



Illinois Municipal Retirement Fund

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Via email

Centralia Sentinel

Managing Editor Dan Nichols (dnichols@morningsentinel.com)

Reporter Leigh Ann Williams (lwilliams@morningsentinel.com)

Re: February 15, 2009

“IMRF funding increase could hurt taxpayers”

In this time of national financial hardship we understand that many Illinois taxpayers and elected officials are viewing with increased scrutiny every dollar spent — including payments to public pension funds. A story in your February 15th edition (“IMRF funding increase could hurt taxpayers”), however, failed to report accurately some important details about the Illinois Municipal Retirement Fund’s financial situation and its value to Illinois taxpayers.

You incorrectly stated a) how much Salem and other municipalities will be asked to contribute in 2010, b) when employers will receive 2010 rate information and c) IMRF’s position regarding that obligation’s impact on taxpayers.

In fact, IMRF is acutely sensitive to the financial hardships its employers and Illinois taxpayers face. Since September, IMRF has been working to develop a plan that moderates short-term rate increases *and* protects the long-term fiscal health of the fund. In January and February, IMRF held meetings across the state to discuss investment returns and to ask for feedback from employers about the best way to moderate any rate increases. The result is a plan that the IMRF Board of Trustees approved on February 27th to phase in employer rate increases, extending the amortization of any unfunded liability and setting a 10 percent cap on employer rate increases in 2010.

This means that Mt. Vernon’s employer contribution rate will likely increase to about 9 percent in 2010, up from 8.24% percent in 2009 — nowhere near the multiple that City Manager Ron Neibert suggested in your original story. Further, employers will receive more details on their 2010 rates in March, not in November, as Mr. Neibert stated.

IMRF’s phase-in strikes a careful balance. Rates are capped for 2010 because we recognize the limited resources of local units of government. But putting off payments entirely would create an unfair burden for future generations and would cost taxpayers more in the long run. That’s why we require that employers continue to make responsible payments.

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IMRF was built on an understanding that a pension is a form of deferred compensation. Local governments provide this benefit to attract and retain quality workers — ensuring effective delivery of public services to Illinois taxpayers. Public workers often forgo higher salaries, bonuses — or even Social Security — in exchange for the promise of a moderate guaranteed benefit at the end of their career.

This guarantee is predicated on the fact that employees contribute a steady amount toward their retirement, while employers contribute a variable amount that rises when investment returns are lower than our assumption (like now) or falls when investment returns are higher than our assumption (as they were, for example, in 1996 through 1999 and 2003 through 2007).

Today's IMRF employer rate increase is a part of this equation. It is not a bailout for a failed enterprise, but rather a part of the normal cost of government services. It reflects IMRF's fiscal responsibility and commitment to full funding — two values that seem to be in short supply and high demand in today's troubled times.

Sincerely,

Louis W. Kosiba
Executive Director
Illinois Municipal Retirement Fund