Agenda

- Introduction
- Financial update
- General rate-making principles
- Annual documentation
- Looking ahead

Brian Collins
Four trustee positions are up for election in 2020, including one position elected by employers. If you want to run for Trustee, the candidate packet will be available on June 30, 2020, on www.IMRF.org.

**4 ELECTED BY EMPLOYERS**

- **Sue Stanish**
  Director of Finance
  Naperville Park District

- **Tom Kuehne**
  Finance Director/Treasurer
  Village of Arlington Heights

- **David Miller**
  Executive Director
  North Shore Water Reclamation District

- **Gwen Henry**
  Treasurer
  DuPage County

**1 ELECTED BY RETIRED MEMBERS**

- **William Stafford**
  Chief Financial Officer (Formerly)
  Evanston Township
  High School District 202

**3 ELECTED BY MEMBERS**

- **Trudy Williams**
  Administrative Assistant
  Fulton County State’s Attorney’s Office

- **Natalie Copper**
  School-age Child Care Site-coordinator
  Dawes School in Evanston

- **Alex Wallace, Jr.**
  Bus Driver
  Oswego Community Unit School District 308

**Leadership Roles**

- **P** President
- **V** Vice President
- **S** Secretary

Locally funded, financially sound.
COVID-19 and IMRF

IMRF is secure, agile, and proactive.

IMRF wants all stakeholders to know the organization is making changes that prioritize the health and safety of its members, employers, and staff, in response to the COVID-19 coronavirus pandemic.

At the same time, all stakeholders should have confidence IMRF will continue to deliver all its most critical business processes, including delivering promised benefit payments, processing new applications and enrollments, and managing the new contributions and existing investments entrusted to the pension fund.
Actuarial funded status

2019

91.0% FUNDED

Locally funded, financially sound.
2019 financial results

$7.4
BILLION IN ASSET GAIN

$45.4
BILLION IN ASSETS

19.77%
GROSS RATE OF RETURN

All figures are as of 12/31/2019.
Investment returns: strong but volatile

Financial update

*Estimated
IMRF’s investment portfolio compared to major markets 12/31/2019 through 3/31/2020

-13.40%  
-19.60%*  
-22.74%*  
-14.18%*  

*Source: Wilshire Associates
Assumed rate of return for all NASRA funds

NASRA
National Association of State Retirement Administrators

Distribution of Nominal Investment Return Assumptions, FY 01 to present

IMRF’s PRIOR ASSUMED RATE OF RETURN
7.50%

IMRF’s CURRENT ASSUMED RATE OF RETURN
7.25%

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Investment returns of NASRA Public Pensions

Nationwide Median Investment Returns Years Ended 12/31/2019
IMRF’s total fund market value from 12/31/2018 through 12/31/2019

- **12/31/2018**: $38.8 Billion
- **Q1 2019**: $41.7 Billion
- **Q2 2019**: $42.7 Billion
- **Q3 2019**: $42.6 Billion
- **12/31/2019**: $45.4 Billion
- **Q1 2020**: $38.5 Billion
- **12/31/2020**: ? Billion

 locally funded, financially sound.
General rate-making principles

- Reserve accounts
- How your rates are calculated
- Actuarial assumption

Mark Nannini
2020 Pension Dollar

The IMRF Pension Dollar
Pensions are a shared responsibility.
Every dollar paid to IMRF retirees comes from three sources:

- 65¢ IMRF Investment Earnings
- 24¢ IMRF Employers
- 11¢ IMRF Members

Locally funded, financially sound.
Reserve accounts and funded status

Employer Reserve serves as a “Balancing Account.”

Member Reserve and Annuitant Reserve accounts must be kept at 100% funded status. IMRF credits these accounts 7.25% yearly.
Reserve account credits in 2019

- Employer Reserve: $5.12 Billion
- Member Reserve: $0.51 Billion
- Annuitant Reserve: $1.77 Billion
As an agent multiple employer plan, each employer has a separate reserve account

**Each Employer Has Its Own Reserve Account**

Your employer pays for the retirement benefits of only its employees.

**How your employer reserve account works.**
- Credited with contributions made by your employer.
- Credited investment gain or loss made on contributions.
- Debited retirement costs of your employees.

Your employer’s finances have no relationship to the pension assets and liabilities of IMRF’s other 3,025 employers.
If an employer is less than 100% funded on an actuarial basis

**Taxing Bodies**
- 22-year closed amortization period to achieve 100% funded status.

**Instrumentalities**
- 10-year reopening amortization period to achieve 100% funded status.
  - Recalculated every year (unlimited time to achieve 100% funded status)
Methodology for distributing costs

BEGIN WORK

"Entry Age Normal"

Pension cost is distributed over 37 Years.

AT AGE 25

RETIRES

AT AGE 62

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Impacts from investment results are smoothed over a five-year period

- Only 1/5th of investment gain/loss is recognized annually
- 2 year lag before investment results impact employer rates
Each part is calculated separately and used for specific purposes designated by state law.

- Normal Retirement Contributions
- Disability Benefit Contributions
- Death Benefit Contributions
- Supplemental Retirement Contributions (“13th” Payment)
- Unfunded Liability Contributions
How is your employer’s rate calculated?

1. IMRF provides demographic and financial data as of year-end to IMRF’s actuaries.

2. Actuaries apply assumptions to the demographic and financial data.

3. The actuaries then produce an actuarial valuation for IMRF.

4. Actuaries rely on the valuation to set contribution rates for each employer.
Actuarial assumptions

Used to calculate how much money needs to be set aside to fund future benefits.

IMRF Board sets assumptions
- Economic and Demographic
- Updated every three years
Assumptions defined

Demographic Assumptions
- Active members that quit (withdrawal rates)
- Disability for active members
- Retirement for active members
- Merit and longevity pay for active members
- Mortality for active members, retirees, and their beneficiaries

Economic Assumptions
- Price inflation = 2.5%
- Wage inflation = 3.25%
- Payroll growth = 2.5%
- Investment return assumption = 7.25%

Non-economic Assumptions
- Mortality rates
  - Before retirement
  - After retirement
- Disability rates
- Rates of retirement
- Rates of separation from employment (Refunds)
- Marriage probabilities of active members
Actual experience compared to actuarial assumptions

What happens when IMRF’s actual experience does not align with its economic and demographic actuarial assumptions?

Any variance between our assumptions and our actual experience impacts your contribution rates.
Variance in assumptions

Some variances are out of your control as an employer.

*Example*
IMRF assumes a certain percentage of your workforce will file for disability at some point.

If in reality, a greater percentage of your workforce files for disability over time, this will increase your employer contribution rate in future years.

Some variances are in your control as an employer.

*Example*
IMRF assumes that your workforce’s wages will grow by 3.25% annually.

If your workforce’s wages grow by 5% annually, this will increase your employer contribution rate in future years.
Annual documentation

There are two main purposes for our documentation

- Projects your future costs
  - Employer Reserve Statement
  - Rate Notices
- Financial reporting
  - GASB Statements & Reporting
  - SOC-1 Type 2 Report
Employer Reserve Statement

This statement shows your employer’s funds on deposit as of January 1

- Credits
- Debits
- Adjustments

Projects your future costs

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Projects your future costs

These statements show your employer’s rate for the year.

- “Preliminary Rate Notice” from April
- “Final Rate Notice” out in November
GASB 50 disclosure statement

This statement shows your funded status

- Does not include retirees
- Shows status broken out by plan

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GASB 68 disclosure statement

This statement also shows funded status.

- Used by employers who do GAAP reporting
- This funded status includes retirees
- Will be HIGHER for more employers
GASB 68 reporting

This statement shows Fiduciary Net Position by employer

- Available in May
- Needed by employers who GAAP report
SOC-1 type 2 report

This statement verifies IMRF’s strict internal controls

- Available in March
- Relieves your auditors from having to test IMRF data
Looking ahead

- IMRF’s financial progress since 1980
- Employer rate trend
- Growth in Tier 2 membership
- New technology at IMRF

Brian Collins
Growth of $1 since 1980

Value of $1 Invested on September 30, 1980

- MSCI All Country World Index: $33.49
- IMRF: $39.57
- Bloomberg Barclays U.S. Aggregate Index: $17.85

Looking ahead
Regular Plan employer contribution rates

Looking ahead
Number of active Regular Plan members

Looking ahead
Technology modernization project

- IMRF is modernizing the technologies and processes it uses to administer the pension system.
- The project will improve the way employers and members interact with IMRF.
- More transactions will go online, enabling faster and more modern communication.
- IMRF will share information as the project progresses.

To support this initiative, encourage your members to create Member Access accounts!
Many resources now available online

A great tool for employees!

- Pension calculations
- Wage & service information
- Personal Benefit Review registration
- Change beneficiary
- Retirement & disability applications
- Address updates
A recording of this webinar will be available on IMRF.org

Do you know someone who did not attend today but would benefit from this information?

You can share the recording with them!

www.imrf.org
Thank you for joining us.

Brian Collins
bcollins@imrf.org
630-368-5355

Mark Nannini
mnannini@imrf.org
630-368-5345

www.imrf.org