



## GENERAL MEMORANDUM #666

**To: All Authorized Agents**  
**Subject: 2016 Employer Retirement Reserve Statements**  
**Date: February 3, 2017**

*Please share this memorandum with your business managers, chief financial officer, governing body members, and other officials.*

### Executive Summary

Your 2016 Employer Retirement Reserve Statements are available in the “Display Annual Document” section of Employer Access. These statements may include:

- **Employer Retirement Reserve Statement for 2016** for your unit of government’s Regular Reserve Account.
- If your unit of government participates in the Sheriff’s Law Enforcement Personnel (SLEP) Plan or in the Elected County Official (ECO) Plan, you will receive a **SLEP Retirement Reserve Statement** and possibly an **ECO Retirement Reserve Statement** for 2016. You may also receive a **SLEP Enhancement Reserve Statement**.
- If your unit of government offered the IMRF Early Retirement Incentive (ERI), you will also receive an **ERI Retirement Reserve Statement** for all your applicable plans (Regular, SLEP, or ECO).

### Function of the Retirement Reserve Account

The retirement reserve is used to fund retirement benefits for your unit of government’s active IMRF members when they retire. It is also one component of an employer’s actuarial assets which, along with the accrued actuarial liability, helps to determine an employer’s over- or underfunding balance. The over- or underfunding balance is used when calculating an employer’s contribution rate.

This “Reserve Statement of Account” reflects the accumulation of employer assets available to fund future retirement benefits for your active employees. The Reserve Statement identifies transactions during fiscal year 2016. Your Reserve Statement shows:

- Beginning balance

- Employer retirement contributions
- Interest credited or charged
- Adjustments
- Investment income or loss
- Charges for your employer's share of the cost of a member's or survivor's pension
- Ending balance

### Explanation of Entries

#### ADDITIONS TO THE EMPLOYER RETIREMENT RESERVE:

- **Interest Credited or Charged on Opening Balance**

IMRF assumes it will earn 7.5% on its assets. That is just an assumption. Actual returns will be more or less. If IMRF earns less than its investment assumption, employers may be charged interest. If IMRF earns more than its investment assumption, employers may be granted interest. For 2016, IMRF earned approximately 7.71%, so employers should expect to see interest posted to their account if the opening balance is positive. If the opening balance is negative, there will likely be a charge.

- **Employer Retirement Contributions**

This entry is the amount of employer contributions for retirement benefits. The contributions credited are based on your unit of government's retirement rate (a part of the total employer contribution rate) and its reported wages. Disability, death, and supplemental retirement benefit (13<sup>th</sup> payment) contributions are credited to pooled reserves from which these benefits are paid, and are not reflected in the Employer Retirement Reserve Account. Also, employee contributions (either 4.5% or 7.5%) are not posted to your employer reserve; they are held separately in the employee reserve.

- **Residual Investment Income or Loss**

This entry is the amount of investment income available to be credited to employers after interest is allocated to member, annuitant, and employer reserves. If there is insufficient investment income to cover interest to be credited to member and annuitant reserves, a residual investment loss occurs. There will be an entry to allocate this loss among employers. For 2016, IMRF earned approximately 7.71%, and the employer's opening balance was charged for residual investment income.

#### DEDUCTIONS FROM THE EMPLOYER RETIREMENT RESERVE:

- **Member and Survivor Annuities**

This is the employer cost for the pension. IMRF first calculates the total cost of a lifetime member and survivor benefit based on the final rate of earnings and service credit, the member's age, and the current interest rate assumption. The expected lifetime payment is discounted by 7.5%. The result is the

present value of the benefit. This amount is then reduced by the member's contributions plus interest. The remainder is the amount charged to the unit of government's Employer Retirement Reserve Account.

IMRF's fiscal year is the same as the calendar year. It is possible for a member to appear in two different years (because of an additional payroll posted, an adjustment to service, or an adjustment for ERI in two different years).

One common inquiry from units of government occurs when an unknown member is listed in this section. The most common reasons for this occurrence are that the member is an employee who:

- Terminated employment in the past and began working for either another unit of government that participates in IMRF or for a reciprocal retirement system, and proportionate charges for his or her pension are made to the unit of government's Employer Retirement Reserve Account for services rendered to that unit, or
- Participated in IMRF through a dissolved unit of government and that unit's pension obligation was partially or fully transferred to your unit of government.

### Questions

If you have any questions, please call Aurora O'Neal, IMRF's Employer/Member Data Unit Supervisor, at (630) 706-4263, or contact IMRF using the Employer Access Secure Messaging Center.

Sincerely,



Louis W. Kosiba  
Executive Director