



# 2023 EMPLOYER RATE MEETING

PRESENTED BY

**Brian Collins**  
*Executive Director*

and

**Mark Nannini**  
*Chief Financial Officer*



**Malcolm Baldrige**  
National Quality Award  
**2019 Award Recipient**



# Agenda

- **IMRF 101**
- **Financial Update**
- **Rate-making Principles**
- **Annual Documentation**
- **Closing Remarks**



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**I**llinois  
**M**unicipal  
**R**etirement  
**F**und

## A defined benefit pension fund for employees of local government.

- Pension benefits
- Disability benefits
- Death benefits



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# Our Board of Trustees

## 4 ELECTED BY EMPLOYERS



**Sue Stanish**  
Director of Finance  
Naperville Park District



**Tom Kuehne**  
Finance Director/Treasurer  
Village of Arlington Heights

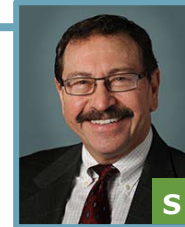


**David Miller**  
Executive Director  
North Shore Water Reclamation District



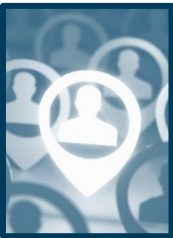
**Gwen Henry**  
Treasurer  
DuPage County

## 1 ELECTED BY RETIRED MEMBERS

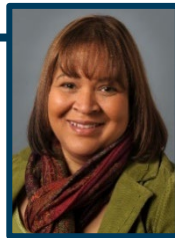


**Louis Kosiba**  
Retired Executive Director  
IMRF

## 3 ELECTED BY MEMBERS



**Vacant**



**Natalie Copper**  
School-age Child Care Site-coordinator  
Dawes School in Evanston



**Peter Stefan**  
Finance Director/Treasurer  
Village of Lake in the Hills

**P** *President*

**V** *Vice President*

**S** *Secretary*

One Employer Trustee position (Sue Stanish's seat) will be up for election in 2023.

One Member Trustee position (currently vacant) will also be up for election in 2023.

If you want to run for Trustee, the candidate packet will be available on June 30, 2023, on [www.IMRF.org](http://www.IMRF.org)



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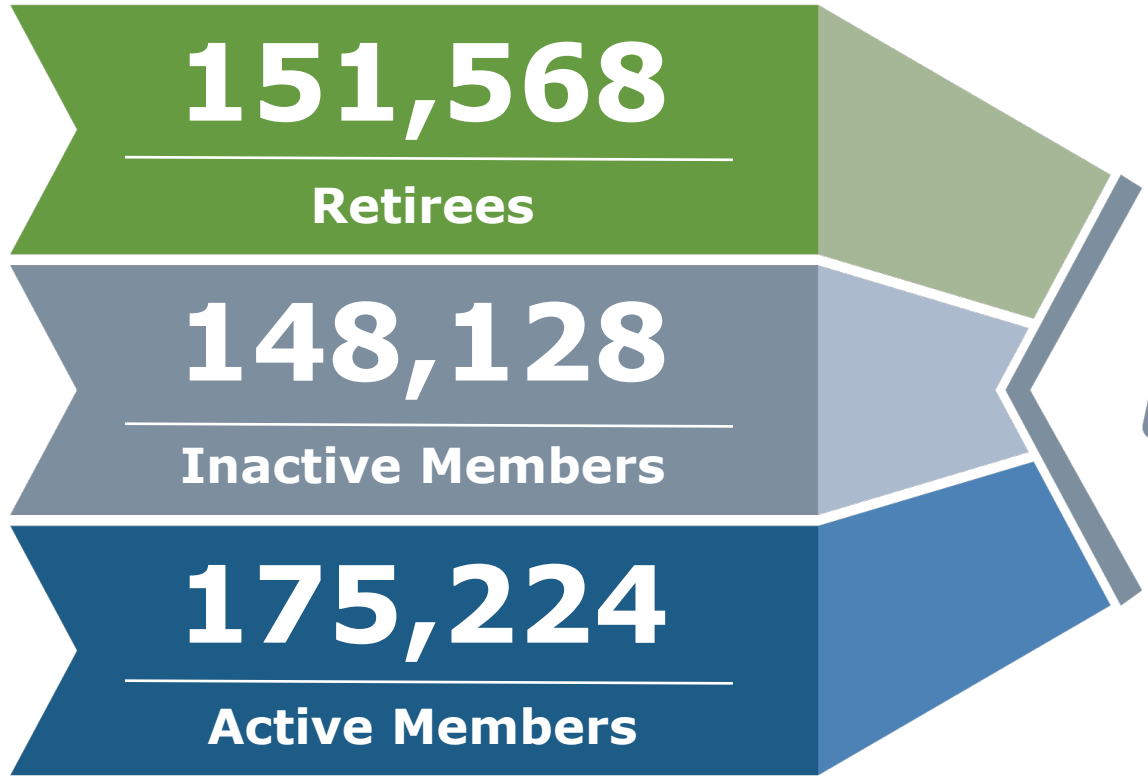
# IMRF is Neither Funded or Managed by the State of Illinois



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# IMRF's Membership



**474,920**

**TOTAL IMRF CUSTOMERS**



Almost 10% of Illinois households



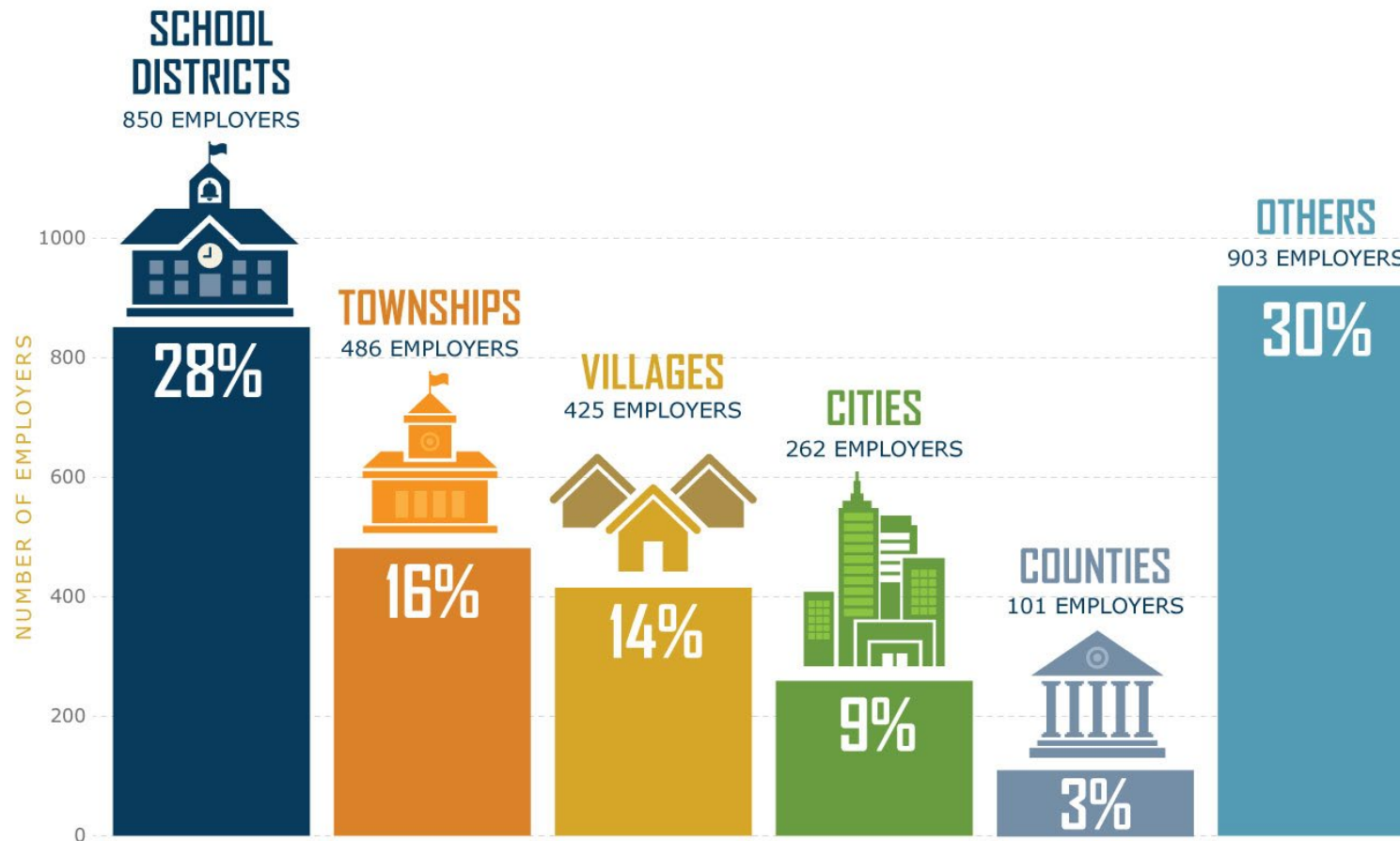
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Malcolm Baldrige  
National Quality Award  
2019 Award Recipient



# Employer Demographics



**3,027**  
Total Employers



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# Financial Update

**The FY 2022 figures in this presentation are preliminary estimates.**

*These figures will be finalized in our 2022 Annual Comprehensive Financial Report that will be published later this month on our website.*



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# 2022 Financial Results

**\$(7.9)**  
**BILLION LOSS**

2022 Portfolio Loss

**(12.9)%**  
**NET RATE OF  
RETURN**

**\$47.8**  
**BILLION**

Investments as of 12/31/2022

**4.3%**  
**GROSS RETURN**  
**1/1/23 – 4/30/23**



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# 2021 vs 2022 Funded Status

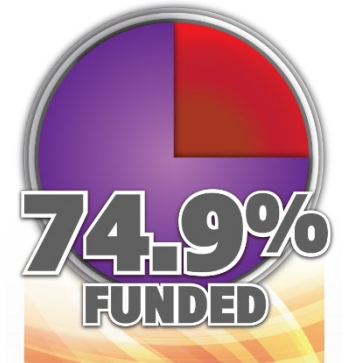


Actuarial Funded Status  
12/31/2021



Actuarial Funded Status  
12/31/2022\*

*\*Preliminary & Unaudited*



Typical U.S. Pension  
National Association of State Retirement Administrators



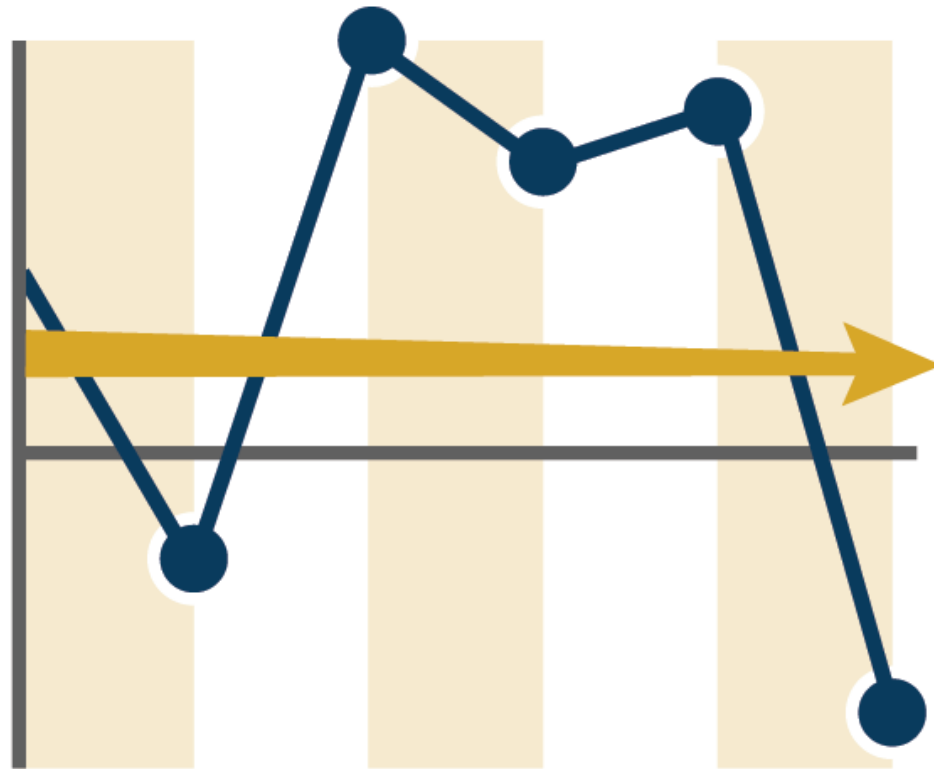
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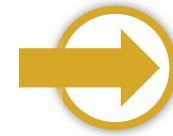
2019 Award Recipient



# Rate Impact From Investment Results are Smoothed Over a 5-year Period



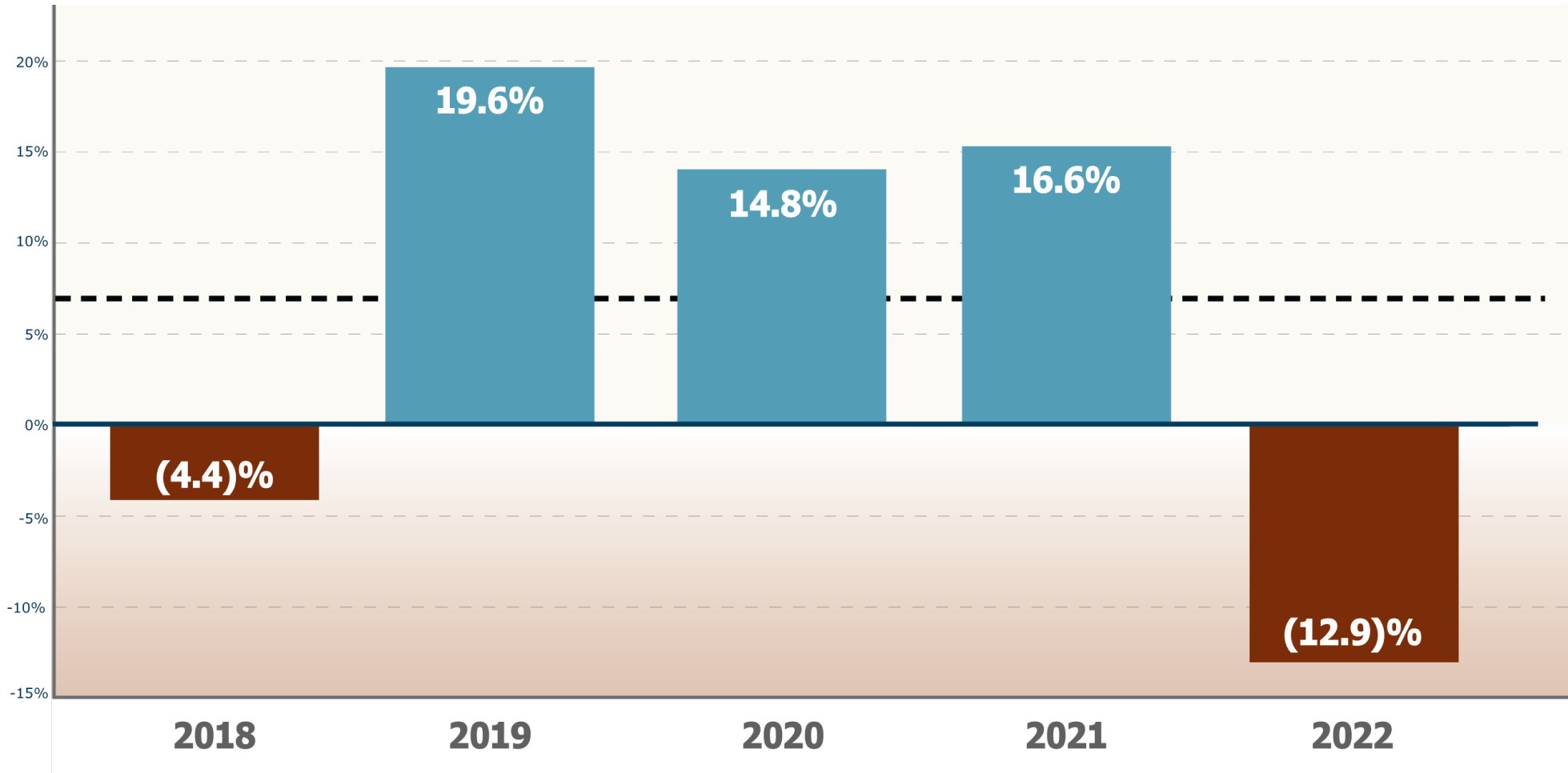
Actuarial Smoothing



This arrow represents the impact of IMRF's investment results on employer contribution rates

- Only 1/5<sup>th</sup> of the investment gain/loss is recognized annually
- There is a two-year lag before investment results impact employer rates

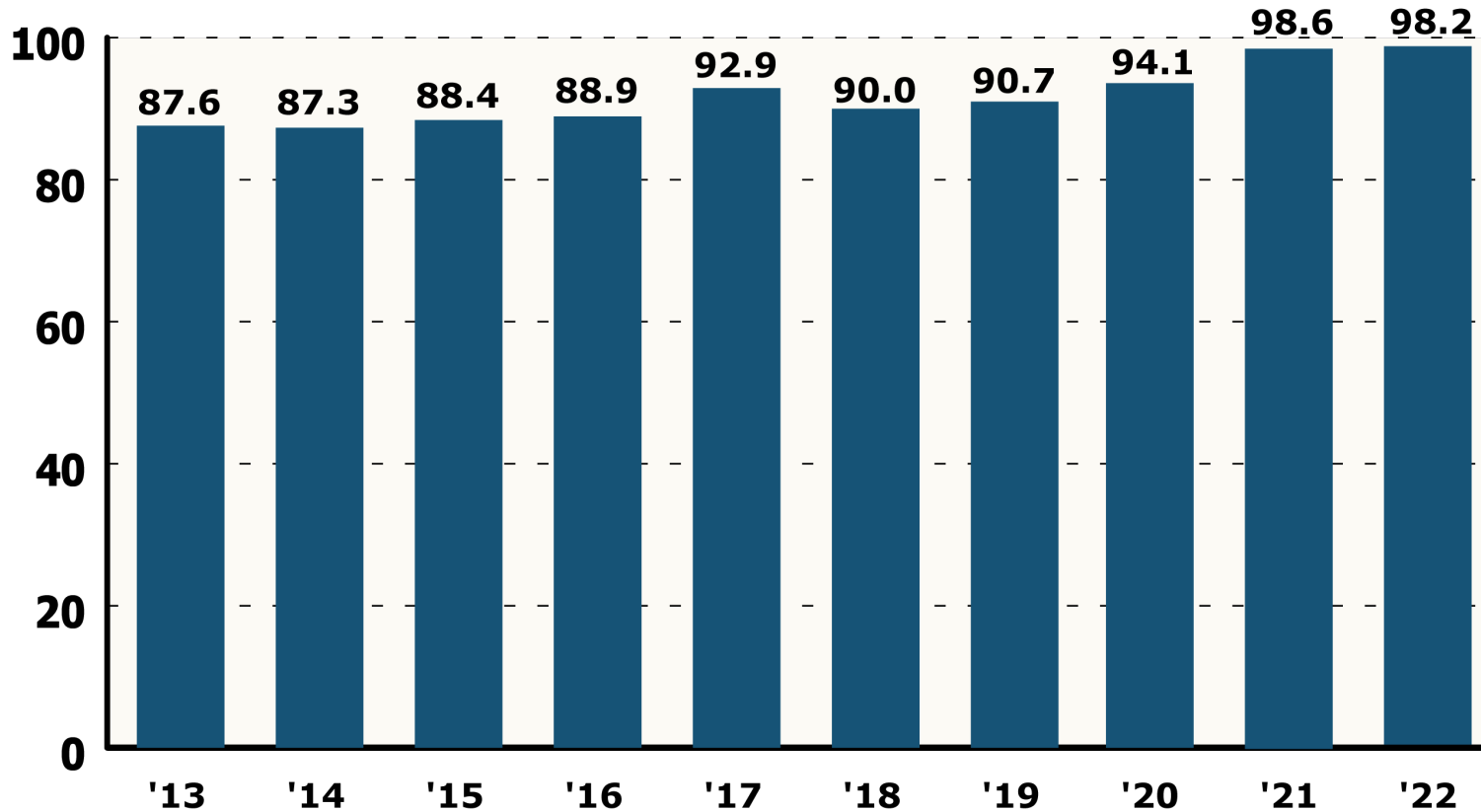
# Net Investment Return Year End Percentage Growth/Loss Over The Last 5 Years



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# Actuarial Funded 10-year Trend



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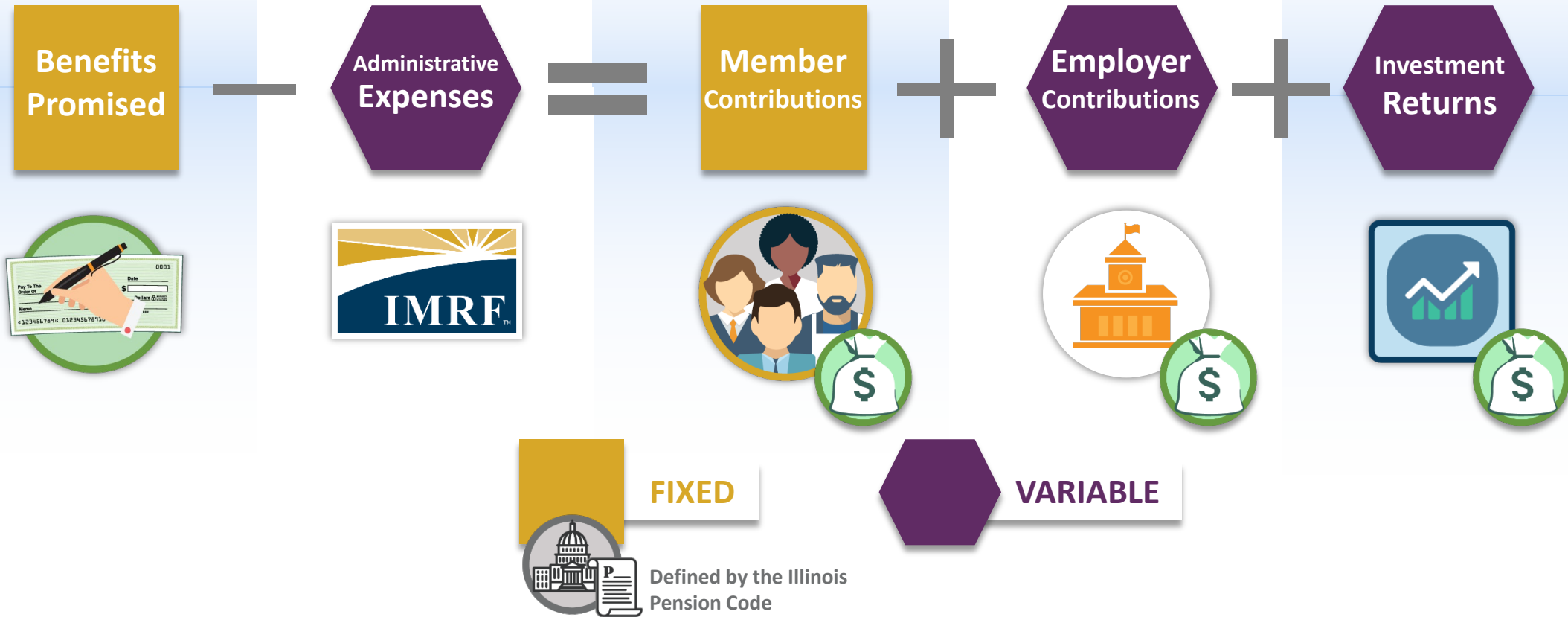
# Rate-making Principles



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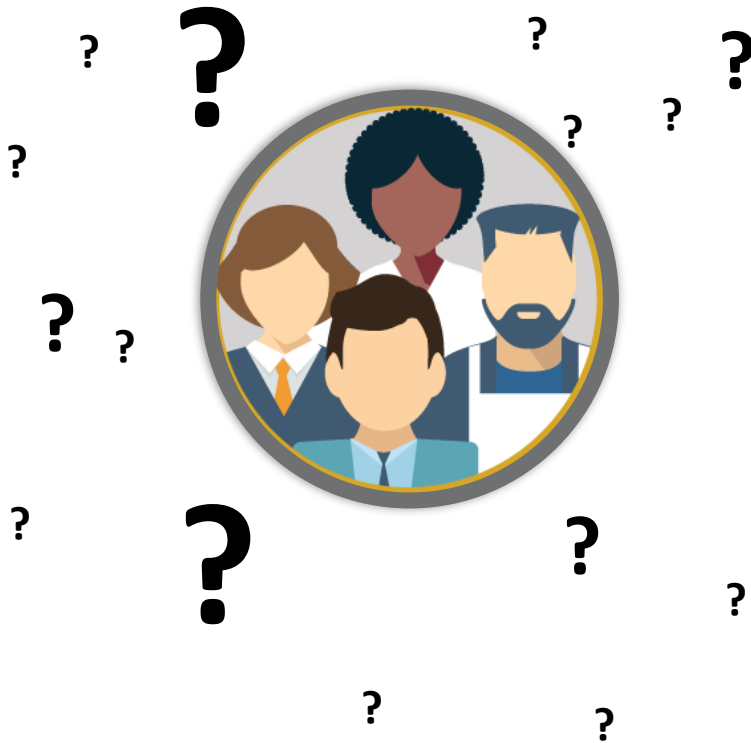
# The Defined Benefit Cost Equation



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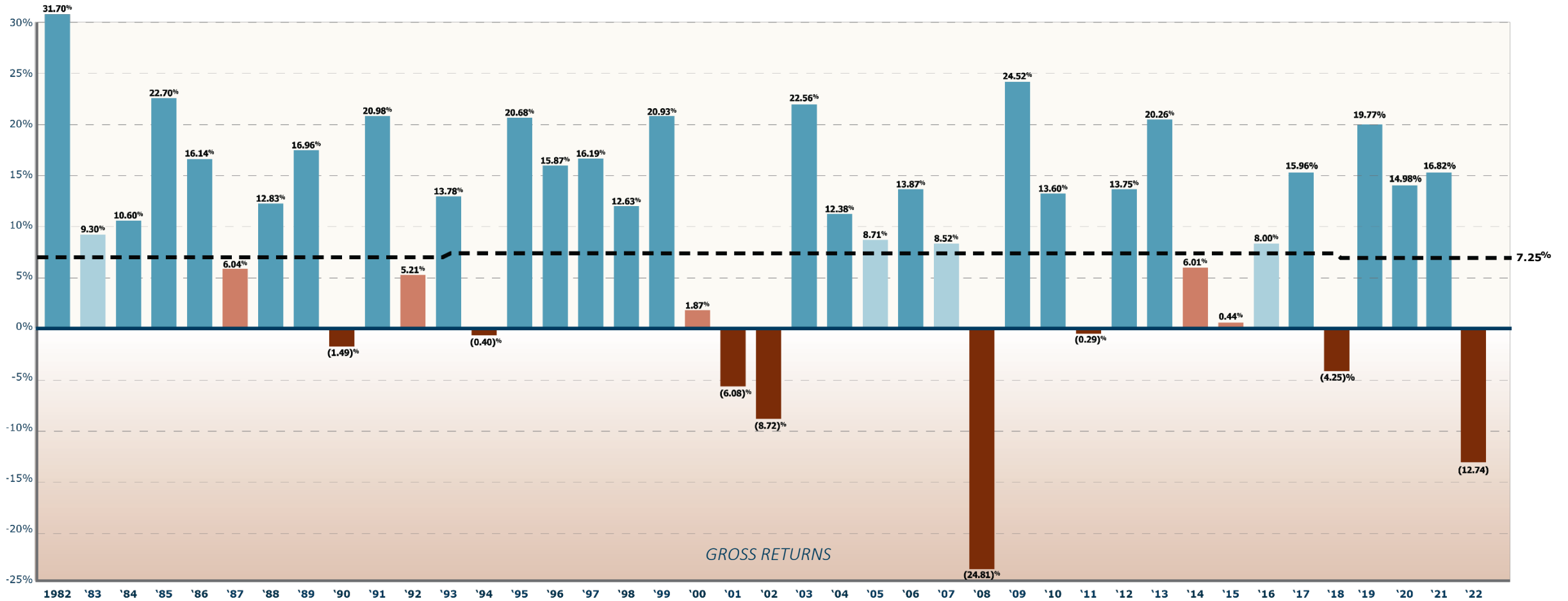
# Actuaries Use Principle Assumptions to Determine Rates



- Investment Return
- Retirement Age
- Marital Status
- Mortality of Active Members
- Mortality of Retired Members
- Disability
- Separations/Refunds
- Payroll Increases



# Gross Investment Returns: Strong But Volatile



IMRF's Assumed Rate of Return

---

Years IMRF did not meet its Assumed Rate of Return

**8** Negative returns **5** Positive returns that fell short of goal

Years IMRF exceeded its Assumed Rate of Return

**4** Positive returns that met goal but did not exceed 10% **24** Positive returns that met goal and exceeded 10%



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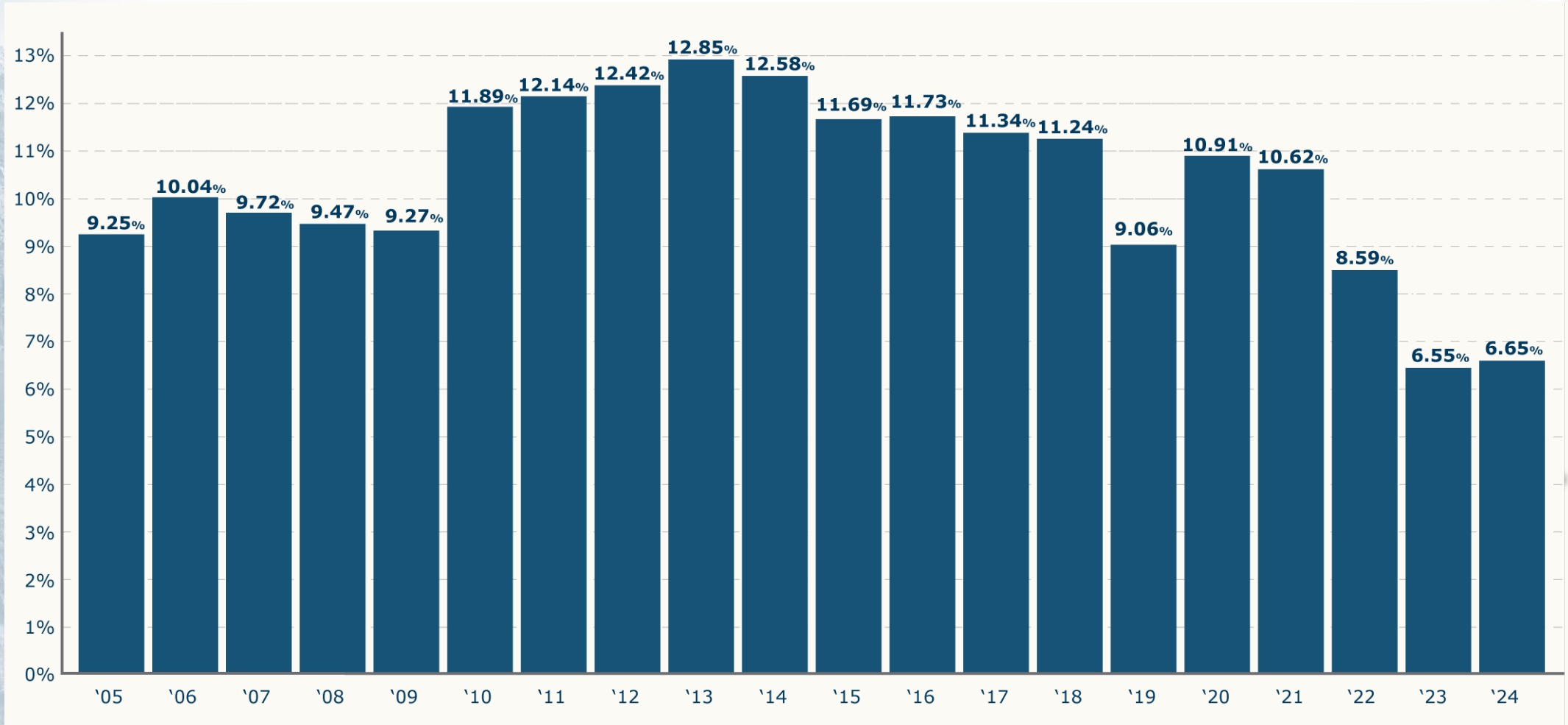
# 2023 IMRF Pension Dollar



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# Average Regular Plan Employer Contribution Rates

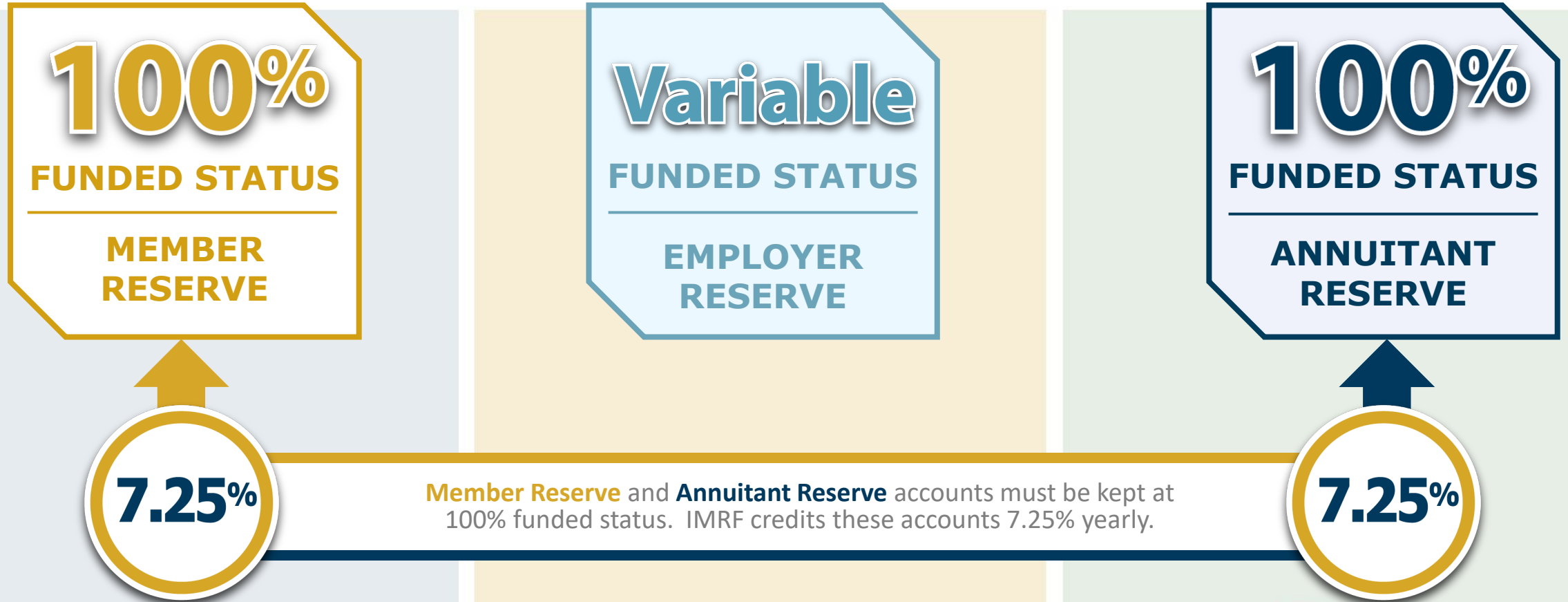


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# Reserve Accounts and Funded Status

Employer Reserve serves as a “Balancing Account.”

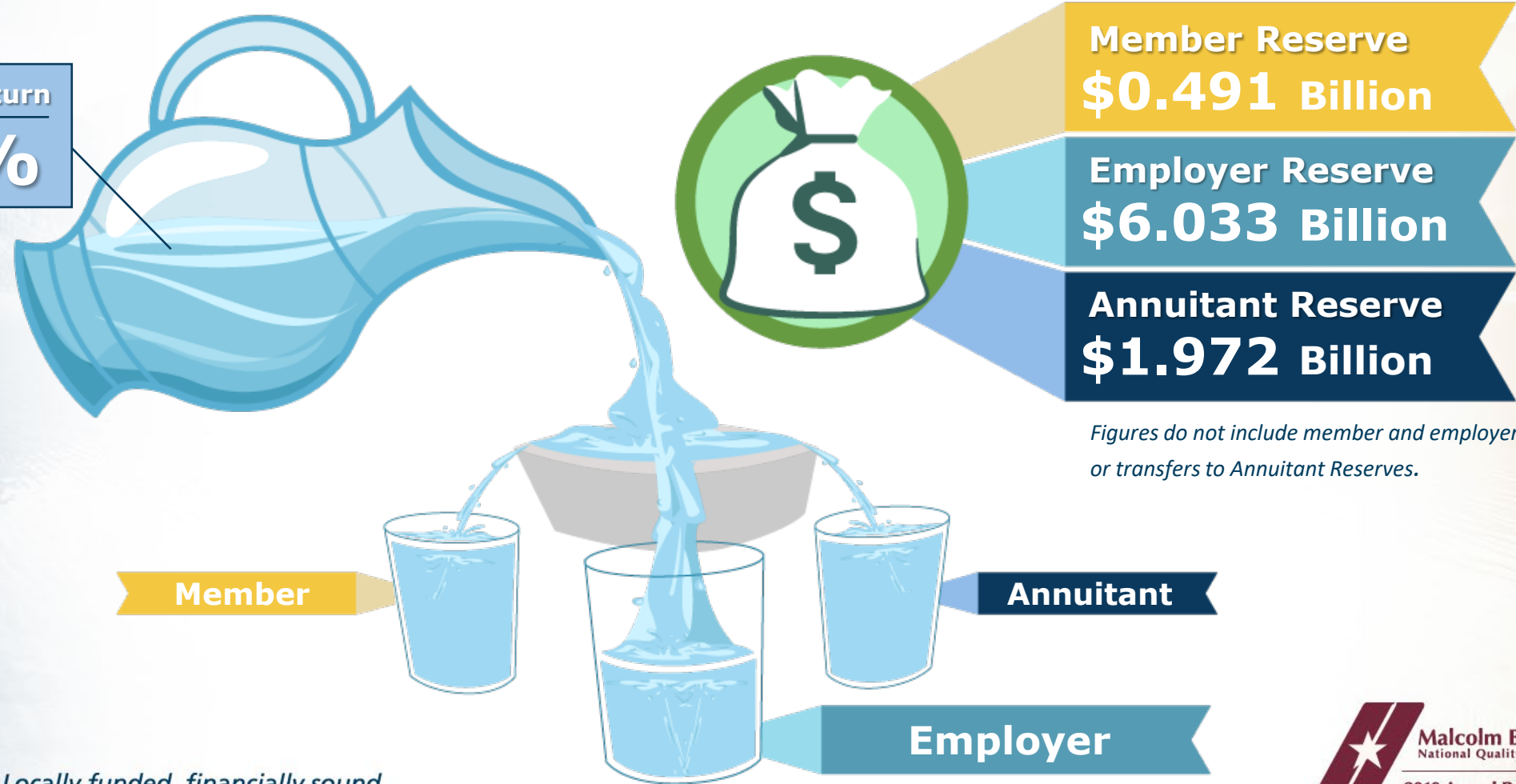


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# Investment GAIN Distribution in 2021

Investment Return  
**16.6%**



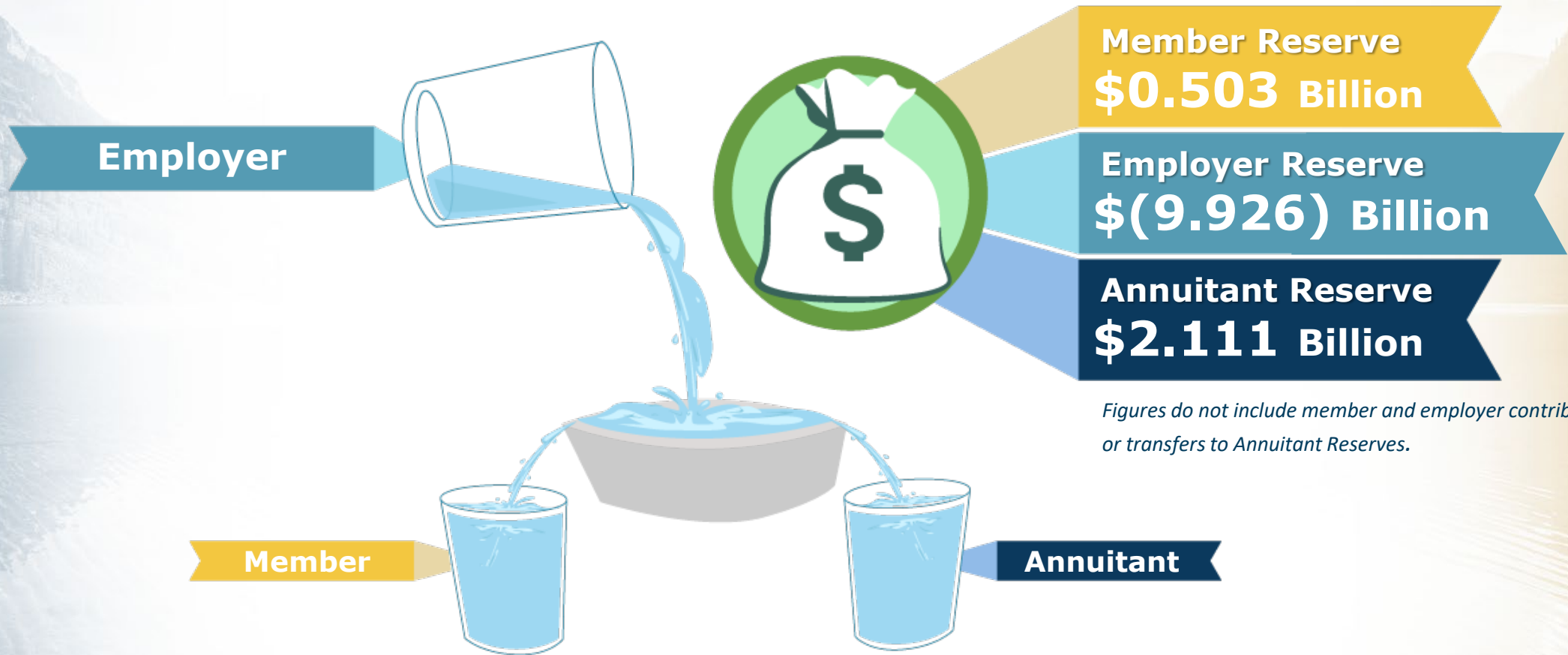
*Figures do not include member and employer contributions or transfers to Annuitant Reserves.*



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# Investment LOSS Distribution in 2022



*Figures do not include member and employer contributions or transfers to Annuitant Reserves.*



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## As an agent multiple employer plan, each employer has a separate reserve account.

EACH EMPLOYER  
HAS ITS OWN  
RESERVE ACCOUNT

**Your employer pays for the retirement benefits of only its employees.**

**How your employer reserve account works.**

- Credited with contributions made by your employer.
- Credited investment gain or loss.
- Debited retirement costs of your employees.

**Your employer's finances have no relationship to the pension assets and liabilities of IMRF's other 3,027 employers.**



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# If an employer is less than 100% funded on an actuarial basis as of 12/31/2022...



## Taxing Bodies

- 19-year closed amortization period to pay off any unfunded liability



## Instrumentalities

- 10-year reopening period to pay off any unfunded liability
  - Recalculated every year (unlimited time to achieve 100% funded status)



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# 5 Parts of the Employer Rate

Each part is calculated separately and used for specific purposes designated by state law.

- Normal Retirement Contributions
- Disability Benefit Contributions
- Death Benefit Contributions
- Supplemental Retirement Contributions (“13th Payment”)
- Unfunded Liability Contributions



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# How is your employer's rate calculated?

1

IMRF provides demographic and financial data as of year-end to IMRF's actuaries.

2

Actuaries apply assumptions to the demographic and financial data.

3

The actuaries then produce an actuarial valuation for IMRF.

4

Actuaries rely on the valuation to set contribution rates for each employer.



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## Your specific employer's rate is designed to achieve a 100% funding level.

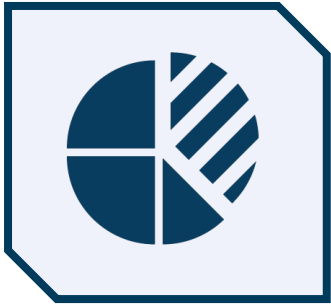
- 100% funding means your employer will have all the funds needed to pay its pension obligations when its employees retire.



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# Actuarial Assumptions



Used to calculate how much money needs to be set aside to fund future benefits.



## IMRF Board sets assumptions

- Economic and Demographic
- Updated every three years



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# Demographic Assumptions Defined

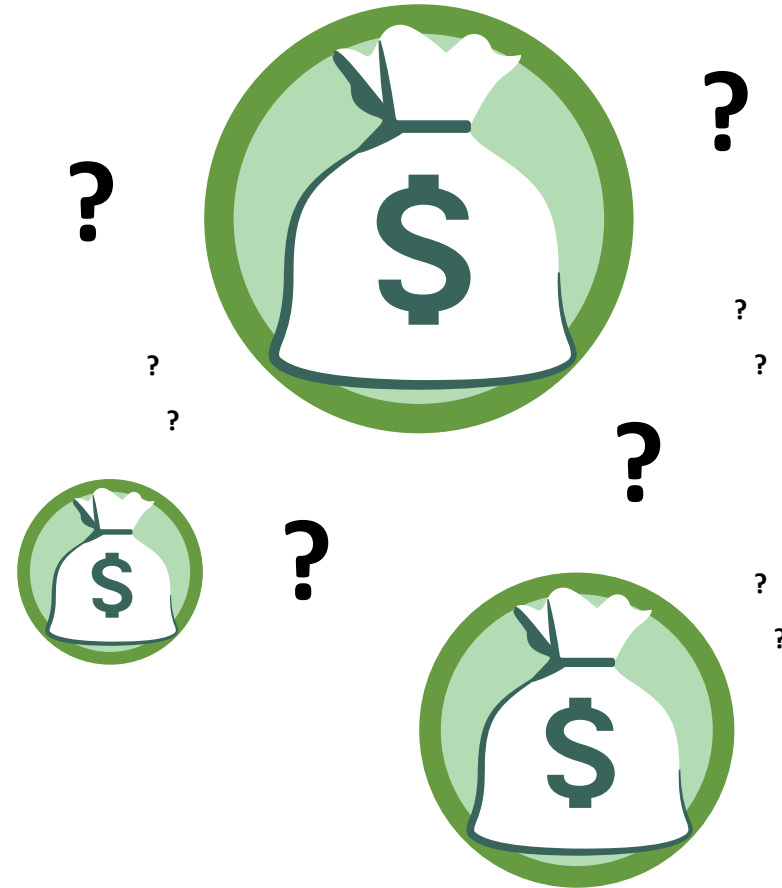
- Active members that quit (withdrawal rates)
- Disability for active members
- Retirement for active members
- Merit and longevity pay for active members
- Mortality for active members, retirees, and their beneficiaries





# Economic Assumptions Defined

- Price inflation = 2.25%
- Wage inflation = 2.75%
- Payroll growth = 2.50%
- Investment return assumption = 7.25%





# Non-economic Assumptions Defined

- Mortality rates
  - Before retirement
  - After retirement
- Disability rates
- Rates of retirement
- Rates of separation from employment (Refunds)
- Marriage probabilities of active members



# Actual Experience Compared to Actuarial Assumptions

What happens when IMRF's actual experience does not align with its economic and demographic actuarial assumptions?

Any variance between our assumptions and our actual experience impacts your contribution rates.



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# Annual Documentation

*There are two main purposes for our documentation*

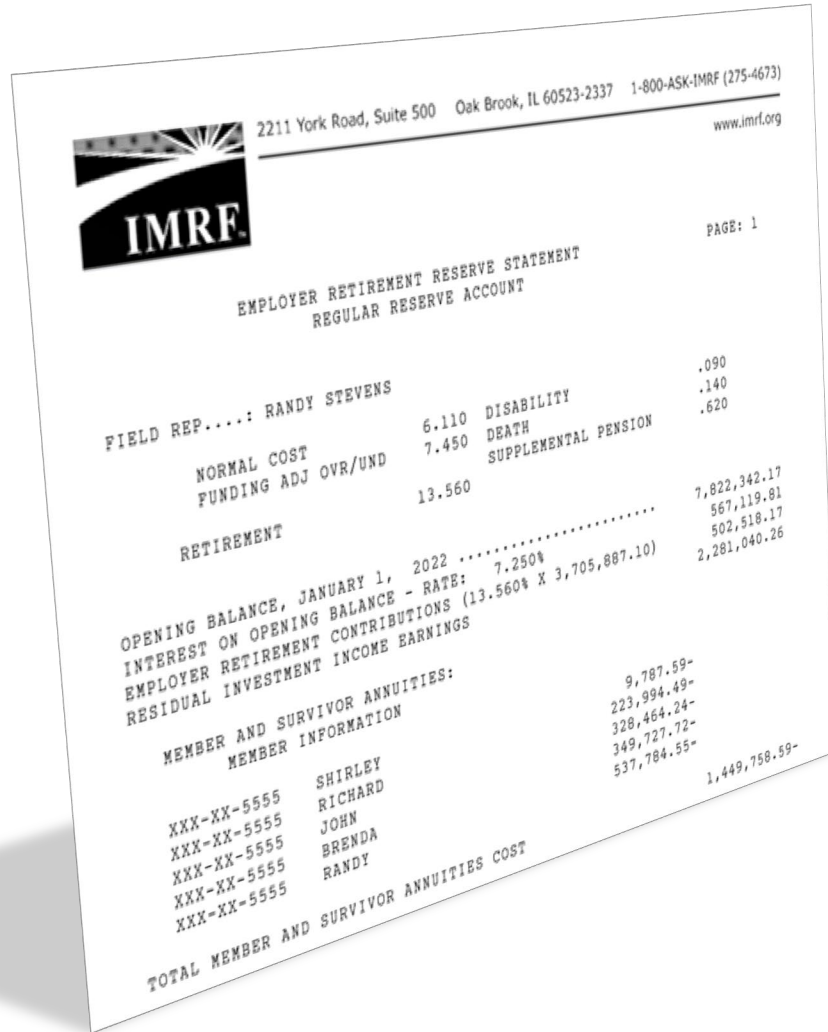
- Projects your future costs
- Financial reporting



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# Employer Reserve Statement



Projects your future costs

This statement shows your employer's funds on deposit as of January 1

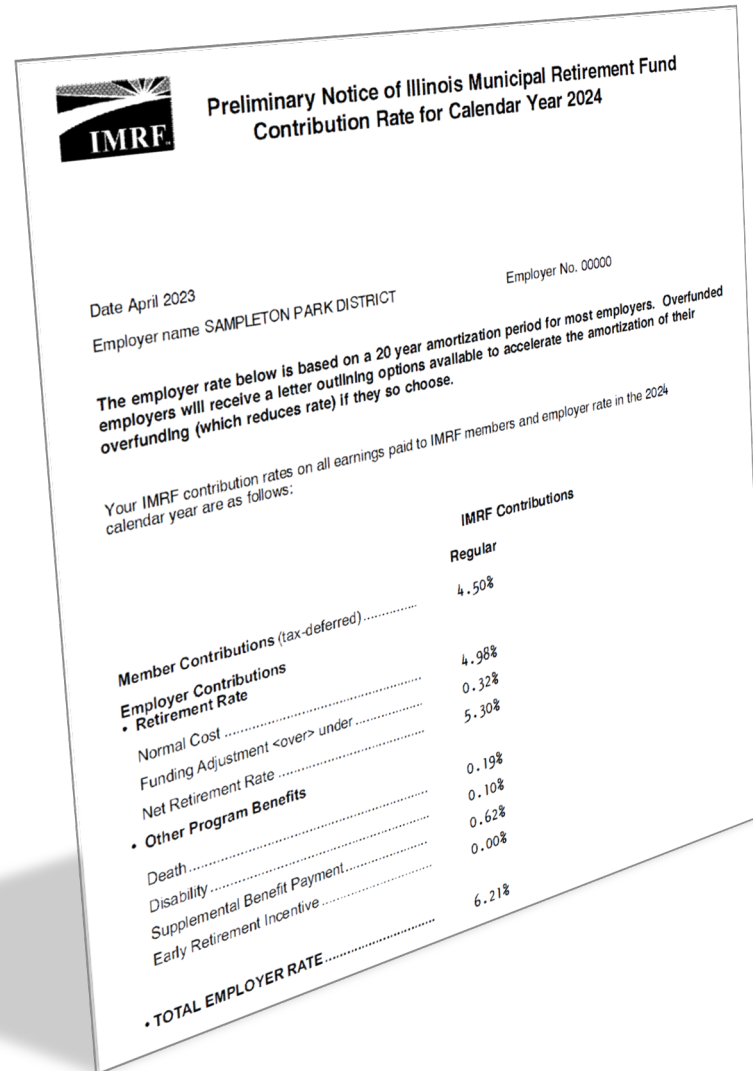
- Credits
- Debits
- Adjustments



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# Preliminary & Final Rate Notices



**IMRF** Preliminary Notice of Illinois Municipal Retirement Fund Contribution Rate for Calendar Year 2024

Date April 2023 Employer No. 00000  
Employer name SAMPLETON PARK DISTRICT

The employer rate below is based on a 20 year amortization period for most employers. Overfunded employers will receive a letter outlining options available to accelerate the amortization of their overfunding (which reduces rate) if they so choose.

Your IMRF contribution rates on all earnings paid to IMRF members and employer rate in the 2024 calendar year are as follows:

	IMRF Contributions
Member Contributions (tax-deferred).....	Regular 4.50%
Employer Contributions	4.98%
• Retirement Rate	0.32%
Normal Cost .....	5.30%
Funding Adjustment <over> under .....	
Net Retirement Rate .....	0.19%
• Other Program Benefits	0.10%
Death .....	0.62%
Disability .....	0.00%
Supplemental Benefit Payment .....	
Early Retirement Incentive .....	6.21%
• TOTAL EMPLOYER RATE .....	



**Projects your future costs**

**These statements show your employer's rate for the year.**

- “Preliminary Rate Notice” in April
- “Final Rate Notice” in November



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# GASB 50 Disclosure Statement

**GASB 50 RSI Information for Employers**

EMPLOYER NUMBER: 000000  
REQUIRED SUPPLEMENTARY INFORMATION  
Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) -Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a) / c)
12/31/22	\$5,661,533	\$7,818,256	\$2,156,723	72.41	\$2,735,596	78.84
12/31/21	\$5,494,133	\$7,640,717	\$2,146,584	71.91	\$2,440,390	87.96
12/31/20	\$4,864,464	\$6,525,565	\$1,661,101	74.54	\$2,313,911	71.79

On a market value basis, the actuarial value of assets as of December 31, 2022 is \$6,181,885. On a market basis, the funded ratio would be 79.07%.

The actuarial value of assets and accrued liability cover active and inactive members who have service credit with this sample employer. They do not include amounts for retirees. The actuarial accrued liability for retirees is 100% funded.



## Financial reporting

### This statement shows your funded status

- Does not include retirees
- Shows status broken out by plan
- Separate report for each plan



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# GASB 68 Disclosure Statement



## Financial reporting

**This statement also shows market funded status.**

- Used by employers who do GAAP reporting
- This funded status includes retirees
- Will be HIGHER for more employers



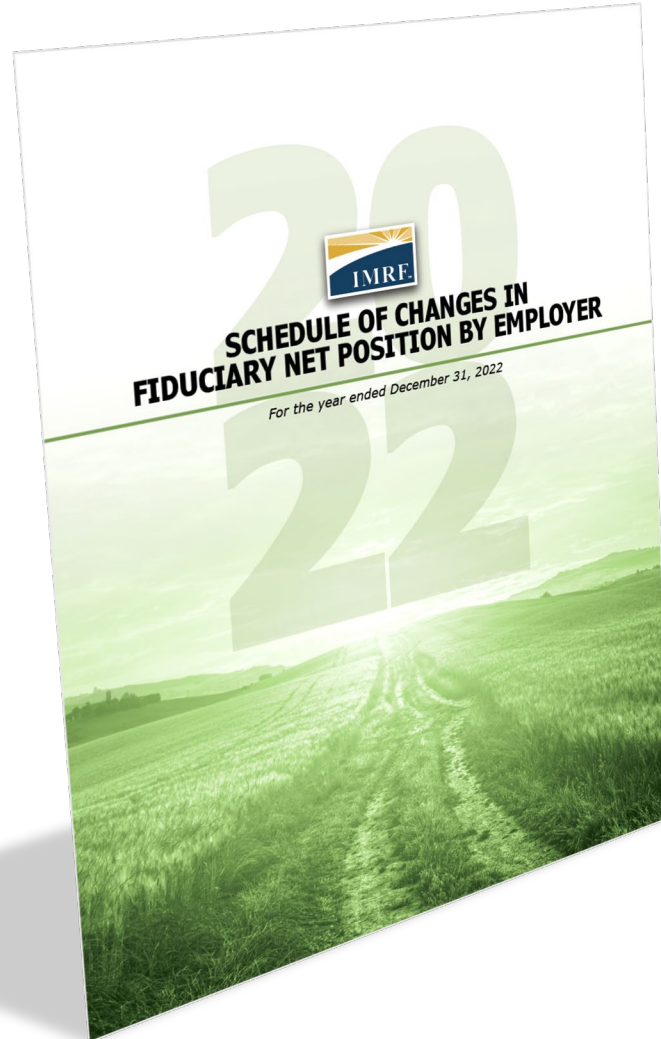
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# Schedule of Changes in Fiduciary Net Position



## Financial reporting

This statement shows Fiduciary Net Position by employer

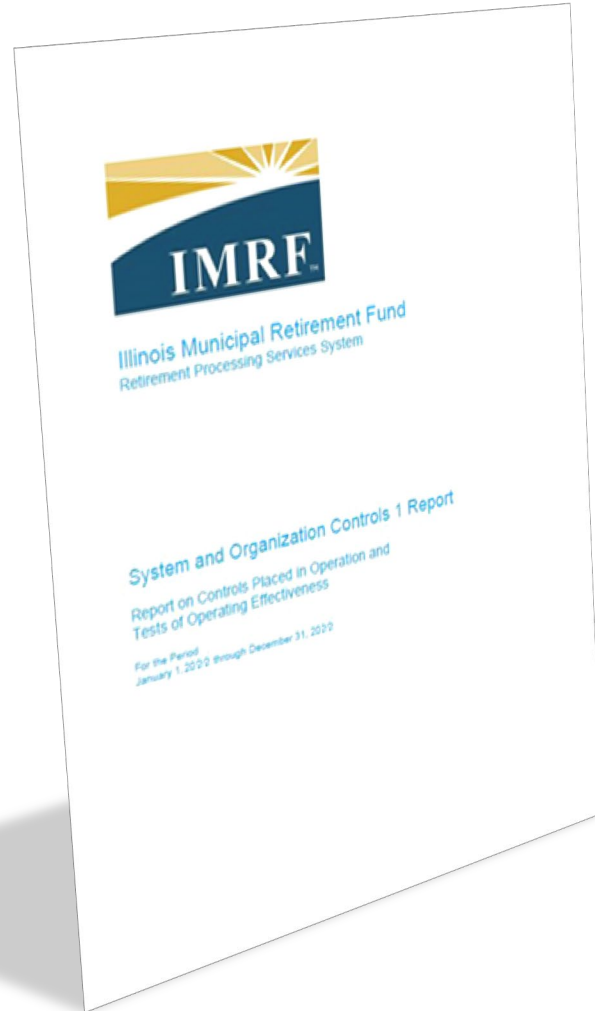
- Available in May
- Needed by employers who GAAP report
- Supplements the IMRF ACFR



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# SOC-1 Type 2 Report



## Financial reporting

**This statement verifies IMRF's strict internal controls**

- Available in March
- Relieves your auditors from having to test IMRF data



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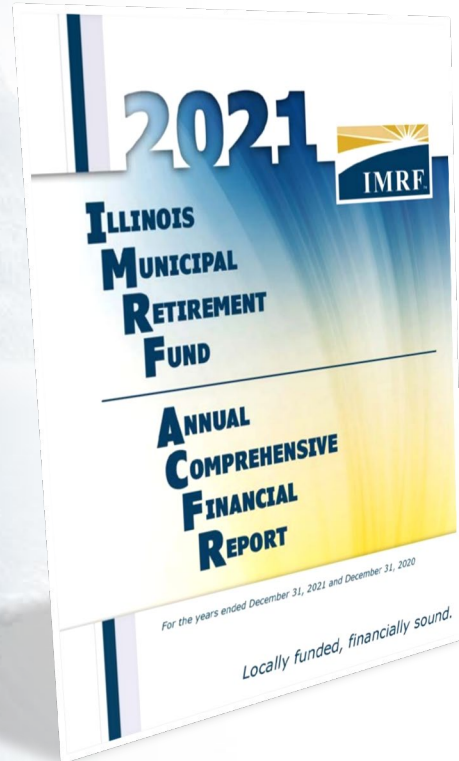


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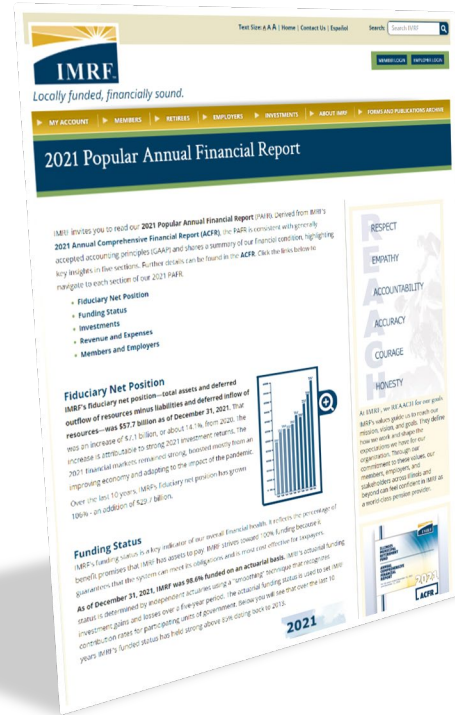


# GFOA "Triple Crown" Award Winner

Annual Comprehensive Financial Report (ACFR)



Popular Annual Financial Report (PAFR)



Budget Document



IMRF is one of just four public pensions in North America to receive the "Triple Crown" honor.



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# Closing Remarks

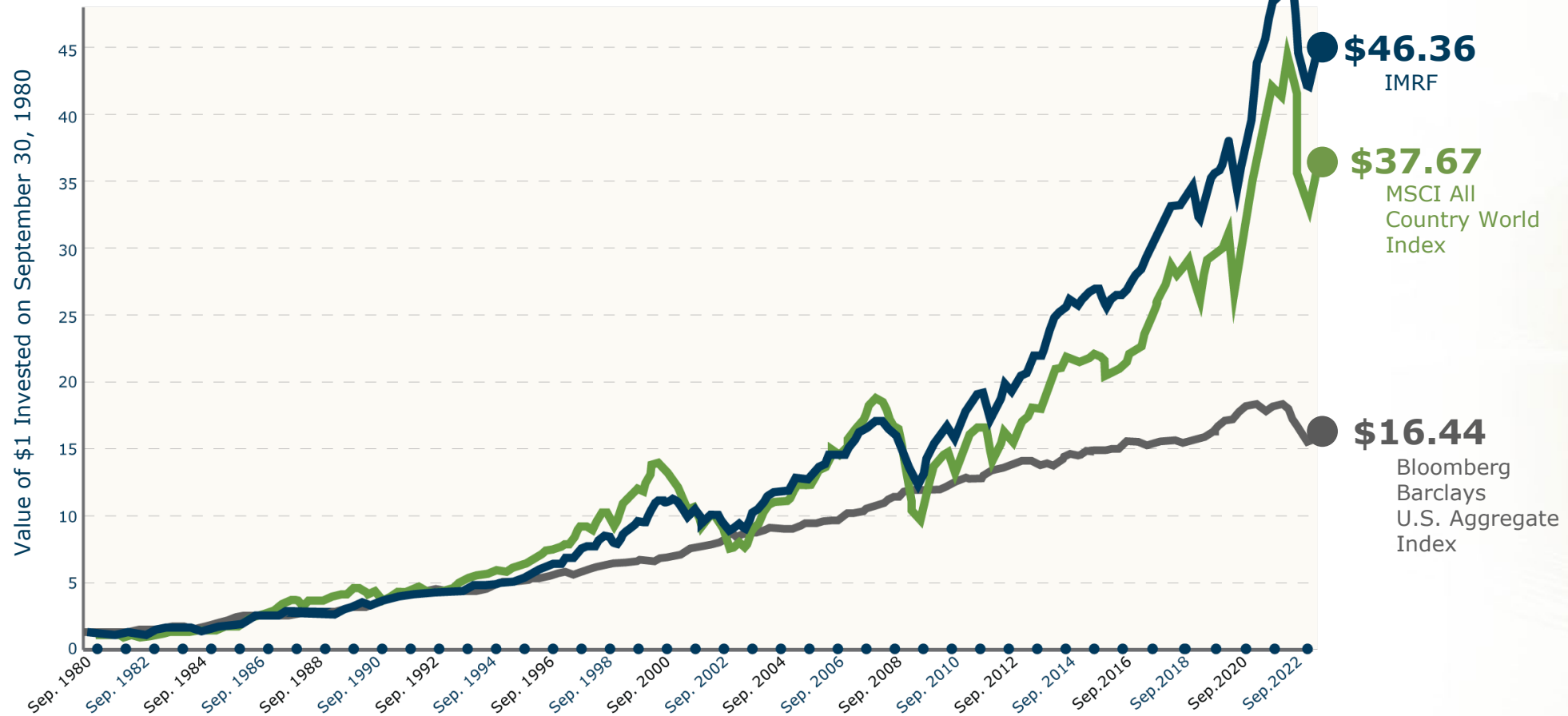


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# Growth of \$1 Since 1980

As of December 31, 2022



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OR



*Member participation began  
prior to January 1, 2011*

*Member participation began  
on or after January 1, 2011*



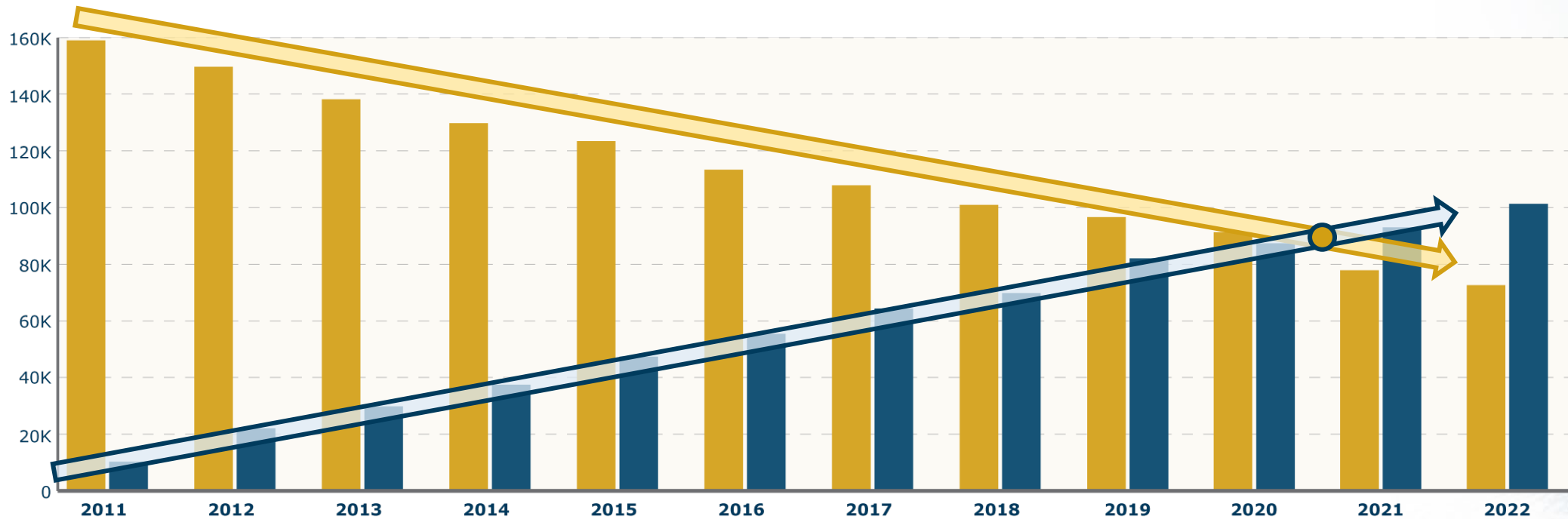
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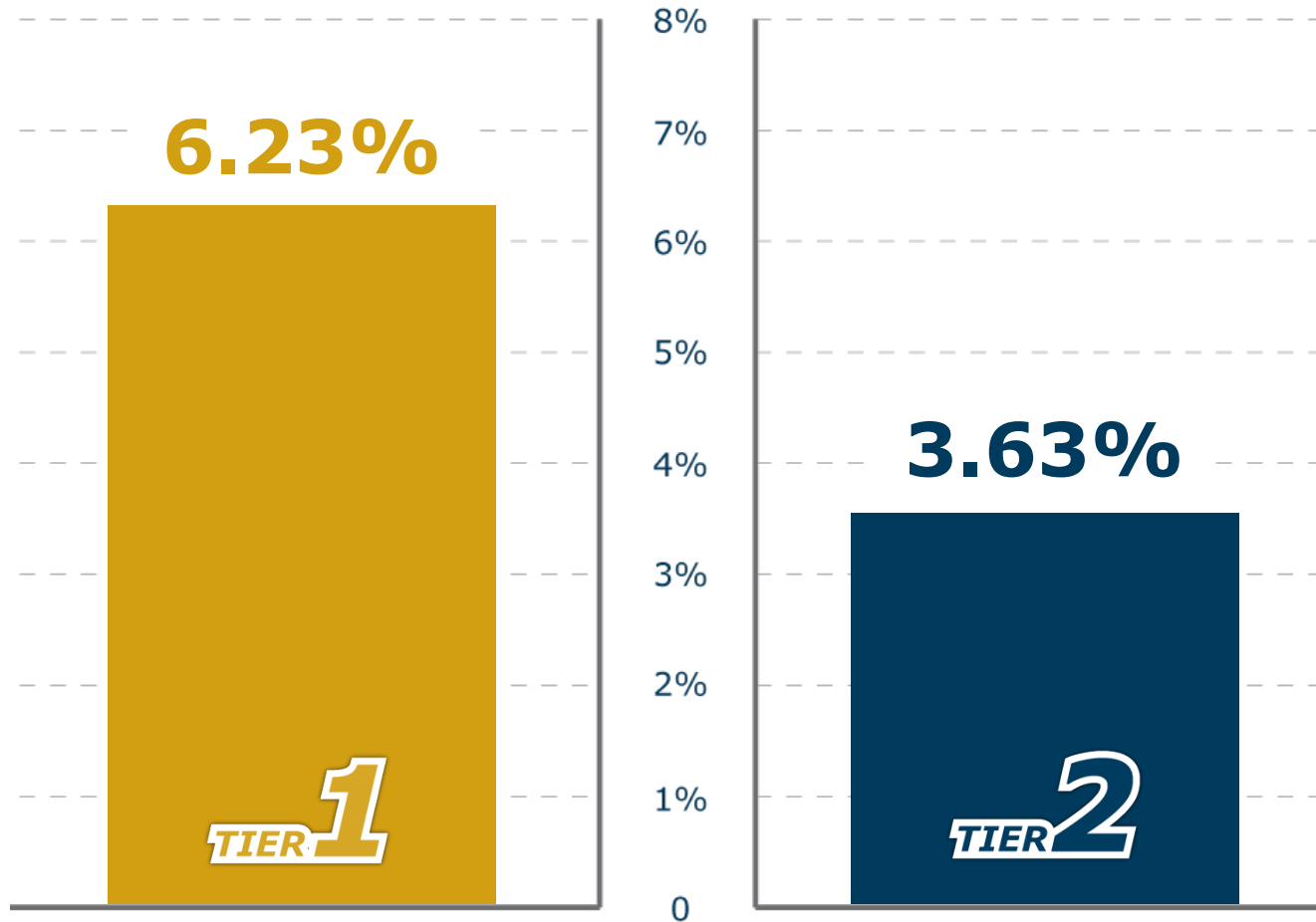
# Number of Active Regular Plan Members



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# 2024 Regular Plan Average Normal Cost



**TIER 2**

Tier 2 legislation was approved in 2010 to reduce retirement costs for Illinois

All new members start in Tier 2

Tier 2 costs 42% less than Tier 1



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*Did you know?*

## IMRF participation for your elected officials is optional.

IMRF participation for elected officials is optional when the position meets the applicable hourly standard. When a person is elected or appointed to a qualifying elected position, they must submit an "Election to Participate for Qualifying Position" form to participate in IMRF.

CAUTION

**COMMON AUDIT FINDING**

CAUTION

Members who move from a **non-elected position (mandatory participation)** to an **elected position (optional participation)** fail to inform IMRF and never opt-in for participation.

Failure to properly notify IMRF of the move to a qualifying elected position may result in the **loss of service credit** and **reduce your retirement benefit.**

To learn more about IMRF participation, eligibility verification, and more, see Section 3.65E of the Authorized Agent manual.



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## Technology modernization project

- IMRF is modernizing the technologies and processes it uses for pension administration.
- The project will improve the way employers and members interact with IMRF.
- More transactions will go online, particularly for employers, enabling faster and more modern communication.
- IMRF will offer all employers training before rolling out the new system later this year.



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# Do you know someone who did not attend today but would benefit from this information?

*They can register for the next Rate Meeting at IMRF.org*

The screenshot shows the IMRF website homepage. At the top, there is a navigation bar with links for 'Text Size', 'Home', 'Contact Us', and 'Español', along with a search bar. The IMRF logo is prominently displayed on the left, with the tagline 'Locally funded, financially sound.' below it. A horizontal menu contains links for 'MY ACCOUNT', 'MEMBERS', 'RETIREES', 'EMPLOYERS', 'INVESTMENTS', 'ABOUT IMRF', and 'FORMS AND PUBLICATIONS ARCHIVE'. The main content area features a large banner for the '2023 EMPLOYER RATE MEETINGS', presented by Brian Collins and Mark Nannini. To the left of this banner, a smaller section titled 'Employer Rate Meeting Webinar' is highlighted with a yellow arrow, indicating it is the focus of the slide. This section includes the dates 'Offered on May 9, 10 and 11' and a 'LEARN MORE.' button. Below the main banner, there are three columns: 'IMRF Recent News' with a date of 'APRIL 3, 2023', 'Register for Webinars' with a date of 'APRIL 18, 2022', and 'Quick Links' with a button for 'CREATE A MEMBER ACCESS'.

[www.imrf.org](http://www.imrf.org)



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# Questions?

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**Mark Nannini**  
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630-368-5345

[www.imrf.org](http://www.imrf.org)



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