Welcome!

TOPICS FOR TODAY’S DISCUSSION

- Introduction
- Authorized Agents
- Participation
- Enrollment
- Wage Reporting
- Benefits
- Employer Contributions
Introduction

WHAT WILL WE COVER NEXT?

- IMRF 101
- Legislative Updates
- IMRF’s Assumed Rate of Return
Introduction

**IMRF STRENGTHS**

**Highest quality retirement services**
- Provide guaranteed stream of pension payments
- Help you remain financially independent in retirement

**Defined benefit pension plan**
- Pension paid for life
- Disability and survivor benefits

**An independent Board of Trustees**
- Authority to invest assets
- Authority to set appropriate employer contribution rates

**Financial health**
- Lowest cost to taxpayers over long term
- Guarantees funds will be available when you retire
IMRF SERVES 2,997 UNITS OF GOVERNMENT

- School Districts: 650 employers
- Townships: 409 employers
- Villages: 419 employers
- Cities: 225 employers
- Libraries: 22 employers
- Others: 757 employers

IMRF BENEFITS ARE BACKED BY LEGISLATION

IMRF’s benefits are guaranteed by the Illinois Constitution, and can only be changed for new members. The Illinois Supreme Court has affirmed your constitutional right to not have your pension benefits diminished.
Introduction

PENSION CODE UPDATES IN 2018

Public Act 100-1097
This law prohibits IMRF participation by former police chiefs who meet all of the following criteria:
- Participated as a police chief in an Article 3 police pension fund in a city, village, or town.
- Take a new job working with the same municipality for the police department or in an advisory capacity.
- Have no IMRF service credit prior to August 26, 2018.

Public Act 100-0935
This law allows IMRF to offer electronic voting options for its Employee and Annuitant Trustee elections.
IMRF plans to postpone implementing an electronic voting system until after 2021, once we’ve completed an upgrade of our database. Any system we introduce will continue to allow members and annuitants to vote via paper ballot if they prefer.

Introduction

WAYS TO TRACK LEGISLATION CHANGES

www.imrf.org
- See the “Laws Recently Passed” page

Legislative Update
- Special emails sent when legislation changes
- Sign up at “Laws Recently Passed” page on imrf.org

Employer Digest
- Emailed monthly
- Link to archive of past editions at the bottom of each edition
Introduction

TRACK LEGISLATION ON IMRF’S WEBSITE

SIGN UP FOR LEGISLATIVE UPDATE

Laws Recently Passed

New Laws

Public Act 100-1397 (introduced as SB 2719): This law prohibits IMRF participation by police chiefs who meet all of the following criteria:
- Participated as a police chief in an Article 2 police pension fund in a city, village, or town.
- Time spent in police work with the same municipality for the police department or in an advisory capacity.
- Have not IMRF service credit prior to August 26, 2018.
- This law also adds additional information to employers who may be affected by this bill.

Public Act 100-1398 (introduced as SB 2895): This law allows IMRF to offer electronic voting options for its employers and employees. Trustee elections. IMRF plans to postpone implementing an electronic voting system until after 2021, since we’re completing an upgrade of our database. Any system we introduce will continue to allow members and annuitants to vote via paper ballots if they prefer.
**IMRF REDUCES ASSUMED RATE OF RETURN**

IMRF's Board of Trustees lowered the amount it assumes IMRF will annually earn on its investment portfolio.

**Effective January 1, 2019**

- At the recommendation of actuarial consultant GRS Retirement Consulting
- Consistent with market trends and actions taken by most public pension funds across the nation
Introduction

**IMPACT OF ASSUMED RATE REDUCTION ON EMPLOYERS**

- Average employer contribution rate in 2020 will range between 10.15% and 10.65%
- Estimated higher than 2019 average (9.06%) but lower than 2018 of (11.24%)
- Employer financial planning, accounting, and reporting documents.

**Starting in 2019**
- GASB 50 statement
- GASB 68 statement
- Preliminary Rate Notice
- Final Rate Notice

**Starting in 2020**
- Employer Account Reserve Statements

---

Introduction

**IMPACT OF ASSUMED RATE REDUCTION ON MEMBERS**

- Interest on IMRF Voluntary Additional Contributions (VAC).
- Interest on member contribution refunds paid either at retirement or as death benefits.
- Purchasing of IMRF past service
Authorized Agents

WHAT WILL WE COVER NEXT?

- The Role of an Authorized Agent
- Resources Available to You
  - imrf.org
  - Employer Access
  - Manual for Authorized Agent
  - Checklists
  - Employer Customer Service Line
Authorized Agents

WHAT IS AN AUTHORIZED AGENT?

- Key person in administering IMRF
- One per employer
- Discussed in Section 2 of the Manual for Authorized Agents
- Use IMRF Form 2.20 to appoint the Authorized Agent

THE ROLE OF AN AUTHORIZED AGENT

- Enroll eligible employees as IMRF members
- Ensure employer reports wages monthly
- Read and distribute memos, Employer Digest, and employer financial reports provided by IMRF
  - Establish New Subscribers who will receive the above information
  - Employer Access, “Contact Us,” “Manage News Subscribers”
- Participate in IMRF Executive Trustee elections
Authorized Agents

RESOURCES AVAILABLE TO YOU

- Checklists & Memos
- Archive of Employer Digests
- Support Videos
- Webinars
- Forms
- Secure Messaging
- Employer Specific Information
- Document Archive
- Guide for administering IMRF

INTRODUCTION TO EMPLOYER ACCESS

Locally funded, financially sound.

Your Employer’s Name Here

Wages and Contributions
- Payroll Sheets
- Report Wages Adjustments
- Display Wages Report History
- Display Wages Adjustment History
- Display Contributions History

Payments
- Pay Online
- Display Payment History
- Display Account Balance

Quick Links
- Ad Hoc
- Employer Help
- Help
- Self-Service
- Secure Message Center

Employee RIN Number
- Use your RIN to access IMRF
- Employer Contact Information:
  - 1-800-333-2IMRF
  - Monday - Friday, 8:00 AM - 5:00 PM
  - Saturday, 8:00 AM - 12:00 PM
  - Sunday - 8:00 AM - 6:00 PM

Authorized Access to Employer Services
INTRODUCTION TO EMPLOYER ACCESS

HOW TO LOCATE A MEMBER ID

Members
- Enroll Member
- Display or Change Member Information
- Terminate Member
- Report Disability or Return to Work

Documents
- Display Document Archive
- Display Annual Documents
- Display ARFTK Enforcement
- Display Wages
- Display Authorized Agents Manual
- Display Workers’ Compensation History

Web Account
- Manage Self-Accounts
- Change Web Profile (User Not Authorized)

Contact Us
- Connect with IMRF
- Ask a Workshop
- Manage News Subscribers

Select member to update address, phone, etc.

GAWB Reports
- Rate Factors
- Employer Reserve Statement
- Employer Copy of Member Statement

Manage who receives communication from IMRF.

Search Members

- Last Name Begins With:
- Member ID:
- SSN Begins With:
- Employment Status:
- Sort By:
- Sort Sequence:

Find the "Enroll Member" link to enroll a new employee into IMRF.

Member List

<table>
<thead>
<tr>
<th>Member ID</th>
<th>SSN</th>
<th>Member</th>
<th>Employment Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>444-4484</td>
<td>Rachelle L</td>
<td>Terminated</td>
<td></td>
</tr>
<tr>
<td>222-2222</td>
<td>Veronica M</td>
<td>Terminated</td>
<td></td>
</tr>
<tr>
<td>333-3333</td>
<td>Wanda K</td>
<td>Terminated</td>
<td></td>
</tr>
</tbody>
</table>
Authorized Agents

TIPS & TRICKS FOR EMPLOYER ACCESS

- Use correct MID to identify employee
- Mistakes can be fixed
- 5 incorrect login attempts during any month will result in 24 hour lockout
- Remember to change password every 30 days

Authorized Agents

HOW TO FIND IMRF SUPPORT VIDEOS
Authorized Agents

WHAT PROCEDURES HAVE A CHECKLIST?

- Enrollment
- Participation
- Disability
- Retirement
- Death
- Termination

HOW TO FIND PROCEDURE CHECKLISTS

Locally funded, financially sound.

Authorized Agents Manual
Employee Time & Pay
Employee Support Videos
Authorized Agent Workshops

2019 Final Rate Notice
Employee 2019 Final Rate Notices are now available in Employee Access (Log In) under the "Employee" section of their account. The Final Rate Notice provides employees with their 2019 annual contribution rates for each of its retirement plans.

Employees may view their 2019 Final Rate Notice here.

COMPUTING EMPLOYER TAXES QUICKLY

Try Employer Access First
You can complete materials in Employer Access. You will find Employer Access information on these pages and under "Employer" in the toolbar.

Use the Search Bar
By typing the procedure name and job number for member groups on the bar at the search. Results are displayed a drop-down within the first few results.

EMPLOYER PROCEDURES
- Authorized Agents Manual
- Employee Time & Pay
- Employee Support Videos
- Authorized Agent Workshops
- 2019 Final Rate Notice

EMPLOYER MUST KNOW
- GRRB Resources
- Employment Rate
- Rates for Employees
- Withholding Participation in IMRF
- Services for IMRF Members
- Employers with Agricultural and Small Business Employers
- Appeals

LINKS TO ONLINE RESOURCES
- Active Military Reserves
- Members of Military Service
- Non-Military Resource
- 2019 Rate Notice Webinar
- 2019 Rate Notice Video
Authorised Agents

Employer Customer Service Line

Employer Line
1-800-728-7971

Members call: 1-800-ASK-IMRF (275-4673)

QUESTIONS

1. How is someone designated as the Authorized Agent?

2. How do you change a member’s mailing address or marital status?
Participation

WHAT WILL WE COVER NEXT?

- Understanding the Different IMRF Plans
- Member Eligibility
Participation
DEFINED IN SECTION 3 OF THE AUTHORIZED AGENTS MANUAL

Member participation began prior to January 1, 2011

Member participation began on or after January 1, 2011
WHO QUALIFIES TO BE ENROLLED IN IMRF?

Enrollment is based on number of hours expected to be worked during a 12 month period

<table>
<thead>
<tr>
<th>600 Hour Standard</th>
<th>1,000 Hour Standard</th>
</tr>
</thead>
<tbody>
<tr>
<td>- School Districts</td>
<td></td>
</tr>
<tr>
<td>- Special Education Cooperative</td>
<td></td>
</tr>
<tr>
<td>- Employers who have not adopted the 1,000 hour standard</td>
<td></td>
</tr>
<tr>
<td>- Employers who have adopted the 1,000 hour standard</td>
<td></td>
</tr>
<tr>
<td>- All governing body members enrolled 1/1/2018 or after</td>
<td></td>
</tr>
</tbody>
</table>

EMPLOYEE STATUS

Consider these different status possibilities when enrolling or changing a members status

- Full-time, part-time, temporary
- Seasonal
- Age
- Member Tier
- Multiple positions
- Participation is required; it’s a condition of employment except for
  - Elected officials
  - City hospital employees (Form 6.21)
Multiple Positions & IMRF Eligibility

**Position 1**
- Bus driver
- 500 hours
- School District 83

**Position 2**
- Lunch monitor
- 200 hours
- School District 83

**Position 1**
- Bus driver
- 400 hours
- School District 112

**Position 2**
- Bus Driver
- 400 hours
- School District 233

At least 600 (or 1,000) hours with the same employer are required for eligibility.

Problem Positions

- Bus drivers
- Elected positions
- Police & Fire
- Sheriff Law Enforcement Personnel (SLEP)
- Students
- Police Chief
- Grant-funded positions
- Substitutes
- Attorneys
- Independent contractors, consultants, and contract employees
Participation

**ELECTED OFFICIALS**

Recertify eligibility every two years
- IMRF Form 6.64
- Identifies elected positions that qualify

If elected position qualifies for IMRF, elected official can choose to participate
- IMRF Form 6.21
- If this form is submitted, election to participate is irrevocable

**GOVERNING BOARD PARTICIPATION**

Effective 1/1/2018, new members elected or appointed to a governing body position are subject to the 1,000 hour standard.
- Mayors
- Village presidents
- City council members
- Village boards
- County board chairman positions
- Township supervisors
- Appointed board members
Participation

COUNTY BOARD PARTICIPATION

1,000 hour standard does not include county board chairman position if elected by voters county-wide.

New county board members cannot participate as of 8/26/2016.

QUESTIONS

1. Employee works 3 hours a day, 180 days each year. Employer has a 600 hour standard. Should employee be enrolled?

2. What if this employee takes a second position with the employer?
Enrollment

Enroll me!

WHAT WILL WE COVER NEXT?

- Helpful Checklists
- New Member Packet
- Member Access
- Learning Opportunities for New Members
- Terminations
Enrollment

SHOULD THIS EMPLOYEE BE ENROLLED?

- Document all employees’ eligibility
- Hourly standard
- New hire or retiree?
- Determine work schedule
- Enroll or don’t enroll accordingly

Enrollment

PARTICIPATION CHECKLIST

- Steps to enroll
- Special conditions
- Helps avoid retiree return to work issues
  - Employer liability
Enrollment

EMPLOYER ENROLLMENT ISSUES

Pension Code mandates participation
  • Regularly audit hours worked by employees
Timely enrollment reduces future employer cost
  • Omitted service
  • Suspended wage issues
Tier assignment determined by IMRF
  • May be changed if additional information received after enrollment
Pension funding begins immediately

Enrollment

NEW MEMBER PACKET

Mailed to newly enrolled members
  • MID assigned
  • Member benefit booklet
  • Member Access login & setup information
  • New Member Checklist
  • VAC information
  • Information about IMRF
**Enrollment**

**MEMBER ACCESS**

---

**Member Access**

*A great tool for employees!*

- Pension calculations
- Wage & service information
- Personal Benefit Review registration
- Change Beneficiary
- Retirement & Disability Applications
- Address updates

---

**Enrollment**

**LEARNING OPPORTUNITIES FOR EMPLOYEES**

- **Workshops, registration is required**
  - Glass Half Full Workshop
  - Pre-retirement Workshop
  - Personal Benefit Reviews - phone and in-person

- **Employers may attend**
  - Learning opportunity
  - Find out what is expected

- **Dates and locations are online and in newsletters**
Enrollment

TERMINATING EMPLOYEES

Submit ASAP, benefits are held up if there’s a delay

If employee does not leave employment
  • Submit online termination
  • Submit second termination when employee leaves
  • Reduction In Force (RIF), postpone submission of termination

Respond as soon as possible if IMRF requests a termination

Must report unused/unpaid sick days for all terminations

QUESTIONS

1. Employee works 3 hours a day, 52 weeks a year. Employer has a 1,000 hour standard. Should employee be enrolled?

2. Pat is filling in for an employee who is on an extended leave. She’s expected to work 25 hours a week for at least 6 months. Should she be enrolled?

3. An employee is leaving employment and is terminated from IMRF. What should you do?
Enrollment

DO YOU HAVE OTHER QUESTIONS?

Wage Reporting
WHAT WILL WE COVER NEXT?

- Contributions
- Earnings
- Reporting

MEMBER CONTRIBUTIONS

- Regular 4.5%
- SLEP 7.5%

- Member contributions are tax-deferred
- Established by the Illinois Pension Code
VOLUNTARY ADDITIONAL CONTRIBUTIONS PLAN (VAC)

Optional Contributions
- Up to 10% of IMRF earnings
- These contributions are after-tax
- Currently earn interest at the rate of 7.25%
  - Credited annually based on previous January 1 balance
- IMRF Form 6.30
- Lifetime annuity option if $4,500 or more when retired

Based on IMRF wages, does not deduct
- from SLEP Tier 2 overtime
- from wages over Tier 2 cap
- If employee has over 40 years of service and has stopped contributing, do not withhold VAC

2019 EMPLOYER CONTRIBUTIONS

<table>
<thead>
<tr>
<th></th>
<th>SLEP</th>
<th>Regular</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>20.50%</td>
<td>9.06%</td>
</tr>
</tbody>
</table>

Employers fund their own employees’ retirement costs
- Disability, death, and 13th Payment contributions
**Wage Reporting**

**2019 EMPLOYER CONTRIBUTIONS**

**Employer rate components**
- Retirement costs
- Over/under funded
- Disability
- Death
- Supplemental pension payment

**Rate change occurs January 1**
- Remember to change rate in payroll!

---

**Wage Reporting**

**IMRF EARNINGS**

Submit report and payments monthly
- Due on the 10th of following month

Payments for qualifying positions reportable through calendar month after termination from IMRF
- Termination date is June 1, wages paid through July 31 are reported

Described in Section 3.96 of the Authorized Agents Manual
- Regular wages
- Overtime
- Vacation
- Back pay & sick pay
- Bonuses & awards
- 403(b), 457 Plan do not reduce IMRF contributions
Wage Reporting

EMPLOYER OPTIONAL EARNINGS

- IRC Sec 125 Comp as reportable earnings
- Retirement health savings plan as reportable earnings
- Taxable expense allowances
  - Vehicle allowances for employees enrolled after 8/25/2017 are not reportable
- Cash related to health insurance
- Reportable by employer resolution only

DO NOT REPORT THESE EARNINGS

- Employer health insurance payments
- Employer optional earnings without proper resolution on file
- Workers’ compensation payments (Unless supplemented)
- Employer contributions to 401(a) plans
- Tier 1 wages in excess of $280,000 if member participation started after January 1, 1996
- Tier 2 participants, 2019 limit is $114,951.83
- SLEP Tier 2 overtime
Wage Reporting

REPORTING & ONLINE PAYMENT PROCESS

1. Enter information or upload file
2. Validate file
   ▪ Fix errors
   ▪ Missing employees
   ▪ New employees that need to be enrolled
3. Send file
4. Make payment online
   ▪ First Data Corporation, separate user ID and PIN
   ▪ Contact at (800) 332-4125
5. Questions? Use Secure Messaging!

Wage Reporting

REVIEW WHAT YOUR ARE REPORTING

- Audit your payroll
- Are employer optional wages being reported? If so, is the proper resolution on file?
- Review payroll deductions

“The way it’s always been…”
...may not be correct!
Wage Reporting

POSSIBLE ISSUES

Employer Audit Findings
- Section 125 & expense allowance reporting
  - Resolutions needed
- Enrollment & omitted employee concerns
- Retiree Return-to-Work Situations
- Elected officials
  - Box 13 of W-2 must be checked regardless of participation if position qualifies
- Contractual issues, such as attorneys
- Use of IMRF Tax Levy

Wage Reporting Issues
- Suspended wages
- Corrections for
  - Court order
  - Military reporting—called to Active Duty
- Adjustments online
  - Report correct wages and contributions
- Credit and charge advices
Wage Reporting

QUESTIONS

1. An employee is awarded back pay. Is it reportable to IMRF?

2. Are Workers’ Compensation payments ever reported to IMRF?

DO YOU HAVE OTHER QUESTIONS?
Benefits

WHAT WILL WE COVER NEXT?

- Refunds
- Past Service
- Disability
- Death
- Retirement Plans
  - VAC
  - Early Retirement
  - Returning to work
  - IMRF Endorsed Insurance Providers
Benefits

REFUNDS WHEN SOMEONE TERMINATES

- Employers submit online termination
- Members can leave contributions on file or take a refund
- Member applies for a refund online or uses IMRF Form 5.10
  - Member contributions only
  - IRS taxes
  - Rollovers
  - Refund can’t be paid to a member who is in a non-qualifying position with the same employer
- Encourage members to contact IMRF at 1-800-ASK-IMRF about options

Benefits

PURCHASE OF SERVICE

- Applications must be received while the member is in an active, participating status.
- One payment for any amount of service following termination date is allowed
- Types of service that members can purchase
  - Military*
  - Reinstatement
  - Retroactive
  - Omitted*
  - SLEP Conversion
  - Benefit Protection Leave*
  - Out of State*

*Requires employer action or approval
**Benefits**

**PROCESS FOR ACQUIRING PAST SERVICE**

1. Submit application while participating
2. Payment information will be mailed to you
3. Request comparative estimates with and without additional service

**PAST SERVICE EMPLOYER ISSUES**

- Employer costs are factored into employer contribution rate
  - Two-year lag after member purchases service

- Employer resolution or approval may be required

- Contributions and cost
  - Determined by Pension Code
  - Vary by type of service
Benefits

DISABILITY BENEFIT ELIGIBILITY

- 12-months of consecutive service
- Disability expected to last more than 30 consecutive days
- Employee cannot receive any earnings from employer
- Resignation will impact eligibility
- Date of disability determined by doctor, NOT by member or employer
- 50% of last 12 months’ earnings
- Offsets
  - Social Security Disability, unreduced Social Security pension
  - Workers’ compensation
  - Disability will not impact future benefits

DISABILITY TYPES

Temporary
- All claims begin as temporary
- Includes maternity and alcoholism
- Does not include self-inflicted
- Normal earnings are substituted
- Service continuation

Total and Permanent
- IMRF evaluates for eligibility
**Benefits**

**DISABILITY APPLICATION**

1. Member applies for disability benefits
   - Online or Form 5.40

2. Employer’s Statement, Form 5.41
   - Submit if member will be off more than 30 days
   - Must be complete and timely
   - After submitted, IMRF sends a packet to the member with forms to complete

3. Physician’s Certification, Form 5.42

4. Submit Form 5.45 when employee returns to work

**Benefits**

**EMPLOYER ROLE IN DISABILITY**

- Missing members on IMRF report? Error message is a clue to do something
- Submit Form 5.41 when employee is off work on medical leave
- Don’t wait for the member to apply
- Refer members with questions directly to IMRF
Benefits

DISABILITY BENEFITS QUESTION

1. An employee is receiving IMRF disability benefits. What happens if they resign?

Benefits

DEATH BENEFIT BASED ON MEMBER STATUS

Active Member
- Contributions, interest, and one year’s salary
- Employer submits online termination
  - Report sick days and reportable wages

Inactive Member
- Contributions plus interest
- Submit online termination if not sent previously

Retiree
- $3,000 lump sum + surviving spouse pension
- Notify IMRF
Benefits

DEATH BENEFIT PAYMENTS

- $3,000
- Surviving spouse pension*

**TIER 1**

50% of member’s benefit payment

**TIER 2**

66% of member’s benefit payment

* - Married or entered into a Civil Union one year (365 days) prior to last day of IMRF participation
- If no spouse any balance will be refunded

REMIND MEMBERS TO KEEP BENEFICIARY INFORMATION CURRENT!

- Member’s Personal Statement of Benefits
  - List primary beneficiary information

- Member Access
  - Shows complete beneficiary information

- Default beneficiary is member’s estate
DEATH BENEFITS QUESTIONS

1. What happens if the employee dies and doesn’t have a beneficiary form on file?

2. What happens if the employee was married more than a year and vested, but doesn’t have a beneficiary form on file?

3. If a retiree selects the VAC annuity, what happens to the balance upon his death?

REGULAR PLAN BENEFIT

Eligibility
- 8 years service
- Age 60 (unreduced)

Reduction if under age 60 or less than 35 years of service
- 0.25% per month
- Reduction is permanent
- Smallest reduction is applied
- Age 55 (earliest age)
**Benefits**

**REGULAR PLAN BENEFIT**

**Eligibility**
- 10 years service
- Age 67 (unreduced)

**Reduction if under age 67 or less than 35 years of service**
- 0.5% per month
- Reduction is permanent
- Smallest reduction is applied
- Age 62 (earliest age)

---

**SLEP PLAN BENEFIT**

**Eligibility**
- 20 years service
- Age 50

**2.5% for each year of service**
- 20 years = 50% 24 years = 60%
- 28 years = 70% 32 years = 80%

**48 month Final Rate of Earnings**
Benefits

SLEP PLAN BENEFIT

Eligibility
- 10 years service
- Age 55 (unreduced)
- 2.5% for each year
- Maximum benefit of 75% with 30 years

Reduction if under 55
- 0.5% per month
- Reduction is permanent
- Smallest reduction applied

Age 50 (earliest age)
- 96 month Final Rate of Earnings

FINAL RATE OF EARNINGS (FRE)
Both plans are calculated based on the earnings of your last 10 years of service.

Tier 1
Average of your highest consecutive 48 months

Tier 2
Average of your highest consecutive 96 months
Benefits

PENSION INCREASES

Cost of living adjustment (COLA)

**TIER 1**

3% increase each January
- Based on original pension
- First year pro-rated

**TIER 2**

Lesser of 3% or 0.5% of CPI URBAN
- 2019 increase is 1.15%
- After age 67

Benefits

OPTIONAL PENSION

- Larger benefit up to age 62
- Smaller benefit after age 62
- Computed individually

Estimated Standard Pension until final paycheck is reported to IMRF, then option letter is mailed

Available to all members who retire prior to age 62.
Supplemental Pension Payment

Benefits

Eligibility
- Need to be retired at least 12 months
- Paid in July

Amount
- Varies each year

Maximum Pension Payments

- Maximum pension payments are different in each plan
  - Regular Plan - 40 years - 75%
  - SLEP Tier 1 - 32 years - 80%
  - SLEP Tier 2 - 30 years - 75%

- Members with 40 or more years of service
  - Can stop all contributions (Form 6.24)
  - VAC contributions stop with this election
  - Freeze final rate of earnings
  - Disability and death benefits continue
### Benefits

**UNUSED/UNPAID SICK DAYS**

- Employers report sick days on termination notice
- Based on your written sick leave policy
- 1 month for every 20 days (1 year maximum)
- Last employer
  - Portability exception for school districts
- Pension needs to be effective within 60 days
- Cannot be used to meet eligibility requirements

#### Receive service credit for your unused and unpaid sick days

<table>
<thead>
<tr>
<th>Unused Days</th>
<th>Credit Duration</th>
</tr>
</thead>
<tbody>
<tr>
<td>1-20</td>
<td>1 month</td>
</tr>
<tr>
<td>21-40</td>
<td>2 months</td>
</tr>
<tr>
<td>41-60</td>
<td>3 months</td>
</tr>
<tr>
<td>61-80</td>
<td>4 months</td>
</tr>
<tr>
<td>81-100</td>
<td>5 months</td>
</tr>
<tr>
<td>101-120</td>
<td>6 months</td>
</tr>
<tr>
<td>121-140</td>
<td>7 month</td>
</tr>
<tr>
<td>141-160</td>
<td>8 months</td>
</tr>
<tr>
<td>161-180</td>
<td>9 months</td>
</tr>
<tr>
<td>181-200</td>
<td>10 months</td>
</tr>
<tr>
<td>201-220</td>
<td>11 months</td>
</tr>
<tr>
<td>221-240</td>
<td>12 months</td>
</tr>
</tbody>
</table>
Benefits

HOW RECIPROCITY WORKS

- Minimum of 1 year service per system
  - Exception for teaching assistants
- Combined service meets vesting requirements
- Higher earnings usually used
- Each system uses own formula and pays its prorated share
- Member submits retirement application with each system

Benefits

SYSTEMS THAT SHARE RECIPROCITY

- General Assembly
- IMRF
- Judges
- Laborers’ Annuity & Benefit Fund
- Metropolitan Water Reclamation District
- Municipal Employees of Chicago
- State Employees’
- State Teachers’
- State Universities

- Chicago Park Employees’
- Chicago Teachers’
- Cook County Employees
- Cook County Forest Preserve District
Benefits
SPECIAL NEEDS OR REVERSIONARY ANNUITY

- Retiree reduces pension to provide an additional annuity to someone else upon death
  - Set up at time of retirement
  - Irrevocable
  - One beneficiary
  - Call IMRF for estimate

Benefits
SPECIAL NEEDS ANNUITY EXAMPLE 1

- Regular Tier 1 member retires at age 62
  - Member receives an $800 monthly pension
  - The surviving spouse receives $400

- Eligible spouse 5 years younger, 40% option
  - Member receives a $733 monthly pension
  - The surviving spouse will receive $693
Benefits

SPECIAL NEEDS ANNUITY EXAMPLE 2

- Regular Tier 1 member retires at age 62
  - Member receives an $800 monthly pension

- 30 year old beneficiary, 100% option*
  - Member receives an $541 monthly pension
  - The beneficiary will receive $541

*No eligible spouse

Benefits

VAC PARTICIPATION EXAMPLE 1

VAC SALARY CONTRIBUTION COMPARISON

Both members started contributing to VAC at age 25 and earned $30,500 with 2% raises each year before retiring at age 67.

<table>
<thead>
<tr>
<th>Total Benefit</th>
<th>SALARY CONTRIBUTION</th>
<th>Interest</th>
<th>His Contributions</th>
</tr>
</thead>
<tbody>
<tr>
<td>$108,206</td>
<td>1%</td>
<td>$87,294</td>
<td>$20,912</td>
</tr>
</tbody>
</table>

*Based on historical data and a 7.5% rate of return.*
**Benefits**

**VAC PARTICIPATION EXAMPLE 2**

*Voluntary Additional Contributions RETIREMENT AGE COMPARISON*

Both members began participation in VAC at age 40 and contributed $200 per month.

<table>
<thead>
<tr>
<th>Total Benefit</th>
<th>Total Benefit</th>
</tr>
</thead>
<tbody>
<tr>
<td>$97,218</td>
<td>$153,335</td>
</tr>
<tr>
<td>or $582 monthly*</td>
<td>or $1,008 monthly*</td>
</tr>
<tr>
<td>Interest $50,618</td>
<td>Interest $94,735</td>
</tr>
<tr>
<td>His Contributions</td>
<td>Her Contributions</td>
</tr>
<tr>
<td>$46,600</td>
<td>$58,600</td>
</tr>
</tbody>
</table>

*Figures based on historical data and a 7.5% rate of return.*

---

**Benefits**

**EARLY RETIREMENT INCENTIVE (ERI)**

- ERI is employer optional
- 1 year window
- Employee eligibility
  - Tier 1: Age 50 and 20 years
  - Tier 2: Age 57 and 20 years
- Cost study required
  - Contact your Field Representative
- Employer and member booklets are online
Benefits

IMRF ERI MEMBER BENEFITS

- Add up to 5 years age and service to retirement computation
- Member cost
- Member payments
- Return-to-work restrictions

You must call IMRF at 1-800-728-7971 if you hire or re-hire an IMRF retiree!

- Potential employer liability
- Retiree must call IMRF too!
- If retiree does not qualify for IMRF, don’t deduct IMRF contributions

RETURNING TO WORK MAY AFFECT PENSION BENEFITS OF IMRF RETIREES
HEALTH INSURANCE CONTINUATION

Illinois Insurance Code
- PA 86-1444

Department of Insurance
- Contact the Consumer Service Division 877-527-9431 (toll free)

COBRA is a federal provision

ENDORSED INSURANCE PLANS

Doyle Rowe, Ltd.
- 1-800-564-7227
- www.doylerowe.com/IMRFEndorsedPlans

National Conference on Public Employee Retirement Systems (NCPERS) Life Insurance
- 1-800-525-8056
- https://www.mybensite.com/imrf/
INSURANCE CONTINUATION QUESTIONS

1. An employee who is soon retiring would like to remain on your health insurance plan. Can they?

2. An employee is in NCPERS and takes a non-qualifying position with the same employer. Can they stay on the plan?

QUESTIONS

1. Can you revise the sick days on a previously submitted online termination? If so, how?

2. What are the differences between Tier 1 vs Tier 2?

3. An IMRF retiree would like to work for your employer. Can they?
Benefits

DO YOU HAVE OTHER QUESTIONS?

Employer Contributions
Employer Contributions

WHAT WILL WE COVER NEXT?

- Employer Funding
- Salary Spiking
- Accelerated Payments
- Pension Impact Statement
- Open Meetings Act
- Payments to Retired Employees
- IMRF Tax Levy

IMRF has three sources of income:

- FIXED
  - MEMBER CONTRIBUTIONS
    - Fixed by state statute
- Variable
  - EMPLOYER CONTRIBUTIONS
    - Fluctuates based on investment returns

INVESTMENT INCOME

- Assumed to be 7.25%
- Will fluctuate
Employer Contributions

GROSS RETURNS OVER A 37-YEAR PERIOD

- 21 periods > 9.99%
- 5 periods = 7.24% - 0%
- 4 periods = 9.99% - 7.25%
- 7 periods < 0%

Employer Contributions

EMPLOYER RATE COMPONENTS

■ Retirement: Regular, SLEP
■ Disability
■ Death
■ Supplemental Payment
■ ERI*
■ SLEP Enhancement

*If adopted by employer
Employer Contributions

YOUR EMPLOYER CONTRIBUTION RATE

- Unique to your employer
- Based on your employer’s assets and pension obligations
- 2019 rates are based on end of year balances as of 12/31/2017

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 3,000 employers.

PENSION FUNDING BASICS

- The cost of the pension is intended to be prefunded over the working career of the member.

Unfunded amounts arise from:
- Changes in the plan
- Investment returns less than assumed rate of return
- Changes in actuarial assumptions (such as mortality tables)
Employer Contributions

**AMORTIZATION** of Employer Cost

- **Taxing Entity:** 30 Years (closed—24 years in 2019)
- **Instrumentality:** 10 Years (rolling)

*Gradual elimination of pension liability.

---

**SALARY SPIKING**

- The Illinois Pension Code currently limits the effect of salary spiking.
  - 125% limit on the Final Rate of Earnings
  - Accelerated Payments

- Spiking salary in the Final Rate of Earnings (FRE) period causes the total pension payment to increase, thus **INCREASING THE EMPLOYER COST.**

- **SPIKING MAY BE UNINTENTIONAL**
  - School districts paying final year’s wages over 10 months
  - Increasing earnings due to payouts of sick, vacation, longevity and retirement incentives
  - Members who opt out of Section 125 plans that have not been reported to IMRF.
Employer Contributions

SPREADSHEET TO ESTIMATE AP

Employer Contributions

ACCELERATED PAYMENTS

- Looks at each 12 month period in the FRE
- For each period, looks for wages that are more than 6% greater (or 1½ times the CPI-U if greater) than the previous period
- Invoice if AP is greater than $5,000
- Quarterly statements

Note: The CPI-Urban is October to September, which is the same period used for the Tier 2 cap.
Employer Contributions

ACCELERATED PAYMENTS

- Overtime
- Promotion
- Increase in hours
- Vacation payouts if paid during last 90 days of the Final Rate of Earnings period
- Exemptions

ACCELERATED PAYMENTS

Employers must request a Pension Impact Statement before increasing the earnings of an officer, executive, or manager by 12% or more.

PENSION IMPACT STATEMENT

Public Act 97-0609 effective January 1, 2012

Employers must request a Pension Impact Statement before increasing the earnings of an officer, executive, or manager by 12% or more.
Employer Contributions

PENSION IMPACT STATEMENT

Request for Pension Impact Statement
IMRF Form 3.22

IMRF will provide the resulting effect the salary increase could have:

- On the employee’s pension
- On the estimated Accelerated Payment due from the employer at the employee’s retirement to IMRF

Employer Contributions

OPEN MEETINGS ACT

Public Act 99-646

- Requires IMRF employers to certify certain payments made to retiring members before they can be paid
- Consult your legal counsel if you have questions
- IMRF pension cost estimation spreadsheet is online
Employer Contributions

PAYMENTS TO RETIRING EMPLOYEES

Employer Contributions

USE OF IMRF TAX LEVY

- Pension Code section 7-171(b) gives IMRF participating municipalities the authority to levy a tax to fund IMRF employer contributions.

- Amount of levy is limited to the employer IMRF contributions (Sections 7-171 and 7-172).

- Employer Social Security contributions may not be paid from the IMRF levy (PA 84-1472).

- Municipality must account for the funds raised by the IMRF levy separately from all other fund accounts—including the Social Security Account [Section 7-171(h)].

- Municipality should not make inter-fund loans from the IMRF Fund. If it does, the loan must be repaid before end of the fiscal year [7-171(h)].
Employer Contributions

EMPLOYER RATE MEETING WEBINAR

- For employers
- For governing bodies
- For financial officers

**EMPLOYER RATE MEETING WEBINAR**

Locally funded, financially sound.

**EMPLOYER PROCEDURES**

- Authorized Agents Manual
- Employer Tools and Forms
- Employer Support Videos
- Authorized Agent Workshops

**EMPLOYERS MUST KNOW**

- IMRF’s funding policy
- GASB 68
- Endorsed insurance

**2019 Final Rate Notice**

Employers: 2019 Final Rate Notices are now available in Employer Access under the “Display Annual Documents” link under the “Documents” section of their accounts. The Final Rate Notices provide employers with their 2019 Annual Contribution Rate for each of its IMRF plans.

**Other webinars**

- IMRF’s funding policy
- GASB 68
- Endorsed insurance

**WANT TO KNOW MORE?**
QUESTIONS

1. True or False? Retirement costs are pooled among all IMRF employers.