

# Fundamentals

Illinois Municipal Retirement Fund Employee Member Edition

## Are you a late bloomer when it comes to saving for your retirement?

Are you over 40 and finding your retirement coffers disturbingly empty? Your situation isn't uncommon. According to a survey by the Employee Benefit Research Institute, more than two-thirds of U.S. workers say they and their spouses have saved less than \$50,000 toward retirement. Half of workers age 55 and older haven't yet calculated how big a nest egg they'll need to retire comfortably, and more than a third aren't saving *any* money toward that goal.

How do you catch up when you haven't started saving for retirement yet? Don't throw up your hands and give up. It's **never** too late to start saving.

### Save all you can, as early as you can

While it's never too late to save, it's always better to start saving earlier than later. It won't be easy to catch up if you're in your 40s or 50s if you haven't been saving, but it can be done. You'll have to make sacrifices, reevaluate your lifestyle, and squeeze every penny you can to sock away for your future retirement. Remember: every dollar you save now is one more dollar in retirement.

Now that you have the sobering news, here's what you can do.

### IMRF is secure

Take comfort in knowing that you have IMRF on your side. Whether you planned for it or not, every month you work for an IMRF employer you've been building a future pension for yourself. And, once you're vested (have at least eight years of service credit) and retire, your IMRF pension is payable for the rest of your life—you can't "run out of money" with IMRF. And at the end of 2007, IMRF was 100% funded; you don't have to wonder whether your pension will be there when you're ready for retirement.

But the truth is, your IMRF pension probably won't be enough, even combined with Social Security. You'll have to start saving on your own if you want to remain independent and secure in retirement.

### Figure out what you have—and how much you'll need

You'll need to evaluate your current savings, your lifestyle, and your expectations in retirement. Search the web for a few retirement planning calculators, or visit with a financial planner. The results probably won't be pretty, but they may be just what you need to get you motivated to save.

### Start saving everything you can

Once you know your goals, it's time to put every cent you can spare into retirement savings. Before you look into other savings vehicles, you should contribute all you can to tax-deferred retirement savings plans, such

as your employer-sponsored 457 or 403(b) plan. Recent tax laws allow older workers to make catch-up contributions to an employer retirement plan.

How can you find that cash? Read on.

### Make a budget, and stick to it

Be serious about your budget. Look at the expenses you really need to focus on: retirement savings, mortgage and other debt, and other fixed expenses. Do you find that you're running out of room in your budget before you get to your "fun money?" You might have to learn to live without it. It sounds harsh, but your choices are either to sacrifice now for



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## Letters from the past provide hope for the future



Louis W. Kosiba  
IMRF Executive Director

Periodically, I clean out my paper files. This chore helps free up space, find misfiled memos and generally remind me of some of the important things I have worked on. In my latest Spring cleaning effort, I came across some old letters.

In 1996, there was a concerted effort to convert traditional defined benefit (DB) plans like IMRF to what was considered at the time to be more modern defined contribution (DC) plans. We were concerned our younger members would be swayed by the glamour of investing their own monies and want out of a DB plan because of the stock market returns. We knew our retirees had a good story to tell, so we asked them to write us and explain what IMRF has meant to them and their families. At the time, we received over 500 letters. Here's what they had to say:

### **Roberta: (DeMotte, Indiana)**

"After 17 years of being a homemaker, a pension plan was not even a consideration in my choice of job. At times when I was working, I resented the IMRF deduction. I believed my paycheck was small enough without it being dwindled down even more. However, IMRF has more than provided me with benefits in comparison to the mere "pittance" which was withdrawn from my checks!"

### **Mary: (Warrenville, Illinois)**

"The check I receive as a widow of a member every month makes the difference between being worried or concerned about paying my real estate taxes and knowing that concern is eliminated. We never know what the state of the economy will be when it comes time for retirement and it's a comfort to know that there is something we can count on when that time comes."

### **Shirley: (town unknown)**

"My husband worked full time, so my income was our second and I never gave my IMRF deduction much

thought. In 1990, we purchased a new home, so we had a mortgage. In 1994, my husband's middle management position was cut in the downsizing of his company, after 30 years of employment. In 1995, I had to retire also...I worked just 12 years under IMRF, but my monthly checks take care of our house payment. We thought we would have several years of full-time employment between having our kids financially independent and our retirement. We had not planned for our early retirement just two years after our nest was empty."

### **Clyde: (Rogers, Arkansas)**

"The small contributions I made to IMRF could not be thought of as anything but the finest investment I have ever made. I have had some good fortune with IRAs, but they do not compare with the (money) I paid into IMRF."

### **Donald: (Amboy, Illinois)**

"I could not have put aside enough to pay myself the amount of the pension I receive. It makes a nice supplement to Social Security and allows me to do things I otherwise couldn't."

### **Phyllis: (Kewanee, Illinois)**

"I worked under IMRF for 25 years, retiring at age 63. Less than a year later my husband died and, believe you me, as a widow, I was very glad to have my IMRF pension check to go with my Social Security..."

### **Bessie: (Princeton, Indiana)**

"Dear Friend: Yes that is what you really are, a very good friend. I have been very grateful that I worked where I could invest a small amount of my paycheck, but never really realized how wonderful to have an income when I retire..."

### **IMRF provides security today and tomorrow**

Since 1996, the technology bubble burst. We had a recession, another bubble (this time real estate) and another recession. The message from our retirees back then still rings loud and true. IMRF is a secure, professionally managed, well funded retirement plan that will be here when you need us. ❖

## Trustee elections: Upcoming 2008 election

This fall, IMRF employers will elect two Executive Trustees:

- One Executive Trustee for a five-year term of office. The term will run from January 1, 2009, through December 31, 2013.
- One Executive Trustee for a two-year partial term of office. The term will run from January 1, 2009, through December 31, 2010.

Members interested in running for Executive Trustee must decide whether they wish to run for the five-year or two-year term of office at the beginning of the nomination process. A candidate cannot submit nominating petitions for both terms of office.

### Who can be an Executive Trustee nominee?

A nominee for Executive Trustee must be a chief executive officer, chief finance officer, or other officer, executive, or

department head for an IMRF employer. The nominee must also participate in IMRF and have at least eight years of IMRF service credit as of December 31, 2008. At least three nominating petitions for Executive Trustee candidates must be signed either by Authorized Agents who have been given authority to sign a petition or by governing bodies of IMRF employers and then submitted to IMRF.

### More information

The election schedule, as well as nominating petitions and candidate biography forms for these upcoming elections will be available after June 30, 2008, on the IMRF website at [www.imrf.org](http://www.imrf.org), or you can call an IMRF Member Services Representative at 1-800-ASK-IMRF (1-800-275-4673) for more information. ❖

## Legislative Update: 95th General Assembly continues; pending IMRF legislation

The General Assembly Spring session began on January 9, 2008, and is scheduled to end on May 29, 2008.

### IMRF bills pass senate

At press time, several bills have passed the Senate and are now in the House of Representatives. These bills would modernize IMRF's benefit structure and have a positive impact not only for IMRF members but also for their employers.

- Reduce the vesting requirement for an IMRF pension from eight years to five (SB 1960)
- Pay 3.75% interest on separation refunds (SB 1958)
- Stabilize the 13th Payment at 75% of the monthly pension payable in June (SB 1959)
- Give the IMRF Annuitant Trustee the right to vote (SB 1957)

### Show your support

While the current session is scheduled to end on May 29, 2008, the legislature may still be in session when you receive this newsletter. You can check the status of the General Assembly and this legislation on the IMRF website at [www.imrf.org](http://www.imrf.org).

If the General Assembly is still in session, and you are interested in helping get this legislation passed, please write your Illinois State Representative and urge him or her to support these bills.

To find your legislators, visit the Illinois General Assembly website at [www.ilga.gov](http://www.ilga.gov) and click the link called "Legislator Lookup." You will be prompted to enter your street address and zip code to be provided with a listing of your legislators' names and mailing addresses.

### Get updates on IMRF legislation

To see updates anytime on legislation that could affect your IMRF benefits, visit the Legislative area of [www.imrf.org](http://www.imrf.org) and click on "Pending Legislation." ❖

## IMRF Special Needs Annuity gives you options

Are you thinking ahead to retirement and wishing you could provide greater retirement security to your spouse or to another special person in your life? IMRF's Special Needs Annuity may provide the answer. By choosing a smaller pension when you retire, you can provide a monthly survivor pension separate from the IMRF surviving spouse pension and the \$3,000 lump sum death benefit.

This estate planning tool allows you to choose to receive a smaller IMRF pension so that upon your death you can provide:

- Your spouse with a pension in addition to the IMRF surviving spouse pension, or
- Some other individual with a monthly pension. This could be your current spouse if he or she is not eligible for an IMRF surviving spouse pension, or a child, an ex-spouse, or any other person.

### How does a Special Needs Annuity work?

When you retire, an estimated "total pension payout" for your monthly pension is calculated. That is, the total amount of all pension payments you can expect to receive. Under the Special Needs option, you choose to have your IMRF pension payments "revert" (become payable) to someone else upon your death.

However, the "total pension payout" to you and to the individual you name (your "Special Needs Beneficiary") cannot be greater than the total pension payout if you did not choose this option. Therefore, the younger the age of the individual you name, the greater the reduction in your monthly pension. For example, if you name a child, the child could potentially receive benefit payments for 40, 50, or even 60 years or longer. Therefore, the reduction in your pension would be greater than if you were to name an individual who is closer in age to you who would receive a benefit for a shorter time.

### Who is eligible to receive a benefit?

You can name any person to receive this benefit—he or she does not need to be a relative or spouse. However,

you can name only one individual to receive a Special Needs Annuity. You cannot name a trust or institution.

### How do you set up a Special Needs Annuity?

When you retire, you can choose a Special Needs Annuity by submitting IMRF Form 5.20R, "Special Needs Annuity Application." You will then receive an "option letter" that will provide the amounts payable under the various options. After receiving the option letter, you:

- Select the Special Needs option you want, or
- Do nothing, cancelling your decision to elect a Special Needs Annuity option

*Submitting IMRF Form 5.20R does not obligate you to elect a Special Needs Annuity.*

The Special Needs Annuity is not for everyone, and **once the agreement is in place it is irrevocable.**

- Once you choose to receive a reduced pension, you cannot make any changes to the Special Needs agreement.
- You cannot change the individual who will receive the Special Needs pension, or the amount of the reduced pension you will receive.
- If the Special Needs Beneficiary you name dies before you, the pension that would have been paid to him or her is no longer payable. Your pension will not be adjusted.

**Once you agree to reduce your pension, the reduction is permanent.**

If you think someone you love may benefit from a Special Needs Annuity, you can read more by visiting the "Member Publications" area of the IMRF website and downloading the Special Needs Annuity brochure. Or, you can call and talk to an IMRF Member Services Representative at 1-800-ASK-IMRF (1-800-275-4673). ❖

# Q

I worked for 10 years in a position covered by Teachers' Retirement Fund (TRS) and now I work in an IMRF position. I saw on my member statement that I have reciprocal service. Do I need to transfer my TRS service to IMRF? Can you tell me how a reciprocal pension works?

# A

Under the Illinois Reciprocal Act, you can combine service credit between public retirement systems in Illinois. Service credit earned under any one of the reciprocal systems remains on file with the original system—you do not “transfer” any service, although each system exchanges information about your service credit and earnings.

When you're ready to retire, your pension systems review your service credit and earnings histories with all of the systems and apply their specific plan rules, using your highest average earnings and combined service credit when they calculate your pension. You then receive a pension benefit from each of the systems you retire under, based on this combined information.

When you are within 18 months of retirement, request a reciprocal pension estimate by contacting the last system you participated with and be sure to ask for a reciprocal pension estimate. The systems will exchange current information and provide you with an estimate of each reciprocal pension benefit. Be aware that this is a manual process for many systems and can take longer than a pension estimate from a single system. Applying for a reciprocal pension may also take longer than applying for a pension with a single system for the same reasons. This is because your reciprocal systems must exchange information and then compute your pension based on the combined data.

### Some important things to remember:

- To qualify for retirement under the Reciprocal Act, you must have at least a year of service with any reciprocal system. So, if you only have 11 months of service credit with IMRF, you would not be able to use that service credit for a reciprocal pension. The exception to this is if you worked under IMRF as a

paraeducator, and then went immediately into service under TRS.

- If you have taken a refund from any of the systems, you may wish to get a cost estimate to repay your refund. Generally, your application to repay your refund must be on file before you stop participating in IMRF or your reciprocal system. Rules about payments for service after participation has ended vary between systems, but it's a good idea to make sure any purchase of service credit is complete before you stop participating in a reciprocal system.
- When a member retires, IMRF generally pays an “estimated” pension until we receive his or her final wage information. However, if you retire with IMRF and a reciprocal system, IMRF cannot pay an estimated pension. We must wait for your reciprocal system(s) to forward us your final wage and service data. However, if you have at least eight years of IMRF service credit (are fully vested in IMRF without adding your reciprocal service) we will pay you an estimated pension based upon your IMRF credit only. Then, when IMRF receives your final wage and service information from your reciprocal system(s), we calculate your final pension amount.

For more information about reciprocal pensions, as well as a list of the Illinois Reciprocal Systems, visit the IMRF *Online* at [www.imrf.org](http://www.imrf.org) to see a copy of “IMRF and the Reciprocal Act,” or call an IMRF Member Services Representative to request a paper copy. To request a pension estimate from IMRF, call an IMRF Member Services Representative at 1-800-ASK-IMRF (1-800-275-4673), Monday through Friday, 7:30 a.m. to 5:30 p.m. ❖

# RETIREMENT WORKSHOPS

## Find out more about your IMRF retirement benefits

IMRF's Field Service Representatives conduct "Planning for Your Future" workshops throughout Illinois. There is no charge for IMRF members and spouses to attend the workshops, although registration is required.

Start times are listed with each workshop below.  
*Regular* IMRF workshops are scheduled for 2-1/2 hours.  
*Expanded* IMRF workshops are scheduled for 3-1/2 hours.

—Indicates Expanded IMRF workshop, which includes a Social Security speaker in addition to IMRF information

**Register online at [www.imrf.org](http://www.imrf.org)**

Thur., June 12, 1:00 p.m. Harrisburg 	Tue., June 24, 10:30 a.m. Dwight	Sat., July 26, 9:00 a.m. Normal 	Thur., Sept. 4, 1:00 p.m. Danville 
<b>Closed</b> Thur., June 12, 1:00 p.m. S. Jacksonville 	Tue., July 1, 6:00 p.m. Flora	Tue., Aug. 5, 9:00 a.m. Moline 	Fri., Sept. 5, 9:30 a.m. Oak Brook
Thur., June 12, 6:00 p.m. Mt. Prospect	Thur., July 10, 9:00 a.m. Peoria 	Thur., Aug. 7, 9:00 a.m. Galesburg 	Tue., Sept. 9, 6:00 p.m. Morris
<b>Closed</b> Fri., June 13, 9:00 a.m. Oak Brook 	Tue., July 15, 9:00 a.m. Woodstock	Tue., Aug. 12, 1:00 p.m. Olney 	Thur., Sept. 11, 9:00 a.m. Lincoln
Tue., June 17, 6:00 p.m. Collinsville	Tue., July 22, 9:00 a.m. Rockford	Tue., Aug. 12, 9:00 a.m. Crystal Lake	Thur., Sept. 11, 9:00 a.m. Mundelein 
Tue., June 17, 9:00 a.m. Freeport	Tue., July 22, 9:00 a.m. Crestwood 	Wed., Aug. 13, 9:00 a.m. Urbana	Sat., Sept. 13, 9:00 a.m. Rockford
Tue., June 17, 9:00 a.m. Tinley Park 	Thur., July 24, 9:00 a.m. Rock Falls	Thur., Aug. 14, 1:00 p.m. Macomb	Sat., Sept. 13, 9:00 a.m. Joliet
Tue., June 17, 6:00 p.m. Bloomington	Thur., July 24, 1:00 p.m. Waterloo 	Tue., Aug. 19, 9:00 a.m. Gurnee	Wed., Sept. 17, 1:00 p.m. Mt. Prospect
Wed., June 18, 9:00 a.m. Quincy	Thur., July 24, 9:30 a.m. Naperville 	Sat., Aug. 23, 9:00 a.m. Fairview Heights	
Wed., June 18, 9:00 a.m. Centralia 	Thur., July 24, 9:00 a.m. Des Plaines 	Tue., Aug. 26, 9:00 a.m. Effingham	

**You can register online at [www.imrf.org](http://www.imrf.org),  
or call Donna Cesario, Field Services Meeting Planner, at 630-706-4536**

*Looking for another date or location? Below are the locations of the remaining 2008 "Planning for Your Future" workshops. Registration and details are available at [www.imrf.org](http://www.imrf.org) under "Member Workshops"*

### **September**

Hoffman Estates  
Wheaton  
Oak Lawn  
Libertyville  
Naperville  
Caseyville  
Crestwood

### **October**

Oak Brook  
Dundee  
Oswego  
Geneseo  
Mt. Vernon  
Edwardsville  
Decatur

### **November**

Peoria

# Attended a workshop and still have questions? Learn more at a Personal Benefit Review

**Personal benefit reviews are:**

- Brief, 15-minute one-on-one meetings with an IMRF Field Representative
- Perfect for members who have already attended a *Planning for Your Future* workshop and who still have account-specific questions or issues

**Personal benefit reviews are NOT:**

- Designed to answer general IMRF questions
- Designed to replace a pension estimate. If you would like only an estimate, you can obtain one by calling 1-800-ASK-IMRF (1-800-275-4673).

**Think a Personal Benefit Review is for you?**

You can schedule a Personal Benefit Review session online or by calling Donna Cesario, IMRF's Meeting Planner, at 630-706-4536. To register online, visit [www.imrf.org](http://www.imrf.org) and look for the "Member Workshops" link.

Once you schedule a session, make sure you request a pension estimate before your session so you are able to bring it to your meeting. You can also request an estimate online through your Member Access account at [www.imrf.org](http://www.imrf.org), or by calling 1-800-ASK-IMRF (1-800-275-4673). ❖

**Please note: The time ranges listed below indicate the time the Field Representative will be available to schedule appointments in 15-minute increments. Please be on time for your scheduled session.**

Wed., June 18, 1-5 p.m. Quincy	Wed., July 16, 11 a.m.-5 p.m. Carbondale	Tue., Aug. 12, 9 a.m.-2 p.m. Palos Hills	Wed., Sept. 17, 11 a.m.-5 p.m. Fairview Heights
Tue., June 24, 9 a.m.-2 p.m. Urbana	Tue., July 22, 11 a.m.-5 p.m. Plano	Thur., Aug. 14, 1-5 p.m. Rockford	Wed., Sept. 17, 1-5 p.m. Glen Ellyn
Thur., June 26, 1-5 p.m. South Jacksonville	Tue., July 22, 2-7 p.m. Elk Grove Village	Mon., Aug. 18, 3-7 p.m. Galesburg	Tue., Sept. 23, 1-5 p.m. Rock Falls
Wed., July 9, 1-5 p.m. Moline	Thur., July 24, 9 a.m.-3 p.m. East Peoria	Tue., Aug. 19, 11 a.m.-5 p.m. Harrisburg	Tue., Sept. 23, 2-7 p.m. Olney
Thur., July 10, 2-7 p.m. Collinsville	Tue., July 29, 11 a.m.-5 p.m. Waukegan	Tue., Aug. 26, 11 a.m.-5 p.m. Downers Grove	Wed., Sept. 24, 9 a.m.-3 p.m. Alton
Tue., July 15, 11 a.m.-5 p.m. Wheaton	Tue., Aug. 5, 3-8 p.m. Lemont	Thur., Aug. 28, 11 a.m.-5 p.m. Dwight	Thur., Sept. 25, 11 a.m.-5 p.m. Hoffman Estates
Tue., July 15, 9 a.m.-2 p.m. Tinley Park	Wed., Aug. 6, 11 a.m.-5 p.m. Waterloo	Thur., Sept. 11, 1-5 p.m. Moline	Tue., Sept. 30, 9:30 a.m.-2:30 p.m. Lincoln
Tue., July 15, 11 a.m.-5 p.m. Glenview	Thur., Aug. 7, 1-5 p.m. Freeport	Thur., Sept. 11, 2-7 p.m. Effingham	Tue., Sept. 30, 1-5 p.m. Bloomington

Additional Personal Benefit Review session dates and locations can be found on the IMRF *Online* website. If you'd like to register for a Personal Benefit Review but you don't see a date or location convenient to you, check online at [www.imrf.org](http://www.imrf.org) and visit "Member Workshops" for a full listing of sessions.

