



Illinois Municipal Retirement Fund

Suite 500 2211 York Road Oak Brook, IL 60523-2337

Service Representatives 1-800-ASK-IMRF

www.imrf.org

GENERAL MEMORANDUM

Number: 488

Date: April 4, 2002

To: Authorized Agents

Subject: Advance Rate Notice

IMRF will be mailing the 2003 Advance Rate Notice of projected 2003 employer rates early in April.

The IMRF employer rate is made up of four parts. Each rate is calculated separately. A brief explanation of each contribution rate is provided below. Some employers may have an Early Retirement Incentive rate included in their employer rate. In addition to the Regular plan, some employers may have the Sheriff's Law Enforcement Personnel (SLEP) plan. A small group of employers have the Elected County Official (ECO) plan shown on the rate notice. The four parts to every plan's employer rate are as follows:

Retirement contributions are made up of two components—normal retirement contributions plus the unfunded/overfunded liability contributions. The Retirement rate can not be less than 0.00%.

Normal Retirement Contributions is the percent of payroll necessary to fund the cost of future benefits earned in the current year by the average IMRF member. Every IMRF employer has the same normal cost. For 2003 the normal cost is 7.66% for regular employers and 11.96% for SLEP employers. As of this date, the normal cost for the Original and Revised ECO plans has not yet been determined.

PLUS

Unfunded/Overfunded Liability Contributions is the percent of payroll necessary to fund the difference between the actuarial liabilities and the actuarial value of employee and employer assets over an established amortization period. If an employer is overfunded, this component will be a credit to the retirement rate.

Death benefit contributions are used to fund the death benefit paid to beneficiaries of IMRF members who die in service. The death benefit rate is calculated separately based on the average age of employees of the employer. The average death benefit contribution for 2003 is 0.15% of payroll.

Disability benefit contributions are used to pay IMRF disability benefits. The disability benefit contribution rate is the same for all employers and is 0.19% of payroll for 2003.

Supplemental benefit payments are used to pay the additional “13th check” paid in July of every year to retirees and surviving spouses. The supplemental benefit payment rate is the same for all employers at 0.62% of payroll.

Example of Overfunded Employer

For this Regular IMRF employer example, the normal rate is 7.66% and the overfunded rate is -6.16%. The sum of these two rates is 1.50%

Regular Employer Total Contribution Rate

Retirement	1.50%
Death	0.17%
Disability	0.19%
Supplemental Benefit Payment	0.62%
Early Retirement Incentive.....	1.00%
Total Employer Rate.....	3.48%

Example of Underfunded Employer

For this Regular employer example, the normal rate is 7.66% and the underfunded rate is 0.84%. The sum of these two rates is 8.50%.

Regular Employer Total Contribution Rate

Retirement	8.50%
Death	0.17%
Disability	0.19%
Supplemental Benefit Payment	0.62%
Early Retirement Incentive.....	1.00%
Total Employer Rate.....	10.48%

Employers that are more than 100% funded

IMRF employers that are more than 100 percent funded and have **50 or more participating members** at December 31, 2001, have a choice. These employers may chose a lower minimum retirement rate calculated by IMRF to maintain 100 percent funding through the end of 2003. A letter separate from the Advance Rate Notice will be sent to these employers in late April offering this choice.

Employers who choose the lower minimum retirement rate calculated by IMRF would be reducing their

overfunding status more rapidly than the normal amortization period (currently rolling 10 years for these employers). When the overfunded balance is completely eliminated, the employer's retirement rate will return to the full normal cost rate plus amortization of any unfunded amounts. To put this in perspective, the normal cost rate for 2003 is 7.66% for Regular employers and 11.96% for SLEP employers.

IMRF employers that are more than 100 percent funded **with an Early Retirement Incentive plan** that closed before August 31, 2001, have a choice. These employers may choose to use some of their retirement reserve to pay off the ERI liability. A letter separate from the Advance Rate Notice will be sent to these employers in late April offering this choice.

For more information

For additional information on employer rates, contact IMRF at 1-800-ASK-IMRF (1-800-275-4673) 7:30 A.M. to 5:30 P.M. Monday through Friday for an informational pamphlet, "How IMRF Calculates Your Employer Contribution Rate," or visit IMRF online at <http://www.imrf.org/employers/rates.htm>.

Sincerely,

A handwritten signature in black ink, appearing to read "Louis W. Kosiba". The signature is fluid and cursive, with a large initial "L" and "K".

Louis W. Kosiba
Executive Director