



```
mirror_mod.use_z = False
mirror_mod.operation = "MIRROR_Z":
mirror_mod.use_x = False
mirror_mod.use_y = False
mirror_mod.use_z = True

# Selection at the end -add back the deselection
mirror_ob.select = 1
mirror_ob.select = 1
my_context.scene.objects.active = modifier_ob
print("selected" + str(modifier_ob)) # modifier ob
mirror_ob.select = 0
my_context.selected_objects[0]
my_data.objects[one.name].select = 1

print("please select exactly two objects,")

OPERATOR CLASSES -----
```

2018

ADOPTED BUDGET

Securing Your Future.



Oak Brook, Illinois



Safeguarding the cybersecurity of our members' sensitive personal data requires constant vigilance. IMRF uses the National Institute of Standards and Technology Cybersecurity Framework to continually identify, assess, and respond to cybersecurity risk. The 2018 IMRF Adopted Budget includes funds to grow and enhance our already robust cybersecurity program. Plans include updating technology infrastructure, strengthening IMRF's electronic firewall, and executing training to neutralize phishing campaigns. All of these initiatives support our goal of reducing cybersecurity risk today and ***Securing Your Future*** for tomorrow.



2018

ADOPTED BUDGET

PREPARED BY

The Finance Department of the
Illinois Municipal Retirement Fund



Mark Nannini, Chief Financial Officer, presents
IMRF's 2018 Budget Document.

Click the arrow to view.

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BOARD OF TRUSTEES



Sue Stanish
Executive Trustee
Naperville Park District
Jan. 1, 2014-Dec. 31, 2018
2017 Board President



Natalie Copper
Employee Trustee
Evanston School District 65
Jan. 1, 2015-Dec. 31, 2019
2017 Board Vice President



David Miller
Executive Trustee
North Shore Water
Reclamation District
Jan. 1, 2017-Dec. 31, 2021
2017 Board Secretary



Tom Kuehne
Executive Trustee
Village of Arlington Heights
Jan. 1, 2013-Dec. 31, 2017



Gwen Henry
Executive Trustee
DuPage County
Jan. 1, 2016-Dec. 31, 2020



Alex Wallace, Jr.
Employee Trustee
Oswego Community Unit
School District 308
July 1, 2016 - Dec. 31, 2020



Sharon U. Thompson
Annuitant Trustee
Lee County (formerly)
Jan. 1, 2016-Dec. 31, 2020



Trudy Williams
Employee Trustee
Fulton County State's
Attorney's Office
Jan. 1, 2016-Dec. 31, 2020

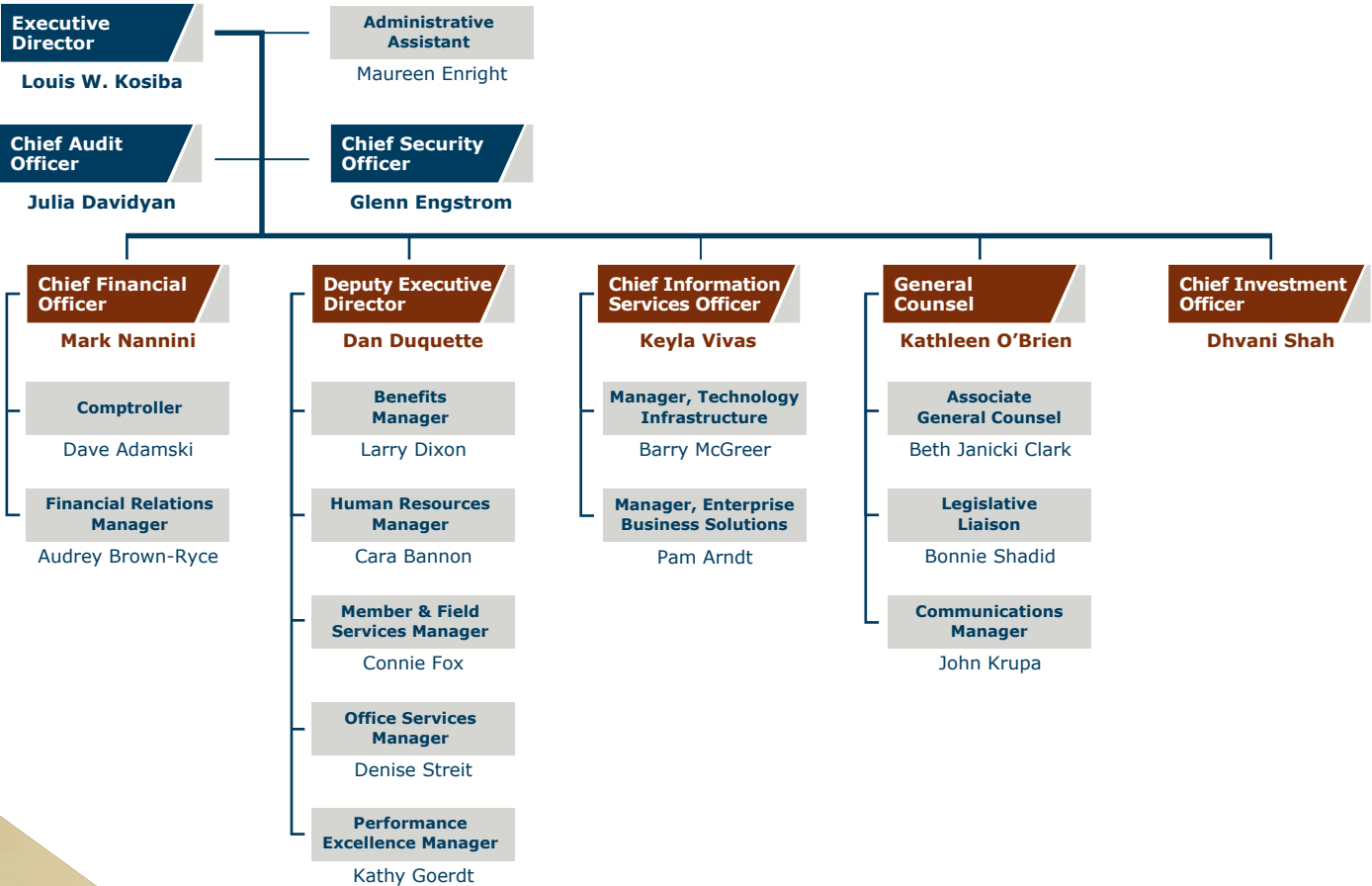
ORGANIZATION CHART

BOARD OF TRUSTEES

CONSULTANTS

- Investment Consultants
- Investment Managers
- Master Trustee
- External Auditor
- Actuary
- Medical Consultants
- Fiduciary Counsel

STAFF





GOVERNMENT FINANCE OFFICERS ASSOCIATION

*Distinguished
Budget Presentation
Award*

PRESENTED TO

Illinois Municipal Retirement Fund

Illinois

For the Fiscal Year Beginning

January 1, 2017

Christopher P. Merrill

Executive Director

MISSION VISION & VALUES

Mission Statement

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

Vision

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

Values

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

R

Respect

Recognizing the worth, uniqueness, and importance of ourselves, our coworkers, and our membership builds collaboration and cooperation.

E

Empathy

Being aware of the feelings of others and how our actions affect them enables us to be responsive to the needs of our membership.

A

Accountability

Accepting responsibility for our actions cultivates the trust of our coworkers, members, and employers.

A

Accuracy

Performing our duties in an accurate and timely manner ensures our members receive the service and benefits to which they are entitled.

C

Courage

Recognizing the need for innovation and being willing to change strengthens our ability to meet future challenges and opportunities.

H

Honesty

Acting in a truthful, ethical, and professional manner builds confidence with our membership and the public.

2018

BUDGETARY STRUCTURE

IMRF is the administrator of an agent multiple-employer public employee retirement system, which began operations in 1941 to provide retirement, death, and disability benefits to employees of local units of government in Illinois. In an effort to provide a more informative document, the Budgetary Structure includes an outline of IMRF's funding, business practices, and direction.

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November 1, 2017

Board of Trustees

Illinois Municipal Retirement Fund

Oak Brook, Illinois 60523-2337

The Annual Budget for the Illinois Municipal Retirement Fund (IMRF) for the fiscal year ending December 31, 2018, is attached and submitted to the Board of Trustees. The management of IMRF is responsible for the compilation, content, and accuracy of this document. We have addressed the defined needs and objectives of the organization, as outlined in the enclosed document. IMRF relies on the interest earned from the Trust to fund its administrative, investment, and operating expenses.

The theme of this year's budget is "Securing Your Future." It addresses the focus on the Modernization Project and gives attention to IMRF members and employers. In developing this budget, we received proposals and data from each operational department of IMRF. The objective is to continue to properly pay benefits and provide the utmost in customer service. This budget reflects the organization's ability to adapt to uncertainty and continue to provide annuitant benefits, employer information, and outstanding service to all stakeholders.

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

Highlights of the 2018 Budget

Overall administrative expenses are projected to increase by 3.6 percent from 2017 to 2018. Investment expenses are projected to increase from 2017 to 2018 by 11.5 percent. The capital plan includes an increase of about \$4.5 million over the prior year, which is largely due to projected costs associated with the Horizon Project to replace IMRF's pension administration systems.

Profile of IMRF

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

Members, employers, and annuitants elect eight trustees who govern IMRF. IMRF is separate and apart from the Illinois state government and is not included in the state's financial statements. IMRF now serves 2,987 different employers, 175,019 participating members, 112,604 inactive members, and 123,206 benefit recipients.

Funding

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



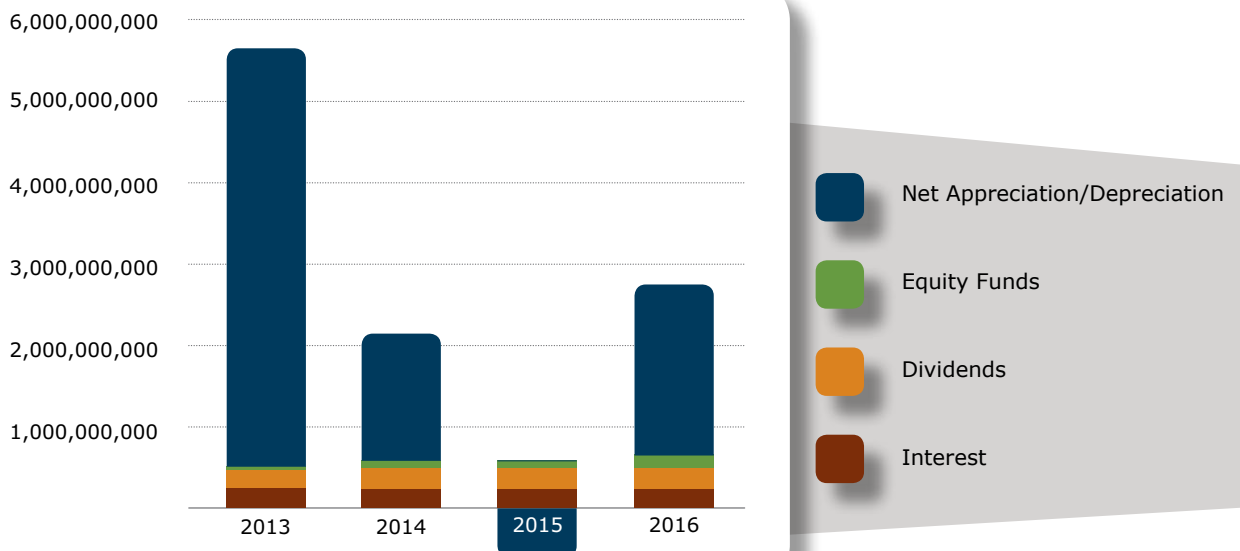
Average percentages for 1982 through December 31, 2016.

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

Investments

The Investment department is under the direction of the Chief Investment Officer. Currently the public markets portfolio is managed by 42 professional investment management firms, handling 47 mandates. The private markets portfolio is invested by 39 firms including 65 separate funds. These firms make investment decisions under the Prudent Man Rule authorized by Article 1 of the Illinois Pension Code and by investment policy guidelines adopted by the IMRF Board of Trustees.

The Trustees employ an investment consultant to monitor and evaluate the investment management firms’ performance. Our primary goal is to optimize the long-term total return of IMRF investments through a policy of diversification within a parameter of prudent risk. The Fiscal Year 2018 Investment budget reflects a contractual commitment to investment consultant Callan Associates (through 2019).



Personnel

There is one new position presented in the 2018 Budget Document. There are two vacant positions to be filled during Fiscal Year 2018. Staffing will increase by one (Senior Network Services Analyst) to a total head count of 206, as presented in this 2018 Budget.

Information Systems Development

2017

IMRF's major 2017 system development priorities focused on:

- Select a vendor and initiate the second phase of the Horizon Project to replace our pension administration systems.
- Re-engineer business processes to enhance customer service while also maintain all internal control and efficiency objectives.
- Implement the new IMRF intranet.
- Implement phase two of a project to replace our accounting and human resources administration systems.

2018

IMRF's major 2018 system development priorities will focus on:

- Fit/Gap Analysis and design of Horizon functionality, led by Morneau Shepell, for the multiple phases of the Horizon project to replace our current pension administration systems.
- Providing replacement of the UPS backup on the mainframe system.
- Enhancing and replacing the current major backup systems.
- Installing a new SAN backup system.

Strategic Plan Summary

Our Strategic Plan provides the Fund with a road map for meeting the challenges and opportunities in achieving our vision to provide the highest quality retirement services to our members, their beneficiaries, and employers in a cost-effective manner. It guides our efforts to continuously improve our service to our employers and members.

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

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

Our Strategic Plan for 2017-2019 was finalized and presented to the IMRF Board of Trustees at the November 2016 Board meeting. Learn more about IMRF's Strategic Plan on page 16 of this document.

Illinois Performance Excellence Program

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

To continue IMRF's journey of excellence, funds are included in the 2018 budget to follow up on our 2017 ILPEX award application. Feedback from ILPEX on the application will undoubtedly help IMRF identify additional process improvements to enhance customer service in the future.

Defined Benefit Administration Benchmarking Analysis

Annually, IMRF participates in a benchmarking study to further identify potential process improvements. CEM Benchmarking Inc., conducts an annual Defined Benefit Administration Benchmarking Study for public pension systems. IMRF has participated in this benchmarking program since 2001. This program provides insight into benefit administration costs, customer service levels, and industry best practices. In 2017, IMRF's service level scores ranked in the top 14 percent of the peer group of 42 North American public pensions, while our costs were below the median. We will continue our participation in this benchmarking program in 2018.

Financial Policies

Financial policies provide the basic framework for the fiscal management of IMRF. These policies provide guidelines for the evaluation of current activities and proposals for the future. The policies represent long established principles and practices that have guided IMRF in the past, and lead to the financial stability of the organization today. These policies are described in the General Guidelines from the Chief Financial Officer beginning on page 40.

Performance Measures

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

Department Goals and Objectives

IMRF's department goals and objectives, presented for each operational department, are new this year. The goals and objectives are identified by each operational unit to provide a better perspective of each operational area in relation to overall IMRF operations. Also new this year are video interaction narratives to assist the reader of the document (see pages 3, 54, and 96).

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to IMRF for its Comprehensive Annual Financial Report (CAFR) for the year ended

December 31, 2016. The Certificate of Achievement for Excellence is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports. IMRF has received a Certificate of Achievement for the last 37 consecutive years (Fiscal Years 1980-2016). IMRF also received a Certificate of Achievement for Excellence in Financial Reporting for its Popular Annual Financial Report (PAFR) for the year ended December 31, 2016. IMRF has received the PAFR award 15 times.

Also in 2017, IMRF received for the third straight year the Distinguished Budget Presentation Award from the Government Finance Officers Association (GFOA). IMRF is proud of the 2018 Budget Document and its contents. We feel that it provides the reader pertinent information about IMRF as an organization, and makes clear the focus and direction of the organization into the future. IMRF will continue to strive to obtain this award on an annual basis.

Acknowledgments

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

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

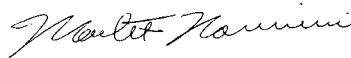
The Budget Document is a culmination of a major effort by numerous staff members of IMRF as well as the Board. We would like to especially thank the Directors, Managers, and Supervisors, Pamela Graves, Kathy Goerd, John Krupa, Nickolas Kurz, David Adamski, Audrey Brown-Ryce, Sharon Brown, and Jim Splitt for their help in preparing and assembling this document.

On behalf of the management team, we are pleased to present the Fiscal Year 2018 IMRF budget for your consideration.

Respectfully submitted,

A handwritten signature in black ink that reads "Louis W. Kosiba".

Louis W. Kosiba
Executive Director

A handwritten signature in black ink that reads "Mark F. Nannini".

Mark F. Nannini
Chief Financial Officer



2211 York Road, Suite 500 Oak Brook, IL 60523-2337 1-800-ASK-IMRF (275-4673)

www.imrf.org

November 2017

IMRF Strategic Plan

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

Our Strategic Objectives challenge us to achieve top 10 percent performance for most key result areas. These objectives are supported by a set of key strategies critical to the success of our plan. The complete list of Strategic Objectives and Key Strategies is included in the following Strategic Plan.

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

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

Our Strategic Plan provides the Fund with a road map for meeting the challenges and opportunities in providing the highest quality retirement services to our members, their beneficiaries, and employers. It guides our efforts to continuously improve our service to our 2,987 employers; 175,019 participating members; 123,206 benefit recipients; and the taxpayers of Illinois.

We appreciate your interest in IMRF and welcome your feedback.

Louis W. Kosiba
Executive Director

Executive Summary

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

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

We expanded our strategic planning process in 2010 to include elements of the Baldrige Criteria for Performance Excellence to ensure we align our objectives, processes, and resources with our Vision. Our application for the 2009 Lincoln Award for Performance Excellence (renamed Illinois Performance Excellence {ILPEX} in 2011) was a logical extension of our continuous process improvement program and provided a new sense of direction for our planning process. The feedback from our 2012 and 2014 applications was used to identify 28 key business approaches, which we evaluate and improve. Feedback from our 2017 application will provide an overview of our strengths, opportunities for improvement, and an update on the progress we made over the past several years. Baldrige recipient organizations often set their overarching strategic objectives to achieve a top 10 percent ranking in each key area of importance to their stakeholders. We are following that same path.

While the measures of success that we use for our strategic objectives may change over time, we will strive to achieve top 10 percent performance for most Key Result Areas. We believe this high level of performance is how we should benchmark ourselves. This is consistent with our Values, and provides a means to assess progress toward realization of our Vision. Our Strategic Objectives force us to think strategically about how we can achieve and/or maintain excellence in each of our Key Result Areas. They provide a target we can aspire to over the three years of this Strategic Plan.

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

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

Strategic Objectives and Key Strategies for 2017-2019

Our four Strategic Objectives define our approach to realize our Vision, and as such, constitute the focus of our Strategic Plan for 2017-2019. These four inter-related objectives address internal and external strategic advantages, challenges and opportunities. The objectives and corresponding strategies are aligned with our Vision across all Key Result Areas. This integration is critical to the success of our Strategic Plan, as these objectives must be considered as four parts of one plan. The Plan highlights the four Strategic Objectives. The Plan also provides an overview of the Key Strategies designed to support the Strategic Objectives. These Key Strategies may change throughout the three years of the Plan, as some will be completed or combined with another strategy. Listed on the following pages are our four Strategic Objectives and the 21 Key Strategies we will utilize in 2018 to help us achieve those objectives.

2017-2019 STRATEGIC PLAN



Key Result Area: Financial Health

Strategic Objective

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

As measured by:

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

Key Strategies

- Utilize portfolio construction tools and principles, including asset liability models, portfolio optimization, cost control, evaluation of various investment program structures, and relevant performance measurements to increase net returns
- Educate and advocate our 100 percent funding principle and maintain sound funding policy
- Ensure the collection of the actuarial required contributions from employers
- Monitor and incorporate the impact of Tier 2 on employer rates
- Monitor negative cash flow and reflect its impact in financial reporting

Key Result Area: Customer Engagement

Strategic Objective

To foster and maintain engaged members and employers.

As measured by:

- Achieving 90 percent “Very Likely to Promote” ratings on member engagement surveys
- Achieving 90 percent “Very Likely to Promote” ratings on employer engagement surveys

Key Strategies

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

Key Result Area: Workforce Engagement

Strategic Objective

To foster and maintain an engaged workforce.

As measured by:

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

Key Strategies

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

Key Result Area: Operational Excellence

Strategic Objective

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

As measured by:

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

Key Strategies

- Implement Fund-wide formal project management tools and practices for the Modernization Program, including resource allocation, workforce capacity, Business Process Re-engineering (BPR) and the Horizon Project
- Manage the Horizon Project to replace current systems to support our customer engagement and operational excellence objectives
- Develop an approach to monitor and manage cybersecurity threats and issues
- Identify and implement business process re-engineering opportunities to increase efficiencies and effectiveness
- Expand our approach to Fund-wide continuous process improvement and innovation
- Maintain a high-quality database of member and employer information
- Implement an approach to ensure continuation of our Journey of Excellence by new leadership
- Develop an approach to ensure knowledge transfer between employees and departments
- Analyze workforce capability and provide training and development opportunities for staff
- Develop and track measures for each Key Business Process as part of Operational Excellence Action Plans
- Streamline key business processes and develop internal processing metrics and standards
- Research call center best practices and implement an approach to improve operations and metrics to reach top decile performance goal

Implementation of the Strategic Plan

Action Plans

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

Annual Operating Budget

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

Integration of Strategic Objectives With Leadership Scorecard and Performance Management

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

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

Communication Plan

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

IMRF Staff: A formal introduction of our new Plan was made to our staff in January 2017. The full Plan is posted for review on our intranet. The Strategic Objectives will continue to be highlighted in employee meetings. All employees are reminded of our Vision, and gain an understanding of their role in achieving our Strategic Objectives.

Board of Trustees: The Trustees will review and validate the Strategic Plan as part of the 2018 Adopted Budget document at the November 2017 Board Meeting. We will provide quarterly status updates to the Trustees during 2018, and will continue to do so throughout the remaining two years of this Plan. Another comprehensive strategic planning process will be completed by staff and the Board in 2019.

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

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

Sue Stanish
Board President

Louis W. Kosiba
Executive Director

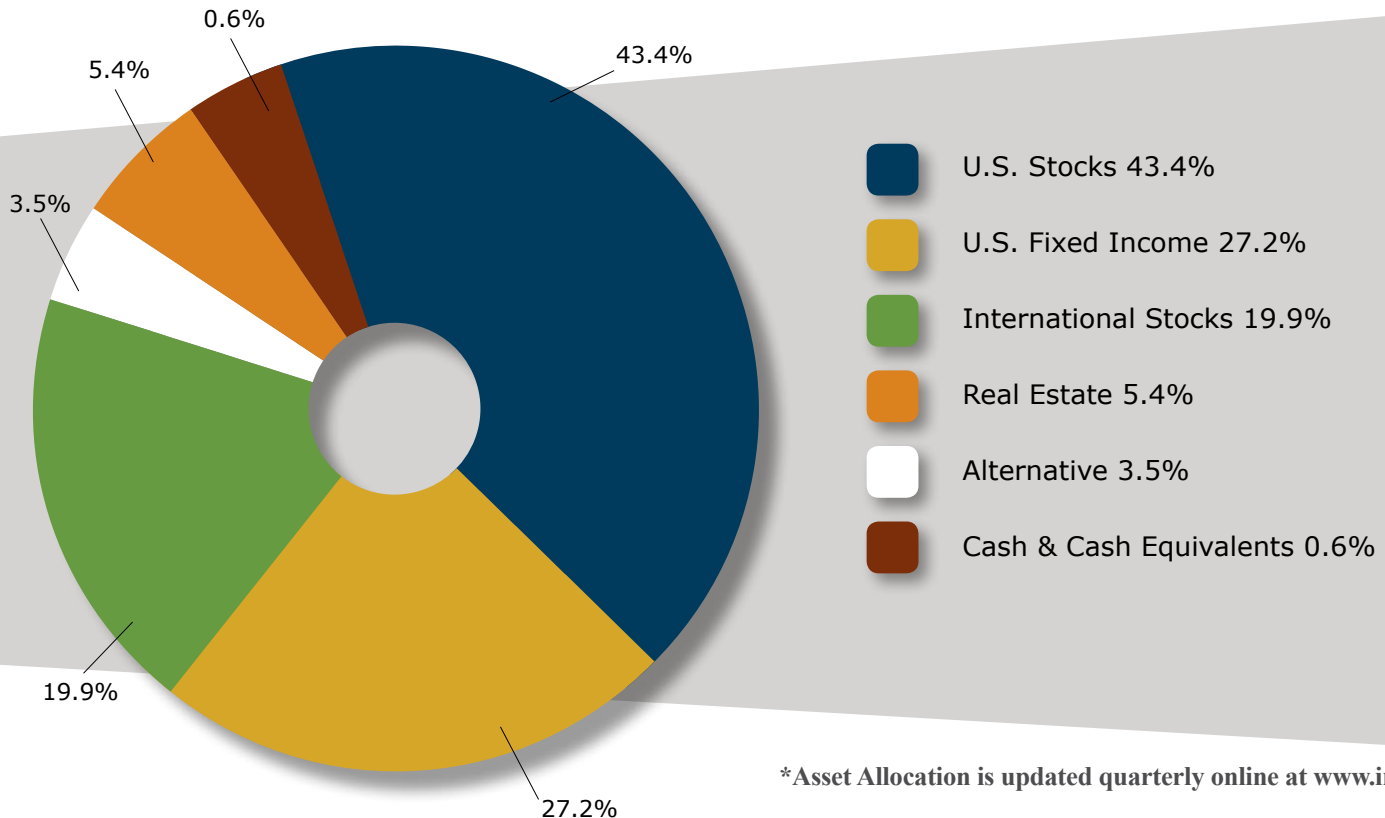
Asset Allocation

IMRF’s public markets portfolio is managed by 42 professional investment management firms, handling 47 mandates. The Fund’s private markets portfolio is invested by 39 firms including 65 separate funds. These firms make investment decisions under the Prudent Man Rule authorized by Article 1 of the Illinois Pension Code and by investment policy guidelines adopted by the IMRF Board of Trustees. IMRF’s primary goal is to optimize the long-term total return of its investments through a policy of diversification within a parameter of prudent risk.

Asset Allocation Summary as of June 30, 2017

MARKET VALUE		ALLOCATION	
Asset Class	(in Millions)	Target	Actual
Domestic Equity	\$ 16,760	38.0%	43.4%
International Equity	7,689	17.0%	19.9%
Fixed Income	10,498	27.0%	27.2%
Real Estate	2,079	8.0%	5.4%
Alternative Investments	1,355	9.0%	3.5%
Cash & Cash Equivalents	216	1.0%	0.6%
Total	\$ 38,597	100.0%	100.0%

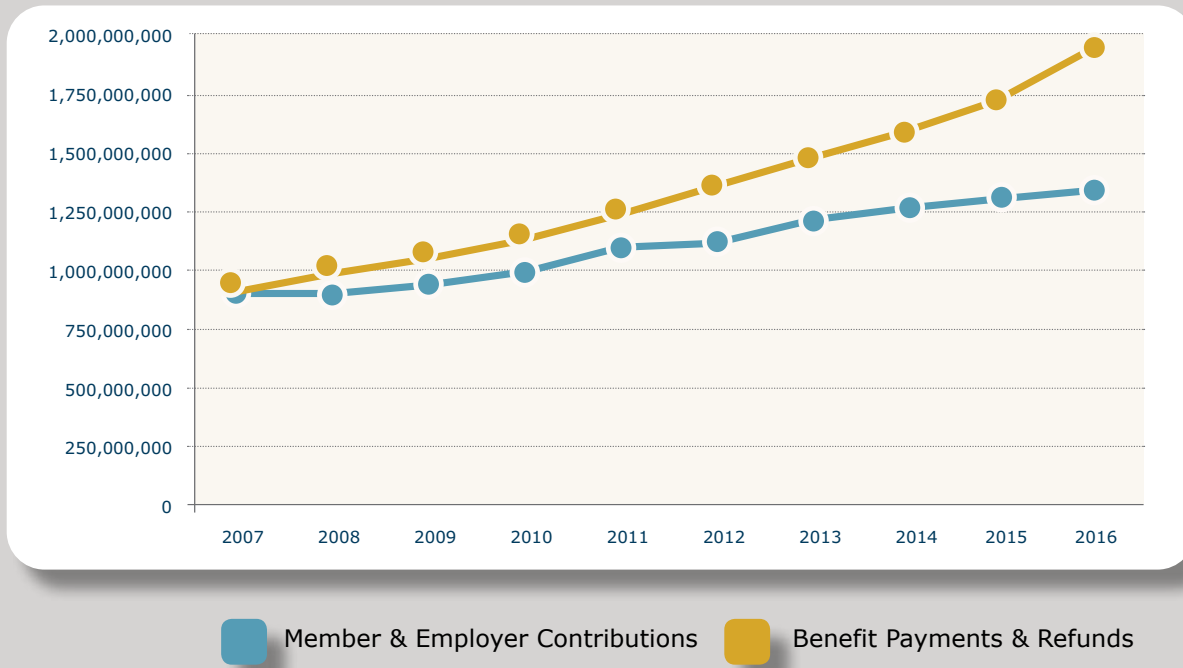
IMRF Asset Allocation as of June 30, 2017*



*Asset Allocation is updated quarterly online at www.imrf.org.

Contributions vs. Benefits Paid

Year	Member and Employer Contributions	Benefit Payments & Refunds	Member/Employer Net Cash Flow
2007	897,512,205	960,212,783	(62,700,578)
2008	945,167,415	1,029,418,261	(84,250,846)
2009	984,470,203	1,105,278,532	(120,808,329)
2010	1,095,044,263	1,210,232,111	(115,187,848)
2011	1,128,485,142	1,317,305,714	(188,820,572)
2012	1,214,030,823	1,423,957,664	(209,926,841)
2013	1,269,903,477	1,540,318,362	(270,414,885)
2014	1,274,472,270	1,666,012,340	(391,540,070)
2015	1,268,482,155	1,794,932,867	(526,450,712)
2016	1,314,322,336	1,939,829,996	(625,507,660)



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

2018

BUDGETARY FOUNDATION

IMRF takes great consideration to best utilize its resources to provide annuitant benefits, employer information, and outstanding service to all stakeholders. The documentation in this section presents a narrative introduction, analysis, and overview of the Fund's financial data.

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Profile of IMRF

IMRF is the administrator of an agent multiple-employer public employee retirement system. The Illinois State Legislature established IMRF in 1939. IMRF began operations in 1941 in order to provide retirement, death, and disability benefits to employees of local units of government in Illinois. Members, employers, and annuitants elect eight trustees who govern IMRF. IMRF is separate and apart from the Illinois state government and is not included in the state’s financial statements. IMRF now serves 2,987 different employers, 175,019 participating members, and 123,206 benefit recipients.

Employers

	2016	2015
Participating employers	2,987	2,972

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

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

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

Members

(As of December 31, 2016)

Inactive members	2016	2015
Retirees and beneficiaries currently receiving benefits	123,206	118,038
Terminated members entitled to benefits but not yet receiving them	13,366	13,054
Terminated members—non-vested	99,238	108,610
Total inactive members	235,810	239,702
Active members		
Non-vested	83,219	81,928
Vested	91,800	92,170
Total active members	175,019	174,098
Grand Total	410,829	413,800

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

Legislative Update

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

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

Six bills that affect IMRF passed the General Assembly in 2017:

Public Act 100-139

Requires members to be vested in IMRF in order to qualify as a candidate for the Board of Trustees and also clarifies that the Accelerated Payment is applicable to increases in “reported earnings” rather than “salary.” Effective August 18, 2017; this will apply to the 2017 Executive Trustee election.

Public Act 100-148

Clarifies that members may make one payment for past service purchases after terminating employment in an IMRF position, as long as the application is made prior to termination. Effective August 18, 2017.

Public Act 100-274

Sets the hourly standard for all governing body members, whether elected or appointed, at 1,000 hours. Applicable only to members who begin participation as a governing body member after the effective date of the bill. Effective January 1, 2018.

Public Act 100-281

In the provision applicable to IMRF, excludes new police chiefs in Article 3 communities from opting into IMRF SLEP as of January 1, 2019. Only applicable to chiefs who have earned no IMRF service credit prior to that date. Effective January 1, 2019.

Public Act 100-354

Allows the Village of Bedford Park to allow their police and/or fire employees to participate in IMRF SLEP. The bill was effective August 25, 2017, but the change will only be applicable after the village requests a cost study from IMRF regarding the potential cost of the change and also passes a resolution to allow the switch. Effective August 25, 2017.

Public Act 100-411

Excludes vehicle allowances from the definition of reportable wages for members who first begin participation on or after the effective date. Also excludes vacation payouts from the accelerated payment calculation, but only if the payment was made in the final three months of the Final Rate of Earnings (FRE) period. Effective August 25, 2017.

Funding

IMRF's actuary uses a five-year smoothed market-related value with a 20 percent corridor to determine the actuarial value of assets. The smoothing is intended to prevent extreme volatility in employer contribution rates due to short-term fluctuations in the investment markets. For the December 31, 2016, valuation, the aggregate actuarial value of assets was \$36.8 billion. The aggregate actuarial liability for all IMRF employers was \$41.4 billion. The aggregate actuarial funding ratio is currently 88.9 percent (an increase from the 2015 ratio of 88.4 percent). This takes into account the five-year smoothing of investment returns utilized by the actuary. If the market value of assets is used (i.e., no actuarial smoothing), the aggregate funding ratio is 88.3 percent as of December 31, 2016, an increase from 87.4 percent as of December 31, 2015. As of December 31, 2016, IMRF's market-based funding value change was lower than the actuarial funding value since there were \$327 million of unrecognized investments losses, which will be reflected in the 2016 through 2020 period in keeping with the five-year smoothing technique discussed previously. The preceding ratios are for the Fund as a whole. Under the Illinois Pension Code, each employer funds the pensions for its own employees. Funding ratios for individual employers and individual plans vary widely. IMRF members can look with a sense of security to the net asset base since these assets are irrevocably committed to the payment of their pensions when they retire. The actuary has determined that the present net asset base, expected future contributions, and investment earnings thereon are sufficient to provide for full payment of future benefits under the level payroll percentage method of funding. The funding policy was last reviewed by the IMRF Board of Trustees in December 2016 and new mortality tables were adopted by the IMRF Board of Trustees in December 2014.

Appropriations

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

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

Balanced Budget

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

Basis of Budgeting

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

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

Budget Policies

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

Debt Policy

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

Actuarial Methods and Assumptions

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

In the December 31, 2016 actuarial valuation, the individual entry age actuarial cost method was used. The actuarial assumptions included a 7.5 percent investment rate of return which is based upon the employer's assumed return on its assets, reduced by decrements to an ultimate rate of 4 percent after nine years. Both rates include a 3.5 percent inflation assumption. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payrolls over a closed 25-year period.

**IMRF NOW SERVES 2,987
DIFFERENT EMPLOYERS, 175,019
PARTICIPATING MEMBERS, AND
123,206 BENEFIT RECIPIENTS.**

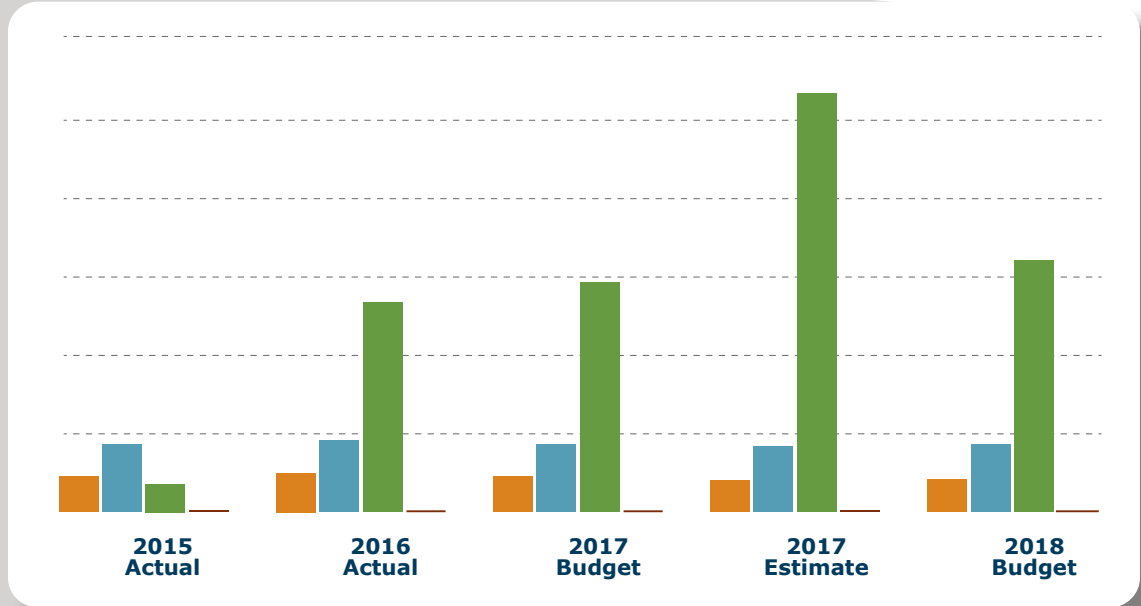
Revenue Schedules

IMRF employers are required by law to make contributions on a monthly basis to support IMRF benefits. IMRF employers have a long history of commitment to remitting the required contributions. If an employer fails to make the required contributions, IMRF has the statutory authority to enforce payment. IMRF can intercept funds due an employer from the State Comptroller or real estate taxes due an employer from the County Treasurer.

Revenues to IMRF include member and employer contributions based on the reported wages from the 175,019 active members reported from 2,987 employers. Investment income is projected at 8 percent (gross of fees) investment return target.

	2015 Actual	2016 Actual	2017 Budget	2017 Estimate	2018 Budget
Member Contributions	\$368,005,271	\$380,385,015	\$363,900,347	\$353,864,936	\$358,966,967
Employer Contributions	900,476,884	933,937,321	914,014,449	888,957,192	892,791,609
Investment Income	318,562,700	2,664,864,774	2,927,738,451	5,340,969,700	3,268,108,271
Other Income	464,050	12,340	256,340	90,000	25,000
TOTAL	\$1,587,508,905	\$3,979,199,450	\$4,205,909,587	\$6,583,881,828	\$4,519,891,847

\$6,000,000,000
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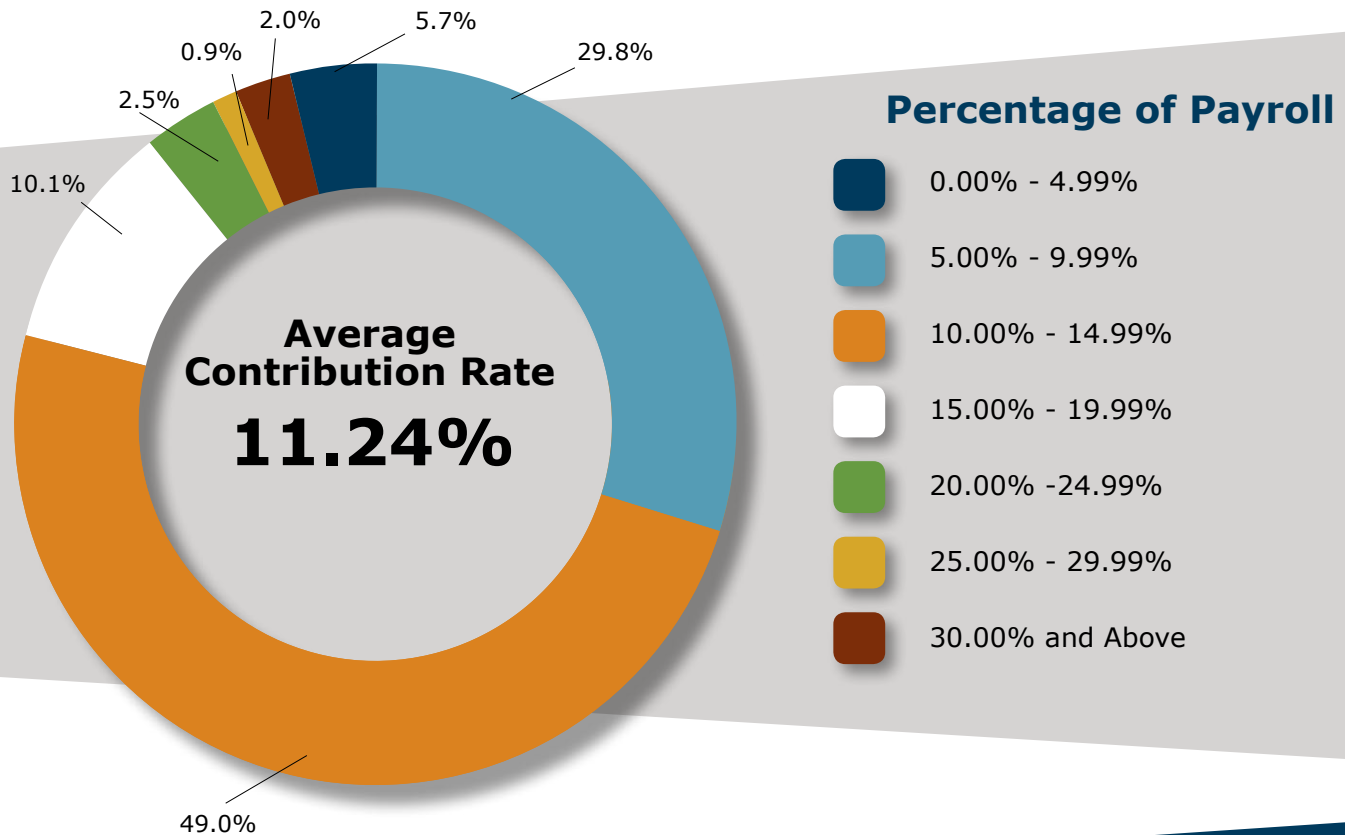
■ Member Contributions
 ■ Employer Contributions
 ■ Investment Income
 ■ Other Income

Employer Contribution Rate Ranges Expressed as a percentage of payroll

Percentage of Payroll	Percent of Employers	Regular Plan	SLEP Plan	ECO Plan	Total
0.00% - 4.99%	5.7%	185	3	1	189
5.00% - 9.99%	29.8%	978	11	0	989
10.00% - 14.99%	49.0%	1,503	121	1	1,625
15.00% - 19.99%	10.1%	272	44	17	333
20.00% -24.99%	2.5%	58	23	2	83
25.00% - 29.99%	0.9%	20	8	2	30
30.00% and Above	2.0%	21	1	44	66
	100.0%	3,037	211	67	3,315*

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

Annual Contribution Rates



2018 Budget Timeline



2018 Administrative Expenses, Direct Investment Expenses, and Capital Budget Schedule

- 7/13/2017** Budget assumptions finalized by Executive Director
- 8/21 & 8/24/2017** Finance department presents Budget 101 workshops for IMRF staff
- 8/31/2017** Identification of 2017 projects that will be carried over into 2018
- 9/19/2017** Budget submissions due to Finance department
- 9/22-9/29/2017** Finance department reviews budget submissions with respective departments
- 10/2-10/6/2017** Executive Director reviews department-proposed 2018 projects and budgets, overall budget with comparisons to prior year actual amounts, current year estimates, and prior year budget
- 10/2-10/12/2017** Finance and Communications prepares Budget Document
- 11/01/2017** Final review of proposed 2018 projects and Budget Document by Directors
- 11/09/2017** Distribution of proposed 2018 projects and Budget Document to Board of Trustees
- 11/17/2017** Presentation of Compensation Report and Health Insurance Report to Board of Trustees
- 11/17/2017** Presentation of proposed 2018 projects and Budget Document to the Board of Trustees

Summary of Benefits

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

General

IMRF serves 2,987 employers including cities, villages, counties, school districts, townships, and various special districts, such as parks, forest preserves, and sanitary districts. Each employer contributes to separate accounts to provide future retirement benefits for its own employees.

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

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

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

Both the member and the employer contribute toward retirement benefits. Members contribute a percentage of their salary, as established by the Pension Code. The percentage depends on the plan in which the member participates. Regular members contribute 4.5 percent; SLEP and ECO members contribute 7.5 percent. Members also have the option of making voluntary after-tax contributions up to 10 percent of their salary. Employer contribution rates are actuarially calculated annually for each employer. (Beginning in 2010, employers were given the option to select a contribution rate less than the actuarial required contribution rate if the current year's actuarial required contribution rate was more than 10 percent higher than the prior year's rate.) Employers pay most of the cost for member and survivor pensions and all of the cost for supplemental retirement, death, and disability benefits. All contributions are pooled for investment purposes. Since 1982, investment returns account for 62 percent of IMRF's revenue.

Vesting

Tier 1

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

Tier 2

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

Refunds

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

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

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

Pension Calculations

A Regular IMRF pension is:

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

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

A SLEP pension is:

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

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

An ECO pension is:

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

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

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

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

An **IMRF pension** is paid for life.

Final Rate of Earnings (FRE)

Tier 1

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

Tier 2

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

Pensionable earnings were initially capped at \$106,800, which have increased annually beginning in 2012 by three percent or one-half of the increase of the Consumer Price Index, whichever is less. The pensionable earnings cap 2016 is \$111,571.63 and for 2017 is \$112,408.42. For Tier 2 SLEP members, overtime compensation is excluded from pensionable earnings.

Retirement Eligibility

Tier 1

Normal retirement for an unreduced pension is:

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

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

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

Tier 2

Normal retirement for an unreduced pension is:

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

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

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

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

Service Credit

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

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

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

Post-retirement Increases

Tier 1

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

Tier 2

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

Early Retirement Incentive (ERI)

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

Supplemental Retirement Benefits

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

Disability Benefits

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

- Have at least 12 consecutive months of service credit since being enrolled in IMRF,
- Have at least nine months of service credit in the 12 months immediately prior to becoming disabled,
- Are unable to perform the duties of any position which might reasonably be assigned by the IMRF employer because of any illness, injury, or other physical or mental condition, and
- Are not receiving any earnings from any IMRF employer.

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

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

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

ECO members are eligible for ECO disability benefits if they:

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

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

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

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

Death Benefits

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

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

Surviving Spouse Pension

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

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

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

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

Summary of Departments and Workforce

Calendar Year	Administration	Internal Audit	Human Resources	Finance	Investments	Legal	Communications	Member Services	Benefits	Information Services	Program Management	Office Services	Total Head Count*	Vacant Positions Adopted Head Count	
2012	4	4	4	28	9	4	7	28	28	34	4	22	176	9	185
2013	4	7	3	29	10	4	6	30	28	35	5	21	182	11	193**
2014	4	7	4	27	13	5	7	33	28	33	5	19	185	14	199
2015	4	7	4	27	13	5	9	35	31	34	6	19	194	5	199
2016	6	8	4	23	14	5	8	36	32	34	6	18	194	11	205
2017	6	8	4	25	14	5	8	38	32	38	0	17	195	10	205

*September Human Resources Reports submitted to the Board

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

2017 Vacancies

Vacancies	Administration	Internal Audit	Human Resources	Finance	Investments	Legal	Communications	Member Services	Benefits	Information Services	Program Management	Office Services	Total
2017	0	0	0	0	0	0	2	3	3	0	0	2	10

2018 Adopted Staffing

Adopted	Administration	Internal Audit	Human Resources	Finance	Investments	Legal	Communications	Member Services	Benefits	Information Services	Program Management	Office Services	Total
2018	6	8	4	25	14	5	10	41	35	39	0	19	206

Funded Status and Funding Progress

As of December 31, 2016, the most recent actuarial valuation date, the plan on an aggregate basis was 88.9 percent funded on an actuarial basis. The actuarial accrued liability for benefits was \$41.4 billion, and the actuarial value of assets was \$36.8 billion, resulting in an unfunded actuarial accrued liability (UAAL) of \$4.6 billion. The covered payroll (annual payroll of active employees covered by the plan) was \$7 billion, and the ratio of the UAAL to the covered payroll was 65.4 percent.

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

Additional information as of the latest actuarial valuation follows:

Valuation date	December 31, 2016
Actuarial cost method	Entry age normal
Amortization method	Level percent of payroll for Regular and SLEP; level dollars for ECO
Amortization period	Taxing bodies: closed, 26 years Entities over 120 percent funded on a market basis: varies by funding status Non-taxing bodies: open, 10 years
Asset valuation method	Five-year smoothed market related with a 20 percent corridor

Actuarial assumptions:

Investment rate of return	7.5 percent
Projected salary increases	3.8 to 14.5 percent
Assumed wage inflation rate	3.5 percent
Group size growth rate	0.0 percent
Assumed payroll growth rate	3.5 percent
Post-retirement increase	Tier 1 - 3.0 percent—simple; Tier 2 - 3.0 percent—simple or 1/2 increase in CPI, whichever is less

Mortality table:

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

Schedule of Aggregate Funding Progress

Last ten years

Actuarial Valuation Date December 31	Aggregate Actuarial Liabilities (AAL)			Unfunded Actuarial Liabilities (UAL)		
	Total AAL Entry Age (a)	Actuarial Assets (b)	Actuarial Assets as a percent of AAL (b/a)	Total UAL (a-b)	Member Payroll (c)	UAL as a percent of Member Payroll (a-b)/c
2007	\$24,221,543,716	\$23,274,361,198	96.1%	\$947,182,518	\$5,931,443,117	16.0%
2008*	25,611,199,349	21,601,053,512	84.3%	4,010,145,837	6,259,283,197	64.1%
2009	27,345,113,216	22,754,803,784	83.2%	4,590,309,432	6,461,696,602	71.0%
2010	29,129,228,239	24,251,136,889	83.3%	4,878,091,350	6,391,164,701	76.3%
2011*	30,962,815,428	25,711,287,584	83.0%	5,251,527,844	6,431,296,235	81.7%
2012	32,603,244,099	27,491,809,785	84.3%	5,111,434,314	6,496,076,569	78.7%
2013	34,356,575,473	30,083,042,548	87.6%	4,273,532,925	6,602,479,436	64.7%
2014*	37,465,147,612	32,700,208,537	87.3%	4,764,939,075	6,732,500,876	70.8%
2015	39,486,573,890	34,913,127,469	88.4%	4,573,446,421	6,919,337,807	66.1%
2016	41,358,710,402	36,773,397,527	88.9%	4,585,312,875	7,006,710,264	65.4%

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

Changes in Fiduciary Net Position

Additions						
Calendar Year	Investment Earnings Net of Direct Investment Expense	Employer Contributions		Member Contributions	Other	Total Additions
		Dollars	Percent of Annual Covered Payroll			
2007	\$1,799,391,405	\$600,822,135	10.13%	\$296,690,070	\$6,049	\$2,696,909,659
2008	(6,096,480,733)	631,147,476	10.08%	314,019,939	18,722	(5,151,294,596)
2009	4,423,550,741	660,399,408	10.22%	324,070,795	9,148	5,408,030,092
2010	2,976,549,317	770,142,278	12.05%	324,901,985	7,032	4,071,600,612
2011	(92,930,304)	800,804,253	12.45%	327,680,889	9,852	1,035,564,690
2012	3,393,689,073	883,216,281	13.60%	330,814,542	12,037	4,607,731,933
2013	5,583,120,005	930,969,056	14.10%	338,934,421	8,455	6,853,031,937
2014	2,001,420,871	923,382,825	13.72%	351,089,445	19,157	3,275,912,298
2015	200,727,209	900,476,884	13.01%	368,005,271	464,050	1,469,673,414
2016	2,664,864,774	933,937,321	13.33%	380,385,015	12,340	3,979,199,450
Deductions						
Calendar Year	Benefits	Refunds	Administrative Expenses	Total Deductions	Net Increase (Decrease)	
2007	\$924,005,832	\$36,206,951	\$20,811,398	\$981,024,181	\$1,715,885,478	
2008	997,492,141	31,926,120	20,727,536	1,050,145,797	(6,201,440,393)	
2009	1,077,852,453	27,426,079	21,967,308	1,127,245,840	4,280,784,252	
2010	1,178,030,534	32,201,577	22,318,493	1,232,550,604	2,839,050,008	
2011	1,284,405,609	32,900,105	23,086,712	1,340,392,426	(304,827,736)	
2012	1,389,815,471	34,142,193	24,508,053	1,448,465,717	3,159,266,216	
2013	1,503,374,148	36,944,214	25,463,299	1,565,781,661	5,287,250,276	
2014	1,626,821,250	39,191,090	26,431,652	1,692,443,992	1,583,468,306	
2015	1,758,184,358	36,748,509	28,707,981	1,823,640,848	(353,967,434)	
2016	1,902,139,899	37,690,098	37,550,066	1,977,380,063	2,001,819,388	

BUDGETARY COMPONENTS

IMRF is separate and apart from the Illinois state government. The Fund's revenue comes from three sources: investment earnings, employer contributions, and member contributions. This section provides an analysis of revenue resources, proposed expenditures, and estimated versus adopted variances used to assess IMRF's funding.

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General Guidelines from the Chief Financial Officer

July 31, 2017

From: Louis W. Kosiba and Mark Nannini

To: IMRF Directors and Managers

Re: 2018 Budget Guidelines and Additional Information

IMRF's number-one priority for the 2018 budget is the Horizon Project. This necessitates a careful, realistic analysis of overtime and temporary staff. The 2018 budget must also support and advance IMRF's 2017-2019 Strategic Plan.

Important items to consider as you prepare your budget are the current activities, programs, staffing, and consulting work you may need to support Modernization. You may need to account for additional software and training in your budget, along with justification for each. The goals and objectives of your department are the focus of this budget for 2018. Any items that overlap with other departments need to be clearly communicated in the documentation as well as shared with the respective department.

Expenditures

Normal Expenditures

- Throughout the budget process, you should focus on implementing IMRF's programs and initiatives while remaining fiscally prudent.
- The request for additional staff will be considered if justified. You may transfer head counts between departments as long as both departments agree to the change. All staffing requests or changes are to be submitted to the Human Resources Manager and Chief Financial Officer prior to the final budget submission.
- Include in your budget submission your staff's training needs for their Individual Learning Plans (ILPs) as well as preparation for change due to Horizon and Modernization. Organization-wide training must be included in the Human Resources budget while department-specific training must be included in your department budget.
- Please round all expenditures to the nearest whole dollar amount.

Projects

- Projects intended for 2017 that were not completed or never initiated will be subject to re-prioritization and possible elimination in your department's 2018 budget request. If the 2017 project is necessary to carry forward, you should include the amounts to complete the project in your 2018 budget. Please include the reason why the project was not previously completed as well as the justification to budget for it in 2018.
- Identify, prioritize, and develop incremental cost estimates for new projects for 2018 in your budget. As you identify new projects, work with the Performance Excellence Manager, Kathy Goerd, to review your proposals. Please include justification for how each potential project furthers strategic goals, action plans, transaction scorecards, continuous process improvement, or responds to the Illinois Performance Excellence feedback report. Keep in mind that some worthwhile projects may need to wait until after the implementation of Horizon.

Additional Information from Finance

Please use the resources listed below when preparing your department budget.

- **2018 Budget Timeline**
- **New Project Budget Worksheet.** This worksheet should be used for:
 - Capital purchases over \$5,000. Please include a brief explanation supporting the need or benefit of the purchase, the date it will be purchased, and its estimated useful life.
 - Internally generated software over \$10,000. Information Services (IS) will identify the projects that will potentially qualify for capitalization under the GASB 51 standard and will estimate the number of hours of development effort that will be

required. Once the IS hours are estimated for these projects, the estimated number of department hours to support the development effort and related user acceptance testing will be determined and added to the worksheet. IS and Finance will work with the impacted departments to develop these estimates. Finance will then cost out the various projects and estimate the service dates in conjunction with IS.

- Expendable equipment purchases between \$500 and \$5,000. The expendable equipment request should describe the proposed purchase with a brief explanation of the need or benefit.
- Leasehold improvement projects over \$5,000.
- **Adopted 2018 Project Budget Worksheets**

Use these worksheets to identify incremental costs anticipated in 2018 in connection with proposed 2018 projects.

- **Department Budget Worksheets**

These worksheets include your actual expenses for the 12 months ended July 31, 2017, broken out between the last five months of 2016 and the first seven months of 2017, and the 2016 budgeted amount for each general ledger account.

- **Remaining amounts of prepaid expenses, if any, by department.**

- **List of 2017 Capital Expenditures**

A list of 2017 Capital Expenditures including internally developed software budgeted and purchased through July 31, 2017. For the items not yet purchased, please indicate the estimated date of purchase and an updated estimated cost, if applicable. Please also indicate if the item will not be purchased in 2017. For internally developed software, please update the estimated remaining costs to be incurred in 2017 and the estimated in-service date.

To further assist you in developing your departmental budget, Finance has created detailed analyses by department of the activity in each general ledger account for the five months ended December 31, 2016, and for the seven months ended July 31, 2017. This information is located in J://Everyone/Budget 2018.

You can also use the Doc-link Smart Client to look up 2016 and 2017 invoices that have been paid. Please contact Sharon Brown, Mark Fink, or David Adamski with any questions about how to use the search option.

Important: Please complete all budget forms electronically and return them to both David Adamski and Jim Splitt. Please use Microsoft Excel ONLY.

Helpful Tips

Use these tips when completing your department budget:

- For capital, expendable equipment, or 2018 project requests, fill out a Project Budget Worksheet for each item or category of items. (For example, only one worksheet is needed for the purchase of PC replacements.)
- Estimate what you believe are the actual expenses for calendar year 2017 and your proposed 2018 budget amount for each general ledger account. Enter this information in the blank columns on the budget worksheet. Refer to the detailed analysis of activity for your department for information.
- Carefully review prior period expenses to determine whether they are necessary or add value beyond their costs to IMRF. Funds spent on something in the current year do not alone justify inclusion in the 2018 budget.
- You may decide that some general ledger accounts are unnecessary, could be combined, or that new accounts should be added to better track expenses. Contact David Adamski or Jim Splitt to discuss these changes.
- If you think it more appropriate for another department to be responsible for an account, please bring this to David Adamski and Jim Splitt's attention for resolution.

Budget Account Descriptions

Office Salaries – Regular

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

If you have an open position that you are not currently recruiting to fill, it will be eliminated for 2018 budget purposes unless approved by the Executive Director. If you are recruiting for open positions, please provide this information via email by October 1 to the Human Resources Manager and Chief Financial Officer.

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

Office Salaries – Overtime

Departments should budget this based upon anticipated needs.

Professional Services

Departments should budget this based upon anticipated needs.

Tuition

Each department should provide Human Resources with a list of employees who they anticipate will use this benefit in 2018, the course of study and institution, and the anticipated cost. As a reminder, IMRF offers tuition reimbursement up to a maximum of \$10,500 per year.

Training

All external training expenses (courses, workshops, seminars) will now be budgeted by each department. Human Resources can assist you with this change. The Seminar Approval Form (for any external seminar) will continue to be approved by HR before an employee enrolls in an external training program. External training related to an employee’s ILP should be included in this budget account.

All conference expenses will continue to be budgeted by each department.

All internal training requiring purchase of materials and/or use of external vendors for on-site training (multiple staff in one department, multiple departments or IMRF-wide) will still be budgeted and coordinated by Human Resources. Please report your anticipated internal training activities and expenses for 2018 to HR by September 1.

Travel

Travel should be budgeted based on anticipated needs. Travel directly related to training should be budgeted as part of the training line item budget in each department. All gasoline expenses should be budgeted in this account, not in the Automobile Maintenance account. **Travel expenses related to meeting and conferences should be budgeted in the Meetings & Conferences accounts.**

Meetings & Conferences

These accounts are for staff conferences. Please provide additional details about the specific conference or meeting, who will be attending, and the estimated cost. All conferences, including the Reciprocal Conference, should be budgeted to this account. If a staff member is going to attend more than one conference, they must get approval from their direct supervisor. Travel costs related to attending a conference should be included here. Please provide the following information for each conference, for example:

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

Office Supplies

Most office supplies are purchased centrally through Office Services. Therefore, most departments have no need for a separate account. The one exception is for Field Services staff who purchase miscellaneous supplies and are reimbursed via expense reports. If you are anticipating a special project that might require additional office supplies, e.g. projectors bulbs, GPS units, or anything else that is significantly out of the ordinary, please let Denise Streit or Vickie Lane in Office Services know so it can be incorporated in their 2018 budget.

Publications and Dues

Departments should budget this based upon anticipated needs.

Expendable Equipment

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

Automobile Maintenance

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

Miscellaneous

IMRF is charged a fee for the use of the lower level conference room. If you plan to use this space in 2018, please let Denise Streit or Vickie Lane know so they can incorporate the additional rental in their 2018 budget.

2018 Modernization Budget

Budgeting for Modernization will be a significant challenge for IMRF. While other 2018 projects will be budgeted based on incremental costs, Modernization-related costs must be identified by activity, if possible, and evaluated on whether they are expense or capital in nature. Since these costs may not be identified until late in the budget process, we will begin the budget process using the best available estimates and then update the budget materials as more detailed information becomes available. Information Services and Finance will need to work closely together to determine the details for the 2018 Modernization budget.

Final Budget Allocation by Month

Once the final budget is approved by the IMRF Board of Trustees in November or December, you will be asked to allocate your approved budgeted amounts by month. This allows Finance to more effectively track the budget for 2018.

Please keep as much information you think is necessary to complete this step in the process. The more accurate your monthly allocations are, the less likely you will be asked to explain differences between budgeted and actual expenses.

Revenues by Source

Source	2015 Actual	2016 Actual	2017 Budget	2017 Estimate	2018 Budget
Member Contributions	\$368,005,271	\$380,385,015	\$363,900,347	\$353,864,936	\$358,966,967
Employer Contributions	900,476,884	933,937,321	914,014,449	888,957,192	892,791,609
Investment Income	318,562,700	2,664,864,774	2,927,738,451	5,340,969,700	3,268,108,271
Other Income	464,050	12,340	256,340	90,000	25,000
Total	\$1,587,508,905	\$3,979,199,450	\$4,205,909,587	\$6,583,881,828	\$4,519,891,847

Explanation of Revenue Resources

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

Member Contributions

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

Employer Contributions

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

Investment Income

The investment portfolio is a major contributor to the Fund. In 2016, investment income of \$2,664.9 million represented 67 percent of plan additions for the year. Over the last six years investment income represented the following percentage of additions to fiduciary net position:

Year	Percentage of Additions
2016	67.0%
2015	13.7%
2014	61.1%
2013	81.5%
2012	73.7%

Currently, 81 professional investment management firms handling 112 separate accounts manage the investment portfolio. These firms make investment decisions under the prudent man rule authorized by Article 1 of the Illinois Pension Code and by investment policy guidelines adopted by the Board of Trustees. The Board employs an investment consultant to monitor and evaluate the investment management firms’ performance, to aid in the selection of investment management firms, and to assist in the development of investment policy. Our uppermost goal is to optimize the long-term total return of the Fund’s investments through a policy of diversification within a parameter of prudent risk, as measured on the total portfolio. Our assumed investment rate of return is 7.5 percent.

Other Income

The majority of the income in this category is received from fees to process Qualified Illinois Domestic Relations Orders (QILDRO).

2018 Adopted Expenditures

Summary by Department

	Actual		Budget	Estimated	Adopted	2018 Adopted as a Percent Change Over 2017	
	2015	2016	2017	2017	2018	Budget	Estimate
Capital Additions	\$6,862,487	\$2,293,486	\$8,838,232	\$7,367,828	\$13,311,146	50.6%	80.7%
Administrative Expenses							
Administration	483,105	499,758	633,831	599,581	656,131	3.5%	9.4%
Benefits	1,806,736	1,833,201	1,954,023	1,816,217	1,938,714	(0.8)%	6.7%
Board of Trustees	330,074	82,166	246,979	149,268	152,341	(38.3)%	2.1%
Communications	926,215	1,059,773	964,515	760,903	895,289	(7.2)%	17.7%
Finance	7,353,839	8,360,196	7,033,903	7,375,339	7,696,601	9.4%	4.4%
Human Resources	2,913,211	3,205,405	3,164,012	3,065,532	3,201,847	1.2%	4.4%
Information Services	4,968,902	6,302,426	6,177,232	6,111,969	6,729,228	8.9%	10.1%
Internal Audit	565,732	614,431	850,539	650,162	718,342	(15.5)%	10.5%
Investments	1,418,945	1,686,771	1,707,502	1,715,964	1,806,797	5.8%	5.3%
Legal	847,994	1,035,843	1,260,738	975,306	1,026,138	(18.6)%	5.2%
Member and Field Services	2,223,709	2,375,913	2,388,463	2,519,241	2,529,210	5.9%	0.4%
Office Services	4,489,506	4,369,627	4,423,896	4,373,356	4,538,956	2.6%	3.8%
Operations	380,013	455,438	540,310	534,779	571,363	5.7%	6.8%
Total Administrative Expenses	28,707,981	31,880,948	31,345,943	30,647,617	32,460,957	3.6%	5.9%
Direct Investment Expenses	119,016,042	113,285,435	117,308,162	121,572,682	130,824,083	11.5%	7.6%
Total	\$154,586,510	\$147,459,869	\$157,492,337	\$159,588,127	\$176,596,186	12.1%	10.7%

Additions to Fund Balances

	2016 Actual	2017 Budget	2017 Estimate	2018 Budget
REVENUES				
Contributions				
Member Contributions	\$380,385,015	\$363,900,347	\$353,864,936	\$358,966,967
Employer Contributions	933,937,321	914,014,449	888,957,192	892,791,609
Total Contributions	1,314,322,336	1,277,914,796	1,242,822,128	1,251,758,576
Investment Income				
Investment Income	2,777,386,146	2,927,738,451	5,340,969,700	3,268,108,271
Less: Direct Investment Expense	(112,521,372)	(117,308,162)	(121,572,682)	(130,824,083)
Net Investment Income	2,664,864,774	2,810,430,289	5,219,397,018	3,137,284,188
Miscellaneous Income	12,340	256,340	90,000	25,000
Total Additions	3,979,199,450	4,088,601,425	6,462,309,146	4,389,067,764
EXPENSES				
Benefits	1,939,829,996	2,106,296,035	2,095,300,319	2,267,120,553
Administrative Expenses	37,550,066	31,345,943	30,647,617	32,460,957
Total Expenses	1,977,380,062	2,137,641,978	2,125,947,936	2,299,581,510
Net Increase (Decrease)	2,001,819,388	1,950,959,447	4,336,361,210	2,089,486,254
Net Position Restricted for Pensions - Beginning of the Year	34,513,078,411	36,514,897,799	36,514,897,799	40,851,259,009
Net Position Restricted for Pensions - End of the Year	\$36,514,897,799	\$38,465,857,246	\$ 40,851,259,009	\$42,940,745,263

2018 Adopted Capital Additions - Summary

	Actual		Budget	Estimated	Adopted	2018 Adopted as a Percent Change Over 2017	
	2015	2016	2017	2017	2018	Budget	Estimate
Capital Purchases	\$1,116,333	\$1,548,434	\$7,531,741	\$5,311,337	\$7,852,989	4.3%	47.9%
Internally Generated Computer Software	5,746,154	745,052	1,306,491	2,056,491	5,458,157	317.8%	165.4%
Total Capital Budget	\$6,862,487	\$2,293,486	\$8,838,232	\$7,367,828	\$13,311,146	50.6%	80.7%

2018 Adopted Capital Additions

Capital Purchases	
Horizon Project	\$9,780,022
HP SAN Disk Replacement	2,100,000
Veeam Backup Software	325,000
Luminex Mainframe Backup Replacement	300,000
Blade Servers and Software	181,600
Double Capacity of UPS Batteries	180,000
Oak Brook Leasehold Improvements	104,669
Fifth Floor Network Rewiring	86,000
Office Reconfiguration	80,281
Dell Ethernet Card Replacement	50,000
Disk for Oak Brook Backup Staging	40,000
Digital Copier/Printer Replacement	22,000
Springfield Security Equipment	18,574
Cisco TACACS	15,000
UPS Battery Replacement	15,000
Smartboards	13,000
TOTAL CAPITAL BUDGET	\$13,311,146

2018 Capital Purchases

Horizon Project

This multi-year project will replace our Spectrum system and complete the Horizon system. The 2018 amount includes \$5,458,157 of internally generated costs that will be capitalized upon completion of the project as well as \$4,321,865 in equipment and software license costs.

Estimated purchase price	\$9,780,022
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HP SAN Disc Expansion

The existing SAN (HP P9500) is reaching end of life and needs to be replaced. It needs expansion for Horizon and general growth. We also need to provide for Disaster Recovery by adding a duplicate piece of equipment at the disaster recovery site. Direct replication to this from Oak Brook will reduce the outage in a Disaster (RTO) to under 12 hours and the Recovery Point (RPO) to minutes.

Estimated purchase price	\$2,100,000
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Veeam Backup Software

The current Acronis backup software is at the end of its maintenance contract. The software was found to have unexpected limitations after being implemented. Veeam is recommended by Morneau Shepell and several Technology Infrastructure staff have previous positive experience with this software. It provides additional functionality for backing up SAN disk directly without going through various operating system interfaces. It provides more reliable restore options.

Estimated purchase price	\$325,000
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Luminex Mainframe Backup Replacement

The existing Luminex/HP D2D solution is reaching end of life. This will give us better, more reliable performance going forward. It will also support replication so our data replication can be off-site within minutes of running a backup. This is a redundant point-in-time copy of production data.

Estimated purchase price	\$300,000
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Blade Servers and Software

Eight additional servers to increase capacity for Development, Quality Assurance, and Production environments. This additional capacity will also provide additional redundancy in the event of equipment failures.

Estimated purchase price	\$181,600
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Double Capacity of UPS Batteries

Increasing the number of servers and other hardware in the Data Center is beginning to stretch the capacity of the current UPS. There is no equipment replacement; it is an in-place upgrade with a software change in the UPS.

Estimated purchase price	\$180,000
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Oak Brook Leasehold Improvements

The new lease extension for the Oak Brook office includes a reimbursement clause for tenant improvements up to \$241,340 each year. For 2018, the following areas are planned for improvement:

Third Floor Carpet Replacement	\$ 65,316
Third Floor Office Conversion	16,301
Water Bottle Filling Stations	8,685
Exterior Office Window Film	7,525
Office Window Sidelight Film	2,981
Office Window Replacement	2,366
Water Line Installation in Investments	1,495

Estimated construction costs	\$104,669
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Fifth Floor Network Rewiring

This is to remove and replace all network wiring on the fifth floor workstations. Upgrading from Cat 5 to Cat 6 network cabling will better support increased bandwidth requirements for Horizon.

Estimated purchase price	\$86,000
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Office Reconfiguration

Reconfiguring the Enterprise Business Solutions Team and the Audit Team’s work areas to be a more open and collaborative environment that allows for staff to become knowledgeable workers and promote innovation that will bring IMRF organizational value and help drive performance. Studies have shown that open work environments help to foster interaction. We believe this new workspace would be the supportive environment needed to help the Enterprise Business Solutions Team and the Audit Team on their journey to excellence and encourage innovation. The new cubicle configuration will offer a variety of seating; a combination of collaborative areas and areas that are more private for those team members that require less distractions to focus on their work. We recognize that not everyone learns or works in the same manner and we believe this configuration respects those differences.

Estimated purchase price	\$80,281
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Dell Ethernet Card Replacement

Horizon is physically running on Dell servers which are in blade format, inserted into a chassis. The chassis provides common connection points for power and other peripheral device access. This configuration greatly reduces cabling and other physical server expenses. Most of this equipment was purchased by the previous Horizon vendor. We have found one drawback within the setup; the Ethernet network cards used by the chassis have a major flaw. Each blade has 10Gb (Gigabyte) connectivity. The outside connection to each card in each chassis is also 10Gb. In both cases, these are the fastest connections available. However, the internal connections from the chassis network cards and the blade server cards is only 1GB. This creates a choke point where data coming in and going out is restricted to 1GB, even though it should be able to go 10GB. This change will dramatically improve throughput between the blades and other network locations outside the chassis.

Estimated purchase price	\$50,000
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Disk for Oak Brook Backup Staging

Funds to add additional disks to maintain several generations of backups in Oak Brook for fast data recovery. Previously, we had to request a delivery from off-site storage and process tapes to service any kind of restore requests. This is problematic when the restore is because of a Freedom of Information Act (FOIA).

Estimated purchase price	\$40,000
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Digital Copier/Printer Replacement

This request aligns with Operational Excellence. One request is for one color copier to assist Office Services to improve our customer service to our internal staff. This has identified a business process re-engineering opportunity to increase our efficiency. The second request is a black-and-white copier/printer.

Estimated purchase price	\$22,000
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Springfield Security Equipment

The Springfield office does not have any type of security equipment. With the expansion of space and staff in the Springfield office last year, there is a need for the same security features as the Oak Brook Office. We want all of our staff to feel safe and secure while working in the office; therefore we propose to add a card reader for access to the physical office space, add four security cameras by the doors, and add a panic button to the counseling office.

There will be an ongoing maintenance expense for all of the equipment at an annual cost of \$2,492.04. This has been added to the maintenance budget for 2018.

Estimated purchase price	\$18,574
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Cisco TACACS

For IMRF’s network to function, many Cisco switches and routers are necessary. This helps us secure our facility and data from any security threat, and keeps everything connected properly. To function, each piece of equipment must be patched. Configurations must be adapted as other changes are made on the network.

Currently, staff must go to each piece of equipment to perform this maintenance. It is not only time consuming, but prone to error if each switch or router isn’t exactly updated the same way at the same time. Cisco TACACS allows the Cisco Prime Management software to log on to each piece of equipment, securely, so it can apply maintenance. While it is possible to use Cisco Prime without this, it is not recommended because it is not as secure.

Estimated purchase price	\$15,000
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UPS Battery Replacement

Oak Brook electric power has been notoriously uneven with periodic power spikes and outages. It will be fine for a long period then have problems several times over a few months. Power spikes could adversely impact equipment in the Data Center. The Uninterruptible Power Supply (UPS) keeps the Data Center running when the electrical power goes out. The batteries are supposed to last five years but rarely last longer than three years. This is due to various factors; as they carry the load for an outage, then recharge, they lose their ability to function. Typically this manifests itself as a bad cell in one battery, which then damages other batteries. To make the UPS reliable at all times, it has been IMRF’s practice to replace the batteries every three years. There are two strings of batteries, each is replaced in different years. This way, the UPS will be up at all times, even while the replacement work goes on. Replacement typically takes one day.

Estimated purchase price	\$15,000
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Smartboards

Enterprise Business Solutions needs a smaller smartboard for team design work done in the group work area. Technology Infrastructure needs a large smartboard for one existing office for network and hardware design sessions. Having smartboards rather than traditional whiteboards means that design sessions can directly capture electronic copies of any designs and changes without having to redraw them later. It’s more efficient and eliminates translation errors when one person makes one drawing and another interprets it.

Estimated purchase price	\$13,000
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Long-term Capital Plan (5 Years)

Capital purchases are items over \$5,000 and a useful life of over three years. The items are recorded at the date of purchase, and its estimated useful life is determined from date of purchase.

Other items classified as Capital are:

- Equipment
- Staff cars
- Internally generated software over \$10,000.
- Leasehold improvement projects over \$5,000.

Budgeting for Modernization will be a significant challenge for IMRF. While other 2018 projects will be budgeted based on incremental costs, Modernization-related costs must be identified by activity, if possible, and evaluated on whether they are expense or capital in nature. Since these costs may not be identified until late in the budget process, we will begin the budget process using the best available estimates and then update the budget materials as more detailed information becomes available. Information Services and Finance will need to work closely together to determine the details for the 2018 Modernization budget.

The cost of normal maintenance and repairs that do not add value to the asset or materially extend the life of the asset are not capitalized. The life of the asset is consistent by category as listed in the following schedule:

	Budget Items	Department	Estimated Cost
2019	Horizon	Information Services	\$ 12,872,000
2020	Network Switches Replacement	Information Services	98,000
	Cisco Switches Replacement	Information Services	9,800
	Microsoft Exchange	Information Services	130,000
	Sitecore	Information Services	15,000
	Horizon	Information Services	12,958,000
	Black and White Copier Replacement	Office Services	20,000
2021	Automobile Replacement	Member & Field Services, Internal Audit, Legal, and Administration	330,000
	Black and White Copier Replacement (2)	Office Services	26,750
	Horizon	Information Services	13,047,000
2022	N/A	N/A	N/A
2023	N/A	N/A	N/A
Long-term Capital Plan Total			\$ 39,506,550

Analysis of 2018 Adopted Budget to 2017 Estimated Actual Variances

		Percentage Change
2018 Adopted Budget	\$32,460,957	
2017 Estimated Actual	30,647,617	
Increase	\$1,813,340	5.9%

Expense Variations by Major Expense Category

Percent of Total Budget		Increase (Decrease)	
43.2%	<p>Salaries</p> <p>The decrease in the 2018 budget versus the 2017 estimated actual is being driven by a \$(1.8) million increase in the amount of salaries capitalized as part of the next phase of the Horizon Project. This is offset by a \$962 thousand increase in staff salaries based on a 2.5 percent base salary adjustment and 1.0 percent average discretionary.</p>	(\$805,711)	(5.4)%
14.2%	<p>Fringe Benefits</p> <p>The decrease in the 2018 budget versus the 2017 estimated actual is due to the increase in capitalized fringe benefits of \$(507,130) related to internally developed software related to the Horizon project/Modernization Program. This is being offset by an increase in health and dental insurance premiums of \$140,040 due to less than anticipated staff moving to the lower cost high deductible plans. Also offsetting is a \$140,252 increase in payroll taxes and IMRF contributions due to higher salaries due to factors discussed above.</p>	(195,590)	(4.1)%
3.5%	<p>Personnel Costs - Indirect</p> <p>The majority of this increase, \$293 thousand, is driven by higher projected training costs related to IMRF's individual learning plans, tuition reimbursement, and organization-wide training.</p>	332,548	42.1%
9.4%	<p>Consulting Services</p> <p>This increase in the 2018 budget versus the 2017 estimated is being driven by a \$565,934 increase for the next phase of the Horizon Project as well as increases of \$79,000 in actuarial costs and \$64,000 in salary surveys.</p>	802,584	35.4%
7.0%	<p>Facility Expenses</p> <p>The majority of this increase, \$61,288, relates to increases in telephone and Internet fees. In addition, we anticipate a \$42,665 increase in rent for the Oak Brook and Springfield locations and a \$27,802 in facilities expenses.</p>	155,791	7.3%
7.8%	<p>Commodities & Services</p> <p>The major increases in this area are related to computer supplies, \$128,000, postage and delivery, \$63,164, and \$44,270 for performance excellence in anticipation of applying for the Baldrige Award in 2018.</p>	310,863	14.1%
13.6%	<p>Equipment</p> <p>The majority of the increase here is due to a \$557,651 increase in expendable equipment purchases related to staff computer replacements and software purchases. Also, there is an anticipated increase in depreciation of \$292,896 due to capitalization of the first phase of the Horizon project and an increase in software maintenance expenses of \$227,100.</p>	1,198,817	37.3%
1.3%	<p>Miscellaneous</p> <p>This increase is due to a \$10,065 increase due to Fiduciary and Cyber-insurance costs.</p>	14,038	3.4%
100%		\$1,813,340	

Analysis of 2018 Adopted Budget to 2017 Adopted Budget Variances

		Percentage Change
2018 Adopted Budget	\$32,460,957	
2017 Adopted Budget	31,345,943	
Increase	\$1,115,014	3.6%

Expense Variations by Major Expense Category

Percent of Total Budget		Increase (Decrease)	
43.2%	<p>Salaries</p> <p>While the 2018 budget versus the 2017 budget includes an increase in salaries of \$504 thousand based on a 2.5 percent base salary adjustment and 1.0 percent discretionary, the decrease in salary expense is primarily due to the projected increase in capitalized salaries of \$(1.5) million related to internally developed software in 2018 related to the Horizon project/Modernization Program. Per GASB Statement No. 51, these costs are reclassified from salary expense and capitalized as part of the total project costs and amortized over its estimated useful life.</p>	\$(960,096)	(6.4)%
14.2%	<p>Fringe Benefits</p> <p>The decrease in the 2018 budget versus the 2017 budget is driven by an increase in capitalized fringe benefits of \$(512) thousand for internally developed software related to the Horizon Project. This is being offset by an increase in health and dental insurance premiums of \$156 thousand due to less than expected staff moving to the lower cost high deductible plans. Also offsetting is a \$51 thousand increase in payroll taxes and IMRF employer contributions due to higher salaries due to factors discussed above.</p>	(258,265)	(5.3)%
3.5%	<p>Personnel Costs - Indirect</p> <p>The 2017 budget contains a \$63,414 increase in staff training and travel mostly related to organization-wide training and tuition reimbursement. There is also a \$10,895 increase for recruitment and employee recognition costs.</p>	75,867	7.2%
9.4%	<p>Consulting Services</p> <p>This increase in the 2018 budget versus the 2017 budget is being driven by increases for the Horizon Project.</p>	304,478	11.0%
7.0%	<p>Facility Expenses</p> <p>Increases in this category are related to a \$36,264 increases in rent for the Oak Brook and Springfield locations as well as an increase of \$25,120 in operating expenses for the Oak Brook offices. Also an increase in telephone expense of \$90,600, and off-site storage fees of \$59,100.</p>	189,522	9.0%
7.8%	<p>Commodities & Services</p> <p>The major increases in this area are related to higher costs for postage, \$88,561, computer supplies, \$83,920, and \$45,700 for performance excellence in anticipation of applying for the Baldrige Award in 2018.</p>	210,380	9.1%
13.6%	<p>Equipment</p> <p>The majority of the increase here is due to a \$897,137 increase in depreciation due to capitalization of the first phase of the Horizon Project. Also, there is an anticipated \$454,564 increase in expendable equipment purchases related to staff computer replacements and software purchases, and an increase in software maintenance expenses of \$203,300.</p>	1,649,401	59.8%
1.3%	<p>Miscellaneous</p> <p>This decrease is due to a \$(97,838) decrease in the Trustee elections budget.</p>	(96,273)	(18.4)%
100%		\$1,115,014	

DEPARTMENTAL BUDGETS

To develop this Budget Document, IMRF received proposals and data from each operational department within the organization. As outlined on the following pages, consideration is allocated to programs, staffing, training, and consulting work necessary to best achieve the Fund's goals and objectives.



Mark Nannini, Chief Financial Officer, discusses key components of IMRF's 2018 Budget Document.

Click the arrow to view.

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Administration Department

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

Administration Department – Goals and Objectives

- 1) To support and adhere to the Strategic Plan for the current fiscal year.
- 2) To meet with IMRF members, employers and legislators to promote the IMRF brand.
- 3) Provide and support a balanced budget.
- 4) Support and manage our modernization efforts (Horizon project).

Administration Department – Organization Chart



Administration Department – Budget

Expense Classification	Account No.	Actual 2015	Actual 2016	Budget 2017	Estimated 2017	Adopted 2018
Administration Department						
Personnel Costs - Direct						
Salaries	5501	\$442,605	\$461,797	\$483,431	\$463,481	\$481,131
Personnel Costs - Indirect						
Travel	5507	9,942	6,334	12,000	7,500	12,000
Other Personnel Costs	5510	0	0	0	0	25,000
Conferences & Meetings	5517	3,248	2,846	5,000	3,500	5,000
		13,190	9,180	17,000	11,000	42,000
Commodities & Services						
Publications & Dues	5535	24,808	24,922	25,000	23,000	28,000
Other Services	5540	1,000	1,000	101,400	100,000	100,000
		25,808	25,922	126,400	123,000	128,000
Equipment						
Auto Maintenance & Expenses	5576	1,502	2,859	7,000	2,100	5,000
Total Expenses		\$483,105	\$499,758	\$633,831	\$599,581	\$656,131

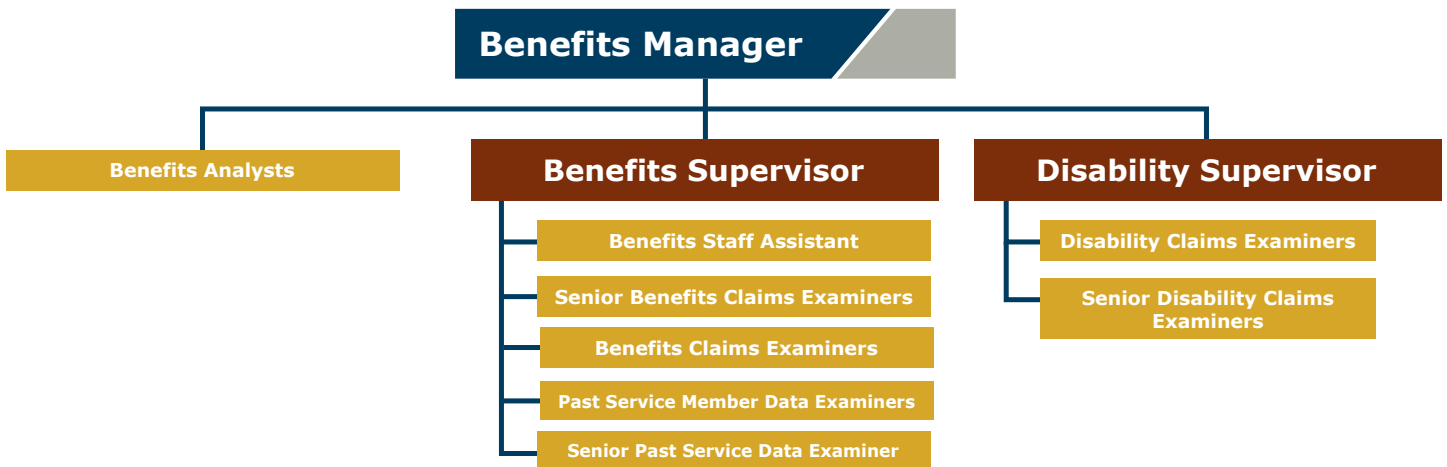
Benefits Department

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

Goals and Objectives

- 1) Process benefits accurately and in a timely manner according to department identified standards.
- 2) Support Modernization and shift responsibilities as necessary to complete core tasks.
- 3) Work with the Finance department to support the SOC-1 audit.
- 4) Carry out and support the organization’s identified strategic objectives to provide sustainable financial health, operational excellence, workforce engagement, and customer engagement.

Benefits Department – Organization Chart



Benefits Department – Performance Measures

Standards	2012	2013	2014	2015	2016	2017 YTD
Average Processing Time (days) for all claim types	7.09	6.69	5.06	5.05	7.43	8.05
Financial Accuracy (M)	89.73%	98.68%	93.89%	97.76%	99.90%	90.36%
Financial Accuracy (A)	99.94%	100.00%	99.90%	99.76%	99.10%	98.06%
Procedural Accuracy (M)	94.54%	97.54%	97.60%	98.08%	99.10%	84.77%
Procedural Accuracy (A)	96.46%	98.96%	99.10%	98.40%	98.80%	88.93%

M = Manual

A = Automated

Benefits Department – Budget

Expense Classification	Account No.	Actual 2015	Actual 2016	Budget 2017	Estimated 2017	Adopted 2018
Benefits Department						
Personnel Costs - Direct						
Salaries	5501	\$1,647,016	\$1,701,688	\$1,797,823	\$1,683,667	\$1,784,314
Personnel Costs - Indirect						
Travel & Training	5507	430	106	11,000	2,300	8,300
Conferences & Meetings	5517	2,950	0	1,000	650	1,000
		3,380	106	12,000	2,950	9,300
Consulting Services						
Medical & Field Investigations	5516	156,340	131,407	144,000	129,500	145,000
Commodities & Services						
Publications & Dues	5535	0	0	200	100	100
Total Expenses		\$1,806,736	\$1,833,201	\$1,954,023	\$1,816,217	\$1,938,714

Board of Trustees

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

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

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

Goals and Objectives

- 1) To monitor annual investment returns for the Fund.
- 2) Set employer contributions rates required to fully fund the guaranteed benefits of our members.
- 3) Discuss and review actuarial assumption.
- 4) Continuing education in Board Governance, Administration, and Investments to assist in managing the Fund.

The 2017 Board of Trustees include:

Sue Stanish, President

Gwen Henry, Executive Trustee

Natalie Copper, Vice President

Sharon U. Thompson, Annuitant Trustee

David Miller, Secretary

Alex Wallace, Jr., Employee Trustee

Tom Kuhne, Executive Trustee

Trudy Williams, Employee Trustee

Board of Trustees – Budget

Expense Classification	Account No.	Actual 2015	Actual 2016	Budget 2017	Estimated 2017	Adopted 2018
Board of Trustees						
Commodities & Services						
Publications & Dues	5535	\$0	\$230	\$0	\$300	\$500
Miscellaneous						
Trustee Employer Reimbursement	5580	37,505	28,186	55,000	55,000	55,000
Trustee Reimbursement & Education	5581	94,446	51,421	85,000	85,000	87,700
Trustee Elections	5582	198,123	2,329	106,979	8,968	9,141
		330,074	81,936	122,578	149,268	151,841
Total Expenses		\$ 330,074	\$ 82,166	\$ 246,979	\$ 149,268	\$ 152,341

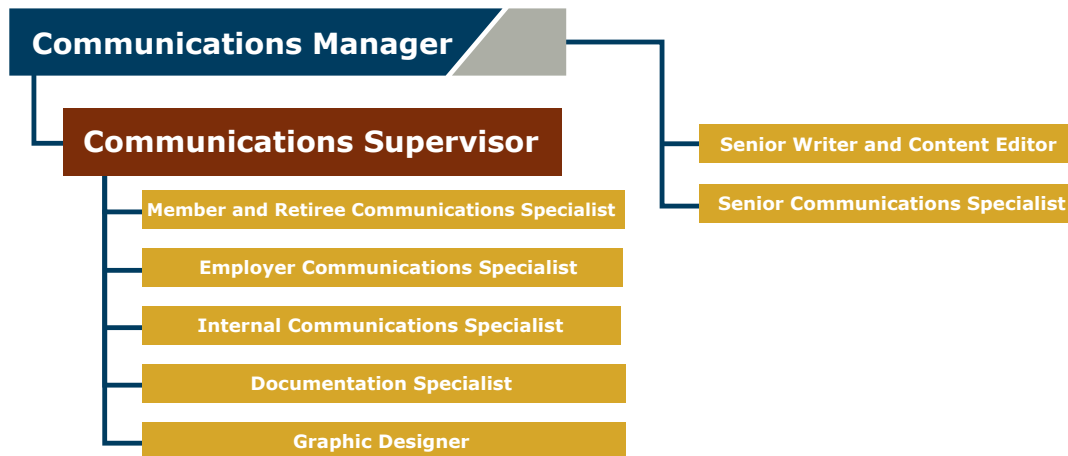
Communications Department

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

Goals and Objectives

- 1) Key Result Area: Financial Health
 - The Communications department educates members, employers, and external stakeholders about IMRF’s 100% funding principle.
- 2) Key Result Area: Customer Engagement
 - The Communications department educates members and employers about IMRF’s benefits program.
- 3) Key Result Area: Workforce Engagement
 - The Communications department manages internal knowledge assets, shares organizational news, and promotes IMRF’s Mission, Vision, and Values with IMRF staff.
- 4) Key Result Area: Operational Excellence
 - The Communications department executes IMRF’s Voice Of the Customer survey program, which supports fact-based decision-making throughout the organization.

Communications Department – Organization Chart



Communications Department – Performance Measures

Key Result Area: Financial Health

Open Rate	2012	2013	2014	2015	2016	2017 YTD
<i>Employer Digest</i> newsletter	34.8%	35%	40.95%	45.65%	43.04%	46.9%
<i>Legislative Update</i> newsletter	48.2%	51.6%	56.9%	57.1%	58.5%	59.2%

Standards based on the Open Rate for e-newsletters.

Benchmark = Industry-standard "Open Rate" for public entities of 23.89%.

Key Result Area: Customer Engagement

Measures	2012	2013	2014	2015	2016	2017 YTD
www.imrf.org Total page views	N/A	N/A	1,409,613	6,916,512	7,557,570	6,086,359
www.imrf.org Average session duration	N/A	N/A	2:38	7:09	7:03	7:01

Key Result Area: Workforce Engagement

Measures	2012	2013	2014	2015	2016	2017 YTD
Staff intranet total page views	N/A	N/A	129,560	113,554	113,633	94,906
Staff intranet average session duration	N/A	N/A	3:07	2:37	2:26	7:36
<i>IMRF Update</i> newsletter	N/A	N/A	41.10%	77.00%	80.08%	80.83%

Communications Department – Budget

Expense Classification	Account No.	Actual 2015	Actual 2016	Budget 2017	Estimated 2017	Adopted 2018
Communications Department						
Personnel Costs - Direct						
Salaries	5501	\$529,315	\$629,390	\$579,577	\$521,114	\$558,169
Professional Services – Temps	5503	34,809	9,241	20,000	0	5,000
		564,124	638,631	599,577	521,114	563,169
Personnel Costs - Indirect						
Travel	5507	1,034	1,673	14,750	9,254	20,320
Conferences & Meetings	5517	2,566	2,226	9,615	6,400	15,000
		3,600	3,899	24,365	15,654	35,320
Public Relations Services						
Public Relations	5519	90,123	90,396	31,500	5,000	31,500
		90,123	90,396	31,500	5,000	31,500
Commodities & Services						
Forms & Informational Materials	5532	251,452	279,714	306,123	216,185	259,800
Publications & Dues	5535	5,995	913	1,950	1,950	3,800
Professional Services – Other	5540	10,921	43,026	0	0	1,500
		268,368	323,653	308,073	218,135	265,100
Equipment						
Expendable Equipment	5575	0	3,194	1,000	1,000	200
		0	3,194	1,000	1,000	200
Total Expenses		\$926,215	\$1,059,773	\$964,515	\$760,903	\$895,289

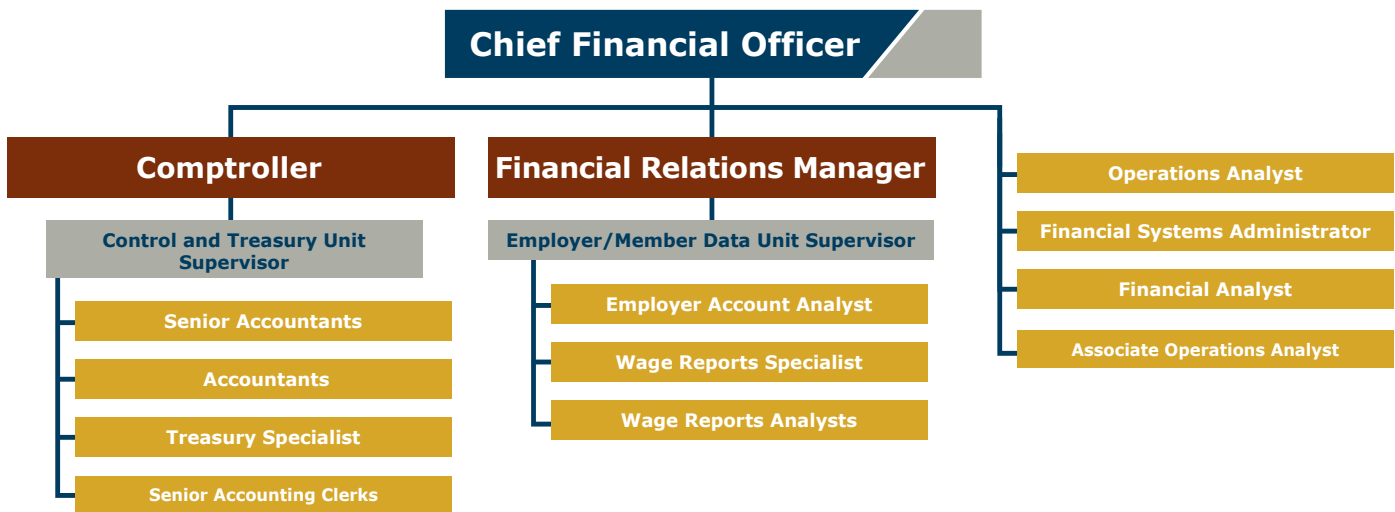
Finance Department

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

Goals and Objectives

- 1) Close each month within 30 business days of month-end.
- 2) Provide monthly financial reports to the Board of Directors.
- 3) Provide preliminary Expense versus Budget reports by the 17th business day of the month to management staff.
- 4) Strive to continue to receive the Government Finance Officers Association Certificate of Achievement for Excellence in Financial Reporting and Distinguished Budget Presentation Award.

Finance Department – Organization Chart



Finance Department – Performance Measures

Standards	2012	2013	2014	2015	2016	2017 YTD
Outstanding wage reports	0	0	0	0	0	57
Benefit checks issued in lieu of EFTs	117,589	110,464	101,626	93,847	48,103	35,981
Benefit payments - EFTs	1,282,865	1,357,660	1,438,124	1,519,414	1,586,270	1,402,896
Treasury transactions	43,273	47,167	44,464	47,912	50,777	33,363

Finance Department – Budget

Expense Classification	Account No.	Actual 2015	Actual 2016	Budget 2017	Estimated 2017	Adopted 2018
Finance Department						
Personnel Costs - Direct						
Salaries	5501	\$1,793,724	\$1,715,210	\$1,682,864	\$1,549,742	\$1,521,160
Professional Services Temps	5503	0	0	0	0	0
Unemployment Costs	5504	8,620	20,758	12,500	10,000	12,500
IMRF/SS ER Contributions	5505	2,389,000	2,661,485	2,626,715	2,551,069	2,440,217
		4,191,344	4,397,453	4,322,079	4,110,811	3,973,877
Personnel Costs - Indirect						
Travel & Training	5507	2,205	453	20,000	20,000	20,000
Other Personnel Costs	5510	0	121	0	0	0
Conferences & Meetings	5517	9,627	10,622	18,000	20,000	20,000
		11,832	11,196	38,000	40,000	40,000
Consulting Services						
Auditing	5511	439,484	226,464	315,900	315,900	345,000
Actuarial	5512	914,103	709,964	677,257	606,000	685,000
		1,353,587	936,428	993,157	921,900	1,030,000
Commodities & Services						
Publications & Dues	5535	4,612	4,231	5,500	4,500	5,500
Professional Services - Other	5540	180,191	167,402	190,680	208,400	238,600
		184,803	171,633	196,180	212,900	244,100
Equipment						
Depreciation - Capital Assets	5571	1,576,511	2,817,420	1,463,987	2,068,228	2,361,124
Software Maintenance PC	5574	17,502	15,973	10,000	10,000	35,000
		1,594,013	2,833,393	1,473,987	2,078,228	2,396,124
Miscellaneous Expenses						
Filing Fees	5586	10,295	10,094	10,500	11,500	12,500
Total Expenses		\$7,345,874	\$8,360,197	\$7,033,903	\$7,375,339	\$7,696,601

Human Resources Department

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

Goals and Objectives

The Human Resources Team partners with our colleagues across the Fund, and we leverage HR best practices to support IMRF’s Journey of Excellence and our Mission. We do this in many ways, such as enhancing staff engagement, developing and implementing sound employment practices, developing and administering a competitive compensation and benefits package, recruiting and retaining engaged team members, developing an effective workforce planning process, leading change management practices, training and developing our leaders and staff members, implementing performance management standards, processing payroll, and supporting a safe and healthy work environment.

1) Maintain Top Decile Employee Engagement Survey Results

- Implement tactics outlined in Strategic Action Plan WE-01 Workforce Engagement
- Implement tactics outlined in Strategic Action Plan WE-02 Staff Communication and Inclusion

2) Maintain Overall Turnover Below CompData Midwest Benchmark

- Implement tactics outlined in Strategic Action Plan WE-01 Workforce Engagement
- Maintain Absenteeism Percent below Bureau of Labor Statistics
- Implement tactics outlined in Strategic Action Plan WE-01 Workforce Engagement

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

- Implement tactics outlined in Strategic Action Plan OE-07 Workforce Capability

4) Wellness Scorecard (new for 2018)

- Implement tactics outlined in the 2017-2018 Strategic Wellness Plan

Human Resources Department – Organization Chart



Human Resources – Performance Measures

Year	2013	2014	2015	2016	2017
Workforce Engagement Survey (Percentile Rank)	95 th	97 th	96 th	94 th	95 th
Year	2013	2014	2015	2016	2017
Turnover Rate - IMRF	13.45	11.35	7.94	6.32%	4.06%*
Turnover Rate - CompData average	13.80	15.40	16.80	18.20%	N/A

*Through September 2017

Human Resources Department – Budget

Expense Classification	Account No.	Actual 2015	Actual 2016	Budget 2017	Estimated 2017	Adopted 2018
Human Resources Department						
Personnel Costs - Direct						
Salaries	5501	\$347,221	\$365,672	\$317,825	\$333,701	\$312,373
Fringe Benefits	5504	2,148,052	2,406,735	2,221,114	2,236,585	2,149,347
		2,495,273	2,772,407	2,538,939	2,570,286	2,461,720
Personnel Costs - Indirect						
Travel & Training	5507	203,130	281,906	393,148	287,378	438,282
Recruitment & Testing	5509	55,184	58,282	70,550	61,195	51,650
Other Personnel Costs	5510	55,955	40,416	70,530	60,357	75,325
Conferences & Meetings	5517	2,687	2,491	3,700	2,000	7,500
		316,956	383,095	537,928	410,930	572,757
Consulting Services						
Compensation & Benefit Surveys	5514	92,745	38,887	69,470	67,920	131,920
Commodities & Services						
Publications & Dues	5535	1,669	2,871	2,000	1,996	2,375
Equipment						
Maintenance & Rentals	5572	169	1,240	1,600	1,200	1,200
Software Maintenance PC	5574	6,399	6,905	12,200	12,200	30,000
Expendable Equipment	5575	0	0	1,875	1,000	1,875
		6,568	8,145	15,675	14,400	33,075
Total Expenses		\$2,913,211	\$3,205,405	\$3,164,012	\$3,065,532	\$3,201,847

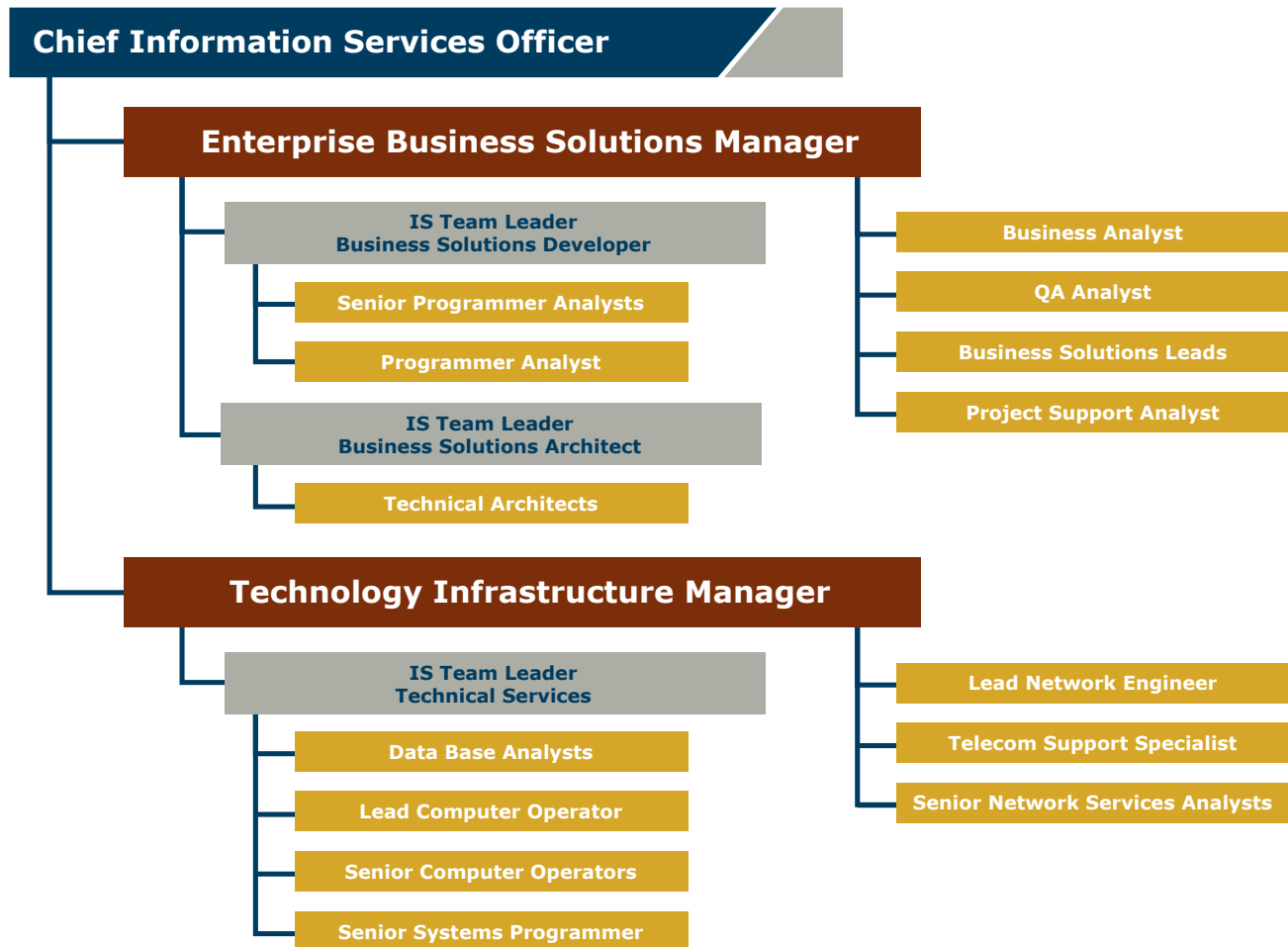
Information Services

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

Goals and Objectives

- 1) Develop and maintain a technology strategy for IMRF that supports the strategic plans and business requirements of the organization, including but not limited to the Modernization program.
- 2) Ensure that adequate computing resources provide for the efficient operation of the Fund including system response times that meet the performance needs of IMRF’s staff, employers, and members including peak period demand.
- 3) Ensure that systems are developed/configured in accordance with the Illinois Statute (Pension Code), IMRF Policies, and IS standards.
- 4) Implement appropriate controls and safeguards to manage electronic and other data/information to ensure their accuracy and validity, integrity and reliability, currency, and availability.
- 5) Ensure that appropriate procedures are used for the evaluation and selection of purchased software, and for the contractual arrangements with vendors for the implementation and support of critical software and hardware systems.
- 6) Develop staff’s skills and depth to both meet project requirements and ensure depth of support knowledge (cross-training).

Information Services Department – Organization Chart



Information Services Department – Performance Measures

Standards	2012	2013	2014	2015	2016	2017 YTD
Outage minutes	744	583	520	810	N/A	N/A
Percent uptime	99.9%	99.9%	99.9%	99.8	N/A	N/A
Transactions < 1 sec.	89.0%	95.2%	94.2%	94.0	93.8%	93.2%
Technology audit: High-risk findings	5	2	3	3	1	1
Moderate & low-risk findings	27	23	11	22	26	26

Business Continuity and Disaster Recovery Drills	2012	2013	2014	2015	2016	2017 YTD
Desktop drills	0	1	0	0	1	1
Live drills at warm site	4	4	4	2	2	1
Restore toll-free number	Yes	Yes	Yes	No	No	Yes
Restore benefits system	Partial	Partial	Partial	Yes	Yes	Yes
Print benefits checks	No	Yes	No	Yes	No	No
Critical systems capability	40%	40%	0%	85%	85%	100%

Information Services Department – Budget

Expense Classification	Account No.	Actual 2015	Actual 2016	Budget 2017	Estimated 2017	Adopted 2018
Information Services Department						
Personnel Costs - Direct						
Salaries	5501	\$3,203,781	\$4,022,003	\$3,720,757	\$3,827,894	\$2,788,558
Personnel Costs - Indirect						
Travel & Training	5507	2,394	8,072	91,600	35,000	83,400
Conferences & Meetings	5517	5,051	8,623	7,550	3,000	32,250
		7,445	16,695	99,150	38,000	115,650
Consulting Services						
Implementation Phase Consulting	5514	153,400	790,881	705,000	680,000	1,186,560
Systems Design - Modernization	5515	344,142	65,438	129,000	199,645	255,325
		497,542	856,319	834,000	879,645	1,441,885
Facility Expenses						
Telephone	5523	132,227	141,732	186,400	184,430	245,500
Other Facility Expense	5525	180,968	220,400	204,595	218,800	247,000
		313,195	362,132	390,995	403,230	492,500
Commodities & Services						
Office Supplies	5531	74,813	105,198	88,580	75,500	171,500
Publications & Dues	5535	4,528	1,135	3,000	4,000	5,000
		79,341	106,333	91,580	79,500	176,500
Equipment						
Maintenance & Rentals	5572	164,222	221,289	285,550	257,500	367,335
Software Maintenance	5573-5574	610,218	634,445	521,000	496,000	668,000
Expendable Equipment	5575	92,002	78,525	232,000	128,000	676,500
		866,442	934,259	1,038,550	881,500	1,711,835
Miscellaneous Expenses						
Filing fees	5586	1,155	4,685	2,200	2,200	2,300
Total Expenses		\$4,968,901	\$6,302,426	\$6,177,232	\$6,111,969	\$6,729,228

Internal Audit Department

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

Goals and Objectives

- 1) Audit IMRF employers through on-site visits to their respective payroll offices, ensuring compliance with the Illinois Pension Code.
- 2) Audit IMRF’s internal operations, ensuring compliance with policies, plans, and regulations, including the Illinois Pension Code.
- 3) Provide assistance to External Auditors.
- 4) Train staff on audit-related issues and processes specific to IMRF’s benefits.
- 5) Review and/or update testing policies and procedures annually to ensure effectiveness and efficiency of the audit process.
- 6) Strive for 90% employer engagement in post-audit surveys.

Internal Audit Department – Organization Chart



Internal Audit - Employer Audits and Percent of Active Membership Audited

	2012	2013	2014	2015	2016	2017 YTD
Employer audits	105	118	172	179	174	151
Percent of active membership audited	11%	15%	20%	20%	20%	15%

Internal Audit Department – Budget

Expense Classification	Account No.	Actual 2015	Actual 2016	Budget 2017	Estimated 2017	Adopted 2018
Internal Audit Department						
Personnel Costs - Direct						
Salaries	5501	\$456,644	\$482,126	\$547,039	\$527,462	\$572,142
Personnel Costs - Indirect						
Travel & Training	5507	12,663	11,267	13,500	11,500	12,500
Conferences & Meetings	5517	2,460	11,977	5,000	5,000	6,000
		15,123	23,244	18,500	16,500	18,500
Consulting Services						
Auditing	5511	87,357	101,484	276,000	96,000	115,000
Commodities & Services						
Publications & Dues	5535	2,668	1,885	3,000	3,000	3,000
Equipment						
Software Maintenance PC	5574	2,631	2,643	4,000	5,200	5,200
Expendable Equipment	5575	0	0	0	0	2,500
Auto Maintenance & Expense	5576	1,309	3,049	2,000	2,000	2,000
		3,940	5,692	6,000	7,200	9,700
Total Expenses		\$565,732	\$614,431	\$850,539	\$650,162	\$718,342

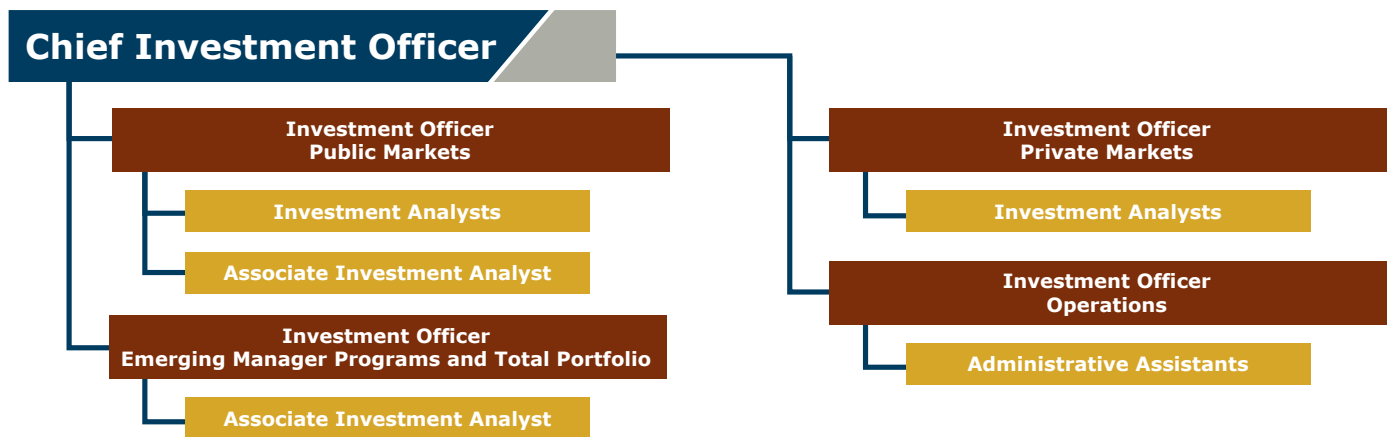
Investment Department

IMRF’s Investment department works to optimize the total return of the IMRF investment portfolio through a policy of long-term diversified investment, using parameters of prudent risk management. The Investment department’s strategic objective is to meet or exceed IMRF’s actuarial assumed rate of return and outperform the total portfolio benchmark. The Chief Investment Officer heads the Investment department and leads a team of 13 (based on approved positions). The Investment department is organized by key function areas including: Public Markets, Private Markets, Emerging Manager Program and Total Portfolio, and Operations. Key highlights of the Investment department’s activity in 2017 include: working with the General Investment Consultant; an Annual Strategic Asset Allocation Review; evaluation and analysis of current and prospective investments for the total portfolio; monitoring portfolio performance; and presenting investment recommendations to the Investment Committee of the IMRF Board of Trustees.

Goals and Objectives

- 1) Achieve and maintain a funding level that sustains the Plan.
- 2) Utilize portfolio construction tools and principles, including asset liability models, portfolio optimization, cost control, evaluation of various investment program structures, and relevant performance measurements, to increase net returns.
- 3) Achieve or exceed a 7.5% annual return over the long term (over 5-, 10-, and 15-year basis).
- 4) Outperform the total portfolio benchmark (over 3-, 5-, and 10-year basis).

Investment Department – Organization Chart



Investment Department – Performance Measures Gross Annual Investment Returns for 1-, 3-, 5-, and 10-years.

Total Fund Performance	2017 YTD	Last year 2016	Last 3 yrs 2013-16	Last 5 yrs 2011-16	Last 10 yrs 2006-16
IMRF Total Fund	9.85%	8.00%	4.84%	7.78%	6.14%
Total Fund Benchmark	9.70%	7.89%	5.53%	7.50%	5.99%
Difference	0.15%	0.11%	(0.69)%	0.71%	0.15%
Rank: IMRF Total Fund	N/A	41	47	19	12

Goal is for IMRF returns greater than portfolio benchmarks over 3-, 5-, and 10-year periods.
Percentile rank = 41st in Callan Universe of 125 pension funds for the year ending 12/31/16.

Investment Department – Budget

Expense Classification	Account No.	Actual 2015	Actual 2016	Budget 2017	Estimated 2017	Adopted 2018
Investment Department						
Personnel Costs - Direct						
Salaries	5501	\$1,406,633	\$1,686,771	\$1,699,202	\$1,707,664	\$1,798,427
Professional Services Temps	5503	12,312	0	0	0	0
		1,418,945	1,686,771	1,699,202	1,707,664	1,798,427
Personnel Costs - Indirect						
Travel and Training	5507	0	0	8,300	8,300	8,370
Conferences & Meetings	5517	0	0	0	0	0
		0	0	8,300	8,300	8,370
Sub-total Administrative Expenses		\$1,418,945	\$1,686,771	\$1,707,502	\$1,715,964	\$1,806,797
Investment Expenses						
Investment Managers Fees	5788	116,375,118	110,822,480	114,291,300	118,531,800	127,977,300
Master Trust Services	5789	280,000	280,000	280,000	280,000	280,000
Investment Travel	5790	53,366	83,173	95,000	95,000	95,000
Investment Legal Fees	5791	171,992	271,604	350,000	350,000	325,000
Security Litigation Monitoring	5792	25,028	25,033	25,055	25,055	55
Investment Consultants	5793	910,060	928,455	1,404,418	1,404,418	1,305,550
Securities Lending Fees	5794	1,180,550	764,062	781,000	781,000	735,000
Tax Preparation & Custodial Expense	5795	0	89,844	65,000	89,020	90,000
Investment Publications & Dues	5796	19,926	20,784	16,177	16,177	15,966
Investment Licenses	5797	2	0	212	212	212
		119,016,042	113,285,435	117,308,162	121,572,682	130,824,083
Total Expenses		\$120,434,987	\$114,972,206	\$119,015,664	\$123,288,646	\$132,630,880

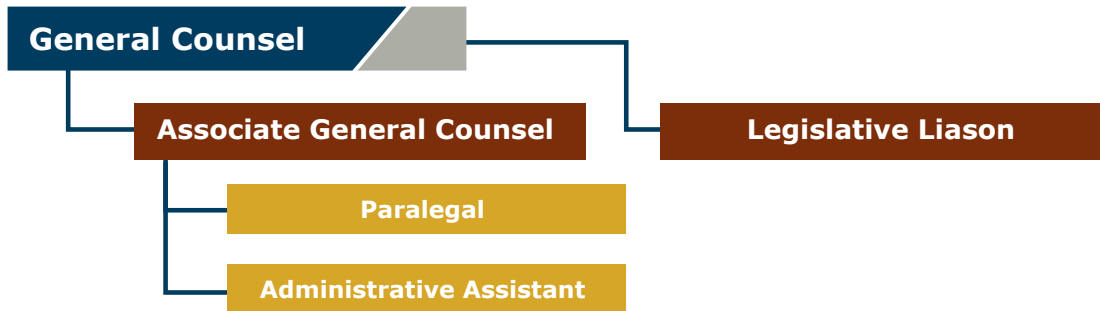
Legal Department

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

Goals and Objectives

- 1) Vigorously defend the IMRF Board’s administrative decisions in state court.
- 2) Serve as counsel to the IMRF Board of Trustees Benefit Review Committee and as staff counsel in administrative hearings before the IMRF hearing officer.
- 3) Provide legal advice to the IMRF Executive Director, Board of Trustees and IMRF staff.
- 4) Review, interpret, and opine on various state and federal statutes.
- 5) Provide a timely response to inquiries from employers, members, and other individuals regarding the Illinois Pension Code.
- 6) Review and approve Request For Proposals and contracts, and assure compliance with purchasing rules.
- 7) Effectively represent IMRF’s position before the Illinois General Assembly, including drafting and interpreting legislative proposals.
- 8) Assure that IMRF is adequately protected through the purchase of insurance coverage.

Legal Department – Organization Chart



Legal Department – Performance Measures

Open Rate	2012	2013	2014	2015	2016	2017 YTD
FOIA requests	237	204	127	179	199	128
FOIA request turnaround time (standard = 5 days)	100%	100%	100%	100%	100%	100%
QILDROs	180	159	207	210	198	153
QILDRO turnaround time (standard = 45 days)	100%	100%	100%	100%	100%	100%
Contract review	39	20	24	37	80	39
Contract review turnaround time (standard = 3 days)	100%	100%	96%	100%	100%	100%

Legal Department – Budget

Expense Classification	Account No.	Actual 2015	Actual 2016	Budget 2017	Estimated 2017	Adopted 2018
Legal Department						
Personnel Costs - Direct						
Salaries	5501	\$497,695	\$544,250	\$533,410	\$537,155	\$570,095
Personnel Costs - Indirect						
Travel & Training	5507	12,663	12,227	18,900	12,700	11,000
Conferences & Meetings	5517	6,953	7,768	11,000	8,650	11,000
		19,616	19,995	29,900	21,350	22,000
Consulting Services						
Legal Counsel	5513	75,134	121,675	330,500	78,650	56,000
Legislative Lobbying Services	5518	69,492	70,800	72,000	72,000	73,200
		144,626	192,475	402,500	150,650	129,200
Commodities & Services						
Publications & Dues	5535	30,599	19,874	26,000	10,773	27,000
Professional Services - Other	5540	0	0	0	0	0
		30,599	19,874	26,000	10,773	27,000
Equipment						
Software Maintenance PC	5574	5,400	5,580	5,820	5,820	18,120
Expendable Equipment	5575	0	0	0	0	0
Auto Maintenance & Expense	5576	1,081	167	400	150	250
		6,481	5,747	6,220	5,970	18,370
Miscellaneous Expenses						
Insurance	5583	148,977	253,502	262,708	249,408	259,473
Total Expenses		\$847,994	\$1,035,843	\$1,260,738	\$975,306	\$1,026,138

Member & Field Services Department

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

Goals and Objectives

- 1) Research call center best practices and implement an approach to improve operations and metrics to reach top decile performance goal.
 - Reassessing and revising graduated scale to be more in line with capabilities.
 - Analyze quarterly graduated scale call standards following industry best practices.
 - TSF (Telephone Service Factor) - A threshold value measured in seconds, the wait time to reach a representative.
 - ASF (Answer Service Factor) - the percentage of the total calls offered to the queue that are answered. Calculate the ASF for a queue by dividing the number of calls answered for the queue by the total number of calls offered to the queue.
- 2) Review/develop/innovate appropriate measures for member and employer engagement and improve engagement levels through education, communication strategy, and excellent customer service.
 - Monthly Voice Of the Customer meetings; identify best practices and Opportunities for Improvement (OFI).
 - Communicate survey results with our customers; implement improvements.
- 3) Build stronger relationships with other IMRF departments.
 - Designing "new employee training" for new Benefit hires that will begin in Member Services for the first four weeks of employment. This will provide a stronger foundation and overview of IMRF as well as consistency in training between groups and building relationships with others.
 - Monthly meeting with a department to share common issues from members and employers; learn about each other's workflow – needing more in-depth understanding about a topic; social interaction to build relationships.
- 4) Providing consistent information to our customers through Quality Assurance measurements.
 - Telephone
 - Written correspondence
 - Email responses
 - Counseling sessions

Member & Field Services Department – Organization Chart



Member & Field Services – Performance Measures

Standards	2012	2013	2014	2015	2016	2017 YTD
All Call Distribution (ACD) Log-on adherence	95.9%	98.0%	97.8%	99.4%	98.0%	97.2%
Call documentation	92.1%	95.5%	93.4%	94.8%	97.1%	92.87%
Call transfer rate	3.48%	3.26%	3.56%	4.78%	5.82%	3.84%*

*Change in process for call transfers – Active disability claim calls as of 2/15/2017 are now transferred to the Disability call group.

Results	2012	2013	2014	2015	2016	2017 YTD
Call hold time (in seconds)	N/A	N/A	139	154	112	91
Target (seconds)	N/A	N/A	< 120	< 120	< 120	< 120

Results	2012	2013	2014	2015	2016	2017 YTD
Undesired calls	N/A	N/A	55,973	77,491	58,972	36,704
Percent undesired calls	N/A	N/A	28.59%	35.08%	29.15%	25.27%
Target	N/A	N/A	< 20%	< 70%	< 20%	< 20%

Member & Field Services Department – Budget

Expense Classification	Account No.	Actual 2015	Actual 2016	Budget 2017	Estimated 2017	Adopted 2018
Member & Field Services Department						
Personnel Costs - Direct						
Salaries	5501	\$1,986,360	\$2,151,650	\$2,107,578	\$2,281,524	\$2,267,304
Professional Services Temps	5503	8,847	7,330	31,500	10,500	8,400
		1,995,207	2,158,980	2,139,078	2,292,024	2,275,704
Personnel Costs - Indirect						
Travel & Training	5507	9,656	8,408	25,000	13,700	27,248
Field Staff	5508	188,115	187,122	200,000	192,500	201,558
Conferences & Meetings	5517	2,615	2,309	7,050	5,900	5,950
		200,386	197,839	232,050	212,100	234,756
Facility Expenses						
Telephone	5523	6,151	6,491	7,200	6,982	7,200
Commodities & Services						
Office Supplies	5531	971	284	600	400	400
Postage & Delivery	5533	961	930	1,000	1,000	1,300
Publications & Dues	5535	924	500	935	935	1,450
Professional Services - Other	5540	0	0	800	800	800
		2,856	1,714	3,335	3,135	3,950
Equipment						
Maintenance & Rentals	5572	0	0	0	0	0
Auto Maintenance & Expense	5576	19,109	10,889	6,800	5,000	7,600
		19,109	10,889	6,800	5,000	7,600
Total Expenses		\$2,223,709	\$2,375,913	\$2,388,463	\$2,519,241	\$2,529,210

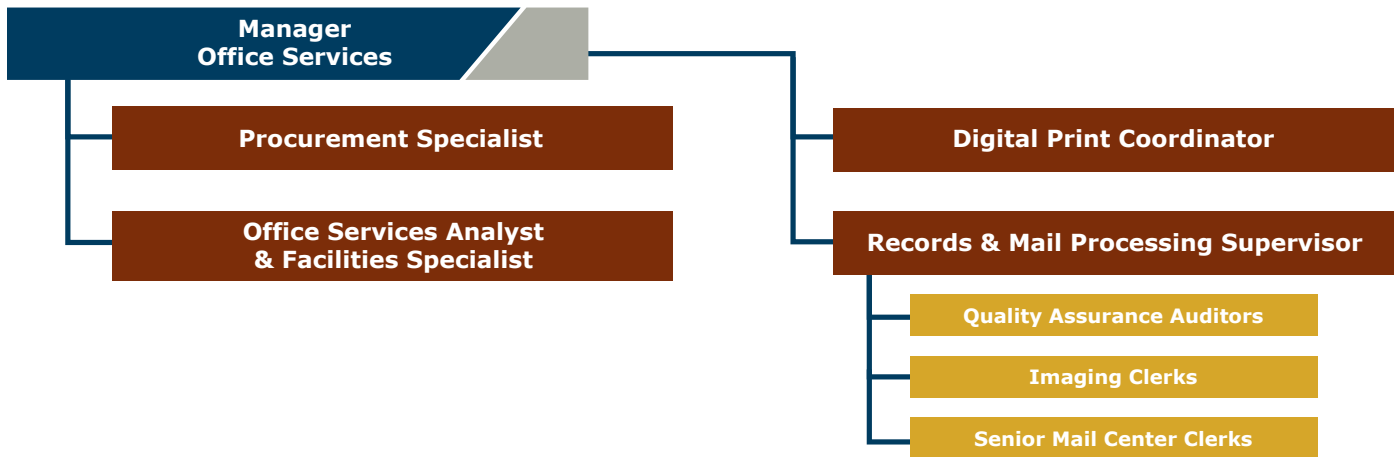
Office Services Department

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

Goals and Objectives

Office Services supports the Modernization strategic objective by participating in meetings identified for the department and contributing to the discussions. Procurement will work towards expanding the Vendor Management program.

Office Services Department – Organization Chart



Office Services - Performance Measures

Standards	2012	2013	2014	2015	2016	2017 YTD
Indexing accuracy: Error rate	0.03%	0.15%	0.08%	0.07%	0.38%	0.22%
Mail timeliness: Percent same day	100%	100%	100%	100%	100%	100%

Year	2012	2013	2014	2015	2016	2017 YTD
Volume	269,351	241,395	359,746	338,848	217,566	277,619
Errors	72	367	288	214	825	543%
Error rate	0.03%	0.15%	0.08%	0.06	.38%	0.20%
Accuracy rate	100%	100%	100%	100%	100%	100%

Office Services Department - Budget

Expense Classification	Account No.	Actual 2015	Actual 2016	Budget 2017	Estimated 2017	Adopted 2018
Member & Field Services Department						
Personnel Costs - Direct						
Salaries	5501	\$917,566	\$980,233	\$1,057,864	\$976,492	\$981,233
Professional Services Temps	5503	5,014	2,882	1,800	0	0
		922,580	983,115	1,059,664	976,492	981,233
Personnel Costs - Indirect						
Travel & Training	5507	1,362	1,146	4,250	3,458	5,307
Conferences & Meetings	5517	2,418	5,068	4,600	4,000	5,345
		3,780	6,214	8,850	7,458	10,652
Facility Expenses						
Building Rent	5521	968,773	946,625	1,007,848	1,001,447	1,044,112
Electricity	5522	67,820	63,177	62,562	63,379	65,280
Building Operating Expense	5524	565,981	608,194	595,452	603,459	620,572
Other Facility Expense	5525	40,921	25,318	25,200	25,598	25,200
		1,643,495	1,643,314	1,691,062	1,693,883	1,755,164
Commodities & Services						
Office Supplies	5531	183,138	162,041	154,328	147,630	150,082
Forms & Informational Materials	5532	61,155	38,101	43,590	39,545	43,824
Postage & Delivery	5533	1,159,452	1,012,437	1,084,200	1,109,597	1,172,461
Publications & Dues	5535	1,165	1,385	735	834	3,640
Professional Services - Other	5540	305,554	218,599	165,110	152,249	158,899
		1,710,464	1,432,563	1,447,963	1,449,855	1,528,906
Equipment						
Maintenance & Rentals	5572	98,163	126,882	111,197	119,827	125,562
Expendable Equipment	5575	46,990	136,552	93,075	94,863	101,439
		145,153	263,434	204,272	214,690	227,001
Miscellaneous Expenses						
Building Renovation/ Relocation Exp.	5585	64,034	40,987	12,085	30,978	36,000
Total Expenses		\$4,489,506	\$4,369,627	\$4,423,896	\$4,373,356	\$4,538,956

Operations/Performance Excellence Department

The Performance Excellence department provides organizational support across a broad range of key strategies. “Performance Excellence” refers to an integrated approach to organizational performance management that results in:

- Delivery of ever-improving value to customers and stakeholders, contributing to organizational sustainability;
- Improvement of overall organizational effectiveness and capabilities; and
- Organizational and personal learning.

Goals and Objectives

- 1) Support the strategic plan by monitoring objectives and metrics via the Leadership Scorecard process.
- 2) Oversee the Journey of Excellence and the application of the Baldrige Criteria for Performance Excellence at IMRF.
- 3) Administer the CEM and COBALT benchmarking studies.
- 4) Support the Deputy Executive Director with the Triennial Strategic Planning Process.
- 5) Manage the Continuous Process Improvement initiatives.

Operations/Performance Excellence – Organization Chart



Operations - Performance Measures

Standards	2012	2013	2014	2015	2016	2017 YTD
Key approach update on-time compliance	100%	100%	100%	100%	100%	100%
Annual CEM benchmarking study completion	100%	100%	100%	100%	100%	100%
Triennial Strategic Plan milestones	100%	N/A	N/A	N/A	100%	N/A

Operations – Budget

Expense Classification	Account No.	Actual 2015	Actual 2016	Budget 2017	Estimated 2017	Adopted 2018
Operations						
Personnel Costs - Direct						
Salaries	5501	\$306,004	\$380,403	\$400,850	\$406,739	\$373,118
Personnel Costs - Indirect						
Travel & Training	5507	376	197	11,320	1,080	825
Conferences & Meetings	5517	5,258	4,235	10,000	5,360	13,100
		5,634	4,432	21,320	6,440	13,925
Consulting Services						
Process Improvement/ Scorecarding	5514	9,750	11,640	14,600	16,506	45,200
Commodities & Services						
Publications & Dues	5535	379	632	850	974	730
Professional Services - Other	5540	58,246	58,331	102,690	104,120	138,390
		58,625	58,963	103,540	105,094	139,120
Total Expenses		\$380,013	\$455,438	\$540,310	\$534,779	\$571,363

2018 IMRF Budget – Summary by Account

Expense Classification	Account No.	Actual 2015	Actual 2016	Budget 2017	Estimated 2017	Adopted 2018
IMRF Summary						
Personnel Costs - Direct						
Office Salaries - Regular	5501	\$13,534,564	\$15,121,194	\$14,928,220	\$14,816,635	\$14,008,024
Office Salaries - Temps & Interns	5503	60,983	19,452	53,300	10,500	13,400
Fringe Benefits	5504	2,156,672	2,427,493	2,233,614	2,246,585	2,161,847
IMRF & Payroll Employer Contributions	5505	2,389,000	2,661,485	2,626,715	2,551,069	2,440,217
		18,141,219	20,229,624	19,841,849	19,624,789	18,623,488
Personnel Costs - Indirect						
Training & Travel	5507	255,854	331,789	623,768	412,170	647,552
Field Staff	5508	188,115	187,122	200,000	192,500	201,558
Recruitment & Testing	5509	55,184	58,281	70,550	61,195	51,650
Other Personnel Costs	5510	55,955	40,538	70,530	60,357	100,325
Conferences & Meetings	5517	45,833	58,166	82,515	64,460	122,145
		600,941	675,896	1,047,363	790,682	1,123,230
Consulting Services						
Auditing	5511	526,841	327,948	591,900	411,900	460,000
Actuarial	5512	914,103	709,964	677,257	606,000	685,000
Legal Counsel	5513	75,134	121,675	330,500	78,650	56,000
Compensation & Benefits	5514	255,896	841,408	789,070	764,426	1,363,680
Systems Design	5515	344,142	65,438	129,000	199,645	255,325
Medical & Field Investigations	5516	156,340	131,407	144,000	129,500	145,000
		2,272,456	2,197,840	2,661,727	2,190,121	2,965,005
Legislative and Lobbying Services						
Legislative Lobbying/Public Relations	5518	69,492	70,800	72,000	72,000	73,200
Public Relations Services						
Public Relations	5519	90,123	90,395	31,500	5,000	31,500
Facility Expenses						
Building Rent	5521	968,773	946,625	1,007,848	1,001,447	1,044,112
Electricity	5522	67,820	63,177	62,562	63,379	65,280
Telephone	5523	138,378	148,222	193,600	191,412	252,700
Building Operating Expenses	5524	565,981	608,194	595,452	603,459	620,572
Other Facility Expenses	5525	221,889	245,718	229,795	244,398	272,200
		1,962,841	2,011,936	2,089,257	2,104,095	2,254,864

2018 IMRF Budget – Summary by Account (cont.)

Expense Classification	Account No.	Actual 2015	Actual 2016	Budget 2017	Estimated 2017	Adopted 2018
IMRF Summary						
Commodities and Services						
Office Supplies	5531	258,922	267,523	243,508	223,530	321,982
Forms & Informational Materials	5532	312,607	317,816	349,713	255,730	303,624
Postage & Delivery	5533	1,160,413	1,013,368	1,085,200	1,110,597	1,173,761
Publications & Dues	5535	77,348	58,577	69,170	52,362	81,095
Professional Services - Other	5540	555,911	488,357	560,680	565,569	638,189
		2,365,201	2,145,641	2,308,271	2,207,788	2,518,651
Equipment						
Depreciation - Fixed Assets	5571	1,576,511	2,817,420	1,463,987	2,068,228	2,361,124
Equipment Maintenance & Rentals	5572	262,554	349,411	398,347	378,527	494,097
Software Maintenance	5573/5574	642,149	665,546	553,020	529,220	756,320
Expendable Equipment	5575	138,992	218,272	327,950	224,863	782,514
Auto Maintenance & Expense	5576	23,002	16,965	16,200	9,250	14,850
		2,643,208	4,067,614	2,759,504	3,210,088	4,408,905
Miscellaneous						
Trustee Employer Reimbursement	5580	37,505	28,186	55,000	55,000	55,000
Trustee Travel & Education	5581	94,446	51,420	65,000	85,000	87,700
Trustee Elections	5582	198,123	2,329	7,578	8,968	9,141
Insurance	5583	148,977	253,502	262,708	249,408	259,473
Building Renovation/Relocation Expense	5585	64,034	40,987	12,085	30,978	36,000
Other Items	5586	11,449	14,778	12,700	13,700	14,800
		554,534	391,202	415,071	443,054	462,114
Sub-total Administrative Expenses		28,700,015	31,880,948	31,226,542	30,647,617	32,460,957
Investment Expenses						
Investment Managers Fees	5788	116,375,118	110,822,480	114,291,300	\$118,531,800	\$127,977,300
Master Trust Services	5789	280,000	280,000	280,000	280,000	280,000
Travel	5790	53,366	83,173	95,000	95,000	95,000
Legal Fees	5791	171,992	271,604	350,000	350,000	325,000
Securities Litigation Monitoring/ RFP Support	5792	25,028	25,033	25,055	25,055	55
Investment Consultants	5793	910,060	928,455	1,404,418	1,404,418	1,305,550
Securities Lending Fees	5794	1,180,550	764,062	781,000	781,000	735,000
Tax Preparation & Custodial Expense	5795	0	89,844	65,000	89,020	90,000
Publications & Dues	5796	19,926	20,784	16,177	16,177	15,966
Investment Licenses	5797	2	0	212	212	212
Sub-total Investment Expenses		119,016,042	113,285,435	117,308,162	121,572,682	130,824,083
Total Expenses		\$147,716,057	\$145,166,383	\$148,534,704	\$152,220,299	\$163,285,040

2018



SUPPLEMENTARY INFORMATION

IMRF adheres to Governmental Accounting Standards Board (GASB) accounting principles and a defined Strategic Plan, offering a road map to continuously provide the highest quality retirement services. A compilation of commonly used terms completes this document to best translate IMRF's operations and procedures.

- 85** Appendix A: New Accounting Pronouncements
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Appendix A

New Accounting Pronouncements

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

In June 2015, GASB issued Statement No. 75, “Accounting and Financial Reporting for Post-employment Benefit Other Than Pension Plans.” The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for post-employment benefits other than pensions (other post-employment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. IMRF will adopt GASB Statement No. 75 for its December 31, 2018, financial statements.

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

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

In November 2016, GASB issued Statement No. 83, “Certain Asset Retirement Obligations.” The objective of this Statement is to address accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. IMRF does not fall within the scope of Statement No. 83; therefore there is no impact on its financial statements.

In January 2017, GASB issued Statement No. 84, “Fiduciary Activities.” The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. IMRF does not fall within the scope of Statement No. 84; therefore there is no impact on its financial statements.

In March 2017, GASB issued Statement No. 85, “Omnibus 2017.” The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and post-employment benefits (pensions and other post-employment benefits [OPEB]). Where applicable, IMRF will adopt GASB Statement No. 85 for its December 31, 2018, financial statements.

In May 2017, GASB issued Statement No. 86, “Certain Debt Extinguishment Issues.” The objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources (resources other than the proceeds of refunding debt) are placed in an irrevocable trust for the sole purpose of extinguishing debt. IMRF does not fall within the scope of Statement No. 86; therefore there is no impact on its financial statements.

In June 2017, GASB issued Statement No. 87, “Leases.” The objective of this Statement is to improve accounting and financial reporting for leases by governments. This Statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. IMRF will adopt Statement No. 87 for its December 31, 2019, financial statements.

Appendix B

Strategic Planning Methodology

Assess and Develop Phase

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

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

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

2. Conduct an Environmental Scan:

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

3. Conduct a SWOT Analysis:

Meetings are held to identify our major Strengths, Weaknesses, Opportunities, and Threats utilizing a SWOT Analysis. A SWOT analysis of each Key Result Area (KRA) is facilitated by the Deputy Executive Director and/or the Performance Excellence Manager. Fact sheets using input from CEM, Cobalt, Leadership IQ, and Leadership Scorecards are used to frame these brainstorming sessions. The following SWOT Analyses are performed:

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

These SWOT Analyses consider how our reputation, funding, finances, operational efficiencies, monopolistic position, staff issues, employee expertise, depth of knowledge, staff development, succession planning, expectations, and possible threats

affect the Fund. The output of the SWOT analyses is a list of Fund Strengths, Weaknesses, Opportunities, and Threats that must be considered during Strategic Planning.

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

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

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

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

5. Establish Strategic Objectives:

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

Implementation Phase

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

6. Develop Key Strategies for each Strategic Objective:

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

7. Develop or Update Action Plans:

Assign individuals as Single Point Accountable (SPA) to take the lead role in planning and executing each key strategy. Each SPA documents the actions required to implement the strategy and reviews plans with the sponsor for their Strategic Objective. There will usually be one action plan for each strategy. Action plans identify needed actions, resources, time lines and the staff responsible to ensure completion of the action. Action plan details will be used to determine staffing plans and

the annual operating budget in Step 9. SPAs also determine the Key Performance Measures (KPMs) that will be used to track the effectiveness of action plans in achieving Strategic Objectives.

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

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

9. Develop an Annual Operating Budget:

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

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

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

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

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

11. Communicate and Deploy the Strategic Plan:

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

12. Implement, Monitor, and Adjust:

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

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

Appendix C

Statistical Data

Created in 1939 by Illinois General Assembly in response to economic conditions (Great Depression); Social Security was not available to public employees

- Began operations in 1941
- Governed by Articles 1, 7, and 20 of the Illinois Pension Code
- Neither funded nor managed by the state
- Independently managed by autonomous Board of Trustees that represents municipal employers, employees, and retirees:
 - 4 elected by employers
 - 3 elected by active members
 - 1 elected by retired members
 - No appointed or *ex-officio* trustees
- Serves 2,987 units of local government (employers) that include 43 types of government such as cities, counties, park districts, and school districts (non-teaching personnel)
- Second largest public pension system in Illinois
- \$36.5 billion in assets as of December 31, 2016
- Best funded statewide system
- 88.3 percent funded on a market basis
- 88.9 percent funded on an actuarial basis
- 175,019 actively participating members
- 123,206 benefit recipients
- 112,604 inactive members
- Profile of average active member in 2016
 - Age: 47.8
 - Service: 10.5 years
 - Annual salary: \$40,076
- Profile of average member who retired in 2016
 - Age at retirement: 63.1
 - Service at retirement 20.1 years
 - Average monthly pension: \$1,771
- Employees Regular = 4.5 percent of pay,
SLEP = 7.5 percent of pay
- IMRF has enforcement authority — employers pay required contributions monthly and have a long history of commitment

Appendix D

2018 Adopted Salary Detail by Department

The following chart provides detailed salary expenditures for IMRF staff by department. Gross salaries are budgeted at the proposed level of 206 staff positions (see page 36). Per GASB Statement No. 16, accrued absences are budgeted based on the estimated increase of the liability for compensated absences. Per GASB Statement No. 51, staff time associated with the Horizon Project are capitalized based on the estimated time allocated to the project and the employee's salary. Overtime is budgeted to compensate staff during heavy workload periods.

	Gross Salaries	Accrued Absences	Horizon Capitalized Costs	Overtime	Net Salaries
Administration	\$ 487,969	\$ 19,450	\$ (26,288)	\$ -	\$ 481,131
Benefits	1,947,735	41,526	(216,947)	12,000	1,784,314
Communications	645,311	11,329	(110,971)	12,500	558,169
Finance	1,817,728	51,293	(371,861)	24,000	1,521,160
Human Resources	380,325	9,918	(78,070)	200	312,373
Information Services	4,117,269	128,347	(1,577,058)	120,000	2,788,558
Internal Audit	580,187	8,882	(16,927)	-	572,142
Investments	1,764,705	32,722	-	1,000	1,798,427
Legal	555,475	14,620	-	-	570,095
Member and Field Services	2,454,917	50,072	(275,685)	38,000	2,267,304
Office Services	943,314	24,254	(49,835)	63,500	981,233
Operations	426,291	11,850	(65,023)	-	373,118
Total	\$ 16,121,226	\$ 404,263	\$ (2,788,665)	\$ 271,200	\$ 14,008,024

Glossary of Budget Terms

A

ACSI (American Customer Satisfaction Index)

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

Action Plans

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

Active Member

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

Actuarial Assumptions

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

Affinity Analysis

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

Annuitant

See "Retired Member."

Asset Liability Study

A third party study to match revenues with future liabilities.

Assumed Rate of Return

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

Authorized Agent

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

B

Balanced Budget

A budget in which revenues equal expenditures.

Baldrige Award

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

Beneficiaries

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

Benefit Recipients

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

Board of Trustees

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

C

Capital Expenditures

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

CEM Benchmarking Study

CEM Benchmarking, Inc.'s Defined Benefit Administration Benchmarking Analysis. IMRF participates in the CEM analysis to evaluate its operations in such areas as benefit administration costs, service levels, and industry best

practices. The CEM analysis aids IMRF in critically assessing the value it provides to members and employers compared to other retirement systems.

CompData Surveys

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

Compliance Certification Process

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

Contributions

See “Member Contributions” and “Employer Contributions.”

Continuous Process Improvement (CPI) Program

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

D

Defined Benefit (DB) Pension Plan

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

Defined Contribution (DC) Plan

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

Disability Benefits

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

E

Early Retirement Incentive (ERI)

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

Elected County Official (ECO) Plan

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

Emerging Investment Managers

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

Employee Engagement

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

Employer

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

Employer Contributions

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

F

Fiduciary

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

Fiduciary Counsel

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

Field Services Representatives/Field Services

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

Final Rate of Earnings

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

FOIA (Freedom of Information Act)

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

Formula

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

Fund

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

Fund Balance

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

Funding

The ratio of IMRF's assets to liabilities.

Funding, 100% Goal

An optimal state in which assets equal liabilities.

G

GAAP

(Generally Accepted Accounting Principles)

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

GASB

(Governmental Accounting Standards Board)

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

H

Horizon

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

I

Illinois Pension Code

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

Illinois General Assembly (IGA)

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

Illinois Performance Excellence (ILPEX)

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

Inactive Member

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

Investment Consultant

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

Investment Managers

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

J

K

Key Result Areas (KRA)

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

L

Leadership Scorecard

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

M

Master Trustee

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

Member Contributions

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

Members

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

Mission

It is IMRF's mission to efficiently and impartially develop, implement, and administer programs that provide income protection to members and their beneficiaries on behalf of participating employers in a prudent manner. IMRF incorporates its mission into the Illinois Compiled Statute 40ILCS5/7-102.

Modernization Program

A comprehensive program that includes replacing or upgrading IMRF's technology systems, continuous process improvement, and the expansion of IMRF's customer service capabilities.

N

O

Opportunity for Improvement (OFI)

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

P

Pension

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

Portfolio Benchmarks

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

Prudent Man Rule

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

Q

QILDRO

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

R

Regular Plan

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

Reciprocal Act/System, Reciprocity

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

Retired Member

A person receiving an IMRF pension or surviving spouse pension.

S

Service Credit

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

Sheriff's Law Enforcement Personnel (SLEP) Plan

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

SIPOC

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

Spectrum

IMRF's proprietary mainframe computer pension administration system.

Sponsor

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

Staff

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

Strategic Plan

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

T

Tier

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

U

Unit of Government

See "Employer."

V

Values

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

Vest

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

Vision

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

W

Workforce Engagement

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

X

Y

Z



Securing Your Future.

**IMRF's cybersecurity framework
is built around four key components**



Mark Nannini, Chief Financial Officer, concludes this presentation of IMRF's 2018 Budget Document. *Click the arrow to view.*

Training

IMRF mandates, ongoing staff training administered by industry experts, combined with monthly phishing campaigns to expose opportunities for improvement.

Facility Security

IMRF controls access to office spaces through keycards, surveilling the premises with security cameras, and internally publishing photographs of all staff members.

Data Security

IMRF does not allow the use of removable storage devices, blocks malicious email, and scans outbound email for the presence of protected data.

Security

IMRF only grants access to data that staff need to execute their business tasks.



Locally funded, financially sound.

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