

Illinois Association of County Officials



Spring Conference

Springfield
May 9, 2011

Illinois Municipal Retirement Fund

Louis W. Kosiba, Executive Director
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COUNTY PROFILE

- 101 Counties
- 32,201 active participants
- 18.2% of IMRF membership
- Payroll \$1,372 million
- Average Salary: \$42,612
- Average Salary SLEP: \$61,231
- Average Salary ECO: \$48,438
- Average Retiree age 72.4 years, receives \$11,729 per year

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IMRF REMAINS FINANCIALLY SOUND

- 2010 Investment Return: +13.6%
- Ranked in the 35th Percentile
(Beat 65% of Public Funds)
- 2010 Investment Income: \$3 Billion
- Funding increased from 81.5% to 86.3%
(Market Basis)
- Since 1/1/95 annual compounded returns have been 8.7%

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IMRF SPONSORED LEGISLATION

- HB 1471
 - Prorates the cost of a pension among multiple employers using a combination of service credit and final rate of earnings
- HB 1956
 - Allows non-education employer to increase hourly standard to 1,000 hours
 - Allows members to work for any employer so long as they work less than the employer's hourly standard
 - Allows non-member AAs to vote in employer elections

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IMRF SPONSORED LEGISLATION

- HB 2865
 - Allows second spouse to qualify for surviving spouse pension (03/26/92)
 - Removes workers' compensation offset for surviving spouse annuities
- HB 3253
 - Terminates SLEP upgrades of non-SLEP service
 - Sunsets ECO programs

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IMRF SPONSORED LEGISLATION

- HB 3332
 - Authorizes changes in Voluntary Additional Contribution program interest rate
 - Amended, now has transfer window for active IMRF members with Article 3 service
- HB 3334
 - Grants additional authority to deny/terminate disability benefits
 - Removes 2-year limit for benefit protection leave applications

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BILLS IMPACTING IMRF PASSED BY AT LEAST ONE LEGISLATIVE BODY

- HB 3076
 - Requires IMRF employers, within 3 years, to pay the present cost of contribution increases due to salary increases of more than 6%

6

BILLS IMPACTING IMRF PASSED BY AT LEAST ONE LEGISLATIVE BODY

- HB 3474
 - Suspends pension for returning contractual employees
 - Requires posting of compensation information
 - Expands 125% rule
 - Requires Immediate funding of increases over 6% or 1 ½ times Inflation
 - Pro-rates employer costs among employers
 - Requires a "Pension Impact Statement" for certain increases

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IMRF Legislation Introduced in the 97th General Assembly

Bill Number	Sponsor	Description	Status	IMRF Position
HB 146	Rep. Jack Franks	Limits all salary for pension calculation purposes for current participants in IMRF as well as the state-funded systems, to \$106,800, indexed annually	Re-referred to House Rules Committee	Oppose
HB 1325	Rep. Greg Harris	Authorizes pension systems to create optional DC plans for their members. If the fund offers such a plan, members who choose to participate would transfer their participation in the DB plan to the new DC plan. If no choice is made, members would default to participation in the DB plan.	Re-referred to House Rules Committee	Oppose
HB 1471	Rep. Kevin McCarthy/ Sen. James Clayborne	Pro-rates the cost of a pension among multiple employers on a combination of service credit and final rate of earnings.	Passed the House 115-0-0/ Assigned to the Senate Pensions & Investments Committee	Support
HB 1502	Rep. Raymond Poe	Changes the minimum age for retirement without reduction under Tier Two from age 67 to age 62. It would also remove any provision for retirement at an earlier age with reduction.	Re-referred to House Rules Committee	Neutral
HB 1956	Rep. Elaine Nekritz/ Sen. Suzi Schmidt	Makes three changes: 1) allow non-education employers to increase the hourly standard to 1,000 hours; 2) allow members to return to work with an employer without suspending their pension as long as they work less than the hourly standard of that employer; and 3) removes the requirement that the authorized agent be an IMRF member in order to vote in employer elections.	Passed the House 117-0-0/ Placed on 2 nd Reading in the Senate	Support
HB 1977	Rep. Kevin McCarthy	IMRF applicable provisions only: Excludes travel for Board meetings or required fiduciary or ethics training from the approval requirements of the Pension Code, as long as those expenses are incurred within Illinois and makes a change in the Illinois economic opportunity report	Re-referred to House Rules Committee	Support
HB 2037	Rep. Dan Brady	Permits elected or appointed coroners to participate in the SLEP program	Re-referred to House Rules Committee	Oppose
HB 2061 (introduced)	Rep. Carol Sente	Excludes from the FRE any salary increase greater than 12% over the previous year for new participants after July 1, 2011	Re-referred to House Rules Committee	Oppose
HB 2061 (amended)		Excludes from the FRE any salary increase greater than 5% over the previous year for new participants after July 1, 2011		Oppose

Bill Number	Sponsor	Description	Status	IMRF Position
HB 2865	Rep. Raymond Poe	Makes two changes: 1) allow the second spouse of annuitants who retired before 3/26/92 with a qualifying spouse to qualify for a surviving spouse pension and 2) remove the requirement that surviving spouse annuities be offset for workers' compensation awards.	Re-referred to House Rules Committee	Support
HB 2958	Rep. Lisa Dugan	Places certain full-time firefighters and paramedics who are not in a downstate fire fund into IMRF SLEP	Re-referred to House Rules Committee	Oppose
HB 2975	Rep. Karen May	Excludes IMRF and police & fire fund levies from tax caps for the first five years after participation and changes the referendum question for participation in IMRF and downstate police	Re-referred to House Rules Committee	Support
HB 3075	Rep. Daniel Beiser	Reduces the minimum age for retirement without reduction in Tier Two to age 62 and to age 57 with a reduction	Re-referred to House Rules Committee	Neutral
HB 3076	Rep. David Harris/ Sen. Kwame Raoul	Requires IMRF employers, within 3 years, to pay the present cost of contribution increases due to salary increases of more than 6%	Passed the House 112-0-0/ Assigned to Senate Pensions & Investments Committee	Support
HB 3228	Rep. Dan Brady	Limits the return to work restrictions for ERI annuitants	Re-referred to House Rules Committee	Support
HB 3253	Rep. Karen May/ Sen. Michael Frerichs	Makes two changes: 1) terminate the provision allowing SLEP participants to upgrade non-SLEP service to the SLEP formula for new members and 2) sunset the ECO program	Passed the House 110-0-0/ Placed on 2 nd Reading in the Senate	Support
HB 3332 (introduced)	Rep. Raymond Poe/ Sen. Terry Link	Grants the Board the authority to change the interest rate for the Voluntary Additional Contribution program to a rate not greater than the prescribed rate	Passed the House 110-0-0/ Placed on 2 nd Reading in the Senate	Support
HB 3332 (amended)		Temporarily allows IMRF members who have service in a downstate police pension fund to transfer that service to IMRF by paying the total cost or receiving the equivalent amount of service for the amount of money transferred.		Neutral
HB 3334	Rep. Raymond Poe/ Sen. Kwame Raoul	Grants the Board the authority to deny or terminate disability benefits in certain situations and would remove the two year time limit for benefit protection leaves	Passed the House 115-0-1/ Placed on 2 nd Reading in the Senate	Support
HB 3370	Rep. Mike Fortner	Requires IMRF to create an alternative DC plan and allow employers to require their new members to participate	Re-referred to House Rules Committee	Oppose

Bill Number	Sponsor	Description	Status	IMRF Position
HB 3375 (introduced)	Rep. Kevin McCarthy/ Sen. Pamela Althoff	Requires funds to suspend the annuity of any retiree who begins participation in any other Illinois public pension system	N/A	Oppose
HB 3375 (amended)		Makes changes to the return to work provisions affecting the Teachers Retirement System shortage area provisions - NO LONGER AFFECTS IMRF		No Position
HB 3426	Rep. David Harris	Excludes from the IMRF FRE calculation certain lump sum payments	Re-referred to House Rules Committee	Oppose
HB 3427	Rep. David Harris	Excludes from pensionable earnings certain lump sum payments and annual increases of more than 6% (applies to all systems)	Re-referred to House Rules Committee	Oppose
HB 3474 (introduced)	Rep. Karen May	VEHICLE	Passed the House 110-0-0/ Assigned to Senate Assignments Committee	Neutral
HB 3474 (amended)		In the provisions applicable to IMRF, this bill makes the following changes: 1) Suspends the pension of any retired member who returns on a contractual basis with the same governmental agency from which he or she retired (new members only/does not apply to IMRF SLEP); 2) requires employers to post compensation information of certain members; 3) expands the period for which the earnings cannot exceed 125% of any other month in the FRE period to the last 24 months (future IMRF members only); 4) requires employers to pay the present value cost of any increase due to salary increases of more than 6% or 1.5 times inflation over the previous year, with certain exceptions 5) pro-rates employer costs when a member retires with multiple employers; 6) requires a "Pension Impact Statement" before increasing the salary of certain members.		
HB 3591 (introduced)	Rep. Michelle Mussman/ Sen. John Mulroe	Terminates pension benefits for a member of any fund who is convicted of a job-related felony	N/A	Neutral
HB 3591 (amended)		Terminates pension benefits for a member of the CTA or TRA funds who is convicted of a job-related felony - NO LONGER AFFECTS IMRF		
SB 1613	Sen. Iris Martinez	Mandates indemnification of Board trustees by the non-state-funded systems (indemnification would be permitted for state-funded systems).	Passed the Senate 56-0-0/ Assigned to House Executive Committee	Support

Bill Number	Sponsor	Description	Status	IMRF Position
SB 1679	Sen. Jeffrey Schoenberg	Transfers the investment authority for the downstate police and fire funds from the individual funds to IMRF. It would also add two additional member trustees (one from each of these two groups) to the IMRF Board of Trustees.	Re-referred to Senate Assignments	Oppose
SB 2149	Sen. John Sullivan/ Rep. Roger Eddy	In the provisions applicable to IMRF, adds non-certified employees of school Financial Oversight Panels (created by this bill) to the list of participating employees. Requires the school districts served by the panel to be responsible for any liability that remains after the panel is dissolved.	Passed the Senate 36-19-1/ Assigned to House Elementary & Secondary Education Committee	Oppose
SB 2183	Sen. Dale Risinger	Increases the population for mandatory creation of a downstate police and fire fund, as well as participation in IMRF, from 5,000 to 7,500.	Referred to Assignments Committee	Neutral



Illinois Municipal Retirement Fund

Suite 500 2211 York Road Oak Brook IL 60523-2337

Member Services Representatives 1-800-ASK-IMRF

www.imrf.org

GENERAL MEMORANDUM

Number: 605

Date: January 17, 2011

To: All Authorized Agents

Subject: Public Act 96-1495

On December 30, 2010, the governor signed Senate Bill 3538 (Public Act 96-1495). This new law creates a second tier of IMRF benefits for members who are first enrolled in IMRF's Sheriff's Law Enforcement Personnel (SLEP) plan on or after January 1, 2011.

This new law does **NOT** affect members currently participating in IMRF SLEP.

We've enclosed a chart that provides a comparison between SLEP Tier 1 and Tier 2.

Please note some **key provisions of this new law:**

- Prior participation in Regular IMRF or in a reciprocal retirement system before January 1, 2011, does **NOT** make a member eligible for SLEP Tier 1.
- Reportable wages are capped at \$106,800 for 2011 (as are Regular and Elected County Official Tier 2 wages).
- Reportable wages do **NOT** include compensation for overtime.

Estimated impact of Tier 2 on SLEP employer contribution rates

Our actuaries estimate that the initial normal cost of the SLEP Tier 2 plan will be 7.92%, a 33.8% decrease from the current normal cost of 11.97%. Over time, this reduction will increase. For SLEP employers, the effect on their normal cost rate will occur gradually as new public safety employees are enrolled in SLEP Tier 2. IMRF will use a blended rate for SLEP which will be weighted based on the ratio of SLEP Tier 1 and Tier 2 members.

Year 2013 will be the first year SLEP employer contribution rates will be impacted by Tier 2. Our actuaries estimate that the blended normal cost for SLEP will be 11.73%, a decrease of 2% from the current normal cost.

By 2021, our actuaries estimate that the blended normal cost for both SLEP Tier 1 and Tier 2 on an IMRF-wide basis will be 10.18%, a 15% decrease from the current normal cost of 11.97%. The impact of SLEP Tier 2 on an individual SLEP employer's rate will depend on the number of SLEP Tier 2 members in its workforce.

Questions?

If you have any questions, please call an IMRF Member Services Representative at 1-800-ASK-IMRF (1-800-275-4673) 7:30 A.M. to 5:30 P.M., Monday through Friday.

Sincerely,

Louis W. Kosiba
Executive Director



Illinois Municipal Retirement Fund
 Public Act 96-1495
 Comparison of SLEP Plan Tier 1 and SLEP Plan Tier 2
 January 7, 2011

	SLEP Plan Tier 1	SLEP Plan Tier 2
Eligibility	<ul style="list-style-type: none"> Members participating in the IMRF Sheriff's Law Enforcement Personnel (SLEP) plan before January 1, 2011. Members who previously participated in SLEP and return to SLEP participation before January 1, 2011. 	<p><i>This chart refers to SLEP service and benefits only. Benefits payable under the Regular or Elected County Official (ECO) plans tiers 1 and 2 have different rules. You can also view a chart comparing Regular Tier 1 and 2 and a chart comparing ECO Tier 1 and 2.</i></p> <p>Members first enrolled in the IMRF Sheriff's Law Enforcement Personnel (SLEP) plan on or after January 1, 2011.</p> <p>NOTE: prior participation in Regular IMRF or in a reciprocal retirement system before January 1, 2011, will NOT make a member eligible for SLEP Tier 1.</p>
Vesting	20 years	10 years
Normal Retirement Age (full pension)	50	55
Earliest Retirement Age (reduced pension)	N/A	50
Reduction in pension	SLEP pension not subject to reduction	Pension reduced 1/2% for each month under age 55.
Final Rate of Earnings	Average of highest 48 months in last 10 years of service.	Average of highest 96 months in last 10 years of service.
Maximum pension payable	125% rule applies: Wages for each of the last three months cannot be more than 25% greater than the highest earnings in any of the first 45 months. 80% of final rate of earnings.	125% rule applies: Wages for each of the last three months cannot be more than 25% greater than the highest earnings in any of the first 93 months. 75% of final rate of earnings.
Cap on reportable wages	None for members first participating before January 1, 1996. \$245,000 annually (in 2011) for all others.	\$106,800 in 2011; amount automatically increases annually by the lesser of 3% or by one-half of the increase in the Consumer Price Index (urban) for the preceding September.
Limit on reportable wages	None.	Compensation for overtime not included in reportable wages.



Illinois Municipal Retirement Fund
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Voluntary Additional Contributions	Members may contribute up to an additional 10% of their salary.	Members may contribute up to an additional 10% of their salary (up to the wage cap).
Annual Pension Increase	3% of the original amount	The lower of - 3% or - one-half of the increase in the Consumer Price Index (urban) for the 12 months ending the preceding September of the original amount.
Eligibility for Annual Pension Increase	First January following retirement effective date. First year increase prorated if effective date other than January 1.	If the CPI decreases or is zero, no increase is paid. Payable on January 1 after the retired member reaches age 60 or after one year of receiving pension, whichever is later.
Lump sum death benefit	One year's salary plus any balance in the member's account.	One year's salary (up to the wage cap) plus any balance in the member's account.
Surviving Spouse Pension	50% of the pension the member had earned at the date of death. Payable on January 1.	66-2/3% of the pension the member had earned at the date of death. Payable on January 1 after the Surviving Spouse reaches age 60.
Surviving Spouse Pension Annual Increase	3% of the original amount.	The lower of - 3% or - one-half of the increase in the Consumer Price Index (urban) for the 12 months ending the preceding September of the original amount. If the CPI decreases or is zero, no increase is paid.



Illinois Municipal Retirement Fund
 Public Act 96-1495
 Comparison of SLEP Plan Tier 1 and SLEP Plan Tier 2
 January 7, 2011

Early Retirement Incentive	<ul style="list-style-type: none"> • Requires governing body resolution. • Member must be at least age 50 and have 20 years of service. • Member can purchase between one month and five years of service; increases member's age and service for retirement calculation purposes. 	<ul style="list-style-type: none"> • Requires governing body resolution. • Member must be at least age 50 and have 20 years of service. • Member can purchase between one month and five years of service; increases member's age and service for retirement calculation purposes.
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The following provisions did not change under PA 96-1495	
Member contribution rate	<i>(not made for wages in excess of the wage cap or for overtime wages)</i>
Pension formula	
13th Payment	
Survivor benefits	<i>(except as noted above)</i>
Disability Benefits	<i>(salary used to calculate benefit subject to wage cap)</i>
Money Purchase formula	



Illinois Municipal Retirement Fund

2211 York Road Suite 500 Oak Brook IL 60523-2337

Member Services Representatives 1-800-ASK-IMRF

www.imrf.org

GENERAL MEMORANDUM

Number: 607

Date: January 31, 2011

To: All Authorized Agents

Subject: Reporting wages and contributions for Tier 2 members

You may wish to forward this memorandum to your Information Technology staff, other staff who report wages and contributions to IMRF and/or to your payroll service.

Executive Summary

Beginning January 2011, some new employees will be enrolled in IMRF Tier 2 plans. During the enrollment process, Employer Access determines if the employee should be placed in a Tier 2 plan.

Please use the new plan codes when reporting Tier 2 member wages. How these new plan codes will affect you depends on how you prepare your wage report for IMRF:

- If you report **20 or fewer members**, IMRF recommends you manually enter wage report information using Employer Access.
- If you report **more than 20 members**, IMRF recommends you import wage report information into Employer Access using a Microsoft Excel file.

The 80-column text format cannot be used to report wage information for Tier 2 members. This format will be discontinued.

Beginning in July 2012, only Microsoft Excel files can be used to import wage report information.

Dear Authorized Agent:

Beginning January 2011, some new employees will be enrolled in IMRF Tier 2 plans. During the enrollment process, Employer Access determines if the employee should be placed in a Tier 2 plan.

Please use the following new plan codes when preparing your wage report for Tier 2 members:

- over -

Regular Tier 2	RG03
SLEP Tier 2.....	SL03
Revised ECO Regular Tier 2.....	EPR3
Revised ECO SLEP Tier 2.....	EPS3
Voluntary Additional Tier 2*	VA03

*Members may contribute up to an additional 10% of their earnings (up to \$106,800 in 2011 for Tier 2 members) to the Voluntary Additional (VA) Contribution program. If a Tier 2 member enrolls in VA, those additional contributions are reported as VA03.

How these new plan codes will affect you depends on how you prepare your wage report information for IMRF.

IMRF Recommends:

- **For employers with 20 or fewer members**, manually enter your wage report information using the *Display* or *Edit* function of Report Wages in Employer Access. The proper plan will be automatically selected as you enter each member's wages.

If you currently use payroll software that creates your wage report information using the 80-column text format, the payroll software will need to change to create a new properly formatted Microsoft Excel worksheet. Download the specifications for the Microsoft Excel wage file from the Import Wage Report page in Employer Access and give the specifications to your payroll software company or IT department.

- **For employers with more than 20 members**, use Microsoft Excel to prepare and import wage report information into Employer Access:
 - If you import wage report information using Microsoft Excel, IMRF recommends you download a new properly formatted Excel worksheet with the members and plans for your employer from Employer Access.

You can download the worksheet by clicking on the *Display* or *Edit* function of Report Wages and then clicking the *Send to Excel* link before you enter any wages. You will have to enter your password a second time to download the spreadsheet.

- If you do not have Microsoft Excel, you can use Open Office Calc to prepare the Excel Worksheet. Open Office Calc is part of the free Open Office software suite. You can download the free Open Office software at <http://download.openoffice.org/index.html>.

Please note: The 80-column text format cannot be used to report wage information for Tier 2 members. The text format is being discontinued.

- If you use the 80-column text format, you should replace it with one of the recommended methods listed above for reporting Tier 2 wage information.
- The AERS PC program used to create the 80-column text file was replaced by Employer Access in 2005 and should no longer be used.
- Beginning in July 2012, the 80-column text format will not be accepted by IMRF Employer Access wage reporting.

Not sure what format you use?

Employers who are using the 80-column text format will receive a message when they import that file into the Web Wage Reporting application.

Questions?

If you need assistance during this transition, please send us a secure electronic message or call an IMRF Member Services Representative at 1-800-ASK-IMRF (1-800-275-4673) 7:30 a.m. to 5:30 p.m., Monday through Friday and ask for the Wage Reports Unit.

Sincerely,



Louis W. Kosiba
Executive Director



Illinois Municipal Retirement Fund

2211 York Road Suite 500 Oak Brook IL 60523-2337

Member Services Representatives 1-800-ASK-IMRF

www.imrf.org

SPECIAL MEMORANDUM

Number: 321

Date: January 31, 2011

To: Authorized Agents of SLEP employers

Subject: Wage reporting for SLEP Tier 2 members

Dear Authorized Agent:

Beginning January 2011, if you enroll a new employee into the IMRF Sheriff's Law Enforcement Personnel (SLEP) plan after January 1, 2011, that employee will participate in SLEP Tier 2.

Please note: if the new employee has any prior:

- SLEP service, the employee will be enrolled in SLEP Tier 1
- Regular plan or reciprocal service, the employee will be enrolled in SLEP Tier 2
- Service as a police officer in an Article 3 plan, the employee will be enrolled in SLEP Tier 2

You will report wages for SLEP Tier 2 members using the new plan code SL03. Under SLEP Tier 2, you:

- Do **NOT** report overtime wages
- Report wages over the wage cap (\$106,800 in 2011), but do not withhold/report any contributions from those wages

If you have any questions, please send us a secure electronic message or call an IMRF Member Services Representative at 1-800-ASK-IMRF (1-800-275-4673), Monday through Friday, 7:30 a.m. to 5:30 p.m.

Sincerely,

Louis W. Kosiba
Executive Director