Illinois Municipal Retirement Fund

IMRF

2001 Comprehensive Annual Financial Report

For the year ended December 31, 2001

"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"

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Actuarial

Statistical

2002 Board of Trustees

First row from left:

R. Steven Sonnemaker
Executive Trustee
Peoria County
January 1, 1998 – December 31, 2002
2001 President

Sharon U. Thompson
Annuitant Trustee
(formerly) Lee County
January 1, 2001 – December 31, 2005

Max F. Bochmann
Employee Trustee
Naperville CUSD #203
January 1, 2000 – December 31, 2004
2002 Vice President
2001 Secretary

Second row from left:

W. Thomas Ross
Executive Trustee
Winnebago County
January 1, 2001 – December 31, 2005
2002 Secretary

John Lotus Novak
Executive Trustee
DuPage County
January 1, 1999 – December 31, 2003
2002 President
2001 Vice President

Martha H. Rademacher
Executive Trustee
Park District Risk Management Agency
January 1, 2002 – December 31, 2006

Marvin R. Shoop, Jr.
Employee Trustee
City of Peoria
January 1, 2001 – December 31, 2005

Julie A. Newell
Employee Trustee
Cairo S.D. #1
January 1, 2001 – December 31, 2005

Thank You

for your dedicated service to the members and employers of IMRF

Thomas C. Setchell
Executive Trustee
City of Harvey
1992 through 2001

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CONSULTANTS

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

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Linda Bieniek

Executive Director
Louis W. Kosiba

Internal Audit
Douglas Samz, C.P.A.

Chief Financial Officer
Richard DeCleene

- **Finance**
  Phyllis Walker
  Manager

Director Operations & Planning
Daniel Duquette

- **Information Services**
  Arnold Rohlwing
  Manager
- **Benefits**
  Tom Raitt
  Manager
- **Office Services**
  Denise Streit
  Manager

General Counsel
Kathleen O'Brien

- **Chief Counsel**
  Michael Weinstein
- **Field Services**
  Terry O'Connor
  Manager
- **Legislative Liaison**
  Bonnie Shadid
- **Communications**
  Linda Horrell
  Manager

Director Investments
Walt Koziol

- **Investments**
  Edward Sambol
  Manager

Consultants — *(Investment Consultants are listed on page 39)*

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

Auditors
Deloitte & Touche LLP
Patrick Hagan
Alice Wunderlich

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

Independent Fiduciary Counsel
D'Ancona & Pflaum
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Larry Gallagher
Chicago, Illinois

Medical Consultants
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, 2000

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.

GOVERNMENT FINANCE OFFICERS ASSOCIATION OF THE UNITED STATES AND CANADA CORPORATION SEAL CHICAGO

President

Executive Director

Illinois Municipal Retirement Fund

Drake Oak Brook Plaza Suite 500 2211 York Road Oak Brook IL 60523-2337
Service Representatives 1-800-ASK-IMRF
www.imrf.org

May 6, 2002

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

This is the December 31, 2001, comprehensive annual financial report of the Illinois Municipal Retirement Fund (IMRF). 2001 marked IMRF's sixtieth year of operation. 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. IMRF now serves 2,826 different employers, 164,845 participating members and 72,832 benefit recipients.

This report for the year ended December 31, 2001, 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 management's discussion and analysis, the financial statements, notes and supplemental information. The Investment Section contains summaries of investments held and the reports of the investment consultant and master trustee. The Actuarial Section contains the report of the actuary, a description of the actuarial assumptions, a summary of benefits, and various ratios and tables. The Statistical Section contains various tables describing the Fund. The management of IMRF is responsible for the compilation and accuracy of the financial, investment, actuarial, and statistical information contained in this report.

Summary of Financial Information

The following table summarizes additions and deductions to the plan's net assets for 2001 and 2000.

	2001	**2000**	**Increase/(Decrease)**	
	(millions)	**(millions)**	**Amount**	**% Change**
Additions	$(482)	$839	$(1,321)	(157)%
Deductions	616	580	36	6
Net Change	$(1,098)	$259	$(1,357)	(524)%

The significant change in Additions between 2001 and 2000 is primarily due to a $1,294 million decrease in investment income that is attributable to the difficult financial markets in 2001. IMRF's total return in 2001 was -6.08 percent versus 1.87 percent in 2000. The increase in Deductions is primarily due to increased benefit payments caused by an increase in the number of benefit recipients from 71,300 to 72,832. The Financial Section contains the auditors' report, management's discussion and analysis, the financial statements and other supplemental information.

Funding

IMRF's actuary uses a five-year smoothed market-related value to determine the actuarial value of assets. The smoothing prevents extreme volatility in employer contribution rates due to short-term fluctuations in the investment markets. For the December 31, 2001, valuation, the actuarial value of assets was $16.3 billion. The aggregate actuarial liability for all IMRF employers was $15.3 billion. The assets held currently fund 106.4 percent of this liability. This is a decrease from the funding ratio of 107.2 percent for 2000. The preceding ratios are for the fund as a whole. Under the Illinois Pension Code, each employer funds the pensions for its own employees. Funding ratios for individual employers and individual plans vary widely. IMRF members can look with a sense of security to the net asset base since these assets are irrevocably committed to the payment of their pensions when they retire. The actuary has determined that the present net asset base, expected future contributions, and investment earnings thereon are sufficient to provide for full payment of future benefits under the level payroll percentage method of funding. The Actuarial Section contains the actuary's letter and further information on IMRF's funding.

Investments

The investment portfolio is a major contributor to the Plan. While 2001 was an unusual year in that IMRF suffered its first ever investment loss for book purposes, in the previous five years —1996 through 2000—investment income represented the following percentage of additions to plan net assets:

Year	Percentage of Plan Additions
2000	33.7%
1999	82.5
1998	71.9
1997	75.4
1996	73.4

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

Currently, 40 professional investment management firms, handling 52 separate accounts, manage the investment portfolio. These firms make investment decisions under the prudent man rule authorized by state statutes and by investment policy guidelines adopted by the Board of Trustees. The Board employs an investment consultant to monitor and evaluate the investment management firms' performance, to aid in the selection of investment management firms and to assist in the development of investment policy. A second consultant provides a real estate investment performance report. 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*

Martha H. Rademacher, Director of Finance and Programs for the Park District Risk Management Agency, was elected as an executive trustee. Her five-year term began January 1, 2002.

b. *Systems Development*

With the use of disability duration guidelines for temporary disabilities, we were able to eliminate the need to have disabilitants return a card every month. The claims examiner now enters the approved length of a disability award which is kept by the system and included in correspondence to the member at the time the benefit is awarded. The system will then automatically stop payment at the end of the approved period. Changes mandated by legislation were incorporated into our systems. These include changes to temporary disability eligibility due to pre-existing conditions and aligning the termination of disability benefits with the new progressive social security retirement ages. Significant progress was made on the development of a comprehensive purchase of service system. This system will automate the processes required to handle the 13 different service types that can be purchased. Significant progress was also made on our project to improve our member enrollment and member data maintenance system.

c. *Legislative Changes in 2001*

The General Assembly passed legislation in 2001 which was signed into law by the Governor and changed several provisions of the Pension Code. The changes are:

- Qualifying elected officials may purchase more than 50 months of qualifying retroactive service if the governing body passed an enabling resolution by December 31, 2001.
- For members who become disabled after December 31, 2001, the pre-existing condition investigation for members with less than five years of service is eliminated for temporary disability benefits.
- References to "age 65" for Social Security benefits have been changed to "age for a full Social Security old-age insurance benefit."
- Members over age 55 entitled to a pension benefit of more than $30 per month may receive a refund if it is rolled over into another defined benefit retirement plan for the purpose of purchasing service credit.
- Changed references from 40-year amortization of unfunded liabilities to periods allowed under generally accepted accounting principles.

d. *Investment Activities*

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

Major investment activities for the year and through April 30, 2002 included:

- Retained MDL Capital Management, Inc. to manage a domestic fixed-income portfolio.
- Retained Western Asset Management, Inc. to manage a core-opportunistic fixed-income portfolio.
- Retained Grosvenor Capital Management Inc., Harris Associates, L.P., and Mesirow Advanced Strategies, Inc. to each manage a fund-of-funds, absolute return investment portfolio.
- Retained Alliance Capital Management, Inc. to manage a large capitalization growth domestic equity portfolio.
- Retained Northern Trust Investments, Inc. to manage a large capitalization growth domestic equity index separate account.
- Terminated Lincoln Capital Management, a large capitalization growth domestic equity manager.
- Terminated Julius Baer Investment Management, a global fixed income manager.
- Eliminated IMRF's global fixed income allocation.
- Conducted an Asset Liability Modeling Study that was used to develop the 2002 Asset Allocation Plan.

e. *IMRF.org*

Our web site was completely redesigned this past year. We have made it much simpler for our members, annuitants, and employers to find the information they need. New functions have also been added for our employers. Now, monthly wage data can be sent via the secured employer area of our site. Last year, employers used this secure area to submit over 9,000 forms. Work has begun on developing a secure area for members, thus allowing them to view personal information or to develop retirement estimates using their most current earnings and service data.

f. ***Regional Office***

IMRF opened its first regional counseling center in Springfield, Illinois in November of 2001. The primary goal of this office is to provide easier access to IMRF and better service for our membership.

g. ***Benefit Administration and Member Services Benchmarking Analysis***

For the first time in 2001, IMRF participated in a benchmarking study to evaluate our cost structure and our service delivery systems as compared to other large public pension systems throughout the country. We completed a comprehensive survey that covered 15 administrative activities that are key to IMRF's mission. Our responses were analyzed by Cost Effectiveness Measurement, Inc., and a report was presented to Fund management. Preliminary results indicate that IMRF is providing a high level of service in a complex environment at lower than expected costs. More analysis will be done in the coming year to determine how we can best use this information to further improve service to our members.

h. ***Electronic Funds Transfer***

In order to allow its employers to streamline their payments, IMRF is working with its bank and a third-party vendor to provide a platform to allow employers to make contributions via interactive voice response technology or live operators at no cost to them. Eventually, the system will be expanded to provide for payments via the Internet. IMRF expects the system to be operational by July 1, 2002.

i. ***Popular Annual Financial Report (PAFR)***

IMRF will publish a PAFR for 2001 which will be designed to meet the needs of interested parties who may be unwilling to use traditional financial reports. The purpose of the popular annual report is to supplement traditional financial reports in order to make the information they contain more readily accessible to a broader audience.

Internal Control

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

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

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

Independent Audit

The Illinois Pension Code requires an annual audit of the financial statements of the Plan by independent certified public accountants selected by the Board of Trustees and approved by the State Auditor General. We satisfied this requirement and the independent accountant's unqualified report on IMRF's 2001 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, 2000. 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 21 consecutive years (fiscal years 1980-2000). 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 2001 activity. We mail employer statements every month. We mailed member statements in March. We will send a summary of the annual report to members and annuitants in the summer issues of Fundamentals. We will mail this report, as well as our new Popular Annual Financial Report, to Authorized Agents in June. Both this CAFR and the PAFR will be available on our website—IMRF.org.

Acknowledgements

The production of this report reflects the combined effort of the IMRF staff under the leadership of the Board of Trustees and Executive Director Louis W. Kosiba. The Finance Department 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.

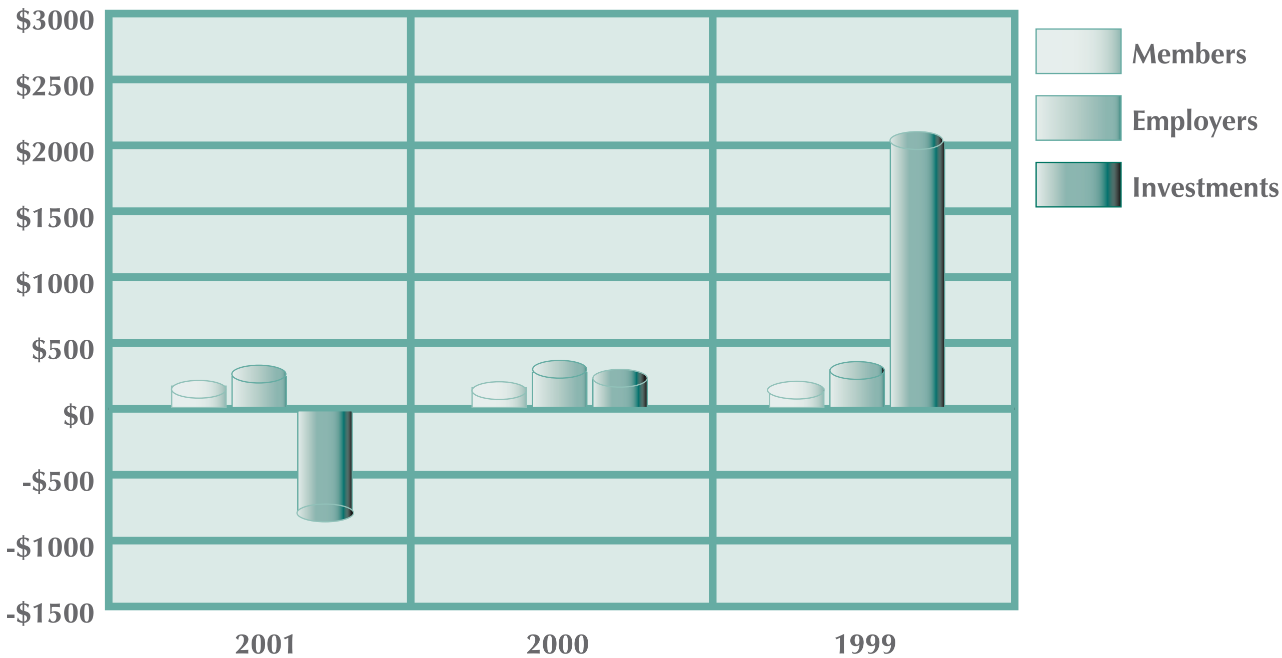
Respectfully submitted,

Louis W. Kosiba
Executive Director

Richard J. DeCleene
Chief Financial Officer

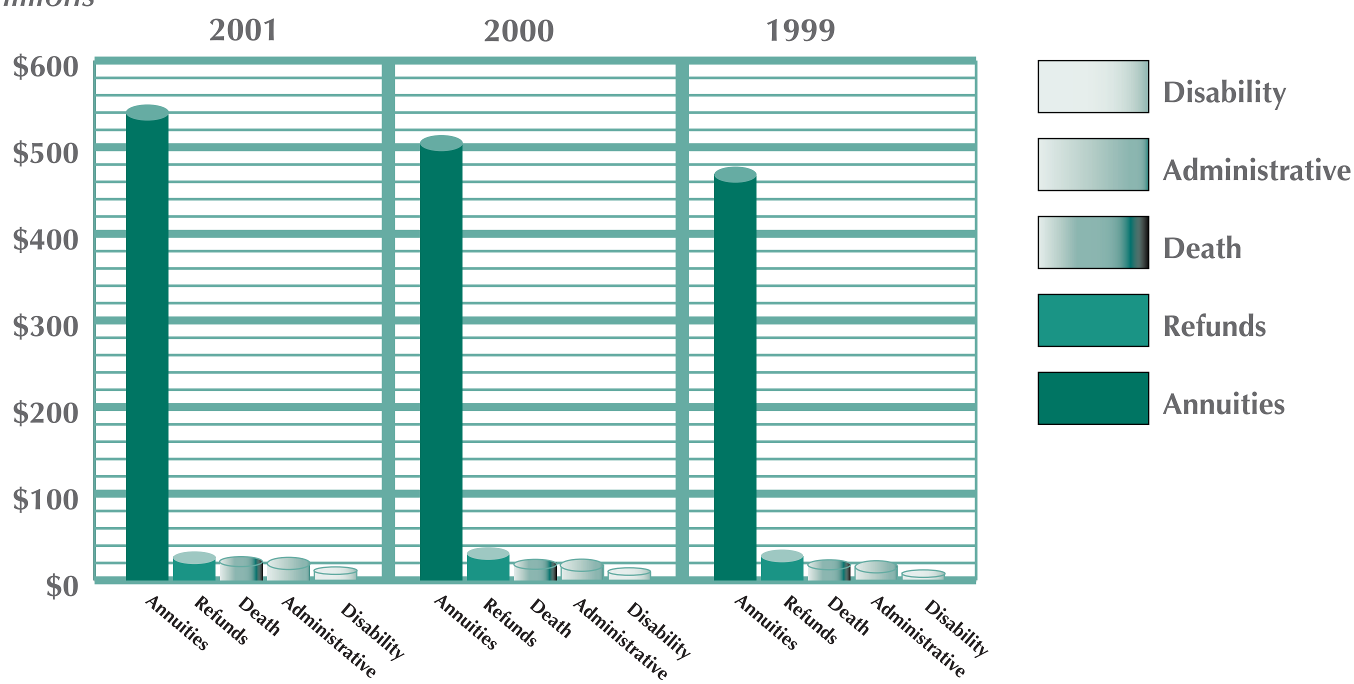
Revenues by Source

in millions



Expenses by Type

in millions



Financial

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Deloitte & Touche

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Illinois Municipal Retirement Fund

We have audited the accompanying statement of plan net assets of the Illinois Municipal Retirement Fund (the "Fund") as of December 31, 2001, and the related statement of changes in plan net assets for the year 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 audits. The financial statements of the Fund for the year ended December 31, 2000 were audited by other auditors whose report, dated May 7, 2001, expressed an unqualified opinion on those statements.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes 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 audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial status of the Fund as of December 31, 2001, and the changes in financial status for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

Deloitte & Touche LLP

May 6, 2002

Deloitte
Touche
Tohmatsu

Management's Discussion and Analysis

The following Management Discussion and Analysis (MD&A) of the Illinois Municipal Retirement Fund's (IMRF) financial performance provides an introduction to the financial statements of IMRF for the year ended December 31, 2001. Since the MD&A is designed to focus on current activities, resulting changes and current known facts, please read it in conjunction with the transmittal letter (pages 7-11), the financial statements, required supplementary information, and supplementary information.

Required Financial Statements

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

Financial Analysis of IMRF

While the Statement of Plan Net Assets and Statement of Changes in Plan Net Assets measure the value of plan net assets and the changes to them, another important factor needs to be considered in order to determine the financial health of IMRF. That additional factor is the plan's actuarial liability. In 2001, deductions to net assets of $616 million and losses on investments of $1,011 million exceeded contributions of $529 million by $1,098 million. This net decrease brought the Plan's net asset base to $14,966 million. For actuarial calculations, IMRF's actuary uses a five-year smoothed market-related value to determine the actuarial value of assets. The smoothing prevents extreme volatility in employer contribution rates due to short-term fluctuations in the investment markets. For the December 31, 2001, valuation, the actuarial value of assets was $16.3 billion. The aggregate actuarial liability for all IMRF employers was $15.3 billion. On an actuarial basis, the assets held currently fund 106.4 percent of this liability. This is a decrease from the funding ratio of 107.2 percent for 2000. If the market value of plan net assets is used (i.e., no actuarial smoothing), the funding ratio drops from 113.5 percent as of December 31, 2000, to 97.7 percent as of December 31, 2001.

Plan Net Assets

To begin the financial analysis, a summary of IMRF's Plan Net Assets is presented below.

Condensed Statements of Plan Net Assets

(In millions)

	2001	2000	Dollar Change	Percent Change
Cash and cash equivalents	$ 1	$ 9	$ (8)	(89)%
Receivables and prepaids	211	439	(228)	(52)
Investments	15,249	16,083	(834)	(5)
Invested securities lending cash collateral	1,519	1,428	91	6
Fixed assets, net	1	1	-	-
Total assets	16,981	17,960	(979)	(5)
Liabilities	2,015	1,896	119	6
Total plan net assets	$14,966	$16,064	$(1,098)	(7)%

As the above table shows, plan net assets decreased by $1,098 million (7%) in 2001. This decrease reflects the significant investment losses in 2001 due to the difficult financial markets. The following table presents the investment allocation as of year-end 2001 and 2000 as compared to IMRF's target allocation for 2001 and 2000.

	2001	2000	Target
Fixed Income	33.2%	29.7%	31%
Stocks	55.5	61.1	61
Real Estate	3.8	3.8	2
Alternative	3.2	2.3	5
Short-Term	4.3	3.1	1

The change from 2000 to 2001 in the weightings between fixed income and stocks is primarily due to the poor equity returns in 2001. This reduced the absolute value of IMRF's stock holdings, thus lowering the percentage allocation to that sector while increasing the weighting to the fixed income sector, which experienced a positive return in 2001. The increase in the alternative sector is due to additional money being invested in absolute return strategies.

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

Changes in Plan Net Assets

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

	2001	2000	Dollar Change	Percent Change
Additions				
Member contributions	$ 216	$200	$ 16	8%
Employer contributions	313	356	(43)	(12)
Net investment (loss) income	(1,011)	283	(1,294)	(457)
Total additions	(482)	839	(1,321)	(157)
Deductions				
Benefits	571	533	38	7
Refunds	27	30	(3)	(10)
Administrative expenses	18	17	1	6
Total deductions	616	580	36	6
Net (decrease) increase in plan net assets	$(1,098)	$259	$(1,357)	(524)%

Additions

Additions needed to fund benefits are accumulated through contributions and returns on invested funds. Contributions for 2001 totaled $529 million. This represents a decrease of approximately 4.9 percent or $27 million from 2000. For the first time in its history, IMRF incurred investment losses for book purposes. The $1,011 million loss in 2001 represents a $1,294 million change from the prior year.

The increase in member contributions is due to an increase in total member earnings to $4,505 million from $4,199 million in 2000. 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 decrease in employer contributions is the net effect of several factors. Member earnings increased overall by 7.3 percent. This increase in member earnings and higher average SLEP and ECO rates caused employer contributions to increase. These factors were more than offset by lower average Regular rates. The average Regular Plan employer rate decreased to 6.64 percent from 8.16 percent. The average SLEP Plan employer rate increased to 14.86 percent from 14.28 percent. The average ECO Plan employer contribution rate increased to 42.58 percent from 41.38 percent.

In 2001, IMRF suffered net depreciation in the value of investments of $1,345 million—a $1,281 million increase from the $64 million of depreciation recorded in 2000. Interest, dividends and equity fund income totaled $370 million, a decrease of $16 million from 2000. Securities lending income net of related expenses was $7.2 million for 2001, an increase of $1.5 million from 2000. Direct investment expenses decreased from $43.8 million in 2000 to $42.9 million in 2001.

The total rate of return for the portfolio in 2001 was -6.08 percent compared to 1.87 percent in 2000. IMRF's U.S. stock portfolio returned –11.56 percent compared to -10.96 percent for the Wilshire 5000 Index. The fixed income portfolio returned 6.77 percent compared to 8.42 percent for the Lehman Aggregate Index. Our international stock portfolio returned -15.33 percent compared to -19.50 percent for the MSCI ACWI ex-US Index. The real estate portfolio returned 12.99 percent compared to 7.28 percent for the NCREIF Classic Property Index. The alternative investment portfolio returned -25.90 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	4.98% per year
Five years	8.58% per year
Ten years	9.72% per year

Deductions

The expenses paid by IMRF include benefit payments, refunds, and administrative expenses. Expenses for 2001 totaled $616 million, an increase of $36 million over 2000. The increase in benefit payments to members and beneficiaries resulted primarily from growth in the number of annuitants to 72,832 in 2001 from 71,300 in 2000 as well as an increase in the amount of the average benefit.

Economic Factors Impacting 2002

Despite an anticipated 6.4 percent increase in covered payroll, IMRF anticipates that employer contributions will be less in 2002 than in 2001 since the average employer rates for the Regular, SLEP, and ECO plans will decrease. The regular plan rate for employers which accounts for the vast majority of covered payroll will decrease from 6.64 percent to 5.87 percent, a decrease of 11.6 percent. Employer SLEP and ECO rates will also decline in 2002.

The Fund's estimated investment return from January 1, 2002, through April 30, 2002, has been approximately 0.5 percent on an annualized basis. IMRF's actuarial assumed annual investment return is 8 percent (7.5 percent after direct investment expenses and administrative expenses). Given the investment returns for the first third of the year and current economic conditions, management believes that it will be difficult to attain the 8 percent investment return assumption for 2002.

Statements of Plan Net Assets

Assets	December 31 2001	December 31 2000
Cash and cash equivalents	$1,059,782	$9,345,210
Receivables and prepaid expenses:		
Contributions	37,574,614	48,279,715
Investment income	56,704,333	65,955,882
Receivables from brokers for unsettled trades	88,012,091	298,156,287
Prepaid expenses	29,201,609	26,575,253
Total receivables and prepaid expenses	211,492,647	438,967,137
Investments, at fair value		
Fixed income	5,068,028,542	4,778,743,457
Stocks	8,455,233,885	9,832,387,047
Short term investments	651,517,210	500,582,912
Real estate	584,127,704	595,441,815
Alternative investments	490,067,999	375,948,804
Total investments	15,248,975,340	16,083,104,035
Invested securities lending cash collateral	1,518,610,334	1,428,169,168
Fixed assets		
Equipment, at cost	5,002,227	6,535,898
Accumulated depreciation	(4,470,586)	(5,575,276)
Total fixed assets	531,641	960,622
Total assets	16,980,669,744	17,960,546,172
Liabilities		
Accrued expenses and benefits payable	20,651,030	19,805,343
Securities lending cash collateral	1,518,610,334	1,428,169,168
Payables to brokers for unsettled trades	475,218,449	448,141,650
Total liabilities	2,014,479,813	1,896,116,161
Net assets held in trust for pension benefits (A schedule of funding progress is presented on page 31.)	$14,966,189,931	$16,064,430,011

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

Statements of Changes in Plan Net Assets

	Years Ended December 31	
	2001	**2000**
Additions		
Contributions		
Members for retirement coverage	$216,150,677	$200,209,408
Employers for benefit plan coverage	313,007,639	356,153,448
Total contributions	529,158,316	556,362,856
Investment income		
From investing activities		
Interest	235,646,068	272,379,408
Dividends	93,334,656	74,789,684
Equity fund income, net	40,541,706	38,026,821
Net depreciation in fair value of investments:	(1,344,686,744)	(63,914,654)
Investment activity (loss) income	(975,164,314)	321,281,259
Less: Direct investment expense	(42,870,596)	(43,807,456)
Net investment activity (loss) income	(1,018,034,910)	277,473,803
From security lending activity		
Securities lending income	65,870,547	96,240,435
Securities lending management fees	(1,789,860)	(1,415,201)
Securities lending borrower rebates	(56,921,275)	(89,164,455)
Net security lending activity income	7,159,412	5,660,779
Total investment (loss) income	(1,010,875,498)	283,134,582
Other	4,050	739
Total additions	(481,713,132)	839,498,177
Deductions		
Annuities	540,523,326	504,151,184
Disability benefits	9,564,771	9,103,808
Death benefits	20,460,447	20,428,252
Refunds	27,507,628	29,791,950
Administrative expenses	18,470,776	17,125,395
Total deductions	616,526,948	580,600,589
Net (decrease) increase	(1,098,240,080)	258,897,588
Net assets held in trust for pension benefits		
Beginning of year	16,064,430,011	15,805,532,423
End of year	$14,966,189,931	$16,064,430,011

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

Notes to Financial Statements
December 31, 2001

A. Plan Description

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

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

1. *Employers*	2001	2000
Participating employers	2,826	2,791

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

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

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

2. *Members*	2001	2000
Retirees and beneficiaries currently receiving benefits	72,832	71,300
Terminated members entitled to benefits but not yet receiving them	9,122	8,604
Terminated members—non-vested	78,559	72,326
Current members:		
Nonvested	98,292	94,605
Vested	66,553	65,205
Total current members	164,845	159,810
Grand Total	325,358	312,040

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, 2001, and 2000. A more extensive description of the plan can be found in the Actuarial Section. The ECO plan was created by statute in 1997 and was revised in 2000.

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

Retirement

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

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

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

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

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

B. Summary of Significant Accounting Policies

1. *Reporting Entity*

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

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

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

2. *New Accounting Pronouncement*

In June 1999, the GASB issued Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments* (GASB 34). In June 2001, the GASB issued Statement No. 37, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments: Omnibus,* which amended certain provisions of GASB 34. Although not required to implement GASB 34 until 2002, IMRF elected to adopt the new pronouncement, as amended, for 2001. The adoption of GASB 34 required IMRF to present Management's Discussion and Analysis (MD&A). The MD&A is considered to be required supplementary information and precedes the financial statements. The adoption of GASB 34 had no impact on IMRF's basic financial statements or its net assets.

3. *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 2000 have been reclassified to agree with the 2001 financial statement presentation.

4. *Use of Estimates*

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

5. *Income Taxes*

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

6. *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. Fair value for fixed income securities is 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

Carrying amounts at December 31:	**2001**	**2000**
Cash	$1,059,782	$9,345,210
Bank balances at December 31:		
Custodial credit risk category 1	$2,302,792	$10,144,023
Custodial credit risk category 3	497,523	1,187,969
	$2,800,315	$11,331,992

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

In addition, investments held by broker-dealers under the collateralized securities lending program are categorized based upon the nature of the collateral. If the collateral received is cash, then the investments lent are "not categorized" since the cash is reflected on the Statement of Plan Net Assets. If the collateral received is securities and letters of credit, then the investments lent are categorized according to the characteristics of the collateral received. In the following tables, investments for which cash collateral has been received are listed as "not categorized."

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

- Category 1: Insured or registered, or securities held by the Fund or its agent in the Fund's name.
- Category 2: Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the Fund's name.
- Category 3: Uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the Fund's name.

The following tables present a summary of the Fund's investments and related category of custodial credit risk at December 31, 2001 and 2000.

Investments, at fair value

	Category 1	Category 3	Not Categorized	2001 Total Carrying Value
Fixed Income Securities				
U.S. government & agency	$1,569,275,478	$1,327,740	$395,467,885	$1,966,071,103
U.S. corporate	1,529,341,014	6,097,070	3,489,460	1,538,927,544
U.S. fixed income funds	-	-	1,311,222,969	1,311,222,969
Foreign fixed income securities	251,609,424	-	197,502	251,806,926
Total fixed income	3,350,225,916	7,424,810	1,710,377,816	5,068,028,542
Equity Securities				
U.S. equities	4,730,681,430	1,481,618	-	4,732,163,048
Foreign equities	1,336,222,029	-	5,533,660	1,341,755,689
U.S. stock funds	-	-	1,685,062,866	1,685,062,866
Foreign stock funds	-	-	696,252,282	696,252,282
Total equity securities	6,066,903,459	1,481,618	2,386,848,808	8,455,233,885
Short-Term				
Commercial paper	2,400,526	-	-	2,400,526
Foreign currency forward contracts	-	-	4,555,377	4,555,377
Cash equivalent derivative options	1,599,088	-	-	1,599,088
Investments in foreign currency	-	39,853	-	39,853
Pooled short-term investment funds	-	-	642,922,366	642,922,366
Total short-term	3,999,614	39,853	647,477,743	651,517,210
Real Estate	-	-	584,127,704	584,127,704
Alternative	-	-	490,067,999	490,067,999
Total	$9,421,128,989	$8,946,281	$5,818,900,070	$15,248,975,340

Investments, at fair value

	Category 1	Category 3	Not Categorized	2000 Total Carrying Value
Fixed Income Securities				
U.S. government & agency	$1,149,515,525	$1,814,059	$138,168,725	$1,289,498,309
U.S. corporate	1,283,850,654	1,303,535	3,268,742	1,288,422,931
U.S. fixed income funds	-	-	1,488,118,931	1,488,118,931
Foreign fixed income securities	712,703,286	-	-	712,703,286
Total fixed income	3,146,069,465	3,117,594	1,629,556,398	4,778,743,457
Equity Securities				
U.S. equities	5,193,634,347	6,126,095	3,863,675	5,203,624,117
Foreign equities	1,768,435,079	-	7,494,173	1,775,929,252
U.S. stock funds	-	-	2,018,802,039	2,018,802,039
Foreign stock funds	-	-	834,031,639	834,031,639
Total equity securities	6,962,069,426	6,126,095	2,864,191,526	9,832,387,047
Short-Term				
Commercial paper	3,994,992	-	-	3,994,992
Foreign currency forward contracts	-	-	(3,396,718)	(3,396,718)
Investments in foreign currency	-	4,904,673	-	4,904,673
Pooled short-term investment funds	-	-	495,079,965	495,079,965
Total short-term	3,994,992	4,904,673	491,683,247	500,582,912
Real Estate	-	-	595,441,815	595,441,815
Alternative	433,549	-	375,515,255	375,948,804
Total	$10,112,567,432	$14,148,362	$5,956,388,241	$16,083,104,035

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

There are no individual investments held by IMRF that represented five percent or more of the Fund's net assets at year-end. As of December 31, 2001, IMRF had $1,311,222,969 invested in the NTGI Collective Monthly Aggregate Bond Index Fund and $1,055,517,675 invested in the NTGI Collective Monthly U.S. MarketCap Equity Structured Fund.

Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of plan net assets.

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 securities are loaned versus collateral that may include cash, U.S. government securities, and irrevocable letters of credit. U.S. securities are loaned versus collateral valued at 102 percent of the market value of the securities plus any accrued interest (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 was 28 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.

Northern Trust pools all collateral received from securities lending transactions and invests any cash collateral. IMRF holds a prorated share of the collateral provided by the borrowers of its securities. The cash collateral is shown on IMRF's financial statements. Cash collateral is invested in a short-term investment pool, which had an average weighted maturity of 40 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 violations of legal or contractual provisions, and no borrower or lending agent default losses to the securities lending agent. There are no dividends or coupon payments owing on the securities lent. IMRF had no credit risk as a result of its securities lending program as the collateral held exceeded the market value of the securities lent.

Securities lent are included in the Statements of Plan Net Assets.

Loans outstanding as of	**December 31, 2001**	**December 31, 2000**
Market value of securities loaned	$1,655,110,660	$1,432,902,320
Market value of collateral received	$1,710,572,686	$1,489,109,303

4. *Derivatives*

IMRF's investment managers may invest in derivatives as permitted by their guidelines. A derivative is a contract whose value is based on or is derived from the value of financial instruments, securities, commodities or other derivatives. 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. Senior investment management approves these limits, and the risk positions of the investment managers are reviewed on a periodic basis to monitor compliance with the limits. IMRF does not purchase derivatives with borrowed funds.

During the year, IMRF's derivative investments included foreign currency forward contracts, 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 fair value of the forward contract varies from the original contract price, IMRF records an unrealized gain or loss. The fair value of forward currency contracts outstanding at December 31, 2001 and 2000 are as follows:

Fair Value as of	December 31, 2001	December 31, 2000
Forward currency purchases	$ 222,997,211	$ 877,507,950
Forward currency sales	218,441,834	880,904,668
Unrealized gain/(loss)	$ 4,555,377	$ (3,396,718)

Financial futures are similar to forward contracts, except futures contracts are standardized and traded on an organized exchange. As the fair 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, 2001 and 2000 are as follows:

Contractual Amount as of	December 31, 2001	December 31, 2000
Fixed income futures sold	$55,835,734	$55,794,625
Fixed income futures purchased	$29,286,609	$16,007,625
Equity futures purchased	$13,429,600	$15,214,450

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. The market value of financial options outstanding at year-end are as follows:

Market Value as of	December 31, 2001	December 31, 2000
Financial options	$1,599,088	$ -

5. ***Future Investment Commitments***

At December 31, 2001, and 2000, IMRF had future commitments for additional contributions to real estate and alternative investment managers totaling $186,496,515 and $355,011,874 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. In 2001 and 2000, the retirement reserves, for all employers combined, exceeded the present value of expected retirement benefits by $986,504,690 and $1,016,313,489, respectively.

1. *Member contribution reserves*

	2001	2000
Balances at December 31	$2,708,833,984	$2,473,646,891

2. *Annuity reserve*

	2001	2000
Balances at December 31,	$5,613,708,283	$5,284,275,174

3. *Employer reserves*

Balances at December 31	2001	2000
Retirement contribution reserve	$6,546,388,564	$7,294,628,022
Earnings and experience reserve	76,667,079	992,137,192
Supplemental retirement benefit	2,132,793	1,839,683
Pooled death benefit reserve	8,910,596	6,846,552
Pooled disability benefit reserve	9,548,632	11,056,497
Employer reserves	$6,643,647,664	$8,306,507,946

F. Other Notes

1. *Prepaid Expenses*

Balances at December 31	2001	2000
Prepaid administrative expenses	$ 523,138	$ 557,096
January 1 benefits charged to bank account in December	28,678,471	26,018,157
	$ 29,201,609	$ 26,575,253

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: three years. Beginning in 2001, IMRF increased its capitalization threshold from $500 to $5,000.

Year ended December 31	2001	2000
Equipment, furniture and automobiles		
Beginning balance	$6,535,898	$6,706,210
Additions	293,233	310,342
Deletions	(1,826,904)	(480,654)
Ending balance	5,002,227	6,535,898
Accumulated depreciation		
Beginning balance	5,575,276	5,567,522
Additions	311,331	467,567
Deletions	(1,416,021)	(459,813)
Ending balance	4,470,586	5,575,276
Fixed assets, net	$ 531,641	$ 960,622

3. *Compensated Absences*
Annual vacation leave is earned by all permanent employees. Upon termination, employees are eligible to receive compensation for their accrued annual leave balances. At December 31, 2001, a liability existed for accumulated annual leave calculated at the employee's December 31, 2001, pay rate in the amount of $374,145. Employees who have been continuously employed by IMRF for at least five years prior to the date of their retirement, resignation or death will receive payment for their accumulated sick leave balance with such payment not to exceed the sum of ninety days of the employee's annual compensation. For employees who have not been employed for five continuous years, an accrued liability is calculated assuming the likelihood that they will meet the five-year threshold in the future. At December 31, 2001, a liability existed for accumulated and accrued sick leave, calculated at the employee's December 31, 2001, pay rate in the amount of $1,203,123. The total leave liability of $1,577,268 is reflected on the Statement of Plan Net Assets in accrued expenses and benefits payable.

4. *Lease Agreements*
The Fund leases its headquarters facilities at the Drake Oak Brook Plaza, which it owns, under an agreement with the building's management. The agreement covers the period May 1, 1993, through December 31, 2005. The base rent was abated until December 31, 1995. The Fund is amortizing the abated rent over the period covered by the agreement. Total rental expense for 2001 was $1,046,847 and for 2000 was $1,047,023.

The minimum lease commitments for the remainder of this lease are as follows:

2002	$1,394,976
2003	1,437,216
2004	1,479,984
2005	1,524,336

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

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

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 AAL (b/a)	Total UAL (a-b)	Member Payroll (c)	UAL as a % of Member Payroll (a-b)/c
1992	$6,954,483,358	$5,615,583,858	80.7%	$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%	224,383,664	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%
2000	14,153,055,774	15,169,369,263	107.2%	(1,016,313,489)	4,199,395,411	-24.2%
2001	15,318,517,575	16,305,022,254	106.4%	(986,504,679)	4,505,162,658	-21.9%

** After assumption 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
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%
2000	289,815,409	25,817,059	14,498,307	26,022,673	356,153,448	100%
2001	244,301,259	24,361,513	16,427,003	27,917,864	313,007,639	100%

See notes to required supplementary information on following page.

Notes to Required Supplementary Information

Valuation date . . . . December 31, 2001

Actuarial cost method. . . . . Entry age normal

Amortization method . . . . Level percent of payroll

Remaining amortization period . . . . Taxing bodies: closed, 29 years
Overfunded taxing bodies: varies by funding status
Non-taxing bodies: generally 5 years

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 wage inflation rate . . . . 4.0 percent

Group size growth rate percent . . . . 0.0 percent

Assumed payroll growth rate . . . . 4.0 percent

Post-retirement increase. . . . . 3.0 percent – simple

Mortality table. . . . . 1983 Group Annuity Mortality Table
for males and 1983 Individual Annuity
Mortality Table for females, both multiplied
by 95 percent. The active tables were
further modified to reflect IMRF experience.

Supplementary Information

Schedule of Administrative Expenses

	2001	2000
Personal services	$11,723,000	$10,790,772
Supplies	564,475	497,478
Professional services	1,017,202	837,429
Occupancy and utilities	1,837,967	1,801,981
Postage and delivery	842,107	798,746
Equipment service and rental	1,007,494	1,009,997
Miscellaneous	1,167,200	921,425
Depreciation	311,331	467,567
Total	$18,470,776	$17,125,395

Schedule of Payments to Consultants

	2001	2000
External auditor	$57,470	$55,400
Internal auditor	33,208	31,088
Medical consultant	84,300	70,900
Legal services	39,746	18,059
Actuary	319,983	254,910
Management consultants:		
Benefit information system	348,195	255,771
Imaging system	58,510	51,901
Internet	75,790	99,400
Total	$1,017,202	$837,429

Schedule of Investment Expenses

	2001	2000
Investment manager fees	$42,267,988	$43,010,516
Master trustee fees	549,772	696,266
Investment consultants	3,000	43,773
Miscellaneous	49,836	56,901
Total	$42,870,596	$43,807,456

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

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Investments

MERCER
Investment Consulting

10 South Wacker Drive, Suite 1700
Chicago, IL 60606-7500
312 902 7500 Fax 312 902 7626
www.mercerIC.com

24 April 2002

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

Dear Trustees and Executive Director:

Mercer Investment Consulting is pleased to present the following investment summary for the Illinois Municipal Retirement Fund for the fiscal year ending December 31, 2001.

At year end 2001, the Illinois Municipal Retirement Fund (the Fund) had net assets totaling $15.0 billion, a $1.1 billion decrease since year end 2000. This decline resulted from benefit payments totaling $598.1 million, which more than offset $529.2 million in contributions, coupled with negative investment performance. Over the five year period, the Fund's 8.6% return and contributions were sufficient to meet benefit payments totaling $2.6 billion.

During 2001, the equity markets suffered significant volatility amidst slowing economic growth, a weakening economy, and increased unemployment. In addition, the tragic events of September 11 and subsequent uncertainty contributed to the equity markets' decline. As the Federal Reserve aggressively cut short term interest rates in an effort to minimize the recession and jump start the economy, fixed income performed well.

- The domestic equity market, as measured by the Wilshire 5000 Index, suffered its second consecutive year of negative performance. Within the domestic equity market, value stocks significantly outperformed their growth counterparts for the second year in a row, while small capitalization stocks outpaced large capitalization stocks.

- Domestic bonds performed well during 2001, as reflected by the Lehman Brothers Aggregate Index return of 8.4%.

- The international equity market produced negative results during 2001, declining 19.5%, as measured by the MSCI ACWI ex US (All Country World ex US) Index. Emerging market countries outperformed their developed counterparts during the year, declining 2.4%.

- Real estate also served as a buffer amidst equity market volatility, returning 7.3%, as measured by the NCREIF Index.

MMC Marsh & McLennan Companies

MERCER
Investment Consulting

Page 2
24 April 2002

The Fund fell 6.1% during 2001, trailing its Index benchmark and the Russell/Mellon Public Funds Peer Group, despite strong small cap equity and real estate performance and outperformance within international equity. The Fund's 2001 performance was hampered by lagging large cap growth equity and fixed income results. Over longer time periods, however, the Fund equaled or exceeded its Index benchmark and ranked near or above the Russell/Mellon Public Fund Peer Group median.

The domestic equity portfolio declined 11.6% during 2001, near the –11.0% Wilshire 5000 Index return. The large cap value and small cap portfolios enhanced performance, but were offset by the large cap growth equity portfolio results. Over longer time periods, the domestic equity portfolio surpassed the Wilshire 5000 Index.

The international equity portfolio outpaced the MSCI ACWI ex-US Index benchmark by 4.2% during the twelve month period, due primarily to the global equity and emerging markets allocations. The Fund's international equity managers surpassed the Index over longer time periods measured.

The fixed income portfolio returned 6.8% during 2001, providing an anchor to the portfolio, but trailing the 8.4% Lehman Brothers Aggregate Index return. Performance lagged due to the global bond allocation, which was eliminated in mid year, coupled with significant underperformance by several managers following September 11. High yield, which was a detractor during 2000, augmented 2001 results as both managers performed well. The portfolio underperformed the Lehman Brothers Aggregate Index over the three and five year periods; however, over the ten year period, the fixed income portfolio outpaced the Index.

All performance results are calculated in accordance with AIMR standards.

Mercer continues to support the Fund's investment strategy and objectives, as well as the level of investment manager due diligence activities. The Fund's overall asset allocation remains appropriately diversified between equity and fixed income, given the Fund's liability structure and its long term time horizon.

Sincerely,

MERCER INVESTMENT CONSULTING

Stephanie G. Braming

Stephanie Grieser Braming, CFA
Principal

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

Northern Trust

March 29, 2002

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, 2001, through December 31, 2001. Also, a statement of assets together with their fair market value was provided, showing the properties held as of December 31, 2001. 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 Consultants

Master Trustee

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

Performance Evaluation

Mercer Investment Consulting
Stephanie L. Braming, Senior Consultant
Chicago, Illinois

Investment Consultant

Mercer Investment Consulting
Stephanie L. Braming, Senior Consultant
Chicago, Illinois

Real Estate Performance Evaluation

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

Investment Managers

Abbott Capital Management, LLC
New York, New York

Adams Street Partners, LLC
Chicago, Illinois

Alliance Capital Management L.P.
Chicago, Illinois

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

Capital Guardian Trust Company
Los Angeles, California

CB Richard Ellis Investors, LLC
Los Angeles, California

Cozad/Westchester Agricultural Asset Management
Champaign, Illinois

Dimensional Fund Advisors
Santa Monica, California

Fidelity Management Trust Company
Boston, Massachusetts

Forest Investment Associates
Atlanta, Georgia

Frontier Capital Management Co.
Boston, Massachusetts

Grosvenor Capital Management, L.P.
Chicago, Illinois

Harris Associates, L.P.
Chicago, Illinois

Harris Investment Management, Inc.
Chicago, Illinois

Holland Capital Management
Chicago, Illinois

Investment Counselors of Maryland, LLC
Baltimore, Maryland

Iridian Asset Management LLC
Westport, Connecticut

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

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

Lend Lease Real Estate Investments, Inc.
Atlanta, Georgia

MacKay Shields, LLC
New York, New York

MDL Capital Management, Inc.
Pittsburgh, Pennsylvania

Investments

Mesirow Advanced Strategies, Inc.
Chicago, Illinois

NewBridge Partners, LLC
New York, New York

Northern Trust Investment, Inc.
Chicago, Illinois

Oak Associates, Ltd.
Akron, Ohio

Olympus Real Estate Corporation
Dallas, Texas

Pantheon Ventures, Inc.
San Francisco, California

Payden & Rygel
Los Angeles, California

Permira Advisors, Ltd.
London, England

Prudential Investments
Parsippany, New Jersey

The RREEF Funds
Chicago, Illinois

Schroder Capital Management International
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

Western Asset Management Company
Pasadena, California

Investment Policies

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

A. Investment Objectives

1. To diversify the investment portfolio so as to optimize investment returns.
2. To set investment and actuarial policies 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 investment portfolio.
5. To achieve in U.S. equities a total return that exceeds the total return of the Wilshire 5000 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 ACWI-Ex U.S. 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 5 percent real rate of return 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.
14. To be innovative, responsive, and considerate of the position of public trust it holds in the State of Illinois.

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. International equity 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 portfolio's 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 the portfolio's 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. International and global equity 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 the market value of a manager's portfolio. 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 are 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. The use of exchange traded financial futures, exchange traded options on financial futures, and over the counter options is subject to individual manager guidelines. Leverage is not allowed.

F. Equity Real Estate Investment Guidelines

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

G. Alternative Investment Guidelines

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

H. Short-Term Investment Guidelines

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

Investments

Returns by Asset Class

Periods ending December 31

	1997	1998	1999	2000	2001	Annualized 3 Yrs	Annualized 5 Yrs	Annualized 10 Yrs
Total Fund								
Time-Weighted Returns								
IMRF	16.19%	12.63%	20.93%	1.87%	-6.08%	4.98%	8.58%	9.72%
CPI (Inflation)	1.70%	1.61%	2.67%	3.40%	1.55%	2.53%	2.18%	2.51%
Equities - U.S.								
IMRF	28.47%	21.27%	29.61%	-3.50%	-11.56%	3.45%	11.52%	13.08%
Russell 2000	22.36%	-2.55%	21.26%	-3.03%	2.49%	6.42%	7.52%	11.51%
S&P 500	33.23%	28.75%	21.05%	-9.10%	-11.88%	-1.02%	10.70%	12.92%
Wilshire 5000	31.29%	23.43%	23.56%	-10.68%	-10.96%	-0.66%	9.70%	12.28%
Equities - International								
IMRF	2.32%	7.73%	41.43%	-3.18%	-15.33%	5.06%	5.03%	7.61%
ACWI Ex-U.S.	2.04%	14.47%	30.92%	-15.09%	-19.50%	-3.63%	0.89%	4.61%
EAFE	2.06%	20.33%	27.30%	-13.96%	-21.21%	-4.79%	1.17%	4.76%
EAFE 50% Hedged	7.83%	16.17%	31.01%	-9.47%	-19.14%	-1.50%	3.67%	5.36%
Fixed Income								
IMRF	8.55%	7.53%	0.45%	7.26%	6.77%	4.78%	6.07%	7.47%
Lehman Aggregate	9.68%	8.67%	-0.83%	11.63%	8.42%	6.27%	7.43%	7.23%
Lehman Government/Credit	9.75%	9.47%	-2.15%	11.84%	8.51%	5.89%	7.36%	7.27%
Merrill Lynch High Yield	12.83%	3.66%	1.57%	-3.79%	6.20%	1.25%	3.95%	8.27%
Real Estate								
IMRF	22.68%	-0.38%	2.76%	12.96%	12.99%	9.57%	8.47%	2.97%
NCREIF Classic Property	12.28%	18.42%	12.76%	12.79%	7.28%	10.72%	12.77%	8.53%
Alternative Investments								
IMRF	39.26%	19.58%	32.60%	54.37%	-25.90%	14.90%	20.39%	19.74%
Cash & Cash Equivalents								
IMRF	5.87%	5.81%	7.77%	9.87%	8.33%	8.65%	7.81%	6.31%
U.S. Treasury Bills	5.37%	5.02%	4.96%	6.21%	3.42%	4.86%	4.99%	4.72%

Performance has been audited and calculated by Mercer Investment Consulting in accordance with AIMR's performance presentation standards

Schedule I
Investment Portfolio Summary

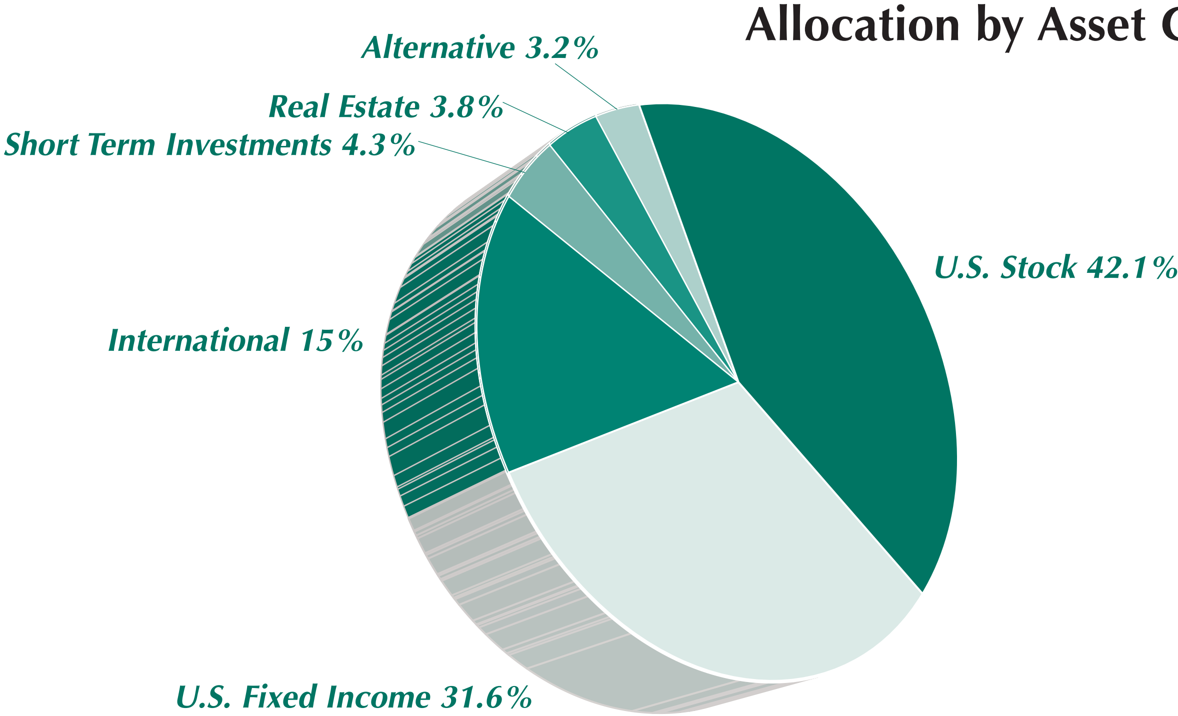
In Millions of Dollars

	As of 12/31/01		As of 12/31/00	
	Fair Value	Percent of Total Fair Value	Fair Value	Percent of Total Fair Value
Fixed Income:				
Government	$1,966.1	12.9%	$1,289.5	8.0%
Corporate	1,538.9	10.1%	1,288.4	8.0%
Index Funds	1,311.2	8.6%	1,488.1	9.3%
Foreign	251.8	1.6%	712.7	4.4%
	5,068.0	33.2%	4,778.7	29.7%
Stocks:				
U.S. Common & Preferred	4,732.2	31.0%	5,203.7	32.3%
U.S. Stock Funds	1,685.1	11.1%	2,018.8	12.6%
Foreign Common & Preferred	1,341.8	8.8%	1,775.9	11.0%
Foreign Stock Funds	696.2	4.6%	834.0	5.2%
	8,455.3	55.5%	9,832.4	61.1%
Real Estate:				
Commingled Funds	280.9	1.8%	285.1	1.8%
Directly Owned	185.4	1.2%	203.5	1.3%
Timber and Agricultural	117.8	0.8%	106.9	0.7%
	584.1	3.8%	595.5	3.8%
Alternative Investments				
Commingled Funds	490.1	3.2%	375.9	2.3%
Short-Term Investments	651.5	4.3%	500.6	3.1%
Total Portfolio	$15,249.0	100.0%	$16,083.1	100.0%

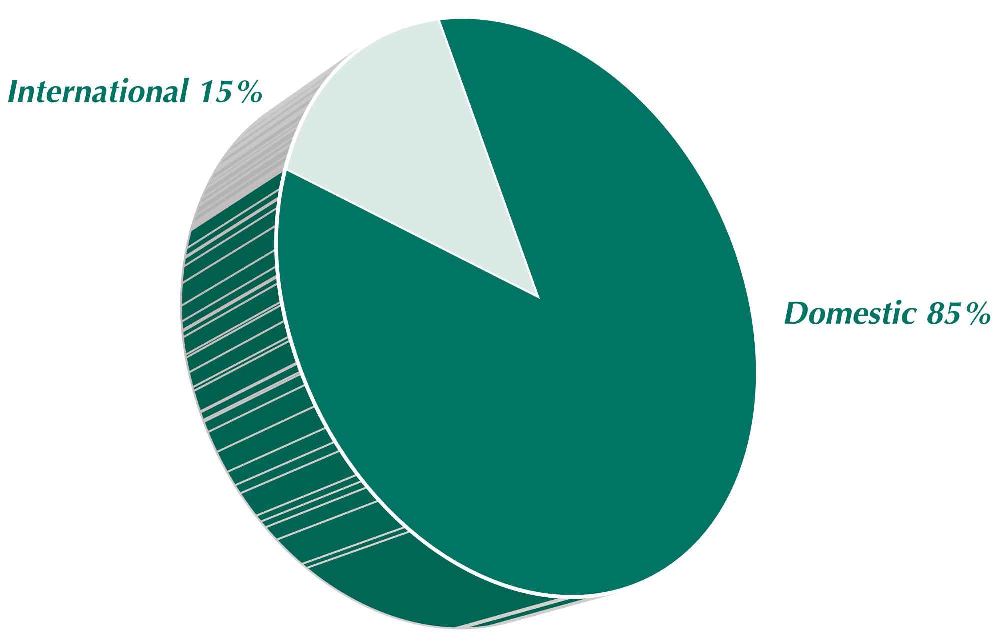
A complete listing of investments is available upon request.

Investment Portfolio as of December 31, 2001

Allocation by Asset Class



Total Investments by Region



Schedule II

Asset Allocation

Last Five Years

	Fair Value as a Percent of Portfolio				
	1997	1998	1999	2000	2001
Fixed Income:					
U.S. Government	6.9%	7.0%	6.1%	8.0%	12.9%
Corporate	7.8%	8.9%	7.7%	8.0%	10.1%
Index Fund	7.7%	7.7%	9.0%	9.3%	8.6%
Foreign	5.7%	4.8%	4.7%	4.4%	1.6%
	28.1%	28.4%	27.5%	29.7%	33.2%
Stocks:					
U.S. Common & Preferred	27.8%	31.0%	32.1%	32.3%	31.0%
U.S. Stock Funds	14.5%	11.6%	14.8%	12.6%	11.1%
Foreign Common & Preferred	12.2%	14.1%	11.3%	11.0%	8.8%
Foreign Stock Funds	5.8%	5.5%	5.6%	5.2%	4.6%
	60.2%	62.2%	63.8%	61.1%	55.5%
Real Estate:					
Commingled Funds	2.4%	2.4%	1.8%	1.8%	1.8%
Directly Owned	2.5%	2.2%	1.3%	1.3%	1.2%
Timber and Agricultural	0.4%	0.5%	0.6%	0.7%	0.8%
	5.3%	5.1%	3.7%	3.8%	3.8%
Alternative Investments:					
Commingled Funds	1.2%	1.3%	1.5%	2.3%	3.2%
Short-Term Investments	5.2%	3.0%	3.5%	3.1%	4.3%
Total Portfolio	100.0%	100.0%	100.0%	100.0%	100.0%

Investments

Ten Largest Fixed Income Investment Holdings

Excludes Commingled Funds

	Market Value	Percent of Total Invested Market
FNMA 6.00% Due 1/1/2032	$ 61,802,481	0.40%
FNMA 7.00% Due 1/1/2027	53,389,396	0.35%
U.S. Treasury Notes 5.75% Due 11/15/2005	52,271,331	0.34%
U.S. Treasury Bonds 8.50% Due 2/15/2020	44,816,810	0.29%
GNMA 7.00% Due 1/1/2032	44,730,750	0.29%
U.S. Treasury Notes 6.50% Due 2/15/2010	42,139,167	0.28%
FHLMC Note 7.00% Due 3/15/2010	36,349,353	0.24%
GNMA 6.00% Due 1/15/2029	33,863,820	0.22%
U.S. Treasury Bonds 8.00% Due 11/15/2021	32,883,390	0.22%
FHLMC 6.50% Due 1/1/2032	32,240,250	0.21%
	$ 434,486,748	2.84%

Ten Largest Equity Investment Holdings

Excludes Commingled Funds

	Market Value	Percent of Total Invested Market
Citigroup Inc.	$ 121,855,641	0.80%
Pfizer Inc.	94,221,061	0.62%
American International Group	87,525,161	0.57%
General Electric Co.	87,212,076	0.57%
Microsoft Corp.	81,429,531	0.53%
Exxon Mobil Corp.	72,107,640	0.47%
Home Depot Inc.	70,920,478	0.46%
AOL Time Warner Inc.	67,714,950	0.44%
Cisco Systems Inc.	65,454,973	0.43%
Wal-Mart Stores Inc.	59,923,938	0.39%
	$ 808,365,449	5.28%

A complete listing of securities is available upon request.

Schedule of 2001 Domestic Brokerage Commissions

In order of commissions received

Broker Name	Shares	Commissions	Per Share
Instinet	14,154,713	$307,176	$ 0.02
Investment Technology Group	18,336,343	293,526	0.02
UBS Warburg Dillon Read	10,501,625	246,693	0.02
Lehman Brothers*	4,530,150	237,183	0.05
Citation Group*	3,691,951	195,639	0.05
Capital Institutional Services*	3,386,372	175,853	0.05
First Boston Corp.	3,099,332	141,856	0.05
Bear Stearns Securities	5,678,700	136,792	0.02
Bernstein, Sanford C. and Co.	2,629,165	135,811	0.05
Goldman Sachs	2,331,175	117,189	0.05
Jefferies and Co.	2,270,625	85,276	0.04
Merrill Lynch Pierce Fenner and Smith	1,633,810	79,708	0.05
Smith Barney	1,466,400	66,083	0.05
Morgan Stanley	1,385,100	58,232	0.04
Montgomery Securities	1,098,100	58,140	0.05
Prudential Securities	1,194,100	57,875	0.05
Factset Data Systems	1,141,200	57,060	0.05
Autranet	959,230	54,831	0.06
Bridge Trading Co.	903,712	52,164	0.06
Cantor Fitzgerald and Co.	1,006,389	48,395	0.05
Lynch Jones and Ryan*	833,600	46,555	0.06
Neuberger and Berman	878,400	43,920	0.05
Oppenheimer and Co.	830,035	41,502	0.05
Deutsche Banc Alex, Brown Inc.	747,300	39,598	0.05
B Trade Services	1,769,750	36,500	0.02
Wexford Clearing Services	700,000	35,000	0.05
Raymond James	603,200	34,294	0.06
Other Brokers	13,618,798	665,754	0.05
Total Domestic	101,379,275	$3,548,605	$ 0.04

**Directed commission broker*

Schedule of 2001 International Brokerage Commissions

In order of commissions received

Broker Name	Shares	Commissions	Per Share
Salomon Brothers	21,931,833	$315,731	$0.01
Morgan Stanley	14,839,388	213,501	0.01
Lehman Brothers*	8,133,204	189,850	0.02
Goldman Sachs	8,081,002	186,951	0.02
Merrill Lynch	10,080,534	179,212	0.02
UBS AG	7,945,999	143,029	0.02
Morgan Grenfell and Co.	5,577,366	137,976	0.02
Kleinwort Benson	7,009,941	132,471	0.02
CSFB	10,282,916	126,255	0.01
Deutsche Morgan Grenfell	2,335,380	89,859	0.04
JP Morgan	2,470,829	88,701	0.04
HSBC	6,448,359	88,088	0.01
Deutsche Bank	2,009,129	83,989	0.04
ABN AMRO	5,214,010	60,356	0.01
SBC Warburg	1,669,070	60,115	0.04
Cheuvreux De Virieu	643,220	54,997	0.09
Merrill Lynch Pierce Fenner Smith	3,832,046	47,168	0.01
Bridge Trading Co.	1,101,800	44,072	0.04
UBS Warburg	4,124,635	38,824	0.01
Broadcoart Capital	659,500	32,725	0.05
County Natwest Securities	3,088,899	27,449	0.01
Warburg Dillon Read	1,259,700	26,512	0.02
Bear Stearns	549,540	24,340	0.04
Sanford Bernstein	463,940	23,197	0.05
First Pacific Stockbrokers	1,829,030	21,827	0.01
Citibank	2,313,190	21,596	0.01
Credit Lyonnais	1,378,100	19,139	0.01
Other Brokers	11,326,908	281,541	0.02
Total	146,599,468	$2,759,471	$0.02

**Directed commission broker*

Commissions in U.S. dollar terms

Schedule of Investment Fees

	2001 Fees	2001 Assets under management at year end (in thousands)*	2001 Basis Points	2000 Fees	2000 Assets under management at year end (in thousands)*	2000 Basis Points
Investment manager fees						
Fixed income managers	$5,483,592	$4,910,118	11	$3,764,168	$4,434,446	8
Stock managers	17,684,258	6,214,040	28	21,159,321	7,107,895	30
International managers	11,314,271	2,752,293	41	10,396,408	3,514,763	30
Real estate managers	5,393,291	587,151	92	6,006,871	600,045	100
Alternative Investment managers	2,392,576	500,359	48	1,683,748	399,856	42
	$42,267,988	$14,963,961		$43,010,516	$16,057,005	
Other investment fees						
Master trustee fees	549,772			696,266		
Total investment fees	42,817,760			43,706,782		
Non-fee investment expenses	52,836			100,674		
Total direct investment expenses	$42,870,596			$43,807,456		
Securities lending fees						
Rebated earnings	$56,921,275			$89,164,455		
Bank fees and commissions	1,789,860			1,415,201		
	$58,711,135			$90,579,656		

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.

	2001	2000
Investment consulting fees	$455,000	$545,000
Master trustee fees	0	1,875
	$455,000	$546,875

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

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Actuarial

GABRIEL, ROEDER, SMITH & COMPANY
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May 3, 2002

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

Dear Board Members:

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

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

Actuarial valuations are performed annually to assess the plans progress toward meeting its financial objective. The valuation process develops contribution rates that are sufficient to fund the plan's current cost (i.e. the costs assigned by the valuation method to the year of service about to be rendered), as well as to fund unfunded actuarial accrued liabilities as a level percent of active member payroll over a finite period. The most recent valuations were completed based upon population data, asset data, and plan provisions as of December 31, 2001.

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 3, 2002

Actuarial valuations are based upon assumptions regarding future activity in specific risk areas including the rates of investment return and payroll growth, eligibility for the various classes of benefits, and longevity among retired lives. The Board adopts these assumptions after considering the advice of the actuary and other professionals. The assumptions and the methods comply with the requirements of Statement 25 of the Governmental Accounting Standards Board. Each actuarial valuation takes into account all prior differences between actual and assumed experience in each risk area and adjusts the contribution rates as needed. The December 31, 2001 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 practically neutral in 2001. Although on a market value basis, investment return for IMRF as well as for most other pension funds across the country was not good, investment return, after taking into account the smoothing used by the actuary in the asset valuation process, was a small source of actuarial gain. Under present market conditions, investment losses are likely to affect the 2002 valuation results.

Based upon the results of the December 31, 2001 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. However, a recovery in the investment markets will be needed if future contribution rate increases are to be avoided.

Respectfully submitted,

GABRIEL, ROEDER, SMITH & COMPANY

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

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

BBM:kmg

Illinois Municipal Retirement Fund
Brief Summary Of Actuarial Assumptions used in 2001 Valuations
(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 a wage inflation component of 4.0% and a real return component of 3.5%.
Payroll Growth	4.00% per annum, compounded annually. Membership is assumed to remain constant.
Retirement 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					Pay Increase Next Year
	Active Mortality		Disability		
Age	Male	Female	Male	Female	(6 + yrs. of service)
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	Reduced		Unreduced		
Age	Male	Female	(5+ Yrs.)	Male	Female	Male	Female	SLEP
30	3.80%	6.20%	3.00%	- -%	- -%	- -%	- -%	- -%
40	3.20	4.20	1.70	- -	- -	- -	- -	- -
50	2.60	3.40	1.50	- -	- -	- -	- -	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 05/03/2002

Solvency Test

Last ten years

	Aggregate Actuarial Liabilities For				Portion of Actuarial Liabilities covered by Assets		
	(1)	(2)	(3)				
Calendar Year	Active Member Contributions	Annuitants	Active Members (Employer Financed Portion)	Actuarial Assets	(1)	(2)	(3)
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%
2000	2,473,646,891	5,284,275,174	6,395,133,709	15,169,369,271	100.0%	100.0%	115.9%
2001	2,708,833,984	5,613,708,283	6,995,975,308	16,305,022,254	100.0%	100.0%	114.1%

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

Table 1

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
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	6.4%	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
2000	4,199,395,411	6.8%	26,514	3.3%	159,810	44.6	8.2
2001	4,505,162,658	7.3%	27,477	3.6%	164,845	44.9	8.3

Table II
Schedule of Adds and Removals from Rolls
Last six years

Schedule of Retirees and Beneficiaries Added to and Removed from Rolls

Calendar Year	Beginning of Year Balance	Number Added to Rolls	Number Removed from Rolls	End of Year Balance	Annual Pension Benefit Amount	Average Annual Benefit	% Increase in Average Benefit
1996	59,212	4,702	2,399	61,515	$330,182,571	$5,368	7.9%
1997	61,515	4,971	2,430	64,056	369,267,651	5,765	7.4%
1998	64,056	4,894	2,678	66,272	411,763,751	6,213	7.8%
1999	66,272	4,854	2,795	68,331	451,411,565	6,606	6.3%
2000	68,331	4,406	2,875	69,862	483,042,410	6,914	4.7%
2001	69,862	4,576	3,006	71,432	518,117,918	7,253	4.9%

Schedule of Disabilitants Added to and Removed from Rolls

Calendar Year	Beginning of Year Balance	Number Added to Rolls	Number Removed from Rolls	End of Year Balance	Annual Disability Benefit Amount	Average Annual Benefit	% Increase in Average Benefit
1996	1,751	1,885	1,910	1,726	$9,477,974	$5,491	3.8%
1997	1,726	1,885	1,984	1,627	9,107,613	5,598	1.9%
1998	1,627	1,799	1,942	1,484	8,636,865	5,820	4.0%
1999	1,484	1,805	1,905	1,384	8,140,900	5,882	1.1%
2000	1,384	1,810	1,777	1,417	9,067,056	6,399	8.8%
2001	1,417	1,989	2,006	1,400	9,629,607	6,878	7.5%

Table III
Number of Initial Benefit Payments
Last ten years

Calendar Year	Annuity	Disability	Death	Refund	Total
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
2000	3,527	2,044	2,374	13,997	21,942
2001	3,647	1,989	2,646	13,162	21,444

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					
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%
2002	7.62%	-2.73%	0.36%	0.62%	5.87%
2003	7.66%	-2.40%	0.34%	0.62%	6.22%
Sheriff's Law Enforcement Personnel Members (SLEP)					
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%
2002	11.94%	1.20%	0.37%	0.62%	14.13%
2003	11.96%	1.12%	0.34%	0.62%	14.04%
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%
2002	18.05%	19.43%	0.36%	0.62%	38.46%
2003	17.95%	21.47%	0.33%	0.62%	40.37%

* *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 Year	Regular IMRF Normal	Regular IMRF Survivor	Regular IMRF Total	Sheriff's Law Enforcement Personnel Normal	Sheriff's Law Enforcement Personnel Survivor	Sheriff's Law Enforcement Personnel SLEP	Sheriff's Law Enforcement Personnel Total	Elected County Officials Normal	Elected County Officials Survivor	Elected County Officials ECO	Elected County Officials Total
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%
2000	3.75%	0.75%	4.50%	3.75%	0.75%	2.00%	6.50%	3.75%	0.75%	3.00%	7.50%
2001	3.75%	0.75%	4.50%	3.75%	0.75%	2.00%	6.50%	3.75%	0.75%	3.00%	7.50%

#The Elected County Officials plan began in 1997.

Actuarial Balance Sheet

	Amount at December 31	
	2001	2000
Sources of Funds		
Actuarial value of assets	$16,305,022,254	$15,169,369,271
Actuarial present value of future contributions:		
Member	1,908,166,583	1,790,138,986
Employer normal costs	3,272,271,328	3,055,300,053
Overfunded actuarial accrued liability	(986,504,690)	(1,016,313,489)
Total Sources	$20,498,955,475	$18,998,494,821
Uses of Funds		
Retired members and beneficiaries	$5,613,708,283	$5,284,275,174
Inactive members	1,370,519,570	1,231,311,706
Active members	13,496,268,394	12,465,004,893
Death and disability benefits	18,459,228	17,903,048
	$20,498,955,475	$18,998,494,821

Analysis of Overfunded Liability

Overfunded liability beginning of year	($1,016,313,489)	($515,168,818)
Assumed payments during year	140,207,051	78,598,946
Assumed interest (7.5 percent)	(71,029,128)	(35,725,744)
Expected overfunded liability	(947,135,566)	(472,295,616)
Change due to assumption changes	-	-
Change due to investment performance	(69,378,457)	(642,517,628)
Change due to other sources	30,009,333	98,499,755
Overfunded liability end of year	($986,504,690)	($1,016,313,489)

Derivation of Experience Gain (Loss)

Type of Risk Area	2001	2000
	(in millions)	
Risks Related to Assumptions		
Economic Risk Areas		
Investment return	$69.4	$642.5
Pay increases	(29.5)	12.2
Demographic Risk Areas		
Service retirements	(4.9)	0.8
Early retirements	(1.0)	(2.8)
Vested deferred retirements	(20.3)	(8.7)
Death and survivor benefits	2.9	1.8
Disability benefits	10.0	9.8
Terminated with refund	11.4	(22.4)
Risks Not Related to Assumptions	1.4	(89.2)
Total Gain (or Loss) During Year	$39.4	$544.0

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

Summary of Benefits

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

General

IMRF serves 2,826 employers including cities, villages, counties, school districts, townships and various special districts, such as parks, forest preserves and sanitary districts. Each employer contributes to individual accounts to provide future retirement benefits for its own employees.

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

IMRF has three benefit plans. The Sheriff's Law Enforcement Personnel (SLEP) plan is for sheriffs 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. A county may opt out of the ECO plan. All remaining employees belong to the Regular plan.

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

Vesting

Members are vested for pension benefits when they have at least eight years of qualifying service credit. SLEP members are vested for a SLEP pension when they have at least 20 years of SLEP service credit. SLEP members with more than eight years of service but less than 20 years of SLEP service will receive a Regular pension.

Refunds

Non-vested members who stop working for an IMRF employer can receive a lump sum refund of their IMRF member contributions. Vested members can receive a lump sum refund of their IMRF member contributions if they stop working for an IMRF employer prior to age 55.

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

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

An ECO pension is:

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

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

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

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

Retirement Eligibility

Normal retirement for an unreduced pension is:

- age 60 with 8 or more years of service or 35 or more years of service at age 55,
- age 50 with 20 or more years of SLEP service for members with SLEP service,
- age 55 with 8 or more years of service for members with ECO service, or
- age 50 with 20 or more years of SLEP service or age 55 with 8 or more years of any service for members with ECO SLEP service.

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

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

Service Credit

Service credit is the total time under IMRF, stated in years and fractions. Service is credited monthly while the member is working, receiving IMRF disability benefits or on IMRF's Benefit Protection Leave. For ECO members who join the ECO plan after January 25, 2000, the ECO benefit formula is limited to service in an elected office. In addition, after January 25, 2000, a new ECO member is required to have eight years of service in each office to qualify for an ECO pension.

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

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

Early Retirement Incentive

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

Supplemental Retirement Benefits

Each July IMRF provides a supplemental benefit payment to IMRF retirees and surviving spouses 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 from any IMRF employer.

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

ECO members are eligible for ECO disability benefits if they:

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

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

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

Disability benefits under all plans are offset by Social Security or 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

Beneficiaries of active members who have more than one year of service or whose deaths are job-related are entitled to lump sum IMRF death benefits. If the member was not vested or vested without an eligible spouse, the death benefit is equal to one year's earnings plus 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.

Beneficiaries of inactive members receive a lump sum payment of the members' contributions, plus interest. If the beneficiary is an eligible spouse, the spouse may choose between the lump sum payment or a death benefit of $3,000 plus a monthly surviving spouse pension.

Beneficiaries of retired members receive a $3,000 death benefit. Eligible spouses also receive a surviving spouse pension.

Surviving Spouse Pension

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

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

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

Surviving spouse pensions under all plans are increased each January 1 by three percent of the original amount. The increase for the first year is prorated for the number of months the surviving spouse received a pension.

Changes in Plan Provisions

Legislation that became effective August 17, 2001 made the following changes.

- Individuals elected to qualifying elected office may purchase more than 50 months of qualifying retroactive elected official service if the governing body adopted a resolution by December 31, 2001, allowing them to do so.
- The pre-existing condition investigation for members with fewer than five years of service credit was eliminated if the date the member became temporarily disabled was on or after January 1, 2002.
- The reference to "age 65" was changed to "age for a full Social Security old-age insurance benefit" as it applies to disability benefit eligibility.
- Vested members age 55 or older may receive separation refunds if the member rolls over the refund into another defined benefit retirement plan for the purpose of purchasing service credit.
- References to a forty-year amortization period for unfunded liabilities were changed to periods permitted by generally accepted accounting principles.

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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
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	429,902,758
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	9.84%	190,259,213	66,938	1,970,675,168
1999	2,689,086,076	379,194,892	9.64%	192,356,900	6,957	3,260,644,825
2000	283,134,582	356,153,448	8.48%	200,209,408	739	839,498,177
2001	(1,010,875,498)	313,007,639	6.95%	216,150,677	4,050	(481,713,132)

**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 Expenses	Other Expenses	Total
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	16,190,583	—	540,681,020
2000	533,683,244	29,791,950	17,125,395	—	580,600,589
2001	570,548,544	27,507,628	18,470,776	—	616,526,948

Table VIII
Benefit Expenses by Type

Last ten years

	DEATH				DISABILITY	
Calendar Year	Supplemental	Refund	Burial	Residual	Permanent	Temporary
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
2000	8,211,433	5,864,391	5,947,348	405,080	3,081,562	6,022,246
2001	7,146,093	6,341,938	6,314,132	658,284	3,140,589	6,424,182

	ANNUITIES				REFUNDS		
Calendar Year	Retirement	Surviving Spouse	Beneficiary	Supplemental	Separation	Other	Total
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	392,258,051
1997	336,784,723	24,815,833	615,880	21,424,377	25,760,143	328,711	436,505,883
1998	374,124,084	26,334,572	635,074	22,629,826	26,589,126	531,945	478,617,837
1999	414,515,394	29,272,679	697,985	24,502,564	27,998,118	128,483	524,490,437
2000	445,581,289	32,129,182	749,696	25,691,017	29,423,748	368,202	563,475,194
2001	477,490,779	34,622,766	785,027	27,624,754	27,039,539	468,089	598,056,172

Table IX

Average Benefit Payment Amounts

Last ten years

Calendar Year	Single Sum Payments: Separation Refunds	Single Sum Payments: Lump Sum Death Benefit	Recurring Payments: Annual Disability (1)	Recurring Payments: Annual Retirement (2)
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
2000	2,095	31,999	13,144	9,314
2001	2,048	27,888	13,807	11,023

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

Average Annual Benefit Payment Amounts

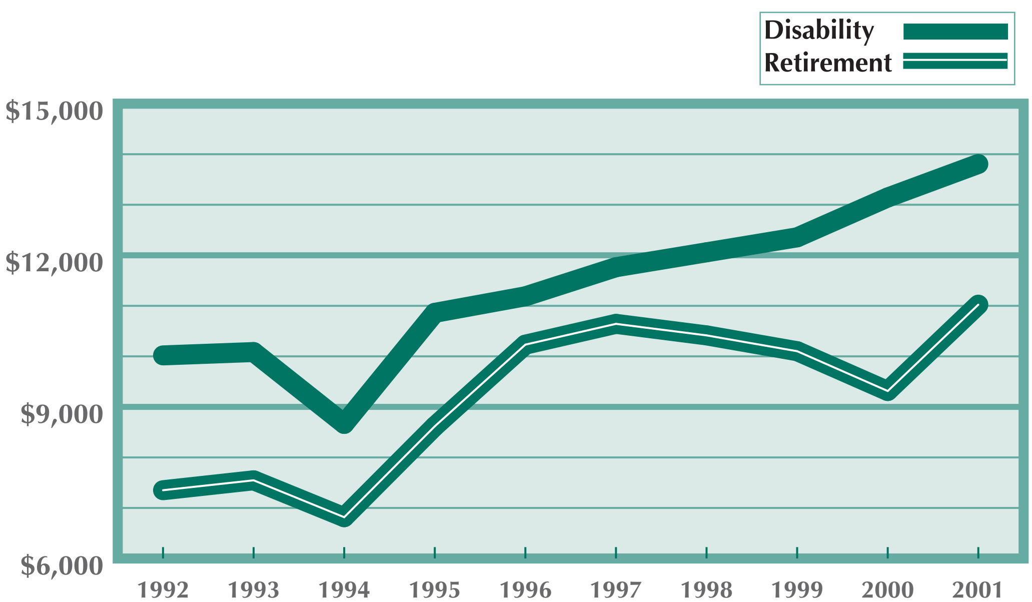

Table X
Number of Actively Participating Employers

Last ten years

Calendar Year End	Cities	Villages	Counties	School Districts	Townships	Other	Total
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
2000	249	364	101	891	432	754	2,791
2001	251	373	101	890	444	767	2,826

Table XI
Number of Actively Participating Members

Last ten years

Calendar Year End	Male Participants	Female Participants	Total
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
2000	59,728	100,082	159,810
2001	61,245	103,600	164,845

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
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	133,773	16,014	40,105	34,162	18,846	24,646
1996	142,046	18,464	42,166	33,826	19,497	28,093
1997	146,659	20,761	44,506	32,651	20,759	27,982
1998	150,428	21,503	46,464	32,060	22,291	28,110
1999	155,517	22,831	48,532	31,371	23,602	29,181
2000	159,810	22,461	51,404	31,011	24,202	30,732
2001	164,845	22,286	54,316	31,917	24,034	32,292

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	1,075	5,538	761	1,905	1,836	7,443
$100 to under $250	2,362	9,983	786	3,458	3,148	13,441
$250 to under $500	4,658	10,122	379	2,249	5,037	12,371
$500 to under $750	3,359	5,540	101	784	3,460	6,324
$750 to under $1,000	2,360	3,174	24	318	2,384	3,492
$1,000 to under $2,000	4,512	4,254	8	268	4,520	4,522
$2,000 to under $3,000	1,700	600	0	20	1,700	620
$3,000 to under $4,000	691	95	0	1	691	96
$4,000 and over	321	26	0	0	321	26
Total	21,038	39,332	2,059	9,003	23,097	48,335

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+	Total
Regular Plan									
1999	Avg. Monthly Annuity	$235	$368	$623	$853	$1,334	$1,845	$2,810	$864
	Avg. Monthly FRE	$1,647	$1,853	$2,176	$2,247	$2,755	$3,184	$4,036	$2,302
	Number of Retirees	409	774	591	588	453	294	148	3,257
2000	Avg. Monthly Annuity	$250	$400	$656	$911	$1,270	$1,764	$2,499	$808
	Avg. Monthly FRE	$1,766	$2,005	$2,277	$2,392	$2,664	$3,065	$3,595	$2,315
	Number of Retirees	383	705	558	574	375	205	94	2,894
2001	Avg Monthly Annuity	$254	$385	$635	$903	$1,352	$2,007	$2,616	$845
	Avg Monthly FRE	$1,821	$1,942	$2,233	$2,388	$2,822	$3,476	$3,757	$2,363
	Number of Retirees	389	742	575	563	356	213	131	2,969
Sheriff's Law Enforcement Personnel Plan (SLEP)									
1999	Avg. Monthly Annuity				$1,752	$2,820	$3,531		$2,609
	Avg. Monthly FRE				$3,306	$4,550	$5,279		$4,278
	Number of Retirees				25	23	18		66
2000	Avg. Monthly Annuity				$1,698	$2,717	$3,303	$3,581	$2,379
	Avg. Monthly FRE				$3,360	$4,306	$4,668	$8,287	$4,053
	Number of Retirees				16	15	5	1	37
2001	Avg Monthly Annuity				$1,774	$3,394	$3,891	$849	$2,843
	Avg Monthly FRE				$3,566	$5,588	$5,624	$1,132	$4,691
	Number of Retirees				27	16	21	1	65
Elected County Official Plan (ECO)									
1999	Avg. Monthly Annuity		$1,158	$2,042	$670				$1,344
	Avg. Monthly FRE		$2,887	$2,895	$837				$2,434
	Number of Retirees		4	3	2				9
2000	Avg. Monthly Annuity		$1,086	$3,707	$1,664				$2,201
	Avg. Monthly FRE		$2,964	$5,600	$2,080				$3,474
	Number of Retirees		3	4	5				12
2001	Avg Monthly Annuity		$292	$452	$1,345	$1,824			$864
	Avg Monthly FRE		$1,202	$1,282	$1,808	$2,280			$1,560
	Number of Retirees		3	4	3	2			12

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

Ages	Retirees Male	Retirees Female	Retirees Total	Surviving Spouses Male	Surviving Spouses Female	Surviving Spouses Total	Beneficiaries Male	Beneficiaries Female	Beneficiaries Total
Under 55	316	105	421	3	119	122	21	67	88
55 to 59	1,555	3,067	4,622	17	180	197	6	26	32
60 to 64	2,774	6,004	8,778	63	359	422	6	22	28
65 to 69	4,077	7,723	11,800	168	721	889	8	26	34
70 to 74	4,369	7,750	12,119	318	1,317	1,635	6	28	34
75 to 79	3,822	6,656	10,478	519	1,834	2,353	4	35	39
80 to 84	2,487	4,605	7,092	512	2,028	2,540	4	23	27
85 to 89	1,260	2,388	3,648	293	1,425	1,718	2	21	23
90 to 94	319	827	1,146	98	584	682	1	5	6
95 to 100	57	193	250	10	164	174	0	0	0
100 and over	2	14	16	0	16	16	0	3	3
Total	21,038	39,332	60,370	2,001	8,747	10,748	58	256	314

Note: Counts do not include disabilitants

Table XVI
Active Members by Age

Ages	All Plans Male	All Plans Female	All Plans Total	Sheriff's Law Enforcement Personnel Male	Sheriff's Law Enforcement Personnel Female	Sheriff's Law Enforcement Personnel Total	Elected County Officials Male	Elected County Officials Female	Elected County Officials Total
Under 20	380	546	926	0	0	0	0	0	0
20 to 29	7,640	10,567	18,207	560	103	663	4	0	4
30 to 39	13,515	20,306	33,821	1,268	177	1,445	46	16	62
40 to 49	19,092	36,750	55,842	1,115	153	1,268	143	74	217
50 to 54	8,457	16,221	24,678	375	61	436	93	33	126
55 to 59	5,783	10,828	16,611	163	17	180	54	24	78
60 to 69	5,257	7,394	12,651	81	19	100	102	37	139
70 and Over	1,121	988	2,109	4	1	5	44	7	51
Total	61,245	103,600	164,845	3,566	531	4,097	486	191	677

Illinois Municipal Retirement Fund
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Suite 500
Oak Brook, IL 60523-2337