



Illinois Municipal Retirement Fund

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GENERAL MEMORANDUM

Number: 616

Date: August 15, 2011

To: All Authorized Agents

Subject: IMRF Board modifies employer rate phase-in plan,
all employers to pay actuarial required contribution by 2015

Executive Summary

To moderate the impact of 2008 investment losses on employers, in early 2009 the IMRF Board of Trustees adopted a phase-in plan for employer contribution rates, which capped most employer rate increases at 10% per year.

The phase-in plan has worked as intended and has limited volatility in employer rate increases. However, IMRF has discovered that for a small group of employers, limiting annual increases in employer contribution rates to 10% per year would result in stretching the phase-in period out to more than 10 years.

To address this risk and return all employers to the actuarial required contribution (ARC rate) by 2015, the IMRF Board modified the phase-in plan effective with 2013 employer contribution rates.

Dear Authorized Agent:

To moderate the impact of 2008 investment losses on employers, in early 2009 the IMRF Board of Trustees adopted a phase-in plan for employer contribution rates, which capped most employer rate increases at 10% and provided immediate rate relief in 2010 and subsequent years.

Without the employer rate phase-in plan, the average 2010 employer rate for the Regular plan would have increased 79% over the 2009 rate. Instead, most employer rate increases were capped at 10%. Since that time, the phase-in plan has worked as intended and has limited employer rate volatility.

However, IMRF has discovered that for a small group of employers, limiting annual increases in employer contribution rates to 10% per year will result in stretching the phase-in period out to more than 10 years.

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To address this risk and return all employers to the actuarial required contribution (ARC rate) by 2015, the IMRF Board modified the phase-in plan effective with 2013 employer contribution rates:

- For 2013: employers who were on the phase-in plan in 2012 will see an increase in their 2013 rate by the greater of
 - 10% over their 2012 rate *or*
 - One-third of the difference between their 2012 rate and their actuarial required contribution (ARC rate) for 2013

In all cases, the total increase would not exceed the actuarial required contribution for 2013.

- For 2014: employers who were on the phase-in plan in 2013 will see an increase in their 2014 rate by the greater of
 - 10% over their 2013 rate *or*
 - One-half of the difference between their 2013 rate and their actuarial required contribution (ARC) for 2014

In all cases, the total increase would not exceed the actuarial required contribution for 2014.

- For 2015: all employer rates would be the actuarial required contribution.

Questions?

If you have any questions regarding the information presented in this memorandum, please call Chief Financial Officer Richard DeCleene at (630) 368-5345 or email him at dickdecleene-finance@imrf.org

Sincerely,



Louis W. Kosiba
Executive Director