***GASB 68 Pension Note Template***

***(assuming June 30, 2024 year end)***

***Illinois Municipal Retirement Fund***

Plan Description

The EMPLOYER’s defined benefit pension plan for regular employees provides retirement and disability benefits, post retirement increases, and death benefits to plan members and beneficiaries. The EMPLOYER’s plan is affiliated with the Illinois Municipal Retirement Fund (IMRF), an agent multiple-employer plan. A summary of pension benefits is provided in the paragraphs that follow. Details of all benefits are available from IMRF. Benefit provisions are established by statute and may only be changed by the General Assembly of the State of Illinois. IMRF issues a publicly available Comprehensive Annual Financial Report that includes financial statements, detailed information about the pension plan’s fiduciary net position, and required supplementary information. That report is available on-line at [www.imrf.org.](http://www.imrf.org/)

Benefits Provided

IMRF has three benefit plans. The vast majority of IMRF members participate in the Regular Plan (RP). The Sheriff’s Law Enforcement Personnel (SLEP) plan is for sheriffs, deputy sheriffs, and selected police chiefs. Counties could adopt the Elected County Official (ECO) plan for officials elected prior to August 8, 2011 (the ECO plan was closed to new participants after that date).

All three IMRF benefit plans have two tiers. Employees hired before January 1, 2011, are eligible for Tier 1 benefits. Tier 1 employees are vested for pension benefits when they have at least eight years of qualifying service credit. Tier 1 employees who retire at age 55 (at reduced benefits) or after age 60 (at full benefits) with eight years of service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1-2/3% of the final rate of earnings for the first 15 years of service credit, plus 2% for each year of service credit after 15 years to a maximum of 75% of their final rate of earnings. Final rate of earnings is the highest total earnings during any consecutive 48 months within the last 10 years of service, divided by 48. Under Tier 1, the pension is increased by 3% of the original amount on January 1 every year after retirement.

Employees hired on or after January 1, 2011, are eligible for Tier 2 benefits. For Tier 2 employees, pension benefits vest after ten years of service. Participating employees who retire at age 62 (at reduced benefits) or after age 67 (at full benefits) with ten years of service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1-2/3% of the final rate of earnings for the first 15 years of service credit, plus 2% for each year of service credit after 15 years to a maximum of 75% of their final rate of earnings. Final rate of earnings is the highest total earnings during any 96 consecutive months within the last 10 years of service, divided by 96. Under Tier 2, the pension is increased on January 1 every year after retirement, upon reaching age 67, by the lesser of:

• 3% of the original pension amount, or

• 1/2 of the increase in the Consumer Price Index of the original pension amount.

Employees covered by benefit terms

As of December 31, 2023, the following employees were covered by the benefit terms:

|  |  |
| --- | --- |
|  | IMRF |
| Inactive Plan Members And Beneficiaries Currently Receiving Benefits | - |
| Inactive Plan Members Entitled To But Not Yet Receiving Benefits | - |
| Active Plan Members | - |
| Total | - |

Contributions

As set by statute, the EMPLOYER’s regular plan members are required to contribute 4.5 percent of their annual covered salary. The statute requires employers to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The EMPLOYER’s annual contribution rate for calendar year 2023 was xx.xx %. For the fiscal year ended June 30, 2024, the EMPLOYER contributed $xxxxxx to the plan. The EMPLOYER also contributes for disability benefits, death benefits and supplemental retirement benefits, all of which are pooled at the IMRF level. Contribution rates for disability and death benefits are set by the IMRF Board of Trustees, while the supplemental retirement benefits rate is set by statute.

Net Pension Liability

The EMPLOYER’s net pension liability was measured as of December 31, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The following are the methods and assumptions used to determine total pension liability as of December 31, 2023:

• The Actuarial Cost Method used was Entry Age Normal.

• The Asset Valuation Method used was Fair Value of Assets.

• The Inflation Rate was assumed to be 2.25%.

• Salary Increases were expected to be 2.85% to 13.75%, including inflation.

• The Investment Rate of Return was assumed to be 7.25%.

• Projected Retirement Age was from the Experience-based Table of Rates, specific to the type of eligibility condition, last updated for the 2023 valuation according to an experience study from years 2020 to 2022.

• For non-disabled retires, the Pub-2010, Amount-Weighted, below-median income, General, Retiree, Male (adjusted 108%) and Female (adjusted 106.4%) tables, and future mortality improvements projected using scale MP-2021 were used.

• For Disabled Retirees, the Pub-2010, Amount-Weighted, below-median income, General, Disabled Retiree, Male and Female (both unadjusted) tables, and future mortality improvements projected using scale MP-2021.

• For Active Members, the Pub-2010, Amount-Weighted, below-median income, General, Employee, Male and Female (both unadjusted) tables, and future mortality improvements projected using scale MP-2021.

• The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return to the target asset allocation percentage and adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table as of December 31, 2023:

|  |  |  |
| --- | --- | --- |
|  |  | Long-Term |
|  |  | Expected |
|  | Target | Real Rate |
| Asset Class | Percentage | of Return |
| Domestic Equity | 34.5% | 5.00% |
| International Equity | 18.0% | 6.35% |
| Fixed Income | 24.5% | 4.75% |
| Real Estate | 10.5% | 6.30% |
| Alternative Investments | 11.5% | 6.05-8.65% |
| Cash Equivalents | 1.0% | 3.80% |
| Total | 100.0% |  |

Discount Rate

A Single Discount Rate of 7.25% was used to measure the total pension liability. The projection of cash flows used to determine this Single Discount Rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. The Single Discount Rate reflects:

1. The long-term expected rate of return on pension plan investments (during the period in which the fiduciary net position is projected to be sufficient to pay benefits) and
2. The tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating (which is published by the Federal Reserve) as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met).

For the purpose of the most recent valuation, the expected rate of return on plan investments is 7.25%; the municipal bond rate is 3.77%; and the resulting single discount rate is x.xx%.

Changes in the Net Pension Liability

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Total** |  |  |
|  | **Pension** | **Plan Fiduciary** | **Net Pension** |
|  | **Liability** | **Net Position** | **Liability** |
|  | **(A)** | **(B)** | **(A)-(B)** |
| **Balances at December 31, 2022** | $ - | $ - | $ - |
| **Changes for the year:** |  |  |  |
| Service Cost | - | - | - |
| Interest on the Total Pension Liability | - | - | - |
| Changes of Benefit Terms | - | - | - |
| Differences Between Expected and Actual |  |  |  |
| Experience of the Total Pension Liability | - | - | - |
| Changes of Assumptions | - | - | - |
| Contributions - Employer | - | - | - |
| Contributions - Employees | - | - | - |
| Net Investment Income | - | - | - |
| Benefit Payments, Including Refunds |  |  |  |
| of Employee Contributions | - | - | - |
| Other (Net Transfer) | - | - | - |
| Net Changes | - | - | - |
| **Balances at December 31, 2023** | $ - | $ - | $ - |

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the plan’s net pension liability, calculated using a Single Discount Rate of x.xx percent, as well as what the plan’s net pension liability would be if it were calculated using a Single Discount Rate that is one percent lower or one percent higher:

|  |  |  |  |
| --- | --- | --- | --- |
|  | 1% Decrease | Current Discount Rate | 1% Increase |
|  | (x.xx%) | (x.xx%) | (x.xx%) |
| Net Pension Liability | $ - | $ - | $ - |

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2024, the EMPLOYER recognized pension expense of $xxxx. At June 30, 2024, the EMPLOYER reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|  |  |  |
| --- | --- | --- |
|  | **Deferred** | **Deferred** |
| **Deferred Amounts Related to Pensions** | **Outflows of** | **Inflows of** |
|  | **Resources** | **Resources** |
| ***Deferred Amounts to be Recognized in Pension*** |  |  |
| ***Expense in Future Periods*** |  |  |
| Differences between expected and actual experience | $ - | $ - |
|  |  |  |
| Changes of assumptions | - | - |
|  |  |  |
| Net difference between projected and actual |  |  |
| earnings on pension plan investments | - | - |
|  |  |  |
| Total Deferred Amounts to be Recognized in |  |  |
| Pension Expense in Future Periods | - | - |
|  |  |  |
| ***Pension Contributions Made Subsequent*** |  |  |
| ***to the M easurement Date*** | - | - |
|  |  |  |
| Total Deferred Amounts Related to Pensions | $ - | $ - |

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future periods as follows:

|  |  |  |
| --- | --- | --- |
| **Year Ending** | **Net Deferred Outflows** | **Net Deferred Inflows** |
| **December 31** | **of Re source s** | **of Re source s** |
| 2024 | $ - | $ - |
| 2025 | - | - |
| 2026 | - | - |
| 2027 | - | - |
| 2028 | - | - |
| Thereafter | - | - |
| Total | $ - | $ - |

Schedule of Changes in the Net Pension Liability and Related Ratios Most Recent Calendar Year

Calendar Year Ended December 31,  **2023**

**Total Pension Liability**

Service Cost $ -

Interest on the Total Pension Liability -

Changes of Benefit Terms -

Differences Between Expected and Actual Experience

of the Total Pension Liability -

Changes of Assumptions -

Benefit Payments, Including Refunds

of Employee Contributions -

**Net Change in Total Pension Liability** -

**Total Pension Liability - Beginning**  -

**Total Pension Liability - Ending (A)**

$ -

**Plan Fiduciary Net Position**

Contributions - Employer $ -

Contributions - Employees -

Net Investment Income -

Benefit Payments, Including Refunds

of Employee Contributions -

Other (Net Transfer) -

**Net Change in Plan Fiduciary Net Position** -

**Plan Fiduciary Net Position - Beginning**  -

**Plan Fiduciary Net Position - Ending (B)**

$ -

**Net Pension Liability - Ending (A) - (B)**

$ -

**Plan Fiduciary Net Position as a Percentage**

**of the Total Pension Liability** #DIV/0!

**Covered Valuation Payroll** -

**Net Pension Liability as a Percentage**

**of Covered Valuation Payroll** #DIV/0!

**Notes to Schedule:**

*This schedule is presented to illustrate the requirement to show information for 10 years. However, until*

*a full 10-year trend is compiled, information is presented for those years for which information is available.*

Schedule of Employer Contributions Most Recent Calendar Year

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Calendar** |  |  |  |  | **Actual Contribution** |
| **Year** | **Actuarially** |  | **Contribution** | **Covered** | **as a Percentage** |
| **Ended** | **Determined** | **Actual** | **Deficiency** | **Valuation** | **of Covered** |
| **December 31,** | **Contribution** | **Contribution** | **(Excess)** | **Payroll** | **Valuation Payroll** |

2023 $

- $ - $ - $ -

#DIV/0!

**Notes to Schedule:**

*This schedule is presented to illustrate the requirement to show information for 10 years. However, until*

*a full 10-year trend is compiled, information is presented for those years for which information is available.*

***Summary of Actuarial Methods and Assumptions Used in the Calculation of the 2023 Contribution Rate\* Valuation Date:***

Notes Actuarially determined contribution rates are calculated as of December 31 each year, which are 12 months prior to the beginning of the fiscal year in which contributions are reported.

***Methods and Assumptions Used to Determine 2023 Contribution Rates:***

*Actuarial Cost Method:* Aggregate Entry Age Normal.

*Amortization Method:* Level Percentage of Payroll, Closed

*Remaining Amortization Period:* 20-year closed period.

*Asset Valuation Method:* 5-Year smoothed market; 20 percent corridor.

*Wage Growth:* 2.75%

*Price Inflation:* 2.25%

*Salary Increases:* 2.75% to 13.75%, including inflation

*Investment Rate of Return:* 7.25%

*Retirement Age:* Experience-based table of rates that are specific to the type of eligibility

condition. Last updated for the 2020 valuation pursuant to an experience study of the period 2017 - 2019.

*Mortality:* For non-disabled retirees, the Pub-2010, Amount-Weighted, below-median

income, General, Retiree, Male (adjusted 106%) and Female (adjusted 105%) tables, and future mortality improvements projected using scale MP-2020.

For disabled retirees, the Pub-2010, Amount-Weighted, below-median income, General, Disabled Retiree, Male and Female (both unadjusted) tables, and future mortality improvements projected using scale MP-2020.

For active members, the Pub-2010, Amount-Weighted, below-median income,

General, Employee, Male and Female (both unadjusted) tables, and future mortality improvements projected using scale MP-2020. .

***Other Information:***

*Notes:* There were no benefit changes during the year.

*\* Based on Valuation Assumptions used in the December 31, 2021, actuarial valuation. There is a two year lag between valuation and rate setting.*