



Illinois Municipal Retirement Fund

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Member Services Representatives 1-800-ASK-IMRF

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GENERAL MEMORANDUM

Number: 581

Date: December 10, 2008

To: All Authorized Agents

Subject: IMRF's current financial status

**Please share this memorandum
with your unit of government's chief financial officer, other officials,
and governing body members.**

Executive Summary

Through November 30, 2008, IMRF has lost approximately \$6.5 billion. On a market basis, funding has dipped below 70%. Our estimated return for the year is -27.1%.

The Board of Trustees and IMRF staff are mindful of the impact negative returns will have on employer contribution rates and employer budgets. At the January 2009 Board meeting, a final decision will be made on the percentage cap to be used to phase-in the impact of negative investment returns on 2010 employer rates. The actual cap percentage will be determined when preliminary 2008 investment returns for the full year are known.

IMRF will conduct employer rate meetings in January and February. You will receive details regarding locations and registration later this month.

This is the third memorandum in a series which will keep you informed of IMRF's investment performance, potential effects on employer contribution rates for 2010, and actions taken by the IMRF Board of Trustees to phase-in the increase in future employer contribution rates due to the significant 2008 investment losses.

As a preliminary matter, I am heartened to learn these memoranda are being shared with your finance officers and being discussed by your governing bodies as future tax levies are set.

I also wish to thank those of you who have expressed your appreciation for IMRF being up-front and transparent—we are, after all, partners in the good times as well as the bad.

Important Dates

December 31, 2008 – End of IMRF's fiscal year. Independent actuaries will use investment and demographic data from that date to calculate 2008 GASB footnote disclosures and 2010 employer contribution rates.

January 23, 2009 – IMRF Board of Trustee Meeting. A final decision will be made on the percentage cap to be used to phase-in the impact of the negative investment returns experienced in 2008 on 2010 employer contribution rates.

January 26-28, 2009 and February 2-4, 2009 – Richard DeCleene, IMRF's Chief Financial Officer, and I will tour the state to meet with you and other interested parties from your employer to review 2008 investment returns and the impact on future employer contribution rates, employer reserves and funded status.

Normally, we conduct these meetings in late April. Due to the unprecedented losses in the investment markets, we believe an earlier tour is warranted. You will receive details regarding locations and registration later this month.

March 2009 – 2008 Reserve Statements will be available.

April 2009 – Preliminary 2010 rate notices and GASB footnote disclosure information will be available.

Late April 2009 – IMRF will conduct a Webinar to review 2008 investment returns, current market conditions, 2010 employer contribution rates and funded status, and preliminary thoughts on 2011 employer contribution rates.

To Be Determined (May 2009) – A second round of statewide meetings may be held depending upon need or desirability.

Year-To-Date Returns

Through November 30, 2008, IMRF has lost approximately \$6.5 billion. On a market basis, funding has dipped below 70%. Our estimated return for the year is -27.1%.

Board of Trustees

The Board of Trustees and IMRF staff are mindful of the impact negative returns will have on employer contribution rates and employer budgets.

On November 23, 2008, the Board adopted a phase-in approach containing the following provisions:

1. The rate of increase of employer contribution rates will be capped. Early Retirement Incentive costs and Sheriff's Law Enforcement Personnel (SLEP) benefit enhancement costs will be excluded from the phase-in since they are not impacted by investment returns.
2. Regardless of the percentage increase, each employer's rate should cover the full cost for services rendered in the current year. If your employer was amortizing any overfunding, you should anticipate paying at least the full cost of the IMRF program (8.37% for the regular plan).
3. In the future, for overfunded employers, the threshold for rapid amortization of any overfunding will be set at 120% on an actuarial basis (not 100%).
4. Employers will be given the option to contribute the full actuarial required contribution (ARC) or some amount between the ARC and the required phase-in amount. Employers who have the ability to contribute the full ARC will be strongly encouraged to do so.
5. The time frame to return to paying ARC will be no more than five years.
6. The phase-in plan, when formally adopted in January 2009, will be reviewed annually and will be subject to modification based upon future investment returns and other relevant factors.

Staff has not recommended a specific cap percentage to the Board at this time. Based upon year-to-date investment returns, a cap of 20% in addition to your current contribution would be consistent with our long-term funding goal. The actual cap percentage will not be determined until the January 23, 2009, Board of Trustee meeting when preliminary 2008 investment returns for the full year will be known.

In closing, IMRF recognizes your employer has a vital business interest in the success of IMRF and that increased employer contribution rates are implemented in a manageable way.

Please share this memorandum, as well as General Memoranda 576, 577, 578 and 579, with decision makers at your unit of government.

Your comments on the phase-in approach adopted by the Board of Trustees are welcome. If I or Richard DeCleene can be of assistance or if you have any comments or questions, please contact me directly at 630-368-5355 or him at 630-368-5345.

Sincerely,



Louis W. Kosiba
Executive Director