Financial Health & Sustainability

Customer Satisfaction

Investment Returns

Service & Operational Excellence

2011 Illinois Municipal Retirement Fund

Comprehensive Annual Financial Report

For the year ending December 31, 2011

2011

Illinois Municipal Retirement Fund

Comprehensive Annual Financial Report

For the year ending December 31, 2011

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
1-800-ASK-IMRF

Louis W. Kosiba

Executive Director

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Actuarial

Statistical

2012 Board of Trustees

Gwen Henry
Executive Trustee
DuPage County
Treasurer

January 1, 2011 -
December 31, 2015

2012 President

William Stafford
Executive Trustee
Evanston High School
District 202

January 1, 2009 -
December 31, 2013

2012 Vice-President

Natalie Copper
Employee Trustee
Evanston School
District 65

January 1, 2010 -
December 31, 2014

2012 Secretary

Ruth E. Faklis
Executive Trustee
Prairie Trails Public
Library District

January 1, 2008 -
December 31, 2012

Mark Nannini
Executive Trustee
City of Crystal Lake

January 1, 2012 -
December 31, 2016

John Piechocinski
Employee Trustee
Plainfield Community
Consolidated School
District 202

January 1, 2011 -
December 31, 2015

Jeffrey A. Stulir
Employee Trustee
Rock Island County
Sheriff's Department

February 24, 2012 -
December 31, 2012

Sharon U. Thompson
Annuitant Trustee
(formerly)
Lee County

January 1, 2011 -
December 31, 2015

BOARD OF TRUSTEES

CONSULTANTS

- **Investment Consultants**
- **Investment Managers**
- **Master Trustee**
- **External Auditor**
- **Actuary**
- **Medical Consultants**

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Chief Security Officer
Glenn Engstrom

Executive Director
Louis W. Kosiba

Internal Audit
Douglas Samz, C.P.A.

Chief Financial Officer
Richard DeCleene

- **Finance**
  Jim Splitt
  Operations Manager

Deputy Executive Director
Daniel Duquette

- **Benefits**
  Tom Raitt
  Manager
- **Office Services**
  Denise Streit
  Manager
- **Member & Field Services**
  William Pettry
  Manager
- **Human Resources**
  Linda Bieniek
  Manager

Chief Information Services Officer
Robert Woollen

- **Program Management Office**
  Keyla Vivas, *Manager*

General Counsel
Kathleen O'Brien

- **Associate General Counsel**
  Beth Janicki Clark
- **Legislative Liaison**
  Bonnie Shadid
- **Communications**
  Linda Horrell
  Manager

Chief Investments Officer
Dhvani Shah

- **Investments**
  Edward Sambol
  Manager

Consultants - *Investment Consultants are listed on page 44*

Actuary
Gabriel, Roeder, Smith & Company
Brian B. Murphy, F.S.A.
Mark Buis, F.S.A.
Southfield, Michigan

Independent Auditors
KPMG LLP
Kurt Gabouer
Julie Barrientos
Chicago, Illinois

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

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

Medical Consultants
Marianjoy Medical Group
Wheaton, Illinois
Northwest Psychiatric, S.C.
Buffalo Grove, 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, 2010

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

President

Executive Director

Illinois Municipal Retirement Fund

2211 York Road Suite 500 Oak Brook IL 60523-2337
Member Services Representatives 1-800-ASK-IMRF (1-800-275-4673)
www.imrf.org

May 18, 2012

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

Formal Transmittal

We are pleased to submit the Comprehensive Annual Financial Report of the Illinois Municipal Retirement Fund (IMRF) for the year ended December 31, 2011. 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. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

IMRF employs the services of an outside certified public accountant to function as the Internal Auditor. He is aided by four full-time assistants on staff. We use a detailed internal audit program that encompasses examination of internal controls and employer compliance as well as the Fund's financial transactions and records. IMRF also engages an independent accounting firm annually to review and test internal controls over our information systems.

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 2011 Financial Statements is included in this report. The independent accountants meet at least 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.

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 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 2,964 different employers, 175,844 participating members and 99,684 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 2011 and 2010.

	2011 (millions)	2010 (millions)	Dollar Change	Percent Change
Additions	$1,035	$4,072	$(3,037)	(75%)
Deductions	1,340	1,233	107	9%
Net Change	$(305)	$2,839	$(3,144)	(111%)

The reduction in Additions between 2011 and 2010 is primarily due to a $3,069 million decrease in investment income. The financial markets in 2011, after an initially strong start to the year, were plagued by uncertainty surrounding the U.S. economic recovery and the European debt crisis. This uncertainty impacted equity returns which resulted in IMRF posting a negative .5 percent for the year. This is in contrast with the strong investment return in 2010 of 13.4 percent. The increase in Deductions is primarily due to increased benefit payments caused by an increase in the number of benefit recipients from 97,281 to 99,684. 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 20 percent corridor to determine the actuarial value of assets. The smoothing is intended to prevent extreme volatility in employer contribution rates due to short-term fluctuations in the investment markets. For the December 31, 2011 valuation, the aggregate actuarial value of assets was $25.7 billion. The aggregate actuarial liability for all IMRF employers was $31.0 billion. The actuarial funding ratio is currently 83.0 percent. The 83.0 percent funding ratio is a decrease from the 2010 actuarial funding ratio of 83.3 percent. 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. 2011 investment results were a loss of $93 million and represented (9.0) percent of Plan Additions for the year. In the five years—2011 through 2007—investment income represented the following percentage of Additions to plan net assets:

Year	Percentage of Plan Additions
2011	(9.0)%
2010	73.1%
2009	81.8%
2008	(118.3)%
2007	66.7%

Currently, 69 professional investment management firms, handling 87 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 portfolio and policies.

Current and Future Developments

a. Board of Trustees

Mark F. Nannini, Director of Finance and Treasurer for the city of Crystal Lake, was elected as an executive trustee. His five-year term began January 1, 2012.

Jeffrey A. Stulir, Inmate Services Officer for Rock Island County, was appointed on February 24, 2012 to serve as an employee trustee through December 31, 2012. Mr. Stulir is filling a vacancy that occurred upon the resignation of former employee trustee Marvin Shoop until an election can be held to fill the remainder of the unexpired term.

b. Legislative Activity

On August 8, 2011, the Governor signed Public Act 97-0272 which, among other things, closed the Elected County Official plan to new members immediately. On August 12, 2011, the Governor signed Public Act 97-0319 which requires that, when a member has worked for more than one employer, employer costs be allocated among employers based on both service credit and salary information. This change was effective for retirements beginning in 2012.

On August 26, 2011, the Governor signed Public Act 97-0609 which, among other things, requires employers to immediately pay that portion of the present value of a pension attributable to earnings increases exceeding the greater of 6 percent or 1.5 times the increase in the CPI-U as of the previous September, whichever is greater. This "accelerated payment" provision is effective January 1, 2012. This Public Act also requires that, before an employer can increase the earnings of an officer, executive or manager by 12 percent or more, the employer request from IMRF a written "Pension Impact Statement" which discloses the effect on the member's pension and the potential "accelerated payment" that would be required.

c. Systems Development

IMRF's major system development efforts in 2011 focused on:

- Developing a long-term strategy for the overall modernization of our enterprise pension administration system, business processes, and supporting systems.
- Implementing support for significant new legislation: an additional benefit tier, civil unions, and a more equitable split of employer pension cost across multiple employers.
- Upgrading our technology infrastructure and processes to continue to achieve the highest levels of service, security, availability, and performance.

IMRF's major 2012 system development priorities focus on:

- Completing the initiation and procurement phases of the modernization strategy approved by the Board in 2011, including issuance of a comprehensive RFP and selection of our key technology vendor.
- Continuing technology and process upgrades to ensure that our infrastructure is prepared to meet the future needs of the modernization initiative.
- Expanding our Member Access website self-service options to include applying for benefits, managing direct deposit, withholding, and beneficiary information, and viewing all key documents online.

d. Investment Activities

The Board of Trustees, its consultant and IMRF staff review the investment asset allocation annually. In March of 2012, the strategic targets for the asset classes used by IMRF, which were adopted in 2008, were reconfirmed and are as follows:

Asset Class	Target
US Equities	38%
Non-US Equities	20%
Fixed Income	29%
Real Estate	6%
Alternative Investments	6%
Cash	1%

Major investment activities last year and through April 30, 2012 were as follows:

- Terminated the NTI MarketCap Equity Index Non-Lending domestic large cap passive core equity and the NTI EAFE Index Non-Lending international large cap passive core equity portfolios.
- Completed a review of manager and asset structure (public markets) and balanced the allocations in the overall structure and between managers.
- Made direct allocations to minority-owned managers Channing Capital Management domestic small cap value equity, Lombardia Capital Partners small cap value equity, and Piedmont Investment Advisors large cap core equity. These managers were sourced from the Progress Investment Management domestic equity manager-of-managers portfolio.
- Completed a domestic large cap growth equity search and hired BlackRock Financial Management and Vision Capital Management, a minority-owned firm. Terminated Alliance Bernstein.
- Completed an international small cap equity search and retained Templeton Investment Counsel.
- Added two value-added real estate funds, Cornerstone Fund VIII and TA Associates Realty Fund X.
- Issued a redemption request from the Sentinel Real Estate Fund.
- Completed an international large cap value equity search and retained Mondrian Investment Partners, Lazard Asset Management, and Lombardia Capital Partners, a minority owned firm. Terminated McKinley Capital Management and rebalanced the growth and value strategies within the international equity portfolio
- Terminated the Buford, Dickson, Harper & Sparrow domestic small cap growth equity portfolio.

e. Strategic Plan

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

The 2011-2013 IMRF Strategic Plan includes elements of the *Baldrige Criteria for Performance Excellence* to ensure we align our objectives, processes, and resources with our Vision. IMRF staff completed the first year of our *Strategic Plan* in 2011 by implementing 19 action plans that support our five Strategic Objectives. Progress towards meeting our Objectives is measured using five Key Results Areas on our Leadership Scorecard:

- Financial Health and Sustainability
- Investment Returns
- Customer Satisfaction
- Employee Engagement
- Service and Operational Excellence

Baldrige recipient organizations often set their overarching strategic objectives to achieve a top decile ranking in each key area of importance to their stakeholders. We are following that same path, as our Strategic Objectives challenge us to achieve top 10 percent performance for most key result areas. To help measure and validate our progress with organizational effectiveness processes implemented in recent years, IMRF will apply for the *Illinois Performance Excellence Award* in 2012.

f. Defined Benefit Administration Benchmarking Analysis

CEM Benchmarking Inc. conducts an annual Defined Benefit Administration Benchmarking Study for public pension systems. IMRF has participated in this benchmarking program since 2001. This program provides insight into benefit administration costs, customer service levels, and industry best practices. IMRF again received high service level scores and was ranked near the top in our peer group of 46 participating retirement systems. We will continue our participation in this benchmarking program, as it is an important part of our Continuous Process Improvement Program.

Reports to Membership

IMRF issued a variety of reports covering 2010 and 2011 activity. We provide employer statements every month. We begin mailing 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 advise Authorized Agents in June that this report, as well as our Popular Annual Financial Report, is available on our website, *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, 2010. 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 31 consecutive years (fiscal years 1980-2010). We believe our current report continues to conform to the Certificate of Achievement program requirements, and we will be submitting it to the GFOA.

In 2011 in recognition of meeting professional standards for plan administration and funding as set forth in the Public Pension Standards, IMRF was given awards for plan funding and administration by the Public Pension Coordinating Council, a confederation of the National Association of Retirement Administrators, the National Conference on Public Employee Retirement Systems and the National Council on Teacher Retirement.

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, 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.

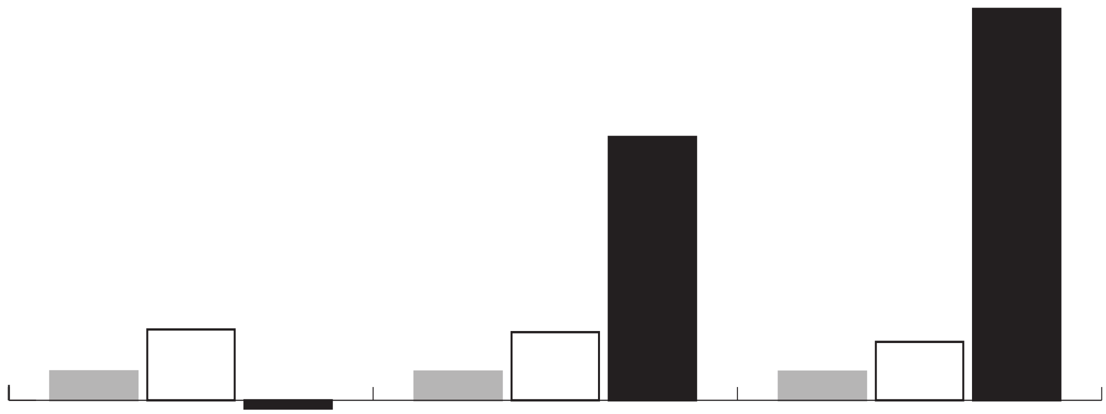
We make this report available to the Authorized Agents for all participating units of government. They form the link between IMRF and its membership. Their cooperation, for which we are thankful, contributes significantly to the success of IMRF. We hope they will find this report both informative and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

Respectfully submitted,

Louis W. Kosiba
Executive Director

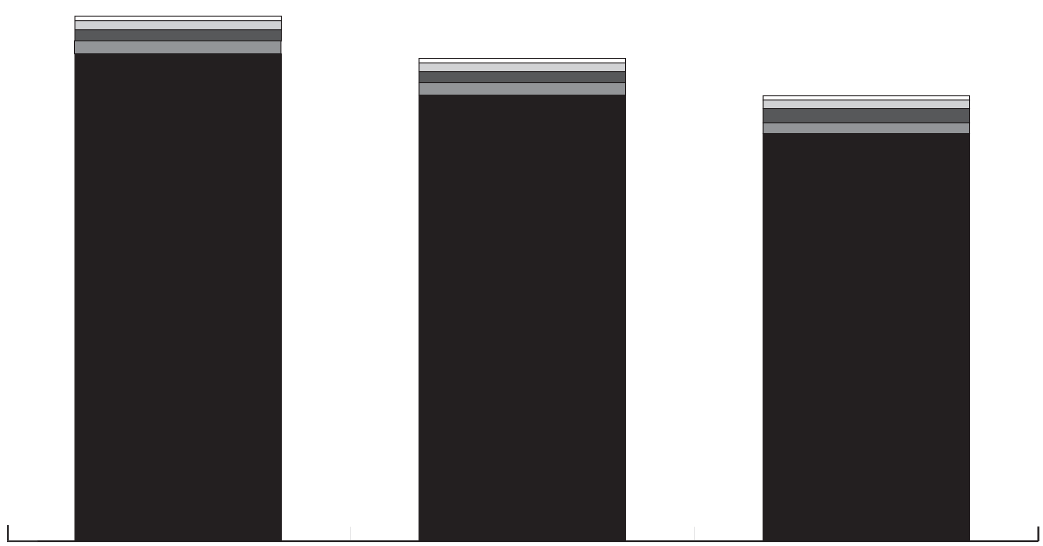
Richard J. DeCleene
Chief Financial Officer

Revenues by Source



	2011	2010	2009
Members	$ 327,680,889	$ 324,901,985	$ 324,070,795
Employers	800,804,253	770,142,278	660,399,408
Investments	(92,920,452)	2,976,556,349	4,423,559,889
	$ 1,035,564,690	$ 4,071,600,612	$ 5,408,030,092

Expenses by Type



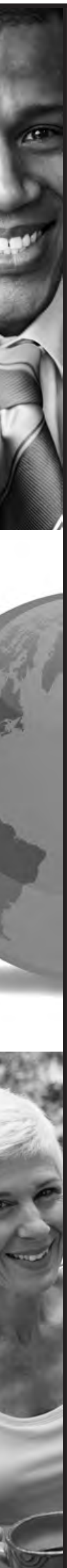
	2011	2010	2009
Annuities	$ 1,244,164,271	$ 1,138,512,044	$ 1,040,633,287
Refunds	32,900,105	32,201,577	27,426,079
Death	28,612,174	28,026,365	26,359,020
Administrative	23,086,712	22,318,493	21,967,308
Disability	11,629,164	11,492,125	10,860,146
	$ 1,340,392,426	$ 1,232,550,604	$ 1,127,245,840

Financial
2011

IMRF Strategic Goal:

Financial Health & Sustainability

To achieve a funding level whereby we are in the top 10% on a market-value basis, as measured versus a universe of public pension funds with December 31st year-ends.



KPMG LLP
303 East Wacker Drive
Chicago, IL 60601-5212

Independent Auditors' Report

The Board of Trustees
Illinois Municipal Retirement Fund:

We have audited the accompanying statements of plan net assets of the Illinois Municipal Retirement Fund (Fund) as of December 31, 2011 and 2010, and the related statements of changes in plan net assets for the years then ended. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes 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, the financial statements referred to above present fairly, in all material respects, the financial position of the Illinois Municipal Retirement Fund as of December 31, 2011 and 2010, and the changes in its net assets for the years then ended in conformity with U.S. generally accepted accounting principles.

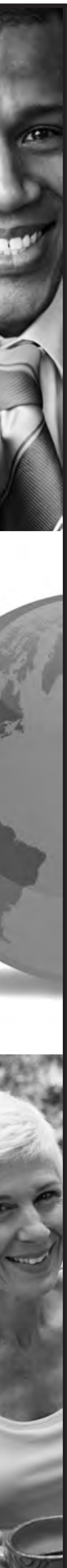
U.S. generally accepted accounting principles require that management's discussion and analysis and the schedules of funding progress and employer contributions on pages 16 through 20 and page 39, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements as a whole. The supplementary information included on page 40 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

The supplementary information included in the introductory section, the investments section, the actuarial section, and the statistical section as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audits of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

KPMG LLP

May 18, 2012



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, 2011 and 2010. 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 aggregate funded status. In 2011, deductions to net assets of $1,340 million exceeded contributions of $1,128 million and investment losses of $93 million by $305 million. This net decrease brought the Plan's net asset base to $24.8 billion. For 2011 actuarial calculations, IMRF's actuary used a five-year smoothed market-related value with a 20 percent corridor to determine the actuarial value of assets. The smoothing is designed to prevent extreme volatility in employer contribution rates due to short-term fluctuations in the investment markets. For the December 31, 2011 valuation, the aggregate actuarial value of assets was $25.7 billion. The aggregate actuarial liability for all IMRF employers was $31 billion. On an actuarial basis, the assets held currently fund 83 percent of this liability. This is a decrease from the funding ratio of 83.3 percent for 2010. The negative investment return of .5 percent and a revision to the mortality assumptions contributed to the decrease in the composite funding ratio. For actuarial purposes IMRF's 2011 return was 6.8 percent due to the five-year smoothing technique used for market returns as compared to the actuarial assumption of 7.5 percent. If the market value of assets is used (i.e., no actuarial smoothing), the funding ratio is 80.2 percent as of December 31, 2011, a decrease from 86.3 percent as of December 31, 2010. The reason for the significant decrease in the market funding ratio is the negative .5 percent investment return in 2011. As of December 31, 2011, IMRF's market-based funding value was less than the actuarial funding value since there were $878 million of unrecognized investment losses which will be reflected in the 2012 through 2015 period in keeping with the five-year smoothing technique discussed above.

Plan Net Assets

To begin the financial analysis, summarized comparisons of IMRF's Plan Net Assets for 2011 versus 2010 and 2010 versus 2009 are presented below.

Condensed Statements of Plan Net Assets

(In millions)

	2011	2010	Dollar Change	Percent Change
Cash and cash equivalents	$ 23	$ 25	$ (2)	(8)%
Receivables and prepaids	907	443	464	105
Investments	25,023	25,547	(524)	(2)
Invested securities lending cash collateral	2,673	2,082	591	28
Capital assets, net	5	4	1	25
Total assets	28,631	28,101	530	2
Liabilities	3,794	2,959	835	28
Total plan net assets	$ 24,837	$ 25,142	$ (305)	(1)%

As the previous table shows, plan net assets decreased by $305 million (1 percent) in 2011. This decrease reflects the negative investment return in 2011.

The following table presents the investment allocation as of year-end 2011 and 2010 as compared to IMRF's target allocation.

	2011	Target	2010
Fixed income	30.9%	29.0%	30.1%
Stocks	58.8	58.0	61.9
Real estate	2.9	6.0	1.8
Alternative	4.0	6.0	3.8
Short-term	3.4	1.0	2.4

The variance in the real estate allocation is due to the fact that IMRF is in the process of recapitalizing its real estate portfolio and actual investments trail commitments. IMRF is also looking to increase its allocation to alternative investment strategies. The current target allocations were reconfirmed in March 2012. IMRF continuously monitors its actual investment allocations in relation to its targets and rebalances as appropriate.

The increase in receivables and prepaids in 2011 is largely due to the increase in the receivable from brokers for unsettled trades at year-end due to a larger number of trades outstanding at year-end 2011 compared to 2010. The increase in liabilities in 2011 is due primarily to the increase in securities lending cash collateral and payables to brokers for unsettled trades. These balances increased in 2011 as compared to 2010 due to a greater volume of activity at year-end 2011.

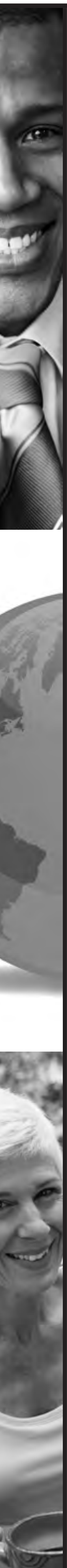
Condensed Statements of Plan Net Assets

(In millions)

	2010	2009	Dollar Change	Percent Change
Cash and cash equivalents	$ 25	$ 26	$ (1)	(4)%
Receivables and prepaids	443	292	151	52
Investments	25,547	22,348	3,199	14
Invested securities lending cash collateral	2,082	2,092	(10)	--
Capital assets, net	4	3	1	33
Total assets	28,101	24,761	3,340	13
Liabilities	2,959	2,458	501	20
Total plan net assets	$ 25,142	$ 22,303	$ 2,839	13%

As the previous table shows, plan net assets increased by $2,839 million (13 percent) in 2010. This increase reflects the strong investment returns in 2010 which continued the recovery which began in 2009.

The increase in receivables and prepaids in 2010 is largely due to the increase in the receivable from brokers for unsettled trades at year-end due to a larger number of trades outstanding at year-end 2010 compared to 2009. The increase in liabilities in 2010 is due primarily to the increase in payables to brokers for unsettled trades at year-end 2010.



Changes in Plan Net Assets

Summarized comparisons of IMRF's Changes in Plan Net Assets for 2011 versus 2010 and 2010 versus 2009 are presented below.

Condensed Statements of Changes in Plan Net Assets

(In millions)

	2011	2010	Dollar Change	Percent Change
Additions				
Member contributions	$ 327	$ 325	$ 2	1%
Employer contributions	801	770	31	4
Net investment gain (loss)	(93)	2,977	(3,070)	(103)
Total additions	1,035	4,072	(3,037)	(75)
Deductions				
Benefits	1,284	1,179	105	9
Refunds	33	32	1	3
Administrative expenses	23	22	1	5
Total deductions	1,340	1,233	107	9
Net (decrease) increase in plan net assets	$ (305)	$ 2,839	$(3,144)	(111)

Additions

Additions needed to fund benefits are accumulated through contributions and returns on invested funds. Contributions for 2011 totaled $1,128 million which was 3 percent more than 2010. The slight increase in member contributions is due to a .6 percent increase in total employer payrolls which more than offset a .5 percent decrease in active members due to reductions in employees at IMRF-sponsoring employers. The member contribution rate remained at 4.5 percent of earnings for Regular members and 7.5 percent for Sheriff's Law Enforcement Personnel (SLEP) and the optional Elected County Officials (ECO) members. Employer contributions increased 4.0 percent. This increase was driven primarily by the increase in the composite average employer contribution rate from 12.05 percent in 2010 to 12.45 percent in 2011. The 2011 rates reflect the impact of the 24.3 percent return in 2009 which helped to mitigate the dramatic investment losses that were incurred in 2008. For rate setting purposes there is a two year lag between the date that data is used to compute employer contribution rates and the effective date of those rates.

Investment returns for 2011 were a negative .5 percent, significantly less that the 13.4 percent return in 2010. The $93 million investment loss in 2011 represents a $3,070 million change from the $2,977 million gain in 2010. IMRF's 2011 total investment portfolio return was negatively impacted by the volatility caused by shifts between optimism in the U.S. economic recovery and fear of a recession as well as the concern over European debt.

In 2011, IMRF had net depreciation in the value of investments of $579 million, a $3,131 million change from the $2,552 million of appreciation recorded in 2010. Interest, dividends and equity fund income totaled $549 million, an increase from the $479 million in 2010. Securities lending income net of related expenses was $10.8 million for 2011, an increase of $3.6 million from 2010. Direct investment expenses increased to $74 million in 2011 from $61.2 million in 2010 and reflect the increase in the number of money managers and an increase in the amount of the investment portfolios managed by active managers.

The total rate of return for the portfolio in 2011 was negative .5 percent compared to 13.4 percent in 2010. IMRF's U.S. stock portfolio returned negative 1 percent compared to a positive 1.1 percent for the Dow Jones Total Stock Market Index. The fixed income portfolio returned 7.4 percent compared to 7.8 percent for the Barclays Aggregate Bond Index. Our international stock portfolio returned a negative 12.5 percent compared to a negative 13.7 percent for the MSCI All-Country World Free ex-US Index. The real estate portfolio returned 12.3 percent compared to 14.3 percent for the NCREIF Property Index. The alternative investment portfolio returned 4.8 percent versus a target return of 9 percent.

When comparing returns it is important to remember that as a pension fund, IMRF's investment program has a very long time horizon. Some of the longer-term results for the total fund for the period ending December 31, 2011 are:

Period	Annualized returns
Three years	11.9% per year
Five years	2.6% per year
Ten years	6.0% per year
Since 1/1/95	8.2% per year

Deductions

The expenses paid by IMRF include benefit payments, refunds, and administrative expenses. Expenses for 2011 totaled $1,340 million, an increase of $107 million over 2010. The increase in benefit payments to members and beneficiaries resulted primarily from growth in the number of annuitants to 99,684 in 2011 from 97,281 in 2010 as well as an increase in the amount of the average benefit.

Condensed Statements of Changes in Plan Net Assets

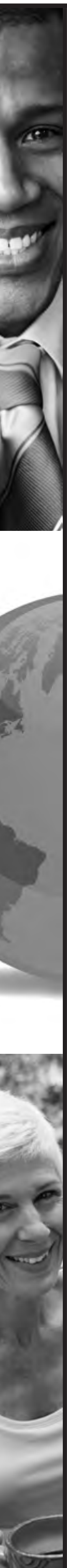
(In millions)

	2010	2009	Dollar Change	Percent Change
Additions				
Member contributions	$ 325	$ 324	$ 1	-- %
Employer contributions	770	660	110	17
Net investment gain (loss)	2,977	4,424	(1,447)	(33)
Total additions	4,072	5,408	(1,336)	(25)
Deductions				
Benefits	1,179	1,078	101	9
Refunds	32	27	5	19
Administrative expenses	22	22	--	--
Total deductions	1,233	1,127	106	9
Net increase (decrease) in plan net assets	$2,839	$ 4,281	$(1,442)	(34)

Additions

Additions needed to fund benefits are accumulated through contributions and returns on invested funds. Contributions for 2010 totaled $1,095 million which was 11.3 percent more than 2009. The slight increase in member contributions is due to higher payments by members to reinstate past service which offset a $1.3 million decrease in normal member contributions. Member contributions decreased due to a drop in covered payroll caused by a 2.6 percent decrease in active members due to reductions in employees at IMRF-sponsoring employers. The member contribution rate remained at 4.5 percent of earnings for Regular members and 7.5 percent for Sheriff's Law Enforcement Personnel (SLEP) and the optional Elected County Officials (ECO) members. Employer contributions increased 16.7 percent. This increase was driven primarily by the increase in the composite average employer contribution rate from 10.22 percent in 2009 to 12.05 percent in 2010. The 2010 rates are the first rates which reflect the dramatic investment losses that were incurred in 2008. For rate setting purposes there is a two year lag between the date that data is used to compute employer contribution rates and the effective date of those rates.

Investment gains for 2010 were a very strong 13.4 percent but significantly less that the 24.3 percent return in 2009, which was aided by the unprecedented stimulus efforts by the federal government. The $2,977 million investment gain in 2010 represents a $1,447 million decrease from the $4,424 million gain in 2009. IMRF's 2010 total investment portfolio return reflected the continued recovery from the housing decline, credit crisis and dramatic slow down in the global economy in 2008



In 2010, IMRF had net appreciation in the value of investments of $2,552 million, a $1,446 million decrease from the $3,998 million of appreciation recorded in 2009. Interest, dividends and equity fund income totaled $479 million, an increase from the $468 million in 2009. Securities lending income net of related expenses was $7.1 million for 2010, a decrease of $2.8 million from 2009. Direct investment expenses increased to $61.2 million in 2010 from $52.5 million in 2009 and reflect the growth in the size of the IMRF investment portfolio.

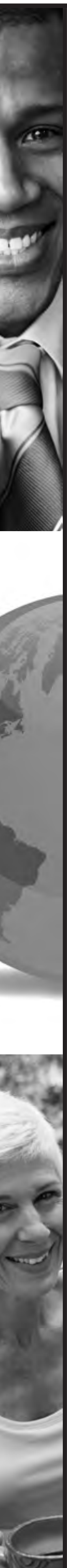
Deductions

The expenses paid by IMRF include benefit payments, refunds, and administrative expenses. Expenses for 2010 totaled $1,233 million, an increase of $106 million over 2009. The increase in benefit payments to members and beneficiaries resulted primarily from growth in the number of annuitants to 97,281 in 2010 from 93,298 in 2009 as well as an increase in the amount of the average benefit.

Statements of Plan Net Assets

	As of December 31	
	2011	**2010**
Assets		
Cash	$23,427,595	$24,603,336
Receivables and prepaid expenses		
Contributions	82,298,120	78,771,753
Investment income	78,996,086	71,608,783
Receivables from brokers for unsettled trades	652,263,179	209,131,653
Prepaid expenses	93,055,566	83,861,956
Total receivables and prepaid expenses	906,612,951	443,374,145
Investments, at fair value		
Fixed income	7,735,106,827	7,685,594,385
Stocks	14,701,371,233	15,817,032,612
Short-term investments	863,350,684	613,513,045
Real estate	725,717,667	466,633,844
Alternative investments	997,385,180	964,167,120
Total investments	25,022,931,591	25,546,941,006
Invested securities lending cash collateral	2,673,203,602	2,082,092,898
Capital assets		
Capital assets, at cost	10,151,165	8,279,339
Accumulated depreciation	(5,004,381)	(4,709,718)
Total capital assets, net	5,146,784	3,569,621
Total assets	28,631,322,523	28,100,581,006
Liabilities		
Accrued expenses and benefits payable	34,285,873	27,568,089
Securities lending cash collateral	2,673,203,602	2,082,092,898
Payables to brokers for unsettled trades	1,086,772,001	849,031,236
Total liabilities	3,794,261,476	2,958,692,223
Net assets held in trust for pension benefits	$24,837,061,047	$25,141,888,783

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



Statements of Changes in Plan Net Assets

	Years Ended December 31	
	2011	2010
Additions		
Contributions		
Members for retirement coverage	$ 327,680,889	$ 324,901,985
Employers for benefit plan coverage	800,804,253	770,142,278
Total contributions	1,128,485,142	1,095,044,263
Investment Income		
From investing activities		
Interest	294,900,638	266,494,258
Dividends	202,202,443	168,336,993
Equity fund income, net	52,288,235	44,055,963
Net (depreciation) appreciation in fair value of investments	(579,071,313)	2,551,681,950
Investment activity (loss) gain	(29,679,997)	3,030,569,164
Less: Direct investment expense	(74,026,000)	(61,157,255)
Net investment activity (loss) gain	(103,705,997)	2,969,411,909
From security lending activity		
Securities lending income	11,971,836	8,447,568
Securities lending management fees and borrower rebates	(1,196,143)	(1,310,160)
Net securities lending activity income	10,775,693	7,137,408
Total investment (loss) gain	(92,930,304)	2,976,549,317
Other	9,852	7,032
Total additions	1,035,564,690	4,071,600,612
Deductions		
Annuities	1,244,164,271	1,138,512,044
Disability benefits	11,629,164	11,492,125
Death benefits	28,612,174	28,026,365
Refunds	32,900,105	32,201,577
Administrative expenses	23,086,712	22,318,493
Total deductions	1,340,392,426	1,232,550,604
Net (decrease) increase	(304,827,736)	2,839,050,008
Net assets held in trust for pension benefits		
Beginning of year	25,141,888,783	22,302,838,775
End of year	$24,837,061,047	$25,141,888,783

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

Notes to Financial Statements

December 31, 2011 and 2010

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.

1. ***Employers***	**2011**	**2010**
Participating employers	2,964	2,963

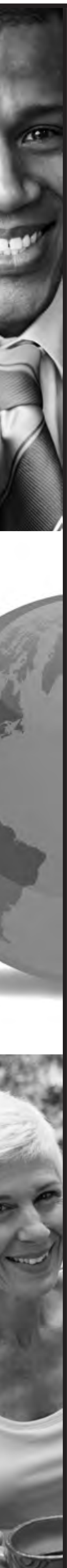
The Illinois Pension Code specifies the units of government required to participate in IMRF and the units that may elect to join. Participation by the following units of government is mandatory:

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

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

2. ***Members***	**2011**	**2010**
Retirees and beneficiaries currently receiving benefits	99,684	97,281
Terminated members entitled to benefits but not yet receiving them	12,162	11,988
Terminated members—non-vested	104,778	103,291
Current members:		
Non-vested	85,676	86,908
Vested	90,168	89,795
Total current members	175,844	176,703
Grand Total	392,468	389,263

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



3. Contributions

The member contribution rates—4.5 percent for regular members, 7.5 percent for SLEP members and 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. Contribution rates for disability and death benefits are set by the IMRF Board of Trustees, while the supplemental retirement benefits rate is set by statute. Costs of administering the plan are financed by investment income. Contributions are based on employer payrolls and are due on the tenth of the month following the month of payment pursuant to the authority vested in the IMRF Board by the Illinois Pension Code.

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, 2011 and 2010. The ECO plan was created by statute in 1997 and was revised in 2000. In 2010 the General Assembly passed legislation which became Public Acts 96-0889 and 96-1495. These acts created a second tier within the regular, SLEP and ECO plans for members joining IMRF after December 31, 2010 with no prior qualifying service. A more extensive description of the plan can be found in the Actuarial Section.

Refunds

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

Retirement

Plan	**Regular Tier 1**	**Regular Tier 2**	**SLEP Tier 1**	**SLEP Tier 2**	**Original ECO**	**Revised ECO Tier 1**	**Revised ECO Tier 2**
Vesting	8 years	10 years	20 years	10 years	8 years	8 years in each elected position	8 years in each elected position; 10 years in total
Minimum age for unreduced benefit	35+ years of service: 55, otherwise 60	35+ years of service: 62, otherwise 67	50 with 20+ years of service	55 with 10+ years of service	Sheriffs with 20 years of SLEP service: 50, otherwise 55	Sheriffs with 20 years of SLEP service: 50, otherwise 55	Sheriffs with 10 years of SLEP service: 55, otherwise 67
Final rate of earnings	Highest consecutive 48 months in the last 10 years	Highest consecutive 96 months in the last 10 years; pensionable earnings initially capped at $106,800 increasing annually by 3% or 1/2 of CPI, whichever is less	Highest consecutive 48 months in the last 10 years	Highest consecutive 96 months in the last 10 years; pensionable earnings initially capped at $106,800 increasing annually by 3% or 1/2 of CPI, whichever is less	Annual salary on the last day of ECO participation	Highest consecutive 48 months in the last 10 years for each elected position	Highest consecutive 96 months in the last 10 years; pensionable earnings initially capped at $106,800 increasing annually by 3% or 1/2 of CPI, whichever is less
Survivor benefits	Annuity for eligible spouse	Annuity for eligible spouse	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	Annuity for eligible spouse and unmarried children under 18
Post-retirement increase	3% of original amount	3% or 1/2 of CPI, whichever is less of original amount	3% of original amount	3% or 1/2 of CPI, whichever is less of original amount	3% of original amount	3% of original amount	3% or 1/2 of CPI, whichever is less of original amount
Early retirement	At age 55, discount based on age and service	At age 62, discount based on age and service	None	At age 50, 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 (57 for Tier 2 members) 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 and Tier 2 members) 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 (limited to the pensionable earnings cap for Tier 2 members) 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. Funded Status and Funding Progress

As of December 31, 2011, the most recent actuarial valuation date, the plan on an aggregate basis was 83.0 percent funded on an actuarial basis. The actuarial accrued liability for benefits was $31.0 billion, and the actuarial value of assets was $25.7 billion, resulting in an unfunded actuarial accrued liability (UAAL) of $5.3 billion. The covered payroll (annual payroll of active employees covered by the plan) was $6.4 billion, and the ratio of the UAAL to the covered payroll was 81.7 percent.

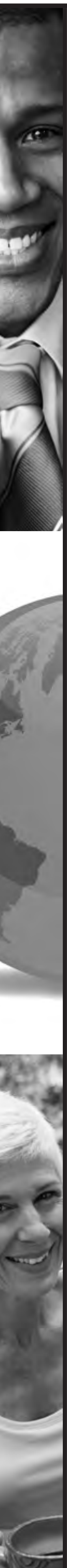
The schedule of funding progress, presented as required supplemental information (RSI) following the Notes to the Financial Statements, presents multi-year trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Additional information as of the latest actuarial valuation follows:

Valuation date .... December 31, 2011
Actuarial cost method .... Entry age normal
Amortization method .... Level percent of payroll
Amortization period .... Taxing bodies: closed, 30 years
Entities over 120 percent funded on a market basis: varies by funding status
Non-taxing bodies: open, 10 years
Asset valuation method .... Five-year smoothed market related with a 20 percent corridor

Actuarial assumptions:

Investment rate of return .... 7.5 percent
Projected salary increases .... 4.4 to 16.0 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 .... Tier 1 - 3.0 percent—simple;
Tier 2 - 3.0 percent—simple or 1/2 increase in CPI, whichever is less
Mortality table .... For non-disabled lives, the RP-2000 Combined Healthy Mortality Table, adjusted for mortality improvements to 2020 using projection scale AA for males multiplied by 120 percent and for females multiplied by 92 percent; for disabled lives the mortality rates are the rates applicable to non-disabled lives set forward 10 years.



6. IMRF as Employer

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

Members	2011	2010
Retirees and beneficiaries currently receiving benefits	92	84
Terminated members entitled to benefits but not yet receiving them	25	23
Terminated members—non-vested	24	24
Current members:		
Non-vested	52	53
Vested	124	121
Total current members	176	174
Grand Total	317	305

Trend Information

Actuarial Valuation Date	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
12/31/2011	$1,336,652	100%	$0
12/31/2010	1,288,068	100	0
12/31/2009	1,086,079	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]
12/31/2011	$26,883,265	$34,881,567	$7,998,302	77.1%	$11,955,742	66.9%
12/31/2010	28,392,008	35,200,365	6,808,357	80.7	11,838,856	57.5
12/31/2009	27,969,730	34,462,926	6,493,196	81.2	12,341,803	52.6

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) The primary government is financially accountable if it appoints a voting majority of the organization's governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government.

(2) The primary government is financially accountable if an organization is fiscally dependent on and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens 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 U.S. generally accepted accounting principles requires management to make significant estimates and assumptions that affect 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. ***Risks and Uncertainties***
IMRF invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risk. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the value of investment securities will occur in the near term and such changes could materially affect the amounts reported in the Statement of Plan Net Assets.

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

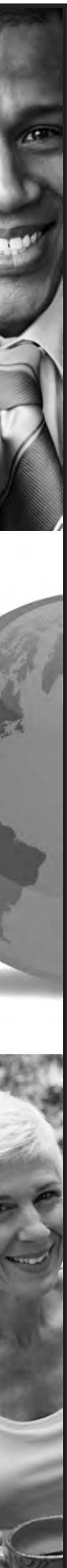
6. ***Method Used to Value Investments***
IMRF reports investments at fair value. Where appropriate, the fair value includes estimated disposition costs. Fair value for stocks is determined by using the closing price listed on the national securities exchanges as of December 31. Fair value for fixed income securities is determined principally by using quoted market prices provided by independent pricing services. For commingled funds, the net asset value is determined and certified by the commingled fund manager as of December 31. 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. Fair value for the majority of derivative instruments is determined principally by using quoted market prices provided by independent pricing services. Remaining derivative instruments are priced by the Northern Trust Company by obtaining prices from a variety of internal and external sources.

C. New Accounting Pronouncements

In November 2010 GASB issued Statement No. 61, "The Financial Reporting Entity: Omnibus, an amendment of GASB Statements No. 14 and No. 34". This statement modifies certain requirements for inclusion of component units in the financial statements of the reporting entity. Other than impacting its disclosure on the definition of the financial reporting entity, this statement had no impact on IMRF. IMRF revised its discussion of the financial reporting entity for its 2011 financial statements.

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 $250,000. 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.

Carrying amounts at December 31:	2011	2010
Cash	$23,427,595	$24,603,336
Bank balances at December 31:		
Total	$13,347,946	$23,255,441
Amount exposed to custodial credit risk	$1,105,396	$891,986

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, 2011, and 2010.

	2011	2010
U.S. government & agency fixed income	$3,174,894,793	$2,655,376,430
U.S. corporate fixed income	2,579,980,327	2,687,560,904
U.S. fixed income funds	1,343,793,055	1,733,405,420
Foreign fixed income securities	636,438,652	609,251,631
U.S. equities	6,954,789,295	6,762,778,498
U.S. stock funds	2,911,352,498	3,482,068,686
Foreign equities	2,866,354,762	3,080,687,184
Foreign stock funds	1,968,874,678	2,491,498,244
Foreign currency forward contracts	847,681	1,110,371
Pooled short-term investment funds	863,346,250	621,965,890
Real estate	725,717,667	466,633,844
Private equity	636,050,211	584,421,556
Absolute return funds	361,334,969	379,745,564
Swaps	164,267	(2,770,598)
Options	(23,235,027)	(9,488,502)
Other	22,227,513	2,695,884
Total investments at fair value	$25,022,931,591	$25,546,941,006

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, 2011, IMRF had $1,349,189,814 invested in the MFB NT Collective Aggregate Bond Index Fund, $1,878,956,915 in the NT Collective U.S. Marketcap Equity Index Fund and $1,542,220,647 in the NT Collective EAFE Index Fund. As of December 31, 2010, IMRF had $1,740,366,888 invested in the NT Collective Aggregate Bond Index Fund, $2,239,118,437 in NT Collective US Marketcap Equity Index Fund and $1,682,338,356 in the NT Collective EAFE 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.

	2011	2010
Investments in foreign currency	$4,812,857	$4,477,735

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.

Quality Rating	**2011**	**2010**
AAA	$ 355,586,203	$ 734,145,039
AA	305,753,639	286,111,711
A	623,077,998	702,152,987
BBB	808,655,203	727,534,135
BB	466,875,420	421,555,123
B	462,596,932	440,329,234
CCC	86,491,627	128,294,422
CC	15,057,249	17,390,596
C	1,376,867	635,048
D	11,020,356	10,889,322
Not Rated and Other	97,885,691	15,308,203
Agencies		
FHLMC	480,936,852	380,779,482
FNMA	951,425,309	894,080,177
GNMA	351,034,793	201,699,516
SBA	114,136,063	69,142,505
Other	103,523,342	33,207,758

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Quality Rating (continued)	2011	2010
U.S. Fixed Income Fund	1,343,793,055	1,733,405,420
Total Credit Risk Debt—Securities	6,579,226,599	6,796,660,678
U.S. Government	1,155,880,228	888,933,707
	$7,735,106,827	$7,685,594,385

The "agencies" caption in the above table does not have a specific credit quality rating since they were not covered by the rating vendors. Typically these securities have at least a AA credit quality rating. The U.S. Fixed Income Fund had an average credit quality rating of AA for 2011 and 2010.

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 Barclays Aggregate Bond Index. At December 31, 2011 and 2010, the effective duration of the Barclays Aggregate Bond Index was 4.95 and 4.98, respectively. At the same points in time, the effective duration of the Illinois Municipal Retirement Fund debt securities portfolio was 4.99 and 4.48, respectively.

Investment	2011 Fair Value	Effective Weighted Duration Rate	2010 Fair Value	Effective Weighted Duration Weight
U.S. Corporate	$ 2,579,980,327	4.84	$ 2,687,560,904	4.48
U.S. Government & Agencies	3,174,894,793	5.15	2,655,376,430	4.16
Fixed Income Fund	1,343,793,055	4.95	1,733,405,420	4.97
International	636,438,652	4.86	609,251,631	4.45
Total	$ 7,735,106,827	4.99	$ 7,685,594,385	4.48

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 fair 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.

	2011	2010
Foreign Equities		
Australian dollar	$ 46,492,459	$ 30,990,675
Brazilian real	67,040,306	84,077,728
British pound sterling	526,243,511	461,342,316
Canadian dollar	111,934,906	76,887,498
Chilean peso	10,517,767	5,469,912
Columbian peso	6,761,131	6,640,032
Czech koruna	3,204,113	1,335,136
Danish krone	15,661,116	34,395,990
Egyptian pound	--	3,605,162
Euro	599,111,339	684,451,379
Hong Kong dollar	127,223,979	123,964,968
Hungarian forint	92,934	--
Indian rupee	34,843,345	41,652,573
Indonesian rupiah	26,283,474	38,734,527

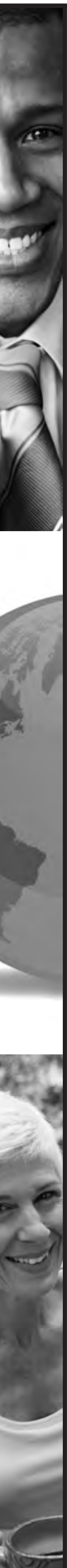
	2011	2010
Foreign Equities (continued)		
Japanese yen	463,536,021	506,598,284
Malaysian ringgit	3,322,079	15,831,821
Mexican peso	13,149,684	20,633,512
New Israeli shekel	245,693	8,463,198
New Taiwan dollar	22,728,401	37,308,847
New Zealand dollar	984,880	3,766,651
Norwegian krone	31,342,800	22,360,386
Philippine peso	7,218,955	2,558,137
Polish zloty	4,981,073	10,651,412
Singapore dollar	33,095,296	38,057,055
South African rand	30,832,750	39,511,786
South Korean won	100,846,570	71,859,439
Swedish krona	54,922,459	66,207,098
Swiss franc	117,954,855	170,047,723
Thai baht	26,013,986	21,967,295
Turkish lira	17,983,240	40,929,014
United States dollar	2,330,660,318	2,901,885,874
	4,835,229,440	5,572,185,428
Foreign Fixed Income		
Australian dollar	8,199,649	14,964,494
British pound sterling	356,109	1,020,342
Canadian dollar	1,249,646	--
Euro	3,847,088	7,351,394
Mexican peso	4,184,742	--
Norwegian krone	1,461,008	8,052,531
United States dollar	617,140,410	577,862,870
	636,438,652	609,251,631
	$5,471,668,092	$6,181,437,059

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 108 days as of December 31, 2011, and 98 days as of December 31, 2010. 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 31 days as of December 31, 2011, and which had an interest sensitivity of 25 days as of December 31, 2010. 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 2011 and 2010, 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 $2,673,203,602 and $2,082,092,898 at December 31, 2011 and 2010, respectively.

Loans outstanding as of	**December 31, 2011**	**December 31, 2010**
Market value of securities loaned	$ 2,636,531,208	$ 2,043,236,409
Market value of collateral received	$ 2,703,930,137	$ 2,093,117,224

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 fair value of the underlying currency varies from the original contract price, IMRF records an unrealized gain or loss. The counterparties to the foreign currency forward contracts are banks which are rated A or above by rating agencies. The fair value of forward currency contracts outstanding at December 31, 2011 and 2010 is as follows:

Fair Value as of	**December 31, 2011**	**December 31, 2010**
Pending Foreign Exchange Purchases		
Australian dollar	$ 23,276,693	$ 20,840,155
British pound sterling	5,305,794	15,245,155
Canadian dollar	26,225,106	19,524,622
Chinese yuan	--	12,674,455
Danish krone	4,122	4,244
Euro	32,293,768	4,230,447
Hong Kong dollar	521,513	843,929
Indonesian rupiah	11,691	--
Japanese yen	40,165,795	54,937,673
Malaysian ringgit	--	179,081
New Zealand dollar	67,619	14,488
Norwegian krone	2,325,012	1,207,148
Singapore dollar	4,917,863	830,200
Swedish krona	3,921,085	3,101,576
Swiss franc	26,110,373	10,890,013

Fair Value (continued) as of	**December 31, 2011**	**December 31, 2010**
Thai baht	269,379	--
Turkish lira	6,009	--
United States dollar	233,170,843	130,191,769
Total purchases	$ 398,592,665	$ 274,714,955
Pending Foreign Exchange Sales		
Australian dollar	$ (18,785,776)	$ (3,208,560)
Brazilian real	--	(15,323)
British pound sterling	(6,557,106)	(15,746,148)
Canadian dollar	(7,278,694)	(850,166)
Danish krone	(391,302)	(6,065,651)
Euro	(74,827,852)	(50,958,482)
Hong Kong dollar	(781,741)	(1,687,960)
Japanese yen	(82,033,703)	(30,840,282)
Malaysian ringgit	--	(1,458)
New Israeli shekel	(52,896)	--
New Zealand dollar	(814,110)	(14,557)
Norwegian krone	(4,312,255)	(2,947,239)
Singapore dollar	(4,289,040)	(809,337)
South African rand	(69,256)	--
South Korean won	(93,812)	--
Swedish krona	(4,133,088)	(1,482,521)
Swiss franc	(24,848,759)	(18,032,903)
Thai baht	(52,898)	--
Turkish lira	(5,668)	(87,188)
United States dollar	(168,417,028)	(140,856,809)
Total sales	$(397,744,984)	$(273,604,584)
Net Unrealized Gain	$ 847,681	$ 1,110,371

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, 2011 and 2010 are as follows:

Contractual Amount as of	**December 31, 2011**		**December 31, 2010**	
	Amount	**Number of Contracts**	**Amount**	**Number of Contracts**
Fixed income derivatives futures sold	$267,643,039	1,593	$424,059,692	2,935
Fixed income deriviatives futures purchased	96,855,285	691	136,498,808	733
Fixed income derivative offsets futures sold	--	--	122,339,714	749
Fixed income derivative offsets futures purchased	--	--	409,900,596	2,061
Fixed income futures sold	88,021,723	670	--	--
Fixed income futures purchased	258,809,477	1,070	--	--
Equity derivatives futures purchased	$ 26,116,710	417	$ 26,500,950	423
Equity derivatives offsets futures sold	26,116,710	--	26,500,950	--

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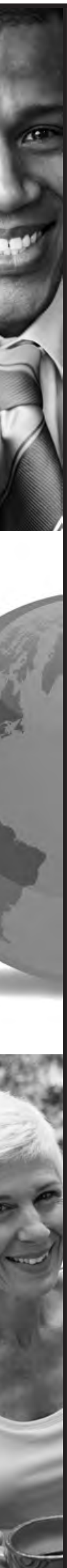


Contractual (continued) Amount as of	December 31, 2011		December 31, 2010	
Cash and cash equivalent derivatives futures sold	$ 19,343,575	78	$ --	--
Cash and cash equivalent futures purchased	19,343,575	78	--	--
Cash and cash equivalent derivatives futures purchased	--	--	32,438,875	131
Cash and cash equivalent derivatives offsets futures sold	--	--	32,438,875	131

Contractual amounts, which represent the fair 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 fair values and are recorded in the Statement of Changes in Plan Net Assets. The fair value of financial options outstanding at year-end December 31, 2011 and 2010 is as follows:

Fair Value as of	December 31, 2011		December 31, 2010	
	Amount	Notional Value	Amount	Notional Value
Financial put options	$ 61,014	$ 518,120,302	$ (3,150,081)	$ 166,600,000
Financial call options	$ (23,296,041)	$ 397,666,244	$ (6,338,421)	$ 118,000,000

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 add liquidity to individual credits and protect specific positions. Gains and losses on swaps are determined based on fair values and are recorded in the Statement of Changes in Plan Net Assets. The fair value of swaps outstanding at December 31, 2011 and 2010 is as follows:

Fair Value as of	December 31, 2011	December 31, 2010
Swaps, gain (loss)	$ 164,267	$ (2,770,598)

As of December 31, 2011

Type of Swap	Notional Value	Fair Value	Counterparty Credit Rating
Credit Default Swap	$ 113,759,723	$ 2,841,852	A
Credit Default Swap	41,398,667	(3,890,369)	A
Interest Rate Swap	747,700,000	5,559,002	A
Interest Rate Swap	110,400,000	(4,251,360)	A
Total Return Swap	19,697,024	(94,858)	A
Total	$ 1,032,955,414	$ 164,267	

As of December 31, 2010

Type of Swap	Notional Value	Fair Value	Counterparty Credit Rating
Credit Default Swap	$ 100,351,320	$ 2,116,584	A
Credit Default Swap	9,900,000	375,733	AA
Credit Default Swap	11,490,667	(655,053)	A
Interest Rate Swap	375,430,000	1,299,057	A
Interest Rate Swap	302,350,000	(3,170,874)	A
Interest Rate Swap	93,128,000	(2,879,317)	AA
Total Return Swap	10,230,390	129,529	A
Total Return Swap	7,451,952	13,743	AA
Total	$ 910,332,329	$ (2,770,598)	

G. Future Investment Commitments

At December 31, 2011 and 2010, IMRF had future commitments for additional contributions to real estate and alternative investment managers totaling $445,885,991 and $636,642,111, respectively.

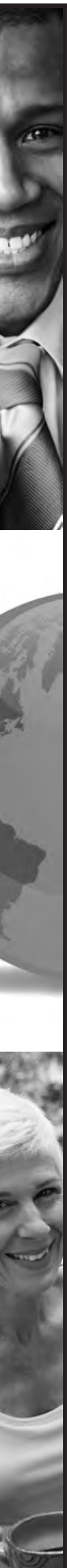
H. IMRF as Employer - Postemployment Benefits Other Than Pensions

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 20 retirees are in the plan and 176 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 2011 and 2010, IMRF contributed $1,824,877 and $1,666,101, respectively, to the plan for current premiums, including a $38,469 subsidy in 2011 and a $33,138 subsidy in 2010 for retiree health and dental care premiums (79.3 percent and 78.8 percent of total premiums for each year). Plan members receiving benefits contributed $476,677 in 2011 and $448,201 in 2010, or 20.7 percent and 21.2 percent of the total premiums for each year, through their required contributions of between $52 and $446 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, the amount actually contributed to the plan, and changes in IMRF's net OPEB obligation to the Retiree Health Plan:

	2011	2010
Annual required contribution	$ 193,027	$ 189,027
Interest on net OPEB obligation	46,390	37,355
Adjustment to annual required contribution	(33,160)	(26,701)
Annual OPEB expense	206,257	199,681
Contributions made	(100,196)	(79,215)
Increase in net OPEB obligation	106,061	120,466
Net OPEB obligation - beginning of year	618,532	498,066
Net OPEB obligation - end of year	$ 724,593	$ 618,532

In 2011, 2010 and 2009, IMRF contributed 53 percent, 42 percent and 39 percent, respectively, of the annual required OPEB contribution to the plan.

4. Actuarial Valuation Information

Actuarial Valuation December 31	Actuarial Accrued Liability (AAL)	Actuarial Assets	Actuarial Assets as a Percentage of AAL	Total Unfunded Actuarial Liability (UAAL) (a)	Actuarial Covered Payroll (b)	UAAL as a Percentage of Covered Payroll (a/b)
2011	$1,785,973	$0	0%	$1,785,973	$12,574,344	14.2%
2010	1,923,291	0	0	1,923,291	12,274,519	15.7
2009	1,868,954	0	0	1,868,954	11,895,017	15.7

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. IMRF does not intend to fund the plan.

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, 2011 actuarial valuation, the individual entry age actuarial cost method was used. The actuarial assumptions included a 7.5 percent investment rate of return which is based upon the employer's assumed return on its assets and an annual healthcare cost trend rate of 9 percent initially, reduced by decrements to an ultimate rate of 4 percent after nine 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 an open 30 year period.

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 2011 the present value of expected retirement benefits exceeded the retirement reserves for all employers combined by $6,125,754,381. In 2010 the present value of expected retirement benefits exceeded the retirement reserves for all employers combined by $3,987,339,456.

	2011	2010
1. Member Contribution Reserve		
Balance at December 31	$ 5,417,733,239	$ 5,153,842,456
2. Annuity Reserve		
Balance at December 31	$ 13,388,018,799	$ 12,121,959,266
3. Employer Reserves		
Balance at December 31		
Retirement contribution reserve	$ 6,064,471,105	$ 7,861,655,565
Earnings and experience reserve	(61,003,268)	(24,434,971)
Supplemental retirement benefit	312,026	85,435
Pooled death benefit reserve	11,764,292	12,676,805
Pooled disability benefit reserve	15,764,854	16,104,227
	$ 6,031,309,009	$ 7,866,087,061

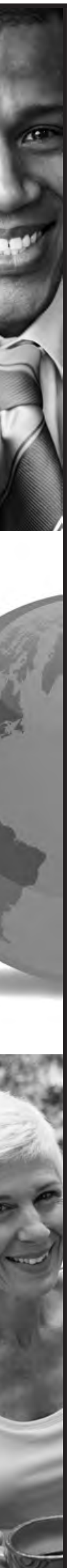
J. Other Notes

1. Prepaid Expenses	2011	2010
Balance at December 31		
Prepaid administrative expenses	$ 1,191,780	$ 975,773
January 1 benefits charged to bank account in December	91,863,786	82,886,183
	$ 93,055,566	$ 83,861,956

2. Capital Assets

Capital assets are recorded at their cost at the time of acquisition. Depreciation and amortization are 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 3) internally developed software: six years and 4) automobiles: four years.

Year ended December 31	2011	2010
Equipment, furniture, automobiles and internally developed software		
Beginning balance in service	$ 7,726,069	$ 6,597,471
Additions	1,498,389	1,214,648
Deletions	(584,525)	(86,050)
Ending balance in service	8,639,933	7,726,069
Software under development	1,511,232	553,270
Total ending balance	10,151,165	8,279,339
Accumulated depreciation and amortization		
Beginning balance	4,709,718	4,080,810
Additions	818,916	713,052
Deletions	(524,253)	(84,144)
Ending balance	5,004,381	4,709,718
Capital assets, net	$ 5,146,784	$ 3,569,621



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, 2011, a liability existed for accumulated annual leave calculated at the employee's December 31, 2011 pay rate in the amount of $661,070. 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, 2011, a liability existed for accumulated and accrued sick leave, calculated at the employee's December 31, 2011 pay rate in the amount of $2,331,469. The total leave liability of $2,992,539 and $2,977,023 as of December 31, 2011, and 2010, 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 under an agreement with the building's management. In 2010 the Fund entered into a new agreement covering the period June 1, 2011, through October 31, 2016. The lease contains an abatement clause. The Fund will amortize the abated rent, operating expenses, and real estate taxes over the period covered by the agreement. Total rental expense for 2011 and 2010 was $875,990 and $839,941, respectively.

The Fund also leases office space in Springfield for its Regional Counseling Center. In 2011 the Fund entered into a new agreement covering the period November 1, 2011, through October 31, 2016. Total rental expense for 2011 and 2010 was $33,520 and $33,084, respectively.

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

2012	$ 995,197
2013	1,024,171
2014	1,054,557
2015	1,085,857
2016	929,390

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.

Required Supplementary Information
Schedule of Funding Progress
Last ten years

Actuarial Valuation Date December 31	Aggregate Actuarial Liabilities (AAL) Total AAL Entry Age (a)	Actuarial Assets (b)	Actuarial Assets as a % of AAL (b/a)	Unfunded Actuarial Liabilities (UAL) Total UAL (a-b)	Member Payroll (c)	UAL as a % of Member Payroll [(a-b)/c]
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
2006	22,488,185,031	21,427,139,356	95.3	1,061,045,675	5,630,683,054	18.8
2007	24,221,543,716	23,274,361,198	96.1	947,182,518	5,931,443,117	16.0
2008*	25,611,199,349	21,601,053,512	84.3	4,010,145,837	6,259,283,197	64.1
2009	27,345,113,216	22,754,803,784	83.2	4,590,309,432	6,461,696,602	71.0
2010	29,129,228,239	24,251,136,889	83.3	4,878,091,350	6,391,164,701	76.3
2011*	30,962,815,428	25,711,287,584	83.0	5,251,527,844	6,431,296,235	81.7

* 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
2002	$ 365,109,725	$ (117,392,970)	$ 17,488,736	$ 29,729,931	$ 294,935,422	100%
2003	378,120,450	(105,148,713)	16,916,553	31,161,549	321,049,839	100
2004	391,809,922	12,367,839	19,617,440	32,402,897	456,198,098	100
2005	408,644,037	80,574,252	20,407,466	33,637,720	543,263,475	100
2006	429,460,710	112,993,136	25,166,224	35,155,725	602,775,795	100
2007	440,054,100	97,121,315	26,551,837	37,094,883	600,822,135	100
2008	463,833,388	106,266,646	21,844,517	39,202,925	631,147,476	100
2009	478,760,517	119,391,054	21,417,551	40,830,286	660,399,408	100
2010	483,792,012	225,268,536	20,582,277	40,499,453	770,142,278	91
2011	486,731,753	254,898,222	18,654,559	40,519,719	800,804,253	95

Supplementary Information

Schedule of Administrative Expenses

	2011	2010
Personal services	$15,246,637	$15,115,641
Supplies	399,902	357,345
Professional services	1,289,540	1,050,943
Occupancy and utilities	1,849,835	1,780,313
Postage and delivery	1,068,814	1,092,791
Equipment service and rental	872,711	878,727
Expendable equipment	282,157	151,734
Miscellaneous	1,258,199	1,178,222
Depreciation	818,917	712,777
Total	$23,086,712	$22,318,493

Schedule of Payments for Professional Services

	2011	2010
External auditor	$ 120,900	$ 133,000
Internal auditing	282,560	230,606
Other consulting	50,700	53,250
Medical consultant	98,850	96,450
Legal services	30,993	26,753
Tax consultant	26,341	10,680
Actuary	385,110	261,186
Compensation and benefit consultants	21,019	20,749
Legislative lobbying consultant	66,024	64,104
Public relations consultant	84,564	85,205
IT consultants	122,479	67,060
Other	--	1,900
Total	$ 1,289,540	$ 1,050,943

Schedule of Investment Expenses

	2011	2010
Investment manager fees	$72,743,998	$59,901,193
Master trustee fees	250,000	255,500
Investment consultants	863,922	858,089
Investment legal fees	72,792	47,282
Miscellaneous	95,288	95,191
Total	$74,026,000	$61,157,255

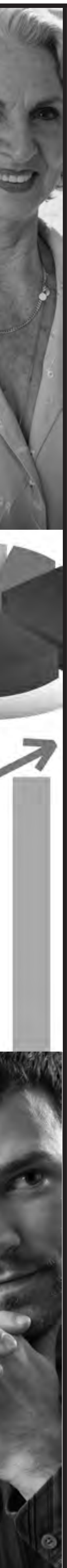
A schedule of investment related fees can be found in the Investment Section.

Investments
2011

IMRF Strategic Goal:

Investment Returns

To achieve a 7.5% net annual return and outperform the annual total portfolio benchmark.



Callan

Callan Associates Inc.
1660 Wynkoop Street
Suite 950
Denver, CO 80202

Main 303.861.1900
Fax 303.832.8230

www.callan.com

March 29, 2012

The Board of Trustees
The Executive Director
Illinois Municipal Retirement Fund
2211 York Road, Suite 500
Oak Brook, IL 60523

Dear Trustees and Executive Director:

Callan Associates is pleased to report the results of the Illinois Municipal Retirement Fund (IMRF) investment program for calendar year 2011.

Calendar year 2011 was marked by volatility, shifting between optimism in the U.S. economic recovery and fear of recession and a collapse of peripheral Europe. The risk aversion stemming from so much global uncertainty resulted in a weak year for equities and a strong year for bonds. The U.S. equity market, as measured by the Dow Jones U.S. Total Stock Market Index, returned a very modest 1.1%. The international equity markets, as measured by the MSCI All Country World ex-U.S. Index, fared much worse with a return of -13.7%. The U.S. fixed income market rose a strong 7.8%, as measured by the Barclays Capital Aggregate Bond Index.

The Illinois Municipal Retirement Fund reported total net assets held in trust for pension benefits of $24.8 billion at year end. This represented a decline of approximately net $320 million from December 31, 2010.

The Total Fund returned -0.5% net of fees during 2011, underperforming the Total Fund Benchmark by approximately 2%. The Total Fund Benchmark is composed of the individual asset class benchmarks in the same proportion as the target asset class allocations[1]. On a gross of fee basis, the Total Fund ranked in the 81st percentile of Callan's Public Fund Sponsor Database for the one-year period, and in the top quartile for the trailing three- and five-year periods. Over ten years, the fund has beaten the custom benchmark and ranked in the top quartile relative to peers. The underperformance of the Total Fund in 2011 can be attributed to a modest overweight to foreign equities in a year in which they lagged the U.S. Also, the year proved to be a very difficult environment for active management. Dramatic rotation in market sentiment from risk seeking to extreme risk aversion, driven primarily by macro events in Europe, made security selection across all publicly traded asset classes challenging.

The domestic equity portfolio, with a current target allocation of 38%, returned -1.0% net of fees for the year ended December 31, 2011. This return underperformed the Dow Jones U.S. Total Stock Market Index by 2%. Smaller capitalization stocks in the IMRF portfolio suffered, losing 5.2% as U.S. economic growth sputtered during the year.

International equities were hard hit by the tsunami in Japan in March and the dramatic debt problems emanating from Europe. The IMRF international equity portfolio fell 12.5% net of fees over the one-year period outperforming the MSCI All-Country World ex-U.S. Index by 1.2%. This asset class, which has a current target allocation of 20%, is broadly invested and includes a dedicated allocation to small cap stocks and emerging markets. All of the sub-asset classes ended the year with negative returns. Performance for the international equity portfolio outperformed its index for the most recent ten-year period.

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[1] As of December 31, 2011, the Total Fund Benchmark consisted of 38% of the DJ U.S. Total Stock Market Index, 29% of the Barclays Capital Aggregate Bond Index, 20% of the MSCI AC World ex-U.S. Index, 6% of the NCREIF Total Index + 1.0%, 6% of the Alternatives Custom Benchmark, and 1% of the Citigroup 90-Day T-Bill Index.

Callan

Illinois Municipal Retirement Fund
March 29, 2012 2

The Fund's fixed income portfolio returned a strong 7.4% net of fees. This return lagged that of the Barclays Capital Aggregate Bond Index by 0.4%. The fixed income portfolio has a current target allocation of 29% and was well diversified including dedicated investments in high yield securities and core plus type strategies. The portfolio exceeded the benchmark by over 3% for three years ranking in the top third relative to peers.

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

Sincerely,

Janet C. Becker-Wold, CFA
Senior Vice President

The Northern Trust Company
50 South La Salle Street
Chicago, Illinois 60603
(312) 630-6000

Northern Trust

March 2, 2012

Board of Trustees and Executive Director
Illinois Municipal Retirement Fund
2211 York Road
Oak Brook, IL 60521-2337

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, 2011, through December 31, 2011. Also, a statement of assets together with their fair market value was provided, showing the properties held as of December 31, 2011. 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
Senior Vice President

Investment Consultants

Master Trustee

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

Performance Evaluation

Callan Associates, Inc.
Janet Becker-Wold, Principal
Denver, Colorado

Investment Consultant

Callan Associates, Inc.
Janet Becker-Wold, Principal
Denver, Colorado

Investment Managers

Abbott Capital Management, LLC
New York, New York

Adams Street Partners, LLC
Chicago, Illinois

Almanac Realty Investors
New York, New York

Ambassador Capital Management
Detroit, Michigan

Apex Capital Management, Inc.
Dayton, Ohio

Ariel Investments, LLC
Chicago, Illinois

Arrowstreet Capital, L.P.
Cambridge, Massachusetts

Ativo Capital Management, LLC
Chicago, Illinois

Aurora Investment Management
Chicago, Illinois

BlackRock Financial Management, Inc.
New York, New York

BlackRock Real Estate
Florham Park, New Jersey

BMO Asset Management U.S.
Chicago, Illinois

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

Brown Capital Management, Inc.
Baltimore, Maryland

Channing Capital Management, LLC
Chicago, Illinois

Concerto Asset Management, LLC
Charlotte, North Carolina

Cornerstone Real Estate Advisers, LLC
Hartford, Connecticut

Cozad/Westchester Agricultural Asset Management
Champaign, Illinois

Dimensional Fund Advisors
Santa Monica, California

Dodge & Cox Investment Managers
San Francisco, California

Dune Capital Management, L.P.
New York, New York

EARNEST Partners, LLC
Atlanta, Georgia

Forest Investment Associates
Atlanta, Georgia

Fortaleza Asset Management, Inc.
Chicago, Illinois

Franklin Templeton Real Estate Advisors
New York, New York

Frontier Capital Management Co.
Boston, Massachusetts

Garcia Hamilton & Associates, L.P.
Houston, Texas

Genesis Asset Managers International, Ltd.
London, England

GlobeFlex Capital, L.P.
San Diego, California

Graham & Dodd Fund, LLC
New York, New York

Grosvenor Capital Management, L.P.
Chicago, Illinois

Herndon Capital Management, LLC
Atlanta, Georgia

High Pointe Capital Management, LLC
Chicago, Illinois

Holland Capital Management
Chicago, Illinois

Invesco Real Estate
Dallas, Texas

Investment Counselors of Maryland, LLC
Baltimore, Maryland

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

LM Capital Group, LLC
San Diego, California

Lombardia Capital Partners, LLC
Pasadena, California

Longfellow Investment Management Co.
Boston, Massachusetts

LSV Asset Management
Chicago, Illinois

MacKay Shields, LLC
New York, New York

McKinley Capital Management, Inc.
Anchorage, Alaska

Mesirow Advanced Strategies, Inc.
Chicago, Illinois

Muller & Monroe Asset Management, LLC
Chicago, Illinois

New Century Advisors, LLC
Bethsesda, Maryland

Northern Trust Investments, Inc.
Chicago, Illinois

Olympus Real Estate Corporation
Dallas, Texas

Pantheon Ventures, Inc.
San Francisco, California

Permira Advisors, Ltd.
London, England

Phocas Financial Corporation
Alameda, California

Piedmont Investment Advisors, LLC
Durham, North Carolina

Profit Investment Management
Silver Spring, Maryland

Progress Investment Management Company
San Francisco, California

Pugh Capital Management
Seattle, Washington

Pyramis Global Advisors
Boston, Massachusetts

Redwood Investments, LLC
Newton, Massachusetts

Rockwood Capital, LLC
White Plains, New York

Sands Capital Management, LLC
Arlington, Virginia

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

Sentinel Real Estate Corporation
New York, New York

TA Associates Realty
Boston, Massachusetts

Taplin, Canida & Habacht
Miami, Florida

Templeton Investment Counsel, LLC
Fort Lauderdale, Florida

Vision Capital Management, Inc.
Portland, Oregon

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 U.S. Total Stock Market 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 Barclays 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 that exceeds the National Council of Real Estate Investment Fiduciaries Property Index (NPI) by 1 percent over moving three-year periods.

9. To achieve in alternative investments a return of 9% 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 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 U.S. Total Stock Market Index.

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 weighting at market value.

7. International equity managers shall generally invest in equity securities of companies domiciled outside of the U.S. They may be allowed to invest in U.S. domiciled companies that operate primarily outside the U.S.

8. 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 the 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

The majority of the real estate asset class investments will consist of equity ownership of privately held commercial real estate. Non-equity investments should not exceed 15 percent. Investments in publicly traded real estate securities will not exceed 20 percent. Investments will not be made in vehicles who invest solely in single family residential real estate or in real estate debt. The portfolio will be diversified by:

1. Property type: the majority of the investments will be allocated to the primary sectors of the NPI Index.

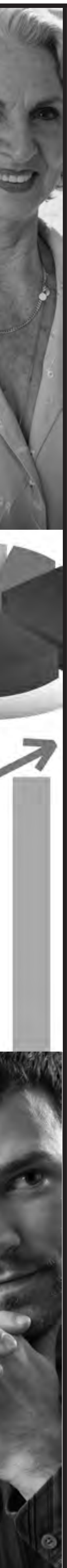
2. Geography: within the U.S., the allowable range of total real estate allocation to the West, East, Midwest, and South regions is the NPI exposure ± 50 percent.

3. Life cycle: 60 to 80 percent of the assets will be invested in core properties (at least 80 percent leased/occupied and less than 20 percent in development or restructuring).

4. Individual investment: no individual property, as measured by gross asset value, shall exceed 10 percent of the real estate portfolio for core properties and 5 percent for non-core properties.

5. Leverage: total asset class leverage will be kept below 50 percent loan to value. Individual account limits will be kept below 80 percent.

6. Liquidity: at least 20 percent of the portfolio will be kept outside of closed end funds.



G. Alternative Investment Guidelines

The Alternative Investment Portfolio will consist of venture capital, buyout, mezzanine, special situation, timber, agriculture, and absolute return investments. The investments will be made for long-term returns, generally through the use of limited partnership vehicles, separate account vehicles and commingled funds. 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. Idle cash balances swept by the custodian bank shall be invested in a constant $1 Net Asset Value vehicle. The objective is to generate current income that is consistent with preservation of capital and maintenance of liquidity.

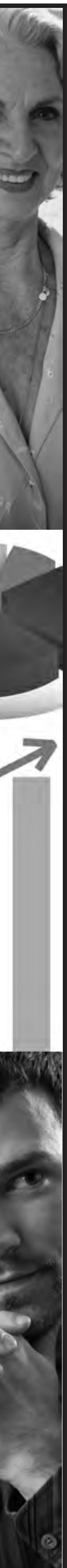
Returns by Asset Class

Periods ending December 31

	2011	2010	2009	2008	2007	Annualized 3 Yrs	5 Yrs	10 Yrs
Total Fund								
Time-Weighted Returns								
IMRF - Gross of Fees	-0.29%	13.60%	24.52%	-24.81%	8.52%	12.15%	2.85%	6.01%
IMRF - Net of Fees	-0.50	13.36	24.28	-24.97	8.28	11.92	2.64	--
CPI (Inflation)	2.96	1.50	2.72	0.09	4.08	2.39	2.26	2.48
Equities - U.S.								
IMRF - Gross of Fees	-0.74%	18.92%	31.39%	-38.62%	7.13%	15.75%	0.39%	4.24%
IMRF - Net of Fees	-0.99	18.63	31.12	-38.79	6.86	15.48	0.15	--
Dow Jones U.S. Total Stock Market Index	1.08	17.51	28.58	-37.23	5.62	15.15	0.24	3.86
Russell 2000	-4.18	26.85	27.17	-33.79	-1.57	15.63	0.15	5.62
Equities - International								
IMRF - Gross of Fees	-12.27%	12.98%	39.51%	-46.35%	14.85%	11.41%	-3.15%	6.54%
IMRF - Net of Fees	-12.50	12.68	39.07	-46.55	14.48	11.09	-3.45	--
MSCI ACWI Ex-U.S.	-13.71	11.15	41.45	-45.53	16.66	10.70	-2.92	6.31
MSCI EAFE	-12.14	7.75	31.78	-43.38	11.17	7.65	-4.72	4.67
Fixed Income								
IMRF - Gross of Fees	7.60%	8.59%	15.34%	-1.89%	5.67%	10.45%	6.91%	6.51%
IMRF - Net of Fees	7.44	8.43	15.21	-1.99	5.53	10.31	6.78	--
Barclays Aggregate	7.84	6.54	5.93	5.24	6.97	6.77	6.50	5.78
Barclays Government/Credit	8.74	6.59	4.52	5.70	7.23	6.60	6.55	5.85
Merrill Lynch High Yield	4.50	15.24	56.28	-26.21	2.17	23.46	7.25	8.54
Real Estate								
IMRF - Net of Fees	12.29%	6.03%	-24.52%	-3.75%	9.27%	-3.34%	-1.02%	4.96%
Real Estate Benchmark	15.26	14.11	-15.86	-5.46	16.84	3.43	4.09	5.88
NCREIF Property Index	14.26	13.11	-16.86	-6.46	15.84	2.43	3.09	8.06
Alternative Investments								
IMRF - Gross of Fees	5.05%	9.76%	-0.81%	-8.82%	19.87%	4.57%	4.57%	6.45%
IMRF - Net of Fees	4.84	9.50	-1.24	-8.93	19.42	4.28	4.28	--
Cash & Cash Equivalents								
IMRF	0.24%	0.26%	-7.27%	-19.17%	10.84%	-2.32%	-3.54%	1.45%
U.S. Treasury Bills	0.10	0.13	0.10	1.20	4.00	0.15	1.48	1.95

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.

With the exception of real estate, asset class net of fee returns for periods longer than five years ending December 31, 2011 are not available.

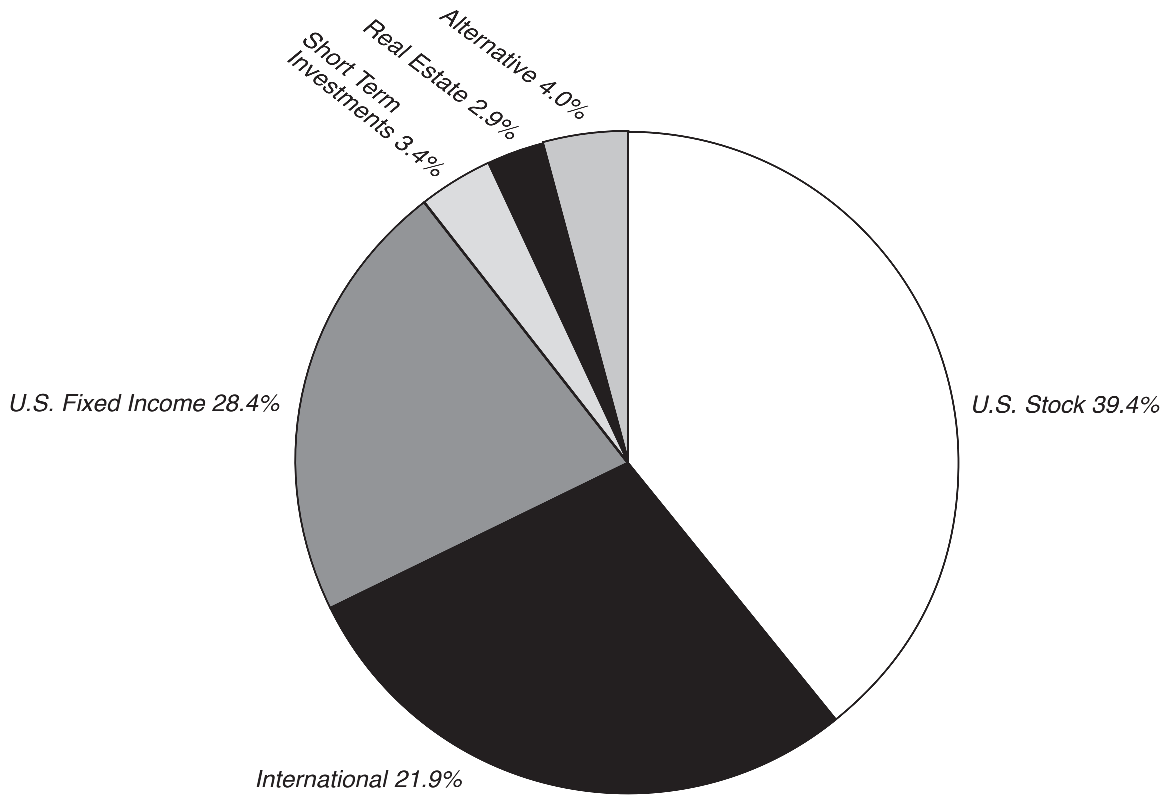


Schedule I
Investment Portfolio Summary
In Millions of Dollars

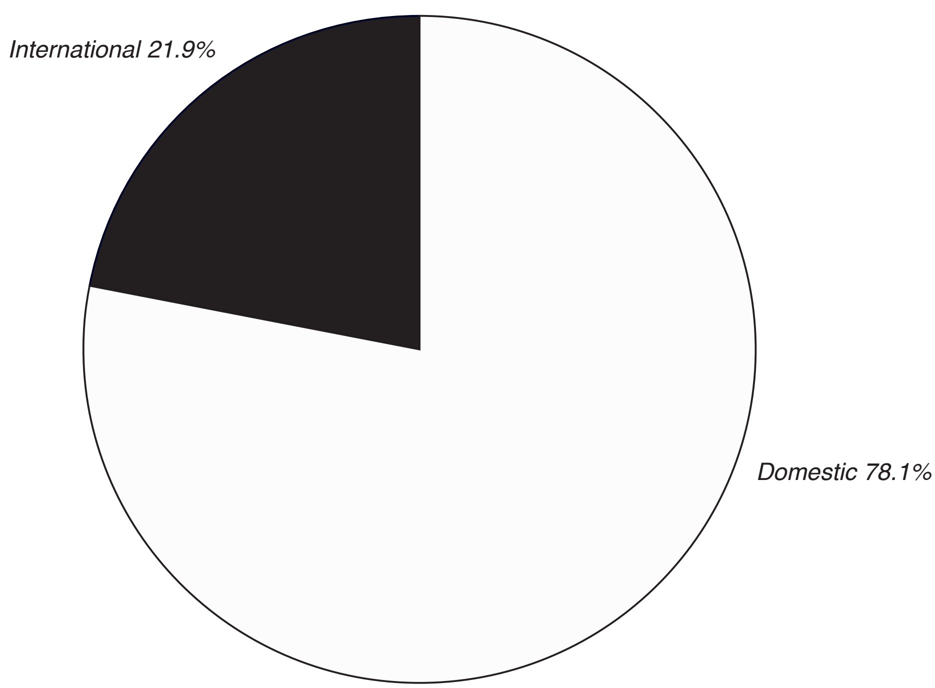
	As of December 31, 2011		As of December 31, 2010	
	Fair Value	Percent of Total Fair Value	Fair Value	Percent of Total Fair Value
Fixed Income:				
Government & Agencies	$ 3,174.9	12.7%	$ 2,655.4	10.4%
Corporate	2,580.0	10.3%	2,687.6	10.5%
Index Funds	1,343.8	5.4%	1,733.4	6.8%
Foreign	636.4	2.5%	609.2	2.4%
	7,735.1	30.9%	7,685.6	30.1%
Stocks:				
U.S. Common & Preferred	6,954.8	27.8%	6,762.8	26.5%
U.S. Stock Funds	2,911.3	11.6%	3,482.1	13.6%
Foreign Common & Preferred	2,866.4	11.5%	3,080.7	12.1%
Foreign Stock Funds	1,968.9	7.9%	2,491.4	9.7%
	14,701.4	58.8%	15,817.0	61.9%
Real Estate:				
Commingled Funds	494.1	2.0%	252.0	1.0%
Directly Owned	231.6	0.9%	214.6	0.8%
	725.7	2.9%	466.6	1.8%
Alternative Investments				
Commingled Funds	823.2	3.3%	814.9	3.2%
Timber and Agricultural	174.2	0.7%	149.3	0.6%
	997.4	4.0%	964.2	3.8%
Short-Term Investments	863.3	3.4%	613.5	2.4%
Total Portfolio	$25,022.9	100.0%	$25,546.9	100.0%

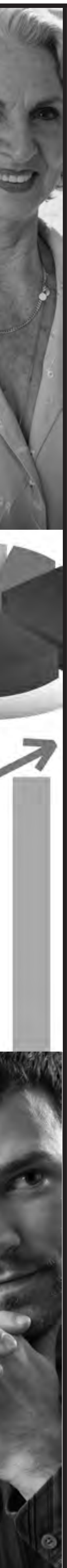
Investment Portfolio as of December 31, 2011

Allocation by Asset Class



Total Investments by Region





Schedule II
Asset Allocation
Last Five Years

	Fair Value as a Percent of Portfolio				
	2011	**2010**	**2009**	**2008**	**2007**
Fixed Income					
U.S. Government & Agencies	12.7%	10.4%	8.7%	14.5%	10.3%
Corporate	10.3%	10.5%	11.4%	12.0%	10.4%
Index Fund	5.4%	6.8%	7.5%	17.7%	12.7%
Foreign	2.5%	2.4%	2.8%	1.4%	1.5%
	30.9%	30.1%	30.4%	45.6%	34.9%
Stocks					
U.S. Common & Preferred	27.8%	26.5%	26.1%	23.8%	29.7%
U.S. Stock Funds	11.6%	13.6%	12.6%	6.5%	7.8%
Foreign Common & Preferred	11.5%	12.1%	11.7%	9.6%	11.9%
Foreign Stock Funds	7.9%	9.7%	10.3%	3.1%	6.2%
	58.8%	61.9%	60.7%	43.0%	55.6%
Real Estate					
Commingled Funds	2.0%	1.0%	1.1%	1.8%	1.7%
Directly Owned	0.9%	0.8%	0.7%	1.0%	0.8%
	2.9%	1.8%	1.8%	2.8%	2.5%
Alternative Investments					
Commingled Funds	3.3%	3.2%	3.5%	4.0%	3.3%
Timber and Agricultural	0.7%	0.6%	0.6%	0.7%	0.5%
	4.0%	3.8%	4.1%	4.7%	3.8%
Short-Term Investments	3.4%	2.4%	3.0%	3.9%	3.2%
Total Portfolio	100.0%	100.0%	100.0%	100.0%	100.0%

Ten Largest Fixed Income Investment Holdings

Excludes Commingled Funds and Short-Term Investments

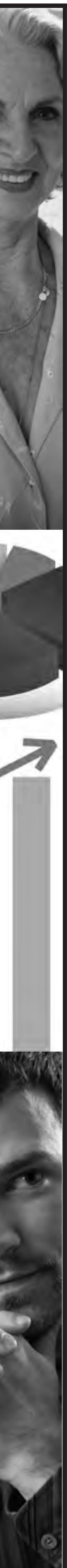
	Market Value	Percent of Total Invested Market
U.S. Treasury Notes 2.00% *Due 11/15/2021*	$122,754,346	0.49%
U.S. Treasury Notes .375% *Due 11/15/2014*	88,440,241	0.35%
U.S. Treasury Bonds 6.625% *Due 2/15/2027*	55,364,225	0.22%
FNMA 6.00% *Due 2/1/2042*	54,937,500	0.22%
U.S. Treasury Notes 1.375% *Due 12/31/2018*	52,428,119	0.21%
U.S. Treasury Notes 1.75% *Due 10/31/2018*	51,975,560	0.21%
GNMA II 4.50% *Due 1/1/2042*	49,007,790	0.20%
FNMA 4.50% *Due 1/1/2042*	44,690,646	0.18%
U.S. Treasury Bonds 4.75% *Due 2/15/2041*	43,580,860	0.17%
FNMA 3.50% *Due 12/1/2041*	43,275,966	0.17%
	$606,455,253	2.42%

Ten Largest Equity Investment Holdings

Excludes Commingled Funds

	Market Value	Percent of Total Invested Market
Apple, Inc.	$ 180,935,775	0.72%
Exxon Mobil Corp.	126,962,682	0.51%
Chevron Corp.	107,363,878	0.43%
Google, Inc.	105,376,001	0.42%
Pfizer, Inc.	95,633,998	0.38%
Qualcomm, Inc.	93,377,768	0.37%
Visa, Inc.	83,799,918	0.33%
Wells Fargo & Co.	78,052,152	0.31%
Amazon, Inc.	70,550,367	0.28%
Microsoft Corp.	65,356,662	0.26%
	$1,007,409,201	4.01%

A complete listing of investments is available upon request.



Schedule of 2011 Domestic Brokerage Commissions

In order of commissions received

Broker Name	Shares	Commissions	Per Share
Northern Trust Co.	47,734,127	$ 477,400	$0.010
Cabrera Capital Markets, Inc.	13,803,179	362,926	0.026
Loop Capital Markets	15,002,661	332,379	0.022
CL King & Associates	6,588,410	240,411	0.036
Knight Equity Markets LP	7,992,714	183,685	0.023
MR Beal and Company	7,001,137	182,575	0.026
Goldman Sachs & Company	6,146,226	167,381	0.027
Morgan Keenan and Company	3,129,847	149,707	0.048
BNY ESI Securities Co.	3,865,170	139,168	0.036
Cantor Fitzgerald & Co.	4,304,987	136,744	0.032
Credit Suisse First Boston Corporation	5,125,785	126,441	0.025
Jones Trading Institutional Services	4,499,975	121,891	0.027
Cheevers and Company, Inc.	4,334,729	117,175	0.027
Bear Stearns	3,695,974	114,072	0.031
Instinet	4,051,203	111,644	0.028
Williams Capital Group LP	3,706,894	111,637	0.030
Morgan Stanley & Co., Inc. New York	3,912,457	107,741	0.028
Stifel Nicolaus and Company	5,487,423	102,593	0.019
Barclays Capital LE	4,098,395	99,977	0.024
Merrill Lynch Pierce Fenner & Smith	4,675,979	98,319	0.021
Sidoti & Company LLC	2,342,304	89,389	0.038
Assent	6,053,095	86,918	0.014
M Ramsey King Securities	2,083,767	78,985	0.038
Jefferies & Company	2,883,457	76,671	0.027
Liquidnet, Inc.	4,115,299	76,407	0.019
Investment Technology Group, Inc.	4,902,926	75,862	0.015
Pershing LLC	2,373,125	71,846	0.030
Guzman & Company	7,091,280	70,913	0.010
Citigroup Global Markets, Inc./Smith Barney	2,324,382	58,941	0.025
Craig Hallum	1,548,322	58,709	0.038
Other Brokers	924,080,587	2,106,544	0.002
Total	1,118,955,816	$ 6,335,051	$0.006

Schedule of 2011 International Brokerage Commissions

In order of commissions received

Broker Name	Shares	Commissions	Per Share
G-Trade Services Ltd.	30,284,682	$ 330,900	$0.011
Instinet U.K. Limited London	29,845,063	238,282	0.008
Cheuvreux De Virieu Paris	15,706,846	230,042	0.015
Cabrera Capital Markets LLC	7,876,561	223,716	0.028
UBS AG (London Equities)	10,549,608	199,471	0.019
Chicago Analytic Trading Company	7,595,800	170,714	0.022
Morgan Stanley & Co., Inc.	24,982,956	167,768	0.007
Goldman Sachs & Co. New York	9,792,002	164,772	0.017
Nomura Securities New York	20,383,360	157,532	0.008
CSFB New York	42,482,377	145,778	0.003
Jefferies & Co., Inc. New Jersey	5,248,364	140,395	0.027
Deutsche Bank Securities, Inc.	14,467,338	120,234	0.008
Pershing LLC - Jersey City	15,655,358	117,067	0.007
J.P. Morgan Clearing Group	15,360,408	111,320	0.007
UBS Securities Asia	49,990,554	107,102	0.002
Merrill Lynch Fenner & Smith, Inc.	10,889,146	101,285	0.009
J.P. Morgan Securities Limited London	9,582,373	99,007	0.010
Merrill Lynch International, Ltd. Equities	6,935,470	89,712	0.013
Citigroup Global Markets, Inc.	26,971,155	86,974	0.003
Macquarie Securities, Ltd., Hong Kong	13,274,390	80,688	0.006
J.P. Morgan Securities (Asia Pac)	25,298,867	80,273	0.003
BNP Paribas Securities (Asia), Ltd.	13,070,742	79,880	0.006
Citigroup Global, Ltd. Broker	4,014,714	68,169	0.017
Societe Generale London	4,482,625	62,862	0.014
Barclays Capital Securities London	2,509,647	55,898	0.022
Credit Agricole Securities USA, Inc.	16,132,779	55,684	0.003
Merrill Lynch & Co., Inc.	3,817,749	52,401	0.014
CSFB London	3,852,487	48,249	0.013
Goldman Sachs (Asia) LLC Taipei	6,188,325	44,725	0.007
Redburn Partners LLP	3,630,424	40,100	0.011
Other Brokers	918,876,740	1,916,133	0.002
Total	1,369,748,910	$ 5,587,133	$0.004

Commissions in U.S. dollar terms.

Schedule of Investment Fees

	2011 Fees	2011 Assets under management at year end (in thousands)*	Basis Points	2010 Fees	2010 Assets under management at year end (in thousands)*	Basis Points
Investment manager fees						
Fixed income managers	$ 10,664,631	$ 7,023,797	15	$ 8,842,969	$ 6,665,577	13
Stock managers	28,159,836	10,122,743	28	21,662,333	10,470,587	21
International managers	18,192,115	5,865,097	31	16,276,121	6,471,378	25
Real estate managers	8,426,182	727,011	116	7,124,494	466,171	153
Alternative investment managers	7,301,234	1,017,037	72	5,995,276	995,980	60
	$ 72,743,998	$ 24,755,685		$ 59,901,193	$25,069,693	
Other investment fees						
Master trustee fees	$ 250,000			$ 255,500		
Investment consulting fees	863,922			858,089		
Total investment fees	73,857,920			61,014,782		
Non-fee investment expenses	168,080			142,473		
Total direct investment expenses	$74,026,000			$61,157,255		
Securities lending fees						
Management fees and borrower rebates	$ 1,196,143			$ 1,310,160		

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

Actuarial
2011

IMRF Strategic Goal:

Service & Operational Excellence

To achieve a top 10% ranking in overall services as measured by the CEM Service Score, while keeping our "per member" cost near the median of the CEM administrative cost measure.

GRS

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 2, 2012

Board of Trustees
Illinois Municipal Retirement Fund
2211 York Road, Suite 500
Oak Brook, Illinois 60523-2337

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.

The purpose of the valuation was to determine contribution rates for the 2013 calendar year and to provide actuarial information in connection with applicable Governmental Accounting Standards Board Statements. The valuation should not be relied upon for any other purpose. The valuation process develops contribution rates that are sufficient to fund the plan's normal 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. The valuations were completed based upon population data, asset data, and plan provisions in effect on December 31, 2011.

The valuation was based upon information, furnished by the plan's administrative staff, concerning Retirement System benefits, financial transactions, and individual members, terminated members, retirees and beneficiaries. We checked the data for internal and year to year consistency, but did not otherwise audit the data. As a result, we do not assume responsibility for the accuracy or completeness of the data provided. The actuary prepared the following supporting schedules for the Comprehensive Annual Financial Report:

Schedule of Funding Progress

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 2, 2012
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, 2011 valuations were based upon assumptions that were recommended in connection with a study of experience covering the 2008-2010 period. The next experience study will cover the period from January 1, 2011 to December 31, 2013. Future actuarial measurements may differ significantly from those presented in the valuations due to such factors as experience differing from that anticipated by actuarial assumptions, changes in plan provision, actuarial assumptions/methods or applicable law. Due to the limited scope of the assignment, we did not perform an analysis of the potential range of future measurements.

Based upon the results of the December 31, 2011 valuation, we are pleased to report to the Board that the Illinois Municipal Retirement System is meeting its basic financial objective and continues to operate in accordance with actuarial principles of level percent of payroll financing. All calculations have been made in conformity with generally accepted actuarial principles and practices, and with the Actuarial Standards of Practice issued by the Actuarial Standards Board.

The actuaries submitting this statement are Members of the American Academy of Actuaries (MAAA), and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

Respectfully submitted,

Brian B. Murphy, FSA, EA, MAAA

Mark Buis, FSA, EA, MAAA

Illinois Municipal Retirement Fund
Brief Summary of Actuarial Assumptions Used in 2011 Valuations
(Adopted as of December 31, 2011, 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%.
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	RP-2000 Combined Healthy Mortality Table, adjusted for mortality improvements to 2020 using projection scale AA. Male rates were multiplied by 120% and female rates were multiplied by 92%. 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.
Disability	Graduated rates by age. See table below for sample values.
Separation and Salary Increases	Graduated rates by age and service. See table below for sample values.
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 Probabilities				
	Active Mortality		Disability		Pay Increase Next Year
Age	Male	Female	Male	Female	(6+ Yrs. Of Service)
20	0.02%	0.01%	0.01%	0.00%	6.0%
30	0.03%	0.01%	0.01%	0.00%	5.7%
40	0.06%	0.02%	0.03%	0.01%	4.9%
50	0.10%	0.05%	0.07%	0.03%	4.6%
60	0.34%	0.18%	0.14%	0.09%	4.4%
65	0.67%	0.35%	0.15%	0.11%	4.4%

	Separation			Retirement (Tier 1)					
	Regular (8+ Yrs. Serv.)		SLEP	Reduced Early		Normal Unreduced		SLEP Service	
Age	Male	Female	(7+ Yrs.)	Male	Female	Male	Female	(< 32 Yrs.)	(32+ Yrs.)
30	4.1%	6.1%	3.2%	- %	-%	- %	- %	- %	-%
35	3.3%	4.9%	2.1%	-	-	-	-	-	-
40	2.7%	3.9%	1.7%	-	-	-	-	-	-
45	2.3%	3.2%	1.7%	-	-	-	-	-	-
50	2.0%	2.7%	1.7%	-	-	-	-	23.0%	40.0%
55	-	-	-	7.25%	5.75%	33.0%	27.0%	23.0%	40.0%
60	-	-	-	-	-	12.0%	10.0%	8.0%	40.0%
65	-	-	-	-	-	25.0%	23.0%	23.0%	40.0%
70	-	-	-	-	-	20.0%	18.0%	100.0%	100.0%

Gabriel Roeder Smith & Company

Solvency Test

Last ten years

Calendar Year	Aggregate Actuarial Liabilities For (1) Active Member Contributions	(2) Annuitants	(3) Active Members (Employer Financed Portion)	Actuarial Assets	Portion of Actuarial Liabilities Covered by Assets (1)	(2)	(3)
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
2006	3,960,880,175	8,652,328,762	9,874,976,094	21,427,139,356	100.0	100.0	89.3
2007	4,248,399,825	9,400,832,984	10,572,310,907	23,274,361,198	100.0	100.0	91.0
2008	4,573,736,116	10,025,599,295	11,011,863,938	21,601,053,512	100.0	100.0	63.6
2009	4,893,022,745	10,903,323,478	11,548,766,993	22,754,803,784	100.0	100.0	60.3
2010	5,153,902,881	12,121,959,266	11,853,366,092	24,251,136,889	100.0	100.0	58.8
2011	5,417,822,062	13,388,018,799	12,156,974,567	25,711,287,584	100.0	100.0	56.8

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(Decrease) in Total Salaries	Average Annual Salary	Percent Increase in Average Salary	Number of Participating Members	Average Attained Age	Average Years of Service
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
2006	5,630,683,054	4.8	32,535	2.8	174,008	46.5	9.1
2007	5,931,443,117	5.3	33,607	3.3	177,783	46.6	9.5
2008	6,259,283,197	5.5	34,655	3.1	181,678	46.8	9.6
2009	6,461,696,602	3.2	35,771	3.2	181,380	47.1	9.8
2010	6,391,164,701	(1.1)	36,277	1.4	176,703	47.5	10.3
2011	6,431,296,235	0.6	36,701	1.2	175,844	47.7	10.4

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	Added to Rolls		Removed from Rolls		End of Year Rolls		Average Annual Benefit	% Change in Average Benefit
	Number	Annual Benefits	Number	Annual Benefits	Number	Annual Benefits		
2002	4,896	$ 59,379,384	2,968	$ 16,313,114	73,360	$ 561,184,188	$ 7,650	5.5%
2003	5,378	73,056,745	2,963	17,193,231	75,775	617,047,702	8,143	6.4
2004	5,542	77,466,919	3,075	18,886,006	78,242	675,628,615	8,635	6.0
2005	5,768	76,887,679	3,291	20,705,563	80,719	731,810,731	9,066	5.0
2006	5,885	85,515,147	3,219	21,441,076	83,385	795,884,802	9,545	5.3
2007	6,218	91,831,041	3,241	22,262,632	86,362	865,453,211	10,021	5.0
2008	6,000	94,526,796	3,408	23,956,030	88,954	936,023,977	10,523	5.0
2009	6,422	106,361,549	3,318	26,218,141	92,058	1,016,167,385	11,038	4.9
2010	7,518	131,651,729	3,509	28,512,198	96,067	1,119,306,916	11,651	5.6
2011	7,733	130,378,649	5,200	35,101,362	98,600	1,214,584,203	12,318	5.7

Schedule of Disabilitants Added to and Removed from Rolls

Calendar Year	Added to Rolls		Removed from Rolls		End of Year Rolls		Average Annual Benefit	% Change in Average Benefit
	Number	Annual Benefits	Number	Annual Benefits	Number	Annual Benefits		
2002	2,261	$ 24,251,986	2,353	$ 24,145,825	1,308	$ 9,735,768	$ 7,443	8.2%
2003	2,491	26,343,203	2,459	25,773,165	1,340	10,305,806	7,691	3.3
2004	2,533	27,551,323	2,487	27,084,088	1,386	10,773,041	7,773	1.1
2005	2,474	28,100,189	2,471	27,180,978	1,389	11,692,252	8,418	8.3
2006	2,339	27,529,685	2,409	28,024,170	1,319	11,197,767	8,490	0.9
2007	2,354	27,188,433	2,348	27,006,030	1,325	11,380,170	8,589	1.2
2008	2,313	28,754,216	2,422	29,343,494	1,216	10,790,892	8,874	3.3
2009	2,349	28,136,992	2,325	28,024,488	1,240	10,903,396	8,793	(0.9)
2010	2,407	29,913,347	2,433	29,158,561	1,214	11,658,182	9,603	9.2
2011	2,338	27,038,672	2,468	28,452,864	1,084	10,243,990	9,450	(1.6)

Table III
Average Employer Contribution Rates
Latest five years

Calendar Year	Normal Cost	Prior Service Cost	Disability and Death	Supplemental Retirement Benefit	Total
Regular members					
2009	7.42%	0.90%	0.33%	0.62%	9.27%
2010*+	7.58	2.24	0.32	0.62	10.76
2011+	7.58	2.99	0.28	0.62	11.47
2012+	7.58	3.57	0.32	0.62	12.09
2013*^	7.77	4.16	0.30	0.62	12.85
Sheriff's Law Enforcement Personnel members (SLEP)					
2009	11.63%	6.07%	0.33%	0.62%	18.65%
2010*+	11.97	7.70	0.32	0.62	20.61
2011+	11.97	8.80	0.29	0.62	21.68
2012+	12.01	9.35	0.33	0.62	22.31
2013*^	12.74	9.73	0.31	0.62	23.40
Elected County Official members (ECO)					
2009	17.08%	24.75%	0.32%	0.62%	42.77%
2010*+	17.24	23.25	0.32	0.62	41.43
2011+	17.20	24.04	0.29	0.62	42.15
2012+	17.22	26.44	0.33	0.62	44.61
2013*^	17.63	28.29	0.31	0.62	46.85

**Assumptions changed due to experience study.*
+Includes impact of optional phase-in plan.
^Prior to impact of optional phase-in plan.

Table IV
Participating Member Contribution Rates
Last ten years

Calendar	Regular IMRF			Sheriff's Law Enforcement Personnel				Elected County Officials			
Year	Normal	Survivor	Total	Normal	Survivor	SLEP	Total	Normal	Survivor	ECO	Total
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
2006	3.75	0.75	4.50	3.75	0.75	3.00*	7.50	3.75	0.75	3.00	7.50
2007	3.75	0.75	4.50	3.75	0.75	3.00	7.50	3.75	0.75	3.00	7.50
2008	3.75	0.75	4.50	3.75	0.75	3.00	7.50	3.75	0.75	3.00	7.50
2009	3.75	0.75	4.50	3.75	0.75	3.00	7.50	3.75	0.75	3.00	7.50
2010	3.75	0.75	4.50	3.75	0.75	3.00	7.50	3.75	0.75	3.00	7.50
2011	3.75	0.75	4.50	3.75	0.75	3.00	7.50	3.75	0.75	3.00	7.50

** The SLEP enhancement percentage changed from 2.00% to 3.00% on June 1, 2006.*

Actuarial Balance Sheet

	Amount at December 31	
	2011	**2010**
Sources of Funds		
Actuarial value of assets	$ 25,711,287,584	$ 24,251,136,889
Actuarial present value of future contributions:		
Member	2,633,243,353	2,534,660,854
Employer Normal Costs	4,523,134,131	4,242,199,195
Under Funded Actuarial Accrued Liability	5,251,527,844	4,878,091,350
Total Sources	$ 38,119,192,912	$ 35,906,088,288
Uses of Funds		
Retired members and beneficiaries	$ 13,388,018,799	$ 12,121,959,266
Inactive members	2,835,743,374	2,699,563,197
Active members	21,867,954,722	21,055,630,874
Death and disability benefits	27,476,017	28,934,951
Total Uses	$ 38,119,192,912	$ 35,906,088,288

Analysis of Under Funded Actuarial Liability

	Amount at December 31	
	2011	**2010**
Under funded liability beginning of year	$ 4,878,091,350	$ 4,590,309,432
Assumed net (payments) during year	(271,273,181)	(242,704,632)
Assumed interest (7.5 percent)	355,806,713	335,281,478
Expected under (over) funded liability	$ 4,962,624,882	$ 4,682,886,278
Increase due to experience study	181,134,110	--
Increase due to data changes	--	250,000,000
Increase due to investment performance	164,319,997	90,484,387
Decrease due to other sources	(56,551,145)	(145,279,315)
Under funded liability end of year	$ 5,251,527,844	$ 4,878,091,350

Derivation of Experience Loss

Type of Risk Area	2011	2010
	(in millions)	
Risks Related to Assumptions		
Economic Risk Areas		
Investment Return	$ (164.3)	$ (90.5)
Pay Increases	238.9	359.6
Demographic Risk Areas		
Service Retirements	(22.9)	(0.2)
Early Retirements	(5.7)	--
Vested Deferred Retirements	(25.9)	(32.3)
Death and Survivor Benefits	7.3	3.3
Disability Benefits	8.2	7.3
Terminated with Refund	19.9	(0.3)
Impact of Data Changes (1)	--	(250.0)
Changes due to Experience Study (2)	(181.1)	--
Risks Not Related to Assumptions (3)	(163.3)	(192.1)
Total Loss During Year	$ (288.9)	$ (195.2)

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.

(1) Data changes were primarily attributable to data records for which there was little or no service provided in 2009 as an active member but in 2010 were listed as retired with a full career of service.

(2) Reflects the impact of the triennial experience study. The most significant adjustment to the actuarial assumptions was a change in the mortality area.

(3) This is primarily due to rehires of former employees and actual reserve transfers for retirees being higher than the estimated reserve transfers.

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 2,964 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 could adopt the Elected County Official (ECO) plan for their elected officials prior to August 26, 2011. The ECO plan was closed to new participants after that date. After a county adopted the ECO plan, participation was optional for the elected officials of that county. All remaining employees belong to the Regular plan.

On April 14, 2010, Public Act 96-0889 was signed by the Governor of Illinois. This law which became effective January 1, 2011, created a second tier for Regular and Elected County Official plan members who are initially hired on or after that date. On December 30, 2010, Public Act 96-1495 was signed by the Governor of Illinois. This law which became effective January 1, 2011, created a second tier for SLEP plan members who are initially hired on or after that date.

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 and ECO members contribute 7.5 percent. Members also have the option of making voluntary after-tax contributions up to 10% of their salary. Employer contribution rates are actuarially calculated annually for each employer. (Beginning in 2010, employers were given the option to select a contribution rate less than the actuarial required contribution rate if the current year's actuarial required contribution rate were more than 10 percent higher than the prior year's rate.) Employers pay most of the cost for member and survivor pensions and all of the cost for supplemental retirement, death and disability benefits.

Vesting

Tier 1

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

Tier 2

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

Refunds

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

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

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

Pension Calculations

A Regular IMRF pension is:

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

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

A SLEP pension is:

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

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

An ECO pension is:

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

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

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

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

An IMRF pension is paid for life.

Final Rate of Earnings

Tier 1

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

Tier 2

The final rate of earnings for Regular and SLEP members is the highest total earnings during any 96 consecutive months within the last 10 years of IMRF service, divided by 96, or the total lifetime earnings divided by the total lifetime number of months of service. For Revised ECO members who join the plan after January 25, 2000, the final rate of earnings is the highest total earnings during any 96 consecutive months within the last 10 years of IMRF service, divided by 96 for each office held. Pensionable earnings are initally capped at $106,800, which will increase annually beginning in 2012 by three percent or one-half of the increase of the Consumer Price Index, whichever is less. For Tier 2 SLEP members, overtime compensation is excluded from pensionable earnings.

Retirement Eligibility

Tier 1

Normal retirement for an unreduced pension is:

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

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

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

Tier 2

Normal retirement for an unreduced pension is:

- Age 67 with ten or more years of service or 35 or more years of service at age 62,
- Age 55 with ten or more years of SLEP service for members with SLEP service, or
- Age 67 with 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 62 with a reduced pension. The reduction is the lesser of:

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

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

Service Credit

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

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

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

Post-retirement Increases

Tier 1

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

Tier 2

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

Early Retirement Incentive

IMRF employers may offer an early retirement incentive (ERI) program to their employees who are over 50 (57 for Tier 2 Regular and ECO members) years of age and who have at least 20 years of service credit. Eligible members may purchase up to five years of service credit and age. Employers must pay off the additional ERI liability within 10 years. Subsequent ERI programs may be offered by an employer 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 dollar amount of the benefits of persons eligible.

Disability Benefits

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

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

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

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

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

ECO members are eligible for ECO disability benefits if they:

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

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

- 50 percent of the annualized salary payable on the last day of ECO participation divided by 12 or,
- The retirement benefit earned to date 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 will always pay a minimum monthly benefit of $10. Members on disability earn pension service credit as if they were working.

Death Benefits

Beneficiaries of active members who have more than one year of service or whose deaths are job-related are entitled to lump sum IMRF death benefits. If the member was not vested or vested without an eligible spouse, the death benefit is equal to one year's earnings (limited to pensionable earnings cap for Tier 2 members) 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 non-vested members receive a lump sum payment of any balance in the member's account including interest. If the beneficiary is an eligible spouse of an inactive vested member age 55 or older, the spouse may choose between the lump sum payment or a death benefit of $3,000 plus a monthly surviving spouse pension. Beneficiaries of retired members receive a $3,000 death benefit. Eligible spouses also receive a surviving spouse pension.

Surviving Spouse Pension

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

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

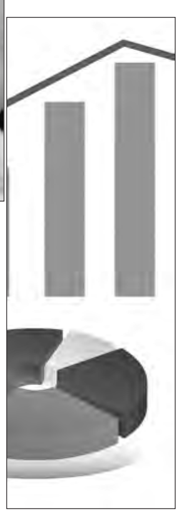
- A monthly pension equal to 30 percent of the ECO member's salary at time of death plus
- 10 percent of the ECO member's salary at time of death for each minor, unmarried child. The maximum total monthly benefit payable to spouse and children cannot exceed 50 percent of the ECO member's salary at time 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. The increase is based on the original amount of the pension. The increase for the first year is prorated for the number of months the surviving spouse or the member received a pension. For Tier 1, the annual increase is three percent. For Tier 2, the annual increase is three percent or one-half the increase in the Consumer Price Index, whichever is less.

Statistical

2011

The tables in this section provide Financial, Operating and Demographic, and Benefit Payment information.



IMRF Strategic Goal: ***Customer Satisfaction***

To achieve a level of satisfaction whereby a minimum of 90% of members and employers assign us a "Very Satisifed" rating.

Table V
Changes in Plan Net Assets
Last ten years

Additions

Calendar Year	Investment Earnings Net of Direct Investment Expense	Employer Contributions		Member Contributions	Other	Total Additions
		Dollars	Percent of Annual Covered Payroll			
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
2006	2,667,700,578	602,775,795	10.71	280,997,170	6,315	3,551,479,858
2007	1,799,391,405	600,822,135	10.13	296,690,070	6,049	2,696,909,659
2008	(6,096,480,733)	631,147,476	10.08	314,019,939	18,722	(5,151,294,596)
2009	4,423,550,741	660,399,408	10.22	324,070,795	9,148	5,408,030,092
2010	2,976,549,317	770,142,278	12.05	324,901,985	7,032	4,071,600,612
2011	(92,930,304)	800,804,253	12.45	327,680,889	9,852	1,035,564,690

Deductions

Calendar Year	Benefits	Refunds	Administrative Expenses	Total Deductions	Change in Plan Net Assets
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
2006	856,205,596	40,095,036	20,339,190	916,639,822	2,634,840,036
2007	924,005,832	36,206,951	20,811,398	981,024,181	1,715,885,478
2008	997,492,141	31,926,120	20,727,536	1,050,145,797	(6,201,440,393)
2009	1,077,852,453	27,426,079	21,967,308	1,127,245,840	4,280,784,252
2010	1,178,030,534	32,201,577	22,318,493	1,232,550,604	2,839,050,008
2011	1,284,405,609	32,900,105	23,086,712	1,340,392,426	(304,827,736)

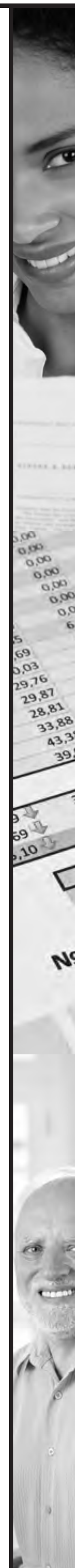


Table VI

Benefit Expense by Type

Last ten years

Calendar Year	DEATH				DISABILITY	
	Supplemental	Refund	Burial	Residual	Permanent	Temporary
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
2006	9,874,057	7,565,398	7,464,813	708,466	3,857,144	7,795,207
2007	8,428,232	8,757,533	7,255,736	692,275	3,887,168	7,705,263
2008	10,416,827	7,971,900	7,334,749	765,241	4,113,550	7,195,656
2009	8,486,871	9,096,938	7,813,566	961,645	4,211,002	6,649,144
2010	10,313,306	8,547,634	7,726,161	1,439,264	4,286,549	7,205,576
2011	9,664,027	9,184,487	8,435,071	1,328,589	4,157,671	7,471,493

Calendar Year	ANNUITIES				REFUNDS		
	Retirement	Surviving Spouse	Beneficiary	Supplemental	Separation	Other	Total
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
2006	732,090,146	50,788,527	1,325,633	34,736,205	32,707,901	7,387,135	896,300,632
2007	794,767,293	54,255,986	1,477,778	36,778,568	34,110,636	2,096,315	960,212,783
2008	861,528,538	57,647,849	1,581,010	38,936,821	28,287,188	3,638,932	1,029,418,261
2009	936,104,649	61,615,626	1,751,952	41,161,060	25,974,794	1,451,285	1,105,278,532
2010	1,027,761,178	66,174,661	1,962,756	42,613,449	30,440,247	1,761,330	1,210,232,111
2011	1,130,473,927	71,188,507	2,208,709	40,293,128	31,515,077	1,385,028	1,317,305,714

Table VII

Net Cash Flow from Contributions After Benefits

Last ten years

Calendar Year	Employer Contributions	Member Contributions	Total Contributions	Total Benefit Payments	Net Cash Flow
2002	$ 294,935,422	$ 233,935,559	$ 528,870,981	$ 650,248,250	$ (121,377,269)
2003	321,049,839	255,498,279	576,548,118	697,720,978	(121,172,860)
2004	456,198,098	259,505,532	715,703,630	764,533,093	(48,829,463)
2005	543,263,475	265,568,534	808,832,009	823,454,491	(14,622,482)
2006	602,775,795	280,997,170	883,772,965	896,300,632	(12,527,667)
2007	600,822,135	296,690,070	897,512,205	960,212,783	(62,700,578)
2008	631,147,476	314,019,939	945,167,415	1,029,418,261	(84,250,846)
2009	660,399,408	324,070,795	984,470,203	1,105,278,532	(120,808,329)
2010	770,142,278	324,901,985	1,095,044,263	1,210,232,111	(115,187,848)
2011	800,804,253	327,680,889	1,128,485,142	1,317,305,715	(188,820,573)

Net Cash Flow

Last ten years

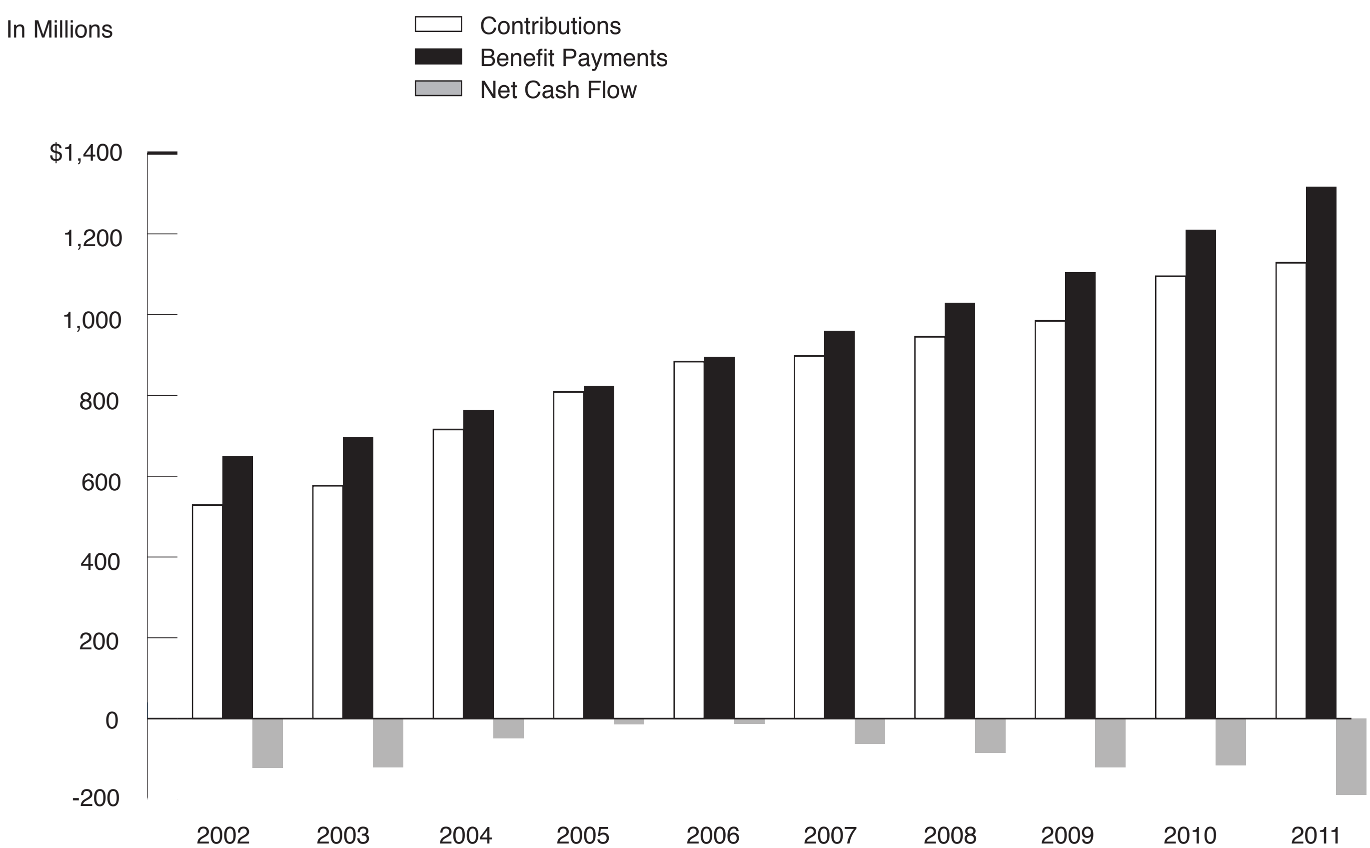


Table VIII

Operating Statistics - Number of Initial Benefit Payments

Last ten years

Calendar Year	Annuity	Disability	Death	Refund	Total
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
2006	4,887	2,339	3,029	11,639	21,894
2007	5,283	2,354	2,975	12,487	23,099
2008	5,081	2,313	3,033	10,469	20,896
2009	5,467	2,349	3,149	10,593	21,558
2010	6,541	2,407	3,141	10,219	22,308
2011	6,751	2,338	3,308	10,001	22,398

Table IX

Number of Employees

Last ten years

Calendar Year	Administration	Internal Audit	Human Resources	Finance	Investments	Legal	Communications	Member Services	Benefits	Information Services	Program Management	Office Services	Total
2002	3	1	4	38	10	4	5	24	25	45	--	27	186
2003	3	1	4	36	10	4	5	24	25	45	--	26	183
2004	3	1	4	33	10	4	5	24	25	43	--	25	177
2005	3	1	4	32	10	4	5	24	25	44	--	24	176
2006	3	1	4	30	11	3	5	23	27	43	--	26	176
2007	3	1	4	31	11	4	6	24	27	43	--	26	180
2008	4	1	4	30	11	4	6	25	27	42	--	22	176
2009	4	1	4	31	11	4	6	26	26	41	--	22	176
2010	4	1	4	30	11	4	6	26	27	39	--	22	174
2011	4	4	4	27	10	4	7	26	28	34	6	22	176

Table X
Number of Actively Participating Employers
Last ten years

Calendar Year End	Cities	Villages	Counties	School Districts	Townships	Other	Total
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
2006	255	398	101	870	467	818	2,909
2007	255	403	101	867	472	828	2,926
2008	256	406	101	864	474	839	2,940
2009	256	407	101	865	477	844	2,950
2010	257	410	101	864	477	854	2,963
2011	257	411	101	862	479	854	2,964

Table XI
Principal Participating Employers
Current year and nine years ago

	2011			2002		
Employer	Active Members	Rank	Percentage of Total Active Members	Active Members	Rank	Percentage of Total Active Members
DuPage County	3,047	1	1.73%	3,406	1	2.03%
Lake County	2,628	2	1.49	2,902	2	1.73
Will County	2,345	3	1.33	1,949	5	1.16
Union School District 46	1,937	4	1.10	2,019	4	1.20
Winnebago County	1,720	5	0.98	1,540	6	0.92
Rockford School District 205	1,547	6	0.88	2,157	3	1.29
McHenry County	1,331	7	0.76	--	-	--
Kane County	1,316	8	0.75	1,334	8	0.80
Peoria School District 150	1,225	9	0.70	1,283	9	0.76
Palatine School District 211	1,222	10	0.69	--	-	--
City of Springfield	--	-	--	1,347	7	0.80
St. Clair County	--	-	--	1,115	10	0.66
	18,318		10.41%	19,052		11.35%

Table XII
Number of Actively Participating Members
Last ten years

Calendar Year End	Male Participants	Female Participants	Total
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
2006	64,136	109,872	174,008
2007	65,355	112,428	177,783
2008	66,802	114,876	181,678
2009	66,640	114,740	181,380
2010	65,543	111,160	176,703
2011	65,332	110,512	175,844

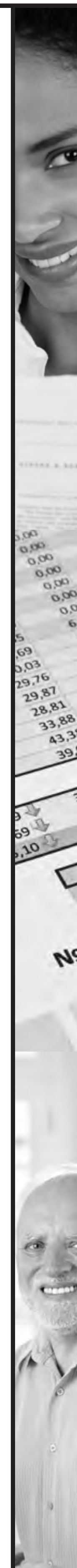


Table XIII

Participating Members' Length of Service

Last ten years

Calendar Year	Total Active Members	Under 1 Year	1 to 7 Years	8 to 14 Years	15 Years and Over	Percent Vested
2002	167,776	18,566	80,607	34,920	33,683	40.9%
2003	167,952	16,678	80,610	35,468	35,196	42.1%
2004	168,536	17,225	78,499	35,765	37,047	43.2%
2005	170,928	18,723	76,768	36,735	38,702	44.1%
2006	174,008	19,245	76,290	38,781	39,692	45.1%
2007	177,783	20,670	75,311	41,889	39,913	46.0%
2008	181,678	19,543	76,607	44,487	41,041	47.1%
2009	181,380	14,950	77,606	46,749	42,075	49.0%
2010	176,703	12,928	73,980	46,906	42,889	50.8%
2011	175,844	15,158	70,518	46,459	43,709	51.3%

Table XIV

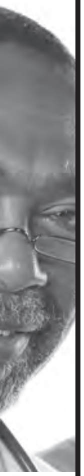
Active Members by Age

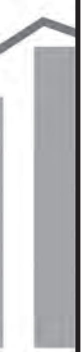
	All Plans			Sheriff's Law Enforcement Personnel			Elected County Officials		
Ages	Male	Female	Total	Male	Female	Total	Male	Female	Total
Under 20	127	186	313	--	--	--	--	--	--
20 to 29	7,821	10,026	17,847	516	87	603	2	--	2
30 to 39	11,816	15,774	27,590	1,185	227	1,412	19	5	24
40 to 49	16,033	30,209	46,242	1,379	225	1,604	75	27	102
50 to 54	10,392	20,967	31,359	352	77	429	54	36	90
55 to 59	9,143	17,854	26,997	225	45	270	78	39	117
60 to 69	8,390	14,037	22,427	140	21	161	78	28	106
70 and Over	1,610	1,459	3,069	8	2	10	37	14	51
Total	65,332	110,512	175,844	3,805	684	4,489	343	149	492

Table XV

Annuitants by Age

	Retirees			Surviving Spouses			Beneficiaries		
Ages	Male	Female	Total	Male	Female	Total	Male	Female	Total
Under 55	338	84	422	13	123	136	60	128	188
55 to 59	3,394	4,578	7,972	26	210	236	22	43	65
60 to 64	5,717	10,239	15,956	100	393	493	14	51	65
65 to 69	5,767	12,083	17,850	228	737	965	15	48	63
70 to 74	4,706	9,948	14,654	381	1,088	1,469	10	37	47
75 to 79	3,825	7,738	11,563	540	1,532	2,072	6	24	30
80 to 84	2,882	6,208	9,090	670	1,887	2,557	7	26	33
85 to 89	1,719	4,069	5,788	588	1,667	2,255	2	23	25
90 to 94	541	1,852	2,393	273	976	1,249	1	7	8
95 to 99	94	409	503	62	298	360	--	3	3
100 and over	6	44	50	4	36	40	--	--	--
Total	28,989	57,252	86,241	2,885	8,947	11,832	137	390	527





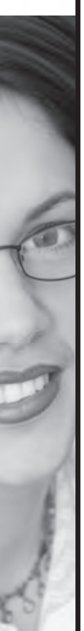


Table XVI

Average Benefit Payment Amounts

Last ten years

	Single Sum Payments		Recurring Payments	
Calendar Year	**Separation Refunds**	**Lump Sum Death Benefit**	**Annual Disability (1)**	**Annual Retirement (2)**
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
2006	2,814	35,014	15,860	12,864
2007	2,704	28,926	16,341	14,152
2008	2,758	29,352	17,238	15,219
2009	2,459	28,763	17,359	16,200
2010	2,987	30,817	17,830	17,014
2011	3,154	30,592	17,958	16,490

(1) Prior to Social Security and workers' compensation offsets.
(2) Includes voluntary additional benefits.

Average Benefit Payment Amounts

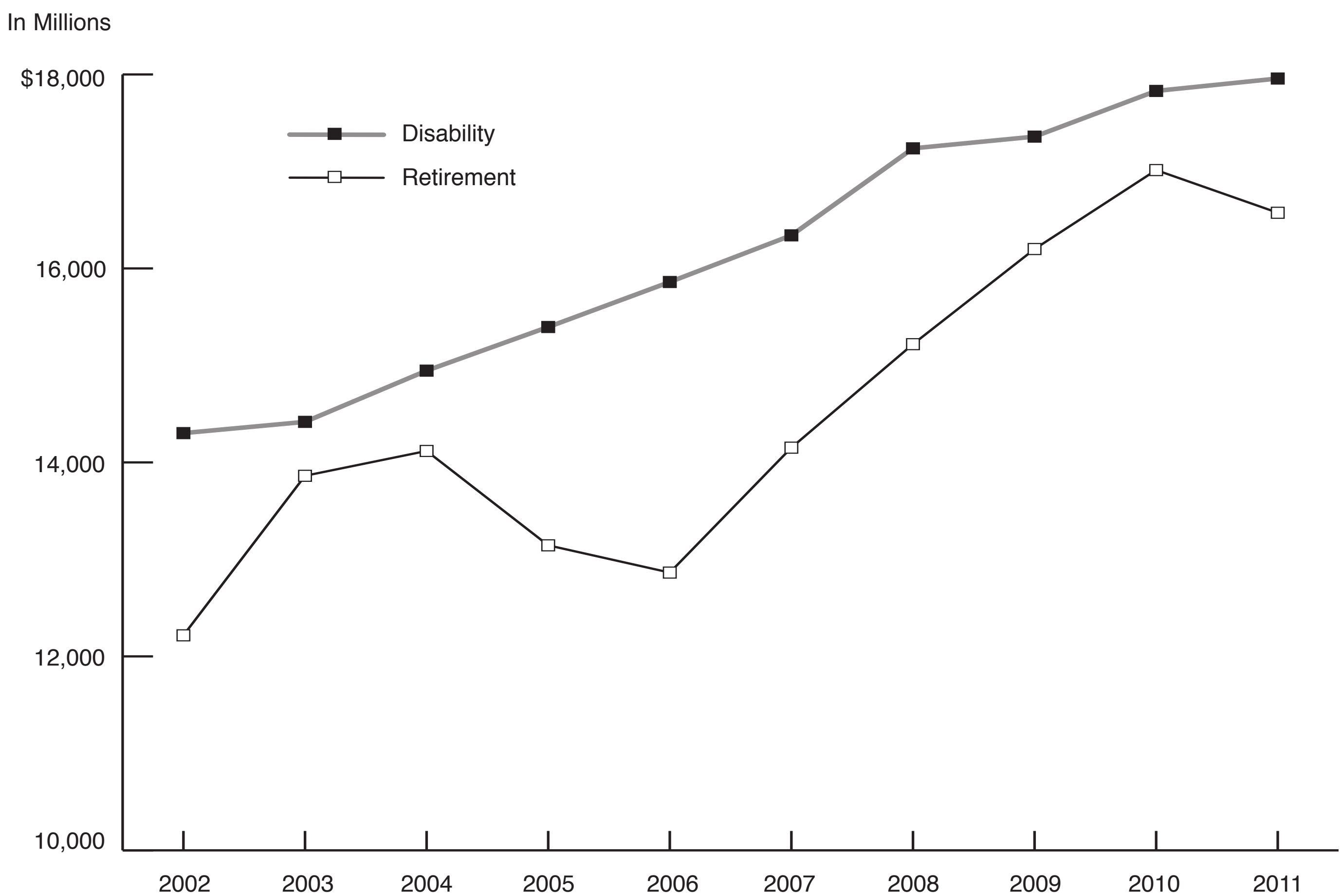


Table XVII
Analysis of Initial Retirement Benefits - Regular Plan
Last Ten Years

	Years of Credited Service							
	8-9	**10-14**	**15-19**	**20-24**	**25-29**	**30-34**	**35+**	**Total**
2002								
Avg Monthly Annuity	$265	$397	$693	$951	$1,449	$2,010	$2,756	$965
Avg Monthly FRE	$1,896	$2,005	$2,450	$2,504	$3,017	$3,490	$3,981	$2,558
Number of Retirees	387	667	594	520	483	298	152	3,101
2003								
Avg Monthly Annuity	$273	$448	$746	$1,084	$1,490	$2,151	$3,122	$1,119
Avg Monthly FRE	$1,947	$2,255	$2,609	$2,842	$3,091	$3,734	$4,496	$2,824
Number of Retirees	417	685	643	460	553	361	245	3,364
2004								
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
2005								
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
2006								
Avg Monthly Annuity	$293	$477	$768	$1,212	$1,523	$2,393	$3,605	$1,137
Avg Monthly FRE	$2,094	$2,407	$2,676	$3,218	$3,209	$4,135	$5,165	$2,984
Number of Retirees	500	764	754	608	537	308	229	3,700
2007								
Avg Monthly Annuity	$312	$484	$781	$1,170	$1,657	$2,526	$3,469	$1,154
Avg Monthly FRE	$2,224	$2,457	$2,721	$3,086	$3,447	$4,382	$4,978	$3,039
Number of Retirees	578	787	816	659	518	359	240	3,957
2008								
Avg Monthly Annuity	$312	$494	$852	$1,230	$1,730	$2,671	$3,730	$1,248
Avg Monthly FRE	$2,229	$2,498	$2,974	$3,229	$3,597	$4,645	$5,358	$3,212
Number of Retirees	538	790	685	657	472	318	283	3,743
2009								
Avg Monthly Annuity	$317	$509	$891	$1,364	$1,951	$2,549	$3,712	$1,389
Avg Monthly FRE	$2,253	$2,565	$3,052	$3,553	$4,049	$4,419	$5,305	$3,413
Number of Retirees	551	804	682	717	497	444	371	4,066
2010								
Avg Monthly Annuity	$340	$513	$895	$1,410	$1,935	$2,598	$3,703	$1,421
Avg Monthly FRE	$2,401	$2,583	$3,100	$3,686	$4,022	$4,514	$5,295	$3,486
Number of Retirees	601	1,029	767	826	645	524	459	4,851
2011								
Avg Monthly Annuity	$339	$543	$906	$1,352	$1,929	$2,731	$3,879	$1,437
Avg Monthly FRE	$2,401	$2,764	$3,163	$3,499	$4,044	$4,711	$5,529	$3,542
Number of Retirees	578	1,056	792	834	641	553	426	4,880

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.

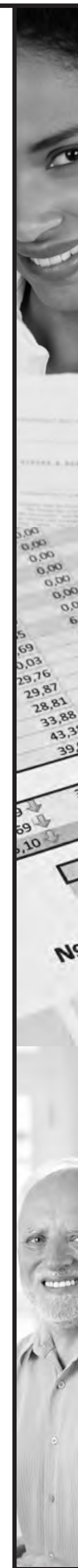


Table XVIII

Analysis of Initial Retirement Benefits - Sheriffs' Law Enforcement Personnel Plan (SLEP)

Last Ten Years

	Years of Credited Service				
	20-24	25-29	30-34	35+	Total
2002					
Avg Monthly Annuity	$2,079	$2,933	$3,976	$3,532	$3,131
Avg Monthly FRE	$3,947	$4,778	$5,669	$4,710	$4,917
Number of Retirees	13	27	22	1	63
2003					
Avg Monthly Annuity	$2,851	$3,479	$4,128	$3,732	$3,423
Avg Monthly FRE	$5,587	$5,465	$6,028	$4,977	$5,609
Number of Retirees	21	33	14	1	69
2004					
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
2005					
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
2006					
Avg Monthly Annuity	$2,689	$3,948	$4,738	$5,165	$3,817
Avg Monthly FRE	$5,046	$5,835	$6,099	$6,768	$5,692
Number of Retirees	27	36	25	2	90
2007					
Avg Monthly Annuity	$2,907	$4,105	$3,927	$6,707	$3,607
Avg Monthly FRE	$5,846	$6,068	$5,403	$8,383	$5,901
Number of Retirees	36	36	13	1	86
2008					
Avg Monthly Annuity	$3,093	$5,144	$4,950	$4,283	$4,239
Avg Monthly FRE	$5,988	$7,495	$6,326	$5,354	$6,516
Number of Retirees	25	19	16	2	62
2009					
Avg Monthly Annuity	$3,358	$4,419	$5,503	$4,967	$4,454
Avg Monthly FRE	$6,613	$6,569	$7,286	$6,209	$6,837
Number of Retirees	21	17	22	1	61
2010					
Avg Monthly Annuity	$2,974	$4,598	$5,500	$4,455	$4,347
Avg Monthly FRE	$5,620	$6,996	$7,348	$5,750	$6,636
Number of Retirees	30	43	26	4	103
2011					
Avg Monthly Annuity	$3,682	$4,624	$5,479	$5,015	$4,465
Avg Monthly FRE	$6,833	$6,868	$7,070	$6,269	$6,887
Number of Retirees	36	36	21	2	95

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.

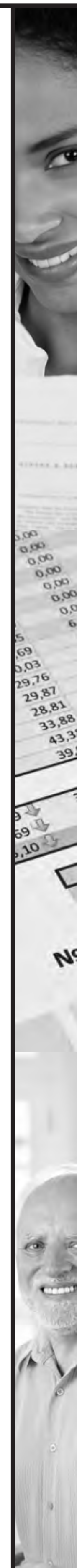


Table XIX

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

Last Ten Years

	Years of Credited Service							
	8-9	10-14	15-19	20-24	25-29	30-34	35+	Total
2002								
Avg Monthly Annuity	$619	$441	$1,892	$3,073	$3,923	$5,102	$3,677	$2,081
Avg Monthly FRE	$2,330	$1,126	$2,907	$3,842	$4,971	$6,378	$4,597	$3,040
Number of Retirees	4	10	9	9	4	2	1	39
2003								
Avg Monthly Annuity	$315	$454	$2,932	$3,711	$7,117	$4,473		$2,839
Avg Monthly FRE	$1,312	$1,137	$4,321	$4,638	$8,896	$6,083		$3,940
Number of Retirees	1	3	3	4	1	1		13
2004								
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
2005								
Avg Monthly Annuity		$1,787	$3,365	$5,144	$5,678			$4,319
Avg Monthly FRE		$3,612	$4,160	$6,439	$7,098			$5,704
Number of Retirees		2	1	4	2			9
2006								
Avg Monthly Annuity	$609	$1,296	$3,113	$3,357	$2,596	$4,523	$6,250	$2,827
Avg Monthly FRE	$2,437	$2,942	$4,434	$4,340	$3,717	$5,717	$7,812	$4,486
Number of Retirees	6	8	8	8	1	1	1	33
2007								
Avg Monthly Annuity	$254	$1,435	$2,940	$4,848				$2,630
Avg Monthly FRE	$1,033	$3,243	$4,013	$6,060				$3,917
Number of Retirees	2	5	6	4				17
2008								
Avg Monthly Annuity	$287	$1,550	$4,249	$4,341	$664			$2,506
Avg Monthly FRE	$1,184	$3,773	$6,094	$5,425	$830			$4,024
Number of Retirees	3	10	3	8	2			26
2009								
Avg Monthly Annuity	$1,489	$1,987	$2,804	$2,523				$2,241
Avg Monthly FRE	$5,958	$4,358	$4,511	$3,154				$4,247
Number of Retirees	1	7	3	3				14
2010								
Avg Monthly Annuity	$123	$1,871	$2,243	$4,672	$4,039	$4,992	$3,872	$2,751
Avg Monthly FRE	$497	$4,411	$3,472	$5,859	$5,172	$6,241	$4,841	$4,097
Number of Retirees	4	6	9	5	4	2	1	31
2011								
Avg Monthly Annuity	$141	$320	$2,787	$4,394	$4,722			$2,279
Avg Monthly FRE	$580	$754	$4,182	$5,493	$6,139			$3,234
Number of Retirees	2	2	3	2	1			10

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 XX

Distribution of Current Annuitants by Pension Amount

Monthly Pension Amount	Retirement Number of Males	Retirement Number of Females	Survivor Number of Males	Survivor Number of Females	All Annuities Number of Males	All Annuities Number of Females
Under $100	883	4,499	589	888	1,472	5,387
$100 to under $250	1,996	10,082	988	2,298	2,984	12,380
$250 to under $500	3,943	13,213	800	2,663	4,743	15,876
$500 to under $750	3,465	8,550	371	1,397	3,836	9,947
$750 to under $1,000	2,776	5,804	155	760	2,931	6,564
$1,000 to under $2,000	6,843	10,628	111	1,099	6,954	11,727
$2,000 to under $3,000	3,805	3,047	6	183	3,811	3,230
$3,000 to under $4,000	2,344	929	2	33	2,346	962
$4,000 to under $5,000	1,364	306	--	9	1,364	315
$5,000 to under $6,000	731	119	--	1	731	120
$6,000 and over	839	75	--	6	839	81
Total	28,989	57,252	3,022	9,337	32,011	66,589

Note: Counts do not include disabilitants.

Financial Health & Sustainability

To achieve a funding level whereby we are in the top 10% on a market-value basis.

Customer Satisfaction

To achieve a level of satisfaction whereby a minimum of 90% of members and employers assign us a "Very Satisfied" rating.

IMRF Strategic Plan*

Investment Returns

To achieve a 7.5% net annual return and outperform the annual total portfolio benchmark.

Service & Operational Excellence

To achieve a top 10% ranking in overall service as measured by CEM Service Score, while keeping our "per member" cost prudent.

**To view/read the entire IMRF Strategic Plan for 2011 - 2013, including Employee Engagement, log on to www.imrf.org and click on "About Us."*

Illinois Municipal Retirement Fund

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

Springfield
3000 Professional Drive
Suite 101
Springfield, IL 62703-5934