



# Illinois Municipal Retirement Fund

Suite 500 2211 York Road Oak Brook IL 60523-2337

Member Services Representatives 1-800-ASK-IMRF

[www.imrf.org](http://www.imrf.org)

## GENERAL MEMORANDUM

**Revised February 16, 2012**

**Number:** 623

**Date:** February 15, 2012

**To:** All Authorized Agents

**Subject:** 2011 Employer Retirement Reserve Statements

Your 2011 Employer Retirement Reserve Statements are available. These Statements may include:

- Employer Retirement Reserve Statement for 2011 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/or an ECO Retirement Reserve Statement for 2011. 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 2011.

### **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 component of an employer's actuarial assets which, along with the accrued actuarial liability, helps to determine the employer's over- or underfunding balance. The over- or underfunding balance is used when calculating the employer's contribution rate.

**This "Reserve Statement of Account" reflects the accumulation of employer assets 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 or loss**
- **Less: Employer's share of the cost for a member's or survivor's pension**
- **Ending balance**

The statement reflects calendar year 2011 transactions; it does not reflect a cumulative listing of all the above transactions that impacted an employer's retirement reserve account.

The actuarial value of assets shown on the *Governmental Accounting Standards Board (GASB) Statement (50) 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**

Pages 4 and 5 of this memo provides an Addendum that explains the entries that could appear on your Reserve Statement(s).

## **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. For 2011, IMRF lost .5%, and employers were charged 7.5% interest.

### **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.

### **Residual Investment Income or Loss**

This entry is the amount of investment income available to be credited to employers after interest is allocated to member, annuitant and employer reserves. If in a year, there is insufficient investment income to cover interest to be credited to member and annuitant reserves, a residual investment loss occurs. There will be an entry to allocate this loss among employers. For 2011, IMRF lost .5%, and employers were charged for a residual investment loss.

## **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 final rate of earnings and service credit, the member's age, 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 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 Account for services rendered to that unit, or
- 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 send us a secure electronic message or 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,  


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 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)

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.

**Explanation of Special Journal Entries, contd.**

**Residual Investment Income or Loss**

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. Residual loss is the amount necessary to charge employer reserves if there is insufficient investment income to provide interest on member and annuitant reserves and cover administrative and investment expenses.


The distribution is based on a unit of government’s (employer’s) opening employer reserve balance and the present value of benefits 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:	<b>Example</b> for illustrative purposes only
<b>The sum of</b> Opening balance of an employer’s Retirement Reserve Account plus the present value of benefits of that employer’s annuitants	\$50,000
<b>Divided by</b>	
<b>The sum of</b> Total opening balance of all employers’ Retirement Reserve Accounts plus total present value of benefits of annuitants of all employers	\$100,000,000
<b>Equals the</b> Ratio of that employer’s assets to the total assets of all employers.	= <u>.05%</u>
The total residual investment income to be distributed multiplied by this ratio is the amount of residual investment income that will be distributed to that employer.	\$50,000,000 <u>x .05%</u>
	\$25,000

In 2011, \$1.4 billion was charged to all employers as residual investment loss.

## Sample Employer Reserve Statement for Regular Reserve Account

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

Employer information		<b>Illinois Municipal Retirement Fund</b>
Field Rep information		Suite 500 2211 York Road Oak Brook IL 60523-2337 Member Services Representatives 1-800-ASK-IMRF www.imrf.org
IMRF Employer rates		CITY OF ANYWHERE ANNIE AGENT, COUNTY CLERK 123 MAIN STREET PO BOX 123 ANYWHERE, IL 60000-0000
Opening balance in employer's account		EMPLOYER NBR: 01234 PHONE NUMBER: 000-000-1234
Investment loss charged to opening balance		FIELD REP.....: MANDY BEEDIE PHONE NUMBER: 217-527-8916
Amount employer contributed toward members' retirement benefits (employer retirement rate times payroll)		NORMAL COST 7.420 FUNDING ADJ OVR/UND .430- RETIREMENT 6.990
Amount of residual investment loss charged to employer's account		DISABILITY .170 DEATH .150 SUPPLEMENTAL PENSION .620
Amounts deducted/credited from employer's account for member and survivor pensions		OPENING BALANCE, JANUARY 1, 2011..... 431,480.61 INTEREST CHARGE ON OPENING BALANCE - RATE 7.500% 32,361.05- EMPLOYER RETIREMENT CONTRIBUTIONS (6.990% X 209,629.72) 14,653.07 RESIDUAL INVESTMENT LOSS CHARGE 69,203.97-
Ending balance in employer account		MEMBER AND SURVIVOR ANNUITIES: MEMBER INFORMATION XXX-XX-1234 BROWN, MARY E. 24,860.20-
		TOTAL MEMBER AND SURVIVOR ANNUITIES COST 24,860.20-
		ENDING BALANCE, DECEMBER 31, 2011..... 319,708.467