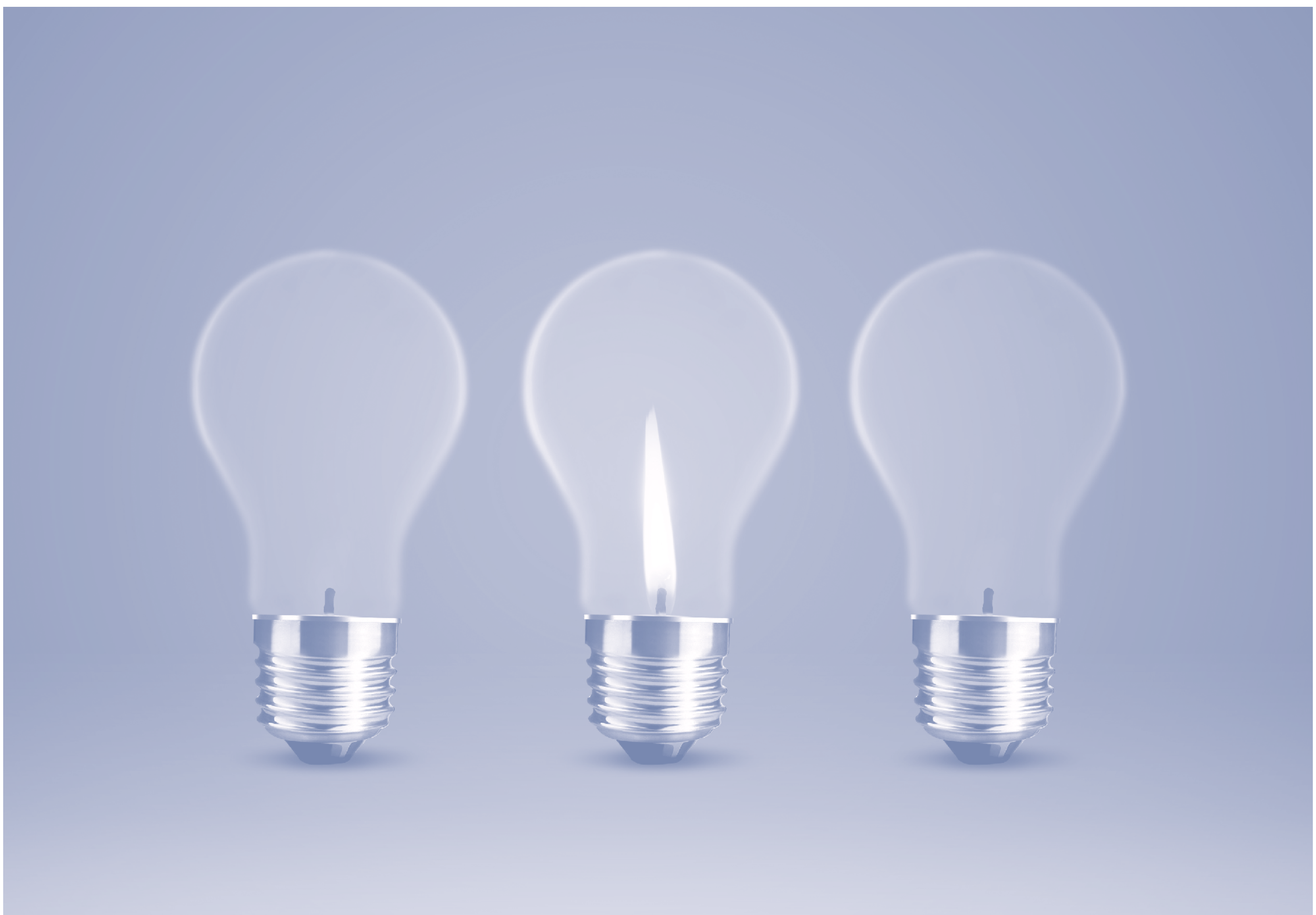
Illinois Municipal Retirement Fund

Comprehensive Annual Financial Report

For the year ending December 31, 2012



IMRF...

lighting the way to secure retirement.

2012

Illinois Municipal Retirement Fund

Comprehensive Annual Financial Report

For the year ending December 31, 2012

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

Table of Contents

Introduction

Financial

Investments

Actuarial

Statistical

2013 Board of Trustees

Board of Trustees

CONSULTANTS

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

STAFF

- **Chief Security Officer** – *Glenn Engstrom*
- **Executive Director** – *Louis W. Kosiba*
- **Internal Audit** – *Douglas Samz, C.P.A.*

Reporting to the Executive Director:

- **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** – *Connie Fox,* 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, 2011

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 31, 2013

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, 2012. 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 fiduciary net position and changes in fiduciary net position 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 Fund 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' unmodified report on IMRF's 2012 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 2,969 different employers, 174,771 participating members and 103,929 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 Fund's fiduciary net position for 2012 and 2011.

	2012 (millions)	2011 (millions)	Dollar Change	Percent Change
Additions	$4,608	$1,035	$3,573	345%
Deductions	1,449	1,340	109	8%
Net Change	$3,159	$(305)	$3,464	NM*

**NM: Not meaningful.*

The increase in Additions between 2012 and 2011 is primarily due to a $3,487 million increase in investment income. The financial markets in 2012 were broadly up despite the continuing economic strains in Europe, the fiscal cliff and presidential election in the United States, and the expectation of slower global growth. This is in contrast to returns in 2011 which 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 2011. The increase in Deductions is primarily due to increased benefit payments caused by an increase in the number of benefit recipients from 99,684 to 103,929. 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, 2012 valuation, the aggregate actuarial value of assets was $27.5 billion. The aggregate actuarial liability for all IMRF employers was $32.6 billion. The actuarial funding ratio is currently 84.3 percent. The 84.3 percent funding ratio is an increase from the 2011 actuarial funding ratio of 83.0 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. 2012 investment results were income of $3,394 million and represented 73.7 percent of Plan Additions for the year. In the five years—2012 through 2008—investment income represented the following percentage of Additions to fiduciary net position:

Year	Percentage of Additions
2012	73.7%
2011	(9.0)%
2010	73.1%
2009	81.8%
2008	(118.3)%

Currently, 75 professional investment management firms, handling 95 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 portfolio, investment performance, the Investment Consultant's report, the Master Trustee's report and a summary of the investment objectives and policies.

Current and Future Developments

a. Board of Trustees

Tom Kuehne, Finance Director/Treasurer for the Village of Arlington Heights, was elected as an executive trustee. His five-year term began January 1, 2013.

Jeffrey A. Stulir, Inmate Services Officer for Rock Island County, was elected as an employee trustee. His partial three-year term began January 1, 2013.

b. Legislative Activity

There was no significant pension legislation impact to IMRF in 2012.

c. Systems Development

IMRF's major 2012 system development priorities focused on:

- Completing the procurement phase of the modernization initiative approved by the Board in 2011, including issuance of a comprehensive RFP and selection of our key technology vendor.
- Completing technology and process upgrades to position our core infrastructure 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.

IMRF's major 2013 system development priorities focus on:

- Initiating the implementation phase of the modernization initiative, including the development of comprehensive project plans, confirmation of detailed requirements, and the beginning of solution construction.
- Building upon our core technology infrastructure to implement the hardware and software to support the implementation phase of the modernization initiative.

d. Investment Activities

The Board of Trustees, its consultant and IMRF staff review the investment asset allocation annually. In March of 2013, 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, 2013 were as follows:

- Added a value-added real estate fund, Almanac Realty Securities Fund VI.
- Made direct allocations to four private equity partnerships: Lightspeed Venture Fund IX; Mayfield Fund XIV; ABRY Senior Equity Fund IV; and EnCap Energy Capital Fund IX.
- Completed a review of the Absolute Return Fund Portfolio. Retained Aurora to manage a hedge fund separate account. Terminated Grosvenor and Mesirow.

- Completed a Minority, Female, Persons with a Disability (MFPDOB) Middle-Market Buyout Private Equity Search and retained ICV Partners Fund III.
- Completed a non-core real estate search and retained eight firms: AEW Partners Fund VII; Blackstone Real Estate Partners Fund VII; CBRE Strategic Partners US Value Fund VI; Dune Real Estate Partners Fund III; LaSalle Income and Growth Fund VI; Rockwood Capital Real Estate Partners Fund IX; Starwood Distressed Opportunity Fund IX; and Torchlight Debt Opportunity Fund IV.
- Issued a redemption request from the BlackRock Granite Fund.
- Revised Statement of Investment Policy, Real Estate Statement of Investment Policy, and Investment Committee Charter.
- Presented Asset Liability Education Session to Trustees and initiated Asset Liability Modeling Study.
- Initiated search for sector-focused (healthcare or technology) venture capital partnership.
- Initiated search for sector-focused lower middle-market buy out private equity fund manager.

e. Strategic Plan

Our Strategic Plan provides the Fund with a road map for meeting the challenges and opportunities in achieving our vision to provide 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 second year of our *Strategic Plan* in 2012 by implementing a series of action plans that support our five Strategic Objectives. Progress towards meeting our Objectives is measured using the following 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 applied for the *Illinois Performance Excellence Award* in 2012.

f. Illinois Performance Excellence Silver Award for Progress Toward Excellence

The Illinois Performance Excellence (ILPEx) is a non-profit organization that seeks to help other organizations improve their performance by embracing the *Baldrige Criteria for Excellence* and aligning their processes to become more efficient and sustainable. Organizations that pursue the Baldrige management framework can demonstrate through the ILPEx award application that they have adopted proven performance practices, principles, and strategies that nurture excellence in all aspects of their operations. This can range from customer relations to workforce development to specific operational and financial results. IMRF was one of six organizations that received the 2012 ILPEx Award for Excellence, and was one of only two organizations receiving the Silver Award—the highest award given in 2012. Our Silver Award further highlights IMRF as a national leader in public pension administration. The comprehensive feedback report received from ILPEx provides additional guidance regarding how we can further leverage our strengths and pursue opportunities for improvement.

g. 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's service level scores were in the top decile, while our costs were below the median as compared to our peer group of 40 public systems in the United States and Canada. 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 2011 and 2012 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, *www.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, 2011. 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 32 consecutive years (fiscal years 1980-2011). We believe our current report continues to conform to the Certificate of Achievement program requirements, and we will be submitting it to the GFOA.

IMRF also received a Certificate of Achievement for Excellence in Financial Reporting for its Popular Annual Financial Report for the year ended December 31, 2011.

In 2012 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.

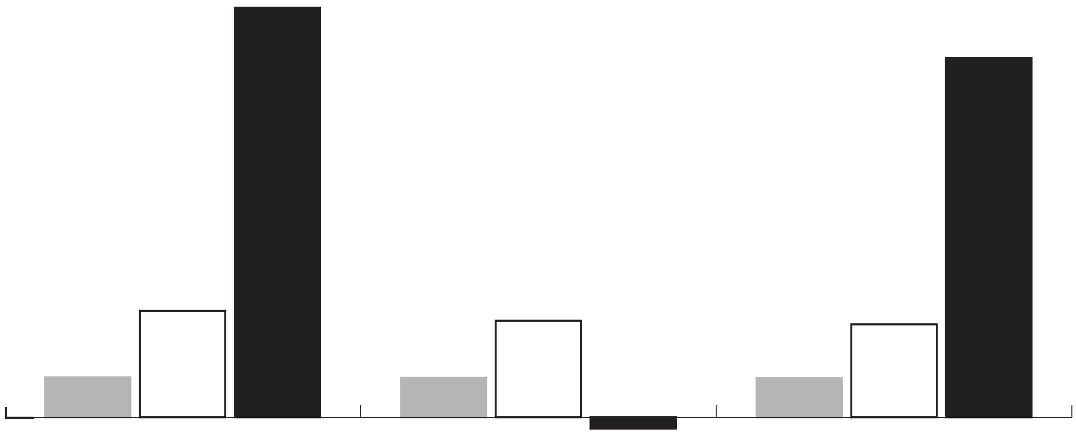
We make this report available to the Authorized Agents for all participating units of government. They form the link between IMRF and its membership. Their cooperation, for which we are thankful, contributes significantly to the success of IMRF. We hope they will find this report both informative and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

Respectfully submitted,

Louis W. Kosiba
Executive Director

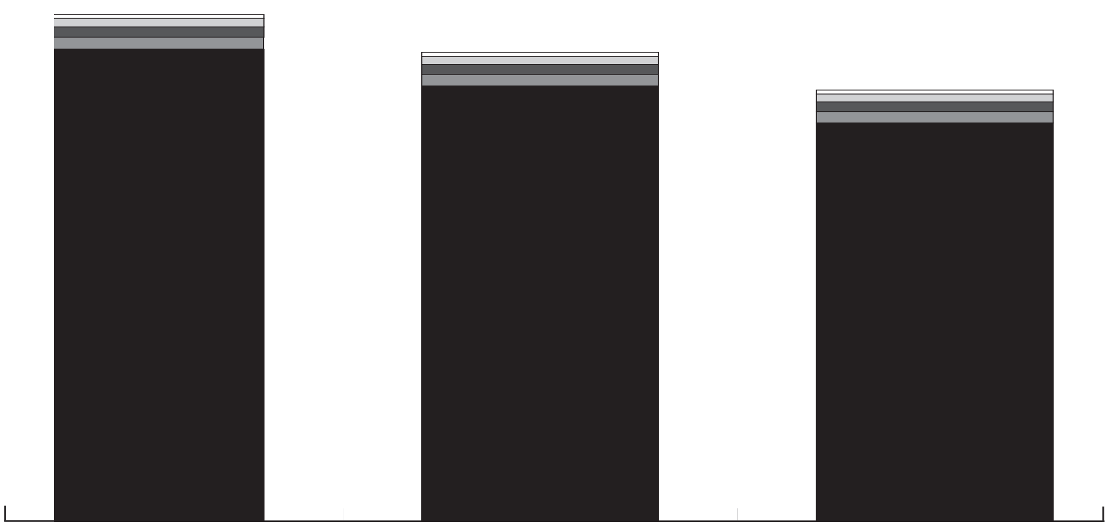
Richard J. DeCleene
Chief Financial Officer

Revenues by Source



	2012	2011	2010
Members	$ 330,814,542	$ 327,680,889	$ 324,901,985
Employers	883,216,281	800,804,253	770,142,278
Investments	3,393,701,110	(92,920,452)	2,976,556,349
	$ 4,607,731,933	$ 1,035,564,690	$ 4,071,600,612

Expenses by Type



	2012	2011	2010
Annuities	$ 1,349,091,550	$ 1,244,164,271	$ 1,138,512,044
Refunds	34,142,193	32,900,105	32,201,577
Death	29,833,835	28,612,174	28,026,365
Administrative	24,508,053	23,086,712	22,318,493
Disability	10,890,086	11,629,164	11,492,125
	$ 1,448,465,717	$ 1,340,392,426	$ 1,232,550,604

Financial 2012

KPMG LLP
Aon Center
Suite 5500
200 East Randolph Drive
Chicago, IL 60601-6436

Independent Auditors' Report

The Board of Trustees
Illinois Municipal Retirement Fund:

Report on the Financial Statements

We have audited the accompanying financial statements of the Illinois Municipal Retirement Fund, which comprise the statements of fiduciary net position as of December 31, 2012 and 2011, and the related statements of changes in fiduciary net position for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2012 and 2011, and the changes in its financial position for the years then ended in accordance with U.S. generally accepted accounting principles.

KPMG

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis and schedules of funding progress and employer contributions on pages 16–20 and 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.

Supplementary and Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The schedule of administrative expenses, the schedule of payments for professional services, the schedule of investment expenses, the introductory section, the investments section, the actuarial section, and the statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of administrative expenses, the schedule of payments for professional services, and the schedule of investment expenses are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit 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 schedule of administrative expenses, the schedule of payments for professional services, and the schedule of investment expenses are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introduction section, the investments section, the actuarial section, and the statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

KPMG LLP

Chicago, Illinois
May 31, 2013

2

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, 2012 and 2011. 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 Fiduciary Net Position 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 Fiduciary Net Position. This statement measures IMRF's success over the past year in increasing the fiduciary net position available for pension benefits.

Financial Analysis of IMRF

While the Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position measure the value of fiduciary net position 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 Fund's aggregate funded status. In 2012, contributions of $1,214 million and investment income of $3,394 million exceeded deductions to fiduciary net position of $1,449 million by $3,159 million. This net increase brought the Plan's fiduciary net position to $28 billion. For 2012 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, 2012 valuation, the aggregate actuarial value of assets was $27.5 billion. The aggregate actuarial liability for all IMRF employers was $32.6 billion. On an actuarial basis, the assets held currently fund 84.3 percent of this liability. This is an increase from the funding ratio of 83.0 percent for 2011. The positive investment return of 13.5 percent is in contrast to the negative .5 percent return in 2011. For actuarial purposes IMRF's 2012 return was 7.8 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 85.9 percent as of December 31, 2012, an increase from 80.2 percent as of December 31, 2011. The reason for the significant increase in the market funding ratio is the 13.5 percent investment return in 2012. As of December 31, 2012, IMRF's market-based funding value was greater than the actuarial funding value since there were $503 million of unrecognized investments gains which will be reflected in the 2013 through 2016 period in keeping with the five-year smoothing technique discussed above.

Fiduciary Net Position

To begin the financial analysis, summarized comparisons of IMRF's Fiduciary Net Position for 2012 versus 2011 and 2011 versus 2010 are presented below.

Condensed Statements of Fiduciary Net Position

(In millions)

	2012	2011	Dollar Change	Percent Change
Cash and cash equivalents	$ 36	$ 23	$ 13	57%
Receivables and prepaids	635	907	(272)	(30)
Investments	28,075	25,023	3,052	12
Invested securities lending cash collateral	2,685	2,673	12	--
Capital assets, net	5	5	--	--
Total assets	31,436	28,631	2,805	10
Liabilities	3,440	3,794	(354)	(9)
Fiduciary net position	$ 27,996	$ 24,837	$ 3,159	13%

As the previous table shows, fiduciary net position increased by $3,159 million (13 percent) in 2012. This increase reflects the strong investment returns in 2012.

The following table presents the investment allocation as of year-end 2012 and 2011 as compared to IMRF's target allocation.

	2012	Target	2011
Fixed income	30.1%	29.0%	30.9%
Stocks	60.3	58.0	58.8
Real estate	2.8	6.0	2.9
Alternative	4.5	6.0	4.0
Short-term	2.3	1.0	3.4

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 2013. IMRF continuously monitors its actual investment allocations in relation to its targets and rebalances as appropriate.

The decrease in receivables and prepaids in 2012 is largely due to the decrease in the receivable from brokers for unsettled trades at year-end due to a larger number of trades outstanding at year-end 2012 compared to 2011. The decrease in liabilities in 2012 is due primarily to the decrease in payables to brokers for unsettled trades at year-end 2012.

Condensed Statements of Fiduciary Net Position

(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
Fiduciary net position	$ 24,837	$ 25,142	$ (305)	(1)%

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

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.

Changes in Fiduciary Net Position

Summarized comparisons of IMRF's Changes in Fiduciary Net Position for 2012 versus 2011 and 2011 versus 2010 are presented below.

Condensed Statements of Changes in Fiduciary Net Position

(In millions)

	2012	2011	Dollar Change	Percent Change
Additions				
Member contributions	$ 331	$ 327	$ 4	1%
Employer contributions	883	801	82	10
Net investment gain (loss)	3,394	(93)	3,487	NM*
Total additions	4,608	1,035	3,573	345
Deductions				
Benefits	1,390	1,284	106	8
Refunds	34	33	1	3
Administrative expenses	25	23	2	9
Total deductions	1,449	1,340	109	8
Net increase (decrease) in fiduciary net position	$ 3,159	$ (305)	$ 3,464	NM

**NM: Not meaningful*

Additions

Additions needed to fund benefits are accumulated through contributions and returns on invested funds. Contributions for 2012 totaled $1,214 million which was 7.6 percent more than 2011. The slight increase in member contributions is due to a 1 percent increase in total employer payrolls which more than offset a .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 10 percent. This increase was driven primarily by the increase in the composite average employer contribution rate from 12.45 percent in 2011 to 13.6 percent in 2012. 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 2012 were 13.5 percent, significantly more that the negative .5 percent return in 2011. The $3,394 million investment gain in 2012 represents a $3,487 million change from the $93 million loss in 2011. IMRF's 2012 total investment portfolio return was up despite the continuing economic strains in Europe, the fiscal cliff and presidential election in the United States, and the expectation of slower global growth due to the overall rising optimism in the U.S. recovery.

In 2012, IMRF had net appreciation in the value of investments of $2,828 million, a $3,407 million change from the $579 million of depreciation recorded in 2011. Interest, dividends and equity fund income totaled $629 million, an increase from the $549 million in 2011. Securities lending income net of related expenses was $13.7 million for 2012, an increase of $2.9 million from 2011. Direct investment expenses increased to $76.6 million in 2012 from $74 million in 2011 and reflect the increase in the number of money managers and an increase in the amount of the investment portfolio managed by active managers.

The total rate of return for the portfolio in 2012 was 13.5 percent compared to a negative .5 percent in 2011. IMRF's U.S. stock portfolio returned 17.1 percent compared to 16.4 percent for the Dow Jones Total Stock Market Index. The fixed income portfolio returned 7.2 percent compared to 4.2 percent for the Barclays Aggregate Bond Index. Our international stock portfolio returned 18.7 percent compared to 16.8 percent for the MSCI All-Country World Free ex-US Index. The real estate portfolio returned 12.3 percent compared to 10.6 percent for the NCREIF Property Index. The alternative investment portfolio returned 4.4 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, 2012 are:

Period	Annualized Returns
Three years	8.6% per year
Five years	3.6% per year
Ten years	8.4% per year
Since 1/1/95	8.5% per year

Deductions

The expenses paid by IMRF include benefit payments, refunds, and administrative expenses. Expenses for 2012 totaled $1,449 million, an increase of $109 million over 2011. The increase in benefit payments to members and beneficiaries resulted primarily from growth in the number of annuitants to 103,929 in 2012 from 99,684 in 2011 as well as an increase in the amount of the average benefit.

Condensed Statements of Changes in Fiduciary Net Position

(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 fiduciary net position	$(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 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% return in 2009 which helped 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 portfolio managed by active managers.

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.

Statements of Fiduciary Net Position

	As of December 31	
	2012	**2011**
Assets		
Cash	$ 35,762,906	$ 23,427,595
Receivables and prepaid expenses		
Contributions	69,648,898	82,298,120
Investment income	75,909,471	78,996,086
Receivables from brokers for unsettled trades	388,853,721	652,263,179
Prepaid expenses	100,893,271	93,055,566
Total receivables and prepaid expenses	635,305,361	906,612,951
Investments, at fair value		
Fixed income	8,444,909,320	7,735,106,827
Stocks	16,910,065,179	14,701,371,233
Short-term investments	659,607,445	863,350,684
Real estate	804,025,903	725,717,667
Alternative investments	1,256,794,618	997,385,180
Total investments	28,075,402,465	25,022,931,591
Invested securities lending cash collateral	2,685,208,454	2,673,203,602
Capital assets		
Capital assets, at cost	10,803,051	10,151,165
Accumulated depreciation	(5,665,849)	(5,004,381)
Total capital assets	5,137,202	5,146,784
Total assets	31,436,816,388	28,631,322,523
Liabilities		
Accrued expenses and benefits payable	29,153,937	34,285,873
Securities lending cash collateral	2,685,208,454	2,673,203,602
Payables to brokers for unsettled trades	726,126,734	1,086,772,001
Total liabilities	3,440,489,125	3,794,261,476
Fiduciary net position	$27,996,327,263	$24,837,061,047

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

Statements of Changes in Fiduciary Net Position

	Years Ended December 31	
	2012	2011
Additions		
Contributions		
Members for retirement coverage	$ 330,814,542	$ 327,680,889
Employers for benefit plan coverage	883,216,281	800,804,253
Total contributions	1,214,030,823	1,128,485,142
Investment Income		
From investing activities		
Interest	287,427,488	294,900,638
Dividends	239,292,407	202,202,443
Equity fund income, net	101,952,961	52,288,235
Net appreciation (depreciation) in fair value of investments	2,827,957,959	(579,071,313)
Investment activity gain	3,456,630,815	(29,679,997)
Less: Direct investment expense	(76,594,798)	(74,026,000)
Net investment activity gain (loss)	3,380,036,017	(103,705,997)
From security lending activity		
Securities lending income	15,169,855	11,971,836
Securities lending management fees and borrower rebates	(1,516,799)	(1,196,143)
Net security lending activity income	13,653,056	10,775,693
Total investment gain (loss)	3,393,689,073	(92,930,304)
Other	12,037	9,852
Total additions	4,607,731,933	1,035,564,690
Deductions		
Annuities	1,349,091,550	1,244,164,271
Disability benefits	10,890,086	11,629,164
Death benefits	29,833,835	28,612,174
Refunds	34,142,193	32,900,105
Administrative expenses	24,508,053	23,086,712
Total deductions	1,448,465,717	1,340,392,426
Net increase (decrease)	3,159,266,216	(304,827,736)
Fiduciary net position		
Beginning of year	24,837,061,047	25,141,888,783
End of year	$27,996,327,263	$24,837,061,047

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

Notes to Financial Statements

December 31, 2012 and 2011

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	**2012**	**2011**
Participating employers	2,969	2,964

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	**2012**	**2011**
Retirees and beneficiaries currently receiving benefits	103,929	99,684
Terminated members entitled to benefits but not yet receiving them	12,175	12,162
Terminated members—non-vested	103,179	104,778
Current members:		
Non-vested	83,745	85,676
Vested	91,026	90,168
Total current members	174,771	175,844
Grand Total	394,054	392,468

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 participation determine a member's minimum benefit, while the benefit provisions in effect on the member's date of termination determine a member's maximum benefit. The following is a summary of the IMRF benefit provisions as of December 31, 2012 and 2011. 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. On August 8, 2011, Public Act 97-0273 closed the ECO plan to new participants. 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, 2012, the most recent actuarial valuation date, the plan on an aggregate basis was 84.3 percent funded on an actuarial basis. The actuarial accrued liability for benefits was $32.6 billion, and the actuarial value of assets was $27.5 billion, resulting in an unfunded actuarial accrued liability (UAAL) of $5.1 billion. The covered payroll (annual payroll of active employees covered by the plan) was $6.5 billion, and the ratio of the UAAL to the covered payroll was 78.7 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, 2012
Actuarial cost method	Entry age normal
Amortization method	Level percent of payroll for Regular and SLEP; level dollars for ECO
Amortization period	Taxing bodies: closed, 29 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	**2012**	**2011**
Retirees and beneficiaries currently receiving benefits	104	92
Terminated members entitled to benefits but not yet receiving them	16	25
Terminated members—non-vested	29	24
Current members:		
Non-vested	66	52
Vested	110	124
Total current members	176	176
Grand Total	325	317

Trend Information

Actuarial Valuation Date	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
12/31/2012	$1,359,252	100%	$0
12/31/2011	1,336,652	100	0
12/31/2010	1,288,068	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]
12/31/2012	$26,576,041	$34,609,171	$8,033,130	76.8%	$11,860,837	67.7%
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

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 fiduciary net position 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 fiduciary net position 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 Fiduciary Net Position.

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 June, 2012, GASB issued Statement No. 67, "Financial Reporting for Pension Plans — an amendment of GASB Statement No. 25". The objective of this statement is to improve the usefulness of pension information included in the general purpose external financial reports of governmental pension plans for making decisions and assessing accountability. IMRF intends to adopt GASB Statement No. 67 for its December 31, 2013 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 an AA Long Term Deposit/Debt rating by Standards & Poor and an Aa3 rating by Moody.

	2012	2011
Carrying amounts at December 31:		
Cash	$35,762,906	$ 23,427,595
Bank balances at December 31:		
Total	$ 9,075,538	$ 13,347,946
Amount exposed to custodial credit risk	$ 721,464	$ 1,105,396

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, 2012, and 2011.

	2012	2011
U.S. government & agency fixed income	$ 3,444,553,399	$ 3,174,894,793
U.S. corporate fixed income	2,895,289,719	2,579,980,327
U.S. fixed income funds	1,401,840,959	1,343,793,055
Foreign fixed income securities	703,225,243	636,438,652
U.S. equities	7,919,621,813	6,954,789,295
U.S. stock funds	3,338,516,611	2,911,352,498
Foreign equities	3,219,768,708	2,866,354,762
Foreign stock funds	2,432,158,047	1,968,874,678
Foreign currency forward contracts	(1,733,146)	847,681
Pooled short-term investment funds	665,948,799	863,346,250
Real estate	804,025,903	725,717,667
Private equity	676,118,128	636,050,211
Absolute return funds	580,676,490	361,334,969
Swaps	1,110,803	164,267
Options	(7,734,471)	(23,235,027)
Other	2,015,460	22,227,513
Total investments at fair value	$28,075,402,465	$25,022,931,591

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 fiduciary net position at year-end. As of December 31, 2012, IMRF had $1,407,470,842 invested in the MFB NT Collective Aggregate Bond Index Fund, $2,111,305,928 in the NT Collective U.S. Marketcap Equity Index Fund and $1,909,599,431 in the NT Collective EAFE Index Fund. As of December 31, 2011, IMRF had $1,349,189,814 invested in the NT Collective Aggregate Bond Index Fund, $1,878,956,915 in NT Collective US Marketcap Equity Index Fund and $1,542,220,647 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.

	2012	2011
Investments in foreign currency	$12,063,993	$4,812,857

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	**2012**	**2011**
AAA	$ 242,755,423	$ 355,586,203
AA	335,401,406	305,753,639
A	721,485,577	623,077,998
BBB	868,028,453	808,655,203
BB	537,980,359	466,875,420
B	514,824,695	462,596,932
CCC	120,662,214	86,491,627
CC	7,302,221	15,057,249
C	1,441,710	1,376,867
D	7,893,299	11,020,356
Not Rated and Other	214,542,515	97,885,691
Agencies		
FHLMC	513,057,209	480,936,852
FNMA	1,012,164,116	951,425,309
GNMA	344,436,739	351,034,793
SBA	57,059,249	114,136,063
Other	125,636,962	103,523,342

(continued, next page)

Quality Rating (continued)	2012	2011
U.S. Fixed Income Fund	1,401,840,959	1,343,793,055
Total Credit Risk Debt—Securities	7,026,513,106	6,579,226,599
U.S. Government	1,418,396,214	1,155,880,228
	$8,444,909,320	$7,735,106,827

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 A for 2012 and 2011.

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, 2012 and 2011, the effective duration of the Barclays Aggregate Bond Index was 5.06 and 4.95, respectively. At the same points in time, the effective duration of the Illinois Municipal Retirement Fund debt securities portfolio was 4.21 and 4.99, respectively.

Investment	2012 Fair Value	Effective Weighted Duration Rate	2011 Fair Value	Effective Weighted Duration Weight
U.S. Corporate	$ 2,895,289,719	4.68	$ 2,579,980,327	4.84
U.S. Government & Agencies	3,444,553,399	3.53	3,174,894,793	5.15
Fixed Income Fund	1,401,840,959	4.62	1,343,793,055	4.95
International	703,225,243	4.80	636,438,652	4.86
Total	$ 8,444,909,320	4.21	$ 7,735,106,827	4.99

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.

	2012	2011
Foreign Equities		
Australian dollar	$ 46,151,936	$ 46,492,459
Brazilian real	59,149,031	67,040,306
British pound sterling	473,164,186	526,243,511
Canadian dollar	101,607,724	111,934,906
Chilean peso	9,245,922	10,517,767
Columbian peso	3,771,543	6,761,131
Czech koruna	5,426,662	3,204,113
Danish krone	26,070,452	15,661,116
Euro	766,418,658	599,111,339
Hong Kong dollar	164,735,149	127,223,979
Hungarian forint	2,123,648	92,934
Indian rupee	40,772,774	34,843,345
Indonesian rupiah	18,086,634	26,283,474
Japanese yen	475,510,513	463,536,021

Foreign Equities (continued)	2012	2011
Malaysian ringgit	524,631	3,322,079
Mexican peso	23,920,079	13,149,684
New Israeli shekel	7,095,860	245,693
New Taiwan dollar	32,176,381	22,728,401
New Zealand dollar	2,935,981	984,880
Nigerian naira	1,388,457	--
Norwegian krone	47,075,102	31,342,800
Philippine peso	5,918,930	7,218,955
Polish zloty	10,728,781	4,981,073
Singapore dollar	43,081,627	33,095,296
South African rand	41,774,011	30,832,750
South Korean won	96,583,719	100,846,570
Swedish krona	62,589,694	54,922,459
Swiss franc	130,555,867	117,954,855
Thai baht	22,761,266	26,013,986
Turkish lira	40,913,965	17,983,240
United States dollar	2,889,667,572	2,330,660,318
	5,651,926,755	4,835,229,440
Foreign Fixed Income		
Australian dollar	--	8,199,649
British pound sterling	380,655	356,109
Canadian dollar	--	1,249,646
Euro	3,329,148	3,847,088
Malaysian ringgit	3,791,863	--
Mexican peso	15,879,314	4,184,742
Norwegian krone	--	1,461,008
United States dollar	679,844,263	617,140,410
	703,225,243	636,438,652
	$6,355,151,998	$5,471,668,092

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 116 days as of December 31, 2012, and 108 days as of December 31, 2011. 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 45 days as of December 31, 2012, and which had an interest sensitivity of 31 days as of December 31, 2011. 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 2012 and 2011, 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 Fiduciary Net Position. The market value of collateral received includes cash collateral of $2,685,208,454 and $2,673,203,602 at December 31, 2012 and 2011, respectively.

Loans outstanding as of	**December 31, 2012**	**December 31, 2011**
Market value of securities loaned	$ 2,675,541,551	$ 2,636,531,208
Market value of collateral received	$ 2,725,750,557	$ 2,703,930,137

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, 2012 and 2011 is as follows:

Fair Value as of	**December 31, 2012**	**December 31, 2011**
Pending Foreign Exchange Purchases		
Australian dollar	$ 5,812,245	$ 23,276,693
Brazilian real	5,429,839	--
British pound sterling	19,690,038	5,305,794
Canadian dollar	28,580,559	26,225,106
Danish krone	29,836,066	4,122
Euro	8,100,381	32,293,768
Hong Kong dollar	105,303	521,513
Indonesian rupiah	--	11,691
Japanese yen	6,816,828	40,165,795
New Israeli shekel	2,486,362	--
New Zealand dollar	28,391,583	67,619
Norwegian krone	--	2,325,012
Singapore dollar	5,303,346	4,917,863
South African rand	58,808	--
Swedish krona	86,043	3,921,085

Fair Value (continued) as of	December 31, 2012	December 31, 2011
Swiss franc	4,396,858	26,110,373
Thai baht	--	269,379
Turkish lira	--	6,009
United States dollar	237,984,039	233,170,843
Total purchases	$ 383,078,298	$ 398,592,665
Pending Foreign Exchange Sales		
Australian dollar	$ (11,408,748)	$ (18,785,776)
British pound sterling	(13,463,879)	(6,557,106)
Canadian dollar	(3,325,219)	(7,278,694)
Danish krone	(80,880)	(391,302)
Euro	(130,039,510)	(74,827,852)
Hong Kong dollar	(10,404,429)	(781,741)
Japanese yen	(25,295,796)	(82,033,703)
New Israeli shekel	(4,099,552)	(52,896)
New Zealand dollar	(6,563,623)	(814,110)
Norwegian krone	(2,227,387)	(4,312,255)
Singapore dollar	(474,673)	(4,289,040)
South African rand	--	(69,256)
South Korean won	--	(93,812)
Swedish krona	(16,001,136)	(4,133,088)
Swiss franc	(18,127,965)	(24,848,759)
Thai baht	(79,044)	(52,898)
Turkish lira	--	(5,668)
United States dollar	(143,219,603)	(168,417,028)
Total sales	$(384,811,444)	$(397,744,984)
Net Unrealized (Loss) Gain	$(1,733,146)	$ 847,681

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, 2012 and 2011 are as follows:

Contractual Amount as of	December 31, 2012		December 31, 2011	
	Amount	Number of Contracts	Amount	Number of Contracts
Fixed income derivatives futures sold	$154,932,602	1,160	$267,643,039	1,593
Fixed income derivatives futures purchased	220,808,828	1,264	96,855,285	691
Fixed income futures sold	220,808,828	790	88,021,723	670
Fixed income futures purchased	154,932,602	1,081	258,809,477	1,070
Equity derivatives futures purchased	$ 13,703,965	193	$ 26,116,710	417
Equity derivatives offsets futures sold	13,703,965	--	26,116,710	--
Cash and cash equivalent derivatives futures sold	$ 53,379,125	215	$ 19,343,575	78
Cash and cash equivalent futures purchased	53,379,125	215	19,343,575	78
Cash and cash equivalent derivatives futures purchased	53,508,125	215	--	--
Cash and cash equivalent derivatives offsets futures sold	53,508,125	215	--	--

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 Fiduciary Net Position. The fair value of financial options outstanding at year-end December 31, 2012 and 2011 is as follows:

Fair Value as of	**December 31, 2012**		**December 31, 2011**	
	Amount	**Notional Value**	**Amount**	**Notional Value**
Financial put options	$ 289,609	$ 411,815,244	$ 61,014	$ 518,120,302
Financial call options	$ (8,024,080)	$ 246,600,316	$ (23,296,041)	$ 397,666,244

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 Fiduciary Net Position. The fair value of swaps outstanding at December 31, 2012 and 2011 is as follows:

Fair Value as of	**December 31, 2012**	**December 31, 2011**
Swaps, gain	$ 1,110,803	$ 164,267

As of December 31, 2012

Type of Swap	**Notional Value**	**Fair Value**	**Counterparty Credit Rating**
Credit Default Swap	$ 43,170,580	$ 886,619	A
Credit Default Swap	12,447,000	(248,757)	A
Interest Rate Swap	306,060,000	2,039,498	A
Interest Rate Swap	171,000,000	(1,566,557)	A
Total	$ 532,677,580	$ 1,110,803	

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	

G. Future Investment Commitments

At December 31, 2012 and 2011, IMRF had future commitments for additional contributions to real estate and alternative investment managers totaling $881,578,216 and $445,885,991, respectively.

H. 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 22 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 2012 and 2011, IMRF contributed $1,801,392 and $1,824,877, respectively, to the plan for current premiums, including a $52,182 subsidy in 2012 and a $38,469 subsidy in 2011 for retiree health and dental care premiums (78.8 percent and 79.3 percent of total premiums for each year). Plan members receiving benefits contributed $483,631 in 2012 and $476,677 in 2011, or 21.2 percent and 20.7 percent of the total premiums for each year, through their required contributions of between $51 and $432 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:

	2012	2011	2010
Annual required contribution	$ 173,526	$ 193,027	$ 189,027
Interest on net OPEB obligation	54,344	46,390	37,355
Adjustment to annual required contribution	(38,846)	(33,160)	(26,701)
Annual OPEB expense	189,024	206,257	199,681
Contributions made	(123,181)	(100,196)	(79,215)
Increase in net OPEB obligation	65,843	106,061	120,466
Net OPEB obligation - beginning of year	724,593	618,532	498,066
Net OPEB obligation - end of year	$ 790,436	$ 724,593	$ 618,532

In 2012, 2011 and 2010, IMRF contributed 52 percent, 53 percent and 42 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)
2012	$1,770,498	$0	0%	$1,770,498	$12,319,670	14.4%
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

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, 2012 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 2012 the present value of expected retirement benefits exceeded the retirement reserves for all employers combined by $4,606,916,836. In 2011 the present value of expected retirement benefits exceeded the retirement reserves for all employers combined by $6,125,754,381.

	2012	2011
1. ***Member Contribution Reserve***		
Balance at December 31	$ 5,705,657,084	$ 5,417,733,239
2. ***Annuity Reserve***		
Balance at December 31	$ 14,501,354,249	$ 13,388,018,799
3. ***Employer Reserves***		
Balance at December 31		
Retirement contribution reserve	$ 7,760,485,197	$ 6,064,471,105
Earnings and experience reserve	(643,846)	(61,003,268)
Supplemental retirement benefit	711,860	312,026
Pooled death benefit reserve	13,241,991	11,764,292
Pooled disability benefit reserve	15,520,728	15,764,854
	$ 7,789,315,930	$ 6,031,309,009

J. Other Notes

1. *Prepaid Expenses*

	2012	2011
Balance at December 31		
Prepaid administrative expenses	$ 951,233	$ 1,191,780
January 1 benefits charged to bank account in December	99,942,038	91,863,786
	$ 100,893,271	$ 93,055,566

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	2012	2011
Equipment, furniture, automobiles and internally-developed software		
Beginning balance in service	$ 8,639,933	$ 7,726,069
Additions	2,574,686	1,498,389
Deletions	(677,938)	(584,525)
Ending balance in service	10,536,681	8,639,933
Software under development	266,370	1,511,232
Total ending balance	10,803,051	10,151,165
Accumulated depreciation and amortization		
Beginning balance	5,004,381	4,709,718
Additions	1,290,102	818,916
Deletions	(628,634)	(524,253)
Ending balance	5,665,849	5,004,381
Capital assets, net	$ 5,137,202	$ 5,146,784

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, 2012, a liability existed for accumulated annual leave calculated at the employee's December 31, 2012 pay rate in the amount of $710,143. 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, 2012, a liability existed for accumulated and accrued sick leave, calculated at the employee's December 31, 2012 pay rate in the amount of $2,426,338. The total leave liability of $3,136,481 and $2,992,539 as of December 31, 2012, and 2011, respectively, is reflected on the Statement of Fiduciary Net Position 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 2012 and 2011 was $899,055 and $875,990, respectively. In 2012, the Fund entered into a new agreement with the building's management to lease additional space at the Drake Oak

Brook Plaza covering the period January 15, 2013 through October 31, 2016. This lease also contains an abatement clause. The Fund will amortize the abated rent, operating expenses, and real estate taxes over the period covered by the agreement.

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 2012 and 2011 was $33,000 and $33,520, respectively.

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

2013	$ 1,138,138
2014	1,182,304
2015	1,217,436
2016	1,042,274

5. Risk Management

IMRF carries commercial, business, fiduciary liability 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

	Aggregate Actuarial Liabilities (AAL)			Unfunded Actuarial Liabilities (UAL)		
Actuarial Valuation Date December 31	Total AAL Entry Age (a)	Actuarial Assets (b)	Actuarial Assets as a % of AAL (b/a)	Total UAL (a-b)	Member Payroll (c)	UAL as a % of Member Payroll [(a-b)/c]
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
2012	32,603,244,099	27,491,809,785	84.3	5,111,434,314	6,496,076,569	78.7

* 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
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
2012	503,108,449	317,890,978	21,340,072	40,876,782	883,216,281	98

Supplementary Information

Schedule of Administrative Expenses

	2012	2011
Personal services	$16,070,464	$15,246,637
Supplies	414,324	399,902
Professional services	1,374,696	1,289,540
Occupancy and utilities	1,730,885	1,849,835
Postage and delivery	1,028,983	1,068,814
Equipment service and rental	975,680	872,711
Expendable equipment	195,345	282,157
Miscellaneous	1,427,574	1,258,199
Depreciation	1,290,102	818,917
Total	$24,508,053	$23,086,712

Schedule of Payments for Professional Services

	2012	2011
Modernization consulting	$ 300,300	$ --
Actuary	290,324	385,110
Internal auditing	263,894	282,560
External auditor	125,500	120,900
Medical consultant	102,000	98,850
Public relations consultant	84,430	84,564
IT consultants	71,033	122,479
Legislative lobbying consultant	67,200	66,024
Compensation and benefits consultant	30,529	21,019
Legal services	25,127	30,993
Other consulting	10,050	50,700
Tax consultant	4,309	26,341
Total	$ 1,374,696	$ 1,289,540

Schedule of Investment Expenses

	2012	2011
Investment manager fees	$75,073,163	$72,743,998
Master trustee fees	250,000	250,000
Investment consultants	894,373	863,922
Investment legal fees	283,292	72,792
Miscellaneous	93,970	95,288
Total	$76,594,798	$74,026,000

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

Investments 2012

Callan

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

Main 303.861.1900
Fax 303.832.8230

www.callan.com

April 1, 2013

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 2012.

After a challenging 2011, capital markets were broadly up in 2012 despite the continuing economic strains in Europe, the fiscal cliff and presidential election in the United States and the expectation of slower global growth. Rising optimism in the U.S. recovery led to strong equity returns across market capitalizations. The U.S. equity market, as measured by the Dow Jones U.S. Total Stock Market Index, returned a strong 16.4%. The international equity markets, as measured by the MSCI All Country World ex-U.S. Index, roared ahead with a return of 16.8%. The U.S. fixed income market rose 4.2%, as measured by the Barclays Capital Aggregate Bond Index.

The Illinois Municipal Retirement Fund reported a fiduciary net position of $28.0 billion at year end. This represented an increase of approximately $3.2 billion from December 31, 2011.

The Total Fund returned 13.5% net of fees in 2012, outperforming the Total Fund Benchmark by 1.3%. This ranked in the top third of public fund peers. The Total Fund Benchmark is composed of the individual asset class benchmarks weighted in the same proportion as the target asset class allocations[1]. On a gross of fee basis, the Total Fund ranked in the 29th percentile of Callan's Public Fund Sponsor Database for the one-year period, and in the top quartile for the trailing five and ten year periods. The Fund's robust performance was a result of strong returns from domestic and international equity. Active management was additive for all public asset classes for the year.

The domestic equity portfolio, with a current target allocation of 38%, returned 17.1% net of fees for the year ended December 31, 2012. This return exceeded the Dow Jones U.S. Total Stock Market Index by 0.7% and ranked in the 14th percentile compared to other public fund domestic equity portfolios.

Despite slowing growth and lingering fiscal problems in the peripheral countries of the European Union, developed international equities saw gains comparable to the U.S. International small cap and emerging markets also rose with returns of 18.5% and 18.6% respectively. The IMRF international equity portfolio increased 18.7% net of fees over the one-year period outperforming the MSCI All-Country World ex-U.S. Index by 1.9% and ranked in the 35th percentile relative to peers. 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 strong, positive returns.

The Fund's fixed income portfolio returned gained 7.2% net of fees. This return was ahead of the Barclays Capital Aggregate Bond Index by 3.0%. The fixed income portfolio has a current target allocation of 29%

[1] As of December 31, 2012, the Total Fund Benchmark consisted of 38% DJ U.S. Total Stock Market Index, 29% Barclays Capital Aggregate Bond Index, 20% MSCI AC World ex-U.S. Index, 6% NCREIF Total Index + 1.0%, 6% of the Alternatives Custom Benchmark, and 1% of the Citigroup 90-Day T-Bill Index.

and was well diversified including dedicated investments in high yield securities and core plus type strategies.

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 LaSalle Street
Chicago, Illinois 60603
(312) 630-6000

Northern Trust

January 22, 2013

Board of Trustees and Executive Director
Illinois Municipal Retirement Fund
2211 York Road
Oak Brook, IL 60523-2337

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, 2012, through December 31, 2012. Also, a statement of assets together with their fair market value was provided, showing the properties held as of December 31, 2012. 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

ABRY Partners
Boston, Massachusetts

AEW Capital Management, L.P.
Boston, Massachusetts

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

The Blackstone Group, L.P.
New York, New York

BMO Asset Management U.S.
Chicago, Illinois

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

Brown Capital Management, Inc.
Baltimore, Maryland

CBRE Global Investors
Los Angeles, California

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

EnCap Investments, L.P.
Houston, Texas

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

ICV Partners
New York, New York

Invesco Real Estate
Dallas, Texas

Investment Counselors of Maryland, LLC
Baltimore, Maryland

LaSalle Investment Management
Chicago, Illinois

Lazard Asset Management
New York, New York

Lightspeed Venture Partners
Menlo Park, California

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

Mayfield Fund
Menlo Park, California

Mesirow Advanced Strategies, Inc.
Chicago, Illinois

Mondrian Investment Partners Limited
London, England

Muller & Monroe Asset Management, LLC
Chicago, Illinois

New Century Advisors, LLC
Bethesda, Maryland

Northern Trust Investments, Inc.
Chicago, Illinois

Olympus Real Estate Corporation
Dallas, Texas

Pantheon Ventures, Inc.
San Francisco, California

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

Starwood Capital Group
Greenwich, Connecticut

TA Associates Realty
Boston, Massachusetts

Taplin, Canida & Habacht
Miami, Florida

Templeton Investment Counsel, LLC
Fort Lauderdale, Florida

Torchlight Investors
New York, New York

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.
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.).
7. To achieve in fixed income securities a total return that exceeds the total return of the Barclays Aggregate Bond Index.
8. To achieve in equity real estate investments a return that exceeds the National Council of Real Estate Investment Fiduciaries (NCREIF) Open-End Diversified Core gross of fees (ODCE) Index over a rolling three-year period.
9. To achieve in alternative investments a return of 9 percent.
10. To achieve in internally managed short-term securities relative performance better than 3-month 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. Generally, no individual security shall comprise more than 5 percent of the total portfolio at market value.

2. The total portfolio shall generally not hold more than 5 percent of the outstanding shares of any one company.

3. 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.

4. 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.

5. 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. Generally, no individual security shall comprise more than 6 percent of the total portfolio at market value.

2. The total portfolio shall generally not hold more than 5 percent of the outstanding shares of any one company.

3. 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.

4. Sector exposure in the portfolio shall not exceed the higher of 25 percent or two times the benchmark weighting at market value.

5. Country exposure in the portfolio shall not exceed the higher of 25 percent or two times the benchmark weighting at market value.

6. 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.

7. 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. U.S. corporate bond allocations will be well-diversified by industry. 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. 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. Managers are not permitted to utilize these transactions for speculative purposes. Leverage is not allowed except as permitted for rolling mortgage pass-through securities.

9. No assets shall be committed to short sale contracts.

F. Equity Real Estate Investment Guidelines

The primary role of the real estate program is to provide diversification benefits to the total Fund through low correlations with other portfolio asset classes. The secondary role is to generate income and provide protection against inflation.

1. The maximum commitment to any private real estate manager shall be 40% of the total real estate portfolio value plus unfunded commitments at the time of due diligence.

2. IMRF will seek property type diversification at the total private real estate portfolio level. Any single private real estate investment may not be fully diversified. Investments may include office, retail, industrial, multi-family, and other non-traditional categories such as hotels, self-storage, data centers, student housing, land, and other property types. The majority of investments in private real estate will be allocated to the primary sectors of the NCREIF NPI.

3. IMRF will seek geographic and economic diversification at the total private real estate portfolio level. Any single private real estate investment may not be fully diversified. Although IMRF may invest in strategies where investments are located outside of the U.S., exposure to these dedicated strategies is limited to 20 percent of the total private real estate portfolio value plus unfunded commitments at the time of due diligence.

4. IMRF's long-term strategic target to core real estate investments is 60 percent with a minimum of 50 percent.

5. Modest amounts of leverage may be used as a means of enhancing the overall risk adjusted returns. Leverage at the total real estate portfolio level will be kept below 50 percent loan to value.

6. Publicly traded real estate securities will not exceed 20 percent of the total real estate portfolio plus unfunded commitments at the time of due diligence.

7. The majority of real estate investments will consist of equity ownership in commercial real estate. Managers whose sole strategy is to invest in non-equity or debt strategies will not exceed 20 percent of the total real estate portfolio plus unfunded commitments at the time of due diligence.

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 to generate long-term returns in a diversified manner. The investments will generally be made through limited partnership structures in which IMRF commits a fixed amount that the General Partner will invest over several years. The partnership structure may cover periods of 10 years or more. IMRF understands and recognizes that the alternative asset class will not be structured in a way to provide short-term cash flow needs for the Fund.

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 $50 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

	2012	2011	2010	2009	2008	Annualized 3 Yrs	5 Yrs	10 Yrs
Total Fund								
Time-Weighted Returns								
IMRF - Gross of Fees	13.77%	(0.29)%	13.60%	24.52%	(24.81)%	8.83%	3.83%	8.36%
IMRF - Net of Fees	13.51	(0.50)	13.36	24.28	(24.97)	8.59	3.61	--
CPI (Inflation)	1.74	2.96	1.50	2.72	0.09	2.06	1.80	2.41
Equities - U.S.								
IMRF - Gross of Fees	17.39%	(0.74)%	18.92%	31.39%	(38.62)%	11.49%	2.25%	8.47%
IMRF - Net of Fees	17.09	(0.99)	18.63	31.12	(38.79)	11.21	1.99	--
Dow Jones U.S.								
Total Stock Market Index	16.38	1.08	17.51	28.58	(37.23)	11.39	2.21	7.95
Russell 2000	16.35	(4.18)	26.85	27.17	(33.79)	12.25	3.56	9.72
Equities - International								
IMRF - Gross of Fees	19.11%	(12.27)%	12.98%	39.51%	(46.35)%	5.69%	(2.45)%	10.42%
IMRF - Net of Fees	18.70	(12.50)	12.68	39.07	(46.55)	5.38	(2.75)	--
MSCI ACWI Ex-U.S.	16.83	(13.71)	11.15	41.45	(45.53)	3.87	(2.89)	9.74
MSCI EAFE	17.32	(12.14)	7.75	31.78	(43.38)	3.56	(3.69)	8.21
Fixed Income								
IMRF - Gross of Fees	7.41%	7.60%	8.59%	15.34%	(1.89)%	7.87%	7.26%	6.37%
IMRF - Net of Fees	7.22	7.44	8.43	15.21	(1.99)	7.70	7.12	--
Barclays Aggregate	4.21	7.84	6.54	5.93	5.24	6.19	5.95	5.18
Barclays Government/Credit	4.82	8.74	6.59	4.52	5.70	6.70	6.06	5.25
Merrill Lynch High Yield	15.43	4.50	15.24	56.28	(26.21)	11.61	9.90	10.24
Real Estate								
IMRF - Net of Fees	12.28%	12.29%	6.03%	(24.52)%	(3.75)%	10.34%	(0.48)%	5.53%
Real Estate Benchmark	11.54	15.26	14.11	(15.86)	(5.46)	13.63	3.14	--
NCREIF Property Index	10.55	14.26	13.11	(16.86)	(6.46)	12.63	2.13	8.44
Alternative Investments								
IMRF - Gross of Fees	4.74%	5.05%	9.76%	(0.81)%	(8.82)%	6.49%	1.78%	7.93%
IMRF - Net of Fees	4.44	4.84	9.50	(1.24)	(8.93)	6.23	1.52	--
Cash & Cash Equivalents								
IMRF	0.23%	0.24%	0.26%	(7.27)%	(19.17)%	0.24%	(5.46)%	1.04%
U.S. Treasury Bills	0.11	0.10	0.13	0.10	1.20	0.11	0.52	1.78

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, 2012 are not available.

Schedule I

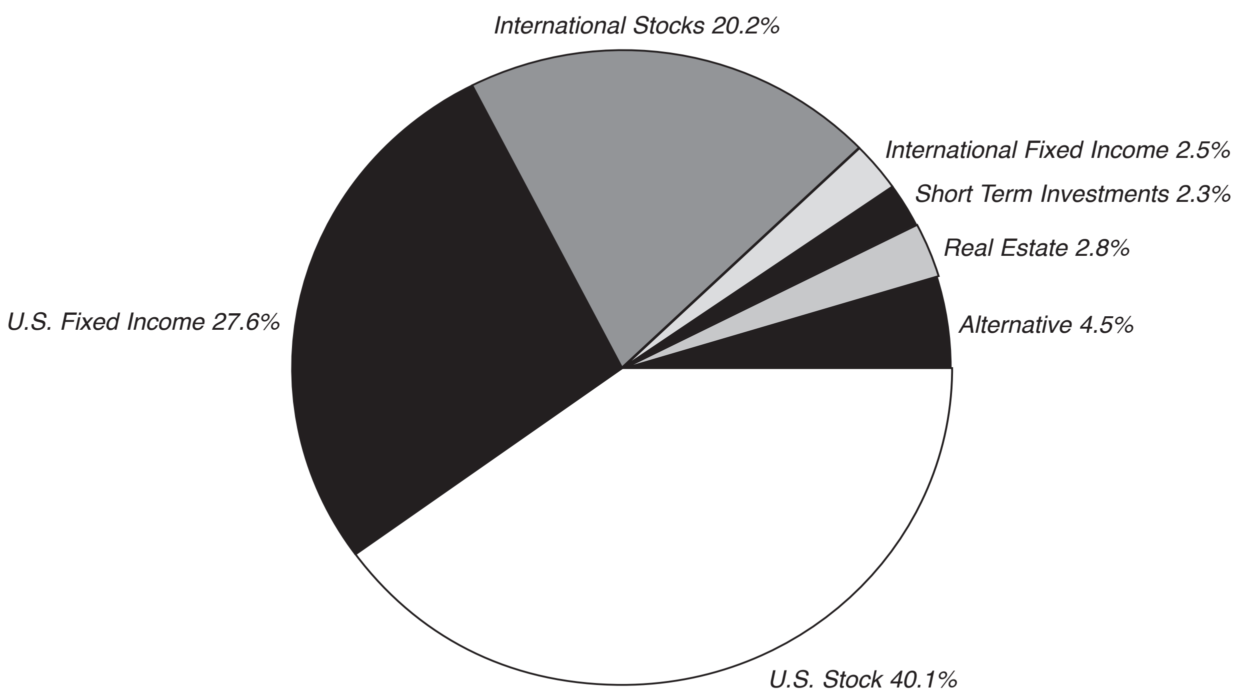
Investment Portfolio Summary

In Millions of Dollars

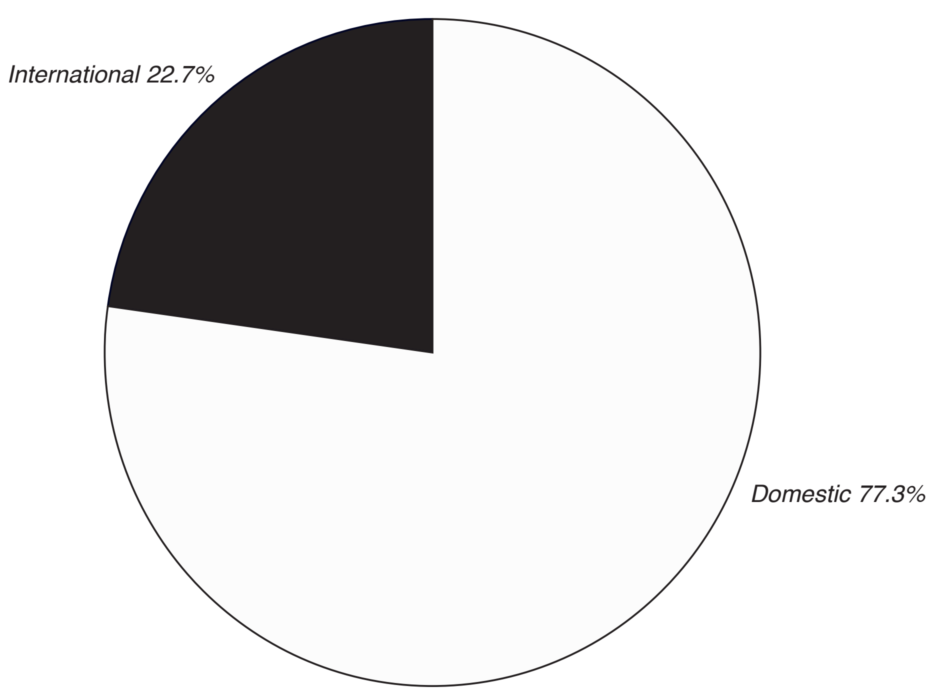
	As of December 31, 2012		As of December 31, 2011	
	Fair Value	Percent of Total Fair Value	Fair Value	Percent of Total Fair Value
Fixed Income				
Government & Agencies	$ 3,444.6	12.3%	$ 3,174.9	12.7%
Corporate	2,895.3	10.3	2,580.0	10.3
Index Funds	1,401.8	5.0	1,343.8	5.4
Foreign	703.2	2.5	636.4	2.5
	8,444.9	30.1	7,735.1	30.9
Stocks				
U.S. Common & Preferred	7,919.6	28.2	6,954.8	27.8
U.S. Stock Funds	3,338.5	11.9	2,911.3	11.6
Foreign Common & Preferred	3,219.8	11.5	2,866.4	11.5
Foreign Stock Funds	2,432.2	8.7	1,968.9	7.9
	16,910.1	60.3	14,701.4	58.8
Real Estate				
Commingled Funds	561.2	2.0	494.1	2.0
Directly Owned	242.8	0.8	231.6	0.9
	804.0	2.8	725.7	2.9
Alternative Investments				
Commingled Funds	1,063.0	3.8	823.2	3.3
Timber and Agricultural	193.8	0.7	174.2	0.7
	1,256.8	4.5	997.4	4.0
Short-Term Investments	659.6	2.3	863.3	3.4
Total Portfolio	$28,075.4	100.0%	$25,022.9	100.0%

Investment Portfolio as of December 31, 2012

Allocation by Asset Class



Total Investments by Region



Schedule II

Asset Allocation

Last Five Years

	Fair Value as a Percent of Portfolio				
	2012	2011	2010	2009	2008
Fixed Income					
U.S. Government & Agencies	12.3%	12.7%	10.4%	8.7%	14.5%
Corporate	10.3	10.3	10.5	11.4	12.0
Index Fund	5.0	5.4	6.8	7.5	17.7
Foreign	2.5	2.5	2.4	2.8	1.4
	30.1	30.9	30.1	30.4	45.6
Stocks					
U.S. Common & Preferred	28.2	27.8	26.5	26.1	23.8
U.S. Stock Funds	11.9	11.6	13.6	12.6	6.5
Foreign Common & Preferred	11.5	11.5	12.1	11.7	9.6
Foreign Stock Funds	8.7	7.9	9.7	10.3	3.1
	60.3	58.8	61.9	60.7	43.0
Real Estate					
Commingled Funds	2.0	2.0	1.0	1.1	1.8
Directly Owned	0.8	0.9	0.8	0.7	1.0
	2.8	2.9	1.8	1.8	2.8
Alternative Investments					
Commingled Funds	3.8	3.3	3.2	3.5	4.0
Timber and Agricultural	0.7	0.7	0.6	0.6	0.7
	4.5	4.0	3.8	4.1	4.7
Short-Term Investments	2.3	3.4	2.4	3.0	3.9
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 .625% *Due 11/30/2017*	$ 97,581,120	0.35%
U.S. Treasury Bonds .25% *Due 11/30/2014*	87,743,422	0.31
U.S. Treasury Bonds 1.00% *Due 11/30/2019*	77,561,236	0.28
U.S. Treasury Bonds .375% *Due 11/15/2015*	62,763,817	0.22
U.S. Treasury Notes .25% *Due 9/30/2014*	58,083,588	0.21
GNMA II 4.50% *Due 1/1/2043*	45,326,542	0.16
FNMA 4.50% *Due 8/1/2041*	45,245,710	0.16
FNMA 30-Year Forward 3.00% *Due 1/1/2043*	44,825,440	0.16
FNMA 3.50% *Due 1/1/2043*	43,562,194	0.15
U.S. Treasury Bonds 1.25% *Due 10/31/2019*	42,327,636	0.15
	$605,020,705	2.15%

Ten Largest Equity Investment Holdings
Excludes Commingled Funds

	Market Value	Percent of Total Invested Market
Apple, Inc.	$ 203,975,656	0.72%
Google, Inc.	139,379,146	0.49
Amazon, Inc.	128,974,454	0.46
Visa, Inc.	119,756,688	0.43
Exxon Mobil Corp.	115,859,292	0.41
Pfizer, Inc.	107,574,942	0.38
Wells Fargo & Co.	106,207,275	0.38
Qualcomm, Inc.	104,247,743	0.37
Chevron Corp.	103,079,372	0.37
Microsoft Corp.	88,844,933	0.32
	$1,217,899,501	4.33%

A complete listing of investments is available upon request.

Schedule of 2012 Domestic Brokerage Commissions

In order of commissions received

Broker Name	Shares	Commissions	Per Share
Cabrera Capital Markets, Inc.	8,689,924	$ 272,129	$ 0.031
CL King & Associates	5,848,314	212,274	0.036
Instinet	4,938,419	175,832	0.036
Investment Technology Group, Inc.	7,392,226	156,432	0.021
Merrill Lynch Pierce Fenner & Smith	7,615,660	156,397	0.021
Loop Capital Markets	5,515,107	153,899	0.028
Knight Equity Markets LP	6,204,873	148,653	0.024
Morgan Stanley & Co., Inc.	5,404,864	137,514	0.025
Goldman Sachs & Company	3,245,304	133,571	0.041
Credit Suisse First Boston Corporation	5,412,511	128,954	0.024
Bear Stearns	4,689,973	128,367	0.027
Cheevers and Company, Inc.	5,621,856	125,436	0.022
M Ramsey King Securities	3,159,815	121,722	0.039
Jones Trading Institutional Services	4,480,116	111,870	0.025
BNY ESI Securities Co.	3,000,546	111,853	0.037
Cantor Fitzgerald & Co.	3,897,481	107,153	0.027
Williams Capital Group LP	3,385,629	99,892	0.030
Liquidnet, Inc.	4,683,476	98,646	0.021
Drexel Hamilton LLC	3,394,550	96,582	0.028
Barclays Capital LE	3,007,252	92,776	0.031
Castle Oak Securities, Inc.	2,838,948	92,110	0.032
Stifel Nicolaus and Company	2,696,205	88,092	0.033
Citigroup Global Markets, Inc./Smith Barney	3,155,981	81,756	0.026
MR Beal and Company	2,619,422	75,292	0.029
Robert W. Baird & Company, Inc.	2,025,686	73,133	0.036
Piper Jaffray, Inc.	2,878,756	72,603	0.025
Craig Hallum	1,861,112	63,441	0.034
Stephens, Inc.	1,523,648	62,600	0.041
Mischler Financial Group	1,420,712	57,417	0.040
Sanford C. Bernstein & Co.	2,281,292	54,565	0.024
Other Brokers	100,184,262	1,560,571	0.016
Total	223,073,920	$ 5,051,532	$ 0.023

Schedule of 2012 International Brokerage Commissions

In order of commissions received

Broker Name	Shares	Commissions	Per Share
G-Trade Services LLC	20,647,961	$ 213,779	$ 0.010
UBS AG (London Equities)	12,055,802	199,519	0.017
Instinet Europe Limited	34,124,535	165,233	0.005
Nomura Securities New York	13,427,946	122,309	0.009
Goldman Sachs & Co.	6,562,190	116,006	0.018
Direct Access Partners LLC	7,483,700	115,413	0.015
Credit Suisse Securities LLC (USA)	26,135,081	92,414	0.004
Cabrera Capital Markets LLC	4,918,545	84,124	0.017
UBS Securities Asia Limited	49,556,435	81,761	0.002
Deutsche Bank Securities, Inc.	9,141,381	75,928	0.008
J.P. Morgan Clearing Corp.	13,414,843	75,694	0.006
Goldman Sachs International	11,310,336	75,632	0.007
J.P. Morgan Securities PLC	5,907,343	68,662	0.012
Pershing LLC	10,672,716	68,110	0.006
Morgan Stanley & Co. LLC	6,074,128	65,779	0.011
Sanford C. Bernstein Ltd.	13,979,512	65,471	0.005
Credit Suisse Securities Ltd. (Europe)	4,084,708	61,420	0.015
Merrill Lynch International Limited	16,614,139	60,837	0.004
Citigroup Global Markets, Inc.	18,087,105	60,558	0.003
BNP Paribas Securities Ltd.	13,791,957	54,440	0.004
Investment Technology Group Ltd.	7,675,945	50,455	0.007
Credit Agricole Cheuvreux	5,090,724	50,269	0.010
Societe Generale London	6,783,734	43,234	0.006
Barclays Capital	3,945,265	39,886	0.010
Morgan Stanley & Co., Inc.	3,858,016	35,859	0.009
Citigroup Global Markets Limited	4,102,484	34,448	0.008
CLSA Singapore, Pte. Ltd.	6,417,000	31,752	0.005
J.P. Morgan Securities (Asia Pacific)	24,472,001	31,430	0.001
Link S/A Cctvm.	1,406,725	29,180	0.021
Jefferies and Company, Inc.	1,477,139	28,491	0.019
Other Brokers	192,635,887	1,179,080	0.006
Total	555,855,283	$ 3,477,173	$ 0.006

Commissions in U.S. dollar terms.

Schedule of Investment Fees

	2012 Fees	2012 Assets under management at year end (in thousands)*	Basis Points	2011 Fees	2011 Assets under management at year end (in thousands)*	Basis Points
Investment manager fees						
Fixed income managers	$ 11,443,530	$ 7,470,274	15	$ 10,664,631	$ 7,023,797	15
Stock managers	28,667,025	11,547,763	25	28,159,836	10,122,743	28
International managers	18,629,511	6,774,933	28	18,192,115	5,865,097	31
Real estate managers	9,855,613	803,423	123	8,426,182	727,011	116
Alternative investment managers	6,477,484	1,316,126	49	7,301,234	1,017,037	72
	$ 75,073,163	$ 27,912,519		$72,743,998	$ 24,755,685	
Other investment fees						
Master trustee fees	$ 250,000			$ 250,000		
Investment consulting fees	894,373			863,922		
Total investment fees	76,217,536			73,857,920		
Non-fee investment expenses	377,262			168,080		
Total direct investment expenses	$76,594,798			$74,026,000		
Securities lending fees						
Management fees and borrower rebates	$ 1,516,799			$ 1,196,143		

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

Actuarial
2012

GRS

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May 1, 2013

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 2014 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, 2012.

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 1, 2013
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, 2012 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, 2012 valuation, we are pleased to report to the Board that the Illinois Municipal Retirement Fund 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

Brian B. Murphy, FSA, EA, MAAA

Mark Buis

Mark Buis, FSA, EA, MAAA

BBM/MB:ah

Gabriel Roeder Smith & Company

Illinois Municipal Retirement Fund
Brief Summary of Actuarial Assumptions Used in 2012 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				Pay Increase Next Year
	Active Mortality		Disability		
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%

Solvency Test

Last ten years

	Aggregate Actuarial Liabilities For				Portion of Actuarial Liabilities Covered by Assets		
	(1)	(2)	(3)				
Calendar Year	Active Member Contributions	Annuitants	Active Members (Employer-Financed Portion)	Actuarial Assets	(1)	(2)	(3)
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
2012	5,705,336,025	14,482,560,758	12,415,347,316	27,491,809,785	100.0	100.0	58.8

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
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
2012	6,496,076,569	1.0	37,252	1.5	174,771	47.8	10.6

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 Number	Added to Rolls Annual Benefits	Removed from Rolls Number	Removed from Rolls Annual Benefits	End of Year Rolls Number	End of Year Rolls Annual Benefits	Average Annual Benefit	% Change in Average Benefit
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
2012	7,912	137,928,914	3,736	37,015,540	102,776	1,315,497,577	12,800	3.9

Schedule of Disabilitants Added to and Removed from Rolls

Calendar Year	Added to Rolls Number	Added to Rolls Annual Benefits	Removed from Rolls Number	Removed from Rolls Annual Benefits	End of Year Rolls Number	End of Year Rolls Annual Benefits	Average Annual Benefit	% Change in Average Benefit
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)
2012	2,207	25,996,458	2,138	25,600,824	1,153	10,639,624	9,228	(2.3)

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					
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	3.99	0.30	0.62	12.68
2014^	7.64	4.04	0.28	0.62	12.58
Sheriff's Law Enforcement Personnel members (SLEP)					
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	9.64	0.31	0.62	23.31
2014^	12.61	9.68	0.29	0.62	23.20
Elected County Official members (ECO)					
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	26.81	0.31	0.62	45.37
2014^v	17.59	56.02	0.29	0.62	74.52

* *Assumptions changed due to experience study.*
\+ *Includes impact of optional phase-in plan.*
^ *Prior to impact of optional phase-in plan.*
v *Change in amortization of prior service cost.*

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
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
2012	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	
	2012	**2011**
Sources of Funds		
Actuarial value of assets	$ 27,491,809,785	$ 25,711,287,584
Actuarial present value of future contributions:		
Member	2,638,149,318	2,633,243,353
Employer Normal Costs	4,448,823,463	4,523,134,131
Under Funded Actuarial Accrued Liability	5,111,434,314	5,251,527,844
Total Sources	$ 39,690,216,880	$ 38,119,192,912
Uses of Funds		
Retired members and beneficiaries	$ 14,482,560,758	$ 13,388,018,799
Inactive members	2,965,098,448	2,835,743,374
Active members	22,214,184,646	21,867,954,722
Death and disability benefits	28,373,028	27,476,017
Total Uses	$ 39,690,216,880	$ 38,119,192,912

Analysis of Under Funded Actuarial Liability

	Amount at December 31	
	2012	**2011**
Under funded liability beginning of year	$ 5,251,527,844	$ 4,878,091,350
Assumed net (payments) during year	(285,736,416)	(271,273,181)
Assumed interest (7.5 percent)	383,278,615	355,806,713
Expected under (over) funded liability	$ 5,349,070,043	$ 4,962,624,882
Increase due to experience study	--	181,134,110
(Decrease) increase due to investment performance	(71,019,991)	164,319,997
Decrease due to other sources	(166,615,738)	(56,551,145)
Under funded liability end of year	$ 5,111,434,314	$ 5,251,527,844

Derivation of Experience Gain (Loss)

Type of Risk Area

Risks Related to Assumptions	**2012**	**2011**
	(in millions)	
Economic Risk Areas		
Investment Return	$ 71.0	$ (164.3)
Pay Increases	230.2	238.9
Demographic Risk Areas		
Service Retirements	2.0	(22.9)
Early Retirements	(3.0)	(5.7)
Vested Deferred Retirements	(24.7)	(25.9)
Death and Survivor Benefits	6.5	7.3
Disability Benefits	20.8	8.2
Terminated with Refund	23.8	19.9
Changes due to Experience Study (1)	--	(181.1)
Risks Not Related to Assumptions (2)	(89.0)	(163.3)
Total Gain (Loss) During Year	$ 237.6	$ (288.9)

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

(2) 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 2,969 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 8, 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 percent 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. ECO members (those who joined the ECO plan after January 1, 2011 and before August 8, 2011) are vested with ten or more years of ECO service credit in the same elected county position. 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, whichever is higher. 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, whichever is higher. For ECO members who joined the plan after January 1, 2011 and before August 8, 2011, 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 initially 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. The pensionable earnings cap for 2012 was $108,883. 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. Beginning in 2014, ERI programs will be limited to being offered once every five years.

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 2012

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

Financial Tables

Operating and Demographic Tables

Benefit Payment Tables

Table V
Changes in Fiduciary Net Position
Last ten years

Additions

Calendar Year	Investment Earnings Net of Direct Investment Expense	Employer Contributions: Dollars	Employer Contributions: Percent of Annual Covered Payroll	Member Contributions	Other	Total Additions
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
2012	3,393,689,073	883,216,281	13.60	330,814,542	12,037	4,607,731,933

Deductions

Calendar Year	Benefits	Refunds	Administrative Expenses	Total Deductions	Change in Fiduciary Net Position
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)
2012	1,389,815,471	34,142,193	24,508,053	1,448,465,717	3,159,266,216

Table VI
Benefit Expense by Type
Last ten years

Calendar Year	DEATH Supplemental	DEATH Refund	DEATH Burial	DEATH Residual	DISABILITY Permanent	DISABILITY Temporary
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
2012	10,377,472	9,641,181	8,103,523	1,711,659	3,878,005	7,012,081

Calendar Year	ANNUITIES Retirement	ANNUITIES Surviving Spouse	ANNUITIES Beneficiary	ANNUITIES Supplemental	REFUNDS Separation	REFUNDS Other	Total
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
2012	1,229,614,161	76,545,359	2,455,082	40,476,948	31,482,985	2,659,208	1,423,957,664

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
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	1,317,305,714	(188,820,572)
2012	883,216,281	330,814,542	1,214,030,823	1,423,957,664	(209,926,841)

Net Cash Flow
Last ten years

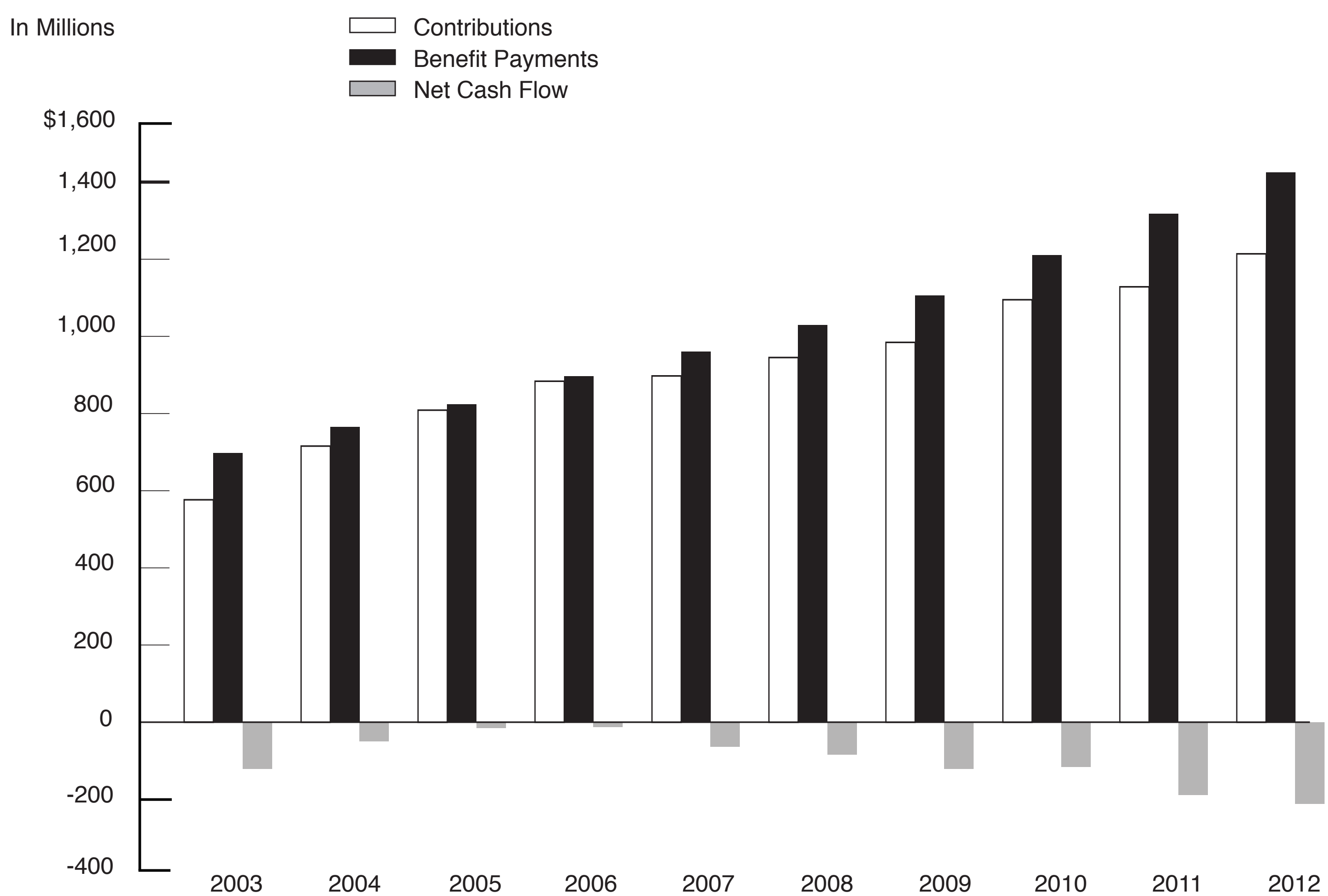

Table VIII
Operating Statistics - Number of Initial Benefit Payments
Last ten years

Calendar Year	Annuity	Disability	Death	Refund	Total
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
2012	6,845	2,207	3,288	9,864	22,204

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
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
2012	4	4	4	28	9	4	7	28	28	34	4	22	176

Table X
Number of Actively Participating Employers
Last ten years

Calendar Year End	Cities	Villages	Counties	School Districts	Townships	Other	Total
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
2012	258	411	101	859	479	861	2,969

Table XI
Principal Participating Employers
Current year and nine years ago

	2012			2003		
Employer	Active Members	Rank	Percentage of Total Active Members	Active Members	Rank	Percentage of Total Active Members
DuPage County	3,013	1	1.72%	3,159	1	1.88%
Lake County	2,620	2	1.50	2,930	2	1.74
Will County	2,355	3	1.35	2,042	3	1.22
Union School District 46	1,812	4	1.04	1,714	5	1.02
Winnebago County	1,709	5	0.98	1,580	6	0.94
Rockford School District 205	1,701	6	0.97	1,975	4	1.18
McHenry County	1,358	7	0.78	--	--	--
Kane County	1,322	8	0.76	1,348	7	0.80
Peoria School District 150	1,247	9	0.71	1,272	9	0.76
Palatine School District 211	1,233	10	0.71	--	--	--
City of Springfield	--	-	--	1,322	8	0.79
St. Clair County	--	-	--	1,105	10	0.66
	18,370		10.52%	18,447		10.99%

Table XII
Number of Actively Participating Members
Last ten years

Calendar Year End	Male Participants	Female Participants	Total
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
2012	64,918	109,853	174,771

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
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
2012	174,771	15,994	67,735	45,777	45,265	52.1

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	137	175	312	--	--	--	--	--	--
20 to 29	7,767	9,856	17,623	489	84	573	2	--	2
30 to 39	11,826	15,757	27,583	1,134	213	1,347	15	3	18
40 to 49	15,444	28,914	44,358	1,359	201	1,560	46	17	63
50 to 54	10,174	20,418	30,592	339	75	414	44	20	64
55 to 59	9,261	18,308	27,569	212	35	247	50	25	75
60 to 69	8,682	14,905	23,587	127	20	147	58	23	81
70 and Over	1,627	1,520	3,147	10	1	11	21	6	27
Total	64,918	109,853	174,771	3,670	629	4,299	236	94	330

Table XV
Annuitants by Age

	Retirees			Surviving Spouses			Beneficiaries		
Ages	Male	Female	Total	Male	Female	Total	Male	Female	Total
Under 55	268	71	339	17	113	130	68	131	199
55 to 59	3,471	4,798	8,269	27	229	256	26	49	75
60 to 64	5,919	10,381	16,300	110	413	523	12	51	63
65 to 69	6,213	13,114	19,327	252	721	973	21	51	72
70 to 74	5,075	10,683	15,758	386	1,117	1,503	8	34	42
75 to 79	3,941	8,040	11,981	556	1,513	2,069	9	31	40
80 to 84	2,851	6,293	9,144	702	1,866	2,568	4	20	24
85 to 89	1,743	4,154	5,897	613	1,665	2,278	3	21	24
90 to 94	601	1,969	2,570	302	1,030	1,332	1	12	13
95 to 99	94	466	560	73	271	344	--	--	--
100 and over	10	41	51	8	44	52	--	--	--
Total	30,186	60,010	90,196	3,046	8,982	12,028	152	400	552

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)
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
2012	3,218	34,500	18,475	15,718

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

Average Benefit Payment Amounts

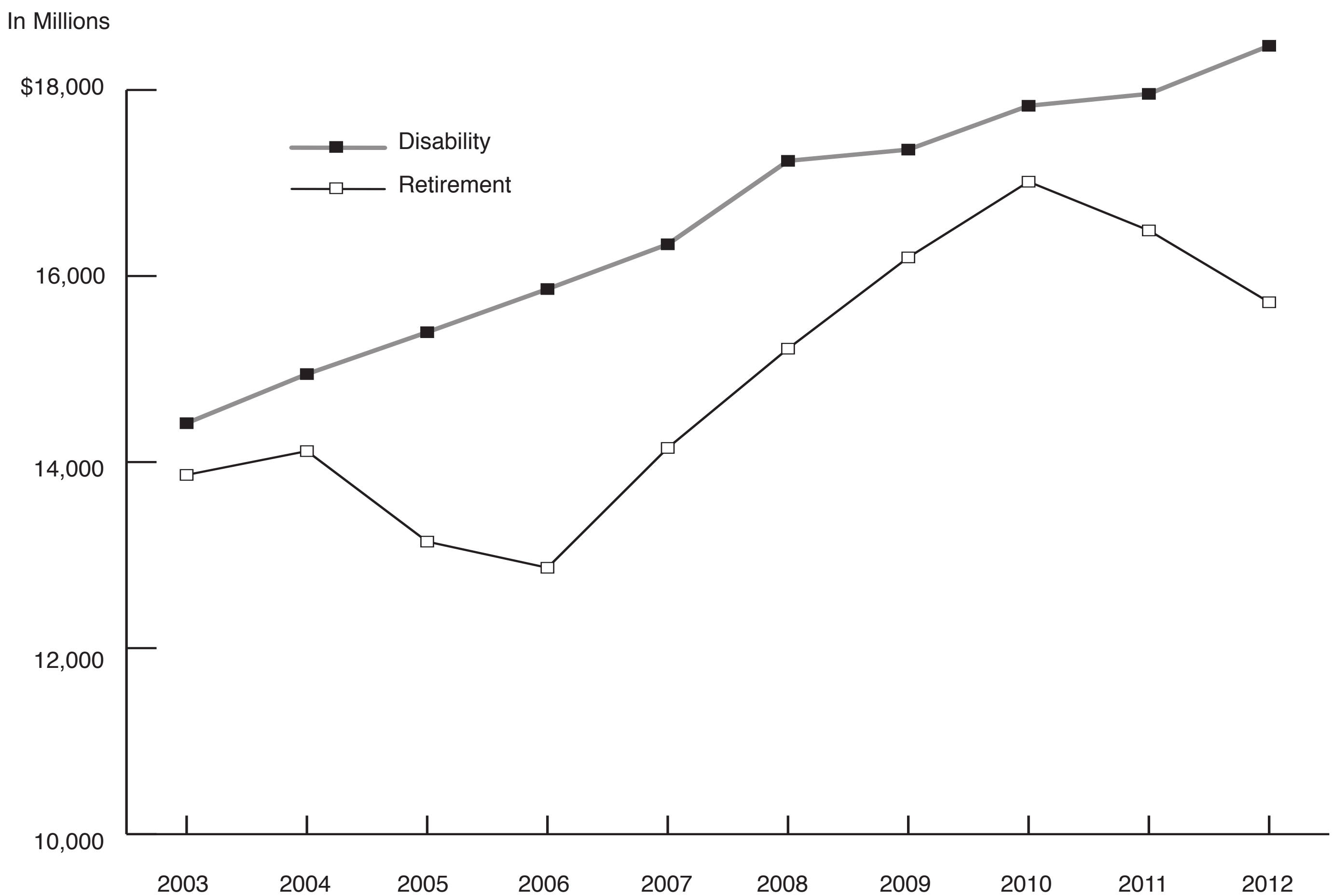

Table XVII
Analysis of Initial Retirement Benefits - Regular Plan
Last Ten Years

	Years of Credited Service							
	8-9	10-14	15-19	20-24	25-29	30-34	35+	Total
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
2012								
Avg Monthly Annuity	$345	$539	$848	$1,407	$1,961	$2,807	$3,780	$1,391
Avg Monthly FRE	$2,473	$2,758	$2,946	$3,670	$4,083	$4,808	$5,436	$3,503
Number of Retirees	576	1,096	895	774	636	493	398	4,868

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 - Sheriff's Law Enforcement Personnel Plan (SLEP)
Last Ten Years

	Years of Credited Service				
	20-24	25-29	30-34	35+	Total
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
2012					
Avg Monthly Annuity	$3,085	$4,382	$4,844	$3,809	$3,752
Avg Monthly FRE	$6,024	$7,000	$6,363	$5,312	$6,340
Number of Retirees	38	21	11	2	72

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
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
2012								
Avg Monthly Annuity	$687	$845	$762	$4,046	--	$4,598	--	$1,990
Avg Monthly FRE	$2,312	$1,934	$1,186	$5,058	--	$5,748	--	$2,967
Number of Retirees	2	9	5	8	--	1	--	25

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	875	4,507	571	844	1,446	5,351
$100 to under $250	2,021	10,132	1,015	2,203	3,036	12,335
$250 to under $500	3,876	13,716	896	2,601	4,772	16,317
$500 to under $750	3,563	8,928	399	1,430	3,962	10,358
$750 to under $1,000	2,862	6,080	173	814	3,035	6,894
$1,000 to under $2,000	7,145	11,517	134	1,213	7,279	12,730
$2,000 to under $3,000	4,022	3,419	7	212	4,029	3,631
$3,000 to under $4,000	2,513	1,093	3	46	2,516	1,139
$4,000 to under $5,000	1,495	374	--	11	1,495	385
$5,000 to under $6,000	840	143	--	1	840	144
$6,000 and over	974	101	--	7	974	108
Total	30,186	60,010	3,198	9,382	33,384	69,392

Note: Counts do not include disabilitants.

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