

# NORTHERN INSTITUTIONAL FUNDS

## Municipal Portfolio



Summary Prospectus | April 1, 2011

Ticker: Shares—NMUXX

Before you invest, you may want to review the Portfolio's complete Prospectus, which contains more information about the Portfolio and its risks. You can find the Portfolio's complete Prospectus and other information about the Portfolio online at [www.northernfunds.com/institutional/prospectus](http://www.northernfunds.com/institutional/prospectus). You can also get this information at no cost by calling 800-637-1380 or by sending an e-mail request to [northern-funds@ntrs.com](mailto:northern-funds@ntrs.com). If you purchase shares of the Portfolio through a financial intermediary (such as a bank or a broker-dealer), the complete Prospectus and other information are also available from your financial intermediary. The Portfolio's complete Prospectus and Statement of Additional Information, both dated April 1, 2011, as supplemented, are incorporated by reference into this summary prospectus and may be obtained, free of charge, at the website, phone number or e-mail address noted above.

### INVESTMENT OBJECTIVE

The Portfolio is a money market fund that seeks to maintain a stable net asset value ("NAV") of \$1.00 per share. The Portfolio seeks to provide, to the extent consistent with the preservation of capital, a high level of income exempt from regular federal income tax by investing primarily in municipal instruments. This objective may be changed without shareholder approval.

### FEES AND EXPENSES OF THE PORTFOLIO

This table describes the fees and expenses that you may pay if you buy and hold Shares of the Portfolio.

#### Shareholder Fees (fees paid directly from your investment)

None

#### Annual Portfolio Operating Expenses (expenses that you pay each year as a percentage of the value of your investment)

|  | Shares       |
|--|--------------|
| Management Fees  | 0.20%        |
| Distribution (12b-1) Fees  | None         |
| Other Expenses   | 0.12%        |
| Administration Fees  | 0.10%        |
| Service Agent Fees   | None         |
| Other Operating Expenses   | 0.02%        |
| <b>Total Annual Portfolio Operating Expenses</b>   | <b>0.32%</b> |
| Fee Waiver and/or Expense Reimbursement <sup>(1)</sup>   | (0.12)%      |
| <b>Total Annual Portfolio Operating Expenses After Fee Waiver and/or Expense Reimbursement</b> | <b>0.20%</b> |

<sup>(1)</sup> Northern Trust Investments, Inc. ("NTI" or the "Investment Adviser") has contractually agreed to waive a portion of its management fees and reimburse certain expenses of the Portfolio. The contractual waiver and reimbursement arrangements are expected to continue until at least April 1, 2012. After this date, NTI or the Portfolio may terminate the contractual arrangements. The Portfolio's Board of Trustees may terminate the contractual arrangements at any time if it determines that it is in the best interest of the Portfolio and its shareholders.

### EXAMPLE

The following Example is intended to help you compare the cost of investing in the Shares of the Portfolio with the cost of investing in other mutual funds. The Example assumes that you invest \$10,000 in the Portfolio for the time periods indicated

and then redeem all of your shares at the end of those periods. The Example also assumes that your investment has a 5% return each year and that the Portfolio's operating expenses remain the same. Although your actual costs may be higher or lower, based on these assumptions your costs would be:

|        | 1 Year | 3 Years | 5 Years | 10 Years |
|--------|--------|---------|---------|----------|
| Shares | \$20   | \$91    | \$168   | \$394    |

### PRINCIPAL INVESTMENT STRATEGIES

The Portfolio seeks to achieve its objective by investing primarily in high-quality short-term municipal instruments, the interest on which is exempt from regular federal income tax. The high level of income sought by the Portfolio is relative to yields currently available in the tax-exempt marketplace. Municipal instruments may include:

- Fixed, variable and floating rate notes and similar debt instruments;
- Asset-backed securities that are considered municipal instruments (such as trust certificates backed by municipal bonds);
- Tax-exempt commercial paper;
- Municipal bonds, notes, paper or other instruments; and
- Municipal bonds and notes that are guaranteed as to principal and interest or backed by the U.S. government or by its agencies, instrumentalities or sponsored enterprises.

Except in extraordinary circumstances, at least 80% of the Portfolio's net assets will be invested in debt instruments that pay interest that is exempt from regular federal income tax. Alternative minimum tax ("AMT") obligations, which pay interest that may be treated as an item of tax preference to shareholders under the federal AMT, will be deemed eligible investments for the purposes of determining whether the portfolio meets this policy. To the extent that the Portfolio invests in AMT obligations, a significant portion of the Portfolio's dividends may be subject to federal income tax for shareholders subject to AMT. The Portfolio is not limited in the amount of its assets that may be invested in AMT obligations.

The Securities and Exchange Commission imposes strict requirements on the investment quality, maturity, and diversification of the Portfolio's investments. Accordingly, the

Portfolio's investments must have a remaining maturity of no more than 397 days and must be high quality. The Investment Adviser may consider, among other things, credit, interest rate and prepayment risks as well as general market conditions when deciding whether to buy or sell investments for the Portfolio.

During temporary defensive periods all or any portion of the Portfolio's assets may be held uninvested or invested in taxable instruments. Taxable investments may consist of those instruments that may be purchased by the Diversified Assets Portfolio. Cash assets are not income-generating and therefore would impact the Portfolio's current yield. The Portfolio may not achieve its investment objective when this temporary defensive strategy is used.

## PRINCIPAL RISKS

**STABLE NAV RISK** is the risk that the Portfolio will not be able to maintain an NAV per share of \$1.00 at all times. A significant enough market disruption or drop in market prices of securities held by the Portfolio, especially at a time when the Portfolio needs to sell securities to meet shareholder redemption requests, could cause the value of the Portfolio's shares to decrease to a price less than \$1.00 per share.

**INTEREST RATE RISK** is the risk that during periods of rising interest rates, the Portfolio's yield (and the market value of its securities) will tend to be lower than prevailing market rates; in periods of falling interest rates, the Portfolio's yield (and the market value of its securities) will tend to be higher.

**GUARANTOR (OR CREDIT ENHANCEMENT) RISK** is the risk that changes in credit quality of a U.S. or foreign bank, insurance company or other financial institution or such entity's failure to fulfill its obligations could cause the Portfolio's investments to decline in value. Adverse developments in the banking or bond insurance industries also may negatively affect the Portfolio.

**PREPAYMENT (OR CALL) RISK** is the risk that prepayment of the underlying mortgage or other collateral of some fixed-income securities may result in a decreased rate of return and a decline in value of those securities.

**DEBT EXTENSION RISK** is the risk that an issuer will exercise its right to pay principal on an obligation held by the Portfolio (such as an asset-backed security) later than expected. This may happen during a period of rising interest rates. Under these circumstances, the value of the obligation will decrease and the Portfolio will suffer from the inability to invest in higher yielding securities.

**INCOME RISK** is the risk that falling interest rates will cause the Portfolio's income to decline. Income risk is generally higher for short-term debt securities.

**MANAGEMENT RISK** is the risk that a strategy used by the investment management team may fail to produce the intended results.

**CREDIT (OR DEFAULT) RISK** is the risk that the inability or unwillingness of an issuer or guarantor of a fixed-income security, or a counterparty to a repurchase or other transaction, to meet its payment or other financial obligations will adversely affect the value of the Portfolio's investments and its yield. Changes in the credit rating of a debt security held by the Portfolio could have a similar effect.

**STRUCTURED SECURITIES RISK** is the risk that loss may result from the Portfolio's investments in structured securities. Structured securities may be more volatile, less liquid and more difficult to price accurately than less complex securities due to their derivative nature. As a result, investments in structured securities may adversely affect the Portfolio's NAV. In some cases it is possible that the Portfolio may suffer a total loss on its investment in a structured security.

**PROJECT/INDUSTRIAL DEVELOPMENT BOND RISK** is the risk that the Portfolio may be more sensitive to an adverse economic, business or political development if it invests more than 25% of its assets in municipal instruments, the interest upon which is paid solely from revenues of similar projects, or in industrial development bonds.

**TAX RISK** is the risk that future legislative or administrative changes or court decisions may materially affect the value of municipal instruments or the ability of the Portfolio to pay tax-exempt dividends.

**MUNICIPAL MARKET VOLATILITY RISK** is the risk that the Portfolio may be adversely affected by the volatile municipal market. The municipal market can be significantly affected by adverse tax, legislative, or political changes and the financial condition of the issuers of municipal securities.

An investment in the Portfolio is not a deposit of any bank and is not insured or guaranteed by the Federal Deposit Insurance Corporation, any other government agency, or The Northern Trust Company, its affiliates, subsidiaries or any other bank. Although the Portfolio seeks to preserve the value of your investment at \$1.00 per share, it is possible to lose money by investing in the Portfolio.

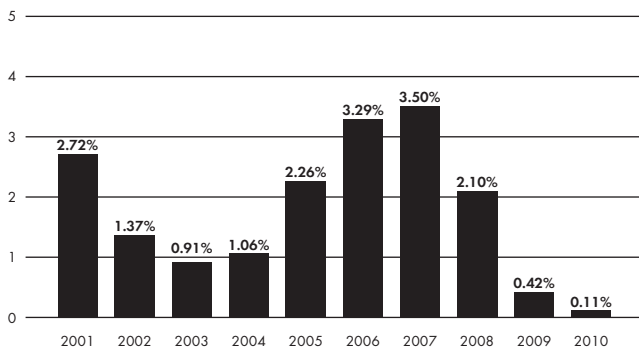
## PORTFOLIO PERFORMANCE

The bar chart and table that follow provide an indication of the risks of investing in the Portfolio by showing changes in the performance of the Portfolio's Shares from year to year.

The Portfolio's past performance is not necessarily an indication of how the Portfolio will perform in the future.

Updated performance information for the Portfolio is available and may be obtained on the Portfolio's Web site at [www.northernfunds.com/institutional](http://www.northernfunds.com/institutional) or by calling 800-637-1380.

### CALENDAR YEAR TOTAL RETURN (SHARES) \*



\* For the periods shown in the bar chart above, the highest quarterly return was 0.89% in the second quarter of 2007, and the lowest quarterly return was 0.01% in the first quarter of 2010.

### AVERAGE ANNUAL TOTAL RETURNS

(For the periods ended December 31, 2010)

|        | Inception Date | 1-Year | 5-Year | 10-Year | Since Inception |
|--------|----------------|--------|--------|---------|-----------------|
| Shares | 12/1/99        | 0.11%  | 1.87%  | 1.77%   | 1.98%           |

The 7-day yield for Shares of the Portfolio as of December 31, 2010: 0.17%. For the current 7-day yield call 800-637-1380 or visit [www.northernfunds.com/institutional](http://www.northernfunds.com/institutional).

### MANAGEMENT

**INVESTMENT ADVISER.** Northern Trust Investments, Inc., an indirect subsidiary of Northern Trust Corporation, serves as the Investment Adviser of the Portfolio.

### PURCHASE AND SALE OF PORTFOLIO SHARES

You may purchase Portfolio shares through your institutional account at Northern Trust (or an affiliate) or an authorized intermediary or you may open an account directly with Northern Institutional Funds (the "Trust") with a minimum initial investment of \$5 million in one or more of the Trust's portfolios. This minimum does not apply, however, to Portfolio shares purchased through a Northern Trust cash sweep account. There is no minimum for subsequent investments.

On any business day, you may sell (redeem) or exchange Portfolio shares through your institutional account by contacting your Northern Trust account representative or authorized intermediary. If you purchase Portfolio shares directly from the Trust, you may sell (redeem) or exchange your shares in one of the following ways:

- By Mail – Send a written request to: Northern Institutional Funds, P.O. Box 75986, Chicago, Illinois 60675-5986.
- By Telephone – Call the Northern Institutional Funds Center at 800-637-1380 for instructions.

- By Wire – Authorize wire redemptions on your New Account Application and have proceeds sent by federal wire transfer to a previously designated bank account (the minimum redemption amount by this method is \$10,000).

### TAX INFORMATION

The Portfolio's distributions may be taxable as ordinary income or capital gains. However, the Portfolio anticipates that substantially all of its income dividends will be "exempt-interest dividends" that are generally exempt from regular federal income taxes. In certain instances, dividends paid by the Portfolio, while exempt from regular federal income tax, may be subject to federal AMT. State and local income taxes may apply to all or a portion of exempt-interest dividends paid by the Portfolio. Tax-exempt institutions, IRAs and other tax advantaged retirement accounts will not gain an additional benefit through investment in the Portfolio because such investors are already tax-exempt.

### PAYMENTS TO BROKERS-DEALERS AND OTHER FINANCIAL INTERMEDIARIES

If you purchase the Portfolio through a broker-dealer or other financial intermediary (such as a bank), the Portfolio and its related companies may pay the intermediary for the sale of Portfolio shares and related services. These payments may create a conflict of interest by influencing the broker-dealer or other intermediary and your salesperson to recommend the Portfolio over another investment. Ask your salesperson or visit your financial intermediary's Web site for more information.

