

# Reminder

A monthly guide about IMRF topics of interest.

## Route to:

- Authorized Agent
- Asst. to AA
- Personnel/HR
- Data Processing
- Payroll Dept.
- Accounting/Finance
- Other

## New “Accelerated Payment” law could impact employers

**Earnings increases of 6% or more could trigger an “Accelerated Payment”**

Public Act 97-0609, passed by the General Assembly in 2011, requires employers to make an immediate “accelerated payment” of the actuarial cost of a pension that results from salary increases exceeding the greater of 6% or 1.5 times the increase in the Consumer Price Index. **This is not a penalty but an early payment of the employer’s actuarial liability.**

For members retiring effective February 1, 2012, or later, each one-year period during the member’s Final Rate of Earnings period will be compared to the immediately preceding one-year period. If during any of these periods the member received IMRF-reportable earnings exceeding the limitations under PA 97-0609, an accelerated payment is required. IMRF will calculate the accelerated payment and invoice the employer. The invoice from IMRF must be paid within 90 days or interest will be charged at the rate of 7.5%. In any case, the accelerated payment and interest must be paid within three years.

**Note: The accelerated payment requirements only apply to wages paid for January 2012 or later.**

**Example** Tier I “Member A” receives a 10% increase from \$100,000 to \$110,000 during his last working year before retirement in 2015. For three consecutive years prior, he earned \$100,000 annually. IMRF calculates the actuarial cost of his pension to be \$521,949. IMRF then calculates the actuarial cost of his pension if his final raise was capped at 6%; that cost is \$516,857. The difference—\$5,092—is the accelerated payment the employer must pay immediately.

**Exemptions: Employers must seek them and provide documentation**

Public Act 97-0609 identified six exemptions from accelerated payment requirements:

- Earnings increases paid under contracts or collective bargaining agreements entered into, amended, or renewed prior to January 1, 2012
- Overtime earnings
- Increased earnings from increases in hours required to be worked
- Earnings increases due to standard employment promotion resulting from increased responsibility and workload
- Raises paid to members who are 10 years or more from retirement eligibility
- Raises paid under personnel policies adopted prior to January 1, 2012; and which are not applicable to employees hired on or after January 1, 2012

It is the responsibility of the employer to seek an accelerated payment exemption, and provide IMRF the required supporting documentation. More details about PA 97-0609 are in General Memorandum 620 and in a document answering Frequently Asked Questions at [www.imrf.org](http://www.imrf.org).



Employer Access, current forms, booklets, legislative information and more available at [www.imrf.org](http://www.imrf.org)

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Member Services Representatives: 1-800-ASK-IMRF (1-800-275-4673) Monday through Friday 7:30 a.m. to 5:30 p.m.