Illinois Municipal Retirement Fund

Comprehensive Annual Financial Report

2003

For the fiscal year ending December 31, 2003

Illinois Municipal Retirement Fund

2003 Comprehensive Annual Financial Report

For the year ended December 31, 2003

Prepared by

The Finance Department of the
Illinois Municipal Retirement Fund

2211 York Road
Suite 500
Oak Brook, IL 60523-2337
Louis W. Kosiba
Executive Director

IMRF Mission Statement

"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"

IMRF 2003

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2004 IMRF Board of Trustees

W. Thomas Ross
Executive Trustee
Winnebago County

January 1, 2001 -
December 31, 2005

2004 President
2003 Vice President

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Executive Trustee
Park District Risk
Management Agency

January 1, 2002 -
December 31, 2006

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2003 Secretary

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Annuitant Trustee
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January 1, 2001 -
December 31, 2005

2004 Secretary

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Employee Trustee
Naperville CUSD #203

January 1, 2000 -
December 31, 2004

2003 President

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Employee Trustee
Village of Matteson

January 1, 2004 -
December 31, 2005

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January 1, 2004 -
December 31, 2008

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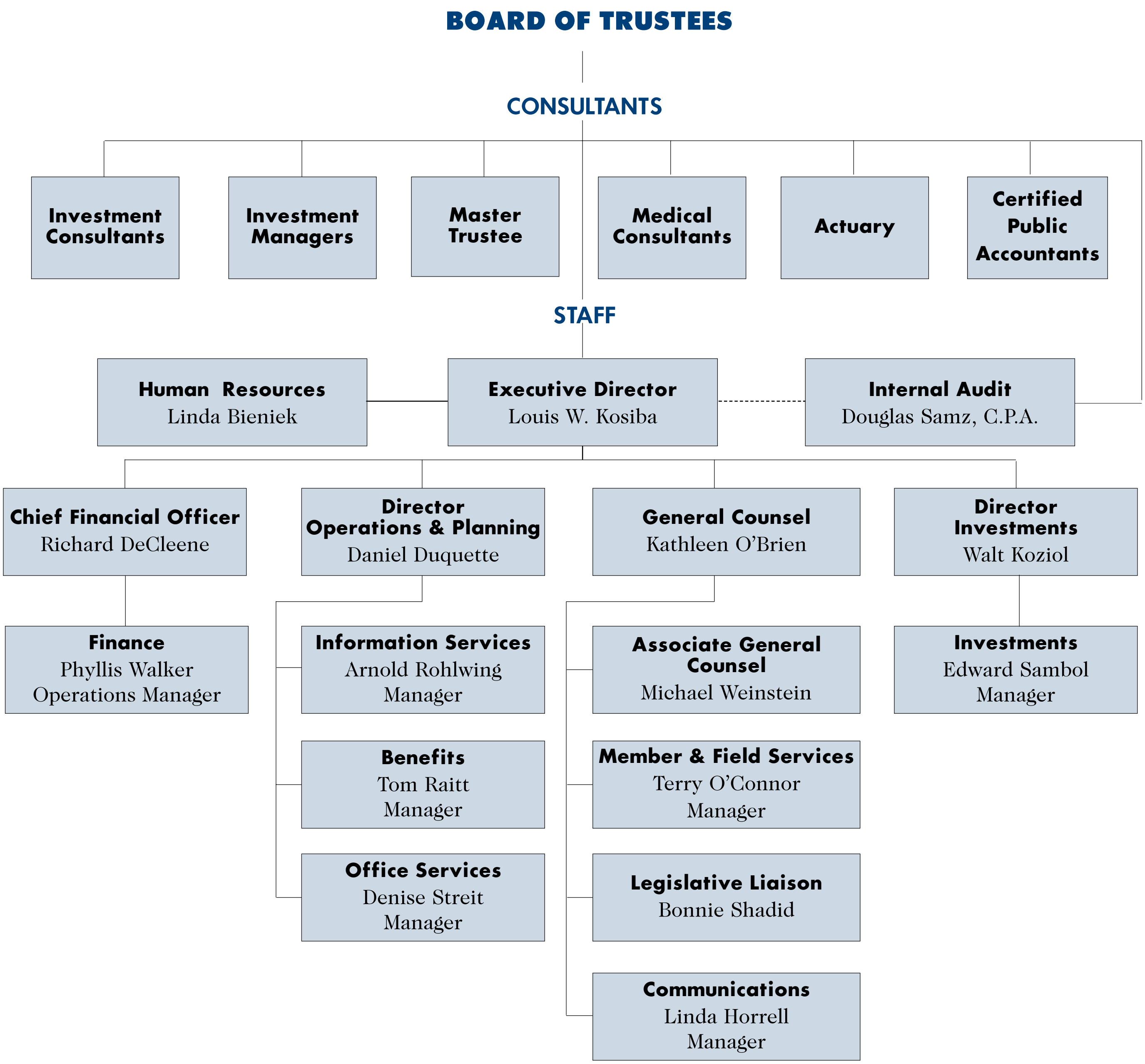
City of Peoria

January 1, 2001 -
December 31, 2005

R. Steven Sonnemaker
Executive Trustee
Peoria County

January 1, 2003 -
December 31, 2007



Consultants — (Investment Consultants are listed on page 41)

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

Auditors
Deloitte & Touche LLP
Alice Wunderlich
Gerry Fink
Chicago, Illinois

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

Independent Fiduciary Counsel
Seyfarth Shaw Attorneys LLP
Larry Moss
Chicago, Illinois

Medical Consultants
Marianjoy Medical Group
Wheaton, 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, 2002

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

President

Executive Director

Illinois Municipal Retirement Fund

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Service Representatives 1-800-ASK-IMRF (1-800-275-4673)
www.imrf.org

May 6, 2004

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

This is the December 31, 2003, comprehensive annual financial report of the Illinois Municipal Retirement Fund (IMRF). This report has five sections. The Introductory Section contains this transmittal letter and organization charts. The Financial Section contains the report of the independent public accountants as well as 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.

The Illinois State Legislature established IMRF in 1939. We began operations in 1941 in order to provide retirement, death and disability benefits to employees of local units of government in Illinois. IMRF now serves 2,871 different employers, 167,952 participating members and 77,115 benefit recipients.

Summary of Financial Information

The following table summarizes additions and deductions to the plan's net assets for 2003 and 2002.

	2003 (millions)	2002 (millions)	Dollar Change	Percent Change
Additions	$3,573	$(796)	$4,369	549%
Deductions	717	669	48	7%
Net Change	$2,856	$(1,465)	$4,321	295%

The significant change in Additions between 2003 and 2002 is primarily due to a $4,321 million increase in investment income that is attributable to the robust financial markets in 2003. IMRF's total return in 2003 was 22.6 percent versus -8.7 percent in 2002. The increase in Deductions is primarily due to increased benefit payments caused by an increase in the number of benefit recipients from 74,668 to 77,115. For a full understanding of IMRF's financial results, the reader is urged to review the Financial Section of this report that 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, 2003, valuation, the actuarial value of assets was $17.5 billion. The aggregate actuarial liability for all IMRF employers was $18 billion. The actuarial funding ratio is currently 97.6 percent. This is a decrease from the funding ratio of 101.5 percent for 2002. 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 Fund. While 2002 and 2001 were unusual years in that IMRF suffered its first ever back-to-back years of investment losses, 2003 investment earnings were $2,996 million and represented 83.9% of plan Additions. In the 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, 39 professional investment management firms, handling 48 separate accounts, manage the investment portfolio. These firms make investment decisions under the prudent man rule authorized by Article 1 of the Illinois Pension Code and by investment policy guidelines adopted by the Board of Trustees. The Board employs an investment consultant to monitor and evaluate the investment management firms' performance, to aid in the selection of investment management firms and to assist in the development of investment policy. A second consultant provides a real estate investment performance report. Our uppermost goal is to optimize the long-term total return of the Fund's investments through a policy of diversification within a parameter of prudent risk as measured on the total portfolio.

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

Current and Future Developments

a. Board of Trustees

John Lotus Novak, Treasurer of DuPage County, was re-elected as an executive trustee. His five-year term began January 1, 2004.

Rita J. Miotti, Contract Management Services Coordinator for the Village of Matteson, was elected as an employee trustee to fill the remainder of the term of former Trustee Julie A. Newell who left the Board in 2002. Ms. Miotti's term ends on December 31, 2005. Ms. Miotti had been appointed to fill the vacancy on January 24, 2003, pending an election in the fall of 2003.

b. Systems Development

IMRF's system development efforts in 2003 resulted in the completion of four major projects:

- The Purchase of Service project was completed in late 2003 and put into production on February 9, 2004. This subsystem automates processing for 13 different service types such as repayment of refunds and purchasing military service. Turnaround time from receipt of a past service application to generation of a payment schedule for the member is expected to be significantly improved.

- The new Death Claim subsystem automates the claims process starting at the notification of death through identification of beneficiaries, generation of correspondence, analysis of funds on account, if any, and the automated follow-up of any electronic fund deposits.
- Two major incremental system improvements were completed for our Disability Claims subsystem. The recalculation of disability claims necessitated by Social Security or Workers' Compensation awards was automated. This phase was installed in February 2003. The second major enhancement provides the claims examiners an automated process to track the member's eligibility for Social Security disability benefits. These enhancements continue to improve customer service and enhance staff productivity.
- IMRF made personalized pension estimating available to our members on our secure Website beginning in March 2003. Members can use their individual service and earnings history to generate pension estimates. They also have the ability to calculate multiple "what if" scenarios using future service and earnings, purchased service, or conversion of sick days.

c. 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.

Other major investment activities for the year and through April 30, 2004, included:

- Retained BPI Global Asset Management to manage a large capitalization international equity portfolio.
- Retained Dodge & Cox to manage a large capitalization value domestic equity portfolio.
- Retained Sands Capital Management to manage a large capitalization growth domestic equity portfolio.
- Retained Genesis Asset Managers International to manage an emerging markets international equity portfolio.
- Eliminated the Brandes Investment Partners global equity portfolio.
- Eliminated the Capital Guardian small capitalization international equity portfolio.
- Eliminated the Schroeder small capitalization international equity portfolio.
- Replaced the Capital Guardian emerging markets portfolio.
- Replaced the Iridian Asset Management large capitalization value equity portfolio.
- Replaced the Victory/NewBridge large capitalization growth domestic equity portfolio.
- Changed the policy level benchmark return for alternative investments from 13% to 12%.

d. e-Service Goals and Strategy

IMRF offers access to both member and employer specific data through secure areas on our Website—IMRF.ORG. Utilization of these areas grew rapidly in 2003. Our e-service strategy for 2004 includes developing a new secure employer access area that will offer increased ease of usability, expanded functionality for electronic wage reporting and the delivery of employer documents via the Web. The new secure Web area for employers will help us achieve our e-service goals of improved customer service, reduced administrative costs, uncompromised privacy and security of information and business process re-engineering. The new secured access area for employers should be available in early 2005. Our current Employer Access area will be available while the new area is being developed. In order to capture the benefits of our e-service initiatives, we are requesting all IMRF employers to be able to access our site by January 1, 2005.

e. Electronic Funds Transfer (EFT)

Beginning July 1, 2002, IMRF began accepting employer payments via interactive voice response technology or live operators at no cost to employers. In September 2003, the system was expanded to provide for payments via the Internet. As of year end, IMRF had 735 employers enrolled for EFT payments. As of October 1, 2004, IMRF will require all employers to utilize the EFT system.

f. IMRF Customer Satisfaction Surveys

In an effort to improve our service to our members and employers, IMRF implemented a new customer satisfaction program in April 2003. The areas covered in 2003 included pension inceptions, member service telephone calls, disability processing, walk-in counseling and wage reporting process. On a scale of 1 (very poor) to 5 (very good), the average ratings for the five surveys ranged from 4.1 to 4.9.

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 Board members. Annually, the Internal Audit Director presents his report to the Audit Committee covering the results of internal audit procedures performed. The Internal Audit 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 accountants' unqualified report on IMRF's 2003 Financial Statements is included in this report. The independent accountants meet twice a year with the Audit Committee—once to report on the planned scope of their audit and a second time to report on its results.

Certificate of Achievement for Excellence in Financial Reporting

The 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, 2002. 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 23 consecutive years (fiscal years 1980-2002). We believe our current report continues to conform to the Certificate of Achievement program requirements, and we will be submitting it to the GFOA.

Reports to Membership

IMRF issued a variety of reports covering 2002 and 2003 activity. We mail employer statements every month. We mailed member statements in February. 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 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 the Executive Director, Louis W. Kosiba. The Finance Department, under the direction of Richard DeCleene and Phyllis Walker, compiled the report. We believe this report provides complete and reliable information for making management decisions, for determining compliance with legal provisions and for determining responsible stewardship for the assets contributed by the members and their employers.

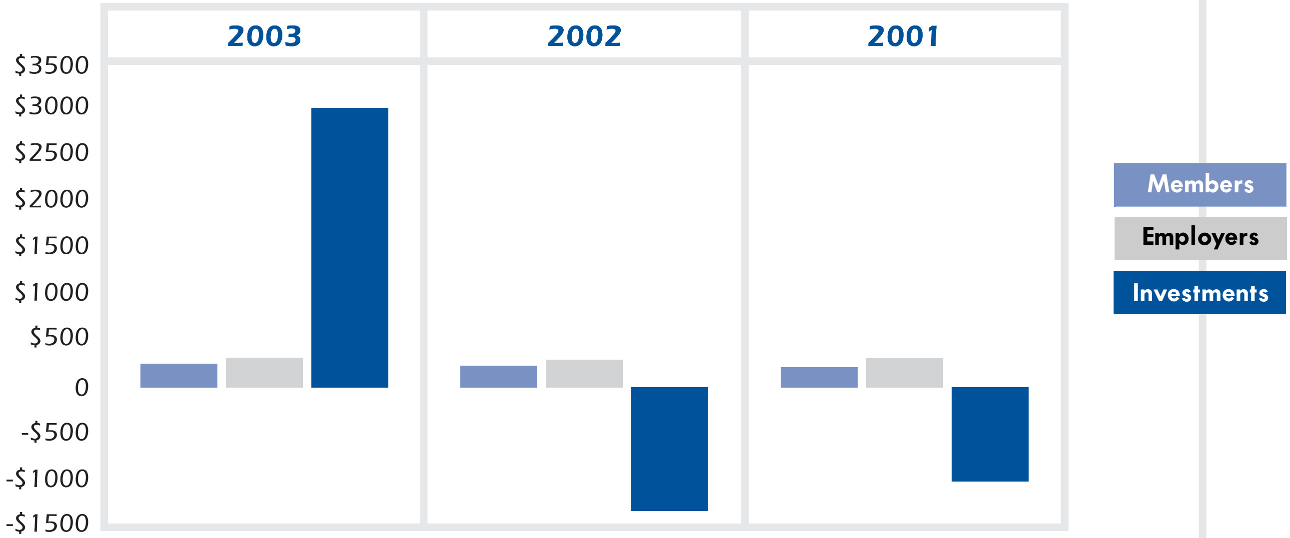
We send this report to the Authorized Agents for all participating units of government. They form the link between IMRF and its membership. Their cooperation, for which we are ever thankful, contributes significantly to the success of IMRF. We hope they will find this report both informative and helpful.

Respectfully submitted,

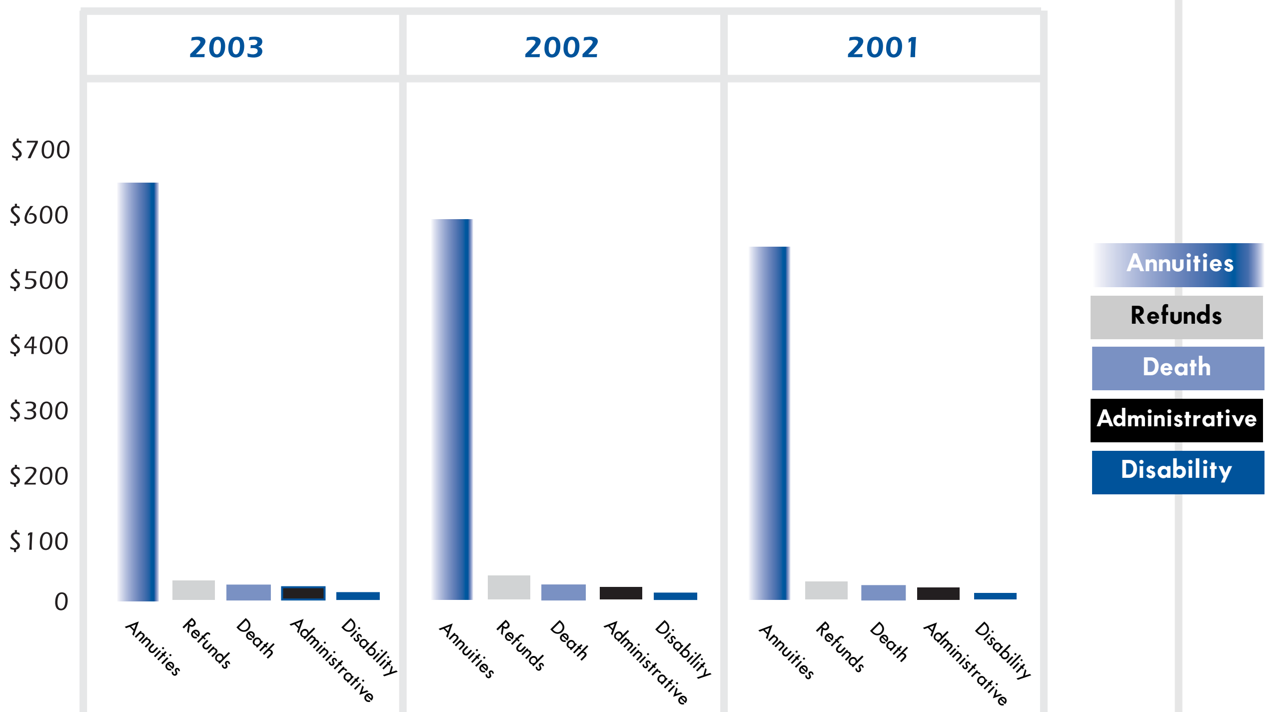
Louis W. Kosiba
Executive Director

Richard J. DeCleene
Chief Financial Officer

Revenues by Source
(in millions)



Expenses by Type
(in millions)



Financial

Deloitte

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Two Prudential Plaza
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Chicago, IL 60601-6710
USA

Tel: +1 312 946 3000
Fax: +1 312 946 2600
www.deloitte.com

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Illinois Municipal Retirement Fund:

We have audited the accompanying statements of plan net assets of the Illinois Municipal Retirement Fund (the "Fund") as of December 31, 2003 and 2002, and the related statements of changes in plan net assets for the years then ended. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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, 2003 and 2002, and the changes in financial status for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis and the Required Supplementary Information listed under the Financial caption in the Table of Contents are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. This supplementary 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 required supplementary information. However, we did not audit such information and we do not express an opinion on it.

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Fund's basic financial statements. The Supplementary Information listed under the Financial caption in the Table of Contents is the responsibility of the Fund's management and is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The Supplementary Information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Deloitte & Touche LLP

May 6, 2004

Member of
Deloitte Touche Tohmatsu

Management's Discussion and Analysis

The following Management's 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 years ended December 31, 2003, and 2002. 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 funded status. In 2003, contributions of $577 million and investment income of $2,996 million exceeded deductions to net assets of $717 million by $2,856 million. This net increase brought the Plan's net asset base to $16,357 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, 2003, valuation, the actuarial value of assets was $17.5 billion. The aggregate actuarial liability for all IMRF employers was $18 billion. On an actuarial basis, the assets held currently fund 97.6 percent of this liability. This is a decrease from the funding ratio of 101.5 percent for 2002. If the market value of assets is used (i.e., no actuarial smoothing), the funding ratio is 91.0 percent as of December 31, 2003, an increase from 81.5 percent as of December 31, 2002. The main reason for the drop in the actuarial funding ratio is the fact that the Fund only earned a 5.1% actuarial investment return versus an actuarial investment return assumption of 7.5% because of the five-year smoothing. As of December 31, 2003, IMRF had, for actuarial purposes, net unrecognized investment losses of $1,181 million which will be reflected in the 2004 through 2007 period.

Plan Net Assets

To begin the financial analysis, a summarized comparisons of IMRF's Plan Net Assets for 2003 versus 2002 and 2002 versus 2001 are presented below.

Condensed Statements of Plan Net Assets
(In millions)

	2003	2002	Dollar Change	Percent Change
Cash and cash equivalents	$ 8	$ 4	$ 4	100%
Receivables and prepaids	335	255	80	31
Investments	16,844	13,877	2,967	21
Invested securities lending cash collateral	1,881	1,478	403	27
Capital assets, net	1	1	—	—
Total assets	19,069	15,615	3,454	22
Liabilities	2,712	2,114	598	28
Total plan net assets	$16,357	$13,501	$2,856	21%

As the previous table shows, plan net assets increased by $2,856 million (21%) in 2003. This increase reflects the significant investment gains in 2003 due to the sharp turn around in the financial markets.

The following table presents the investment allocation as of year-end 2003 and 2002 as compared to IMRF's target allocation for 2003.

	2003	2002	Target
Fixed Income	32.9%	38.3%	36.0%
Stocks	56.5	50.7	56.0
Real Estate	3.5	4.2	2.0
Alternative	3.1	3.4	5.0
Short-Term	4.0	3.4	1.0

The change from 2002 to 2003 in the weightings between fixed income and stocks is primarily due to the improved equity returns in 2003 which increased the absolute value of IMRF's stock holdings, thus raising the percentage allocation to that sector while decreasing the weighting to fixed income sector. The decrease in the percentage weightings to real estate, alternative and short-term is primarily due to the overall growth in the investment portfolio and the fact that the equity component grew at a much faster rate.

The increase in receivables and prepaids in 2003 is largely due to the increase in the receivable from brokers for unsettled trades at year-end. The increase in liabilities in 2003 is due to an increase in payables to brokers for unsettled trades at year-end and an increase in securities lending cash collateral held at year-end.

Condensed Statements of Plan Net Assets
(In millions)

	2002	2001	Dollar Change	Percent Change
Cash and cash equivalents	$ 4	$ 1	$ 3	300 %
Receivables and prepaids	255	211	44	21
Investments	13,877	15,249	(1,372)	(9)
Invested securities lending cash collateral	1,478	1,519	(41)	(3)
Capital assets, net	1	1	—	—
Total assets	15,615	16,981	(1,366)	(8)
Liabilities	2,114	2,015	99	5
Total plan net assets	$13,501	$14,966	$(1,465)	(10)%

As the above table shows, plan net assets decreased by $1,465 million (10%) in 2002. This decrease reflects the significant investment losses in 2002 due to the continuation of the difficult financial markets that began in 2000.

The increase in receivables and prepaids in 2002 is largely due to the increase in the receivable from brokers for unsettled trades at year-end. The increase in liabilities in 2002 is due primarily to an increase in payables to brokers for unsettled trades at year-end which more than offset a reduction in securities lending cash collateral held at year-end.

Changes in Plan Net Assets

Summarized comparisons of IMRF's Changes in Plan Net Assets for 2003 versus 2002 and 2002 versus 2001 are presented below.

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

	2003	2002	Dollar Change	Percent Change
Additions				
Member contributions	$ 256	$ 234	$ 22	9%
Employer contributions	321	295	26	9
Net investment gain (loss)	2,996	(1,325)	4,321	326
Total additions	3,573	(796)	4,369	549
Deductions				
Benefits	669	613	56	9
Refunds	29	37	(8)	(22)
Administrative expenses	19	19	-	-
Total deductions	717	669	48	7
Net increase (decrease) in plan net assets	$ 2,856	$(1,465)	$ 4,321	295%

Additions

Additions needed to fund benefits are accumulated through contributions and returns on invested funds. Contributions for 2003 totaled $577 million which was 9% more than 2002. Investment returns for 2003 rebounded from losses in the previous year. The $2,996 million investment gain in 2003 represents a $4,321 million turn around from the $1,325 million loss in 2002. IMRF's total investment portfolio, reflecting the strong financial markets, returned 22.6% in 2003 compared to a 8.7% loss in 2002.

The increase in member contributions is due to an increase in total member earnings to $4,945 million from $4,796 million in 2002. The member contribution rate remained at 4.5 percent of earnings for Regular members, 6.5 percent for Sheriff's Law Enforcement Personnel (SLEP) and 7.5 percent for the optional Elected County Officials (ECO) plan.

The increase in employer contributions is the net effect of several factors. Member earnings increased overall by 3.1 percent. This increase in member earnings caused employer contributions to increase. In addition, the average Regular Plan and ECO Plan employer rates increased to 6.22 percent from 5.87 percent and to 40.37 percent from 38.46 percent, respectively. These increases were partially offset by a decrease in the average SLEP Plan employer rate to 14.04 percent from 14.13 percent.

In 2003, IMRF achieved net appreciation in the value of investments of $2,714 million, a $4,339 million increase from the $1,625 million of depreciation recorded in 2002. Interest, dividends and equity fund income totaled $322 million, a decrease of $16 million from 2002. Securities lending income net of related expenses was $4.2 million for 2003, a slight decrease from 2002. Direct investment expenses increased to $44.1 million in 2003 from $42.5 million in 2002.

The total rate of return for the portfolio in 2003 was 22.6 percent compared to –8.7 percent in 2002. IMRF's U.S. stock portfolio returned 32.6 percent compared to 31.7 percent for the Wilshire 5000 Index. The fixed income portfolio returned 8.0 percent compared to 4.1 percent for the Lehman Aggregate Index. Our international stock portfolio returned 44.0 percent compared to 41.4 percent for the MSCI ACWI ex-US Index. The real estate portfolio returned 5.4 percent compared to 6.5 percent for the NCREIF Classic Property Index. The alternative investment portfolio returned

8.2 percent versus a target return of 13 percent.

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	1.66% per year
Five years	5.29% per year
Ten years	8.96% per year

Deductions

The expenses paid by IMRF include benefit payments, refunds and administrative expenses. Expenses for 2003 totaled $717 million, an increase of $48 million over 2002. The increase in benefit payments to members and beneficiaries resulted primarily from growth in the number of annuitants to 77,115 in 2003 from 74,668 in 2002 as well as an increase in the amount of the average benefit. The decrease in refunds in 2003 is primarily due to a $9.5 million refund in 2002 in conjunction with a partial plan termination for a dissolving employer.

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

	2002	2001	Dollar Change	Percent Change
Additions				
Member contributions	$ 234	$ 216	$ 18	8%
Employer contributions	295	313	(18)	(6)
Net investment loss	(1,325)	(1,011)	(314)	(31)
Total additions	(796)	(482)	(314)	(65)
Deductions				
Benefits	613	571	42	7
Refunds	37	27	10	37
Administrative expenses	19	18	1	6
Total deductions	669	616	53	9
Net decrease in plan net assets	$(1,465)	$(1,098)	$ (367)	(33)%

Additions

Additions needed to fund benefits are accumulated through contributions and returns on invested funds. Contributions for 2002 totaled $529 million which was the same amount as in 2001. For the first time in its history, IMRF incurred investment losses for two consecutive years. The $1,325 million investment loss in 2002 represents a $314 million increase from the prior year.

The increase in member contributions is due to an increase in total member earnings to $4,796 million from $4,505 million in 2001. 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 6.4 percent. This increase in member earnings caused employer contributions to increase. These factors were more than offset by lower average Regular, SLEP and ECO rates. The average Regular Plan employer rate decreased to 5.87 percent from 6.64 percent. The average SLEP Plan employer rate decreased to 14.13 percent from 14.86 percent. The average ECO Plan employer contribution rate decreased to 38.46 percent from 42.58 percent.

In 2002, IMRF suffered net depreciation in the value of investments of $1,625 million, a $280 million increase from the $1,345 million of depreciation recorded in 2001. Interest, dividends and equity fund income totaled $338 million, a decrease of $32 million from 2001. Securities lending income net of related expenses was $4.6 million for 2002, a decrease of $2.6 million from 2001. Direct investment expenses decreased from $42.9 million in 2001 to $42.5 million in 2002.

Deductions

The expenses paid by IMRF include benefit payments, refunds and administrative expenses. Expenses for 2002 totaled $669 million, an increase of $53 million over 2001. The increase in benefit payments to members and beneficiaries resulted primarily from growth in the number of annuitants to 74,668 in 2002 from 72,832 in 2001 as well as an increase in the amount of the average benefit. The increase in refunds in 2002 is primarily due to a $9.5 million refund in conjunction with a partial plan termination for a dissolving employer.

Economic Factors Impacting 2004

Employer contributions will be greater in 2004 than in 2003 due to a projected increase in covered payroll which is consistent with past historical trends and higher average employer rates for the Regular and SLEP plans due to investment return shortfalls for the 2000-2002 period. The average Regular Plan rate for employers—which accounts for the vast majority of covered payroll—will increase from 6.22 percent to 7.82 percent, an increase of 25.7 percent.

The Fund's estimated investment return for the four months ended April 30, 2004, has been approximately 1 percent, 3 percent on an annualized basis. IMRF's total investments as of April 30, 2004, are approximately $17.3 billion, an increase of $347 million since year-end.

Statements of Plan Net Assets

	December 31	
	2003	2002
Assets		
Cash and cash equivalents	$8,714,598	$3,599,502
Receivables and prepaid expenses		
Contributions	35,134,016	32,628,606
Investment income	54,420,008	58,005,373
Receivables from brokers for unsettled trades	203,281,294	129,403,433
Prepaid expenses	41,702,848	35,330,886
Total receivables and prepaid expenses	334,538,166	255,368,298
Investments, at fair value		
Fixed income	5,537,950,173	5,307,793,363
Stocks	9,524,502,208	7,033,614,526
Short term investments	673,894,645	478,457,624
Real estate	586,551,641	586,670,094
Alternative investments	520,794,249	470,359,926
Total investments	16,843,692,916	13,876,895,533
Invested securities lending cash collateral	1,881,358,349	1,477,618,175
Capital assets		
Equipment, at cost	4,531,666	4,497,511
Accumulated depreciation	(3,719,136)	(3,495,056)
Total capital assets	812,530	1,002,455
Total assets	19,069,116,559	15,614,483,963
Liabilities		
Accrued expenses and benefits payable	20,438,925	20,567,325
Securities lending cash collateral	1,881,358,349	1,477,618,175
Payables to brokers for unsettled trades	810,490,994	615,583,243
Total liabilities	2,712,288,268	2,113,768,743
Net assets held in trust for pension benefits	$16,356,828,291	$13,500,715,220

(A schedule of funding progress is presented on page 33.)

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

Statements of Changes in Plan Net Assets

	Years Ended December 31, 2003	2002
Additions		
Contributions		
Members for retirement coverage	$255,498,279	$233,935,559
Employers for benefit plan coverage	321,049,839	294,935,422
Total contributions	576,548,118	528,870,981
Investment Income		
From investing activities		
Interest	181,993,455	203,829,496
Dividends	97,495,644	84,789,522
Equity fund income, net	42,696,973	49,090,457
Net appreciation (depreciation) in fair value of investments	2,713,686,757	(1,625,182,016)
Investment activity gain (loss)	3,035,872,829	(1,287,472,541)
Less: Direct investment expense	(44,050,043)	(42,485,812)
Net investment activity gain (loss)	2,991,822,786	(1,329,958,353)
From security lending activity		
Securities lending income	18,636,553	27,457,137
Securities lending management fees	(1,061,310)	(1,147,063)
Securities lending borrower rebates	(13,331,337)	(21,726,563)
Net security lending activity income	4,243,906	4,583,511
Total investment gain (loss)	2,996,066,692	(1,325,374,842)
Other	5,050	5,200
Total additions	3,572,619,860	(796,498,661)
Deductions		
Annuities	636,746,610	582,275,635
Disability benefits	10,533,976	9,841,107
Death benefits	21,253,643	21,489,735
Refunds	29,186,749	36,641,773
Administrative expenses	18,785,811	18,727,800
Total deductions	716,506,789	668,976,050
Net increase (decrease)	2,856,113,071	(1,465,474,711)
Net assets held in trust for pension benefits		
Beginning of year	13,500,715,220	14,966,189,931
End of year	$16,356,828,291	$13,500,715,220

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

Notes to Financial Statements
December 31, 2003

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	2003	2002
Participating employers	2,871	2,853

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	2003	2002
Retirees and beneficiaries currently receiving benefits	77,115	74,668
Terminated members entitled to benefits but not yet receiving them	9,820	9,398
Terminated members—non-vested	86,629	82,954
Current members:		
Nonvested	97,288	99,173
Vested	70,664	68,603
Total current members	167,952	167,776
Grand Total	341,516	334,796

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 Sheriffs' 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, 2003, and 2002. 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 pool in each year is equal to 0.62 percent of the participating payroll for the previous year. An individual receives a pro-rata share of the total pool based upon the ratio of his individual benefits to the total benefits paid to all IMRF recipients.

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.

5. IMRF as Employer

IMRF as an employer provides pension, disability and death benefits for all of its full-time employees through the Fund.

Members	2003	2002
Retirees and beneficiaries currently receiving benefits	57	57
Terminated members entitled to benefits but not yet receiving them	51	50
Terminated members—non-vested	31	31
Current members:		
Nonvested	92	106
Vested	91	78
Total current members	183	184
Grand Total	322	322

Trend Information

Actuarial Valuation Date	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
12/31/2003	$532,034	100%	$0
12/31/2002	374,674	100%	0
12/31/2001	549,541	100%	0

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/03	$19,962,212	$21,187,622	$1,225,410	94.2%	$9,870,762	12.41%
12/31/02	18,640,449	18,657,894	17,445	99.9%	9,485,417	0.18%
12/31/01	21,262,088	18,429,814	(2,832,274)	115.4%	9,038,500	0.00%

B. Summary of Significant Accounting Policies

1. Reporting Entity

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

(1) Appointment of a voting majority of the component unit's board and that the component unit 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. Basis of Accounting

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.

3. 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 plan net 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 plan 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.

4. 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).

5. Method Used to Value Investments

IMRF reports securities at fair value. Where appropriate, the fair value includes estimated disposition costs. Fair value for stocks is determined by using the closing price listed on the national securities exchanges as of December 31. Market value for fixed income securities are determined principally by using quoted market prices provided by independent pricing services. For commingled funds, the net asset value is determined and certified by the commingled fund manager as of December 31. Alternative investments, which include private equity and absolute return funds, are valued based on amounts established by fund managers which are subject to annual audit. Fair values for directly owned real estate investments are determined by appraisals.

6. Broker Commission Credits

IMRF has directed commission arrangements with several brokers. Under these arrangements, certain expenses related to the operation of IMRF, and exclusively for the benefit of IMRF, are paid using a percentage of commissions earned on investment transactions. At December 31, 2003, and 2002, IMRF has accumulated $2,494,414 and $2,161,396, respectively, for future expenditures, and these credits are included in plan net assets.

C. Cash

Carrying amounts at December 31:	2003	2002
Cash	$8,714,598	$3,599,502
Bank balances at December 31:		
Custodial credit risk category 1	$10,650,534	$6,745,233
Custodial credit risk category 3	715,266	865,761
	$11,365,800	$7,610,994

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 IMRF. These balances are classified as custodial credit risk category 1 as defined by GASB Statement No. 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 the Governmental Accounting Standards Board (GASB) Statement No. 3, *Deposits with Financial Institutions, Investments (including Repurchase Agreements) and Reverse Repurchase Agreements.*

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 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 shown 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 table presents a summary of the Fund's investments and related category of custodial credit risk at December 31, 2003, and 2002.

Custodial Credit Risk

	2003	2002
Category 1		
U.S. government & agency	$576,548,100	$868,174,100
U.S. corporate	1,166,224,888	1,203,411,190
Foreign fixed income securities	294,045,765	230,786,885
U.S. equities	4,488,077,640	3,601,999,373
Foreign equities	1,618,099,553	910,637,821
Commercial paper	1,557,435	0
Options	(225,948)	144,888
Private Equity	200,938	0
	8,144,528,371	6,815,154,257
Category 3		
U.S. government & agency	4,231,777	1,117,817
U.S. corporate	4,510,978	6,311,682
Foreign fixed income securities	3,120,497	0
U.S. equities	6,052	62,599
Foreign equities	0	2,340,142
Investments in foreign currency	4,042,339	0
	15,911,643	9,832,240
Not Categorized		
Investments held by broker-dealers under securities loans		
U.S. government & agency	941,290,436	765,114,300
U.S. corporate	216,217,865	286,088,176
Foreign fixed income securities	31,949,627	55,202,699
U.S. equities	645,780,720	467,296,572
Foreign equities	285,936,931	121,854,676
U.S. government & agency	616,502,563	563,097,083
U.S. corporate	1,380,015	3,668,268
Foreign fixed income securities	50,253	56,615
U.S. equities	180,577,889	1,380,135
Foreign equities	5,139,672	257,929
U.S. fixed income funds	1,681,877,410	1,324,764,549
U.S. stock funds	1,607,528,447	1,329,497,360
Foreign stock funds	693,355,303	598,287,918
Foreign currency forward contracts	(3,433,200)	(833,062)
Pooled short-term investment funds	672,656,731	479,629,424
Real Estate	586,551,641	586,670,094
Private Equity	257,758,654	238,885,343
Absolute Return Funds	262,834,657	231,474,583
Futures Margin	0	1,073,800
Swaps	(529,462)	(1,557,426)
Options	(173,250)	0
	8,683,252,902	7,051,909,036
Total Investments at fair value	$16,843,692,916	$13,876,895,533

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 represent five percent or more of the Fund's net assets at year-end. As of December 31, 2003, IMRF had $1,684,404,016 invested in the MFTB NTGI QM Collective Daily Aggregate Bond Index Fund and $1,184,705,595 invested in the MFTB NTGI Collective Daily US MarketCap Equity Index 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). As 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 84 days as of December 31, 2003, and 89 days as of December 31, 2002. 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 interest sensitivity of 30 days as of December 31, 2003, and which had an average weighted maturity of 36 days as of December 31, 2002. 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 pertains to 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. During 2003 and 2002, 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, 2003	December 31, 2002
Market value of securities loaned	$2,121,175,579	$1,699,175,456
Market value of collateral received	$2,185,291,504	$1,738,241,409

4. Derivatives

IMRF's investment managers may enter into derivative transactions as permitted by their guidelines with IMRF. A derivative financial instrument is an investment whose payoff depends upon the value of an underlying such as bond and stock prices, a market index, or commodity prices. Derivative financial instruments 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's investment managers seek to control this risk through counterparty credit evaluations and approvals, counterparty credit limits and exposure monitoring procedures. 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, financial futures, options and swaps. 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 financial instruments are used to improve yield, adjust the duration of the fixed income portfolio, or to hedge changes in interest rates.

Foreign currency forward contracts are agreements to buy or sell a specific amount of a specific currency at a specified delivery or maturity date for an agreed upon price. As the market value of the underlying currency varies from the original contract price, IMRF records an unrealized gain or loss. The market value of forward currency contracts outstanding at December 31, 2003, and 2002 are as follows:

Market Value as of	December 31, 2003	December 31, 2002
Forward currency purchases	$ 75,990,101	$35,296,793
Forward currency sales	79,423,301	36,129,855
Unrealized (loss)	$(3,433,200)	$ (833,062)

Financial futures are similar to forward contracts, except futures contracts are standardized and traded on organized exchanges. As the market value of the underlying hedging assets vary 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 future contracts outstanding at December 31, 2003, and 2002 are as follows:

Contractual Amount as of	December 31, 2003	December 31, 2002
Fixed income futures sold	$130,370,281	$268,171,719
Fixed income futures purchased	$ 55,342,094	$126,088,174
Equity futures purchased	$ 8,176,225	$ 10,902,100
Cash and cash equivalent futures purchased	$ 58,943,250	$ —

Contractual amounts, which represent the market value of the underlying assets of the derivative contracts, are often used to express the volume of these positions. Such amounts do not reflect the extent to which positions may offset one another or the potential risk, which is generally a lesser amount.

Financial options are agreements that give 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 assets underlying the option. Gains and losses on options are determined based on market values and are recorded in the Statement of Changes in Plan Net Assets. The market value of financial options outstanding at year-end is as follows:

Market Value as of	December 31, 2003	December 31, 2002
Financial options	$(399,198)	$144,888

Interest rate swaps are agreements between two or more parties to exchange sets of cash flows over a period of time. In the most common type of interest rate swap arrangement, one party agrees to pay fixed interest payments on designated dates to a counterparty who, in turn, agrees to make return interest payments that float with some reference rate. In addition to interest rate swaps, one of IMRF's investment managers utilizes credit default swaps which, in addition to the exchange of interest payment streams as in a common interest rate swap, add liquidity to individual credits and protect specific positions. Gains and losses on swaps are determined based on market values and are recorded in the Statement of Changes in Plan Net Assets. The market value of swaps outstanding at year-end is as follows:

Market Value as of	December 31, 2003	December 31, 2002
Swaps	$(529,462)	$(1,557,426)

5. Future Investment Commitments

At December 31, 2003, and 2002, IMRF had future commitments for additional contributions to real estate and alternative investment managers totaling $225,010,414 and $244,570,836 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 2003 and 2002, the present value of expected retirement benefits exceeded the retirement reserves, for all employers combined, by $1,609,275,160 and $3,059,192,082, respectively.

1. Member Contribution Reserve

	2003	2002
Balance at December 31	$3,186,148,155	$2,950,041,671

2. Annuity Reserve

	2003	2002
Balance at December 31	$6,674,854,460	$6,050,505,970

3. Employer Reserves

	2003	2002
Balance at December 31		
Retirement contribution reserve	$6,454,233,023	$4,413,463,322
Earnings and experience reserve	24,663,337	67,588,278
Supplemental retirement benefit	1,673,769	2,001,340
Pooled death benefit reserve	8,325,705	9,762,521
Pooled disability benefit reserve	6,929,842	7,352,118
Employer reserves	$6,495,825,676	$4,500,167,579

F. Other Notes

1. Prepaid Expenses

Balance at December 31	2003	2002
Prepaid administrative expenses	$ 590,463	$ 219,993
January 1 benefits charged to bank account in December	41,112,385	35,110,893
	$ 41,702,848	$ 35,330,886

2. Capital Assets

Capital assets are recorded 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: four years.

Year ended December 31	2003	2002
Equipment, furniture and automobiles		
Beginning balance	$ 4,497,511	$ 5,002,227
Additions	101,879	780,590
Deletions	(67,724)	(1,285,306)
Ending balance	4,531,666	4,497,511
Accumulated depreciation		
Beginning balance	3,495,056	4,470,586
Additions	232,432	309,776
Deletions	(8,352)	(1,285,306)
Ending balance	3,719,136	3,495,056
Capital assets, net	$ 812,530	$ 1,002,455

3. Compensated Absences

Annual vacation leave is earned by all employees. Upon termination, employees are eligible to receive compensation for their accrued annual leave balances. At December 31, 2003, a liability existed for accumulated annual leave calculated at the employee's December 31, 2003, pay rate in the amount of $434,436. 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, 2003, a liability existed for accumulated and accrued sick leave, calculated at the employee's December 31, 2003, pay rate in the amount of $1,537,044. The total leave liability of $1,971,480 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 2003 and 2002 was $1,045,829 and $1,046,319, respectively.

The Fund also leases office space in Springfield for its Regional Counseling Center under an agreement that expires on October 31, 2006. Total rental expense for 2003 and 2002 was $28,836 and $28,270, respectively

The minimum commitments for the remainder of these leases are as follows:

2004	$1,495,142
2005	$1,539,556
2006	$25,420

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. New Pronouncement

GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, updates the custodial credit and disclosure requirements of GASB Statement No. 3, *Deposits with Financial Institutions, Investments (including Repurchase Agreements) and Reverse Repurchase Agreements* and establishes more comprehensive disclosure requirements addressing credit risk, interest rate risk and foreign currency risk. GASB Statement No. 40 is effective for financial statements for periods beginning after June 15, 2004.

H. 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

Actuarial Valuation Date December 31	Aggregate Actuarial Liabilities (AAL) Total AAL Entry Age (a)	Actuarial Assets (b)	Actuarial Assets as a % of AAL (b/a)	Unfunded Actuarial Liabilities (UAL) Total UAL (a-b)	Member Payroll (c)	UAL as a % of Member Payroll ((a-b)/c)
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%
2002*	16,559,907,302	16,800,195,504	101.5%	(240,288,202)	4,795,734,292	-5.0%
2003	17,966,103,451	17,529,890,818	97.6%	436,212,633	4,944,767,495	8.8%

* 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
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%
2002	232,765,220	14,951,535	17,488,736	29,729,931	294,935,422	100%
2003	257,835,660	15,136,077	16,916,553	31,161,549	321,049,839	100%

See notes to required supplementary information on following page.

Notes to Required Supplementary Information

Valuation date	December 31, 2003
Actuarial cost method	Entry age normal
Amortization method	Level percent of payroll
Remaining amortization period	Taxing bodies: closed, 27 years Overfunded taxing bodies: varies by funding status Non-taxing bodies: generally 5 years
Asset valuation method	Five year smoothed market related with a 24% corridor decreasing to 20% by 2006
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	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

	2003	2002
Personal services	$12,569,944	$12,066,399
Supplies	390,096	487,344
Professional services	772,921	1,057,013
Occupancy and utilities	1,920,972	1,842,213
Postage and delivery	914,047	917,666
Equipment service and rental	897,674	1,023,354
Expendable equipment	112,764	195,266
Miscellaneous	974,961	828,769
Depreciation	232,432	309,776
Total	$18,785,811	$18,727,800

Schedule of Payments to Consultants

	2003	2002
External auditor	$66,000	$66,000
Internal auditor	46,800	36,912
Medical consultant	75,713	77,933
Legal services	30,392	6,745
Tax consultant	0	14,479
Actuary	245,614	283,526
Management consultants:		
Benefit information system	229,373	506,773
Imaging system	65,839	39,381
Internet	13,190	3,900
Telecommunications	0	21,364
Total	$772,921	$1,057,013

Schedule of Investment Expenses

	2003	2002
Investment manager fees	$43,198,053	$41,825,977
Master trustee fees	330,139	533,020
Investment consultants	494,475	102,005
Miscellaneous	27,376	24,810
Total	$44,050,043	$42,485,812

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

May 3, 2004

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, 2003.

As of year end 2003, the Illinois Municipal Retirement Fund (the Fund) had net assets totaling $16.4 billion, a $2.9 billion increase since December 31, 2002. The increase was due to strong investment performance, coupled with $576.5 million in contributions, which more than offset benefit payments of $697.7 million. Over the past five years, the Fund's contributions and investment performance were sufficient to meet $3.0 billion in benefit payments.

Economic growth rebounded during the last three quarters of 2003, with the third quarter's 8.2% annualized GDP growth the strongest quarter since 1984. In the continued low interest rate environment, global stock markets rebounded strongly, posting double digit returns. Fixed income, which served as a safe haven during the last three years of negative equity markets, reported modest results.

- The Wilshire 5000 Index, the broadest measure of U.S. stock market performance, returned 31.7% during 2003. Within the domestic market, small capitalization stocks returned 47.3% as measured by the Russell 2000 Index and significantly outpaced their larger counterparts, which returned 28.7%, as measured by the S&P 500 Index.

- The Lehman Brothers Aggregate Index, a benchmark of domestic investment grade bonds, returned 4.1%. Fixed income performance was driven by Corporate bonds, which outperformed mortgages and U.S. Treasuries.

- The international equity market, as measured by the MSCI ACWI ex US (All Country World ex US) Index, returned 41.4% during 2003, with nearly half of the performance driven by the depreciation of the U.S. Dollar. Emerging market countries outperformed their developed counterparts during the year, returning 56.3%.

- Real estate continued to produce positive results, returning 6.5%, as measured by the NCREIF Index.

The Fund gained 22.6% during 2003, outpacing its Index benchmark by 1.8%, but ranked in the bottom half of the Russell/Mellon Billion Dollar Public Funds Universe. The Fund's outperformance versus the Index was driven by

MMC Marsh & McLennan Companies

MERCER
Investment Consulting

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3 May 2004

strong relative results within domestic equity, international equity, and fixed income. Performance versus the Universe was largely the result of the Fund's more conservative asset allocation, which enhanced results during the recent equity market decline. Over the five year period, the Fund surpassed the Index benchmark and ranked in the top third of the Universe.

The 32.7% domestic equity return surpassed the 31.7% Wilshire 5000 Index return during 2003. Absolute and relative results were enhanced by the overweighted small cap allocation, coupled with strong individual manager results within large cap equity. Over longer time periods, the domestic equity portfolio met or exceeded the Wilshire 5000 Index.

The international equity portfolio returned 44.0%, exceeding the 41.4% MSCI ACWI ex-US Index return during 2003. Relative performance was enhanced by the allocation to small cap and emerging markets equities, as these segments of the international equity market performed well. In addition, individual manager results within the developed markets also added value.

The fixed income portfolio posted an 8.0% return during 2003, nearly doubling the 4.1% Lehman Brothers Aggregate Index return. The portfolio's performance was driven by the high yield allocation and strong results by the Fund's high yield managers, which returned a combined 34.4%. In addition, the Fund's active opportunistic fixed income managers added value, largely due to their Corporate and non-US bond allocations. While the three year results were ahead of the Index, over the five year period the Fund trailed the Index.

All performance results are calculated in accordance with AIMR standards.

The Fund actively monitors its asset allocation and investment manager mix. Mercer continues to support the Fund's investment strategy and objectives, as well as the level of investment manager due diligence activities.

Sincerely,

MERCER INVESTMENT CONSULTING

Stephanie G. Bra

Stephanie Grieser Braming, CFA
Principal

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

Northern Trust

March 24, 2004

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, 2003, through December 31, 2003. Also, a statement of assets together with their fair market value was provided, showing the properties held as of December 31, 2003. 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

BPI Global Asset Management LLP
Orlando, Florida

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

Cozad/Westchester Agricultural Asset Management
Champaign, Illinois

Dimensional Fund Advisors
Santa Monica, California

Dodge & Cox Investment Managers
San Francisco, California

Fidelity Management Trust Company
Boston, Massachusetts

Forest Investment Associates
Atlanta, Georgia

Frontier Capital Management Co.
Boston, Massachusetts

Genesis Asset Managers International, Ltd.
London, England

Grosvenor Capital Management, L.P.
Chicago, Illinois

Harris Alternatives LLC
Chicago, Illinois

Harris Investment Management, Inc.
Chicago, Illinois

Holland Capital Management
Chicago, Illinois

Investment Counselors of Maryland, LLC
Baltimore, Maryland

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

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

LSV Asset Management
Chicago, Illinois

MacKay Shields, LLC
New York, New York

MDL Capital Management, Inc.
Pittsburgh, Pennsylvania

Mesirow Advanced Strategies, Inc.
Chicago, Illinois

Morgan Stanley
Atlanta, Georgia

Northern Trust Investments, Inc.
Chicago, Illinois

Olympus Real Estate Corporation
Dallas, Texas

Pantheon Ventures, Inc.
San Francisco, California

Payden & Rygel
Los Angeles, California

Permira Advisors, Ltd.
London, England

Prudential Investment Management
Parsippany, New Jersey

Sands Capital Management, Inc.
Arlington, Virginia

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

Western Asset Management Company
Pasadena, California

William Blair & Company
Chicago, Illinois

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 objectives and guidelines are also 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 to assure the adequate accumulation of assets and to 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 total return of 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 13 percent nominal return.

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

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 prior to the 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.

Returns by Asset Class

Periods ending December 31

	1999	2000	2001	2002	2003	Annualized 3 Yrs	Annualized 5 Yrs	Annualized 10 Yrs
Total Fund Time-Weighted Returns								
IMRF	20.93%	1.87%	-6.08%	-8.72%	22.56%	1.66%	5.29%	8.96%
CPI (Inflation)	2.67%	3.40%	1.55%	2.39%	1.88%	1.94%	2.37%	2.37%
Equities - U.S.								
IMRF	29.61%	-3.50%	-11.56%	-21.09%	32.65%	-2.54%	2.98%	11.25%
Russell 2000	21.26%	-3.03%	2.49%	-20.48%	47.25%	6.27%	7.13%	9.47%
S&P 500	21.05%	-9.10%	-11.88%	-22.10%	28.71%	-4.04%	-0.57%	11.11%
Wilshire 5000	23.56%	-10.68%	-10.96%	-20.86%	31.65%	-2.47%	0.42%	10.59%
Equities - International								
IMRF	41.43%	-3.18%	-15.33%	-16.71%	44.03%	0.52%	6.82%	6.45%
MSCI ACWI Ex-U.S.	30.92%	-15.09%	-19.50%	-14.68%	41.40%	-0.97%	1.51%	4.64%
EAFE	27.30%	-13.96%	-21.21%	-15.66%	39.17%	-2.57%	0.26%	4.78%
EAFE 50% Hedged	31.01%	-9.47%	-19.14%	-22.41%	27.34%	-7.21%	-1.14%	3.87%
Fixed Income								
IMRF	0.45%	7.26%	6.77%	8.81%	8.04%	7.87%	6.22%	6.89%
Lehman Aggregate	-0.83%	11.63%	8.42%	10.27%	4.10%	7.57%	6.62%	6.95%
Lehman Government/Credit	-2.15%	11.84%	8.51%	11.02%	4.67%	8.04%	6.66%	6.98%
Merrill Lynch High Yield	1.57%	-3.79%	6.20%	-1.14%	27.23%	10.13%	5.47%	7.23%
Real Estate								
IMRF	2.76%	12.96%	12.99%	6.61%	5.35%	8.32%	8.15%	7.89%
NCREIF Classic Property	12.76%	12.79%	7.28%	4.78%	6.53%	6.77%	9.15%	9.97%
Alternative Investments								
IMRF	32.60%	54.37%	-25.90%	-8.75%	8.23%	-9.87%	8.42%	17.31%
Cash & Cash Equivalents								
IMRF	7.77%	9.87%	8.33%	4.38%	5.71%	6.13%	7.20%	6.55%
U.S. Treasury Bills	4.96%	6.21%	3.42%	1.78%	1.04%	2.10%	3.33%	4.12%

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

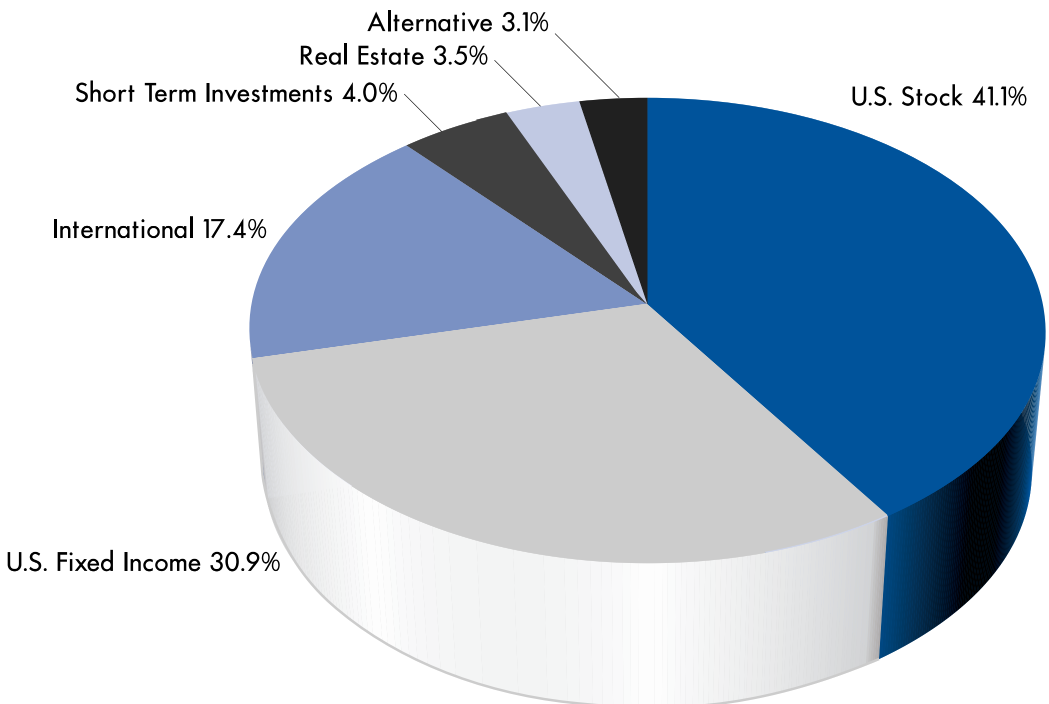
Schedule I
Investment Portfolio Summary

In Millions of Dollars

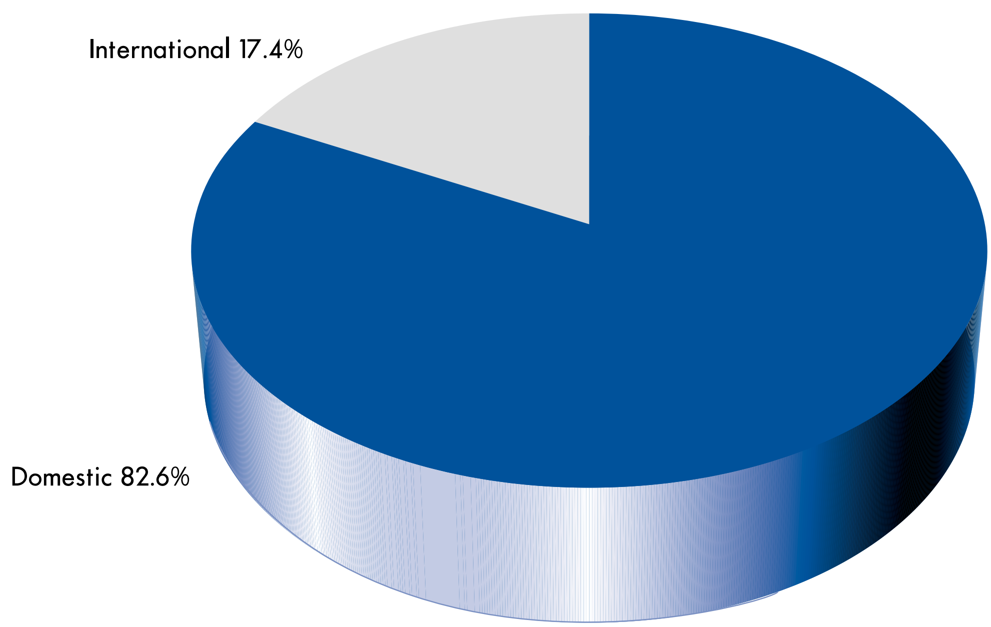
	As of 12/31/2003		As of 12/31/2002	
	Fair Value	Percent of Total Fair Value	Fair Value	Percent of Total Fair Value
Fixed Income:				
Government	$2,138.6	12.7%	$2,197.5	15.8%
Corporate	1,388.3	8.2%	1,499.5	10.8%
Index Funds	1,681.9	10.0%	1,324.8	9.6%
Foreign	329.2	2.0%	286.0	2.1%
	5,538.0	32.9%	5,307.8	38.3%
Stocks:				
U.S. Common & Preferred	5,129.4	30.5%	4,070.7	29.3%
U.S. Stock Funds	1,792.6	10.6%	1,329.5	9.6%
Foreign Common & Preferred	1,909.2	11.3%	1,035.1	7.5%
Foreign Stock Funds	693.3	4.1%	598.3	4.3%
	9,524.5	56.5%	7,033.6	50.7%
Real Estate:				
Commingled Funds	285.2	1.7%	279.7	2.0%
Directly Owned	170.3	1.0%	182.2	1.3%
Timber and Agricultural	131.0	0.8%	124.8	0.9%
	586.5	3.5%	586.7	4.2%
Alternative Investments	520.8	3.1%	470.4	3.4%
Short-Term Investments	673.9	4.0%	478.4	3.4%
Total Portfolio	$16,843.7	100.0%	$13,876.9	100.0%

Investment Portfolio as of December 31, 2003

Allocation by Asset Class



Total Investments by Region



Schedule II
Asset Allocation

Last Five Years

	Fair Value as a Percent of Portfolio				
	1999	2000	2001	2002	2003
Fixed Income:					
U.S. Government	6.1%	8.0%	12.9%	15.8%	12.7%
Corporate	7.7%	8.0%	10.1%	10.8%	8.2%
Index Fund	9.0%	9.3%	8.6%	9.6%	10.0%
Foreign	4.7%	4.4%	1.6%	2.1%	2.0%
	27.5%	29.7%	33.2%	38.3%	32.9%
Stocks:					
U.S. Common & Preferred	32.1%	32.3%	31.0%	29.3%	30.5%
U.S. Stock Funds	14.8%	12.6%	11.1%	9.6%	10.6%
Foreign Common & Preferred	11.3%	11.0%	8.8%	7.5%	11.3%
Foreign Stock Funds	5.6%	5.2%	4.6%	4.3%	4.1%
	63.8%	61.1%	55.5%	50.7%	56.5%
Real Estate:					
Commingled Funds	1.8%	1.8%	1.8%	2.0%	1.7%
Directly Owned	1.3%	1.3%	1.2%	1.3%	1.0%
Timber and Agricultural	0.6%	0.7%	0.8%	0.9%	0.8%
	3.7%	3.8%	3.8%	4.2%	3.5%
Alternative Investments	1.5%	2.3%	3.2%	3.4%	3.1%
Short-Term Investments	3.5%	3.1%	4.3%	3.4%	4.0%
Total Portfolio	100.0%	100.0%	100.0%	100.0%	100.0%

Ten Largest Fixed Income Investment Holdings

Excludes Commingled Funds and Short-Term Investments

	Market Value	Percent of Total Invested Market
FNMA 6.50% Due 1/1/2034	$111,214,567	0.66%
U.S. Treasury Notes 1.625% Due 10/31/2005	92,884,873	0.55%
FNMA 5.00% Due 1/1/2019	88,952,559	0.53%
FNMA 7.00% Due 1/1/2034	79,967,388	0.47%
U.S. Treasury Bonds 5.375% Due 2/15/2031	74,221,492	0.44%
GNMA 6.5% Due 1/15/2029	58,757,100	0.35%
U.S. Treasury Notes 1.25% Due 5/31/2005	52,121,197	0.31%
FHLMC 5.00% Due 1/1/2034	48,287,874	0.29%
FNMA 5.50% Due 1/1/2034	45,622,073	0.27%
GNMA 6.00% Due 1/1/2034	44,679,669	0.27%
	$696,708,792	4.14%

Ten Largest Equity Investment Holdings

Excludes Commingled Funds

	Market Value	Percent of Total Invested Market
Citigroup	$110,605,234	0.66%
Microsoft	101,513,817	0.60%
General Electric	92,891,981	0.55%
Pfizer	91,453,118	0.54%
Exxon Mobil	87,836,350	0.52%
Cisco Systems	81,075,162	0.48%
Intel	74,658,920	0.44%
Wal-Mart Stores	70,712,998	0.42%
American International Group	61,659,290	0.37%
Dell	56,886,396	0.34%
	$829,293,266	4.92%

A complete listing of investments is available upon request.

Schedule of 2003 Domestic Brokerage Commissions

In order of commissions received

Broker Name	Shares	Commissions	Per Share
Citation Group*	6,994,700	$347,282	$0.05
Lehman Brothers*	6,543,249	299,212	0.05
Merrill Lynch Pierce Fenner & Smith	6,276,570	296,519	0.05
Smith Barney	5,451,052	216,953	0.04
Investment Technology Group	20,080,885	184,163	0.01
Morgan Stanley	9,524,316	182,584	0.02
JP Morgan	3,956,527	155,191	0.04
Goldman Sachs	3,583,019	134,871	0.04
CIBC World Markets	3,799,446	123,558	0.03
Credit Suisse First Boston	2,501,967	117,259	0.05
UBS	2,537,124	109,326	0.04
Jefferies & Company	2,869,200	108,755	0.04
BNY ESI	3,781,490	94,818	0.03
Sanford Bernstein	2,072,200	94,801	0.05
PXP Securities	2,231,120	92,575	0.04
B Trade Services	3,798,096	89,326	0.02
Gerson Lehrman Group	2,960,000	88,800	0.03
Prudential	1,563,160	77,910	0.05
BancAmerica Securities	1,547,083	71,533	0.05
Gardner Rich & Co.	1,411,875	68,992	0.05
Lynch Jones & Ryan*	1,699,825	60,100	0.04
Bear Stearns	1,371,820	58,075	0.04
Deutsche Bank	1,255,200	53,171	0.04
Liquidnet	2,576,960	51,885	0.02
Instinet	2,241,448	49,029	0.02
Charles Schwab	1,071,000	46,914	0.04
Cantor Fitzgerald	1,082,450	46,841	0.04
Wachovia	1,028,806	45,405	0.04
Loop Capital Markets	850,600	42,445	0.05
Capital Institutional Services*	848,200	41,846	0.05
Other Brokers	24,566,116	1,023,544	0.04
Total	132,075,504	$4,473,683	$0.03

*Directed commission broker

Schedule of 2003 International Brokerage Commissions

In order of commissions received

Broker Name	Shares	Commissions	Per Share
Credit Suisse First Boston	30,592,738	$394,097	$0.01
Goldman Sachs	42,645,706	383,052	0.01
Lehman Brothers*	53,643,686	303,898	0.01
Instinet	15,818,450	302,407	0.02
Morgan Stanley	25,560,092	235,252	0.01
UBS	29,459,715	193,370	0.01
Credit Lyonnais	26,346,546	170,181	0.01
Merrill Lynch	10,645,588	112,404	0.01
Citigroup Global Markets	8,654,740	93,597	0.01
JP Morgan	4,599,692	84,983	0.02
ABN AMRO	6,916,541	80,573	0.01
RBC Dominion	2,795,807	71,564	0.03
Deutsche Bank	8,003,751	70,826	0.01
Dresdner Kleinwort Wasserstein	4,700,768	68,077	0.01
Nomura	3,040,901	53,791	0.02
SBC Warburg Dillon Reed & Co.	1,230,311	51,643	0.04
Lynch Jones & Ryan*	929,400	48,836	0.05
UBS Warburg	2,083,637	37,179	0.02
Merrill Lynch Pierce Fenner & Smith	6,907,064	32,128	0.00
Macquarie Equities	506,300	31,566	0.06
HSBC	865,957	29,482	0.03
Bear Stearns	451,986	29,341	0.06
Exane	662,600	28,341	0.04
Brockhouse & Cooper	9,039,730	27,366	0.00
Daiwa Securities	475,053	25,687	0.05
Ing Bank	26,332,900	25,610	0.00
Sanford Bernstein	764,388	22,963	0.03
Fuji Securities	622,952	22,451	0.04
Vickers Ballas	6,185,700	22,227	0.00
Citibank	2,507,000	19,918	0.01
Other Brokers	48,588,719	404,547	0.01
Total	381,578,418	$3,477,357	$0.01

*Directed commission broker

Commissions in U.S. dollar terms

Schedule of Investment Fees

	2003 Fees	2003 Assets under management at year end (in thousands)*	Basis Points	2002 Fees	2002 Assets under management at year end (in thousands)*	Basis Points
Investment manager fees						
Fixed income managers	$5,089,729	$4,926,564	10	$5,255,874	$4,938,447	11
Stock managers	13,643,918	6,907,260	20	15,542,986	5,229,393	30
International managers	12,739,085	3,381,112	38	10,935,503	2,244,345	49
Real estate managers	5,551,328	588,725	94	5,564,747	593,304	94
Alternative Investment managers	6,173,993	529,971	117	4,526,867	478,349	95
	$43,198,053	$16,333,632		$41,825,977	$13,483,838	
Other investment fees						
Master trustee fees	330,139			533,020		
Investment consulting fees	474,021			—		
Total investment fees	44,002,213			42,358,997		
Non-fee investment expenses	47,830			126,815		
Total direct investment expenses	$44,050,043			$42,485,812		
Securities lending fees						
Rebated earnings	$13,331,337			$21,726,563		
Bank fees and commissions	1,061,310			1,147,063		
	$14,392,647			$22,873,626		

Fees paid with directed commissions

IMRF pays for some consulting services with directed commissions. These are a form of payment for services through brokerage commissions generated through trades with special directed brokerages. Beginning in 2003, these consulting services were recorded in IMRF's accounts and are included in the 2003 financial statements.

Investment consulting fees	$520,000

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

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Actuarial

GRS

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April 15, 2003

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 plan's 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, 2003.

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

April 15, 2004

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, 2003 valuations were based upon assumptions that were recommended in connection with a study of experience covering the 1999-2001 period. The next experience study will cover the period from January 1, 2002 to December 31, 2004.

Although investment results were very favorable during 2003, the actuarial valuation shows that for the first time since 1998, IMRF (in total) has an unfunded liability. The Actuarial Value of Assets exceeds the Market Value this year by $1.2 Billion. This means that over the next several years, investment return of $1.2 billion above the assumed rate will be needed to prevent losses from being recognized in future years. Losses lead to higher contribution rates.

Based upon the results of the December 31, 2003 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. Although investment markets have started to turn around, upward pressure on contribution rates is still likely due to the previous investment losses that have yet to be fully recognized.

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:lr
Enclosures

GABRIEL, ROEDER, SMITH & COMPANY

Illinois Municipal Retirement Fund
Brief Summary Of Actuarial Assumptions used in 2003 Valuations
(Adopted as of December 31, 2001, 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 Rates	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.
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	0.02%	0.01%	0.02%	0.01%	8.0%
30	0.03%	0.02%	0.02%	0.02%	5.9%
40	0.06%	0.04%	0.09%	0.05%	5.0%
50	0.20%	0.09%	0.21%	0.12%	4.7%
60	0.46%	0.22%	0.42%	0.32%	4.4%
65	0.78%	0.37%	0.45%	0.38%	4.4%

	Separation			Retirement				
	Regular (8+ Yrs. Serv.)		SLEP	Reduced Early		Normal Unreduced		
Age	Male	Female	(5+ Yrs.)	Male	Female	Male	Female	SLEP
30	5.5%	6.5%	3.0%	- %	- %	- %	- %	- %
35	4.4%	5.8%	2.4%	-	-	-	-	-
40	3.4%	4.8%	1.7%	-	-	-	-	-
45	2.8%	4.3%	1.5%	-	-	-	-	-
50	2.5%	3.7%	1.5%	-	-	-	-	-
55	-	-	-	6.0%	7.0%	35.0%	35.0%	25.0%
60	-	-	-	-	-	10.0%	10.0%	10.0%
65	-	-	-	-	-	40.0%	30.0%	25.0%
70	-	-	-	-	-	20.0%	18.0%	100.0%

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

Solvency Test

Last ten years

Calendar Year	Aggregate Actuarial Liabilities For (1) Active Member Contributions	(2) Annuitants	(3) Active Members (Employer Financed Portion)	Actuarial Assets	Portion of Actuarial Liabilities Covered by Assets (1)	(2)	(3)
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%
2002	2,950,041,671	6,050,882,416	7,558,983,215	16,800,195,504	100.0%	100.0%	103.2%
2003	3,186,234,066	6,674,490,186	8,105,379,199	17,529,890,818	100.0%	100.0%	94.6%

Total obligation and actuarial value of assets calculated by the actuary

Table I

Participating Member Statistics

Last ten years

Calendar Year	Total Salaries	Percent Increase in Total Salaries	Average Annual Salary	Percent Increase in Average Salary	Number of Participating Members	Average Attained Age	Average Years of Service
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
2002	4,795,734,292	6.4%	28,582	4.0%	167,776	45.3	8.5
2003	4,944,767,495	3.1%	29,709	3.9%	167,952	45.7	8.8

Table II
Schedule of Adds and Removals from Rolls
Last eight 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%
2002	71,432	4,896	2,968	73,360	561,184,188	7,650	5.5%
2003	73,360	5,378	2,963	75,775	613,578,521	8,097	5.8%

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 Pension 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%
2002	1,400	2,261	2,353	1,308	9,735,768	7,443	8.2%
2003	1,308	2,491	2,459	1,340	10,305,806	7,691	3.3%

Table III
Number of Initial Benefit Payments
Last ten years

Calendar Year	Annuity	Disability	Death	Refund	Total
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
2002	3,963	2,261	2,695	12,603	21,522
2003	4,442	2,491	2,699	12,507	22,139

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					
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%
2004*	7.60%	-0.78%	0.38%	0.62%	7.82%
2005	7.61%	0.64%	0.38%	0.62%	9.25%
Sheriff's Law Enforcement Personnel members (SLEP)					
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%
2004*	12.47%	2.82%	0.38%	0.62%	16.29%
2005	12.48%	3.67%	0.38%	0.62%	17.15%
Elected County Officials (ECO)					
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%
2004*	18.18%	25.73%	0.37%	0.62%	44.90%
2005	18.07%	23.55%	0.42%	0.62%	42.66%

* Assumptions changed due to experience study.

Table V
Participating Member Contribution Rates
Last ten years

Calendar Year	Regular IMRF			Sheriff's Law Enforcement Personnel				Elected County Officials			
	Normal	Survivor	Total	Normal	Survivor	SLEP	Total	Normal	Survivor	ECO	Total
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%
2002	3.75%	0.75%	4.50%	3.75%	0.75%	2.00%	6.50%	3.75%	0.75%	3.00%	7.50%
2003	3.75%	0.75%	4.50%	3.75%	0.75%	2.00%	6.50%	3.75%	0.75%	3.00%	7.50%

Actuarial Balance Sheet

	Amount at December 31	
	2003	2002
Sources of Funds		
Actuarial value of assets	$17,529,890,818	$16,800,195,504
Actuarial present value of future contributions		
Member	2,052,100,661	1,990,049,940
Employer Normal Costs	3,506,654,503	3,396,377,634
Under (Over) Funded Actuarial Accrued Liability	436,212,633	(240,288,202)
Total Sources	23,524,858,615	21,946,334,876
Uses of Funds		
Retired members and beneficiaries	6,674,490,186	6,050,882,416
Inactive members	1,635,982,464	1,498,474,094
Active members	15,199,225,042	14,379,853,338
Death and disability benefits	15,160,923	17,125,028
	$23,524,858,615	$21,946,334,876

Analysis of (Over) Under Funded Liability

	Amount at December 31	
	2003	2002
(Over) funded liability beginning of year	$(240,288,202)	$(986,504,690)
Assumed payments during year	41,586,144	127,063,125
Assumed interest (7.5 percent)	(16,480,934)	(69,280,407)
Expected overfunded liability	(215,182,992)	(928,721,972)
Change due to assumption changes	0	30,592,102
Change due to investment performance	404,569,684	611,753,696
Change due to other sources	246,825,941	46,087,972
Under (over) funded liability end of year	$436,212,633	$(240,288,202)

Derivation of Experience Loss

Type of Risk Area	2003		2002
		(in millions)	
Risks Related to Assumptions			
Economic Risk Areas			
Investment Return	$(404.6)		$(611.8)
Pay Increases	36.8		19.5
Demographic Risk Areas			
Service Retirements	(18.4)		(9.9)
Early Retirements	(5.4)		(2.0)
Vested Deferred Retirements	(28.0)		(31.0)
Death and Survivor Benefits	2.3		4.3
Disability Benefits	5.9		6.9
Terminated with Refund	10.0		2.3
Risks Not Related to Assumptions	(250.0)		(66.7)
Total Loss During Year	$(651.4)		$(688.4)

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 2,871 employers including cities, villages, counties, school districts, townships and various special districts, such as parks, forest preserves and sanitary districts. Each employer contributes to separate accounts to provide future retirement benefits for its own employees.

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

IMRF has three benefit plans. The Sheriff's Law Enforcement Personnel (SLEP) plan is for sheriffs, deputy sheriffs and selected police chiefs. Forest preserve districts may adopt the SLEP plan for their law enforcement personnel. Counties 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. Revised ECO members (those who join the ECO plan after January 25, 2000) are vested with 8 or more years of ECO service credit in the same elected county position. Revised ECO members with 8 years of service but less than 8 years in the same elected county office will receive a Regular pension.

Refunds

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

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

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

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

Service Credit

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

Members may qualify for a maximum of one year of additional service credit for unused, unpaid sick leave accumulated with the last employer. 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 who have received IMRF pension payments for the preceding 12 months. The supplemental benefit payment amount will vary depending on the dollar amount to be distributed and the number of persons eligible.

Disability Benefits

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

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

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

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

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

ECO members are eligible for ECO disability benefits if they:

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

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

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

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Statistical

Table VI
Revenues by Source
Last ten years

Calendar Year	Investment Earnings Net of Direct Investment Expense	Employer Contributions		Member Contributions	Other	Total
		Dollars	Percent of Annual Covered Payroll			
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	0	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)
2002	(1,325,374,842)	294,935,422	6.15%	233,935,559	5,200	(796,498,661)
2003	2,996,066,692	321,049,839	6.49%	255,498,279	5,050	3,572,619,860

Table VII
Expenses by Type
Last ten years

Calendar Year	Benefits	Refunds	Administrative Expenses	Total
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
2002	613,606,477	36,641,773	18,727,800	668,976,050
2003	668,534,229	29,186,749	18,785,811	716,506,789

Table VIII

Benefit Expenses by Type

Last ten years

Calendar Year	DEATH Supplemental	DEATH Refund	DEATH Burial	DEATH Residual	DISABILITY Permanent	DISABILITY Temporary
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
2002	8,609,843	5,836,970	6,539,959	502,963	3,255,522	6,585,585
2003	7,962,909	6,120,345	6,583,839	586,550	3,473,294	7,060,682

Calendar Year	ANNUITIES Retirement	ANNUITIES Surviving Spouse	ANNUITIES Beneficiary	ANNUITIES Supplemental	REFUNDS Separation	REFUNDS Other	Total
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
2002	513,656,258	37,907,435	850,558	29,861,384	26,031,474	10,610,299	650,248,250
2003	563,294,375	41,009,876	953,238	31,489,121	28,286,009	900,740	697,720,978

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)
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
2002	2,044	28,668	14,302	12,217
2003	2,235	25,991	14,418	13,862

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

Average Benefit Payment Amounts

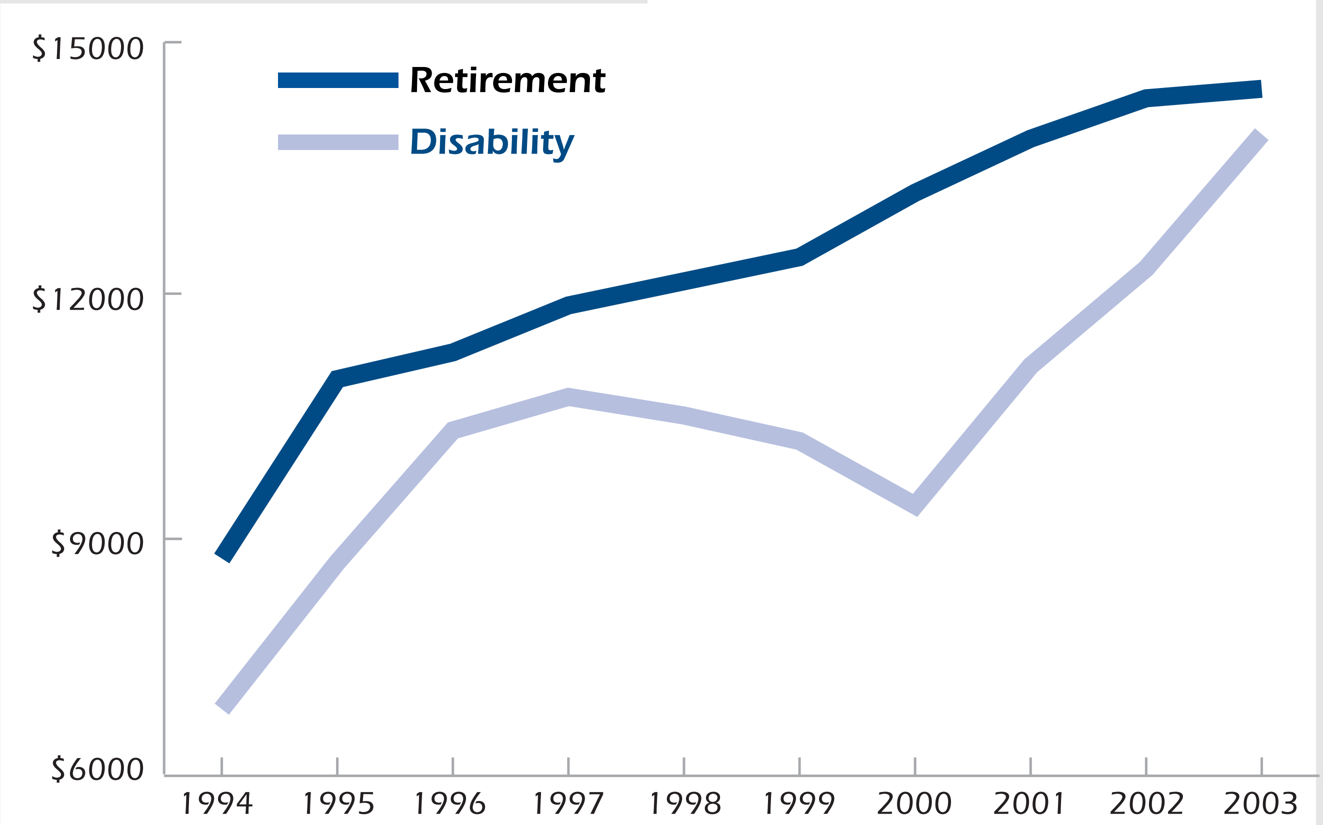

Table X
Number of Actively Participating Employers
Last ten years

Calendar Year End	Cities	Villages	Counties	School Districts	Townships	Other	Total
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
2002	252	377	101	890	451	782	2,853
2003	252	383	101	885	458	792	2,871

Table XI
Number of Actively Participating Members
Last ten years

Calendar Year End	Male Participants	Female Participants	Total
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
2002	62,216	105,560	167,776
2003	62,597	105,355	167,952

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
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
2002	167,776	18,566	57,397	34,649	23,481	33,683
2003	167,952	16,678	55,415	37,332	23,331	35,196

Table XIII
Distribution of Current Annuitants by Pension Amount

	Retirement		Survivor		All Annuities	
Monthly Pension Amount	Number of Males	Number of Females	Number of Males	Number of Females	Number of Males	Number of Females
Under $100	1,021	5,195	745	1,658	1,766	6,853
$100 to under $250	2,161	10,022	865	3,383	3,026	13,405
$250 to under $500	4,460	10,644	483	2,500	4,943	13,144
$500 to under $750	3,373	6,143	153	957	3,526	7,100
$750 to under $1,000	2,386	3,619	37	397	2,423	4,016
$1,000 to under $2,000	5,041	5,264	15	375	5,056	5,639
$2,000 to under $3,000	2,127	922	1	37	2,128	959
$3,000 to under $4,000	941	184	0	2	941	186
$4,000 and over	605	57	0	2	605	59
Total	22,115	42,050	2,299	9,311	24,414	51,361

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								
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
2002								
Avg. Monthly Annuity	$265	$397	$693	$951	$1,449	$2,010	$2,756	$965
Avg. Monthly FRE	$1,896	$2,005	$2,450	$2,504	$3,017	$3,490	$3,981	$2,558
Number of Retirees	387	667	594	520	483	298	152	3,101
2003								
Avg. Monthly Annuity	$273	$448	$746	$1,084	$1,490	$2,151	$3,122	$1,119
Avg. Monthly FRE	$1,947	$2,255	$2,609	$2,842	$3,091	$3,734	$4,496	$2,824
Number of Retirees	417	685	643	460	553	361	245	3,364
Sheriffs' Law Enforcement Personnel Plan (SLEP)								
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
2002								
Avg. Monthly Annuity				$2,079	$2,933	$3,976	$3,532	$3,131
Avg. Monthly FRE				$3,947	$4,778	$5,669	$4,710	$4,917
Number of Retirees				13	27	22	1	63
2003								
Avg. Monthly Annuity				$2,851	$3,479	$4,128	$3,732	$3,423
Avg. Monthly FRE				$5,587	$5,465	$6,028	$4,977	$5,609
Number of Retirees				21	33	14	1	69
Elected County Official Plan (ECO)								
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
2002								
Avg. Monthly Annuity	$619	$441	$1,892	$2,849				$1,462
Avg. Monthly FRE	$2,330	$1,126	$2,907	$3,562				$2,389
Number of Retirees	4	10	9	7				30
2003								
Avg. Monthly Annuity	$315	$454	$2,932	$3,790	$7,117			$2,633
Avg. Monthly FRE	$1,312	$1,137	$4,321	$4,737	$8,896			$3,708
Number of Retirees	1	3	3	3	1			11

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	433	108	541	6	102	108	33	82	115
55 to 59	1,974	3,247	5,221	20	217	237	8	25	33
60 to 64	3,045	6,590	9,635	65	355	420	8	25	33
65 to 69	4,290	8,305	12,595	170	720	890	7	35	42
70 to 74	4,115	7,794	11,909	335	1,250	1,585	7	28	35
75 to 79	3,857	6,915	10,772	552	1,796	2,348	4	26	30
80 to 84	2,646	5,035	7,681	553	2,119	2,672	5	28	33
85 to 89	1,271	2,822	4,093	353	1,573	1,926	2	17	19
90 to 94	425	975	1,400	150	711	861	2	6	8
95 to 100	55	227	282	17	163	180	0	0	0
100 and over	4	32	36	2	30	32	0	3	3
Total	22,115	42,050	64,165	2,223	9,036	11,259	76	275	351

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	262	448	710	0	0	0	0	0	0
20 to 29	7,616	10,211	17,827	513	102	615	4	0	4
30 to 39	12,748	18,443	31,191	1,301	189	1,490	35	12	47
40 to 49	19,146	37,000	56,146	1,093	168	1,261	129	68	197
50 to 54	9,235	17,190	26,425	382	71	453	83	38	121
55 to 59	6,432	12,383	18,815	189	21	210	71	37	108
60 to 69	5,919	8,610	14,529	90	14	104	83	39	122
70 and Over	1,239	1,070	2,309	5	2	7	37	10	47
Total	62,597	105,355	167,952	3,573	567	4,140	442	204	646

Illinois Municipal Retirement Fund

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2211 York Road
Suite 500
Oak Brook, IL 60523-2337

Springfield
3000 Professional Drive
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