



# Illinois Municipal Retirement Fund

Suite 500 2211 York Road Oak Brook, IL 60523-2337 630-368-1010

Service Representatives 1-800-ASK-IMRF

www.imrf.org

## GENERAL MEMORANDUM

**Number:** 491

**Date:** May 10, 2002

**To:** Authorized Agents

**Subject:** Follow-up meetings to address the impact of Investment Returns on Employer Reserves, Employer Funding Status, and Employer Contribution Rates

### IMRF MEETINGS

IMRF held a series of meetings in January and February addressing the impact of 2001 investment returns on employer reserves, employer funding status, and employer contribution rates in 2003.

IMRF presented those meetings as step one in a three step process. Step two will be your receipt of GASB 27 Footnote Disclosures, 2001 Employer Reserve Statements, and 2003 Preliminary Rate Notices. These follow-up meetings should be seen as step three.

Due to the significance of the potential impact on individual employers, IMRF has scheduled a series of hour-and-a-half meetings throughout the state to answer any specific questions you might have. Refer to the last page of this memo for the schedule of meetings.

### OVERVIEW

As a defined benefit plan, these returns have no impact on the benefits for either active or retired IMRF members. All member benefits are guaranteed. However, these returns will impact individual employer reserve balances, individual employer funding status, and future individual employer contribution rates. We encourage each Authorized Agent to **share this memorandum with your unit of government's chief financial officer, other officials, and governing board members who may be interested in pension costs.**

### Impact of previous investment returns on employer rates

For 1995 through 1999, IMRF investments earned 20.68%, 15.87%, 16.19%, 12.63% and 20.93% respectively. After posting interest to member, annuitant and employer reserves, the earnings and experience reserve was funded. Earnings exceeding reserve requirements were distributed back to the employer reserve as residual income. For 1995 through 1999, employer reserves received a total return (residual income and interest) of 70.05%, 38.62%, 27.94%, 22.29% and 23.01%. These returns dramatically increased employer reserve balances, improved employers' funded status, and helped to reduce employer contribution rates. The *average* Regular employer rate dropped from 10.19% in 1995 to 5.87% in 2002. Rates for the SLEP and ECO plans were positively impacted, but less dramatically. In contrast, the investment return for 2000 was 1.87%, or 5.63% less than the assumed actuarial return on investments of 7.5%.

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Follow-up meetings: 2001 Investment Returns

### **2001 INVESTMENT RETURNS AND IMPACT ON EMPLOYERS**

IMRF's 2001 investment return was negative 6.08%. This resulted in a loss of \$1,098 billion. The impact of this loss on employers was:

**Employer Reserves** – There was an 8.173% interest charge to each individual employer reserve. In other words, all opening-year employer reserve balances were reduced 8.173%. The employer reserve statements that will be mailed in June 2002 will show the impact of this charge.

**Employer Funding Status** – At the beginning of 2001, IMRF, as a whole, was 107.2% funded. Individual employers' funded status varied widely from this amount. As of January 1, 2002, IMRF's funded status as a whole was 106.4%. While other factors impact funding status, such as the growth in actuarial liabilities, most employers will see a drop in their individual funded status. On a market value basis, overall funding is 97.7%.

**Employer Contribution Rates** – In order to minimize fluctuations in contribution rates, the actuary uses an average of the last five years of investment returns when calculating rates. The 2003 employer contribution rate is the first rate to reflect both the 2000 and 2001 returns.

The average employer contribution rate for 2003 is **6.22%**. This is an increase of approximately 6%. The impact may be more dramatic for individual employers.

### **QUESTIONS**

If you have any questions regarding your employer rate or funded status, please call 1-800-ASK-IMRF (1-800-275-4673) and ask for IMRF Finance Operations Manager Phyllis Walker.

Sincerely,



Louis W. Kosiba  
Executive Director

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Follow-up Meetings: 2001 Investment Returns

### Impact of 2001 Investment Returns Follow-up Meeting Dates & Locations

**Advance registration is required to attend these meetings**

**All meetings are an hour-and-a-half**

Tuesday, June 11, 2002  
10:00 A.M.  
Arrowhead Golf Club  
26W151 Butterfield Road  
Wheaton, IL TA

Thursday, June 20, 2002  
10:00 A.M.  
Holiday Inn Collinsville  
1000 Eastport Plaza Drive  
Collinsville, IL BP

Tuesday, June 25, 2002  
2:00 P.M.  
Alpha Park Library  
3527 S. Airport Road  
I-474 Bypass around Peoria-  
exit Airport Road South  
Bartonville (Peoria), IL CL

Tuesday, June 11, 2002  
2:00 P.M.  
Clock Tower Resort &  
Conference Center  
7801 W. State St.  
Rockford, IL JR

Thursday, June 20, 2002  
2:00 P.M.  
Holiday Inn Mt. Vernon  
222 Potomac Blvd.  
Mt. Vernon, IL JP

Wednesday June 26, 2002\*  
9:00 A.M.  
Holiday Inn  
Airport Junction 6, 150 & 92  
Moline, IL JR

Wednesday, June 12, 2002  
10:00 A.M.  
Warren Newport Library  
224 N. O'Plaine Road  
Gurnee, IL IR

Friday, June 21, 2002  
9:00 A.M.  
IMRF Regional Counseling Ctr.  
Meeting Room  
3000 Professional Drive  
Springfield, IL BP

*\*The June 26 meeting is part  
of the IMRF Benefits Fair program  
being held in Moline on that date.  
IMRF Benefit Fairs for employers  
feature staff presentations and  
IMRF-endorsed vendors.*

Thursday, June 13, 2002  
10:00 A.M.  
Holiday Inn Hotel &  
Convention Center  
18501 S. Harlem Avenue  
Tinley Park, IL PP

Friday, June 21, 2002  
1:00 P.M.  
Holiday Inn Hotel &  
Conference Center  
1001 Kilarney Street  
Urbana, IL BP

*Separate registration is required to  
attend the Benefits Fair.*

*Contact IMRF Meeting Planner  
Donna Cesario at 630-368-5397  
for more information.*

### Impact of 2001 Investment Returns Follow-up Meetings

Please mail your completed registration no later than two weeks prior to the meeting to:  
IMRF, Suite 500, 2211 York Rd., Oak Brook, IL 60523-2337.

#### I will attend an Impact of 2001 Investment Return Follow-up Meeting

Date of Meeting \_\_\_\_\_ Location \_\_\_\_\_

Name (please print) \_\_\_\_\_ Title \_\_\_\_\_

Employer Name \_\_\_\_\_ Employer Number \_\_\_\_\_ Work phone \_\_\_\_\_

#### YOU CAN ALSO FAX YOUR REGISTRATION TO

Donna Cesario  
Field Services Meeting Planner  
IMRF's Oak Brook Office  
FAX: 630-368-5397  
PHONE: 630-706-4536

*Please allow adequate time to receive confirmation of your registration and directions to the meeting.*