

FUNDAMENTALS

IMRF

ACTIVE MEMBER OVER 40 EDITION

FALL / WINTER 2022

What IMRF Voluntary Additional Contributions Can Do For You

IMRF's Voluntary Additional Contributions (VAC) program is a unique and very effective savings vehicle available to IMRF members only, to help supplement retirement savings. The VAC program is low-risk and offers higher interest rates than many other retirement savings options.

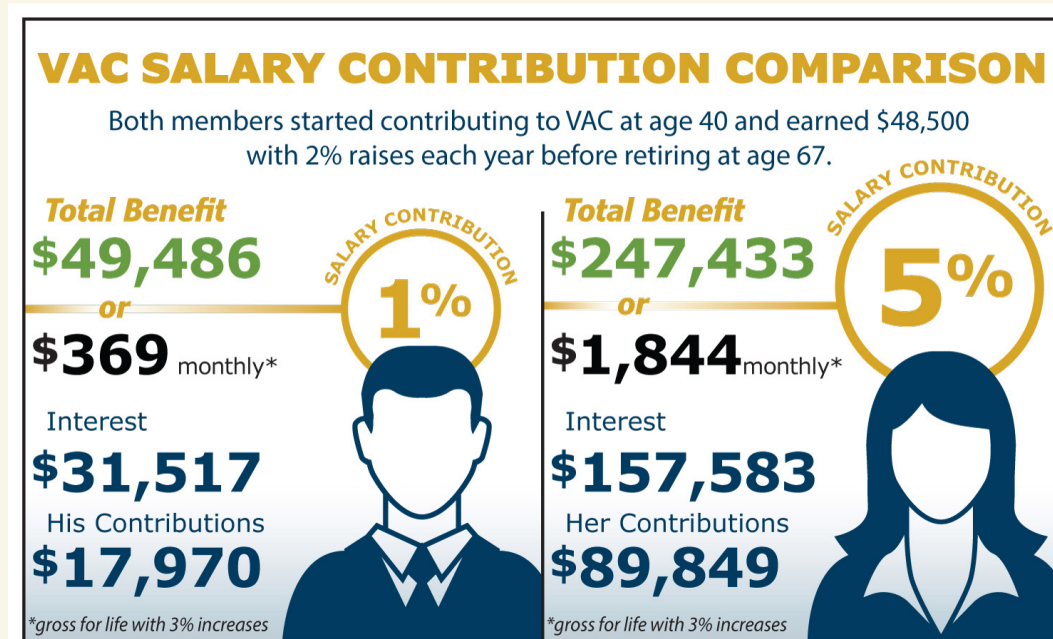
With VAC, you can elect to save between 1% and 10% of your reported earnings in an account that currently earns 7.25% interest. In the midst of the market downturn, with IRA and 401(k) totals dropping, the 7.25% interest rate of VAC is a particularly attractive option for retirement saving.

The interest is credited at the end of the year, based on the opening balance at the beginning of the year. Contributions are after-tax and do not reduce your taxable income as in a 457 or 403(b) plan. IMRF members

benefit from the compounding interest on their contributions, which add up to greater savings by the time of retirement.

VAC is a great way to build the personal savings members may need to supplement their pensions in retirement.

For more information on VAC, go to www.imrf.org/VAC. ■





PRE-RETIREMENT WORKSHOP WEBINARS

Watch Anytime!

Who Should Attend?

- Vested members who want to learn about benefits.
- Members within five years of retirement.
- Spouses, partners, or others who assist with your retirement planning.

Workshop Topics Include:

- How and when to file for retirement.
- How earnings and service affect your retirement benefit calculations.
- How to purchase past service credit.

Now Available on the IMRF Website—Watch Whenever it's Convenient for You!

The Pre-retirement Workshop webinar is now available online, on-demand on the IMRF website. You can view this recently pre-recorded webinar at any time, when it is convenient for you. To watch the pre-recorded webinar, go to: www.imrf.org/2022-Pre-Retirement. ■

Personal Benefits Reviews are Available by Phone

A Personal Benefits Review (PBR) by phone is an optional, one-on-one, 25-minute phone call with an IMRF Member Education Counselor to discuss specific questions about your account. **Before you schedule a PBR, you should already have attended/viewed a Pre-Retirement Workshop webinar.** *If you do not have questions after attending the Pre-Retirement Workshop webinar, you do not need to schedule a PBR.*

Try to book your PBR several months before you need it; appointments fill up fast! If you are unable to make your PBR appointment, please let us know in advance, so the spot can go to someone else who needs it.

How to Schedule a Phone Personal Benefits Review

You can schedule a phone PBR with an IMRF Member Education Counselor by logging into your Member Access account and going to the green Workshop and PBR Registration box in the right column of your Member Access home page or by calling 1-800-ASK-IMRF (275-4673).

If you don't have a Member Access account, you can go online and create one. You will need a Registration Key to do so. You can request a new Registration Key at www.imrf.org/register. ■

IMRF Disability Benefits Protect

- Your Service Credit
- Your Pension
- Your Family



Your IMRF disability benefits are important for multiple reasons. As an IMRF member, if you become disabled, your IMRF disability benefits will not only provide for monthly payments equal to 50% of your monthly salary, but will also protect your pension and your death benefits.

IMRF disability benefits are very valuable, because while receiving disability payments:

- **Your service credit is protected**—you continue to earn service credit toward your future pension and you avoid any gaps in service that could affect your future benefits.
- **Your pension is protected**—your retirement benefit will be calculated using your original salary, not the reduced disability amount.
- **Your family is protected**—your death benefits will still include one year's salary, and death benefit options are the same as if you were still working.

If you have questions about your IMRF disability benefits, the answers are now available on the IMRF website! To view the Disability Benefit information for your plan, click the **Members** tab at the top of the IMRF homepage at www.imrf.org. Select your plan from the drop down menu. Once you select your plan, an additional drop down will appear below. Click on **Disability Benefits**.

To locate the specific topic related to your question, check the table of contents in the right column of the webpage, also shown here.

Click on the topic you are looking for, and it will bring you to a page with detailed information on that topic. ■

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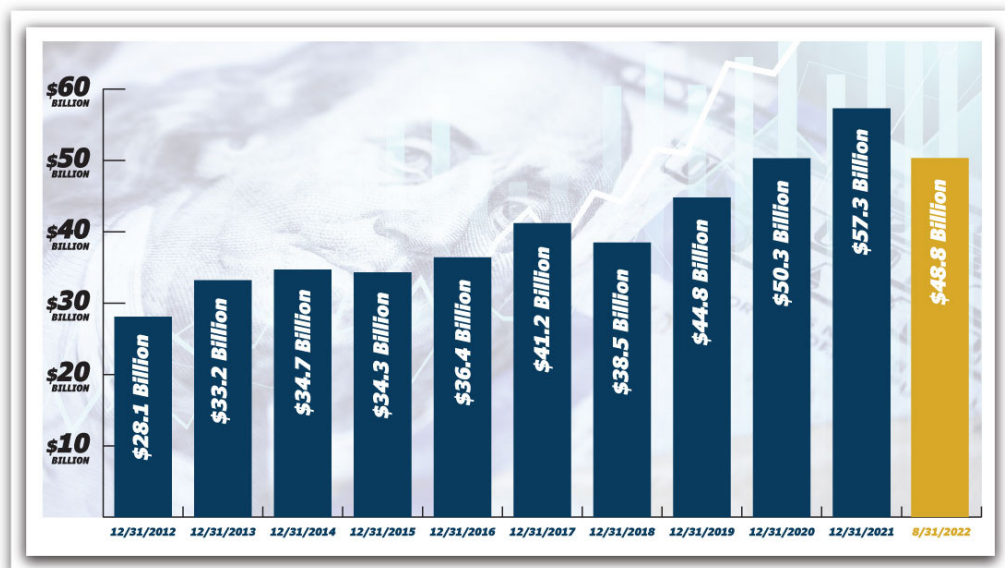
IMRF Staying Strong During Market Downturn

In 2021, IMRF's investment assets grew at a historic rate. At the end of the fiscal year, IMRF had \$57.3 billion in investment assets and was 98.6% funded, which is a significantly better funding level than the vast majority of pension plans in the US.

In 2022, IMRF's investment assets were down through August 31, due to a number of global challenges, such as rising interest rates, growing inflation, and the war in

Ukraine. However, as a long-term investor, IMRF has had consistent, steady growth in assets across the past ten years and is weathering the 2022 market downturn.

Be assured, your contributions and your future pension are safe! IMRF is financially sound! ■



Board of Trustees

Tom Kuehne to Return as Executive Trustee



Current IMRF Executive Trustee Tom Kuehne was unopposed in seeking a new five-year term of office. Kuehne's new term as Executive Trustee will run January 1, 2023 through December 31, 2027.

Kuehne has served on the IMRF Board since 2013. He was Board President in 2016 and is Vice President in 2022. He currently chairs the Board's Legislative Committee and serves on the Audit, Benefit Review, and Investment committees. Kuehne is the Finance Director/Treasurer of the Village of Arlington Heights, IL.

"It is an honor to continue to participate in the excellent work of the IMRF Board and staff as we navigate through these challenging times," Kuehne said. "In my new term, I will continue to look for ways for IMRF to consistently attain its policy of 100% funding."

IMRF is governed by an eight-member Board of Trustees elected by the people and institutions IMRF serves. Four Executive Trustees are elected by participating units of government, three Employee Trustees are elected by active members, and one Annuitant Trustee is elected by Retirees. The IMRF Board has many responsibilities including authorizing IMRF investments, approving the administrative budget, and setting employer contribution rates. ■

The Potential Impact of Inflation on Your Retirement Plans



Inflation may adversely affect your retirement plans, with rising prices making it more challenging to save for retirement now and also increasing your projected monthly budget for your retirement years. You may have concerns and questions about how market changes will impact your retirement savings accounts.

Will Stock Market Changes and Inflation Affect My IMRF Pension?

When you retire, IMRF has on hand all of the money needed to make your monthly pension payments for the rest of your life. Unlike 401(k) account totals, which can be significantly impacted by market changes, your monthly pension payment amount is not impacted by market changes.

However, increasing cost-of-living due to inflation could make it more challenging to live on your monthly pension payment alone. In addition to your IMRF pension and your Social Security, it may be necessary to have other sources of retirement income, such as retirement savings accounts, investments, rental income, or a part-time job.

Will Stock Market Changes Impact the Payout from My Voluntary Additional Contributions?

IMRF Voluntary Additional Contributions (VAC) earn interest that is credited to your account at the end of the year based on the balance of the account at the beginning of the year. Currently, VAC accounts earn 7.25% interest per year. Even in down markets, your VAC account will continue to earn a steady interest rate. Although the annual interest rate is subject to change, VAC totals are not impacted by market changes in the way that 403(b) or 401(k) accounts are, making VAC a low-risk retirement savings option, which is particularly attractive in a volatile market.

Does Social Security Increase With Inflation?

The federal government does use price indexes to determine cost of living adjustments for Social Security benefits. The price indexes have historically led to cost of living adjustments less than prevailing inflation rates, but the government does recognize that

inflation deteriorates the purchasing power of Social Security benefits and adjusts accordingly.

What Can I Do to Curb Inflation's Impact on My Retirement Plans?

There are ways you can minimize the shadow inflation casts over your retirement plans, according to Investopedia.com. Here are some things you can do:

- **Reduce housing costs** – Trading in a larger home for a smaller one, even if the mortgage is paid off, reduces the monthly outflow for property taxes, utilities, homeowners insurance, and maintenance. If you are concerned about future inflation, you may want to steer clear of changing from an owner to a renter.
- **Add inflation-correlated investments** – If you have a 403(b), 401(k), IRA or other investment accounts that are impacted by market changes, you may want to add inflation-correlated investments to your portfolio. As rent charges tend to rise along with inflation, real estate investment trust (REIT) or energy sector stocks, for example, may be better positioned to see their value grow in tandem with the inflation rate.
- **Diversify income streams** – Some income streams will naturally increase due to inflation; others will remain stagnant. Moving toward sources of income that are associated with cost of living adjustments and away from fixed-income sources is a good idea.
- **Calculate retirement needs as early as possible** – By factoring inflation into what you will need, it's easier to plan and prepare for when to leave the workforce and what type of lifestyle you'll be able to afford.

This is intended for information purposes only and not as financial advice. To determine the best mix of retirement savings vehicles to help you retire comfortably, please consult a financial advisor. ■

Pre-Retirement Checklist



Watch the IMRF Pre-Retirement webinar, available any time at: www.imrf.org/2022-pre-retirement.



View your Member Statement in Member Access and use the Pension Calculator in Member Access to determine the amount of your pension in different retirement scenarios.



After viewing the Pre-Retirement webinar, if you have specific questions, call IMRF Member Services or schedule a Personal Benefit Review.



Determine your retirement date.



Reduce your debt. Excessive debt will have a negative impact on your net retirement income.



Estimate your Social Security benefits and any other sources of retirement income (403b, 401k, IRA or any other plans).



Identify your essential monthly expenses during retirement (mortgage or rent payment, car loans or lease payments, property and car insurance, utilities, health insurance, etc.).



If you plan to relocate or downsize, find housing that will meet your needs.



Map out travel plans and estimate costs.



Develop a budget for discretionary spending that takes into account your estimated essential monthly expenses and estimated total monthly income from all sources.



If a gap exists between your estimated retirement income (including Social Security, your pension, spouse's retirement plan, and other retirement savings and investments) and your monthly expenses, consider options for eliminating the gap by increasing retirement income and/or decreasing expenses before retirement.



Evaluate healthcare benefits and provider options. ■

Q & A

If I Leave My IMRF Job, What Happens to My Contributions?

You can leave your contributions on deposit with IMRF. This option makes sense if you are vested for an IMRF pension, or if you think you might work for another IMRF employer in the future.

The other option is to take a refund of your IMRF contributions. With this option, you will forfeit your service credit and the right to any future IMRF pension or death benefits.

How Can I Find Out What My Monthly Pension Payments Will Be When I Retire?

There are three ways to get an estimate of your future IMRF pension payments:

1. Estimates are included on your Personal Statement of Benefits each year.
2. There is an IMRF pension calculator available in Member Access. Log into your Member Access account to run various retirement scenarios as often as you want.
3. When you are nearing retirement, you can request a formal pension estimate.

What is My FRE?

FRE is short for Final Rate of Earnings. Your FRE and your service credit will be used to calculate the amount of your IMRF pension. For Tier 1 plans, your FRE will be the average of your highest 48 consecutive months of earnings, within your last 10 years of IMRF service. For Tier 2 plans, your FRE will be the average of your highest 96 consecutive months of earnings, within your last 10 years of IMRF service. To see the formula for calculating your pension using your FRE and years of service credit, go to the **Retirement Benefits** page for your plan and tier, under the **Members** tab at www.imrf.org.



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Important Changes Coming—

Keep Your Contact Information Updated

To better serve you, IMRF is replacing its Member Access website. To prepare you for this change, we need your most current email address and mobile phone number. The easiest way for you to check that IMRF has your most current contact information is through Member Access.

Visit www.imrf.org/memberaccess for instructions on how to update your contact information through your Member Access Profile page. If you do not currently have a Member Access account, instructions for creating one are on that same webpage. ■