Consistency is key to success for any endeavor. Whether you want to learn how to play a musical instrument, lose weight or save for retirement, consistent effort is required: practicing every day, watching your diet every day, putting a portion of every paycheck into a retirement savings plan.

Consistency has also played a role in IMRF’s success, from our employers consistently making their full contributions when they are due, to IMRF determining a sound investment strategy and sticking with it—despite the ups and downs of the markets. As a result, in 2012, IMRF earned 13.5% on our portfolio, far exceeding our annual target of 7.5%.

IMRF’s investment gains also helped us achieve an 85.9% funded status in the aggregate on a market value basis, an increase from 80.2% at the end of 2011.

Regardless of your goal, a consistent effort is required.

Long-term investment strategy
IMRF’s consistent investment strategy is also evident in our long-term total fund return.

Since 1982 (when IMRF was given broader investment authority) through 2012, IMRF achieved an annualized total fund return of 10.07%. Again, far exceeding our annual target of 7.5%.

Consistent focus on process improvement
IMRF’s consistent focus on process improvement also resulted in IMRF being recognized for our “sound and notable continuous improvement process” and earning a 2012 Silver Award for “Progress Toward Excellence” from Illinois Performance Excellence (ILPEx).

ILPEx is a non-profit organization that seeks to help organizations improve their performance and contribute to the economic vitality of the state and its communities.

ILPEx encourages organizations to embrace the Baldrige Criteria for Performance Excellence and align processes to become more efficient and sustainable.

Effort focused on you
IMRF’s consistent focus on process improvements as well as our adherance to a sound investment discipline are designed to ensure IMRF’s sustainability and the security of your future retirement.
IMRF accumulates money needed to pay benefits through member and employer contributions and—historically—from returns on our investments.

Member and employers contributed $1,214 million in 2012, which was 7.6% more than 2011 contributions.

In 2012, IMRF’s investment portfolio returned 13.5%. The 2012 return was significantly more than the negative .5% return in 2011.

IMRF’s achieved a 13.5% return despite continuing economic strains in Europe, the fiscal cliff and a presidential election in the United States, and the expectation of slower global growth due to the overall rising optimism in the U.S. recovery.

Member contributions
Members contributed $331 million in 2012, up from $327 million 2011.

The slight increase in member contributions is due to a 1% increase in member wages employers reported to IMRF.

The member contribution rate remained at 4.5% of earnings for Regular members and 7.5% for Sheriff’s Law Enforcement Personnel (SLEP) and the optional Elected County Officials (ECO) members.

Employer contributions
Employer contributions increased 10%. This increase was driven primarily by the increase in the average employer contribution rate from 12.45% in 2011 to 13.60% in 2012.

Investment gains
IMRF earned $3,394 million on our investments in 2012. The $3,394 million investment gain in 2012 represents a $3,487 million change from the $93 million loss in 2011.

**2012 Revenues by Source (In millions)**

<table>
<thead>
<tr>
<th>Source</th>
<th>2012</th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investments</td>
<td>5,000</td>
<td>4,000</td>
<td>3,000</td>
</tr>
<tr>
<td>Employers</td>
<td>2,000</td>
<td>1,500</td>
<td>1,000</td>
</tr>
<tr>
<td>Members</td>
<td>500</td>
<td>333</td>
<td>297</td>
</tr>
</tbody>
</table>

**Condensed Statements of Changes in Fiduciary Net Position (in millions)**

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Additions</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Member contributions</td>
<td>$331</td>
<td>$327</td>
<td>$325</td>
</tr>
<tr>
<td>Employer contributions</td>
<td>883</td>
<td>801</td>
<td>770</td>
</tr>
<tr>
<td>Net investment gain (loss)</td>
<td>3,394</td>
<td>(93)</td>
<td>2,977</td>
</tr>
<tr>
<td><strong>Total additions</strong></td>
<td>4,608</td>
<td>1,035</td>
<td>4,072</td>
</tr>
<tr>
<td><strong>Deductions</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Benefits</td>
<td>1,390</td>
<td>1,284</td>
<td>1,179</td>
</tr>
<tr>
<td>Refunds</td>
<td>34</td>
<td>33</td>
<td>32</td>
</tr>
<tr>
<td>Administrative expenses</td>
<td>25</td>
<td>23</td>
<td>22</td>
</tr>
<tr>
<td><strong>Total deductions</strong></td>
<td>1,449</td>
<td>1,340</td>
<td>1,233</td>
</tr>
<tr>
<td><strong>Net increase (decrease)</strong> in fiduciary net position</td>
<td>$3,159</td>
<td>$(305)</td>
<td>$2,839</td>
</tr>
<tr>
<td><strong>Fiduciary Net Position</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Beginning of year</td>
<td>24,837</td>
<td>25,142</td>
<td>22,303</td>
</tr>
<tr>
<td>End of year</td>
<td>$27,996</td>
<td>$24,837</td>
<td>$25,142</td>
</tr>
</tbody>
</table>

**IMRF’s fiduciary net position is $28.0 billion as of 2012.**
IMRF’s Financial Health: a plan for the future

While the Condensed Statements of Changes in Fiduciary Net Position shown on page 2 shows the changes in the value of IMRF’s fiduciary net position, another important factor needs to be considered in order to determine IMRF’s financial health.

That additional factor is IMRF’s funded status. The funded status compares IMRF assets to our liabilities.

You can look at the value of IMRF’s assets and liabilities in one of two ways: market value and actuarial value.

**Market value**
The first method is the simplest and most familiar: the market value. What was the value on December 31, 2012?

As of December 31, 2012, the market value of IMRF’s assets was $28 billion. Those assets funded 85.9% of IMRF’s benefit promises.

**Actuarial value**
The other method is less familiar—and not as simple. This method is called the “actuarial value” of assets.

IMRF’s actuaries determine the actuarial value of IMRF’s assets by using a common “five-year smoothing” technique. Employer contribution rates are calculated using the actuarial value of assets.

As of December 31, 2012, the actuarial value of assets was $27.5 billion.

On an actuarial basis, the assets held currently fund 84.3% of IMRF’s actuarial liability.

**Sense of security**
You can look with a sense of security to IMRF’s fiduciary net position of $28.0 billion because these assets are irrevocably committed to the payment of our current retirees’ pensions and your future pension when you retire.

**As of December 31, 2012 in billions**

<table>
<thead>
<tr>
<th>Description</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Actuarial liability (benefit promises)</td>
<td>$32.6</td>
</tr>
<tr>
<td>Market value of fiduciary net position</td>
<td>$28.0</td>
</tr>
<tr>
<td>Actuarial value of fiduciary net position</td>
<td>$27.5</td>
</tr>
</tbody>
</table>

**IMRF is 86% funded on a market basis as of December 31, 2012**
Determining how IMRF invests its $28 billion portfolio is one of the most important decisions the IMRF Board of Trustees makes. Just as you may consider what mutual fund to select based upon its mix of stocks and bonds, a pension fund’s “asset allocation” is key to its investment strategy. Annually, the IMRF Board determines what percentage of our assets will be invested in equities (stocks), fixed income (bonds), real estate, etc.

Currently, 75 professional investment management firms, handling 95 separate accounts, manage the investment portfolio. The IMRF Board of Trustees employs an investment consultant who monitors and evaluates the investment management firms’ performance, aids in the selection of investment management firms, and assists in the development of investment policy.

Historically largest contributor
Even though IMRF employers and members both contribute to IMRF, historically, earnings on IMRF’s investments are the major contributor. IMRF earned 13.5% on its portfolio in 2012 as compared with a .5% loss for 2011.

As of December 31, 2012, IMRF’s investments totaled $28 billion, up from $25 billion at the end of 2011.

Long-term results
It is important to remember that IMRF has a long-term investment horizon.

If we look at investment returns from 1982 (when IMRF was given broader investment authority) through 2012, IMRF averaged an annual 10.07% return.

### Investment Portfolio Summary as of December 31, 2012

(\text{in millions})

<table>
<thead>
<tr>
<th></th>
<th>2012 Fair Value</th>
<th>% of Total</th>
<th>2011 Fair Value</th>
<th>% of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed Income</td>
<td>$8,444.9</td>
<td>30.1%</td>
<td>$7,735.1</td>
<td>30.9%</td>
</tr>
<tr>
<td>Stocks</td>
<td>16,910.1</td>
<td>60.3%</td>
<td>14,701.4</td>
<td>58.8%</td>
</tr>
<tr>
<td>Real Estate</td>
<td>804.0</td>
<td>2.8%</td>
<td>725.7</td>
<td>2.9%</td>
</tr>
<tr>
<td>Alternative</td>
<td>1,256.8</td>
<td>4.5%</td>
<td>997.4</td>
<td>4.0%</td>
</tr>
<tr>
<td>Short-Term</td>
<td>659.6</td>
<td>2.3%</td>
<td>863.3</td>
<td>3.4%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$28,075.4</strong></td>
<td><strong>100.0%</strong></td>
<td><strong>$25,022.9</strong></td>
<td><strong>100.0%</strong></td>
</tr>
</tbody>
</table>
IMRF Benefits:
much more than retirement

IMRF paid more than $1.3 billion in retirement benefits to 103,179 retired members in 2012. However, IMRF is more than just a retirement system. Our mission of protecting our members’ income begins long before retirement.

Disability benefits
If you become injured or sick, you can apply for IMRF disability benefits.

In 2012, 2,207 members were approved for either temporary or total and permanent disability benefits. At the end of 2012, 1,153 members were receiving either temporary or total and permanent disability benefits.

Members receiving disability benefits are also earning IMRF service credit toward a future pension; their IMRF death benefit protection continues as well.

Survivor benefits
Your survivors are protected by the IMRF survivor (death) benefit.

In 2012, IMRF paid more than $29 million in lump sum death benefits

Included in the $1.3 billion retirement benefits paid in 2012 are approximately $76.5 million in monthly benefit payments to more than 12,000 members’ surviving spouses and beneficiaries.

Members receiving disability benefits are also earning IMRF service credit toward a future pension; their IMRF death benefit protection continues as well.

Average Benefit Payment Amounts
(for the past 5 years)

<table>
<thead>
<tr>
<th>Year</th>
<th>Single Sum Payments</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Separation Refunds</td>
</tr>
<tr>
<td>2012</td>
<td>$3,218</td>
</tr>
<tr>
<td>2011</td>
<td>$3,154</td>
</tr>
<tr>
<td>2010</td>
<td>$2,987</td>
</tr>
<tr>
<td>2009</td>
<td>$2,459</td>
</tr>
<tr>
<td>2008</td>
<td>$2,758</td>
</tr>
</tbody>
</table>

(1) Prior to Social Security and workers’ compensation offsets.
(2) Includes voluntary additional benefits.

Benefits Paid in 2012
in millions

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pensions*</td>
<td>$1,349.1</td>
</tr>
<tr>
<td>Refunds</td>
<td>34.1</td>
</tr>
<tr>
<td>Death</td>
<td>29.8</td>
</tr>
<tr>
<td>Disability**</td>
<td>10.9</td>
</tr>
<tr>
<td>Total</td>
<td>$1,423.9</td>
</tr>
</tbody>
</table>

*Retirement, Surviving Spouse, Beneficiary, and Supplemental (“13th Payment”)

**Includes payments for both Temporary disability and for Total and Permanent disability benefits

Current retirees by monthly pension amount

Under $100
$100 to $249
$250 to $499
$500 to $749
$750 to $999
$1,000 to $1,999
$2,000 to $2,999
$3,000 to $3,999
$4,000 to $4,999
$5,000 to $5,999
$6,000 and over

Number of Retirees

0 5000 10000 15000 20000 25000
IMRF Members: by the numbers

Are you an “average” member?
As of December 31, 2012 out of 174,771 active members, the “average” member is:
• Female
• 47.8 years old
• Participates in the Regular plan
• Most likely works for a school district
• Earns $37,252 a year
• Received a 1.5% salary increase in 2012
• Has 10.6 years of service credit

Are you an “average” retiree?
Of the 4,868 members who retired in 2012 under the Regular plan, the average retiree is:
• Female
• Had a final rate of earnings of $3,503 a month
• Retired with approximately 22 years of service credit
• Receiving a pension of approximately $1,391 a month

Active Members
By Age
Under Age 20 | 312
Age 20-29 | 17,623
Age 30-39 | 27,583
Age 40-49 | 44,358
Age 50-54 | 30,592
Age 55-59 | 27,569
Age 60-69 | 23,587
Age 70+ | 3,147

By Length of Service
Under 1 yr | 15,994
1-7 yrs | 67,735
8-14 yrs | 45,777
15 yrs + | 45,265

52.1% of active IMRF members are vested for a pension

Retired Members (Retirees, Surviving Spouses, Beneficiaries)
By Age
Under Age 55 | 668
Age 55-59 | 8,600
Age 60-69 | 16,886
Age 65-69 | 20,372
Age 70-74 | 17,303
Age 75-79 | 14,090
Age 80-84 | 11,736
Age 85-89 | 8,199
Age 90-94 | 3,915
Age 95-99 | 904
Age 100+ | 103
The secure income provided to IMRF retirees is recycled in local economies as a stable source of revenue for local businesses and various levels of government.

In 2012, IMRF paid $1.17 billion to retirees in Illinois. Statewide, IMRF pension benefits supported over 12,344 jobs and over $472.9 million in additional salaries in 2012. These pension benefits further supported the generation of approximately $1.72 billion in total output.

Public pension plans like IMRF must be recognized for the important role they play in the state’s financial health. Retired workers avoid becoming dependent on public assistance, and as those retired workers spend their benefit payments in their local communities, those payments ripple through the economy creating income for other households, firms, and even various levels of government.

<table>
<thead>
<tr>
<th>Measurement</th>
<th>Impact on Illinois Economy*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Output (total economic activity)</td>
<td>$1.72 billion</td>
</tr>
<tr>
<td>Jobs Supported</td>
<td>12,344 jobs</td>
</tr>
<tr>
<td>Additional earnings (due to jobs created)</td>
<td>$472.9 million</td>
</tr>
<tr>
<td>Value Added (effect on Illinois GDP)</td>
<td>$1.01 billion</td>
</tr>
</tbody>
</table>

* Economic multipliers measure the direct and indirect effect of payments made to IMRF benefit recipients. Multipliers used come from the Bureau of Economic Analysis, U.S. Department of Commerce.

The Multiplier Effect: How Spending Ripples Through the Economy, Supporting Jobs and Incomes in the Process

from the National Institute on Retirement Security Study: Pensionomics: Measuring the Economic Impact of State and Local Pension Plans
Looking back on 2012

Illinois Performance Excellence Silver Award for Progress Toward Excellence
At a time when most public pensions are under fire, one plan was recognized for its “sound and notable continuous improvement process”: IMRF. IMRF earned from Illinois Performance Excellence (ILPEx) a 2012 Silver Award for “Progress Toward Excellence.”

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

In 2009, IMRF earned a Bronze Award for our ‘Commitment to Excellence.’ The 2012 Silver Award further highlights IMRF as a national leader in public pension administration. IMRF has created a roadmap that incorporates Baldrige guidelines to drive organizational improvements, including a commitment to excellent customer service.

Strategic Plan
IMRF’s Strategic Plan provides a road map for meeting the challenges and opportunities in achieving our vision to provide the highest quality retirement services to our members, their beneficiaries, and employers in a cost-effective manner.

IMRF’s 2011-2013 IMRF Strategic Plan includes elements of the Baldrige Criteria for Performance Excellence to ensure we align our objectives, processes, and resources with our Vision. IMRF staff completed the second year of our Strategic Plan in 2012 by implementing a series of action plans that support our Strategic Plan.

Defined Benefit Administration Benchmarking Analysis
Results from a 2012 benchmarking study showed IMRF’s service level scores were in the top decile, while our costs were below the median as compared to our peer group of 40 public systems in the United States and Canada.

CEM Benchmarking Inc. conducts an annual Defined Benefit Administration Benchmarking Study for public pension funds. This program provides insight into benefit administration costs, customer service levels, and industry best practices. We will continue our participation in this benchmarking program, as it is an important part of our Continuous Process Improvement Program.

Board of Trustees
Tom Kuehne, Finance Director/Treasurer for the Village of Arlington Heights, was elected as an executive trustee. His five-year term began January 1, 2013.

Jeffrey A. Stulir, Inmate Services Officer for Rock Island County, was elected as an employee trustee. His partial three-year term began January 1, 2013.

Illinois Municipal Retirement Fund
Popular Annual Financial Report for Members
for the year ending December 31, 2012
Published June 2013


You can read the 2012 Comprehensive Annual Financial Report at www.imrf.org or request one at 1-800-ASK-IMRF.