



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



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	SLEP Plan Tier 1	SLEP Plan Tier 2
		<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>
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>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	<p>Average of highest 48 months in last 10 years of service.</p> <p>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.</p>	<p>Average of highest 96 months in last 10 years of service.</p> <p>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.</p>
Maximum pension payable	80% of final rate of earnings.	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.



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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. If the CPI decreases or is zero, no increase is paid.
Eligibility for Annual Pension Increase	First January following retirement effective date. First year increase prorated if effective date other than January 1.	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.	66-2/3% of the pension the member had earned at the date of death.
Surviving Spouse Pension Annual Increase	Payable on January 1. 3% of the original amount.	Payable on January 1 after the Surviving Spouse reaches age 60. 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.



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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