

# **Illinois Metropolitan Investment Fund**

**Comprehensive Annual Financial Report**

**Year ended September 30, 2015**



**Illinois Metropolitan  
Investment Fund**

# **Illinois Metropolitan Investment Fund**

## **Comprehensive Annual Financial Report**

**Year ended September 30, 2015**

**Laura F. Allen  
Executive Director**

# ILLINOIS METROPOLITAN INVESTMENT FUND

Comprehensive Annual Financial Report  
Year Ended September 30, 2015

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# ILLINOIS METROPOLITAN INVESTMENT FUND

Comprehensive Annual Financial Report  
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## **INTRODUCTORY SECTION**



# Illinois Metropolitan Investment Fund

Investing together for  
our communities

**Jerry Duca**  
Village Administrator  
Village of Frankfort  
*Chairman*

**Christy Powell**  
Superintendent of Finance  
& Personnel  
Geneva Park District  
*Vice Chairman*

**Gary Szott**  
Director of Finance/Treasurer  
Village of Bloomingdale  
*Treasurer*

**John Harrington**  
Director of Finance/Treasurer  
Village of Minooka  
*Secretary*

**Scott Anderson**  
Director of Finance/Treasurer  
Village of Buffalo Grove  
*Trustee*

**Chris Minick**  
Director of Finance  
City of St. Charles  
*Trustee*

**Eileen Santschi**  
Accounting Manager  
South Suburban Mayors and  
Managers Association  
*Trustee*

**Laura F. Allen**  
*Executive Director*

**Debra A. Zimmerman**  
*Associate Director*

February 23, 2016

Dear IMET Participants:

We hereby submit to you the nineteenth Comprehensive Annual Financial Report of the Illinois Metropolitan Investment Fund (IMET), which covers the fiscal year of October 1, 2014 through September 30, 2015. In accordance with the Illinois Compiled Statutes and the Illinois Metropolitan Investment Fund Second Amended and Restated Declaration of Trust, dated as of January 20, 2012, an annual independent audit of all funds and accounts of IMET shall be conducted by certified public accountants licensed to practice public accounting in the State of Illinois. This report is published to fulfill that requirement, for the fiscal year ended September 30, 2015. Responsibility for the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the Board of Trustees and Executive Director, and is based upon a comprehensive framework of internal controls that is established for this purpose.

To the best of our knowledge and belief, the enclosed data are accurate in all material respects, and are reported in a manner designed to present fairly the financial position and changes in financial position of IMET in conformity with accounting principles generally accepted in the United States of America (GAAP) and audited in accordance with auditing standards generally accepted in the United States of America, by a firm of licensed certified public accountants. Because the cost of a control should not exceed the benefits to be derived, the objective is to provide reasonable, rather than absolute assurance, that the financial statements are free of any material misstatements. Management is responsible for maintaining a system of adequate internal accounting controls designed to provide reasonable assurance that transactions are executed in accordance with management's general or specific authorization, and are recorded as necessary to maintain accountability of assets and to permit preparation of financial statements in accordance with GAAP. We believe the internal controls in effect during the fiscal year ended September 30, 2015, adequately safeguard IMET's assets and provide reasonable assurance regarding the proper recording of financial transactions. All disclosures necessary to enable the reader to gain an understanding of IMET's financial activities have been included. The data presented in the Investment Section is prepared on a basis consistent with the other sections of the report using data provided by reliable third party sources.

Miller, Cooper & Co., Ltd., Certified Public Accountants, have issued an unmodified opinion on IMET's financial statements, for the fiscal year ended September 30, 2015. The independent auditors' report is located at the front of the Financial Section of this report.

Generally accepted accounting principles (GAAP) require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. IMET's MD&A can be found immediately following the report of the independent auditors.

## **IMET PROFILE**

IMET is a local government investment pool created in 1996. In the early 1990's, the idea to develop an intermediate term investment fund was formed out of the discussions of various individuals who were not satisfied with the low returns being earned on the investments then currently available to public funds managers. Changes were occurring on the permissible investments for pension funds and the time seemed appropriate to research and create an investment vehicle to meet the needs for public funds managers. A committee was formed by five Chicago Metro Councils of Government (COGs) - the Will County Governmental League, West Central Municipal Conference, DuPage Mayors and Managers Conference, South Suburban Mayors and Managers Association, and the Northwest Municipal Conference to evaluate various strategies for the creation of the investment fund. The newly formed committee received legal assistance and direction from Chapman & Cutler LLP, in the creation of the investment fund. After numerous committee meetings over the course of a few years, the Illinois Metropolitan Investment Fund (IMET) was established, as a not-for-profit investment fund under the Intergovernmental Cooperation Act and the Illinois Municipal Code, on July 1, 1996. The investment fund, called the IMET 1-3 Year Series, was designed as a pooled, intermediate term investment vehicle designed for funds that could be invested for more than one year. The Series was designed with a fluctuating Net Asset Value and an average maturity of one-to-three years, with investments exclusively in U.S. government backed securities (Treasuries and agencies). Each of the five founding COGs secured commitments from at least one of their respective members for an initial deposit into the fund. In September 2003, a second investment option was developed for IMET members. This second investment option, called the Convenience Series (CVF), was created to provide members with another asset allocation option for their public funds and is designed with money market characteristics. The CVF is managed so as to maintain a stable \$1.00 share price and holds deposits and investments authorized by the Illinois Public Funds Investment Act. IMET is available to all governmental units in the State of Illinois for the purpose of jointly investing the funds of which the governmental unit treasurer has custody. IMET has 274 members, as of September 30, 2015.

## **INVESTMENT POLICIES AND PRACTICES**

The primary objectives of the IMET investment pool, as set forth in the Investment Policies included in the Investment Section, are preservation of principal, liquidity, and return on investment. It is the policy of IMET to invest public funds of Illinois governments in a manner which seeks to provide the best return while pursuing the preservation of capital. IMET investment funds conform to Illinois state statutes governing the investment of public funds. The standard of prudence to be used for all investment activities shall be the following "prudent person" standards and shall be applied while conducting all investment transactions. Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable preservation of their capital as well as the probable income to be derived.

For fiscal year 2015, the 1-3 Year Series provided a yield of .98% on a gross of fees basis (.72% net of fees) and the Convenience Series yield was .27% net to members. Please refer to the Investment Section of this CAFR for additional information on investments for each investment fund.

## YEAR END REPORT

The nation experienced volatility in this prolonged and painfully slow economic recovery over the past year. IMET's challenges for the next fiscal year are focused on continuing to add value to our participants as the economic recovery progresses and interest rates start to rise for the first time since the Federal Funds Target Rate (FFTR) hit a record low seven years ago. Based on recent Federal Open Market Committee (FOMC) comments, the FFTR may begin increasing in 2015 with the pace of subsequent rate hikes likely to be slower than previous Fed tightening cycles. While IMET participants face many uncertainties and challenges, they also continue to benefit from IMET's proactive and strong leadership in the continued negotiation of our enhanced yield on the Convenience Series and the diversification and historical investment performance on the 1-3 Year Series.

The 1-3 Year Series had a decrease in assets during FY 2015 due to volatility in the bond market. The monthly returns have generally been positive in FY 2015, with nine months providing a positive monthly return for the fiscal year. The net one-year returns have all been positive, and the one-year net return as of September 30, 2015 is excellent at .72%. With continued global financial issues, prudent security selections by the advisor, and the Fed commitment to slow and predictable interest rate increases the 1-3 Year Fund is expected to continue to be a good performer in fiscal year 2016. The Convenience Series had a decrease in assets during FY 2015 due to an investment issue related to the First Farmer's Financial fraud. IMET was a victim of this fraud, and is working diligently with the court appointed Overall Receiver to recover assets for fund participants. The Convenience Series continued to perform well, providing returns that are significantly higher when compared to the other Illinois investment pools and, at minimum, very competitive to local bank rates. In some cases, IMET's advantage when compared to local bank offerings is the ability to invest in the Convenience Series without restriction, where some banks will offer higher rates, but restrict the investment to a maximum dollar limit. The IMET Board of Trustees continues to negotiate enhanced yields for participants, and we expect the Convenience Fund rate to keep pace with the rising rate environment likely in 2016. IMET welcomed 1 new participant in fiscal 2015 and serves more than 270 units of government, including municipalities, pension funds, park districts, library districts, school districts, and other public agencies.

IMET had a productive FY 2015, successfully accomplishing many current goals and objectives. One of the major objectives completed in fiscal year 2015 was the conversion to the new fund accountant and transfer agent, ALPS Fund Services Inc. The IMET Board of Trustees also issued a Convenience Fund Investment Advisor RFP, and as a result, established new advisor agreements with Mischler Financial Group Inc. and Fifth Third Securities. With the addition of these new investment advisors, IMET's Convenience Series is positioned to continue providing highly competitive rates of return in the Convenience Series while investing in safe, prudent investments. Finally, the 2015 fiscal year also saw the conversion of fund counsel to Vedder Price. This partnership has provided IMET participants with highly experienced and capable legal counsel for fund activities and transactions.

IMET's goals for FY 2016 challenge us to continue to add value to our participants in a historically low interest rate environment. We will strive to maintain stability and strength in the 1-3 Year Series and Convenience Series, while continuously looking for opportunities to enhance participant yields without compromising the safety of our investments. In so doing, the IMET Board of Trustees will also ensure that growth remains sustainable.



## **AWARDS AND ACKNOWLEDGEMENTS**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Illinois Metropolitan Investment Fund for its Comprehensive Annual Financial Report for the fiscal year ended September 30, 2014. This was the fourth consecutive year that IMET has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This 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. We believe that our current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Each member of the Board, each volunteer on IMET's standing committees, and each participant make IMET the strong, creative, and cooperative membership organization that it is today and will continue to be. Your continued participation in this joint endeavor is sincerely appreciated.


The preparation of the Comprehensive Annual Financial Report on a timely basis was made possible by the dedication and hard work of the Board of Trustees and staff. Each member of the Board of Trustees and staff has our sincere appreciation for the contributions made in the preparation of this report. In addition, our appreciation is made to the independent auditors who have contributed to making this report possible.

On behalf of the IMET Board of Trustees and staff, we look forward to continuing to work with participants for the long-term success of IMET. We are proud to offer IMET's services to all units of government in the state of Illinois.

In service with you,



**Jerry Ducay**  
IMET Chair



**Laura F. Allen**  
IMET Executive Director

# ILLINOIS METROPOLITAN INVESTMENT FUND

Board of Trustees  
September 30, 2015

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## ILLINOIS METROPOLITAN INVESTMENT FUND

1220 Oak Brook Road  
Oak Brook, Illinois 60523  
Telephone: (630) 571-0480, ext. 229  
Facsimile: (630) 571-0484

### BOARD OF TRUSTEES

Chairman: Jerry Ducay  
Village of Frankfort

Vice Chair: Christy Powell  
Geneva Park District

Treasurer: Gary Szott  
Village of Bloomingdale

Secretary: John Harrington  
Village of Minooka

Trustee: Scott Anderson  
Village of Buffalo Grove

Trustee: Chris Minick  
City of St. Charles

Trustee: Eileen Santschi  
South Suburban Mayors and Managers Association

Executive Director: Laura F. Allen

# **ILLINOIS METROPOLITAN INVESTMENT FUND**

Supporting Chicago Area Councils of Government  
and External Advisors  
September 30, 2015

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## **SUPPORTING CHICAGO AREA COUNCILS OF GOVERNMENT**

### **DUPAGE MAYORS AND MANAGERS CONFERENCE**

Mark Baloga  
Executive Director

### **NORTHWEST MUNICIPAL CONFERENCE**

Mark Fowler  
Executive Director

### **SOUTH SUBURBAN MAYORS AND MANAGERS ASSOCIATION**

Ed Paesel  
Executive Director

### **WILL COUNTY GOVERNMENTAL LEAGUE**

Hugh O'Hara  
Executive Director

## **EXTERNAL ADVISORS**

### **1-3 YEAR SERIES INVESTMENT ADVISOR**

JP Morgan Asset Management  
Chicago, Illinois  
Columbus, Ohio

### **FUND ACCOUNTANT**

ALPS Fund Services, Inc.  
Denver, Colorado

### **EXTERNAL PERFORMANCE MONITORING**

The Consulting Group of Smith Barney  
Deerfield, Illinois

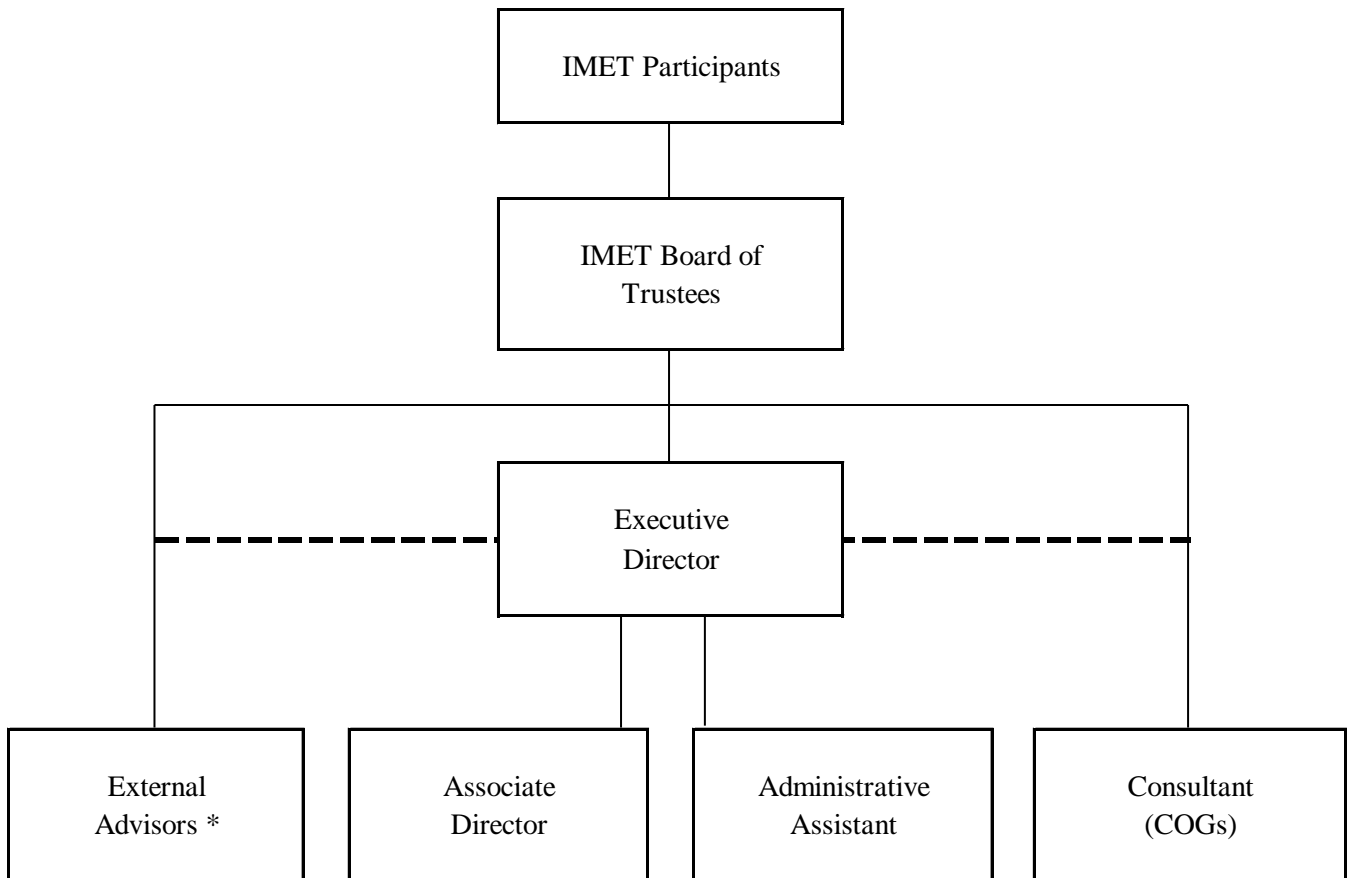
### **LEGAL COUNSEL**

Vedder Price  
Chicago, Illinois

# ILLINOIS METROPOLITAN INVESTMENT FUND

Organizational Chart  
September 30, 2015

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\* Please refer to the Schedule of Fees within the Investment Section of this report for a summary of fees paid both internally and externally.



Government Finance Officers Association

Certificate of  
Achievement  
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Presented to

**Illinois Metropolitan  
Investment Fund**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**September 30, 2014**

Executive Director/CEO

## **FINANCIAL SECTION**

# MILLER COOPER & Co., Ltd

ACCOUNTANTS AND CONSULTANTS

## INDEPENDENT AUDITORS' REPORT

The Members of the Board of Trustees  
Illinois Metropolitan Investment Fund  
Oak Brook, Illinois

### **Report on the Financial Statements**

We have audited the accompanying combining statements of fiduciary net position and changes in fiduciary net position of the Illinois Metropolitan Investment Fund (IMET), as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise IMET's basic financial statements, as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

IMET's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this also 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 opinions on these financial statements based on our audit. We conducted our audit 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 auditor's 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 opinions.

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of IMET as of September 30, 2015, and the changes in financial position thereof, for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of a Matter***

As discussed in Note J to the financial statements, deferred outflows, IMRF net pension liability, and net position as of October 1, 2014 have been restated as a result of an adjustment due to the implementation of the Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27* (GASB 68) and GASB Statement No. 71, *Pension Transition For Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68* (GASB 71). Our opinion is not modified with respect to this matter.

### **Other Matters**

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 8, the Illinois Municipal Retirement Fund data on pages 27 through 28, and the Notes to the Required Supplementary Information on Page 29, 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.



The Members of the Board of Trustees  
Illinois Metropolitan Investment Fund  
Oak Brook, Illinois

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**Other Matters (Continued)**

***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise IMET's basic financial statements. The other information, listed in the table of contents, including the introductory, investment, and statistical sections, and the other supplementary information, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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 other supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section, investment section, and 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.

MILLER, COOPER & CO., LTD.

*Miller, Cooper & Co., Ltd.*

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Certified Public Accountants

Deerfield, Illinois  
February 23, 2016

## ILLINOIS METROPOLITAN INVESTMENT FUND

Management's Discussion and Analysis

Year ended September 30, 2015

Management is pleased to provide this discussion and analysis of the financial activities of the Illinois Metropolitan Investment Fund (IMET), for the year ended September 30, 2015. Readers are encouraged to consider the information presented here, in conjunction with the additional information that is furnished in the letter of transmittal. Further, this correspondence is intended to serve as an introduction to IMET's basic financial statements, which are comprised of the fund financial statements and notes to the financial statements. The Comprehensive Annual Financial Report (CAFR) also contains other information in addition to the basic financial statements. The financial statements begin on page 9 of the report.

### *Financial Highlights*

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The 2015 fiscal year saw a decrease in assets, as total assets (including the IMET 1-3 Year Series, the IMET Convenience Series, and the IMET FFF Account Liquidating Trust) decreased by \$1,303,614,180 to a balance of \$727,070,453, as of September 30, 2015. Total assets of the IMET 1-3 Year Series decreased by \$58,147,789 to a balance of \$175,145,596 during fiscal year 2015; total assets of the IMET Convenience Series decreased by \$1,239,977,086 to a balance of \$530,423,681, as of September 30, 2015; while total assets of the IMET FFF Account Liquidating Trust decreased by \$5,489,304 to a balance of \$21,501,176 as of September 30, 2015. The 1-3 Year Fund's net position as of the beginning of the year was restated by \$72,260 due to the implementation of GASB Statements No. 68 and 71 in 2015. These new standards required a "net IMRF pension liability" and a "deferred outflow of resources", determined by IMRF's actuaries, to be recorded through a restatement.

During fiscal year 2014, total assets of IMET (excluding the FFF Account Liquidating Trust of \$26,990,480) increased by \$330,415,057 to a balance of \$2,003,694,153, as of September 30, 2014. Total assets of the IMET 1-3 Year Series decreased by \$48,627,642 to a balance of \$232,355,301 during fiscal year 2014, total assets of the IMET Convenience Series increased by \$378,913,840 to a balance of \$1,769,462,684, as of September 30, 2014.

Participants' net position in IMET was \$2,029,831,066 (\$233,198,805 in the IMET 1-3 Year Series, \$1,769,641,781 in the IMET Convenience Series, and \$26,990,480 in the IMET FFF Account Liquidating Trust), as of September 30, 2014, and \$726,581,668 (\$174,805,471 in the IMET 1-3 Year Series, \$530,275,021 in the IMET Convenience Series, and \$21,501,176 in the IMET FFF Account Liquidating Trust), as of September 30, 2015.

During fiscal year 2015, IMET's 1-3 Year Series successfully accomplished its investment objective of meeting or exceeding the return on the benchmark Barclay's 1-3 Year Government Bond Index on a gross-of-fees basis, while also outperforming the 90-Day Treasury Bill rate, providing a gross return to members of 0.98 percent. IMET's 1-3 Year Series also outperformed the benchmark Barclay's 1-3 Year Government Bond Index on a gross-of-fees basis, while also outperforming the 90-Day Treasury Bill rate, in fiscal year 2014 providing a gross return to members of 0.60 percent. While the nation continued to struggle in a prolonged and painfully slow economic recovery in fiscal 2015, the IMET Convenience Series provided an excellent investment option for members with a net 12-month return of 0.27 percent, exceeding the federal funds rate range of zero to 0.25 percent.

**ILLINOIS METROPOLITAN INVESTMENT FUND**

Management's Discussion and Analysis

Year ended September 30, 2015

***Overview of the Financial Statements***

The two basic financial statements of the Fund are the *Combining Statement of Fiduciary Net Position* and the *Combining Statement of Changes in Fiduciary Net Position*, which represent the entity-wide financial statements. The statements are prepared in conformity with accounting principles generally accepted in the United States of America, as applied to governmental units.

The *Combining Statement of Fiduciary Net Position* is a measure of each fund's assets, deferred outflows, liabilities, and net position at the close of the fiscal year. Total assets and deferred outflows less total liabilities equal net position held in trust for IMET participants. The following table is a Condensed Statement of Net Position, for the years ended September 30, 2015 and September 30, 2014.

**Condensed Statement of Fiduciary Net Position**

	IMET 1-3 Year Series 2015	IMET 1-3 Year Series 2014*	IMET Convenience Series 2015	IMET Convenience Series 2014*	IMET FFF Account Liquidating Trust 2015	IMET FFF Account Liquidating Trust 2014*	Total 2015	Total 2014*
Total assets and deferred outflows \$	175,221,639\$	233,293,385\$	530,423,681\$	1,770,400,767\$	21,501,176\$	26,990,480\$	727,146,496\$	2,030,684,633
Total liabilities	416,168	94,581	148,660	758,986	-	-	564,828	853,567
Total net position \$	<u>174,805,471\$</u>	<u>233,198,805\$</u>	<u>530,275,021\$</u>	<u>1,769,641,781\$</u>	<u>21,501,176\$</u>	<u>26,990,480\$</u>	<u>726,581,668\$</u>	<u>2,029,831,066</u>

\* Amounts reclassified to conform to current year presentation of combining statement of net position.

The *Combining Statement of Changes in Fiduciary Net Position* shows purchases to and redemptions (withdrawals) from each fund, as well as additions and deductions due to operations during the fiscal year. The net increase or decrease in net position is the change in net position owned by participants since the end of the previous fiscal year. The following table is a Condensed Statement of Changes in Fiduciary Net Position, for the years ended September 30, 2015 and September 30, 2014.

**ILLINOIS METROPOLITAN INVESTMENT FUND**  
Management's Discussion and Analysis  
Year ended September 30, 2015

**Condensed Statement of Changes in Fiduciary Net Position**

	IMET 1-3 Year Series 2015	IMET 1-3 Year Series 2014**	IMET Convenience Series 2015	IMET Convenience Series 2014**	IMET FFF Account Liquidating Trust 2015	IMET FFF Account Liquidating Trust 2014**	Total 2015	Total 2014**
Total additions from operations	\$ 1,842,053	\$ 1,856,532	\$ 2,781,255	\$ 6,943,004		\$ -	\$ 4,623,308	\$ 8,799,536
Total operating expenses (net reimbursements)	636,795	858,222	1,522,159	1,712,008		-	2,158,954	2,570,230
Net additions from operations	1,205,258	998,310	1,259,096	5,230,996		-	2,464,354	6,229,306
Total distributions, losses, and other	-	-	(2,097,720)	(5,178,318)	(5,489,304)	26,990,480	(7,587,024)	21,812,162
Net additions (deductions) from capital share and individual account transactions	(58,639,143)	(49,551,855)	(1,237,640,948)	378,690,967	-	-	(1,301,402,761)	329,139,112
Net increase (decrease)	(57,433,885)	(48,553,545)	(1,238,479,572)	378,743,645	(5,489,304)	26,990,480	(1,301,402,761)	357,180,500
Net position held in trust for participants:								
Beginning of year (as restated)	232,239,356*	281,752,350	1,768,754,593	1,390,898,136	26,990,480	-	2,027,984,429	1,672,650,486
End of year	\$ 174,805,471	\$ 233,198,805	\$ 530,275,021	\$ 1,769,641,781	\$ 21,501,176	\$ 26,990,480	\$ 726,581,668	\$ 2,029,831,066

\* Restated for adoption of GASB No. 68 and GASB No. 71.

\*\*Amounts reclassified to conform to current year presentation.

The *Notes to the Financial Statements* are a fundamental part of the financial statements and provide important information to augment the figures in the financial statements. The notes describe accounting policies and other financial information.

*Schedules of Investments* are included in the Investment Section to detail the types and amounts of investment instruments held by the IMET 1-3 Year Series and the IMET Convenience Series.

## ILLINOIS METROPOLITAN INVESTMENT FUND

Management's Discussion and Analysis

Year ended September 30, 2015

### *Financial Statement Analysis*

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#### *Net Position*

Fiscal year 2015 saw a continuation of historically low interest rates along with volatility in the markets due to the uncertainty of when the Federal Open Market Committee (FOMC) would begin raising interest rates. These challenges contributed to a decrease of the total net position by \$1,301,402,761 to an ending balance of \$726,581,668 during fiscal year 2015. This decrease in total net position, in large part, was the result of the Convenience Series having an investment issue related to the First Famers Financial fraud. IMET was a victim of this fraud, and is working diligently with the court appointed Overall Receiver to recover assets for fund participants. IMET's current participants continue to receive an enhanced Convenience Fund yield allowing IMET to offer members the highest rate available in a local government investment pool in the state of Illinois. Additionally, IMET's 1-3 Year Series offers diversification to its members with the safety provided by U.S. Government securities. Members continued to see the value of IMET's unique, intermediate-term investment option resulting in a stable asset base during the bond market volatility and fixed income sell-offs during the fiscal year.

Although rates remained at historic lows, for the entire year ended September 30, 2014, IMET's total net position increased by \$357,180,500, to a total balance of \$2,029,831,066. Fiscal year 2014 brought a year of continued economic uncertainty and challenges. On December 18th the Federal Reserve announced it would begin to taper its asset purchases, and the announcement was broadly welcomed by equity investors as a positive signal about the strength of the U.S. economy and return to more normal monetary policy. The Fed also reinforced its message on forward rate guidance reiterating its "lower for longer" stance. During this modest recovery, IMET members have benefited from its proactive and strong leadership in the continued negotiation of our enhanced yield on the Convenience Series, along with the continued accommodative stance of the central banks that contributed to strong performance in the 1-3 Year Series. The IMET Convenience Series' return is pegged to the federal funds target rate as a minimum rate and deposits are collateralized. IMET's strong returns in the 1-3 Year Series (0.60%) and the Convenience Series (0.36%) resulted in IMET proudly achieving another milestone in asset balances to end fiscal year 2014 with over \$2 billion in combined assets.

#### *Operations*

During the current fiscal year ended September 30, 2015, total additions from operations consisted of \$4,309,489 in interest, net depreciation in the fair value of investments of \$313,318, and other income of \$501. These amounts may be compared with \$8,185,075 of interest, net depreciation in the fair value of investments of (\$101,243), and other income and charges of \$715,704 during the prior fiscal year, for total income of \$4,623,308, in fiscal year 2015, compared to \$8,799,536, in fiscal year 2014. The change in net depreciation in the fair value of investments is largely due to an improving economy and prudent investments by the investment manager. The change in total additions from operations is largely due to decreased assets under management in IMET.

#### *Other Information*

In the current year, IMET implemented the Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions* (GASB 68) and GASB Statement 71 *Pension Transition For Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68* (GASB 71). These Statements established standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenses on the government-wide financial statements, pertaining to pensions, as of September 30, 2015. In order to implement these new statements, a prior period adjustment, as of October 1, 2014 was required. See Notes to the Financial Statements B-10, H, and J for more detailed information.

## ILLINOIS METROPOLITAN INVESTMENT FUND

Management's Discussion and Analysis

Year ended September 30, 2015

### *Investment Performance*

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Operating expenses of IMET were \$2,158,954 (comprising \$705,039 of investment expenses and \$1,453,915 of administrative expenses) for the current fiscal year compared with \$2,570,230 for the prior fiscal year. This decrease in operating expenses was entirely due to the decrease in investment assets, because of transfer agent and fund accounting fees that are calculated as a percentage of IMET's fund assets. IMET's administrative expenses were approximately 9 percent higher than the prior year entirely due to legal and other costs net of insurance reimbursements.

During fiscal year 2015, the IMET 1-3 Year Series was unable to outperform the benchmark Barclay's Capital 1-3 Year Government Bond Index on a gross-of-fees basis due to the 1-3 Year Series' slightly shorter duration. However, the 1-3 Year Series outperformed the 90-Day Treasury Bill rate. IMET ended the fiscal year with a gross one-year return of 0.98 percent versus a one-year return of 1.20 percent for the Barclay's Index and 0.02 percent for the 90-Day Treasury Bill rate. The IMET Convenience Series outperformed the 90-Day Treasury Bill rate with a return of 0.27 percent to participants for the fiscal year ended September 30, 2015.

In fiscal year 2014, the IMET 1-3 Year Series outperformed both the benchmark and the 90-Day Treasury Bill rate, and provided a gross return of 0.60 percent versus 0.52 percent for the Barclay's Capital 1-3 Year Government Bond Index, 0.37 percent for IMET's *net* 12-month return, and 0.05 percent for 90-Day Treasury Bills. The IMET Convenience Series outperformed the 90-Day Treasury Bill rate as well, with a return of 0.36 percent to participants for the fiscal year ended September 30, 2014.

The net position of the IMET FFF Account Liquidating Trust represents the net realizable value of the Trust established on September 30, 2014 by IMET and its Trustees to receive and distribute the recovery of funds on the investments to participants. Management's best estimate as to the value of the recovery of the remaining funds at the time of this report is \$21,501,176 at September 30, 2015. The remaining net realizable value is approximately 47.6% of the original value. See Note C for additional information.

For additional information regarding performance returns of IMET and asset allocation, please refer to the Investment section beginning on page 33 of this report.

#### *Requests for Information*

Questions about any information provided in this report should be addressed to:

The Illinois Metropolitan Investment Fund (IMET)  
ATTN: Executive Director  
1220 Oak Brook Road  
Oak Brook, IL 60523

## **BASIC FINANCIAL STATEMENTS**

## Illinois Metropolitan Investment Fund

Combining Statement of Fiduciary Net Position

September 30, 2015

	IMET 1 - 3 Year Fund	IMET Convenience Series	IMET FFF Account Liquidating Trust	Total
<b>ASSETS</b>				
Cash and short-term investments	\$ 2,160,531	\$ 505,310,763	\$ -	\$ 507,471,294
Interest receivable	776,347	112,918	-	889,265
Other receivables	99,711	-	-	99,711
Investments:				
U.S. Treasury obligations	134,741,978	-	-	134,741,978
U.S. Government agency and agency-guaranteed obligations	27,295,973	25,000,000	-	52,295,973
Mortgage-backed securities	9,929,929	-	-	9,929,929
FFF Investment	-	-	21,501,176	21,501,176
Other assets	141,127	-	-	141,127
<b>Total assets</b>	<b>175,145,596</b>	<b>530,423,681</b>	<b>21,501,176</b>	<b>727,070,453</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred outflows related to pensions	76,043	-	-	76,043
<b>LIABILITIES</b>				
Payables:				
Dividends payable to participants	-	110,270	-	110,270
Management fees	23,122	21,671	-	44,793
Consultant fee	36,382	-	-	36,382
Administrative fee	-	16,719	-	16,719
Accounts payable	171,104	-	-	171,104
Other	33,458	-	-	33,458
IMRF net pension liability	152,102	-	-	152,102
<b>Total liabilities</b>	<b>416,168</b>	<b>148,660</b>	<b>-</b>	<b>564,828</b>
<b>NET POSITION</b>				
Net position held in trust for participants (units outstanding: 9,050,005, 530,226,456, and 47,932,859 at September 30, 2015 for IMET 1-3 Year Series, IMET Convenience Series, and IMET FFF Account Liquidating Trust, respectively, equivalent to \$19.32, \$1.00, and \$0.51 per unit outstanding at September 30, 2015 for IMET 1-3 Year Series, IMET Convenience Series, and IMET FFF Account Liquidating Trust, respectively				
<b>Total net position</b>	<b>\$ 174,805,471</b>	<b>\$ 530,275,021</b>	<b>\$ 21,501,176</b>	<b>\$ 726,581,668</b>

The accompanying notes are an integral part of this statement.



**Illinois Metropolitan Investment Fund**  
Combining Statement of Changes in Fiduciary Net Position  
Year ended September 30, 2015

	IMET 1 - 3 Year Fund	IMET Convenience Series	IMET FFF Account Liquidating Trust	Total
<b>Additions</b>				
Investment income				
Interest	\$ 1,528,234	\$ 2,781,255	\$ -	\$ 4,309,489
Net appreciation in fair value of investments	313,318	-	-	313,318
Other income	501	-	-	501
Total income	<u>1,842,053</u>	<u>2,781,255</u>	<u>-</u>	<u>4,623,308</u>
Investment expenses				
Investment advisory fees	181,915	-	-	181,915
Transfer agent and fund accounting fees	104,912	403,367	-	508,279
Custodial fees	14,845	-	-	14,845
Total investment expenses	<u>301,672</u>	<u>403,367</u>	<u>-</u>	<u>705,039</u>
Net investment income	<u>1,540,381</u>	<u>2,377,888</u>	<u>-</u>	<u>3,918,269</u>
Unit transactions				
Proceeds from sale of units to participants	29,842,015	487,281,716	-	517,123,731
Other additions	887,188	887,189	-	1,774,377
Total additions	<u>32,269,584</u>	<u>490,546,793</u>	<u>-</u>	<u>522,816,377</u>
<b>Deductions</b>				
Administrative and other expenses:				
Management and administrative services	23,674	19,791	-	43,465
Compensation and related expenses	181,980	152,139	-	334,119
Professional services	25,500	21,318	-	46,818
Insurance	35,283	29,498	-	64,781
Audit	12,364	10,336	-	22,700
Marketing	7,386	6,174	-	13,560
Administrative	48,936	40,912	-	89,848
Legal and other costs, net of insurance reimbursements	-	838,624	-	838,624
Total administrative and other expenses	335,123	1,118,792	-	1,453,915
Impairment loss	-	-	2,980,020	2,980,020
Distributions to participants	-	2,097,720	2,509,284	4,607,004
Cost of units redeemed by participants	89,368,346	1,725,809,853	-	1,815,178,199
Total deductions	<u>89,703,469</u>	<u>1,729,026,365</u>	<u>5,489,304</u>	<u>1,824,219,138</u>
Net decrease in net position held in trust for participants	(57,433,885)	(1,238,479,572)	(5,489,304)	(1,301,402,761)
Net position held in trust for participants:				
Beginning of year (as restated; see Note J)	232,239,356	1,768,754,593	26,990,480	2,027,984,429
End of year	<u>\$ 174,805,471</u>	<u>\$ 530,275,021</u>	<u>\$ 21,501,176</u>	<u>\$ 726,581,668</u>

The accompanying notes are an integral part of this statement.

# Illinois Metropolitan Investment Fund

Notes to the Financial Statements

September 30, 2015

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## NOTE A - NATURE OF OPERATIONS

The Illinois Metropolitan Investment Fund (IMET) is an actively managed investment fund for Illinois units of local government and for other official custodians of public funds. IMET offers two investment options, the 1-3 Year Series and the Convenience Series. IMET's 1-3 Year Series is designed as an investment vehicle for funds not required to be spent in the short term and which are available for investment in securities with average maturities and returns generally greater than those for money market instruments. The Convenience Series provides a short-term investment option with total liquidity that operates much like a money market account. IMET also manages the FFF Account Liquidating Trust (see Note B-1, below).

IMET is governed by a Board of Trustees comprised of seven Illinois public officials representing the Fund's investors. The Board meets no less than ten times during the year to review goals, objectives, and the direction of the Fund. Participants also benefit from IMET's standing committees, which include Audit, New Products, and Vendor Selection. IMET's committees consist of Trustees as well as at-large participants.

The authority for the creation and continued existence of the Fund comes from the Illinois Municipal Code, which specifically includes the Intergovernmental Cooperation Act, and the Local Government Debt Reform Act, as amended, which provides that each official custodian of a governmental unit may jointly invest with other official custodians of other governmental units the funds of the respective governmental unit.

## NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Illinois Metropolitan Investment Fund (IMET) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of IMET's accounting policies are described below.

### 1. Reporting Entity

Based upon the required GASB criteria, IMET has no component units and is not a component unit of any other entity. The following is a brief description of IMET's funds:

The IMET 1-3 Year Fund comprises investments in U.S. Treasury obligations, U.S. government agency and agency-backed securities, and mortgage-backed securities made on behalf of its participants. The Fund also comprises cash and money market mutual funds.

The IMET Convenience Series comprises investments in liquid deposit and money market accounts, and shorter-term U.S. government agency obligations made on behalf of its participants.

# Illinois Metropolitan Investment Fund

Notes to the Financial Statements

September 30, 2015

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## NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 1. Reporting Entity (Continued)

The IMET FFF Account Liquidating Trust was established during the fiscal year ended September 30, 2014, for the purpose described in Note C.

### 2. Basis of Accounting

The IMET 1-3 Year Fund, Convenience Series, and FFF Account Liquidating Trust Fund operate as fiduciary (trust) funds, and report on the accrual basis of accounting.

### 3. Security Valuation

Investments of the IMET 1-3 Year Fund and the IMET Convenience Series are reported at fair value based on market quotations obtained from third-party providers. If there were securities for which quotations were not available, the securities would be stated at fair value as determined by the Board of Trustees. Currently all securities are valued based on market quotations.

The IMET FFF Account Liquidating Trust's investments are reported at the estimated net realizable value of assets seized for the purpose of liquidating the related investments (see Note C).

### 4. Security Transactions and Income

Security transactions are accounted for no later than one business day after the securities are purchased or sold. Gains and losses on investments are realized at the time of the sale, and the cost of securities sold is determined on the first-in, first-out basis. Interest income from fixed income and money market investments is accrued on a daily basis. Discounts and premiums on all fixed income securities are amortized or accreted on a constant-yield basis.

### 5. Deferred Outflows / Deferred Inflows

In addition to assets, the combining statement of fiduciary net position may report deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to future periods. At September 30, 2015, IMET had deferred outflows of resources related to pensions. In addition to liabilities, IMET may report deferred inflows of resources. Deferred inflows of resources represent the acquisition of resources that is applicable to a future reporting period.

# Illinois Metropolitan Investment Fund

Notes to the Financial Statements

September 30, 2015

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## NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 6. Subscriptions and Redemptions

Participants may subscribe to either of the funds on any business day. Purchase instructions received by IMET before 12:00 noon central time are credited to accounts at the net asset value as of the close of business that day. Participants may redeem shares of the IMET 1-3 Year Fund with five days' notice at the net asset value as of the close of business on the third business day following the day of notification. Participants may redeem from the IMET Convenience Series with same day or next day notice at the current value as of the day of redemption. Redemptions from the IMET Convenience Series that are requested by 12:00 noon central time will be completed on the same day.

### 7. Compensated Absences

Permanent full-time employees earn vacation at a rate of ten days per year in the first year of service, fifteen days in the second through fifth years, and twenty days in the sixth and subsequent years. No more than one year's vacation may be carried over to the following year. Upon voluntary or involuntary termination, the employee is entitled to be paid out for all earned but unpaid vacation, subject to the foregoing limitation.

Permanent full-time employees also earn sick leave at a rate of twelve days per year. No more than one hundred and thirty days of sick leave may be accumulated. One third of accrued, unused sick days may be paid, at the employee's option, at the time of retirement. Remaining unpaid sick days may be applied towards IMRF credit upon retirement or the death of the employee, if surviving spouse benefits are payable.

### 8. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources related to pensions, pension expense, information about the fiduciary net position of the pension plan and additions to/deductions from the pension plan's fiduciary net position have been determined on the same basis as they are reported by the pension plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms.

# Illinois Metropolitan Investment Fund

Notes to the Financial Statements

September 30, 2015

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## NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 9. Use of Estimates

In preparing IMET's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### 10. New Accounting Pronouncements

The Governmental Accounting Standards Board (GASB) has issued Statement No. 68, *Accounting and Financial Reporting for Pensions*, which was implemented by IMET during the fiscal year ended September 30, 2015. This Statement established standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute the present value to periods of employee service.

The Governmental Accounting Standards Board (GASB) has also issued Statement No. 71, *Pension Transition For Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68*, and was implemented by IMET during the fiscal year ended September 30, 2015. This Statement established standards for measuring amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

Specific changes to IMET's financial statements relate to the recognition of net pension liability, deferred outflows of resources, and pension expense. See Notes H and J for the effects of this restatement.

# Illinois Metropolitan Investment Fund

Notes to the Financial Statements

September 30, 2015

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## NOTE C - IMET FFF ACCOUNT LIQUIDATING TRUST

The IMET Convenience Series invested in certain First Farmers Financial, LLC (FFF) repurchase agreement transactions (the FFF Investment) through its investment advisor, Pennant Management Inc. (Pennant) that FFF represented as being secured by guarantees from the United States Department of Agriculture (USDA). On September 29, 2014, IMET was notified by Pennant that the loans underlying the FFF Investment were fraudulently made. IMET later learned that FFF allegedly falsified documentation pertaining to USDA guarantees and misappropriated the proceeds from the FFF Investment.

On September 29, 2014, Pennant initiated a lawsuit in the United States District Court for the Northern District of Illinois, Case No. 14 cv 07581 (the Litigation) where Pennant froze and later obtained significant assets of FFF, its chief executive officer Nikesh Patel, and other interested parties (the Seized Assets). Effective September 30, 2014, IMET and its Trustees executed a liquidating trust agreement, whereby the IMET FFF Account Liquidating Trust (Liquidating Trust) was established. Recoveries that IMET receives from the Litigation or from other IMET claims relating to the FFF Investment will be deposited in the Liquidating Trust for distribution to Convenience Fund participants of record as of September 30, 2014 (Participants) in accordance with the terms of the Liquidating Trust. On April 23, 2015, an overall receiver was appointed in the Litigation (Overall Receiver) to, among other things, to take possession and oversee the liquidation of the Seized Assets as well as to marshal and monetize other assets of Nikesh Patel and other entities he owned or controlled for the ultimate benefit creditors, including IMET.

The IMET Board of Trustees has estimated the net realizable value of the anticipated recoveries from its FFF Repo investment. This estimate is based upon information IMET received from the Overall Receiver, including an estimated recovery for each asset in the Overall Receivership Estate in the Litigation. Based on the information received from the Overall Receiver, the IMET Board of Trustees estimates a recovery of 47.6% which includes amounts which have already been distributed to Participants. As a result, the IMET Board of Trustees has written down IMET's remaining investment in the FFF Investment to \$21,501,176, which is 47.6% of the original value of the FFF Investment of \$50,442,143 less distributions which have been made to Participants.

It is important to note that there can be no assurance that the amount IMET ultimately receives will equal the estimated net realizable value of 47.6%. The values of many Seized Assets and other potential recoveries are difficult to estimate with precision and many factors may increase or decrease the amount realized for these assets. In addition, there are claims that have been or may be asserted by the Internal Revenue Service, the Small Business Administration, the USDA, and/or various state taxing authorities which, if proven, may take priority over IMET's claim and therefore reduce the amount ultimately distributed to IMET. Further, there are additional claims which are not included in the 47.6% estimate that may increase the amount IMET may recover, including but not limited to, potential recoveries from: IMET's lawsuit against the USDA (Case No. 15 cv 8019); IMET's potential claims against third parties; potential recoveries IMET may obtain from insurance; potential recoveries that the Overall Receiver may obtain in litigation against third parties; and potential recoveries that the Overall Receiver may obtain from the assets in the overall receivership estate to which the Overall Receiver has been unable to assign a value.

## Illinois Metropolitan Investment Fund

Notes to the Financial Statements

September 30, 2015

### NOTE D - DEPOSITS AND INVESTMENTS

#### 1. Cash and Short-Term Investments

At September 30, 2015, cash and short-term investments of the IMET 1-3 Year Fund and the IMET Convenience Series consisted of the following:

	IMET 1-3 Year Fund	IMET Convenience Series
Fidelity Institutional Money Market Fund	\$ 1,455,097	\$ -
Deposits with financial institutions	705,434	505,310,763
	\$ 2,160,531	\$ 505,310,763

#### *Money Market Mutual Fund*

The Fidelity Institutional Money Market was rated AAA-mf by Moody's and AAAM by Standard & Poor's, at September 30, 2015.

#### *Deposits with Financial Institutions*

At September 30, 2015, the deposits of the IMET 1-3 Year Fund and the IMET Convenience Series had the following bank balances and carrying amounts.

Fund	Bank Balance	Carrying Amount
IMET 1-3 Year Fund	\$ 713,526	\$ 705,434
IMET Convenience Series	505,310,763	505,310,763
	\$ 506,024,289	\$ 506,016,197

All cash and short-term investments in the IMET Convenience Series are either collateralized, or insured by the Federal Deposit Insurance Corporation, in accordance with IMET's investment policy.

# Illinois Metropolitan Investment Fund

Notes to the Financial Statements

September 30, 2015

## NOTE D - DEPOSITS AND INVESTMENTS (Continued)

### 2. Long-Term Investments

The following table presents a summarization of the fair values and average maturity of the IMET 1-3 Year Fund investments at September 30, 2015.

	<u>Fair Value</u>	<u>Average Maturity (in years)</u>
U.S. Treasury obligations	\$ 134,741,978	1.53
U.S. Government agency and agency-guaranteed obligations	27,295,973	1.19
Mortgage-backed securities	9,929,929	2.97
Total investments	<u>\$ 171,967,880</u>	1.56

The following table presents the fair value and average maturity of the IMET Convenience Series investments at September 30, 2015:

	<u>Fair Value</u>	<u>Maturity (in years)</u>
U.S. Government agency obligation	<u>\$ 25,000,000</u>	3.26

#### *Interest Rate Risk*

Through its investment policy, IMET manages its exposure to fair value losses of the IMET 1-3 Year Series arising from increasing interest rates by limiting the duration of its investment portfolio to within 25% of that of the Barclay's Capital 1-3 Year Government Bond Index, under normal conditions. The duration for total investments represents the weighted average of the durations for the respective categories of investments. The duration for the Barclay's Capital 1-3 Year Government Bond Fund was 1.84 years, as of September 30, 2015.

#### *Credit Risk*

The investments in U.S. Treasury and agency and agency-guaranteed obligations carry the explicit or implicit guarantee of the United States Government, and are rated AAA by Moody's and AA by Standard & Poor's at September 30, 2015. The investments in mortgage-backed securities are rated in the top rating category issued by nationally recognized rating organizations.



# Illinois Metropolitan Investment Fund

Notes to the Financial Statements

September 30, 2015

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## NOTE D - DEPOSITS AND INVESTMENTS (Continued)

### 2. Long-Term Investments (Continued)

#### *Concentration of Credit Risk*

IMET's investment policies for the IMET 1-3 Year Series and IMET Convenience Series do not restrict the allowable concentration of total assets invested in the securities of the United States Government, its agencies, or mortgage pass-through securities.

## NOTE E - FUND EXPENSES - IMET 1-3 YEAR FUND

The total expenses, including consulting fees, for the IMET 1-3 Year Series were approximately 0.35% of the average daily net position, for the year ended September 30, 2015. The average daily net position of the IMET 1-3 Year Series was approximately \$181.2 million, for the year ended September 30, 2015. The contractually obligated expenses are described below.

### 1. Fund Management

IMET pays a management fee to JP Morgan Asset Management, which acts as the investment advisor. The management fee is calculated each day and paid monthly based upon the average daily net position of the fund as follows:

	<u>Fee Rate</u>
Average daily net position:	
First \$350 million	0.10%
Next \$150 million	0.08%
Amount over \$500 million	0.06%

IMET had an agreement with PMA Financial Network, Inc. to provide administrative services including fund accounting and transfer agent services, through June 26, 2015. The fee was calculated each day and paid monthly based upon the combined average daily net position of the IMET 1-3 Year Fund and the IMET Convenience Series, as follows:

	<u>Fee Rate</u>
Average daily net position:	
First \$1 billion	0.060%
Next \$500 million	0.055%
Amount over \$1.5 billion	0.050%

# Illinois Metropolitan Investment Fund

Notes to the Financial Statements

September 30, 2015

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## NOTE E - FUND EXPENSES - IMET 1-3 YEAR FUND (Continued)

### 1. Fund Management (Continued)

IMET has an agreement with ALPS Fund Service, effective June 29, 2015, to provide administrative services including fund accounting and transfer agent services. The fee is calculated each day and paid monthly based upon the combined average daily net position of the IMET 1-3 Year Fund and the IMET Convenience Series, as follows:

	<u>Fee Rate</u>
Average daily net position:	
First \$500 million	0.060%
Next \$500 million	0.030%
Amount over \$1 billion	0.020%

IMET has an agreement with Harris Bank to provide custody services. The fee associated with these services is calculated at an annual rate of 0.01% of the average daily net position within the fund.

For the year ended September 30, 2015, the IMET 1-3 Year Fund incurred expenses of \$181,915 for services provided by JP Morgan Asset Management, \$81,627 for services provided by PMA Financial Network, Inc., \$23,285 for services provided by ALPS Fund Services, and \$14,845 for services provided by Harris Bank.

### 2. Consultant

The DuPage Mayors and Managers Conference, Northwest Municipal Conference, South Suburban Mayors and Managers Association, and the Will County Governmental League act collectively as the IMET 1-3 Year Series' Consultant. Services provided by the Consultant typically include identification and solicitation of potential investors. IMET pays the Consultant an annual fee in arrears equal to 0.02% of the IMET 1-3 Year Series' average daily net position for each fiscal year, not to exceed \$125,000 in any fiscal year. No annual fee shall be payable for any fiscal year unless the assets of the IMET 1-3 Year Series exceed \$100 million for at least 31 consecutive calendar days during such fiscal year and the total return to fund participants for such fiscal year equals or exceeds the average 90-day Treasury bill rate during such fiscal year. For fiscal year 2015, the IMET 1-3 Year Series' return exceeded the average 90-day Treasury bill rate. Accordingly, IMET incurred consulting fees expense of \$36,382, for the year ended September 30, 2015, which was accrued in the IMET 1-3 Year Fund.

# Illinois Metropolitan Investment Fund

Notes to the Financial Statements

September 30, 2015

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## NOTE F - FUND EXPENSES - IMET CONVENIENCE SERIES

The total expenses, including consulting fees, for the IMET Convenience Series, were approximately 0.22% of the average daily net position for the year ended September 30, 2015. The average daily net position of the IMET Convenience Series was approximately \$695.4 million, for the year ended September 30, 2015. The contractually obligated expenses are described below.

### 1. Fund Management

IMET had agreements with PMA Financial Network, Inc. through June 26, 2015, and thereafter with ALPS Fund Services, to provide administrative services including fund accounting and transfer agent services. The fees associated with these services are calculated at annual rates as described in Note E-1, above.

For the year ended September 30, 2015, the IMET Convenience Series incurred expenses of \$336,809 for services provided by PMA Financial Network, Inc., and \$66,558 for services provided by ALPS Fund Services.

## NOTE G - UNIT TRANSACTIONS

A summary of participants' unit transactions for the year ended September 30, 2015 is as follows:

	<u>IMET 1 - 3 Year Series</u>	<u>IMET Convenience Series</u>	<u>IMET FFF Account Liquidating Trust</u>
Unit transactions:			
Issued	1,556,445	487,281,716	-
Redeemed	<u>(4,664,969)</u>	<u>(1,725,809,853)</u>	<u>(2,509,284)</u>
Change in units	(3,108,524)	(1,238,528,137)	(2,509,284)
Unit outstanding:			
Beginning of year	<u>12,158,529</u>	<u>1,768,754,593</u>	<u>50,442,143</u>
End of year	<u><u>9,050,005</u></u>	<u><u>530,226,456</u></u>	<u><u>47,932,859</u></u>

# Illinois Metropolitan Investment Fund

Notes to the Financial Statements

September 30, 2015

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## NOTE H - IMRF NET PENSION LIABILITY

### **Plan Description**

IMET's defined benefit pension plan for regular employees provides retirement and disability benefits, postretirement increases, and death benefits to plan members and beneficiaries. IMET's plan is managed with the Illinois Municipal Retirement Fund (IMRF), the administrator of a multi-employer public pension fund. A summary of IMRF's pension benefits is provided in the **Benefits Provided** section below. Details of all benefits are available from IMRF. Benefit provisions are established by statute and may only be changed by the General Assembly of the State of Illinois. IMRF issues a publicly available Comprehensive Annual Financial Report that includes financial statements, detailed information about the pension plan's fiduciary net position, and required supplementary information. That report is available for download at [www.imrf.org](http://www.imrf.org).

### **Benefits Provided**

IMRF has three benefit plans. The vast majority of IMRF members participate in the Regular Plan (RP).

All three IMRF benefit plans have two tiers. Employees hired before January 1, 2011, are eligible for Tier 1 benefits. Tier 1 employees are vested for pension benefits when they have at least eight years of qualifying service credit. Tier 1 employees who retire at age 55 (at reduced benefits) or after age 60 (at full benefits) with eight years of service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1-2/3% of the final rate of earnings for the first 15 years of service credit, plus 2% for each year of service credit after 15 years to a maximum of 75% of their final rate of earnings. Final rate of earnings is the highest total earnings during any consecutive 48 months within the last 10 years of service, divided by 48. Under Tier 1, the pension is increased by 3% of the original amount on January 1 every year after retirement.

Employees hired on or after January 1, 2011, are eligible for Tier 2 benefits. For Tier 2 employees, pension benefits vest after ten years of service. Participating employees who retire at age 62 (at reduced benefits) or after age 67 (at full benefits) with ten years of service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1-2/3% of the final rate of earnings for the first 15 years of service credit, plus 2% for each year of service credit after 15 years to a maximum of 75% of their final rate of earnings. Final rate of earnings is the highest total earnings during any 96 consecutive months within the last 10 years of service, divided by 96. Under Tier 2, the pension is increased on January 1 every year after retirement, upon reaching age 67, by the lesser of 3% of the original pension amount, or 1/2 of the increase in the Consumer Price Index of the original pension amount.

# Illinois Metropolitan Investment Fund

Notes to the Financial Statements

September 30, 2015

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## NOTE H - IMRF NET PENSION LIABILITY (Continued)

### **Employees Covered by Benefit Terms**

As of December 31, 2014, the following employees were covered by the benefit terms:

Retirees and beneficiaries currently receiving benefits	-
Inactive plan members entitled to but not yet receiving benefits	1
Active plan members	2
	<hr/>
Total	3
	<hr/> <hr/>

### **Contributions**

As set by statute, IMET's Regular Plan Members are required to contribute 4.5% of their annual covered salary. The statute requires employers to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. IMET's annual contribution rates for calendar years 2015 and 2014 were 16.72% and 15.46%, respectively. For the fiscal year ended September 30, 2015, IMET contributed \$36,840 to the plan. IMET also contributes for disability benefits, death benefits, and supplemental retirement benefits, all of which are pooled at the IMRF level. Contribution rates for disability and death benefits are set by IMRF's Board of Trustees, while the supplemental retirement benefits rate is set by statute.

### **Net Pension Liability**

IMET's net pension liability was measured as of December 31, 2014. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

### **Actuarial Assumptions**

The following are the methods and assumptions used to determine total pension liability at December 31, 2014:

Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	Market Value of Assets
Inflation Rate	3.50%
Salary Increases	3.75% to 14.50% including inflation
Investment Rate of Return	7.50%
Projected Retirement Age	Experience-based table of rates, specific to the type of eligibility condition, last updated for the 2014 valuation pursuant to an experience study of the period 2011-2013.

# Illinois Metropolitan Investment Fund

Notes to the Financial Statements

September 30, 2015

NOTE H - IMRF NET PENSION LIABILITY (Continued)

**Actuarial Assumptions (Continued)**

Mortality

For non-disabled retirees, the IMRF-specific rates were developed from the RP-2014 Blue Collar Health Annuitant Mortality Table with adjustments to match current IMRF experience. For disabled retirees, an IMRF-specific mortality table was used with fully generational projections scale MP-2014 (base year 2014). The IMRF-specific rates were developed from the RP-2014 Disabled Retirees Mortality Table, applying the same adjustments that were applied for non-disabled lives. For active members, an IMRF-specific mortality table was used with fully generational projection scale MP-2014 (base year 2014). The IMRF-specific rates were developed from the RP-2014 Employee Mortality Table with adjustments to match current IMRF experience.

Long-term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return to the target asset allocation percentage and adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Portfolio Target Percentage	Long-Term Expected Real Rate of Return
Domestic Equity	38%	7.60%
International Equity	17%	7.80%
Fixed Income	27%	3.00%
Real Estate	8%	6.15%
Alternative Investments	9%	5.25-8.50%
Cash Equivalents	1%	2.25%
Total	100%	

# Illinois Metropolitan Investment Fund

## Notes to the Financial Statements

September 30, 2015

### NOTE H - IMRF NET PENSION LIABILITY (Continued)

#### **Single Discount Rate**

A Single Discount Rate of 7.49% was used to measure the total pension liability. The projection of cash flow used to determine this Single Discount Rate assumed that the plan members' contributions will be made at the current contribution rate, and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. The Single Discount Rate reflects:

- a. The long-term expected rate of return on pension plan investments (during the period in which the fiduciary net position is projected to be sufficient to pay benefits), and
- b. The tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating (which is published by the Federal Reserve) as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met).

For the purpose of the most recent valuation, the expected rate of return on plan investments is 7.49%, the municipal bond rate is 3.56%, and the resulting single discount rate is 7.49%.

#### **Changes in Net Pension Liability**

The following table shows the components of the change in IMET's net pension liability for the calendar year ended December 31, 2014:

	Total Pension Liability (A)	Plan Fiduciary Net Position (B)	Net Pension Liability (A) - (B)
Balances at December 31, 2013	\$ 570,713	\$ 472,653	\$ 98,060
Changes for the year:			
Service cost	28,682	-	28,682
Interest on the total pension liability	43,879	-	43,879
Difference between expected and actual experience of the total pension liability	16,404	-	16,404
Changes of assumptions	36,630	-	36,630
Contributions - Employer	-	32,481	(32,481)
Contributions - Employees	-	9,849	(9,849)
Net Investment Income	-	30,123	(30,123)
Other (net transfer)	-	(900)	900
Net changes	125,595	71,553	54,042
Balances at December 31, 2014	\$ 696,308	\$ 544,206	\$ 152,102

## Illinois Metropolitan Investment Fund

Notes to the Financial Statements

September 30, 2015

### NOTE H - IMRF NET PENSION LIABILITY (Continued)

#### **Sensitivity of the Net Pension Liability to Changes in the Discount Rate.**

The following presents the plan's net pension liability, calculated using a Single Discount Rate of 7.49%, as well as what the plan's net pension liability would be if it were calculated using a Single Discount Rate that is 1% lower or 1% higher than the current rate:

	<u>1% Lower (6.49%)</u>	<u>Current Discount Rate (7.49%)</u>	<u>1% Higher (8.49%)</u>
Net pension liability	\$ <u>263,871</u>	\$ <u>152,102</u>	\$ <u>59,445</u>

#### **Pension Expense and Deferred Outflows of Resources Related to Pensions**

For the year ended September 30, 2015, IMET recognized pension expense of \$39,281. At September 30, 2015, IMET reported deferred outflows of resources related to pensions from the following sources:

<u>Deferred Amounts Related to Pensions</u>	<u>Deferred Outflows of Resources</u>
<i>Deferred Amounts to be Recognized in Pension Expense in Future Periods</i>	
Differences between expected and actual experience	\$ 12,910
Change of assumptions	28,828
Net difference between projected and actual earnings on pension plan investments	<u>5,504</u>
Total deferred amounts to be recognized in pension expense in the future periods	<u>47,242</u>
<i>Pension contributions made subsequent to the measurement date</i>	<u>28,801</u>
Total deferred amounts related to pensions	<u>\$ 76,043</u>



## Illinois Metropolitan Investment Fund

Notes to the Financial Statements

September 30, 2015

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### NOTE H - IMRF NET PENSION LIABILITY (Continued)

#### **Pension Expense and Deferred Outflows of Resources Related to Pensions (Continued)**

Amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended September 30,</u>	<u>Net Deferred Outflows of Resources</u>
2016	\$ 12,672
2017	12,672
2018	12,672
2019	9,226
2020	-
Thereafter	<u>-</u>
Total	<u>\$ 47,242</u>

### NOTE I - CONTINGENCIES

In the normal course of operations, IMET is subject to various claims and potential litigation. The outcome of these matters is not presently determinable.

IMET has entered into various tolling agreements during the year ended September 30, 2015. The tolling agreements toll applicable statutes of limitation relating to potential claims against IMET arising out of IMET's investments in the FFF Repo while the parties focus on recovery efforts against FFF, its principals and affiliated entities.

### NOTE J - RESTATEMENT

The implementation of GASB 68 and 71 (Note B-9) required IMET to report the net pension liability for IMRF. As a result of this implementation as of October 1, 2014, net position decreased by \$72,260, net pension liability increased by \$98,060, and deferred outflows increased by \$25,800.

**REQUIRED SUPPLEMENTARY INFORMATION (Unaudited)**

**Illinois Metropolitan Investment Fund**  
 SCHEDULES OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS  
 Illinois Municipal Retirement Fund  
September 30, 2015

Calendar year ended December 31,	2014
<b>Total pension liability</b>	
Service cost	\$ 28,682
Interest on the total pension liability	43,879
Difference between expected and actual experience of the total pension liability	16,404
Assumption changes	36,630
Net change in total pension liability	125,595
Total pension liability, beginning	570,713
Total pension liability, ending	\$ 696,308
<b>Plan fiduciary net position</b>	
Contributions, employer	\$ 32,481
Contributions, employee	9,849
Net investment income	30,123
Other (net transfer)	(900)
Net change in plan fiduciary net position	71,553
Plan fiduciary net position, beginning	472,653
Plan fiduciary net position, ending	\$ 544,206
Net pension liability	\$ 152,102
Plan fiduciary net position as a percentage of the total pension liability	78.16 %
Covered Valuation Payroll	\$ 218,874
Net pension liability as a percentage of covered valuation payroll	69.49 %

Note: IMET implemented GASB 68 beginning with its fiscal year ended September 30, 2015; therefore, 10 years of information is not available.

**Illinois Metropolitan Investment Fund**  
 SCHEDULE OF CONTRIBUTIONS  
 Illinois Municipal Retirement Fund  
September 30, 2015

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Calendar Year Ending December 31,	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Valuation Payroll	Actual Contribution as a % of Covered Valuation Payroll
2014	\$ 32,481	* \$ 32,481	\$ -	\$ 218,874	14.84 %

\* Estimated based on contribution rate of 14.84% and covered valuation payroll of \$218,874.

Note: IMET implemented GASB 68 beginning with its fiscal year ended September 30, 2015; therefore, 10 years of information is not available.

**Illinois Metropolitan Investment Fund**  
 NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
September 30, 2015

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1. SUMMARY OF ACUTARIAL METHODS AND ASSUMPTIONS USED IN THE CALCULATION OF THE 2014 IMRF CONTRIBUTION RATE\*

**Valuation Date:**

Notes Actuarially determined contribution rates are calculated as of December 31 each year, which are 12 months prior to the beginning of the fiscal year in which contributions are reported.

**Methods and Assumptions Used to Determine the 2014 Contribution Rate:**

Actuarial Cost Method	Aggregate Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	Non-Taxing bodies: 10-year rolling period. Taxing bodies (Regular members): 29-year closed period until remaining period reaches 15 years (then 15-year rolling period). Early Retirement Incentive Plan liabilities: a period up to 10 years selected by the Employer upon adoption of ERI.
Asset Valuation Method	5-year smoothed market; 20% corridor
Wage Growth	4.00%
Price Inflation	3.0% - approximate; no explicit price inflation assumption is used in this valuation.
Salary Increases	4.40% to 16.00%, including inflation
Investment Rate of Return	7.50%
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2011 calculation pursuant to an experience study of the period 2008-2010.
Mortality	RP-2000 Combined Healthy Mortality Table, adjusted for mortality improvements to 2020 using projection scale AA. For men, 120% of the table rates were used. For women, 92% of the table rates were used. For disabled lives, the mortality rates are the rates applicable to non-disabled lives set forward 10 years.

**Other Information:**

Notes There were no benefit changes during the year.

\* Based on Valuation Assumptions used in the December 31, 2012 actuarial valuation.

**OTHER SUPPLEMENTARY INFORMATION**

**Illinois Metropolitan Investment Fund**  
Schedule of Net Position - IMET Administrative Operations  
September 30, 2015

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ASSETS	
Cash	\$ 753,999
Receivables	
Investment fund fees	31,700
Other	82,992
Other assets	<u>141,127</u>
Total assets	<u>1,009,818</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	<u>76,043</u>
LIABILITIES	
Payables	
Accounts	171,104
Consultant fee	36,382
Other	33,458
IMRF net pension liability	<u>152,102</u>
Total liabilities	<u>393,046</u>
NET POSITION	<u><u>\$ 692,815</u></u>

Note: The balances presented above are allocated between the IMET 1-3 Year Fund and the IMET Convenience Series, for reporting purposes.

## Illinois Metropolitan Investment Fund

Schedule of Changes in Net Position - IMET Administrative Operations  
September 30, 2015

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Additions	
Fee income	
1-3 Year Fund	\$ 160,677
Convenience Series	280,174
Interest	3,268
Other income	494
	<hr/>
Total additions	444,613
	<hr/>
Deductions	
Administrative and other expenses:	
Management and administrative services	43,465
Compensation and related expenses	334,119
Professional services	46,818
Insurance	64,781
Audit	22,700
Marketing	13,560
Administrative	89,848
Legal and other costs, net of insurance reimbursements	838,624
	<hr/>
Total deductions	1,453,915
	<hr/>
Net decrease in net position held in trust for participants	(1,009,302)
Net position held in trust for participants:	
Beginning of year (as restated)	<hr/> 1,702,117
End of year	\$ <hr/> <hr/> 692,815

Note: The balances presented above are allocated between the IMET 1-3 Year Fund and the IMET Convenience Series, for reporting purposes.



**Illinois Metropolitan Investment Fund**  
Schedule of Administrative and Other Expenses - Budget and Actual  
Year Ended September 30, 2015

	Actual				Variance from Final Budget
	Original and Final Budget	IMET 1-3 Year Fund	IMET Convenience Series	Total	
Management and administrative services					
Accounting services	\$ 6,600	\$ 3,858	\$ 3,225	\$ 7,083	\$ (483)
Consultant repayment	49,000	19,816	16,566	36,382	12,618
Total	55,600	23,674	19,791	43,465	12,135
Compensation and related expenses					
Salary expense	225,616	122,845	102,704	225,549	67
Wages	14,273	7,572	6,330	13,902	371
Taxes	16,993	9,356	7,821	17,177	(184)
Insurance benefits	36,415	19,954	16,681	36,635	(220)
IMRF pension	37,245	22,253	18,603	40,856	(3,611)
Total	330,542	181,980	152,139	334,119	(3,577)
Professional services					
Asset monitoring	25,600	8,170	6,830	15,000	10,600
Legal services	15,000	14,062	11,756	25,818	(10,818)
Legislative consulting	6,000	3,268	2,732	6,000	-
Total	46,600	25,500	21,318	46,818	(218)
Insurance	59,386	35,283	29,498	64,781	(5,395)
Audit	22,000	12,364	10,336	22,700	(700)
Marketing	32,670	7,386	6,174	13,560	19,110
Administrative					
Administrative assistance	-	628	527	1,155	(1,155)
Conferences	11,130	1,049	877	1,926	9,204
Consulting fee	3,675	-	-	-	3,675
Dues and publications	17,310	7,886	6,593	14,479	2,831
Fund rating	19,700	10,131	8,469	18,600	1,100
Office expense	20,000	11,351	9,489	20,840	(840)
Participant outing	19,500	10,804	9,032	19,836	(336)
Rent expense	6,000	3,268	2,732	6,000	-
Travel	10,500	3,590	3,002	6,592	3,908
Web site maintenance	1,500	229	191	420	1,080
Total	109,315	48,936	40,912	89,848	19,467
Legal and other costs, net of insurance reimbursements	-	-	838,624	838,624	(838,624)
Total administrative and other expenses	\$ 656,113	\$ 335,123	\$ 1,118,792	\$ 1,453,915	\$ (797,802)

**INVESTMENT SECTION (Unaudited)**

# Illinois Metropolitan Investment Fund

Report on Investment Activity

September 30, 2015

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## Description of the Investment Funds

The Illinois Metropolitan Investment Fund (IMET) is a quasi-governmental investment fund created under the Illinois Municipal Code. IMET, which was formed on July 17, 1996, actively manages two investment funds for municipal treasurers, official custodians of municipal funds, and other public agencies in the state of Illinois. These funds are the IMET 1-3 Year Series and the IMET Convenience Series. IMET also offers arbitrage rebate calculation services for participants whose bond proceeds are subject to federal arbitrage restrictions.

The IMET 1-3 Year Series is designed as an investment vehicle for funds not required for immediate expenditure and which are available for investment in securities with average maturities and returns generally greater than those for money market instruments.

The objectives of the IMET 1-3 Year Series are to provide a high current yield while maintaining safety and liquidity and to offer participation in a diversified portfolio of high-quality fixed income instruments permitted for investment under the Public Funds Investment Act of the State of Illinois. The IMET 1-3 Year Series seeks to ensure the preservation of capital with the objective of obtaining an appropriate market rate of return in relation to the prevailing monetary environment as measured by the Barclay's 1-3 year Government Bond Index.

The IMET Convenience Series was established on September 2, 2003 as an investment alternative exclusively for IMET participants. The IMET Convenience Series is comprised of collateralized and FDIC Insured liquid bank deposits with same day or next day liquidity and U.S. government securities. The Convenience Series currently provides a return that is pegged to the federal funds target interest rate. It is intended for use as a short-term investment for funds that may or may not be needed for near-term disbursement.

The objective of the IMET Convenience Series is to provide a high current return while maintaining the safety and liquidity of public funds. The IMET Convenience Series serves as a companion vehicle to the IMET 1-3 Year Series and arbitrage rebate calculation service. It provides a money market like vehicle for the convenient investment of bond proceeds, for the temporary investment of intermediate funds, and/or for cash management and liquidity purposes.

## Market Review

The return of volatility was notable during the fourth quarter of 2014 as market participants reacted to a number of evolving themes. Early-quarter risk aversion briefly drove benchmark 10-year U.S. Treasury yields down to 1.87%, the lowest level since the second quarter of 2013, as investors sought the safe haven of bonds during a short-lived equity sell-off. Treasury prices moved lower into November before rallying again during the last days of 2014. Year-end dynamics saw the knock-on impact of deteriorating energy prices and geopolitical concerns outweigh upbeat U.S. data, including the strongest quarterly GDP print in a decade (5.0% quarter-over-quarter growth reported for the third quarter 2014) and healthy labor statistics (an unemployment rate of 5.8%).

(Continued)

# Illinois Metropolitan Investment Fund

Report on Investment Activity (Continued)

September 30, 2015

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## Market Review (Continued)

At its December meeting, the Federal Open Market Committee updated its economic projections and interest rate forecasts. For 2015, the Committee maintained its GDP forecasts, but lowered its unemployment rate and inflation projections. Because it reduced its inflation expectations, the Committee lowered its 2015 rate expectations, although Chairwoman Yellen continued to advise that mid-2015 would be an appropriate time to raise interest rates.

Overall 1-3 Year Series portfolio duration remained shorter than the benchmark, which was a negative to performance on the quarter.

Global growth dynamics shifted in the first quarter of 2015. Economic momentum in the eurozone started to build as economic data surprised to the upside while the U.S. was weaker than expected in most areas. However, it was the aggressive stimulative efforts of the European Central Bank (ECB) and the recent dovish turn in the U.S. Federal Reserve Open Market Committee (FOMC) communications that held market attention. Markets and the media continued to obsess over the timing of the first rate hike from the Fed, despite weakening global inflation as a result of falling oil prices and monetary policy easing by more than two dozen central banks. Monetary policy divergence was reflected in currencies and equity markets. The U.S. dollar strengthened considerably over the year, flirting with parity against the euro, supporting European equities, which rallied 15.4% during the quarter, but hampering U.S. markets, with the S&P 500 eking out a 1.0% gain.

The FOMC met twice during the quarter, eliminating its forward rate guidance altogether at its March meeting as it removed the word ‘patient’ from its statement on monetary policy, while leaving intact the language on ‘data dependency’ as a determinant for future fed funds rates. The Committee also revised lower its Summary of Economic Projections (the SEPS), estimating GDP growth over the next two years will be slower than previously expected due to the drag from net exports. They also revised their estimates of the longer-run unemployment rate down as wage inflation has yet to materialize. Consequently, the Committee’s rate expectations over the next few years also shifted lower.

Overall 1-3 Year Series portfolio duration remained shorter than the benchmark, which was a detractor from performance as rates moved lower during the quarter.

The second quarter carried on the eventful nature of 2015. Despite ongoing concerns over a “Grexit,” a stock market bubble in China, a softer US economy, illiquidity in fixed income markets, and geopolitics, risk assets have largely dismissed all the these negatives. Unsurprisingly, fixed income markets did not fare as well, with the Barclays Global Aggregate falling 1.2% in the last quarter.

(Continued)

## Illinois Metropolitan Investment Fund

Report on Investment Activity (Continued)

September 30, 2015

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### Market Review (Continued)

Global yields were higher across developed markets, with U.S. Treasury yields being no exception. Volatility also increased during the second quarter as markets reacted to global events. The 10-year Treasury traded in a wide 70 basis point range for the 3-month period, as the impact of external forces on US fixed income markets grew considerably. Investors continued to look for clarity from the Fed on timing and pace of monetary tightening, however little has been determined at this point with the Fed continuing to stress data dependency. That said, the market is forecasting via Fed Funds futures a lower and slower path to Fed policy normalization than the Fed summary of economic projections would indicate. While the Fed continues to message their base case of a 2015 rate hike, important factors like the pace of future hikes, terminal Fed Funds rate, and the Fed reinvestment policy will dictate future curve movement.

Overall 1-3 Year Series portfolio duration remained shorter than the benchmark, which was a benefit to performance relative to the benchmark as rates moved higher during the quarter.

The third quarter was a tumultuous period as concerns over the global impact of China's economic slowdown dominated global financial markets, with global equities slumping, credit spreads spiking and commodity prices taking another leg down. Oil prices gave up all of their second quarter gains, and the broad Bloomberg commodity index reached its lowest value since 1999, sparking renewed deflation worries. Volatility rose across asset classes, but it was equity volatility in particular that spiked to multi-year highs, with the VIX reaching levels not seen since 2011 – and remaining elevated through quarter-end. Meanwhile, the reaction from fixed income markets was more muted than what might have been expected given the scale of moves across risk assets: U.S. 10-year Treasury yields fell by roughly 30 basis points (bps) but did not break below the 2.0% level, remaining well above their first quarter lows. However, U.S. high yield spreads finished the quarter at 630 basis points - the highest level since June 2012.

In September, the Federal Open Market Committee (FOMC) decided not to raise interest rates, despite unemployment falling from 5.6% at the start of the year to 5.1% in August. The tone of the message coming from the Fed's policy statement, economic projections and press conference was generally perceived as very dovish, reflecting the central bank's concerns for global growth. This seemed to validate markets' pre-existing growth worries. With markets already in risk-off mode, the Fed decision promptly led to another leg lower in risk assets, while market pricing for the first Fed rate hike was pushed into 2016.

Overall 1-3 Year Series portfolio duration remained shorter than the benchmark, which was a detractor from performance on the quarter.

(Continued)

# Illinois Metropolitan Investment Fund

Report on Investment Activity (Continued)

September 30, 2015

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## Risk Profile

In the context of the broad fixed income market the 1-3 Year Series portfolio has a low risk profile. Investors should remain aware that the 1-3 Year Fund does have risk to principal when interest rates increase (interest rate risk) and credit risk to the U.S. government and related entities. In general, as rates rise, the price of a fixed rate bond will fall, and vice versa. Interest rate risk is commonly measured by the bond's duration. The fund is managed versus the Barclays 1-3 Government Index. The portfolio has interest rate duration of approximately 1.47 years as of September 30, 2015, and therefore is comprised of short maturity high quality US Government securities.

The Convenience Fund has a very low risk profile. The Convenience Series portfolio is restricted to a maximum dollar weighted average maturity of 1 year or less, under normal conditions. The Convenience Series will be managed as to maintain a stable \$1.00 share price, although there is no guarantee that it will do so. The Convenience Series is currently invested in collateralized and FDIC Insured investment options including bank obligations and U.S. Government Agency securities.

## Basis of Presentation

The Investment Section has been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The basis of presentation of data in the investment section is a time-weighted rate of return based on the market rate of return, which is consistent with the CFA Institute's global investment performance standards.

(Concluded)

**Illinois Metropolitan Investment Fund**  
 Select Comparative Data - IMET 1-3 Year Series  
September 30, 2015

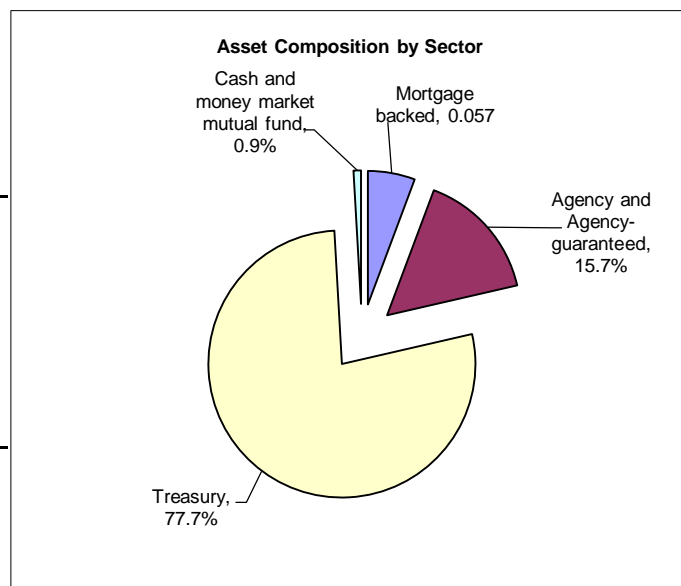
	<u>One Year *</u>	<u>Three Year *</u>	<u>Five Year *</u>
IMET 1-3 Year Series Net Return	0.72%	0.41%	0.38%
IMET 1-3 Year Series Gross Return**	0.98%	0.66%	0.64%
Barclays Capital 1-3 Year Government Bond Index	1.20%	0.70%	0.79%
Merrill Lynch 3-Month Treasury Bill Index	0.02%	0.06%	0.08%

\* Annualized return. A time-weighted rate of return based on the market rate of return is the basis for the calculations.

\*\* Returns exclude expenses of the fund

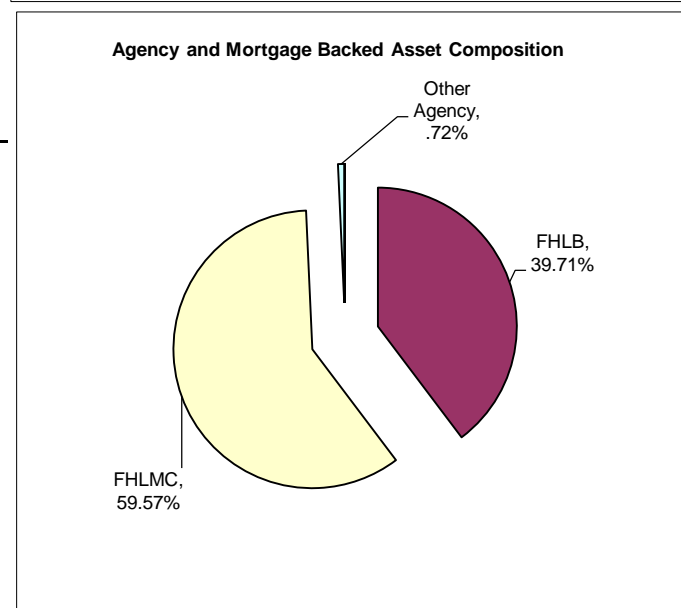
	<u>Fund Profile</u>	<u>Barclays Profile</u>
Gross yield to maturity	0.59%	0.65%
Duration	1.47 years	1.84 years
Average maturity	1.55 years	1.90 years

<u>Sectors</u>	<u>Fund Profile</u>	<u>Barclays Profile</u>
Treasury	77.7%	88.6%
Agency and Agency-guaranteed	15.7%	11.4%
Mortgage-backed	5.7%	-
Cash and money market mutual fund	0.9%	-



<u>Quality***</u>	<u>Fund Profile</u>	<u>Barclays Profile</u>
AAA	100%	100%
AA	-	-

\*\*\*In August 2011, Standard and Poor's downgraded U.S. Government and agency obligations to AA+ while other credit rating agencies maintained a rating of AAA quality.



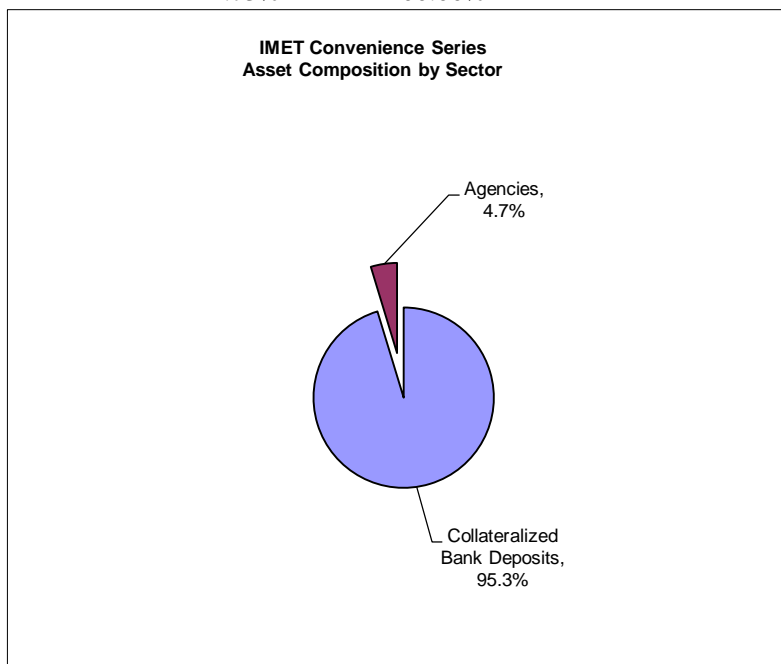
**Illinois Metropolitan Investment Fund**  
 Select Comparative Data - IMET Convenience Series  
 September 30, 2015

	<u>One Year *</u>	<u>Three Year *</u>	<u>Five Year*</u>
IMET Convenience Series	0.27%	0.32%	0.31%
IL Funds Money Market Fund Index	0.03%	0.03%	0.05%
Merrill Lynch 3-Month Treasury Bill Index	0.02%	0.06%	0.08%

\* Annualized return. An internal rate of return based on the average annualized monthly yield is the basis for the calculations.

	<u>Fund Profile</u>	<u>IL Funds Profile</u>	<u>Merrill Lynch 3-Mth Tbill Profile</u>
Average maturity	57 days	39 days	58 days

<u>Sectors</u>	<u>Fund Profile</u>	<u>IL Funds Profile</u>	<u>Merrill Lynch 3-Mth Tbill Profile</u>
Collateralized Bank Deposits	95.30%	-	
Certificates of Deposit	-	-	
Repurchase Agreements	-	41.45%	
Money Market Funds	-	15.83%	
Commercial Paper	-	23.29%	
Agencies	4.70%	17.70%	
Treasuries	-	1.73%	100.00%





## Illinois Metropolitan Investment Fund

Schedule of Investments

IMET 1-3 Year Series

September 30, 2015

Units/ par value	Description	Rate	Maturity	Market value
U.S. Treasury Obligations: 78.3%				
\$ 5,000,000	U.S. Treasury	4.500 %	2/15/2016	\$ 5,081,250
5,000,000	U.S. Treasury	2.625	4/30/2016	5,069,465
2,000,000	U.S. Treasury	1.750	5/31/2016	2,019,974
3,500,000	U.S. Treasury	1.500	6/30/2016	3,531,672
3,500,000	U.S. Treasury	3.250	6/30/2016	3,576,699
3,500,000	U.S. Treasury	1.500	7/31/2016	3,533,359
2,000,000	U.S. Treasury Strip	None	8/15/2016	1,993,900
3,500,000	U.S. Treasury	3.000	8/31/2016	3,583,080
3,500,000	U.S. Treasury	3.000	9/30/2016	3,590,552
5,000,000	U.S. Treasury	1.000	9/30/2016	5,030,275
3,500,000	U.S. Treasury	3.125	10/31/2016	3,602,085
5,000,000	U.S. Treasury	1.000	10/31/2016	5,032,030
5,000,000	U.S. Treasury	4.625	11/15/2016	5,235,285
3,500,000	U.S. Treasury	2.750	11/30/2016	3,593,517
5,000,000	U.S. Treasury	3.250	12/31/2016	5,172,525
4,500,000	U.S. Treasury	3.125	1/31/2017	4,657,793
5,000,000	U.S. Treasury Strip	None	2/15/2017	4,964,460
5,000,000	U.S. Treasury	1.000	3/31/2017	5,036,460
5,000,000	U.S. Treasury	3.125	4/30/2017	5,204,755
6,500,000	U.S. Treasury	0.625	5/31/2017	6,504,823
5,000,000	U.S. Treasury	2.375	7/31/2017	5,161,395
2,442,000	U.S. Treasury	1.875	8/31/2017	2,499,043
5,000,000	U.S. Treasury	1.875	9/30/2017	5,120,965
3,500,000	U.S. Treasury	0.750	10/31/2017	3,505,285
1,000,000	U.S. Treasury Strip	None	11/15/2017	984,311
1,500,000	U.S. Treasury	0.625	11/30/2017	1,497,266
3,500,000	U.S. Treasury	0.750	12/31/2017	3,501,460
4,500,000	U.S. Treasury	2.625	1/31/2018	4,691,718
1,000,000	U.S. Treasury	3.500	2/15/2018	1,063,997
4,000,000	U.S. Treasury	1.000	2/15/2018	4,021,460
1,000,000	U.S. Treasury	2.750	2/28/2018	1,046,979
2,250,000	U.S. Treasury	2.875	3/31/2018	2,365,400
2,500,000	U.S. Treasury	0.750	3/31/2018	2,496,420
1,500,000	U.S. Treasury	2.625	4/30/2018	1,568,457

(Continued)

## Illinois Metropolitan Investment Fund

Schedule of Investments (Continued)

IMET 1-3 Year Series

September 30, 2015

Units/ par value	Description	Rate	Maturity	Market value
U.S. Treasury Obligations (Continued)				
\$ 1,500,000	U.S. Treasury	1.000 %	5/31/2018	\$ 1,505,489
1,500,000	U.S. Treasury	1.375	7/31/2018	1,520,097
4,000,000	U.S. Treasury	2.250	7/31/2018	4,152,396
2,000,000	U.S. Treasury	1.375	9/30/2018	<u>2,025,886</u>
Total U.S. Treasury Obligations				<u>134,741,978</u>
U.S. Government Agency and Agency-Guaranteed Obligations: 15.9%				
4,000,000	Federal Home Loan Mortgage Corp.	0.450	11/24/2015	4,001,780
2,000,000	Federal Home Loan Bank	0.375	2/19/2016	2,000,454
2,000,000	Federal Home Loan Bank	5.250	4/18/2016	2,054,480
2,000,000	Federal Home Loan Bank	0.375	6/24/2016	1,998,082
1,410,000	Federal Home Loan Bank	2.000	8/25/2016	1,430,116
590,000	Federal Home Loan Bank	0.500	9/28/2016	590,450
4,000,000	Federal Home Loan Bank	1.625	12/9/2016	4,051,980
2,000,000	Federal Home Loan Bank	0.875	2/22/2017	2,009,388
2,000,000	Federal Home Loan Bank	1.000	3/8/2017	2,012,710
1,000,000	Federal Home Loan Bank	4.875	5/17/2017	1,068,483
2,000,000	Federal Home Loan Bank	2.250	9/8/2017	2,059,598
1,000,000	Federal Home Loan Mortgage Corp.	0.750	1/12/2018	999,162
3,000,000	Federal Home Loan Bank	1.250	6/8/2018	<u>3,019,290</u>
Total U.S. Government Agency and Agency-Guaranteed Obligations				<u>27,295,973</u>
Mortgage-Backed Securities: 5.8%				
199	Federal Home Loan Mortgage Corp.	7.000	3/1/2016	200
30,371	Federal Home Loan Mortgage Corp.	6.000	7/1/2017	31,380
23,981	Federal Home Loan Mortgage Corp.	5.500	9/1/2017	24,661
49,188	Federal Home Loan Mortgage Corp.	5.500	11/1/2017	50,923
242,511	Federal Home Loan Mortgage Corp.	6.000	1/1/2018	249,031
72,575	Federal Home Loan Mortgage Corp.	5.500	2/1/2018	75,068
147,861	Federal Home Loan Mortgage Corp.	5.500	2/1/2018	153,699
28,122	Federal Home Loan Mortgage Corp.	5.000	6/1/2018	29,239
101,560	Federal Home Loan Mortgage Corp.	5.500	11/1/2018	106,623

(Continued)

## Illinois Metropolitan Investment Fund

Schedule of Investments (Continued)

IMET 1-3 Year Series

September 30, 2015

Units/ par value	Description	Rate	Maturity	Market value
Mortgage-Backed Securities (Continued)				
\$ 23,336	Federal Home Loan Mortgage Corp.	5.500 %	12/1/2018	\$ 24,216
54,068	Government National Mortgage Assoc.	4.500	12/15/2018	55,924
75,588	Federal Home Loan Mortgage Corp.	4.500	1/1/2019	78,307
78,587	Federal Home Loan Mortgage Corp.	5.000	1/1/2019	82,870
267,766	Federal Home Loan Mortgage Corp.	5.000	5/1/2019	282,236
41,280	Federal Home Loan Mortgage Corp.	5.500	12/1/2019	43,311
55,379	Federal Home Loan Mortgage Corp.	5.000	2/1/2020	58,401
53,117	Federal Home Loan Mortgage Corp.	5.500	4/1/2020	56,004
99,810	Federal Home Loan Mortgage Corp.	6.000	6/1/2020	105,126
99,760	Federal Home Loan Mortgage Corp.	5.000	8/1/2020	105,243
255,083	Federal Home Loan Mortgage Corp.	5.000	11/1/2020	271,933
83,290	Federal Home Loan Mortgage Corp.	5.500	12/1/2020	89,381
89,020	Federal Home Loan Mortgage Corp.	5.000	12/1/2020	94,604
116,592	Federal Home Loan Mortgage Corp.	5.500	1/1/2021	125,935
102,442	Federal Home Loan Mortgage Corp.	5.000	3/1/2021	108,805
63,034	Federal Home Loan Mortgage Corp.	5.000	6/1/2021	67,792
26,476	Federal Home Loan Mortgage Corp.	7.000	9/1/2021	28,568
89,663	Federal Home Loan Mortgage Corp.	5.500	10/1/2021	97,201
122,973	Federal Home Loan Mortgage Corp.	5.500	12/1/2021	133,694
126,413	Federal Home Loan Mortgage Corp.	5.500	12/1/2021	137,402
223,742	Federal Home Loan Mortgage Corp.	5.000	4/1/2022	240,746
27,608	Federal Home Loan Mortgage Corp.	6.000	6/1/2022	30,092
111,638	Federal Home Loan Mortgage Corp.	5.500	6/1/2022	120,510
114,554	Federal Home Loan Mortgage Corp.	5.500	10/1/2022	124,092
232,388	Federal Home Loan Mortgage Corp.	5.500	10/1/2022	253,605
143,896	Federal Home Loan Mortgage Corp.	5.500	2/1/2023	154,501
181,404	Federal Home Loan Mortgage Corp.	6.500	3/1/2023	197,801
81,407	Federal Home Loan Mortgage Corp.	5.000	7/1/2023	88,029
351,916	Federal Home Loan Mortgage Corp.	5.500	10/1/2023	386,830
117,270	Federal Home Loan Mortgage Corp.	6.000	11/1/2023	128,697
64,000	Federal Home Loan Mortgage Corp.	4.500	6/1/2024	68,183
43,314	Federal Home Loan Mortgage Corp.	4.500	7/1/2024	46,180
188,508	Federal Home Loan Mortgage Corp.	4.500	9/1/2024	201,069
110,913	Federal Home Loan Mortgage Corp.	5.500	12/1/2024	120,018

(Continued)

## Illinois Metropolitan Investment Fund

Schedule of Investments (Continued)

IMET 1-3 Year Series

September 30, 2015

Units/ par value	Description	Rate	Maturity	Market value
Mortgage-Backed Securities (Continued)				
\$ 13,706	Government National Mortgage Assoc.	9.500 %	12/15/2024	\$ 15,776
100,995	Federal Home Loan Mortgage Corp.	4.500	3/1/2025	106,290
210,202	Federal Home Loan Mortgage Corp.	4.500	4/1/2025	225,083
116,114	Federal Home Loan Mortgage Corp.	4.500	5/1/2025	124,343
14,169	Government National Mortgage Assoc.	8.500	5/20/2025	16,281
153,359	Federal Home Loan Mortgage Corp.	4.500	8/1/2025	163,567
607,603	Federal Home Loan Mortgage Corp.	4.000	6/1/2026	639,197
3,417	Government National Mortgage Assoc.	8.000	11/20/2026	4,053
331,566	Federal Home Loan Mortgage Corp.	6.000	9/1/2027	372,597
173,669	Federal Home Loan Mortgage Corp.	6.000	11/1/2027	195,164
16,440	Government National Mortgage Assoc.	8.000	11/20/2027	19,490
72,034	Federal Home Loan Mortgage Corp.	Float	12/1/2027	75,803
175,795	Federal Home Loan Mortgage Corp.	5.500	12/1/2027	194,689
744,716	Federal Home Loan Mortgage Corp.	2.000	3/1/2028	747,391
373	Government National Mortgage Assoc.	8.000	3/20/2028	374
1,313	Government National Mortgage Assoc.	8.000	8/20/2028	1,389
3,022	Government National Mortgage Assoc.	8.000	9/20/2028	3,433
100,850	Federal Home Loan Mortgage Corp.	6.500	1/1/2029	117,167
275,589	Federal Home Loan Mortgage Corp.	5.500	2/1/2029	305,423
37,856	Federal Home Loan Mortgage Corp.	Float	1/1/2030	39,609
624,222	Federal Home Loan Mortgage Corp.	4.000	8/1/2031	672,441
241,892	Federal Home Loan Mortgage Corp.	Float	12/1/2034	258,649
247,871	Federal Home Loan Mortgage Corp.	Float	3/1/2035	261,276
64,612	Federal Home Loan Mortgage Corp.	Float	1/1/2036	68,983
105,277	Federal Home Loan Mortgage Corp.	Float	5/1/2037	112,080
103,257	Federal Home Loan Mortgage Corp.	Float	7/1/2037	110,112
134,876	Government National Mortgage Assoc.	6.000	9/20/2038	151,140
Total Mortgage-Backed Securities				<u>9,929,929</u>
Total investments				<u>\$ 171,967,880</u>

Float - Security has a floating coupon rate

(Concluded)

## Illinois Metropolitan Investment Fund

### Schedule of Cash and Investments

#### IMET Convenience Series

September 30, 2015

<u>Institution</u>	<u>City and State</u>	<u>Amount</u>	<u>Maturity</u>
Interest-Bearing Bank Deposits			
Collateralized Money Market Account: 85.3%			
Associated Bank	Janesville, WI	\$ 431,039,980	None
Collateralized NOW Deposit: 7.8%			
BMO Harris Bank, N.A.	Chicago, IL	39,270,783	None
Collateralized Demand Deposit: 6.9%			
USAmeriBank	Clearwater, FL	<u>35,000,000</u>	None
Total cash and cash equivalents		<u>\$ 505,310,763</u>	
Other Investments			
U.S. Government Agency Obligations:			
Federal Home Loan Mortgage Corp.		<u>\$ 25,000,000</u>	1/2/2019

Note: Deposits for which the maturity date is listed as "None" have immediate liquidity, and may be withdrawn at any date without penalty.

**Illinois Metropolitan Investment Fund**  
 Schedule of Management Fees  
Year Ended September 30, 2015

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Type	IMET 1-3 Year Series	IMET Convenience Series	Total
Investment advisory	\$ 181,915	\$ -	\$ 181,915
Transfer agent and fund accounting	104,912	403,367	508,279
Custodial	14,845	-	14,845
	\$ 301,672	\$ 403,367	\$ 705,039

**Illinois Metropolitan Investment Fund**  
 Schedule of Participants by Concentration  
September 30, 2015

Type	Number of Participants	IMET 1-3 Year Series <sup>2</sup>	IMET Convenience Series <sup>2</sup>	Total <sup>2</sup>
Municipal entities	148	83.3 %	59.9 %	65.7 %
Pension funds	41	0.8	1.2	1.1
Other entities <sup>1</sup>	85	15.9	38.9	33.2
	<u>274</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>

<sup>1</sup> Includes townships, school districts, park districts, public library districts, and various local agencies and special districts.

<sup>2</sup> Percentages are based on the dollar amounts invested with IMET by its participants.

# Illinois Metropolitan Investment Fund

Investment Policy - IMET 1-3 Year Series

September 30, 2015

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The Illinois Metropolitan Investment Fund (“*IMET*” or “*Fund*”) is an actively managed investment fund for Illinois local governments. The IMET 1-3 Year Fund has a fluctuating net asset value and an average maturity of one-to-three years. Designed for public funds that may be invested for more than one year, IMET invests exclusively in government-backed securities (Treasuries, agencies, and municipals) that are permissible under the IL Public Funds Investment Act.

## 1.0 Policy

It is the policy of IMET to invest public funds of Illinois governments in a manner which seeks to provide the best return while pursuing the preservation of capital. IMET is designed as an investment vehicle for funds not required to be spent immediately and available for investment in securities with maturities and returns generally greater than those for money market instruments. IMET will conform to Illinois state statutes governing the investment of public funds.

## 2.0 Funds

Monies invested in this Fund will be those of participating Illinois governments whose treasurers become members of the Fund. Any funds that an Illinois government can invest in under Illinois state statutes are eligible for investment in IMET. This is an intermediate investment fund, however, and short-term cash monies which are needed for immediate liquidity demands will not be encouraged to be invested in this Fund.

## 3.0 Prudence

The standard of prudence to be used for all investment activities shall be the following “prudent person” standards, as stated below, and shall be applied while conducting all investment transactions.

"Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable preservation of their capital as well as the probable income to be derived."

## 4.0 Objective

This actively managed portfolio will be invested in certain fixed income securities and cash equivalents. In summary, the investment objectives of IMET are:

- A. Preservation of Principal: Preservation of principal is the foremost objective of IMET. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio.



## **Illinois Metropolitan Investment Fund**

Investment Policy - IMET 1-3 Year Series (Continued)

September 30, 2015

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### 4.0 Objective (Continued)

- B. Liquidity: IMET will seek to remain sufficiently liquid to allow for withdrawals by Fund members with five business days' notice of that withdrawal to the Fund, and will otherwise remain sufficiently liquid in accordance with prudent fund management.
- C. Return on Investment: IMET's assets will be invested with the objective of obtaining an appropriate market rate of return in relation to the prevailing monetary environment. See also "Performance Standards" herein.

### 5.0 Delegation of Authority

The Board of Trustees of IMET (the "*Board*") seeks to employ an investment advisor who possesses superior capabilities in the management of assets of the Councils of Governments' governmental bodies. The Board further requires the investment advisor selected and working on its behalf to meet the following set of conditions.

- A. To take, in its discretion, actions which in its best professional judgment are in the best interests of IMET, in accordance with this Investment Policy and the Investment Circular distributed by the Fund, to meet IMET investment objectives. Such actions include but are not limited to (A) the allocation of funds among alternative types of investments; (B) specific investment opportunities regarding the acquisition, retention, or disposition of investments; and (C) the recommendation of the addition, deletion, or modification of authorized investments.
- B. To execute all investment transactions on behalf of the Fund at the best net price, utilizing such brokers and dealers as they deem appropriate to obtain the best execution capabilities and/or valuable information with respect to the economy and the affairs of corporations at the lowest cost to the Fund.
- C. Additional responsibilities as detailed in each investment advisor's agreement with the Board.

### 6.0 Ethics and Conflicts of Interest

Officers and employees of the Fund involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions. Employees and investment officials shall disclose to the IMET chairperson any material financial interests in financial institutions that conduct business with IMET, and they shall further disclose any large personal financial/investment positions that could be related to the performance of IMET, particularly with regard to the time of purchases and sales.

## **Illinois Metropolitan Investment Fund**

Investment Policy - IMET 1-3 Year Series (Continued)

September 30, 2015

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### 7.0 Authorized Financial Dealers and Institutions

The advisor will make investments only in those investments specifically authorized in the Public Investment Act of the State of Illinois (30 ILCS 235/1) (the “*Investment Act*”). The administrator shall perform its duties in conformance with the Declaration of Trust, By-Laws, and Investment Circular of the Fund. The distributor shall be competent and fully qualified under federal and state securities laws and the rules and regulations of the Comptroller of the Currency or the National Association of Securities Dealers, as applicable, to engage in marketing and sales efforts.

### 8.0 Authorized and Suitable Investments

All investments shall be made in compliance with the Investment Act, including, without limitation, the definition of “agency” contained therein. In seeking to achieve its investment objective, the Fund intends to invest under normal market conditions at least fifty percent (50%) in (i) obligations issued or secured by the U.S. Government and/or its agencies and/or (ii) money market mutual funds that are permitted investments under the Investment Act, and/or (iii) interest bearing bonds of any county, township, city, village, incorporated town, municipal corporation, or school district, of the State of Illinois, or any other state, or of any political subdivision or agency of the State of Illinois or of any other state, whether the interest earned thereon is taxable or tax-exempt under federal law. In extraordinary circumstances, such as when the investment advisor believes that market conditions indicate that the Fund should adopt a temporary defensive position, the Fund may invest up to one hundred percent (100%) in cash and/or such money market mutual funds.

The Fund portfolio is restricted to a maximum dollar weighted-average maturity of five years or less, under normal conditions. The net asset value will fluctuate on a daily basis according to the change in market value of its underlying portfolio obligations.

The following are additional investment restrictions:

- (i) All fixed income securities (other than obligations of the U.S. or its agencies or obligations of any county, township, city, village, incorporated town, municipal corporation, or school district, of the State of Illinois or any other state, or of any political subdivision or agency of the State of Illinois or of any other state) at the time of purchase shall be rated at the highest rating classification established by at least two standard rating services (without regard to any refinement or gradation of rating category by numerical modifier or otherwise). However, issues that are reclassified after purchase so that they are no longer at the highest classifications established by at least two standard rating services may be sold by the advisor to the Fund after the date of the security’s reclassification or held to maturity, in either case based on the investment advisor’s discretion.

## **Illinois Metropolitan Investment Fund**

Investment Policy - IMET 1-3 Year Series (Continued)

September 30, 2015

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### 8.0 Authorized and Suitable Investments (Continued)

- (ii) All interest bearing bonds of any county, township, city, village, incorporated town, municipal corporation, or school district, of the State of Illinois, or any other state, or any political subdivision or agency of the State of Illinois or any other state, whether the interest earned thereon is taxable or tax-exempt under federal law at the time of purchase shall be rated within the four highest general classifications (i.e. obligations rated A or higher by Standard & Poor's or A or higher by Moody's, without regard to any refinement or gradation of rating category by numerical modifier or otherwise) established by a rating service of nationally recognized expertise in rating bonds of states and their political subdivisions.
  
- (iii) Mortgage pass-through securities must be issued by an agency of the United States government. There are three major types of such agency pass-throughs, guaranteed by three organizations: Government National Mortgage Association ("*Ginnie Mae*"), Federal Home Loan Mortgage Corporation ("*Freddie Mac*"), and Federal National Mortgage Association ("*Fannie Mae*"). Pass-through securities or collateralized mortgage obligations of Fannie Mae are not permitted investments under Illinois law. In addition, privately structured and issued mortgage pass-through securities or collateralized mortgage obligations are not permitted investments.
  
- (iv) All investments are required to be made in compliance with the Investment Act, including, without limitation, the definition of "agency" contained therein.

**Illinois Metropolitan Investment Fund**  
Investment Policy - IMET 1-3 Year Series (Continued)  
September 30, 2015

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8.0 Authorized and Suitable Investments (Continued)

The following transactions are prohibited in the portfolio managed by the investment advisor.

- 1) Reverse repurchase agreements.
- 2) Common or preferred stocks.
- 3) Futures and options.
- 4) Margin purchases or intentional use of leverage.
- 5) Private or direct placements.
- 6) Commodities.
- 7) Direct ownership of real estate or mortgages.
- 8) Non-U.S. dollar-denominated securities.
- 9) Stripped mortgage-backed securities (*i.e.* , interest-only (IO) and principal-only (PO) securities).
- 10) Convertible notes or bonds.
- 11) Purchase, participation, or other direct interest in gas, oil, or other mineral exploration or development programs.
- 12) Collateralized mortgage obligations.
- 13) Lending of Fund securities.
- 14) Structured notes—however, the Portfolio may invest in federal government agency securities whose coupon rates are scheduled to “step up” (*i.e.* increase) one or more times before they mature.
- 15) Investments not allowed under the Investment Act.

## **Illinois Metropolitan Investment Fund**

Investment Policy - IMET 1-3 Year Series (Continued)

September 30, 2015

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### 8.0 Authorized and Suitable Investments (Continued)

The advisor shall indemnify and make whole the Fund and its shareholders for any losses incurred by the Fund as a result of the advisor's own or any subadvisor's gross negligence or its failure to comply with the provisions of the Investment Act as those provisions are communicated to the investment advisor in writing by IMET or by IMET's legal counsel.

### 9.0 Safekeeping and Custody

Securities purchased for IMET, as well as collateral for repurchase agreements, shall be delivered against payment and held in a custodial safekeeping account with a broker or bank acting as custodian. The custodian will be designated by the Board and all transactions will be evidenced by safekeeping receipts or confirmations.

### 10.0 Diversification

Fixed income securities in the Fund will have the following characteristics:

- A) United States Treasury, agency, and agency mortgage pass-through securities may be used without limitation. Under normal market conditions, such obligations, along with money market mutual funds that are permitted investments under the Investment Act, will constitute at least 50% of the portfolio.
- B) Commercial paper investment, pursuant to Illinois law, must mature within 180 days from the date of purchase and cannot exceed 10% of the corporation's total commercial paper. The Fund will have no more than one-third of its monies invested in commercial paper.
- C) At no time may the portfolio own more than 5% of the outstanding amount of any one fixed income issue (other than securities of the United States Government or its agencies) or have more than 7% of its total assets invested in the securities (including cash equivalents) of any permissible fixed income issuer (other than securities of the United States government or its agencies) without prior notification and approval of the Board.

### 11.0 Maturities

Portfolio duration is to be maintained within 25% of that of the Barclay's Capital 1-3 Year Government Bond Index under normal conditions; *provided, however*, that the portfolio's dollar weighted-average maturity will not exceed five years under normal conditions. Individual securities may have remaining maturities of greater than five years, but in any event not greater than ten years from the date of the Fund's purchase thereof. The remaining life of any agency mortgage pass-through security will be determined based on the weighted-average life of the security.

**Illinois Metropolitan Investment Fund**  
Investment Policy - IMET 1-3 Year Series (Continued)  
September 30, 2015

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12.0 Internal Control

The advisor shall establish a system of internal controls, which shall be documented in writing. The controls shall be annually reviewed by their auditor and shall be designed to prevent losses of public funds arising from failure to comply with the provisions of the Investment Act, fraud, employee error, misrepresentation by third parties, or imprudent actions by employees and officers of the firm. The advisor shall at all times have in place a fidelity bond or bonds covering the actions of its employees and officers relating to fraud, theft, dishonesty, and other willful acts which may result in the loss of Fund assets. Such bond or bonds shall be maintained in amounts not less than \$5,000,000 per occurrence and \$10,000,000 in the annual aggregate, covering its duties. The advisor will also maintain a fidelity bond against employee theft, dishonesty, and related risk, and cover its duties in an amount not less than \$10,000,000 in the annual aggregate.

13.0 Performance Standards

IMET's investment strategy is targeted active management. The performance objective for this portfolio is to meet or exceed the Lehman Brothers 1-3 Year Government Bond Index (the benchmark) prior to payment of Fund expenses.

14.0 Reporting

The advisor shall report to the Board at least quarterly on:

- A) Performance as compared to the benchmark.
- B) Asset allocation and duration as compared to the benchmark.
- C) Any deviation from the guidelines herein established.
- D) Significant changes in the portfolio under their management during the quarter.
- E) Economic and investment outlook for the near and long term.
- F) Monthly purchase and sale transactions.
- G) Any change in key personnel.

**Illinois Metropolitan Investment Fund**  
Investment Policy - IMET 1-3 Year Series (Continued)  
September 30, 2015

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15.0 Investment Policy Adoption

IMET's investment policy shall be adopted by resolution of the Board. The policy shall be reviewed annually by the Board and any modifications made thereto must be approved by the Board.

(Concluded)

*Last amended June 19, 2013*

# Illinois Metropolitan Investment Fund

Investment Policy - IMET Convenience Series

September 30, 2015

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The Illinois Metropolitan Investment Fund (“*IMET*” or “*Fund*”) is an actively managed investment fund for Illinois local governments. IMET’s Convenience Series (“Convenience Series”) is a short-term vehicle for use exclusively by members of IMET. This policy applies to the investment of Convenience Series funds. The Convenience Series is designed as an investment vehicle for: a) near-term investment of funds intended for eventual placement into the IMET 1-3 Year Series, b) the investment of bond proceeds, and c) any purpose deemed necessary and beneficial by Fund participants.

## 1.0 Governing Authority

It is the policy of IMET to invest public funds of Illinois governments in a manner which seeks to provide the best return while pursuing the preservation of capital. The Convenience Series will conform to Illinois state statutes governing the investment of public funds.

## 2.0 Funds

Monies invested in this Convenience Series will be those of participating Illinois governments whose treasurers are members of the IMET. Any funds that an Illinois government can invest in under Illinois state statutes are eligible for investment in the Convenience Series.

## 3.0 Prudence

The standard of prudence to be used for all investment activities shall be the following “prudent person” standards, as stated below, and shall be applied while conducting all investment transactions.

"Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable preservation of their capital as well as the probable income to be derived."

## 4.0 Objective

This portfolio will be invested in certain fixed income securities and cash equivalents. In summary, the investment objectives of the Convenience Series are:

- A. Preservation of Principal: Preservation of principal is the foremost objective of the Convenience Series. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio.



**Illinois Metropolitan Investment Fund**  
Investment Policy - IMET Convenience Series (Continued)  
September 30, 2015

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4.0 Objective (Continued)

- B. Liquidity: The Convenience Series will seek to remain sufficiently liquid to accommodate Convenience Series members and will otherwise remain sufficiently liquid in accordance with prudent fund management.
- C. Return on Investment: The Convenience Series' assets will be invested with the objective of obtaining an appropriate market rate of return in relation to the prevailing monetary environment. See also "Performance Standards" herein.

5.0 Delegation of Authority

The Board of Trustees of IMET and of the Convenience Series (the "*Board*") seeks to employ financial institutions possessing established capabilities in the management of assets of the Councils of Governments' governmental bodies. The Board further requires the financial institution(s) selected and working on its behalf to meet the following set of conditions.

- A. To take, in its discretion, to the extent allowed by the financial institution's agreement with IMET, actions which in its best professional judgment are in the best interests of the Convenience Series, in accordance with this Investment Policy distributed by IMET, to meet Convenience Series investment objectives. Such actions include but are not limited to (A) the allocation of funds among alternative types of investments; (B) specific investment opportunities regarding the acquisition, retention, or disposition of investments; and (C) the recommendation of the addition, deletion, or modification of authorized investments.
- B. To execute all investment transactions on behalf of the Convenience Series at the best net price, utilizing such brokers and dealers as deemed appropriate to obtain the best execution capabilities and/or valuable information with respect to the economy and the affairs of corporations at the lowest cost to the Convenience Series.
- C. Additional responsibilities as detailed in each financial institution's agreement with the Board.

## **Illinois Metropolitan Investment Fund**

Investment Policy - IMET Convenience Series (Continued)

September 30, 2015

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### 6.0 Ethics and Conflicts of Interest

Officers and employees of the Convenience Series involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions. Employees and investment officials shall disclose to the Board chairperson any material financial interests in financial institutions that conduct business with IMET and the Convenience Series, and they shall further disclose any large personal financial/investment positions that could be related to the performance of the Convenience Series, particularly with regard to the time of purchases and sales.

### 7.0 Authorized Financial Dealers and Institutions

The financial institution(s) will make investments only in those investments specifically authorized by the Public Investment Act of the State of Illinois (30 ILCS 235/1) (the "*Investment Act*") and by this Investment Policy. The financial institution(s) shall perform its duties in conformance with the IMET Declaration of Trust, the IMET By-Laws, and the Convenience Series Investment Policy. The distributor shall be competent and fully qualified under federal and state securities laws and the rules and regulations of the Comptroller of the Currency or the National Association of Securities Dealers, as applicable, to engage in marketing and sales efforts.

### 8.0 Authorized and Suitable Investments

The investments permitted by this policy are those defined by the Investment Act, including, without limitation, the definition of "agency" contained therein. In seeking to achieve its investment objective, the Convenience Series intends to invest under normal market conditions at least fifty percent (50%) in (i) interest-bearing savings accounts, interest-bearing certificates of deposit, or interest-bearing time deposits, or any other investments constituting direct obligations of any bank as defined by the Illinois Banking Act, or (ii) money market mutual funds that are permitted investments under the Investment Act, or (iii) securities now or hereafter issued that constitute direct obligations of the U.S. Treasury which are guaranteed by the full faith and credit of the United States of America as to principal and interest, or (iv) other similar obligations of the United States of America or its agencies, or (v) interest bearing bonds of any county, township, city, village, incorporated town, municipal corporation, or school district, of the State of Illinois, or any other state, or of any political subdivision or agency of the State of Illinois or of any other state, whether the interest earned thereon is taxable or tax-exempt under federal law. In circumstances when the investment advisor believes that market conditions indicate that the Convenience Series should adopt a defensive position, the Convenience Series may invest up to one hundred percent (100%) in bank obligations and/or such money market mutual funds.

**Illinois Metropolitan Investment Fund**  
Investment Policy - IMET Convenience Series (Continued)  
September 30, 2015

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8.0 Authorized and Suitable Investments (Continued)

The Convenience Series portfolio is restricted to a maximum dollar weighted-average maturity of one year or less, under normal conditions. The Convenience Series will be managed so as to maintain a stable \$1.00 share price, although there is no guarantee that it will do so.

The following are additional investment restrictions:

- (i) All fixed income securities (other than obligations of the U.S., treasury, agencies, instrumentalities, repurchase agreements, or obligations of any county, township, city, village, incorporated town, municipal corporation, or school district, of the State of Illinois or any other state, or of any political subdivision or agency of the State of Illinois or of any other state) at the time of purchase shall be rated at the highest rating classification established by at least two standard rating services (without regard to any refinement or gradation of rating category by numerical modifier or otherwise). However, issues that are reclassified after purchase so that they are no longer at the highest classifications established by at least two standard rating services may be sold by the financial institution(s) maintaining the Convenience Series after the date of the security's reclassification or held to maturity, in either case based on the financial institutions' discretion.
- (ii) All interest bearing bonds of any county, township, city, village, incorporated town, municipal corporation, or school district, of the State of Illinois, or any other state, or of any political subdivision or agency of the State of Illinois or of any other state, whether the interest earned thereon is taxable or tax-exempt under federal law at the time of purchase shall be rated within the four highest general classifications (i.e. obligations rated A or higher by Standard & Poor's or A or higher by Moody's, without regard to any refinement or gradation of rating category by numerical modifier or otherwise) established by a rating service of nationally recognized expertise in rating bonds of states and their political subdivisions.
- (iii) Mortgage pass-through securities must be issued by an agency of the United States government and must have a liquid market with a readily determinable market value. There are three major types of such agency pass-throughs, guaranteed by three organizations: Government National Mortgage Association ("*Ginnie Mae*"), Federal Home Loan Mortgage Corporation ("*Freddie Mac*"), and Federal National Mortgage Association ("*Fannie Mae*"). Pass-through securities or collateralized mortgage obligations of Fannie Mae are not permitted investments under Illinois law. In addition, privately structured and issued mortgage pass-through securities or collateralized mortgage obligations are not permitted investments.
- (iv) All investments are required to be made in compliance with the Investment Act, including, without limitation, the definition of "agency" contained therein.

**Illinois Metropolitan Investment Fund**  
Investment Policy - IMET Convenience Series (Continued)  
September 30, 2015

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8.0 Authorized and Suitable Investments (Continued)

The following transactions are prohibited in the portfolio:

- 1) Reverse repurchase agreements.
- 2) Common or preferred stocks.
- 3) Futures and options.
- 4) Margin purchases or intentional use of leverage.
- 5) Private or direct placements.
- 6) Commodities.
- 7) Direct ownership of real estate or mortgages.
- 8) Non-U.S. dollar-denominated securities.
- 9) Stripped mortgage-backed securities (*i.e.*, interest-only (IO) and principal-only (PO) securities).
- 10) Convertible notes or bonds.
- 11) Purchase, participation, or other direct interest in gas, oil, or other mineral exploration or development programs.
- 12) Collateralized mortgage obligations.
- 13) Lending of Convenience Series securities.
- 14) Structured notes—however, the Portfolio may invest in federal government agency securities whose coupon rates are scheduled to “step up” (*i.e.* increase) one or more times before they mature.
- 15) Investments not allowed under the Investment Act.

**Illinois Metropolitan Investment Fund**  
Investment Policy - IMET Convenience Series (Continued)  
September 30, 2015

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8.0 Authorized and Suitable Investments (Continued)

The advisor shall indemnify and make whole the Convenience Series and its shareholders for any losses incurred by the Convenience Series as a result of the advisor's own or any subadvisor's gross negligence or its failure to comply with the provisions of the Investment Act as those provisions are communicated to the investment advisor in writing by the Convenience Series or by the Convenience Series' legal counsel.

9.0 Collateralization

The obligations of financial institutions with respect to the Convenience Fund's deposits which exceed the sum of the Federal Deposit Insurance Corporation's insurance limitation (the "Overage Amounts") that are collateralized by government securities will be collateralized by such financial institutions in an amount equal to at least 105% of such Overage Amount.

Other collateral used by financial institutions for such purposes shall be in a form and amount (but not less than 100%) deemed acceptable by the Board, including, but not limited to, letters of credit, guaranteed loan pools and FDIC insurance. The financial institution will monitor the collateral on at least a daily basis, and make adjustments as necessary.

10.0 Safekeeping and Custody

Securities purchased for the Convenience Series, as well as collateral for repurchase agreements, shall be delivered against payment and held in a custodial safekeeping account with a broker or bank acting as custodian. The custodian will be designated by the Board and all transactions will be evidenced by safekeeping receipts or confirmations.

11.0 Diversification

Fixed income securities in the Convenience Series will have the following characteristics:

- a) No more than 50 percent of the portfolio may be invested beyond 12 months, and the weighted-average maturity of the portfolio generally shall not exceed one year.
- b) The following instruments may be used without limitation:
  - i) Interest-bearing savings accounts, interest-bearing certificates of deposit or interest-bearing time deposits, or any other investments constituting direct obligations of any bank as defined by the Illinois Banking Act.

**Illinois Metropolitan Investment Fund**  
Investment Policy - IMET Convenience Series (Continued)  
September 30, 2015

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11.0 Diversification (Continued)

- ii) Money market mutual funds registered under the Investment Company Act of 1940, provided that the portfolio of any such money market mutual fund is limited to obligations of the U.S. Treasury and its agencies as defined by Illinois law.

12.0 Maturities

At least 50 percent of the Fund's investments are expected to mature in the short-term (397 days or less), and the dollar-weighted average portfolio maturity of the Convenience Series will not exceed one year under normal conditions. Individual securities may have remaining maturities of greater than one year, but in any event not greater than five years from the date of the Convenience Series' purchase thereof. The remaining life of any agency mortgage pass-through security will be determined based on the weighted-average life of the security.

13.0 Internal Control

The financial institution(s) shall establish a system of internal controls, which shall be documented in writing. The controls shall be annually reviewed by their auditor and shall be designed to prevent losses of public funds arising from failure to comply with the provisions of the Investment Act, fraud, employee error, misrepresentation by third parties, or imprudent actions by employees and officers of the firm. The financial institution(s) shall at all times have in place a fidelity bond or bonds covering the actions of its employees and officers relating to fraud, theft, dishonesty, and other willful acts which may result in the loss of Convenience Series assets. Such bond or bonds shall be maintained in amounts not less than \$5,000,000 per occurrence and \$10,000,000 in the annual aggregate, covering its duties. The financial institution(s) will also maintain a fidelity bond against employee theft, dishonesty, and related risk, and cover its duties in an amount not less than \$10,000,000 in the annual aggregate.

14.0 Performance Standards

The Convenience Series' investment strategy is designed so that the Convenience Series may maintain a stable \$1.00 per share price, although there is no guarantee that it will do so. The investment portfolio will be managed in accordance with the parameters specified within this policy. The portfolio shall be designed with the objective of regularly meeting or exceeding the selected performance benchmark of Fed Funds, gross of fees. This index is considered a benchmark for lower risk investment transactions and, therefore, comprises an appropriate standard for the portfolio's rate of return.

**Illinois Metropolitan Investment Fund**  
Investment Policy - IMET Convenience Series (Continued)  
September 30, 2015

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15.0 Reporting

The financial institution(s) shall report to the Board at least quarterly on:

- a. Performance as compared to the benchmark.
- b. Asset allocation and duration as compared to the benchmark.
- c. Any deviation from the guidelines herein established.
- d. Significant changes in the portfolio under their management during the quarter.
- e. Economic and investment outlook for the near and long term.
- f. Monthly purchase and sale transactions.
- g. Any change in key personnel.

16.0 Investment Policy Adoption

The Convenience Series' investment policy shall be adopted by resolution of the Board. The policy shall be reviewed annually by the Board and any modifications made thereto must be approved by the Board.

(Concluded)

*Last amended May 16, 2014*

**STATISTICAL SECTION (Unaudited)**



# Illinois Metropolitan Investment Fund

Index for Statistical Section

September 30, 2015

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This part of the Illinois Metropolitan Investment Fund's (IMET's) comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about IMET's overall financial health. Revenue capacity, debt capacity, and operating information are not applicable to IMET.

## Contents

## Page (s)

### **Financial Trends**

These schedules contain trend information to help the reader understand how IMET's financial performance and well-being have changed over time.

Schedule of fiduciary net position - last ten fiscal years	63 - 64
Schedule of changes in fiduciary net position - IMET 1-3 Year Fund - last ten fiscal years	65 - 66
Schedule of changes in fiduciary net position - IMET Convenience Series - last ten fiscal years	67 - 68

### **Demographic and Economic Information**

These schedules offer demographic and economic indicators to help the reader understand the environment in which IMET's activities take place.

Principal employers - State of Illinois - fiscal years 2014 and 2005	69
Demographic and economic statistics - State of Illinois - calendar years 2004-2013	70

**Illinois Metropolitan Investment Fund**  
**SCHEDULE OF FIDUCIARY NET POSITION**  
Last Ten Fiscal Years

	<u>2015</u>	<u>2014<sup>2</sup></u>	<u>2013</u>	<u>2012</u>
Net position held in trust for participants				
IMET 1-3 Year Fund <sup>1</sup>	\$ 174,805,471	\$ 232,311,616	\$ 280,917,840	\$ 334,346,520
IMET Convenience Series	530,275,021	1,768,754,593	1,390,063,626	1,049,300,081
IMET Administration Fund <sup>1</sup>	-	1,774,377	1,669,020	1,558,408
Total	<u>\$ 705,080,492</u>	<u>\$ 2,002,840,586</u>	<u>\$ 1,672,650,486</u>	<u>\$ 1,385,205,009</u>
Number of units outstanding				
IMET 1-3 Year Series <sup>1</sup>	9,050,005	12,158,529	14,757,571	17,589,148
IMET Convenience Series	<u>530,226,456</u>	<u>1,768,754,593</u>	<u>1,390,063,626</u>	<u>1,049,300,081</u>
Total	<u>539,276,461</u>	<u>1,780,913,122</u>	<u>1,404,821,197</u>	<u>1,066,889,229</u>
Price per unit				
IMET 1-3 Year Series <sup>1</sup>	\$ 19.316	\$ 19.107	\$ 19.036	\$ 19.009
IMET Convenience Series	1.000	1.000	1.000	1.000

<sup>1</sup> IMET's operations activities were included in the 1-3 Year Fund in fiscal years 2005 - 2010 and, in fiscal year 2011, through December 31, 2010. Effective January 1, 2011 through September 30, 2014, those activities were reported separately in the Administration Fund. In fiscal year 2015, administrative expenses were allocated between the 1-3 Year Fund and the Convenience Series.

<sup>2</sup> As originally stated. These amounts were not restated for the implementation of GASB Statements No. 68 and 71.

Data Source: Illinois Metropolitan Investment Fund Comprehensive Annual Financial Reports

Note: Data pertaining to the IMET FFF Account Liquidating Trust is not presented above, due to the nature of that fund. See Note C in the Notes to the financial statements.

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$	312,144,822	\$ 375,985,312	\$ 319,459,941	\$ 181,920,272	\$ 132,424,610	\$ 130,764,704
	663,304,925	508,709,545	330,874,968	221,126,359	254,508,762	218,964,199
	<u>54,757</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
\$	<u>975,504,504</u>	<u>\$ 884,694,857</u>	<u>\$ 650,334,909</u>	<u>\$ 403,046,631</u>	<u>\$ 386,933,372</u>	<u>\$ 349,728,903</u>
	16,400,694	19,910,917	17,300,260	10,279,838	7,877,633	8,213,887
	<u>663,304,925</u>	<u>508,709,545</u>	<u>330,874,968</u>	<u>221,126,359</u>	<u>254,508,762</u>	<u>218,964,199</u>
	<u>679,705,619</u>	<u>528,620,462</u>	<u>348,175,228</u>	<u>231,406,197</u>	<u>262,386,395</u>	<u>227,178,086</u>
\$	19.032	\$ 18.883	\$ 18.466	\$ 17.697	\$ 16.810	\$ 15.920
	1.000	1.000	1.000	1.000	1.000	1.000

**Illinois Metropolitan Investment Fund**  
**SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION - IMET 1-3 YEAR FUND**  
 Last Ten Fiscal Years

	2015 <sup>1</sup>	2014 <sup>1</sup>	2013 <sup>1</sup>	2012 <sup>1</sup>
<b>Additions</b>				
Investment income				
Interest	\$ 1,528,234	\$ 1,597,291	\$ 1,566,463	\$ 2,994,982
Net appreciation (depreciation) in fair value of investments	313,318	(101,243)	(427,635)	(1,099,843)
Other	501	-	-	-
<b>Total income</b>	<b>1,842,053</b>	<b>1,496,048</b>	<b>1,138,828</b>	<b>1,895,139</b>
Investment expenses				
Investment advisory fees	181,915	246,961	302,676	319,746
Transfer agent and fund accounting fees	104,912	141,907	178,221	191,848
Custodial fees	14,845	24,696	30,268	31,977
<b>Total investment expenses</b>	<b>301,672</b>	<b>413,564</b>	<b>511,165</b>	<b>543,571</b>
<b>Net investment income</b>	<b>1,540,381</b>	<b>1,082,484</b>	<b>627,663</b>	<b>1,351,568</b>
Unit transactions				
Proceeds from sale of units to participants	29,842,015	8,902,659	28,402,479	59,105,373
Other additions	887,188	-	-	-
<b>Total additions</b>	<b>32,269,584</b>	<b>9,985,143</b>	<b>29,030,142</b>	<b>60,456,941</b>
<b>Deductions</b>				
Administrative and other expenses:				
Management and administrative services	23,551	136,853	228,570	335,737
Compensation and related expenses	182,776	-	-	-
Professional services	25,367	-	-	-
Insurance	35,100	-	-	-
Audit	12,300	-	-	-
Marketing	7,347	-	-	-
Administrative	48,682	-	-	-
Less reimbursement for operating expenses	-	-	-	-
<b>Total administrative and other expenses</b>	<b>335,123</b>	<b>136,853</b>	<b>228,570</b>	<b>335,737</b>
Cost of units redeemed by participants	89,368,346	58,454,514	82,230,252	36,584,138
<b>Total deductions</b>	<b>89,703,469</b>	<b>58,591,367</b>	<b>82,458,822</b>	<b>36,919,875</b>
Transfers out	-	-	-	(1,335,368)
<b>Net increase (decrease) in net position held in trust for participants</b>	<b>(57,433,885)</b>	<b>(48,606,224)</b>	<b>(53,428,680)</b>	<b>22,201,698</b>
<b>Net position held in trust for participants:</b>				
Beginning of year	232,239,356 <sup>3</sup>	280,917,840	334,346,520	312,144,822
End of year	<u>\$ 174,805,471</u>	<u>\$ 232,311,616</u>	<u>\$ 280,917,840</u>	<u>\$ 334,346,520</u>

1

IMET's operations activities were included in the 1-3 Year Series in fiscal years 2005 - 2010 and, in fiscal year 2011, through December 31, 2010. Effective January 1, 2011 through September 30, 2014, those activities were reported separately in the Administration Fund. In fiscal year 2015, administrative expenses were allocated between the 1-3 Year Fund and the Convenience Series.

<sup>2</sup> For fiscal years 2011 and prior, investment advisory fees, transfer agent and fund accounting fees, and custodial fees were included in management and administrative services expense.

<sup>3</sup> As restated for the implementation of GASB Statements No. 68 and 71.

Data Source: Illinois Metropolitan Investment Fund Comprehensive Annual Financial Reports

	2011 <sup>1 2</sup>	2010 <sup>2</sup>	2009 <sup>2</sup>	2008 <sup>2</sup>	2007 <sup>2</sup>	2006 <sup>2</sup>
\$	4,742,901	\$ 6,584,917	\$ 7,077,345	\$ 6,752,159	\$ 5,884,703	\$ 5,266,639
	(1,550,493)	1,486,358	3,023,693	1,771,280	1,646,788	21,150
	-	-	-	-	-	-
	3,192,408	8,071,275	10,101,038	8,523,439	7,531,491	5,287,789
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	3,192,408	8,071,275	10,101,038	8,523,439	7,531,491	5,287,789
	52,098,847	161,712,850	185,947,494	59,565,003	9,505,793	15,678,873
	-	-	-	-	-	-
	55,291,255	169,784,125	196,048,532	68,088,442	17,037,284	20,966,662
	845,008	679,686	495,909	331,965	254,613	402,435
	58,276	256,891	199,779	161,919	222,580	210,777
	9,684	43,279	34,920	15,000	44,818	18,442
	7,500	30,049	30,241	33,127	32,836	32,542
	7,200	20,500	22,150	18,867	16,400	15,900
	5,615	21,623	31,872	35,648	38,013	33,135
	20,163	78,911	110,532	81,516	68,194	58,399
	(223,096)	(743,221)	(295,558)	(245,204)	(271,353)	(363,527)
	730,350	387,718	629,845	432,838	406,101	408,103
	118,401,395	112,871,036	57,879,018	18,159,942	14,971,277	60,445,705
	119,131,745	113,258,754	58,508,863	18,592,780	15,377,378	60,853,808
	-	-	-	-	-	-
	(63,840,490)	56,525,371	137,539,669	49,495,662	1,659,906	(39,887,146)
	375,985,312	319,459,941	181,920,272	132,424,610	130,764,704	170,651,850
\$	<u>312,144,822</u>	<u>\$ 375,985,312</u>	<u>\$ 319,459,941</u>	<u>\$ 181,920,272</u>	<u>\$ 132,424,610</u>	<u>\$ 130,764,704</u>

**Illinois Metropolitan Investment Fund**  
**SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION - IMET CONVENIENCE SERIES**  
Last Ten Fiscal Years

	2015	2014	2013	2012
<b>Additions</b>				
Investment income				
Interest	\$ 2,781,255	\$ 6,582,520	\$ 4,897,189	\$ 2,913,789
Investment expenses				
Transfer agent and fund accounting fees	403,367	826,690	650,812	443,705
Net investment income	2,377,888	5,755,830	4,246,377	2,470,084
Proceeds from sale of units to participants	487,281,716	1,523,219,269	1,279,047,571	1,099,511,708
Other additions	887,189	-	-	-
Total additions	490,546,793	1,528,975,099	1,283,293,948	1,101,981,792
<b>Deductions</b>				
Administrative and other expenses	1,118,792	577,512	457,330	353,558
Distributions to participants	2,097,720	5,178,318	3,789,047	2,116,526
Cost of units redeemed by participants	1,725,809,853	1,094,086,159	938,284,026	713,516,552
Total deductions	1,729,026,365	1,099,841,989	942,530,403	715,986,636
Transfer to Liquidating Trust	-	(50,442,143)	-	-
Net increase (decrease) in net position held in trust for participants	(1,238,479,572)	378,690,967	340,763,545	385,995,156
<b>Net position held in trust for participants:</b>				
Beginning of year	1,768,754,593	1,390,063,626	1,049,300,081	663,304,925
End of year	\$ 530,275,021	\$ 1,768,754,593	\$ 1,390,063,626	\$ 1,049,300,081

<sup>1</sup> For fiscal years 2011 and prior, transfer agent and fund accounting fees were included in management and administrative services expense.

Data Source: Illinois Metropolitan Investment Fund Comprehensive Annual Financial Reports

<u>2011<sup>1</sup></u>	<u>2010<sup>1</sup></u>	<u>2009<sup>1</sup></u>	<u>2008<sup>1</sup></u>	<u>2007<sup>1</sup></u>	<u>2006<sup>1</sup></u>
\$ 2,409,716	\$ 2,577,858	\$ 1,687,833	\$ 7,628,873	\$ 12,907,429	\$ 8,925,306
-	-	-	-	-	-
<u>2,409,716</u>	<u>2,577,858</u>	<u>1,687,833</u>	<u>7,628,873</u>	<u>12,907,429</u>	<u>8,925,306</u>
<u>738,779,647</u>	<u>555,213,510</u>	<u>268,647,906</u>	<u>111,365,129</u>	<u>102,887,284</u>	<u>142,048,604</u>
-	-	-	-	-	-
<u>741,189,363</u>	<u>557,791,368</u>	<u>270,335,739</u>	<u>118,994,002</u>	<u>115,794,713</u>	<u>150,973,910</u>
827,559	977,919	438,182	387,639	412,780	455,349
1,582,157	1,599,939	1,249,651	7,241,234	12,494,649	8,469,957
<u>584,184,267</u>	<u>377,378,933</u>	<u>158,899,297</u>	<u>144,747,532</u>	<u>67,342,721</u>	<u>41,473,703</u>
<u>586,593,983</u>	<u>379,956,791</u>	<u>160,587,130</u>	<u>152,376,405</u>	<u>80,250,150</u>	<u>50,399,009</u>
-	-	-	-	-	-
154,595,380	177,834,577	109,748,609	(33,382,403)	35,544,563	100,574,901
<u>508,709,545</u>	<u>330,874,968</u>	<u>221,126,359</u>	<u>254,508,762</u>	<u>218,964,199</u>	<u>118,389,298</u>
<u>\$ 663,304,925</u>	<u>\$ 508,709,545</u>	<u>\$ 330,874,968</u>	<u>\$ 221,126,359</u>	<u>\$ 254,508,762</u>	<u>\$ 218,964,199</u>

**Illinois Metropolitan Investment Fund**  
**PRINCIPAL EMPLOYERS - STATE OF ILLINOIS**  
**FISCAL YEARS 2014 AND 2005**

2014 \*

Employer	Employees	% of Total Employment
State of Illinois	64,055	1.08%
Sears Holding Corp.	63,078	1.06%
U.S. Government	51,400	0.86%
Wal-Mart	49,397	0.83%
AB Acquisitions LLC	43,503	0.73%
Chicago School Board	39,094	0.66%
Walgreen Co.	30,755	0.52%
City of Chicago	30,340	0.51%
University of Illinois	29,638	0.50%
U.S. Postal Service	28,200	0.47%
	429,460	7.22%

2005

Employer	Employees	% of Total Employment
State of Illinois	72,646	1.22%
U.S. Government	49,900	0.84%
Chicago School Board	40,651	0.68%
U.S. Postal Service	39,100	0.66%
City of Chicago	37,442	0.63%
Wal-Mart	34,550	0.58%
Jewel Food Stores	29,860	0.50%
University of Illinois	28,377	0.48%
Caterpillar Inc.	21,710	0.36%
Advocate Health Care	21,160	0.35%
	375,396	6.30%

\* 2014 information is the most recent information available.

Note: Information presented is representative of the State of Illinois as a whole.

Data Source: State of Illinois Comprehensive Annual Financial Report June 30, 2014



**Illinois Metropolitan Investment Fund**  
 DEMOGRAPHIC AND ECONOMIC STATISTICS - STATE OF ILLINOIS  
 CALENDAR YEARS 2004 - 2013

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Year	(a) Population	(b) Personal Income	(a) x (b) Per Capita Income	Unemployment Rate
2013 *	12,882,000	\$ 605,201,478,000	\$ 46,980	9.2%
2012	12,868,000	592,056,538,000	46,010	8.9%
2011	12,856,000	567,838,737,000	44,169	9.7%
2010	12,840,000	539,688,876,000	42,032	10.5%
2009	12,797,000	531,645,236,000	41,545	10.0%
2008	12,747,000	552,295,230,000	43,327	6.4%
2007	12,696,000	536,525,695,000	42,259	5.1%
2006	12,644,000	508,081,357,000	40,184	4.6%
2005	12,610,000	475,352,326,000	37,696	5.8%
2004	12,590,000	455,496,017,000	36,179	6.2%

\* 2013 information is the most recent information available.

Note: Information presented is representative of the State of Illinois as a whole.

Data Source: State of Illinois Comprehensive Annual Financial Report June 30, 2014