



# Illinois Municipal Retirement Fund

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## SPECIAL MEMORANDUM

**Number:** 292

**Date:** December 30, 2005

**To:** Authorized Agents of employers in the SLEP plan

**Subject:** Public Act 94-712

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### Executive Summary

On December 9, 2005, the governor signed Senate Bill 1693 (Public Act 94-712) into law. The new law is effective June 1, 2006. This new law:

- Increases the SLEP plan formula to a flat 2.5%
- Increases the SLEP member contributions from 6.50% to 7.50%
- Increases the maximum pension payable to a SLEP member from 75% to 80% of final rate of earnings
- Allows SLEP members to convert up to 10 years of Regular Plan service credit to SLEP service credit
- Removes the two-year service requirement for repayment of refunds if a member returns to IMRF participation as a SLEP member. Generally, the member will need to work six months before being allowed to apply.
- Eliminates the actuarial reduction in surviving spouse pensions for spouses who are more than five years younger than the deceased member (applies to all IMRF plans)

Retired SLEP members who terminated IMRF participation on or after July 1, 2004, with more than 20 years of SLEP service will have their pensions recalculated under the new formula.

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### SLEP Plan Formula

**Old law:** The SLEP pension formula is 2.5% of the member's final rate of earnings for each of the first 20 years of service, 2% of the member's final rate of earnings for each year of service over 20 but less than 30, and 1% for each year of service credit over 30 years.

**New law:** Effective June 1, 2006, the SLEP pension formula is a flat 2.5% of the member's final rate of earnings for each year of SLEP service credit. (The definition of final rate of earnings was not changed.)

### **SLEP Member Contributions**

- Old law: IMRF members contribute 4.50% of wages toward a future Regular Plan pension. SLEP members contribute an additional 2%, for a total of 6.50%.
- New law: Effective June 1, 2006, SLEP members will contribute an additional 3% over the Regular Plan contribution, for a total of 7.50% of wages.

### **Maximum SLEP pension payable**

- Old law: Maximum pension payable cannot exceed 75% of the member's final rate of earnings.
- New law: For SLEP members whose pensions are effective on or after July 1, 2004, the maximum SLEP plan pension payable cannot exceed 80% of the member's final rate of earnings.

### **Convert up to 10 years of Regular Plan service to SLEP**

- Old law: SLEP members cannot convert Regular Plan service credit to SLEP service credit.
- New law: Effective June 1, 2006, a SLEP member who has Regular Plan service credit may convert up to 10 years of Regular service to SLEP. The SLEP member would pay the additional SLEP member contributions, required employer contributions, and interest.

### **Repaying a refund (reinstating service credit)**

- Old law: If a member terminates IMRF participation and takes a refund of his or her contributions, the member must participate in IMRF for two years before applying to repay the refund and reinstating the service.
- New law: If a member terminated IMRF participation, took a refund of his or her contributions, and returned to IMRF participation as a SLEP member on or after July 1, 2004, the member is not required to wait two years before repaying the refund and reinstating the service. Appointments for a day, a week or a month do not qualify as participating positions because the employee would not be expected to meet the hourly standard (600 or 1,000 hours). Generally, the member will need to work six months before being allowed to apply.

### **Remove actuarial reduction in surviving spouse pensions**

- Old law: If a member's spouse is more than five years younger than the member, the surviving spouse pension is actuarially reduced. Although monthly payments may be reduced because of the difference in ages, the total payments received by the spouse are intended to be the same.

New law: If an IMRF member dies on or after June 1, 2006, and a surviving spouse pension is payable, the actuarial reduction no longer applies. The surviving spouse pension will not be reduced regardless of the difference in ages. Thus, a surviving spouse pension will always equal 50% of the deceased member's pension under the Regular and Sheriff's Law Enforcement Personnel plans. Surviving spouse pensions payable under the Elected County Official plan will also no longer be subject to the actuarial reduction.

**Recalculating SLEP pensions under the new formula**

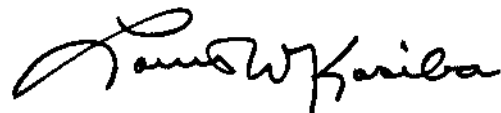
New law: Effective June 1, 2006, retired SLEP members who terminated IMRF participation on or after July 1, 2004, with more than 20 years of SLEP service will have their pensions recalculated under the new formula. The new formula will apply to future pension payments only.

**Amortization of additional unfunded liability**

New law: The additional unfunded liability resulting from P.A. 94-712 will be amortized over 30 years beginning January 1, 2008. However, SLEP employers may extend the amortization period by submitting a resolution to IMRF adopting a 35- or 40-year amortization period. IMRF must receive the resolution no later than June 1, 2007. If no resolution is received, a 30-year amortization period of the additional unfunded liability will be assumed.

We will inform retired SLEP members who are eligible to have their pensions recalculated under the new formula. We will also inform active SLEP members of these changes to the SLEP plan. In February 2006, IMRF Field Representatives will conduct member meetings to explain these changes to the SLEP plan. Your Field Representative will contact you regarding these meetings.

If you have any questions regarding these changes to the Pension Code, please call 1-800-ASK-IMRF (1-800-275-4673), Monday through Friday, 7:30 A.M. to 5:30 P.M.



Louis W. Kosiba  
Executive Director

