



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: 567

Date: March 1, 2008

To: All Authorized Agents

Subject: Employer Retirement Reserve Statement

Your 2007 Employer Retirement Reserve Statements are available. These Statements may include:

- Employer Retirement Reserve Statement for 2007 for your unit of government's Regular Reserve Account.
- If your unit of government participates in the Sheriff's Law Enforcement Personnel (SLEP) Plan or in the Elected County Official (ECO) Plan, you will find a SLEP Retirement Reserve Statement and an ECO Retirement Reserve Statement for 2007. You may also find a SLEP Enhancement Reserve Statement.
- If your unit of government offered the IMRF Early Retirement Incentive (ERI), you will find the Regular ERI Retirement Reserve (and, if appropriate, SLEP ERI Retirement Reserve and/or ECO ERI Retirement Reserve) Statement for 2007.

Function of the Retirement Reserve Account

The retirement reserve is used to fund retirement benefits for a unit of government's active IMRF members when they retire. It is also one factor used to calculate the IMRF employer contribution rate.

This "Reserve Statement of Account" reflects the accumulation of employer assets from the beginning of a unit's participation to December 31 of the reserve statement year. The remaining balance is the amount available to fund future retirement benefits for active employees. The Reserve Statement shows:

- **Beginning balance**
- **Employer retirement contributions**
- **Interest credited or charged**
- **Adjustments**
- **Residual investment income credited, if applicable**
- **Less: Employer's share of the cost for a member's or survivor's pension**
- **Ending balance**

The statement reflects calendar year 2007 transactions; it does not reflect a cumulative listing of all the above transactions that impact an employer's retirement reserve account.

The actuarial value of assets shown on the *Governmental Accounting Standards Board (GASB) Statement 27 Footnote Disclosure, Schedule of Funding Progress*, includes the December 31 ending balance of employer assets, plus member contributions and interest, plus an actuarial market value adjustment.

Explanation of entries

Page 4 provides an explanation of entries that appear on all Reserve Statements. An Addendum provides an explanation of items that may or may not appear on the statement.

ADDITIONS TO THE EMPLOYER RETIREMENT RESERVE

Interest credited or charged on opening balance

When IMRF earns its investment assumption, we credit interest if the opening balance is positive and charge interest if it is negative. If IMRF earns its investment assumption, the current rate of interest, as established by the IMRF Board of Trustees, is 7.5 percent per annum.

Employer Retirement Contributions

This entry is the amount of employer contributions for retirement benefits. The contributions credited are based on your unit of government's retirement rate (a part of the total employer contribution rate) and its reported wages. Disability, death, and supplemental benefit ("13th payment") contributions are credited to pooled reserves from which these benefits are paid and are not reflected in the employer retirement reserve account.

DEDUCTIONS FROM THE EMPLOYER RETIREMENT RESERVE

Member and Survivor Annuities

This is the employer cost for the pension. First we calculate the total cost of a lifetime member and survivor benefit based on the amount of the annuity, the member's and survivor's ages, the current interest rate assumption, etc. This amount is then reduced by the member's contributions plus interest. The remainder is the amount charged to the unit of government's Employer Retirement Reserve Account.

Due to our quick payout system, it is possible for a member to appear more than once and possibly in two different years (due to an additional payroll being posted, an adjustment to service, or an adjustment for ERI).

A common inquiry from units of government occurs when an unknown member is listed in this section. The most common situations are that the member is an employee who:

- Terminated in the past and began working for some other unit of government that participates in IMRF or for a reciprocal retirement system and proportionate charges for his or her pension are made to the unit of government's Employer Retirement Reserve for services rendered to that unit, or

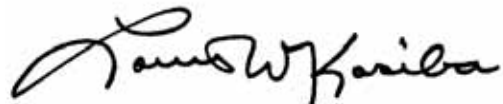
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- Participated in IMRF through a dissolved unit of government and that unit's pension obligation was partially or fully transferred to your unit of government.

Questions?

If you have any questions, please call IMRF Employer Account Associate Analyst Corey Lockwood at 630-706-4226, or you can 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,

A handwritten signature in black ink, appearing to read "Louis W. Kosiba". The signature is fluid and cursive, with the first name "Louis" being the most prominent.

Louis W. Kosiba
Executive Director

Addendum

Explanation of Special Journal Entries

Below is an explanation of entries that may or may not appear on your unit of government's reserve statements.

Miscellaneous ER Adjustment

Adjustment to correct an account.

Correction of ER Contributions

Adjustment (web or Form 3.20) received from the employer for prior year earnings.

Charge/Credit Emplr Reclassifi

(Charge/Credit Employer Reclassification)

Adjustment received from a unit of government or member to reclassify wages or contributions (from/to Regular, SLEP, ECO).

Credit ER for Ret Reserve Cont

(Credit Employer for Retirement Reserve Contributions)

Transfer of additional payments to reduce a unit of government's unfunded obligation.

Trans ER Reserv - Annex/Consol

(Transfer Employer Reserve – Annexation or Consolidation)

Transfer of a dissolved unit of government's retirement reserve balance to respective successor unit(s) of government.

Charge Employer ERI Liability

Adjustment to charge the responsible unit of government for employer's Early Retirement Incentive costs.

Reversal of ERI Liability

Adjustment to correct reserve (Regular, SLEP, ECO) for employer's Early Retirement Incentive cost.

Charge/Credit MISC MBR ADJ

Adjustment to correct member accounts.

Residual Investment Income Earnings

Each year IMRF distributes 7.5 percent interest to the opening balance of the member and annuitant asset accounts. Residual investment income is the amount left from IMRF's total earnings after these distributions, payment of administrative and investment expenses, and the distribution of employer interest are made.

The distribution is based on a unit of government's (employer's) opening balance and the present value of benefits (PVB) of the unit's annuitants (individuals receiving an IMRF pension). The actuary calculates the present value of benefits based on the monthly benefit of each annuitant, current age, and other factors.

The calculation of the residual investment income is as follows:

The sum of

Opening balance of an employer's Retirement Reserve Account plus the present value of benefits of that employer's annuitants

Divided by

The sum of

Total opening balance of *all* employers' Retirement Reserve Accounts plus total present value of benefits of annuitants of *all* employers

Equals the

Ratio of that employer's assets to the total assets of all employers.

The total residual investment income available to distribute multiplied by this ratio is the amount of residual investment income that will be distributed to that employer.

Example
for illustrative purposes only

\$50,000	
	÷
\$100,000,000	
	=
	<u>.05%</u>
\$50,000,000	
	<u>x .05%</u>
\$25,000	

In 2007, \$133 million was distributed to all employers as residual investment income.

Sample Employer Reserve Statement for *Regular* Reserve Account

Refer to the General Memorandum for an explanation of all entries.

Employer information

Field Rep information

IMRF Employer rates

Opening balance in employer's account


Interest credited/charged on opening balance

Amount employer contributed toward members' retirement benefits (employer retirement rate times payroll)

Amount of residual investment income credited to employer's account

Amounts deducted/credited from employer's account for member and survivor pensions

Ending balance in employer account



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2007 EMPLOYER RETIREMENT RESERVE STATEMENT
 REGULAR RESERVE ACCOUNT

PAGE: 1
 04/1/2007

COUNTY OF ANYWHERE
 ANNIE AGENT, COUNTY CLERK
 123 MAIN STREET
 PO BOX 123
 ANYWHERE, IL 60000-0000

EMPLOYER NBR: 01234
 PHONE NUMBER: 000-000-1234

FIELD REP.....: BILL PETTRY PHONE NUMBER: 217-774-4255

RETIREMENT	7.790	SUPPLEMENTAL PENSION	.620
DISABILITY	.190		
DEATH	.160		

OPENING BALANCE, JANUARY 1, 2007	11,769,329.63
CREDIT ON OPENING BALANCE - RATE 7.500%	882,699.72
EMPLOYER RETIREMENT CONTRIBUTIONS (7.790% X 10,050,813.89)	782,958.33
RESIDUAL INVESTMENT INCOME EARNINGS	1,519,087.89

MEMBER AND SURVIVOR ANNUITIES:
MEMBER INFORMATION

123-12-1234	MEMBER, MARY M	6,086.79
000-00-1111	SMITH, JOHN K	53,936.52-
111-00-1112	JONES, SUSAN L	92,283.90-

112-00-0002	JOHNSON, HOWARD L	107,231.51-
123-12-3446	RING, LINDA M	4,647.13-
333-33-3333	WATERS, WILLIAM W	29,412.83-

TOTAL MEMBER AND SURVIVOR ANNUITIES COST	881,705.93-
ENDING BALANCE DECEMBER 31, 2007	14,072,369.64

