



2020 EMPLOYER RATE WEBINARS

PRESENTED BY

Brian Collins
Executive Director

and

Mark Nannini
Chief Financial Officer



Malcolm Baldrige
National Quality Award
2019 Award Recipient



Agenda

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

Brian Collins



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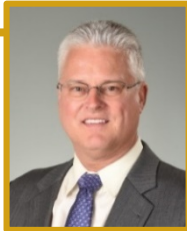


Our Board of Trustees

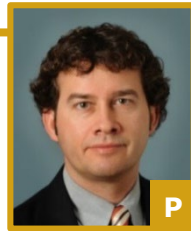
4 ELECTED BY EMPLOYERS



Sue Stanish
Director of
Finance
Naperville Park
District



Tom Kuehne
Finance
Director/Treasurer
Village of Arlington
Heights

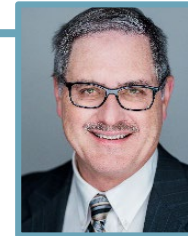


David Miller
Executive
Director
North Shore Water
Reclamation District



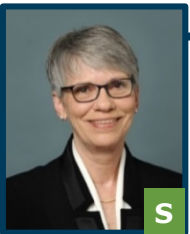
Gwen Henry
Treasurer
DuPage County

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

P *President*

V *Vice President*

S *Secretary*

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



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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.



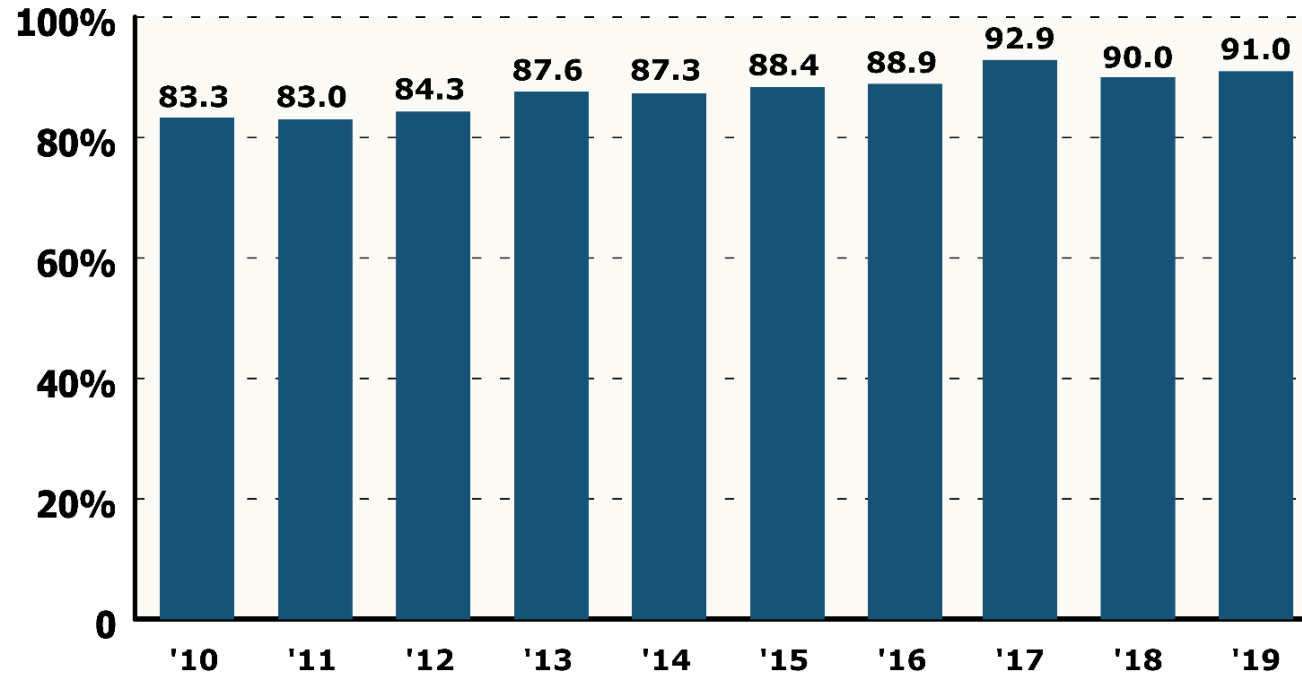
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Actuarial funded status



2019



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2019 Award Recipient



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.



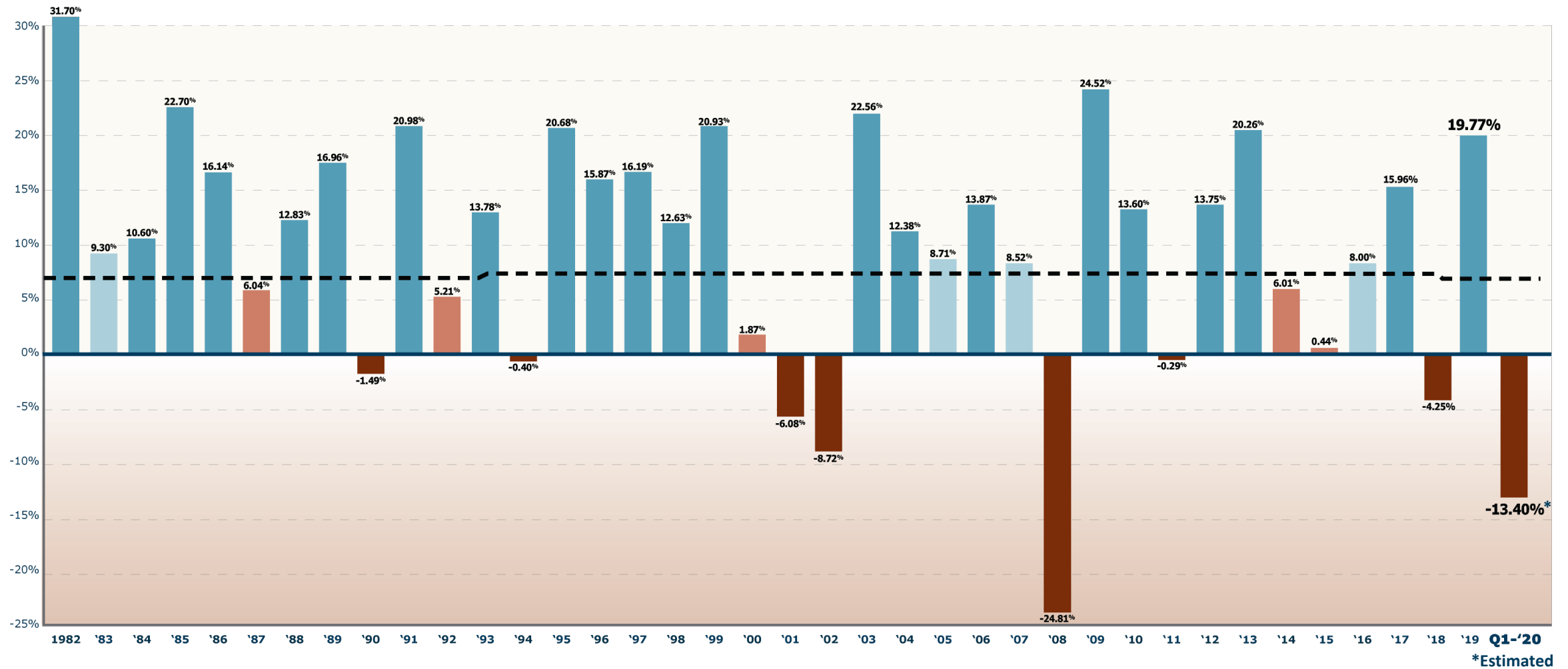
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Investment returns: strong but volatile



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IMRF's investment portfolio compared to major markets 12/31/2019 through 3/31/2020



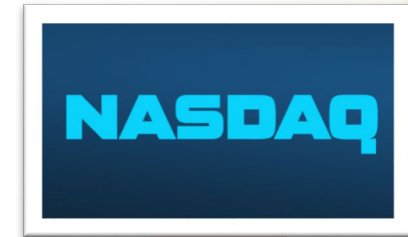
-13.40%



-19.60%*



-22.74%*



-14.18%*

*Source:
Wilshire Associates



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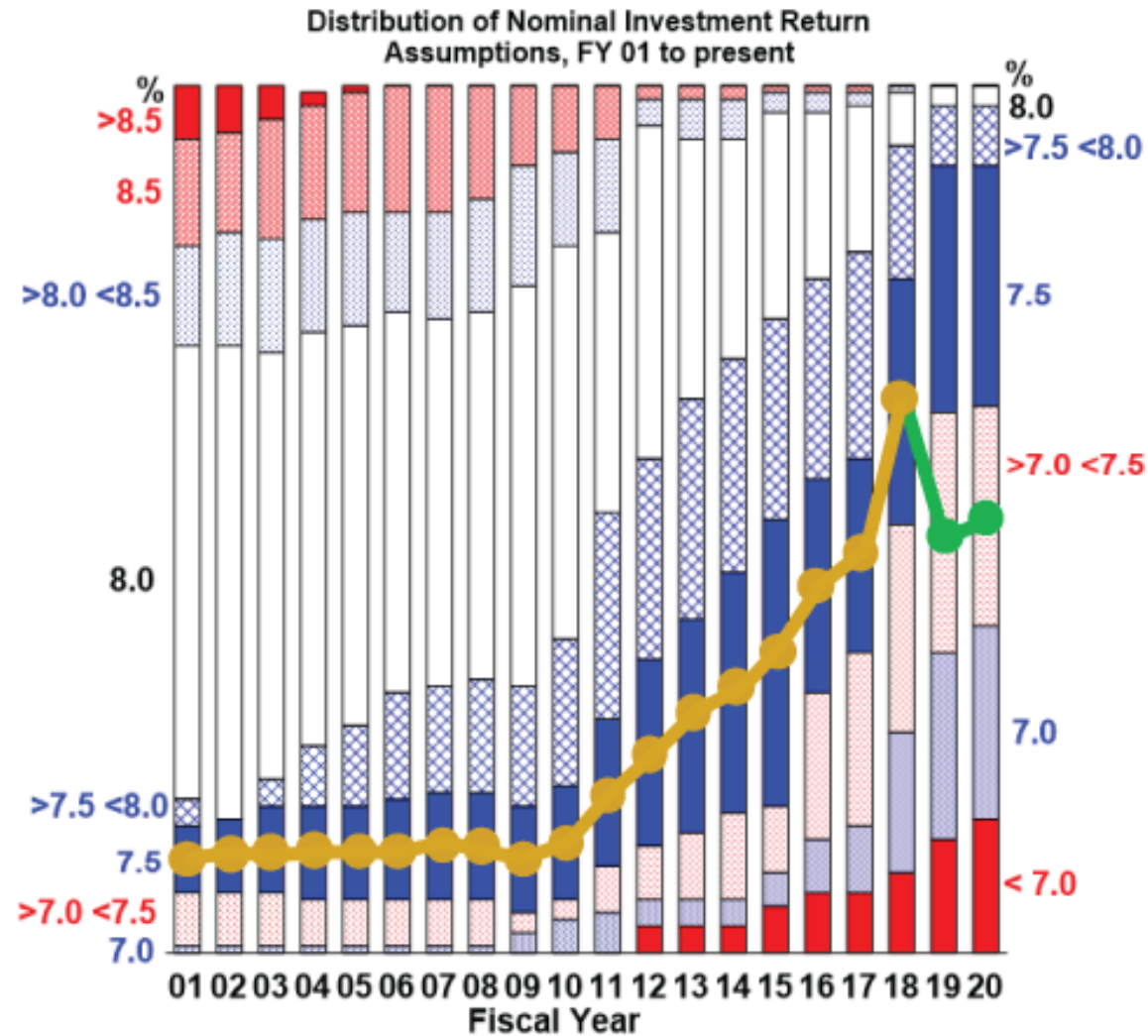
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Assumed rate of return for all NASRA funds

NASRA

National Association
of State Retirement
Administrators



NASRA Apr-20

7.50%

IMRF's PRIOR
ASSUMED RATE OF
RETURN

7.25%

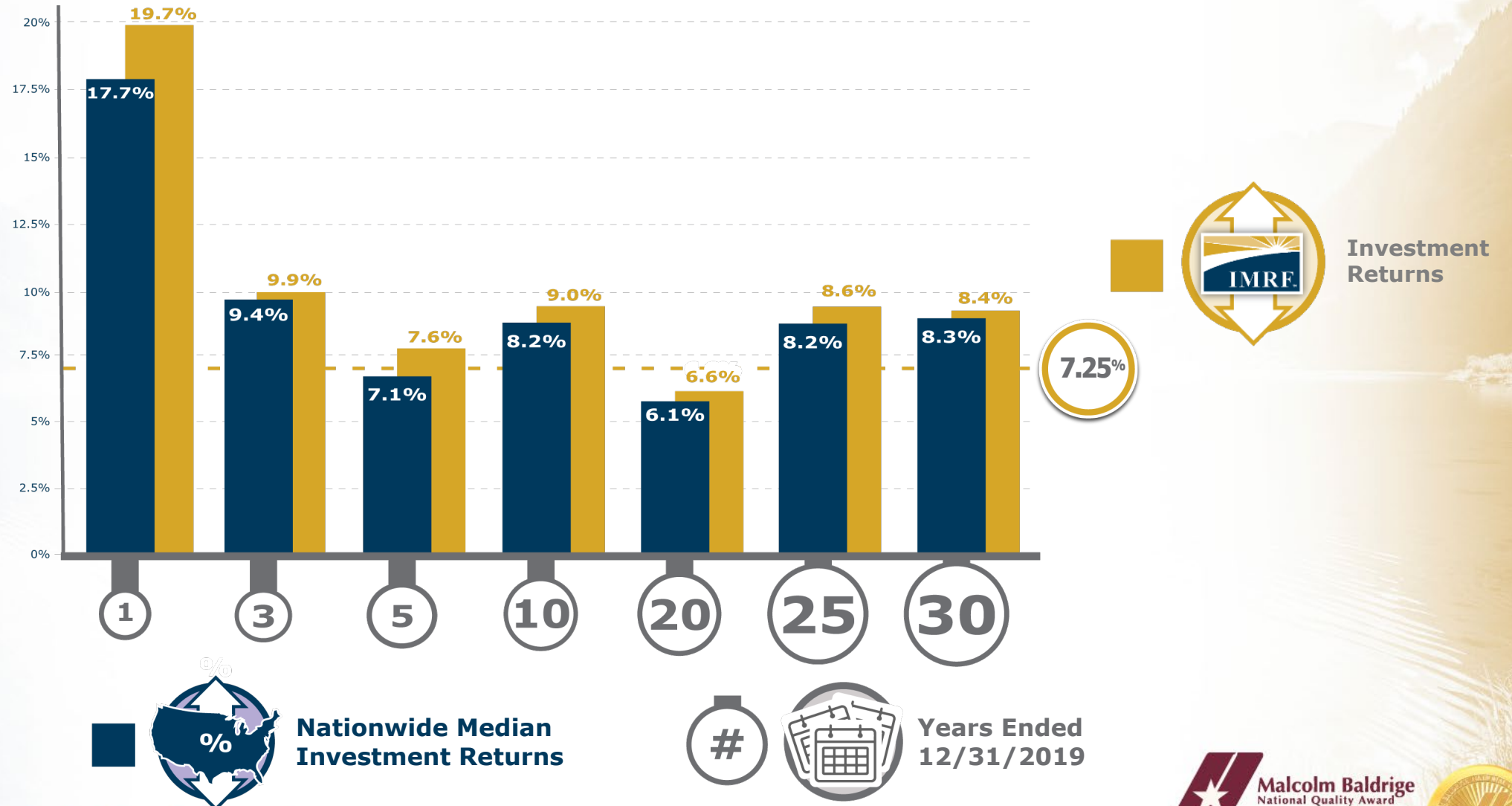
IMRF's CURRENT
ASSUMED RATE OF
RETURN



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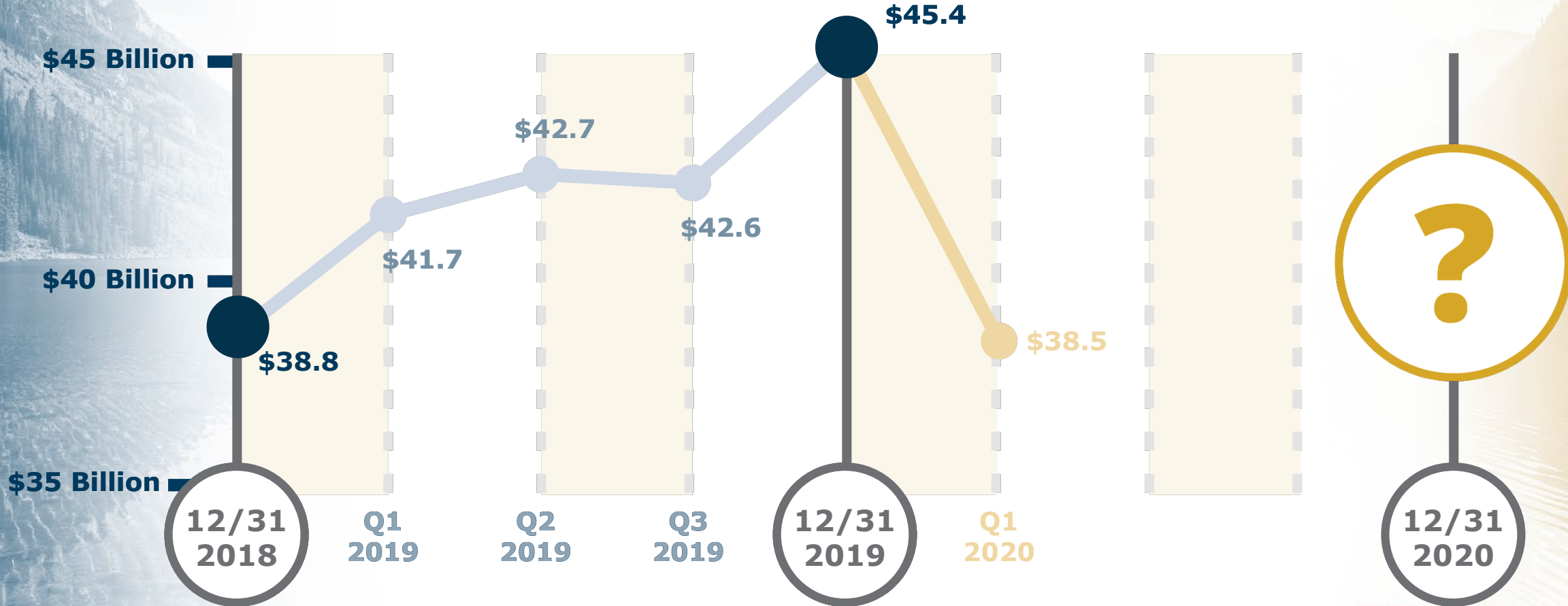
Investment returns of NASRA Public Pensions



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IMRF's total fund market value from 12/31/2018 through 12/31/2019



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General rate-making principles

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

Mark Nannini



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2020 Pension Dollar

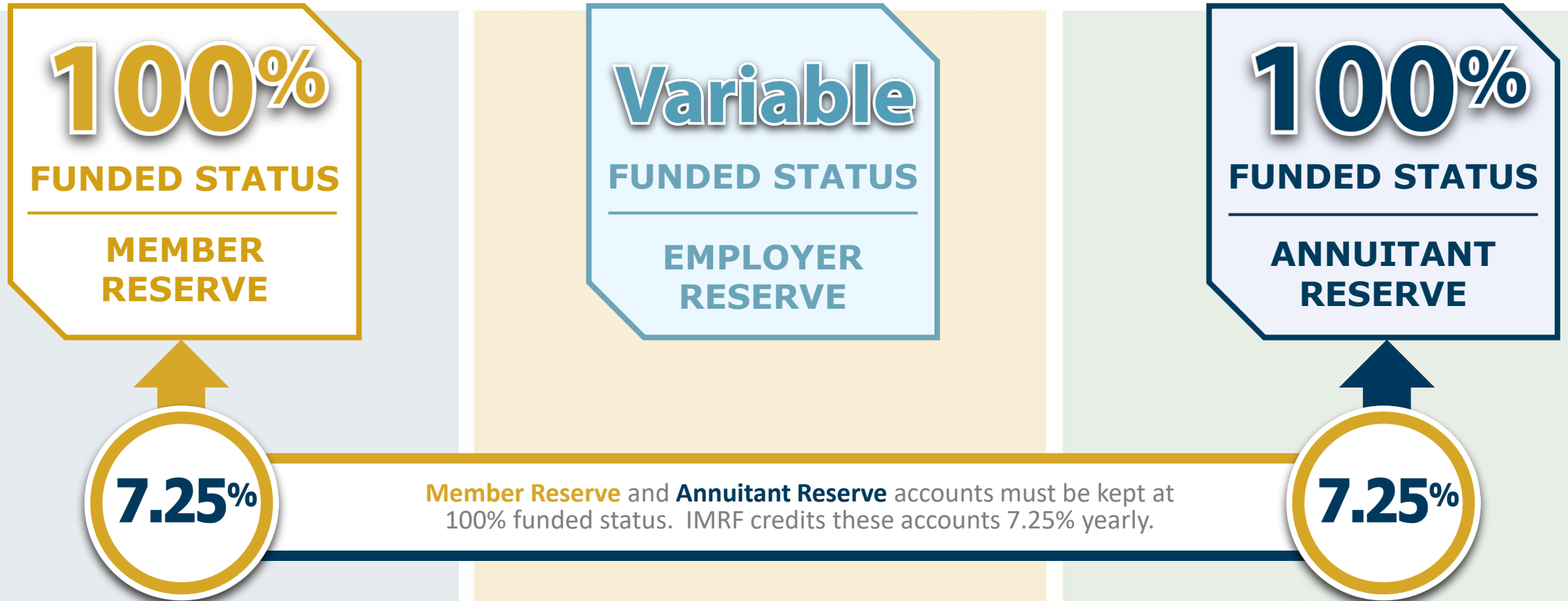


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Reserve accounts and funded status

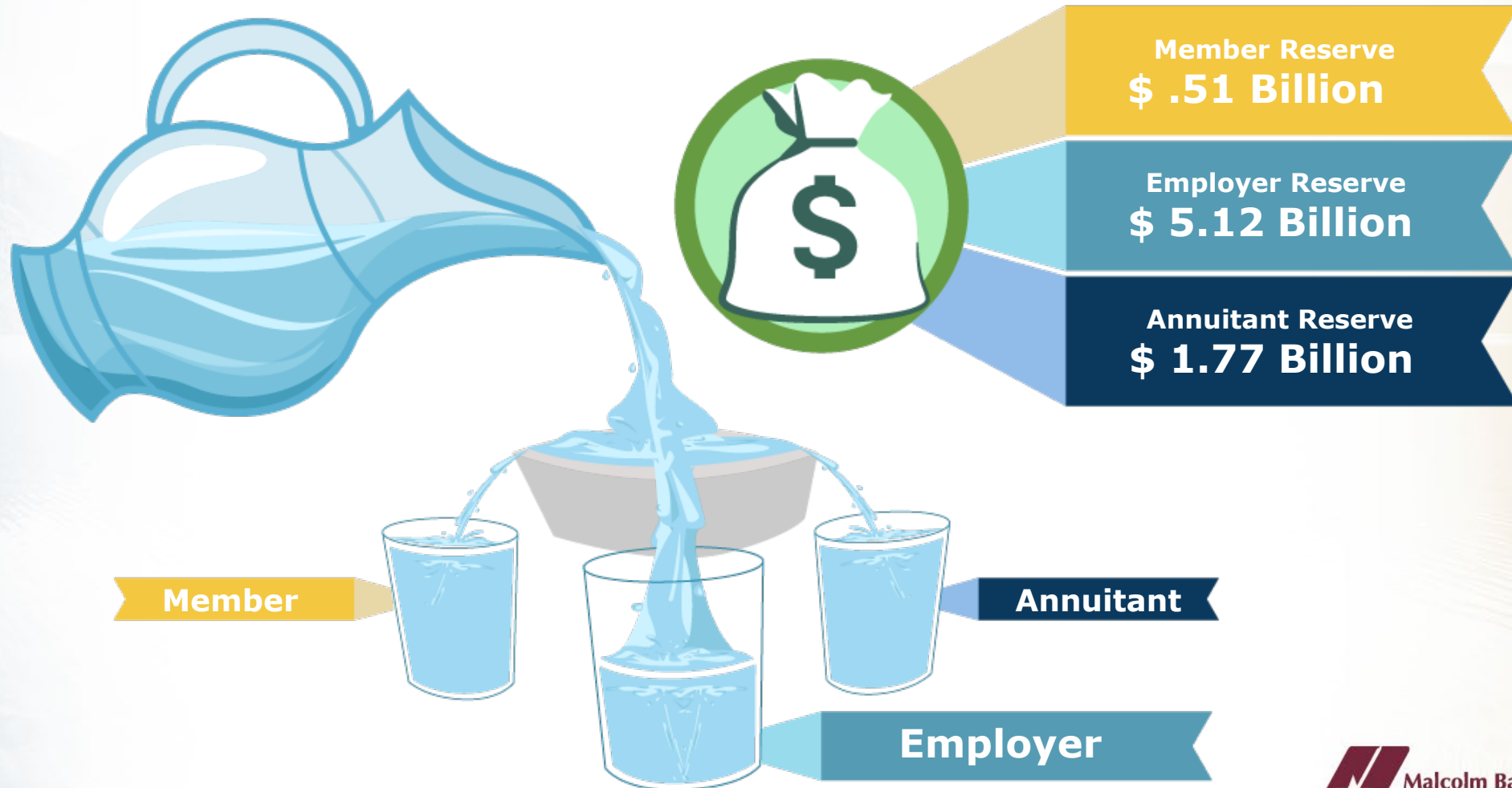
Employer Reserve serves as a “Balancing Account.”



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Reserve account credits in 2019



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.



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If an employer is less than 100% funded on an actuarial basis



Taxing Bodies

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



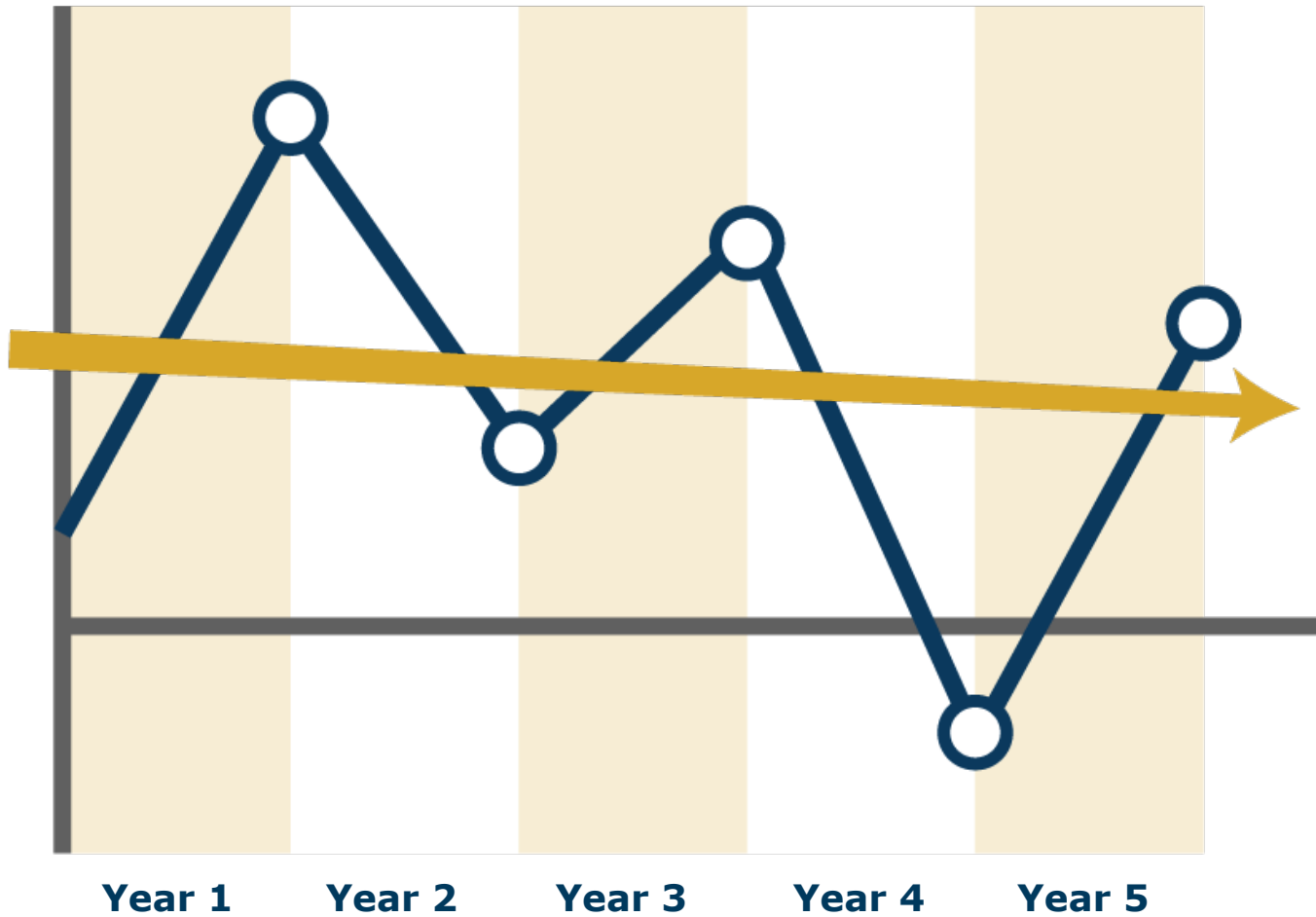
Instrumentalities

- 10-year reopening amortization period to achieve 100% funded status.
 - Recalculated every year (unlimited time to achieve 100% funded status)

Methodology for distributing costs



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



This line represents the impact of IMRF's investment results on employer contributions

- Only 1/5th of investment gain/loss is recognized annually
- 2 year lag before investment results impact employer rates



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5 parts of the employer rate

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



**13TH
PAYMENT**



**UNFUNDED
LIABILITY**



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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.



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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



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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



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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.



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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.



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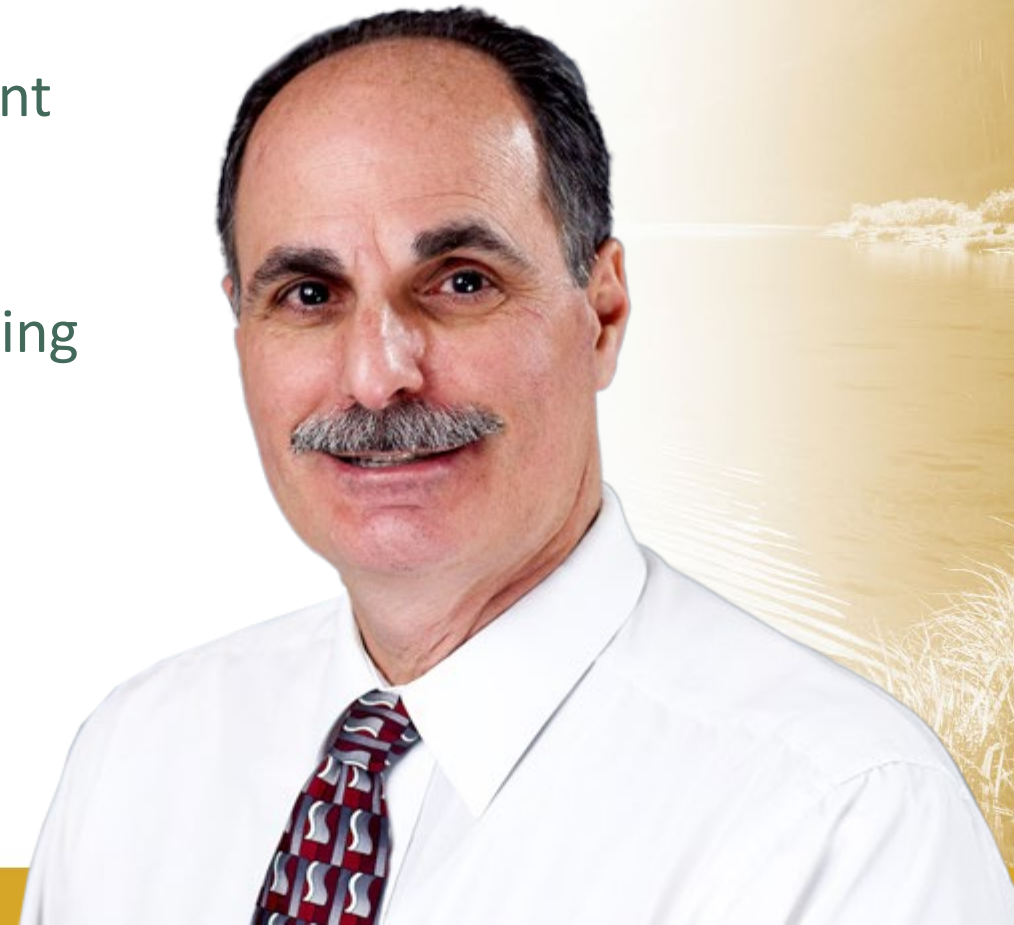
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Annual documentation


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



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Employer Reserve Statement



2211 York Road, Suite 500 Oak Brook, IL 60523-2337 1-800-ASK-IMRF (275-4673)
www.imrf.org

PAGE: 1

2019 EMPLOYER RETIREMENT RESERVE STATEMENT
REGULAR RESERVE ACCOUNT

EMPLOYER NBR: 00000
PHONE NUMBER: 000-111-2222

VILLAGE OF ANYWHERE
EMILY EMPLOYER, TREASURER
123 ANY STREET
ANYWHERE, IL 12345

PHONE NUMBER: 618-288-8006

FIELD REP.....: MANDY BEEDIE

	6.810	DISABILITY	
NORMAL COST	5.140	DEATH	.140
FUNDING ADJ OVR/UND	11.950	SUPPLEMENTAL PENSION	.160
			.620
RETIREMENT			
OPENING BALANCE, JANUARY 1, 2018			13,510,319.35
INTEREST ON OPENING BALANCE - RATE: 7.500%			1,013,273.95
EMPLOYER RETIREMENT CONTRIBUTIONS (11.950% X 17,017,954.97)			2,033,645.49
RESIDUAL INVESTMENT LOSS CHARGE			321,325.18
CHARGE/CREDIT MISC MBR ADJ			207.71
CORRECTION OF ER CONTRIBUTIONS			3,724.94
CREDIT ER FOR RET RESERVE CONT			2,825,053.56



**Projects your
future costs**

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

- Credits
- Debits
- Adjustments



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Preliminary & Final Rate Notices



IMRF Preliminary Notice of Illinois Municipal Retirement Fund Contribution Rate for Calendar Year 2021

Date April 2020 Employer No. 00000

Employer name

The IMRF Board of Trustees adopted an optional phase-in rate for 2021 for the Regular plan only. Shown below are member contribution rates, and your employer's 2021 preliminary actuarial determined contribution (ADC) rate(s) and optional phase-in rate.

IMRF ADC Contribution Rates	
Regular	
Member Contributions (tax-deferred)	4.50%
Employer Contributions	5.95%
• Retirement Rate	4.04%
Normal Cost	9.99%
Funding Adjustment <over> under	
Net Retirement Rate	0.16%
• Other Program Benefits	0.09%
Death	0.62%
Disability	0.00%
Supplemental Benefit Payment	
Early Retirement Incentive	10.86%
• TOTAL EMPLOYER RATE	
Below is the 2021 optional phase-in rate:	
IMRF Optional Phase-in Contribution Rate	
Regular	
9.78%	
TOTAL EMPLOYER RATE	

For the Regular plan, you may select the ADC rate, optional phase-in rate, or a rate between the two. Please provide your rate selection by Friday, August 30, 2020, via email to dmgreen@imrf.org. If IMRF does not receive your selection by the date, we will assume Data Unit Supervisor has selected the ADC rate. This rate will be reflected on your Final Notice of Illinois Municipal Retirement Fund Contribution Rate for Calendar Year 2021, scheduled for release in November 2020.

For more information about the Preliminary Notice of IMRF Contribution Rates for Calendar Year 2020, view your secure messages in Employer Access. If you have any questions, please contact Employer/Member Data Unit Supervisor Dionne Green at 630-708-4234 or Finance Relations Manager Audrey Brown-Ryce at 630-708-4246.



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



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GASB 50 disclosure statement

GASB 50 RSI Information for Employers

EMPLOYER NUMBER: 000000
REQUIRED SUPPLEMENTARY INFORMATION
Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) -Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a) / (c)
12/31/19	\$5,661,533	\$7,818,256	\$2,156,723	72.41	\$2,735,596	78.84
12/31/18	\$5,494,133	\$7,640,717	\$2,146,584	71.91	\$2,440,390	87.96
12/31/17	\$4,864,464	\$6,525,565	\$1,661,101	74.54	\$2,313,911	71.79

On a market value basis, the actuarial value of assets as of December 31, 2019 is \$6,181,885. On a market basis, the funded ratio would be 79.07%.

The actuarial value of assets and accrued liability cover active and inactive members who have service credit with this sample employer. They do not include amounts for retirees. The actuarial accrued liability for retirees is 100% funded.



Financial reporting

This statement shows your funded status

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



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GASB 68 disclosure statement



Financial reporting

This statement also shows funded status.

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



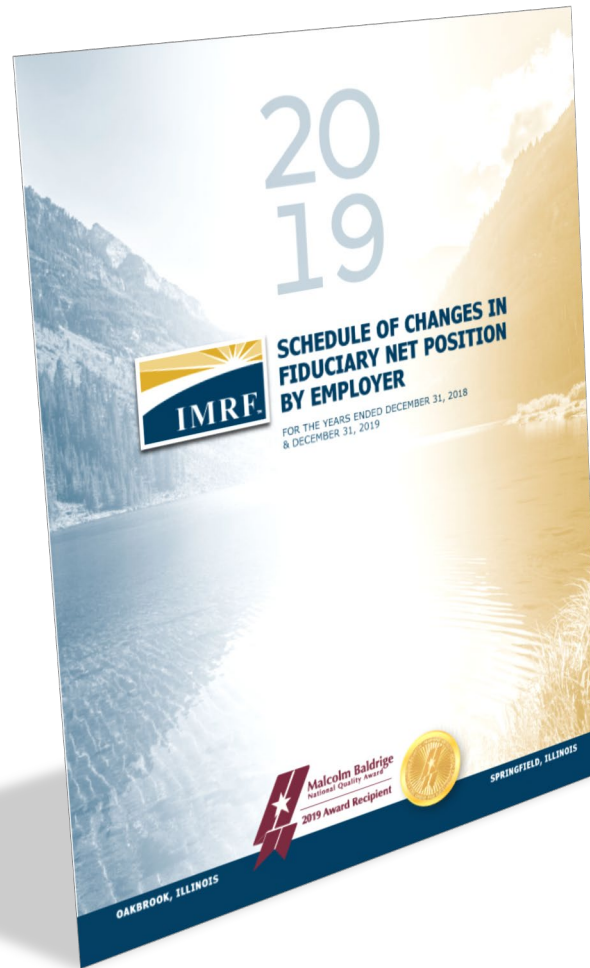
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GASB 68 reporting



Financial reporting

This statement shows
Fiduciary Net Position by
employer

- Available in May
- Needed by employers who
GAAP report



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SOC-1 type 2 report



Financial reporting

This statement verifies IMRF's strict internal controls

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



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Looking ahead

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

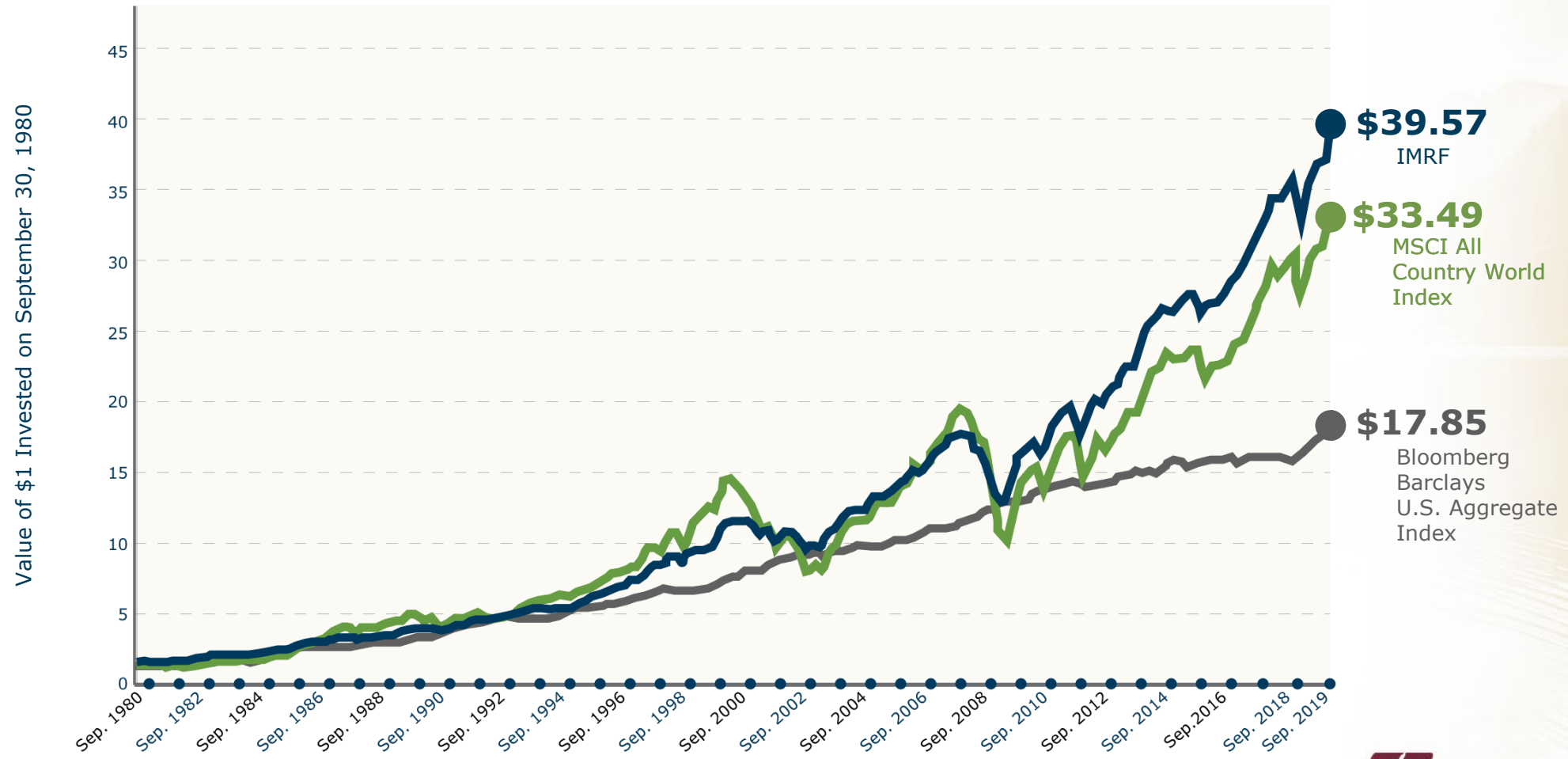
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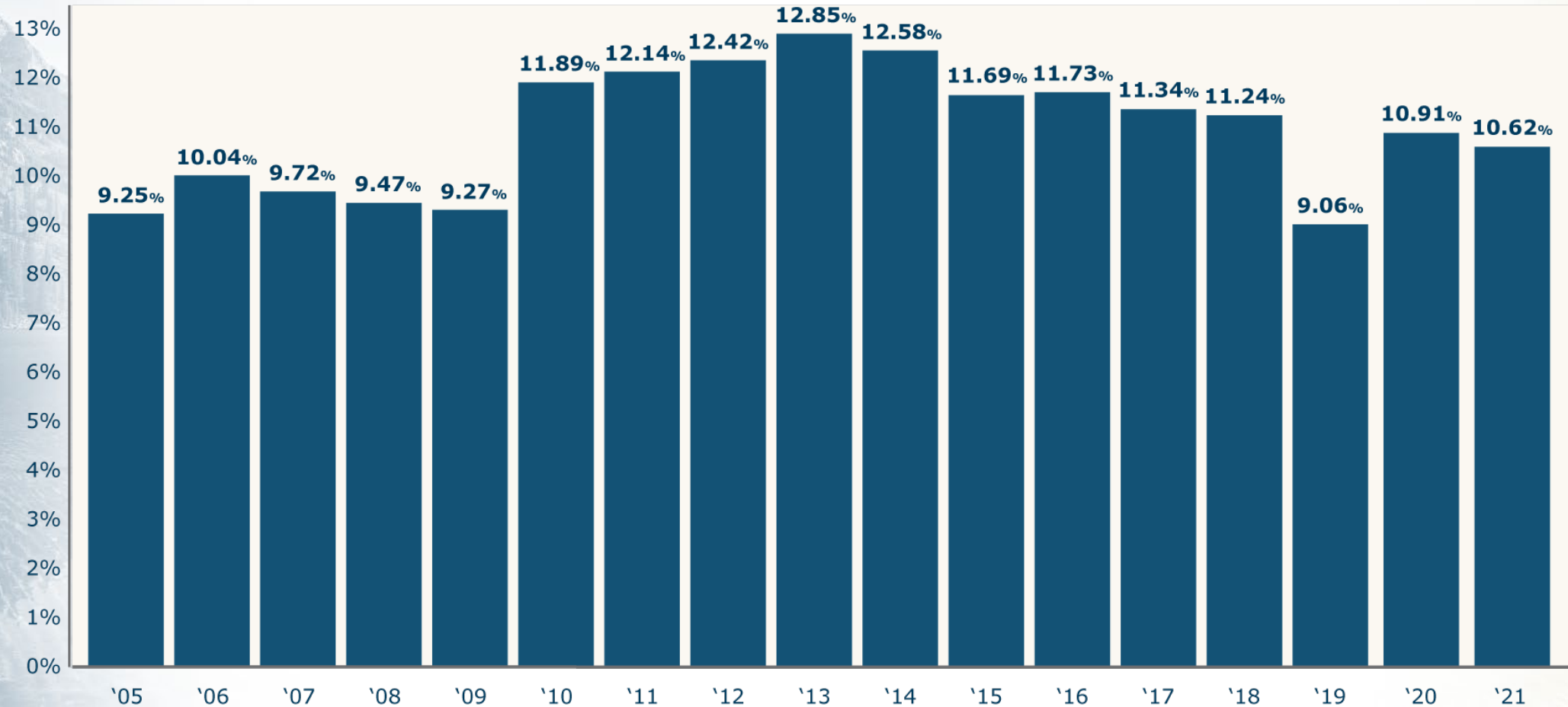
Growth of \$1 since 1980



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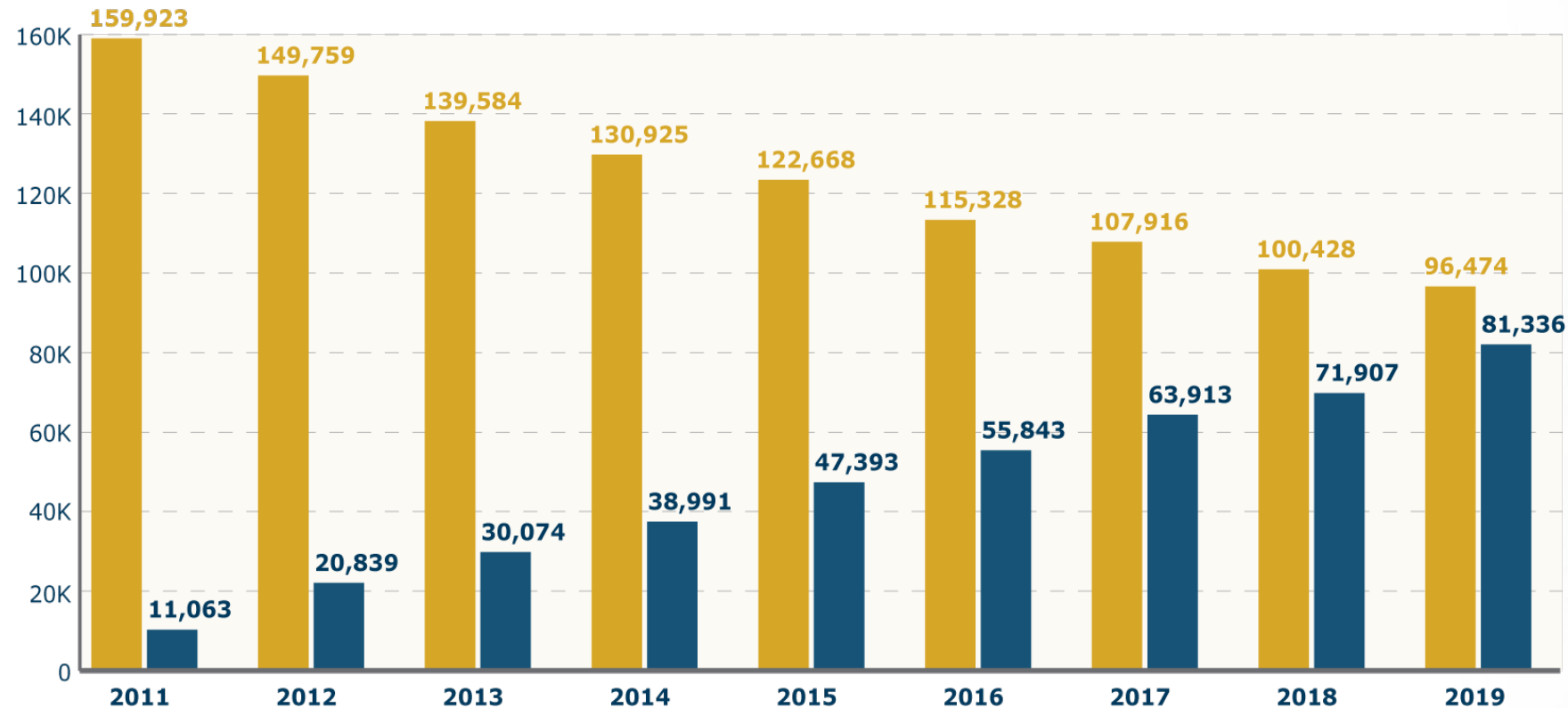
Regular Plan employer contribution rates



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Number of active Regular Plan members

**TIER 1****TIER 2**

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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!



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Many resources now available online



**WEB-CENTRIC
• INITIATIVE •**



**Member
Access**



A great tool for employees!

- Pension calculations
- Wage & service information
- Personal Benefit Review registration
- Change beneficiary
- Retirement & disability applications
- Address updates



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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



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Thank you for joining us.

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