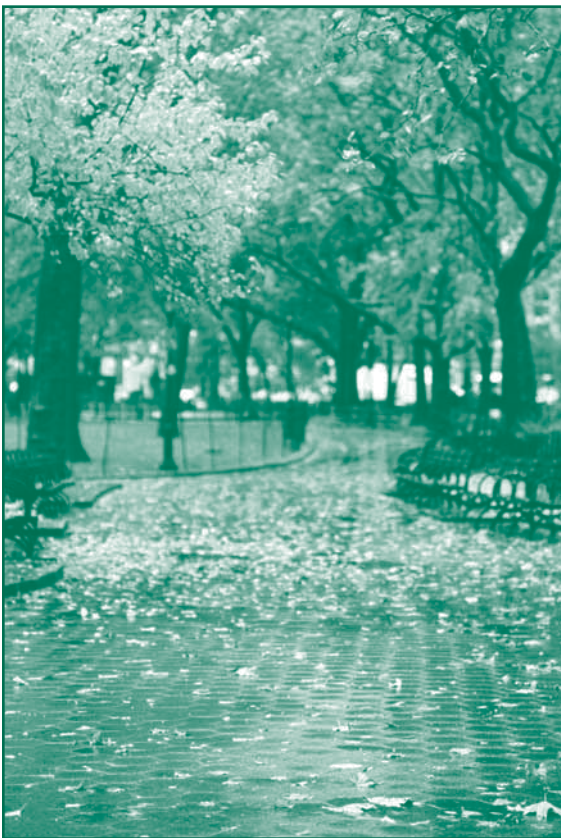


# 2005

## Illinois Municipal Retirement Fund Comprehensive Annual Financial Report



*For the fiscal year ending December 31, 2005*

# 2005

## Illinois Municipal Retirement Fund Comprehensive Annual Financial Report

*For the  
fiscal year ending  
December 31, 2005*

### ***IMRF Mission Statement***

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

### ***Prepared By***

The Finance Department  
of the Illinois  
Municipal Retirement Fund

2211 York Road  
Suite 500  
Oak Brook, IL 60523-2337  
[www.imrf.org](http://www.imrf.org)  
1-800-ASK-IMRF

Louis W. Kosiba,  
Executive Director



# Table of Contents

---

<b>Introduction</b>	2006 Board of Trustees . . . . .	4
	Organization Chart. . . . .	5
	Certificate of Achievement . . . . .	6
	Transmittal Letter. . . . .	7
	Revenue and Expense Charts. . . . .	12
<b>Financial</b>	Independent Auditors' Report . . . . .	14
	Management's Discussion and Analysis . . . . .	15
	Financial Statements	
	<i>Statements of Plan Net Assets</i> . . . . .	20
	<i>Statements of Changes in Plan Net Assets</i> . . . . .	21
	<i>Notes to Financial Statements</i> . . . . .	22
	Required Supplementary Information	
	<i>Schedule of Funding Progress</i> . . . . .	36
	<i>Schedule of Employer Contributions</i> . . . . .	36
	<i>Notes to Required Supplementary Information</i> . . . . .	37
	Supplementary Information . . . . .	38
<b>Investments</b>	Investment Consultant's Report. . . . .	40
	Master Trustee's Report. . . . .	42
	Investment Consultants . . . . .	43
	Investment Policies . . . . .	45
	Returns by Asset Class . . . . .	48
	Investment Portfolio Summary . . . . .	49
	Investment Portfolio Charts. . . . .	50
	Asset Allocation. . . . .	51
	Ten Largest Holdings. . . . .	52
	Domestic Brokerage Commissions . . . . .	53
	International Brokerage Commissions . . . . .	54
	Schedule of Investment Fees . . . . .	55

**Actuarial**

Actuarial Report . . . . . 58  
Summary of Actuarial Assumptions . . . . . 60  
Solvency Test . . . . . 61  
Participating Member Statistics . . . . . 61  
Schedule of Adds and Removals from Rolls . . . . . 62  
Contribution Rates . . . . . 63  
Actuarial Balance Sheet . . . . . 64  
Analysis of Unfunded Actuarial Liability . . . . . 64  
Derivation of Experience Gain (Loss) . . . . . 65  
Summary of Benefits . . . . . 66

**Statistical**

Changes in Plan Net Assets . . . . . 72  
Benefit Expense by Type . . . . . 73  
Average Benefit Payment Amounts . . . . . 74  
Operating Statistics - Number of Initial Benefit Payments . . . . . 75  
Number of Employees . . . . . 75  
Number of Actively Participating Employers . . . . . 76  
Principal Participating Employers . . . . . 76  
Number of Actively Participating Members . . . . . 77  
Participating Members' Length of Service . . . . . 77  
Distribution of Current Annuitants by Pension Amount . . . . . 77  
Analysis of Initial Retirement Benefits - Regular . . . . . 78  
Analysis of Initial Retirement Benefits - SLEP . . . . . 79  
Analysis of Initial Retirement Benefits - ECO . . . . . 80  
Annuitants by Age . . . . . 81  
Active Members by Age . . . . . 81



## 2006 Board of Trustees



**Sharon U. Thompson**

*Annuitant Trustee*  
(formerly) Lee County

January 1, 2006 -  
December 31, 2010

2006 President

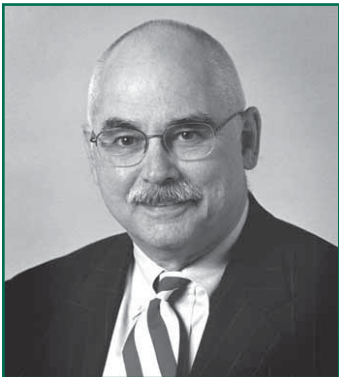


**Marvin R. Shoop, Jr.**

*Employee Trustee*  
City of Peoria

January 1, 2006 -  
December 31, 2010

2006 Vice President

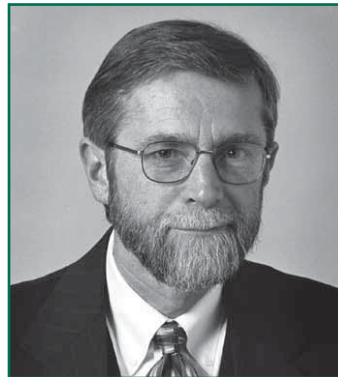


**John Lotus Novak**

*Executive Trustee*  
DuPage County

January 1, 2004 -  
December 31, 2008

2006 Secretary



**Max F. Bochmann**

*Employee Trustee*  
Naperville CUSD #203

January 1, 2005 -  
December 31, 2009



**Martha H. Rademacher**

*Executive Trustee*  
Park District Risk  
Management Agency

January 1, 2002 -  
December 31, 2006



**W. Thomas Ross**

*Executive Trustee*  
Winnebago County

January 1, 2006 -  
December 31, 2010



**R. Steven Sonnemaker**

*Executive Trustee*  
Peoria County

January 1, 2003 -  
December 31, 2007



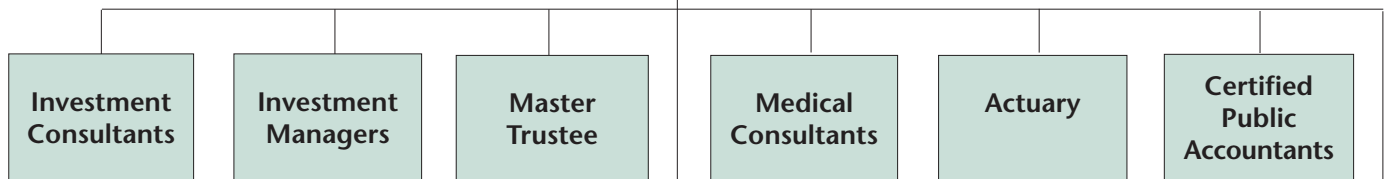
**Judi S. Voller**

*Employee Trustee*  
East Maine  
School District #63

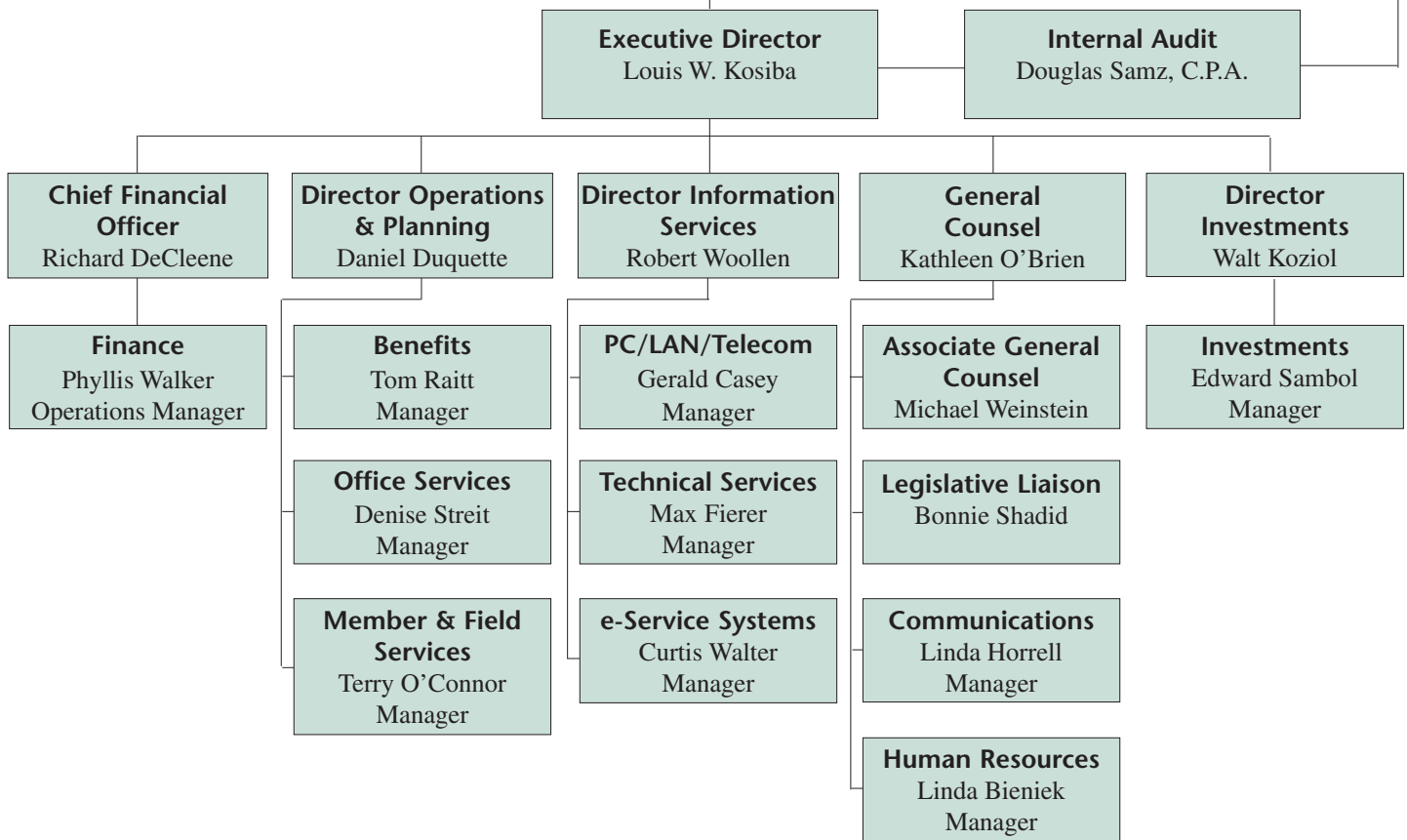
January 1, 2006 -  
December 31, 2010

**BOARD OF TRUSTEES**

**CONSULTANTS**



**STAFF**



**Consultants - Investment Consultants are listed on page 43**

<b>Actuary</b>	<b>Auditors</b>	<b>Commercial Bank</b>	<b>Independent Fiduciary Counsel</b>	<b>Medical Consultants</b>
Gabriel, Roeder, Smith & Company Brian B. Murphy, F.S.A. Mark Buis, A.S.A. Southfield, Michigan	Deloitte & Touche LLP Alice Wunderlich Gerry Fink Chicago, Illinois	Northern Trust Richard Deeter, Vice President Chicago, Illinois	Seyfarth Shaw Attorneys LLP Lawrence Moss Chicago, Illinois	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, 2004

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.



*Carla E. Perry*

President

*Jeffrey R. Emer*

Executive Director



# Illinois Municipal Retirement Fund

Suite 500 2211 York Road Oak Brook IL 60523-2337

Service Representatives 1-800-ASK-IMRF (1-800-275-4673)

[www.imrf.org](http://www.imrf.org)

May 5, 2006

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

## Formal Transmittal

We are pleased to submit the Comprehensive Annual Report of the Illinois Municipal Retirement Fund (IMRF) for the year ended December 31, 2005. The management of IMRF is responsible for the compilation and accuracy of the financial, investment, actuarial and statistical information contained in this report. To the best of our knowledge and belief, the enclosed information is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of IMRF.

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 Auditor. 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 Auditor presents his report to the Audit Committee covering the results of internal audit procedures performed. The Internal Auditor may also meet with the committee on an as-needed basis. Again this year the Internal Auditor reported that IMRF's system of internal controls appears adequate and is being adhered to in the areas tested.

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 2005 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.

This report has five sections. The Introductory Section contains this transmittal letter and an organization chart. 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.

## Profile of IMRF

IMRF is the administrator of an agent multiple-employer public employee retirement system. 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



# Introduction

---

local units of government in Illinois. Members, employers and annuitants elect eight trustees who govern IMRF. IMRF is separate and apart from the Illinois state government and is not included in the state's financial statements. IMRF now serves 2,896 different employers, 170,928 participating members and 82,108 benefit recipients. The Illinois Pension Code requires IMRF to provide its financial statements to participating employers and to any participating member who requests them.

## Economic Conditions

### Summary of Financial Information

The following table summarizes additions and deductions to the plan's net assets for 2005 and 2004.

	<u>2005</u> <u>(millions)</u>	<u>2004</u> <u>(millions)</u>	<u>Dollar</u> <u>Change</u>	<u>Percent</u> <u>Change</u>
Additions	\$2,417	\$2,726	\$(309)	(11)%
Deductions	843	784	59	8%
Net Change	<u>\$1,574</u>	<u>\$1,942</u>	<u>\$(368)</u>	(19)%

The significant change in Additions between 2005 and 2004 is primarily due to a \$402 million decrease in investment income. While the financial markets in 2005 provided a total return of 8.7 percent, IMRF's total return in 2004 was 12.4 percent. The increase in Deductions is primarily due to increased benefit payments caused by an increase in the number of benefit recipients from 79,628 to 82,108. 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. Management's discussion and analysis provides a narrative introduction, overview and analysis of the financial statements and complements this transmittal letter.

### Funding

IMRF's actuary uses a five-year smoothed market-related value with a 15% corridor 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, 2005 valuation, the actuarial value of assets was \$19.7 billion. The aggregate actuarial liability for all IMRF employers was \$20.8 billion. The actuarial funding ratio is currently 94.6 percent. This is an increase from the funding ratio of 94.3 percent for 2004. 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, 2005 investment earnings were \$1,608 million and represented 66.5 percent of Plan Additions. In the five years—2005 through 2001—investment income represented the following percentage of Additions to plan net assets:

<u>Year</u>	<u>Percentage of Plan Additions</u>
2005	66.5%
2004	73.7%
2003	83.9%
2002	(166.4)%
2001	(209.9)%

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

Currently, 60 professional investment management firms, handling 71 separate accounts, manage the investment portfolio. These firms make investment decisions under the prudent man rule authorized by Article 1 of the Illinois Pension Code and by investment policy guidelines adopted by the Board of Trustees. The Board employs an investment consultant to monitor and evaluate the investment management firms' performance, to aid in the selection of investment management firms and to assist in the development

of investment policy. Our uppermost goal is to optimize the long-term total return of the Fund's investments through a policy of diversification within a parameter of prudent risk as measured on the total portfolio.

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

Sharon U. Thompson, former Treasurer of Lee County, was re-elected as the annuitant trustee. Her five-year term began January 1, 2006.

W. Thomas Ross, Winnebago County Auditor, was re-elected as an executive trustee. His five-year term began January 1, 2006.

Marvin R. Shoop, Jr., a civil engineer for the city of Peoria, was re-elected as an employee trustee. His five-year term began January 1, 2006.

Judi S. Voller, a paraeducator/teacher assistant for East Maine School District 63, was elected as an employee trustee. Her five-year term began January 1, 2006.

### b. Systems Development

IMRF's major system development effort in 2005 focused on a rollout of the new secure Employer Access area of our website. Significant developments include the following:

- In May we began full rollout of the new Web Wage Reporting system that enables both large and small employers to transmit wage and contribution data over a secure network and that allows IMRF to highlight reporting problems before they are transmitted to avoid processing corrections after the fact.
- By year end, over 2,000 employers were utilizing the new wage reporting functionality.
- In addition employers can access IMRF's document archives to view and print employer specific documents online as needed.

IMRF's major 2006 system development priorities focus on:

- Implementing redundant (backup) Web hardware and Internet connectivity to ensure the highest levels of reliability and availability.
- Modifying functionality to support recently approved SLEP plan benefit enhancements.

### 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 optimize expected long-term returns while maintaining an acceptable level of risk.

On January 27, 2006, Illinois Public Act 94-0079, the Act to End Atrocities and Terrorism in the Sudan, became effective. Under this Act, IMRF and its investment managers must:

1. Not loan to, invest in or otherwise transfer any IMRF assets to a forbidden entity as established by this Act;
2. Have at least 60% of IMRF assets divested from forbidden entities by January 27, 2007; and
3. Be 100% divested of forbidden entities by July 27, 2007.

IMRF has taken steps to implement this new legislation.

# Introduction

---

Other major investment activities since last year and through April 30, 2006, included:

- Retained AXA Rosenberg to manage an international equity portfolio.
- Retained GlobeFlex to manage an international equity portfolio.
- Retained McKinley Capital to manage an international equity portfolio.
- Eliminated the MDL fixed income portfolio.
- Eliminated the BPI international equity portfolio

## d. e-Service Goals and Strategy

IMRF offers access to both member and employer specific data through secure areas on our website—[imrf.org](http://imrf.org). Utilization of these areas continued to grow in 2005. Our e-service goals include improving customer service, reducing administrative costs, providing uncompromised privacy and security of information and instituting business process reengineering. In order to capture the benefits of our e-service initiatives, we will be requesting all IMRF employers to utilize our enhanced website.

## e. Strategic Plan

The IMRF staff and Board of Trustees initiated a strategic planning process in 2005. The resulting Strategic Plan document provides IMRF a road map for meeting the challenges and opportunities in providing excellent retirement services to our members, employers, and annuitants. It sets a number of goals and objectives, including improving customer service, increasing efficiencies, enhancing the IMRF brand, and advocating the preservation of a prudent defined benefit plan for our membership. These goals and objectives are supported by a comprehensive set of strategies critical to the success of our plan.

## Reports to Membership

IMRF issued a variety of reports covering 2004 and 2005 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](http://imrf.org).

## Awards and Acknowledgements

### Awards

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 year ended December 31, 2004. 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 25 consecutive years (fiscal years 1980-2004). We believe our current report continues to conform to the Certificate of Achievement program requirements, and we will be submitting it to the GFOA.

IMRF also received a Certificate of Achievement for Excellence in Financial Reporting for its popular annual financial report for the year ended December 31, 2004.

IMRF was presented with the Public Pension Standards 2005 Award by the Public Pension Coordinating Council in recognition of meeting professional standards for plan design and administration as set forth in the Public Pension Standards.

## Acknowledgements

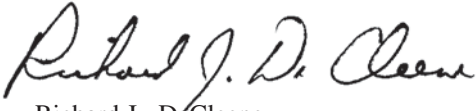
The production of this report reflects the combined effort of the IMRF staff under the leadership of the Board of Trustees and the Executive Director, Louis W. Kosiba. The Finance Department, under the direction of Richard DeCleene and Phyllis Walker, compiled the report. We believe this report provides 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 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

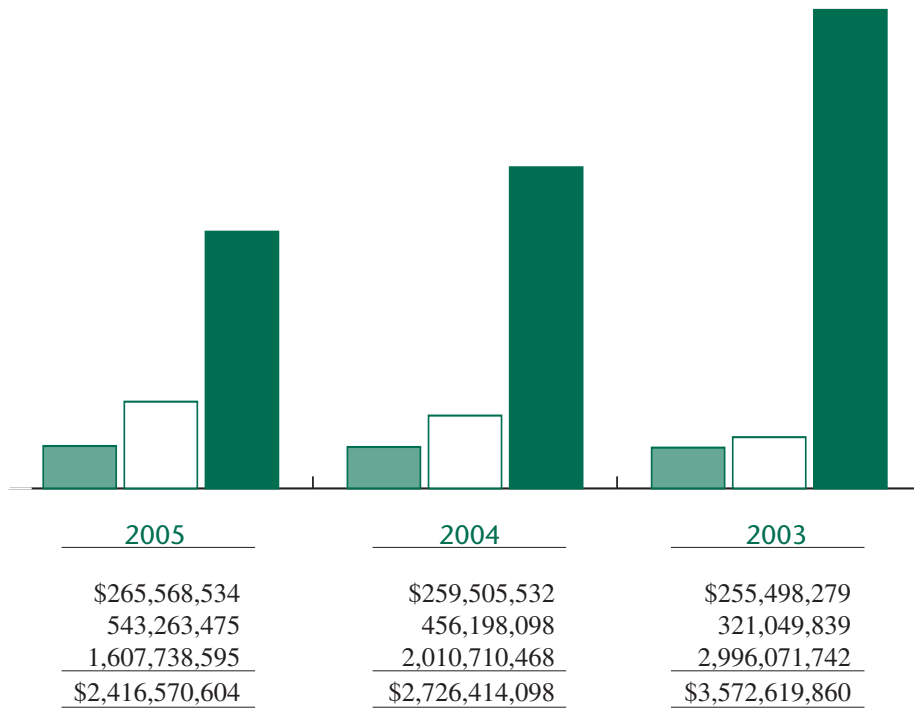


Richard J. DeCleene  
Chief Financial Officer

# Introduction

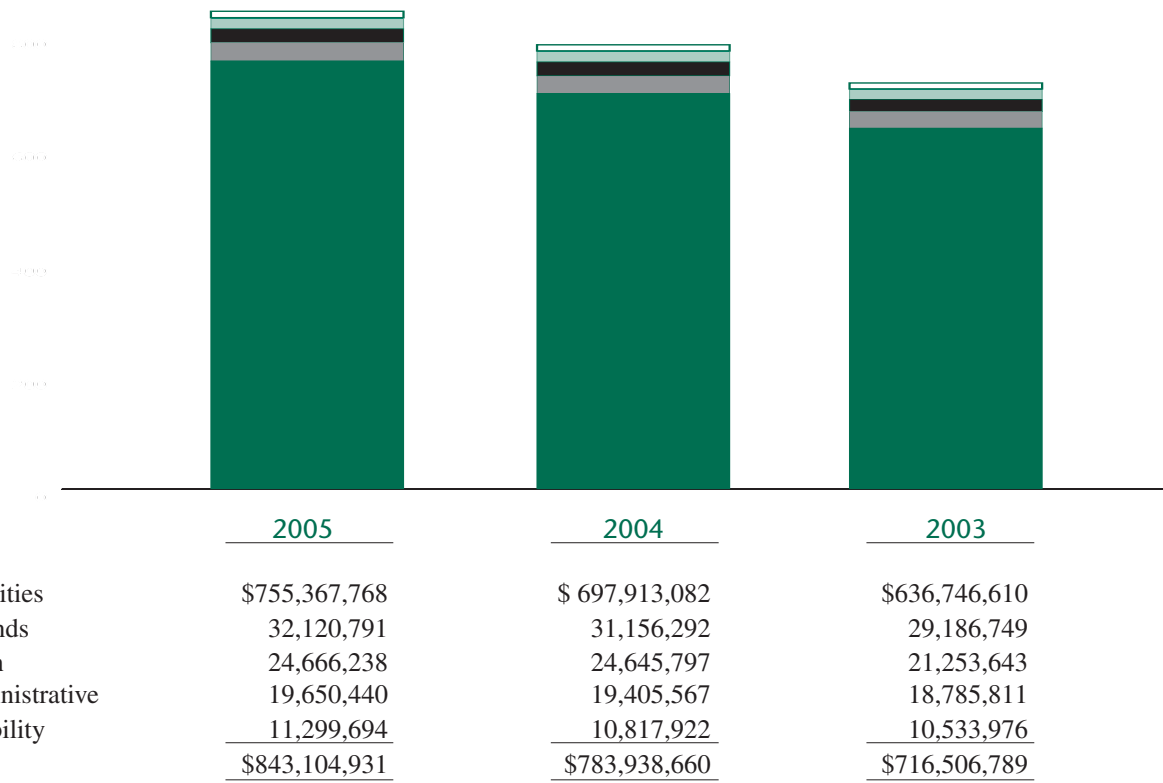
## Revenues by Source

(in millions)



## Expenses by Type

(in millions)





# Financial

Independent Auditors' Report.....	14
Management's Discussion and Analysis.....	15
Financial Statements	
<i>Statements of Plan Net Assets</i> .....	20
<i>Statements of Changes in Plan Net Assets</i> .....	21
<i>Notes to Financial Statements</i> .....	22
Required Supplementary Information	
<i>Schedule of Funding Progress</i> .....	36
<i>Schedule of Employer Contributions</i> .....	36
<i>Notes to Required Supplementary Information</i> .....	37
Supplementary Information .....	38



2005

# Deloitte

Deloitte & Touche LLP  
111 S. Wacker Drive  
Chicago, IL 60606-4301  
USA

Tel: +1 312 486 1000  
Fax: +1 312 486 1486  
www.deloitte.com

## INDEPENDENT AUDITORS' REPORT

To the Board of Trustees  
Illinois Municipal Retirement Fund  
Oak Brook, Illinois

We have audited the accompanying financial statements of the Illinois Municipal Retirement Fund (the "Fund") as of December 31, 2005 and 2004, and for the years then ended listed under the financial caption in the foregoing table of contents. 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 referred to above present fairly, in all material respects, the net assets of the Fund as of December 31, 2005 and 2004, and the changes in its net assets 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 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 Fund's basic financial statements taken as a whole. The Supplementary Information listed under the financial caption in the Table of Contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. This Supplementary Information is the responsibility of the Fund's management. The Supplementary Information has been subjected to the auditing procedures applied by us 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.

The information in the Introductory Section, Investment Section, Actuarial Section, and Statistical Section are presented for the purpose of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in our audit of the basic financial statements and, accordingly, we express no opinion on them.

*Deloitte & Touche LLP*

May 5, 2006

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, 2005 and 2004. 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 2005, contributions of \$809 million and investment income of \$1,608 million exceed deductions to net assets of \$843 million by \$1,574 million. This net increase brought the Plan's net asset base to \$19.9 billion. For actuarial calculations, IMRF's actuary uses a five-year smoothed market-related value with a 15 percent corridor 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, 2005 valuation, the actuarial value of assets was \$19.7 billion. The aggregate actuarial liability for all IMRF employers was \$20.8 billion. On an actuarial basis, the assets held currently fund 94.6 percent of this liability. This is an increase from the funding ratio of 94.3 percent for 2004. If the market value of assets is used (i.e., no actuarial smoothing), the funding ratio is 95.5 percent as of December 31, 2005, an increase from 94.3 percent as of December 31, 2004. The main reason for the increase in the actuarial funding ratio is the fact that the Fund earned a 7.6 percent actuarial investment return versus an actuarial investment return assumption of 7.5 percent. As of December 31, 2005, IMRF's market-based funding value was greater than the actuarial funding value since there were \$95 million of unrecognized investments gains which will be reflected in the 2006 through 2009 period in keeping with the five-year smoothing discussed above.

### Plan Net Assets

To begin the financial analysis, summarized comparisons of IMRF's Plan Net Assets for 2005 versus 2004 and 2004 versus 2003 are presented below.

### Condensed Statements of Plan Net Assets

(In millions)

	<u>2005</u>	<u>2004</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Cash and cash equivalents	\$ 21	\$ 31	\$ (10)	(32)%
Receivables and prepaids	751	565	186	33
Investments	20,130	18,497	1,633	9
Invested securities lending				
cash collateral	2,781	2,585	196	8
Capital assets, net	<u>1</u>	<u>1</u>	<u>--</u>	<u>--</u>
<i>Total assets</i>	23,684	21,679	2,005	9
Liabilities	<u>3,811</u>	<u>3,380</u>	<u>431</u>	<u>13</u>
<i>Total plan net assets</i>	<u>\$ 19,873</u>	<u>\$ 18,299</u>	<u>\$ 1,574</u>	<u>9%</u>

# Financial

---

As the previous table shows, plan net assets increased by \$1,574 million (9 percent) in 2005. This increase reflects the strong investment gains in 2005 due to the continuing bull market that began in 2003.

The following table presents the investment allocation as of year-end 2005 and 2004 as compared to IMRF's target allocation for 2005 and 2004.

	<u>2005</u>	<u>2004</u>	<u>Target</u>
Fixed Income	31.9%	32.0%	36.0%
Stocks	58.9	59.5	56.0
Real Estate	3.5	3.4	2.0
Alternative	3.1	3.1	5.0
Short-Term	2.6	2.0	1.0

The increase in receivables and prepaids in 2005 is largely due to the increase in the receivable from brokers for unsettled trades at year-end. The increase in liabilities in 2005 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)

	<u>2004</u>	<u>2003</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Cash and cash equivalents	\$ 31	\$ 8	\$ 23	288 %
Receivables and prepaids	565	335	230	69
Investments	18,497	16,844	1,653	10
Invested securities lending cash collateral	2,585	1,881	704	37
Capital assets, net	<u>1</u>	<u>1</u>	<u>--</u>	<u>--</u>
<i>Total assets</i>	<u>21,679</u>	<u>19,069</u>	<u>2,610</u>	<u>14</u>
Liabilities	<u>3,380</u>	<u>2,712</u>	<u>668</u>	<u>25</u>
<i>Total plan net assets</i>	<u>\$ 18,299</u>	<u>\$ 16,357</u>	<u>\$ 1,942</u>	<u>12 %</u>

As the above table shows, plan net assets increased by \$1,942 million (12 percent) in 2004. This increase reflects the significant investment gains in 2004 due to continuing strong financial market performance that began in 2003.

The increase in receivables and prepaids in 2004 is largely due to the increase in the receivable from brokers for unsettled trades at year-end. The increase in liabilities in 2004 is due to an increase 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 2005 versus 2004 and 2004 versus 2003 are presented below.

**Condensed Statements of Changes in Plan Net Assets**

(In millions)

	<u>2005</u>	<u>2004</u>	<u>Dollar Change</u>	<u>Percent Change</u>
<b>Additions</b>				
Member contributions	\$ 266	\$ 260	\$ 6	2%
Employer contributions	543	456	87	19
Net investment gain	1,608	2,010	(402)	(20)
Total additions	<u>2,417</u>	<u>2,726</u>	<u>(309)</u>	(11)
<b>Deductions</b>				
Benefits	791	734	57	8
Refunds	32	31	1	3
Administrative expenses	20	19	1	5
Total deductions	<u>843</u>	<u>784</u>	<u>59</u>	8
Net increase in plan net assets	<u>\$ 1,574</u>	<u>\$ 1,942</u>	<u>\$ (368)</u>	(19)%

**Additions**

Additions needed to fund benefits are accumulated through contributions and returns on invested funds. Contributions for 2005 totaled \$809 million which was 13 percent more than 2004. While investment returns for 2005 were strong, they did not match the 2004 return. The \$1,608 million investment gain in 2005 represents a \$402 million decrease from the \$2,010 gain in 2004. IMRF's total investment portfolio, reflecting a slowing in the bull market that has existed since 2003, returned 8.7 percent in 2005 compared to 12.4 percent in 2004.

The increase in member contributions is due to an increase in total member earnings to \$5,375 million from \$5,161 million in 2004. The member contribution rate remained at 4.5 percent of earnings for Regular members, 6.5 percent for Sheriff's Law Enforcement Personnel (SLEP) members, and 7.5 percent for the optional Elected County Officials (ECO) members.

The increase in employer contributions is the net effect of several factors. Member earnings increased overall by 4.1 percent. This increase in member earnings caused employer contributions to increase. In addition, the average Regular Plan and SLEP Plan employer rates increased to 9.25 percent from 7.82 percent and to 17.15 percent from 16.29 percent. The average rate for the very small ECO plan decreased from 44.90 percent to 42.66 percent. These employer rate increases are primarily due to the negative investment returns in 2002 and 2001.

In 2005, IMRF achieved net appreciation in the value of investments of \$1,227 million, a \$474 million decrease from the \$1,701 million of appreciation recorded in 2004. Interest, dividends and equity fund income totaled \$426 million, an increase of \$76 million from 2004. Securities lending income net of related expenses was \$7.2 million for 2005, an increase of \$2.1 million from 2004. Direct investment expenses increased to \$52.0 million in 2005 from \$45.2 million in 2004.

The total rate of return for the portfolio in 2005 was 8.7 percent compared to 12.4 percent in 2004. IMRF's U.S. stock portfolio returned 8.9 percent compared to 6.4 percent for the Dow Jones Wilshire 5000 Index. The fixed income portfolio returned 2.7 percent compared to 2.4 percent for the Lehman Aggregate Bond Index. Our international stock portfolio returned 18.0 percent compared to 16.6 percent for the MSCI All-Country World Free ex-US Index. The real estate portfolio returned 10.5 percent compared to 20.1 percent for the NCREIF Property Index. The alternative investment portfolio returned 19.0 percent versus a target return of 12 percent.



# Financial

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 for the period ending December 31, 2005 are:

<u>Period</u>	<u>Annualized returns</u>
Three years	14.4% per year
Five years	5.1% per year
Ten years	9.1% per year

## Deductions

The expenses paid by IMRF include benefit payments, refunds, and administrative expenses. Expenses for 2005 totaled \$843 million, an increase of \$59 million over 2004. The increase in benefit payments to members and beneficiaries resulted primarily from growth in the number of annuitants to 82,108 in 2005 from 79,628 in 2004 as well as an increase in the amount of the average benefit.

## Condensed Statements of Changes in Plan Net Assets

(In millions)

	<u>2004</u>	<u>2003</u>	<u>Dollar Change</u>	<u>Percent Change</u>
<b>Additions</b>				
Member contributions	\$ 260	256	\$ 4	2 %
Employer contributions	456	321	135	42
Net investment gain (loss)	<u>2,010</u>	<u>2,996</u>	<u>(986)</u>	(33)
Total additions	<u>2,726</u>	<u>3,573</u>	<u>(847)</u>	(24)
<b>Deductions</b>				
Benefits	734	669	65	10
Refunds	31	29	2	7
Administrative expenses	<u>19</u>	<u>19</u>	<u>--</u>	--
Total deductions	<u>784</u>	<u>717</u>	<u>67</u>	9
Net increase in plan net assets	<u>\$1,942</u>	<u>\$2,856</u>	<u>\$ (914)</u>	(32)%

## Additions

Additions needed to fund benefits are accumulated through contributions and returns on invested funds. Contributions for 2004 totaled \$716 million which was 24 percent more than 2003. While investment returns for 2004 were very strong, they did not match the record returns from 2003. The \$2,010 million investment gain in 2004 represents a \$986 million decrease from the \$2,996 gain in 2003. IMRF's total investment portfolio, reflecting the continuing strong financial markets, returned 12.4% in 2004 compared to 22.6% in 2003.

The increase in member contributions is due to an increase in total member earnings to \$5,161 million from \$4,945 million in 2003. The member contribution rate remained at 4.5 percent of earnings for Regular members, 6.5 percent for Sheriff's Law Enforcement Personnel (SLEP) members, and 7.5 percent for the optional Elected County Officials (ECO) members.

The increase in employer contributions is the net effect of several factors. Member earnings increased overall by 4.4 percent. This increase in member earnings caused employer contributions to increase. In addition, the average Regular Plan, SLEP Plan and ECO Plan employer rates increased to 7.82 percent from 6.22 percent, to 16.29 percent from 14.04 percent and to 44.90 percent from 40.37 percent, respectively. These employer rate increases are primarily due to the negative investment returns in 2002 and 2001.

In 2004, IMRF achieved net appreciation in the value of investments of \$1,701 million, a \$1,013 million decrease from the \$2,714 million of appreciation recorded in 2003. Interest, dividends and equity fund income totaled \$350 million, an increase of \$28 million from 2003. Securities lending income net of related expenses was \$5.1 million for 2004, a slight increase of \$.8 million from 2003. Direct investment expenses increased to \$45.2 million in 2004 from \$44.1 million in 2003.

## Deductions

The expenses paid by IMRF include benefit payments, refunds, and administrative expenses. Expenses for 2004 totaled \$784 million, an increase of \$67 million over 2003. The increase in benefit payments to members and beneficiaries resulted primarily from growth in the number of annuitants to 79,628 in 2004 from 77,115 in 2003 as well as an increase in the amount of the average benefit.

## Economic Factors Impacting 2006

Employer contributions will be greater in 2006 than in 2005 due to a projected increase in covered payroll which is consistent with past historical trends and higher average employer rates for the Regular, SLEP and ECO plans due to investment return shortfalls in 2002 and 2001. The average Regular Plan rate for employers—which accounts for the vast majority of covered payroll—will increase from 9.25 percent to 10.04 percent, an increase of 8.5 percent.

The Fund's estimated investment return for the four months ended April 30, 2006, has been approximately 6 percent, 18 percent on an annualized basis. IMRF's total investments as of April 30, 2006, are approximately \$21.3 billion, an increase of \$1.2 billion since year-end.

# Financial

## Statements of Plan Net Assets

	December 31	
	2005	2004
<b>Assets</b>		
<b>Cash and cash equivalents</b>	\$21,114,762	\$30,721,496
<b>Receivables and prepaid expenses</b>		
Contributions	60,287,894	51,250,130
Investment income	74,537,479	57,501,625
Receivables from brokers for unsettled trades	563,270,536	410,006,991
Prepaid expenses	52,757,073	46,715,591
<i>Total receivables and prepaid expenses</i>	<u>750,852,982</u>	<u>565,474,337</u>
<b>Investments, at fair value</b>		
Fixed income	6,429,017,173	5,923,903,161
Stocks	11,849,943,391	10,997,592,801
Short term investments	518,158,750	371,910,775
Real estate	698,443,846	638,974,789
Alternative investments	634,270,934	564,482,133
<i>Total investments</i>	<u>20,129,834,094</u>	<u>18,496,863,659</u>
<b>Invested securities lending cash collateral</b>	<u>2,780,849,337</u>	<u>2,585,611,896</u>
<b>Capital assets</b>		
Equipment, at cost	4,386,444	4,504,052
Accumulated depreciation	(3,755,312)	(3,778,686)
<i>Total capital assets</i>	<u>631,132</u>	<u>725,366</u>
<i>Total assets</i>	<u>23,683,282,307</u>	<u>21,679,396,754</u>
<b>Liabilities</b>		
Accrued expenses and benefits payable	21,855,581	20,639,042
Securities lending cash collateral	2,780,849,337	2,585,611,896
Payables to brokers for unsettled trades	1,007,807,987	773,842,087
<i>Total liabilities</i>	<u>3,810,512,905</u>	<u>3,380,093,025</u>
<b>Net assets held in trust for pension benefits</b>	<u>\$19,872,769,402</u>	<u>\$18,299,303,729</u>

(A schedule of funding progress is presented on page 36.)

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

## Statements of Changes in Plan Net Assets

	Years Ended December 31	
	2005	2004
<b>Additions</b>		
<b>Contributions</b>		
Members for retirement coverage	\$265,568,534	\$259,505,532
Employers for benefit plan coverage	543,263,475	456,198,098
<i>Total contributions</i>	<u>808,832,009</u>	<u>715,703,630</u>
<b>Investment Income</b>		
From investing activities		
Interest	214,570,967	173,180,897
Dividends	134,873,428	130,011,837
Equity fund income, net	76,166,558	46,899,042
Net appreciation in fair value of investments	1,226,966,203	1,700,728,824
Investment activity gain	1,652,577,156	2,050,820,600
Less: Direct investment expense	(52,045,693)	(45,170,616)
Net investment activity gain	<u>1,600,531,463</u>	<u>2,005,649,984</u>
From security lending activity		
Securities lending income	88,782,042	31,531,120
Securities lending management fees	(1,382,520)	(1,263,100)
Securities lending borrower rebates	(80,197,580)	(25,213,030)
Net security lending activity income	<u>7,201,942</u>	<u>5,054,990</u>
<i>Total investment gain</i>	<u>1,607,733,405</u>	<u>2,010,704,974</u>
<b>Other</b>	5,190	5,494
<i>Total additions</i>	<u>2,416,570,604</u>	<u>2,726,414,098</u>
<b>Deductions</b>		
Annuities	755,367,768	697,913,082
Disability benefits	11,299,694	10,817,922
Death benefits	24,666,238	24,645,797
Refunds	32,120,791	31,156,292
Administrative expenses	19,650,440	19,405,567
<i>Total deductions</i>	<u>843,104,931</u>	<u>783,938,660</u>
<b>Net increase</b>	1,573,465,673	1,942,475,438
<b>Net assets held in trust for pension benefits</b>		
<b>Beginning of year</b>	<u>18,299,303,729</u>	<u>16,356,828,291</u>
<b>End of year</b>	<u>\$19,872,769,402</u>	<u>\$18,299,303,729</u>

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

## Notes to Financial Statements

December 31, 2005

### 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 General Assembly. 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.

<b>1. Employers</b>	<b>2005</b>	<b>2004</b>
Participating employers	2,896	2,883

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.

<b>2. Members</b>	<b>2005</b>	<b>2004</b>
Retirees and beneficiaries currently receiving benefits	82,108	79,628
Terminated members entitled to benefits but not yet receiving them	10,259	9,998
Terminated members—non-vested	94,626	90,477
Current members:		
Nonvested	95,491	95,724
Vested	75,437	72,812
Total current members	170,928	168,536
<i>Grand Total</i>	<u>357,921</u>	<u>348,639</u>

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) members—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, 2005 and 2004. 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
<b>Vesting</b>	8 years	20 years	8 years	8 years in each elected position
<b>Minimum age for unreduced benefit</b>	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
<b>Final rate of earnings</b>	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
<b>Survivor benefits</b>	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
<b>Post-retirement increase</b>	3% of original amount	3% of original amount	3% of original amount	3% of original amount
<b>Early retirement</b>	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	2005	2004
Retirees and beneficiaries currently receiving benefits	60	62
Terminated members entitled to benefits but not yet receiving them	52	50
Terminated members—non-vested	20	28
Current members:		
Nonvested	67	75
Vested	108	103
Total current members	175	178
<i>Grand Total</i>	<u>307</u>	<u>318</u>

## Trend Information

Actuarial Valuation Date	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
12/31/2005	\$943,494	100%	\$0
12/31/2004	880,451	100%	0
12/31/2003	532,034	100%	0
12/31/2002	374,674	100%	0
12/31/2001	549,541	100%	0
12/31/2000	748,305	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)
12/31/2005	\$23,420,031	\$25,214,021	\$1,793,990	92.9%	\$10,166,962	17.65%
12/31/2004	20,586,259	22,740,505	2,154,246	90.5%	10,050,814	21.43%
12/31/2003	19,962,212	21,187,622	1,225,410	94.2%	9,870,762	12.41%
12/31/2002	18,640,449	18,657,894	17,445	99.9%	9,485,417	0.18%
12/31/2001	21,262,088	18,429,814	(2,832,274)	115.4%	9,038,500	-31.34%
12/31/2000	19,456,025	16,161,807	(3,294,218)	120.4%	8,133,746	-40.50%

**B. Summary of Significant Accounting Policies****1. Reporting Entity**

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

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

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

**2. 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 in accordance with the provisions of the Illinois Pension Code. 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, 2005 and 2004, IMRF has accumulated \$2,245,295 and \$2,589,561, respectively, for future expenditures, and these credits are included in plan net assets.

**C. New Accounting Pronouncements**

Effective for its 2005 financial statements, IMRF adopted Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions. GASB 45 establishes standards of accounting and financial reporting for other postemployment benefits expenses and related liabilities.

## D. Deposits and Investment Risk Disclosures

### 1. Deposits

Custodial credit risk for deposits is the risk that, in the event of a financial institution failure, IMRF's deposits may not be returned. 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. Cash held in the investment related bank account is neither insured nor collateralized for amounts in excess of \$100,000. These deposits are not required to be collateralized by statute and there is no related deposit policy for custodial risk. These assets are under the custody of the Northern Trust Company. The Northern Trust Company has a AA- Long Term Deposit/Debt rating by Standard & Poor and an Aa3 rating by Moody.

<b>Carrying amounts at December 31:</b>	<u>2005</u>	<u>2004</u>
Cash	<u>\$21,114,762</u>	<u>\$30,721,496</u>
<b>Bank balances at December 31:</b>		
<i>Total</i>	<u>\$19,141,770</u>	<u>\$23,253,009</u>
Amount exposed to custodial credit risk	<u>\$552,875</u>	<u>\$507,753</u>

### 2. 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 which are included within their respective Investment Management agreements. The Investment Section contains a summary of these guidelines. By statute all investments are held in the name of the Illinois Municipal Retirement Fund or in the name of a nominee created for the express purpose of securities registration.

### 3. Investment Summary

The following table presents a summary of the Fund's investments by type at December 31, 2005, and 2004.

	<u>2005</u>	<u>2004</u>
U.S. government & agency fixed income	\$2,372,773,965	\$2,163,348,173
U.S. corporate fixed income	1,853,938,079	1,583,670,598
U.S. fixed income funds	1,876,393,973	1,831,380,252
Foreign fixed income securities	325,911,156	345,504,138
U.S. equities	6,013,448,397	5,776,278,969
U.S. stock funds	2,734,252,561	2,073,783,891
Foreign equities	2,760,677,337	2,265,788,309
Foreign stock funds	341,565,096	881,741,632
Foreign currency forward contracts	391,319	(3,994,252)
Pooled short-term investment funds	505,106,126	364,337,464
Real Estate	698,443,846	638,974,789
Private Equity	324,206,509	278,212,887
Absolute Return Funds	310,064,425	286,269,246
Commercial paper	4,997,282	10,884,864
Swaps	(3,224,467)	434,011
Options	1,632,213	248,688
Other Bank Deposits	7,546,277	--
Margin Cash	<u>1,710,000</u>	<u>--</u>
<i>Total Investments at fair value</i>	<u>\$20,129,834,094</u>	<u>\$18,496,863,659</u>

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 and separate accounts 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, 2005, IMRF had \$1,879,212,792 invested in the NTGI QM Collective Daily Aggregate Bond Special Purpose Index Fund. As of December 31, 2004, IMRF had \$1,834,131,449 invested in the MFTB NTGI QM Collective Daily Aggregate Bond Index Fund and \$1,331,651,323 invested in the MFTB NTGI Collective Daily US MarketCap Equity Index Fund.

**4. Custodial Credit Risk for Investments**

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, IMRF will not be able to recover the value of investments or collateral securities that are in the possession of an outside party. As of December 31, the following investments were uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the Fund's name.

	2005	2004
<b>Investments in foreign currency</b>	\$5,748,258	\$11,570,263

**5. Concentration of Credit Risk Debt Securities**

The debt security portfolios are managed by professional investment management firms. These investment management firms are required to maintain diversified portfolios. Each investment manager must comply with risk management guidelines individually assigned to them as part of their Investment Management Agreement.

The total debt securities portfolio is managed using the following general guidelines adopted by the IMRF Board of Trustees:

- A. Bonds, notes or other obligations of indebtedness issued or guaranteed by the U.S. government, its agencies or instrumentalities are permissible investments and may be held without restriction.
- B. The average credit quality of the total portfolio must be investment grade.
- C. Debt obligations of any single U.S. corporation shall generally be limited to a maximum of 5 percent of the total portfolio at market value.
- D. Generally, no more than 30 percent of a manager's assets at market value may be invested in securities rated below investment grade at the time of purchase. Investment managers using high yield disciplines will not be subject to this restriction.
- E. Debt obligations of any U.S. industry shall generally be limited to a maximum of 25 percent of the total portfolio at market value.
- F. Bonds or other debt obligations of foreign countries and corporations payable in U.S. and in non-U.S. funds are authorized but, in general, will not exceed 15 percent of the portfolio.

	2005	2004
<b>Quality Rating</b>		
AAA	\$755,578,268	\$480,955,430
AA+	24,361,954	15,019,910
AA	38,483,413	15,622,245
AA-	63,901,649	89,860,987
A+	100,666,678	95,769,446
A	161,022,775	102,996,775
A-	65,381,821	46,000,958
BBB+	82,217,890	65,469,421
BBB	106,019,545	128,168,564
BBB-	57,096,475	131,336,746
BB+	53,011,273	69,586,795
BB	117,213,143	52,422,613
BB-	88,992,861	109,322,392
B+	111,857,646	106,898,685
B	129,489,492	118,820,847
B-	115,180,940	110,940,642
CCC+	30,008,375	45,966,973
CCC	23,341,644	16,754,366
CCC-	11,340,321	4,065,081
CC	695,653	4,872,168
C	246,305	4,626,962
D	6,543,526	1,295,695
Not Rated	26,866,569	25,378,970
Other	<u>10,331,019</u>	<u>87,022,065</u>
<i>Total Credit Risk Debt—Securities</i>	2,179,849,235	1,929,174,736
U.S. Government & Agencies	2,372,773,965	2,163,348,173
U.S. Fixed Income Fund	<u>1,876,393,973</u>	<u>1,831,380,252</u>
	<u>\$6,429,017,173</u>	<u>\$5,923,903,161</u>

## 6. Interest Rate Risk

The Illinois Municipal Retirement Fund manages its exposure to fair value losses arising from interest rate risk by diversifying the debt securities portfolio and maintaining the debt securities portfolio at an effective duration range between 80 and 120 percent of the benchmark index.

Duration is a measure of a debt investment's exposure to fair value changes arising from changing interest rates. It uses the present value of cash flows, weighted for those cash flows as a percentage of the investment's full price. The effective duration measures the sensitivity of market price to parallel shifts in the yield curve. The Illinois Municipal Retirement Fund benchmarks its debt security portfolio to the Lehman Aggregate Bond Index. At December 31, 2005 and 2004, the effective duration of the Lehman Aggregate Bond Index was 4.57 and 4.34, respectively. At the same points in time, the effective duration of the Illinois Municipal Retirement Fund debt securities portfolio was 4.14 and 4.17, respectively.

<u>Investment</u>	<u>2005 Fair Value</u>	<u>Effective Weighted Duration Rate</u>	<u>2004 Fair Value</u>	<u>Effective Weighted Duration Weight</u>
U.S. Corporate	\$1,853,938,079	3.67	\$1,583,670,598	4.30
U.S. Government & Agencies	2,372,773,965	3.94	2,163,348,173	3.47
Fixed Income Fund	1,876,393,973	4.57	1,831,380,252	4.34
International	<u>325,911,156</u>	5.84	<u>345,504,138</u>	7.09
<i>Total</i>	<u>\$6,429,017,173</u>	4.14	<u>\$5,923,903,161</u>	4.17



**7. Foreign Currency Risk**

The international portfolio is constructed on the principles of diversification, quality, growth and value. Country exposure is limited to 25 percent or two times the benchmark weighting at market value. Risk of loss arises from changes in currency exchange rates. International managers may also engage in transactions to hedge currency at their discretion. Currency trading may not be used for speculative purposes.

**Foreign Currency Risk**

	<u>2005</u>	<u>2004</u>
<b>Foreign Equities</b>		
Australian dollar	\$28,760,106	\$47,670,600
Brazilian real	19,430,670	8,361,024
British pound sterling	455,653,364	409,464,042
Canadian dollar	42,075,384	51,095,418
Czech koruna	3,055,533	1,354,528
Danish krone	13,159,858	3,694,616
Euro	990,070,045	690,952,388
Hong Kong dollar	49,826,261	59,118,210
Hungarian forint	--	4,489,910
Indian rupee	13,911,382	22,868,620
Indonesian rupee	6,987,794	9,137,102
Japanese yen	434,527,431	452,081,140
Malaysian ringgit	555,326	894,455
Mexican peso	21,387,038	21,440,825
New Zealand dollar	12,777,028	14,537,918
Norwegian krone	32,795,766	30,500,990
Singapore dollar	32,879,915	20,237,057
South African rand	10,484,966	8,434,549
South Korean won	50,518,197	35,910,997
Swedish krona	16,136,284	42,041,840
Swiss franc	350,839,929	134,366,902
Thai baht	5,515,186	9,912,572
Turkish lira	3,905,970	--
United States dollar	<u>506,989,000</u>	<u>1,068,964,238</u>
	<u>3,102,242,433</u>	<u>3,147,529,941</u>
<b>Foreign Fixed Income</b>		
Australian dollar	3,483,168	--
British pound sterling	--	481,886
Canadian dollar	2,813,113	1,300,388
Euro	--	30,170,771
Mexican peso	7,546,538	--
Swedish krona	--	661,722
United States dollar	<u>312,068,337</u>	<u>312,889,371</u>
	<u>325,911,156</u>	<u>345,504,138</u>
	<u>\$3,428,153,589</u>	<u>\$3,493,034,079</u>

## E. 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, subject to de minimus rules, 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 81 days as of December 31, 2005, and 61 days as of December 31, 2004. 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 40 days as of December 31, 2005, and which had an interest sensitivity of 29 days as of December 31, 2004. 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 2005 and 2004, 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. The market value of collateral received includes cash collateral of \$2,780,849,337 and \$2,585,611,896 at December 31, 2005 and 2004, respectively.

<b>Loans outstanding as of</b>	<b>December 31, 2005</b>	<b>December 31, 2004</b>
Market value of securities loaned	<u>\$2,808,158,730</u>	<u>\$2,691,509,015</u>
Market value of collateral received	<u>\$2,895,865,485</u>	<u>\$2,755,574,212</u>

## F. Derivatives

IMRF's investment managers may enter into derivative transactions as permitted by their guidelines. A derivative financial instrument is an investment whose payoff depends upon the value of an underlying such as bond or 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, 2005 and 2004 are as follows:

<b>Market Value as of</b>	<b>December 31, 2005</b>	<b>December 31, 2004</b>
Forward currency purchases	\$ 101,932,866	\$ 150,525,855
Forward currency sales	<u>101,541,547</u>	<u>154,520,107</u>
Unrealized, gain (loss)	<u>\$ 391,319</u>	<u>\$ (3,994,252)</u>

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 is settled through 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, 2005 and 2004 are as follows:

<b>Contractual Amount as of</b>	<b>December 31, 2005</b>	<b>December 31, 2004</b>
Fixed income futures sold	<u>\$ 30,301,993</u>	<u>\$ 30,566,891</u>
Fixed income futures purchased	<u>\$ 30,301,993</u>	<u>\$ 21,002,105</u>
Equity futures purchased	<u>\$ 70,103</u>	<u>\$ 20,975</u>
Equity futures sold	<u>\$ 70,103</u>	<u>--</u>
Cash and cash equivalent futures sold	<u>\$ 33,068,513</u>	<u>\$ 64,239,993</u>
Cash and cash equivalent futures purchased	<u>\$ 33,068,513</u>	<u>\$ 166,517,488</u>

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:

<b>Market Value as of</b>	<b>December 31, 2005</b>	<b>December 31, 2004</b>
Financial options, gain	\$ 1,632,213	\$ 248,688

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:

<b>Market Value as of</b>	<b>December 31, 2005</b>	<b>December 31, 2004</b>
Swaps, gain (loss)	\$ (3,224,467)	\$ 434,011

## G. Future Investment Commitments

At December 31, 2005 and 2004, IMRF had future commitments for additional contributions to real estate and alternative investment managers totaling \$346,976,447 and \$277,032,264 respectively.

## H. IMRF as Employer - Postemployment Benefits Other Than Pensions

### 1. Plan Description

IMRF, as an employer, administers a single-employer defined benefit healthcare plan (“Retiree Health Plan”) under the provisions of ILCS Chapter 215, Article 5, Section 367j. As required by the statutes, the Retiree Health Plan provides lifetime health and dental care insurance for eligible retirees and their spouses through IMRF’s group health insurance plan, which covers both active and retired members. Currently 16 retirees are in the plan and 164 active employees could be eligible at retirement. Benefit subsidy provisions have been established by IMRF’s Board of Trustees that cover a percentage of the retiree’s insurance premiums from the date of retirement to the date the retiree becomes eligible for Medicare. The amount of the subsidy varies based upon the retiree’s years of service with IMRF. These benefit subsidy provisions can be modified or terminated at the sole discretion of the IMRF Board. Except for any eligible subsidy, retirees must pay the entire blended insurance premium for their coverage.

### 2. Funding Policy

The contribution requirements of plan members and IMRF are established by IMRF’s Board of Trustees within the provisions of the Illinois statutes. The required contribution is based on projected pay-as-you-go financing requirements. For 2005, IMRF contributed \$1,286,688 to the plan for current premiums, including a \$26,986 subsidy for retiree health and dental care premiums (79.3 percent of total premiums). Plan members receiving benefits contributed \$335,133, or 20.7 percent of the total premiums, through their required contributions of between \$38 and \$318 per month based upon their coverage.

### 3. Annual OPEB Cost and Net OPEB Obligation

IMRF’s annual other postemployment benefit (OPEB) expense is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The following table shows the components of IMRF’s annual OPEB cost for the year, the amount actually contributed to the plan, and changes in IMRF’s net OPEB obligation to the Retiree Health Plan:

Annual required contribution	\$150,325
Interest on net OPEB obligation	--
Adjustment to annual required contribution	--
Annual OPEB expense	<u>150,325</u>
Contributions made	<u>(66,172)</u>
Increase in net OPEB obligation	84,153
Net OPEB obligation – beginning of year	--
Net OPEB obligation – end of year	<u>\$ 84,153</u>

In 2005, IMRF contributed 44 percent of the annual required OPEB contribution to the plan.

### 4. Funded Status and Funding Progress

As of December 31, 2005, the most recent actuarial date, the actuarial accrued liability for benefits was \$1,926,352, none of which was funded. The covered payroll (annual payroll of active employees covered by the plan) was \$9,222,369 and the ratio of the unfunded actuarial accrued liability to the covered payroll was 20.9 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. Since IMRF does not intend to fund the plan, no schedule of funding progress is presented.

**5. Actuarial Methods and Assumptions.**

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

In the December 31, 2005 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 7.5 percent investment rate of return which is based upon the employer's assumed return on its assets and an annual healthcare cost trend rate of 12 percent initially, reduced by decrements to an ultimate rate of 4 percent after ten years. Both rates include a 4 percent inflation assumption. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll over a period of 30 years.

**I. 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 2005 and 2004, the present value of expected retirement benefits exceeded the retirement reserves, for all employers combined, by \$942,291,440 and \$1,125,363,287, respectively.

	2005	2004
<b>1. Member Contribution Reserve</b>		
Balance at December 31	<u>\$3,688,148,208</u>	<u>\$3,423,534,224</u>
<b>2. Annuity Reserve</b>		
Balance at December 31	<u>\$7,966,135,229</u>	<u>\$7,332,331,007</u>
<b>3. Employer Reserves</b>		
Balance at December 31		
Retirement contribution reserve	\$8,128,240,861	\$7,500,248,111
Earnings and experience reserve	74,833,130	27,450,942
Supplemental retirement benefit	1,528,266	1,480,374
Pooled death benefit reserve	5,613,410	7,115,111
Pooled disability benefit reserve	<u>8,270,298</u>	<u>7,143,960</u>
	<u>\$8,218,485,965</u>	<u>\$7,543,438,498</u>

**J. Other Notes**

	2005	2004
<b>1. Prepaid Expenses</b>		
Balance at December 31		
Prepaid administrative expenses	\$ 633,437	\$ 739,482
January 1 benefits charged to bank account in December	52,123,636	45,976,109
	<u>\$ 52,757,073</u>	<u>\$ 46,715,591</u>

**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	2005	2004
Equipment, furniture and automobiles		
Beginning balance	\$4,504,052	\$4,531,666
Additions	195,277	185,942
Deletions	(312,885)	(213,556)
Ending balance	<u>4,386,444</u>	<u>4,504,052</u>
 Accumulated depreciation		
Beginning balance	3,778,686	3,719,136
Additions	280,387	273,107
Deletions	(303,761)	(213,557)
Ending balance	<u>3,755,312</u>	<u>3,778,686</u>
 Capital assets, net	 <u>\$ 631,132</u>	 <u>\$ 725,366</u>

### 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, 2005, a liability existed for accumulated annual leave calculated at the employee's December 31, 2005, pay rate in the amount of \$506,931. 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, 2005, a liability existed for accumulated and accrued sick leave, calculated at the employee's December 31, 2005, pay rate in the amount of \$1,740,344. The total leave liability of \$2,247,275 and \$2,139,147 as of December 31, 2005, and 2004, respectively, 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 original agreement covered the period May 1, 1993, through December 31, 2005. The base rent was abated until December 31, 1995. The Fund amortized the abated rent over the period covered by the agreement. Total rental expense for 2005 and 2004 was \$1,044,287 and \$1,045,795, respectively. In 2005 the Fund entered into a new agreement covering the period January 1, 2006, through May 31, 2011. The base rent was abated until May 31, 2006. The Fund is amortizing the abated rent over the period covered by the agreement.

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 2005 and 2004 was \$30,004 and \$29,414, respectively.

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

2006	\$487,420
2007	815,760
2008	840,048
2009	865,392
2010	891,264
Thereafter	382,580



## 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.

## K. 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.

# Financial

## Required Supplementary Information Schedule of Funding Progress

Last ten years

Actuarial Valuation Date December 31	Aggregate Actuarial Liabilities (AAL)			Unfunded Actuarial Liabilities (UAL)		
	Total AAL Entry Age (a)	Actuarial Assets (b)	Actuarial Assets as a % of AAL (b/a)	Total UAL (a-b)	Member Payroll (c)	UAL as a of Member Payroll ((a-b)/c)
1996*	\$ 9,778,592,519	\$ 9,076,261,663	92.8%	\$ 702,330,856	\$3,084,086,668	22.8%
1997	10,807,969,067	10,273,116,034	95.1%	534,853,033	3,454,621,933	15.5%
1998	11,860,879,198	11,636,495,534	98.1%	224,383,664	3,696,074,942	6.1%
1999*	13,005,023,293	13,520,192,111	104.0%	(515,168,818)	3,952,129,535	-13.0%
2000	14,153,055,774	15,169,369,263	107.2%	(1,016,313,489)	4,184,702,169	-24.3%
2001	15,318,517,575	16,305,022,254	106.4%	(986,504,679)	4,503,092,615	-21.9%
2002*	16,559,907,302	16,800,195,504	101.5%	(240,288,202)	4,755,103,888	-5.1%
2003	17,966,103,451	17,529,890,818	97.6%	436,212,633	4,944,767,495	8.8%
2004	19,424,667,016	18,315,987,910	94.3%	1,108,679,106	5,161,127,432	21.5%
2005*#	20,815,060,842	19,698,401,285	94.6%	1,116,659,557	5,374,585,943	20.8%

\* After assumption change.

# After benefit change.

This data 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
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%
2004	367,704,509	36,473,252	19,617,440	32,402,897	456,198,098	100%
2005	448,921,946	40,296,343	20,407,466	33,637,720	543,263,475	100%

See notes to required supplementary information on following page.

**Notes to Required Supplementary Information**

Valuation date . . . . .	December 31, 2005
Actuarial cost method . . . . .	Entry age normal
Amortization method . . . . .	Level percent of payroll
Remaining amortization period . . . . .	Taxing bodies: closed, 25 years Overfunded taxing bodies: varies by funding status Non-taxing bodies: generally 5 years
Asset valuation method . . . . .	Five year smoothed market related with a 15% corridor
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 . . . . .	For non-disabled lives, the 1994 Group Annuity Mortality Table for males multiplied by 110% and the 1994 Group Annuity Mortality Table for females multiplied by 87%; for disabled lives, the 1994 Group Annuity Mortality Table for males multiplied by 110% and the 1994 Group Annuity Mortality Table for females multiplied by 87% and set forward ten years.

## Supplementary Information

### Schedule of Administrative Expenses

	<u>2005</u>	<u>2004</u>
Personal services	\$13,348,748	\$13,148,725
Supplies	374,558	440,995
Professional services	947,890	897,294
Occupancy and utilities	1,785,050	1,804,191
Postage and delivery	850,153	940,103
Equipment service and rental	737,962	744,305
Expendable equipment	148,266	149,490
Miscellaneous	1,177,426	1,007,357
Depreciation	280,387	273,107
<b>Total</b>	<u>\$19,650,440</u>	<u>\$19,405,567</u>

### Schedule of Payments to Consultants

	<u>2005</u>	<u>2004</u>
External auditor	\$ 89,000	\$ 80,000
Internal auditor	52,920	42,000
Other auditing/consulting	35,738	--
Medical consultant	66,838	51,363
Legal services	12,564	23,866
Tax consultant	2,868	29,517
Actuary	312,761	263,448
Management consultants:		
Benefit information system	--	22,882
Imaging system	130,680	166,937
Internet	244,521	217,281
<b>Total</b>	<u>\$ 947,890</u>	<u>\$ 897,294</u>

### Schedule of Investment Expenses

	<u>2005</u>	<u>2004</u>
Investment manager fees	\$51,005,654	\$44,299,942
Master trustee fees	277,500	276,250
Investment consultants	690,116	524,049
Investment legal fees	5,535	--
Miscellaneous	66,888	70,375
<b>Total</b>	<u>\$52,045,693</u>	<u>\$45,170,616</u>

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

# Investments

Investment Consultant's Report.....	40
Master Trustee's Report.....	42
Investment Consultants.....	43
Investment Policies.....	45
Returns by Asset Class.....	48
Investment Portfolio Summary.....	49
Investment Portfolio Charts.....	50
Asset Allocation.....	51
Ten Largest Holdings.....	52
Domestic Brokerage Commissions.....	53
International Brokerage Commissions.....	54
Schedule of Investment Fees.....	55



2005

## ENNISKNUPP

25 Years

March 27, 2006

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

Dear Trustees and Executive Director:

Ennis Knupp + Associates is pleased to report the results of the Illinois Municipal Retirement Fund (IMRF) investment program for the calendar year 2005.

The year 2005 began under the specter of inflation fears, rising interest rates, and high energy costs in the domestic market, all of which influenced the international markets making for a generally weak first quarter in the world's stock markets. As the year progressed, domestic economic news was brighter and despite the Fed's "measured timetable" for raising interest rates, returns improved. Even Hurricane Katrina in the third quarter did not dampen the recovery in the domestic stock market, the period in which most of the year's return was earned. International markets saw marked improvement during this period as well with Japan recovering strongly at 19% for the third quarter. Markets ended the year in positive territory, and considering the weakness in the first half of the year, provided reasonable returns: U.S equity returned 6.4% as measured by the Dow Jones Wilshire 5000 stock index, non-U.S. equity returned 16.6% as measured by the MSCI All Country World Index ex-U.S., and fixed income returned 2.4% as measured by the Lehman Brothers Aggregate Bond Index.

With this as a backdrop, the Illinois Municipal Retirement Fund ended the year with total net assets of \$19.9 billion. This represented an increase of approximately \$1.6 billion from December 31, 2004.

The Total Fund returned 8.7% during the 2005 fiscal year, outpacing the Total Fund Benchmark by 1.9 percentage points. The Total Fund Benchmark is composed of the individual asset class benchmarks in the same proportion as the target asset class allocations. The Total Fund ranked just above the median of the Russell/Mellon Public Fund Universe for the one-year period. (Note that plan sponsor type universes may include funds that have widely differing asset allocation structures making comparisons inconclusive and should only be used as a point of interest rather than for an evaluation of results.) All asset classes exceeded their benchmarks and ranked above the median of their respective peer groups. The performance of the Total Fund can be attributed to the Fund's broad and well diversified structure.

Ennis Knupp + Associates  
10 South Riverside Plaza, Suite 1600  
Chicago, Illinois 60606-3709

vox 312 715 1700  
fax 312 715 1952  
[www.ennisknupp.com](http://www.ennisknupp.com)



The U.S. equity portfolio, the largest allocation in the Fund with a 41% of total assets target, returned 8.9% for the year ending December 31, 2005, outperforming the Dow Jones Wilshire 5000 Index by 2.5 percentage points. The strongest returns in this category came from the small cap managers. Generally, the large cap value managers outperformed their growth counterparts with substantially all managers outperforming their benchmarks for the year. Performance over the three-, five-, and ten-year periods for the U.S. equity portfolio has been favorable.

The non-U.S. equity portfolio returned 18.0% over the one-year period and outpaced the MSCI All-Country World ex-U.S. Index by 1.4 percentage points. The non-U.S. equity portfolio is broadly invested including allocation to small cap companies and the emerging markets. The non-U.S. equity portfolio's exposure to emerging markets was very beneficial to performance returning 37.5% for the year. Performance of the non-U.S. portfolio over the past three-, five-, and ten-year periods has been a significant contributor to the Total Fund return.

The Total Fund's fixed income portfolio advanced 2.7% over the one-year period and surpassed the Lehman Aggregate Bond Index by 0.3 percentage points. The fixed income portfolio is well-diversified including investments in high yield securities and core plus type strategies. The fixed income portfolio's performance over the three-, five-, and ten-year periods has been favorable.

Investment measurements and comparisons have been made using standard performance evaluation methods, and results are presented in a manner consistent with the investment industry in general and public pension funds in particular. Rates of return were determined using a modified time-weighted return calculation.

Sincerely,



Ennis Knupp + Associates

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



## Northern Trust

March 13, 2006

Board of Trustees and Executive Director  
Illinois Municipal Retirement Fund  
2211 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, 2005, through December 31, 2005. Also, a statement of assets together with their fair market value was provided, showing the properties held as of December 31, 2005. 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. 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

**Ennis Knupp & Associates**  
Kristine L. Ford, Principal  
Chicago, Illinois

### Investment Consultant

**Ennis Knupp & Associates**  
Kristine L. Ford, Principal  
Chicago, Illinois

### Investment Managers

**Abbott Capital Management, LLC**  
New York, New York

**Adams Street Partners, LLC**  
Chicago, Illinois

**Alliance Capital Management L.P.**  
Chicago, Illinois

**Ambassador Capital Management**  
Detroit, Michigan

**Apex Capital Management, Inc.**  
Dayton, Ohio

**AXA Rosenberg Investment Management, LLC**  
Orinda, California

**BlackRock Financial Management, Inc.**  
New York, New York

**The Boston Company Asset Management, LLC**  
Boston, Massachusetts

**BPI Global Asset Management LLP**  
Orlando, Florida

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

**Brown Capital Management, Inc.**  
Baltimore, Maryland

**Channing Capital Management, LLC**  
Chicago, Illinois

**Cozad/Westchester Agricultural Asset Management**  
Champaign, Illinois

**Cypress Asset Management**  
Carmel, California

**Denali Advisors, LLC**  
San Diego, California

**Dimensional Fund Advisors**  
Santa Monica, California

**Dodge & Cox Investment Managers**  
San Francisco, California

**EARNEST Partners, LLC**  
Atlanta, Georgia

**EH Williams Capital Management, LLC**  
New York, New York

**Fidelity Management Trust Company**  
Boston, Massachusetts

**Forest Investment Associates**  
Atlanta, Georgia

**Frontier Capital Management Co.**  
Boston, Massachusetts

**Genesis Asset Managers International, Ltd.**  
London, England

**GlobeFlex Capital, L.P.**  
San Diego, California

**Grosvenor Capital Management, L.P.**  
Chicago, Illinois

**GW Capital, Inc.**  
Bellevue, Washington

**Harris Alternatives LLC**  
Chicago, Illinois

# Investments

---

**Harris Investment Management, Inc.**  
Chicago, Illinois

**High Pointe Capital Management, LLC**  
Buffalo Grove, 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

**LM Capital Group, LLC**  
San Diego, California

**LSV Asset Management**  
Chicago, Illinois

**Lynmar Capital Group, Inc.**  
Marlton, New Jersey

**MacKay Shields, LLC**  
New York, New York

**McKinley Capital Management, Inc.**  
Anchorage, Alaska

**Mesirow Advanced Strategies, Inc.**  
Chicago, Illinois

**Morgan Stanley**  
Atlanta, Georgia

**Muller & Monroe Asset Management, LLC**  
Chicago, Illinois

**New Century Advisors**  
Bethesda, Maryland

**Northern Trust Investments, N.A.**  
Chicago, Illinois

**Olympus Real Estate Corporation**  
Dallas, Texas

**Pantheon Ventures, Inc.**  
San Francisco, California

**Payden & Rygel**  
Los Angeles, California

**Permira Advisors, Ltd.**  
London, England

**Piedmont Investment Advisors, LLC**  
Durham, North Carolina

**Profit Investment Management**  
Silver Spring, Maryland

**Progress Investment Management Company**  
San Francisco, California

**Prudential Investment Management**  
Parsippany, New Jersey

**Pugh Capital Management**  
Seattle, Washington

**Rutland Dickson Asset Management**  
Dallas, Texas

**Sands Capital Management, LLC**  
Arlington, Virginia

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

**Sentinel Real Estate Corporation**  
New York, New York

**Taplin, Canida & Habacht**  
Miami, Florida

**Union Heritage Capital Management**  
Detroit, Michigan

**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 contractual objectives and guidelines are in effect for individual investment managers.

### A. Investment Objectives

1. To diversify the investment portfolio so as to optimize investment returns.
2. To set investment and actuarial policies that assure the adequate accumulation of assets and maintain a reasonable funded status.
3. To achieve rates of return greater than the current actuarial investment assumption of 7.5 percent.
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 Dow Jones Wilshire 5000 Index. In addition, the Board expects to earn a minimum of 5 percent in excess of inflation over moving five-year periods.
6. To achieve in international equities a total return that exceeds the total return of the Morgan Stanley Capital International, All Country World Index Ex-US (MSCI ACWI-Ex U.S.). In addition, the Board expects to earn a minimum of 5 percent in excess of inflation over moving five-year periods.
7. To achieve in fixed income securities a total return that exceeds the total return of the Lehman Aggregate Bond Index. In addition, the Board expects to earn a minimum of 2 percent in excess of inflation over moving five-year periods.
8. To achieve in equity real estate investments a return of 5 percent in excess of inflation over moving five-year periods.
9. To achieve in alternative investments a return equal to 150 percent of the expected equity return over moving five-year periods.
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 of Trustees of the Illinois Municipal Retirement Fund (IMRF) recognizes its fiduciary responsibility to prudently manage the assets of the Fund. The assets include common stock in many different companies and, as a shareowner, the Board also owns proxy voting rights. The Board acknowledges that it not only has a right to vote proxies, but also a duty to vote them. Proxies have economic value and, therefore, the Board has the duty to prudently oversee the management of them as it does all other Fund assets.

The Board shall vote proxies in accordance with the exclusive benefit rule which requires the Board to act solely in the economic interest of the Fund's members and beneficiaries.

Generally, proxies related to corporate governance shall be voted in favor of shareholder-sponsored proposals requiring corporate boards to act in the best interests of shareholders. Proxies related to director, executive, and employee compensation shall be voted in favor of compensation plans that motivate directors, executives, and employees to achieve high performance for the long-term benefits of all shareowners. Proxies related to takeover defenses shall be voted in favor of proposals allowing

# Investments

---

shareholders to vote on poison pills and golden parachutes. Proxies related to capital structure issues shall be voted in favor of proposals requiring shareowner approval for reasonable share increases needed for business purposes. Proxies related to mergers, acquisitions, and corporate restructuring will be voted on a case-by-case basis. Proxies related to routine management issues shall generally be voted in accordance with management's view on such issues. In keeping with the Board's fiduciary duty to act solely in the economic interest of the Fund, and because empirical evidence is inconclusive about whether all social and political proposals enhance shareowner value, IMRF will abstain from voting on such proposals.

## C. Domestic Equity Investment Guidelines

1. The domestic equity portfolio as a whole shall be constructed on four fundamental principles: diversification, quality, growth and value.
2. Generally, no individual security shall comprise more than 5 percent of the total portfolio at market value.
3. The total portfolio shall generally not hold more than 5 percent of the outstanding shares of any one company.
4. Holdings of any one issuer, at the time of purchase, shall generally be limited to not more than 15 percent of a manager's portfolio market value.
5. Sector exposure in the total portfolio shall generally not differ by more than 5 percentage points from the sector exposure of the Dow Jones Wilshire 5000.
6. Domestic equity managers must invest in equity securities that are listed on principal U.S. exchanges or traded over the counter. ADRs of foreign companies are permissible.

## 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. Generally, no individual security shall comprise more than 6 percent of the total portfolio at market value.
3. The total portfolio shall generally not hold more than 5 percent of the outstanding shares of any one company.
4. Holdings of any one issuer, at the time of purchase, shall generally be limited to a maximum of 8 percent of a manager's portfolio market value.
5. Sector exposure in the portfolio shall not exceed the higher of 25 percent or two times the benchmark weighting at market value.
6. Country exposure in the portfolio shall not exceed the higher of 25 percent or two times the benchmark weighing at market value.
7. International equity managers shall generally invest in equity securities of companies domiciled outside of the U.S.
8. Investments in emerging market securities will not exceed 25 percent of the total portfolio at market value.
9. International equity managers may engage in various transactions to hedge currency. Forward contracts, futures and options may be used for currency hedging purposes. Currency trading may not be used for speculative purposes.



## 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 and may be used without restrictions.
2. The average credit quality of the total portfolio will be investment grade.
3. Debt obligations of any single U.S. corporation shall generally be limited to a maximum of 5 percent of the total portfolio market value.
4. Generally, no more than 30 percent of an investment manager's assets at market value may be invested in securities rated below investment grade at the time of purchase. High yield bond managers are not subject to this restriction.
5. Debt obligations of any U.S. industry shall generally be limited to no more than 25 percent of the total portfolio at market value.
6. Bonds or other debt obligations of foreign countries and corporations payable in U.S. and in non-U.S. funds are authorized, but in general will not exceed, 15 percent of total portfolio.
7. The total portfolio shall have an effective duration range between 80-120 percent of the benchmark index.
8. Private placements are authorized by the Board on an individual manager basis.
9. The use of swaps, exchange-traded financial futures, exchange-traded options on financial futures, and over-the-counter options are subject to individual manager guidelines. Leverage is not allowed except as permitted for rolling mortgage pass-through securities.
10. No assets shall be committed to short sale contracts.

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

## H. Short-Term Investment Guidelines

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

# Investments

## Returns by Asset Class

Periods ending December 31st

	2005	2004	2003	2002	2001	Annualized		
						3 Yrs	5 Yrs	10 Yrs
<b>Total Fund</b>								
<b>Time-Weighted Returns</b>								
IMRF	8.71%	12.38%	22.56%	-8.72%	-6.08%	14.40%	5.12%	9.12%
CPI (Inflation)	3.42%	3.26%	1.88%	2.39%	1.55%	2.85%	2.50%	2.52%
<b>Equities - U.S.</b>								
IMRF	8.94%	14.44%	32.65%	-21.09%	-11.56%	18.25%	2.90%	10.65%
Dow Jones Wilshire 5000	6.39%	12.62%	31.65%	-20.86%	-10.96%	16.36%	2.11%	9.15%
Russell 2000	4.55%	18.33%	47.25%	-20.48%	2.49%	22.13%	8.22%	9.26%
S&P 500	4.91%	10.88%	28.71%	-22.10%	-11.88%	14.39%	0.54%	9.07%
<b>Equities - International</b>								
IMRF	18.00%	22.24%	44.03%	-16.71%	-15.33%	27.60%	7.94%	9.97%
MSCI ACWI Ex-U.S.	16.62%	21.36%	41.40%	-14.68%	-19.50%	25.69%	6.27%	6.36%
MSCI EAFE	13.54%	20.69%	39.17%	-15.66%	-21.21%	23.68%	4.55%	5.81%
<b>Fixed Income</b>								
IMRF	2.70%	5.51%	8.04%	8.81%	6.77%	5.39%	6.34%	6.17%
Lehman Aggregate	2.43%	4.34%	4.10%	10.27%	8.42%	3.62%	5.87%	6.16%
Lehman Government/Credit	2.37%	4.21%	4.67%	11.02%	8.51%	3.74%	6.11%	6.17%
Merrill Lynch High Yield	2.83%	10.76%	27.23%	-1.14%	6.20%	13.16%	8.76%	6.80%
<b>Real Estate</b>								
IMRF	10.46%	10.09%	5.35%	6.61%	12.99%	8.61%	9.10%	9.13%
NCREIF Property	20.06%	14.49%	9.00%	6.75%	7.28%	14.43%	11.40%	12.10%
<b>Alternative Investments</b>								
IMRF	19.00%	11.10%	8.23%	-8.75%	-25.90%	12.69%	-0.65%	16.93%
<b>Cash &amp; Cash Equivalents</b>								
IMRF	7.69%	6.00%	5.71%	4.38%	8.33%	6.46%	6.41%	6.86%
U.S. Treasury Bills	3.00%	1.30%	1.04%	1.78%	3.42%	1.77%	2.22%	3.72%

These investment results are calculated and presented using standard performance evaluation methods in a manner consistent with the investment industry in general and public pension funds in particular. Rates of return were determined using a modified time-weighted return calculation.

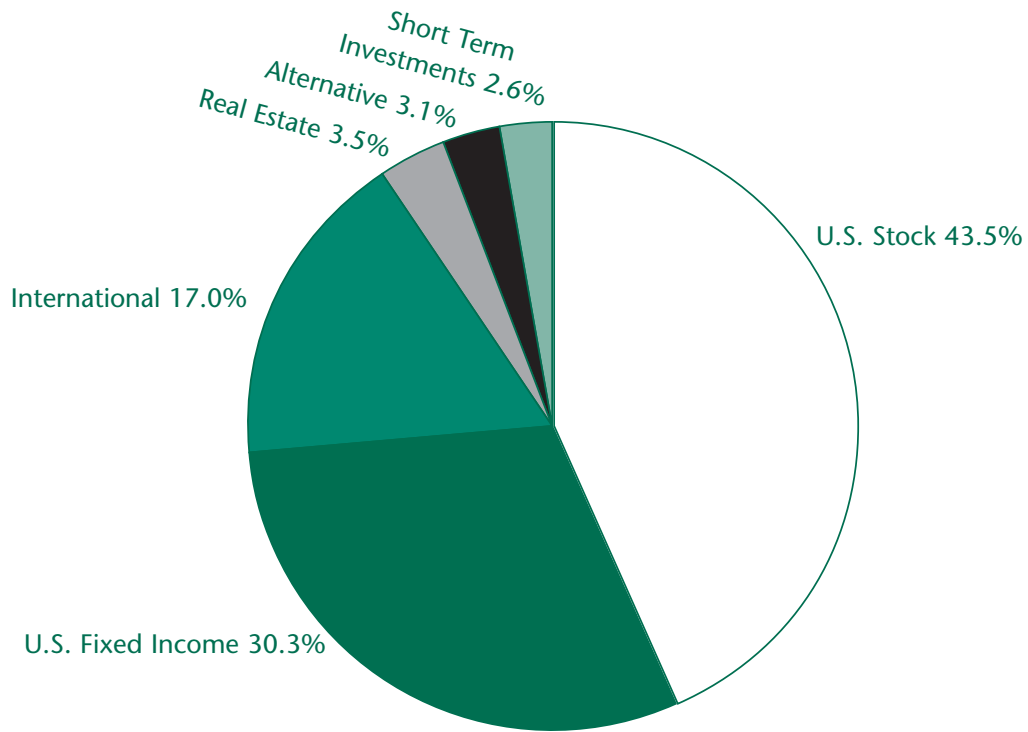
**Schedule I**  
**Investment Portfolio Summary**

In Millions of Dollars

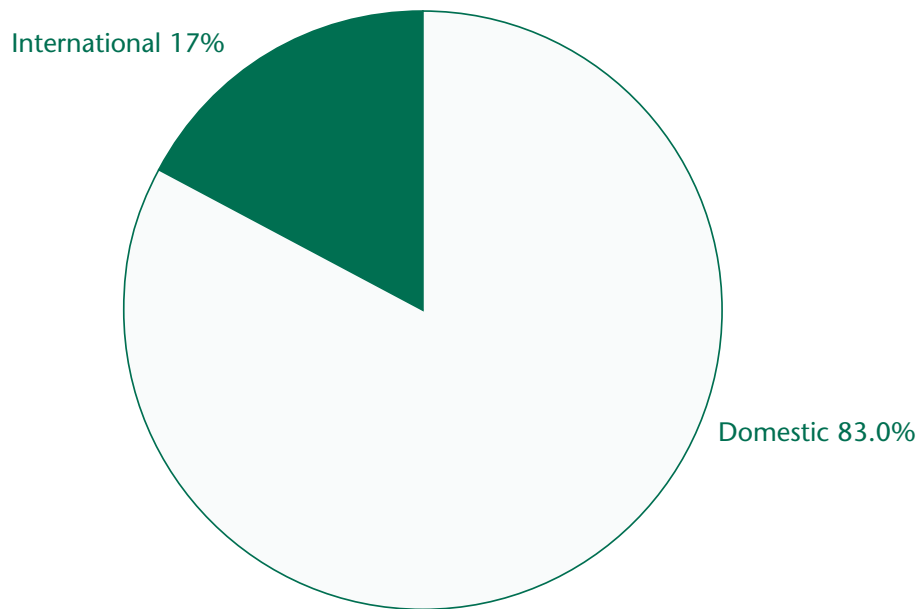
	As of 12/31/2005		As of 12/31/2004	
	Fair Value	Percent of Total Fair Value	Fair Value	Percent of Total Fair Value
<b>Fixed Income:</b>				
Government & Agencies	\$2,372.8	11.8%	\$2,163.3	11.7%
Corporate	1,853.9	9.2%	1,583.7	8.5%
Index Funds	1,876.4	9.3%	1,831.4	9.9%
Foreign	325.9	1.6%	345.5	1.9%
	<u>6,429.0</u>	<u>31.9%</u>	<u>5,923.9</u>	<u>32.0%</u>
<b>Stocks:</b>				
U.S. Common & Preferred	6,013.4	29.9%	5,776.3	31.2%
U.S. Stock Funds	2,734.2	13.6%	2,073.8	11.2%
Foreign Common & Preferred	2,760.7	13.7%	2,265.8	12.3%
Foreign Stock Funds	341.6	1.7%	881.7	4.8%
	<u>11,849.9</u>	<u>58.9%</u>	<u>10,997.6</u>	<u>59.5%</u>
<b>Real Estate:</b>				
Commingled Funds	330.3	1.6%	317.1	1.7%
Directly Owned	217.5	1.1%	193.6	1.0%
Timber and Agricultural	150.6	0.8%	128.3	0.7%
	<u>698.4</u>	<u>3.5%</u>	<u>639.0</u>	<u>3.4%</u>
<b>Alternative Investments</b>				
Commingled Funds	634.3	3.1%	564.5	3.1%
<b>Short-Term Investments</b>	518.2	2.6%	371.9	2.0%
<b>Total Portfolio</b>	<u>\$20,129.8</u>	<u>100.0%</u>	<u>\$18,496.9</u>	<u>100.0%</u>

**Investment Portfolio as of December 31, 2005**

**Allocation by Asset Class**



**Total Investments by Region**



**Schedule II**  
**Asset Allocation**

Last Five Years

	Fair Value as a Percent of Portfolio				
	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
<b>Fixed Income</b>					
U.S. Government & Agencies	11.8%	11.7%	12.7%	15.8%	12.9%
Corporate	9.2%	8.5%	8.2%	10.8%	10.1%
Index Fund	9.3%	9.9%	10.0%	9.6%	8.6%
Foreign	1.6%	1.9%	2.0%	2.1%	1.6%
	<u>31.9%</u>	<u>32.0%</u>	<u>32.9%</u>	<u>38.3%</u>	<u>33.2%</u>
<b>Stocks</b>					
U.S. Common & Preferred	29.9%	31.2%	30.5%	29.3%	31.0%
U.S. Stock Funds	13.6%	11.2%	10.6%	9.6%	11.1%
Foreign Common & Preferred	13.7%	12.3%	11.3%	7.5%	8.8%
Foreign Stock Funds	1.7%	4.8%	4.1%	4.3%	4.6%
	<u>58.9%</u>	<u>59.5%</u>	<u>56.5%</u>	<u>50.7%</u>	<u>55.5%</u>
<b>Real Estate</b>					
Commingled Funds	1.6%	1.7%	1.7%	2.0%	1.8%
Directly Owned	1.1%	1.0%	1.0%	1.3%	1.2%
Timber and Agricultural	0.8%	0.7%	0.8%	0.9%	0.8%
	<u>3.5%</u>	<u>3.4%</u>	<u>3.5%</u>	<u>4.2%</u>	<u>3.8%</u>
<b>Alternative Investments</b>					
Commingled Funds	3.1%	3.1%	3.1%	3.4%	3.2%
<b>Short-Term Investments</b>	<u>2.6%</u>	<u>2.0%</u>	<u>4.0%</u>	<u>3.4%</u>	<u>4.3%</u>
<b>Total Portfolio</b>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

# Investments

---

## Ten Largest Fixed Income Investment Holdings

Excludes Commingled Funds and Short-Term Investments

	Market Value	Percent of Total Invested Market
FNMA 5.00% Due 1/1/2036	\$125,555,813	0.62%
U.S. Treasury Notes 4.25% Due 10/31/2007	108,695,586	0.54%
FNMA 6.00% Due 1/01/2036	100,078,769	0.50%
U.S. Treasury Notes 4.00% Due 2/15/2015	73,325,630	0.36%
U.S. Treasury Notes 3.625% Due 4/30/2007	70,415,026	0.35%
U.S. Treasury Notes 3.125% Due 10/15/2008	63,532,592	0.32%
FNMA 4.50% Due 1/01/2021	61,676,281	0.31%
U.S. Treasury Notes 3.875% Due 9/15/2010	52,386,130	0.26%
GNMA 6.00% Due 1/01/2036	43,380,500	0.22%
U.S. Treasury Notes 2.50% Due 10/31/2006	41,524,240	0.21%
	<u>\$740,570,567</u>	<u>3.69%</u>

## Ten Largest Equity Investment Holdings

Excludes Commingled Funds

	Market Value	Percent of Total Invested Market
General Electric	\$137,705,947	0.68%
Exxon Mobil	95,651,893	0.48%
Citigroup	94,256,567	0.47%
Google	76,935,787	0.38%
Bank America	71,435,493	0.35%
Genentech	65,184,288	0.32%
American International Group	65,008,521	0.32%
Microsoft	60,971,052	0.30%
Ebay	60,755,438	0.30%
Qualcomm	60,713,592	0.30%
	<u>\$788,618,578</u>	<u>3.90%</u>

A complete listing of investments is available upon request.



**Schedule of 2005 Domestic Brokerage Commissions**

In order of commissions received

<u>Broker Name</u>	<u>Shares</u>	<u>Commissions</u>	<u>Per Share</u>
Citation Group	4,742,258	\$237,010	\$0.05
Guzman & Company	10,174,300	189,412	0.02
Loop Capital Markets/Broadcort Capital	8,362,614	184,071	0.02
Investment Technology Group, Inc.	23,707,191	180,915	0.01
BNY ESI Securities Co.	3,301,300	138,417	0.04
Merrill Lynch Pierce Fenner & Smith*	3,002,512	122,400	0.04
Credit Suisse First Boston Corporation	3,161,288	118,474	0.04
Citigroup Global Markets Inc/Smith Barney	5,850,978	115,979	0.02
Pacific American Securities LLC	2,820,675	111,629	0.04
UBS/Warburg Securities LLC	2,885,781	110,331	0.04
Liquidnet Inc.	5,454,834	109,097	0.02
Gardner Rich & Co.	2,901,250	107,006	0.04
Lehman Brothers*	1,898,693	85,359	0.04
Bernstein, Sanford C. & Co.	1,661,780	80,220	0.05
Prudential Equity Group	1,828,450	80,181	0.04
Bear, Stearns, Securities Corp.	1,758,950	77,638	0.04
M. Ramsey King Securities	1,644,350	74,577	0.05
Lynch Jones & Ryan, Inc.*	1,563,211	69,300	0.04
Goldman Sachs & Company	1,506,776	62,956	0.04
Morgan Stanley & Co. Inc.	2,438,862	61,753	0.03
SG Cowen Securities	1,378,200	55,766	0.04
Adams Harkness & Hill, Inc	1,019,900	50,836	0.05
William Blair & Co.	1,095,375	48,595	0.04
J.P. Morgan Securities, Inc.	1,285,476	48,232	0.04
Jefferies & Company	1,026,165	47,668	0.05
National Financial Services	1,823,498	45,634	0.03
Robert W. Baird & Company, Inc.	960,400	43,278	0.05
Instinet	2,011,720	42,451	0.02
Capital Institutional Services, Inc.*	1,164,600	40,680	0.03
Cantor Fitzgerald & Co.	1,018,590	37,728	0.04
Other Brokers	<u>34,498,480</u>	<u>1,201,539</u>	<u>0.03</u>
Total	<u>137,948,457</u>	<u>\$3,979,132</u>	<u>\$0.03</u>

\*Commission recapture broker

# Investments

## Schedule of 2005 International Brokerage Commissions

In order of commissions received

<u>Broker Name</u>	<u>Shares</u>	<u>Commissions</u>	<u>Per Share</u>
Goldman Sachs & Co. New York	26,493,409	\$273,563	\$0.01
Deutsche Bank Securities, Inc.	17,805,821	272,844	0.02
Credit Suisse First Boston New York	21,619,496	248,131	0.01
Pershing LLC Jersey City	17,866,460	224,152	0.01
Merrill Lynch Intl. Ltd Equities*	7,790,585	219,186	0.03
Morgan Stanley and Co. New York	10,379,069	186,742	0.02
Instinet U.K. Limited London	5,611,874	138,078	0.02
Merrill Lynch Pierce Fenner & Smith, Inc.*	16,335,249	123,620	0.01
UBS Securities Asia	5,560,395	121,568	0.02
JP Morgan Securities Limited London	3,500,417	119,387	0.03
UBS AG (London Equities)	2,552,723	117,161	0.05
Bear Stearns New York	4,035,739	112,787	0.03
UBS AG London Branch	19,407,903	102,749	0.01
Dresdner Kleinwort Wasserstein Securities	2,909,358	98,640	0.03
Citigroup Global Markets, Inc.	11,020,045	93,458	0.01
Citigroup Global LTD Broker	5,100,333	91,599	0.02
Credit Suisse First Boston Limited London	4,792,701	87,738	0.02
Credit Lyonnais Securities Singapore	3,260,877	62,570	0.02
Citigroup Global Markets, Inc. New York	2,562,351	58,570	0.02
Lehman Brothers International Europe*	3,782,980	51,612	0.01
Instinet Pacific Ltd Hong Kong	8,161,900	49,435	0.01
Fuji Securities New York	1,090,441	49,047	0.04
Nomura Securities New York	729,428	48,039	0.07
Dresdner Kleinwort Wasserstein North America	929,581	40,922	0.04
Cheuvreux de Virieu Paris	764,104	39,707	0.05
Investment Technology Group Hong Kong	1,362,261	36,514	0.03
Investment Technology Group Dublin	5,943,961	36,426	0.01
Daiwa Securities America New York	2,190,232	36,394	0.02
Pershing Limited London	1,630,050	35,820	0.02
Arnhold & S. Bleichroeder New York	737,900	33,411	0.05
Other Brokers	<u>103,239,392</u>	<u>1,311,844</u>	<u>0.01</u>
Total	<u>319,167,035</u>	<u>\$4,521,714</u>	<u>\$0.01</u>

\*Commission recapture broker

Commissions in U.S. dollar terms

**Schedule of Investment Fees**

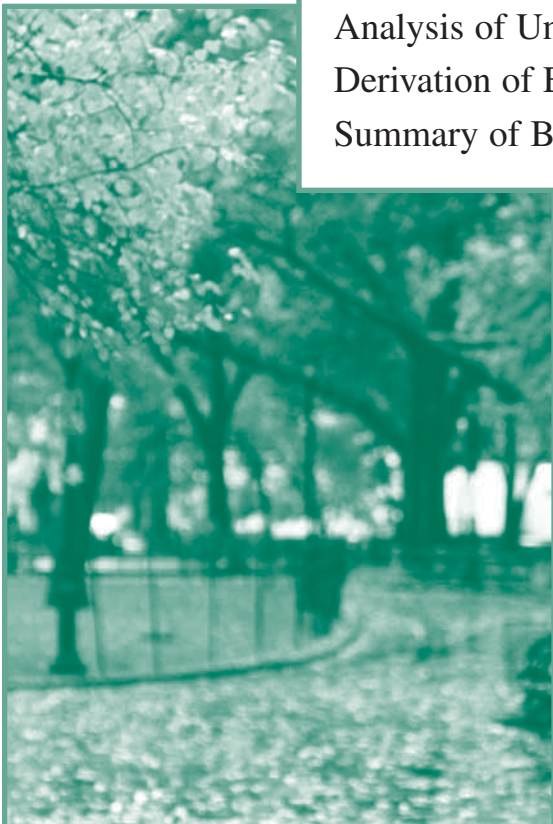
	2005 Fees	2005 Assets under management at year end (in thousands)*	Basis Points	2004 Fees	2004 Assets under management at year end (in thousands)*	Basis Points
<b>Investment manager fees</b>						
Fixed income managers	\$5,551,579	\$5,661,447	10	\$4,858,479	\$5,159,015	9
Stock managers	17,700,900	8,289,341	21	14,619,600	7,921,385	18
International managers	14,406,831	4,496,438	32	12,566,875	3,937,999	32
Real estate managers	5,911,208	716,329	83	5,728,244	644,047	89
Alternative Investment managers	<u>7,435,136</u>	<u>650,420</u>	114	<u>6,526,744</u>	<u>578,437</u>	113
	<u>51,005,654</u>	<u>\$19,813,975</u>		<u>44,299,942</u>	<u>\$18,240,883</u>	
<b>Other investment fees</b>						
Master trustee fees	277,500			276,250		
Investment consulting fees	<u>690,116</u>			<u>524,049</u>		
Total investment fees	<u>51,973,270</u>			<u>45,100,241</u>		
Non-fee investment expenses	<u>72,423</u>			<u>70,375</u>		
Total direct investment expenses	<u>\$52,045,693</u>			<u>\$45,170,616</u>		
<b>Securities lending fees</b>						
Rebated earnings	\$80,197,580			\$25,213,030		
Bank fees and commissions	<u>1,382,520</u>			<u>1,263,100</u>		
	<u>\$81,580,100</u>			<u>\$26,476,130</u>		

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

This page intentionally left blank

# Actuarial

Actuarial Report.....	58
Summary of Actuarial Assumptions .....	60
Solvency Test.....	61
Participating Member Statistics .....	61
Schedule of Adds and Removals from Rolls.....	62
Contribution Rates .....	63
Actuarial Balance Sheet.....	64
Analysis of Unfunded Actuarial Liability .....	64
Derivation of Experience Gain (Loss).....	65
Summary of Benefits .....	66



2005



Gabriel Roeder Smith & Company  
Consultants & Actuaries

One Towne Square  
Suite 800  
Southfield, MI 48076-3723

248.799.9000 phone  
248.799.9020 fax  
www.gabrielroeder.com

May 3, 2006

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, 2005.

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.



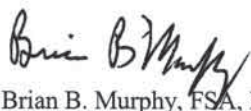
Board of Trustees  
May 3, 2006  
Page 2

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 No. 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, 2005 valuations were based upon assumptions that were recommended in connection with a study of experience covering the 2002-2004 period. The next experience study will cover the period from January 1, 2005 to December 31, 2007.

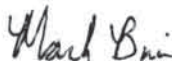
Combined experience was favorable during 2005, producing a decrease in contribution rates for many employers. Contribution rates for most SLEP employers increased due to benefit changes associated with Public Act 94-712.

Based upon the results of the December 31, 2005 valuations, we are pleased to report to the Board that the Illinois Municipal Retirement System is meeting its basic financial objective and continues in sound condition in accordance with actuarial principles of level percent of payroll financing.

Respectfully submitted,



Brian B. Murphy, FSA, EA, MAAA



Mark Buis, ASA, EA, MAAA

Gabriel Roeder Smith & Company

**Illinois Municipal Retirement Fund  
Brief Summary of Actuarial Assumptions used in 2005 Valuations  
(Adopted as of December 31, 2004, 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	1994 Group Annuity Mortality Table multiplied by 110% for males and 1994 Group Annuity Mortality Table multiplied by 87% for females. 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 (6+ Yrs. Of Service)
Age	Active Mortality		Disability		
	Male	Female	Male	Female	
20	0.03%	0.01%	0.01%	0.01%	6.0%
30	0.04%	0.02%	0.02%	0.01%	5.7%
40	0.05%	0.04%	0.05%	0.03%	4.9%
50	0.13%	0.07%	0.13%	0.06%	4.6%
60	0.40%	0.22%	0.26%	0.17%	4.4%
65	0.73%	0.43%	0.28%	0.20%	4.4%

Age	Separation			Retirement				
	Regular (8+ Yrs. Serv.)		SLEP (7+ Yrs.)	Reduced Early		Normal Unreduced		SLEP
	Male	Female		Male	Female	Male	Female	
30	5.5%	6.5%	3.4%	- %	- %	- %	- %	- %
35	4.4%	5.8%	2.5%	-	-	-	-	-
40	3.4%	4.8%	2.1%	-	-	-	-	-
45	2.8%	4.3%	1.8%	-	-	-	-	-
50	2.5%	3.7%	1.8%	-	-	-	-	-
55	-	-	-	6.5%	6.5%	35.0%	35.0%	25.0%
60	-	-	-	-	-	10.0%	10.0%	10.0%
65	-	-	-	-	-	35.0%	25.0%	25.0%
70	-	-	-	-	-	18.0%	18.0%	100.0%

**Solvency Test**

Last ten years

Calendar Year	Aggregate Actuarial Liabilities For			Actuarial Assets	Portion of Actuarial Liabilities Covered by Assets		
	(1) Active Member Contributions	(2) Annuitants	(3) Active Members (Employer Financed Portion)		(1)	(2)	(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%
2004	3,423,785,725	7,332,542,340	8,668,338,951	18,315,987,910	100.0%	100.0%	87.2%
2005	3,688,148,208	7,966,135,229	9,160,777,415	19,698,401,285	100.0%	100.0%	87.8%

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

**Table I**  
**Participating Member Statistics**

Last ten years

Calendar Year	Total Salaries	Percent Increase in Total Salaries	Average Annual Salary	Percent Increase in Average Salary	Number of Participating Members	Average Attained Age	Average Years of Service
1996	\$3,084,086,668	-0.4%	\$22,104	-2.5%	142,046	44.0	8.3
1997	3,454,621,933	12.0%	23,991	8.5%	146,659	44.1	8.2
1998	3,696,047,942	7.0%	24,871	3.7%	150,428	44.3	8.2
1999	3,952,129,535	6.9%	25,678	3.2%	155,517	44.4	8.6
2000	4,184,702,169	5.9%	26,514	3.3%	159,810	44.6	8.2
2001	4,503,092,615	7.6%	27,477	3.6%	164,845	44.9	8.3
2002	4,755,103,888	5.6%	28,582	4.0%	167,776	45.3	8.5
2003	4,944,767,495	4.0%	29,709	3.9%	167,952	45.7	8.8
2004	5,161,127,432	4.4%	30,899	4.0%	168,536	46.0	9.0
2005	5,374,585,943	4.1%	31,640	2.4%	170,928	46.3	9.1

Source for salaries, average annual salary, attained age and average years of service is actuary report.

**Table II**  
**Schedule of Adds and Removals from Rolls**

Last ten 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%
2004	75,775	5,542	3,075	78,242	675,628,615	8,635	6.6%
2005	78,242	5,768	3,291	80,719	731,810,730	9,066	5.0%

*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%
2004	1,340	2,533	2,487	1,386	10,773,041	7,773	1.1%
2005	1,386	2,474	2,471	1,389	11,692,252	8,418	8.3%

**Table III**  
**Average Employer Contribution Rates**  
 Last five years

Calendar Year	Normal Cost	Prior Service Cost	Disability and Death	Supplemental Retirement Benefit	Total
<b>Regular members</b>					
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%
2006	7.64%	1.34%	0.44%	0.62%	10.04%
2007*	7.43%	1.23%	0.44%	0.62%	9.72%
<b>Sheriff's Law Enforcement Personnel members (SLEP)</b>					
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%
2006	12.56%	4.62%	0.45%	0.62%	18.25%
2007*#	11.66%	5.69%	0.45%	0.62%	18.42%
<b>Elected County Officials (ECO) members</b>					
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%
2006	18.01%	25.84%	0.43%	0.62%	44.90%
2007*	17.52%	22.72%	0.44%	0.62%	41.30%

\* Assumptions changed due to experience study.

# Benefit change

**Table IV**  
**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
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%
2004	3.75%	0.75%	4.50%	3.75%	0.75%	2.00%	6.50%	3.75%	0.75%	3.00%	7.50%
2005	3.75%	0.75%	4.50%	3.75%	0.75%	2.00%	6.50%	3.75%	0.75%	3.00%	7.50%

\* The Elected County Officials plan began in 1997.

# Actuarial

## Actuarial Balance Sheet

	Amount at December 31	
	2005	2004
<b>Sources of Funds</b>		
Actuarial value of assets	\$19,698,401,285	\$18,315,987,910
Actuarial present value of future contributions:		
Member	2,208,832,020	2,121,446,307
Employer Normal Costs	3,639,995,727	3,639,242,487
Under Funded Actuarial Accrued Liability	1,116,659,557	1,108,679,106
<b>Total Sources</b>	<u>\$26,663,888,589</u>	<u>\$25,185,355,810</u>
<b>Uses of Funds</b>		
Retired members and beneficiaries	\$ 7,966,135,229	\$ 7,332,542,340
Inactive members	1,903,988,080	1,787,190,567
Active members	16,779,881,572	16,051,262,532
Death and disability benefits	13,883,708	14,360,371
	<u>\$26,663,888,589</u>	<u>\$25,185,355,810</u>

## Analysis of Unfunded Actuarial Liability

	Amount at December 31	
	2005	2004
<b>Under funded liability beginning of year</b>	\$1,108,679,106	\$436,212,633
Assumed net (payments) during year	(41,532,338)	(41,532,338)
Assumed interest (7.5 percent)	81,612,241	31,177,228
Expected under (over) funded liability	1,148,759,009	425,857,523
Decrease due to assumption changes	(41,673,502)	----
Increase due to benefit change	53,930,918	----
Change due to investment performance	(23,771,312)	478,548,470
Change due to other sources	(20,585,556)	204,273,113
<b>Under funded liability end of year</b>	<u>\$1,116,659,557</u>	<u>\$1,108,679,106</u>



**Derivation of Experience Gain (Loss)**

Type of Risk Area	<u>2005</u>	<u>2004</u>
	(in millions)	
<b>Risks Related to Assumptions</b>		
Economic Risk Areas		
Investment Return	\$ 23.8	\$(478.5)
Pay Increases	130.0	(0.3)
Demographic Risk Areas		
Service Retirements	(10.4)	(14.7)
Early Retirements	(5.0)	(5.3)
Vested Deferred Retirements	(28.3)	(27.5)
Death and Survivor Benefits	1.9	3.4
Disability Benefits	12.0	7.3
Terminated with Refund	19.3	15.8
<b>Risks Not Related to Assumptions</b>	<u>(111.2)</u>	<u>(183.0)</u>
<b>Total Gain (or Loss) During Year</b>	<u>\$ 32.1</u>	<u>\$(682.8)</u>

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 2,896 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 contribution rates are actuarially calculated annually for each employer. Employers pay most of the cost for member and survivor pensions and all of the cost for supplemental retirement, 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 eight or more years of ECO service credit in the same elected county position. Revised ECO members with eight years of service but less than eight years in the same elected county office will receive a Regular pension.

## 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 with interest were not paid as a refund or pension, the beneficiary will receive any balance in the member's account.

## Pension Calculations

### A Regular IMRF pension is:

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

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

## **A SLEP pension is:**

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

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

**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 is 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 full 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 workers' compensation benefits. If disabled members receive Social Security disability and/or workers' compensation benefits, IMRF pays the difference between those benefits and 50 percent of the member's average monthly earnings. However, IMRF 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 any balance in the member's account. 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 any balance in the member's account. 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.

## Plan Changes

Public Act 94-712 was signed into law on December 9, 2005, and will become effective June 1, 2006. The new law makes the following changes:

- Eliminated the actuarial reduction in surviving spouse pensions for spouses who are more than five years younger than the deceased member.
- Increased the SLEP plan formula to a flat 2.5% for each year of service.
- Increased the SLEP member contributions from 6.5% to 7.5% of earnings.
- Increased the maximum pension payable to a SLEP member from 75% to 80% of the final rate of earnings.
- Allows SLEP members to convert up to 10 years of Regular Plan service credit to SLEP service credit.
- Removed the two-year service requirement for repayment of refunds if a member returns to IMRF participation as a SLEP member.

This page intentionally left blank



# Statistical

Changes in Plan Net Assets .....	72
Benefit Expense by Type .....	73
Average Benefit Payment Amounts .....	74
Operating Statistics - Number of Initial Benefit Payments .....	75
Number of Employees .....	75
Number of Actively Participating Employers.....	76
Principal Participating Employers .....	76
Number of Actively Participating Members.....	77
Participating Members' Length of Service.....	77
Distribution of Current Annuitants by Pension Amount .....	77
Analysis of Initial Retirement Benefits - Regular .....	78
Analysis of Initial Retirement Benefits - SLEP .....	79
Analysis of Initial Retirement Benefits - ECO.....	80
Annuitants by Age .....	81
Active Members by Age .....	81



# 2005

**Table V**  
**Changes in Plan Net Assets**  
 Last ten years

## Additions

Calendar Year	Investment Earnings Net of Direct Investment Expense	Employer Contributions				Total Additions
		Dollars	Percent of Annual Covered Payroll	Member Contributions	Other	
1996	\$1,339,939,094	\$327,550,353	9.99%	\$158,107,450	\$ --	\$1,825,596,897
1997	1,550,409,109	336,249,487	9.69%	168,501,275	1,232	2,055,161,103
1998	1,416,152,349	364,196,668	9.84%	190,259,213	66,938	1,970,675,168
1999	2,689,086,076	379,194,892	9.64%	192,356,900	6,957	3,260,644,825
2000	283,134,582	356,153,448	8.48%	200,209,408	739	839,498,177
2001	(1,010,875,498)	313,007,639	6.95%	216,150,677	4,050	(481,713,132)
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
2004	2,010,704,974	456,198,098	8.84%	259,505,532	5,494	2,726,414,098
2005	1,607,733,405	543,263,475	10.11%	265,568,534	5,190	2,416,570,604

## Deductions

Calendar Year	Benefits	Refunds	Administrative Expenses	Total Deductions	Change in Plan Net Assets
1996	\$368,737,972	\$23,520,078	\$14,135,868	\$406,393,918	\$1,419,202,979
1997	410,417,029	26,088,854	14,700,542	451,206,425	1,603,954,678
1998	451,496,766	27,121,071	16,527,175	495,145,012	1,475,530,156
1999	496,363,836	28,126,601	16,190,583	540,681,020	2,719,963,805
2000	533,683,244	29,791,950	17,125,395	580,600,589	258,897,588
2001	570,548,544	27,507,628	18,470,776	616,526,948	(1,098,240,080)
2002	613,606,477	36,641,773	18,727,800	668,976,050	(1,465,474,711)
2003	668,534,229	29,186,749	18,785,811	716,506,789	2,856,113,071
2004	733,376,801	31,156,292	19,405,567	783,938,660	1,942,475,438
2005	791,333,700	32,120,791	19,650,440	843,104,931	1,573,465,673

**Table VI**  
**Benefit Expense by Type**  
 Last ten years

Calendar Year	DEATH				DISABILITY	
	Supplemental	Refund	Burial	Residual	Permanent	Temporary
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
2004	9,929,302	7,319,032	6,881,926	515,537	3,440,867	7,377,055
2005	9,389,674	7,096,253	7,182,437	997,874	3,746,535	7,553,159

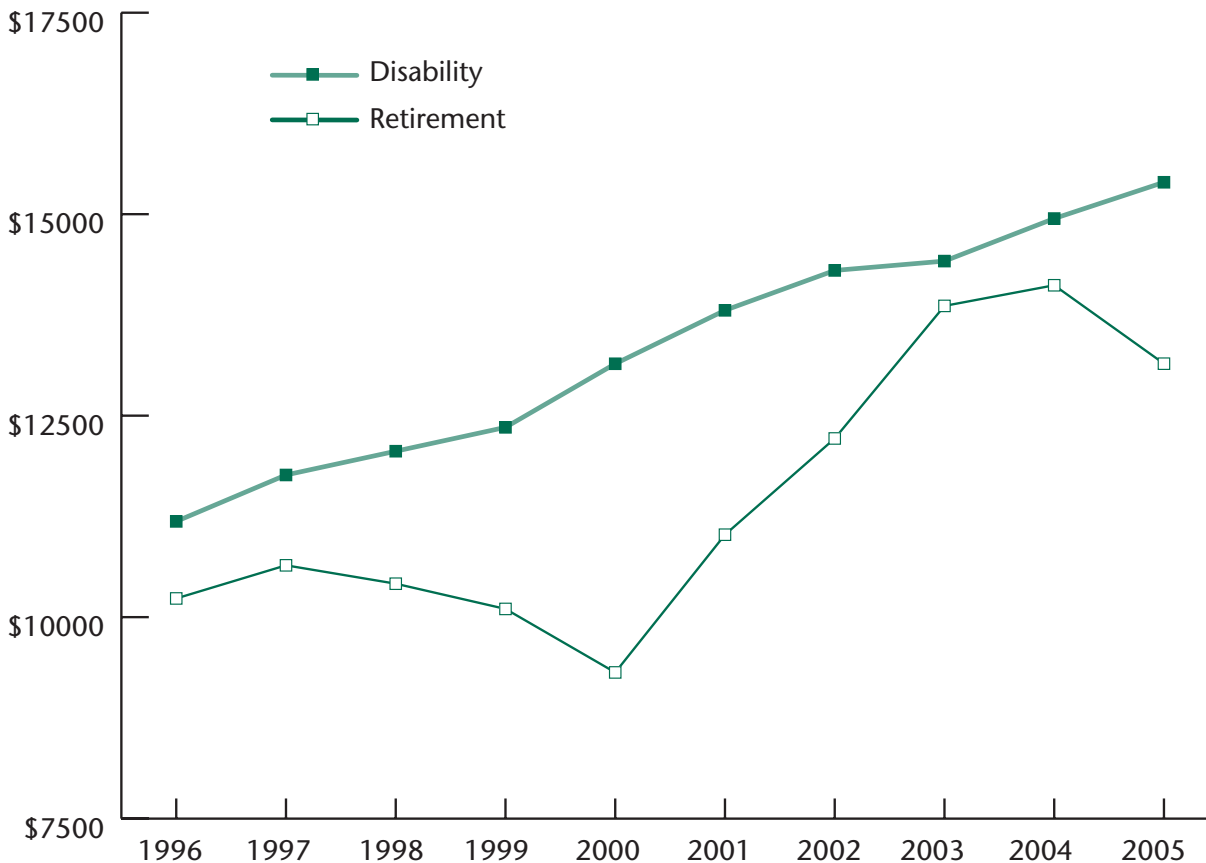
Calendar Year	ANNUITIES				REFUNDS		
	Retirement	Surviving Spouse	Beneficiary	Supplemental	Separation	Other	Total
1996	298,852,567	22,359,163	553,216	20,362,701	23,342,975	177,103	392,258,051
1997	336,784,723	24,815,833	615,880	21,424,377	25,760,143	328,711	436,505,883
1998	374,124,084	26,334,572	635,074	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
2004	619,816,366	44,426,578	1,073,847	32,596,291	29,802,863	1,353,429	764,533,093
2005	673,325,914	47,245,463	1,206,562	33,589,829	30,952,680	1,168,111	823,454,491

**Table VII**  
**Average Benefit Payment Amounts**  
 Last ten years

Calendar Year	Single Sum Payments		Recurring Payments	
	Separation Refunds	Lump Sum Death Benefit	Annual Disability (1)	Annual Retirement (2)
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
2004	2,445	29,022	14,946	14,118
2005	2,656	26,524	15,396	13,145

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

**Average Benefit Payment Amounts**



**Table VIII**  
**Operating Statistics - Number of Initial Benefit Payments**  
 Last ten years

<u>Calendar Year</u>	<u>Annuity</u>	<u>Disability</u>	<u>Death</u>	<u>Refund</u>	<u>Total</u>
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
2004	4,555	2,716	2,693	11,999	21,963
2005	4,868	2,474	2,971	11,677	21,990

**Table IX**  
**Number of Employees**  
 Last ten years

<u>Calendar Year</u>	<u>Administrative</u>	<u>Human Resources</u>	<u>Finance</u>	<u>Investments</u>	<u>Legal</u>	<u>Communications</u>	<u>Member Services</u>	<u>Benefits</u>	<u>Information Services</u>	<u>Office Services</u>	<u>Total</u>
1996	4	4	38	7	4	4	19	22	35	25	162
1997	3	4	40	10	4	4	22	23	41	25	176
1998	4	4	41	9	4	3	21	23	40	27	176
1999	4	4	41	10	4	4	22	24	40	26	179
2000	4	4	41	9	4	5	20	24	43	25	179
2001	4	4	39	10	3	5	24	25	43	27	184
2002	4	4	38	10	4	5	24	25	45	27	186
2003	4	4	36	10	4	5	24	25	45	26	183
2004	4	4	33	10	4	5	24	25	43	25	177
2005	4	4	32	10	4	5	24	25	44	24	176

**Table X**  
**Number of Actively Participating Employers**  
 Last ten years

Calendar Year End	Cities	Villages	Counties	School Districts	Townships	Other	Total
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
2004	252	389	101	877	463	801	2,883
2005	253	395	101	871	463	813	2,896

**Table XI**  
**Principal Participating Employers**  
 Current year and nine years ago

Employer	2005			1996		
	Active Members	Rank	Percentage of Total Active Members	Active Members	Rank	Percentage of Total Active Members
DuPage County	3,576	1	2.09%	3,294	1	2.32%
Lake County	2,890	2	1.69%	2,565	2	1.81%
Will County	2,130	3	1.25%	1,627	4	1.15%
Union School District 46	1,998	4	1.17%	1,297	7	0.91%
Winnebago County	1,696	5	0.99%	1,479	6	1.04%
Rockford School District 205	1,633	6	0.96%	1,679	3	1.18%
Kane County	1,377	7	0.81%	1,191	8	0.84%
City of Springfield	1,356	8	0.79%	1,488	5	1.05%
Peoria School District 150	1,326	9	0.78%	1,159	9	0.82%
McHenry County	1,186	10	0.69%			
Madison County				1,105	10	0.78%
	<u>19,168</u>		<u>11.22%</u>	<u>16,884</u>		<u>11.90%</u>

**Table XII**  
**Number of Actively Participating Members**  
 Last ten years

Calendar Year End	Male Participants	Female Participants	Total
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
2004	62,611	105,925	168,536
2005	63,323	107,605	170,928

**Table XIII**  
**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
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
2004	168,536	17,225	51,017	40,148	23,099	37,047
2005	170,928	18,723	47,993	42,466	23,044	38,702

**Table XIV**  
**Distribution of Current Annuitants by Pension Amount**

Monthly Pension Amount	Retirement Number of		Survivor Number of		All Annuities Number of	
	Males	Females	Males	Females	Males	Females
Under \$100	959	4,861	701	1,439	1,660	6,300
\$100 to under \$250	2,070	10,088	927	3,243	2,997	13,331
\$250 to under \$500	4,268	11,367	578	2,673	4,846	14,040
\$500 to under \$750	3,328	6,772	183	1,065	3,511	7,837
\$750 to under \$1,000	2,566	4,155	64	502	2,630	4,657
\$1,000 to under \$2,000	5,390	6,410	29	522	5,419	6,932
\$2,000 to under \$3,000	2,588	1,276	--	51	2,588	1,327
\$3,000 to under \$4,000	1,237	298	--	4	1,237	302
\$4,000 and over	986	115	--	4	986	119
	<u>23,392</u>	<u>45,342</u>	<u>2,482</u>	<u>9,503</u>	<u>25,874</u>	<u>54,845</u>

Note: Counts do not include disabilitants.



**Table XV**  
**Analysis of Initial Retirement Benefits - Regular Plan**  
 Last Ten Years

	Years of Credited Service							Total
	8-9	10-14	15-19	20-24	25-29	30-34	35+	
<b>1996</b>								
Avg Monthly Annuity	\$224	\$231	\$557	\$819	\$1,043	\$1,474	\$2,055	\$765
Avg Monthly FRE	\$1,588	\$1,676	\$1,944	\$2,128	\$2,124	\$2,534	\$2,912	\$2,013
Number of Retirees	404	706	686	474	643	335	174	3,422
<b>1997</b>								
Avg Monthly Annuity	\$221	\$336	\$544	\$817	\$1,175	\$1,514	\$2,096	\$769
Avg Monthly FRE	\$1,577	\$1,714	\$1,874	\$2,151	\$2,413	\$2,593	\$2,986	\$2,055
Number of Retirees	462	749	746	526	689	307	160	3,639
<b>1998</b>								
Avg Monthly Annuity	\$236	\$365	\$601	\$833	\$1,309	\$1,677	\$2,637	\$894
Avg Monthly FRE	\$1,667	\$1,860	\$2,074	\$2,182	\$2,695	\$2,898	\$3,767	\$2,286
Number of Retirees	444	696	638	523	535	324	231	3,391
<b>1999</b>								
Avg Monthly Annuity	\$235	\$368	\$623	\$853	\$1,334	\$1,845	\$2,810	\$864
Avg Monthly FRE	\$1,647	\$1,853	\$2,176	\$2,247	\$2,755	\$3,184	\$4,036	\$2,302
Number of Retirees	409	774	591	588	453	294	148	3,257
<b>2000</b>								
Avg Monthly Annuity	\$250	\$400	\$656	\$911	\$1,270	\$1,764	\$2,499	\$808
Avg Monthly FRE	\$1,776	\$2,005	\$2,277	\$2,392	\$2,664	\$3,065	\$3,595	\$2,315
Number of Retirees	383	705	558	574	375	205	94	2,894
<b>2001</b>								
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
<b>2002</b>								
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
<b>2003</b>								
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
<b>2004</b>								
Avg Monthly Annuity	\$293	\$433	\$719	\$1,077	\$1,567	\$2,236	\$3,251	\$1,147
Avg Monthly FRE	\$2,099	\$2,185	\$2,533	\$2,816	\$3,266	\$3,841	\$4,665	\$2,866
Number of Retirees	410	715	676	461	559	367	261	3,449
<b>2005</b>								
Avg Monthly Annuity	\$289	\$452	\$728	\$1,104	\$1,545	\$2,158	\$3,000	\$1,063
Avg Monthly FRE	\$2,074	\$2,293	\$2,537	\$2,913	\$3,225	\$3,747	\$4,308	\$2,807
Number of Retirees	473	781	748	590	544	348	221	3,705

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 XVI**  
**Analysis of Initial Retirement Benefits - Sheriffs' Law Enforcement Personnel Plan (SLEP)**  
 Last Ten Years

	Years of Credited Service				Total
	20-24	25-29	30-34	35+	
<b>1996</b>					
Avg Monthly Annuity	\$1,668	\$2,439	\$2,631		\$2,144
Avg Monthly FRE	\$3,187	\$3,837	\$3,879		\$3,576
Number of Retirees	20	24	5		49
<b>1997</b>					
Avg Monthly Annuity	\$1,719	\$2,509	\$3,036	\$5,235	\$2,582
Avg Monthly FRE	\$3,210	\$4,083	\$4,407	\$6,981	\$4,070
Number of Retirees	22	29	29	3	83
<b>1998</b>					
Avg Monthly Annuity	\$1,615	\$2,212	\$2,905	\$4,219	\$2,230
Avg Monthly FRE	\$3,192	\$3,803	\$4,444	\$5,625	\$3,795
Number of Retirees	30	22	22	2	76
<b>1999</b>					
Avg Monthly Annuity	\$1,752	\$2,820	\$3,531		\$2,609
Avg Monthly FRE	\$3,306	\$4,450	\$5,279		\$4,278
Number of Retirees	25	23	18		66
<b>2000</b>					
Avg Monthly Annuity	\$1,698	\$2,717	\$3,303	\$3,581	\$2,379
Avg Monthly FRE	\$3,360	\$4,306	\$4,668	\$8,287	\$4,053
Number of Retirees	16	15	5	1	37
<b>2001</b>					
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
<b>2002</b>					
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
<b>2003</b>					
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
<b>2004</b>					
Avg Monthly Annuity	\$2,555	\$3,581	\$3,773	\$4,175	\$3,332
Avg Monthly FRE	\$4,925	\$5,698	\$5,329	\$5,567	\$5,370
Number of Retirees	24	33	18	3	78
<b>2005</b>					
Avg Monthly Annuity	\$2,295	\$4,150	\$3,613	\$5,336	\$3,439
Avg Monthly FRE	\$4,517	\$6,214	\$4,975	\$6,823	\$5,452
Number of Retirees	25	23	5	6	59

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 XVII**

**Analysis of Initial Retirement Benefits - Elected County Official Plan (ECO)**

Plan began in 1997

	Years of Credited Service						Total	
	8-9	10-14	15-19	20-24	25-29	30-34		35+
<b>1997</b>								
Avg Monthly Annuity					\$2,348		\$2,600	\$2,474
Avg Monthly FRE					\$2,935		\$3,250	\$3,093
Number of Retirees					1		1	2
<b>1998</b>								
Avg Monthly Annuity	\$677	\$1,181	\$2,011	\$2,506	\$2,422			\$1,595
Avg Monthly FRE	\$1,230	\$2,745	\$2,317	\$2,715	\$3,028			\$2,415
Number of Retirees	3	8	6	3	1			21
<b>1999</b>								
Avg Monthly Annuity		\$1,158	\$2,402	\$670				\$1,344
Avg Monthly FRE		\$2,887	\$2,895	\$837				\$2,434
Number of Retirees		4	3	2				9
<b>2000</b>								
Avg Monthly Annuity		\$1,086	\$3,707	\$1,664				\$2,201
Avg Monthly FRE		\$2,964	\$5,600	\$2,080				\$3,474
Number of Retirees		3	4	5				12
<b>2001</b>								
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
<b>2002</b>								
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
<b>2003</b>								
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
<b>2004</b>								
Avg Monthly Annuity		\$1,215	\$3,671	\$3,874			\$1,780	\$2,840
Avg Monthly FRE		\$2,779	\$5,567	\$4,843			\$4,111	\$4,294
Number of Retirees		7	5	8			1	21
<b>2005</b>								
Avg Monthly Annuity		\$1,787	\$3,365	\$5,627	\$6,926			\$4,392
Avg Monthly FRE		\$3,612	\$4,160	\$7,034	\$8,658			\$5,878
Number of Retirees		2	1	3	1			7

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 XVIII**  
Annuitants by Age

Ages	Retirees			Surviving Spouses			Beneficiaries		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Under 55	494	113	607	12	95	107	44	92	136
55 to 59	2,585	4,042	6,627	22	200	222	7	31	38
60 to 64	3,373	7,131	10,504	79	423	502	9	39	48
65 to 69	4,293	8,733	13,026	173	693	866	8	38	46
70 to 74	4,149	7,963	12,112	346	1,166	1,512	10	23	33
75 to 79	3,805	7,176	10,981	510	1,810	2,320	6	22	28
80 to 84	2,799	5,611	8,410	622	2,074	2,696	4	30	34
85 to 89	1,350	3,081	4,431	407	1,687	2,094	4	17	21
90 to 94	460	1,206	1,666	189	822	1,011	2	10	12
95 to 100	78	267	345	26	205	231	--	3	3
101 and over	6	19	25	2	20	22	--	3	3
Total	<u>23,392</u>	<u>45,342</u>	<u>68,734</u>	<u>2,388</u>	<u>9,195</u>	<u>11,583</u>	<u>94</u>	<u>308</u>	<u>402</u>

**Table XIX**  
Active Members by Age

Ages	All Plans			Sheriff's Law Enforcement Personnel			Elected County Officials		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Under 20	216	335	551	--	--	--	--	--	--
20 to 29	7,566	10,387	17,953	517	93	610	2	--	2
30 to 39	12,162	17,252	29,414	1,299	189	1,488	29	9	38
40 to 49	18,503	36,389	54,892	1,108	185	1,293	108	56	164
50 to 54	9,785	18,706	28,491	427	66	493	85	45	130
55 to 59	7,576	13,976	21,552	210	33	243	79	33	112
60 to 69	6,230	9,392	15,622	96	10	106	78	36	114
70 and Over	1,285	1,168	2,453	3	2	5	42	11	53
Total	<u>63,323</u>	<u>107,605</u>	<u>170,928</u>	<u>3,660</u>	<u>578</u>	<u>4,238</u>	<u>423</u>	<u>190</u>	<u>613</u>

This page intentionally left blank

# Illinois Municipal Retirement Fund

## Oak Brook

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

## Springfield

3000 Professional Drive  
Suite 101  
Springfield, IL 62703

## Member Service Representatives

1-800-ASK-IMRF (1-800-275-4673)  
[www.imrf.org](http://www.imrf.org)

