Illinois Municipal Retirement Fund

1999

Comprehensive Annual Financial Report

For the year ended December 31, 1999

"To efficiently and impartially

develop, implement, and administer

in a prudent manner

programs that provide income protection

to members and their beneficiaries

on behalf of participating employers".

Illinois Municipal
Retirement Fund
1999 Comprehensive
Annual Financial Report
For the year ended December 31, 1999

Prepared by:
The Finance Department of the
Illinois Municipal Retirement Fund
2211 York Road
Suite 500
Oak Brook, IL 60523-2374
Robert Cusma
Executive Director

Table of Contents

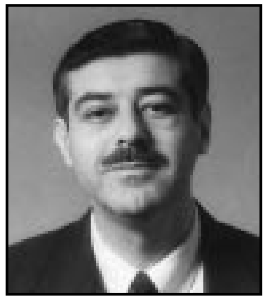
Actuarial

Statistical

Heidi Baxter
Employee Trustee
Kane County

2000 President
1999 Vice President

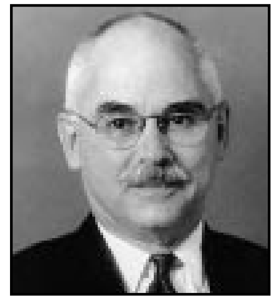
January 1, 1998 –
December 31, 2000



R. Steven Sonnemaker
Executive Trustee
Peoria County

2000 Vice President
1999 Secretary

January 1, 1998 –
December 31, 2002



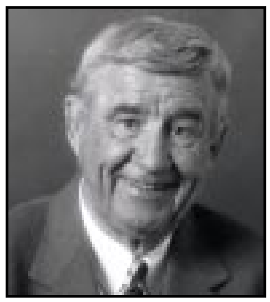
John Lotus Novak
Executive Trustee
DuPage County

2000 Secretary

January 1, 1999 –
December 31, 2003

Max F. Bochmann
Employee Trustee
Naperville

January 1, 2000 –
December 31, 2004



Jack A. Claes
Annuitant Trustee
Elk Grove Village

January 1, 1995 –
December 31, 2000

Gerald J. Sebesta, Jr.
Executive Trustee
Oak Park

January 1, 1995 –
December 31, 2000

Thomas C. Setchell
Executive Trustee
Harvey

January 1, 1997 –
December 31, 2001

Marvin R. Shoop, Jr.
Employee Trustee
Peoria

1999 President

January 1, 1996 –
December 31, 2000

Rita J. Miotti
Employee Trustee
Matteson

January 1, 1995 –
December 31, 1999

Thank You

for your dedicated service to the members and employers of IMRF

Organization Chart

BOARD OF TRUSTEES

CONSULTANTS

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

STAFF

Human Resources
Linda Bieniek

Executive Director
Robert L. Cusma

Internal Audit
Douglas Samz, C.P.A.

- **Chief Financial Officer**
  Deanna Lockwood
  - **Accounting**
    Patricia Hambrick
    Manager
- **Director**
  Operations & Planning
  Daniel Duquette
  - **Information Services**
    Arnold Rohlwing
    Manager
  - **Benefits**
    Tom Raitt
    Manager
  - **Office Services**
    Denise Streit
    Manager
- **General Counsel**
  Louis Kosiba
  - **Chief Legal Counsel**
    Kathleen O'Brien
  - **Field Services**
    Terry O'Connor
    Manager
  - **Legislative Liaison**
    Nicholas Yelverton
  - **Communications Manager**
    Linda Horrell
- **Director**
  Investments
  Walt Koziol
  - **Investments**
    Edward Sambol
    Manager

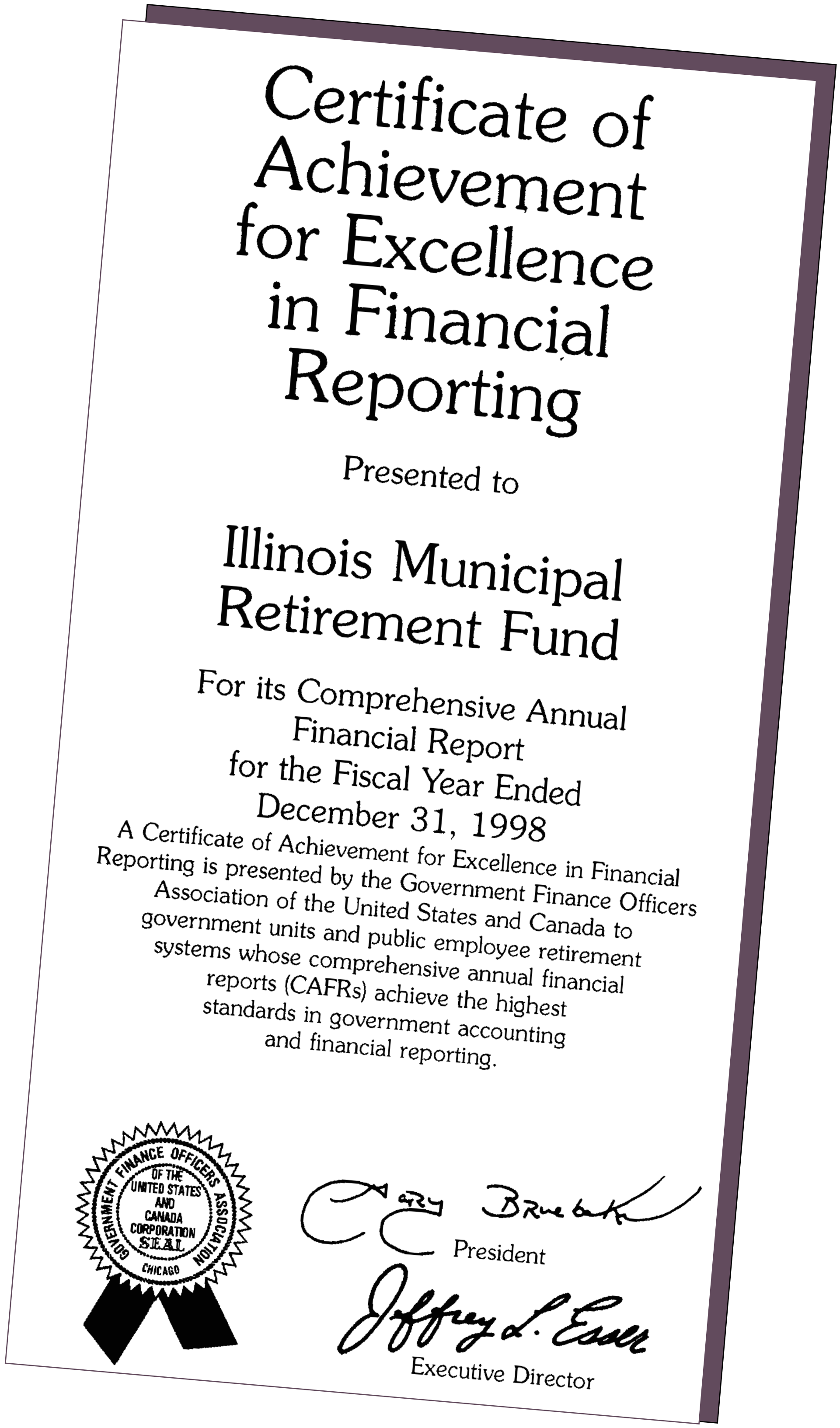
Consultants — *(Investment Consultants are listed on page 37)*

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

Auditors
McGladrey & Pullen
Robert Thoma
Mokena, Illinois

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

Medical Advisor
Rehabilitation Medicine
Clinic Inc.
Oak Brook Terrace, Illinois
Leonard Kessler, M.D.
Highland Park, Illinois



Certificate of Achievement for Excellence in Financial Reporting

Presented to

Illinois Municipal Retirement Fund

For its Comprehensive Annual Financial Report for the Fiscal Year Ended December 31, 1998

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

President

Executive Director

Illinois Municipal Retirement Fund

Drake Oak Brook Plaza Suite 500 2211 York Road Oak Brook IL 60523-2374 630-368-1010
Service Representatives 1-800-ASK-IMRF
www.imrf.org

May 28, 1999

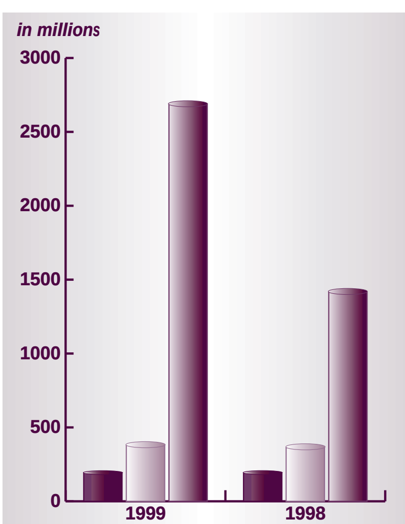
Board of Trustees and
Executive Director
Illinois Municipal Retirement Fund
Oak Brook, Illinois

This is the comprehensive annual financial report of the Illinois Municipal Retirement Fund for the year ended December 31, 1999. The report has five sections. The Introductory Section contains this transmittal letter and organization charts. The Financial Section contains the report of the independent public accountants as well as the financial statements and notes. The Investment Section contains summaries of investments held and the reports of the investment consultant and master trustee. The Actuarial Section contains the report of the actuary, a description of the actuarial assumptions, a summary of benefits, and various ratios and tables. The Statistical Section contains various tables describing the Fund. The management of IMRF is responsible for the compilation and accuracy of the financial, actuarial, investment, and statistical information contained in this report.

The Illinois State Legislature established IMRF in 1939. We began operation in 1941 in order to provide retirement, death, and disability benefits to employees of local units of government in Illinois. The Actuarial section of this report includes a summary of the benefits we provide. IMRF now serves 2,768 different employers, 155,517 participating members, and 69,716 benefit recipients.

Revenues

Revenues needed to fund benefits are accumulated through contributions and returns on invested funds. Contributions and net investment returns for 1999 totaled $3,260.6 million. This represents an increase of approximately 65 percent from 1998:



Revenues	1999 (millions)	1998 (millions)	Increase/(Decrease) Amount	Increase/(Decrease) % Change
Member IMRF contributions	$ 192.3	$ 190.3	$ 2.0	1.1%
Employer IMRF contributions	379.2	364.2	15.0	4.1%
Investment returns, net	2,689.1	1,416.2	1,272.9	89.9%
	$3,260.6	$1,970.7	$1,289.9	65.5%

The increase in member contributions is due to an increase in total member earnings to $3,933 million (Table I). The member contribution rate remained at 4.5 percent of earnings for Regular members, 6.5 percent for Sheriff's Law Enforcement Personnel (SLEP), and 7.5 percent for the optional Elected County Officials (ECO) plan.

The increase in employer contributions is the net effect of several factors. Member earnings increased overall by 6 percent. This increase, combined with increased enrollment in ECO and higher average SLEP and ECO rates, caused employer contributions to increase. These factors were offset by lower average Regular rates. The average Regular Plan employer rate decreased to 9.19 percent from 9.64 percent. The average SLEP Plan employer rate increased to 14.02 percent from 13.94 percent. The average ECO Plan employer contribution rate increased to 36.01 percent from the initial rate of 20.0 percent.

In 1999, appreciation in the value of investments was $2,389 million. This was a 112 percent increase from the $1,126 million recorded in 1998. Investment income increased by $90 million over 1998. Securities lending income net of related expenses was $5.7 million for 1999, an increase over the $5.4 million for 1998. Direct investment expenses increased from $40.4 million in 1998 to $43.3 million in 1999.

The total rate of return for the portfolio in 1999 was 20.93 percent compared to 12.63 percent in 1998. IMRF's U.S. stock portfolio returned 29.61 percent compared to 21.05 percent for the S&P 500. The U.S. fixed income portfolio returned 0.28 percent compared to –0.83 percent for the Lehman Aggregate Index. Our international stock portfolio returned 40.17 percent compared to 31.01 percent for the EAFE (Europe, Australia, and Far East) 50 Percent Hedged Index. The global fixed income portfolio returned –5.55 percent compared to –4.30 percent for the Salomon World Government Bond Index. The real estate portfolio returned 2.76 percent compared to 12.76 percent for the NCREIF Classic Property Index. The alternative investment portfolio returned 32.60 percent versus a target return of 15.00 percent per annum.

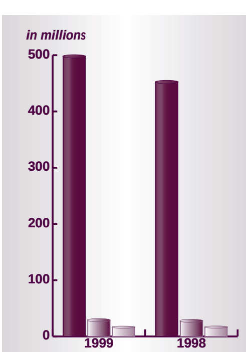
When comparing returns it is important to remember that as a pension fund, IMRF's investment program has a very long time horizon. Some of the longer-term results for the total fund are:

Period	Annualized returns
Three years	16.41 percent per year
Five years	17.27 percent per year
Ten years	12.29 percent per year

The Investment Section of this report shows investment returns by asset class for 1999 as well as three-, five-, and ten-year returns.

Expenses

The expenses paid by IMRF include benefit payments, refunds, and administrative expenses. Expenses for 1999 totaled $540.7 million, an increase of $45.6 million over 1998.



Expenses	1999 (millions)	1998 (millions)	Increase/(Decrease) Amount	% Change
Benefits	$496.4	$451.5 $	$44.9	9.9%
Refunds	28.1	27.1	1.0	3.7%
Administrative expenses	16.2	16.5	(0.3)	-1.8%
	$540.7	$495.1	$45.6	9.2%

The increase in benefit payments to members and beneficiaries resulted primarily from growth in the number of annuitants to 69,716 (Table II) page 55.

Funding

In 1999, additions to net assets of $3,260.6 million exceeded deductions of $540.7 million by $2,719.9 million. This addition brought the Plan's net asset base to $15.8 billion. To calculate employer contribution rates, IMRF's actuary uses a five-year smoothed market-related value to determine the actuarial value of assets. The smoothing prevents extreme variations in employer contribution rates due to short-term fluctuations in the investment markets. For the December 31, 1999, valuation, the actuarial value of assets was $13.5 billion. The aggregate actuarial liability for all IMRF employers was $13 billion. The assets held currently fund 104 percent of this liability. This is an increase over the funding ratio of 98.1 percent for 1998. 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 to the net asset base as assets that are irrevocably committed to the payment of their pensions when they retire. The actuary has determined that the present net asset base, expected future contributions, and investment earnings thereon are sufficient to provide for full payment of future benefits under the level payroll percentage method of funding. The Actuarial Section contains the actuary's letter and further information on IMRF's funding.

Investments

The investment portfolio is a major contributor to the Plan. In a year of double-digit returns, such as 1999, it provides an even larger percentage. In 1999, net investment return provided 82 percent of total additions to the net assets. The employers contributed 12 percent and the employee members contributed 6 percent. The Investment Section of this report contains a summary of the portfolio.

Currently, 38 professional investment management firms handling 60 separate accounts manage the investment portfolio. These firms make investment decisions under the prudent expert rule authorized by state statutes and by investment policy guidelines adopted by the Board of Trustees. The Board employs two investment consultants 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. One consultant advises on real estate investments. The second advises on other asset allocations. Our uppermost goal is to optimize the long-term total return of the Plan's investments through a policy of diversification within a parameter of prudent risk as measured on the total portfolio.

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

Current and Future Developments

a. Board of Trustees

Max F. Bochmann, School Bus Mechanic for Naperville Community Unit School District Number 203, was elected as a member trustee. His five-year term began January 1, 2000.

b. Qualified Illinois Domestic Relations Orders

The General Assembly passed legislation, which became effective July 1, 1999, allowing pension benefits to be divided between divorced spouses. Previously, anti-alienation requirements prohibited IMRF pension benefits from being divided as part of a divorce property settlement. IMRF has adapted its systems to handle these court orders.

c. Systems Development

IMRF continues to enhance its automated systems to track data and pay claims. The first two phases of the automated disability claims processing system were implemented. Other significant ongoing development projects include a new member enrollment system and an updated purchase of service system.

d. Tax Deferred Payroll Deduction Program (TPDP)

Based on legislation passed in 1998 and with the cooperation of participating employers, we were able to implement a program whereby active members may purchase past service credits through payroll deductions on a tax deferred basis. Through the end of 1999, more than 700 members have taken advantage of this program.

e. Changes to the Elected County Officials Plan (ECO)

The General Assembly passed legislation in 1999, which was signed into law by the Governor in 2000, that changes provisions of the Elected County Officials Plan (ECO). The changes are:

- The ECO benefit formula is limited to service in an elected county office.
- The final rate of earnings is changed from the last salary to a four-year average calculated separately for each office held.
- Eight years of service in each office is required to qualify for an ECO formula.
- Counties may opt out of the ECO Plan, prospectively.

f. Investment Activities

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

Major investment activities for the year include:

- Retained Investment Counselors of Maryland to manage a small capitalization value portfolio.
- Retained Jacobs Levy Equity Management to manage a structured growth equity portfolio.
- Retained NewBridge Partners to manage a large-capitalization growth equity portfolio.
- Retained Northern Trust Quantitative Advisors to manage an S&P/BARRA Value Index portfolio.
- Retained Northern Trust Quantitative Advisors to manage an EAFE Index portfolio.
- Retained Oak Associates to manage a large capitalization growth equity portfolio.
- Sold the Meridian Industrial Park in Aurora, Illinois.
- Sold the Fleetway House and Friary Court office buildings in London.
- Sold the Old Square shopping center in Bristol, U.K.

Major investment activities occurring during the beginning of 2000 included:

- Retained Wellington Management Company to manage a domestic fixed-income portfolio.
- Retained BlackRock Inc. to manage an enhanced fixed-income index portfolio.

g. Full Funding

After years of striving to achieve full funding, IMRF achieved that goal in aggregate. The overfunding is a result of strong investment returns over the last 10 years. Out of the over 3,000 rate groups, 56 percent have assets that equal or exceed their actuarial liabilities. This happy event has posed new challenges unforeseen by the creators of IMRF in 1939. Our challenge now is to maintain both stable contribution rates and full funding of pension benefits without creating unnecessary financial burdens on employers. In March 1999 the Board established a new policy for determining employer contribution rates for fully funded employers. The policy considers the level of overfunding and the size of the employer. For most employers, any overfunded amounts are amortized over a 10-year period. Large overfunded employers may choose a period shorter than 10 years. This policy was implemented with the 2000 employer rates.

h. Year 2000

As with many other organizations, IMRF had no significant problems with the turnover to the year 2000. On January 1, 2000, a group of IMRF employees tested our major computer systems to ensure that everything would be operational on January 3, the first business day of the new year. We are happy to report that, because of the foresight and planning of our staff, no problems were discovered.

i. IMRF.org

IMRF continues to add new functions to our web page, IMRF.org. In 1999, we added a generic pension calculator, which allows members to estimate their pension benefits. We have also added an employer information function. Through a secure connection, employers may access information on their accounts including resolutions, rate and current contribution information, and member enrollment information. New functions added in 2000 allow employers to file termination notices for their employees on-line, as well as make on-line changes to member information (addresses, etc.). More functions are planned for the future.

Internal Control

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

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

The internal auditor reports directly to the Executive Director and the Board of Trustees. The Board of Trustees, consisting entirely of outside members, functions as the audit committee. Annually the Internal Auditor presents his report to the Audit Committee covering the results of internal audit procedures performed. The Internal Auditor also meets with the committee on an as-needed basis. Again this year the Internal Auditor reported that all internal control functions were satisfied and that there were no material differences in transactions.

Independent Audit

The Illinois Pension Code requires an annual audit of the financial statements of the Plan by independent certified public accountants selected by the Board of Trustees and approved by the State Auditor General. We satisfied this requirement and the independent accountant's unqualified report on IMRF's 1999 Financial Statements is included in this report.

Certificate of Achievement for Excellence in Financial Reporting

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Illinois Municipal Retirement Fund for its comprehensive annual financial report for the fiscal year ended December 31, 1998. The Certificate of Achievement is a prestigious national award, recognizing conformance with the highest standards for preparation of state and local government financial reports.

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

A Certificate of Achievement is valid for a period of one year only. IMRF has received a Certificate of Achievement for the last 19 consecutive years (fiscal years 1980-1998). We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to the GFOA.

Reports to Membership

IMRF issued a variety of reports covering 1999 activity. We mail employer statements every month. We mailed member statements in April. We will send a summary of the annual report to members and annuitants in the summer issues of *Fundamentals.* We will mail this report to Authorized Agents in June.

Acknowledgements

The production of this report reflects the combined effort of the IMRF staff under the leadership of the Board of Trustees and the Executive Director, Robert L. Cusma. The Accounting Department under the management of Patricia Hambrick compiled the report. We want this report to provide complete and reliable information for making management decisions, for determining compliance with legal provisions and for determining responsible stewardship for the assets contributed by the members and their employers.

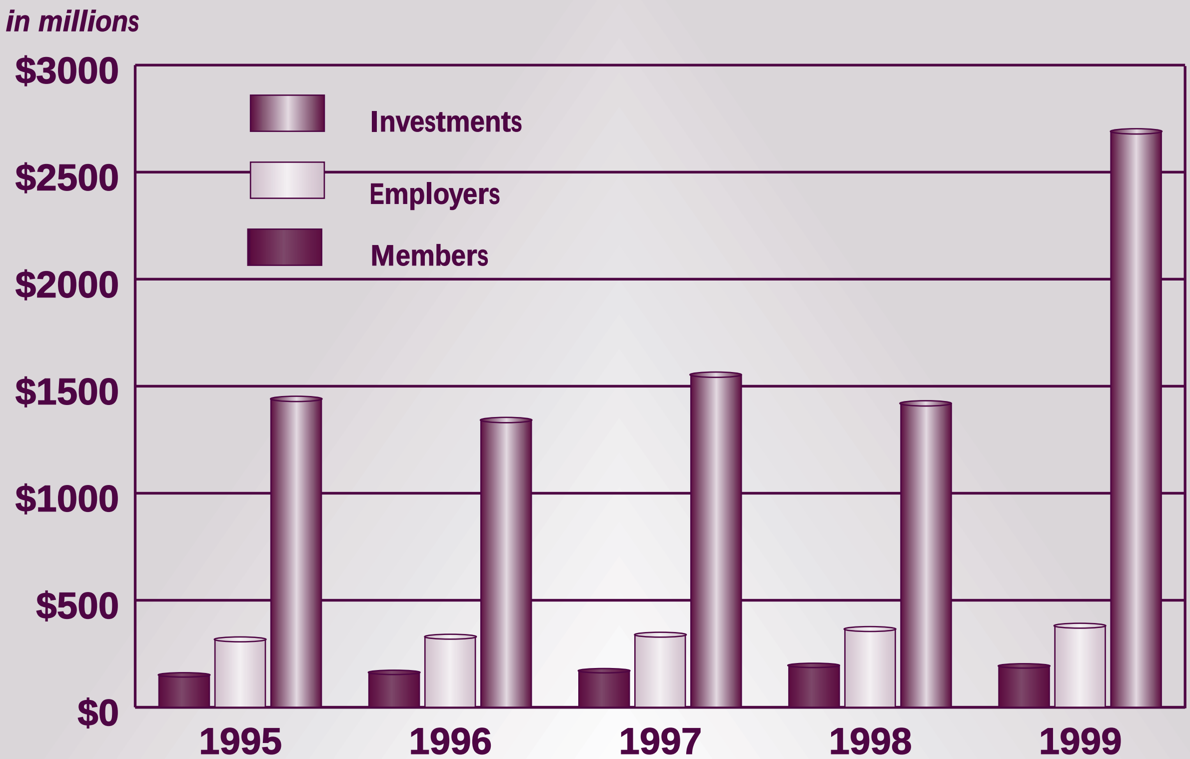
We send this report to the Authorized Agents for all participating units of government. They form the link between IMRF and its membership. Their cooperation, for which we are ever thankful, contributes significantly to the success of IMRF. We hope they will find this report both informative and helpful.

Respectfully submitted,

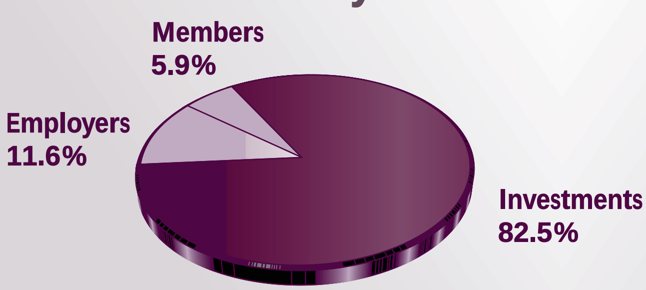
Deanna L. Lockwood

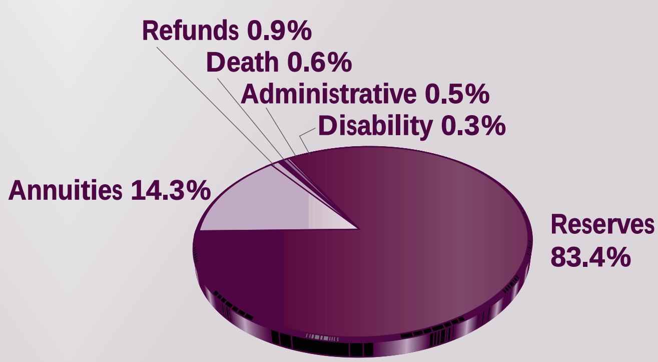
Deanna L. Lockwood, CPA
Chief Financial Officer

Revenues by Source



1999 Revenues by Source





1999 Revenues by Application

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Financial

McGLADREY & PULLEN, LLP
Certified Public Accountants

RSM
international

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Illinois Municipal Retirement Fund

We have audited the accompanying statements of plan net assets of the Illinois Municipal Retirement Fund (Fund) as of December 31, 1999 and 1998, and the related statement of changes in plan net assets for the years then ended. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the plan net assets of the Illinois Municipal Retirement Fund as of December 31, 1999 and 1998, and the changes in plan net assets for the year then ended in conformity with generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedule of funding progress and schedule of employer contributions are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. The schedules of administrative expenses, payments to consultants, and investment expenses are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

The other information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion thereon.

McGladrey & Pullen, LLP

Chicago, Illinois
May 12, 2000

Exhibit A
Statements of Plan Net Assets

	December 31	
	1999	**1998**
Assets		
Cash and cash equivalents	$6,737,785	$3,036,204
Receivables and prepaid expenses		
Contributions	49,760,237	48,217,891
Investment income	61,934,892	60,055,347
Receivables from brokers for unsettled trades	30,042,347	52,563,773
Prepaid expenses	27,634,374	24,390,369
Total receivables and prepaid expenses	169,371,850	185,227,380
Investments, at fair value		
Fixed income	4,391,784,592	3,684,360,006
Stocks	10,183,567,685	8,070,277,275
Short term investments	554,669,897	396,258,394
Real estate	490,394,832	592,077,808
Alternative investments	334,947,248	232,777,645
Total investments	15,955,364,254	12,975,751,128
Invested securities lending cash collateral	1,417,887,596	1,340,474,672
Fixed assets		
Equipment, at cost	6,706,210	7,041,888
Accumulated depreciation	(5,567,522)	(5,515,750)
Fixed assets, net	1,138,688	1,526,138
Total assets	17,550,500,173	14,506,015,522
Liabilities		
Accrued expenses and benefits payable	20,332,951	19,515,212
Securities lending cash collateral	1,417,887,596	1,340,474,672
Payables to brokers for unsettled trades	306,747,203	60,457,020
Total liabilities	1,744,967,750	1,420,446,904
Net assets held in trust for pension benefits (A schedule of funding progress is presented on page 29)	$15,805,532,423	$13,085,568,618

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

Exhibit B
Statements of Changes in Plan Net Assets

	Years Ended December 31	
	1999	**1998**
Additions		
Contributions		
Members for retirement coverage	$192,356,900	$190,259,213
Employers for benefit plan coverage	379,194,892	364,196,668
Total contributions	571,551,792	554,455,881
Investment Income		
Interest	217,331,875	204,559,060
Dividends	70,689,084	72,132,306
Equity fund income, net	49,402,727	48,224,790
Securities lending income	69,836,222	76,909,946
Net appreciation in fair value of investments	2,389,287,950	1,126,261,630
Gross investment income	2,796,547,858	1,528,087,732
Less investment expenses		
Direct investment expense	(43,273,993)	(40,422,191)
Securities lending management fees	(1,412,750)	(1,349,195)
Securities lending borrower rebates	(62,775,039)	(70,163,997)
Net investment income	2,689,086,076	1,416,152,349
Other	3,030	66,938
Total additions	3,260,640,898	1,970,675,168
Deductions		
Annuities	468,988,622	423,723,556
Disability benefits	8,436,850	8,223,429
Death benefits	18,938,364	19,549,781
Refunds	28,126,601	27,121,071
Administrative expenses	16,186,656	16,527,175
Total deductions	540,677,093	495,145,012
Net increase	2,719,963,805	1,475,530,156
Net assets held in trust for pension benefits		
Beginning of year	13,085,568,618	11,610,038,462
End of year	$15,805,532,423	$13,085,568,618

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

Notes to Financial Statements
December 31, 1999

A. Plan Description

The Illinois Municipal Retirement Fund (IMRF) is the administrator of an agent multiple employer public employee retirement system (PERS). The state legislature established IMRF to provide employees of local governments and school districts a sound and efficient retirement system. Members, employers, and annuitants elect eight trustees who govern IMRF. State law authorizes the Board to make investments, pay benefits, set employer contribution rates, hire staff and consultants, and perform all necessary functions to carry out the provisions of the Illinois Pension Code. Benefit and contribution provisions are established by state law and may be amended only by the Illinois State Legislature.

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

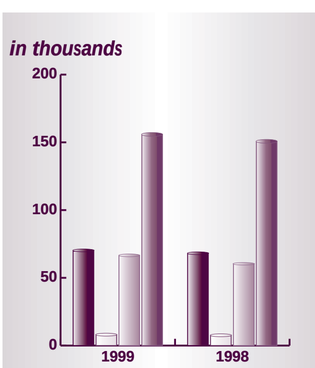
1. Employers	1999	1998
Participating employers	2,768	2,744

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 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 the financial stability requirements. Units that elect to join the system may not under any circumstances terminate their participating employer status.

2. Members



	1999	1998
Retirees and beneficiaries currently receiving benefits	69,716	67,756
Terminated members entitled to benefits but not yet receiving them	7,750	7,321
Terminated members — non-vested	66,435	60,236
Current members:		
Nonvested	90,838	86,975
Vested	64,679	63,453
Total current members	155,517	150,428
Grand total	299,418	285,741

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.

3. Funding

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

4. Benefit Provisions

Benefits are established by statute and may only be changed by the General Assembly. The benefit provisions in effect on the member's date of termination determine a member's benefit. The following is a summary of the IMRF benefit provisions as of December 31, 1999 and 1998. A more extensive description of the plan can be found in the Actuarial Section. The (ECO) plan was created by statute in 1997 and was revised in 2000.

Refunds

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

Retirement

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

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

Supplemental Retirement Benefit

Retirees and surviving spouses who have been receiving benefits for at least one year receive a supplemental retirement benefit in July. The total supplemental benefit in each year is equal to 0.62 percent of the participating payroll for the previous year.

Death Benefits

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

Disability

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

B. Summary of Significant Accounting Policies

1. *Reporting Entity*

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

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

(2) Fiscal dependency on the primary government.

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

2. *Basis of Accounting and Reclassifications*

IMRF prepares its financial statements using the accrual basis of accounting. It recognizes member and employer contributions as revenues in the month member earnings are paid. Benefits and refunds are recognized as expenses when payable. Expenses are recorded when the corresponding liabilities are incurred regardless of when payment is made. In some instances, amounts for 1998 have been reclassified to agree with 1999 financial statement presentation.

3. *Method Used to Value Investments*

IMRF reports securities at fair value. Where appropriate, the fair value includes estimated disposition costs.

Fair value for stocks is determined by using the closing price listed on the national securities exchanges as of December 31. Market value for fixed income securities are determined principally by using quoted market prices provided by independent pricing services. For commingled funds, the net asset value is determined and certified by the commingled fund manager as of December 31. Fair values for directly owned real estate investments are determined by appraisals.

C. Cash

	1999	1998
Carrying amounts at December 31:		
Cash	$6,737,785	$3,036,204
Bank balances at December 31:		
Custodial credit risk category 1	$4,004,316	$4,297,082
Custodial credit risk category 3	5,869,695	1,783,349
	$9,874,011	$6,080,431

All non-investment related bank balances at year-end are insured or collateralized with securities held by the Illinois State Treasurer or agents in the name of the State Treasurer. The Illinois State Treasurer is ex-officio Treasurer of the IMRF. These balances are classified as custodial credit risk category 1 as defined by GASB Statement 3. Cash held in the investment account is neither insured nor collateralized. These balances are classified as custodial credit risk category 3 as defined by GASB Statement 3.

D. Investments

1. *Investment Policies*

The Illinois Pension Code prescribes the "prudent expert rule" as IMRF's investment authority, effective August 25, 1982. This rule requires IMRF to make investments with the care, skill, prudence and diligence, under the circumstances then prevailing, that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an entity of like character with like aims. Within the "prudent expert" framework, the Board of Trustees adopts investment guidelines for IMRF investment managers. The Investment Section contains a summary of these guidelines.

2. *Investment Summary*

IMRF's investments in securities are categorized below to give an indication of the custodial credit risk level. GASB Statement No. 3, *Deposits with Financial Institutions, Investments (including Repurchase Agreements) and Reverse Repurchase Agreements,* defines "securities" and standard categories of custodial credit risk.

A security, for purposes of classification below, is a transferable financial instrument that evidences ownership or creditorship. "Securities" do not include investments made with another party, real estate or direct investments in mortgages or other loans. Investments in open-end mutual funds are also not considered securities for purposes of custodial credit risk classification. Such investments are shown below as "not categorized." Some pending purchases of stocks and fixed income securities are shown as "not categorized" because the securities purchased have not been delivered and cannot be registered.

Securities are divided among three categories indicating the type of custodial credit risk.

Category 1: Insured or registered, or securities held by the entity or its agent in the entity's name.

Category 2: Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the entity's name.

Category 3: Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the entity's name. Pending security purchases are the securities IMRF holds in this category.

The following tables present a summary of the Fund's investments and related category of custodial credit risk at December 31, 1999 and 1998.

	1999 Custodial Credit Risk			
	Category 1	Category 3	Not Categorized	1999 Total Carrying Value
Investments, at fair value				
Fixed Income Securities				
U.S. government & agency	$ 693,123,224	$565,114	$ 287,758,285	$ 981,446,623
U.S. corporate	1,221,261,497	0	3,246,989	1,224,508,486
U.S. fixed income funds	222,127,477	0	1,219,002,013	1,441,129,490
Foreign fixed income securities	648,433,285	0	409,090	648,842,375
Foreign fixed income funds	95,857,618	0	0	95,857,618
Total fixed income	$2,880,803,101	$565,114	$1,510,416,377	$4,391,784,592
Equity Securities				
U.S. equities	5,025,312,942	688,733	94,703,168	5,120,704,843
Foreign equities	1,806,202,436	1,555,953	2,364,831	1,810,123,220
U.S. stock funds	0	0	2,355,779,931	2,355,779,931
Foreign stock funds	0	0	896,959,691	896,959,691
Total equity securities	6,831,515,378	2,244,686	3,349,807,621	10,183,567,685
Short-Term				
Short-term securities	126,415,890	0	0	126,415,890
Foreign currency forward contracts	0	0	1,577,234	1,577,234
Pooled short-term investment funds	0	6,614,457	420,062,316	426,676,773
Total short-term	126,415,890	6,614,457	421,639,550	554,669,897
Real Estate	0	0	490,394,832	490,394,832
Alternative	0	0	334,947,248	334,947,248
Total	$9,838,734,369	$9,424,257	$6,107,205,628	$15,955,364,254

	1998 Custodial Credit Risk			
	Category 1	Category 3	Not Categorized	1998 Total Carrying Value
Investments, at fair value				
Fixed Income Securities				
U.S. government & agency	$908,383,189	$ 0	$ 418,718	$ 908,801,907
U.S. corporate	1,151,217,493	2,344	4,351,851	1,155,571,688
U.S. fixed income funds	298,428,207	0	697,668,917	996,097,124
Foreign fixed income securities	579,082,148	0	916,163	579,998,311
Foreign fixed income funds	43,890,976	0	0	43,890,976
Total fixed income	2,981,002,013	2,344	703,355,649	3,684,360,006
Equity Securities				
U.S. equities	4,000,914,588	11,581,022	7,878,547	4,020,374,157
Foreign equities	1,810,704,435	840,786	16,066,721	1,827,611,942
U.S. stock funds	609,652,366	0	896,817,855	1,506,470,221
Foreign stock funds	715,324,073	0	496,882	715,820,955
Total equity securities	7,136,595,462	12,421,808	921,260,005	8,070,277,275
Short-Term				
Short-term securities	33,778,260	0	0	33,778,260
Foreign currency forward contracts	0	0	(4,582,089)	(4,582,089)
Pooled short-term investment funds	0	0	367,062,223	367,062,223
Total short-term	33,778,260	0	362,480,134	396,258,394
Real Estate	0	0	592,077,808	592,077,808
Alternative	0	0	232,777,645	232,777,645
Total	$10,151,375,735	$12,424,152	$2,811,951,241	$12,975,751,128

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

There are no individual investments held by IMRF that represented 5 percent or more of the Fund's net assets at year-end.

3. Securities Lending Program

The IMRF securities lending program is authorized by the IMRF Board of Trustees. IMRF lends securities (both equity and fixed income) to securities firms on a temporary basis through its agent, Northern Trust. There are no restrictions on the amount of securities that may be lent. IMRF receives fees for all loans and retains the right to all interest and dividend payments while the securities are on loan. All security loan agreements are collateralized by cash, U.S. government securities, or irrevocable letters of credit having market values equal to or exceeding 102 percent of the value of the loaned securities plus any accrued income (105 percent for non-U.S. securities). Whenever the market value of the securities loaned changes, the borrower must adjust the collateral accordingly. IMRF or the borrower has the right to close the loan at any time. The average term of overall loans is 30 days. When the loan closes, the borrower returns the securities loaned to IMRF, and IMRF returns the associated collateral to the borrower. IMRF cannot pledge or sell the non-cash collateral unless the borrower fails to return the securities borrowed.

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

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

Securities lent are included in the Plan's assets on the financial statements.

Loans outstanding as of	**December 31, 1999**	**December 31, 1998**
Market value of securities loaned	$1,463,584,390	$1,425,769,420
Market value of collateral received	$1,508,411,154	$1,462,990,062

4. Derivatives

IMRF's investment managers may invest in derivative securities as permitted by their guidelines. A derivative security is an investment whose payoff depends upon the value of other assets such as bond and stock prices, a market index, or commodity prices. Derivative transactions involve, to varying degrees, credit risk and market risk. Credit risk is the possibility that a loss may occur because a party to a transaction fails to perform according to terms. IMRF acquires all of the derivative securities through a clearinghouse that guarantees delivery and accepts the risk of default. Market risk is the possibility that a change in interest or currency rates will cause the value of a financial instrument to decrease or become more costly to settle. The market risk associated with derivatives, the prices of which are constantly fluctuating, is regulated by imposing strict limits as to the types, amounts and degree of risk that investment managers may undertake. The Board of Trustees and senior management approves these limits, and the risk positions of the investment managers are reviewed on a periodic basis to monitor compliance with the limits. IMRF does not purchase derivatives with borrowed funds.

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

Forward contracts are an agreement to buy or sell a specific amount at a specified delivery or maturity date for an agreed upon price. As the market value of the forward contract varies from the original contract price, IMRF records an unrealized gain or loss. The market value of forward currency contracts outstanding at December 31, 1999, and 1998 are as follows:

Market Value as of	**December 31, 1999**	**December 31, 1998**
Forward currency purchases	$1,001,620,075	$984,205,629
Forward currency sales	1,000,042,841	988,787,718
Unrealized gain (loss)	$ 1,577,234	$ (4,582,089)

Financial futures are similar to forward contracts, except futures contracts are standardized and traded on an organized exchange. As the market value of the futures contract varies from the original contract price, a gain or loss is recognized and paid to the clearinghouse. Financial futures represent an off-balance sheet obligation as there are no balance sheet assets or liabilities associated with those contracts. The contractual amounts of futures outstanding at December 31, 1999 and 1998 are as follows:

Contractual Amount as of	**December 31, 1999**	**December 31, 1998**
Fixed income futures sold	$87,279,500	0
Fixed income futures purchased	$46,645,000	$68,600,000
Equity futures purchased	$4,928,000	0

Contractual amounts, which represent the market value of the underlying assets the derivative contracts control, are often used to express the volume of these transactions but do not reflect the extent to which positions may offset one another. These amounts do not represent the much smaller amounts potentially subject to risk.

Financial options are an agreement that gives one party the right, but not the obligation, to buy or sell a specific amount of an asset for a specified price, called the strike price, on or before a specified expiration date. As a writer of financial options, IMRF receives a premium at the outset of the agreement and bears the risk of an unfavorable change in the price of the financial instrument underlying the option. No financial options were held at year-end in 1999 or 1998.

5. Future Investment Commitments

At December 31, 1999 and 1998, IMRF had future commitments for additional contributions to real estate and alternative investment managers totaling $202,917,655 and $120,100,000 respectively.

E. Reserves

IMRF maintains several reserves as required by the Illinois Pension Code and Board policy. All reserves are fully funded with the exception of some individual employer retirement reserves. These reserves do not equal the present value of expected retirement benefits for all employers. The additional amount needed in aggregate as calculated by the actuary was $224,383,665 in 1998. In 1999, the retirement reserves, for all employers combined, exceeded the present value of expected retirement benefits by $515,168,818.

1. Member contribution reserves

	1999	1998
Balances at December 31	$2,258,628,401	$2,086,679,470

2. Annuity reserve

	1999	1998
Balances at December 31	$4,915,467,275	$4,485,651,306

3. Employer retirement reserves

Balances at December 31	1999	1998
Retirement contribution reserves	$6,834,393,789	$5,643,274,675
Earnings and experience reserve	1,775,556,966	847,451,178
Supplemental retirement benefit	1,508,027	1,626,328
Pooled death benefit reserve	7,249,022	8,913,822
Pooled disability benefit reserve	12,728,943	11,971,839
Employer reserves	$8,631,436,747	$6,513,237,842

F. Other Notes

1. Prepaid Expenses

Balances as of December 31	1999	1998
Prepaid administrative expenses	$714,078	$540,523
January 1 benefits charged to bank account in December	26,920,296	23,849,846
	$27,634,374	$24,390,369

2. Fixed Assets

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

Year ended December 31	**1999**	**1998**
Equipment, furniture and automobiles		
Beginning balance	$7,041,888	$6,845,877
Additions	107,296	594,122
Deletions	(442,974)	(398,111)
Ending balance	$6,706,210	$7,041,888
Accumulated depreciation		
Beginning balance	$5,515,750	$5,214,192
Additions	486,792	698,705
Deletions	(435,020)	(397,147)
Ending balance	5,567,522	5,515,750
Fixed assets, net	$1,138,688	$1,526,138

3. Lease Agreements

The Fund leases its facilities at the Drake Oak Brook Plaza, which it owns, under an agreement with the building's management. The agreement covers the period May 1, 1993, through December 31, 2005. The base rent was abated until December 31, 1995. The Fund is amortizing the abated rent over the period covered by the agreement. Total rental expense for 1999 was $1,462,761 and for 1998 was $1,457,419.

4. Risk Management

IMRF carries commercial, business, and automobile liability insurance coverage provided by private insurance carriers. These policies limit the risk of loss from torts; theft of, damage to, and destruction of assets; errors and omission; injuries to employees; and natural disasters. There have been no material insurance claims filed or paid during the last three years. The Fund is also exposed to investment risk. This risk is limited by diversification of the portfolio, establishment and monitoring of investment policies and guidelines, and monitoring of investment performance. In addition, investment consultants and fiduciary counsel monitor the Fund's activities and advise the Board of Trustees.

5. Contingencies

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

G. Ten-Year Historical Trend Information

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

Required Supplementary Information

Schedule of Funding Progress

Last ten years

	Aggregate Actuarial Liabilities (AAL)			Unfunded Actuarial Liabilities (UAL)		
Actuarial Valuation Date December 31	Total AAL Entry Age (a)	Actuarial Assets (b)	Actuarial Assets as a % of AA (b/a)	Total UAL (a-b)	Member Payroll (c)	UAL as a % of Member Payroll (a-b)/c
1990*	$6,232,223,672	$4,468,795,967	71.7%	$1,763,427,705	$2,293,192,916	76.9%
1991*#	6,406,965,450	5,034,577,441	78.6%	1,372,388,009	2,484,644,553	55.2%
1992	6,954,483,358	5,615,583,858	80.8%	1,338,899,500	2,643,707,677	50.6%
1993*	7,509,766,239	6,396,329,900	85.2%	1,113,436,339	2,774,088,607	40.1%
1994	8,126,642,830	7,078,861,925	87.1%	1,047,780,905	2,930,307,763	35.8%
1995	8,823,697,487	8,034,030,783	91.1%	789,666,704	3,100,271,694	25.5%
1996*	9,778,592,519	9,076,261,663	92.8%	702,330,856	3,280,416,531	21.4%
1997	10,807,969,067	10,273,116,034	95.1%	534,853,033	3,470,593,355	15.4%
1998	11,860,879,198	11,636,495,534	98.1%	224,383,665	3,704,109,084	6.1%
1999*	13,005,023,293	13,520,192,111	104.0%	(515,168,818)	3,933,065,061	-13.1%

** After assumption change #After benefit change*
This data, except for annual covered payroll, was provided by the actuary.

Schedule of Employer Contributions

Last ten years

Year ended December 31	Normal Contributions	Amortization of Unfunded Actuarial Liability	Death & Disability Benefit Contributions	Supplemental Retirement Benefit Contributions	Total Contributions	Percentage Contributed
1990	$166,963,506	$75,336,286	$12,663,407	$0	$254,963,199	100%
1991	173,303,872	101,262,443	13,645,497	0	288,211,812	100%
1992	219,904,681	83,344,475	13,202,942	0	316,452,098	100%
1993	196,839,908	72,159,465	12,466,617	17,200,800	298,666,790	100%
1994	216,555,637	68,143,024	11,836,442	18,173,987	314,709,090	100%
1995	226,659,095	58,909,305	10,931,257	19,229,943	315,729,600	100%
1996	239,924,968	54,192,636	13,086,132	20,346,617	327,550,353	100%
1997	254,168,099	46,697,036	13,868,304	21,516,048	336,249,487	100%
1998	274,024,269	50,551,829	16,661,873	22,958,697	364,196,668	100%
1999	293,310,795	47,851,978	13,647,855	24,384,264	379,194,892	100%

Notes to Required Supplementary Information

Valuation date	December 31, 1999
Actuarial cost method	Entry age normal
Amortization method	Level percent of payroll
Remaining amortization period	Taxing bodies: closed, 31 years Overfunded employers: open, 10 years Non-taxing bodies: closed, 1 year
Asset valuation method	Five-year smoothed market related
Actuarial assumptions:	
Investment rate of return	7.5 percent
Projected salary increases	4.65 to 8.25 percent
Assumed inflation rate	4.0 percent
Group size growth rate	0.0 percent
Payroll growth rate	4.0 percent
Post-retirement increase	3.0 percent – simple
Mortality table	1983 Group Annuity Mortality Table for males and 1983 Individual Annuity Mortality Table for females, both multiplied by 95 percent. The active tables were further modified to reflect IMRF experience.

Supplementary Information

Schedule of Administrative Expenses

	1999	1998
Personal services	$10,455,734	$9,911,224
Supplies	477,955	592,450
Professional Services	522,113	910,231
Occupancy and utilities	1,797,207	1,773,619
Postage and delivery	829,008	737,073
Equipment service and rental	905,773	747,360
Miscellaneous	712,074	1,156,513
Depreciation	486,792	698,705
Total Administrative Expenses	$16,186,656	$16,527,175

Schedule of Payments to Consultants

	1999	1998
External Auditor	$55,000	$54,000
Internal Auditor	32,332	32,208
Medical Consultant	64,863	77,100
Legal Services	86,489	85,020
Actuary	163,129	197,449
Management Consultants:		
Benefit information system	11,353	289,935
Imaging system	97,067	68,641
Legislative	10,000	42,500
Newsletter	1,880	0
Strategic planning	0	63,378
Total	$522,113	$910,231

Schedule of Investment Expenses

	1999	1998
Investment manager fees	$42,404,527	$39,623,074
Master trustee fees	823,155	737,448
Miscellaneous	46,311	61,669
Total	$43,273,993	$40,422,191

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

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Investments

WILLIAM M.
MERCER

April 26, 2000

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

Dear Trustees:

On behalf of William M. Mercer Investment Consulting, Inc., I am pleased to provide the following summary of results for the Fiscal Year ending December 31, 1999.

As of December 31, the Fund's market value totaled $16.0 billion, a $2.9 billion increase since year-end 1998. The asset increase was largely the result of investment income and gains, which offset $524.5 million in benefit payments, and contributed to a 20.9% annual Total Fund return. Over the trailing three-year period, the Fund posted a 16.4% annualized return, increasing by $6.0 billion, and paid benefits totaling $1.4 billion. Over the five year period ending December 31, 1999, the Fund's $9.0 billion asset growth was funded largely by the 17.3% annualized return, which offset benefit payments totaling $2.2 billion. Over the trailing ten-year period, the Total Fund returned 12.3%, increasing $11.6 billion and made $3.5 billion in benefit payments. Over all time periods, the Fund's annualized return surpassed the 7.5% actuarial assumed interest rate, as well as inflation, as measured by the GDP Deflator. As investment returns exceeded the assumed actuarial rate, benefit security and the funded status increase.

In 1999, the Fund continued its diversified investment strategy. During this time period, the Board adopted and implemented several asset allocation revisions, including the reduction of fixed income to 31% of Total Assets, and international equity to 17% of Total Assets. These changes were made in accordance with prudent investment practices, incorporating risk/return tradeoffs, the relationship of assets with the liabilities, and other stated Fund objectives. As of December 31, 1999, the Fund's allocation consisted of 46.9% U.S. equity, 16.9% international equity, 27.5% fixed income, 3.1% real estate, 2.1% alternative investments and 3.5% cash equivalents. All allocations were well within the Target ranges established by the Board.

During 1999 the market conditions were as follows:

- Domestic equity continued to perform well above longer term averages, as the market broadened. Small and large cap market indices produced double digit returns.
- The domestic bond market had a negative year, returning –0.8%, as measured by the Lehman Brothers Aggregate Index, due largely to the increasing interest rate environment.

William M. Mercer, Incorporated
10 South Wacker Drive
Suite 1700
Chicago, IL 60606-7485
Phone 312 902 7500

An MMC Company

- Developed international equity markets returned 27.3% (unhedged), as measured by the EAFE Index, outperforming the S&P 500 Index for the first time in several years. Emerging equity markets rebounded since year-end 1998, returning 66.4%.
- Real estate remained strong, as the NCREIF Index gained 10.8%.

Within this market backdrop, the domestic equity portfolio returned 29.6%, outpacing the S&P 500 Index, the policy level benchmark, which returned 21.1%. Over the trailing three, five and ten year time periods, the domestic equity portfolio lagged the S&P 500 Index. Domestic equity performance was enhanced in 1999 by the growth emphasis in the portfolio, as well as strong individual manager performance within large cap growth equity, small cap value and micro cap equity. In addition, the Fund's allocation to small cap equity stocks, which hurt relative results in 1997 and 1998 contributed to out-performance in 1999.

The fixed income portfolio also outperformed its policy benchmark, the Lehman Brothers Aggregate Index, returning 0.5%, compared to the –0.8% Index return. While performance lagged over the trailing three-year period, the fixed income portfolio outperformed the Index over the five and ten year periods. Relative performance during 1999 was driven by the allocations to high yield and opportunistic mandates.

The international equity portfolio returned 41.4% during 1999, significantly exceeding the 27.3% EAFE Index return. Similar to fixed income, while three-year results trailed the EAFE Index, five and ten-year returns exceeded the benchmark. International equity performance in 1999 was augmented by the Fund's allocation to emerging markets and international small cap equity, coupled with strong individual manager results.

All performance results were in compliance with AIMR standards.

The Illinois Municipal Retirement Fund continues its diversified investment approach by asset class, style and investment strategy. The resurgence of the international equity market and smaller capitalization stocks in 1999 after several years of large capitalization domestic equity dominance underscores the importance of diversification for funds with long time horizons, as a means for moderating risk. We continue to support the current strategic goals of the investment program, and level of investment manager due diligence activities.

Sincerely,

WILLIAM M. MERCER INVESTMENT CONSULTING, INC.

Stephanie L. Grieser

Stephanie L. Grieser, CFA
(312) 902-7529

William M. Mercer, Incorporated

The Northern Trust Company

March 10, 2000

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

To the Board of Trustees and the Executive Director

The Northern Trust Company as Master Trustee has provided detailed financial reports of all investments, receipts, disbursements, purchases and sales of securities and other transactions pertinent to the Fund for the period January 1, 1999, through December 31, 1999. Also, a statement of assets together with their fair market value was provided, showing the properties held as of December 31, 1999. The Northern Trust Company certifies that the statements contained therein are fairly presented and are true and accurate.

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

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

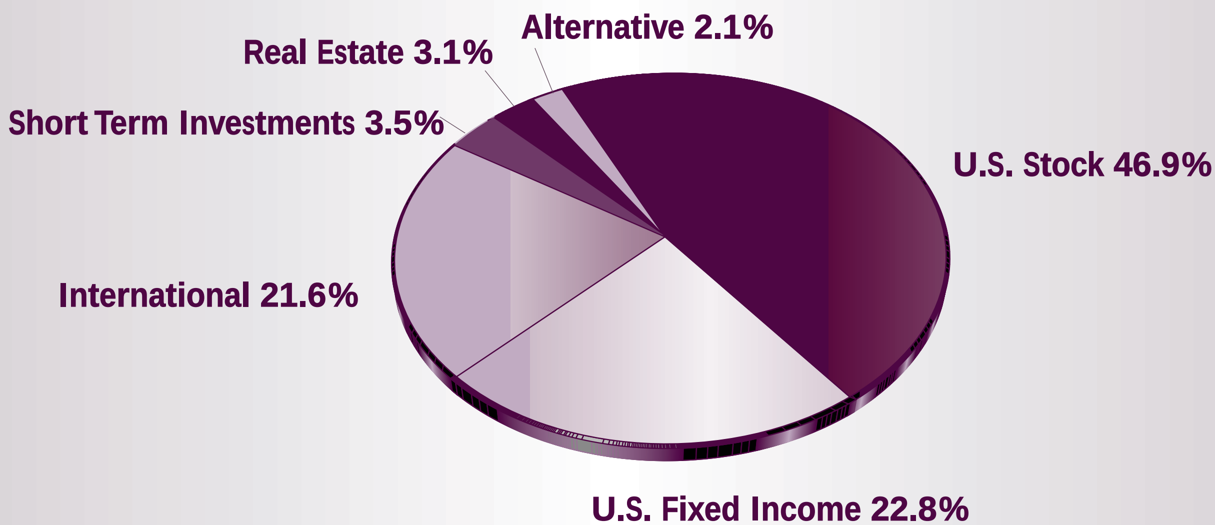
THE NORTHERN TRUST COMPANY

By: Richard L. Deeter

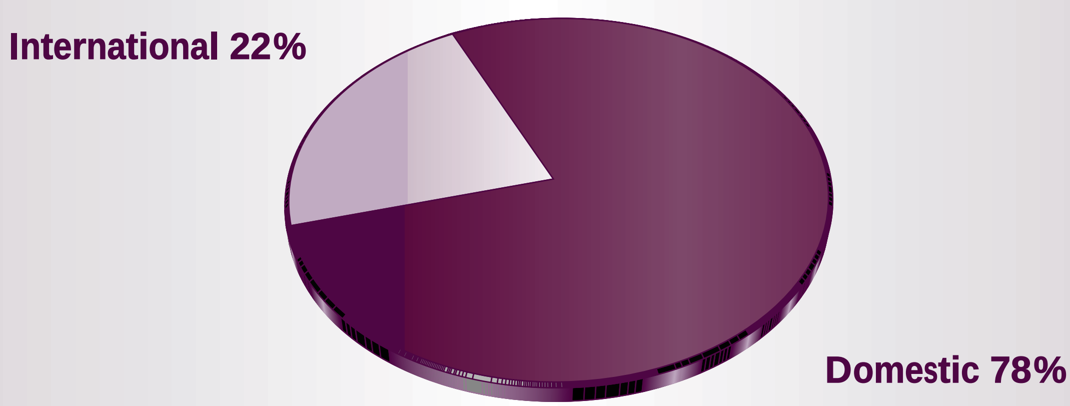
Richard L. Deeter
Vice President

Investment Portfolio as of December 31, 1999

Allocation by Asset Class



Total Investments by Region



Master Trustee

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

Performance Evaluation

William M. Mercer Investment Consulting, Inc.
Stephanie L. Grieser, Senior Consultant
Chicago, Illinois

Investment Consultant

William M. Mercer Investment Consulting, Inc.
Stephanie L. Grieser, Senior Consultant
Chicago, Illinois

Real Estate Consultant

Russell Real Estate Advisors
Bruce A. Eidelson, Director of Advisory Services
San Diego, California

Investment Managers

Abacus Financial Group, Inc.
Chicago, Illinois

Abbott Capital Management, LLC
New York, New York

Bank of Ireland Asset Management (U.S.) Ltd.
Greenwich, Connecticut

BlackRock Financial Management, Inc.
New York, New York

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

Brinson Partners, Inc.
Chicago, Illinois

Capital Guardian Trust Company
Los Angeles, California

CB Richard Ellis Investors, LLC
Los Angeles, California

Clarion-CRA Real Estate Securities
Radnor, Pennsylvania

Cozad/Westchester Agricultural
Asset Management
Champaign, Illinois

Criterion Investment Management LLC
Houston, Texas

Dimensional Fund Advisors
Santa Monica, California

Fidelity Management Trust Company
Boston, Massachusetts

Forest Investment Associates
Atlanta, Georgia

Frontier Capital Management Co.
Boston, Massachusetts

Holland Capital Management
Chicago, Illinois

Investment Counselors of Maryland
Baltimore, Maryland

Jacobs Levy Equity Management, Inc.
Roseland, New Jersey

J.P. Morgan Investment Management, Inc.
New York, New York

Julius Baer Investment Management, Inc.
New York, New York

LaSalle Advisors, Ltd.
Chicago, Illinois

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

Lend Lease Real Estate Investments, Inc.
Atlanta, Georgia

Lincoln Capital Management Co.
Chicago, Illinois

NewBridge Partners, LLC
New York, New York

Northern Trust Quantitative Advisors, Inc.
Chicago, Illinois

Oak Associates, Ltd.
Akron, Ohio

Olympus Real Estate Corporation
Dallas, Texas

Oxford Partners
Westport, Connecticut

Payden & Rygel
Los Angeles, California

Prudential Investments
Parsippany, New Jersey

The RREEF Funds
Chicago, Illinois

Schroder Capital Management International
London, England

Schroder Ventures
London, England

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

Sentinel Real Estate Corporation
New York, New York

Wall Street Associates
La Jolla, California

Wellington Management Company, LLP
Boston, Massachusetts

Investment Objectives and Policies

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

A. Investment Objectives

The IMRF Board of Trustees, pursuant to its fiduciary responsibilities, and in order to provide benefits exclusively for its membership, has established the following objectives:

1. To diversify the investment portfolio so as to optimize investment returns and at the same time to control the risk of large losses.

2. To set investment and actuarial policies so as to assure the adequate accumulation of assets and achieve a reasonable funded status.

3. To achieve rates of return greater than the current actuarial assumption of 8 percent and to exceed inflation.

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

5. To achieve in U.S. equities a total return that exceeds the total return of the S&P 500 Stock Composite Index. In addition, the Board expects to earn a minimum of 6 percent in excess of inflation over a moving five-year period.

6. To achieve in international equities a total return that exceeds the total return of the MSCI EAFE Index. In addition, the Board expects to earn a minimum of 6 percent in excess of inflation over a moving five-year period.

7. To achieve in fixed income securities a total return that exceeds the Lehman Aggregate Bond Index over a moving five-year period. In addition, the Board expects to earn a minimum of 3 percent in excess of inflation over a moving five-year period.

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

9. To achieve in alternative investments a 15 percent nominal return.

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

11. To minimize employer contribution volatility.

12. To ensure continuing stability of employee contribution rates.

13. To manage costs in an effective manner while providing high levels of service to members, employers, and taxpayers.

14. To be innovative, responsive, and considerate of the position of public trust it holds in the State of Illinois.

Investment return shall include both income and realized and unrealized gains and losses, and is computed on market value.

B. Proxy Voting Guidelines

The Board shall retain the final authority and responsibility to vote proxies. Generally, proxies shall be voted for management nominees and proposals in all cases unless otherwise recommended by the Investment Manager. In cases of takeover, anti-takeover, merger or acquisition resolutions or significant corporate developments, the IMRF staff will consult with the Investment Manager(s) prior to execution of the proxy ballot.

C. U.S. Equity Investment Guidelines

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

2. A commitment to any one industry shall generally be limited to a maximum of 20 percent of an equity manager's portfolio market value at the time of purchase. Any holding of any one issuer, at the time of purchase, shall generally be limited to a maximum of 8 percent of the equity manager's portfolio market value.

3. Equity securities must be listed on the principal U.S. exchanges or traded over the counter. ADRs (either listed or traded over the counter) of foreign companies are permissible.

4. Volatility of the non-commingled equity portfolio should not exceed 125 percent of the volatility of the market as defined by Standard & Poor's 500 Composite Stock Index and measured by the portfolio evaluation advisors unless otherwise agreed to by the Board.

5. The use of convertible debt instruments shall be considered part of the equity portfolio.

D. International Equity Investment Guidelines

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

2. Managers may invest in equity securities that are not traded on U.S. exchanges. Global equity managers may invest in equity securities that are traded on U.S. or international exchanges.

3. Holdings of any one issuer, at the time of purchase, shall generally be limited to a maximum of 5 percent of the international equity manager's portfolio market value.

4. Global equity portfolio holdings are considered to be part of the international equity portfolio. Holdings of any one issuer, at the time of purchase, shall generally be limited to a maximum of 8 percent of the portfolio market value. Additionally, country holdings (excluding Japan and the U.S.) and emerging market holdings will generally be limited to 20 percent of portfolio market value at the time of purchase.

5. Emerging market portfolios are also considered to be part of the international equity portfolio. The emerging market portfolio shall be diversified both geographically and by industry sector. Markets will be selected based on market liquidity, availability of information, and official regulation, including fiscal and foreign exchange repatriation rules. The emerging market manager may generally invest up to 35 percent of its assets in a single country. Holdings of any one issuer, at the time of purchase, shall generally be limited to 5 percent of the portfolio's market value.

6. Managers may engage in various transactions to hedge currency.

E. Fixed Income Investment Guidelines

1. Bonds, notes or other obligations of indebtedness issued or guaranteed by the U.S. government, its agencies or instrumentalities are permissible investments.

2. Debt obligations of any single U.S. corporation are generally subject to a maximum holding of 15 percent of a manager's portfolio assets at market value. Generally, no more than 20 percent of a manager's assets at market value may be invested in securities rated below "BBB" or "Baa" at the time of purchase. The use of debt instruments rated lower than "BBB" or "Baa" or non-rated instruments does not require prior Board approval for investment managers using high-yield disciplines.

3. Managers may invest in mortgage backed securities.

4. Private placements may be authorized by the Board on an individual manager basis.

5. Bonds or other obligations of foreign countries and corporations payable in U.S. and non-U.S. funds are authorized by the Board for specific managers.

6. Global fixed income portfolio holdings are considered to be part of the fixed income portfolio. Both U.S. and non-U.S. dollar denominated fixed income securities are permissible investments. Government and government agency obligations may be purchased without limitation. Debt obligations of any single corporation are generally subject to a maximum of 5 percent of the manager's assets at market value. The manager shall not invest in securities rated lower than "BBB" by Standard & Poor's, "Baa" by Moody's, or other such equivalent ratings issued by other recognized rating agencies. No more than 15 percent of the manager's assets at market value shall be invested in obligations rated "BBB," "Baa," or such equivalent ratings. A global fixed income manager may engage in various transactions to hedge currency.

7. The use of exchange traded financial futures, exchange traded options on financial futures, and over the counter options is subject to individual manager guidelines. The use of leverage is not allowed.

F. Equity Real Estate Investment Guidelines

Real estate is an authorized investment of the Fund provided that such investment at the time of commitment would not cause the market value of such investments to exceed 5 percent of the market value of the total Fund.

G. Alternative Investment Guidelines

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

H. Short-term Investment Guidelines

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

Returns by Asset Class

Periods ending December 31st

	1995	1996	1997	1998	1999	Annualized 3 yrs.	5 yrs.	10 yrs.
Total Time Weighted Returns								
IMRF	20.68%	15.87%	16.19%	12.63%	20.93%	16.41%	17.27%	12.29%
CPI (Inflation)	2.54%	3.32%	1.70%	1.61%	2.67%	2.00%	2.36%	2.93%
Equities - U.S.								
IMRF	32.26%	22.30%	28.47%	21.27%	29.61%	26.40%	26.74%	17.95%
S&P 500	37.48%	23.07%	33.23%	28.75%	21.05%	27.56%	28.55%	18.19%
Wilshire 4500	33.43%	17.18%	25.69%	8.63%	34.87%	22.57%	23.59%	16.01%
Wilshire 5000	36.45%	21.21%	31.29%	23.43%	23.56%	26.04%	27.06%	17.57%
Equities - International								
IMRF	6.40%	16.34%	4.24%	13.16%	40.17%	17.98%	15.17%	9.49%
EAFE	11.55%	6.36%	2.06%	20.33%	27.30%	16.06%	13.15%	7.33%
EAFE 50% Hedged	10.64%	9.06%	7.83%	16.17%	31.01%	17.95%	16.41%	6.97%
Equities - Global								
IMRF	n/a	n/a	n/a	15.11%	18.08%	n/a	n/a	n/a
MSCI World	21.31%	13.99%	16.22%	24.79%	24.94%	21.61%	19.76%	11.49%
Equities - Emerging Markets*								
IMRF	n/a	n/a	-10.31%	-22.01%	78.38%	7.66%	6.65%	n/a
MSCI Emerging Markets Free	-5.21%	6.03%	-11.59%	-25.34%	66.41%	3.18%	2.00%	11.16%
Fixed Income - U.S								
IMRF	18.09%	5.77%	10.18%	7.10%	0.28%	5.17%	7.76%	8.51%
Lehman Aggregate	18.48%	3.61%	9.68%	8.67%	-0.83%	5.74%	7.73%	7.70%
Lehman Government/Corporate	19.24%	2.91%	9.75%	9.47%	-2.15%	5.54%	7.60%	7.65%
Merrill Lynch 1-3 Year Treasury	11.00%	4.98%	6.66%	7.00%	3.06%	5.56%	6.51%	6.59%
Merrill Lynch High Yield	19.91%	11.06%	12.83%	3.66%	1.57%	5.91%	9.61%	10.79%
Fixed Income - Global								
IMRF	21.75%	9.42%	0.21%	15.68%	-5.55%	3.18%	7.92%	9.55%
Salomon World Govt Ex-U.S.	19.55%	4.10%	-4.26%	17.79%	-5.09%	2.29%	5.90%	8.60%
Salomon World Govt	19.04%	3.63%	0.24%	15.29%	-4.30%	3.41%	6.41%	8.03%
Real Estate								
IMRF	5.02%	15.51%	22.68%	-0.38%	2.76%	5.46%	7.50%	-0.76%
NCREIF Classic Property	8.75%	10.36%	12.28%	18.42%	12.76%	14.47%	12.48%	5.79%
Alternative Investments								
IMRF	21.69%	44.90%	39.26%	19.58%	32.60%	30.27%	31.34%	19.22%
Cash & Cash Equivalents								
IMRF	6.16%	5.80%	5.87%	5.81%	7.77%	6.96%	6.57%	5.97%
U.S. Treasury Bills	5.74%	5.30%	5.37%	5.02%	4.96%	5.11%	5.28%	5.13%

**Prior to 1997, Emerging Market Equity returns were included in international equity returns.*

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

Schedule I

Investment Portfolio Summary

in millions of dollars

	As of 12/31/99		As of 12/31/98	
	Fair Value	Percent of Total Fair Value	Fair Value	Percent of Total Fair Value
Fixed Income				
U.S. Government	$981.5	6.1%	$908.8	7.0%
Corporate	1,224.5	7.7%	1,155.6	8.9%
Index Funds	1,441.1	9.0%	996.1	7.7%
Foreign	744.7	4.7%	623.9	4.8%
	4,391.8	27.5%	3,684.4	28.4%
Stocks				
U.S. Common & Preferred	5,120.7	32.1%	4,020.4	31.0%
U.S. Stock Fund	2,355.8	14.8%	1,506.5	11.6%
Foreign Common & Preferred	1,810.1	11.3%	1,827.6	14.1%
Foreign Stock Funds	897.0	5.6%	715.8	5.5%
	10,183.6	63.8%	8,070.3	62.2%
Real Estate				
Commingled Funds	292.9	1.8%	311.6	2.4%
Directly Owned	197.5	1.3%	280.5	2.2%
	490.4	3.1%	592.1	4.6%
Alternative Investments				
Commingled Funds	247.0	1.5%	166.0	1.3%
Timber and Agricultural	87.9	0.6%	66.8	0.5%
	334.9	2.1%	232.8	1.8%
Short-Term Investments	554.7	3.5%	396.2	3.0%
Total Portfolio	$15,955.4	100.0%	$12,975.8	100.0%

A complete listing of investments is available upon request.
Also refer to graphs on page 36.

Schedule II

Asset Allocation

Last Five Years

	Fair Value as a Percent of Portfolio				
	1995	1996	1997	1998	1999
Fixed Income					
U.S. Government	7.6%	9.2%	6.9%	7.0%	6.1%
Corporate	5.5%	6.3%	7.8%	8.9%	7.7%
Index Fund	8.1%	6.7%	7.7%	7.7%	9.0%
Foreign	8.0%	5.6%	5.7%	4.8%	4.7%
	29.2%	27.8%	28.1%	28.4%	27.5%
Stocks					
U.S. Common & Preferred	25.4%	24.1%	27.8%	31.0%	32.1%
U.S. Stock Funds	16.3%	16.9%	14.5%	11.6%	14.8%
Foreign Common & Preferred	12.6%	13.3%	12.2%	14.1%	11.3%
Foreign Stock Funds	5.1%	6.4%	5.7%	5.5%	5.6%
	59.4%	60.7%	60.2%	62.2%	63.8%
Real Estate					
Commingled Funds	2.3%	1.9%	2.4%	2.4%	1.9%
Directly Owned	2.7%	2.8%	2.5%	2.2%	1.2%
	5.0%	4.7%	4.9%	4.6%	3.1%
Venture Capital					
Commingled Funds	1.2%	1.2%	1.2%	1.3%	1.5%
Timber and Agricultural	0.4%	0.3%	0.4%	0.5%	0.6%
	1.6%	1.5%	1.6%	1.8%	2.1%
Short-Term Investments	4.8%	5.3%	5.2%	3.0%	3.5%
Total Portfolio	100.0%	100.0%	100.0%	100.0%	100.0%

Ten Largest Fixed Income Investment Holdings

Excludes Commingled Funds

	Market Value	Percent of Total Invested Market
GNMA 0.00% due 1/15/2029	$53,413,875	0.34%
FNMA 0.00% due 1/25/2030	50,343,281	0.32%
FNMA 5.625% due 3/15/2001	49,535,000	0.31%
FNMA 5.250% due 1/15/2003	48,082,000	0.30%
FNMA 0.00% due 1/1/2029	46,854,763	0.30%
FNMA 0.00% due 1/15/2029	43,196,790	0.27%
U.S. Treasury Bonds 6.25% Due 8/15/2023	34,978,251	0.22%
U.S. Treasury Bonds 6.125% Due 8/15/2029	32,654,049	0.21%
U.S. Treasury Notes 5.500% Due 8/31/2001	31,837,750	0.20%
Germany Bonds 5.625% Due 1/4/2028	28,871,159	0.18%
	$419,766,918	2.65%

Ten Largest Equity Investment Holdings

Excludes Commingled Funds

	Market Value	Percent of Total Invested Market
Cisco Systems, Inc.	$222,996,756	1.41%
America On-Line	198,809,041	1.26%
EMC Corp.	186,030,900	1.18%
Microsoft Corp.	184,354,088	1.17%
Intel Corp.	91,967,756	0.58%
Nokia Corp. ADR	91,003,069	0.58%
Home Depot Inc.	86,563,125	0.55%
Dell Computer Corp.	85,991,100	0.54%
General Electric Co.	83,820,338	0.53%
American International Group, Inc.	66,463,356	0.42%
	$1,297,999,529	8.22%

A complete listing of securities is available upon request.

Schedule of 1999 Domestic Brokerage Commissions

In order of commissions received

Broker Name	Shares	Commissions	Per Share
Investment Technology Group	32,732,992	$644,174	$0.02
Instinet	15,224,765	227,962	0.01
Smith Barney	8,285,736	211,895	0.03
Bear Stearns Securities	11,383,130	209,494	0.02
Capital Institutional Services*	4,056,700	208,405	0.05
Citation Group*	3,458,829	206,412	0.06
Lehman Brothers*	3,154,888	180,238	0.06
Donaldson Lufkin and Jenrette Securities	3,232,870	178,448	0.06
Jefferies and Co.	3,191,055	174,119	0.05
Morgan Stanley and Co.	2,899,750	156,593	0.05
Merrill Lynch Pierce Fenner and Smith	2,659,545	141,552	0.05
Goldman Sachs and Co.	2,524,388	135,768	0.05
First Boston Corp.	2,308,500	134,539	0.06
Paine Webber	1,971,491	112,201	0.06
Cantor Fitzgerald and Co.	2,002,258	100,680	0.05
Prudential Securities	2,856,836	90,944	0.03
Bernstein, Sanford C. and Co.	1,456,290	81,006	0.06
Jones and Associates	1,388,186	79,793	0.06
Hambrecht and Quest	1,168,153	69,933	0.06
Oppenheimer and Co.	1,129,959	62,464	0.06
Lynch Jones and Ryan*	985,200	50,926	0.05
J.P. Morgan Securities	901,525	50,838	0.06
Other Brokers	21,811,748	1,130,217	0.05
Total	130,784,794	$4,638,601	$0.04

**Directed commission broker*

Schedule of 1999 International Brokerage Commissions

In order of commissions received

Broker Name	Shares	Commissions	Per Share
Morgan Stanley	14,458,440	$333,585	$0.02
HSBC Investment Bank	14,640,028	263,265	0.02
Goldman Sachs	53,211,098	259,939	0.00
SBC Warburg	17,072,608	228,321	0.01
Merrill Lynch	16,347,116	215,581	0.01
Lehman Brothers*	9,013,334	213,419	0.02
CSFB Limited	6,918,741	179,408	0.03
Salomon Brothers	9,944,670	145,365	0.01
TIR Securities*	3,677,639	136,013	0.04
Kleinwort Benson	4,352,876	134,769	0.03
Deutsche Morgan Grenfell	5,140,053	132,160	0.03
Credit Lyonnais	21,336,780	131,057	0.01
ABN AMRO	5,618,645	130,632	0.02
JB Were and Son	3,935,981	90,645	0.02
Indosuez WI Carr	6,869,254	89,442	0.01
JP Morgan	1,829,228	83,339	0.05
Sanford Bernstein	1,231,440	62,757	0.05
Other Brokers	70,550,085	816,981	0.01
Total International	266,148,016	$3,646,678	$0.01

* *Directed commission broker*

Schedule of Investment Fees

	1999 Fees	1999 Assets under management at year end (in thousands)	1999 Basis Points	1998 Fees	1998 Assets under management at year end (in thousands)	1998 Basis Points
Investment manager fees						
Fixed income managers	$3,677,589	$3,353,474	11	$3,407,249	$2,710,393	13
Stock managers	19,345,015	7,213,967	27	15,236,412	5,539,503	28
International managers	12,676,930	4,393,751	29	12,818,160	3,991,520	32
Real Estate managers	4,687,258	492,216	95	5,938,834	598,112	99
Alternative investment managers	2,017,735	361,975	56	2,222,419	247,268	90
	$42,404,527	$15,815,383		$39,623,074	$13,086,796	
Other investment fees						
Master trustee fees	$823,155			$737,448		
Total investment fees	43,227,682			40,360,522		
Non-fee investment expenses	46,311			61,669		
Total direct investment expenses	$43,273,993			$40,422,191		
Securities lending fees						
Rebated earnings	$62,775,039			$70,163,997		
Bank fees and commissions	1,412,750			1,349,195		
	$64,187,789			$71,513,192		

Fees paid with directed commissions

IMRF pays for some consulting services with directed commissions or “soft dollars.”
These are a form of payment for services through brokerage commissions generated through trades with special directed brokerages.

	1999	1998
Investment consulting fees	$481,868	$329,800
Master trustee fees	46,250	100,000
	$528,118	$429,800

Actuarial

GABRIEL, ROEDER, SMITH & COMPANY
Consultants & Actuaries

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May 24, 2000

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

Dear Board Members:

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

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

The financial objective is addressed within the annual actuarial valuation. The valuation process develops contribution rates that are sufficient to fund the plan's current cost (i.e. the costs assigned by the valuation method to the year of service about to be rendered), as well as to fund unfunded actuarial accrued liabilities as a level percent of active member payroll over a finite period. The most recent valuations were completed based upon population data, asset data, and plan provisions as of December 31, 1999.

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

The actuary prepared the following supporting schedules for the Comprehensive Annual Financial Report.

Schedule of Funding Progress

Solvency Test

Actuarial Balance Sheet

Analysis of Unfunded Liability

Gain and Loss Analysis

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

Board of Trustees
Page 2

May 24, 2000

Actuarial valuations are based upon assumptions regarding future activity in specific risk areas including the rates of investment return and payroll growth, eligibility for the various classes of benefits, and longevity among retired lives. These assumptions are adopted by the Board after considering the advice of the actuary and other professionals. The assumptions and the methods comply with the requirements of Statement 25 of the Governmental Accounting Standards Board. Each actuarial valuation takes into account all prior differences between actual and assumed experience in each risk area and adjusts the contribution rates as needed. The December 31, 1999 valuations were based upon assumptions that were recommended in connection with a study of experience covering the 1996-98 period. The next experience study will cover the period from January 1, 1999 to December 31, 2001.

Combined experience was favorable during 1999, producing a decrease in contribution rates for many employers. Investment return was a significant source of actuarial gain.

Based upon the results of the December 31, 1999 valuations, we are pleased to report to the Board that the Illinois Municipal Retirement System is meeting its basic financial objective and continues in sound condition in accordance with actuarial principles of level percent of payroll financing.

Respectfully submitted,

GABRIEL, ROEDER, SMITH & COMPANY

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

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

BBM:kmg

GABRIEL, ROEDER, SMITH & COMPANY

Illinois Municipal Retirement Fund
Brief Summary Of Actuarial Assumptions
(Adopted as of December 31, 1999, except as noted below)

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

Sample Annual Rates per 100 Employees					
	Active Mortality		Disability		Pay Increase Next Year (6 + yrs. of service)
Age	Male	Female	Male	Female	
20	0.03%	0.02%	0.02%	0.02%	- -%
30	0.05	0.03	0.03	0.02	6.0
40	0.09	0.04	0.12	0.07	5.2
50	0.29	0.11	0.28	0.16	5.0
60	0.69	0.27	- -	- -	4.4
65	1.17	0.44	- -	- -	- -

	Separation			Retirement				
	Regular (8 + Yrs. Serv.)		SLEP (5+ Yrs.)	Reduced		Unreduced		SLEP
Age	Male	Female		Male	Female	Male	Female	
30	3.80%	6.50%	4.80%	- -%	- -%	- -%	- -%	- -%
40	3.20	4.80	2.70	- -	- -	- -	- -	- -
50	2.60	3.70	2.00	- -	- -	- -	- -	15.00
55	- -	- -	- -	6.00	7.00	35.00	25.00	15.00
60	- -	- -	- -	- -	- -	10.00	15.00	20.00
65	- -	- -	- -	- -	- -	40.00	30.00	25.00
70	- -	- -	- -	- -	- -	20.00	20.00	100.00

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

GABRIEL, ROEDER, SMITH & COMPANY

05/24/2000

Solvency test

Last ten years

Calendar Year	Aggregate Actuarial Liabilities For (1) Active Member Contributions	(2) Annuitants	(3) Active Members (Employer Financed Portion)	Actuarial Assets	Portion of Actuarial Liabilities covered by Assets (1)	(2)	(3)
1990	$ 986,213,859	$2,111,742,303	$3,134,267,510	$4,468,795,967	100.0%	100.0%	43.7%
1991	1,095,888,522	2,217,253,547	3,093,823,381	5,034,577,441	100.0%	100.0%	55.6%
1992	1,218,238,446	2,421,564,751	3,314,680,161	5,615,583,858	100.0%	100.0%	59.6%
1993	1,350,831,396	2,660,823,087	3,498,111,756	6,396,329,900	100.0%	100.0%	68.2%
1994	1,496,014,554	2,907,982,455	3,722,645,821	7,078,861,925	100.0%	100.0%	71.9%
1995	1,642,362,193	3,171,162,151	4,010,173,143	8,034,030,783	100.0%	100.0%	80.3%
1996	1,782,293,677	3,588,320,481	4,407,978,361	9,076,261,663	100.0%	100.0%	84.1%
1997	1,933,512,014	3,995,946,514	4,878,510,539	10,273,116,034	100.0%	100.0%	89.0%
1998	2,086,679,470	4,485,651,306	5,288,548,422	11,636,495,534	100.0%	100.0%	95.8%
1999	2,258,628,401	4,915,467,275	5,830,927,617	13,520,192,111	100.0%	100.0%	108.8%

Total obligation and actuarial value of assets calculated by the actuary.

Table I

Participating Member Statistics

Last ten years

Calendar Year	Total Salaries	Percent Increase in Total Salaries	Average Annual Salary	Percent Increase in Average Salary	Number of Participating Members	Average Attained Age	Average Years of Service
1990	$2,293,192,916	4.6%	$19,000	5.3%	$120,648	43.3	7.3
1991	2,484,644,553	8.3%	19,846	4.5%	124,953	43.4	7.4
1992	2,643,707,677	6.4%	20,546	3.5%	125,943	43.8	7.6
1993	2,774,088,607	4.9%	21,856	10.1%	130,063	44.3	8.1
1994	2,930,307,763	5.6%	21,710	-0.7%	126,708	43.9	7.7
1995	3,100,271,694	5.8%	22,661	4.4%	133,733	43.8	8.2
1996	3,280,416,531	5.8%	22,104	-2.5%	142,046	44.0	8.3
1997	3,470,593,355	5.8%	23,991	8.5%	146,659	44.1	8.2
1998	3,704,109,084	6.7%	24,871	3.7%	150,428	44.3	8.2
1999	3,933,065,061	6.2%	25,678	3.2%	155,517	44.4	8.6

Table II
Changes in the number of recurring benefit payments

Last ten years

	Additions		Deletions		End of Year	
Calendar Year	Annuity	Disability	Annuity	Disability	Annuity	Disability
1990	3,698	2,024	1,966	2,022	49,330	1,409
1991	2,899	2,022	1,165	2,061	51,064	1,370
1992	3,067	2,033	1,235	1,993	52,896	1,410
1993	3,381	1,978	1,349	1,881	54,928	1,507
1994	3,931	2,067	1,501	1,343	57,358	2,231
1995	4,020	2,014	1,321	1,590	60,057	2,655
1996	3,866	1,886	2,403	2,813	61,520	1,728
1997	4,971	1,885	2,436	1,986	64,055	1,627
1998	4,895	1,799	2,678	1,942	66,272	1,484
1999	4,852	1,807	2,794	1,905	68,330	1,386

Table III
Number of initial benefit payments

Last ten years

Calendar Year	Annuity	Disability	Death	Refund	Total
1990	3,698	2,024	1,878	11,917	19,517
1991	2,899	2,022	1,836	11,692	18,449
1992	3,059	2,033	2,097	12,006	19,195
1993	3,289	1,978	1,954	9,491	16,712
1994	3,365	2,785	1,822	10,910	18,882
1995	4,039	2,183	1,002	11,348	18,572
1996	4,689	2,221	889	11,550	19,349
1997	4,962	2,169	915	13,841	21,887
1998	4,025	1,953	2,367	13,373	21,718
1999	3,892	2,004	2,517	13,542	21,955

Table IV
Average employer contribution rates
Last five years

Calendar Year	Normal Cost	Prior Service Cost	Disability and Death	Supplemental Retirement Benefit	Total
Regular Members					
1997	7.27%	1.32%	0.40%	0.62%	9.61%
1998**	7.21%	1.36%	0.45%	0.62%	9.64%
1999	7.23%	0.99%	0.35%	0.62%	9.19%
2000*	7.17%	0.02%	0.35%	0.62%	8.16%
2001**	7.41%	-1.75%	0.36%	0.62%	6.64%
Sheriff's Law Enforcement Personnel Members (SLEP)					
1997	9.32%	1.09%	0.40%	0.62%	11.43%
1998**	10.22%	2.65%	0.45%	0.62%	13.94%
1999	10.62%	2.43%	0.35%	0.62%	14.02%
2000*	10.42%	2.89%	0.35%	0.62%	14.28%
2001**	12.02%	1.85%	0.37%	0.62%	14.86%
Elected County Official Members (ECO)					
1999	21.48%	13.56%	0.35%	0.62%	36.01%
2000*	23.39%	17.03%	0.34%	0.62%	41.38%
2001**	23.85%	17.75%	0.36%	0.62%	42.58%

The optional Elected County Officials Plan began in 1997. The 1999 rates, which are based on 1997 data, are the first experience based rates.

** The method of computing average rates was changed for 2000 from a population weighted method to a pay weighted method.*

*** Assumptions changed due to experience study.*

Table V
Participating member contribution rates
Last ten years

Calendar	Regular IMRF			Sheriff's Law Enforcement Personnel				Elected County Officials			
Year	Normal	Survivor	Total	Normal	Survivor	SLEP	Total	Normal	Survivor	ECO	Total
1990	3.75%	0.75%	4.50%	3.75%	0.75%	2.00%	6.50%				
1991	3.75%	0.75%	4.50%	3.75%	0.75%	2.00%	6.50%				
1992	3.75%	0.75%	4.50%	3.75%	0.75%	2.00%	6.50%				
1993	3.75%	0.75%	4.50%	3.75%	0.75%	2.00%	6.50%				
1994	3.75%	0.75%	4.50%	3.75%	0.75%	2.00%	6.50%				
1995	3.75%	0.75%	4.50%	3.75%	0.75%	2.00%	6.50%				
1996	3.75%	0.75%	4.50%	3.75%	0.75%	2.00%	6.50%				
1997**	3.75%	0.75%	4.50%	3.75%	0.75%	2.00%	6.50%	3.75%	0.75%	3.00%	7.50%
1998	3.75%	0.75%	4.50%	3.75%	0.75%	2.00%	6.50%	3.75%	0.75%	3.00%	7.50%
1999	3.75%	0.75%	4.50%	3.75%	0.75%	2.00%	6.50%	3.75%	0.75%	3.00%	7.50%

***The Elected County Officials plan began in 1997.*

Actuarial Balance Sheet

	Amount at December 31	
	1999	**1998**
Sources of Funds		
Actuarial value of assets	$13,520,192,111	$11,636,495,534
Actuarial present value of future contributions		
Member	1,737,628,035	1,637,048,238
Employer normal costs	2,901,001,179	2,622,317,919
Unfunded actuarial accrued liability	(515,168,818)	224,383,664
Total sources	17,643,652,507	16,120,245,355
Uses of Funds		
Retired members and beneficiaries	4,915,459,683	4,485,651,306
Inactive members	1,034,642,976	918,795,583
Active members	11,671,575,636	10,692,245,571
Death and disability benefits	21,974,212	23,552,895
	$17,643,652,507	$16,120,245,355

Analysis of Unfunded Liability

Unfunded liability beginning of year	$224,383,664	$534,853,033
Assumed payments during year	(37,635,098)	(30,821,514)
Assumed interest (7.5 percent)	57,022,655	38,972,111
Expected unfunded liability	243,771,221	543,003,630
Change due to assumption changes	166,647,356	-
Change due to investment performance	(962,123,987)	(515,700,260)
Change due to other sources	36,536,592	197,080,294
Unfunded liability end of year	($515,168,818)	$224,383,664

Derivation of Experience Gain (Loss)

Type of Risk Area	1999	1998
Risks Related to Assumptions *in millions*		
Economic Risk Areas		
Investment Return	$962.1	$515.7
Pay Increases	5.5	(69.9)
Demographic Risk Areas		
Service Retirements	6.8	37.8
Early Retirements	(5.1)	(8.7)
Vested Deferred Retirements	(14.6)	37.8
Death and Survivor Benefits	0.6	7.7
Disability Benefits	6.4	5.7
Terminated with Refund	(21.1)	10.5
Risks Not Related to Assumptions	(168.1)*	(197.0)
Total Gain (or Loss) During Year	$758.9	$318.6

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

**Including $166.6 million from experience study*

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 more than 2,700 employers including cities, villages, counties, school districts, townships and various special districts, such as parks, forest preserves and sanitary districts. Each employer builds up an account to provide future 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 will equal or exceed the employer's annual hourly standard; the standard is either 600 or 1,000 hours a year.

IMRF has three benefit plans. The Sheriff's Law Enforcement Personnel (SLEP) plan is for sheriffs and deputy sheriffs. Forest preserve districts may adopt the SLEP plan for their law enforcement personnel. Counties may adopt the Elected County Official (ECO) plan for their elected officials. After a county has adopted the ECO plan, participation is optional for the elected officials of that county.

Both the employee (member) and the employer contribute toward the retirement benefits. Members contribute a percentage of their salary. The percentage depends on the plan in which the member participates. Regular members contribute 4.5 percent, SLEP members contribute 6.5 percent, and ECO plan members contribute 7.5 percent. Employer contributions are actuarially calculated for each employer. Employers pay most of of the member's and survivor's pension cost and all of the cost for death and disability benefits.

Vesting

Members are vested for pension benefits when they have at least eight years of 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.

Refunds

Non-vested members who stop working in an IMRF qualified position can receive a lump sum refund of their IMRF contributions. Vested members can receive a lump sum refund of their IMRF contributions if they are not retirement age or they may leave the contributions with IMRF until they reach retirement age.

Members who retire without an eligible spouse (married to the member at least one year before the member terminates IMRF participation), will receive a refund of their surviving spouse contributions with interest.

If upon a member's death all of the member contributions were not paid as a refund or pension, the beneficiary will receive the remainder of the IMRF contributions, with interest.

Pension Calculations

A Regular IMRF pension is:

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

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

A SLEP pension is:

- 2-1/2 percent of the final rate of earnings for each of the first 20 years of service, plus
- 2 percent for each year of service between 20 and 30 years of service, plus
- 1 percent of the final rate of earnings for each year of service credit in excess of 30 years.

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

Summary of Benefits (continued)

An ECO pension is:

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

The maximum pension at retirement cannot exceed 80 percent of the final rate of earnings.

An IMRF pension is paid for life and is increased by 3 percent of the original amount on January 1 of each year after the member retires. The increase for the first year is prorated for the number of months the member was on retirement.

Final rate of earnings, for Regular and SLEP members, are the highest total earnings during any forty-eight consecutive months within the last 10 years of IMRF service divided by 48. The final salary for ECO members is the annual salary of the ECO member on the day he or she retires.

Normal retirement for an unreduced pension is age 60. Members may retire as early as age 55 with a reduced pension. The reduction is the lesser of:

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

Service Credit

Service credit is the total time under IMRF, stated in years and fractions. Service is credited monthly while the member is working, receiving IMRF disability benefits or on IMRF's Benefit Protection Leave.

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

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

Early Retirement Incentive

IMRF employers may offer an early retirement incentive (ERI) program to their employees who are over 50 years of age and who have more than 20 years of service credit. Eligible members may purchase up to five years of service credit and age. Employers must pay off the additional ERI liability within 10 years. Subsequent ERI programs may be offered by an employer after the liability for the previous ERI program is paid.

Supplemental Retirement Benefits

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

Disability Benefits

Regular and SLEP members are eligible for 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 for any employer.

Summary of Benefits (continued)

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 office,
- have resigned their office, and
- have two licensed physicians approved by IMRF certify that the ECO member is permanently disabled.

The monthly disability benefit is equal to the greater of:
- 50 percent of his or her annualized salary payable on the last day of ECO participation divided by 12
- or, the retirement benefit earned to date up to a maximum of 66-2/3 percent.

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

Death Benefits

Beneficiary(ies) of active members who have more than one year of service or whose death is 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 a lump sum equal to one year's earnings plus a refund of the member contributions with interest. Eligible spouses of deceased vested active members may choose the lump sum or a monthly surviving spouse pension.

Beneficiary(ies) of an inactive member receive a lump sum payment of the member's contributions, plus interest. If the beneficiary is an eligible spouse, he or she may choose between the lump sum payment, or a death benefit of $3,000 plus a monthly surviving spouse pension.

Beneficiary(ies) of a retired member receive a $3,000 death benefit. Eligible spouses also receive a surviving spouse pension.

Surviving Spouse Pension

For Regular and SLEP members, a surviving spouse's monthly pension is one-half of the member's pension. However, if the spouse is more than five years younger than the member, the pension is actuarially reduced.

For ECO members, a surviving spouse's monthly pension is 66-2/3 percent of the member's pension. This pension is payable once the surviving spouse becomes 50 years old. If the spouse is caring for the member's minor, unmarried children, the spouse will receive (age 50 requirement does not apply):
- a monthly pension equal to 30 percent of the ECO member's salary at time of death plus
- 10 percent of the ECO member's salary at time of death for each minor, unmarried child.

The maximum total monthly benefit payable to spouse and children cannot exceed 50 percent of the ECO member's salary at time of death.

or

- a monthly pension equal to 66-2/3 percent of the pension the member had earned.

Surviving spouse pensions under all plans are increased each January 1 by three percent of the original amount. The first year may be prorated unless the effective date of the benefit is January 1.

Changes in Plan Provisions

Legislation effective January 26, 2000, changed the following provisions of the Elected County Officials (ECO) Plan. These changes apply to all members who join the ECO Plan after January 25, 2000.

- The ECO benefit formula is limited to service in an elected county office.
- The final rate of earnings is changed from the last salary to a four-year average calculated separately for each office held.
- Eight years of service in each office is required to qualify for an ECO formula.
- Counties may opt out of the ECO Plan.

Legislation, awaiting the Governor's signature to become law, would make the following changes.

- Surviving spouses may remarry before age 55 without losing their benefits.
- Members may apply for Benefit Protection Leave more than two years after the leave period.
- Counties may require ECO members to pay both the member and employer cost when converting Regular or SLEP service credit to ECO service credit.

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Statistical

Table VI
Revenues by source

Last ten years

Calendar Year	Investment Earnings Net of Direct Investment Expense*	Employer Contributions Dollars	Employer Contributions Percent of Annual Covered Payroll	Member Contributions	Other	Total
1990	$225,847,255	$254,963,199	11.12%	$107,356,163	$104,730	$588,271,347
1991	341,436,905	288,211,812	11.60%	116,512,288	52,370	746,213,375
1992	533,054,735	316,452,098	11.97%	123,251,394	56,340	972,814,567
1993	529,125,672	298,666,790	10.77%	129,790,252	62,476	957,645,190
1994	(21,846,226)	314,709,090	10.74%	137,038,998	896	429,902,759
1995	1,437,085,113	315,729,600	10.18%	145,302,603	1,646	1,898,118,962
1996	1,339,939,094	327,550,353	9.99%	158,107,450	—	1,825,596,897
1997	1,550,409,109	336,249,487	9.69%	168,501,275	1,232	2,055,161,103
1998	1,416,152,349	364,196,668	9.839%	190,259,213	66,938	1,970,675,168
1999	2,689,086,076	379,194,892	9.64%	192,356,900	3,030	3,260,640,898

**Note: For years including and subsequent to 1994, Net Investment Income includes realized and unrealized appreciation or depreciation of investments. Preceding years include only realized gains and losses.*

Table VII
Expenses by type

Last ten years

Calendar Year	Benefits	Refunds	Administrative Expense	Other Expenses	Total
1990	$204,611,164	$18,333,470	$ 8,803,008	$ 45,110	$231,792,752
1991	222,945,051	18,233,310	10,336,985	107,434	251,622,780
1992	243,431,034	18,337,609	12,796,146	24,522	274,589,311
1993	282,562,116	17,979,394	16,685,821	72,342	317,299,673
1994	304,702,303	17,957,846	15,897,039	—	338,557,188
1995	332,685,282	22,261,910	14,756,916	—	369,704,108
1996	368,737,972	23,520,078	14,135,868	—	406,393,918
1997	410,417,029	26,088,854	14,700,542	—	451,206,425
1998	451,496,766	27,121,071	16,527,175	—	495,145,012
1999	496,363,836	28,126,601	16,186,656	—	540,677,093

Table VIII
Benefit expense by type

Last ten years

Calendar Year	DEATH Supplemental	DEATH Refund	DEATH Burial	DEATH Residual	DISABILITY Permanent	DISABILITY Temporary
1990	$6,065,129	$3,446,996	$4,428,360	$237,499	$2,113,394	$4,613,439
1991	6,674,977	3,586,516	4,413,706	171,348	2,351,722	4,654,292
1992	6,623,552	3,603,942	5,170,634	177,030	2,677,124	5,058,837
1993	6,579,926	4,296,758	5,045,965	172,088	2,744,544	5,465,798
1994	6,450,051	3,488,386	4,870,740	209,649	2,845,529	5,374,472
1995	6,915,904	4,009,076	4,603,677	204,249	2,792,032	5,827,116
1996	6,537,240	5,669,342	4,986,510	311,381	3,296,993	5,808,860
1997	7,083,244	5,376,069	5,458,990	493,928	3,089,085	5,274,900
1998	7,534,697	5,912,822	5,585,751	516,511	3,093,157	5,130,272
1999	7,107,276	5,440,949	6,234,757	155,382	3,150,728	5,286,122

Calendar Year	ANNUITIES Retirement	ANNUITIES Surviving Spouse	ANNUITIES Beneficiary	ANNUITIES Supplemental	REFUNDS Separation	REFUNDS Other	Total
1990	$171,914,170	$11,436,633	$355,544		$18,160,198	$62,272	$222,833,634
1991	187,891,475	12,816,774	384,241		18,154,227	79,083	241,178,361
1992	205,294,881	14,428,285	396,749		18,016,467	321,142	261,768,643
1993	225,233,604	16,208,834	429,084	$16,385,515	17,442,746	536,648	300,541,510
1994	245,173,134	17,802,311	470,642	18,017,389	17,797,355	160,491	322,660,149
1995	268,714,165	20,123,119	513,544	18,982,400	21,872,917	388,993	354,947,192
1996	298,852,567	22,359,163	553,216	20,362,701	23,342,975	177,103	392,258,050
1997	336,784,723	24,815,833	615,880	21,424,377	25,760,143	328,711	437,502,876
1998	374,124,084	26,334,572	635,074	22,629,826	26,589,126	531,945	478,617,837
1999	414,515,394	29,272,679	697,985	24,502,564	27,998,118	128,483	524,490,437

Table IX
Average benefit payment amounts

Last ten years

	Single Sum Payments		Recurring Payments	
Calendar Year	Separation Refunds	Lump Sum Death Benefit	Annual Disability (1)	Annual Retirement (2)
1990	$1,499	$16,312	$9,051	$6,487
1991	1,497	17,659	9,260	6,967
1992	1,501	18,452	10,019	7,351
1993	1,680	18,677	10,085	7,547
1994	1,906	19,380	8,663	6,817
1995	1,990	21,518	10,861	8,616
1996	1,974	22,002	11,188	10,232
1997	1,859	21,779	11,764	10,643
1998	1,966	32,627	12,059	10,415
1999	2,027	30,645	12,355	10,102

(1) Prior to Social Security and workers' compensation offsets.
(2) Prior to level option reduction.

Average Annual Benefit Payment Amounts

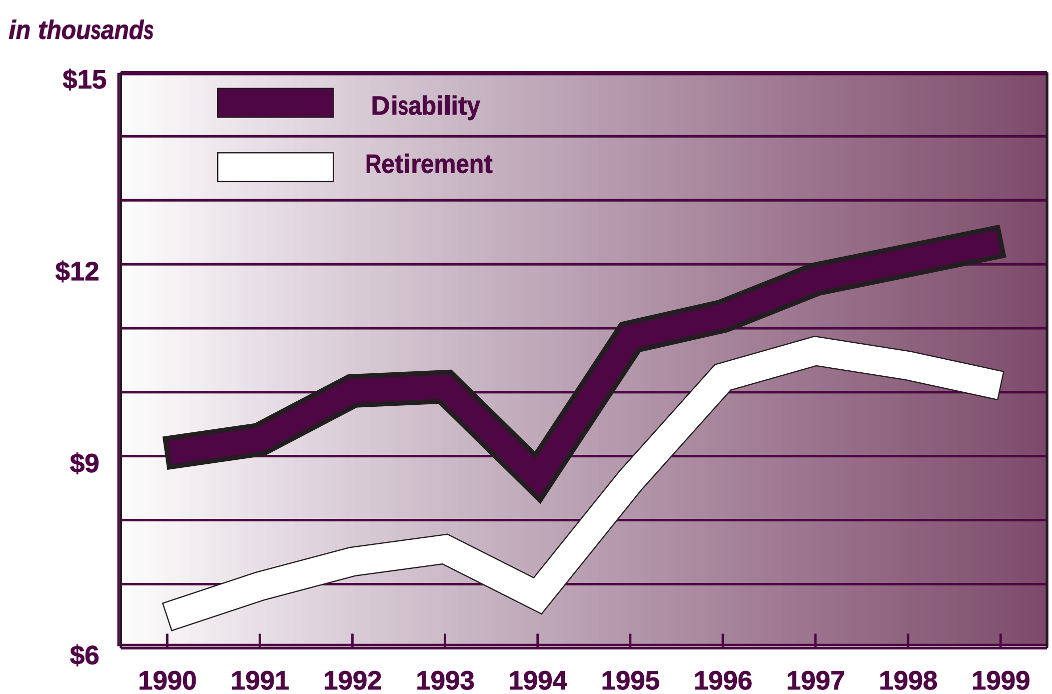

Table X
Number of actively participating employers

Last ten years

Calendar Year End	Cities	Villages	Counties	School Districts	Townships	Other	Total
1990	233	286	101	953	325	608	2,506
1991	234	296	101	948	335	635	2,549
1992	235	308	101	943	350	668	2,605
1993	238	312	101	923	359	677	2,610
1994	240	321	101	910	368	683	2,623
1995	242	329	101	902	376	690	2,640
1996	244	341	101	902	387	704	2,679
1997	245	347	101	898	402	713	2,706
1998	247	356	101	894	417	729	2,744
1999	247	363	101	893	425	739	2,768

Table XI
Number of actively participating members

Last ten years

Calendar Year End	Male Participants	Female Participants	Total
1990	49,121	71,527	120,648
1991	50,442	74,511	124,953
1992	50,804	75,139	125,943
1993	52,769	77,294	130,063
1994	50,257	76,451	126,708
1995	52,778	80,995	133,773
1996	55,255	86,791	142,046
1997	56,424	90,235	146,659
1998	57,181	93,247	150,428
1999	58,419	97,098	155,517

Table XII
Participating members' length of service

Last ten years

Calendar Year	Total Active Members	Under 1 Year	1 to 4 Years	5 to 9 Years	10 to 14 Years	15 Years and Over
1990	120,648	17,150	41,785	24,995	19,632	17,086
1991	124,953	16,301	44,413	25,887	20,319	18,033
1992	125,943	14,284	45,174	27,715	19,095	19,675
1993	130,063	18,089	42,972	29,898	17,813	21,291
1994	126,708	14,386	39,653	32,060	18,182	22,427
1995	133,733	16,014	40,105	34,162	18,846	24,646
1996	142,046	18,464	42,166	33,826	19,497	28,093
1997	146,659	20,761	44,506	32,651	20,759	27,982
1998	150,428	21,503	46,464	32,060	22,291	28,110
1999	155,517	22,831	48,532	31,371	23,602	29,181

Table XIII
Distribution of current annuitants by pension amount

	Retirement Number of		Survivor Number of		All Annuities Number of	
Monthly Pension Amount	Males	Females	Males	Females	Males	Females
Under $100	1,166	5,962	767	2,290	1,933	8,252
$100 to under $250	2,601	9,894	692	3,503	3,293	13,397
$250 to under $500	4,969	9,526	314	2,022	5,283	11,548
$500 to under $750	3,326	4,949	70	656	3,396	5,605
$750 to under $1,000	2,238	2,820	13	242	2,251	3,062
$1,000 to under $2,000	4,108	3,344	5	188	4,113	3,532
$2,000 to under $3,000	1,437	424		9	1,437	433
$3,000 to under $4,000	519	66			519	66
$4,000 and over	199	11			199	11
Total	20,563	36,996	1,861	8,910	22,424	45,906

Note: Counts do not include disabilitants

Table XIV
Analysis of Initial Retirement Benefits

		Years of Credited Service							
		8-9	10-14	15-19	20-24	25-29	30-34	35-39	Total
Regular Plan									
1996	Avg. Monthly Annuity	$224	$231	$557	$819	$1,043	$1,474	$2,055	$765
	Avg. Monthly FRE	$1,588	$1,676	$1,944	$2,128	$2,124	$2,534	$2,912	$2,013
	Number of Retirees	404	706	686	474	643	335	174	3,422
1997	Avg. Monthly Annuity	$221	$336	$544	$817	$1,175	$1,514	$2,096	$769
	Avg. Monthly FRE	$1,577	$1,714	$1,874	$2,151	$2,413	$2,593	$2,986	$2,055
	Number of Retirees	462	749	746	526	689	307	160	3,639
1998	Avg. Monthly Annuity	$236	$365	$601	$833	$1,309	$1,677	$2,637	$894
	Avg. Monthly FRE	$1,667	$1,860	$2,074	$2,182	$2,695	$2,898	$3,767	$2,286
	Number of Retirees	444	696	638	523	535	324	231	3,391
1999	Avg. Monthly Annuity	$235	$368	$623	$853	$1,334	$1,845	$2,810	$864
	Avg. Monthly FRE	$1,647	$1,853	$2,176	$2,247	$2,755	$3,184	$4,036	$2,302
	Number of Retirees	409	774	591	588	453	294	148	3,257
Sheriff's Law Enforcement Personnel Plan (SLEP)									
1996	Avg. Monthly Annuity				$1,668	$2,439	$2,631		$2,144
	Avg. Monthly FRE				$3,187	$3,837	$3,879		$3,576
	Number of Retirees				20	24	5		49
1997	Avg. Monthly Annuity				$1,719	$2,509	$3,036	$5,235	$2,582
	Avg. Monthly FRE				$3,210	$4,083	$4,407	$6,981	$4,070
	Number of Retirees				22	29	29	3	83
1998	Avg. Monthly Annuity				$1,615	$2,212	$2,905	$4,219	$2,230
	Avg. Monthly FRE				$3,192	$3,803	$4,444	$5,625	$3,795
	Number of Retirees				30	22	22	2	76
1999	Avg. Monthly Annuity				$1,752	$2,820	$3,531		$2,609
	Avg. Monthly FRE				$3,306	$4,450	$5,279		$4,278
	Number of Retirees				25	23	18		66
Elected County Official Plan (ECO) *Plan began in 1997*									
1997	Avg. Monthly Annuity					$2,348		$2,600	$2,474
	Avg. Monthly FRE					$2,935		$3,250	$3,093
	Number of Retirees					1		1	2
1998	Avg. Monthly Annuity	$677	$1,181	$2,011	$2,506	$2,422			$1,595
	Avg. Monthly FRE	$1,230	$2,745	$2,317	$2,715	$3,028			$2,415
	Number of Retirees	3	8	6	3	1			21
1999	Avg. Monthly Annuity		$1,158	$2,402	$670				$1,344
	Avg. Monthly FRE		$2,887	$2,895	$837				$2,434
	Number of Retirees		4	3	2				9

FRE = Final Rate of Earnings used to calculate retirement benefit

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

Table XV
Annuitants by Age

	Retirees			Surviving Spouses			Beneficiaries		
Ages	Male	Female	Total	Male	Female	Total	Male	Female	Total
Under 55	358	121	479	5	110	115	19	54	73
55 to 59	1,374	2,826	4,200	14	161	175	6	25	31
60 to 64	2,663	5,621	8,284	66	382	448	6	27	33
65 to 69	4,127	7,611	11,738	143	770	913	7	31	38
70 to 74	4,426	7,469	11,895	330	1,340	1,670	7	25	32
75 to 79	3,772	6,325	10,097	495	1,920	2,415	6	41	47
80 to 84	2,387	4,115	6,502	438	1,938	2,376	4	25	29
85 to 89	1,126	2,030	3,156	240	1,327	1,567	2	16	18
90 to 94	276	709	985	63	540	603		4	4
95 to 100	50	155	205	10	150	160		4	4
100 and over	4	14	18	0	20	20			
Total	20,563	36,996	57,559	1,804	8,658	10,462	57	252	309

Note: Counts do not include disabilitants

Table XVI
Active Members by Age

	All Plans			Sheriff's Law Enforcement Personnel			Elected County Officials		
Ages	Male	Female	Total	Male	Female	Total	Male	Female	Total
Under 20	337	596	933						
20 to 29	7,781	10,585	18,366	623	95	718	4	1	5
30 to 39	13,928	20,201	34,129	1,184	168	1,352	42	15	57
40 to 49	18,291	34,289	52,580	1,132	156	1,288	153	69	222
50 to 54	6,979	14,349	21,328	301	42	343	80	38	118
55 to 59	5,260	9,727	14,987	133	22	155	56	23	79
60 to 69	4,815	6,502	11,317	82	20	102	105	30	135
70 and over	1,028	849	1,877	7		7	44	7	51
Total	58,419	97,098	155,517	3,462	503	3,965	484	183	667

Administration

Robert Cusma
Executive Director

Linda Bieniek
Human Resources Manager

Willette Shambley
Security/H.R. Administrator

Maureen Enright
Executive Secretary

Patti Miller
Training & Recruitment Administrator

Marianna Barner
Secretary/HR Assistant

Carina Macapagal
Asst. Internal Auditor

Finance

Deanna Lockwood
Chief Financial Officer

Patricia Hambrick
Accounting Manager

Fidel Quintero
Finance Systems Administrator

Guillermo Hernandez
Finance Systems Administrator

Kathy Dugger
Imaging Analyst

Sharon Johnson
Member Acct. Analyst

Sandy Joplin
Secretary Finance

Bruce Sultan
Operations Analyst

Phyllis Walker
Employer Acct. Analyst

Stefanie Hampton
Employer Acct. Analyst

James Splitt
Control Unit Supervisor

Tamyra Rand
Senior Accountant

C. Aurora O'Neal
Accountant

Maria Ramirez
Accountant

Barbara Regis
Accountant

Denise Valentovich
Past Service Unit Supervisor

Carol Aldridge
Senior Accounting Clerk

LaDawn Goodwin
Senior Accounting Clerk

Renea Jenkins
Senior Accounting Clerk

Donna Moriarty
Senior Accounting Clerk

Sandra Olinger
Senior Accounting Clerk

Michael Smith
Senior Accounting Clerk

Linda Yessin
Senior Accounting Clerk

Donnis Robinson
Audit Supervisor

Audrey Brown-Ryce
Audit Clerk

Denise Brown
Audit Clerk

Belinda Davis
Audit Clerk

Corey Lockwood
Audit Clerk

Cornelius Foster
Wage Reports Unit Supervisor

Helen Huang
Accounting Staff Assistant

Cassandra Jordan
Senior Accounting Clerk

Dionne Green
Senior Accounting Clerk

James Brunke
Accounting Clerk

Teresa Franklin
Accounting Clerk

Nicole Miller
Accounting Clerk

Betty Perez-Manares
Accounting Clerk

Maria Conti
Magnetic Media Processor

Patricia Zielinski
Treasury Unit Supervisor

Maris Bertrand
Senior Accounting Clerk

Richard Caragol
Senior Accounting Clerk/Past Service

Virginia Newsom
Senior Accounting Clerk/Past Service

Sharon Grant
Senior Accounting Clerk

Debbie Ziemba
Senior Accounting Clerk

Investments

Walter Koziol
Director

Edward Sambol
Investment Manager

Amy Bulger
Investment Analyst

Robert Noe
Investment Analyst

Karen Seplak
Investment Analyst

Susie Villarreal
Investment Analyst

Tom Winkelman
Investment Analyst

Joanne Reese
Assoc. Invest. Analyst

Carol Lindstrom
Investment Data Analyst

Liz Null
General Secretary

Legal Affairs & Member Services

Louis Kosiba
General Counsel

Kathleen O'Brien
Chief Counsel

Nicholas Yelverton
Legislative Liaison

Terry O'Connor
Field Services Manager

Linda Horrell
Communications Manager

Nancy Burda
Communications Assistant

Jane Campbell
Communications Specialist

Mark Swaine
Documentation Specialist

Tecya Anderson
Field Representative

Carol Gummerson
Field Representative

Paul Parise
Field Representative

Jean Parson
Field Representative

William Pettry
Field Representative

Jon Renner
Field Representative

Irma Rodriguez
Field Representative

Carolyn Diggs
Field Serv.General Sec'y.

Della Berry
Legal Secretary

Sarah Taylor
Field Services Clerk

Connie Fox
Supervisor Member Serv.

Meena Ballal
Member Services Rep.

Carla Bermes
Member Services Rep.

Maria Olivas-Castellanos
Member Services Rep.

Anmarie Dresden
Member Services Rep.

Lisa Foley
Member Services Rep.

Miriam Gutierrez
Member Services Rep.

Augusta Lewis
Member Services Rep.

Kathryn Mullen
Member Services Rep.

Carol Ortman
Member Services Rep.

Kate Setchell
Member Services Rep.

Clara Strong
Member Services Rep.

Operations & Planning

Dan Duquette
Director

Benefits

Tom Raitt
Manager
Margarita Cardenas
Disability Systems Administrator
Elba Ramirez
Benefit Systems Administrator
Patricia Spena
Benefits Supervisor
Louise Henley
Disability Supervisor
Larry Dixon
Disability Data Analyst

April Cook
Disability Claims Examiner
Debra Hawkins
Disability Claims Examiner
Susan Kon
Disability Claims Examiner
Carl Sorensen
Disability Claims Examiner
Bridgette Readus
Disability Claims Examiner

Gary Seputis
Disability Claims Examiner
Donna Watson
Disability Claims Examiner
Norberto Maglunog
Benefit Data Analyst
Phyllis Fikejs
Claims Examiner
Louise Hooper
Claims Examiner
JoAnne Kendall
Claims Examiner

Helen Koranda
Claims Examiner
Violet Perez
Claims Examiner
Paula Rimgaila
Claims Examiner
Dawn Wickart
Claims Examiner
Carol Krass
Benefit Systems Analyst
Rhonda Dikselis
Benefits Staff Assistant
Micheline Pascall
Benefits Staff Assistant

Information Services

Arnold Rohlwing
Manager
Gerald Casey
PC/LAN/Telecom Manager
Mark Middleton
Manager—Application Systems
Max Fierer
Technical Services Manager
Deborah Carlsen
Member/Employer Systems Team Leader
Jane Young
Architect
Debbie McNulty
Quality Assurance Analyst
Barb Bartoszuk
Sr.Programmer Analyst
Tom Dechnik
Programmer Analyst
Jacqueline Montgomery
Programmer Analyst

Michael Korenevsky
Benefit/Payments Team Leader
Eric Charmoli
Architect
Elaine Humiston Zalsman
Business Analyst
Marge Gray
Sr.Programmer Analyst
Timothy Hoster
Sr.Programmer Analyst
Joe Principe
Programmer Analyst
Peter DePetro
Programmer Analyst
Neil Eubanks
Programmer
Nicole Frisone
Programmer
Dennis Dunn
Financial Systems Team Leader

Tammie Chan
Architect
Keyla Vivas
Architect
Louise Olivo-Kier
Business Analyst
Julie Miller
Programmer Analyst
Tom O'Donnell
Programmer
Stephen Lundquist
Systems Programmer
Andrew Youngdahl
Systems Programmer
Ellen Simsohn
LAN Administrator
John Boyle
Sr. PC/LAN Support Staff
Jeff Heiden
PC/LAN Support Staff
Collette Beran
Telecom Support Specialist

Ron Daliege
Data Base Analyst
Annie Cole
Computer Rm. Supervisor
Kenneth Teague
Senior Operator
James Terrell
Senior Operator
Joe Priory
Distributed Systems Team Leader
Todd Korell
Web Developer
Pam Arndt
Web Developer
Jean Onoro
PT Data Entry

Office Services

Denise Streit
Office Services Manager
Dave Buchanan
Copier Operator
Susan Joachimi
Purchasing/Maintenance Coordinator
Herbert Trotter
Mail Services Supervisor
Alicia Barnett
Records Supervisor
Derrick Eiland
Senior Mail Center Clerk

Charles Jackson
Senior Mail Center Clerk
Darrell Thomas
Senior Mail Center Clerk
Alex Valdez
Senior Mail Center Clerk
Emily Dominguez
Senior File Clerk
Nicole Little
Data Entry Operator
Mary Bavetta
Data Entry Operator
Linda Castellano
Data Entry Operator

Arcola Dozier-Williams
Data Entry Operator
Carol Jones
Data Entry Operator
Maryann Beenders
Imaging Clerk
Sean Brown
Imaging Clerk
Donna Cesario
Imaging Clerk
Tina Cress
Imaging Clerk
Michelle Meyer
Imaging Clerk

Anita Robinson
Imaging Clerk
Dawn Savage
Imaging Clerk
Maria Higgins
Enrollment Auditor
Marissa Malab
Enrollment Auditor
Thea Tomczyk
Enrollment Auditor
Sheila Adams Evans
Console Attendant Receptionist