



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: 529

Date: March 10, 2005

To: All Authorized Agents

Subject: Employer Retirement Reserve Statement

Enclosed is your 2004 Employer Retirement Reserve Statement.

You will find enclosed:

- Employer Retirement Reserve Statement for 2004 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 find a SLEP Retirement Reserve Statement and an ECO Retirement Reserve Statement for 2004.
- If your unit of government offered the IMRF Early Retirement Incentive (ERI), you will find Regular ERI Retirement Reserve (and, if appropriate, SLEP ERI Retirement Reserve and/or ECO ERI Retirement Reserve) Statements for 2004.

Function of the Retirement Reserve Account

The retirement reserve is used to fund retirement benefits for a unit of government's IMRF members when they retire. It is also one factor used to calculate the IMRF employer contribution rate.

This "Reserve Statement of Account" reflects the accumulation of employer assets from the beginning of a unit's participation to December 31 of the reserve statement year. These assets include:

- **Employer retirement contributions**
- **Interest credited or charged**
- **Adjustments**
- **Residual investment income credited**
- **Employer's share of the cost for a member's or survivor's pension**

The statement reflects calendar year 2004 transactions; it does not reflect a cumulative listing of all the above transactions that impact an employer's retirement reserve account.

The actuarial value of assets shown on the *Governmental Accounting Standards Board (GASB) Statement 27 Footnote Disclosure, Schedule of Funding Progress*, includes the December 31 ending balance of employer assets, plus member contributions and interest, plus an actuarial market value adjustment.

Explanation of entries

The following page provides an explanation of entries that appear on all Reserve Statements. An Addendum provides an explanation of items that may or may not appear on the statement.

ADDITIONS TO THE EMPLOYER RETIREMENT RESERVE

Interest credited or charged on opening balance

When IMRF earns its investment assumption, we credit interest if the opening balance is positive and charge interest if it is negative. If IMRF earns its investment assumption, the current rate of interest, as established by the IMRF Board of Trustees, is 7.50 percent per annum.

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 benefit ("13th check") contributions are credited to pooled reserves from which these benefits are paid and are not reflected in the employer retirement reserve account.

DEDUCTIONS FROM THE EMPLOYER RETIREMENT RESERVE

Member and Survivor Annuities

This is the employer cost for the pension. First we calculate the total cost of a lifetime member and survivor benefit based on the amount of the annuity, the member's and survivor's ages, the current interest rate assumption, etc. 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.

Due to our quick payout system, it is possible for a member to appear more than once and possibly for two different years (due to an additional payroll being posted, an adjustment to service, or an adjustment for ERI).

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

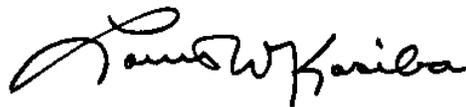
- Terminated in the past and began working for some other unit of government that participates in IMRF or for a reciprocal retirement system and proportionate charges for his or her pension are made to the unit of government's Employer Retirement Reserve for services rendered to that unit, or
- Participated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

General Memorandum 529
March 10, 2005
Employer Retirement Reserve Statement
Page 3 of 6

Questions?

If you have any questions, please call IMRF Employer Account Associate Analyst Corey Lockwood at (630) 706-4226, or you can call an IMRF Member Service Representative at 1-800-ASK-IMRF (1-800-275-4673) 7:30 A.M. to 5:30 P.M., Monday through Friday.

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 "W".

Louis W. Kosiba
Executive Director

Addendum

Explanation of Special Journal Entries

Below is an explanation of entries that may or may not appear on your unit of government's reserve statements.

Miscellaneous ER Adjustment

Adjustment to correct an account.

Correction of ER Contributions

Adjustment (web or Form 3.20) received from the employer for prior year earnings.

Charge/Credit Emplr Reclassifi

(Charge/Credit Employer Reclassification)

Adjustment received from a unit of government or member to reclassify wages or contributions (from/to Regular, SLEP, ECO).

Credit ER for Ret Reserve Cont

(Credit Employer for Retirement Reserve Contributions)

Transfer of additional payments to reduce a unit of government's unfunded obligation.

Trans ER Reserv - Annex/Consol

(Transfer Employer Reserve – Annexation or Consolidation)

Transfer of a dissolved unit of government's retirement reserve balance to respective successor unit(s) of government.

Charge Employer ERI Liability

Adjustment to charge the responsible unit of government for employer's Early Retirement Incentive costs.

Reversal of ERI Liability

Adjustment to correct reserve (Regular, SLEP, ECO) for employer's Early Retirement Incentive cost.

Charge/Credit MISC MBR ADJ

Adjustment to correct member accounts.

Residual Investment Income Earnings

Each year IMRF distributes 7.50 percent interest to the opening balance of the member and annuitant asset accounts. Residual investment income is the amount left from IMRF's total earnings after these distributions and the distribution of employer interest are made.

The distribution is based on a unit of government's (employer's) opening balance and the present value of benefits (PVB) of the unit's annuitants (individuals receiving an IMRF pension). The actuary calculates the present value of benefits based on the monthly benefit of each annuitant, current age, and other factors.

The calculation of the residual investment income is as follows:

	Example
	<i>for illustrative purposes only</i>
The sum of	
Opening balance of an employer's Retirement Reserve Account plus the present value of benefits of that employer's annuitants	\$50,000
Divided by	
The sum of	
Total opening balance of <i>all</i> employers' Retirement Reserve Accounts plus total present value of benefits of annuitants of <i>all</i> employers	\$100,000,000
Equals the	
Ratio of that employer's assets to the total assets of all employers.	.05%
	x
This ratio is multiplied by the total residual investment income available to distribute to determine the amount of residual investment income that will be distributed to that employer.	<u>\$50,000,000</u>
	\$25,000

In 2004, \$814,136 million was distributed to all employers as residual investment income.

Sample Employer Reserve Statement for *Regular Reserve Account*

Refer to the General Memorandum for an explanation of all entries.

Employer information

Field Rep information

IMRF Employer rates

Opening balance in employer's account

Interest credited/charged on opening balance

Amount employer contributed toward members' retirement benefits (employer retirement rate times payroll)

Amount of residual investment income credited to employer's account

Amounts deducted/credited from employer's account for member and survivor pensions

Ending balance in employer account



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2004 EMPLOYER RETIREMENT RESERVE STATEMENT
 REGULAR RESERVE ACCOUNT

PAGE: 1
 04/1/2005

COUNTY OF ANYWHERE
 ANNIE AGENT, COUNTY CLERK
 123 MAIN STREET
 PO BOX 123
 ANYWHERE, IL 60000-0000

EMPLOYER NBR: 01234
 PHONE NUMBER: 000-000-1234

FIELD REP.....: BILL PETTRY

PHONE NUMBER: 217-774-4255

RETIREMENT	7.790	SUPPLEMENTAL PENSION	.620
DISABILITY	.190		
DEATH	.160		

OPENING BALANCE, JANUARY 1, 2004	11,769,329.63
CREDIT ON OPENING BALANCE - RATE 7.500%	882,699.72
EMPLOYER RETIREMENT CONTRIBUTIONS (7.790% X 10,050,813.89)	782,958.33
RESIDUAL INVESTMENT INCOME EARNINGS	1,519,087.89

**MEMBER AND SURVIVOR ANNUITIES:
 MEMBER INFORMATION**

123-12-1234	MEMBER, MARY M	6,086.79
000-00-1111	SMITH, JOHN K	53,936.52-
111-00-1112	JONES, SUSAN L	92,283.90-

112-00-0002	JOHNSON, HOWARD L	107,231.51-
123-12-3446	RING, LINDA M	4,647.13-
333-33-3333	WATERS, WILLIAM W	29,412.83-

TOTAL MEMBER AND SURVIVOR ANNUITIES COST	881,705.93-
ENDING BALANCE DECEMBER 31, 2004	14,072,369.64