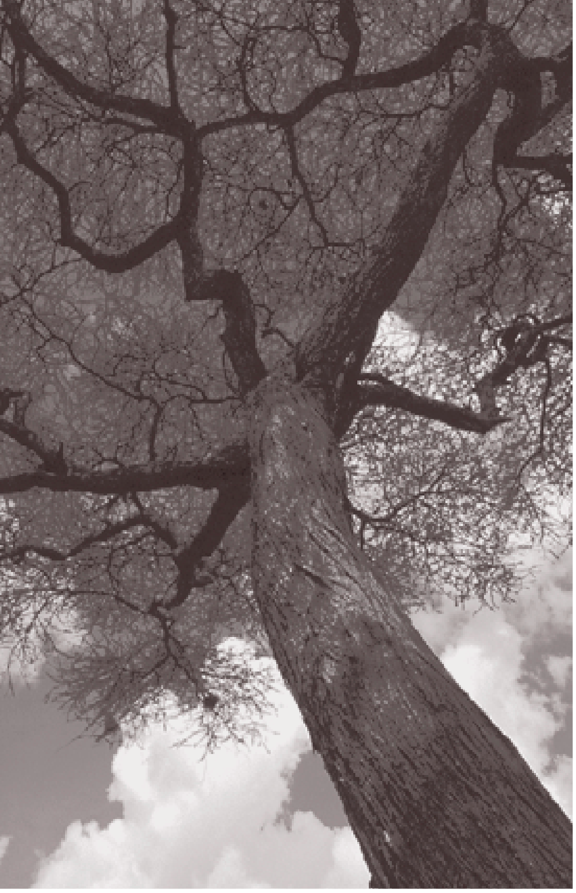

2004

Illinois Municipal Retirement Fund

Comprehensive Annual Financial Report

For the fiscal year ending December 31, 2004

IMRF Mission Statement

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

Wyndham Drake Oak Brook Plaza; location of IMRF's main office.

Illinois Municipal Retirement Fund

2004 Comprehensive Annual Financial Report

For the year ended December 31, 2004

Prepared By

The Finance Department of the Illinois Municipal Retirement Fund

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

Louis W. Kosiba, Executive Director

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Financial

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2005 Board of Trustees

Martha H. Rademacher
Executive Trustee
Park District Risk Management Agency

January 1, 2002 - December 31, 2006

2005 President
2004 Vice President

Sharon U. Thompson
Annuitant Trustee
(formerly) Lee County

January 1, 2001 - December 31, 2005

2005 Vice President
2004 Secretary

Rita J. Miotti
Employee Trustee
Village of Matteson

January 1, 2004 - December 31, 2005

2005 Secretary

Max F. Bochmann
Employee Trustee
Naperville CUSD #203

January 1, 2005 - December 31, 2009

John Lotus Novak
Executive Trustee
DuPage County

January 1, 2004 - December 31, 2008

W. Thomas Ross
Executive Trustee
Winnebago County

January 1, 2001 - December 31, 2005

2004 President

Marvin R. Shoop, Jr.
Employee Trustee
City of Peoria

January 1, 2001 - December 31, 2005

R. Steven Sonnemaker
Executive Trustee
Peoria County

January 1, 2003 - December 31, 2007

BOARD OF TRUSTEES

CONSULTANTS

- Investment Consultants
- Investment Managers
- Master Trustee
- Medical Consultants
- Actuary
- Certified Public Accountants

STAFF

- **Executive Director** – Louis W. Kosiba
- **Internal Audit** – Douglas Samz, C.P.A.

- **Chief Financial Officer** – Richard DeCleene
  - **Finance** – Phyllis Walker, Operations Manager
- **Director Operations & Planning** – Daniel Duquette
  - **Benefits** – Tom Raitt, Manager
  - **Office Services** – Denise Streit, Manager
  - **Member & Field Services** – Terry O'Connor, Manager
- **Director Information Services** – Robert Woollen
  - **PC/LAN/Telecom** – Gerald Casey, Manager
  - **Technical Services** – Max Fierer, Manager
- **General Counsel** – Kathleen O'Brien
  - **Associate General Counsel** – Michael Weinstein
  - **Legislative Liaison** – Bonnie Shadid
  - **Communications** – Linda Horrell, Manager
  - **Human Resources** – Linda Bieniek, Manager
- **Director Investments** – Walt Koziol
  - **Investments** – Edward Sambol, Manager

Consultants — (Investment Consultants are listed on page 41)

Actuary
Gabriel, Roeder, Smith & Company
Norman L. Jones, F.S.A.
Brian B. Murphy, F.S.A.
Southfield, Michigan

Auditors
Deloitte & Touche LLP
Alice Wunderlich
Gerry Fink
Chicago, Illinois

Commercial Bank
Northern Trust
Richard Deeter, Vice President
Chicago, Illinois

Independent Fiduciary Counsel
Seyfarth Shaw Attorneys LLP
Lawrence Moss
Chicago, Illinois

Medical Consultants
Marianjoy Medical Group
Wheaton, Illinois
Leonard Kessler, M.D.
Highland Park, Illinois

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Illinois Municipal Retirement Fund

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2003

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

President

Executive Director

Illinois Municipal Retirement Fund

Suite 500 2211 York Road Oak Brook IL 60523-2337
Service Representatives 1-800-ASK-IMRF (1-800-275-4673)
www.imrf.org

May 11, 2005

Board of Trustees
Illinois Municipal Retirement Fund
Oak Brook, Illinois 60523-2337

This is the December 31, 2004, comprehensive annual financial report of the Illinois Municipal Retirement Fund (IMRF). This report has five sections. The Introductory Section contains this transmittal letter and an organization chart. The Financial Section contains the report of the independent public accountants as well as management's discussion and analysis, the financial statements, notes and supplemental information. The Investment Section contains summaries of investments held and the reports of the investment consultant and master trustee. The Actuarial Section contains the report of the actuary, a description of the actuarial assumptions, a summary of benefits and various ratios and tables. The Statistical Section contains various tables describing the Fund. The management of IMRF is responsible for the compilation and accuracy of the financial, investment, actuarial and statistical information contained in this report.

The Illinois State Legislature established IMRF in 1939. We began operations in 1941 in order to provide retirement, death and disability benefits to employees of local units of government in Illinois. IMRF now serves 2,883 different employers, 168,536 participating members and 79,628 benefit recipients. The Illinois Pension Code requires IMRF to provide its financial statements to participating employers and to any participating member who requests them.

Summary of Financial Information

The following table summarizes additions and deductions to the plan's net assets for 2004 and 2003.

	2004 (millions)	2003 (millions)	Dollar Change	Percent Change
Additions	$2,726	$3,573	$(847)	(24)%
Deductions	784	717	67	9%
Net Change	$1,942	$2,856	$(914)	(32)%

The significant change in Additions between 2004 and 2003 is primarily due to a $985 million decrease in investment income. While the financial markets in 2004 provided an excellent total return of 12.4 percent, IMRF's total return in 2003 was 22.6 percent, the highest in its history. The increase in Deductions is primarily due to increased benefit payments caused by an increase in the number of benefit recipients from 77,115 to 79,628. For a full understanding of IMRF's financial results, the reader is urged to review the Financial Section of this report that contains the auditors' report, management's discussion and analysis, the financial statements and other supplemental information. Management's discussion and analysis provides a narrative introduction, overview and analysis of the financial statements and complements this transmittal letter.

Funding

IMRF's actuary uses a five-year smoothed market-related value with a 15% corridor to determine the actuarial value of assets. The smoothing prevents extreme volatility in employer contribution rates due to short-term fluctuations in the investment markets. For the December 31, 2004 valuation, the actuarial value of assets was $18.3 billion. The aggregate actuarial liability for all IMRF employers was $19.4 billion. The actuarial funding ratio is currently 94.3 percent. This is a decrease from the funding ratio of 97.6 percent for 2003. 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 Actuarial Section contains the actuary's letter and further information on IMRF's funding.

Investments

The investment portfolio is a major contributor to the Fund. While 2002 and 2001 were unusual years in that IMRF suffered its first ever back-to-back years of investment losses, 2004 investment earnings were $2,010 million and represented 73.7 percent of Plan Additions. In the five years—2004 through 2000—investment income represented the following percentage of Additions to plan net assets:

Year	Percentage of Plan Additions
2004	73.7%
2003	83.9%
2002	(166.4)%
2001	(209.9)%
2000	33.7%

The Investment Section of this report contains a summary of the portfolio.

Currently, 54 professional investment management firms, handling 65 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.

The Investment Section contains a summary of IMRF's investment performance, the Investment Consultant's report, the Master Trustee's report and a summary of the investment objectives and policies.

Current and Future Developments

a. Board of Trustees

Max F. Bochmann, a school bus mechanic for Naperville Community Unit School District #203, was re-elected as an employee trustee. His five-year term began January 1, 2005.

b. Systems Development

IMRF's major system development effort in 2004 focused on a major revamp of the secure employer access area of our website. Significant areas of focus include the following:

- Web wage reporting that enables both large and small employers to transmit wage and contribution data over a secure network that allows IMRF to highlight reporting problems before they are transmitted to avoid processing corrections after the fact. This new wage reporting functionality will be available to all employers by May 15, 2005.
- Document archives that will enable employers to access employer specific data on line as it is needed.

c. Investment Activities

The Board of Trustees, its consultant and IMRF staff review the asset allocation annually. By diversifying investment type (stocks, fixed income, real estate, etc.), region (domestic, international, global, etc.) and management style (growth, value, small, medium, or large capitalization, etc.), we try to improve expected long-term returns while maintaining an acceptable level of risk.

In late 2003, the Illinois Senate established the "Senate Select Committee on Public Pension Investments" to review the performance of all major state pension funds relative to the state's public policy to encourage the use of emerging investment managers.

In early 2004, the Board of Trustees established specific goals in response to the aforementioned public policy. Twenty percent of actively managed investment assets are to be assigned to minority and women business enterprise money managers. Twenty percent of commissions generated in actively managed investment portfolios, excluding active commingled and high yield bond portfolios, are to be executed by minority and women business enterprise broker/dealers.

Other major investment activities for the year and through April 30, 2005, included:

- Adopted a new policy for proxy voting and retained Institutional Shareholder Services to vote proxies.
- Terminated Mercer Investment Consulting and retained Ennis Knupp & Associates as IMRF's investment consultant.
- Retained Boston Company Asset Management to manage an international equity portfolio.
- Retained Brown Capital Asset Management to manage an international equity portfolio.
- Retained EARNEST Partners to manage an international equity portfolio.
- Retained Genesis Asset Managers International to manage an emerging markets equity portfolio.
- Retained Progress Investment Management as a manager-of-managers that will invest with emerging minority and women business enterprise equity investment managers.
- Retained Muller and Monroe Asset Management to manage a private equity fund-of-funds focused on investing with minority and women business enterprise limited partnerships and with Illinois and Midwest-based limited partnerships.
- Retained LM Capital Group to manage a domestic fixed income portfolio.
- Retained EARNEST Partners to manage a domestic fixed income portfolio.
- Retained Piedmont Investment Advisors to manage a domestic fixed income portfolio.
- Retained Taplin, Canida & Habacht to manage a domestic fixed income portfolio.
- Eliminated the Bank of Ireland international equity portfolio.
- Eliminated the Schroder international equity portfolio.
- Eliminated the Capital Guardian emerging markets equity portfolio.
- Sold the Wyndham Drake Oak Brook Hotel.

d. e-Service Goals and Strategy

IMRF offers access to both member and employer specific data through secure areas on our website—imrf.org. Utilization of these areas continued to grow in 2004. Our e-service goals include improving customer service, reducing administrative costs, providing uncompromised privacy and security of information and instituting business process re-engineering. In order to capture the benefits of our e-service initiatives, we will be requesting all IMRF employers to utilize our enhanced website.

e. Electronic Funds Transfer (EFT)
As of October 1, 2004, IMRF required all employer contributions to be made via the EFT system. Employers who do not use the EFT system are charged a $25 service fee. As of December 2004, 2,781 employers (96.5%) were using the EFT system.

f. Office Services
In November 2004, the IMRF Mail Center staff received the Mail Center of the Year award from the Chicago chapter of the Mail Systems Management Association in recognition of their outstanding contribution to IMRF.

Internal Control

In developing and evaluating IMRF's accounting system, we consider the adequacy of internal accounting controls. We design these controls to provide reasonable assurance regarding the safekeeping of assets and the reliability of financial records.

IMRF employs the services of an outside certified public accountant to function as the Internal Audit Director. He is aided by a full-time assistant on staff. We use a detailed internal audit program that encompasses examination of internal controls as well as the Fund's financial transactions and records.

The internal audit function reports directly to the Executive Director and the Board of Trustees. The Board of Trustees has established an Audit Committee, consisting entirely of Board members. Annually, the Internal Audit Director presents his report to the Audit Committee covering the results of internal audit procedures performed. The Internal Audit Director may also meet with the committee on an as-needed basis. Again this year the Internal Audit Director reported that IMRF's system of internal controls appears adequate and is being adhered to in the areas tested.

Independent Audit

The Illinois Pension Code requires an annual audit of the financial statements of the Plan by independent certified public accountants selected by the Board of Trustees and approved by the State Auditor General. We satisfied this requirement and the independent accountants' unqualified report on IMRF's 2004 Financial Statements is included in this report. The independent accountants meet twice a year with the Audit Committee—once to report on the planned scope of their audit and a second time to report on its results.

Certificate of Achievement for Excellence in Financial Reporting

The GFOA awarded a Certificate of Achievement for Excellence in Financial Reporting to the Illinois Municipal Retirement Fund for its comprehensive annual financial report for the year ended December 31, 2003. The Certificate of Achievement is a prestigious national award, recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such a report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. IMRF has received a Certificate of Achievement for the last 24 consecutive years (fiscal years 1980-2003). We believe our current report continues to conform to the Certificate of Achievement program requirements, and we will be submitting it to the GFOA.

Reports to Membership

IMRF issued a variety of reports covering 2003 and 2004 activity. We mail employer statements every month. We mailed member statements in February. We will send a summary of the annual report to members and annuitants in the summer issues of Fundamentals. We will mail this report, as well as our Popular Annual Financial Report, to Authorized Agents in June. Both this CAFR and the PAFR will be available on our website—imrf.org.

Acknowledgements

The production of this report 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 Richard DeCleene and Phyllis Walker, 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.

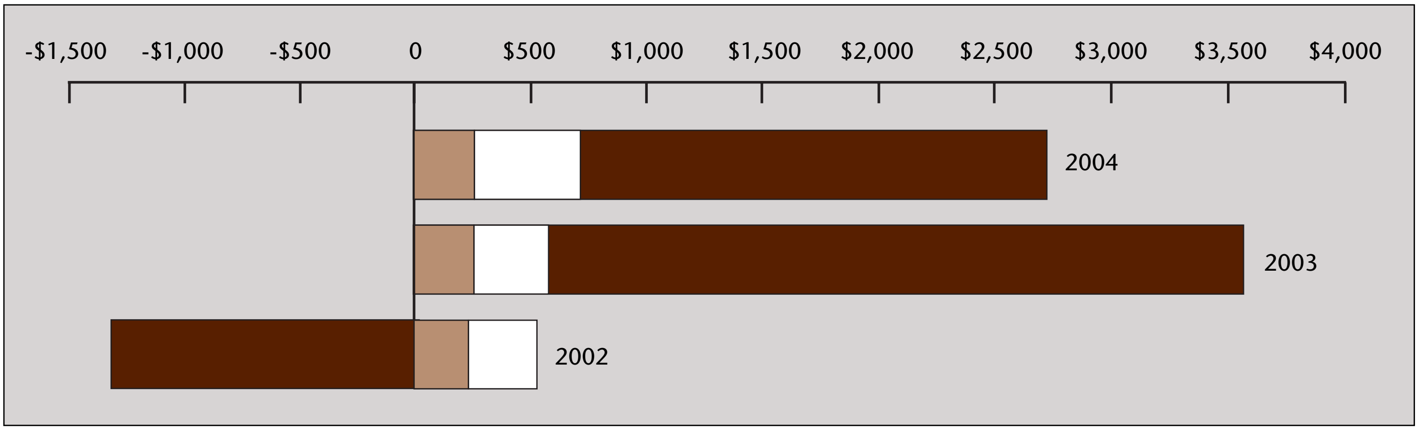
We send this report to the Authorized Agents for all participating units of government. They form the link between IMRF and its membership. Their cooperation, for which we are thankful, contributes significantly to the success of IMRF. We hope they will find this report both informative and helpful.

Respectfully submitted,

Louis W. Kosiba
Executive Director

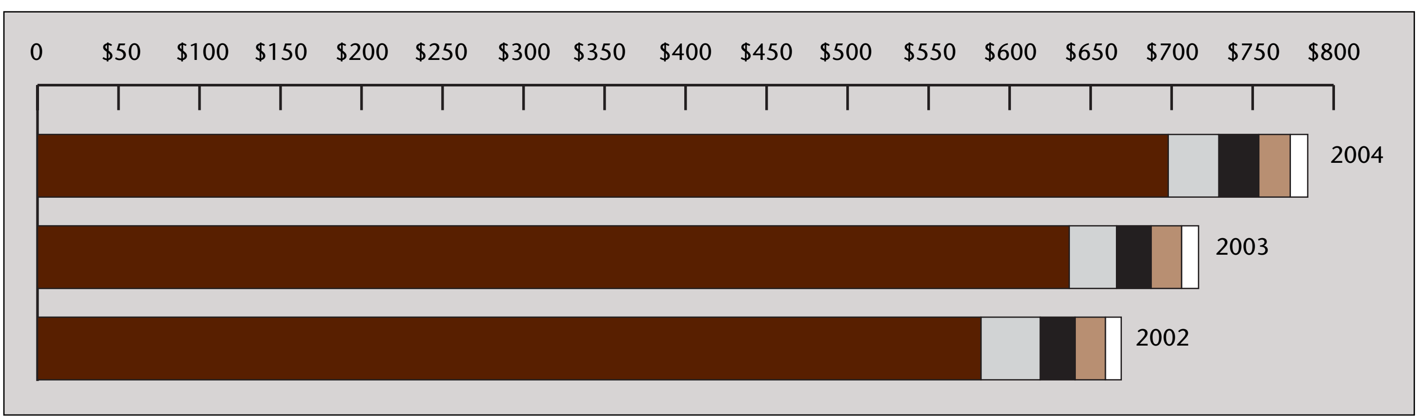
Richard J. DeCleene
Chief Financial Officer

Revenues by Source
(in millions)

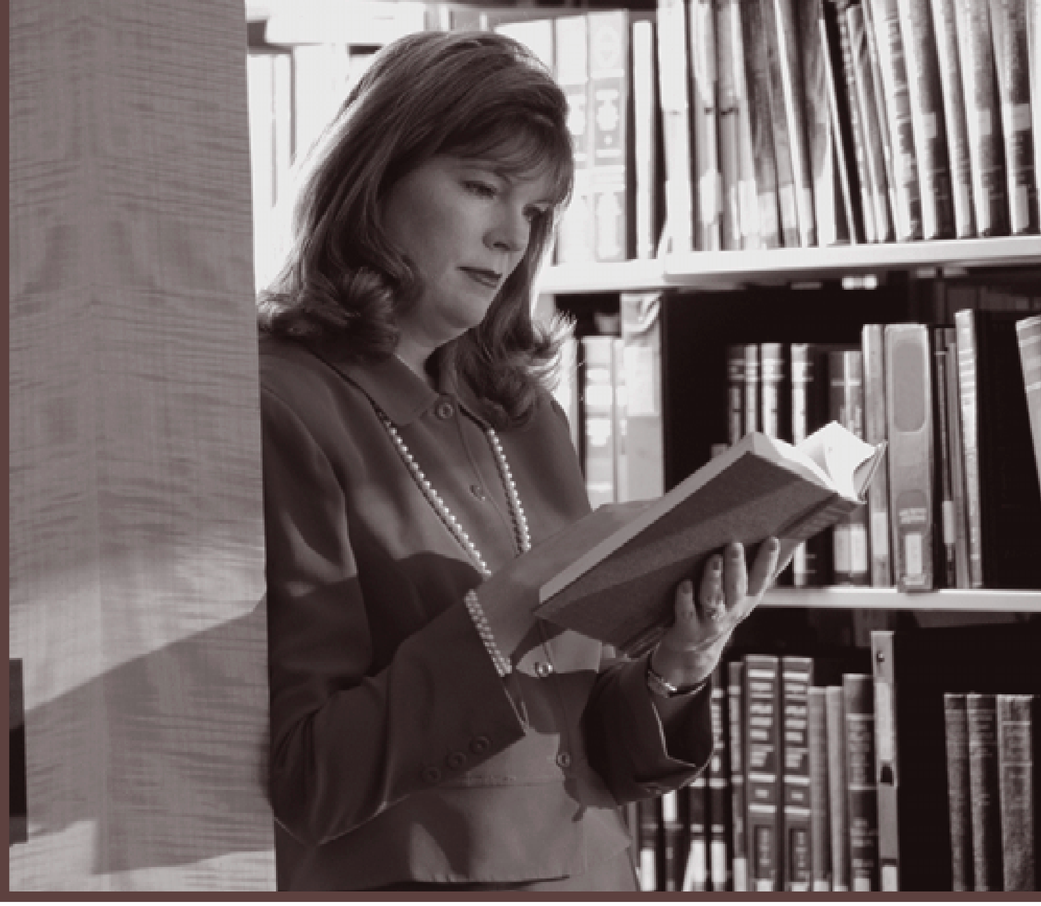


	2004	2003	2002
Members	$259,505,532	$255,498,279	$233,935,559
Employers	456,198,098	321,049,839	294,935,422
Investments and other	2,010,710,468	2,996,071,742	(1,325,369,642)
	$2,726,414,098	$3,572,619,860	$(796,498,661)

Expenses by Type
(in millions)



	2004	2003	2002
Annuities	$697,913,082	$636,746,610	$582,275,635
Refunds	31,156,292	29,186,749	36,641,773
Death	24,645,797	21,253,643	21,489,735
Administrative	19,405,567	18,785,811	18,727,800
Disability	10,817,922	10,533,976	9,841,107
	$783,938,660	$716,506,789	$668,976,050



Financial

FINANCIAL 2004

Deloitte

Deloitte & Touche LLP
180 N. Stetson Avenue
Chicago, IL 60601-6779
USA

Tel: +1 312 946 3000
Fax: +1 312 946 2600
www.deloitte.com

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Illinois Municipal Retirement Fund
Oak Brook, Illinois

We have audited the accompanying financial statements of the Illinois Municipal Retirement Fund (the "Fund") as of December 31, 2004 and 2003 and for the years then ended listed under the financial caption in the foregoing table of contents. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the net assets of the Fund as of December 31, 2004 and 2003, and the changes in its net assets for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note C, the Fund adopted the provisions of Governmental Accounting Standards Board Statement No. 40, *Deposits and Investment Risk Disclosures*.

Management's Discussion and Analysis and the Required Supplementary Information listed under the financial caption in the Table of Contents are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. This supplementary information is the responsibility of the Fund's management. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit such information and we do not express an opinion on it.

Our audits were conducted for the purpose of forming an opinion on the Fund's basic financial statements taken as a whole. The Supplementary Information listed under the financial caption in the Table of Contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements. This Supplementary Information is the responsibility of the Fund's management. The Supplementary Information has been subjected to the auditing procedures applied in our audits of the basic financial statements and, in our opinion, is fairly stated in all material respects when considered in relation to the basic financial statements taken as a whole.

Deloitte & Touche LLP

May 11, 2005

Member of
Deloitte Touche Tohmatsu

Management's Discussion and Analysis

The following Management's Discussion and Analysis (MD&A) of the Illinois Municipal Retirement Fund's (IMRF) financial performance provides an introduction to the financial statements of IMRF for the years ended December 31, 2004 and 2003. Since the MD&A is designed to focus on current activities, resulting changes and current known facts, please read it in conjunction with the transmittal letter (pages 7-11), the financial statements, required supplementary information and supplementary information.

Required Financial Statements

IMRF, an agent multiple-employer public employee retirement system, prepares its financial statements on an accrual basis in accordance with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board. The Statement of Plan Net Assets includes all of IMRF's assets and liabilities and provides information about the nature and amount of investments available to satisfy the pension benefits of the plan. All additions to and deductions from the net assets held in trust for pension benefits are accounted for in the Statement of Changes in Plan Net Assets. This statement measures IMRF's success over the past year in increasing the net assets available for pension benefits.

Financial Analysis of IMRF

While the Statement of Plan Net Assets and Statement of Changes in Plan Net Assets measure the value of plan net assets and the changes to them, another important factor needs to be considered in order to determine the financial health of IMRF. That additional factor is the plan's funded status. In 2004, contributions of $716 million and investment income of $2,010 million exceed deductions to net assets of $784 by $1,942 million. This net increase brought the Plan's net asset base to $18,299 million. For actuarial calculations, IMRF's actuary uses a five-year smoothed market-related value with a 15 percent corridor to determine the actuarial value of assets. The smoothing prevents extreme volatility in employer contribution rates due to short-term fluctuations in the investment markets. For the December 31, 2004 valuation, the actuarial value of assets was $18.3 billion. The aggregate actuarial liability for all IMRF employers was $19.4 billion. On an actuarial basis, the assets held currently fund 94.3 percent of this liability. This is a decrease from the funding ratio of 97.6 percent for 2003. If the market value of assets is used (i.e., no actuarial smoothing), the funding ratio is 94.3 percent as of December 31, 2004, an increase from 91.0 percent as of December 31, 2003. The main reason for the drop in the actuarial funding ratio is the fact that the Fund only earned a 4.8 percent actuarial investment return versus an actuarial investment return assumption of 7.5 percent because of the five-year smoothing. As of December 31, 2004, IMRF's actuarial funding value and market-based funding value were equal since there were no unrecognized investments gains or losses to be reflected in the 2005 through 2008 period.

Plan Net Assets

To begin the financial analysis, summarized comparisons of IMRF's Plan Net Assets for 2004 versus 2003 and 2003 versus 2002 are presented below.

Condensed Statements of Plan Net Assets
(In millions)

	2004	2003	Dollar Change	Percent Change
Cash and cash equivalents	$ 31	$ 8	$ 23	288%
Receivables and prepaids	565	335	230	69
Investments	18,497	16,844	1,653	10
Invested securities lending cash collateral	2,585	1,881	704	37
Capital assets, net	1	1	—	—
Total assets	21,679	19,069	2,610	14
Liabilities	3,380	2,712	668	25
Total plan net assets	$ 18,299	$ 16,357	$ 1,942	12%

As the previous table shows, plan net assets increased by $1,942 million (12 percent) in 2004. This increase reflects the significant investment gains in 2004 due to the continuing strong financial market performance that began in 2003.

The following table presents the investment allocation as of year-end 2004 and 2003 as compared to IMRF's target allocation for 2004 and 2003.

	2004	2003	Target
Fixed Income	32.0%	32.9%	36.0%
Stocks	59.5	56.5	56.0
Real Estate	3.4	3.5	2.0
Alternative	3.1	3.1	5.0
Short-Term	2.0	4.0	1.0

The change from 2003 to 2004 in the weightings between fixed income and stocks is primarily due to the improved equity returns in 2004 which increased the absolute value of IMRF's stock holdings, thus raising the percentage allocation to that sector while decreasing the weighting to the fixed income sector. The decrease in the percentage weightings to short-term is primarily due to moving closer to the overall target.

The increase in receivables and prepaids in 2004 is largely due to the increase in the receivable from brokers for unsettled trades at year-end. The increase in liabilities in 2004 is primarily due to an increase in securities lending cash collateral held at year-end.

Condensed Statements of Plan Net Assets
(In millions)

	2003	2002	Dollar Change	Percent Change
Cash and cash equivalents	$ 8	$ 4	$ 4	100%
Receivables and prepaids	335	255	80	31
Investments	16,844	13,877	2,967	21
Invested securities lending cash collateral	1,881	1,478	403	27
Capital assets, net	1	1	—	—
Total assets	19,069	15,615	3,454	22
Liabilities	2,712	2,114	598	28
Total plan net assets	$ 16,357	$ 13,501	$ 2,856	21%

As the above table shows, plan net assets increased by $2,856 million (21 percent) in 2003. This increase reflects the significant investment gains in 2003 due to the sharp turn around in the financial markets.

The increase in receivables and prepaids in 2003 is largely due to the increase in the receivable from brokers for unsettled trades at year-end. The increase in liabilities in 2003 is due to an increase in payables to brokers for unsettled trades at year-end and an increase in securities lending cash collateral held at year-end.

Changes in Plan Net Assets

Summarized comparisons of IMRF's Changes in Plan Net Assets for 2004 versus 2003 and 2003 versus 2002 are presented below.

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

	2004	2003	Dollar Change	Percent Change
Additions				
Member contributions	$ 260	$ 256	$ 4	2 %
Employer contributions	456	321	135	42
Net investment gain	2,010	2,996	(986)	(33)
Total additions	2,726	3,573	(847)	(24)
Deductions				
Benefits	734	669	65	10
Refunds	31	29	2	7
Administrative expenses	19	19	—	—
Total deductions	784	717	67	9
Net increase in plan net assets	$ 1,942	$ 2,856	$ (914)	(32)%

Additions

Additions needed to fund benefits are accumulated through contributions and returns on invested funds. Contributions for 2004 totaled $716 million which was 24 percent more than 2003. While investment returns for 2004 were very strong, they did not match the record returns from 2003. The $2,010 million investment gain in 2004 represents a $986 million decrease from the $2,996 gain in 2003. IMRF's total investment portfolio, reflecting the continuing strong financial markets, returned 12.4 percent in 2004 compared to a 22.6 percent in 2003.

The increase in member contributions is due to an increase in total member earnings to $5,161 million from $4,945 million in 2003. The member contribution rate remained at 4.5 percent of earnings for Regular members, 6.5 percent for Sheriff's Law Enforcement Personnel (SLEP) members, and 7.5 percent for the optional Elected County Officials (ECO) members.

The increase in employer contributions is the net effect of several factors. Member earnings increased overall by 4.4 percent. This increase in member earnings caused employer contributions to increase. In addition, the average Regular Plan, SLEP Plan and ECO Plan employer rates increased to 7.82 percent from 6.22 percent, 16.29 percent from 14.04 percent and 44.90 percent from 40.37 percent, respectively. These employer rate increases are primarily due to the negative investment returns in 2002 and 2001

In 2004, IMRF achieved net appreciation in the value of investments of $1,701 million, a $1,013 million decrease from the $2,714 million of appreciation recorded in 2003. Interest, dividends and equity fund income totaled $350 million, an increase of $28 million from 2003. Securities lending income net of related expenses was $5.1 million for 2004, a slight increase of $.8 million from 2003. Direct investment expenses increased to $45.2 million in 2004 from $44.1 million in 2003.

The total rate of return for the portfolio in 2004 was 12.4 percent compared to 22.6 percent in 2003. IMRF's U.S. stock portfolio returned 14.4 percent compared to 12.6 percent for the Dow Jones Wilshire 5000 Index. The fixed income portfolio returned 5.5 percent compared to 4.3 percent for the Lehman Aggregate Index. Our international stock portfolio returned 22.2 percent compared to 21.4 percent for the MSCI AC World Free ex-US Index. The real estate portfolio returned 10.1 percent compared to 13.4 percent for the NCREIF Classic Property Index. The alternative investment portfolio returned 11.1 percent versus a target return of 12 percent.

When comparing returns it is important to remember that as a pension fund, IMRF's investment program has a very long time horizon. Some of the longer-term results for the total fund are:

Period	Annualized returns
Three years	7.9% per year
Five years	3.8% per year
Ten years	10.3% per year

Deductions

The expenses paid by IMRF include benefit payments, refunds, and administrative expenses. Expenses for 2004 totaled $784 million, an increase of $67 million over 2003. The increase in benefit payments to members and beneficiaries resulted primarily from growth in the number of annuitants to 79,628 in 2004 from 77,115 in 2003 as well as an increase in the amount of the average benefit.

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

	2003	2002	Dollar Change	Percent Change
Additions				
Member contributions	$ 256	$ 234	$ 22	9 %
Employer contributions	321	295	26	9
Net investment gain (loss)	2,996	(1,325)	4,321	326
Total additions	3,573	(796)	4,369	549
Deductions				
Benefits	669	613	56	9
Refunds	29	37	(8)	(22)
Administrative expenses	19	19	—	—
Total deductions	717	669	48	7
Net increase in plan net assets	$2,856	$ (1,465)	$ 4,321	295 %

Additions

Additions needed to fund benefits are accumulated through contributions and returns on invested funds. Contributions for 2003 totaled $577 million which was 9 percent more than 2002. Investment returns for 2003 rebounded from losses in the previous year. The $2,996 million investment gain in 2003 represents a $4,321 million turn around from the $1,325 million loss in 2002. IMRF's total investment portfolio, reflecting the strong financial markets, returned 22.6% in 2003 compared to a 8.7% loss in 2002.

The increase in member contributions is due to an increase in total member earnings to $4,945 million from $4,796 million in 2002. The member contribution rate remained at 4.5 percent of earnings for Regular members, 6.5 percent for Sheriff's Law Enforcement Personnel (SLEP) members, and 7.5 percent for the optional Elected County Officials (ECO) members.

The increase in employer contributions is the net effect of several factors. Member earnings increased overall by 4.0 percent. This increase in member earnings caused employer contributions to increase. In addition, the average Regular Plan and ECO Plan employer rates increased to 6.22 percent from 5.87 percent and to 40.37 percent from 38.46 percent, respectively. These increases were partially offset by a decrease in the average SLEP Plan employer rate to 14.04 percent from 14.13 percent.

In 2003, IMRF achieved net appreciation in the value of investments of $2,714 million, a $4,339 million increase from the $1,625 million of depreciation recorded in 2002. Interest, dividends and equity fund income totaled $322 million, a decrease of $16 million from 2002. Securities lending income net of related expenses was $4.2 million for 2003, a slight decrease from 2002. Direct investment expenses increased to $44.1 million in 2003 from $42.5 million in 2002.

Deductions

The expenses paid by IMRF include benefit payments, refunds, and administrative expenses. Expenses for 2003 totaled $717 million, an increase of $48 million over 2002. The increase in benefit payments to members and beneficiaries resulted primarily from growth in the number of annuitants to 77,115 in 2003 from 74,668 in 2002 as well as an increase in the amount of the average benefit. The decrease in refunds in 2003 is primarily due to a $9.5 million refund in 2002 in conjunction with a partial plan termination for a dissolving employer.

Economic Factors Impacting 2005

Employer contributions will be greater in 2005 than in 2004 due to a projected increase in covered payroll which is consistent with past historical trends and higher average employer rates for the Regular and SLEP plans due to investment return shortfalls for the 2000-2002 period. The average Regular Plan rate for employers—which accounts for the vast majority of covered payroll—will increase from 7.82 percent to 9.25 percent, an increase of 18.3 percent.

The Fund's estimated investment return for the four months ended April 30, 2005, has been approximately a negative 2.3 percent, a negative 6.9 percent on an annualized basis. IMRF's total investments as of April 30, 2005, are approximately $18.4 billion, a decrease of $130 million since year-end.

Statements of Plan Net Assets

	December 31	
	2004	2003
Assets		
Cash and cash equivalents	$30,721,496	$8,714,598
Receivables and prepaid expenses		
Contributions	51,250,130	35,134,016
Investment income	57,501,625	54,420,008
Receivables from brokers for unsettled trades	410,006,991	203,281,294
Prepaid expenses	46,715,591	41,702,848
Total receivables and prepaid expenses	565,474,337	334,538,166
Investments, at fair value		
Fixed income	5,923,903,161	5,537,950,173
Stocks	10,997,592,801	9,524,502,208
Short term investments	371,910,775	673,894,645
Real estate	638,974,789	586,551,641
Alternative investments	564,482,133	520,794,249
Total investments	18,496,863,659	16,843,692,916
Invested securities lending cash collateral	2,585,611,896	1,881,358,349
Capital assets		
Equipment, at cost	4,504,052	4,531,666
Accumulated depreciation	(3,778,686)	(3,719,136)
Total capital assests	725,366	812,530
Total assets	21,679,396,754	19,069,116,559
Liabilities		
Accrued expenses and benefits payable	20,639,042	20,438,925
Securities lending cash collateral	2,585,611,896	1,881,358,349
Payables to brokers for unsettled trades	773,842,087	810,490,994
Total liabilities	3,380,093,025	2,712,288,268
Net assets held in trust for pension benefits	$18,299,303,729	$16,356,828,291

(A schedule of funding progress is presented on page 35.)

The accompanying notes are an integral part of the financial statements.

Statements of Changes in Plan Net Assets

	Years Ended December 31,	
	2004	2003
Additions		
Contributions		
Members for retirement coverage	$259,505,532	$255,498,279
Employers for benefit plan coverage	456,198,098	321,049,839
Total contributions	715,703,630	576,548,118
Investment Income		
From investing activities		
Interest	173,180,897	181,993,455
Dividends	130,011,837	97,495,644
Equity fund income, net	46,899,042	42,696,973
Net appreciation in fair value of investments	1,700,728,824	2,713,686,757
Investment activity gain	2,050,820,600	3,035,872,829
Less: Direct investment expense	(45,170,616)	(44,050,043)
Net investment activity gain	2,005,649,984	2,991,822,786
From security lending activity		
Securities lending income	31,531,120	18,636,553
Securities lending management fees	(1,263,100)	(1,061,310)
Securities lending borrower rebates	(25,213,030)	(13,331,337)
Net security lending activity income	5,054,990	4,243,906
Total investment gain	2,010,704,974	2,996,066,692
Other	5,494	5,050
Total additions	2,726,414,098	3,572,619,860
Deductions		
Annuities	697,913,082	636,746,610
Disability benefits	10,817,922	10,533,976
Death benefits	24,645,797	21,253,643
Refunds	31,156,292	29,186,749
Administrative expenses	19,405,567	18,785,811
Total deductions	783,938,660	716,506,789
Net increase	1,942,475,438	2,856,113,071
Net assets held in trust for pension benefits		
Beginning of year	16,356,828,291	13,500,715,220
End of year	$18,299,303,729	$16,356,828,291

The accompanying notes are an integral part of the financial statements

Notes to Financial Statements

December 31, 2004

A. Plan Description

The Illinois Municipal Retirement Fund (IMRF or the "Fund") is the administrator of an agent multiple-employer public employee retirement system. The Illinois State Legislature established IMRF to provide employees of local governments and school districts a sound and efficient retirement system. Members, employers and annuitants elect eight trustees who govern IMRF. State law authorizes the Board to make investments, pay benefits, set employer contribution rates, hire staff and consultants and perform all necessary functions to carry out the provisions of the Illinois Pension Code. Benefit and contribution provisions are established by state law and may be amended only by the Illinois General Assembly. IMRF is administered in accordance with Illinois statutes. The statutes do not provide for termination of the plan under any circumstances.

IMRF is separate and apart from the Illinois state government and is not included in the state's financial statements. However, the Illinois Pension Code designates the State Treasurer ex-officio treasurer of IMRF and requires the Auditor General to approve appointment of independent public accountants.

1. Employers	2004	2003
Participating employers	2,883	2,871

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.

2. Members	2004	2003
Retirees and beneficiaries currently receiving benefits	79,628	77,115
Terminated members entitled to benefits but not yet receiving them	9,998	9,820
Terminated members—non-vested	90,477	86,629
Current members:		
Nonvested	95,724	97,288
Vested	72,812	70,664
Total current members	168,536	167,952
Grand Total	348,639	341,516

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 Sheriffs' Law Enforcement Personnel (SLEP) members.

3. Funding

The member contribution rates—4.5 percent for regular members, 6.5 percent for SLEP members and 7.5 percent for the Elected County Officials Plan (ECO) members—are set by statute. The statutes require each participating employer to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. Employer contributions for disability benefits, death benefits and the supplemental retirement benefits are pooled. See the Required Supplementary Information and the Actuarial Section for data on the funding status. Costs of administering the plan are financed by investment income.

4. Benefit Provisions

Benefits are established by statute and may only be changed by the General Assembly. The benefit provisions in effect on the member's date of termination determine a member's benefit. The following is a summary of the IMRF benefit provisions as of December 31, 2004 and 2003. A more extensive description of the plan can be found in the Actuarial Section. The ECO plan was created by statute in 1997 and was revised in 2000.

Refunds

Members who terminate their IMRF participation may withdraw their contributions and forfeit future retirement benefits.

Retirement

Plan	Regular	SLEP	Original ECO	Revised ECO
Vesting	8 years	20 years	8 years	8 years in each elected position
Minimum age for unreduced benefit	35+ years of service: 55, otherwise 60	50	Sheriffs with 20 years of SLEP service: 50, otherwise 55	Sheriffs with 20 years of SLEP service: 50, otherwise 55
Final rate of earnings	Highest consecutive 48 months in the last 10 years	Highest consecutive 48 months in the last 10 years	Annual salary on the last day of ECO participation	Highest consecutive 48 months in the last 10 years for each elected position
Survivor benefits	Annuity for eligible spouse	Annuity for eligible spouse	Annuity for eligible spouse and unmarried children under 18	Annuity for eligible spouse and unmarried children under 18
Post-retirement increase	3% of original amount	3% of original amount	3% of original amount	3% of original amount
Early retirement	At age 55, discount based on age and service	None	None	None

IMRF employers may offer an early retirement incentive (ERI) for active members who have 20 or more years of service and are age 50 or older. The program is optional with employers and may not be offered until the liability for any previous ERI is paid.

Supplemental Retirement Benefit

Retirees and surviving spouses who have been receiving benefits for at least one year receive a supplemental retirement benefit in July. The total supplemental benefit pool in each year is equal to 0.62 percent of the participating payroll for the previous year. An individual receives a pro-rata share of the total pool based upon the ratio of his individual benefits to the total benefits paid to all IMRF recipients.

Death Benefits

An eligible spouse of a deceased retired member receives a one-time death benefit of $3,000 plus a monthly pension equal to one-half (66-2/3 percent for ECO retirees) of the member's pension. The beneficiaries of a participating member who had at least one year of service receive a lump sum death benefit equal to one year's earnings plus the member's contributions with interest. Death benefits paid upon the death of an inactive member vary depending on the member's age and service.

Disability

Members who have at least one year of service and meet the disability medical requirements will receive a benefit of up to 50 percent of the average monthly earnings in the 12 months preceding disability. Disabled ECO members receive a disability benefit equal to the benefit they would receive upon retirement. IMRF reduces the benefit by Social Security or Workers' Compensation awards. Members paid disability continue to receive pension service credit and death benefit protection.

5. IMRF as Employer

IMRF as an employer provides pension, disability and death benefits for all of its full-time employees through the Fund.

Members	2004	2003
Retirees and beneficiaries currently receiving benefits	62	57
Terminated members entitled to benefits but not yet receiving them	50	51
Terminated members—non-vested	28	31
Current members:		
Nonvested	75	92
Vested	103	91
Total current members	178	183
Grand Total	318	322

Trend Information

Actuarial Valuation Date	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
12/31/2004	$880,451	100%	$0
12/31/2003	532,034	100%	0
12/31/2002	374,674	100%	0

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/04	$20,586,259	$22,740,505	$2,154,246	90.5%	$10,050,814	21.43%
12/31/03	19,962,212	21,187,622	1,225,410	94.2%	9,870,762	12.41%
12/31/02	18,640,449	18,657,894	17,445	99.9%	9,485,417	0.18%

B. Summary of Significant Accounting Policies

1. Reporting Entity

As defined by generally accepted accounting principles established by the Governmental Accounting Standards Board (GASB), the financial reporting entity consists of a primary government, as well as its component units, which are legally separate organizations for which the elected officials of the primary government are financially accountable. Financial accountability is defined as:

(1) Appointment of a voting majority of the component unit's board and that the component unit will provide a financial benefit to or impose a financial burden on the primary government; or

(2) Fiscal dependency on the primary government.

Based upon these criteria, IMRF has no component units and IMRF is not a component unit of any other entity.

2. Basis of Accounting

IMRF prepares its financial statements using the accrual basis of accounting. It recognizes member and employer contributions as revenues in the month member earnings are paid. Benefits and refunds are recognized as expenses when payable. Expenses are recorded when the corresponding liabilities are incurred regardless of when payment is made.

3. Use of Estimates

The preparation of IMRF's financial statements in conformity with generally accepted accounting principles requires management to make significant estimates and assumptions that effect the reported amounts and plan net assets at the date of the financial statements and the actuarial information included in the required supplementary information as of the benefit information date, the changes in IMRF plan net assets during the reporting period and, when applicable, disclosures of the contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

4. Income Taxes

IMRF is exempt from federal and state income taxes and has received a favorable determination from the Internal Revenue Service under Code section 401(a).

5. Method Used to Value Investments

IMRF reports securities at fair value. Where appropriate, the fair value includes estimated disposition costs. Fair value for stocks is determined by using the closing price listed on the national securities exchanges as of December 31. Market value for fixed income securities are determined principally by using quoted market prices provided by independent pricing services. For commingled funds, the net asset value is determined and certified by the commingled fund manager as of December 31. Alternative investments, which include private equity and absolute return funds, are valued based on amounts established by fund managers which are subject to annual audit. Fair values for directly owned real estate investments are determined by appraisals.

6. Broker Commission Credits

IMRF has directed commission arrangements with several brokers. Under these arrangements, certain expenses related to the operation of IMRF, and exclusively for the benefit of IMRF, are paid using a percentage of commissions earned on investment transactions. At December 31, 2004 and 2003, IMRF has accumulated $2,589,561 and $2,494,414, respectively, for future expenditures, and these credits are included in plan net assets.

C. New Accounting Pronouncements

Effective for its 2004 financial statements, IMRF adopted two new GASB Statements: Statement No. 40, Deposit and Investment Risk Disclosures and Statement No. 44, Economic Condition Reporting: The Statistical Section. IMRF will adopt Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions in 2005. GASB 40 updates the custodial credit and disclosure requirements of GASB Statement No. 3, Deposits with Financial Institutions, Investments (including Repurchase Agreements) and Reverse Repurchase Agreements and establishes more comprehensive disclosure requirements addressing credit risk, interest rate risk and foreign currency risk. GASB 44 is intended to improve consistency and comparability in reporting and to provide clearer guidance regarding the applicability of the standards for the statistical section to all types of governmental entities. GASB 45 establishes standards of accounting and financial reporting for other postemployment benefits expenses and related liabilities.

D. Deposits and Investment Risk Disclosures

1. Deposits

Custodial credit risk for deposits is the risk that, in the event of a financial institution failure, IMRF's deposits may not be returned. All non-investment related bank balances at year-end are insured or collateralized with securities held by the Illinois State Treasurer or agents in the name of the State Treasurer. The Illinois State Treasurer is ex-officio Treasurer of IMRF. Cash held in the investment related bank account is neither insured nor collateralized for amounts in excess of $100,000. These deposits are not required to be collateralized by statute and there is no related deposit policy for custodial risk. These assets are under the custody of the Northern Trust Company. The Northern Trust Company has a AA- Long Term Deposit/Debt rating by Standard & Poor and an Aa3 rating by Moody.

Carrying amounts at December 31:	2004	2003
Cash	$30,721,496	$ 8,714,598
Bank balances at December 31:		
Total	$23,253,009	$11,365,800
Amount exposed to custodial credit risk	$ 507,753	$ 715,266

2. Investment Policies

The Illinois Pension Code prescribes the "prudent man rule" as IMRF's investment authority, effective August 25, 1982. This rule requires IMRF to make investments with the care, skill, prudence and diligence, under the circumstances then prevailing, that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an entity of like character with like aims. Within the "prudent man" framework, the Board of Trustees adopts investment guidelines for IMRF investment managers which are included within their respective Investment Management agreements. The Investment Section contains a summary of these guidelines. By statute all investments are held in the name of the Illinois Municipal Retirement Fund or in the name of a nominee created for the express purpose of securities registration.

3. Investment Summary

The following table presents a summary of the Fund's investments by type at December 31, 2004, and 2003.

	2004	2003
U.S. government & agency fixed income	$2,163,348,173	$2,138,572,830
U.S. corporate fixed income	1,583,670,598	1,388,333,779
U.S. fixed income funds	1,831,380,252	1,681,877,410
Foreign fixed income securities	345,504,138	329,166,154
U.S. equities	5,776,278,969	5,130,430,860
U.S. stock funds	2,073,783,891	1,791,539,888
Foreign equities	2,265,788,309	1,909,176,175
Foreign stock funds	881,741,632	693,355,285
Foreign currency forward contracts	(3,994,252)	(3,433,200)
Pooled short-term investment funds	364,337,464	676,699,070
Real Estate	638,974,789	586,551,641
Private Equity	278,212,887	257,959,592
Absolute Return Funds	286,269,246	262,834,657
Commercial paper	10,884,864	1,557,435
Swaps	434,011	(529,462)
Options	248,688	(399,198)
Total Investments at fair value	$18,496,863,659	$16,843,692,916

Short-term securities include commercial paper or notes having a maturity of less than 90 days. Pooled short-term investment funds are commingled funds managed by Northern Trust. Under the terms of the investment agreement for these funds, Northern Trust may invest in a variety of short-term investment securities. Alternative investments include commingled funds and separate accounts that invest in private equity and absolute return funds.

There are no individual investments held by IMRF that represent five percent or more of the Fund's net assets at year-end. As of December 31, 2004, IMRF had $1,834,131,449 invested in the MFTB NTGI QM Collective Daily Aggregate Bond Index Fund and $1,331,651,323 invested in the MFTB NTGI Collective Daily US MarketCap Equity Index Fund.

4. Custodial Credit Risk for Investments

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, IMRF will not be able to recover the value of investments or collateral securities that are in the possession of an outside party. As of December 31, the following investments were uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the Fund's name.

	2004	2003
Investments in foreign currency	$11,570,263	$4,042,339

5. Concentration of Credit Risk Debt Securities

The debt security portfolios are managed by professional investment management firms. These investment management firms are required to maintain diversified portfolios. Each investment manager must comply with risk management guidelines individually assigned to them as part of their Investment Management Agreement.

The total debt securities portfolio is managed using the following general guidelines adopted by the IMRF Board of Trustees:

A. Bonds, notes or other obligations of indebtedness issued or guaranteed by the U.S. government, its agencies or instrumentalities are permissible investments and may be held without restriction.

B. The average credit quality of the total portfolio must be investment grade.

C. Debt obligations of any single U.S. corporation shall generally be limited to a maximum of 5 percent of the total portfolio at market value.

D. Generally, no more than 30 percent of a manager's assets at market value may be invested in securities rated below investment grade at the time of purchase. Investment managers using high yield disciplines will not be subject to this restriction.

E. Debt obligations of any U.S. industry shall generally be limited to a maximum of 25 percent of the total portfolio at market value.

F. Bonds or other debt obligations of foreign countries and corporations payable in U.S. and in non-U.S. funds are authorized but, in general, will not exceed 15 percent of the portfolio.

	2004	2003
Quality Rating		
AAA	$480,955,430	$380,927,464
AA+	15,019,910	2,282,810
AA	15,622,245	18,177,079
AA-	89,860,987	34,229,708
A+	95,769,446	111,654,825
A	102,996,775	99,198,242
A-	46,000,958	41,081,725
BBB+	65,469,421	88,343,773
BBB	128,168,564	141,596,261
BBB-	131,336,746	111,962,770
BB+	69,586,795	60,707,761
BB	52,422,613	33,486,126
BB-	109,322,392	75,426,929
B+	106,898,685	105,410,907
B	118,820,847	106,605,688
B-	110,940,642	108,546,563
CCC+	45,966,973	52,710,791
CCC	16,754,366	18,362,792
CCC-	4,065,081	16,914,789
CC	4,872,168	2,552,247
C	4,626,962	3,509,566
D	1,295,695	13,414,136
Not Rated	25,378,970	20,097,925
Other	87,022,065	70,299,056
Total Credit Risk Debt—Securities	1,929,174,736	1,717,499,933
U.S. Government & Agencies	2,163,348,173	2,138,572,830
U.S. Fixed Income Fund	1,831,380,252	1,681,877,410
	$5,923,903,161	$5,537,950,173

6. Interest Rate Risk

The Illinois Municipal Retirement Fund manages its exposure to fair value losses arising from interest rate risk by diversifying the debt securities portfolio and maintaining the debt securities portfolio at an effective duration range between 80 and 120 percent of the benchmark index.

Duration is a measure of a debt investment's exposure to fair value changes arising from changing interest rates. It uses the present value of cash flows, weighted for those cash flows as a percentage of the investment's full price. The effective duration measures the sensitivity of market price to parallel shifts in the yield curve. The Illinois Municipal Retirement Fund benchmarks its debt security portfolio to the Lehman Aggregate Bond Index. At December 31, 2004 and 2003, the effective duration of the Lehman Aggregate Bond Index was 4.34 and 4.50, respectively. At the same points in time, the effective duration of the Illinois Municipal Retirement Fund debt securities portfolio was 4.17 and 4.72, respectively.

Investment	2004 Fair Value	Effective Weighted Duration Rate	2003 Fair Value	Effective Weighted Duration Weight
U.S. Corporate	$1,583,670,598	4.30	$1,388,333,779	4.93
U.S. Government & Agencies	2,163,348,173	3.47	2,138,572,830	4.04
Fixed Income Fund	1,831,380,252	4.34	1,681,877,410	4.49
International	345,504,138	7.09	329,166,154	9.44
Total	$5,923,903,161	4.17	$5,537,950,173	4.72

7. Foreign Currency Risk
The international portfolio is constructed on the principles of diversification, quality, growth and value. Country exposure is limited to 25 percent or two times the benchmark weighting at market value. Risk of loss arises from changes in currency exchange rates. International managers may also engage in transactions to hedge currency at their discretion. Currency trading may not be used for speculative purposes.

Foreign Currency Risk

	2004	2003
Foreign Equities		
Australian dollar	$47,670,600	$30,317,690
Brazilian real	8,361,024	7,359,798
British pound sterling	409,464,042	349,499,694
Canadian dollar	51,095,418	38,235,665
Czech koruna	1,354,528	—
Danish krone	3,694,616	4,533,112
Euro	690,952,388	574,158,840
Hong Kong dollar	59,118,210	61,692,766
Hungarian forint	4,489,910	—
Indian rupee	22,868,620	14,427,501
Indonesian rupee	9,137,102	9,647,800
Japanese yen	452,081,140	418,849,049
Malaysian ringgit	894,455	—
Mexican peso	21,440,825	5,875,490
New Zealand dollar	14,537,918	9,683,834
Norwegian krone	30,500,990	780,209
Polish zloty	—	2,599,593
Singapore dollar	20,237,057	29,225,610
South African rand	8,434,549	7,288,075
South Korean won	35,910,997	38,913,454
Swedish krona	42,041,840	13,601,420
Swiss franc	134,366,902	140,311,245
Thai baht	9,912,572	15,641,682
Turkish lira	—	2,061,802
United States dollar	1,068,964,238	827,827,131
	3,147,529,941	2,602,531,460
Foreign Fixed Income		
Currency		
British pound sterling	481,886	—
Canadian dollar	1,300,388	—
Euro	30,170,771	37,255,969
Swedish krona	661,722	1,811,523
United States dollar	312,889,371	290,098,662
	345,504,138	329,166,154
	$3,493,034,079	$2,931,697,614

E. Securities Lending Program

The IMRF securities lending program is authorized by the IMRF Board of Trustees. IMRF lends securities (both equity and fixed income) to securities firms on a temporary basis through its agent, Northern Trust. There are no restrictions on the amount of securities that may be lent. IMRF receives fees for all loans and retains the right to all interest and dividend payments while the securities are on loan. All securities are loaned versus collateral that may include cash, U.S. government securities and irrevocable letters of credit. U.S. securities are loaned versus collateral valued, subject to de minimus rules, at 102 percent of the market value of the securities plus any accrued interest (105 percent for non-U.S. securities). As the market value of the securities loaned changes, the borrower must adjust the collateral accordingly. IMRF or the borrower has the right to close the loan at any time. The average term of overall loans was 61 days as of December 31, 2004, and 84 days as of December 31, 2003. When the loan closes, the borrower returns the securities loaned to IMRF, and IMRF returns the associated collateral to the borrower. IMRF cannot pledge or sell the non-cash collateral unless the borrower fails to return the securities borrowed.

Northern Trust pools all collateral received from securities lending transactions and invests any cash collateral. IMRF holds a prorated share of the collateral provided by the borrowers of its securities. The cash collateral is shown on IMRF's financial statements. Cash collateral is invested in a short-term investment pool, which had an interest sensitivity of 29 days as of December 31, 2004, and which had an interest sensitivity of 30 days as of December 31, 2003. Cash collateral may also be invested separately in "term loans," in which case the investments match the term of the loan. These loans can be terminated on demand by either lender or borrower.

Indemnification pertains to the situation in which a client's securities are not returned due to the insolvency of a borrower and Northern Trust has failed to live up to its contractual responsibilities relating to the lending of those securities. Northern Trust's responsibilities include performing appropriate borrower and collateral investment credit analyses, demanding adequate types and levels of collateral and complying with applicable Department of Labor and Federal Financial Institutions Examination Council regulations concerning securities lending. During 2004 and 2003, there were no violations of legal or contractual provisions and no borrower or lending agent default losses to the securities lending agent. There are no dividends or coupon payments owing on the securities lent. IMRF had no credit risk as a result of its securities lending program as the collateral held exceeded the market value of the securities lent.

Securities lent are included in the Statements of Plan Net Assets. The market value of collateral received includes cash collateral of $2,585,611,896 and $1,881,358,349 at December 31, 2004 and 2003, respectively.

Loans outstanding as of	December 31, 2004	December 31, 2003
Market value of securities loaned	$2,691,509,015	$2,121,175,579
Market value of collateral received	$2,755,574,212	$2,185,291,504

F. Derivatives

IMRF's investment managers may enter into derivative transactions as permitted by their guidelines. A derivative financial instrument is an investment whose payoff depends upon the value of an underlying such as bond or stock prices, a market index, or commodity prices. Derivative financial instruments involve, to varying degrees, credit risk and market risk. Credit risk is the possibility that a loss may occur because a party to a transaction fails to perform according to terms. IMRF's investment managers seek to control this risk through counterparty credit evaluations and approvals, counterparty credit limits and exposure monitoring procedures. Market risk is the possibility that a change in interest or currency rates will cause the value of a financial instrument to decrease or become more costly to settle. The market risk associated with derivatives, the prices of which are constantly fluctuating, is regulated by imposing strict limits as to the types, amounts and degree of risk that investment managers may undertake. Senior investment management approves these limits and the risk positions of the investment managers are reviewed on a periodic basis to monitor compliance with the limits. IMRF does not purchase derivatives with borrowed funds.

During the year, IMRF's derivative investments included foreign currency forward contracts, financial futures, options and swaps. Foreign currency forward contracts are used to hedge against the currency risk in IMRF's foreign stock and fixed income security portfolios. The remaining derivative financial instruments are used to improve yield, adjust the duration of the fixed income portfolio, or to hedge changes in interest rates.

Foreign currency forward contracts are agreements to buy or sell a specific amount of a specific currency at a specified delivery or maturity date for an agreed upon price. As the market value of the underlying currency varies from the original contract price, IMRF records an unrealized gain or loss. The market value of forward currency contracts outstanding at December 31, 2004 and 2003 are as follows:

Market Value as of	December 31, 2004	December 31, 2003
Forward currency purchases	$150,525,855	$75,990,101
Forward currency sales	154,520,107	79,423,301
Unrealized (loss)	$ (3,994,252)	$(3,433,200)

Financial futures are similar to forward contracts, except futures contracts are standardized and traded on organized exchanges. As the market value of the underlying hedging assets vary from the original contract price, a gain or loss is recognized and is settled through the clearinghouse. Financial futures represent an off-balance sheet obligation as there are no balance sheet assets or liabilities associated with those contracts. The contractual amounts of future contracts outstanding at December 31, 2004 and 2003 are as follows:

Contractual Amount as of	December 31, 2004	December 31, 2003
Fixed income futures sold	$ 30,566,891	$130,370,281
Fixed income futures purchased	$ 21,002,105	$ 55,342,094
Equity futures purchased	$ 20,975	$ 8,176,225
Cash and cash equivalent futures sold	$ 64,239,993	—
Cash and cash equivalent futures purchased	$166,517,488	$ 58,943,250

Contractual amounts, which represent the market value of the underlying assets of the derivative contracts, are often used to express the volume of these positions. Such amounts do not reflect the extent to which positions may offset one another or the potential risk, which is generally a lesser amount.

Financial options are agreements that give one party the right, but not the obligation, to buy or sell a specific amount of an asset for a specified price, called the strike price, on or before a specified expiration date. As a writer of financial options, IMRF receives a premium at the outset of the agreement and bears the risk of an unfavorable change in the price of the assets underlying the option. Gains and losses on options are determined based on market values and are recorded in the Statement of Changes in Plan Net Assets. The market value of financial options outstanding at year-end is as follows:

Market Value as of	December 31, 2004	December 31, 2003
Financial options, gain (loss)	$248,688	$(399,198)

Interest rate swaps are agreements between two or more parties to exchange sets of cash flows over a period of time. In the most common type of interest rate swap arrangement, one party agrees to pay fixed interest payments on designated dates to a counterparty who, in turn, agrees to make return interest payments that float with some reference rate. In addition to interest rate swaps, one of IMRF's investment managers utilizes credit default swaps which, in addition to the exchange of interest payment streams as in a common interest rate swap, add liquidity to individual credits and protect specific positions. Gains and losses on swaps are determined based on market values and are recorded in the Statement of Changes in Plan Net Assets. The market value of swaps outstanding at year-end is as follows:

Market Value as of	December 31, 2004	December 31, 2003
Swaps, gain (loss)	$434,011	$(529,462)

G. Future Investment Commitments

At December 31, 2004 and 2003, IMRF had future commitments for additional contributions to real estate and alternative investment managers totaling $277,032,264 and $225,010,414 respectively.

H. IMRF as Employer - Postemployment Benefits Other Than Pensions

IMRF, as an employer, administers a single-employer defined benefit healthcare plan ("Retiree Health Plan") for its own employees under the provisions of ILCS Chapter 215, Article 5, Section 367j. As required by the statutes, the Retiree Health Plan provides lifetime health and dental care insurance for eligible retirees and their spouses through IMRF's group health insurance plan, which covers both active and retired members. Currently 17 retirees are in the plan and 162 active employees could be eligible at retirement. Benefit subsidy provisions have been established by IMRF's Board of Trustees that cover a percentage of the retiree's insurance premiums from the date of retirement to the date the retiree becomes eligible for Medicare. The amount of the subsidy varies based upon the retiree's years of service with IMRF. These benefit subsidy provisions can be modified or terminated at the sole discretion of the IMRF Board. Except for any eligible subsidy, retirees must pay the entire blended insurance premium for their coverage. Expenses for postemployment health and dental care are recognized as premiums are paid to the insurance carrier. During 2004 and 2003, IMRF subsidized retiree health and dental care premiums in the amount of $33,735 and $27,164, respectively.

I. Reserves

IMRF maintains several reserves as required by the Illinois Pension Code and Board policy. All reserves are fully funded with the exception of some individual employer retirement reserves. These reserves do not equal the present value of expected retirement benefits for all employers. In 2004 and 2003, the present value of expected retirement benefits exceeded the retirement reserves, for all employers combined, by $1,125,363,287 and $1,609,275,160, respectively.

1. **Member Contribution Reserve**	2004	2003
Balance at December 31	$3,423,534,224	$3,186,148,155

2. **Annuity Reserve**	2004	2003
Balance at December 31	$7,332,331,007	$6,674,854,460

3. **Employer Reserves**	2004	2003
Balance at December 31		
Retirement contribution reserve	$7,500,248,111	$6,454,233,023
Earnings and experience reserve	27,450,942	24,663,337
Supplemental retirement benefit	1,480,374	1,673,769
Pooled death benefit reserve	7,115,111	8,325,705
Pooled disability benefit reserve	7,143,960	6,929,842
	$7,543,438,498	$6,495,825,676

J. Other Notes

1. Prepaid Expenses	2004	2003
Balance at December 31		
Prepaid administrative expenses	$ 739,482	$ 590,463
January 1 benefits charged to bank account in December	45,976,109	41,112,385
	$ 46,715,591	$ 41,702,848

2. Capital Assets
Capital assets are recorded at their cost at the time of acquisition. Depreciation is computed using the straight-line method over the estimated useful life of the related asset. The estimated useful lives are 1) furniture: ten years, 2) equipment: five to eight years and 3) automobiles: four years.

Year ended December 31	2004	2003
Equipment, furniture and automobiles		
Beginning balance	$4,531,666	$4,497,511
Additions	185,942	101,879
Deletions	(213,556)	(67,724)
Ending balance	4,504,052	4,531,666
Accumulated depreciation		
Beginning balance	3,719,136	3,495,056
Additions	273,107	232,432
Deletions	(213,557)	(8,352)
Ending balance	3,778,686	3,719,136
Capital assets, net	$ 725,366	$ 812,530

3. Compensated Absences
Annual vacation leave is earned by all employees. Upon termination, employees are eligible to receive compensation for their accrued annual leave balances. At December 31, 2004, a liability existed for accumulated annual leave calculated at the employee's December 31, 2004, pay rate in the amount of $472,809. Employees who have been continuously employed by IMRF for at least five years prior to the date of their retirement, resignation or death will receive payment for their accumulated sick leave balance with such payment not to exceed the sum of ninety days of the employee's annual compensation. For employees who have not been employed for five continuous years, an accrued liability is calculated assuming the likelihood that they will meet the five-year threshold in the future. At December 31, 2004, a liability existed for accumulated and accrued sick leave, calculated at the employee's December 31, 2004, pay rate in the amount of $1,666,338. The total leave liability of $2,139,147 and $1,971,480 as of December 31, 2004, and 2003, respectively, is reflected on the Statement of Plan Net Assets in accrued expenses and benefits payable.

4. Lease Agreements
The Fund leases its headquarters facilities at the Drake Oak Brook Plaza, which it owns, under an agreement with the building's management. The agreement covers the period May 1, 1993, through December 31, 2005. The base rent was abated until December 31, 1995. The Fund is amortizing the abated rent over the period covered by the agreement. Total rental expense for 2004 and 2003 was $1,045,795 and $1,045,829, respectively.

The Fund also leases office space in Springfield for its Regional Counseling Center under an agreement that expires on October 31, 2006. Total rental expense for 2004 and 2003 was $29,414 and $28,836, respectively

The minimum commitments for the remainder of these leases are as follows:

2005	$1,539,556
2006	$25,420

5. Risk Management
IMRF carries commercial, business and automobile liability insurance coverage provided by private insurance carriers. These policies limit the risk of loss from torts; theft of, damage to and destruction of assets; errors and omission; injuries to employees; and natural disasters. There have been no material insurance claims filed or paid during the last three years. The Fund is also exposed to investment risk. This risk is limited by diversification of the

portfolio, establishment and monitoring of investment policies and guidelines and monitoring of investment performance. In addition, investment consultants and fiduciary counsel monitor the Fund's activities and advise the Board of Trustees.

6. Contingencies
   IMRF is a defendant in a number of lawsuits that, in management's opinion, will not have a material effect on the financial statements.

K. Ten-Year Historical Trend Information

Ten-year historical trend information designed to provide information about IMRF's progress made in accumulating sufficient assets to pay benefits when due is presented as required supplementary information following the footnotes.

Required Supplementary Information

Schedule of Funding Progress
Last ten years

Actuarial Valuation Date December 31	Aggregate Actuarial Liabilities (AAL): Total AAL Entry Age (a)	Aggregate Actuarial Liabilities (AAL): Actuarial Assets (b)	Aggregate Actuarial Liabilities (AAL): Actuarial Assets as a % of AAL (b/a)	Unfunded Actuarial Liabilities (UAL): Total UAL (a-b)	Unfunded Actuarial Liabilities (UAL): Member Payroll (c)	Unfunded Actuarial Liabilities (UAL): UAL as a % of Member Payroll ((a-b)/c)
1995	$8,823,697,487	$8,034,030,783	91.1%	$789,666,704	$3,095,916,750	25.5%
1996*	9,778,592,519	9,076,261,663	92.8%	702,330,856	3,084,086,668	22.8%
1997	10,807,969,067	10,273,116,034	95.1%	534,853,033	3,454,621,933	15.5%
1998	11,860,879,198	11,636,495,534	98.1%	224,383,664	3,696,074,942	6.1%
1999*	13,005,023,293	13,520,192,111	104.0%	(515,168,818)	3,952,129,535	-13.0%
2000	14,153,055,774	15,169,369,263	107.2%	(1,016,313,489)	4,184,702,169	-24.3%
2001	15,318,517,575	16,305,022,254	106.4%	(986,504,679)	4,503,092,615	-21.9%
2002*	16,559,907,302	16,800,195,504	101.5%	(240,288,202)	4,755,103,888	-5.1%
2003	17,966,103,451	17,529,890,818	97.6%	436,212,633	4,944,767,495	8.8%
2004	19,424,667,016	18,315,987,910	94.3%	1,108,679,106	5,161,127,432	21.5%

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

Schedule of Employer Contributions
Last ten years

Year Ended December 31	Normal Contributions	Amortization of Unfunded Actuarial Liability	Death & Disability Benefit Contributions	Supplemental Retirement Benefit Contributions	Total Contributions	Percentage Contributed
1995	$226,659,095	$58,909,305	$10,931,257	$19,229,943	$315,729,600	100%
1996	239,924,968	54,192,636	13,086,132	20,346,617	327,550,353	100%
1997	254,168,099	46,697,036	13,868,304	21,516,048	336,249,487	100%
1998	274,024,269	50,551,829	16,661,873	22,958,697	364,196,668	100%
1999	293,310,795	47,851,978	13,647,855	24,384,264	379,194,892	100%
2000	289,815,409	25,817,059	14,498,307	26,022,673	356,153,448	100%
2001	244,301,259	24,361,513	16,427,003	27,917,864	313,007,639	100%
2002	232,765,220	14,951,535	17,488,736	29,729,931	294,935,422	100%
2003	257,835,660	15,136,077	16,916,553	31,161,549	321,049,839	100%
2004	367,704,509	36,473,252	19,617,440	32,402,897	456,198,098	100%

See notes to required supplementary information on following page.

Notes to Required Supplementary Information

Valuation date	December 31, 2004
Actuarial cost method	Entry age normal
Amortization method	Level percent of payroll
Remaining amortization period	Taxing bodies: closed, 26 years Overfunded taxing bodies: varies by funding status Non-taxing bodies: generally 5 years
Asset valuation method	Five year smoothed market related with a 15% corridor
Actuarial assumptions:	
Investment rate of return	7.5 percent
Projected salary increases	4.65 to 8.25 percent
Assumed wage inflation rate	4.0 percent
Group size growth rate	0.0 percent
Assumed payroll growth rate	4.0 percent
Post-retirement increase	3.0 percent – simple
Mortality table	1983 Group Annuity Mortality Table for males and 1983 Individual Annuity Mortality Table for females, both multiplied by 95 percent. The active tables were further modified to reflect IMRF experience.

Supplementary Information

Schedule of Administrative Expenses

	2004	2003
Personnel services	$13,148,725	$12,569,944
Supplies	440,995	390,096
Professional services	897,294	772,921
Occupancy and utilities	1,804,191	1,920,972
Postage and delivery	940,103	914,047
Equipment service and rental	744,305	897,674
Expendable equipment	149,490	112,764
Miscellaneous	1,007,357	974,961
Depreciation	273,107	232,432
Total	$19,405,567	$18,785,811

Schedule of Payments to Consultants

	2004	2003
External auditor	$ 80,000	$ 66,000
Internal auditor	42,000	46,800
Medical consultant	51,363	75,713
Legal services	23,866	30,392
Tax consultant	29,517	—
Actuary	263,448	245,614
Management consultants:		
Benefit information system	22,882	229,373
Imaging system	166,937	65,839
Internet	217,281	13,190
Total	$ 897,294	$ 772,921

Schedule of Investment Expenses

	2004	2003
Investment manager fees	$44,299,942	$43,198,053
Master trustee fees	276,250	330,139
Investment consultants	553,352	494,475
Miscellaneous	41,072	27,376
Total	$45,170,616	$44,050,043

A schedule of investment related fees can be found in the Investment Section

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Investments

IMRF

INVESTMENTS 2004

MERCER
Investment Consulting

10 South Wacker Drive, Suite 1700
Chicago, IL 60606-7500
312 902 7500 Fax 312 902 7640

February 18, 2005

The Board of Trustees
The Executive Director
Illinois Municipal Retirement Fund
2211 York Road
Oak Brook, IL 60523

Dear Trustees and Executive Director:

Mercer Investment Consulting is pleased to present the following investment summary for the Illinois Municipal Retirement Fund for the fiscal year ending December 31, 2004.

As of year end 2004, the Illinois Municipal Retirement Fund (the Fund) had net assets totaling $18.3 billion a $2.0 billion increase since December 31, 2003. The increase in assets was primarily attributable to investment appreciation during the year. Over the past five years, the Fund's contributions and investment performance were sufficient to meet $3.3 billion in benefit payments.

- The Dow Jones Wilshire 5000 Index, the broadest measure of the U.S. stock market performance, gained 12.6% during 2004. Within the domestic equity market, small capitalization issues as measured by the Russell 2000 Index, returned 18.3%, surpassing their larger capitalization counterparts, which returned 10.9%, as measured by the S&P 500 Index. In terms of style, value issues outperformed growth-oriented stocks by wide margins across the capitalization spectrum.

- Domestic investment grade bonds, as measured by the Lehman Brothers Aggregate Index, returned 4.3% in 2004. Longer-duration issues outperformed their intermediate and short-duration counterparts during the year. Corporate issues were the top performing sector in 2004, as lower quality issues within the sector enhanced results.

- The international equity market, as measured by the MSCI ACWI ex-US (All Country World) Index, advanced 21.4% in 2004. The results were enhanced by a depreciating dollar as the Index returned only 13.5% in local currency terms. Emerging markets benefited from a depreciating dollar during the year as well, with the MSCI Emerging Markets Free Index returning 26.0%.

- Real estate fared well during 2004, returning 13.1%, as measured by the NCREIF Index.

MMC Marsh & McLennan Companies

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February 18, 2005

The Fund advanced 12.4% during 2004, exceeding its Reference Index by 1.6%, while ranking in the third quartile of the Russell/Mellon Billion Dollar Public Universe. The Fund's outperformance versus the Index was attributable to strong results delivered by the domestic equity, international equity and fixed income. Slight underperformance versus the peer group was driven by IMRF's more conservative asset allocation (higher fixed income exposure).

The total domestic equity portfolio returned 14.4% in 2004, exceeding the Dow Jones Wilshire 5000 Index return. Outperformance during the year was driven by strong results from both the large cap and small cap equity managers. Over longer time periods, the domestic equity portfolio outpaced the Dow Jones Wilshire 5000 Index.

The international equity portfolio returned 22.2% in 2004, ahead of the 21.4% MSCI ACWI ex-US Index return. The portfolio's allocation to emerging markets, which rallied during the year contributed greatly to the outperformance. In addition, strong returns experienced by several of the individual managers within the developed markets were beneficial.

The fixed income portfolio posted a 5.5% return during 2004, outpacing the 4.3% return of the Lehman Brothers Aggregate Index. The portfolio's strong relative performance was attributable to both the allocation to high yield and the solid investment results experienced by the high yield managers, which combined returned 12.8% during the year. Moreover, the active core plus fixed income contributed positively to results, mostly due to their Corporate and non-US bond exposure.

All performance results are calculated in accordance with AIMR standards.

Sincerely,

MERCER INVESTMENT CONSULTING

Brad A. Blalock

Brad A. Blalock, CFA
Principal

The Northern Trust Company
50 South La Salle Street
Chicago, Illinois 60675
(312) 630-6000

Northern Trust

April 5, 2005

Board of Trustees and Executive Director
Illinois Municipal Retirement Fund
2211 South York Road
Oak Brook, IL 60521-2374

To the Board of Trustees and the Executive Director

The Northern Trust Company as Master Trustee has provided detailed financial reports of all investments, receipts, disbursements, purchases and sales of securities and other transactions pertinent to the Fund for the period January 1, 2004, through December 31, 2004. Also, a statement of assets together with their fair market value was provided, showing the properties held as of December 31, 2004. The Northern Trust Company certifies that the statements contained therein are fairly presented and are true and accurate.

In addition to the custody of the assets, The Northern Trust Company provided and will continue to provide the following services as Master Trustee:

1. Receive and hold all amounts paid to the Trust Fund by the Board of Trustees.
2. Accept and deliver securities in accordance with the instructions of appointed Investment Managers.
3. Collect dividends and registered interest payments.
4. Collect matured or called securities and coupons.
5. Securities Lending.
6. Invest cash balances held from time to time in the individual investment management accounts in short term, cash equivalent securities.
7. Exercise rights of ownership in accordance with pre-described jurisdiction of stock subscriptions and conversion rights.
8. Hold securities in the name of the Master Trust or nominee form.
9. Employ agents with the consent of the Board of Trustees.
10. Provide disbursement and security fail float income.
11. Checking Accounts.
12. On-line Trust and Banking reporting.

THE NORTHERN TRUST COMPANY

By: Richard L. Deeter
Richard L. Deeter
Vice President

Investment Consultants

Master Trustee

The Northern Trust Company
Richard L. Deeter, Vice President
Chicago, Illinois

Performance Evaluation

Ennis Knupp & Associates
Kristine L. Ford, Principal
Chicago, Illinois

Investment Consultant

Ennis Knupp & Associates
Kristine L. Ford, Principal
Chicago, Illinois

Investment Managers

Abbott Capital Management, LLC
New York, New York

Adams Street Partners, LLC
Chicago, Illinois

Alliance Capital Management, L.P.
Chicago, Illinois

Apex Capital Management, Inc.
Dayton, Ohio

BlackRock Financial Management, Inc.
New York, New York

The Boston Company Asset Management, LLC
Boston, Massachusetts

BPI Global Asset Management, LLP
Orlando, Florida

Brandes Investment Partners, L.P.
San Diego, California

Brown Capital Management, Inc.
Baltimore, Maryland

Channing Capital Management, LLC
Chicago, Illinois

Cozad/Westchester Agricultural Asset Management
Champaign, Illinois

Denali Advisors, LLC
San Diego, California

Dimensional Fund Advisors
Santa Monica, California

Dodge & Cox Investment Managers
San Francisco, California

EARNEST Partners, LLC
Atlanta, Georgia

Fidelity Management Trust Company
Boston, Massachusetts

Forest Investment Associates
Atlanta, Georgia

Frontier Capital Management Co.
Boston, Massachusetts

Genesis Asset Managers International, Ltd.
London, England

GlobeFlex Capital, L.P.
San Diego, California

Grosvenor Capital Management, L.P.
Chicago, Illinois

Harris Alternatives, LLC
Chicago, Illinois

Harris Investment Management, Inc.
Chicago, Illinois

High Pointe Capital Management, LLC
Buffalo Grove, Illinois

Holland Capital Management
Chicago, Illinois

Investment Counselors of Maryland, LLC
Baltimore, Maryland

Jacobs Levy Equity Management, Inc.
Florham Park, New Jersey

Lazard Frères Real Estate Investors, LLC
New York, New York

LM Capital Group, LLC
San Diego, California

LSV Asset Management
Chicago, Illinois

Lynmar Capital Group, Inc.
Marlton, New Jersey

MacKay Shields, LLC
New York, New York

MDL Capital Management, Inc.
Pittsburgh, Pennsylvania

Mesirow Advanced Strategies, Inc.
Chicago, Illinois

Morgan Stanley
Atlanta, Georgia

Muller and Monroe Asset Management, LLC
Chicago, llinois

Northern Trust Investments, N.A.
Chicago, Illinois

Olympus Real Estate Corporation
Dallas, Texas

Pantheon Ventures, Inc.
San Francisco, California

Payden & Rygel
Los Angeles, California

Permira Advisors, Ltd.
London, England

Piedmont Investment Advisors, LLC
Durham, North Carolina

Profit Investment Management
Silver Spring, Maryland

Progress Investment Management Company
San Francisco, California

Prudential Investment Management
Parsippany, New Jersey

Rutland Dickson Asset Management
Dallas, Texas

Sands Capital Management, LLC
Arlington, Virginia

Security Capital Markets Group, Inc.
Santa Fe, New Mexico

Sentinel Real Estate Corporation
New York, New York

Taplin, Canida & Habacht
Miami, Florida

Union Heritage Capital Management
Detroit, Michigan

Wall Street Associates
La Jolla, California

Western Asset Management Company
Pasadena, California

William Blair & Company
Chicago, Illinois

Investment Policies

The Board of Trustees, operating within the prudent man framework, has adopted the following investment objectives and guidelines. The objectives and guidelines presented here are intended to be summarizations. Specific contractual objectives and guidelines are in effect for individual investment managers.

A. Investment Objectives

1. To diversify the investment portfolio so as to optimize investment returns.

2. To set investment and actuarial policies that assure the adequate accumulation of assets and maintain a reasonable funded status.

3. To achieve rates of return greater than the current actuarial investment assumption of 7.5 percent.

4. To achieve rates of return consistent with expectations for each asset class used, without significantly changing the expected risk profile of the asset class or the investment portfolio.

5. To achieve in U.S. equities a total return that exceeds the total return of the Dow Jones Wilshire 5000 Index. In addition, the Board expects to earn a minimum of 5 percent in excess of inflation over moving five-year periods.

6. To achieve in international equities a total return that exceeds the total return of the Morgan Stanley Capital International, All Country World Index Ex-US (MSCI ACWI-Ex U.S.). In addition, the Board expects to earn a minimum of 5 percent in excess of inflation over moving five-year periods.

7. To achieve in fixed income securities a total return that exceeds the total return of the Lehman Aggregate Bond Index. In addition, the Board expects to earn a minimum of 2 percent in excess of inflation over moving five-year periods.

8. To achieve in equity real estate investments a return of 5 percent in excess of inflation over moving five-year periods.

9. To achieve in alternative investments a return equal to 150 percent of the expected equity return over moving 5 year periods.

10. To achieve in internally managed short-term securities relative performance better than 30-day U.S. Treasury Bills.

B. Proxy Voting Guidelines

The Board of Trustees of the Illinois Municipal Retirement Fund (IMRF) recognizes its fiduciary responsibility to prudently manage the assets of the Fund. The assets include common stock in many different companies and, as a shareowner, the Board also owns proxy voting rights. The Board acknowledges that it not only has a right to vote proxies, but also a duty to vote them. Proxies have economic value and, therefore, the Board has the duty to prudently oversee the management of them as it does all other Fund assets.

The Board shall vote proxies in accordance with the exclusive benefit rule which requires the Board to act solely in the economic interest of the Fund's members and beneficiaries.

Generally, proxies related to corporate governance shall be voted in favor of shareholder-sponsored proposals requiring corporate boards to act in the best interests of shareholders. Proxies related to director, executive, and employee compensation shall be voted in favor of compensation plans that motivate directors, executives, and employees to achieve high performance for the long term benefits of all shareowners. Proxies related to takeover defenses shall be voted in favor of proposals allowing shareholders to vote on poison pills and golden parachutes. Proxies related to capital structure issues shall be voted in favor of proposals requiring shareowner approval for reasonable share increases needed for business purposes. Proxies related to mergers, acquisitions, and corporate restructuring will be voted on a case-by-case basis. Proxies related to routine management issues shall generally be voted in accordance with management's view on such issues. In keeping with the Board's fiduciary duty to act solely in the economic interest of the Fund, and because empirical evidence is inconclusive about whether all social and political proposals enhance shareowner value, IMRF will abstain from voting on such proposals.

C. Domestic Equity Investment Guidelines

1. The domestic equity portfolio as a whole shall be constructed on four fundamental principles: diversification, quality, growth and value.

2. Generally, no individual security shall comprise more than 5 percent of the total portfolio at market value.

3. The total portfolio shall generally not hold more than 5 percent of the outstanding shares of any one company.

4. Holdings of any one issuer, at the time of purchase, shall generally be limited to not more than 15 percent of a manager's portfolio market value.

5. Sector exposure in the total portfolio shall generally not differ by more than 5 percentage points from the sector exposure of the Dow Jones Wilshire 5000.

6. Domestic equity managers must invest in equity securities that are listed on principal U.S. exchanges or traded over the counter. ADRs of foreign companies are permissible.

D. International Equity Investment Guidelines

1. The international equity portfolio as a whole shall be constructed on four fundamental principles: diversification, quality, growth and value.

2. Generally, no individual security shall comprise more than 6 percent of the total portfolio at market value.

3. The total portfolio shall generally not hold more than 5 percent of the outstanding shares of any one company.

4. Holdings of any one issuer, at the time of purchase, shall generally be limited to a maximum of 8 percent of a manager's portfolio market value.

5. Sector exposure in the portfolio shall not exceed the higher of 25 percent or two times the benchmark weighting at market value.

6. Country exposure in the portfolio shall not exceed the higher of 25 percent or two times the benchmark weighing at market value.

7. International equity managers shall generally invest in equity securities of companies domiciled outside of the U.S.

8. Investments in emerging market securities will not exceed 25 percent of the total portfolio at market value.

9. International equity managers may engage in various transactions to hedge currency. Forward contracts, futures and options may be used for currency hedging purposes. Currency trading may not be used for speculative purposes.

E. Fixed Income Investment Guidelines

1. Bonds, notes or other obligations of indebtedness issued or guaranteed by the U.S. government, its agencies or instrumentalities, are permissible investments and may be used without restrictions.

2. The average credit quality of the total portfolio will be investment grade.

3. Debt obligations of any single U.S. corporation shall generally be limited to a maximum of 5 percent of the total portfolio market value.

4. Generally, no more than 30 percent of an investment manager's assets at market value may be invested in securities rated below investment grade at the time of purchase. High yield bond managers are not subject to this restriction.

5. Debt obligations of any U.S. industry shall generally be limited to no more than 25 percent of the total portfolio at market value.

6. Bonds or other debt obligations of foreign countries and corporations payable in U.S. and in non-U.S. funds are authorized, but in general will not exceed, 15 percent of total portfolio.

7. The total portfolio shall have an effective duration range between 80-120 percent of the benchmark index.

8. Private placements are authorized by the Board on an individual manager basis.

9. The use of swaps, exchange traded financial futures, exchange traded options on financial futures, and over the counter options are subject to individual manager guidelines. Leverage is not allowed except as permitted for rolling mortgage pass-through securities.

10. No assets shall be committed to short sale contracts.

F. Equity Real Estate Investment Guidelines

Real estate is an authorized investment of the Fund. The current long-term target for this asset class is 2 percent of total portfolio.

G. Alternative Investment Guidelines

The Alternative Investment Portfolio will consist of venture capital, buyout, mezzanine, special situation, and absolute return investments. The investments will be made for long-term returns, generally through the use of limited partnership vehicles and separate account vehicles. Investments will be diversified in a manner that will broaden the portfolio exposure to a wide range of opportunities and provide a means of controlling the inherent risks of new and different investment areas.

H. Short-Term Investment Guidelines

Permissible short-term investments are U.S. Treasury Bills and Notes, high-grade commercial paper, repurchase agreements, banker's acceptances, and certificates of deposit. Commercial paper investments shall be made in instruments rated "A-2" or "P-2" or better as defined by a recognized rating service. Comparable ratings are required for banker's acceptances and certificates of deposit. No more than $20 million of current market value shall be invested in the securities of any one issuer, with the exception of the U.S. government and its agencies.

Returns by Asset Class

Periods ending December 31st

	2000	2001	2002	2003	2004	Annualized 3 Yrs	Annualized 5 Yrs	Annualized 10 Yrs
Total Fund								
Time-Weighted Returns								
IMRF	1.87%	-6.08%	-8.72%	22.56%	12.38%	7.93%	3.76%	10.31%
CPI (Inflation)	3.40%	1.55%	2.39%	1.88%	3.26%	2.51%	2.49%	2.43%
Equities - U.S.								
IMRF	-3.50%	-11.56%	-21.09%	32.65%	14.44%	6.20%	0.45%	12.83%
Dow Jones Wilshire 5000	-10.68%	-10.96%	-20.86%	31.65%	12.62%	5.48%	-1.42%	11.92%
Russell 2000	-3.03%	2.49%	-20.48%	47.25%	18.33%	11.48%	6.61%	11.53%
S&P 500	-9.10%	-11.88%	-22.10%	28.71%	10.88%	3.59%	-2.30%	12.07%
Equities - International								
IMRF	-3.18%	-15.33%	-16.71%	44.03%	22.24%	13.61%	3.75%	8.68%
MSCI ACWI Ex-U.S.	-15.09%	-19.50%	-14.68%	41.40%	21.36%	13.55%	0.02%	6.02%
MSCI EAFE	-13.96%	-21.21%	-15.66%	39.17%	20.69%	12.30%	-0.81%	5.94%
Fixed Income								
IMRF	7.26%	6.77%	8.81%	8.04%	5.51%	7.44%	7.27%	7.71%
Lehman Aggregate	11.63%	8.42%	10.27%	4.10%	4.34%	6.20%	7.71%	7.72%
Lehman Government/Credit	11.84%	8.51%	11.02%	4.67%	4.21%	6.59%	8.00%	7.80%
Merrill Lynch High Yield	-3.79%	6.20%	-1.14%	27.23%	10.76%	11.68%	7.32%	8.46%
Real Estate								
IMRF	12.96%	12.99%	6.61%	5.35%	10.09%	7.39%	9.66%	8.57%
NCREIF Classic Property	12.79%	7.28%	4.78%	6.53%	13.43%	8.47%	9.08%	10.90%
Alternative Investments								
IMRF	54.37%	-25.90%	-8.75%	8.23%	11.10%	3.15%	4.65%	17.24%
Cash & Cash Equivalents								
IMRF	9.87%	8.33%	4.38%	5.71%	6.00%	5.36%	6.84%	6.70%
U.S. Treasury Bills	6.21%	3.42%	1.78%	1.04%	1.30%	1.33%	2.67%	3.84%

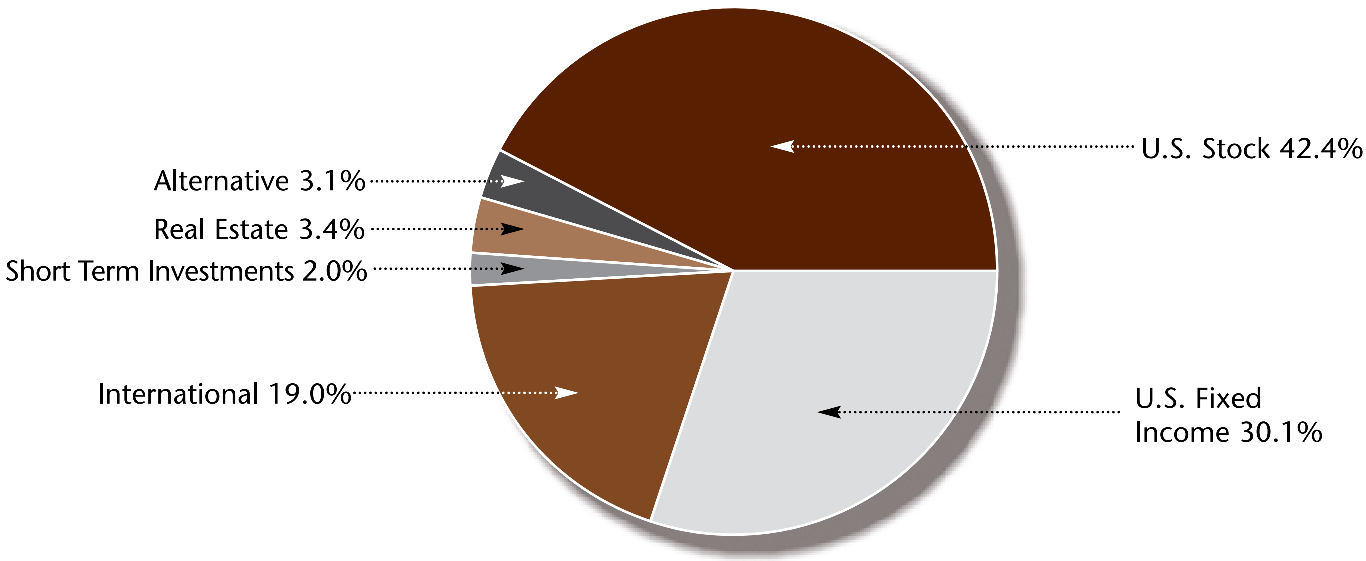
Performance has been audited and calculated by William M. Mercer Investment Consulting, Inc. in accordance with AIMR's performance presentation standards.

Schedule I
Investment Portfolio Summary
In Millions of Dollars

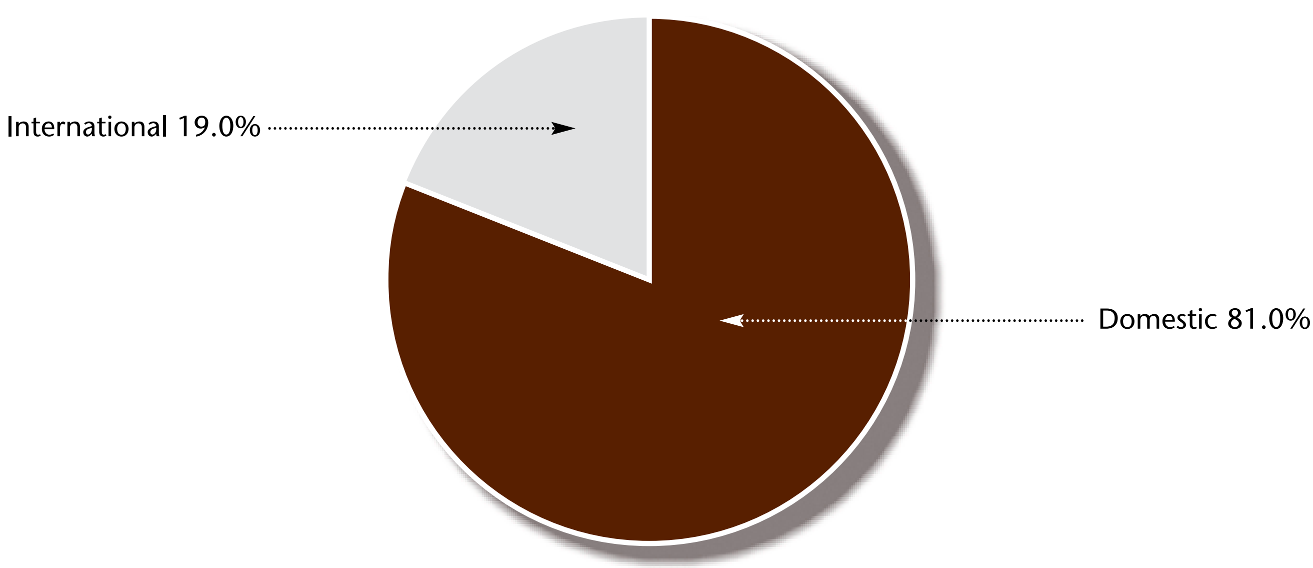
	As of 12/31/2004		As of 12/31/2003	
	Fair Value	Percent of Total Fair Value	Fair Value	Percent of Total Fair Value
Fixed Income:				
Government & Agencies	$2,163.3	11.7%	$2,138.6	12.7%
Corporate	1,583.7	8.5%	1,388.3	8.2%
Index Funds	1,831.4	9.9%	1,681.9	10.0%
Foreign	345.5	1.9%	329.2	2.0%
	5,923.9	32.0%	5,538.0	32.9%
Stocks:				
U.S. Common & Preferred	5,776.3	31.2%	5,130.4	30.5%
U.S. Stock Funds	2,073.8	11.2%	1,791.6	10.6%
Foreign Common & Preferred	2,265.8	12.3%	1,909.2	11.3%
Foreign Stock Funds	881.7	4.8%	693.3	4.1%
	10,997.6	59.5%	9,524.5	56.5%
Real Estate:				
Commingled Funds	317.1	1.7%	285.2	1.7%
Directly Owned	193.6	1.0%	170.3	1.0%
Timber and Agricultural	128.3	0.7%	131.0	0.8%
	639.0	3.4%	586.5	3.5%
Alternative Investments				
Commingled Funds	564.5	3.1%	520.8	3.1%
Short-Term Investments	371.9	2.0%	673.9	4.0%
Total Portfolio	$18,496.9	100.0%	$16,843.7	100.0%

Investment Portfolio as of December 31, 2004

Allocation by Asset Class



Total Investments by Region



Schedule II
Asset Allocation
Last Five Years

	Fair Value as a Percent of Portfolio				
	2000	2001	2002	2003	2004
Fixed Income:					
U.S. Government & Agencies	8.0%	12.9%	15.8%	12.7%	11.7%
Corporate	8.0%	10.1%	10.8%	8.2%	8.5%
Index Fund	9.3%	8.6%	9.6%	10.0%	9.9%
Foreign	4.4%	1.6%	2.1%	2.0%	1.9%
	29.7%	33.2%	38.3%	32.9%	32.0%
Stocks:					
U.S. Common & Preferred	32.3%	31.0%	29.3%	30.5%	31.2%
U.S. Stock Funds	12.6%	11.1%	9.6%	10.6%	11.2%
Foreign Common & Preferred	11.0%	8.8%	7.5%	11.3%	12.3%
Foreign Stock Funds	5.2%	4.6%	4.3%	4.1%	4.8%
	61.1%	55.5%	50.7%	56.5%	59.5%
Real Estate:					
Commingled Funds	1.8%	1.8%	2.0%	1.7%	1.7%
Directly Owned	1.3%	1.2%	1.3%	1.0%	1.0%
Timber and Agricultural	0.7%	0.8%	0.9%	0.8%	0.7%
	3.8%	3.8%	4.2%	3.5%	3.4%
Alternative Investments	2.3%	3.2%	3.4%	3.1%	3.1%
Short-Term Investments	3.1%	4.3%	3.4%	4.0%	2.0%
Total Portfolio	100.0%	100.0%	100.0%	100.0%	100.0%

Ten Largest Fixed Income Investment Holdings
Excludes Commingled Funds and Short-Term Investments

	Market Value	Percent of Total Invested Market
U.S. Treasury Notes 4.25% Due 8/15/2014	$103,287,510	0.56%
FNMA 6.00% Due 1/1/2035	96,128,413	0.52%
U.S. Treasury Notes 2.50% Due 10/31/2006	91,966,311	0.50%
FNMA 6.50% Due 1/1/2035	90,857,637	0.49%
U.S. Treasury Notes 3.00% Due 11/15/2007	72,564,351	0.39%
U.S. Treasury Bonds 5.375% Due 2/15/2031	61,608,663	0.33%
U.S. Treasury Notes 2.875% Due 11/30/2006	55,695,406	0.30%
U.S. Treasury Notes 2.50% Due 9/30/2006	55,090,264	0.30%
U.S. Treasury Notes 2.50% Due 5/31/2006	52,755,329	0.29%
U.S. Treasury Notes 2.75% Due 6/30/2006	50,024,819	0.27%
	$729,978,703	3.95%

Ten Largest Equity Investment Holdings
Excludes Commingled Funds

	Market Value	Percent of Total Invested Market
Citigroup	$108,624,990	0.59%
General Electric	101,669,400	0.55%
Microsoft	91,465,831	0.49%
Pfizer	86,221,441	0.47%
Ebay	83,948,346	0.45%
Exxon Mobil	77,807,554	0.42%
American International Group	77,804,831	0.42%
Dell	70,154,672	0.38%
Bank of America	68,326,655	0.37%
JP Morgan Chase	63,344,438	0.34%
	$829,368,158	4.48%

A complete listing of investments is available upon request.

Schedule of 2004 Domestic Brokerage Commissions

In order of commissions received

Broker Name	Shares	Commissions	Per Share
Merrill Lynch Pierce Fenner & Smith	9,487,717	$446,018	$0.05
Investment Technology Group	19,870,281	156,952	0.01
Loop Capital Markets	4,493,935	153,025	0.03
Lehman Brothers*	3,184,530	146,923	0.05
Citation Group*	2,906,625	145,331	0.05
Credit Suisse First Boston	2,915,560	134,573	0.05
Morgan Stanley	4,080,603	130,290	0.03
Goldman Sachs	2,591,455	119,725	0.05
Bear Stearns	2,827,067	118,832	0.04
BNY ESI Securities	3,012,618	118,331	0.04
Gardner Rich	2,907,146	114,328	0.04
Bernstein, Sanford C. & Co.	2,488,115	113,158	0.05
National Financial Services	3,089,695	104,805	0.03
Smith Barney	2,173,450	102,373	0.05
UBS Securities	2,031,216	93,158	0.05
Jones & Associates	1,970,210	90,739	0.05
Jefferies & Company	2,220,990	89,541	0.04
SK International	1,688,664	73,362	0.04
Prudential Equity Group	1,669,400	71,434	0.04
M. Ramsey King	1,540,000	66,516	0.04
Lynch Jones & Ryan*	1,697,100	63,704	0.04
JP Morgan	1,293,500	60,856	0.05
Liquidnet	2,867,775	57,356	0.02
Capital Institutional Services*	1,617,540	55,955	0.03
Wachovia	1,161,830	55,753	0.05
B Trade Services	2,812,986	53,181	0.02
Banc America	1,194,970	52,191	0.04
CIBC World Markets	1,021,500	48,504	0.05
Williams Capital Group	1,208,114	45,490	0.04
William Blair & Co	924,050	45,464	0.05
Other Brokers	28,710,269	1,149,534	0.04
Total	121,658,911	$4,277,402	$0.04

*Commission recapture broker

Schedule of 2004 International Brokerage Commissions

In order of commissions received

Broker Name	Shares	Commissions	Per Share
UBS	35,850,829	$506,494	$0.01
Merrill Lynch	26,233,469	445,111	0.02
Instinet	32,238,728	401,775	0.01
Morgan Stanley	24,382,429	365,636	0.01
Credit Suisse First Boston	18,212,087	277,317	0.02
Merrill Lynch Fenner & Smith	24,582,381	271,277	0.01
Citigroup Global Markets	13,271,589	218,147	0.02
Goldman Sachs	12,583,733	202,040	0.02
Deutsche Bank	14,035,635	200,690	0.01
JP Morgan	11,774,182	160,208	0.01
SG Cowen Securities	13,078,552	146,440	0.01
Bear Stearns	13,151,533	145,538	0.01
Dresdner Kleinwort Wasserstein	9,592,768	145,451	0.02
Credit Lyonnais	10,356,760	105,234	0.01
Nomura Securities	5,650,483	91,533	0.02
ABN Amro	4,649,588	84,556	0.02
Societe Generale	6,629,082	82,827	0.01
Lehman Brothers*	8,832,907	81,131	0.01
HSBC	4,541,902	70,387	0.02
Fuji Securities	1,513,219	57,511	0.04
SBC Warburg Dillon Reed	1,370,228	55,990	0.04
Daiwa Securities	1,125,955	46,878	0.04
Kotak Securities	565,800	40,349	0.07
Cheuvreux de Virieu	1,636,676	38,341	0.02
Cazenove & Co.	6,446,457	33,536	0.01
D. Kleinwort Wasserstein	4,055,648	30,213	0.01
BNP Paribas Peregrine	5,060,100	30,190	0.01
Westlbag	1,626,100	29,419	0.02
Vickers Ballas	1,308,500	26,967	0.02
Pershing Securities	1,851,300	26,021	0.01
Other Brokers	129,924,824	618,284	0.00
Total	446,133,444	$5,035,491	$0.01

*Commission recapture broker

Commissions in U.S. dollar terms

Schedule of Investment Fees

	2004 Fees	2004 Assets under management at year end (in thousands)*	Basis Points	2003 Fees	2003 Assets under management at year end (in thousands)*	Basis Points
Investment manager fees						
Fixed income managers	$4,858,479	$5,159,015	9	$5,089,729	$4,926,564	10
Stock managers	14,619,600	7,921,385	18	13,643,918	6,907,260	20
International managers	12,566,875	3,937,999	32	12,739,085	3,381,112	38
Real estate managers	5,728,244	644,047	89	5,551,328	588,725	94
Alternative Investment managers	6,526,744	578,437	113	6,173,993	529,971	117
	$44,299,942	$18,240,883		$43,198,053	$16,333,632	
Other investment fees						
Master trustee fees	276,250			330,139		
Investment consulting fees	524,049			474,021		
Total investment fees	45,100,241			44,002,213		
Non-fee investment expenses	70,375			47,830		
Total direct investment expenses	$45,170,616			$44,050,043		
Securities lending fees						
Rebated earnings	$25,213,030			$13,331,337		
Bank fees and commissions	1,263,100			1,061,310		
	$26,476,130			$14,392,647		

*Assets under management include accrued investment income and unsettled trades.

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Actuarial

IMRF

ACTUARIAL 2004

GABRIEL, ROEDER, SMITH & COMPANY
Consultants & Actuaries
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April 15, 2005

Board of Trustees
Illinois Municipal Retirement Fund
2211 York Road, Suite 500
Oak Brook, Illinois 60521-2374

Dear Board Members:

The basic financial objective of the Illinois Municipal Retirement Fund (IMRF) is to establish and receive contributions which:

- when expressed in terms of percents of active member payroll will remain approximately level from generation to generation, and
- when combined with present assets and future investment returns will be sufficient to meet the financial obligations of IMRF employers to present and future retirees and beneficiaries.

Actuarial valuations are performed annually to assess the plan's progress toward meeting its financial objective. The valuation process develops contribution rates that are sufficient to fund the plan's current cost (i.e., the costs assigned by the valuation method to the year of service about to be rendered), as well as to fund unfunded actuarial accrued liabilities as a level percent of active member payroll over a finite period. The most recent valuations were completed based upon population data, asset data, and plan provisions as of December 31, 2004.

The plan administrative staff provides the actuary with data for the actuarial valuation. The actuary relies on the data after reviewing it for internal and year-to-year consistency. The actuary summarizes and tabulates population data in order to analyze longer-term trends. The Plan's external auditor also audits the actuarial data annually. The actuary prepared the following supporting schedules for the Comprehensive Annual Financial Report:

Schedule of Funding Progress

Solvency Test

Actuarial Balance Sheet

Analysis of Unfunded Liability

Gain and Loss Analysis

Assets are valued on a market related basis that recognizes each year's difference between actual and assumed investment return over a closed five-year period.

Board of Trustees
Page 2

April 15, 2005

Actuarial valuations are based upon assumptions regarding future activity in specific risk areas including the rates of investment return and payroll growth, eligibility for the various classes of benefits, and longevity among retired lives. The Board adopts these assumptions after considering the advice of the actuary and other professionals. The assumptions and the methods comply with the requirements of Statement 25 of the Governmental Accounting Standards Board. Each actuarial valuation takes into account all prior differences between actual and assumed experience in each risk area and adjusts the contribution rates as needed. The December 31, 2004 valuations were based upon assumptions that were recommended in connection with a study of experience covering the 1999-2001 period. The next experience study will cover the period from January 1, 2002 to December 31, 2004.

Although investment results were very favorable during 2004, the investment losses from 2000 through 2002 were still being phased-in in accordance with the asset smoothing method. This exerted upward pressure on the contribution rates. The Actuarial Value of Assets is now equal to the Market Value of Assets, which means that the phase-in of asset losses from 2000 to 2002 has been completed.

Based upon the results of the December 31, 2004 valuations, we are pleased to report to the Board that the Illinois Municipal Retirement System is meeting its basic financial objective and continues in sound condition in accordance with actuarial principles of level percent of payroll financing. Although investment markets have started to turn around, upward pressure on contribution rates is still likely due to the previous investment losses that have yet to be fully recognized.

Respectfully submitted,

GABRIEL, ROEDER, SMITH & COMPANY

Norman L. Jones, F.S.A., E.A., M.A.A.A.

Brian B. Murphy, F.S.A., E.A., M.A.A.A.

BBM:lr
Enclosures

GABRIEL, ROEDER, SMITH & COMPANY

Illinois Municipal Retirement Fund
Brief Summary Of Actuarial Assumptions used in 2004 Valuations
(Adopted as of December 31, 2001, except as noted below)

Investment Return	7.5% per annum, compounded annually, net of expenses (effective December 31, 1991), including a wage inflation component of 4.0% and a real return component of 3.5%.
Payroll Growth	4.00% per annum, compounded annually. Membership is assumed to remain constant.
Retirement Rates	Rates varying by age and sex. See table below for sample values.
Mortality for Actives and Annuitants	1983 Group Annuity Mortality Table for males and 1983 Individual Annuity Mortality Table for females, both multiplied by 95%. The active tables were further modified to reflect IMRF experience. Among the active members, 80% of males and 70% of females were assumed to be married.
Mortality for Disabled Cases	Graduated rates by age.
Disability & Separation	Graduated rates by age and service. See table below for sample values.
Salary Increases	Graduated rates by age and service. See table below.
Asset Valuation Method	Market Related Value that reflects five-year averaging of investment gains and losses.
Liability Valuation Method	The Entry Age Actuarial Cost Method is applied on an aggregate basis to determine plan liabilities. Gains and Losses become part of unfunded liabilities.

Sample Annual Rates per 100 Employees					Pay Increase Next Year (6+ Yrs. Of Service)
	Active Mortality		Disability		
Age	Male	Female	Male	Female	
20	0.02%	0.01%	0.02%	0.01%	8.0%
30	0.03%	0.02%	0.02%	0.02%	5.9%
40	0.06%	0.04%	0.09%	0.05%	5.0%
50	0.20%	0.09%	0.21%	0.12%	4.7%
60	0.46%	0.22%	0.42%	0.32%	4.4%
65	0.78%	0.37%	0.45%	0.38%	4.4%

	Separation			Retirement				
	Regular (8+ Yrs. Serv.)		SLEP	Reduced Early		Normal Unreduced		
Age	Male	Female	(5+ Yrs.)	Male	Female	Male	Female	SLEP
30	5.5%	6.5%	3.0%	- %	- %	- %	- %	- %
35	4.4%	5.8%	2.4%	-	-	-	-	-
40	3.4%	4.8%	1.7%	-	-	-	-	-
45	2.8%	4.3%	1.5%	-	-	-	-	-
50	2.5%	3.7%	1.5%	-	-	-	-	-
55	-	-	-	6.0%	7.0%	35.0%	35.0%	25.0%
60	-	-	-	-	-	10.0%	10.0%	10.0%
65	-	-	-	-	-	40.0%	30.0%	25.0%
70	-	-	-	-	-	20.0%	18.0%	100.0%

ECO retirement rates were 10 percentage points higher than the above schedule indicates.

Solvency Test
Last ten years

Calendar Year	Aggregate Actuarial Liabilities For (1) Active Member Contributions	(2) Annuitants	(3) Active Members (Employer Financed Portion)	Actuarial Assets	Portion of Actuarial Liabilities Covered by Assets (1)	(2)	(3)
1995	$1,642,362,193	$3,171,162,151	$4,010,173,143	$8,034,030,783	100.0%	100.0%	80.3%
1996	1,782,293,677	3,588,320,481	4,407,978,361	9,076,261,663	100.0%	100.0%	84.1%
1997	1,933,512,014	3,995,946,514	4,878,510,539	10,273,116,034	100.0%	100.0%	89.0%
1998	2,086,679,470	4,485,651,306	5,288,548,422	11,636,495,534	100.0%	100.0%	95.8%
1999	2,258,628,401	4,915,467,275	5,830,927,617	13,520,192,111	100.0%	100.0%	108.8%
2000	2,473,646,891	5,284,275,174	6,395,133,709	15,169,369,271	100.0%	100.0%	115.9%
2001	2,708,833,984	5,613,708,283	6,995,975,308	16,305,022,254	100.0%	100.0%	114.1%
2002	2,950,041,671	6,050,882,416	7,558,983,215	16,800,195,504	100.0%	100.0%	103.2%
2003	3,186,234,066	6,674,490,186	8,105,379,199	17,529,890,818	100.0%	100.0%	94.6%
2004	3,423,785,725	7,332,542,340	8,668,338,951	18,315,987,910	100.0%	100.0%	87.2%

Total obligation and actuarial value of assets calculated by the actuary

Table I
Participating Member Statistics
Last ten years

Calendar Year	Total Salaries	Percent Increase in Total Salaries	Average Annual Salary	Percent Increase in Average Salary	Number of Participating Members	Average Attained Age	Average Years of Service
1995	$3,095,916,750	5.1%	$22,661	4.4%	133,733	43.8	8.2
1996	3,084,086,668	-0.4%	22,104	-2.5%	142,046	44.0	8.3
1997	3,454,621,933	12.0%	23,991	8.5%	146,659	44.1	8.2
1998	3,696,047,942	7.0%	24,871	3.7%	150,428	44.3	8.2
1999	3,952,129,535	6.9%	25,678	3.2%	155,517	44.4	8.6
2000	4,184,702,169	5.9%	26,514	3.3%	159,810	44.6	8.2
2001	4,503,092,615	7.6%	27,477	3.6%	164,845	44.9	8.3
2002	4,755,103,888	5.6%	28,582	4.0%	167,776	45.3	8.5
2003	4,944,767,495	4.0%	29,709	3.9%	167,952	45.7	8.8
2004	5,161,127,432	4.4%	30,899	4.0%	168,536	46.0	9.0

Salaries, average annual salary, attained age and average years of service are provided by the actuary.

Table II

Schedule of Adds and Removals from Rolls

Last nine years

Schedule of Retirees and Beneficiaries Added to and Removed from Rolls

Calendar Year	Beginning of Year Balance	Number Added to Rolls	Number Removed from Rolls	End of Year Balance	Annual Pension Benefit Amount	Average Annual Benefit	% Increase in Average Benefit
1996	59,212	4,702	2,399	61,515	$330,182,571	$5,368	7.9%
1997	61,515	4,971	2,430	64,056	369,267,651	5,765	7.4%
1998	64,056	4,894	2,678	66,272	411,763,751	6,213	7.8%
1999	66,272	4,854	2,795	68,331	451,411,565	6,606	6.3%
2000	68,331	4,406	2,875	69,862	483,042,410	6,914	4.7%
2001	69,862	4,576	3,006	71,432	518,117,918	7,253	4.9%
2002	71,432	4,896	2,968	73,360	561,184,188	7,650	5.5%
2003	73,360	5,378	2,963	75,775	613,578,521	8,097	5.8%
2004	75,775	5,542	3,075	78,242	675,628,615	8,635	6.6%

Schedule of Disabilitants Added to and Removed from Rolls

Calendar Year	Beginning of Year Balance	Number Added to Rolls	Number Removed from Rolls	End of Year Balance	Annual Pension Benefit Amount	Average Annual Benefit	% Increase in Average Benefit
1996	1,751	1,885	1,910	1,726	$9,477,974	$5,491	3.8%
1997	1,726	1,885	1,984	1,627	9,107,613	5,598	1.9%
1998	1,627	1,799	1,942	1,484	8,636,865	5,820	4.0%
1999	1,484	1,805	1,905	1,384	8,140,900	5,882	1.1%
2000	1,384	1,810	1,777	1,417	9,067,056	6,399	8.8%
2001	1,417	1,989	2,006	1,400	9,629,607	6,878	7.5%
2002	1,400	2,261	2,353	1,308	9,735,768	7,443	8.2%
2003	1,308	2,491	2,459	1,340	10,305,806	7,691	3.3%
2004	1,340	2,533	2,487	1,386	10,773,041	7,773	1.1%

Table III
Average Employer Contribution Rates
Last five years

Calendar Year	Normal Cost	Prior Service Cost	Disability and Death	Supplemental Retirement Benefit	Total
Regular members					
2002	7.62%	-2.73%	0.36%	0.62%	5.87%
2003	7.66%	-2.40%	0.34%	0.62%	6.22%
2004*	7.60%	-0.78%	0.38%	0.62%	7.82%
2005	7.61%	0.64%	0.38%	0.62%	9.25%
2006	7.64%	1.34%	0.44%	0.62%	10.04%
Sheriff's Law Enforcement Personnel members (SLEP)					
2002	11.94%	1.20%	0.37%	0.62%	14.13%
2003	11.96%	1.12%	0.34%	0.62%	14.04%
2004*	12.47%	2.82%	0.38%	0.62%	16.29%
2005	12.48%	3.67%	0.38%	0.62%	17.15%
2006	12.56%	4.62%	0.45%	0.62%	18.25%
Elected County Officials (ECO)					
2002	18.05%	19.43%	0.36%	0.62%	38.46%
2003	17.95%	21.47%	0.33%	0.62%	40.37%
2004*	18.18%	25.73%	0.37%	0.62%	44.90%
2005	18.07%	23.55%	0.42%	0.62%	42.66%
2006	18.01%	25.84%	0.43%	0.62%	44.90%

* Assumptions changed due to experience study.

Table IV
Participating Member Contribution Rates
Last ten years

Calendar Year	Regular IMRF			Sheriff's Law Enforcement Personnel				Elected County Officials			
	Normal	Survivor	Total	Normal	Survivor	SLEP	Total	Normal	Survivor	ECO	Total
1995	3.75%	0.75%	4.50%	3.75%	0.75%	2.00%	6.50%				
1996	3.75%	0.75%	4.50%	3.75%	0.75%	2.00%	6.50%				
1997*	3.75%	0.75%	4.50%	3.75%	0.75%	2.00%	6.50%	3.75%	0.75%	3.00%	7.50%
1998	3.75%	0.75%	4.50%	3.75%	0.75%	2.00%	6.50%	3.75%	0.75%	3.00%	7.50%
1999	3.75%	0.75%	4.50%	3.75%	0.75%	2.00%	6.50%	3.75%	0.75%	3.00%	7.50%
2000	3.75%	0.75%	4.50%	3.75%	0.75%	2.00%	6.50%	3.75%	0.75%	3.00%	7.50%
2001	3.75%	0.75%	4.50%	3.75%	0.75%	2.00%	6.50%	3.75%	0.75%	3.00%	7.50%
2002	3.75%	0.75%	4.50%	3.75%	0.75%	2.00%	6.50%	3.75%	0.75%	3.00%	7.50%
2003	3.75%	0.75%	4.50%	3.75%	0.75%	2.00%	6.50%	3.75%	0.75%	3.00%	7.50%
2004	3.75%	0.75%	4.50%	3.75%	0.75%	2.00%	6.50%	3.75%	0.75%	3.00%	7.50%

* The Elected County Officials plan began in 1997.

Actuarial Balance Sheet

	Amount at December 31 2004	Amount at December 31 2003
Sources of Funds		
Actuarial value of assets	$18,315,987,910	$17,529,890,818
Actuarial present value of future contributions:		
Member	2,121,446,307	2,052,100,661
Employer Normal Costs	3,639,242,487	3,506,654,503
Under Funded Actuarial Accrued Liability	1,108,679,106	436,212,633
Total Sources	25,185,355,810	23,524,858,615
Uses of Funds		
Retired members and beneficiaries	7,332,542,340	6,674,490,186
Inactive members	1,787,190,567	1,635,982,464
Active members	16,051,262,532	15,199,225,042
Death and disability benefits	14,360,371	15,160,923
	$25,185,355,810	$23,524,858,615

Analysis of Actuarial Liability

	Amount at December 31 2004	Amount at December 31 2003
Under (Over) funded liability beginning of year	$ 436,212,633	$ (240,288,202)
Assumed net (payments) credits during year	(41,532,338)	41,586,144
Assumed interest (7.5 percent)	31,177,228	(16,480,934)
Expected under (over) funded liability	425,857,523	(215,182,992)
Change due to investment performance	478,548,470	404,569,684
Change due to other sources	204,273,113	246,825,941
Underfunded liability end of year	$ 1,108,679,106	$ 436,212,633

Derivation of Experience Loss

Type of Risk Area	2004		2003
		(in millions)	
Risks Related to Assumptions			
Economic Risk Areas			
Investment Return	$(478.5)		$(404.6)
Pay Increases	(0.3)		36.8
Demographic Risk Areas			
Service Retirements	(14.7)		(18.4)
Early Retirements	(5.3)		(5.4)
Vested Deferred Retirements	(27.5)		(28.0)
Death and Survivor Benefits	3.4		2.3
Disability Benefits	7.3		5.9
Terminated with Refund	15.8		10.0
Risks Not Related to Assumptions	(183.0)		(250.0)
Total Gain (or Loss) During Year	$(682.8)		$(651.4)

Regular actuarial valuations give information about the composite change in unfunded actuarial accrued liabilities – whether or not the liabilities are increasing or decreasing and by how much. The objective of a gain and loss analysis is to determine the portion of the change in actuarial condition (unfunded actuarial accrued liabilities) attributable to each risk area. The fact that actual experience differs from assumed experience is to be expected – the future cannot be predicted with 100 percent precision. The economic risk areas (particularly investment return and pay increases) are volatile. It is assumed that gains and losses will be in balance over a period of years, but sizable year to year fluctuations are common.

Summary of 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 2,883 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 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 may adopt the Elected County Official (ECO) plan for their elected officials. After a county has adopted the ECO plan, participation is optional for the elected officials of that county. A county may opt out of the ECO plan. All remaining employees belong to the Regular plan.

Both the employee (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 members contribute 6.5 percent. ECO members contribute 7.5 percent. Employer contributions are actuarially calculated annually for each employer. Employers pay most of the cost for member and survivor pensions and all of the cost for supplemental retirement, death and disability benefits.

Vesting

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 join 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.

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. Vested members age 55 or older 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 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 were not paid as a refund or pension, 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 of the first 20 years of service, plus
- 2 percent for each year of service between 20 and 30 years of service, plus
- 1 percent of the final rate of earnings for each year of service credit in excess of 30 years.

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

An IMRF pension is paid for life and is increased by three percent of the original amount on January 1 of each year after the member retires. The increase for the first year is pro-rated for the number of months the member was retired.

The final rate of earnings for Regular and SLEP members are the highest total earnings during any 48 consecutive months within the last 10 years of IMRF service divided by 48. The final rate of earnings for ECO members is the annual salary of the ECO member on the day he or she retires. For new ECO members who join the plan after January 25, 2000, the final rate of earnings is a four-year average calculated for each office held.

Retirement Eligibility

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.

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. 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.

Early Retirement Incentive

IMRF employers may offer an early retirement incentive (ERI) program to their employees who are over 50 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 after the liability for the previous ERI program is paid.

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 number 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 up to a maximum of 66-2/3 percent.

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 pays 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 plus any balance in the member's account. Eligible spouses of deceased vested active members may choose the lump sum or a monthly surviving spouse pension.

Beneficiaries of inactive members receive a lump sum payment of any balance in the member's account. If the beneficiary is an eligible spouse, 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 of the member's pension. However, if the spouse is more than five years younger than the member, the pension is actuarially reduced.

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 (age 50 requirement does not apply):

- a monthly pension equal to 30 percent of the ECO member's salary at time of death plus
- 10 percent of the ECO member's salary at 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 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 by three percent of the original amount. The increase for the first year is prorated for the number of months the surviving spouse received a pension.

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Statistical

IMRF

STATISTICAL 2004

Table V
Changes in Plan Net Assets
Last ten years

Additions

Calendar Year	Investment Earnings Net of Direct Investment Expense	Employer Contributions: Dollars	Employer Contributions: Percent of Annual Covered Payroll	Member Contributions	Other	Total Additions
1995	$1,437,085,113	$315,729,600	10.18%	$145,302,603	$1,646	$1,898,118,962
1996	1,339,939,094	327,550,353	9.99%	158,107,450	0	1,825,596,897
1997	1,550,409,109	336,249,487	9.69%	168,501,275	1,232	2,055,161,103
1998	1,416,152,349	364,196,668	9.84%	190,259,213	66,938	1,970,675,168
1999	2,689,086,076	379,194,892	9.64%	192,356,900	6,957	3,260,644,825
2000	283,134,582	356,153,448	8.48%	200,209,408	739	839,498,177
2001	(1,010,875,498)	313,007,639	6.95%	216,150,677	4,050	(481,713,132)
2002	(1,325,374,842)	294,935,422	6.15%	233,935,559	5,200	(796,498,661)
2003	2,996,066,692	321,049,839	6.49%	255,498,279	5,050	3,572,619,860
2004	2,010,704,974	456,198,098	8.84%	259,505,532	5,494	2,726,414,098

Deductions

Calendar Year	Benefits	Refunds	Administrative Expense	Total Deductions	Change in Plan Net Assets
1995	$332,685,282	$22,261,910	$14,756,916	$369,704,108	$1,528,414,854
1996	368,737,972	23,520,078	14,135,868	406,393,918	1,419,202,979
1997	410,417,029	26,088,854	14,700,542	451,206,425	1,603,954,678
1998	451,496,766	27,121,071	16,527,175	495,145,012	1,475,530,156
1999	496,363,836	28,126,601	16,190,583	540,681,020	2,719,963,805
2000	533,683,244	29,791,950	17,125,395	580,600,589	258,897,588
2001	570,548,544	27,507,628	18,470,776	616,526,948	(1,098,240,080)
2002	613,606,477	36,641,773	18,727,800	668,976,050	(1,465,474,711)
2003	668,534,229	29,186,749	18,785,811	716,506,789	2,856,113,071
2004	733,376,801	31,156,292	19,405,567	783,938,660	1,942,475,438

Table VI

Benefit Expense by Type

Last ten years

Calendar Year	DEATH Supplemental	DEATH Refund	DEATH Burial	DEATH Residual	DISABILITY Permanent	DISABILITY Temporary
1995	$6,915,904	$4,009,076	$4,603,677	$204,249	$2,792,032	$5,827,116
1996	6,537,240	5,669,342	4,986,510	311,381	3,296,993	5,808,860
1997	7,083,244	5,376,069	5,458,990	493,928	3,089,085	5,274,900
1998	7,534,697	5,912,822	5,585,751	516,511	3,093,157	5,130,272
1999	7,107,276	5,440,949	6,234,757	155,382	3,150,728	5,286,122
2000	8,211,433	5,864,391	5,947,348	405,080	3,081,562	6,022,246
2001	7,146,093	6,341,938	6,314,132	658,284	3,140,589	6,424,182
2002	8,609,843	5,836,970	6,539,959	502,963	3,255,522	6,585,585
2003	7,962,909	6,120,345	6,583,839	586,550	3,473,294	7,060,682
2004	9,929,302	7,319,032	6,881,926	515,537	3,440,867	7,377,055

Calendar Year	ANNUITIES Retirement	ANNUITIES Surviving Spouse	ANNUITIES Beneficiary	ANNUITIES Supplemental	REFUNDS Separation	REFUNDS Other	Total
1995	$268,714,165	$20,123,119	$513,544	$18,982,400	$21,872,917	$388,993	$354,947,192
1996	298,852,567	22,359,163	553,216	20,362,701	23,342,975	177,103	392,258,051
1997	336,784,723	24,815,833	615,880	21,424,377	25,760,143	328,711	436,505,883
1998	374,124,084	26,334,572	635,074	22,629,826	26,589,126	531,945	478,617,837
1999	414,515,394	29,272,679	697,985	24,502,564	27,998,118	128,483	524,490,437
2000	445,581,289	32,129,182	749,696	25,691,017	29,423,748	368,202	563,475,194
2001	477,490,779	34,622,766	785,027	27,624,754	27,039,539	468,089	598,056,172
2002	513,656,258	37,907,435	850,558	29,861,384	26,031,474	10,610,299	650,248,250
2003	563,294,375	41,009,876	953,238	31,489,121	28,286,009	900,740	697,720,978
2004	619,816,366	44,426,578	1,073,847	32,596,291	29,802,863	1,353,429	764,533,093

Table VII
Average Benefit Payment Amounts
Last ten years

	Single Sum Payments		Recurring Payments	
Calendar Year	Separation Refunds	Lump Sum Death Benefit	Annual Disability (1)	Annual Retirement (2)
1995	$1,990	$21,518	$10,861	$8,616
1996	1,974	22,002	11,188	10,232
1997	1,859	21,779	11,764	10,643
1998	1,966	32,627	12,059	10,415
1999	2,027	30,645	12,355	10,102
2000	2,095	31,999	13,144	9,314
2001	2,048	27,888	13,807	11,023
2002	2,044	28,668	14,302	12,217
2003	2,235	25,991	14,418	13,862
2004	2,445	29,022	14,946	14,118

(1) Prior to Social Security and workers' compensation offsets.
(2) Prior to optional benefit reduction.

Average Benefit Payment Amounts

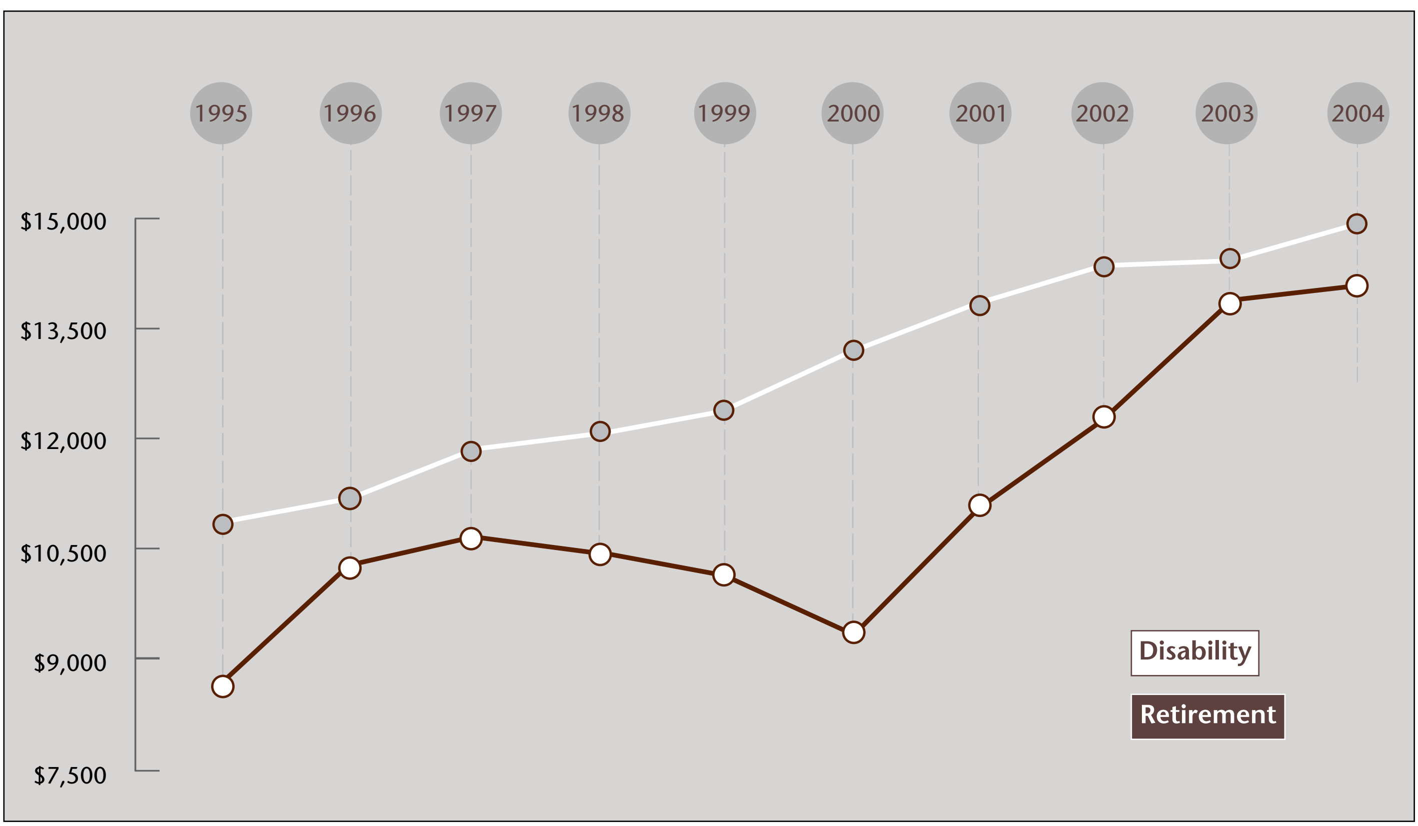

Table VIII
Operating Statistics - Number of Initial Benefit Payments
Last ten years

Calendar Year	Annuity	Disability	Death	Refund	Total
1995	4,039	2,183	1,002	11,348	18,572
1996	4,689	2,221	889	11,550	19,349
1997	4,962	2,169	915	13,841	21,887
1998	4,025	1,953	2,367	13,373	21,718
1999	3,892	2,004	2,517	13,542	21,955
2000	3,527	2,044	2,374	13,997	21,942
2001	3,647	1,989	2,646	13,162	21,444
2002	3,963	2,261	2,695	12,603	21,522
2003	4,442	2,491	2,699	12,507	22,139
2004	4,555	2,716	2,693	11,999	21,963

Table IX
Number of Employees
Last ten years

Calendar Year	Administrative	Human Resources	Finance	Investments	Legal	Communications	Member Services	Benefits	Information Services	Office Services	Total
1995	4	4	36	8	4	3	17	20	37	25	158
1996	4	4	38	7	4	4	19	22	35	25	162
1997	3	4	40	10	4	4	22	23	41	25	176
1998	4	4	41	9	4	3	21	23	40	27	176
1999	4	4	41	10	4	4	22	24	40	26	179
2000	4	4	41	9	4	5	20	24	43	25	179
2001	4	4	39	10	3	5	24	25	43	27	184
2002	4	4	38	10	4	5	24	25	45	27	186
2003	4	4	36	10	4	5	24	25	45	26	183
2004	4	4	33	10	4	5	24	25	43	25	177

Table X

Number of Actively Participating Employers

Last ten years

Calendar Year End	Cities	Villages	Counties	School Districts	Townships	Other	Total
1995	242	329	101	902	376	690	2,640
1996	244	341	101	902	387	704	2,679
1997	245	347	101	898	402	713	2,706
1998	247	356	101	894	417	729	2,744
1999	247	363	101	893	425	739	2,768
2000	249	364	101	891	432	754	2,791
2001	251	373	101	890	444	767	2,826
2002	252	377	101	890	451	782	2,853
2003	252	383	101	885	458	792	2,871
2004	252	389	101	877	463	801	2,883

Table XI

Principal Participating Employers

Current Year and Nine years Ago

	2004			1995		
Employer	Active Members	Rank	Percentage of Total Active Members	Active Members	Rank	Percentage of Total Active Members
DuPage County	3,537	1	2.10%	3,211	1	2.40%
Lake County	2,933	2	1.74%	2,569	2	1.92%
Will County	2,087	3	1.24%	1,578	4	1.18%
Union School District 46	1,860	4	1.10%	1,222	7	0.91%
Rockford School District 205	1,799	5	1.07%	1,583	3	1.18%
Winnebago County	1,655	6	0.98%	1,475	6	1.10%
Kane County	1,385	7	0.82%	1,151	9	0.86%
City of Springfield	1,342	8	0.80%	1,516	5	1.13%
Peoria School District 150	1,253	9	0.74%	1,165	8	0.87%
McHenry County	1,113	10	0.66%			
Peoria County				1,073	10	0.80%
	18,964		11.25%	16,543		12.35%

Table XII
Number of Actively Participating Members
Last ten years

Calendar Year End	Male Participants	Female Participants	Total
1995	52,778	80,995	133,773
1996	55,255	86,791	142,046
1997	56,424	90,235	146,659
1998	57,181	93,247	150,428
1999	58,419	97,098	155,517
2000	59,728	100,082	159,810
2001	61,245	103,600	164,845
2002	62,216	105,560	167,776
2003	62,597	105,355	167,952
2004	62,611	105,925	168,536

Table XIII
Participating Members' Length of Service
Last ten years

Calendar Year	Total Active Members	Under 1 Year	1 to 4 Years	5 to 9 Years	10 to 14 Years	15 Years and Over
1995	133,773	16,014	40,105	34,162	18,846	24,646
1996	142,046	18,464	42,166	33,826	19,497	28,093
1997	146,659	20,761	44,506	32,651	20,759	27,982
1998	150,428	21,503	46,464	32,060	22,291	28,110
1999	155,517	22,831	48,532	31,371	23,602	29,181
2000	159,810	22,461	51,404	31,011	24,202	30,732
2001	164,845	22,286	54,316	31,917	24,034	32,292
2002	167,776	18,566	57,397	34,649	23,481	33,683
2003	167,952	16,678	55,415	37,332	23,331	35,196
2004	168,536	17,225	51,017	40,148	23,099	37,047

Table XIV
Distribution of Current Annuitants by Pension Amount

Monthly Pension Amount	Retirement Number of Males	Retirement Number of Females	Survivor Number of Males	Survivor Number of Females	All Annuities Number of Males	All Annuities Number of Females
Under $100	987	5,031	714	1,572	1,701	6,603
$100 to under $250	2,073	10,064	900	3,308	2,973	13,372
$250 to under $500	4,350	11,014	540	2,613	4,890	13,627
$500 to under $750	3,368	6,451	159	1,026	3,527	7,477
$750 to under $1,000	2,474	3,850	46	446	2,520	4,296
$1,000 to under $2,000	5,176	5,846	19	453	5,195	6,299
$2,000 to under $3,000	2,369	1,086	1	47	2,370	1,133
$3,000 to under $4,000	1,100	240		4	1,100	244
$4,000 and over	816	96		3	816	99
	22,713	43,678	2,379	9,472	25,092	53,150

Note: Counts do not include disabilitants.

Table XV

Analysis of Initial Retirement Benefits - Regular Plan

Last Nine Years

	Years of Credited Service							
	8-9	10-14	15-19	20-24	25-29	30-34	35+	Total
1996								
Avg Monthly Annuity	$224	$231	$557	$819	$1,043	$1,474	$2,055	$765
Avg Monthly FRE	$1,588	$1,676	$1,944	$2,128	$2,124	$2,534	$2,912	$2,013
Number of Retirees	404	706	686	474	643	335	174	3,422
1997								
Avg Monthly Annuity	$221	$336	$544	$817	$1,175	$1,514	$2,096	$769
Avg Monthly FRE	$1,577	$1,714	$1,874	$2,151	$2,413	$2,593	$2,986	$2,055
Number of Retirees	462	749	746	526	689	307	160	3,639
1998								
Avg Monthly Annuity	$236	$365	$601	$833	$1,309	$1,677	$2,637	$894
Avg Monthly FRE	$1,667	$1,860	$2,074	$2,182	$2,695	$2,898	$3,767	$2,286
Number of Retirees	444	696	638	523	535	324	231	3,391
1999								
Avg Monthly Annuity	$235	$368	$623	$853	$1,334	$1,845	$2,810	$864
Avg Monthly FRE	$1,647	$1,853	$2,176	$2,247	$2,755	$3,184	$4,036	$2,302
Number of Retirees	409	774	591	588	453	294	148	3,257
2000								
Avg Monthly Annuity	$250	$400	$656	$911	$1,270	$1,764	$2,499	$808
Avg Monthly FRE	$1,776	$2,005	$2,277	$2,392	$2,664	$3,065	$3,595	$2,315
Number of Retirees	383	705	558	574	375	205	94	2,894
2001								
Avg Monthly Annuity	$254	$385	$635	$903	$1,352	$2,007	$2,616	$845
Avg Monthly FRE	$1,821	$1,942	$2,233	$2,388	$2,822	$3,476	$3,757	$2,363
Number of Retirees	389	742	575	563	356	213	131	2,969
2002								
Avg Monthly Annuity	$265	$397	$693	$951	$1,449	$2,010	$2,756	$965
Avg Monthly FRE	$1,896	$2,005	$2,450	$2,504	$3,017	$3,490	$3,981	$2,558
Number of Retirees	387	667	594	520	483	298	152	3,101
2003								
Avg Monthly Annuity	$273	$448	$746	$1,084	$1,490	$2,151	$3,122	$1,119
Avg Monthly FRE	$1,947	$2,255	$2,609	$2,842	$3,091	$3,734	$4,496	$2,824
Number of Retirees	417	685	643	460	553	361	245	3,364
2004								
Avg Monthly Annuity	$293	$433	$719	$1,077	$1,567	$2,236	$3,251	$1,147
Avg Monthly FRE	$2,099	$2,185	$2,533	$2,816	$3,266	$3,841	$4,665	$2,866
Number of Retirees	410	715	676	461	559	367	261	3,449

FRE = Final Rate of Earnings used to calculate retirement benefit.

Note: This schedule excludes members retiring with money purchase benefits, reciprocal benefits, or multiple plans.

Table XVI

Analysis of Initial Retirement Benefits - Sheriffs' Law Enforcement Personnel Plan (SLEP)

Last Nine Years

	Years of Credited Service				
	20-24	25-29	30-34	35+	Total
1996					
Avg Monthly Annuity	$1,668	$2,439	$2,631		$2,144
Avg Monthly FRE	$3,187	$3,837	$3,879		$3,576
Number of Retirees	20	24	5		49
1997					
Avg Monthly Annuity	$1,719	$2,509	$3,036	$5,235	$2,582
Avg Monthly FRE	$3,210	$4,083	$4,407	$6,981	$4,070
Number of Retirees	22	29	29	3	83
1998					
Avg Monthly Annuity	$1,615	$2,212	$2,905	$4,219	$2,230
Avg Monthly FRE	$3,192	$3,803	$4,444	$5,625	$3,795
Number of Retirees	30	22	22	2	76
1999					
Avg Monthly Annuity	$1,752	$2,820	$3,531		$2,609
Avg Monthly FRE	$3,306	$4,450	$5,279		$4,278
Number of Retirees	25	23	18		66
2000					
Avg Monthly Annuity	$1,698	$2,717	$3,303	$3,581	$2,379
Avg Monthly FRE	$3,360	$4,306	$4,668	$8,287	$4,053
Number of Retirees	16	15	5	1	37
2001					
Avg Monthly Annuity	$1,774	$3,394	$3,891	$849	$2,843
Avg Monthly FRE	$3,566	$5,588	$5,624	$1,132	$4,691
Number of Retirees	27	16	21	1	65
2002					
Avg Monthly Annuity	$2,079	$2,933	$3,976	$3,532	$3,131
Avg Monthly FRE	$3,947	$4,778	$5,669	$4,710	$4,917
Number of Retirees	13	27	22	1	63
2003					
Avg Monthly Annuity	$2,851	$3,479	$4,128	$3,732	$3,423
Avg Monthly FRE	$5,587	$5,465	$6,028	$4,977	$5,609
Number of Retirees	21	33	14	1	69
2004					
Avg Monthly Annuity	$2,555	$3,581	$3,773	$4,175	$3,332
Avg Monthly FRE	$4,925	$5,698	$5,329	$5,567	$5,370
Number of Retirees	24	33	18	3	78

FRE = Final Rate of Earnings used to calculate retirement benefit.
Note: This schedule excludes members retiring with money purchase benefits, reciprocal benefits, or multiple plans.

Table XVII

Analysis of Initial Retirement Benefits - Elected County Official Plan (ECO)

Plan began in 1997

	Years of Credited Service							
	8-9	10-14	15-19	20-24	25-29	30-34	35+	Total
1997								
Avg Monthly Annuity					$2,348		$2,600	$2,474
Avg Monthly FRE					$2,935		$3,250	$3,093
Number of Retirees					1		1	2
1998								
Avg Monthly Annuity	$677	$1,181	$2,011	$2,506	$2,422			$1,595
Avg Monthly FRE	$1,230	$2,745	$2,317	$2,715	$3,028			$2,415
Number of Retirees	3	8	6	3	1			21
1999								
Avg Monthly Annuity		$1,158	$2,402	$670				$1,344
Avg Monthly FRE		$2,887	$2,895	$837				$2,434
Number of Retirees		4	3	2				9
2000								
Avg Monthly Annuity		$1,086	$3,707	$1,664				$2,201
Avg Monthly FRE		$2,964	$5,600	$2,080				$3,474
Number of Retirees		3	4	5				12
2001								
Avg Monthly Annuity		$292	$452	$1,345	$1,824			$864
Avg Monthly FRE		$1,202	$1,282	$1,808	$2,280			$1,560
Number of Retirees		3	4	3	2			12
2002								
Avg Monthly Annuity	$619	$441	$1,892	$2,849				$1,462
Avg Monthly FRE	$2,330	$1,126	$2,907	$3,562				$2,389
Number of Retirees	4	10	9	7				30
2003								
Avg Monthly Annuity	$315	$454	$2,932	$3,790	$7,117			$2,633
Avg Monthly FRE	$1,312	$1,137	$4,321	$4,737	$8,896			$3,708
Number of Retirees	1	3	3	3	1			11
2004								
Avg Monthly Annuity		$1,215	$3,671	$3,874			$1,780	$2,840
Avg Monthly FRE		$2,779	$5,567	$4,843			$4,111	$4,294
Number of Retirees		7	5	8			1	21

FRE = Final Rate of Earnings used to calculate retirement benefit.
Note: This schedule excludes members retiring with money purchase benefits, reciprocal benefits, or multiple plans.

Table XVIII
Annuitants by Age

Ages	Retirees Male	Retirees Female	Retirees Total	Surviving Spouses Male	Surviving Spouses Female	Surviving Spouses Total	Beneficiaries Male	Beneficiaries Female	Beneficiaries Total
Under 55	509	140	649	9	93	102	37	82	119
55 to 59	2,287	3,609	5,896	17	220	237	6	32	38
60 to 64	3,192	6,873	10,065	69	385	454	8	33	41
65 to 69	4,291	8,488	12,779	174	713	887	8	35	43
70 to 74	4,113	7,883	11,996	330	1,211	1,541	8	27	35
75 to 79	3,792	6,997	10,789	527	1,805	2,332	4	20	24
80 to 84	2,703	5,337	8,040	608	2,138	2,746	6	31	37
85 to 89	1,299	2,972	4,271	364	1,642	2,006	2	18	20
90 to 94	456	1,101	1,557	174	763	937	2	9	11
95 to 100	67	260	327	25	189	214	0	1	1
101 and over	4	18	22	1	22	23	0	3	3
Total	22,713	43,678	66,391	2,298	9,181	11,479	81	291	372

Table XIX
Active Members by Age

Ages	All Plans Male	All Plans Female	All Plans Total	Sheriff's Law Enforcement Personnel Male	Sheriff's Law Enforcement Personnel Female	Sheriff's Law Enforcement Personnel Total	Elected County Officials Male	Elected County Officials Female	Elected County Officials Total
Under 20	222	347	569	0	0	0	0	0	0
20 to 29	7,394	10,088	17,482	499	96	595	3	1	4
30 to 39	12,358	17,693	30,051	1,313	184	1,497	31	10	41
40 to 49	18,901	36,617	55,518	1,096	179	1,275	116	55	171
50 to 54	9,445	17,893	27,338	392	68	460	84	43	127
55 to 59	6,903	13,133	20,036	204	25	229	75	32	107
60 to 69	6,109	9,037	15,146	89	13	102	73	38	111
70 and Over	1,279	1,117	2,396	4	2	6	38	10	48
Total	62,611	105,925	168,536	3,597	567	4,164	420	189	609

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