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<td></td>
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</tr>
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</table>
April 14, 2009

Board of Trustees
Illinois Municipal Retirement Fund
Oak Brook, Illinois 60521

Ladies and Gentlemen:

The results of the December 31, 2008 annual actuarial valuations of members covered by the Illinois Municipal Retirement Fund are presented in this report. The purpose of the valuations, as provided by Article 7 of the Illinois Pension Code, is to measure IMRF’s funding progress and to establish contribution rates for the 2010 calendar year.

The valuations are based upon current plan provisions related to Regular Members, Sheriff’s Law Enforcement Personnel (SLEP), and Elected County Officials (ECO) employment. All promised benefits are included in the actuarially calculated contribution rates. These provisions are summarized in Section B.

IMRF staff furnished the individual member statistical data required for the valuations, together with pertinent data on financial operations. Their cooperation in furnishing these materials is acknowledged with appreciation.

The actuarial assumptions used in the valuations are summarized in Section D of this report. The Board of Trustees establishes the assumptions after consulting with the actuary. They are internally consistent and are based on the results of the Triennial Experience Study covering 2005-2007 experience.

The valuations were completed by qualified actuaries in accordance with accepted actuarial procedures prescribed by the Actuarial Standards Board. Both actuaries submitting this report are Members of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein. To the best of our knowledge, this report is complete and accurate and the actuarial methods and assumptions produced results that are reasonable. It is our opinion that the Illinois Municipal Retirement Fund is in sound condition in accordance with actuarial principles of level percent of payroll financing.

Respectfully submitted,

Brian B. Murphy, FSA, EA, MAAA

Mark Buis, FSA, EA, MAAA

BBM/MB:sc
INTRODUCTION

IMRF is established under statutes adopted by the Illinois General Assembly. It is an agent multiple employer defined benefit pension plan that, as of December 31, 2008, serves 3,255 active plans and 420,632 active, inactive and retired persons. Since IMRF reports information to us by plan, there are cases in which a person with employment in more than one plan is counted multiple times for census counts. This produces an overstatement in the census when compared with true counts of people. Liabilities are, however, correctly calculated and apportioned among employers. This issue may affect inactive members to a greater extent than it affects others. IMRF is funded by both member and employer contributions. Members contribute at fixed rates determined by statute. Regular members contribute 4.5% of pay; SLEP members contribute 7.5%; ECO members contribute 7.5%. Participating employers make all additional contributions needed to provide benefits. Each employer contributes to a separate account within IMRF which, when combined with member contributions and investment income, will be sufficient to provide future benefits for its own employees. Employer contributions for each plan are computed each year in the actuarial valuation and consist of:

- **Normal Cost Contributions** for normal and early retirement benefits, separation benefits, permanent disability benefits, and annuity type death benefits. These contributions are the same for most employers (larger employers have the option of being individually rated).

- **Contributions for lump sum death-in-service benefits**, which are separately determined for each employer.

- **Contributions for temporary disability benefits**, which are 0.15% of payroll for each employer.

- **Contributions for 13th checks**, which are 0.62% of covered payroll for each employer.

- **Contributions for Early Retirement Incentive (ERI) unfunded liabilities** which are separately determined for each employer.

- **Contributions for other unfunded liabilities**, which are separately determined for each employer. For employers with taxing authority, unfunded liabilities are being funded over 30 remaining years. For non-taxing employers the remaining period is 10 years. Unfunded liabilities associated with the recent benefit changes for SLEP members (Public Act 94-712) are amortized over 27 years for most employers. The amortization policy is described on page D-11.
Employer contributions computed in this valuation compared with those computed in the prior valuation are shown below.

<table>
<thead>
<tr>
<th></th>
<th>Average Employer Contribution Rates</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Expressed as %'s of Active Member Pays</td>
</tr>
<tr>
<td>Regular</td>
<td>SLEP</td>
</tr>
<tr>
<td>This Valuation</td>
<td>11.89%</td>
</tr>
<tr>
<td>Prior Valuation</td>
<td>9.27%</td>
</tr>
</tbody>
</table>

This year’s valuation results were affected by:

- Changes in the corridor for the Asset Method from 15% to 20% and changes in the amortization policy (described on page D-11.)
- Significant decline in the Market Value from the prior year.
- Changes in actuarial assumptions.
- Increases in the covered population.
- ERI liabilities.
- Three employers are individually rated (DuPage County; Union School District 46 and Peoria County). Although these employers will receive separate valuation reports, member counts, assets, and liabilities for these employers are also included in this valuation report.

The effect of the 2008 market value decline is not fully reflected in this valuation because of the asset smoothing method that is in place. Approximately $3.6 billion of 2008 market value loss will be recognized over the next several years. As that happens, contribution rates will increase.

Section A of this report describes this year’s valuation results in depth.
SECTION A
VALUATION RESULTS
FINANCING $32.3 BILLION WORTH OF BENEFIT PROMISES TO PRESENT MEMBERS, RETIREES AND BENEFICIARIES DECEMBER 31, 2008 (AMOUNTS IN $BILLIONS)

Sources of Funds
- Funding Value of Present Assets - $21.6
- Future Member Contributions - $2.5
- Future Employer Contributions - $8.2

IMRF Obligations
- Present Active Members for service already rendered - $13.2
- Present Active Members for service yet to be rendered - $6.7
- Retirees, Beneficiaries and Inactives - $12.4
### ACTUARIAL BALANCE SHEET
#### DECEMBER 31, 2008

<table>
<thead>
<tr>
<th>Funding Sources</th>
<th>Regular</th>
<th>SLEP</th>
<th>ECO</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Present Valuation Assets</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Member Contributions</td>
<td>$4,321,314,114</td>
<td>$252,493,150</td>
<td>$25,704,666</td>
<td>$4,599,511,930</td>
</tr>
<tr>
<td>Employer Assets</td>
<td>3,239,856,091</td>
<td>71,774,911</td>
<td>(36,620,974)</td>
<td>3,275,010,028</td>
</tr>
<tr>
<td>Retired Life Assets</td>
<td>9,168,217,695</td>
<td>691,076,541</td>
<td>166,305,059</td>
<td>10,025,599,295</td>
</tr>
<tr>
<td>Market Value Adjustment</td>
<td>3,437,017,662</td>
<td>208,167,992</td>
<td>28,760,729</td>
<td>3,673,946,383</td>
</tr>
<tr>
<td>Death and Disability Reserves</td>
<td></td>
<td></td>
<td></td>
<td>26,985,876</td>
</tr>
<tr>
<td><strong>Total Present Assets</strong></td>
<td>$20,166,405,562</td>
<td>$1,223,512,594</td>
<td>$184,149,480</td>
<td>$21,601,053,512</td>
</tr>
<tr>
<td><strong>Future Assets</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Member Contributions</td>
<td>2,324,367,954</td>
<td>178,164,310</td>
<td>11,257,321</td>
<td>2,513,789,585</td>
</tr>
<tr>
<td><strong>Employer Contributions</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Normal Costs</td>
<td>3,898,837,774</td>
<td>284,350,224</td>
<td>25,876,826</td>
<td>4,209,064,824</td>
</tr>
<tr>
<td>Unfunded Liability</td>
<td>3,461,238,978</td>
<td>427,969,010</td>
<td>120,937,849</td>
<td>4,010,145,837</td>
</tr>
<tr>
<td><strong>Total Employer</strong></td>
<td>7,360,076,752</td>
<td>712,319,234</td>
<td>146,814,675</td>
<td>8,219,210,661</td>
</tr>
<tr>
<td><strong>Total Future Assets</strong></td>
<td>9,684,444,706</td>
<td>890,483,544</td>
<td>158,071,996</td>
<td>10,733,000,246</td>
</tr>
<tr>
<td><strong>Total Funding Sources</strong></td>
<td><strong>$29,850,850,268</strong></td>
<td><strong>$2,113,996,138</strong></td>
<td><strong>$342,221,476</strong></td>
<td><strong>$32,334,053,758</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Funding Uses</th>
<th>Regular</th>
<th>SLEP</th>
<th>ECO</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Active Members</td>
<td>$18,363,460,427</td>
<td>$1,359,725,168</td>
<td>$150,397,476</td>
<td>$19,873,583,071</td>
</tr>
<tr>
<td>Inactive Members</td>
<td>2,319,172,146</td>
<td>63,194,429</td>
<td>25,518,941</td>
<td>2,407,885,516</td>
</tr>
<tr>
<td>Retirees and Beneficiaries</td>
<td>9,168,217,695</td>
<td>691,076,541</td>
<td>166,305,059</td>
<td>10,025,599,295</td>
</tr>
<tr>
<td>Death and Disability Benefits</td>
<td></td>
<td></td>
<td></td>
<td>26,985,876</td>
</tr>
<tr>
<td><strong>Total Actuarial Present Value</strong></td>
<td><strong>$29,850,850,268</strong></td>
<td><strong>$2,113,996,138</strong></td>
<td><strong>$342,221,476</strong></td>
<td><strong>$32,334,053,758</strong></td>
</tr>
</tbody>
</table>
Development of Average Contribution Rates Applicable to Calendar Year 2010
(Results as of December 31, 2008)

<table>
<thead>
<tr>
<th>% of Active Member Pays</th>
<th>Regular</th>
<th>SLEP</th>
<th>ECO</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average Employer Contributions for Normal Cost</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Retirement</td>
<td>7.41 %</td>
<td>11.67 %</td>
<td>16.61 %</td>
</tr>
<tr>
<td>$3,000 Lump Sum Death Benefit</td>
<td>0.04 %</td>
<td>0.02 %</td>
<td>0.07 %</td>
</tr>
<tr>
<td>Total &amp; Permanent Disability Benefit</td>
<td>0.13 %</td>
<td>0.28 %</td>
<td>0.56 %</td>
</tr>
<tr>
<td>Total Normal Cost</td>
<td>7.58 %</td>
<td>11.97 %</td>
<td>17.24 %</td>
</tr>
<tr>
<td>Lump Sum Death-in-Service Benefits</td>
<td>0.17 %</td>
<td>0.17 %</td>
<td>0.17 %</td>
</tr>
<tr>
<td>Temporary Disability</td>
<td>0.15 %</td>
<td>0.15 %</td>
<td>0.15 %</td>
</tr>
<tr>
<td>13th Checks</td>
<td>0.62 %</td>
<td>0.62 %</td>
<td>0.62 %</td>
</tr>
<tr>
<td>Unfunded (Overfunded) Liabilities (30/10 years)</td>
<td>3.04 %</td>
<td>7.05 %</td>
<td>25.32 %</td>
</tr>
<tr>
<td>Early Retirement Incentive Liabilities</td>
<td>0.33 %</td>
<td>0.06 %</td>
<td>0.07 %</td>
</tr>
<tr>
<td>SLEP Supplemental Liabilities</td>
<td>0.00 %</td>
<td>1.61 %</td>
<td>0.00 %</td>
</tr>
<tr>
<td><strong>Total Average Employer Rate</strong></td>
<td><strong>11.89 %</strong></td>
<td><strong>21.63 %</strong></td>
<td><strong>43.57 %</strong></td>
</tr>
<tr>
<td>Prior Year Averages</td>
<td>9.27 %</td>
<td>18.65 %</td>
<td>42.77 %</td>
</tr>
</tbody>
</table>

Each participating employer pays the same normal cost rate (larger employers have the option of paying an individual normal cost rate) and the same rate for temporary disability benefits and 13th checks. Rates for lump sum death-in-service benefits, unfunded (overfunded) liabilities, and early retirement incentive liabilities are separately determined for each employer, and can vary widely. Because of this, the average contribution rates tell only part of the story. Pages A-4 through A-7 show the distribution of computed employer contribution rates, funding percents, and rate changes from the prior year among the 3,002 Regular plans, 186 SLEP plans and 67 ECO plans. IMRF staff reviews all of the computed rates and in some cases may make adjustments to those rates that are not reflected in this report. The rates shown in this report are prior to the optional phase-in plan where employers have the option to cap contribution rate increases at 10% of the 2009 rate. While most contribution rates are near the average, some employer rates are below 2% and some are over 40% of payroll.

Employer contributions made during calendar year 2008 amounted to $631 million. This compares with $601 million in the previous year.
EMPLOYER CONTRIBUTION RATES AND FUNDED PERCENTS
3,002 REGULAR EMPLOYERS AT DECEMBER 31, 2008

Graph showing employer contribution rate as a percentage of active member payroll (prior to optional phase-in plan). The graph is divided into different contribution rate ranges, and each range is represented by a bar with the number of employers falling into that range indicated above each bar.
EMPLOYER CONTRIBUTION RATES AND FUNDED PERCENTS
186 SLEP EMPLOYERS AT DECEMBER 31, 2008

Employer Contribution Rate as a Percentage of Active Member Payroll
(Prior to Optional Phase-in Plan)

Funded %

Below 50%
50% to 54%
55% to 59%
60% to 64%
65% to 69%
70% to 74%
75% to 79%
80% to 84%
85% to 89%
90% to 94%
95% to 99%
100% to 104%
105% to 109%
110% to 114%
115% to 119%
120% to 124%
125% to 129%
130% to 134%
135% to 139%
140% to 144%
145% to 149%
Over 150%
EMPLOYER CONTRIBUTION RATES AND FUNDED PERCENTS
67 ECO EMPLOYERS AT DECEMBER 31, 2008

Employer Contribution Rate as a Percentage of Active Member Payroll
(Prior to Optional Phase-in Plan)

Funded %
EMPLOYER CONTRIBUTION RATE CHANGES - 2008 ACTUARIAL VALUATIONS
3,255 EMPLOYERS

Employer Contribution Rate Change as a Percentage of Active Member Payroll
(Prior to Optional Phase-in Plan)
## Historical Summary of Employer Rates

<table>
<thead>
<tr>
<th>Rate Applies to Calendar Year</th>
<th>Rate Computed as of December 31</th>
<th>Employer Contribution Rate Expressed as % of Active Payroll</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Regular Members</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Normal Cost</td>
</tr>
<tr>
<td>1985</td>
<td>1983</td>
<td>3.57%</td>
</tr>
<tr>
<td>1986</td>
<td>1984 1</td>
<td>2.59%</td>
</tr>
<tr>
<td>1987</td>
<td>1985</td>
<td>2.61%</td>
</tr>
<tr>
<td>1988</td>
<td>1986</td>
<td>2.51%</td>
</tr>
<tr>
<td>1989</td>
<td>1987 1,2</td>
<td>6.94%</td>
</tr>
<tr>
<td>1990</td>
<td>1988</td>
<td>6.94%</td>
</tr>
<tr>
<td>1991</td>
<td>1989</td>
<td>6.94%</td>
</tr>
<tr>
<td>1992</td>
<td>1990 1</td>
<td>8.24%</td>
</tr>
<tr>
<td>1993</td>
<td>1991 1,2</td>
<td>7.04%</td>
</tr>
<tr>
<td>1994</td>
<td>1992</td>
<td>7.33%</td>
</tr>
<tr>
<td>1995</td>
<td>1993 1</td>
<td>7.22%</td>
</tr>
<tr>
<td>1996</td>
<td>1994</td>
<td>7.22%</td>
</tr>
<tr>
<td>1997</td>
<td>1995</td>
<td>7.27%</td>
</tr>
<tr>
<td>1998</td>
<td>1996 1</td>
<td>7.21%</td>
</tr>
<tr>
<td>1999</td>
<td>1997 3</td>
<td>7.23%</td>
</tr>
<tr>
<td>2000</td>
<td>1998</td>
<td>7.17%</td>
</tr>
<tr>
<td>2001</td>
<td>1999 1</td>
<td>7.41%</td>
</tr>
<tr>
<td>2002</td>
<td>2000</td>
<td>7.62%</td>
</tr>
<tr>
<td>2003</td>
<td>2001</td>
<td>7.66%</td>
</tr>
<tr>
<td>2004</td>
<td>2002 1</td>
<td>7.60%</td>
</tr>
<tr>
<td>2005</td>
<td>2003</td>
<td>7.61%</td>
</tr>
<tr>
<td>2006</td>
<td>2004</td>
<td>7.64%</td>
</tr>
<tr>
<td>2007</td>
<td>2005 1,2</td>
<td>7.43%</td>
</tr>
<tr>
<td>2008</td>
<td>2006</td>
<td>7.42%</td>
</tr>
<tr>
<td>2009</td>
<td>2007</td>
<td>7.42%</td>
</tr>
<tr>
<td>2010</td>
<td>2008 1,4</td>
<td>7.58%</td>
</tr>
</tbody>
</table>

1. Assumption change  
2. Benefit change  
3. Changed to payroll weighted average method  
4. Before optional phase-in plan

As shown above, the average employer contribution rates (prior to the optional phase-in plan) increased this year for regular, SLEP and ECO employers. This was primarily due to unfavorable investment performance. Generally, small fluctuations from year to year should be expected, for the average rate and for any large employer’s rate. Small and very small employers will experience larger variations.

Most of the larger changes were for small employers (often employers covering only 1 or 2 employees), since the removal or addition of 1 employee can significantly impact the contribution rate. The actuary and IMRF staff review all of the large rate changes individually in order to determine the reasonableness of the change. In some cases, rates may be changed.
The charts above show the expected future development of the present population in simplified terms. The retirement system presently covers 180,615 active members. Eventually, 19% of the population is expected to terminate covered employment prior to retirement and forfeit eligibility for a monthly benefit. About 78% of the present population is expected to receive monthly retirement benefits either by retiring directly from active service, or by retiring from vested deferred status. Three percent of the present population is expected to become eligible for death-in-service or disability benefits. **Within 8 years, over half of the covered membership is expected to consist of new hires.**
In a retirement system such as IMRF, where unfunded liabilities are being amortized as a level percent of active member payroll, unfunded liabilities are expected to rise in dollar amount for an extended period before finally beginning to decrease. This has to do with inflation and the related fact that the dollar is a yardstick whose length changes every year. The schedule below illustrates the development of the unfunded liability, based upon actuarial value of assets, during the year.

<table>
<thead>
<tr>
<th></th>
<th>2008</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unfunded (Overfunded) Liability January 1</td>
<td>$947,182,518</td>
<td>$1,061,045,675</td>
</tr>
<tr>
<td>Assumed Net (Payments) Credits</td>
<td>(76,633,210)</td>
<td>(79,428,524)</td>
</tr>
<tr>
<td>Assumed Interest</td>
<td>68,199,579</td>
<td>76,635,755</td>
</tr>
<tr>
<td>Expected Unfunded Liability December 31</td>
<td>938,748,887</td>
<td>1,058,252,906</td>
</tr>
<tr>
<td>Increase/(Decrease) Due to Experience Study</td>
<td>(310,603,307)</td>
<td>0</td>
</tr>
<tr>
<td>Increase/(Decrease) Due to Benefit Changes</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Loss/(Gain) Due to Investment Experience</td>
<td>3,331,548,206</td>
<td>(305,773,221)</td>
</tr>
<tr>
<td>Loss/(Gain) Due to Other Sources</td>
<td>50,452,051</td>
<td>194,702,833</td>
</tr>
<tr>
<td>Actual Unfunded Liability December 31</td>
<td>$4,010,145,837</td>
<td>$947,182,518</td>
</tr>
</tbody>
</table>

Changes due to other sources are discussed more completely in the separate Gain and Loss Analysis report.
## Illinois Municipal Retirement Fund

### Unfunded Actuarial Accrued Liabilities Comparative Statement

<table>
<thead>
<tr>
<th>Valuation Date</th>
<th>(1) Valuation Date</th>
<th>(2) Actuarial Accrued Liabilities (AAL)</th>
<th>(3) Valuation Assets</th>
<th>(4) Unfunded AAL</th>
<th>(5) Funded Ratio (2)/(1)</th>
<th>(6) Unfunded/Payroll Ratio (3)/(4)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1984*</td>
<td>$3,261,944,379</td>
<td>$1,944,694,044</td>
<td>$1,317,250,335</td>
<td>$1,551,980,698</td>
<td>59.6%</td>
<td>84.9%</td>
</tr>
<tr>
<td>1985</td>
<td>$3,609,515,653</td>
<td>2,248,747,268</td>
<td>1,360,768,385</td>
<td>1,660,500,587</td>
<td>62.3%</td>
<td>81.9%</td>
</tr>
<tr>
<td>1986</td>
<td>$3,958,462,273</td>
<td>2,487,488,403</td>
<td>1,470,973,870</td>
<td>1,768,254,219</td>
<td>62.8%</td>
<td>83.2%</td>
</tr>
<tr>
<td>1987*#</td>
<td>$4,516,366,654</td>
<td>2,757,918,614</td>
<td>1,758,448,040</td>
<td>1,869,513,284</td>
<td>61.1%</td>
<td>94.1%</td>
</tr>
<tr>
<td>1988</td>
<td>$4,941,412,403</td>
<td>3,139,563,467</td>
<td>1,801,848,936</td>
<td>1,998,362,932</td>
<td>63.5%</td>
<td>90.2%</td>
</tr>
<tr>
<td>1989</td>
<td>$5,429,420,300</td>
<td>3,589,732,873</td>
<td>1,839,687,427</td>
<td>2,141,472,213</td>
<td>66.1%</td>
<td>85.9%</td>
</tr>
<tr>
<td>1990*</td>
<td>$6,234,602,259</td>
<td>4,468,795,967</td>
<td>1,765,806,292</td>
<td>2,303,544,506</td>
<td>71.7%</td>
<td>76.7%</td>
</tr>
<tr>
<td>1991*#</td>
<td>$6,406,965,450</td>
<td>5,034,577,441</td>
<td>1,372,388,009</td>
<td>2,491,859,698</td>
<td>78.6%</td>
<td>55.1%</td>
</tr>
<tr>
<td>1992</td>
<td>$6,954,483,358</td>
<td>5,615,583,858</td>
<td>1,338,899,500</td>
<td>2,634,441,716</td>
<td>80.7%</td>
<td>50.8%</td>
</tr>
<tr>
<td>1993*</td>
<td>$7,509,766,239</td>
<td>6,396,329,900</td>
<td>1,113,436,339</td>
<td>2,709,280,078</td>
<td>85.2%</td>
<td>41.1%</td>
</tr>
<tr>
<td>1994</td>
<td>$8,126,642,830</td>
<td>7,078,861,925</td>
<td>1,047,780,905</td>
<td>2,946,519,940</td>
<td>87.1%</td>
<td>35.6%</td>
</tr>
<tr>
<td>1995</td>
<td>$8,823,697,487</td>
<td>8,034,030,783</td>
<td>789,666,704</td>
<td>3,095,916,750</td>
<td>91.1%</td>
<td>25.5%</td>
</tr>
<tr>
<td>1996*</td>
<td>$9,778,592,519</td>
<td>9,076,261,663</td>
<td>702,330,856</td>
<td>3,084,086,668</td>
<td>92.8%</td>
<td>22.8%</td>
</tr>
<tr>
<td>1997</td>
<td>$10,807,969,067</td>
<td>10,273,116,034</td>
<td>534,853,033</td>
<td>3,454,621,933</td>
<td>95.1%</td>
<td>15.5%</td>
</tr>
<tr>
<td>1998</td>
<td>$11,860,879,198</td>
<td>11,636,495,534</td>
<td>224,383,665</td>
<td>3,696,047,942</td>
<td>98.1%</td>
<td>6.1%</td>
</tr>
<tr>
<td>1999*</td>
<td>$13,005,023,293</td>
<td>13,520,192,111</td>
<td>(515,168,818)</td>
<td>3,952,129,535</td>
<td>104.0%</td>
<td>-</td>
</tr>
<tr>
<td>2000</td>
<td>$14,153,055,774</td>
<td>15,169,369,271</td>
<td>(1,016,313,497)</td>
<td>4,184,702,169</td>
<td>107.2%</td>
<td>-</td>
</tr>
<tr>
<td>2001</td>
<td>$15,318,517,575</td>
<td>16,305,022,254</td>
<td>(986,504,679)</td>
<td>4,503,092,615</td>
<td>106.4%</td>
<td>-</td>
</tr>
<tr>
<td>2002*</td>
<td>$16,559,907,302</td>
<td>16,800,195,504</td>
<td>(240,288,202)</td>
<td>4,755,103,888</td>
<td>101.5%</td>
<td>-</td>
</tr>
<tr>
<td>2003</td>
<td>$17,966,103,451</td>
<td>17,529,890,818</td>
<td>436,212,633</td>
<td>4,944,767,495</td>
<td>97.6%</td>
<td>8.8%</td>
</tr>
<tr>
<td>2004</td>
<td>$19,424,667,016</td>
<td>18,315,987,910</td>
<td>1,108,679,106</td>
<td>5,161,127,432</td>
<td>94.3%</td>
<td>21.5%</td>
</tr>
<tr>
<td>2005*#</td>
<td>$20,815,060,842</td>
<td>19,698,401,285</td>
<td>1,116,659,557</td>
<td>5,374,585,943</td>
<td>94.6%</td>
<td>20.8%</td>
</tr>
<tr>
<td>2006</td>
<td>$22,488,185,031</td>
<td>21,427,139,356</td>
<td>1,061,045,675</td>
<td>5,630,683,054</td>
<td>95.3%</td>
<td>18.8%</td>
</tr>
<tr>
<td>2007</td>
<td>$24,221,543,716</td>
<td>23,274,361,198</td>
<td>947,182,518</td>
<td>5,931,443,117</td>
<td>96.1%</td>
<td>16.0%</td>
</tr>
<tr>
<td>2008*</td>
<td>$25,611,199,349</td>
<td>21,601,053,512</td>
<td>4,010,145,837</td>
<td>6,259,283,197</td>
<td>84.3%</td>
<td>64.1%</td>
</tr>
</tbody>
</table>

* Assumption change
# Benefit change

While no one or two numeric indices can fully describe the financial condition of a retirement system, trends in both the Funded Ratio (column 5) and the Unfunded/Payroll Ratio (column 6) provide useful information. Unfunded accrued liabilities represent plan debt, while active member payroll represents the plan’s capacity to service the debt. In a retirement system that is following the discipline of level percent of payroll financing, the Funded Ratio should gradually move toward 100% and the Unfunded/Payroll ratio should gradually move toward 0%.
If the contributions to IMRF are level in concept and soundly executed, the System will **pay all promised benefits when due -- the ultimate test of financial soundness**. Testing for level contribution rates is the **long-term test**.

**A short condition test** is one means of checking a system’s progress under its funding program. In a short condition test, the plan’s present assets (cash and investments) are compared with:

1. Member contributions on deposit;
2. The liabilities for future benefits to present retired lives;
3. The liabilities for service already rendered by active and inactive members.

In a system that has been following the discipline of level percent of payroll financing, the liabilities for member contributions on deposit (liability 1) and the liabilities for future benefits to present retired lives (liability 2) will be fully covered by present assets (except in rare circumstances). In addition, the liabilities for service already rendered by active and inactive members (liability 3) will be partially covered by the remainder of present assets. The larger the funded portion of liability 3, the stronger the condition of the system.

### Short Condition Test

<table>
<thead>
<tr>
<th>Calendar Year</th>
<th>Aggregate Actuarial Liabilities For</th>
<th>Portion of Actuarial Liabilities covered by Assets</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Non-Retired Contributions</td>
<td>Annuitants</td>
</tr>
<tr>
<td>1992</td>
<td>$1,218,238,446</td>
<td>$2,421,564,751</td>
</tr>
<tr>
<td>1993*</td>
<td>1,350,831,396</td>
<td>2,660,823,087</td>
</tr>
<tr>
<td>1994</td>
<td>1,496,014,554</td>
<td>2,907,982,455</td>
</tr>
<tr>
<td>1995</td>
<td>1,642,362,193</td>
<td>3,171,162,151</td>
</tr>
<tr>
<td>1996*</td>
<td>1,782,293,677</td>
<td>3,588,320,471</td>
</tr>
<tr>
<td>1997</td>
<td>1,933,512,014</td>
<td>3,995,946,514</td>
</tr>
<tr>
<td>1998</td>
<td>2,086,679,470</td>
<td>4,485,651,306</td>
</tr>
<tr>
<td>1999*</td>
<td>2,259,446,274</td>
<td>4,915,459,683</td>
</tr>
<tr>
<td>2000</td>
<td>2,473,646,891</td>
<td>5,284,275,174</td>
</tr>
<tr>
<td>2001</td>
<td>2,708,833,984</td>
<td>5,613,708,283</td>
</tr>
<tr>
<td>2002*</td>
<td>2,950,041,671</td>
<td>6,050,882,416</td>
</tr>
<tr>
<td>2003</td>
<td>3,186,234,066</td>
<td>6,674,490,186</td>
</tr>
<tr>
<td>2004</td>
<td>3,423,785,725</td>
<td>7,332,542,340</td>
</tr>
<tr>
<td>2005*#</td>
<td>3,688,148,208</td>
<td>7,966,135,229</td>
</tr>
<tr>
<td>2006</td>
<td>3,960,800,175</td>
<td>8,652,328,762</td>
</tr>
<tr>
<td>2007</td>
<td>4,248,399,825</td>
<td>9,400,832,984</td>
</tr>
<tr>
<td><strong>2008</strong></td>
<td><strong>4,573,736,116</strong></td>
<td><strong>10,025,599,295</strong></td>
</tr>
</tbody>
</table>

* Assumption change  
# Benefit change
### Regular Members

<table>
<thead>
<tr>
<th>Calendar Year</th>
<th>Aggregate Actuarial Liabilities For</th>
<th>Portion of Actuarial Liabilities Covered by Assets</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(1) Non-Retired Contributions (2) Annuitants (3) Non-Retired Members (Employer Financed Portion) Actuarial Assets</td>
<td>(1) (2) (3)</td>
</tr>
<tr>
<td>2004</td>
<td>$3,218,950,781 $6,775,766,071 $8,033,013,628 $17,183,420,531</td>
<td>100% 100% 89.5%</td>
</tr>
<tr>
<td>2005*#</td>
<td>3,467,051,885 7,348,267,408 8,459,755,550 18,462,949,189</td>
<td>100% 100% 90.4%</td>
</tr>
<tr>
<td>2006</td>
<td>3,722,403,708 7,943,908,035 9,079,788,372 20,063,069,197</td>
<td>100% 100% 92.5%</td>
</tr>
<tr>
<td>2007</td>
<td>3,992,763,009 8,599,825,860 9,769,922,388 21,779,613,412</td>
<td>100% 100% 94.0%</td>
</tr>
<tr>
<td>2008 *</td>
<td>4,297,097,330 9,168,217,695 10,187,007,579 20,191,630,667</td>
<td>100% 100% 66.0%</td>
</tr>
</tbody>
</table>

### SLEP Members

<table>
<thead>
<tr>
<th>Calendar Year</th>
<th>Aggregate Actuarial Liabilities For</th>
<th>Portion of Actuarial Liabilities Covered by Assets</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(1) Non-Retired Contributions (2) Annuitants (3) Non-Retired Members (Employer Financed Portion) Actuarial Assets</td>
<td>(1) (2) (3)</td>
</tr>
<tr>
<td>2004</td>
<td>$186,737,395 $475,131,592 $516,744,548 $1,018,431,576</td>
<td>100% 100% 69.0%</td>
</tr>
<tr>
<td>2005*#</td>
<td>200,612,275 524,514,703 591,855,568 1,106,145,236</td>
<td>100% 100% 64.4%</td>
</tr>
<tr>
<td>2006</td>
<td>215,431,613 601,939,738 673,264,887 1,216,287,901</td>
<td>100% 100% 59.3%</td>
</tr>
<tr>
<td>2007</td>
<td>230,360,204 682,656,029 671,880,227 1,330,462,724</td>
<td>100% 100% 62.1%</td>
</tr>
<tr>
<td>2008 *</td>
<td>251,078,170 691,076,541 711,187,062 1,225,043,022</td>
<td>100% 100% 39.8%</td>
</tr>
</tbody>
</table>

### ECO Members

<table>
<thead>
<tr>
<th>Calendar Year</th>
<th>Aggregate Actuarial Liabilities For</th>
<th>Portion of Actuarial Liabilities Covered by Assets</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(1) Non-Retired Contributions (2) Annuitants (3) Non-Retired Members (Employer Financed Portion) Actuarial Assets</td>
<td>(1) (2) (3)</td>
</tr>
<tr>
<td>2004</td>
<td>$18,097,549 $81,644,677 $118,580,776 $114,135,803</td>
<td>100% 100% 12.1%</td>
</tr>
<tr>
<td>2005*#</td>
<td>20,484,049 93,353,118 109,166,286 129,306,860</td>
<td>100% 100% 14.2%</td>
</tr>
<tr>
<td>2006</td>
<td>23,044,854 106,480,989 121,922,835 147,782,258</td>
<td>100% 100% 15.0%</td>
</tr>
<tr>
<td>2007</td>
<td>25,276,522 118,351,095 130,508,292 164,285,062</td>
<td>100% 100% 15.8%</td>
</tr>
<tr>
<td>2008 *</td>
<td>25,560,616 166,305,059 113,669,297 184,379,823</td>
<td>100% 95% 0.0%</td>
</tr>
</tbody>
</table>

* Assumption change
# Benefit change
SECTION B
SUMMARY OF BENEFIT PROVISIONS
AND VALUATION DATA
SUMMARY OF BENEFITS AND CONDITIONS EVALUATED
DECEMBER 31, 2008

Participating Employers
All counties and school districts, plus cities and villages and incorporated towns with a population of 5,000 or more (except certain governmental entities specifically excluded by the Pension Code) are required to participate. Other local government units may elect to participate.

Membership
All appointed employees of a participating employer who are employed in a position normally requiring 600 hours (1,000 hours for certain employees hired after 1981) or more of work in a year are required to participate. Elected officials and hospital employees who satisfy requirements may also participate.

Final Rate of Earnings (FRE)
Retirement and Survivor Annuities: Regular and SLEP Members: The average of earnings during the 48 consecutive month period within the last 10 years of IMRF service in which earnings were the highest. Earnings considered for each of the last 3 months cannot exceed the highest earnings in any of the first 45 months by more than 25%. Minimum FRE is $125 per month. ECO Members: Original ECO Plan: Salary rate at date of termination or retirement. Revised Plan: Average of last four years for each office held.

Death Benefits: The greater of the above amount or the average of earnings over the last 12 months of service.

Disability Benefits: The average of earnings over the last 12 months of service (for ECO members, annualized salary on last day of ECO participation).

Normal Retirement Pension Eligibility
Regular Members: Age 60 with 8 or more years of service or 35 or more years of service and age 55 or greater.
SLEP Members: Age 50 with 20 or more years of SLEP service.
ECO Regular Members: Age 55 with 8 or more years of service.
ECO SLEP Members: Age 50 with 20 or more years of SLEP service or age 55 with 8 or more years of any service.

Normal Retirement Pension Amount
Regular Members: 1-2/3% of FRE times each of the first 15 years of service, plus 2% of FRE times service over 15 years. The maximum formula pension is 75% of FRE.
SLEP Members: 2-1/2% of FRE times all years of service. The maximum formula pension is 80% of FRE.
ECO Members: 3% of FRE times each of the first 8 years of service, plus 4% of FRE times each of the next 4 years of service, plus 5% of FRE times service over 12 years. For original ECO participants, one day of ECO service is required to qualify for this formula. For participants in the Revised Plan, 8 years of service credit per office is required to qualify for the ECO formula for that office. The maximum formula pension is 80% of FRE.
Money Purchase Minimum Pension: The amount that may be purchased by 2.4 times the member’s accumulated contributions, including interest at 7.5%.

Early Retirement (not applicable to SLEP optional benefits or to ECO service)
Eligibility: Attainment of age 55 with 8 or more years of service.
Amount: Normal pension amount reduced by 1/4% times the lesser of (i) the number of months to the member’s attainment of age 60, or (ii) the number of months actual service is less than 35 years.
Money Purchase Minimum Pension: Same as normal retirement (see above).
SUMMARY OF BENEFITS AND CONDITIONS EVALUATED
DECEMBER 31, 2008

Early Retirement Incentive Program (ERI)

**Eligibility:** Attainment of age 50 with 20 or more years of service. The employer must adopt the program and members’ retirement dates must be no later than 12 months after employer adoption.

**Amount:** Members may purchase from one month to five additional years of service. The service credit will be added to member’s age (for eligibility purposes) and to service to determine the monthly benefit.

**Member Cost:** For each year of service credit purchased, members pay the current member contribution rate multiplied by the highest 12 consecutive months of salary (within ERI period).

Vesting

A member with 8 or more years of service who leaves employment before being eligible for an immediate pension who does not withdraw accumulated contributions will be entitled to a deferred pension at pension eligibility. The amount of the pension will be based on service and FRE at time of employment termination, but will include the effect, if any, of the money purchase minimum pension. (These provisions apply to both ECO and non-ECO members.) A SLEP member with 20 or more years of service who leaves employment before being eligible for an immediate pension who does not withdraw accumulated contributions will be entitled to a deferred SLEP pension at pension eligibility otherwise they will only be entitled to a regular deferred pension at pension eligibility. A revised ECO member with 8 or more years of service with the same governmental entity who leaves employment before being eligible for an immediate pension who does not withdraw accumulated contributions will be entitled to an ECO deferred pension at pension eligibility otherwise they will only be entitled to a regular deferred pension at pension eligibility.

Surviving Spouse Pension

**Regular and SLEP**

**Eligibility:** Married for one year prior to death of an active member or date of termination of service for a retiree or inactive member with 8 or more years of service.

**Amount:** 50% of the pension otherwise payable to the deceased member. In addition to this monthly amount, a lump sum benefit of $3,000 is payable.

**ECO**

**Eligibility:** Married for one year prior to death of an active member or date of termination of service for a retiree or inactive member with 8 or more years of service.

**Amount:** 66 2/3% of the pension otherwise payable to the deceased member, beginning at age 50 (immediately if there are minor children).

**Minimum:** 10% of salary (30% with one minor child, 40% with two minor children, and 50% with three minor children).

If death occurs after termination of service, the total payment to the spouse and children is limited to 75% of the member’s pension.

Lump Sum Death-In-Service Benefit

**Less than 1 year of service:** Member contributions plus interest.

**More than 1 year of service** (or death in the line of duty): The sum of one times FRE and member contributions with interest.

These benefits are payable only if no surviving spouse pension is payable.

Lump Sum Death-After Retirement Benefit

$3,000. If there is no surviving spouse, any remainder of the deceased member’s contributions and interest not paid out as a pension is also payable.
Children’s Benefits

Regular and SLEP

Eligibility: Death of a member eligible to retire who has no surviving spouse, or death of a surviving spouse’s beneficiary.

Amount: Equal to spouse’s pension, divided equally among surviving children and payable to age 18.

ECO

Eligibility: Death of a member with minor children and no eligible spouse.

Amount: 20% of salary to each child, to a maximum of 50% of salary, payable to age 18. If death occurs after termination of service, the total payment to the surviving spouse and children is limited to 75% of the member’s pension.

Temporary Disability

Eligibility: Temporary disability for at least 30 days after one year of service and prior to age 70. Pre-existing conditions are excluded if service is under 5 years.

Amount: 50% of FRE less amounts payable from Social Security or Worker’s Compensation.

Duration: Period equal to 1/2 credited service, not to exceed 30 months.

Total and Permanent Disability

Regular and SLEP

Eligibility: Payable after temporary disability period to members who are totally and permanently disabled and unable to engage in any gainful occupation.

Amount: 50% of FRE less amounts payable by Social Security.

Duration: To the later of (i) Social Security age, or (ii) age at disability plus 5 years.

ECO

Eligibility: Payable to members who are totally and permanently disabled from performing the duties of their office while in service as an elected county officer.

Amount: The greater of 50% of FRE or the alternate formula pension amount earned to date.

Duration: To the later of (i) Social Security age, or (ii) age at disability plus 5 years.

IMRF service is credited during the disability period, except that under the revised ECO plan, the service that will be credited will be Regular or SLEP as appropriate, but not ECO.

Post-Retirement Increases

Pensions are increased by 3% of their original amount on January 1 each year. The first increase is prorated by the number of months of retirement. Disability pensions are not increased until the January 1st following 30 months of disability. These provisions apply to both ECO and non-ECO members.

13th Payment

A lump sum payment is made to eligible retirees and surviving spouses on July 1st. The amount depends on funds available from a designated employer contribution of 0.62% of payroll. No specific 13th check amount is promised to any individual.
SUMMARY OF BENEFITS AND CONDITIONS EVALUATED
DECEMBER 31, 2008

Member Contributions

Regular Members: 4 1/2% of earnings (3-3/4% base plus 3/4% for survivor benefits).

SLEP Members: 7 1/2% of earnings (6-3/4% base plus 3/4% for survivor benefits).

ECO Members: (a) Past service: Regular members pay an additional 3% of the salary for the applicable period plus interest from the date of service to the payment date. SLEP members pay an additional 1% of salary for the applicable period plus interest from the date of service to the payment date. (The total rate is 7 1/2% for each past year purchased plus interest.)

(b) Future service: 7 1/2% of earnings during the period of elective participant. (Note: Continued classification as an ECO member is not a condition for continued elective participation in the ECO program for participants in the original ECO Plan.)

Voluntary Additional: Up to 10% of earnings.

Refunds: If membership terminates without eligibility for any other benefit, a refund of base (including SLEP and ECO increments) and survivor contributions without interest plus accumulated voluntary additional contributions with interest is payable. If membership terminates with eligibility for a deferred pension, a lump sum refund of base and survivor contributions without interest plus accumulated voluntary additional contributions with interest is payable if they terminate before age 55 otherwise a separation refund may be received if the member rolls over the refund into another defined benefit retirement plan for the purpose of purchasing service credit. Upon retirement of a member who does not have an eligible spouse, survivor benefit contributions are refunded with interest. If, upon a member’s death, all of the member contributions with interest were not paid as a refund or pension, the beneficiary will receive any balance in the member’s account.
SUMMARY OF COVERED POPULATION DATA  
DECEMBER 31, 2008

Data on persons covered by IMRF were reported to the Actuary as follows:

<table>
<thead>
<tr>
<th>Member Status</th>
<th>No.</th>
<th>Valuation Payroll/Benefits</th>
<th>Average Pay/ Benefits</th>
<th>Age</th>
<th>Service</th>
</tr>
</thead>
<tbody>
<tr>
<td>Active Members</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Regular</td>
<td>175,791</td>
<td>$5,981,599,714</td>
<td>$34,027</td>
<td>47.0</td>
<td>9.5</td>
</tr>
<tr>
<td>SLEP</td>
<td>4,314</td>
<td>253,504,094</td>
<td>58,763</td>
<td>40.6</td>
<td>11.5</td>
</tr>
<tr>
<td>ECO</td>
<td>510</td>
<td>24,179,389</td>
<td>47,411</td>
<td>54.6</td>
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<tr>
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<td>180,615</td>
<td>$6,259,283,197</td>
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<tr>
<td>Inactive Members</td>
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<tr>
<td>ECO</td>
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<td>11.3</td>
</tr>
<tr>
<td>(Inactive and Active)</td>
<td>(34,109)</td>
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<tr>
<td>Total Inactive</td>
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<td>4.3</td>
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<tr>
<td>Retirees &amp; Beneficiaries</td>
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<td>$956,681,832</td>
<td>$10,614</td>
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</tr>
<tr>
<td>Total Population</td>
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<tr>
<td>Prior Year Total</td>
<td>398,659</td>
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</tbody>
</table>

There are a number of situations where members may be counted more than once. In particular, there are some members who are inactive with at least one employer and active with another employer. In order to avoid counting such individuals more than once, the inactive count is reduced by the number of such people as shown above. Other situations involving people who are inactive with more than one employer can also lead to people being counted more than once in the totals above. Consequently, actual counts of people may be lower than the above counts would suggest.

Additional population statistics are presented on the following pages.
## Active Members by Employer Type

**December 31, 2008**  
**Regular, SLEP, ECO Combined**

<table>
<thead>
<tr>
<th>Type of Employer</th>
<th>Rate Groups</th>
<th>Members</th>
<th>Cumulative Payroll</th>
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<td>School Districts</td>
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<tr>
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<td>89,083,697</td>
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<td>942</td>
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<td>856</td>
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<td>60</td>
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<td>58</td>
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<td>1,200,666</td>
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<tr>
<td>Township Cemetery</td>
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<td>299,289</td>
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<td>Multi Twp Assessment Districts</td>
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<td>212,210</td>
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<tr>
<td>Tuberculosis Sanitarium Districts</td>
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<td>-</td>
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<td>Employers with no Active Members or no Asset Information</td>
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<td>100.0%</td>
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<tr>
<td><strong>Totals</strong></td>
<td>3,489</td>
<td>180,615</td>
<td>100.0%</td>
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</table>
### ACTIVE REGULAR MEMBERS
#### BY ATTAINED AGE AND YEARS OF SERVICE
**DECEMBER 31, 2008**

<table>
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<tr>
<th>Attained Ages</th>
<th>Years of Service to Valuation Date</th>
<th>Totals</th>
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<td>8-9</td>
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<tr>
<td>15-19</td>
<td>339</td>
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<tr>
<td>20-24</td>
<td>5,881</td>
<td>338</td>
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<tr>
<td>25-29</td>
<td>11,589</td>
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<td>30-34</td>
<td>9,493</td>
<td>1,594</td>
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<td>35-39</td>
<td>10,112</td>
<td>1,701</td>
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<td>40-44</td>
<td>12,269</td>
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<td>45-49</td>
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<td>2,613</td>
<td>658</td>
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<tr>
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<td>1,809</td>
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<td>1,418</td>
<td>366</td>
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<tr>
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<td>1,356</td>
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<td>234</td>
<td>46</td>
</tr>
<tr>
<td>Over 70</td>
<td>933</td>
<td>252</td>
</tr>
</tbody>
</table>

**Totals** | **92,577** | **16,227** | **26,963** | **17,228** | **11,611** | **6,560** | **4,625** | **175,791** | **$5,981,599,714**
# Active Slep Members

**By Attained Age and Years of Service**

**December 31, 2008**

<table>
<thead>
<tr>
<th>Attained Ages</th>
<th>Years of Service to Valuation Date</th>
<th>Totals</th>
<th>Valuation No.</th>
<th>Payroll</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
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<td>8-9</td>
<td>10-14</td>
<td>15-19</td>
</tr>
<tr>
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<td>120</td>
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</tr>
<tr>
<td>20-24</td>
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<td>35-39</td>
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<td>338</td>
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</table>

*Illinois Municipal Retirement Fund*
### Active ECO Regular Members

**By Attained Age and Years of Service**

**December 31, 2008**

<table>
<thead>
<tr>
<th>Attained Ages</th>
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<th>8-9</th>
<th>10-14</th>
<th>15-19</th>
<th>20-24</th>
<th>25-29</th>
<th>30 &amp; Up</th>
<th><strong>Totals</strong></th>
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**Valuation Payroll**: $21,485,415
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## ALL ACTIVE MEMBERS BY YEARS OF SERVICE AND GENDER
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*Illinois Municipal Retirement Fund*
# Inactive Regular Members

## By Attained Age and Years of Service

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| Totals        | 132,438                           | 148,941    |
### Inactive SLEP Members
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## Inactive ECO Members
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</tr>
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<td>65</td>
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<td>1</td>
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<td>3</td>
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<tr>
<td>Over 70</td>
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<td>3</td>
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<tr>
<td><strong>Totals</strong></td>
<td>45</td>
<td>38</td>
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### RETIREES AND BENEFICIARIES
#### DECEMBER 31, 2008

<table>
<thead>
<tr>
<th>Type of Retirement</th>
<th>Regular</th>
<th>Level Payment Option</th>
<th>Total</th>
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<tr>
<td></td>
<td>No.</td>
<td>Amount</td>
<td>No.</td>
</tr>
<tr>
<td>Normal or Early</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Joint and 50% Survivor</td>
<td>42,395</td>
<td>$483,955,452</td>
<td>15,254</td>
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<tr>
<td>Straight Life</td>
<td>14,192</td>
<td>156,346,476</td>
<td>3,979</td>
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<tr>
<td>Total</td>
<td>56,587</td>
<td>640,301,928</td>
<td>19,233</td>
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<tr>
<td>Disability</td>
<td>593</td>
<td>4,029,864</td>
<td></td>
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<tr>
<td>Surviving Beneficiaries</td>
<td>11,408</td>
<td>55,649,088</td>
<td>633</td>
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<tr>
<td>Voluntary Contributions</td>
<td>1,678</td>
<td>1,138,728</td>
<td></td>
</tr>
<tr>
<td><strong>Grand Total</strong></td>
<td>70,266</td>
<td><strong>$701,119,608</strong></td>
<td>19,866</td>
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</table>

Voluntary Contributions includes annuitization of certain surviving spouse and SLEP refund amounts. Of the 1,678 retirees listed as receiving Voluntary contribution, 1,641 retirees are also in receipt of a separate retirement benefit.

Thirteenth Check amounts are not included in the above figures.

In the above chart, “Regular” refers to all forms of payment other than the level payment option. It does not connote “Regular” as opposed to SLEP and ECO.
# Retirees and Beneficiaries
## By Attained Age
### December 31, 2008

<table>
<thead>
<tr>
<th>Attained Ages</th>
<th>Number</th>
<th>Annual Benefits</th>
</tr>
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<tr>
<td></td>
<td>Males</td>
<td>Females</td>
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<tr>
<td>Under 20</td>
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<td>7</td>
</tr>
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<td>20 - 24</td>
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<td>8</td>
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<td>25 - 29</td>
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<td>35 - 39</td>
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<td>45 - 49</td>
<td>43</td>
<td>96</td>
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<tr>
<td>50 - 54</td>
<td>397</td>
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<td>55 - 59</td>
<td>2,983</td>
<td>4,094</td>
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<td>60 - 64</td>
<td>4,410</td>
<td>8,645</td>
</tr>
<tr>
<td>65 - 69</td>
<td>5,186</td>
<td>11,316</td>
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<tr>
<td>70 - 74</td>
<td>4,924</td>
<td>10,460</td>
</tr>
<tr>
<td>75 - 79</td>
<td>4,258</td>
<td>9,062</td>
</tr>
<tr>
<td>80 - 84</td>
<td>3,647</td>
<td>8,008</td>
</tr>
<tr>
<td>85 - 89</td>
<td>2,188</td>
<td>5,763</td>
</tr>
<tr>
<td>90 - 94</td>
<td>753</td>
<td>2,620</td>
</tr>
<tr>
<td>95 &amp; Up</td>
<td>168</td>
<td>727</td>
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<tr>
<td>Totals</td>
<td>29,009</td>
<td>61,123</td>
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</table>
## Retirees and Beneficiaries by Year of Retirement
### December 31, 2008

<table>
<thead>
<tr>
<th>Year of Retirement</th>
<th>Number</th>
<th>Annual Benefits</th>
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<tr>
<td></td>
<td>Males</td>
<td>Females</td>
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<td>2,093</td>
<td>3,606</td>
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<td>2007</td>
<td>2,264</td>
<td>4,088</td>
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<tr>
<td>2006</td>
<td>2,089</td>
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<tr>
<td>2005</td>
<td>2,015</td>
<td>3,645</td>
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<tr>
<td>2004</td>
<td>1,849</td>
<td>3,305</td>
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<td>2003</td>
<td>1,890</td>
<td>3,277</td>
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<td>1,548</td>
<td>2,937</td>
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<td>2001</td>
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<td>2,689</td>
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<tr>
<td>2000</td>
<td>1,152</td>
<td>2,559</td>
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<tr>
<td>1999</td>
<td>1,410</td>
<td>2,643</td>
</tr>
<tr>
<td>1998</td>
<td>1,378</td>
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<td>1997</td>
<td>1,184</td>
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<td>1996</td>
<td>1,004</td>
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<tr>
<td>1993</td>
<td>749</td>
<td>1,791</td>
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<td>1992</td>
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<tr>
<td>1991</td>
<td>572</td>
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<tr>
<td>1990 - 1994</td>
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<td>1,424</td>
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<tr>
<td>1985 - 1989</td>
<td>2,199</td>
<td>5,908</td>
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<tr>
<td>1980 - 1984</td>
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<td>1975 - 1979</td>
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<td>1965 - 1969</td>
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</tr>
<tr>
<td>Before 1965</td>
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<p>| Total              | 29,009 | 61,123 | 90,132 | $956,681,832 |</p>
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<tr>
<th>Date</th>
<th>Total Count</th>
<th>Number</th>
<th>Age</th>
<th>Serv.</th>
<th>Annual Pay</th>
<th>Pay Increase</th>
<th>Number</th>
<th>Active/Retired</th>
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<td>1984</td>
<td>183,483</td>
<td>105,658</td>
<td>43.1</td>
<td>7.2</td>
<td>$14,689</td>
<td>6.2%</td>
<td>38,762</td>
<td>39,063</td>
</tr>
<tr>
<td>1985</td>
<td>187,886</td>
<td>107,708</td>
<td>43.1</td>
<td>7.2</td>
<td>15,417</td>
<td>5.0%</td>
<td>39,315</td>
<td>40,863</td>
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<tr>
<td>1986</td>
<td>193,006</td>
<td>110,285</td>
<td>43.1</td>
<td>7.3</td>
<td>16,033</td>
<td>4.0%</td>
<td>39,921</td>
<td>42,800</td>
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<tr>
<td>1987</td>
<td>203,499</td>
<td>112,611</td>
<td>43.0</td>
<td>7.1</td>
<td>16,602</td>
<td>3.5%</td>
<td>46,199</td>
<td>44,689</td>
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<tr>
<td>1988</td>
<td>208,237</td>
<td>115,050</td>
<td>43.1</td>
<td>7.2</td>
<td>17,370</td>
<td>4.6%</td>
<td>47,305</td>
<td>45,882</td>
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<td>1989</td>
<td>221,145</td>
<td>118,670</td>
<td>43.1</td>
<td>7.2</td>
<td>18,046</td>
<td>3.9%</td>
<td>53,470</td>
<td>49,005</td>
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<td>228,964</td>
<td>121,234</td>
<td>43.3</td>
<td>7.3</td>
<td>19,000</td>
<td>5.3%</td>
<td>57,016</td>
<td>50,714</td>
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<td>1991</td>
<td>237,731</td>
<td>125,559</td>
<td>43.4</td>
<td>7.4</td>
<td>19,846</td>
<td>4.5%</td>
<td>59,775</td>
<td>52,397</td>
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<tr>
<td>1992</td>
<td>242,730</td>
<td>126,557</td>
<td>43.7</td>
<td>7.7</td>
<td>20,816</td>
<td>4.9%</td>
<td>61,964</td>
<td>54,209</td>
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<tr>
<td>1993</td>
<td>245,409</td>
<td>122,361</td>
<td>44.2</td>
<td>8.2</td>
<td>22,142</td>
<td>6.4%</td>
<td>66,735</td>
<td>56,313</td>
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<td>1994</td>
<td>265,456</td>
<td>133,803</td>
<td>43.8</td>
<td>7.8</td>
<td>22,021</td>
<td>(0.5)%</td>
<td>73,972</td>
<td>57,681</td>
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<tr>
<td>1995</td>
<td>262,232</td>
<td>136,617</td>
<td>43.8</td>
<td>8.2</td>
<td>22,661</td>
<td>2.9%</td>
<td>65,914</td>
<td>59,701</td>
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<tr>
<td>1996</td>
<td>249,291</td>
<td>139,525</td>
<td>44.0</td>
<td>8.3</td>
<td>22,104</td>
<td>3.5%*</td>
<td>48,274</td>
<td>61,492</td>
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<td>1997</td>
<td>290,804</td>
<td>143,999</td>
<td>44.1</td>
<td>8.2</td>
<td>23,991</td>
<td>8.5%</td>
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<td>64,886</td>
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<td>303,869</td>
<td>148,610</td>
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<td>8.2</td>
<td>24,871</td>
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<td>88,173</td>
<td>67,086</td>
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<td>1999</td>
<td>317,616</td>
<td>153,910</td>
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<td>25,678</td>
<td>3.2%</td>
<td>94,576</td>
<td>69,130</td>
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<td>2000</td>
<td>330,313</td>
<td>157,836</td>
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<td>8.2</td>
<td>26,514</td>
<td>3.4%</td>
<td>102,082</td>
<td>70,395+</td>
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<td>2001</td>
<td>343,842</td>
<td>163,886</td>
<td>44.9</td>
<td>8.3</td>
<td>27,477</td>
<td>3.9%</td>
<td>108,338</td>
<td>71,618</td>
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<tr>
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<td>353,897</td>
<td>166,365</td>
<td>45.3</td>
<td>8.5</td>
<td>28,582</td>
<td>4.0%</td>
<td>113,524</td>
<td>74,008</td>
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<td>361,010</td>
<td>166,439</td>
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<td>8.8</td>
<td>29,709</td>
<td>3.9%</td>
<td>118,093</td>
<td>76,478</td>
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<tr>
<td>2004</td>
<td>367,590</td>
<td>167,030</td>
<td>46.0</td>
<td>9.0</td>
<td>30,899</td>
<td>4.0%</td>
<td>121,543</td>
<td>79,017</td>
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<td>2005</td>
<td>377,251</td>
<td>169,867</td>
<td>46.3</td>
<td>9.1</td>
<td>31,640</td>
<td>2.4%</td>
<td>125,761</td>
<td>81,623</td>
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<td>2006</td>
<td>387,665</td>
<td>173,068</td>
<td>46.5</td>
<td>9.4</td>
<td>32,535</td>
<td>2.8%</td>
<td>130,239</td>
<td>84,358</td>
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<tr>
<td>2007</td>
<td>398,659</td>
<td>176,495</td>
<td>46.7</td>
<td>9.5</td>
<td>33,607</td>
<td>3.3%</td>
<td>134,687</td>
<td>87,477</td>
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<tr>
<td>2008</td>
<td>420,632</td>
<td>180,615</td>
<td>46.8</td>
<td>9.6</td>
<td>34,655</td>
<td>3.1%</td>
<td>149,885</td>
<td>90,132</td>
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+ Restated subsequent to release of 2000 valuation.
SECTION C
FINANCIAL DATA
## DEVELOPMENT OF FUNDING VALUE OF RETIREMENT SYSTEM ASSETS

<table>
<thead>
<tr>
<th>Year Ended December 31</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
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<tbody>
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<td>A. Funding Value Beginning of Year</td>
<td>$19,698,401,285</td>
<td>$21,427,139,356</td>
<td>$23,274,361,198</td>
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<tr>
<td>B. Market Value End of Year</td>
<td>22,452,233,908</td>
<td>24,211,466,304</td>
<td>18,000,877,927</td>
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<tr>
<td>C. Market Value Beginning of Year</td>
<td>19,793,486,534</td>
<td>22,452,233,908</td>
<td>24,211,466,304</td>
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<tr>
<td>D. Non-Investment/Administrative Net Cash Flow</td>
<td>(10,466,016)</td>
<td>(63,216,222)</td>
<td>(84,179,826)</td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>E. Investment Return</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>E1. Market Total: B-C-D</td>
<td>2,669,213,390</td>
<td>1,822,448,618</td>
<td>(6,126,408,551)</td>
<td></td>
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<tr>
<td>E2. Assumed Rate of Return</td>
<td>7.50%</td>
<td>7.50%</td>
<td>7.50%</td>
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<tr>
<td>E3. Assumed Amount of Return</td>
<td>1,476,987,621</td>
<td>1,604,664,843</td>
<td>1,742,420,346</td>
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<tr>
<td>E4. Return Subject to Phase-In: E1-E3</td>
<td>1,192,225,769</td>
<td>217,783,775</td>
<td>(7,868,828,897)</td>
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<tr>
<td>F. Phased-In Recognition of Investment Return</td>
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<td></td>
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<tr>
<td>F1. Current year: 0.20 x E4</td>
<td>238,445,154</td>
<td>43,556,755</td>
<td>(1,573,765,779)</td>
<td>Unknown</td>
<td>Unknown</td>
<td>Unknown</td>
<td>Unknown</td>
</tr>
<tr>
<td>F2. First Prior Year</td>
<td>23,771,312</td>
<td>238,445,154</td>
<td>-</td>
<td>(900,043,896)</td>
<td>Unknown</td>
<td>Unknown</td>
<td>Unknown</td>
</tr>
<tr>
<td>F3. Second Prior Year</td>
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<td>23,771,312</td>
<td>-</td>
<td>-</td>
<td>(900,043,896)</td>
<td>Unknown</td>
<td>Unknown</td>
</tr>
<tr>
<td>F4. Third Prior Year</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(900,043,896)</td>
<td>Unknown</td>
</tr>
<tr>
<td>F5. Fourth Prior Year</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(900,043,897)</td>
</tr>
<tr>
<td>F6. Funding Corridor Adjustment</td>
<td>(1,757,782,426)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>F7. Total Scheduled Phase-in of gain/(loss)</td>
<td>262,216,466</td>
<td>305,773,221</td>
<td>(3,331,548,206)</td>
<td>(900,043,896)</td>
<td>(900,043,896)</td>
<td>(900,043,897)</td>
<td>(900,043,897)</td>
</tr>
<tr>
<td>G. Acceptable Phase-in of Investment Return</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>G1. Projected Funding Value without Phase-in: A+D+E3</td>
<td>21,164,922,890</td>
<td>22,968,587,977</td>
<td>24,932,601,718</td>
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<td></td>
<td></td>
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<tr>
<td>G2. Limit on Phase-in: B-G1</td>
<td>1,287,311,018</td>
<td>1,242,878,327</td>
<td>(6,931,723,791)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>G3. Acceptable Phase-in Amount</td>
<td>262,216,466</td>
<td>305,773,221</td>
<td>(3,331,548,206)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>H. Funding Value End of Year: A+D+E3+G3</td>
<td>$21,427,139,356</td>
<td>$23,274,361,198</td>
<td>$21,601,053,512</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>I. Difference Between Market and Funding Value</td>
<td>1,025,094,552</td>
<td>937,105,106</td>
<td>(3,600,175,585)</td>
<td>(2,700,131,689)</td>
<td>(1,800,087,793)</td>
<td>(900,043,897)</td>
<td>-</td>
</tr>
<tr>
<td>J. Recognized Rate of Return</td>
<td>8.8%</td>
<td>8.9%</td>
<td>-6.8%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>K. Market Rate of Return</td>
<td>13.5%</td>
<td>8.1%</td>
<td>-25.3%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>L. Ratio of Funding Value to Market Value</td>
<td>95.4%</td>
<td>96.1%</td>
<td>120.0%</td>
<td></td>
<td></td>
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<td></td>
</tr>
</tbody>
</table>

The Funding Value of Assets recognizes assumed investment return (line E3) fully each year. Differences between actual and assumed investment return (line E4) are phased-in over a closed 5-year period subject to a 20% corridor. The acceptable phase-in amount (Item G3) is the minimum of Items F6 and G2, if G2 is positive. If G2 is negative, the acceptable phase-in amount is the greater of Items F6 and G2.
DEVELOPMENT OF MARKET VALUE ADJUSTMENT

In a single employer plan, the Market Value Adjustment would normally be the difference between the funding value of assets and the market value of assets. In IMRF, because of the need to allocate the Market Value Adjustment in an equitable manner among participating employers, certain extra steps are taken as shown below.

<table>
<thead>
<tr>
<th></th>
<th>Year Ended December 31</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2008</td>
</tr>
<tr>
<td>1. Funding Value of End of Year</td>
<td>$21,601,053,512</td>
</tr>
<tr>
<td>2. Amounts not used in rate calculations</td>
<td></td>
</tr>
<tr>
<td>a. Suspended Annuity Reserve</td>
<td>21,386,109</td>
</tr>
<tr>
<td>b. Disability Benefit Reserve</td>
<td>14,553,142</td>
</tr>
<tr>
<td>c. Death Benefit Reserve</td>
<td>12,432,734</td>
</tr>
<tr>
<td>d. Supplemental Benefit Reserve</td>
<td>2,530,205</td>
</tr>
<tr>
<td>e. Cases removed from rate calculations*</td>
<td>32,696,157</td>
</tr>
<tr>
<td>f. Estimated pending reserve transfers</td>
<td>-</td>
</tr>
<tr>
<td>g. Total</td>
<td>83,598,347</td>
</tr>
<tr>
<td>3. Remaining amount to allocate: (1)-(2g)</td>
<td>21,517,455,165</td>
</tr>
<tr>
<td>4. Total reported negative reserves</td>
<td>(2,305,729)</td>
</tr>
<tr>
<td>5. Amount available to positive reserves: (3)-(4)</td>
<td>21,519,760,894</td>
</tr>
<tr>
<td>6. Total Market Value of reported positive reserves</td>
<td>17,845,814,511</td>
</tr>
<tr>
<td>7. Market Value Adjustment: (5)-(6)</td>
<td>$3,673,946,383</td>
</tr>
</tbody>
</table>

* Employers that are not included on the asset tape submitted to the actuary. In general, these employers have no active members and no employer assets, but may have retired lives and/or inactive members.

The Market Value Adjustment is allocated among all employers that have a positive reserve balance (member plus employer plus retired life reserves), in proportion to each employer’s reserve balance.

Even in years when the Funding Value of Assets equals the Market Value of Assets, a market value adjustment can be made due to the following reasons:

- Differences between the earnings and experience reserve and the investment loss reserve from the financial statements.
- Differences between employee contribution amounts in the financial statements versus data tapes.
- Differences between employer contribution amounts in the financial statements versus data tapes.
## Reported Market Values

<table>
<thead>
<tr>
<th></th>
<th>2008</th>
<th>2007</th>
<th>Percentage of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Market Value</td>
<td>Percentage of Total</td>
<td></td>
</tr>
<tr>
<td></td>
<td>$17,904,070,487</td>
<td>100.0%</td>
<td></td>
</tr>
<tr>
<td>Total Invested Assets</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Receivables</td>
<td>130,526,637</td>
<td>120,377,802</td>
<td></td>
</tr>
<tr>
<td>Cash</td>
<td>26,759,985</td>
<td>28,784,955</td>
<td></td>
</tr>
<tr>
<td>Fixed Assets</td>
<td>2,369,362</td>
<td>511,368</td>
<td></td>
</tr>
<tr>
<td>Total Market Value</td>
<td>$18,063,726,470</td>
<td>$24,241,078,416</td>
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</tr>
<tr>
<td>Liabilities</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Benefits &amp; vouchers payable</td>
<td>35,145,686</td>
<td>29,612,112</td>
<td></td>
</tr>
<tr>
<td>Securities Lending Payable</td>
<td>27,702,857</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Liabilities</td>
<td>62,848,543</td>
<td>29,612,112</td>
<td></td>
</tr>
<tr>
<td>Nets Assets Available for Benefits</td>
<td>$18,000,877,927</td>
<td>$24,211,466,304</td>
<td></td>
</tr>
</tbody>
</table>

Amounts on this page are preliminary year-end numbers and may not agree with final audited numbers reported by IMRF, but are shown for completeness.
SECTION D
ACTUARIAL METHODS AND ASSUMPTIONS
SUMMARY OF ACTUARIAL METHODS AND ASSUMPTIONS USED FOR IMRF ACTUARIAL VALUATIONS
ASSUMPTIONS ADOPTED BY RETIREMENT BOARD AFTER CONSULTING WITH ACTUARY

Economic Assumptions

The investment return rate assumed in the valuations was 7.5% per year, compounded annually (net after administrative expenses).

The Wage Inflation Rate assumed in this valuation was 4.00% per year. The Wage Inflation Rate is defined to be the portion of total pay increases for an individual that are due to macroeconomic forces including productivity, price inflation, and labor market conditions. The wage inflation rate does not include pay changes rated to individual merit and seniority effects.

No specific Price Inflation assumption is required to perform this valuation, since there are no benefits that are linked to price increases. However, a price inflation assumption on the order of 3.0% to 3.5% would be consistent with the other economic assumptions.

The assumed real rate of return over wage inflation is defined to be the portion of total investment return that is more than the assumed total wage growth rate. Considering other economic assumptions, the 7.5% investment return rate translates to an assumed real rate of return over wage inflation of 3.5%. The assumed real rate of return over price inflation would be higher – on the order of 4.0% to 4.5%, considering both an inflation assumption and an average expense provision.

The Active Member Population is assumed to remain constant. For purposes of financing the unfunded liabilities, total payroll is assumed to grow at the wage inflation rate – 4.00% per year.

Pay increase assumptions for individual active members are shown for sample ages on page D-7. Part of the assumption for each age is for merit and/or seniority increase, and the other 4.00% recognizes wage inflation, including price inflation, productivity increases, and other macroeconomic forces.

The number of active members is assumed to continue at the present number.

Non-Economic Assumptions

Non-economic (decrement) assumptions include rates of mortality before and after retirement, rates of disability, rates of retirement, rates of other separation from employment and probabilities of an active member being married. The non-economic assumptions are based upon experience during the 2005-2007 period (please see report dated October 16, 2008), and were first used in the December 31, 2008 valuation. Decrement assumptions are shown for sample ages beginning on page D-3.
SUMMARY OF ACTUARIAL METHODS AND ASSUMPTIONS USED FOR IMRF ACTUARIAL VALUATIONS
ASSUMPTIONS ADOPTED BY RETIREMENT BOARD AFTER CONSULTING WITH ACTUARY

Actuarial Valuation Method

An aggregate entry age actuarial cost method of valuation was used in determining most liabilities and normal cost. This means that an individual entry-age employer normal cost was determined for each benefit group (Regular, SLEP, ECO) as a percent-of-payroll. The so determined normal cost was assumed to apply to each employer, regardless of the demographics of the specific employer. Larger employers have the option of an individual normal cost rate. The aggregate normal cost rate is then multiplied by the present value of future salary to determine the present value of future normal cost for each employer. The actuarial accrued liability is then calculated by subtracting the present value of future normal cost and present value of future employee contributions from the present value of future benefits.

Differences in the past between assumed experience and actual experience (“actuarial gains and losses”) become part of actuarial accrued liabilities. Unfunded actuarial accrued liabilities are amortized to produce payments (principal & interest) which are level percent of payroll contributions.

Liabilities for lump sum death benefits and temporary disability benefits were determined using a term cost approach. Under this approach, the funding objective is to receive contributions each year that approximately equal the benefits being paid.

Employer contributions were assumed to be paid in equal installments throughout the year.

Present assets (cash & investments) at funding value are shown on page C-1.

Actuarial Valuation Method

The Funding Value of Assets (developed on page C-1) recognizes assumed investment income fully each year. Differences between actual and assumed investment income are phased-in over a closed 5-year period subject to a 20% corridor. The method also limits the adjustment to the expected actuarial return to the maximum amount of unrecognized gains or losses not yet reflected in the actuarial value of assets. In any year in which the actuarial value minus the market value of assets switches from a positive value to a negative value, or vice-versa, any prior gain/loss bases are wiped out and the smoothing mechanism restarts.

The actuarial valuation computations were made by or under the supervision of a Member of the American Academy of Actuaries (MAAA).
# Actuarial Assumptions
## December 31, 2008
### Probabilities of Age & Service Retirement

<table>
<thead>
<tr>
<th>Age at Retirement</th>
<th>Regular Reduced Early</th>
<th>Regular Normal</th>
<th>SLEP Service less than 32 years</th>
<th>SLEP Service 32 years or more</th>
<th>ECO-Regular Normal</th>
<th>ECO-SLEP Normal</th>
<th>ECO-SLEP Normal</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Males</td>
<td>Females</td>
<td>Males</td>
<td>Females</td>
<td>Males</td>
<td>Females</td>
<td>Males</td>
</tr>
<tr>
<td>50</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>23%</td>
<td>55%</td>
<td></td>
</tr>
<tr>
<td>51</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>18%</td>
<td>55%</td>
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</tr>
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<td>52</td>
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</tr>
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<td>54</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>23%</td>
<td>55%</td>
<td></td>
</tr>
<tr>
<td>55</td>
<td>7.5%</td>
<td>6.5%</td>
<td>35%</td>
<td>30%</td>
<td>23%</td>
<td>55%</td>
<td></td>
</tr>
<tr>
<td>56</td>
<td>7.5%</td>
<td>6.5%</td>
<td>30%</td>
<td>25%</td>
<td>18%</td>
<td>55%</td>
<td></td>
</tr>
<tr>
<td>57</td>
<td>7.5%</td>
<td>6.5%</td>
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<td>25%</td>
<td>23%</td>
<td>55%</td>
<td></td>
</tr>
<tr>
<td>58</td>
<td>7.5%</td>
<td>6.5%</td>
<td>28%</td>
<td>25%</td>
<td>33%</td>
<td>55%</td>
<td></td>
</tr>
<tr>
<td>59</td>
<td>7.5%</td>
<td>6.5%</td>
<td>28%</td>
<td>20%</td>
<td>13%</td>
<td>55%</td>
<td></td>
</tr>
<tr>
<td>60</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>12%</td>
<td>10%</td>
<td></td>
</tr>
<tr>
<td>61</td>
<td></td>
<td></td>
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<td>10%</td>
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</tr>
<tr>
<td>62</td>
<td></td>
<td></td>
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<td></td>
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<td>20%</td>
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</tr>
<tr>
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</tr>
<tr>
<td>64</td>
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</tr>
<tr>
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<td></td>
<td></td>
<td></td>
<td></td>
<td>30%</td>
<td>25%</td>
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</tr>
<tr>
<td>66</td>
<td></td>
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</tr>
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<td>20%</td>
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</tr>
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<td>18%</td>
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<td>69</td>
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<td></td>
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<td>18%</td>
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</tr>
<tr>
<td>70</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>20%</td>
<td>18%</td>
<td></td>
</tr>
<tr>
<td>71-79</td>
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<td></td>
<td></td>
<td></td>
<td>18%</td>
<td>18%</td>
<td></td>
</tr>
<tr>
<td>80 &amp; Over</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
</tr>
</tbody>
</table>

For terminated vested members, all members were assumed to retire at age 60 or attained age if later.
# Actuarial Assumptions

## December 31, 2008

### Probabilities of Separation from Active Member Status

<table>
<thead>
<tr>
<th>Service</th>
<th>% Separating Next Year</th>
</tr>
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<tbody>
<tr>
<td>Regular</td>
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<td>0</td>
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<td>4</td>
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<td>7.5%</td>
</tr>
<tr>
<td>6</td>
<td>6.2%</td>
</tr>
<tr>
<td>7</td>
<td>5.8%</td>
</tr>
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</table>

<table>
<thead>
<tr>
<th>Age</th>
<th>8 or More Years of Service</th>
<th>7 or More Years of Service</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>8 or More Years of Service</td>
<td></td>
</tr>
<tr>
<td>30</td>
<td>4.7%</td>
<td>6.5%</td>
</tr>
<tr>
<td>35</td>
<td>3.8%</td>
<td>5.3%</td>
</tr>
<tr>
<td>40</td>
<td>3.0%</td>
<td>4.2%</td>
</tr>
<tr>
<td>45</td>
<td>2.5%</td>
<td>3.7%</td>
</tr>
<tr>
<td>50</td>
<td>2.3%</td>
<td>3.2%</td>
</tr>
</tbody>
</table>
# Actuarial Assumptions

**December 31, 2008**

**Active Member Probabilities of Death and Disability**

<table>
<thead>
<tr>
<th>Sample Ages</th>
<th>% Dying</th>
<th>Regular &amp; ECO</th>
<th>SLEP</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Male</td>
<td>Female</td>
<td>Male</td>
</tr>
<tr>
<td>20</td>
<td>0.03%</td>
<td>0.01%</td>
<td>0.04%</td>
</tr>
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<td>0.03%</td>
<td>0.01%</td>
<td>0.05%</td>
</tr>
<tr>
<td>30</td>
<td>0.04%</td>
<td>0.02%</td>
<td>0.06%</td>
</tr>
<tr>
<td>35</td>
<td>0.04%</td>
<td>0.02%</td>
<td>0.06%</td>
</tr>
<tr>
<td>40</td>
<td>0.05%</td>
<td>0.04%</td>
<td>0.08%</td>
</tr>
<tr>
<td>45</td>
<td>0.08%</td>
<td>0.05%</td>
<td>0.12%</td>
</tr>
<tr>
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<td>0.19%</td>
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<td>0.33%</td>
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<td>0.40%</td>
<td>0.22%</td>
<td>0.60%</td>
</tr>
<tr>
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<td>0.73%</td>
<td>0.43%</td>
<td>1.09%</td>
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<td>1.19%</td>
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<td>1.78%</td>
</tr>
<tr>
<td>75</td>
<td>1.86%</td>
<td>1.13%</td>
<td>2.79%</td>
</tr>
<tr>
<td>80</td>
<td>3.10%</td>
<td>1.97%</td>
<td>4.65%</td>
</tr>
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</table>

<table>
<thead>
<tr>
<th>Sample Ages</th>
<th>% Disabled</th>
<th>Regular</th>
<th>ECO</th>
<th>SLEP</th>
<th>ECO-SLEP</th>
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</thead>
<tbody>
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<td>Female</td>
<td>Male</td>
<td>Female</td>
<td>Male</td>
</tr>
<tr>
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<td>0.01%</td>
<td>0.00%</td>
<td>0.01%</td>
<td>0.01%</td>
<td>0.01%</td>
</tr>
<tr>
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<td>0.00%</td>
<td>0.01%</td>
<td>0.01%</td>
<td>0.02%</td>
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<td>30</td>
<td>0.01%</td>
<td>0.01%</td>
<td>0.02%</td>
<td>0.01%</td>
<td>0.03%</td>
</tr>
<tr>
<td>35</td>
<td>0.02%</td>
<td>0.01%</td>
<td>0.04%</td>
<td>0.02%</td>
<td>0.04%</td>
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<tr>
<td>40</td>
<td>0.04%</td>
<td>0.02%</td>
<td>0.06%</td>
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<td>0.07%</td>
</tr>
<tr>
<td>45</td>
<td>0.06%</td>
<td>0.03%</td>
<td>0.09%</td>
<td>0.06%</td>
<td>0.10%</td>
</tr>
<tr>
<td>50</td>
<td>0.09%</td>
<td>0.04%</td>
<td>0.14%</td>
<td>0.09%</td>
<td>0.14%</td>
</tr>
<tr>
<td>55</td>
<td>0.15%</td>
<td>0.07%</td>
<td>0.22%</td>
<td>0.15%</td>
<td>0.19%</td>
</tr>
<tr>
<td>60</td>
<td>0.19%</td>
<td>0.12%</td>
<td>0.28%</td>
<td>0.26%</td>
<td>0.18%</td>
</tr>
<tr>
<td>65</td>
<td>0.20%</td>
<td>0.14%</td>
<td>0.30%</td>
<td>0.30%</td>
<td>0.12%</td>
</tr>
<tr>
<td>70</td>
<td>0.17%</td>
<td>0.12%</td>
<td>0.26%</td>
<td>0.26%</td>
<td>0.07%</td>
</tr>
<tr>
<td>75</td>
<td>0.12%</td>
<td>0.08%</td>
<td>0.18%</td>
<td>0.18%</td>
<td>0.02%</td>
</tr>
<tr>
<td>80</td>
<td>0.10%</td>
<td>0.07%</td>
<td>0.15%</td>
<td>0.15%</td>
<td>0.00%</td>
</tr>
</tbody>
</table>
## ACTUARIAL ASSUMPTIONS
### DECEMBER 31, 2008
#### RETIREE, BENEFICIARY, TERMINATED VESTED AND DISABLED LIFE MORTALITY

<table>
<thead>
<tr>
<th>Sample Ages</th>
<th>% Dying Next Year</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Non-Disabled Lives</td>
<td>Disabled Lives</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Males</td>
<td>Females</td>
<td>Males</td>
</tr>
<tr>
<td>40</td>
<td>0.1179%</td>
<td>0.0674%</td>
<td>0.2837%</td>
</tr>
<tr>
<td>45</td>
<td>0.1736%</td>
<td>0.0924%</td>
<td>0.4867%</td>
</tr>
<tr>
<td>50</td>
<td>0.2837%</td>
<td>0.1357%</td>
<td>0.8774%</td>
</tr>
<tr>
<td>55</td>
<td>0.4867%</td>
<td>0.2179%</td>
<td>1.5988%</td>
</tr>
<tr>
<td>60</td>
<td>0.8774%</td>
<td>0.4217%</td>
<td>2.6103%</td>
</tr>
<tr>
<td>65</td>
<td>1.5988%</td>
<td>0.8204%</td>
<td>4.0932%</td>
</tr>
<tr>
<td>70</td>
<td>2.6103%</td>
<td>1.3043%</td>
<td>6.8230%</td>
</tr>
<tr>
<td>75</td>
<td>4.0932%</td>
<td>2.1552%</td>
<td>10.6964%</td>
</tr>
<tr>
<td>80</td>
<td>6.8230%</td>
<td>3.7426%</td>
<td>16.8224%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Sample Ages</th>
<th>Life Expectancy Years</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Non-Disabled Retired Lives</td>
<td>Disabled Lives</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Males</td>
<td>Females</td>
<td>Males</td>
</tr>
<tr>
<td>40</td>
<td>39.2</td>
<td>45.0</td>
<td>29.8</td>
</tr>
<tr>
<td>45</td>
<td>34.5</td>
<td>40.2</td>
<td>25.3</td>
</tr>
<tr>
<td>50</td>
<td>29.8</td>
<td>35.4</td>
<td>21.0</td>
</tr>
<tr>
<td>55</td>
<td>25.3</td>
<td>30.6</td>
<td>17.1</td>
</tr>
<tr>
<td>60</td>
<td>21.0</td>
<td>26.0</td>
<td>13.6</td>
</tr>
<tr>
<td>65</td>
<td>17.1</td>
<td>21.7</td>
<td>10.5</td>
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<tr>
<td>70</td>
<td>13.6</td>
<td>17.7</td>
<td>7.9</td>
</tr>
<tr>
<td>75</td>
<td>10.5</td>
<td>14.0</td>
<td>5.8</td>
</tr>
<tr>
<td>80</td>
<td>7.9</td>
<td>10.6</td>
<td>4.1</td>
</tr>
</tbody>
</table>

For non-disabled lives, the mortality rates are the 1994 Group Annuity Mortality Table for Males multiplied by 110% and the 1994 Group Annuity Mortality Table for Females multiplied by 95%. For disabled lives, the mortality rates are the rates applicable to non-disabled lives set forward 10 years.
### ACTUARIAL ASSUMPTIONS
#### DECEMBER 31, 2008
#### PAY INCREASES FOR REGULAR AND ECO ACTIVE MEMBERS

<table>
<thead>
<tr>
<th>Age</th>
<th>Merit &amp; Longevity</th>
<th>Economic</th>
<th>Total</th>
<th>Service</th>
<th>% Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>25</td>
<td>2.0%</td>
<td>4.0%</td>
<td>6.0%</td>
<td>0</td>
<td>7.0%</td>
</tr>
<tr>
<td>30</td>
<td>1.7%</td>
<td>4.0%</td>
<td>5.7%</td>
<td>1</td>
<td>5.0%</td>
</tr>
<tr>
<td>35</td>
<td>1.2%</td>
<td>4.0%</td>
<td>5.2%</td>
<td>2</td>
<td>3.5%</td>
</tr>
<tr>
<td>40</td>
<td>0.9%</td>
<td>4.0%</td>
<td>4.9%</td>
<td>3</td>
<td>3.0%</td>
</tr>
<tr>
<td>45</td>
<td>0.7%</td>
<td>4.0%</td>
<td>4.7%</td>
<td>4</td>
<td>2.0%</td>
</tr>
<tr>
<td>50</td>
<td>0.6%</td>
<td>4.0%</td>
<td>4.6%</td>
<td>5</td>
<td>1.5%</td>
</tr>
<tr>
<td>55</td>
<td>0.5%</td>
<td>4.0%</td>
<td>4.5%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>60</td>
<td>0.4%</td>
<td>4.0%</td>
<td>4.4%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

For a person with 6 or more years of service, the assumed pay increase during the coming year is found in the 6 or more years of service total column. For a person with less than 6 years of service, the % increase from the less than 6 years column that corresponds to the person’s service is added to the increase from the 6 or more years of service total column that corresponds to the person’s age to get the total assumed increase. For example, a 40-year-old with 8 years of service is assumed to get a 4.9% pay increase during the coming year. But a 40-year-old with 4 years of service is assumed to get a 6.9% increase (4.9% + 2.0%).
# Actuarial Assumptions

**December 31, 2008**

**Pay Increases for SLEP and ECO-SLEP Active Members**

<table>
<thead>
<tr>
<th>Years of Service</th>
<th>% Increase in Pay Next Year</th>
<th>Merit &amp; Longevity Increase</th>
<th>% Total Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>4.0%</td>
<td>12.0%</td>
<td>16.0%</td>
</tr>
<tr>
<td>2</td>
<td>4.0%</td>
<td>9.0%</td>
<td>13.0%</td>
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<tr>
<td>3</td>
<td>4.0%</td>
<td>4.3%</td>
<td>8.3%</td>
</tr>
<tr>
<td>4</td>
<td>4.0%</td>
<td>3.5%</td>
<td>7.5%</td>
</tr>
<tr>
<td>5</td>
<td>4.0%</td>
<td>2.3%</td>
<td>6.3%</td>
</tr>
<tr>
<td>6</td>
<td>4.0%</td>
<td>2.0%</td>
<td>6.0%</td>
</tr>
<tr>
<td>7</td>
<td>4.0%</td>
<td>1.0%</td>
<td>5.0%</td>
</tr>
<tr>
<td>8</td>
<td>4.0%</td>
<td>1.0%</td>
<td>5.0%</td>
</tr>
<tr>
<td>9</td>
<td>4.0%</td>
<td>1.0%</td>
<td>5.0%</td>
</tr>
<tr>
<td>10</td>
<td>4.0%</td>
<td>0.5%</td>
<td>4.5%</td>
</tr>
<tr>
<td>11</td>
<td>4.0%</td>
<td>0.5%</td>
<td>4.5%</td>
</tr>
<tr>
<td>12</td>
<td>4.0%</td>
<td>0.5%</td>
<td>4.5%</td>
</tr>
<tr>
<td>13</td>
<td>4.0%</td>
<td>0.5%</td>
<td>4.5%</td>
</tr>
<tr>
<td>14</td>
<td>4.0%</td>
<td>0.5%</td>
<td>4.5%</td>
</tr>
<tr>
<td>15</td>
<td>4.0%</td>
<td>0.5%</td>
<td>4.5%</td>
</tr>
<tr>
<td>16</td>
<td>4.0%</td>
<td>0.5%</td>
<td>4.5%</td>
</tr>
<tr>
<td>17</td>
<td>4.0%</td>
<td>0.5%</td>
<td>4.5%</td>
</tr>
<tr>
<td>18</td>
<td>4.0%</td>
<td>0.5%</td>
<td>4.5%</td>
</tr>
<tr>
<td>19</td>
<td>4.0%</td>
<td>0.5%</td>
<td>4.5%</td>
</tr>
<tr>
<td>20</td>
<td>4.0%</td>
<td>0.5%</td>
<td>4.5%</td>
</tr>
<tr>
<td>21</td>
<td>4.0%</td>
<td>0.5%</td>
<td>4.5%</td>
</tr>
<tr>
<td>22</td>
<td>4.0%</td>
<td>0.5%</td>
<td>4.5%</td>
</tr>
<tr>
<td>23</td>
<td>4.0%</td>
<td>0.5%</td>
<td>4.5%</td>
</tr>
<tr>
<td>24</td>
<td>4.0%</td>
<td>0.5%</td>
<td>4.5%</td>
</tr>
<tr>
<td>25</td>
<td>4.0%</td>
<td>0.5%</td>
<td>4.5%</td>
</tr>
<tr>
<td>26</td>
<td>4.0%</td>
<td>0.5%</td>
<td>4.5%</td>
</tr>
<tr>
<td>27</td>
<td>4.0%</td>
<td>0.5%</td>
<td>4.5%</td>
</tr>
<tr>
<td>28</td>
<td>4.0%</td>
<td>0.5%</td>
<td>4.5%</td>
</tr>
<tr>
<td>29</td>
<td>4.0%</td>
<td>0.5%</td>
<td>4.5%</td>
</tr>
<tr>
<td>30</td>
<td>4.0%</td>
<td>0.5%</td>
<td>4.5%</td>
</tr>
<tr>
<td><strong>MISCELLANEOUS AND TECHNICAL ASSUMPTIONS</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>---------------------------------------------</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Expenses: Assumed investment return is net of administrative and investment expenses.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Marriage Assumption: 80% of male and 70% of female participants are assumed to be married for purposes of death-in-service and death after retirement benefits. Male spouses are assumed to be three years older than female spouses for active member valuation purposes.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pay Increase Timing: Beginning of (Calendar) year. This is equivalent to assuming that reported pays represent amounts paid to members during the year ended on the valuation date.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Decrement Timing: Decrements of all types are assumed to occur mid-year.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Eligibility Testing: Eligibility for benefits is determined based upon the age nearest birthday and service nearest whole year on the date the decrement is assumed to occur.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Benefit Service: Exact fractional service on the decrement date is used to determine the amount of benefit payable.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Decrement Relativity: Decrement rates are used directly from the experience study, without adjustment for multiple decrement table effects.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Incidence of Contributions: Contributions are assumed to be received continuously throughout the year based upon the computed percent of payroll shown in this report, and the actual payroll payable at the time contributions are made.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Normal Form of Benefit: The assumed normal form of benefit is a 50% joint and survivor benefit for Regular and SLEP members and 66 2/3% for ECO members. Factors for determining optional forms of payment are loaded 120% of the standard mortality rates.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Surviving Spouse Refunds: For those individuals who are not assumed to be married at retirement, the surviving spouse contributions are assumed to be refunded.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SLEP Refunds: SLEP participants who are assumed to retire with insufficient service to qualify for SLEP benefits are assumed to receive a refund of their SLEP contributions.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SLEP Conversions: It was assumed that all active participants in the SLEP program will convert all eligible service (up to 10 years). Additionally, it was assumed that these members would contribute the difference in both member and employer rates for each year converted.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ECO Conversions: It is assumed that active participants in the ECO program will convert all eligible service up to the point the maximum ECO benefit would be achieved.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Final Rate of Earnings (FRE): The FRE is determined by projecting the current salary to retirement and averaging the salary over the appropriate number of years. The current FRE is used if this produces a higher value.</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
### MISCELLANEOUS AND TECHNICAL ASSUMPTIONS

| Refunds for Terminated Vested Members: | Members are assumed to elect annuities. |
| Other: | Disability decrements operate during retirement eligibility. |
| Contingency Reserve: | A contingency reserve of 0.25% of payroll is added to the normal cost to account for various factors (changes in FRE, date adjustments, rehires, service purchases, etc.) |
The following procedures were applied to financing liabilities in the valuation.

**Financing Periods if employer is less than 120% funded on a market basis.**

1. Instrumentalities: 10-year rolling period.

2. Early Retirement Incentive Plan liabilities: a period up to 10 years selected by the Employer upon adoption of ERI.

3. For taxing bodies (Regular, SLEP, and ECO rate Groups): 30-year rolling period.

**Financing Period if employer is over 120% funded on a market basis.**

4. Irrespective of the size of the employer or the funding level, grant the employer an option to amortize overfunding over 120% over a 5-year period.

5. For employers with 50 or more employees, grant the employer an option to adopt a minimum contribution rate until the overfunding is reduced to 120%.

6. Irrespective of the size of the employer, surplus in a plan can be used to satisfy early retirement incentive costs so long as the reserve balance does not drop below 120%.

SLEP supplemental liabilities attributable to Public Act 94-712 were financed over 27 years for most employers (two employers were financed over 37 years). The mass production valuation applies rules 1 through 3. For rules 4 through 6, the period provided on the IMRF rate tape is used for valuation purposes and IMRF staff reviews each case individually to see if changes are needed to comply with Board policy. Employers also have the option to phase into a rate change that is more than 10% higher than the prior year (provided they pay the full cost for current service).
**Economic Assumptions**

- Investment return
- Pay increases to individual employees: the portion for economic changes
- Active member group size and total payroll growth

**Demographic Assumptions**

- Actual ages at service retirement
- Pay increases to individual members: the portion for merit & seniority
- Disability while actively employed
- Separations before retirement
- Mortality after retirement
- Mortality before retirement

**RELATIONSHIP BETWEEN THE BOARD AND THE ACTUARY**

The actuary should have the primary responsibility for choosing the demographic assumptions used in the actuarial valuation, making use of specialized training and experience.

The actuary and other professionals can provide guidance concerning the choice of suitable economic assumptions, but the basis of the economic assumptions is expected market returns for various asset classes and the assumed rate of inflation (a quantity which defies accurate prediction). Given an assumed rate of future inflation, it is very important that this rate be applied in a consistent manner in deriving the assumed rate of investment return, the economic portion of the assumption on pay increases to individual employees, and the assumed rate of growth of active member payroll. Consistent application of assumptions is an area in which the actuary has specialized training.

A sound procedure is that the actuary suggests reasonable alternatives for economic assumptions, followed by discussion involving the actuary, the Board of Trustees, and other professionals, and the Board then makes a final choice from the various reasonable alternatives.
Promises Made, and To Be Paid For: As each year is completed, IMRF in effect hands an “IOU” to each member then acquiring a year of service credit. The “IOU” says: “The Illinois Municipal Retirement Fund owes you one year’s worth of retirement benefits, payments in cash commencing when you retire.”

The related key financial questions are:

Which generation of taxpayers contributes the money to cover the IOU?

The present taxpayers, who receive the benefit of the member’s present year of service? Or the future taxpayers, who happen to be in Illinois at the time the IOU becomes a cash demand, years and often decades later?

The law governing IMRF financing intends that this year’s taxpayers contribute the money to cover the IOUs being handed out this year. With this financial objective, the employer contribution rate is expected to remain approximately level from generation to generation of taxpayers.

There are systems which have a design for deferring contributions to future taxpayers. Lured by a lower contribution rate now, they put aside the consequence that the contribution rate must then relentlessly grow to a level much higher than would be required if a level contribution pattern were followed.

An inevitable by-product of the level-cost design is the accumulation of reserve assets, for decades, and the income produced when the assets are invested. Investment income ultimately becomes the 3rd and largest contributor for benefits to members, and is interlocked with the contribution amounts required from members and employers.

Translated to actuarial terminology, this level-cost objective means that the contribution rates must total at least the following:

Normal Cost (the cost of members’ service being rendered this year)
... plus ...

Interest at the assumed real rate of return on Unfunded Actuarial Accrued Liabilities (unfunded actuarial accrued liabilities are the difference between: accrued liabilities for service already rendered; and the accrued assets of IMRF).
Computing Contributions to Support Fund Benefits:  From a given schedule of benefits and from member and asset data, the actuary calculates the contribution rates to support the benefits by means of an actuarial valuation and a funding method.

An actuarial valuation has a number of ingredients such as: the rate of investment return which plan assets will earn; the rates of withdrawal of active members who leave covered employment; the rates of mortality; the rates of disability; the rates of pay increases; and the assumed age or ages at actual retirement. These rates cannot be known today. Consequently, in an actuarial valuation, assumptions must be made as to what the above rates will be for the next year and for decades in the future. The assumptions are established by the Board of Trustees after receiving the advice of the actuary.

Reconciling Differences Between Assumed Experience and Actual Experience:  Once actual experience has occurred and has been observed, it will not coincide exactly with assumed experience, regardless of the skill of the actuary and the many calculations made. The future cannot be predicted.

IMRF copes with these continually changing differences by having annual actuarial valuations. Each actuarial valuation is a complete recalculation of assumed future experience, taking into account all past differences between assumed and actual experience. The result is continuing adjustments in financial position. Once every three years, an Experience Study is conducted to fully review differences between actual and assumed experience and recommend changes to our assumed experience, where appropriate.
**CASH BENEFITS LINE.** This relentlessly increasing line is the fundamental reality of retirement plan financing. It happens each time a new benefit is added for future retirements (and happens regardless of the design for contributing for benefits).

**LEVEL CONTRIBUTION LINE.** Determining the level contribution line requires detailed assumptions concerning a variety of experiences in future decades, including:

- **Economic Risk Areas**
  - Rates of investment return
  - Rates of pay increase
  - Changes in active member group size

- **Non-Economic Risk Areas**
  - Ages at actual retirement
  - Rates of mortality
  - Rates of withdrawal of active members (turnover)
  - Rates of disability
The Actuarial Valuation Process

The financing diagram on the opposite page shows the relationship between the two fundamentally different philosophies of paying for retirement benefits: the method where contributions match cash benefit payments (or barely exceed cash benefit payments, as in the Federal Social Security program) which is thus an increasing contribution method; and, the level contribution method which attempts to equalize contributions between the generations.

The actuarial valuation is the mathematical process by which the level contribution rate is determined. The activity constituting the valuation may be summarized as follows:

A. Census Data, including:
   - Retired lives now receiving benefits
   - Former members with vested benefits not yet payable
   - Active members

B. + Asset data (cash & investments)

C. + Benefit provisions that establish eligibility and amounts of payments to members

D. + Assumptions concerning future experience in various risk areas

E. + The funding method for employer contributions (the long-term, planned pattern for employer contributions)

F. + Mathematically combining the assumptions, the funding method, and the data

G. = Determination of:
   - Plan Financial position and/or
   - New Employer Contribution Rates
GLOSSARY

**Actuarial Accrued Liability** - The difference between (i) the actuarial present value of future plan benefits, and (ii) the actuarial present value of future normal cost (employer and employee). Sometimes referred to as “accrued liability” or “past service liability.”

**Accrued Service** - The service credited under the plan which was rendered before the date of the actuarial valuation.

**Accumulated Benefit Obligation** - The actuarial present value of vested and non-vested benefits based on service to date and past and current salary levels.

**Actuarial Assumptions** - Estimates of future plan experience with respect to rates of mortality, disability, turnover, retirement, rate or rates of investment income and salary increases. Decrement assumptions (rates of mortality, disability, turnover and retirement) are generally based on past experience, often modified for projected changes in conditions. Economic assumptions (salary increases and investment income) consist of an underlying rate in an inflation-free environment plus a provision for a long-term average rate of inflation.

**Actuarial Cost Method** - A mathematical budgeting procedure for allocating the dollar amount of the “actuarial present value of future plan benefits” between the actuarial present value of future normal cost and the actuarial accrued liability. Sometimes referred to as the “actuarial funding method.”

**Actuarial Equivalent** - A single amount or series of amounts of equal value to another single amount or series of amounts, computed on the basis of the rate(s) of interest and mortality tables used by the plan.

**Actuarial Present Value** - The amount of funds presently required to provide a payment or series of payments in the future. It is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

**Actuarial Present Value of Credited Projected Benefits or Pension Benefit Obligation** - The present value of future benefits based on service to date and the effect of projected salary increases.
**Actuary** - A person who is trained in the applications of probability and compound interest to problems in business and finance that involve payment of money in the future, contingent upon the occurrence of future events. Most actuaries in the United States are Members of the American Academy of Actuaries. The Society of Actuaries is an international research, education and membership organization for actuaries in the life and health insurance, employee benefits, and pension fields. It administers a series of examinations leading initially to Associateship and the designation A.S.A. and ultimately to Fellowship with the designation F.S.A.

**Amortization** - Paying off an interest-bearing liability by means of periodic payments, as opposed to paying it off with a lump sum payment.

**Experience Gain (Loss)** - A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions during the period between two actuarial valuation dates, in accordance with the actuarial cost method being used.

**ERI** - Early Retirement Incentive Plan.

**Funded Percent** - A measure of the ratio of the funding value of assets to the actuarial accrued liability.

**Normal Cost** - The annual cost assigned, under the actuarial funding method, to current and subsequent plan years. Sometimes referred to as “current service cost.” Any payment toward the unfunded actuarial accrued liability is not part of the normal cost.

**Plan Termination Liability** - The actuarial present value of future plan benefits based on the assumption that there will be no further accruals for future service and salary. The termination liability will generally be less than the liabilities computed on a “going concern” basis and is not normally determined in a routine actuarial valuation.

**Reserve Account** - An account used to indicate that funds have been set aside for a specific purpose and are not generally available for other uses.

**Unfunded Actuarial Accrued Liability** - The difference between the actuarial accrued liability and valuation assets. Sometimes referred to as “unfunded accrued liability.”

**Valuation Assets** - The value of current plan assets recognized for valuation purposes.