***Initial Year GASB 68 Pension Note Template***

***(assuming year-end June 30, 2023)***

**IMRF Plan Description**

The EMPLOYER’s defined benefit pension plan for regular employees provides retirement and disability benefits, post-retirement increases, and death benefits to plan members and their beneficiaries. The EMPLOYER’s plan is managed by 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 of this document. 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 Annual Comprehensive Financial Report that includes financial statements, detailed information about the pension plan’s fiduciary net position, and required supplementary information. The report is available for download at www.imrf.org.

**Benefits Provided**

IMRF has three benefit plans. The vast majority of IMRF members participate in the Regular Plan (RP). The Sheriff’s Law Enforcement Personnel (SLEP) plan is for sheriffs, deputy sheriffs, and selected police chiefs. Counties could adopt the Elected County Official (ECO) plan for officials elected prior to August 8, 2011 (the ECO plan was closed to new participants after that date).

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, 2022, the following employees were covered by the benefit terms:

|  |  |
| --- | --- |
|  | **IMRF** |
| Retirees and Beneficiaries currently receiving benefits | - |
| Inactive Plan Members entitled to but not yet receiving benefits | - |
| Active Plan Members | - |
| **Total** | - |

**Contributions**

As set by statute, the EMPLOYER’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. The EMPLOYER’s annual contribution rate for calendar year 2021 was xx.xx%. For the fiscal year ended xxxxxx, the EMPLOYER contributed $xxxxxx to the plan. The EMPLOYER 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 (Asset)/Liability**

The EMPLOYER’s net pension (asset)/liability was measured as of December 31, 2022, The total pension liability used to calculate the net pension (asset)/liability was determined by an actuarial valuation as of that date. The amount is included in the Prepaids/Accrued Expense on the Statement of Fiduciary Net Position.

**Actuarial Assumptions**

The following are the methods and assumptions used to determine total pension liability as of December 31, 2022:

* The **Actuarial Cost Method** used was Entry Age Normal.
* The **Asset Valuation Method** used was Fair Value of Assets.
* The **Inflation Rate** was assumed to be 2.25%.
* **Salary Increases** were expected to be 2.85% to 13.75%, including inflation.
* The **Investment Rate of Return** was assumed to be 7.25%.
* **Projected Retirement Age** was from the Experience-based Table of Rates, specific to the type of eligibility condition, last updated for the 2020 valuation according to an experience study from years2017 to 2019.
* For non-disabled retires, the Pub-2010, Amount-Weighted, below-median income, General, Retiree, Male (adjusted 106%) and Female (adjusted 105%) tables, and future mortality improvements projected using scale MP-2020 were used.
* For disabled retirees, the Pub-2010, Amount-Weighted, below-median income, General, Disabled Retiree, Male and Female (both unadjusted) tables, and future mortality improvements projected using scale MP-2020.
* For active members, the Pub-2010, Amount-Weighted, below-median income, General, Employee, Male and Female (both unadjusted) tables, and future mortality improvements projected using scale MP-2020.
* 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 as of December 31, 2022:

|  |  |  |
| --- | --- | --- |
|  |  | **Long-Term** |
|  | **Portfolio** | **Expected** |
|  | **Target** | **Real Rate** |
| **Asset Class** | **Percentage** | **of Return** |
| Domestic Equity | 35.5% | 6.50% |
| International Equity | 18.0% | 7.60% |
| Fixed Income | 25.5% | 4.90% |
| Real Estate | 10.5% | 6.20% |
| Alternative Investments | 9.5% | 6.25-9.90% |
| Cash Equivalents | 1.0% | 4.00% |
| Total | 100.0% |  |

**Single Discount Rate**

A Single Discount Rate of 7.25% was used to measure the total pension liability as of December 31, 2022. 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. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The Single Discount Rate reflects:

1. 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
2. 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 7.25%, the municipal bond rate is 4.05%, and the resulting single discount rate is x.xx%.

**Changes in the Net Pension Liability**

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Total** |  |  |
|  | **Pension** | **Plan Fiduciary** | **Net Pension** |
|  | **Liability** | **Net Position** | **(Asset)/Liability** |
|  | **(A)** | **(B)** | **(A) - (B)** |
| **Balances at December 31, 2021** | $ - | $ - | $ - |
| **Changes for the year:** |  |  |  |
| Service Cost | - | - | - |
| Interest on the Total Pension Liability | - | - | - |
| Changes of Benefit Terms | - | - | - |
| Differences Between Expected and Actual |  |  |  |
| Experience of the Total Pension Liability | - | - | - |
| Changes of Assumptions \* | - | - | - |
| Contributions – Employer | - | - | - |
| Contributions – Employees | - | - | - |
| Net Investment Income | - | - | - |
| Benefit Payments, including Refunds |  |  |  |
| of Employee Contributions | - | - | - |
| Other (Net Transfer) | - | - | - |
| Net Changes | - | - | - |
| **Balances at December 31, 2022** | $ - | $ - | $ - |

*Notes to the Schedule – For 2022, The Net Pension Asset is included in the (list where it is in the asset section for example) Prepaid Expenses in the Statement of Fiduciary Net Position.*

**Sensitivity of the Net Pension (Asset)/Liability to Changes in the Discount Rate**

The following presents the plan’s net pension (Asset)/liability, calculated using a Single Discount Rate of x.xx%, as well as what the plan’s net pension (Asset)/liability would be if it were calculated using a Single Discount Rate that is 1% lower or 1% higher:

|  |  |  |  |
| --- | --- | --- | --- |
|  | **1% Lower** | **Current Discount Rate** | **1% Higher** |
|  | **(x.xx%)** | **(x.xx%)** | **(x.xx%)** |
| **Net Pension (Asset)/Liability** | $ - | $ - | $ - |

**Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions**

For the year ended June 30, 2023, the EMPLOYER recognized pension expense of $xxxx. At June 30, 2023, the EMPLOYER reported deferred outflows or resources and deferred inflows of resources related to pensions from the following sources:

|  |  |  |
| --- | --- | --- |
|  | **Deferred** | **Deferred** |
| **Deferred Amounts Related to Pensions** | **Outflows of** | **Inflows of** |
|  | **Resources** | **Resources** |
| ***Deferred Amounts to be Recognized in Pension*** |  |  |
| ***Expense in Future Periods*** |  |  |
| Differences between expected and actual experience | $ - | $ - |
|  |  |  |
| Changes of assumptions | - | - |
|  |  |  |
| Net difference between projected and actual |  |  |
| earnings on pension plan investments | - | - |
|  |  |  |
| Total Deferred Amounts to be recognized in |  |  |
| pension expense in future periods | - | - |
|  |  |  |
| ***Pension Contributions made subsequent*** |  |  |
| ***to the Measurement Date*** | - | - |
|  |  |  |
| **Total Deferred Amounts Related to Pensions** | $ - | $ - |

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

|  |  |  |
| --- | --- | --- |
| **Year Ending** | **Net Deferred Outflows** | **Net Deferred Inflows** |
| **December 31** | **of Re source s** | **of Re source s** |
| 2023 | $ - | $ - |
| 2024 | - | - |
| 2025 | - | - |
| 2026 | - | - |
| 2027 | - | - |
| Thereafter | - | - |
| Total | $ - | $ - |

**Schedule of Changes in the Net Pension Liability and Related Ratios  
 Most Recent Calendar Year**

Calendar Year Ended December 31,  **2022**

**Total Pension Liability**

Service Cost $ -

Interest on the Total Pension Liability -

Changes of Benefit Terms -

Differences Between Expected and Actual Experience

of the Total Pension Liability -

Changes of Assumptions -

Benefit Payments, including Refunds of Employee Contributions -

**Net Change in Total Pension Liability** -

**Total Pension Liability - Beginning**  -

**Total Pension Liability - Ending (A)**

$ -

**Plan Fiduciary Net Position**

Contributions - Employer $ -

Contributions - Employees -

Net Investment Income -

Benefit Payments, including Refunds of Employee Contributions -

Other (Net Transfer) -

**Net Change in Plan Fiduciary Net Position** -

**Plan Fiduciary Net Position - Beginning**  -

**Plan Fiduciary Net Position - Ending (B)**

$ -

**Net Pension (Asset)/Liability - Ending (A) - (B)**

$ -

**Plan Fiduciary Net Position as a Percentage**

**of the Total Pension Liability** #DIV/0!

**Covered Valuation Payroll** -

**Net Pension Liability as a Percentage**

**of Covered Valuation Payroll** #DIV/0!

***Notes to Schedule:***

*This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.*

**Schedule of Employer Contributions   
Last Ten Calendar Years**



**Notes to Required Supplementary Information:**

***Summary of Actuarial Methods and Assumptions Used in the Calculation of the 2021 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 2022 Contribution Rates:**

*Actuarial Cost Method:* Aggregate entry age = normal

*Amortization Method:* Level percentage of payroll, closed

*Remaining Amortization Period:* 21-year closed period

*Asset Valuation Method:* 5-year smoothed market; 20% corridor

*Wage Growth:* 2.75%

*Price Inflation:* 2.25%

*Salary Increases:* 2.85% to 13.75, including inflation

*Investment Rate of Return:* 7.25%

*Retirement Age:* Experience-based table of rates that are specific to the type of eligibility

condition; last updated for the 2020 valuation pursuant to an experience study of the period 2017 to 2019.

*Mortality:* For non-disabled retires, the Pub-2010, Amount-Weighted, below-median

income, General, Retiree, Male (adjusted 106%) and Female (adjusted 105%) tables, and future mortality improvements projected using scale MP-2020.

For disabled retirees, the Pub-2010, Amount-Weighted, below-median income, General, Disabled Retiree, Male and Female (both unadjusted) tables, and future mortality improvements projected using scale MP-2020.

For active members, the Pub-2010, Amount-Weighted, below-median income, General, Employee, Male and Female (both unadjusted) tables, and future mortality improvements projected using scale MP-2020.

***Other Information:***

*Notes:* There were no benefit changes during the year.

*\* Based on Valuation Assumptions used in the December 31, 2020, actuarial valuation. There is a two year lag between valuation and rate setting.*

**Journal Entries**

These are suggested journal entries for employers for GASB 68. For a better understanding of the entries needed, please read GASB 68, GASB 68 Implementation Guide, and GASB 71, all available on the GASB website www.GASB.org

1. In the first year of GASB 68 - To record the Net Pension Liability (NPL) as of the beginning of the fiscal year and Deferred Outflows of Resources. This is the adjustment for GASB 71 which amended GASB 68 (recorded as a prior period adjustment due to change in accounting principle).

|  |  |  |
| --- | --- | --- |
|  | Debit | Credit |
| Net Position (Unrestricted Net Assets) | xxx,xxx.xx |  |
| Net Pension Obligation (if employer had a Phase-In Rate) | xxx,xxx.xx |  |
| Deferred Outflows of Resources (contributions paid from Jan 1, 2014 thru the fiscal year-end date) | xxx,xxx.xx |  |
| Net Pension Liability |  | xxx,xxx.xx |

|  |
| --- |
| 1. To record the change to the NPL for the current year. (May want to use a contra-account, such as pension expense - GASB 68 to keep the actual expense for the year unaltered.) |

|  |  |  |
| --- | --- | --- |
|  | Debit | Credit |
| Pension Expense | xxx,xxx.xx |  |
| Net Pension Liability |  | xxx,xxx.xx |

|  |
| --- |
| 1. To record the change in Deferred Outflows of Resources to Pensions based on the GASB 68 Actuarial report. (May want to use a contra-account, such as pension expense - GASB 68 to keep the actual expense for the year unaltered.) |

|  |  |  |
| --- | --- | --- |
|  | Debit | Credit |
| Deferred Outflow of Resources | xxx,xxx.xx |  |
| Pension Expense |  | xxx,xxx.xx |