



2021 EMPLOYER RATE WEBINAR

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



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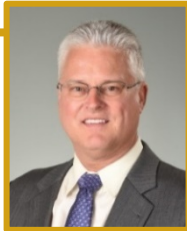


Our Board of Trustees

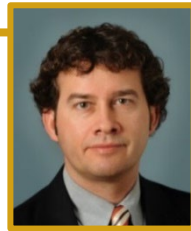
4 ELECTED BY EMPLOYERS



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



Louis Kosiba
Retired Executive Director
IMRF

3 ELECTED BY MEMBERS



Tracie Mitchell
Communications Specialist
Central IL Regional
Dispatch Center



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



Peter Stefan
Finance
Director/Treasurer
Village of Lake in the Hills

P *President*

V *Vice President*

S *Secretary*

One Employer Trustee position will be up for election in 2021.

If you want to run for Trustee, the candidate packet will be available on June 30, 2021, on www.IMRF.org



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COVID-19 and IMRF

IMRF is secure, agile, and proactive.

- Fully adapted to operational challenges posed by COVID-19
- Providing all key services to members and employers
- Staff is pivoting between in-person and remote work



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2020 financial results

\$5.1

BILLION
ASSET CHANGE

\$49.9

BILLION
IN ASSETS

14.98%

GROSS RATE OF
RETURN

All figures are as of 12/31/2020



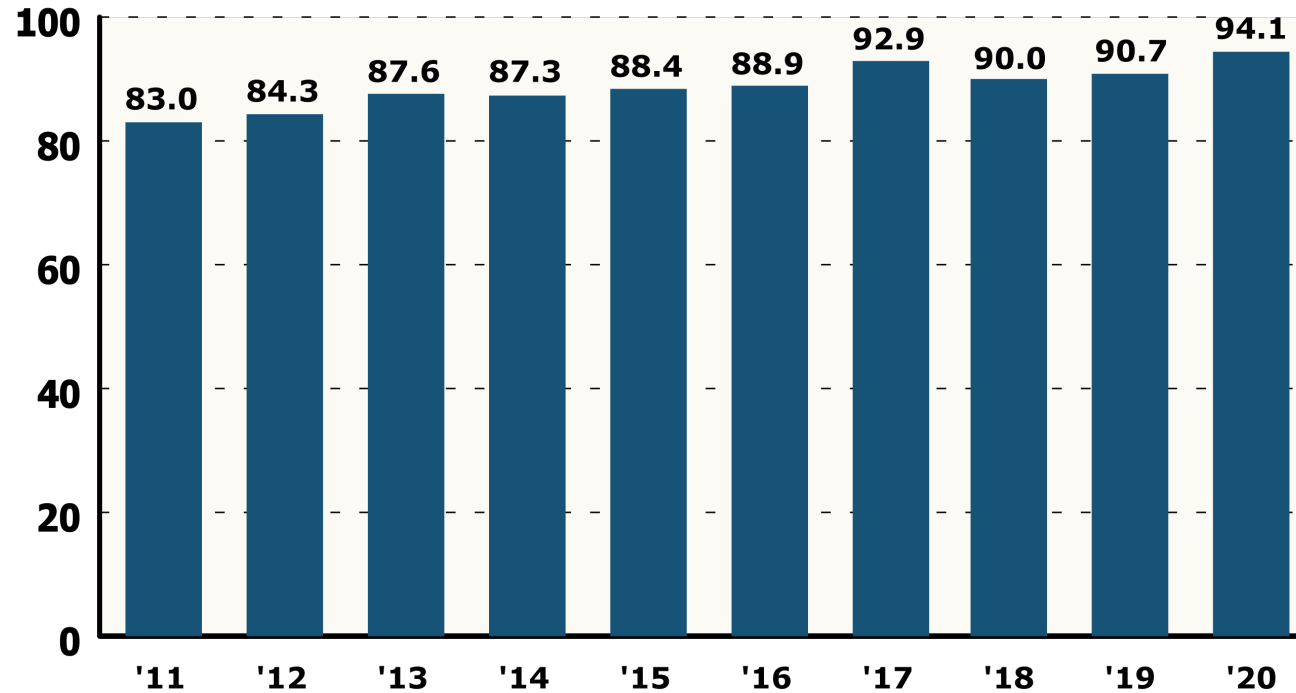
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Updated actuarial funded status



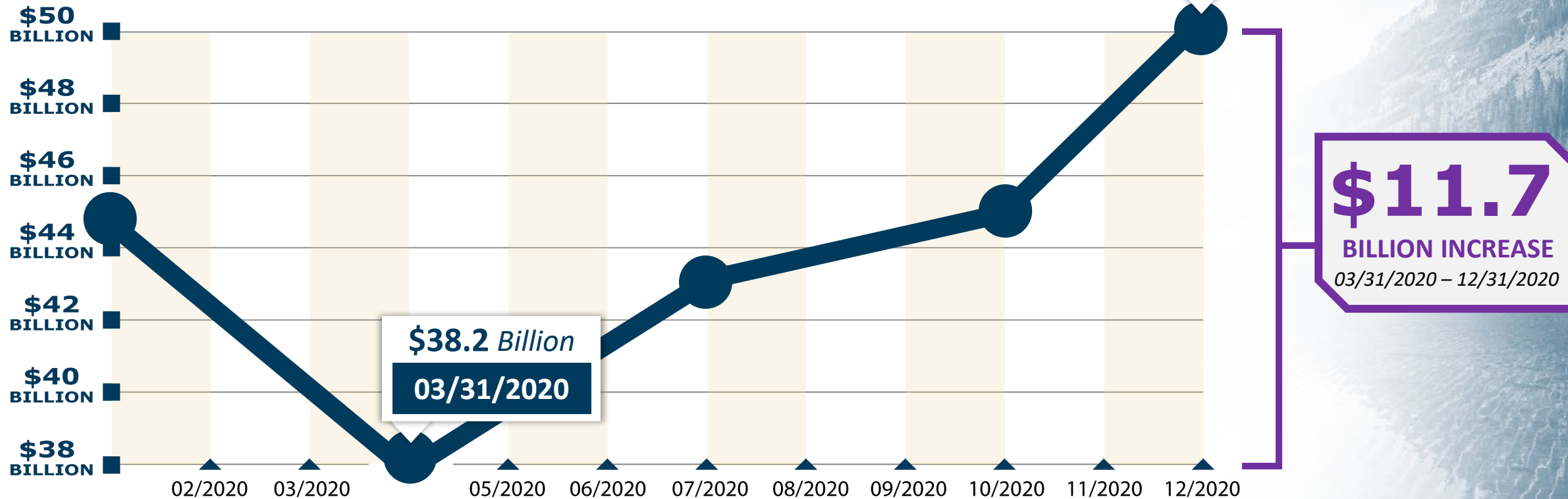
2020

**94.1%
FUNDED***Locally funded, financially sound.*

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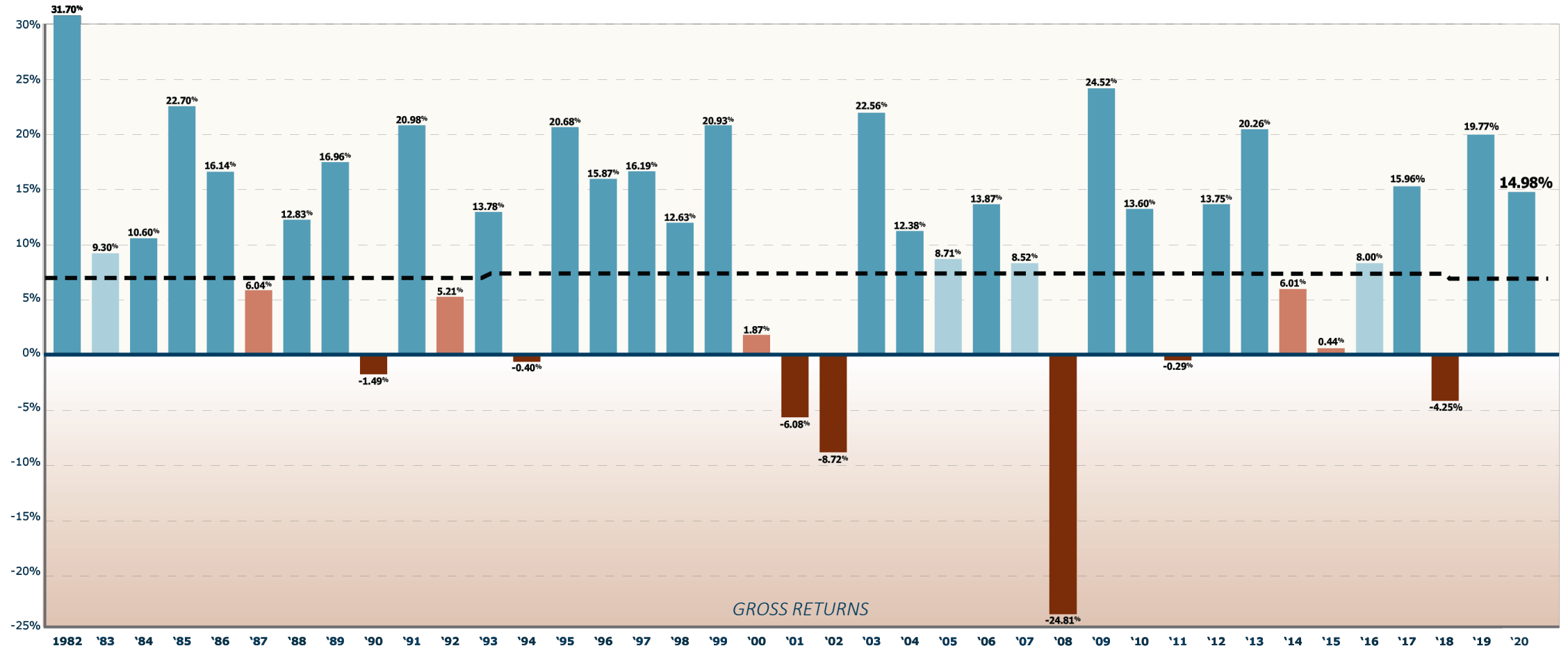
IMRF recovered from the economic disruption



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Investment returns: strong but volatile



IMRF's Assumed
Rate of Return

Years IMRF did not meet
it's Assumed Rate of Return

7

Negative returns

5

Positive returns
that fell short of goal

Years IMRF exceeded
it's Assumed Rate of Return

4

Positive returns
that met goal but
did not exceed 10%

23

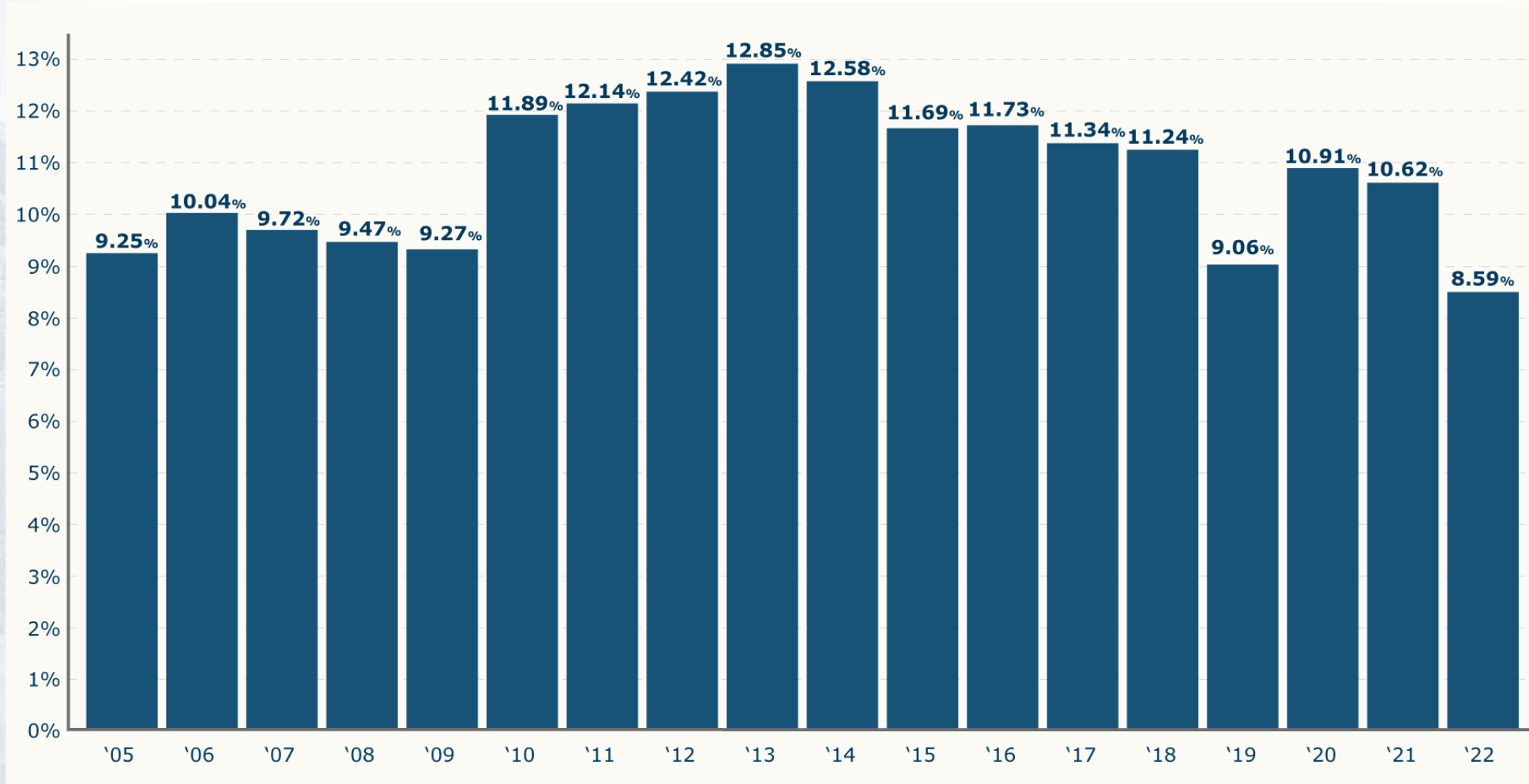
Positive returns
that met goal and
exceeded 10%



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Regular Plan employer contribution rates



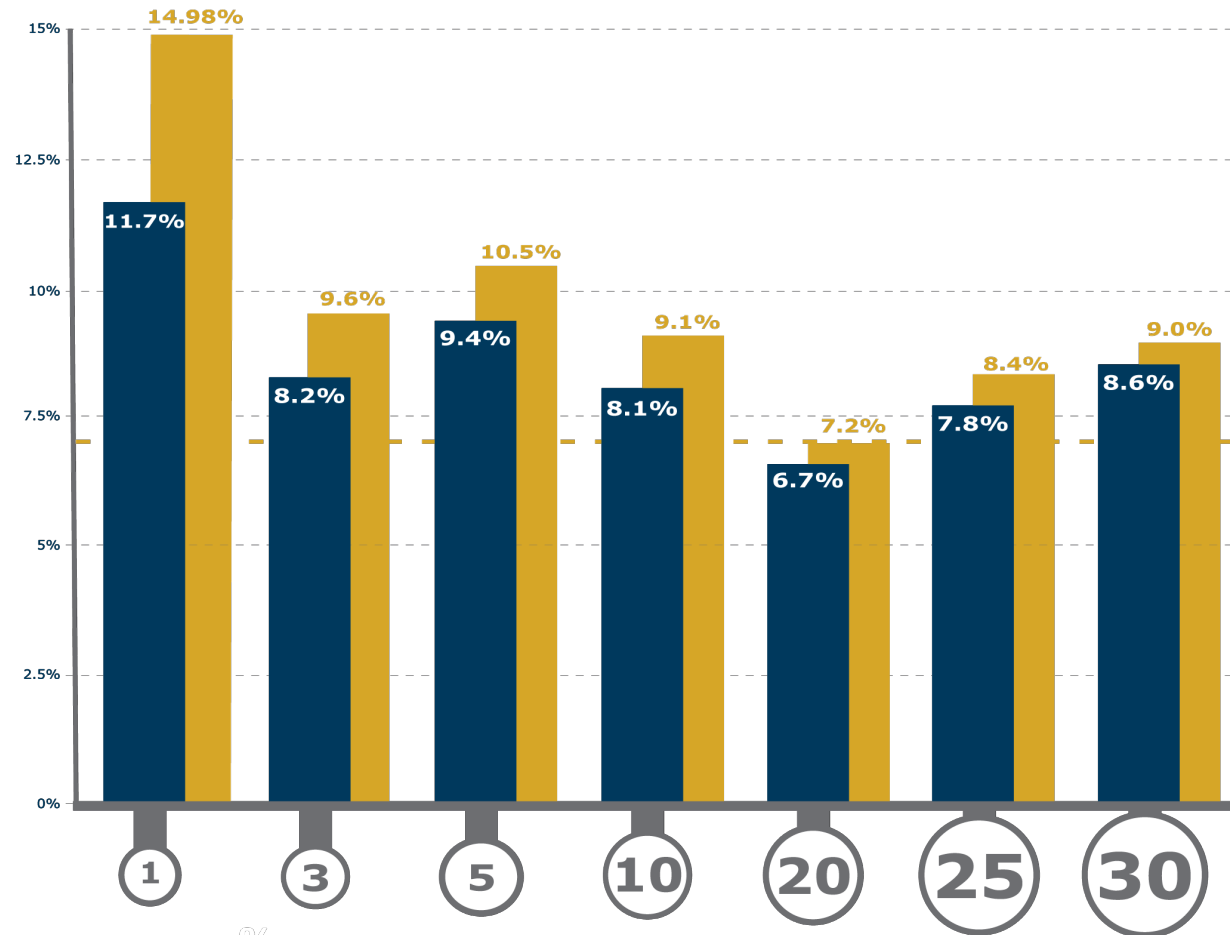
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Investment returns of NASRA public pensions

NASRA

National Association
of State Retirement
Administrators



7.25%

IMRF's
ASSUMED RATE OF
RETURN



Investment
Returns



Nationwide Median
Investment Returns



Years Ended
12/31/2020



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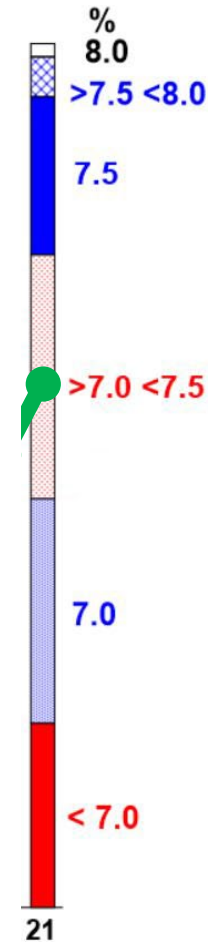


Assumed Rate of Return for all NASRA funds

Distribution of Nominal Investment Return
Assumptions, FY 01 to present

NASRA

National Association
of State Retirement
Administrators



NASRA

2021 AVERAGE
ASSUMED RATE OF RETURN

IMRF



PRIOR ASSUMED
RATE OF RETURN

7.18%

CURRENT ASSUMED
RATE OF RETURN



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Investment return expectations looking forward

	Wilshire	GRS CMAM 2019 Survey	GRS CMAM 2020 Survey	Horizon Survey
10-year forecast	5.09%	6.32%	5.85%	6.49%
20-year forecast	5.81%	7.07%	6.71%	7.16%

Based on inflation assumption of 1.80% for Wilshire and 2.25% for Surveys



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General rate-making principles

- Reserve accounts
- How your rates are calculated
- Understanding demographic impacts on rates
- Actuarial assumptions



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2021 Pension Dollar

The IMRF Pension Dollar
Pensions are a shared responsibility.

Every dollar paid to IMRF retirees comes from three sources:

66¢

IMRF Investment
Earnings

23¢

IMRF
Employers

11¢

IMRF
Members

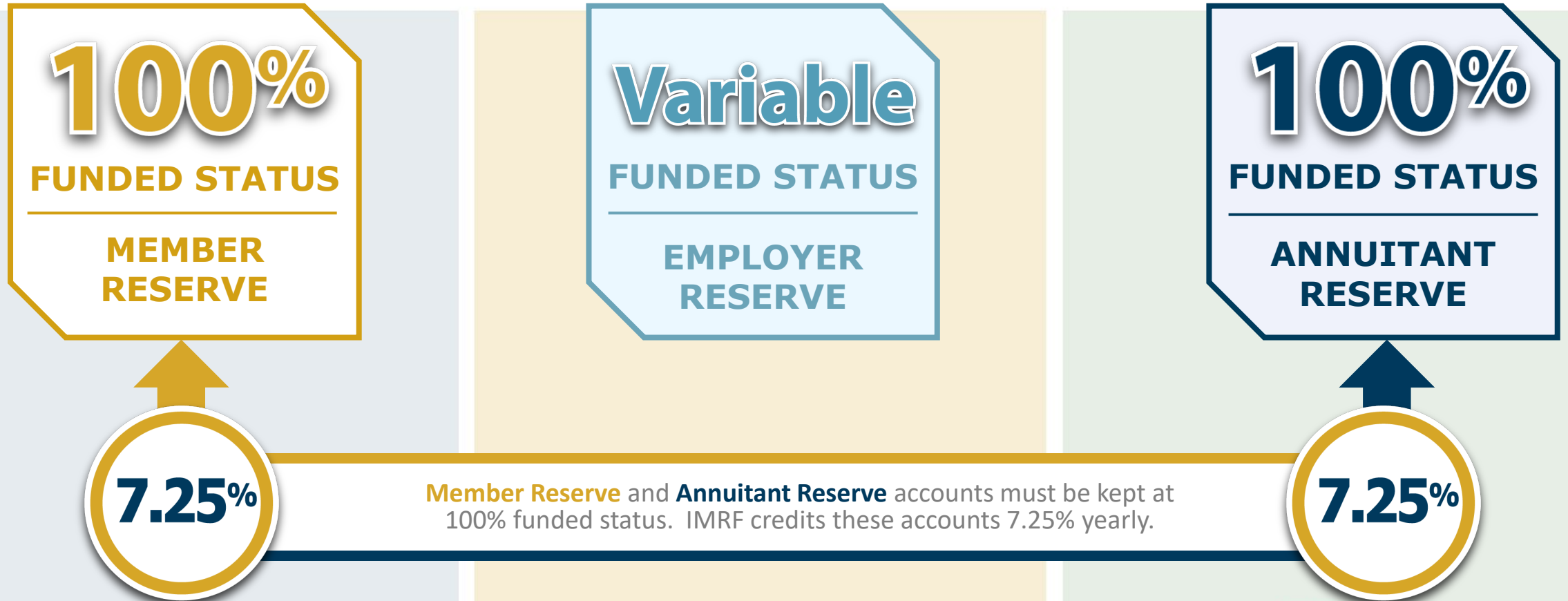


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Reserve accounts and funded status

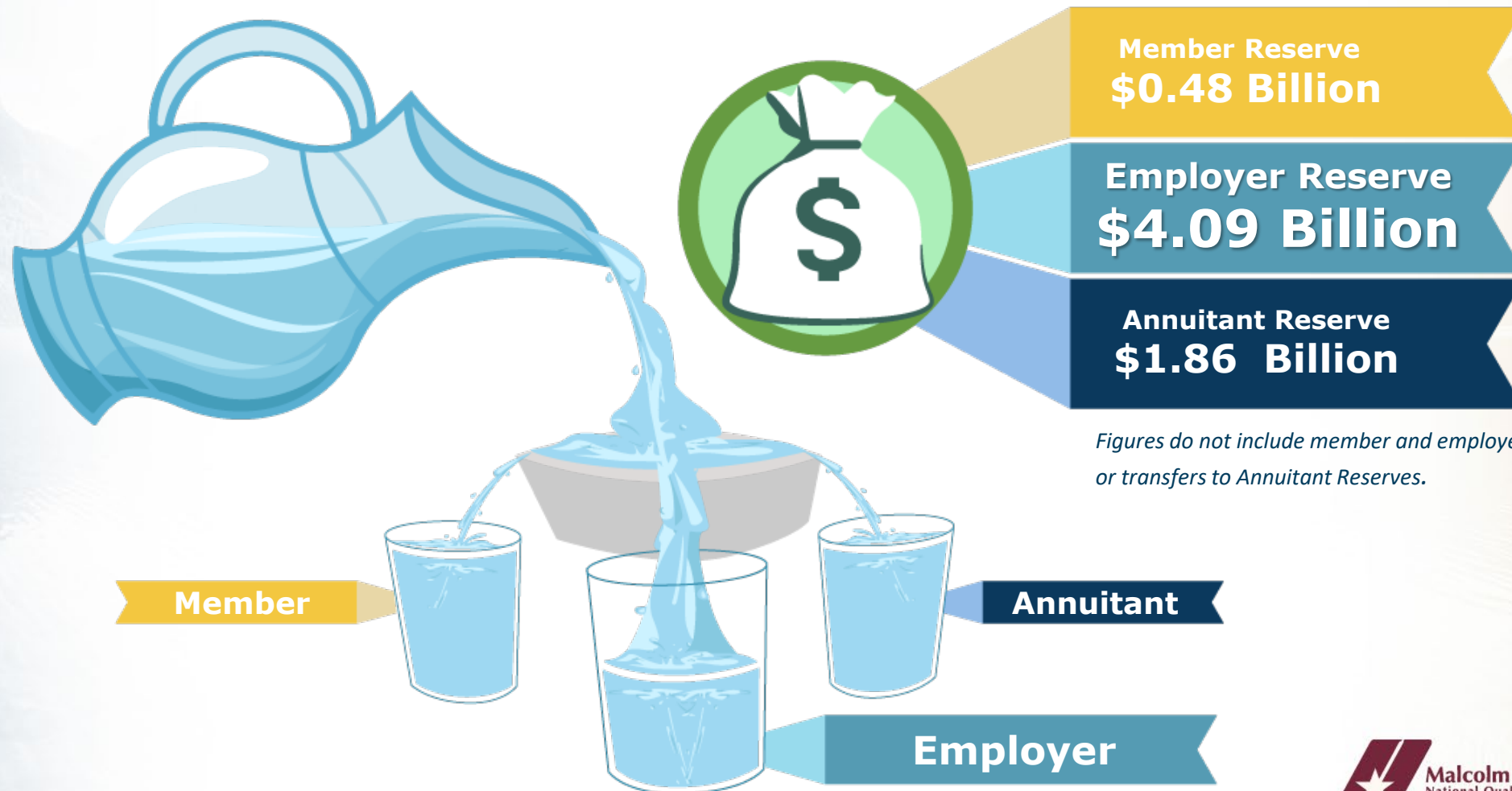
Employer Reserve serves as a “Balancing Account.”



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Investment gain distribution in 2020



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.
- Debited retirement costs of your employees.

Your employer's finances have no relationship to the pension assets and liabilities of IMRF's other 3,031 employers.



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If an employer is less than 100% funded on an actuarial basis as of 12/31/2020



Taxing Bodies

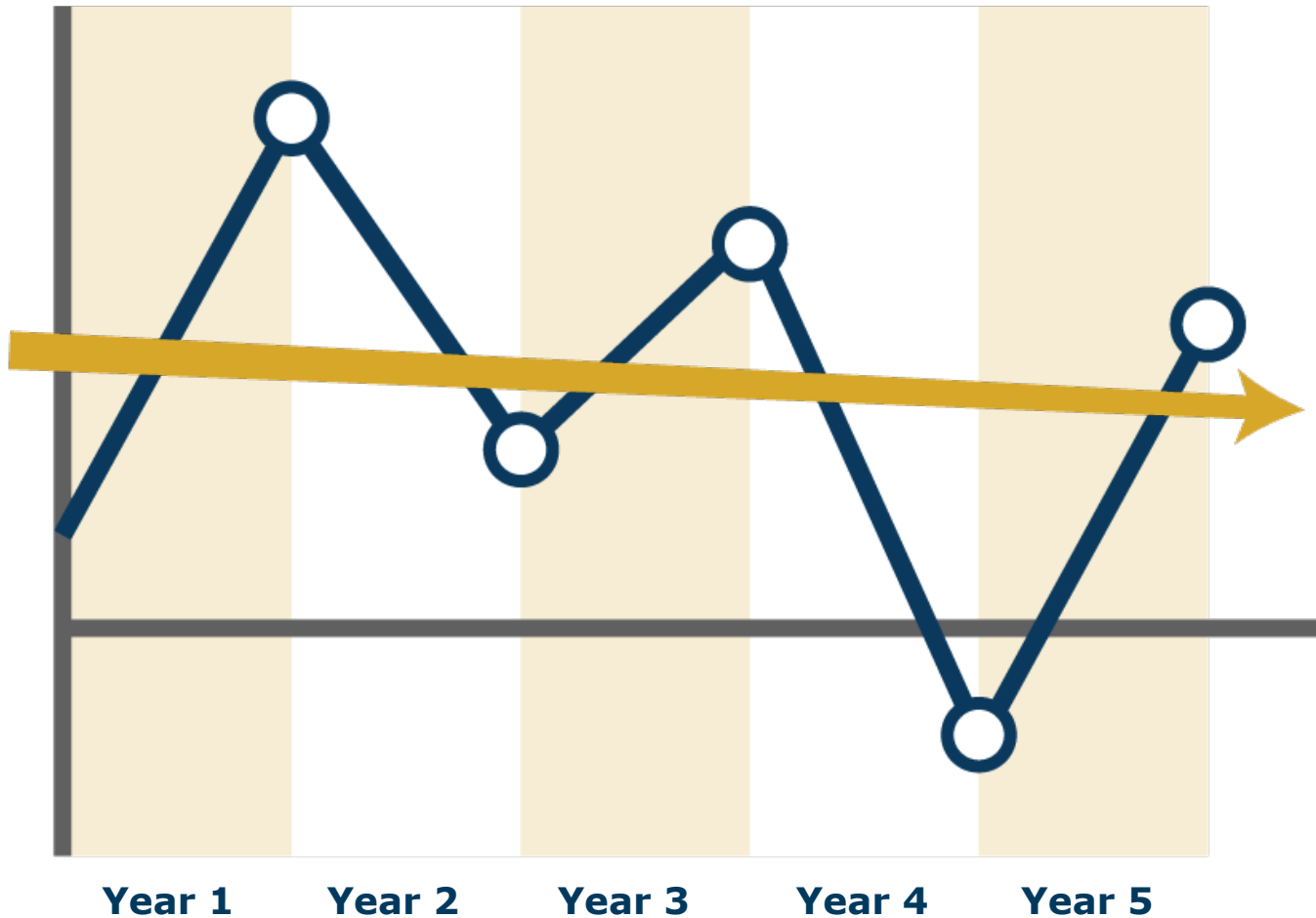
- 21-year closed amortization period to achieve 100% funded status.



Instrumentalities

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

Rate impact from investment results 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.
 - There is a two-year lag before investment results impact employer rates.



Illustration only. Not representative of IMRF's actual investment experience.

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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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3 common demographic reasons why your employer rate can increase

The size of your workforce decreases



Deferred membership



Vested members terminate and leave their contributions with IMRF

Employee Retirements



Your specific employer's rate is designed to achieve a 100% funding level.

- **100% funding means your employer will have all the funds needed to pay its pension obligations when its employees retire.**



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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 = 2.25%
- Wage inflation = 2.75%
- Payroll growth = 2.75%
- 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 2.75% annually.

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



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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
 - Schedule of Changes in Fiduciary Net Position
 - 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

2020 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

NORMAL COST	6.810	DISABILITY	.140
FUNDING ADJ OVR/UND	5.140	DEATH	.160
		SUPPLEMENTAL PENSION	.620
RETIREMENT	11.950		

OPENING BALANCE, JANUARY 1, 2020	13,510,319.35
INTEREST ON OPENING BALANCE - RATE: 7.250%	1,013,273.95
EMPLOYER RETIREMENT CONTRIBUTIONS (11.950% X 17,017,954.97)	2,033,645.49
RESIDUAL INVESTMENT LOSS CHARGE	321,925.18
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 2022

Date April 2021 Employer No. 00000

Employer name

The IMRF Board of Trustees adopted an optional phase-in rate for 2022 for the Regular plan only. Shown below are member contribution rates, and your employer's 2022 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	



**Projects your
future costs**

**These statements show your
employer's rate for the year.**

- “Preliminary Rate Notice” in April
- “Final Rate Notice” 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)
12/31/20	\$5,661,533	\$7,818,256	\$2,156,723	72.41	\$2,735,596	78.84
12/31/19	\$5,494,133	\$7,640,717	\$2,146,584	71.91	\$2,440,390	87.96
12/31/18	\$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, 2020 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

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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Schedule of Changes in Fiduciary Net Position



Financial reporting

This statement shows
Fiduciary Net Position by
employer

- Available in May
- Needed by employers who
GAAP report



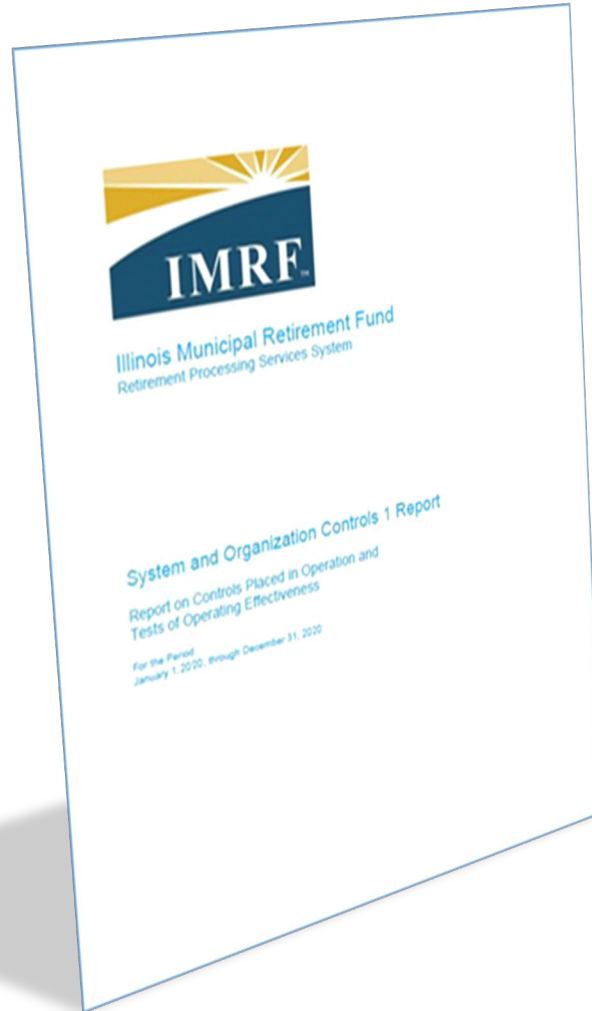
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SOC-1 Type 2 Report



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

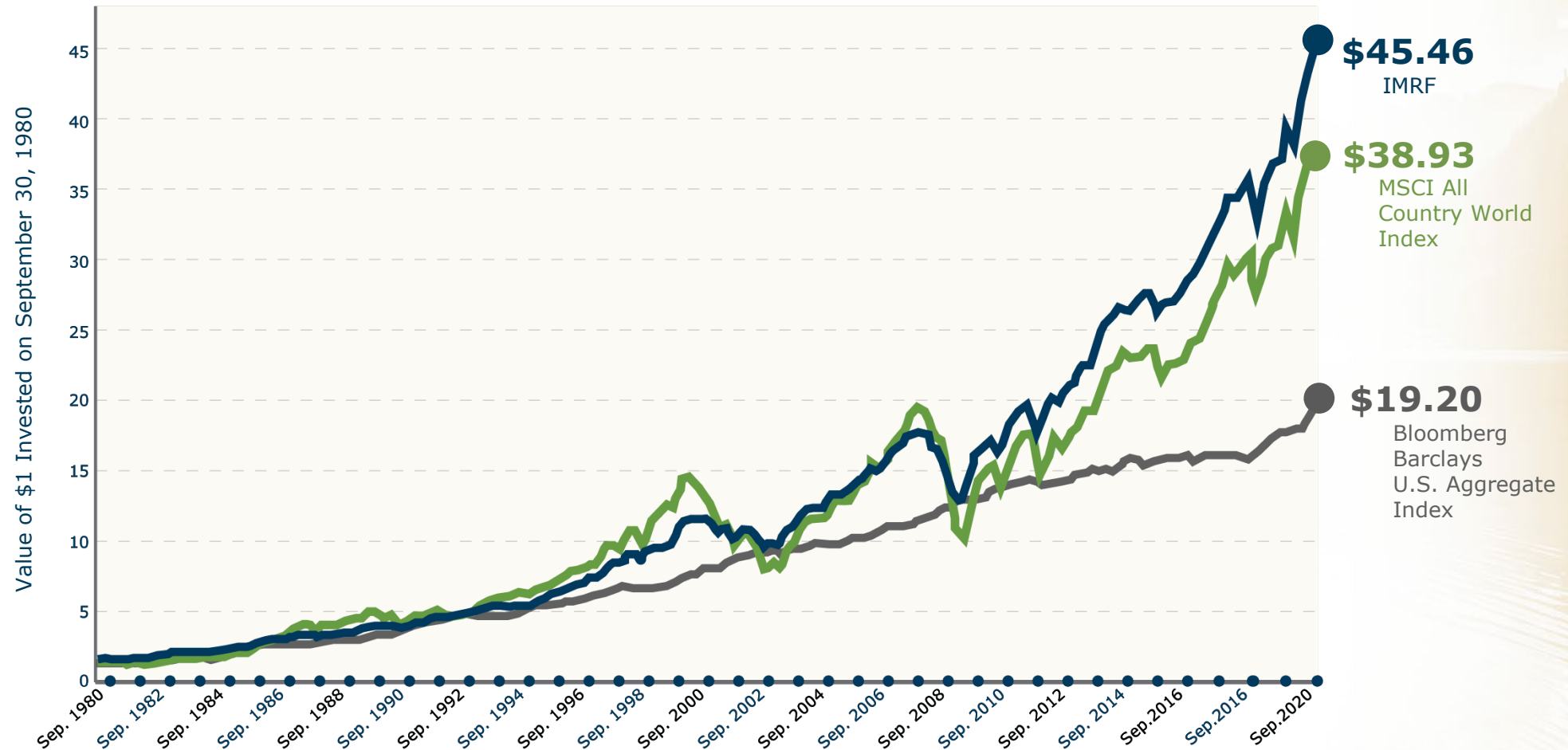
- IMRF's financial progress since 1980
- Growth in Tier 2 membership
- New technology at IMRF
- Web-Centric Initiative



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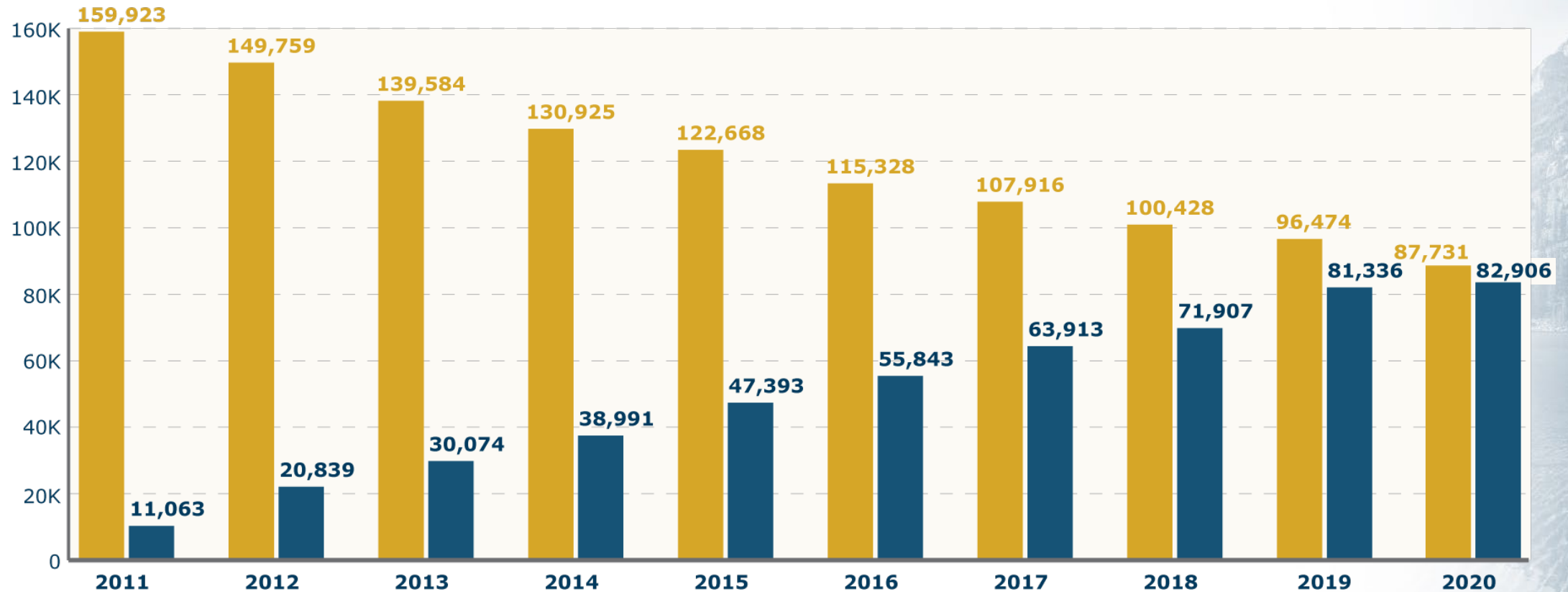
Growth of \$1 since 1980



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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 for pension administration.
- The project will improve the way employers and members interact with IMRF.
- More transactions will go online, particularly for employers, enabling faster and more modern communication.
- IMRF will provide training for employers before rollout of the new systems in 2022.



To support this initiative, encourage your members to create Member Access accounts!



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**WEB-CENTRIC
•INITIATIVE•**

Estimated Total Savings in 2020

\$405,000*



**Postage and Paper Savings*



2,668,524

Pages not printed in 2020



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

They can register at IMRF.org



The screenshot shows the IMRF website with the following elements:

- Header:** Text Size: A A A | Home | Contact Us | Español | Search: Search IMRF
- IMRF Logo:** Locally funded, financially sound.
- Navigation Bar:** MY ACCOUNT | MEMBERS | RETIREES | EMPLOYERS | INVESTMENTS | ABOUT IMRF | FORMS AND PUBLICATIONS ARCHIVE
- Main Content Area:**
 - Employer Rate Meeting Webinars**
 - Offered on May 4, 12 or 20
 - Learn about the impact of year-end financials on employer rates from Executive Director Brian Collins and CFO Mark Nannini.
 - [LEARN MORE.](#)
 - 2021 EMPLOYER RATE MEETINGS**
 - PRESENTED BY
 - Brian Collins, Executive Director and Mark Nannini, Chief Financial Officer

www.imrf.org



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Questions?

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