRF will adopt GASB Statement No. 75 for its December 31, 2017 financial statements.

In June 2015, GASB issued Statement No. 76, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments." The objective of this Statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. IMRF will adopt GASB Statement No. 76 for its December 31, 2017 financial statements.

In August 2015, GASB issued Statement No. 77, "Tax Abatement Disclosures." Financial statements prepared by state and local governments in conformity with generally accepted accounting principles provide citizens and taxpayers, legislative and oversight bodies, municipal bond analysts, and others with information they need to evaluate the financial health of governments, make decisions, and assess accountability. This information is intended, among other things, to assist these users of financial statements in assessing (1) whether a government's current-year revenues were sufficient to pay for current-year services (known as interperiod equity), (2) whether a government complied with finance-related legal and contractual obligations, (3) where a government's financial resources come from and how it uses them, and (4) a government's financial position and economic condition and how they have changed over time. IMRF does not fall within the scope of Statement No. 77, therefore there is no impact to its financial statements.

In December 2015, GASB issued Statement No. 78, "Pensions Provided through Certain Multiple Employer Defined Benefit Pension Plans." The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, "Accounting and Financial Reporting for Pensions." This issue is associated with pensions provided

through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. IMRF does not fall within the scope of Statement No. 78; therefore there is no impact to its financial statements.

In December 2015, GASB issued Statement No. 79, "Certain External Investment Pools and Pool Participants." This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. Currently, IMRF does not invest in external investment pools; therefore there is no impact on its financial statements.

In January 2016, GASB issued Statement No. 80, "Blending Requirements for Certain Component Units." The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. IMRF does not have any component units; therefore there is no impact on its financial statements.

In March 2016, GASB issued Statement No. 81, "Irrevocable Split-Interest Agreements." The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. IMRF does not fall within the scope of Statement No. 81; therefore there is no impact to its financial statements.

In March 2016, GASB issued Statement No. 82, "Pension Issues." The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, "Financial Reporting for Pension Plans," No. 68, "Accounting and Financial Reporting for Pensions," and No. 73, "Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68." Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. IMRF will adopt GASB Statement No. 82 for its December 31, 2016, financial statements.

Appendix C

Strategic Planning Methodology

Assess and Develop Phase

(Steps in this phase are completed every three years as part of the three-year Strategic Planning Process. Steps 1-2 require active involvement of the Board of Trustees and the IMRF management team. Step 3 requires active involvement of the Board of Trustees, stakeholders, IMRF management, and staff. Steps 4-5 are to be completed by management and staff, with periodic reports to the Board of Trustees.)

1. Examine Mission, Vision, and Values (MVV):

Examine the Mission Statement to determine if it answers the question “Why does our organization exist?” Examine the Vision Statement to determine if it answers the question “What do we want for our membership?” Examine our Values to determine if they represent our priorities in how we carry out our activities with key stakeholders. Senior Leaders make any needed changes to draft versions of the MVV in preparation for review by the Board.

2. Conduct an Environmental Scan:

The Board of Trustees and Senior Leaders meet to discuss how shifts in Societal, Technological, Economic, and Political factors are impacting IMRF utilizing a STEP Analysis. National Association of State Retirement Administrators (NASRA) articles, recent or pending legislation, demographic trends, possible competitive factors, and how our stakeholders perceive IMRF are used as inputs to frame the STEP Analysis. The output of the STEP Analysis is a list of Societal, Technological, Economic, and Political factors that may have an effect on the Fund over the next 3 years and must be considered during Strategic Planning.

3. Conduct a SWOT Analysis:

Meetings are held to identify our major Strengths, Weaknesses, Opportunities, and Threats utilizing a SWOT Analysis. A SWOT analysis of each Key Result Area (KRA) is facilitated by the Deputy Executive Director and/or the Performance Excellence Manager. Factsheets using data from benchmarking services such as CEM, Cobalt, and McLean, plus our Leadership Scorecard are used to frame these brainstorming sessions. The following SWOT Analyses are performed:

- Cross functional teams of Fund employees perform a SWOT analysis for each KRA
- External stakeholder groups such as special interest group representing members and employers perform an overall Fund SWOT
- The Board and senior leaders perform a SWOT analysis for each KRA

These SWOT Analyses consider how our reputation, funding, finances, operational efficiencies, monopolistic position, staff issues, employee expertise, depth of knowledge, staff development, succession planning, expectations, and possible threats affect the Fund. The output of the SWOT analyses is a list of Fund Strengths, Weaknesses, Opportunities, and Threats that must be considered during Strategic Planning.

4. Summarize Key Strategic Challenges, Advantages, and Opportunities, and Validate Core Competencies:

We summarize the STEP and SWOT Analyses into a set of key strategic challenges, opportunities, and advantages for each KRA that IMRF must address, both short and long term. Guidelines for these analyses include:

- Relative to the weaknesses and threats identified, what are our key strategic challenges? Consider what improvements or contingencies might be necessary to address these challenges.
- Relative to the opportunities identified, what are our key strategic opportunities? Consider what is necessary to address these opportunities.
- Relative to the strengths and opportunities identified, what are the key strategic advantages? Consider how we can leverage these advantages to ensure current and future success.
- Consider issues over the term of our strategic plan, but especially look closely at the next year. Avoid looking too far into the future.
- Consider the relative priority of challenges and advantages. Concentrate on the most important issues.
- Focus on those issues we can affect. Avoid addressing broad issues which we cannot control.

The output of these summaries is a short list (3–5) of key strategic challenges, opportunities, and advantages for each KRA. Senior leaders consider these summaries in reviewing and revising the Fund Core Competencies. Senior Leaders make any needed changes to the core competencies.

5. Establish Strategic Objectives:

We use the summaries of key strategic challenges, opportunities, and advantages identified in Step 4 to develop Strategic Objectives for each KRA to ensure we accomplish our Mission and realize our Vision. Objectives clarify what IMRF must achieve to remain successful in both the short- and long-term, and will be used to communicate direction, and guide goal-setting, action planning, resource allocation and prioritization. They must balance the needs of all key stakeholders, and address opportunities for innovation in services and operations, utilizing current and future core competencies. A member of the senior leadership team will serve as sponsor with overall responsibility for each of the strategic objectives. Each Strategic Objective consists of two parts – a description of the objective and the method(s) of measuring the achievement of the objective. The output of Step Five is a draft Strategic Objective and one or more measures for each KRA. These drafts are reviewed, revised as needed, and approved by the Board.

Implementation Phase

(Steps in this phase are completed every year in order to ensure that the strategies, action plans, Leadership Scorecard, and budget remain up to date and reflect recent changes within and outside the Fund. These steps are completed by management and staff, with periodic reports to the Board of Trustees.)

6. Develop Key Strategies for each Strategic Objective:

Identify the short- and long-term strategies required to achieve our strategic objectives. Consider strategies over the term of the Strategic Plan, but pay particular attention to the next 12 months. Each year, the Strategic Objectives are re-validated, strategies are updated and the remaining steps in the Strategic Planning Process are repeated to refresh the Plan for the coming year. Annual updates to Strategic Objectives and Key Strategies are included in the Adopted Budget Document submitted to the Board of Trustees for their approval in November each year.

7. Develop or Update Action Plans:

Assign individuals as Single Point Accountable (SPA) to take the lead role in planning and executing each Key Strategy. Each SPA documents the actions required to implement the strategy and reviews plans with the sponsor for their Strategic Objective. There will usually be one action plan for each strategy; however, multiple Key Strategies may be combined into one action plan. Action plans identify needed actions, resources, timelines and the staff responsible to ensure completion of the action. Action plan details will be used to determine staffing plans and the annual operating budget in Step 9. SPAs also determine the Key Performance Measures (KPMs) that will be used to track the effectiveness of action plans in achieving Strategic Objectives.

8. Align Leadership Scorecard Measures and Goals with Strategic Objectives:

The Key Performance Measures (KPMs) that are used to evaluate progress toward achievement of the Strategic Objective are defined in the “as measured by” clause. Each KPM is tracked on the Leadership Scorecard and evaluated to determine historical performance and projected improvements expected from identified strategies. Appropriate comparisons, projections and requirements are reviewed to establish short- and long-term goals for the KPMs on the Leadership Scorecard. Taken together, objectives, goals and measures must be specific, measurable, attainable, relevant, time-bound and aligned with our Mission, Vision, and Values.

9. Develop an Annual Operating Budget:

We determine the resources needed to implement the strategies and action plans that are required to achieve our Strategic Objectives. Include corresponding resource requests in development of the annual operating budget for the coming year. As part of the annual operating budget process, assess workforce capability and capacity needs as follows:

- Each Department Manager assesses the workforce capability and capacity needed to maintain current operations and meet future needs
- Each Action Plan SPA assesses the workforce capability and capacity needed to implement key strategies and action plans

Where current staffing does not meet these needs, senior leaders develop a plan to restructure, add staff, or take other measures to align workforce capability and capacity with what is needed to achieve the Strategic Objectives. The annual operating budget is included in the Planning and Budget document submitted to the Board of Trustees in November of each year for their approval.

10. Align Performance Goals of Senior Leaders with Strategic Objectives:

Senior leaders are responsible for Strategic Objectives, key goals, and the alignment of action plans with the Strategic Plan. The Board updates the performance objectives of the Executive Director such that they are aligned with achievement of the Strategic Plan. The Executive Director completes this same exercise for each member of the senior management group. Sponsors ensure that SPAs are responsible for implementation of their action plans.

11. Communicate and Deploy the Strategic Plan:

Complete all sections of the plan document, including an Executive Summary, a Board Authorization section, and an Organization Information section that includes a history of the Fund, our services, and a description of the process used to develop the Strategic Plan. Senior management communicates highlights of the Strategic Plan, Strategic Objectives, Leadership Scorecard, key goals and action plans to Trustees, staff, and our membership. Discuss the plan at Board Meetings and publish portions of the Plan in member newsletters and employer memos. Develop department plans and scorecards that directly align with and support the overall Strategic Plan.

12. Implement, Monitor, and Adjust:

Develop a calendar of meetings to review the Leadership Scorecard and Action Plan status during the year in order to evaluate organizational performance and monitor progress to achieve Strategic Objectives. Prior to each monthly Leadership Scorecard and Action Plan review meeting, Sponsors will update the Leadership Scorecard and SPAs will update action plans. These updates and review meetings also provide the information needed for quarterly reports to the Board of Trustees, which address whether objectives are being met, outline current issues, and ensure that the resources needed to implement the plan are in place. In addition to monthly review meetings, twice each year evaluate completion of action plans (mid-year and year-end) and determine whether to continue, modify or discontinue existing plans, or develop new plans. Each year during Step 6, evaluate key strategies and develop or modify action plans as needed. As progress is made and goals are achieved, communicate and celebrate successes, including employee events and Board recognition as appropriate.

Our Strategic Plan provides the Fund with a road map for meeting our challenges and leveraging our strengths and opportunities in providing excellent service to our annuitants, members, and employers.

Appendix D

Statistical Data

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| <ul style="list-style-type: none"> • Created in 1939 by Illinois General Assembly in response to economic conditions (Great Depression); Social Security was not available to public employees • Began operations in 1941 • Governed by Articles 1, 7, and 20 of the Illinois Pension Code • Neither funded nor managed by the state • Independently managed by autonomous Board of Trustees that represents municipal employers, employees, and retirees: <ul style="list-style-type: none"> - 4 elected by employers - 3 elected by active members - 1 elected by retired members - No appointed or ex-officio trustees • Serves 2,972 units of local government (employers) that include 43 types of government such as cities, counties, park districts, and school districts (non-teaching personnel) • Second largest public pension system in Illinois • \$34.5 billion in assets as of December 31, 2015 | <ul style="list-style-type: none"> • Best funded statewide system • 87.4 percent funded on a market basis • 88.4 percent funded on an actuarial basis • 174,098 actively participating members • 118,038 benefit recipients • 121,664 inactive members • Profile of average active member in 2015 <ul style="list-style-type: none"> - Age: 47.9 - Service: 10.6 years - Annual salary: \$39,805 • Profile of average member who retired in 2015 <ul style="list-style-type: none"> - Age at retirement: 63.4 - Service at retirement 20.0 years - Average monthly pension: \$1,791 • Employees Regular = 4.5 percent of pay, SLEP = 7.5 percent of pay • IMRF has enforcement authority—employers pay required contributions monthly and have a long history of commitment |
|---|---|

Glossary of Budget Terms

A

ACSI (American Customer Satisfaction Index)

An index score reported by the Cobalt Community Research survey of member satisfaction with pension inception. Cobalt uses measurement methods similar to the University of Michigan's American Customer Satisfaction Index (ACSI), the only uniform, cross-industry measure of satisfaction available in the United States today. For over a decade, the index has been considered the "gold-standard" for customer satisfaction metrics in both the private sector and the federal government.

Action Plans

Each Strategic Goal is sponsored by an IMRF Director or Manager. Each Sponsor is responsible for assigning team members and developing high level Action Plans for a Strategic Goal. These Action Plans provide direction towards the achievement of the goals, but are expanded to include a greater level of detail and corresponding time lines.

Active Member

A member currently working in an IMRF-qualified position and making contributions to IMRF, or who is receiving IMRF disability benefits.

Actuarial Assumptions

A formal set of estimates of what will happen to IMRF members, e.g., salary increases, retirement age, mortality. The assumptions are developed by the Board of Trustees with assistance from independent actuaries. They are also used to calculate funding levels and employer contribution rates.

Affinity Analysis

Through this analysis, an Affinity Diagram is created which helps to synthesize large amounts of data by finding relationships between ideas. The information is then gradually structured from the bottom up into meaningful groups.

Annuitant

See "Retired Member."

Asset Liability Study

A third party study to match revenues with future liabilities.

Assumed Rate of Return

IMRF's actuarial studies set 7.5 percent as the long-term assumed rate of return on investments.

Authorized Agent

The employee designated by an employer (unit of government) to administer IMRF locally.

B

Balanced Budget

A budget in which revenues equal expenditures.

Baldrige Award

The only formal recognition of the performance excellence of both public and private U.S. organizations given by the President of the United States.

Beneficiaries

The individual(s) or organization(s) members choose to receive their IMRF death benefits. Also, individuals who choose to receive their IMRF death benefit as a monthly payment.

Benefit Recipients

Those who receive some sort of benefit payment from IMRF, including disabled or retired members, surviving spouses of deceased members, and in some cases their children, etc.

Board of Trustees

A group of eight persons organized to oversee IMRF; seven must be active members and one trustee must be receiving an IMRF pension. Four trustees are elected by employers, three are elected by active members, and one is elected by retired members. The Board hires an Executive Director to administer the Fund.

C

Capital Expenditures

An expenditure greater than \$5,000 with an estimated useful life of three years or more. Capital assets are depreciated over their useful life and expensed each period.

CEM Benchmarking Study

CEM Benchmarking, Inc.'s Defined Benefit Administration Benchmarking Analysis. IMRF participates in the CEM analysis to evaluate its operations in such areas as benefit administration costs, service levels, and industry best practices. The CEM analysis aids IMRF in critically assessing the value it provides to members and employers compared to other retirement systems.

CompData Surveys

CompData Surveys is a national compensation survey data and consulting firm. Each year, they gather compensation information from 5,000 organizations covering more than six million employees across the country.

Compliance Certification Process

IMRF is required to fully adhere to federal, state, and local laws, rules, and regulations governing all aspects of public pension fund administration. Quarterly, Directors must certify in writing that IMRF is in compliance with all applicable rules and regulations.

Contributions

See "Member Contributions" and "Employer Contributions."

Continuous Process Improvement (CPI) Program

A formal program implemented in 2008 to enhance customer focus and ongoing improvement.

D

Defined Benefit (DB) Pension Plan

A retirement plan in which a member's retirement income is determined by a formula that typically uses age, years of service, and salary history. Benefits are payable for life and the investment risk is borne by the employer.

Defined Contribution (DC) Plan

A retirement plan in which a participant's retirement income is based upon the amount contributed and on the performance of investment choices. These include 401(k), 403(b), and 457 plans. Investment risk is borne by the employee.

Disability Benefits

IMRF provides both temporary or total and permanent disability benefit payments to active members. While on disability, members can earn service credit and have the same death benefit as if they were working.

E

Early Retirement Incentive (ERI)

At the employer's option, a member can purchase up to five years of service credit to qualify sooner for retirement. For each period of service credit purchased, the member's age is increased accordingly. The member must be at least age 50 and have at least 20 years of service credit.

Elected County Official (ECO) Plan

This alternate benefit plan is available for some elected county officials. This plan was closed to new members effective August 8, 2011.

Emerging Investment Managers

As defined by the Illinois Pension Code, a qualified investment adviser that manages an investment portfolio of at least \$10 million but less than \$10 billion, and is a "minority owned business" or "female owned business" or "business owned by a person with a disability" as those terms are defined in the Business Enterprise for Minorities, Females, and Persons with Disabilities Act.

Employee Engagement

IMRF administers an annual employee engagement survey. IMRF analyzes the results and implements recommendations to improve engagement.

Employer

IMRF employers are local units of government in the state of Illinois (with the exclusion of the government of Cook County and the city of Chicago). Agency types eligible or mandated to join include school districts, counties, cities, villages, towns, townships, park districts, library districts, and other special districts, among others.

Employer Contributions

The percentage of payroll contributed by an employer and submitted to IMRF each month. Each employer has a unique contribution rate for each plan it participates in, determined by its individual funding level, demographics, and any optional programs it has adopted.

F

Fiduciary

Individuals required to exercise the highest standard of care when dealing with another's assets. In the case of IMRF, it's pension trust assets. The IMRF Board and staff are fiduciaries to IMRF members.

Fiduciary Counsel

The Illinois Pension Code requires Trustees to follow the Prudent Man Rule and discharge their duties "solely in the interest of the participants and beneficiaries." IMRF retains fiduciary counsel to review Board materials, attend meetings, and offer guidance that helps Trustees fulfill their fiduciary duties.

Field Services Representatives/Field Services

Seven IMRF Field Services Representatives work in designated geographic areas to provide coverage for every member and employer throughout the state. They are trained to conduct counseling, provide educational programs, investigate problems, and to serve as a local representative to employers, members, and governing bodies.

Final Rate of Earnings

Average of the highest continuous 48 months (Tier 1) or 96 months (Tier 2) of the final 10 years of service.

FOIA (Freedom of Information Act)

The Freedom of Information Act (FOIA) is a U.S. federal law that grants the public access to information possessed by government agencies. Upon written request, agencies are required to release information unless it falls under one of nine exemptions. Though not an agency of state or federal government, IMRF is subject to FOIA requirements.

Formula

The Regular plan formula to calculate a pension is 1–2/3 percent of the Final Rate of Earnings (FRE) for each of the first 15 years of service credit, plus 2 percent of the FRE for each year of service credit thereafter, with a maximum benefit of 75 percent of the FRE. SLEP, and ECO have separate formulas.

Fund

A fiscal entity with revenues and expenses which are segregated for the purpose of carrying out specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitation, and constituting an independent fiscal and accounting entity.

Fund Balance

The cumulative difference between revenues and expenditures over the life of a fund. A negative fund balance is usually referred to as a deficit.

Funding

The ratio of IMRF's assets to liabilities.

Funding, 100% Goal

An optimal state in which assets equal liabilities.

G

GAAP

(Generally Accepted Accounting Principles)

The common set of accounting principles, standards, and procedures that companies use to compile their financial statements.

GASB

(Governmental Accounting Standards Board)

The independent organization that establishes and improves standards of accounting and financial reporting for U.S. state and local governments.

H

Horizon

A key project within the Modernization Program and a key strategic opportunity to develop a new, state-of-the-art pension administration system.

I

Illinois Pension Code

Articles 1, 7, and 20 specifically govern IMRF operations. (40 ILCS 5/1–101 et. seq)

Illinois General Assembly (IGA)

The Illinois State Legislature. Any changes to the IMRF plan must be introduced as legislation, passed by the General Assembly, and signed into law by the Governor.

Illinois Performance Excellence (ILPEX)

Illinois Performance Excellence, a non-profit organization that seeks to help other organizations improve their performance by embracing the Baldrige Criteria for Performance Excellence and aligning their processes to become more efficient and sustainable

Inactive Member

A member who no longer actively contributes to IMRF, but who has contributions on deposit for a future benefit.

Investment Consultant

IMRF's current investment consultant is Callan Associates, Inc., a fiduciary who works for the IMRF Board of Trustees and makes recommendations on investment strategy and asset allocation; reports on the performance of the investment portfolio and investment managers; assists with the selection or termination of investment managers; and recommends new investment opportunities.

Investment Managers

IMRF hires independent, professional investment firms to manage our assets. As of December 31, 2015, IMRF's public markets portfolio is managed by 48 professional investment management firms handling 63 mandates. IMRF's private markets portfolio is invested with 39 investment firms across 65 separate funds.

J

K

Key Result Areas (KRA)

Five Action Plans — Financial Health and Sustainability, Investment Returns, Customer Satisfaction, Workforce Engagement, and Service and Operational Excellence — for each Key Strategy to clarify the steps and responsibilities for the tactics that will enable IMRF to accomplish its objectives

L

Leadership Scorecard

Leadership scorecards are IMRF's highest-level scorecards. They summarize those issues of highest-level importance to IMRF, and are closely aligned with IMRF's Strategic Plan. There are currently five key categories measured on IMRF Leadership Scorecards: Financial Health and Sustainability, Investment Returns, Customer Service and Operational Excellence, Workforce Engagement, and Modernization Program.

M

Master Trustee

A Master Trust is an arrangement where a trust company acts as a Trustee to custody the assets or properties of IMRF. The Master Trustee facilitates asset transactions and works with IMRF staff and investment managers.

Member Contributions

The percentage of an IMRF member’s gross salary withheld by the IMRF employer and submitted to IMRF each month in order to fund their health and retirement benefits. These monies are held until the member requests a refund or qualifies to receive a pension, or when the member’s beneficiaries receive a death benefit. The percentage is 4.5 percent for the Regular plan and 7.5 percent for SLEP and ECO.

Members

Current or former employees of units of local government who participate in any IMRF plan. See “Active Member,” “Retired Member,” and “Inactive Member.” Also known as “participants.”

Mission

It is IMRF’s mission 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 incorporates its mission into the Illinois Compiled Statute 40ILCS5/7-102.

Modernization Program

A comprehensive program (managed by the Program Management Office) that includes replacing or upgrading IMRF’s technology systems, continuous process improvement, and the expansion of IMRF’s customer service capabilities.

N

O

Opportunity for Improvement (OFI)

Formal suggestions to improve any process or procedure, e.g., modifying a current procedure, or implementing an entirely new procedure to complete a task in a more effective, customer-focused way. OFIs can be identified in many ways, from staff suggestions to CEM benchmarking survey feedback.

P

Pension

A monthly payment paid as long as the member lives. It is increased by 3 percent of the original amount each year. No lump sum payouts are permitted.

Portfolio Benchmarks

A standard against which the performance of a security or investment manager can be measured. Generally, broad market and market-segment stock and bond indexes are used for this purpose.

Program Management Office (PMO)

The work unit responsible for facilitating the Modernization Program that will replace all current technology systems and improvement processes. The PMO incorporates the evolution of IMRF’s prior version of CPI.

Prudent Man Rule

Also known as “prudent” or “reasonable person” rule. This standard assigns to the investment manager the responsibility to restrict investments to assets that a prudent person seeking reasonable income and preservation of capital might buy for his or her own portfolio.

Q

QILDRO

Qualified Illinois Domestic Relations Orders (QILDROs) are court orders that direct IMRF to pay a portion of a member's retirement benefit or refund to an alternate payee, typically a former spouse.

R

Regular Plan

Unless a member's position qualifies for participation in an alternate benefit plan (see "SLEP" and "ECO" plans), he or she participates in IMRF's Regular plan. Approximately 97 percent of IMRF's membership participates in this plan.

Reciprocal Act/System, Reciprocity

Reciprocity is a statutory requirement covering IMRF and 12 other Illinois public pension funds that allows a member's service credit to be combined to determine eligibility for and the amount of retirement benefits.

Retired Member

A person receiving an IMRF pension or surviving spouse pension.

S

Service Credit

This is the total time as an IMRF member, referred to as service credit, service, or pension credits. Service is credited monthly while working or while receiving IMRF disability benefits. Service credits are one factor in determining the retirement benefit.

Sheriff's Law Enforcement Personnel (SLEP) Plan

This alternate benefit plan is available to county sheriffs, deputy sheriffs, forest preserve rangers, airport police, and certain police chiefs. It provides a different formula and earlier retirement; members contribute 7.5 percent.

SIPOC

A method for analysis of work systems that identifies Suppliers-Inputs-Process-Outputs-Customers.

Spectrum

IMRF's proprietary mainframe computer pension administration system.

Sponsor

Each of IMRF's Strategic Goals is assigned a sponsor, either a director or manager. Each sponsor is responsible for assigning team members and developing high level Action Plans for the Strategic Goal.

Staff

An employee of IMRF. IMRF staff are also IMRF members.

Strategic Plan

Every three years, the IMRF Board and staff establish a multi-year strategic plan. The 2017-2019 is includes objectives for the four key result areas (KRAs).

T

Tier

A modification to a pension plan which offers reduced or enhanced benefits to members participating in that tier; pension plan tiers are often developed to provide reduced benefits to new members. “Tier 1” is the legacy program that applies to people entering the system prior to 1/1/2011. The “Tier 2” program became effective for IMRF on January 1, 2011. Changes included increasing the earliest retirement age, increasing the years of service needed to vest for a pension (Regular and ECO plan), and increasing the number of months used to calculate the final rate of earnings.

U

Unit of Government

See “Employer.”

V

Values

IMRF’s Values: Respect, Empathy, Accountability, Accuracy, Honesty, Courage.

Vest

Vesting establishes the right to a guaranteed future monthly retirement benefit. Under Tier 1, a member needs a minimum of eight years of credit to vest for the Regular plan, 20 years of SLEP service to vest for the SLEP plan, and eight years of service in the same elected office to vest for the ECO plan. Under Tier 2, a member needs a minimum of 10 years to vest for the Regular, 10 years of SLEP service to vest for the SLEP plan, and 10 years of service (eight in the same elected office) to vest for the ECO plan.

Vision

IMRF’s Vision: “To provide the highest quality retirement services to our members, their beneficiaries, and employers.”

W

Workforce Engagement

Engagement of workforce to demonstrate they are highly involved with their work and the organization.

X

Y

Z



ILLINOIS PERFORMANCE EXCELLENCE

THE THEME OF THIS BUDGET PRESENTATION, “STRIVING FOR EXCELLENCE,” IS INSPIRED BY IMRF’S CONTINUOUS EFFORTS TO ADHERE TO THE **BALDRIGE CRITERIA FOR PERFORMANCE EXCELLENCE** AS ADMINISTERED BY **ILLINOIS PERFORMANCE EXCELLENCE (ILPEX)**, THE STATE’S AFFILIATE TO THE BALDRIGE PROGRAM. THE COMPREHENSIVE FEEDBACK RECEIVED FROM ILPEX PROVIDES GUIDANCE ON HOW IMRF MAY FURTHER LEVERAGE ITS STRENGTHS AND PURSUE OPPORTUNITIES FOR IMPROVEMENT.



Locally funded, financially sound.

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