Agenda

- IMRF 101
- Financial Update
- Rate-making Principles
- Annual Documentation
- Closing Remarks
A defined benefit pension fund for employees of local government.

- Pension benefits
- Disability benefits
- Death benefits
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

Douglas Cycholl
Fire Hydrant Foreman
City of Springfield

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

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

One Member Trustee position will be up for election in 2024.

If you want to run for Trustee, the candidate packet will be available on July 1, 2024, on www.IMRF.org

Locally funded, financially sound.
IMRF is Neither Funded or Managed by the State of Illinois

Funded by local government, investment returns, and member contributions

Managed by our Board of Trustees and defined by statute

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IMRF’s Membership

154,554 Retirees
157,200 Inactive Members
181,205 Active Members

492,959 Total IMRF Customers

Almost 10% of Illinois households

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Employer Demographics

- **SCHOOL DISTRICTS**: 850 employers (28%)
- **TOWNSHIPS**: 489 employers (16%)
- **VILLAGES**: 431 employers (14%)
- **CITIES**: 263 employers (9%)
- **COUNTIES**: 101 employers (3%)
- **OTHERS**: 911 employers (30%)

Total Employers: 3,045

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Technology Project Status Update

- **Go Live**
  - Launched New Pension Administration System
  - March 4, 2024

- **Accounts Created**
  - Employer Access Unique User
  - 9,095

- **Contributions Received**
  - April 2024 & May 2024
  - $135,726,945

- **Benefit Payments Sent**
  - April 2024 & May 2024
  - $444,880,859

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Financial Update

The FY 2023 figures in this presentation are preliminary estimates.

These figures will be finalized in our 2023 Annual Comprehensive Financial Report that will be published on our website.
2023 Financial Results

- **$6.2 BILLION**: 2023 Portfolio Increase
- **13.2% RETURN**: 2023 Net Investment Return
- **$52.0 BILLION**: Investments as of 12/31/2023
Rate Impact From Investment Results are Smoothed Over a 5-year Period

This arrow represents the impact of IMRF’s investment results on employer contribution rates

- Only 1/5\textsuperscript{th} of the investment gain/loss is recognized annually
- There is a two-year lag before investment results impact employer rates
Actuarial Funded 10-year Trend

<table>
<thead>
<tr>
<th>Year</th>
<th>14</th>
<th>15</th>
<th>16</th>
<th>17</th>
<th>18</th>
<th>19</th>
<th>20</th>
<th>21</th>
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<td>Funded Percentage</td>
<td>87.3</td>
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<td>90.7</td>
<td>94.1</td>
<td>98.6</td>
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<td>97.7</td>
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IMRF’s Actuarial Funded Status

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Rate-making Principles
The Defined Benefit Cost Equation

Benefits Promised + Administrative Expenses = Member Contributions + Employer Contributions + Investment Returns

**Fixed** Defined by the Illinois Pension Code

**Variable**
Actuaries Use Principle Assumptions to Determine Rates

- Investment Return
- Retirement Age
- Marital Status
- Mortality of Active Members
- Mortality of Retired Members
- Disability
- Separations/Refunds
- Payroll Increases
Gross Investment Returns: Strong But Volatile

Rate-making Principles

GROSS RETURNS

1982 83 84 85 86 87 88 89 90 91 92 93 94 95 96 97 98 99 00 01 02 03 04 05 06 07 08 09 10 11 12 13 14 15 16 17 18 19 20 21 22 23

IMRF’s Assumed Rate of Return

Years IMRF did not meet its Assumed Rate of Return

Years IMRF exceeded its Assumed Rate of Return

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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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Average Regular Plan Employer Contribution Rates

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<thead>
<tr>
<th>Year</th>
<th>Rate</th>
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<tbody>
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<tr>
<td>06</td>
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<tr>
<td>25</td>
<td>6.99%</td>
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</table>

Rate-making Principles
Reserve Accounts and Funded Status

Employer Reserve serves as a “Balancing Account.”

100% FUNDED STATUS
MEMBER RESERVE

100% FUNDED STATUS
ANNUITANT RESERVE

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

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Investment GAIN Distribution in 2023

- **Member Reserve**: $0.521 Billion
- **Employer Reserve**: $2.514 Billion
- **Annuitant Reserve**: $2.234 Billion

Figures do not include member and employer contributions or transfers to Annuitant Reserves.

Investment Return: 13.2%
As an agent multiple employer plan, each employer has a separate 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 3,045 employers.
If an employer is less than 100% funded on an actuarial basis as of 12/31/2023...

**Taxing Bodies**
- 18-year closed amortization period to pay off any unfunded liability

**Instrumentalities**
- 10-year reopening period to pay off any unfunded liability
  - Recalculated every year (unlimited time to achieve 100% funded status)
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
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.
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.
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
Demographic Assumptions Defined

- 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 Defined

- Price inflation = 2.25%
- Wage inflation = 2.75%
- Payroll growth = 2.50%
- Investment return assumption = 7.25%
Non-economic Assumptions Defined

- 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.
Annual Documentation

There are two main purposes for our documentation:

- Projects your future costs
- Financial reporting
View your Employer Reserve Statement in Employer Access

Your employer's 2023 Employer Retirement Reserve Statements are now available in Employer Access in the "Display Annual Documents" section.

These statements may include:

- Employer Retirement Reserve Statement for 2023 for your employer's regular reserve account
- ECO Retirement Reserve Statement if your employer participates in the Elected County Official (ECO) plan
- SLEP Retirement Reserve Statement and/or SLEP Enhancement Reserve Statement if your employer participates in the Sheriff's Law Enforcement Personnel (SLEP) plan
- ERI Retirement Reserve Statement if your employer offered the IMRF Early Retirement Incentive (ERI)

Projects your future costs

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

- Credits
- Debits
- Adjustments
View Your Employer Rate Information in Employer Access

To view this information in new Employer Access, click on the gear icon in the toolbar on the left side of the Employer Access homepage, and then click Partner Information.

On the Partner Information page, shown below, enter your employer number where it says Partner Code. Click on the Contributions tab. To filter by year, enter the appropriate effective date. Add the components shown in the right column under Contribution Rate to determine your preliminary rate.

Projects your future costs

Log onto Employer Access to see your employer’s rate for the year

- Preliminary Rates were posted in April
- Final Rates will be posted in November
GASB 50 Disclosure Statement

Financial reporting

This statement shows your funded status

- Does not include retirees
- Shows status broken out by plan
- Separate report for each plan

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This statement also shows market funded status.

- Used by employers who do GAAP reporting
- This funded status includes retirees
- Will be HIGHER for more employers
Schedule of Changes in Fiduciary Net Position

Financial reporting

This statement shows Fiduciary Net Position by employer

- Available in June
- Needed by employers who GAAP report
- Supplements the IMRF ACFR
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
IMRF is one of just four public pensions in North America to receive the “Triple Crown” honor.
Closing Remarks
Growth of $1 Since 1980

As of December 31, 2023

- **$52.53** MSCI All Country World Index
- **$46.04** Bloomberg Barclays U.S. Aggregate Index
- **$17.35** IMRF

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Member participation began
prior to January 1, 2011

OR

Member participation began
on or after January 1, 2011

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Number of Active Regular Plan Members

![Bar chart showing the number of active regular plan members from 2011 to 2023. The chart indicates a trend of increasing members over the years.](image)

- **2011**: 160K
- **2012**: 140K
- **2013**: 120K
- **2014**: 100K
- **2015**: 80K
- **2016**: 60K
- **2017**: 40K
- **2018**: 20K
- **2019**: 10K
- **2020**: 5K
- **2021**: 2.5K
- **2022**: 2K
- **2023**: 1K

*Locally funded, financially sound.*
Number of TIER2 Retirees

<table>
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<tr>
<th>Year</th>
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<td>62</td>
<td>194</td>
<td>483</td>
<td>832</td>
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</table>

Locally funded, financially sound.
Number of Active Regular Plan Retirees
2024 Regular Plan Average Normal Cost

Tier 1: 6.11%
Tier 2: 3.37%

Tier 2 went into effect in 2011 to reduce retirement costs for Illinois.
All new members start in Tier 2.
Tier 2 costs 45% less than Tier 1.
Questions?

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

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