

# **Illinois Metropolitan Investment Fund**

**Comprehensive Annual Financial Report**

**Year ended September 30, 2017**



**Illinois Metropolitan  
Investment Fund**

# **Illinois Metropolitan Investment Fund**

## **Comprehensive Annual Financial Report**

**Year ended September 30, 2017**

**Sofia Anastopoulos  
Executive Director  
Chief Investment Officer**

# ILLINOIS METROPOLITAN INVESTMENT FUND

Comprehensive Annual Financial Report  
Year Ended September 30, 2017

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# ILLINOIS METROPOLITAN INVESTMENT FUND

Comprehensive Annual Financial Report  
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**INTRODUCTORY SECTION (Unaudited)**



# Illinois Metropolitan Investment Fund

Investing together for  
our communities

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

**Brian Murphy**  
Village Administrator  
Village of Plainfield  
*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 &  
General Services  
Village of Buffalo Grove  
*Trustee*

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

**Sofia Anastopoulos**  
*Executive Director*  
*Chief Investment Officer*

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

March 2, 2018

Dear IMET Participants:

We hereby submit to you the twenty first Comprehensive Annual Financial Report of the Illinois Metropolitan Investment Fund (IMET), which covers the fiscal year of October 1, 2016 through September 30, 2017. 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, 2017. 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, 2017, 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, has issued an unmodified opinion on IMET's financial statements, for the fiscal year ended September 30, 2017. 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, a quasi-governmental entity created under the Intergovernmental Cooperation Act and the Illinois Municipal Code in 1996, is a local government investment pool. 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 intended for funds that could be invested for more than one year. The Series was structured with a fluctuating Net Asset Value (NAV) 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 an additional asset allocation option for their public funds and is designed with money market-like characteristics. The CVF is managed 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 had approximately 270 members, as of September 30, 2017.

## **INVESTMENT POLICIES AND PRACTICES**

The primary objectives of the IMET investment funds – the 1-3 Year Series and the Convenience Series, as set forth in their respective 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 that seeks to provide an attractive risk-adjusted return consistent with the preservation of capital. IMET investment funds conform to Illinois state statutes governing the investment of public funds. The standard of prudence used for all investment activities is the “prudent person” standard and is applied in conducting all investment transactions. Investments are made with the judgment and care, under circumstances then prevailing, that 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 thereof.

## YEAR END REPORT

The defining event of FYE 2017 was the surprise Republican sweep of the White House and both chambers of Congress. With the exception of a very brief risk-off reaction by global markets, bond yields and equity prices moved higher during FYE 2017 driven by expectations of deregulation, corporate and individual tax cuts, and higher infrastructure spending, and their impact on higher economic growth and inflation. Bond yields and equity prices continued to move higher throughout the year, even as the likelihood of achieving the policy goals faded.

The Federal Open Market Committee raised rates three times during FYE 2017: by 25 basis points (bps) in December 2016, 25 bps at its March 2017 meeting, and another 25 bps at its June 2017 meeting.

For fiscal year 2017, the 1-3 Year Series had a total return of 0.42% on a gross of fees basis (0.14% net of fees) compared to a return of 0.27% for its benchmark, the Barclay's Capital 1-3 Year Government Bond Index. For fiscal year 2017, the Convenience Series yield was 0.88% (net of fees) compared to a 0.66% yield for its benchmark, the Bank of America Merrill Lynch 91 Day T-Bill Index. Please refer to the Investment Section of this CAFR for additional information on investments for each investment fund.

During fiscal year 2017, the 1-3 Year Series had a 3.7% decrease to \$175.5 million from \$182.2 million. This decrease is primarily attributable to the 1-3 Year Series performance in a rising interest rate environment where interest pick-up tends to be offset by negative movements in the value of the securities in the portfolio. The Convenience Series was relatively flat, ending the year at \$495.6 million in assets, a 0.2% decrease from \$496.8 million the year prior. The stability of the assets in the Convenience Series was encouraging given the continuing First Farmer's Financial fraud overhang. A victim of this fraud, IMET continues to work diligently with the court appointed Overall Receiver and to explore other avenues with counsel to recover assets for fund participants. To provide an alternative for participants of the 1-3 Year Series was a primary reason for the development of the Convenience Fund originally. The stability of its assets over the past fiscal year when the 1-3 Year Series experienced a decrease in assets provides evidence of the benefit the Convenience Fund provides.

The Convenience Series continued its solid performance for FYE 2017, providing returns that are attractive compared to other Illinois investment pools and very competitive compared to local bank rates. A large portion of the investments in the Convenience Series is pegged to the Federal Funds Rate. In times of rising interest rates, this provides direct benefit. In certain cases, IMET's advantage compared to local bank offerings is the feature for participants to invest in the Convenience Series without restriction, whereas certain banks may offer higher rates, but may place restrictions (such as on investment minimums or maximums or withdrawal parameters). IMET continues to negotiate attractive rates for investments in the Convenience Series for participants, and we expect the Convenience Fund rate to continue to keep pace with the rising rate environment anticipated in 2018. IMET serves approximately 270 units of government, including municipalities, pension funds, park districts, library districts, school districts, and other public agencies.

The Executive Director and the IMET Board of Trustees, along with IMET's external partners, continue to position the Convenience Series for ongoing competitive risk-adjusted rates of return.

IMET's goals for FY 2018 are to continue find ways to add value to our participants in a rising interest rate environment. We will strive to maintain stability and strength in the 1-3 Year Series and Convenience Series. We will seek to identify partners who will help us add value, while continuously looking for opportunities to enhance yields for participants without compromising safety. IMET will continue to research and develop tools, products and services for participants. IMET's Trustees strive to secure sustainable growth for IMET in both its investment Series.

In everything we do, IMET seeks to be a steward for participants, earn their trust and deserve their confidence.



## 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, 2016. This was the sixth 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 makes 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 welcome and sincerely embraced.

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, our Audit standing committee and staff. Each member of the Board of Trustees, volunteer audit committee 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,



Christy Powell  
IMET Chairman



Sofia Anastopoulos, CFA  
IMET Executive Director

# ILLINOIS METROPOLITAN INVESTMENT FUND

Board of Trustees  
September 30, 2017

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## ILLINOIS METROPOLITAN INVESTMENT FUND

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

### BOARD OF TRUSTEES

Chair: Christy Powell  
Geneva Park District

Vice Chair  
(Position Vacant)

Treasurer: Gary Szott  
Village of Bloomingdale (DMMC)

Secretary: John Harrington  
Village of Minooka

Trustee: Scott Anderson  
Village of Buffalo Grove (NWMC)

Trustee: Chris Minick  
City of St. Charles

Trustee: Brian Murphy  
Village of Plainfield (WCGL)

Executive Director: Sofia Anastopoulos

# **ILLINOIS METROPOLITAN INVESTMENT FUND**

Supporting Chicago Area Councils of Government  
and External Advisers  
September 30, 2017

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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**

Kristi DeLaurentiis  
Executive Director

### **WILL COUNTY GOVERNMENTAL LEAGUE**

Hugh O'Hara  
Executive Director

## **EXTERNAL ADVISERS**

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

JP Morgan Asset Management  
Chicago, Illinois  
Columbus, Ohio

### **FUND ACCOUNTANT**

ALPS Fund Services, Inc.  
Denver, Colorado

### **CUSTODIAN**

BMO Harris Bank, N.A.  
Chicago, Illinois

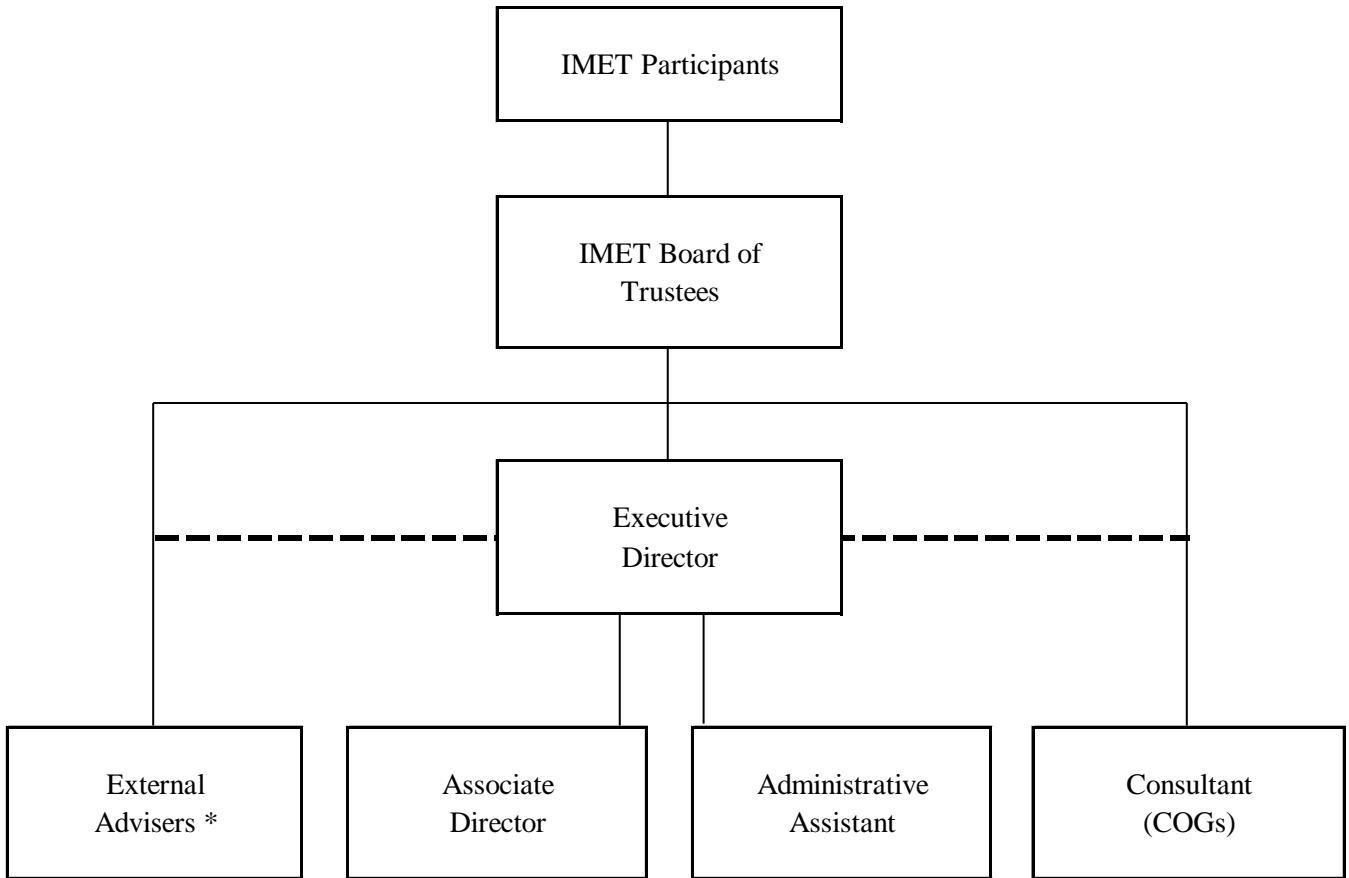
### **LEGAL COUNSEL**

Vedder Price  
Chicago, Illinois

# ILLINOIS METROPOLITAN INVESTMENT FUND

Organizational Chart  
September 30, 2017

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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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Reporting

Presented to

**Illinois Metropolitan Investment Fund**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**September 30, 2016**

*Christopher P. Morill*

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, 2017, 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 includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our 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 opinion.

(Continued)

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of IMET, as of September 30, 2017, 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.

**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 pension data on pages 31 through 32, and notes to the required supplementary information on page 33 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.

***Other Information***

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



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***Other Information*** (Continued)

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, investment, and statistical sections 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  
March 2, 2018

**ILLINOIS METROPOLITAN INVESTMENT FUND**  
Management's Discussion and Analysis (Unaudited)  
Year ended September 30, 2017

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, 2017. 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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Total assets, which include the IMET 1-3 Year Series, the IMET Convenience Series, and the IMET FFF Account Liquidating Trust, remained relatively flat at September 30, 2017 at \$698,267,116. This compares to \$700,993,525 as of September 30, 2016. Total assets of the IMET 1-3 Year Series decreased by 3.7% to \$175,476,138 at September 30, 2017. This compares to \$182,248,832 at September 30, 2016. This decrease is a result of the interest rate environment in which the higher income from rising interest rates did not offset the movements in the NAV of the 1-3 Year Series, resulting in participant redemptions. Total assets of the IMET Convenience Series remained flat at \$496,496,303 as of September 30, 2017, as compared to total assets of \$497,092,191 at September 30, 2016. Total assets of the IMET FFF Account Liquidating Trust increased to \$26,294,675 as of September 30, 2017 compared to \$21,652,502 at September 30, 2016. This increase in the FFF Account Liquidating Trust is attributable to the addition of proceeds from certain real estate asset recoveries, proceeds from the settlement that IMET and the other investors reached with Pennant and its insurance providers, a restitution fund established for the benefit of investors by Nikesh Patel, and certain other potential recoveries.

In the preceding year, total assets, including the IMET 1-3 Year Series, the IMET Convenience Series, and the IMET FFF Account Liquidating Trust decreased 3.6% at September 30, 2016 (\$700,993,525 compared to \$727,070,453 at September 30, 2015). Total assets of the IMET 1-3 Year Series increased by 4.1% to \$182,248,832 at September 30, 2016 from \$175,145,596 at September 30, 2015; total assets of the IMET Convenience Series decreased by 6.3% to \$497,092,191 at September 30, 2016 from \$530,423,681, as of September 30, 2015. Total assets of the IMET FFF Account Liquidating Trust increased slightly to \$21,652,502 at September 30, 2016 from a balance of \$21,501,176 as of September 30, 2015.

Participants' net position in IMET was \$697,325,430 (\$175,073,212 in the IMET 1-3 Year Series, \$495,957,543 in the IMET Convenience Series, and \$26,294,675 in the IMET FFF Account Liquidating Trust) as of September 30, 2017. This compares to a net position of \$700,449,981 (\$181,977,415 in the IMET 1-3 Year Series, \$496,820,064 in the IMET Convenience Series, and \$21,652,502 in the IMET FFF Account Liquidating Trust) at September 30, 2016.

**ILLINOIS METROPOLITAN INVESTMENT FUND**  
Management's Discussion and Analysis (Unaudited)  
Year ended September 30, 2017

*Financial Highlights (Continued)*

During fiscal year 2017, IMET's 1-3 Year Series had a one-year gross return of 0.42%. This compares to the 0.27% return of its benchmark, the Barclay's 1-3 Year Government Bond Index, and a return of 0.66% for the Bank of America Merrill Lynch 91-Day Treasury Bill Index. During fiscal year 2016, IMET's 1-3 Year Series had a one-year gross return of 0.89%, which compared to a 0.89% return of its benchmark, the Barclay's 1-3 Year Government Bond Index, and a return of 0.27% for the Bank of America Merrill Lynch 3-Month Treasury Bill Index. The IMET Convenience Series provided a competitive risk-adjusted return of 0.88% for the year ending September 30, 2017. This compares to a return of 0.66% for the Bank of America Merrill Lynch 91-Day Treasury Bill Index, a comparable liquidity benchmark. The interest rate environment during the fiscal year ending September 30, 2017 was characterized by rising interest rates in which shorter-term investments, such as the rate of 91-day Treasury Bill securities outperformed intermediate and longer-term funds, including the IMET 1-3 Year Series and its benchmark, the Barclay's 1-3 Year Government Bond Index.

*Overview of the Financial Statements*

The two basic financial statements of IMET 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 Series' 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, 2017 and September 30, 2016.

Condensed Statement of Fiduciary Net Position									
(\$)									
	IMET	IMET	IMET	IMET	IMET	IMET	IMET	Total	Total
	1-3 Year	1-3 Year	Convenience	Convenience	FFF Account	FFF Account			
	Series	Series	Series	Series	Liquidating Trust	Liquidating Trust		2017	2016
	2017	2016	2017	2016	2017	2016		2017	2016
Assets	175,476,138	182,248,832	496,496,303	497,092,191	26,294,675	21,652,502		698,267,116	700,993,525
Deferred Outflows	150,458	107,069						150,458	107,069
Total Assets & Deferred Outflows	175,626,596	182,355,901	496,496,303	497,092,191	26,294,675	21,652,502		698,417,574	701,100,594
Liabilities	553,384	378,486	538,760	272,127	-	-		1,092,144	650,613
Total Net Position	175,073,212	181,977,415	495,957,543	496,820,064	26,294,675	21,652,502		697,325,430	700,449,981

**ILLINOIS METROPOLITAN INVESTMENT FUND**  
Management's Discussion and Analysis (Unaudited)  
Year ended September 30, 2017

***Overview of the Financial Statements (Continued)***

The *Combining Statement of Changes in Fiduciary Net Position* shows purchases to and redemptions (withdrawals) from each Series, 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, 2017 and September 30, 2016.

Condensed Statement of Changes in Fiduciary Net Position									
	IMET 1-3 Year Series 2017	IMET 1-3 Year Series 2016	IMET Convenience Series 2017	IMET Convenience Series 2016	IMET FFF Account Liquidating Trust 2017	IMET FFF Account Liquidating Trust 2016	Total 2017	Total 2016	
Total additions from operations	747,165	1,575,996	4,135,840	2,526,589	4,642,173	151,326	9,525,178	4,253,911	
Total operating expenses (net reimbursements)	412,234	644,630	780,096	552,159	-	-	1,192,330	1,196,789	
Net additions from operations	334,931	931,366	3,355,744	1,974,430	4,642,173	151,326	8,332,848	3,057,122	
Total distributions, losses, and other	-	-	-	(2,008,242)	-	-	(7,140,518)	(2,008,242)	
Net additions (deductions) from capital share and individual account transactions	(7,239,134)	6,240,578	(4,218,265)	(33,421,145)	-	-	-	(27,180,567)	
Net increase (decrease)	(6,904,203)	7,171,944	(862,521)	(33,454,957)	4,642,173	151,326	(3,124,551)	(26,131,687)	
Net position held in trust for participants:									
Beginning of year	181,977,415	174,805,471	496,820,064	530,275,021	21,652,502	21,501,176	700,449,981	2,027,984,429	
End of year	175,073,212	181,977,415	495,957,543	496,820,064	26,294,675	21,652,502	697,325,430	700,449,981	

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 (Unaudited)

Year ended September 30, 2017

### *Financial Statement Analysis*

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#### *Net Position*

The defining event of the fiscal year ending September 30, 2017 was the surprise Republican sweep of the White House and both chambers of Congress. With the exception of a very brief risk-off reaction by global markets, bond yields and equity prices moved higher after the 2016 U.S. election on expectations of deregulation, corporate and individual tax cuts, and higher infrastructure spending, and their impact on higher economic growth and inflation. The Federal Open Market Committee raised the Federal Funds Rate a total of 75 bps over three times during the fiscal year ending September 30, 2017.

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 \$26,294,675 at September 30, 2017. The remaining net realizable value is approximately 57.1% of the original value. See Note C for additional information.

#### *Operations*

During fiscal year ended September 30, 2017, total additions from operations consisted of \$6,283,374 in interest, net depreciation in the fair value of investments of \$3,240,287, and other income of \$1,517. These amounts may be compared with \$4,329,101 of interest, net change in the fair value of investments of (\$76,201), and other income of \$1,101 during the prior fiscal year. Total income amounted to \$9,525,178 in fiscal year 2017, compared to \$4,253,911 in fiscal year 2016.

Operating expenses of IMET for fiscal year ending September 30, 2017 were \$1,192,330 (comprised of \$518,209 of investment expenses and \$674,121 of administrative expenses). This compares to operating expenses for fiscal year 2016 of \$1,196,789 (comprised of \$522,687 of investment expenses and \$674,102 of administrative expenses). The stability in operating expenses between 2017 and 2016 was due to the stability in investment assets, as transfer agent and fund accounting fees, custody fees, and investment advisory fees (for the 1-3 Year Series) are calculated as a percentage of IMET's fund assets, and to relatively flat administrative expenses. Despite increases in insurance costs in 2017 over the preceding year, IMET was able to maintain operating expenses at comparable levels due to diligent expense management.

Fiscal year 2016 operating expenses of IMET were \$1,196,789, compared to operating expenses of \$2,158,954 for fiscal year 2015. This decrease in operating expenses was due to the decrease in investment assets, as transfer agent and fund accounting fees, custody fees, and investment advisory fees (for the 1-3 Year Series) are calculated as a percentage of IMET's fund assets, and to lower administrative expenses. IMET's administrative expenses for fiscal year ending September 30, 2016 were approximately 53.6% lower than the prior fiscal year due to insurance reimbursements for legal costs.

**ILLINOIS METROPOLITAN INVESTMENT FUND**  
Management's Discussion and Analysis (Unaudited)  
Year ended September 30, 2017

*Investment Performance*

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For additional information regarding performance returns of IMET and asset allocation, please refer to the Investment section beginning on page 37 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, 2017

	IMET 1 - 3 Year Fund	IMET Convenience Series	IMET FFF Account Liquidating Trust	Total
<b>ASSETS</b>				
Cash and short-term investments	\$ 1,913,155	\$ 426,858,203	\$ -	\$ 428,771,358
Interest receivable	569,406	242,461	-	811,867
Other receivables	275,903	458,764	-	734,667
Investments:				
U.S. Treasury obligations	72,546,004	-	-	72,546,004
U.S. Government agency and agency-guaranteed obligations	95,147,774	44,674,875	-	139,822,649
Asset and mortgage- backed securities	4,882,699	-	-	4,882,699
Negotiable certificates of deposit	-	24,262,000	-	24,262,000
FFF investment	-	-	26,294,675	26,294,675
Other assets	141,197	-	-	141,197
Total assets	175,476,138	496,496,303	26,294,675	698,267,116
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred outflows related to pensions	150,458	-	-	150,458
<b>LIABILITIES</b>				
Current liabilities:				
Payables:				
Dividends payable to participants	-	455,292	-	455,292
Management fees	23,592	21,317	-	44,909
Administrative fee	-	46,805	-	46,805
Accounts payable	243,008	-	-	243,008
Other	30,105	15,346	-	45,451
Non-current liabilities:				
IMRF net pension liability	256,679	-	-	256,679
Total liabilities	553,384	538,760	-	1,092,144
<b>NET POSITION</b>				
Net position held in trust for participants (units outstanding: 9,001,127, 496,072,521, and 47,932,859 at September 30, 2017 for IMET 1-3 Year Series, IMET Convenience Series, and IMET FFF Account Liquidating Trust, respectively, equivalent to \$19.45, \$1.00, and \$0.55 per unit outstanding at September 30, 2017 for IMET 1-3 Year Series, IMET Convenience Series, and IMET FFF Account Liquidating Trust, respectively				
Total net position	\$ 175,073,212	\$ 495,957,543	\$ 26,294,675	\$ 697,325,430

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, 2017

	IMET 1 - 3 Year Fund	IMET Convenience Series	IMET FFF Account Liquidating Trust	Total
<b>Additions</b>				
Investment income				
Interest	\$ 2,147,534	\$ 4,135,840	\$ -	\$ 6,283,374
Net change in fair value of investments	(1,401,886)	-	4,642,173	3,240,287
Other income	1,517	-	-	1,517
Total income	747,165	4,135,840	4,642,173	9,525,178
<b>Investment expenses</b>				
Investment advisory fees	180,426	-	-	180,426
Transfer agent and fund accounting fees	97,757	216,715	-	314,472
Custodial fees	17,872	5,439	-	23,311
Total investment expenses	296,055	222,154	-	518,209
Net investment income	451,110	3,913,686	4,642,173	9,006,969
<b>Unit transactions</b>				
Proceeds from sale of units to participants	10,301,773	422,379,146	-	432,680,919
Total additions	10,752,883	426,292,832	4,642,173	441,687,888
<b>Deductions</b>				
Administrative and other expenses:				
Management and administrative services	1,471	5,422	-	6,893
Compensation and related expenses	70,054	258,202	-	328,256
Professional services	2,683	9,890	-	12,573
Insurance	19,360	71,356	-	90,716
Audit	5,335	19,665	-	25,000
Marketing	1,992	7,340	-	9,332
Administrative	15,284	56,335	-	71,619
Legal and other costs, net of insurance reimbursements	-	129,732	-	129,732
Total administrative and other expenses	116,179	557,942	-	674,121
Distributions to participants	-	3,485,475	-	3,485,475
Cost of units redeemed by participants	17,540,907	423,111,936	-	440,652,843
Total deductions	17,657,086	427,155,353	-	444,812,439
Net increase (decrease) in net position held in trust for participants	(6,904,203)	(862,521)	4,642,173	(3,124,551)
<b>Net position held in trust for participants:</b>				
Beginning of year	181,977,415	496,820,064	21,652,502	700,449,981
End of year	\$ 175,073,212	\$ 495,957,543	\$ 26,294,675	\$ 697,325,430

The accompanying notes are an integral part of this statement.

# Illinois Metropolitan Investment Fund

Notes to the Financial Statements

September 30, 2017

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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 six 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 Series comprises investments in U.S. Treasury obligations, U.S. government agency and agency-backed securities, and asset 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 bank 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, 2017

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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 Series, 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 Series and the IMET Convenience Series are reported at fair value, as disclosed in the related notes. All investment income for the IMET 1-3 Year Series and the IMET Convenience Series, including changes in the fair value of investments, has been recognized as income in the combining statement of changes in net position.

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, 2017, 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, 2017

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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. For the 1-3 Year Series, purchase requests received by IMET before noon Central Time (CT) are credited to accounts at the net asset value as of the close of business that day. Notice of redemptions of the 1-3 Year Series also must be made before noon CT. Participants may redeem shares of the 1-3 Year Series 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. For the Convenience Fund, purchase requests made by 3:00 pm CT are credited to accounts at the net asset value as of the close of business that day. Participants may redeem from the Convenience Fund with same day notice at the current value as of the day of redemption as long as notice is made by 3:00 pm CT. Redemptions with notice after 3:00 pm CT will be redeemed on the following business 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, 2017

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

### 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, deferred outflows of resources, liabilities, deferred inflows of resources, the disclosure of contingent assets, deferred outflows of resources, liabilities, and deferred inflows of resources at the date of the financial statements, and the reported amounts of additions and deductions during the reporting period. Actual results could differ from those estimates.

### 10. Fair Value Measurements

Current accounting standards establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1            Inputs to the valuation methodology are unadjusted quoted market prices for identical assets or liabilities in active markets that the Fund has the ability to access.

Level 2            Inputs to the valuation methodology include the following:

- \* Quoted prices for similar assets or liabilities in active markets;
- \* Quoted prices for identical or similar assets or liabilities in inactive markets;
- \* Inputs other than quoted prices that are observable for the asset or liability;
- \* Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3            Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

# Illinois Metropolitan Investment Fund

Notes to the Financial Statements

September 30, 2017

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

### 10. Fair Value Measurements (Continued)

The following is a description of the valuation methodologies used for IMET's investments measured at fair value.

*U.S. Treasury Securities, U.S. Government Agency Obligations, Asset / Mortgage-Backed Securities, and negotiable certificates of deposit:* Valued based on matrix pricing models, maximizing the use of observable inputs for similar securities.

*Fidelity Institutional Money Market Fund:* Valued at closing price on the active market on which the fund is traded.

*FFF investment:* As described in Note C.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while IMET believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

## 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 adviser, Pennant Management Inc. (Pennant) that FFF represented as being backed 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 falsified certain 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 seized certain 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, take possession and oversee the liquidation of the Seized Assets as well as to marshal and monetize other assets of Nikesh Patel and Timothy Fisher and other entities they own or control for the ultimate benefit of creditors, including IMET.

# Illinois Metropolitan Investment Fund

Notes to the Financial Statements

September 30, 2017

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## NOTE C - IMET FFF ACCOUNT LIQUIDATING TRUST (Continued)

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. This estimate is also based on information IMET has received relating to certain claims and potential recoveries outside the Overall Receivership Estate, including Pennant settlement proceeds and the settlement with Federal Insurance Company which occurred subsequent to September 30, 2017. The IMET Board of Trustees estimates a recovery of 57.1% 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 \$26,294,675, which is 52.1% of the original value of the FFF Investment of \$50,442,143 and is net of amounts which have already been distributed to participants of \$2,509,284 as of September 30, 2017 or 5.0% of the original value.

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 57.1%. 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 against the Overall Receivership Estate by the Internal Revenue Service, 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 57.1% estimate that may increase the amount IMET may recover, including but not limited to, potential recoveries from: IMET's lawsuit against the USDA in which the court subsequently ruled in favor of the USDA (Case No. 16-CV-00294, Northern District of Florida, on appeal); criminal restitution IMET may receive as a victim from Nikesh Patel and/or Timothy Fisher from the criminal proceedings against them (Case No. 14-CR-546 and 16-CR-717, pending in the Northern District of Illinois); and potential recoveries that the Overall Receiver may obtain in litigation against third parties to which the Overall Receiver has not assigned a value.

In February 2018, IMET distributed an additional \$2,500,000 to participants related to IMET's share of the proceeds received in the Pennant settlement.

## Illinois Metropolitan Investment Fund

Notes to the Financial Statements

September 30, 2017

### NOTE D - DEPOSITS AND INVESTMENTS

At September 30, 2017, deposits and investments consisted of the following:

	<u>IMET 1-3 Year Fund</u>	<u>IMET Convenience Series</u>	<u>IMET FFF Account Liquidating Trust</u>	<u>Total</u>
Cash and short-term investments *	\$ 1,913,155	\$ 426,858,203	\$ -	\$ 428,771,358
Investments	<u>172,576,477</u>	<u>68,936,875</u>	<u>26,294,675</u>	<u>267,808,027</u>
	<u>\$ 174,489,632</u>	<u>\$ 495,795,078</u>	<u>\$ 26,294,675</u>	<u>\$ 696,579,385</u>

\* Short-term investments include the Fidelity Institutional Money Market Fund.

For disclosure purposes, this amount is segregated as follows:

	<u>Total</u>
Deposits with financial institutions **	\$ 427,427,340
Fidelity Institutional Money Market Fund	1,344,018
FFF investment (Note C)	26,294,675
Other investments	<u>241,513,352</u>
	<u>\$ 696,579,385</u>

\*\* Includes accounts held in money market and demand accounts.



## Illinois Metropolitan Investment Fund

Notes to the Financial Statements

September 30, 2017

### NOTE D - DEPOSITS AND INVESTMENTS (Continued)

At September 30, 2017, other investments consisted of the following fixed income holdings:

Investment Type	Fair Value	Investment Maturity			
		Less than One Year	One to Three Years	Three to Ten Years	More than Ten Years
Debt securities					
U.S. Treasury \$	72,546,004 \$	-	\$ 61,167,745 \$	\$ 11,378,259 \$	-
FFCB <sup>1</sup>	25,948,350	4,978,625	10,969,725	10,000,000	-
FHLB <sup>2</sup>	66,174,498	16,003,198	45,167,216	5,004,084	-
FHLMC <sup>3</sup>	42,126,232	1,174,875	15,951,357	25,000,000	-
RefCorp <sup>4</sup>	5,573,569	-	5,242,307	331,262	-
Asset and mortgage- backed securities	4,882,699	22,016	249,233	2,561,911	2,049,539
Negotiable certifi- cates of deposit	24,262,000	11,605,000	12,657,000	-	-
	<u>\$ 241,513,352</u>	<u>\$ 33,783,714</u>	<u>\$ 151,404,583</u>	<u>\$ 54,275,516</u>	<u>\$ 2,049,539</u>

<sup>1</sup> Federal Farm Credit Bank

<sup>2</sup> Federal Home Loan Bank

<sup>3</sup> Federal Home Loan Mortgage Corporation

<sup>4</sup> Resolution Funding Corporation

#### 1. Interest Rate Risk

For the IMET 1-3 Year Series, IMET manages its exposure to fair value losses arising from increasing interest rates in accordance with its investment policy, 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. As of September 30, 2017, the durations of the IMET 1-3 Year Series and the Barclay's Capital 1-3 Year Government Bond Index were 1.82 years and 1.93 years, respectively.

For the IMET Convenience Series, IMET manages interest rate risk in accordance with its investment policy by requiring at least 50 percent of the fund's investments to mature in 397 days or less, and limiting the dollar-weighted average portfolio maturity of the fund to 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.

# Illinois Metropolitan Investment Fund

Notes to the Financial Statements

September 30, 2017

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## NOTE D - DEPOSITS AND INVESTMENTS (Continued)

### 2. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. IMET's investment policies limit investments to those investments specifically authorized in the Public Investment Act of the State of Illinois (30 ILCS 235/1).

As of September 30, 2017, IMET's investments in asset and mortgage-backed securities were rated Aaa by Moody's, AA+ by Standard & Poor's, and AAA by Fitch.

At September 30, 2017, the Fidelity Institutional Money Market was rated AAA-mf by Moody's and AAAm by Standard & Poor's.

### 3. 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.

### 4. Custodial Credit Risk

With respect to deposits, custodial credit risk is the risk that, in the event of a bank failure, IMET's deposits may not be returned to it. IMET's investment policy for the IMET Convenience Series limits the exposure to deposit custodial credit risk by requiring all deposits in excess of FDIC insurable limits to be secured by collateral, in an amount equal to at least 105% of the overage amount. At September 30, 2017, the bank balances of IMET's deposits with financial institutions totaled \$427,410,203, all of which was either FDIC-insured, or collateralized in accordance with IMET's investment policies.

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, IMET will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. A significant source of credit risk in securities settlement is the principal risk associated with the settlement date. IMET responds to this risk by investing in obligations of the United States Government, its agencies, and asset and mortgage-backed securities that are backed by those agencies. In addition, IMET utilizes the delivery versus payment (DVP) settlement system for the majority of all investments whereby the payments for securities coincide with the delivery of such instruments.

## Illinois Metropolitan Investment Fund

Notes to the Financial Statements

September 30, 2017

### NOTE D - DEPOSITS AND INVESTMENTS (Continued)

#### 5. Fair Value Measurement of Investments

IMET categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. IMET has the following recurring fair value measurements as of September 30, 2017:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Fidelity Inst. Money Mkt. Fund	\$ 1,344,018	\$ -	\$ -	\$ 1,344,018
Debt securities				
U.S. Treasury	-	72,546,004	-	72,546,004
FFCB	-	25,948,350	-	25,948,350
FHLB	-	66,174,498	-	66,174,498
FHLMC	-	42,126,232	-	42,126,232
RefCorp	-	5,573,569	-	5,573,569
Asset and mortgage-				
backed securities	-	4,882,699	-	4,882,699
Negotiable certificates of				
deposit	-	24,262,000	-	24,262,000
FFF investment	-	-	26,294,675	26,294,675
	<u>\$ 1,344,018</u>	<u>\$ 241,513,352</u>	<u>\$ 26,294,675</u>	<u>\$ 269,152,045</u>

# Illinois Metropolitan Investment Fund

Notes to the Financial Statements

September 30, 2017

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

The total expenses, including consulting fees, for the IMET 1-3 Year Series were approximately 0.23% of the average daily net position, for the year ended September 30, 2017. The average daily net position of the IMET 1-3 Year Series was approximately \$180.7 million, for the year ended September 30, 2017. 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 adviser. 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 has an agreement with ALPS Fund Service, 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 Series 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 BMO 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, 2017, the IMET 1-3 Year Series incurred expenses of \$180,426 for services provided by JP Morgan Asset Management, \$97,757 for services provided by ALPS Fund Services, and \$17,872 for services provided by BMO.

In addition, for the year ended September 30, 2017, IMET management administrative and operating expenses of \$189,446 were charged to the IMET 1-3 Year Series.

# Illinois Metropolitan Investment Fund

Notes to the Financial Statements

September 30, 2017

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

### 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. No annual fee was accrued for fiscal year 2017.

## NOTE F - FUND EXPENSES - IMET CONVENIENCE SERIES

The total expenses, including consulting fees, for the IMET Convenience Series, were approximately 0.19% of the average daily net position for the year ended September 30, 2017. The average daily net position of the IMET Convenience Series was approximately \$405.6 million, for the year ended September 30, 2017. The contractually obligated expenses are described below.

### 1. Fund Management

IMET has an agreement 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, 2017, the IMET Convenience Series incurred expenses of \$216,715 for services provided by ALPS Fund Services.

In addition, for the year ended September 30, 2017, IMET management administrative and operating expenses of \$428,210 were charged to the IMET Convenience Series.

## Illinois Metropolitan Investment Fund

Notes to the Financial Statements

September 30, 2017

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### NOTE G - UNIT TRANSACTIONS

A summary of participants' unit transactions for the year ended September 30, 2017 is as follows:

	IMET 1 - 3 Year Fund	IMET Convenience Series	IMET FFF Account Liquidating Trust
Unit transactions:			
Issued	534,005	422,379,146	-
Redeemed	<u>(906,821)</u>	<u>(423,111,936)</u>	<u>-</u>
Change in units	(372,816)	(732,790)	-
Unit outstanding:			
Beginning of year	<u>9,373,943</u>	<u>496,805,311</u>	<u>47,932,859</u>
End of year	<u><u>9,001,127</u></u>	<u><u>496,072,521</u></u>	<u><u>47,932,859</u></u>

### 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 an agent, multiple-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).

# Illinois Metropolitan Investment Fund

Notes to the Financial Statements

September 30, 2017

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

### **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.

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

As of December 31, 2016, the following employees were covered by the benefit terms:

Retirees and beneficiaries currently receiving benefits	2
Inactive plan members entitled to but not yet receiving benefits	-
Active plan members	<u>2</u>
Total	<u><u>4</u></u>

# Illinois Metropolitan Investment Fund

Notes to the Financial Statements

September 30, 2017

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

### **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 rate for calendar year 2016 was 18.93%. For the fiscal year ended September 30, 2017, IMET contributed \$43,988 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, 2016. 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, 2016:

Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	Market Value of Assets
Price Inflation	2.75%
Salary Increases	3.75% to 14.50%
Investment Rate of Return	7.48%
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, 2017

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

### **Actuarial Assumptions (Continued)**

#### Mortality

For non-disabled retirees, an IMRF-specific mortality table was used with fully generational projection scale MP-2014 (base year 2012). 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 projection scale MP-2014 (base year 2012). 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 2012). 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:

# Illinois Metropolitan Investment Fund

Notes to the Financial Statements

September 30, 2017

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

### **Actuarial Assumptions (Continued)**

<u>Asset Class</u>	<u>Portfolio Target Percentage</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	38%	6.85%
International Equity	17%	6.75%
Fixed Income	27%	3.00%
Real Estate	8%	5.75%
Alternative Investments	9%	2.64% - 7.35%
Cash Equivalents	1%	2.25%
Total	<u>100%</u>	

### **Single Discount Rate**

A Single Discount Rate of 7.48% 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 7.50%, the municipal bond rate is 3.78%, and the resulting single discount rate is 7.48%.

## Illinois Metropolitan Investment Fund

Notes to the Financial Statements

September 30, 2017

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

#### 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, 2016:

	Total Pension Liability (A)	Plan Fiduciary Net Position (B)	Net Pension Liability (A) - (B)
Balances at December 31, 2015	\$ 797,009	\$ 560,697	\$ 236,312
Changes for the year:			
Service cost	30,349	-	30,349
Interest on the total pension liability	58,794	-	58,794
Difference between expected and actual experience of the total pension liability	65,677	-	65,677
Benefit payments, including refunds of employee contributions	(52,338)	(52,338)	-
Contributions - employer	-	38,466	(38,466)
Contributions - employees	-	9,144	(9,144)
Net investment income	-	29,008	(29,008)
Other (net transfer)	-	57,835	(57,835)
Net changes	102,482	82,115	20,367
Balances at December 31, 2016	\$ 899,491	\$ 642,812	\$ 256,679

#### 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 7.48%, 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:

	1% Lower (6.48%)	Current Discount Rate (7.48%)	1% Higher (8.48%)
Net pension liability	\$ 370,449	\$ 256,679	\$ 161,437

# Illinois Metropolitan Investment Fund

Notes to the Financial Statements

September 30, 2017

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

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

For the year ended September 30, 2017, IMET recognized pension expense of \$20,965. At September 30, 2017, 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>
Deferred Amounts to be Recognized in Pension Expense in Future Periods	
Differences between expected and actual experience	\$ 66,237
Change of assumptions	13,856
Net difference between projected and actual earnings on pension plan investments	<u>37,871</u>
 Total deferred amounts to be recognized in pension expense in the future periods	 <u>117,964</u>
 Pension contributions made subsequent to the measurement date	 <u>32,494</u>
 Total deferred amounts related to pensions	 <u><u>\$ 150,458</u></u>

# Illinois Metropolitan Investment Fund

Notes to the Financial Statements

September 30, 2017

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

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

IMET reported \$32,494 of deferred outflows of resources related to pensions resulting from IMET's contributions subsequent to the measurement date which will be recognized as a reduction of the net pension liability in the reporting year ending September 30, 2018. Other 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>Deferred Outflows of Resources</u>
2018	\$ 42,845
2019	39,399
2020	28,071
2021	7,649
2022	-
Thereafter	<u>-</u>
Total	<u>\$ 117,964</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 which 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.

**REQUIRED SUPPLEMENTARY INFORMATION (Unaudited)**

**Illinois Metropolitan Investment Fund**  
MULTIYEAR SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS  
Illinois Municipal Retirement Fund  
September 30, 2017

Calendar year ended December 31,	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b>Total pension liability</b>			
Service cost	\$ 30,349	\$ 28,528	\$ 28,682
Interest on the total pension liability	58,794	53,222	43,879
Difference between expected and actual experience of the total pension liability	65,677	17,815	16,404
Assumption changes	-	1,136	36,630
Benefit payments and refunds	<u>(52,338)</u>	<u>-</u>	<u>-</u>
Net change in total pension liability	102,482	100,701	125,595
Total pension liability, beginning	<u>797,009</u>	<u>696,308</u>	<u>570,713</u>
Total pension liability, ending	<u><u>\$ 899,491</u></u>	<u><u>\$ 797,009</u></u>	<u><u>\$ 696,308</u></u>
<b>Plan fiduciary net position</b>			
Contributions, employer	\$ 38,466	\$ 39,174	\$ 32,481
Contributions, employee	9,144	10,543	9,849
Net investment income	29,008	2,845	30,123
Benefit payments and refunds	(52,338)	-	-
Other (net transfer)	<u>57,835</u>	<u>(36,071)</u>	<u>(900)</u>
Net change in plan fiduciary net position	82,115	16,491	71,553
Plan fiduciary net position, beginning	<u>560,697</u>	<u>544,206</u>	<u>472,653</u>
Plan fiduciary net position, ending	<u><u>\$ 642,812</u></u>	<u><u>\$ 560,697</u></u>	<u><u>\$ 544,206</u></u>
Net pension liability	<u><u>\$ 256,679</u></u>	<u><u>\$ 236,312</u></u>	<u><u>\$ 152,102</u></u>
Plan fiduciary net position as a percentage of the total pension liability	71.46 %	70.35 %	78.16 %
Covered Valuation Payroll	\$ 203,200	\$ 234,294	\$ 218,874
Net pension liability as a percentage of covered valuation payroll	126.32 %	100.86 %	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**  
**MULTIYEAR SCHEDULE OF CONTRIBUTIONS**  
 Illinois Municipal Retirement Fund  
September 30, 2017

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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
2016	\$ 38,466 *	\$ 38,466	-	\$ 203,200	18.93 %
2015	39,174	39,174	-	234,294	16.72
2014	32,481	32,481	-	218,874	14.84

\* Estimated based on contribution rate of 18.93% and covered valuation payroll of \$203,200, which is the most recent information available.

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, 2017

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1. SUMMARY OF ACTUARIAL METHODS AND ASSUMPTIONS USED IN THE CALCULATION OF THE 2016 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 2016 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, SLEP and ECO groups): 27-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. SLEP supplemental liabilities attributable to Public Act 94-712 were financed over 22 years for most employers (two employers were financed over 31 years).
Asset Valuation Method	5-year smoothed market; 20% corridor
Wage Growth	3.50%
Price Inflation	2.75% - approximate; no explicit price inflation assumption is used in this
Salary Increases	3.75% to 14.50%, 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 2014 valuation pursuant to an experience study of the period 2011-2013.
Mortality	For non-disabled retirees, an IMRF specific mortality table was used with fully generational projection scale MP-2014 (base year 2012). 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 projection scale MP-2014 (base year 2012). 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 2012). The IMRF specific rates were developed from the RP-2014 Employee Mortality Table with adjustments to match current IMRF experience.

**Other Information:**

Notes There were no benefit changes during the year.

\* Based on Valuation Assumptions used in the December 31, 2014 actuarial valuation.

**OTHER SUPPLEMENTARY INFORMATION**

**Illinois Metropolitan Investment Fund**  
Schedule of Net Position - IMET Administrative Operations  
September 30, 2017

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<b>ASSETS</b>		
Cash	\$	390,174
Receivables		
Investment fund fees		62,198
Other		228,904
Other assets		<u>141,197</u>
Total assets		<u>822,473</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred outflows related to pensions		<u>150,458</u>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable		243,008
Consultant fee		-
Other		30,131
Non-current liabilities:		
IMRF net pension liability		<u>256,679</u>
Total liabilities		<u>529,818</u>
<b>NET POSITION</b>	<b>\$</b>	<b><u><u>443,113</u></u></b>

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

## Illinois Metropolitan Investment Fund

Schedule of Changes in Net Position - IMET Administrative Operations  
September 30, 2017

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Additions	
Fee income	
1-3 Year Series	\$ 190,488
Convenience Series	430,383
Interest	4,054
Other income	1,517
	<hr/>
Total additions	626,442
	<hr/>
Deductions	
Administrative and other expenses:	
Management and administrative services	6,893
Compensation and related expenses	328,256
Professional services	12,573
Insurance	90,716
Audit	25,000
Marketing	9,332
Administrative	71,619
Legal and other costs, net of insurance reimbursements	129,732
	<hr/>
Total deductions	674,121
	<hr/>
Net decrease in net position held in trust for participants	(47,679)
Net position held in trust for participants:	
Beginning of year	490,792
	<hr/>
End of year	\$ 443,113
	<hr/> <hr/>

Note: The balances presented above are allocated between the IMET 1-3 Year Series 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, 2017

	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	\$ 1,423	\$ 5,243	\$ 6,666	\$ (66)
Consultant repayment	35,400	48	179	227	35,173
Total	42,000	1,471	5,422	6,893	35,107
Compensation and related expenses					
Salary expense	226,272	49,970	184,179	234,149	(7,877)
Wages	11,250	2,398	8,837	11,235	15
Taxes	17,445	4,160	15,334	19,494	(2,049)
Insurance benefits	40,500	8,811	32,476	41,287	(787)
IMRF pension	43,750	4,458	16,433	20,891	22,859
Other	1,200	257	943	1,200	-
Total	340,417	70,054	258,202	328,256	12,161
Professional services					
Asset monitoring	7,800	800	2,950	3,750	4,050
Consulting	-	145	535	680	(680)
Legal services	15,000	1,738	6,405	8,143	6,857
Total	22,800	2,683	9,890	12,573	10,227
Insurance	83,690	19,360	71,356	90,716	(7,026)
Audit	25,000	5,335	19,665	25,000	-
Marketing	25,740	1,992	7,340	9,332	16,408
Administrative					
Conferences	10,885	822	3,028	3,850	7,035
Dues and publications	12,370	3,011	11,097	14,108	(1,738)
Fund rating	20,488	3,841	14,159	18,000	2,488
Office expense	15,000	2,474	9,119	11,593	3,407
Rent expense	6,300	1,280	4,720	6,000	300
Travel	8,160	3,748	13,815	17,563	(9,403)
Web site maintenance	426	108	397	505	(79)
Total	73,629	15,284	56,335	71,619	2,010
Legal and other costs, net of insurance reimbursements	63,992	-	129,732	129,732	(65,740)
Total administrative and other expenses	\$ 677,268	\$ 116,179	\$ 557,942	\$ 674,121	\$ 3,147

**INVESTMENT SECTION (Unaudited)**

# Illinois Metropolitan Investment Fund

Report on Investment Activity

September 30, 2017

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## Description of the Investment Funds

The Illinois Metropolitan Investment Fund (IMET) is a quasi-governmental entity created under the Intergovernmental Cooperation Act and the Illinois Municipal Code. IMET was formed on July 17, 1996 to provide Illinois government agencies with safe, liquid, attractive investment alternatives. IMET offers two separate investment funds for municipal treasurers, official custodians of municipal funds, and other local government entities or public agencies in the state of Illinois to meet their investment needs. 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. As well, on an on-going basis, IMET considers or develops tools and services that Illinois government entities and public agencies may find of benefit for their investment needs.

The IMET 1-3 Year Series is designed for public funds that may be invested for longer than one year. Such funds allow for investment in securities with average maturities generally longer than those of money market instruments. Typically, longer maturities have greater returns.

The objectives of the IMET 1-3 Year Series are to provide safety, liquidity and appropriate risk-adjusted return (high current yield). This is accomplished through a diversified portfolio of investment grade fixed income instruments as permitted under the Public Funds Investment Act of the State of Illinois. The benchmark for the IMET 1-3 Year Series is the Barclays Capital 1-3 year Government Bond Index.

The 1-3 Year Series carries the highest rating available (AAAf/bf) from Moody's for funds in this category.

The IMET Convenience Series was established on September 2, 2003 as an investment alternative for IMET participants. It is intended to accommodate funds requiring high liquidity, including short term cash management programs and temporary investment of bond proceeds. It is comprised of collateralized bank deposits, FDIC insured certificates of deposit and U.S. government securities. The return of the IMET Convenience Series is largely pegged to the Federal Funds Rate (FFR). The objectives of the IMET Convenience Series are to provide safety, liquidity and appropriate risk-adjusted return. Because of its shorter maturity profile, it serves as a companion vehicle to the IMET 1-3 Year Series.

## Market Review

The defining event of the past four quarters was the surprise Republican sweep of the White House and both chambers of Congress. With the exception of a very brief risk-off reaction by global markets, bond yields and equity prices moved higher after the 2016 U.S. election on expectations of deregulation, corporate and individual tax cuts, and higher infrastructure spending, and their impact on higher economic growth and inflation.

(Continued)

## Illinois Metropolitan Investment Fund

Report on Investment Activity (Continued)

September 30, 2017

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### Market Review (Continued)

The Federal Open Market Committee decided, unanimously, to raise the FFR by 25 basis points (bps) at its December 2016 meeting to a range of 50 to 75 bps. Abroad, the European Central Bank surprised markets by extending its bond buying program from March 2017 to December 2017, but trimmed the monthly purchase amount from €80 to €60 billion.

Risk assets continued their upward trajectory as the reflation trade persisted into 2017. Consumer sentiment and business confidence levels soared, driving equity markets higher, as the Trump administration's proposed initiatives of tax reform, infrastructure spending and deregulation were expected to spur growth. As the first quarter 2017 progressed, skepticism on the timing and magnitude of the Trump agenda, along with political uncertainty in Europe, led the markets to pause. The failure to repeal and replace the Affordable Care Act further emphasized the uncertainty around the new administration's ability to deliver on its pro-growth agenda. As a result, the U.S. dollar began to weaken and U.S. Treasury yields fell from their highs.

Despite political uncertainty, the global macro picture was solid as growth and inflation figures continued to improve. The risk of deflation has diminished; therefore, the trend for global central banks has shifted to less accommodative monetary policy. The Fed decided to raise rates another 25 bps at its March meeting noting strength in employment, stability in financial markets and an uptick in inflation.

Even as investors' expectations for pro-growth policies into the second half of 2017 fizzled, risk assets continued to perform well. The GOP's attempts in the House of Representatives to repeal and replace parts of the Affordable Care Act, as well as President Trump's preliminary tax plan and budget proposal were all met with skepticism. By the end of the second quarter, markets were largely unaffected as investors shifted their focus away from Washington as it became clear that little if any reform was going to be passed in the near term. Equity markets continued to reach record highs, the U.S. Dollar continued to weaken and longer maturity Treasury yields declined further.

The Fed raised rates by an additional 25 bps to a range of between 1.00% and 1.25% at its June 2017 meeting. While this was consistent with market expectations, the announcement that balance sheet normalization would begin "later this year" was more hawkish than investors had anticipated.

(Continued)



# Illinois Metropolitan Investment Fund

Report on Investment Activity (Continued)

September 30, 2017

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## Market Review (Continued)

The third quarter 2017 was dominated by a multitude of factors: geopolitical tensions flared between the U.S. and North Korea; political concerns in Europe increased as the results of the German elections showed a Merkel win, but her conservative alliance lost ground; the announcement of a potential tax reform plan in Washington; and multiple natural disasters globally. The global economy grew at its fastest pace since the recovery, with over 80% of countries reporting higher year-over-year GDP growth. In the United States, second quarter GDP growth was revised upward and inflation surprised to the upside in September after five consecutive down months, leading market participants to increase expectations of an additional rate hike for 2017.

Overall portfolio duration remained shorter than that of the benchmark throughout the four quarters of FY 2017. This was a positive contributor to performance relative the benchmark.

## Risk Profile of the 1-3 Year Series

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 1-3 Year Series is managed versus the Barclays Capital 1-3 Year Government Bond Index. The portfolio had an interest rate duration of approximately 1.82 years as of September 30, 2017, and therefore was comprised of short maturity high quality U.S. Government securities. The Barclays Capital 1-3 Year Government Bond Index had an interest rate duration of approximately 1.93 years as of September 30, 2017. In the context of the broad fixed income market, the portfolio has a low risk profile. Investors should remain aware that the fund does have risk to principal when interest rates increase (interest rate risk) and credit risk to the U.S. government and related entities.

## 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.

(Concluded)

**Illinois Metropolitan Investment Fund**  
 Select Comparative Data - IMET 1-3 Year Series  
September 30, 2017

	<u>One Year *</u>	<u>Three Year *</u>	<u>Five Year *</u>
IMET 1-3 Year Series Net Return	0.14%	0.49%	0.40%
IMET 1-3 Year Series Gross Return**	0.42%	0.76%	0.65%
Barclays Capital 1-3 Year Government Bond Index	0.27%	0.78%	0.65%
Merrill Lynch 3-Month Treasury Bill Index	0.66%	0.32%	0.22%

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

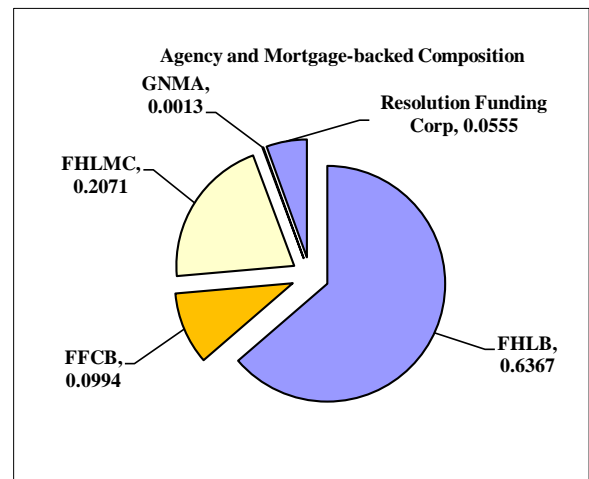
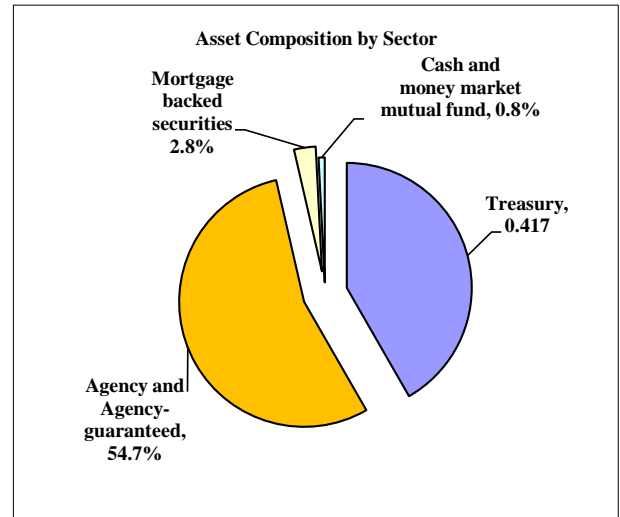
\*\* Returns exclude expenses of the fund

	<u>Fund Profile</u>	<u>Index Profile</u>
Gross yield to maturity	1.54%	1.49%
Duration	1.82 years	1.93 years
Average maturity	1.87 years	1.98 years

<u>Sectors</u>	<u>Fund Profile</u>	<u>Index Profile</u>
Treasury	41.7%	92.0%
Agency and Agency-guaranteed	54.7%	8.0%
Mortgage-backed	2.8%	-
Cash and money market mutual fund	0.8%	-

<u>Quality***</u>	<u>Fund Profile</u>	<u>Index 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.



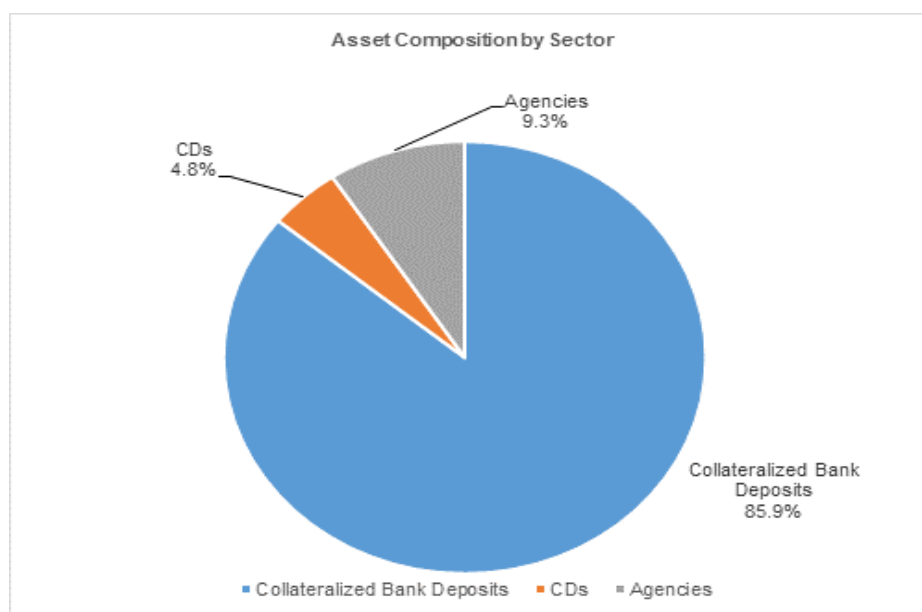
**Illinois Metropolitan Investment Fund**  
 Select Comparative Data - IMET Convenience Series  
September 30, 2017

	<u>One Year *</u>	<u>Three Year *</u>	<u>Five Year*</u>
IMET Convenience Series	0.88%	0.53%	0.46%
IL Funds Money Market Fund Index	0.44%	0.23%	0.15%
BofA Merrill Lynch 91 Day T-Bill Index	0.66%	0.32%	0.22%

\* 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>BofA Merrill Lynch 91 Day T-Bill Index Profile</u>
Average maturity (days)	134	53	55

<u>Sectors</u>	<u>Fund Profile</u>	<u>IL Funds Profile</u>	<u>BofA Merrill Lynch 91 Day T-Bill Index Profile</u>
Collateralized Bank Deposits	85.9%	0.0%	
Certificates of Deposit	4.8%	0.0%	
Repurchase Agreements	0.0%	22.6%	
Money Market Funds	0.0%	9.8%	
Commercial Paper	0.0%	27.6%	
Agencies	9.3%	29.0%	
Treasuries	0.0%	3.6%	100.0%
Supranationals	0.0%	4.8%	
Corporate Bonds	0.0%	2.6%	
	100.0%	100.0%	



## Illinois Metropolitan Investment Fund

Schedule of Investments

IMET 1-3 Year Series

September 30, 2017

Units/ par value	Description	Rate	Maturity	Fair value
U.S. Treasury Obligations: 41.7%				
\$ 4,500,000.00	U.S. Treasury	1.500 %	01/31/2019	\$ 4,504,746
1,500,000.00	U.S. Treasury	1.500	02/28/2019	1,501,406
7,800,000.00	U.S. Treasury	1.625	03/31/2019	7,822,852
4,000,000.00	U.S. Treasury	0.875	04/15/2019	3,965,938
2,000,000.00	U.S. Treasury	1.625	04/30/2019	2,005,625
5,000,000.00	U.S. Treasury	0.875	05/15/2019	4,954,688
3,000,000.00	U.S. Treasury	1.500	05/31/2019	3,002,813
2,000,000.00	U.S. Treasury	1.625	07/31/2019	2,005,703
6,000,000.00	U.S. Treasury	1.500	10/31/2019	6,000,000
4,300,000.00	U.S. Treasury	1.375	01/31/2020	4,284,379
2,500,000.00	U.S. Treasury	1.500	04/15/2020	2,495,508
500,000.00	U.S. Treasury	1.375	04/30/2020	497,500
2,200,000.00	U.S. Treasury	1.500	06/15/2020	2,195,188
7,700,000.00	U.S. Treasury	1.625	07/31/2020	7,704,211
8,000,000.00	U.S. Treasury	2.625	08/15/2020	8,227,188
11,500,000.00	U.S. Treasury	1.375	01/31/2021	11,378,259
Total U.S. Treasury Obligations				72,546,004
U.S. Government Agency and Agency-Guaranteed Obligations: 54.7%				
2,500,000	Federal Home Loan Bank	1.250	06/08/2018	2,499,363
5,000,000	Federal Farm Credit Bank	0.750	07/18/2018	4,978,625
7,000,000	Federal Home Loan Bank	1.125	09/14/2018	6,981,499
4,000,000	Federal Home Loan Bank	2.000	09/14/2018	4,022,336
6,000,000	Federal Home Loan Mortgage Corp.	0.875	10/12/2018	5,970,198
5,000,000	Federal Farm Credit Bank	0.890	11/16/2018	4,969,725
14,000,000	Federal Home Loan Bank	1.750	12/14/2018	14,050,414
10,000,000	Federal Home Loan Bank	1.250	01/16/2019	9,975,630
2,000,000	Federal Home Loan Bank	1.500	03/08/2019	2,000,850
10,580,000	Federal Home Loan Bank	1.625	06/14/2019	10,597,478
1,620,000	Federal Home Loan Bank	0.875	08/05/2019	1,600,834
2,000,000	Federal Home Loan Bank	1.375	09/13/2019	1,993,950
5,000,000	Federal Home Loan Bank	1.000	09/26/2019	4,948,060

(Continued)

## Illinois Metropolitan Investment Fund

Schedule of Investments (Continued)

IMET 1-3 Year Series

September 30, 2017

Units/ par value	Description	Rate	Maturity	Fair value
U.S. Government Agency and Agency-Guaranteed Obligations: (Continued)				
\$ 2,000,000	Federal Home Loan Mortgage Corp.	1.250 %	10/02/2019	\$ 1,988,544
500,000	RefCorp Strip Strip	None	10/15/2019	483,181
3,000,000	Federal Home Loan Mortgage Corp.	1.500	01/17/2020	2,992,095
5,000,000	Federal Home Loan Mortgage Corp.	1.750	04/27/2020	5,000,520
5,000,000	RefCorp Strip Strip	None	07/15/2020	4,759,126
350,000	RefCorp Strip Strip	None	10/15/2020	331,262
5,000,000	Federal Home Loan Bank	1.875	11/29/2021	<u>5,004,084</u>
Total U.S. Government Agency and Agency-Guaranteed Obligations				<u>95,147,774</u>
Asset/Mortgage-Backed Securities: 2.8%				
1,318	Federal Home Loan Mortgage Corp.	5.500	11/01/2017	1,319
3,557	Federal Home Loan Mortgage Corp.	5.500	02/01/2018	3,562
13,358	Federal Home Loan Mortgage Corp.	5.500	02/01/2018	13,412
3,632	Federal Home Loan Mortgage Corp.	5.000	06/01/2018	3,723
23,395	Federal Home Loan Mortgage Corp.	5.500	11/01/2018	23,672
1,293	Federal Home Loan Mortgage Corp.	5.500	12/01/2018	1,298
6,087	Government National Mortgage Assoc.	4.500	12/15/2018	6,183
19,142	Federal Home Loan Mortgage Corp.	5.000	01/01/2019	19,624
15,398	Federal Home Loan Mortgage Corp.	4.500	01/01/2019	15,743
74,954	Federal Home Loan Mortgage Corp.	5.000	05/01/2019	76,841
7,743	Federal Home Loan Mortgage Corp.	5.500	12/01/2019	7,883
15,506	Federal Home Loan Mortgage Corp.	5.000	02/01/2020	15,901
20,789	Federal Home Loan Mortgage Corp.	5.500	04/01/2020	21,316
28,621	Federal Home Loan Mortgage Corp.	6.000	06/01/2020	29,386
30,612	Federal Home Loan Mortgage Corp.	5.000	08/01/2020	31,386
98,070	Federal Home Loan Mortgage Corp.	5.000	11/01/2020	101,171
31,680	Federal Home Loan Mortgage Corp.	5.500	12/01/2020	32,789
37,521	Federal Home Loan Mortgage Corp.	5.000	12/01/2020	38,830
51,507	Federal Home Loan Mortgage Corp.	5.500	01/01/2021	53,573
44,422	Federal Home Loan Mortgage Corp.	5.000	03/01/2021	45,718
28,386	Federal Home Loan Mortgage Corp.	5.000	06/01/2021	29,592
14,012	Federal Home Loan Mortgage Corp.	7.000	09/01/2021	14,645
41,042	Federal Home Loan Mortgage Corp.	5.500	10/01/2021	42,877

(Continued)

## Illinois Metropolitan Investment Fund

Schedule of Investments (Continued)

IMET 1-3 Year Series

September 30, 2017

Units/ par value	Description	Rate	Maturity	Fair value
Asset/Mortgage-Backed Securities (Continued)				
\$ 56,865	Federal Home Loan Mortgage Corp.	5.500 %	12/01/2021	\$ 59,630
59,428	Federal Home Loan Mortgage Corp.	5.500	12/01/2021	62,241
114,310	Federal Home Loan Mortgage Corp.	5.000	04/01/2022	120,949
50,961	Federal Home Loan Mortgage Corp.	5.500	06/01/2022	53,446
12,415	Federal Home Loan Mortgage Corp.	6.000	06/01/2022	13,018
54,192	Federal Home Loan Mortgage Corp.	5.500	10/01/2022	56,751
114,888	Federal Home Loan Mortgage Corp.	5.500	10/01/2022	121,146
73,252	Federal Home Loan Mortgage Corp.	5.500	02/01/2023	76,505
87,352	Federal Home Loan Mortgage Corp.	5.500	02/01/2023	91,304
88,779	Federal Home Loan Mortgage Corp.	6.500	03/01/2023	93,693
41,890	Federal Home Loan Mortgage Corp.	5.000	07/01/2023	44,754
185,084	Federal Home Loan Mortgage Corp.	5.500	10/01/2023	196,363
63,627	Federal Home Loan Mortgage Corp.	6.000	11/01/2023	67,382
32,559	Federal Home Loan Mortgage Corp.	4.500	06/01/2024	34,596
24,224	Federal Home Loan Mortgage Corp.	4.500	07/01/2024	25,652
113,378	Federal Home Loan Mortgage Corp.	4.500	09/01/2024	120,625
49,300	Federal Home Loan Mortgage Corp.	5.500	12/01/2024	51,749
8,251	Government National Mortgage Assoc.	9.500	12/15/2024	9,000
46,928	Federal Home Loan Mortgage Corp.	4.500	03/01/2025	49,422
114,758	Federal Home Loan Mortgage Corp.	4.500	04/01/2025	121,899
65,766	Federal Home Loan Mortgage Corp.	4.500	05/01/2025	69,887
10,127	Government National Mortgage Assoc.	8.500	05/20/2025	11,144
87,552	Federal Home Loan Mortgage Corp.	4.500	08/01/2025	93,100
314,826	Federal Home Loan Mortgage Corp.	4.000	06/01/2026	329,945
2,432	Government National Mortgage Assoc.	8.000	11/20/2026	2,868
200,585	Federal Home Loan Mortgage Corp.	6.000	09/01/2027	225,647
108,113	Federal Home Loan Mortgage Corp.	6.000	11/01/2027	121,621
12,475	Government National Mortgage Assoc.	8.000	11/20/2027	14,168
44,503	Federal Home Loan Mortgage Corp.	3.019	12/01/2027	45,791
106,499	Federal Home Loan Mortgage Corp.	5.500	12/01/2027	117,273
530,022	Federal Home Loan Mortgage Corp.	2.000	03/01/2028	526,626
324	Government National Mortgage Assoc.	8.000	03/20/2028	325
1,139	Government National Mortgage Assoc.	8.000	08/20/2028	1,187
1,464	Government National Mortgage Assoc.	8.000	09/20/2028	1,519

(Continued)

## Illinois Metropolitan Investment Fund

Schedule of Investments (Continued)

IMET 1-3 Year Series

September 30, 2017

Units/ par value	Description	Rate	Maturity	Fair value
Asset/Mortgage-Backed Securities (Continued)				
\$ 64,089	Federal Home Loan Mortgage Corp.	6.500 %	01/01/2029	\$ 71,038
162,305	Federal Home Loan Mortgage Corp.	5.500	02/01/2029	178,737
19,786	Federal Home Loan Mortgage Corp.	3.177	01/01/2030	20,650
389,405	Federal Home Loan Mortgage Corp.	4.000	08/01/2031	414,240
158,311	Federal Home Loan Mortgage Corp.	3.320	12/01/2034	167,237
129,449	Federal Home Loan Mortgage Corp.	3.301	03/01/2035	135,205
33,060	Federal Home Loan Mortgage Corp.	3.388	01/01/2036	35,083
69,841	Federal Home Loan Mortgage Corp.	3.464	05/01/2037	73,495
37,212	Federal Home Loan Mortgage Corp.	3.649	07/01/2037	39,123
76,867	Government National Mortgage Assoc.	6.000	09/20/2038	86,221
Total Asset/Mortgage-Backed Securities				<u>4,882,699</u>
Total investments, other than short-term				<u>172,576,477</u>
Short-Term Investment: .8%				
1,344,018	Fidelity Inst. Money Market Fund	0.657	None	<u>1,344,018</u>
Total investments				<u>\$ 173,920,495</u>

(Concluded)

## Illinois Metropolitan Investment Fund

Schedule of Cash and Investments

IMET Convenience Series

September 30, 2017

Institution	Amount	Maturity
Cash and short-term investments		
Collateralized Money Market Account: 90.5%		
Associated Bank	\$ 386,200,083	None
Collateralized Demand Deposit: 9.5%		
USAmeriBank	40,657,380	None
Other: 0.0%		
	740	None
Total cash and short-term investments	\$ 426,858,203	
<p>Note: Deposits for which the maturity date is listed as "None" have immediate liquidity, and may be withdrawn at any date without penalty.</p>		
Other investments		
U.S. Government Agency Obligations: 64.8%		
Federal Home Loan Mortgage Corp.	\$ 1,174,875	10/27/2017
Federal Home Loan Bank	2,500,000	3/23/2018
Federal Farm Credit Bank	1,000,000	7/12/2019
Federal Farm Credit Bank	5,000,000	7/20/2020
Federal Farm Credit Bank	5,000,000	10/19/2020
Federal Farm Credit Bank	5,000,000	1/19/2021
Federal Home Loan Mortgage Corp.	25,000,000	12/9/2021
Total U.S. Government Agency Obligations	44,674,875	
Negotiable certificates of deposit: 35.2%		
Ally Bank UT	245,000	08/13/18
Amer Expr Bk	245,000	05/18/20
Amer Expr Century	245,000	11/25/19
American Bank Ctr	245,000	11/09/18
Bank Leumi NY	245,000	04/13/18
Bank Of NC	245,000	02/28/18
Bankers Bank OK	245,000	02/16/18
Bankfinancial	245,000	04/16/18
Barclays Bk Del	200,000	07/27/20
Bbcn Bank	245,000	03/23/18

(Continued)



# Illinois Metropolitan Investment Fund

## Schedule of Cash and Investments

### IMET Convenience Series

September 30, 2017

Institution	Amount	Maturity
Negotiable certificates of deposit (Continued)		
Benchmark Bk TX	\$ 245,000	02/12/18
Berkshire Bk/PIT	245,000	02/28/20
Bk Of Lexington	245,000	02/20/18
Bmo Harris Bk	245,000	12/18/17
Bmw Bank Of NA	245,000	02/12/19
Bridgewater Bk	245,000	02/15/19
Brookline Bank	245,000	03/12/18
Buckeye Comm Bank	245,000	09/10/18
Capital One Bank	245,000	05/11/18
Capital One NA	205,000	09/21/18
Comenity Capital Ads	245,000	02/22/19
Comm Finl Svcs Bk	245,000	07/12/19
Comm State Bank	245,000	02/25/19
Commerce St Bank	245,000	02/28/18
Communitybank TX	245,000	11/16/17
Conestoga Bk	245,000	03/29/18
Connectone Bk NJ	245,000	02/28/18
Crossfirst Bank	245,000	02/28/20
Cumberland Fed	245,000	02/25/19
Discover Bank	245,000	07/08/19
Eaglebank	245,000	02/20/18
East Boston Svgs	245,000	11/19/18
Enerbank USA	245,000	02/20/18
Everbank FL	245,000	02/12/19
First Bk Charles	245,000	08/28/18
First Bk Highland	248,000	08/17/20
First Bk Of Rich	245,000	07/09/18
First Florida	245,000	02/12/18
First Minn Bank	245,000	06/22/18
First Niagara Bk	245,000	02/12/18
First Source Bk	245,000	05/17/19
First Svgs Bk	245,000	02/19/19
First Western Ba	245,000	02/26/19
Firstbank Puerto	245,000	02/12/19
Flint Comm Bk GA	245,000	01/14/19
Fnb Of Mcgregor	245,000	03/16/18
Franklin Synergy Bk	245,000	08/09/18

(Continued)

# Illinois Metropolitan Investment Fund

## Schedule of Cash and Investments

### IMET Convenience Series

September 30, 2017

Institution	Amount	Maturity
Negotiable certificates of deposit (Continued)		
Goldman Sachs Bk	\$ 245,000	02/11/19
Grand River Bank	245,000	06/07/18
Home Savings & Loan	245,000	11/17/17
Independence Bk	130,000	07/23/18
Inland Nw Bank	245,000	07/15/19
Interaudi Bank	245,000	02/25/19
Israel Disc Bk	245,000	04/20/18
Jackson County Bank	245,000	08/31/20
JPMorgan Chase	245,000	07/15/19
Katahdin Trust C	245,000	08/29/18
Key Bank Na	245,000	02/19/19
Ks Bank Inc	245,000	11/19/18
Lakeside Bank	245,000	05/14/20
Landmark Comm Bk Memphis	245,000	09/03/19
Lincoln 1St Bank	245,000	12/29/17
Luana Savings Bk	245,000	02/19/19
Main St Bk Corp	245,000	09/17/18
Mb Financial Bank Na	245,000	08/28/20
Medallion Bk Ut	245,000	02/22/19
Merchantil Commercebank	248,000	03/02/20
Meridian Bk Berw	245,000	07/12/19
Merrick Bank	245,000	05/10/18
Middleburg Bank	245,000	09/14/18
Middleton Cmnty	245,000	09/11/18
Morgan Stanley Bk NA Utah	248,000	08/19/19
Morgan Stanley Pvt Bk	248,000	08/19/19
Morton Comm Bank	245,000	08/16/19
Oriental Bank	245,000	02/20/18
Pacific Continen	245,000	07/22/19
Park Sterling Bk	245,000	02/23/18
Partners Bank CA	245,000	11/19/18
Pinnacle Bank TN	245,000	08/31/20
Prime All Bk Primal	245,000	02/12/19
Private Bk Buckh	245,000	02/16/18
Relaince Bank/MN	245,000	08/09/18
Safra Natl Bank	245,000	02/28/18
Sallie Mae Bank	245,000	02/04/19
Signature Bk NA	245,000	02/19/19

(Continued)

# Illinois Metropolitan Investment Fund

Schedule of Cash and Investments

IMET Convenience Series

September 30, 2017

<u>Institution</u>	<u>Amount</u>	<u>Maturity</u>
Negotiable certificates of deposit (Continued)		
Silvergate Bank	245,000	07/29/19
Synchrony Bank	245,000	05/26/20
Texas Exchange Bk	245,000	03/29/18
Third Federal Savings	240,000	09/15/20
United Bankers	245,000	03/29/18
United Comm Bk	245,000	07/13/18
Webbank Corp	245,000	02/26/19
Webster Bank	245,000	02/26/19
Welch State Bank	245,000	02/20/18
Wells Fargo Bank	245,000	02/26/19
Wex Bank	245,000	07/09/18
Whitney Bk Gulfport	245,000	04/22/17
Woori Amer Bk	245,000	02/24/19
Worlds Foremost Cab	200,000	02/10/20
Zb Na Zion	245,000	02/06/18
	<hr/>	
Total negotiable certificates of deposit	24,262,000	
	<hr/>	
Total other investments	<u>\$ 68,936,875</u>	

(Concluded)

**Illinois Metropolitan Investment Fund**  
 Schedule of Management Fees  
Year Ended September 30, 2017

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Type	IMET 1-3 Year Fund	IMET Convenience Series	Total
Investment advisory	\$ 180,426	\$ -	\$ 180,426
Transfer agent and fund accounting	97,757	216,715	314,472
Custodial	17,872	5,439	23,311
	\$ 296,055	\$ 222,154	\$ 518,209

**Illinois Metropolitan Investment Fund**  
 Schedule of Participants by Concentration  
September 30, 2017

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Type	Number of Participants	IMET 1-3 Year Series <sup>2</sup>	IMET Convenience Series <sup>2</sup>	Total <sup>2</sup>
Municipal entities	117	85.3 %	56.9 %	64.3 %
Pension funds	23	0.6	1.6	1.4
Other entities <sup>1</sup>	63	14.1	41.5	34.3
	203	100.0 %	100.0 %	100.0 %

<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, 2017

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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 Series 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.

(Continued)

# Illinois Metropolitan Investment Fund

Investment Policy - IMET 1-3 Year Series

September 30, 2017

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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 adviser who possesses superior capabilities in the management of assets of the Councils of Governments' governmental bodies. The Board further requires the investment adviser 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 adviser'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.

(Continued)

# Illinois Metropolitan Investment Fund

Investment Policy - IMET 1-3 Year Series

September 30, 2017

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## 7.0 Authorized Financial Dealers and Institutions

The adviser 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 adviser 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 adviser to the Fund after the date of the security’s reclassification or held to maturity, in either case based on the investment adviser’s discretion.

(Continued)



# Illinois Metropolitan Investment Fund

Investment Policy - IMET 1-3 Year Series

September 30, 2017

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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.

(Continued)

## Illinois Metropolitan Investment Fund

Investment Policy - IMET 1-3 Year Series

September 30, 2017

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### 8.0 Authorized and Suitable Investments (Continued)

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

- 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.

(Continued)

## Illinois Metropolitan Investment Fund

Investment Policy - IMET 1-3 Year Series

September 30, 2017

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### 8.0 Authorized and Suitable Investments (Continued)

The adviser shall indemnify and make whole the Fund and its shareholders for any losses incurred by the Fund as a result of the adviser's own or any subadviser's gross negligence or its failure to comply with the provisions of the Investment Act as those provisions are communicated to the investment adviser 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 Barclays 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.

(Continued)

# Illinois Metropolitan Investment Fund

Investment Policy - IMET 1-3 Year Series

September 30, 2017

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## 12.0 Internal Control

The adviser 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 adviser 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 adviser 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 adviser 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.

(Continued)

# **Illinois Metropolitan Investment Fund**

Investment Policy - IMET 1-3 Year Series

September 30, 2017

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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, 2017

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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.

(Continued)

# Illinois Metropolitan Investment Fund

Investment Policy - IMET Convenience Series

September 30, 2017

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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.

(Continued)

# Illinois Metropolitan Investment Fund

Investment Policy - IMET Convenience Series

September 30, 2017

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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 adviser 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.

(Continued)



# Illinois Metropolitan Investment Fund

Investment Policy - IMET Convenience Series

September 30, 2017

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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.

(Continued)

## Illinois Metropolitan Investment Fund

Investment Policy - IMET Convenience Series

September 30, 2017

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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.

(Continued)

# Illinois Metropolitan Investment Fund

Investment Policy - IMET Convenience Series

September 30, 2017

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## 8.0 Authorized and Suitable Investments (Continued)

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

(Continued)

# Illinois Metropolitan Investment Fund

Investment Policy - IMET Convenience Series

September 30, 2017

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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.

(Continued)

# Illinois Metropolitan Investment Fund

Investment Policy - IMET Convenience Series

September 30, 2017

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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, 2017

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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.

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### Financial Trends

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

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### 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.

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**Illinois Metropolitan Investment Fund**  
**SCHEDULE OF FIDUCIARY NET POSITION**  
LAST TEN FISCAL YEARS

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014<sup>2</sup></u>
Net position held in trust for participants				
IMET 1-3 Year Series <sup>1</sup>	\$ 175,073,212	\$ 181,977,415	\$ 174,805,471	\$ 232,311,616
IMET Convenience Series	495,957,543	496,820,064	530,275,021	1,768,754,593
IMET Administration Fund <sup>1</sup>	-	-	-	1,774,377
Total	<u>\$ 671,030,755</u>	<u>\$ 678,797,479</u>	<u>\$ 705,080,492</u>	<u>\$ 2,002,840,586</u>
Number of units outstanding				
IMET 1-3 Year Series <sup>1</sup>	9,001,127	9,373,943	9,050,005	12,158,529
IMET Convenience Series	496,072,521	496,805,311	530,226,456	1,768,754,593
Total	<u>505,073,648</u>	<u>506,179,254</u>	<u>539,276,461</u>	<u>1,780,913,122</u>
Price per unit				
IMET 1-3 Year Series <sup>1</sup>	\$ 19.450	\$ 19.413	\$ 19.316	\$ 19.107
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 Series in fiscal years 2008 - 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. Beginning in fiscal year 2015, administrative expenses were allocated between the 1-3 Year Series 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>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
\$	280,917,840	\$ 334,346,520	\$ 312,144,822	\$ 375,985,312	\$ 319,459,941	\$ 181,920,272
	1,390,063,626	1,049,300,081	663,304,925	508,709,545	330,874,968	221,126,359
	<u>1,669,020</u>	<u>1,558,408</u>	<u>54,757</u>	<u>-</u>	<u>-</u>	<u>-</u>
\$	<u><u>1,672,650,486</u></u>	<u><u>1,385,205,009</u></u>	<u><u>975,504,504</u></u>	<u><u>884,694,857</u></u>	<u><u>650,334,909</u></u>	<u><u>403,046,631</u></u>
	14,757,571	17,589,148	16,400,694	19,910,917	17,300,260	10,279,838
	<u>1,390,063,626</u>	<u>1,049,300,081</u>	<u>663,304,925</u>	<u>508,709,545</u>	<u>330,874,968</u>	<u>221,126,359</u>
	<u><u>1,404,821,197</u></u>	<u><u>1,066,889,229</u></u>	<u><u>679,705,619</u></u>	<u><u>528,620,462</u></u>	<u><u>348,175,228</u></u>	<u><u>231,406,197</u></u>
\$	19.036	\$ 19.009	\$ 19.032	\$ 18.883	\$ 18.466	\$ 17.697
	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 Series  
LAST TEN FISCAL YEARS

	2017 <sup>1</sup>	2016 <sup>1</sup>	2015 <sup>1</sup>	2014 <sup>1</sup>
<b>Additions</b>				
Investment income				
Interest	\$ 2,147,534	\$ 1,802,512	\$ 1,528,234	\$ 1,597,291
Net change in fair value of investments	(1,401,886)	(227,527)	313,318	(101,243)
Other	1,517	1,011	501	-
<b>Total income</b>	<b>747,165</b>	<b>1,575,996</b>	<b>1,842,053</b>	<b>1,496,048</b>
<b>Investment expenses</b>				
Investment advisory fees	180,426	179,112	181,915	246,961
Transfer agent and fund accounting fees	97,757	90,700	104,912	141,907
Custodial fees	17,872	17,911	14,845	24,696
<b>Total investment expenses</b>	<b>296,055</b>	<b>287,723</b>	<b>301,672</b>	<b>413,564</b>
<b>Net investment income</b>	<b>451,110</b>	<b>1,288,273</b>	<b>1,540,381</b>	<b>1,082,484</b>
<b>Unit transactions</b>				
Proceeds from sale of units to participants	10,301,773	16,135,420	29,842,015	8,902,659
<b>Other additions</b>				
	-	-	887,188	-
<b>Total additions</b>	<b>10,752,883</b>	<b>17,423,693</b>	<b>32,269,584</b>	<b>9,985,143</b>
<b>Deductions</b>				
<b>Administrative and other expenses:</b>				
Management and administrative services	1,471	23,471	23,551	136,853
Compensation and related expenses	70,054	187,377	182,776	-
Professional services	2,683	48,779	25,367	-
Insurance	19,360	43,921	35,100	-
Audit	5,335	12,681	12,300	-
Marketing	1,992	7,220	7,347	-
Administrative	15,284	33,458	48,682	-
Less reimbursement for operating expenses	-	-	-	-
<b>Total administrative and other expenses</b>	<b>116,179</b>	<b>356,907</b>	<b>335,123</b>	<b>136,853</b>
Cost of units redeemed by participants	17,540,907	9,894,842	89,368,346	58,454,514
<b>Total deductions</b>	<b>17,657,086</b>	<b>10,251,749</b>	<b>89,703,469</b>	<b>58,591,367</b>
<b>Transfers out</b>				
	-	-	-	-
<b>Net increase (decrease) in net position held in trust for participants</b>	<b>(6,904,203)</b>	<b>7,171,944</b>	<b>(57,433,885)</b>	<b>(48,606,224)</b>
<b>Net position held in trust for participants:</b>				
Beginning of year	181,977,415	174,805,471	232,239,356 <sup>3</sup>	280,917,840
End of year	<u>\$ 175,073,212</u>	<u>\$ 181,977,415</u>	<u>\$ 174,805,471</u>	<u>\$ 232,311,616</u>

<sup>1</sup> IMET's operations activities were included in the 1-3 Year Series in fiscal years 2008 - 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. Beginning in fiscal year 2015, administrative expenses were allocated between the 1-3 Year Series 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

	2013 <sup>1</sup>	2012 <sup>1</sup>	2011 <sup>1,2</sup>	2010 <sup>2</sup>	2009 <sup>2</sup>	2008 <sup>2</sup>
\$	1,566,463	\$ 2,994,982	\$ 4,742,901	\$ 6,584,917	\$ 7,077,345	\$ 6,752,159
	(427,635)	(1,099,843)	(1,550,493)	1,486,358	3,023,693	1,771,280
	-	-	-	-	-	-
	1,138,828	1,895,139	3,192,408	8,071,275	10,101,038	8,523,439
	302,676	319,746	-	-	-	-
	178,221	191,848	-	-	-	-
	30,268	31,977	-	-	-	-
	511,165	543,571	-	-	-	-
	627,663	1,351,568	3,192,408	8,071,275	10,101,038	8,523,439
	28,402,479	59,105,373	52,098,847	161,712,850	185,947,494	59,565,003
	-	-	-	-	-	-
	29,030,142	60,456,941	55,291,255	169,784,125	196,048,532	68,088,442
	228,570	335,737	845,008	679,686	495,909	331,965
	-	-	58,276	256,891	199,779	161,919
	-	-	9,684	43,279	34,920	15,000
	-	-	7,500	30,049	30,241	33,127
	-	-	7,200	20,500	22,150	18,867
	-	-	5,615	21,623	31,872	35,648
	-	-	20,163	78,911	110,532	81,516
	-	-	(223,096)	(743,221)	(295,558)	(245,204)
	228,570	335,737	730,350	387,718	629,845	432,838
	82,230,252	36,584,138	118,401,395	112,871,036	57,879,018	18,159,942
	82,458,822	36,919,875	119,131,745	113,258,754	58,508,863	18,592,780
	-	(1,335,368)	-	-	-	-
	(53,428,680)	22,201,698	(63,840,490)	56,525,371	137,539,669	49,495,662
	334,346,520	312,144,822	375,985,312	319,459,941	181,920,272	132,424,610
\$	<u>280,917,840</u>	<u>\$ 334,346,520</u>	<u>\$ 312,144,822</u>	<u>\$ 375,985,312</u>	<u>\$ 319,459,941</u>	<u>\$ 181,920,272</u>

**Illinois Metropolitan Investment Fund**  
SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION - IMET CONVENIENCE SERIES  
LAST TEN FISCAL YEARS

	2017	2016	2015	2014
<b>Additions</b>				
Investment income				
Interest	\$ 4,135,840	\$ 2,526,589	\$ 2,781,255	\$ 6,582,520
Investment expenses				
Fund accounting and custodial fees	222,154	234,964	403,367	826,690
Net investment income	3,913,686	2,291,625	2,377,888	5,755,830
Proceeds from sale of units to participants	422,379,146	490,842,971	487,281,716	1,523,219,269
Other additions	-	-	887,189	-
Total additions	426,292,832	493,134,596	490,546,793	1,528,975,099
<b>Deductions</b>				
Administrative and other expenses	557,942	317,195	1,118,792	577,512
Distributions to participants	3,485,475	2,008,242	2,097,720	5,178,318
Cost of units redeemed by participants	423,111,936	524,264,116	1,725,809,853	1,094,086,159
Total deductions	427,155,353	526,589,553	1,729,026,365	1,099,841,989
Transfer to Liquidating Trust	-	-	-	(50,442,143)
Net increase (decrease) in net position held in trust for participants	(862,521)	(33,454,957)	(1,238,479,572)	378,690,967
<b>Net position held in trust for participants:</b>				
Beginning of year	496,820,064	530,275,021	1,768,754,593	1,390,063,626
End of year	\$ 495,957,543	\$ 496,820,064	\$ 530,275,021	\$ 1,768,754,593

<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>2013</u>	<u>2012</u>	<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>4,897,189</u>	\$ <u>2,913,789</u>	\$ <u>2,409,716</u>	\$ <u>2,577,858</u>	\$ <u>1,687,833</u>	\$ <u>7,628,873</u>
<u>650,812</u>	<u>443,705</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>4,246,377</u>	<u>2,470,084</u>	<u>2,409,716</u>	<u>2,577,858</u>	<u>1,687,833</u>	<u>7,628,873</u>
<u>1,279,047,571</u>	<u>1,099,511,708</u>	<u>738,779,647</u>	<u>555,213,510</u>	<u>268,647,906</u>	<u>111,365,129</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>1,283,293,948</u>	<u>1,101,981,792</u>	<u>741,189,363</u>	<u>557,791,368</u>	<u>270,335,739</u>	<u>118,994,002</u>
<u>457,330</u>	<u>353,558</u>	<u>827,559</u>	<u>977,919</u>	<u>438,182</u>	<u>387,639</u>
<u>3,789,047</u>	<u>2,116,526</u>	<u>1,582,157</u>	<u>1,599,939</u>	<u>1,249,651</u>	<u>7,241,234</u>
<u>938,284,026</u>	<u>713,516,552</u>	<u>584,184,267</u>	<u>377,378,933</u>	<u>158,899,297</u>	<u>144,747,532</u>
<u>942,530,403</u>	<u>715,986,636</u>	<u>586,593,983</u>	<u>379,956,791</u>	<u>160,587,130</u>	<u>152,376,405</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>340,763,545</u>	<u>385,995,156</u>	<u>154,595,380</u>	<u>177,834,577</u>	<u>109,748,609</u>	<u>(33,382,403)</u>
<u>1,049,300,081</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><u>1,390,063,626</u></u>	\$ <u><u>1,049,300,081</u></u>	\$ <u><u>663,304,925</u></u>	\$ <u><u>508,709,545</u></u>	\$ <u><u>330,874,968</u></u>	\$ <u><u>221,126,359</u></u>

**Illinois Metropolitan Investment Fund**  
**PRINCIPAL EMPLOYERS - STATE OF ILLINOIS**  
**FISCAL YEAR 2016 AND NINE YEARS AGO**

2016 \*

Employer	Employees	% of Total Employment
State of Illinois	62,719	1.02%
AB Acquisitions LLC	61,559	1.00%
U.S. Government	51,400	0.84%
Wal-Mart	47,185	0.77%
Jones Lang Lasalle Inc.	46,220	0.75%
Chicago School Board	37,406	0.61%
City of Chicago	30,276	0.49%
University of Illinois	29,525	0.48%
Walgreen Co.	28,822	0.47%
U.S. Postal Service	28,300	0.46%
	423,412	6.89%

2007

Employer	Employees	% of Total Employment
U.S. Government	88,200	1.40%
State of Illinois	72,312	1.14%
Chicago School Board	44,437	0.70%
Wal-Mart	42,200	0.67%
City of Chicago	35,867	0.57%
Jewel-Osco	29,200	0.46%
University of Illinois	29,200	0.46%
Cook County	23,706	0.38%
Caterpillar Inc.	22,700	0.36%
Advocate Health Care	16,500	0.26%
	404,322	6.40%

\* 2016 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, 2016

**Illinois Metropolitan Investment Fund**  
 DEMOGRAPHIC AND ECONOMIC STATISTICS - STATE OF ILLINOIS  
 LAST TEN CALENDAR YEARS

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Year	(a) Population	(b) Personal Income	(b) / (a) Per Capita Income	Unemployment Rate
2015 *	12,860,000	\$ 646,789,116,000	\$ 50,295	5.9%
2014	12,882,000	624,892,159,000	48,509	7.1%
2013	12,890,000	600,782,652,000	46,608	9.1%
2012	12,875,000	587,601,163,000	45,639	9.0%
2011	12,862,000	562,292,466,000	43,717	9.7%
2010	12,840,000	541,261,128,000	42,154	10.4%
2009	12,797,000	531,645,236,000	41,545	10.2%
2008	12,747,000	552,435,750,000	43,338	6.3%
2007	12,696,000	532,587,009,000	41,949	5.0%
2006	12,644,000	504,493,021,000	39,900	4.5%

\* 2015 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, 2016