

# FUNDAMENTALS

IMRF

ACTIVE MEMBER UNDER 40 EDITION

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## IMRF's autonomous Board looks out for your interests

Your Board of Trustees is truly by and for IMRF members—a unique feature among U.S. public pension plans.

### Aligned with your interests

Trustees of a public pension fund are by definition fiduciaries—that is, they are legally required to act solely in the best interests of plan participants. But IMRF's Board of Trustees goes a step further.

IMRF's Board is solely composed of vested IMRF members and retirees—those who will be able to receive an IMRF pension once they reach retirement age, or who are already receiving their pension. In other words, they have “skin in the game.”

“Their intellectual interest is aligned with their personal interest,” said IMRF Executive Director Louis Kosiba.

It is unusual among U.S. public pension plans for a Board to be composed solely of members of the plan who are also elected by the membership. In a list of 87 state pension funds provided by Keith Brainard of the National Association of State Retirement Administrators (NASRA), IMRF was the only pension fund to have a Board solely composed of elected Trustees who are members of the plan.

### Serving two masters?

In contrast, the boards of most public pension plans in the United States are a mixture of elected, appointed, and ex-officio trustees who may or may not be members of the plan they serve. On some boards, Brainard noted, all members are appointed, and more boards have ex-officio members than not.

#### • *Ex-officio trustees*

Ex-officio trustees serve by virtue of another office they hold. For example, Chicago's city treasurer sits on the board of the pension fund for the city's municipal employees. For an elected official, costs for taxpayers may be the primary concern. As a fiduciary of a pension fund, however, a trustee's primary concern is supposed to be ensuring there's enough money to pay benefits.

“It can be difficult for that person, who might be accustomed to serving, for example, taxpayers or other interest groups, to remember as a board member, as a trustee, their responsibility lies solely with participants in the plan,” Brainard said.



#### • *Appointed trustees*

Appointees are trustees appointed to the board by an elected official. For example, six trustees on the Illinois Teachers' Retirement System (TRS) board are appointed by the governor. Kosiba described how this can lead to a potential conflict of interest.

TRS recently reviewed whether to reduce its assumed rate of return from 7.5% to 7.0%. Because this reduction would require an increase of approximately \$400 million in annual state contributions, the governor became concerned. He quickly moved to fill several vacancies on the TRS board with his own appointees before the board's decision. If one of his appointees hadn't turned out to be ineligible for the position, a majority

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—IMRF Executive Director Louis Kosiba.

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of the TRS board would have been composed of his appointees. "This is an illustration of how appointed trustees may be forced to serve two masters," Kosiba said.

While Brainard argues that every pension plan is unique and no one model inherently works best, he said that "clearly when you've got more elected officials and non-plan members on there, it creates a larger challenge to ensure the trustees are operating solely in the interest of the plan participants."

#### IMRF's independent board

Because IMRF's Trustees are elected by a large group, they are not beholden to any one person, Kosiba observes.

"I'm pleased to say that in the interaction on IMRF's Board, our Trustees are truly focused on supporting our Strategic Plan, truly focused on ensuring that the funding levels are there, and truly focused on ensuring that our employers and members receive the best possible customer service," Kosiba said. ■

### Trustee Elections

## Alex Wallace to be confirmed as Employee Trustee this December

Current Trustee Alex Wallace is running unopposed for the 2016 Employee Trustee election. Therefore, IMRF will not hold an election for Employee Trustee.

Wallace will be certified as the winner of the Employee Trustee election at the December Board of Trustees meeting. His term will run from January 1, 2017, through December 31, 2020.

Wallace, a bus driver with Oswego Community Unit School District 308, was appointed to serve as IMRF Trustee from July 1, 2016, through the end of the year following the retirement of former Employee Trustee John Piechocinski.

In addition to serving on the IMRF Board of Trustees, Wallace also holds leadership positions with the Illinois Education Association and National Education Association.

#### Election for Executive Trustee

This fall, IMRF employers will elect one IMRF Executive Trustee for a five-year term of office. We will announce the results of that election in next year's Spring edition of *Fundamentals*. ■



Employee Trustee Alex Wallace



## Past and future

by IMRF Executive Director Louis Kosiba

As IMRF closes out its 75th Anniversary year, it seems appropriate to talk about its past and future.

The funding clouds on the horizon for the state funded systems (Teachers, State Employees, University Employees, Judges, and Members of the General Assembly), the city of Chicago funds, and the Cook County systems, simply do not exist for IMRF. At IMRF, the Board sets the actuarial principles, calculates employer contributions, and mandates full and timely payments of employer funding.

The benefit design, administration, and policies put in place by past General Assemblies and IMRF Boards of Trustees have created a solid platform for IMRF to guarantee your benefits in the future. We are prefunding your benefit so that every dollar necessary

to guarantee your stream of monthly retirement payments will be there.

#### IMRF's strategic priorities

Your Board of Trustees and staff are currently developing IMRF's Strategic Plan for the 2017-2019 period. IMRF's first formal strategic plan was developed in 2005. It has gone through several iterations since then. This new plan will focus on four key areas: Financial Health, Customer Engagement, Workforce Engagement, and Operational Excellence. For each key area we identify an objective, select measures to determine progress, and develop action plans which will get us to our goals.

As you might expect, the financial

health of IMRF is of paramount importance. Only through achieving and maintaining a high funding level are we able to fulfill our promises to you.

#### Ensuring a stable future

Our overriding goal is to be 100% funded because that results in the lowest long-term cost to employers and taxpayers. We work to achieve stable or declining employer contribution rates, while at the same time working to ensure our administrative costs are below median as compared to other funds. Over the long-term, 62¢ of every \$1 paid out as a retirement benefit has been funded through IMRF investments. The higher that number, the less employers need to contribute, the lower the tax burden, and the higher the sustainability of IMRF.

This approach has worked for 75 years and it will work for the next 75 years through the efforts of the IMRF Board and staff and through your support. Thank you! ■

## IMRF'S 75 YEARS OF MEMORABLE MILESTONES

1941 - 2016

1941



**January 1:** IMRF begins operations.

The first five employers enter IMRF – City of Evanston, City of Galesburg, Village of Riverside, Rockford Park District, and City of Rockford

1946

IMRF establishes an independent office in Chicago

1953

IMRF begins paying widow annuities

1957

IMRF members pass a referendum to join Social Security



1973

**July 1:** The counties' Sheriff's Law Enforcement Personnel (SLEP) receive their own pension plan within IMRF

1985

**June:** IMRF's Board of Trustees approves a plan to mail such items as member statements and trustee election ballots directly to member homes

1993

**May:** IMRF relocates its headquarters to the Drake Oak Brook Plaza, Oak Brook

**May:** IMRF introduces a toll-free phone number: 1-800-ASK-IMRF (275-4673)



2009

IMRF implements a Continuous Process Improvement (CPI) program

IMRF receives the Lincoln Foundation Bronze Award for "Commitment to Excellence"

2014

**December:** IMRF is a recipient of the Illinois Performance Excellence (ILPEX) 2014 Silver Award for "Progress toward Excellence"

2015

**February:** IMRF introduces a new and improved version of its website, [www.imrf.org](http://www.imrf.org), complete with a new logo design and new branding



1940s

1950s

1960s

1970s

1980s

1990s

2000s

2010s



1948

**January 1:** House Bill 813 mandates participation by all Illinois school districts (except those in the city of Chicago) and all their employees (except those covered by the State Teachers' Retirement System)

1965

**December 1:** IMRF gains authority to write its own checks

1970

**January:** IMRF's staff uses display terminals to interface with the mainframe computer, leading to a dramatic increase in efficiency in processing benefit claims, employer reports, and other data



1982

IMRF adopts the "prudent person rule" for management of its investments

1997

IMRF's website, [www.imrf.org](http://www.imrf.org), makes its online debut



2001

**November 5:** IMRF opens its first Regional Counseling office in Springfield



2010

**April 14:** Public Act 96-0889 creates a second tier of IMRF benefits for members who are first enrolled in IMRF on or after January 1, 2011

2016

IMRF celebrates its 75th Anniversary, prepared to best serve its members and retirees into the future



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School District 308

Trudy Williams  
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Attorney's Office

**FUNDAMENTALS**

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