Opening Remarks

EMPLOYER WORKSHOP MATERIALS ARE AVAILABLE ONLINE
Welcome!

TOPICS FOR TODAY’S DISCUSSION

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

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

IMRF STRENGTHS

- Highest quality retirement services
- Defined benefit pension plan
- An independent Board of Trustees
- Financial health
Introduction

IMRF PENSION DOLLAR

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

62¢
IMRF Investment Earnings

26¢
IMRF Employers

12¢
IMRF Members
Introduction

IMRF SERVES 3,010 UNITS OF GOVERNMENT

[Diagram showing the distribution of employers among different types of government units, with percentages and member counts.]
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 2019

Public Act 101-0151 (House Bill 3446) allows members to retain disability eligibility if they have up to a three-month gap in employment prior to disability, and return to participation with a different employer. Prior to this law, the member had to return to the same employer to retain eligibility. This bill was part of the IMRF Board’s 2019 Legislative Agenda.

Public Act 101-0492 (House Bill 2884) extends to members participating with certain educational employers the ability to roll over unused, unpaid sick leave between multiple employers. Currently, this ability only applies to members participating with school districts.

Public Act 101-0504 (House Bill 3263) requires IMRF to post certain employer cost and participation information on its website.

Public Act 101-0544 (Senate Bill 1236) prohibits an elected official who is receiving an IMRF pension based on service in the same position from also receiving a salary for that position. If the official was receiving an IMRF pension on August 23, 2019, effective at the beginning of their next term of office they must either suspend their IMRF pension or their salary will be reduced to zero.

Public Act 101-0546 (Senate Bill 1264) requires all pension systems to send an annual report to the State Treasurer’s Office regarding unclaimed assets.
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
Introduction

SIGN UP FOR LEGISLATIVE UPDATE

Six bills affecting IMRF passed the General Assembly during the spring session. None of the bills were opposed by IMRF. No bills related to pension fund consolidation were proposed during the spring session.

Public Act 101-0151 (House Bill 3484) allows members to retain disability eligibility if they leave a three-month gap in employment prior to disability, and returns to participation with a different employer. Prior to this law, the member had to return to the same employer to retain eligibility. This bill was part of the IMRF Board’s 2019 Legislative Agenda.

Public Act 101-0473 (House Bill 2460) requires all public agencies and units of government in Illinois to consider specific sustainability goals.

Public Act 101-0492 (House Bill 2884) extends to members participating with certain educational employers the ability to roll over unused, unpaid sick leave between multiple employers. Currently, this ability only applies to members participating with school districts.

Public Act 101-0504 (House Bill 3263) requires IMRF to post certain employer cost and participation information on its website.

Public Act 101-0544 (Senate Bill 1236) prohibits an elected official who is receiving an IMRF pension from serving in the same position from also receiving a salary for that position. If the official was receiving an IMRF pension on August 21, 2019, effective at the beginning of their next term of office, they must either suspend their IMRF pension or their salary will be reduced to zero.

Public Act 101-0566 (Senate Bill 1264) requires all pension systems to send an annual report to the State Treasurer’s Office regarding unclaimed assets.

New Laws

- **Public Act 100-1097 (introduced as SB 3119)**: This law prohibits IMRF participation by 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.
  - Took a new job working with the same municipality for the police department or in an advisory capacity.
  - Had no IMRF service credit prior to August 26, 2018.
  (Note: IMRF will send additional information to employers who may be affected by this bill.)

- **Public Act 100-0935 (introduced as SB 2884)**: 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

REVIEW EMPLOYER DIGEST

Friday, September 14, 2018

Welcome to Employer Digest, your monthly source for IMRF news and information to help you stay connected with IMRF.

New Law Restricts IMRF Participation for Some Former Police Chiefs

In August, Gov. Rauner signed Public Act 100-1097. This new 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,

You are receiving this email because you have been identified as an Employer Contact of IMRF. As such, you cannot opt out of receiving this email. To update your Employer Contact information, log in to your Employer Access account.

If someone at your employer would like to receive Employer Digest and does not have an Employer Access account, you can log in to your Employer Access account and add them as a "news subscriber," or they may sign up here.

Visit IMRF’s website

Employer Access

Employer Digest Archive

August 2018 Board Meeting

The scheduled Board Meeting will be held Friday, November 16, at the Oak Brook office. You can view the 2018 IMRF Board of Directors calendar here.
Authorized Agents
Authorized Agents

- 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
Authorized Agents

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
Authorized Agents

INTRODUCTION TO EMPLOYER ACCESS

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

Documents
- Display Document Archive
- Display Annual Documents
- Display Adopted Resolutions
- Download Forms
- Display Authorized Agents Manual
- Display Web Transaction History

Web Account
- Manage Web Assistants
- Change Web Profile (User Not Authorized)

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

Select member to Update address, phone, etc.

GASB Reports
Rate Notices
Employer Reserve Statement
Employer Copy of Member Statement

Manage who receives communication from IMRF.
Authorized Agents

HOW TO LOCATE A MEMBER ID

Members

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

Search Members

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

Click 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 Name</th>
<th>Employment Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>444-4484</td>
<td></td>
<td>Rachelle L</td>
<td>Terminated</td>
</tr>
<tr>
<td>555-5555</td>
<td></td>
<td>Veronica M</td>
<td>Terminated</td>
</tr>
<tr>
<td>222-3222</td>
<td></td>
<td>Wanda K</td>
<td>Terminated</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
Authorized Agents

HOW TO FIND PROCEDURE CHECKLISTS

Locally funded, financially sound.

EMPLOYER PROCEDURES
- Authorized Agents Manual
- Employer Support Videos
- Authorized Agent Workshops

2019 Final Rate Notice
Employers’ 2019 Final Rate Notices are now available in Employer Access from the "Display Annual Documents" link under the "Documents" section of their account. The Final Rate Notice provides employers with their 2019 Annual Contribution Rate for each of its IMRF plans.

Completing Employer Tasks Quickly
Try Employer Access First
You can complete most tasks in Employer Access. You will find Employer Access links on these pages and in the “My Account” menu.

Use the Search Bar
If you’re looking for a particular form and you know the form number you can enter it in the search bar. Forms are indexed to come up within the first few results.

EMPLOYERS MUST KNOW
- GASB 68 Resources
- Employer Rates
- Reports for Employers
- Considering Participation in IMRF
- Early Retirement Incentive
- Employees with Reciprocal Service
- FMLA
- Appeal Procedures
- Active Military Reservists
- Converting Military Service
- Hiring IMRF Retirees - Cautions
- Accelerated Payments
- Payments to Retiring Employees
- Endorsed Insurance Videos
- GASB 68 Webinar
- IMRF’s Funding Policy Webinar
- 2018 Rate Meeting Webinar

LINKS TO ONLINE PROCESSES AND DOWNLOADABLE FORMS
- Administrative Tasks for Authorized Agents
- Changes in Employee Information
- Enrolling Employees in IMRF
- Managing Disability Claims
- Suggested Resolutions for Governing Bodies
- Terminating Employees from Governing Bodies
- Accelerated Payments
- Making Payments to IMRF
- Procedure Checklists
Authorized Agents
EMPLOYER CUSTOMER SERVICE LINE

EMPLOYER LINE
1-800-728-7971

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

www.imrf.org
Participation
Participation

- Understanding the Different IMRF Plans
- Member Eligibility
Participation

DEFINED IN SECTION 3 OF THE AUTHORIZED AGENTS MANUAL
Participation

TIER 1 & TIER 2 BENEFIT PLANS

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.

- School Districts
- Special Education Cooperative
- Employers who have not adopted the 1,000 hour standard
- Employers who have adopted the 1,000 hour standard
- All governing body members enrolled 1/1/2018 or after
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)
 Participation

MULTIPLE POSITIONS & IMRF ELIGIBILITY

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

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

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

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
If elected position qualifies for IMRF, elected official can choose to participate

- IMRF Form 6.21 (each time re-elected)
- If this form is submitted, election to participate is irrevocable
- IMRF General Memo 683
Effective 1/1/2018, new members elected or appointed to a governing body position are subject to the 1,000 hour standard (even if your employer uses the 600 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.

County Board positions recertify eligibility every two years

- IMRF Form 6.64
- Recertify within 90 days of election

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

- 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
- Provides documentation for audit
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
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
Enrollment

DO YOU HAVE OTHER QUESTIONS?
Wage Reporting
Wage Reporting

WHAT WILL WE COVER NEXT?

- Contributions
- Earnings
- Reporting
Member contributions are tax-deferred

Established by the Illinois Pension Code
Wage Reporting

VOLUNTARY ADDITIONAL CONTRIBUTIONS PLAN (VAC)

Optional Contributions

- Up to 10% of IMRF reportable earnings, after tax
- Currently earn interest at the rate of 7.25%
  - Credited annually based on previous January 1 balance
- IMRF Form 6.30

Based on IMRF wages, does not deduct

- from SLEP Tier 2 overtime
- from wages over Tier 2 cap ($115,928.92)
- If employee has over 40 years of service and has stopped contributing, do not withhold VAC
Wage Reporting

2020 EMPLOYER CONTRIBUTIONS

<table>
<thead>
<tr>
<th>Regular</th>
<th>SLEP</th>
</tr>
</thead>
<tbody>
<tr>
<td>10.91%</td>
<td>24.48%</td>
</tr>
</tbody>
</table>

Employers fund their own employees’ retirement costs
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

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

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
Wage Reporting

DO NOT REPORT THESE EARNINGS

- Workers’ compensation payments (Unless supplemented)-Call IMRF Legal
- Tier 1 wages in excess of $285,000 if member participation started after January 1, 1996
- Tier 2 participants, 2020 limit is $115,928.92
- 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!*
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

POSSIBLE ISSUES

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
DO YOU HAVE OTHER QUESTIONS?
Benefits
Benefits

- 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

DISABILITY BENEFIT ELIGIBILITY

- 12-months of consecutive service
- Disability expected to last more than 30 days
- Compensation from Employer stop
- Resignation will impact eligibility
- Date of disability determined by doctor
- 50% of last 12 months’ earnings
- Offsets
  - Social Security Disability, unreduced Social Security pension
  - Workers’ compensation
- Disability protects future benefits
**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

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*

50% of member’s benefit payment

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
Benefits

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
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

Submit application while participating

Payment information will be mailed to you

Request comparative estimates with and without additional service
Benefits

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

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)
Benefits

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 (overtime not included)
Benefits

FINAL RATE OF EARNINGS (FRE)

Both plans are calculated based on the earnings of your last 10 years of service.

<table>
<thead>
<tr>
<th>Tier 1</th>
<th>Tier 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average of your highest consecutive 48 months</td>
<td>Average of your highest consecutive 96 months</td>
</tr>
</tbody>
</table>
Benefits

PENSION INCREASES

Cost of living adjustment (COLA)

3% increase each January

- Based on original pension
- First year pro-rated

Lesser of 3% or half of CPI URBAN

- 2020 increase is 0.85%
- 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.
**Benefits**

**SUPPLEMENTAL PENSION PAYMENT**

---

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

**Amount**
- Varies each year
Benefits

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 for certain educational employers
- Pension needs to be effective within 60 days
- Cannot be used to meet eligibility requirements
**Benefits**

**UNUSED/UNPAID SICK DAYS**

Receive service credit for your unused and unpaid sick days

<table>
<thead>
<tr>
<th>Range</th>
<th>Service Credit</th>
</tr>
</thead>
<tbody>
<tr>
<td>1-20</td>
<td>1 month</td>
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<tr>
<td>21-40</td>
<td>2 months</td>
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<tr>
<td>41-60</td>
<td>3 months</td>
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<td>61-80</td>
<td>4 months</td>
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<tr>
<td>81-100</td>
<td>5 months</td>
</tr>
<tr>
<td>101-120</td>
<td>6 months</td>
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<tr>
<td>121-140</td>
<td>7 month</td>
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<tr>
<td>141-160</td>
<td>8 months</td>
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<tr>
<td>161-180</td>
<td>9 months</td>
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<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

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.

Total Benefit
$104,209
or
$765 monthly*

Interest
$83,725

His Contributions
$20,484

*Gross for life with increases according to your Tier

Total Benefit
$521,044
or
$3,868 monthly*

Interest
$418,625

Her Contributions
$102,418

*Gross for life with increases according to your Tier

Figures based on historical data and a 7.25% rate of return.
Benefits

VAC PARTICIPATION EXAMPLE 2

VAC SALARY CONTRIBUTION COMPARISON

Both members contributed 2% of their earnings with 2% raises each year.

YEARS OF CONTRIBUTIONS

20

TOTAL BENEFIT

$22,000

30

TOTAL BENEFIT

$57,900

Figures based on historical data and a 7.25% 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
Benefits

RETURNING TO WORK MAY AFFECT PENSION BENEFITS OF IMRF RETIREES

- 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
Benefits

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
Benefits

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/
Benefits

DO YOU HAVE QUESTIONS?
Employer Contributions
Employer Contributions

- 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

- 2020 rates are based on end of year balances as of 12/31/2018

- 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 3,016 employers.
Employer Contributions

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—23 years in 2020)

- Instrumentality: 10 Years (rolling)

*Gradual elimination of pension liability.
Employer Contributions

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
Employer Contributions

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

REQUEST FOR PENSION IMPACT STATEMENT (P.A. 97-0609)
IMRF Form 3.22 (03/2012)

- Public Act 97-0609 requires employers to request a ‘Pension Impact Statement’ from IMRF before increasing the earnings of an officer, executive, or manager by 12% or more. (See exceptions on back.)
- The Pension Impact Statement will provide:
  - Effect the earnings increase could have on the member’s pension
  - Estimated “Accelerated Payment” (amount employer will be required to pay immediately upon the member’s retirement. The Accelerated Payment is due when the member retires, not when the salary increases.)
- Once the employer receives the Pension Impact Statement from IMRF, the individual approving the salary increase will be required to sign and return the Pension Impact Statement to IMRF.
- Employers will be required to pay IMRF the $25 cost associated with preparing the Pension Impact Statement.

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

- 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

2019 Final Rate Notice

Employers' 2019 Final Rate Notices are now available in Employer Access from the "Display Annual Documents" link under the "Documents" section of their account. The Final Rate Notice provides employers with their 2019 Annual Contribution Rate for each of its IMRF plans.

Employers may view their 2019 Final Rate Notice [here].
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 WEBINARS

- IMRF’s funding policy
- GASB 68
- Endorsed insurance
WHAT WE COVERED TODAY

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

DO YOU HAVE OTHER QUESTIONS?
Closing Remarks

PLEASE TAKE OUR WORKSHOP SURVEY

Your feedback is important to us!

- Helps make improvements to our workshop and materials
- Helps gauge your interest in these topics
- Keeps us on track as a world class organization
EMPLOYER WORKSHOP MATERIALS ARE AVAILABLE ONLINE
THANK YOU FOR ATTENDING!

Please fill out surveys and provide your feedback!

Your presenter today was

XXXXXXXXX XXXXXXXXXXXXX, IMRF Field Representative