



Illinois Municipal Retirement Fund

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Member Services Representatives 1-800-ASK-IMRF

www.imrf.org

GENERAL MEMORANDUM

Number: 573

Date: July 7, 2008

To: All Authorized Agents

Subject: Follow-Up Procedures for Employer Audits and Compliance Reviews

Executive Summary

To ensure IMRF employers are correctly implementing IMRF statutes, policies, and procedures, IMRF conducts Employer Compliance Reviews and Employer Audits. We believe these programs provide added assurance that employers are in compliance with statutory requirements, that members receive all the service credit and benefits they are entitled to under the Illinois Pension Code, and that employers will avoid liability by inadvertently violating employees' pension rights.

A key part of IMRF's Compliance Review and Audit process is IMRF's follow-up with employers to ensure that they resolve exceptions and come into compliance.

To ensure IMRF employers are correctly implementing IMRF statutes, policies, and procedures, IMRF conducts Employer Compliance Reviews and Employer Audits.

During a Compliance Review, the employer's Field Representative reviews the employer's enrollment procedures, W-2 reporting, tax treatment of member contributions, independent contractor reporting, and termination issues.

In 2007, IMRF began a program of Employer Audits. During an Employer Audit, IMRF's Internal Auditor conducts a more detailed review and performs procedures designed to determine the employer's compliance with statutory reporting requirements relating to employee enrollment, earnings, and service.

We also understand the IMRF plan represents a sizeable cost to your employer. Correct implementation can be important to controlling costs and assuring your governing body that this operation is running smoothly, professionally and in a cost efficient manner.

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Providing assurance to members

We believe both programs provide added assurance that members receive all the service credit and benefits they are entitled to under the Illinois Pension Code.

We also believe they are beneficial in uncovering common problems that can be brought to the attention of all employers to assist them in complying with the requirements of the IMRF program. Out of the 24 audits conducted in 2007, 23 employers were out of compliance with IMRF statutes and/or policies. Enrollment, wage reporting, and W-2 problems were found during the audits. (Read more in General Memo 562).

Best practice

Compliance Reviews and Audits are considered a best practice for public pension systems. In addition, our external auditors are asking IMRF to conduct these programs. Moreover, participation in IMRF is a legal right. Compliance is not only the right thing to do, it costs employers less in the long run.

Follow-up procedures a key part

Noncompliance is a serious matter that can affect a member's future and create additional financial liabilities for employers. Therefore, a key part of IMRF's Compliance Review and Audit process is IMRF's follow-up with employers to ensure that they resolve exceptions and come into compliance. The IMRF Board of Trustees approved the follow-up procedures listed below for both Compliance Reviews and Employer Audits:

1. After the Compliance Review or Audit is completed, the employer will receive a verbal report of the findings, including any exceptions that were uncovered. A letter will provide a report of the findings and will be mailed to the Authorized Agent. Copies of the letter will also be mailed to the employer's chief operating officer, such as the village manager, county administrator, or school superintendent, and to the employer's Field Representative.
2. If the Compliance Review or Audit uncovered exceptions, the letter will advise the employer it has two weeks to respond. During that time, the Field Representative will contact the employer. If the employer disagrees with the audit's findings, a hearing will be held before the Board's Audit Committee.
3. If the employer does not respond to the first letter or if the employer will not allow IMRF to conduct a Compliance Review or Audit, a stronger letter will be mailed to the employer's governing body with copies to the Authorized Agent, Field Representative and the employer's chief operating officer.
4. If the employer remains unresponsive, the Board's Audit Committee would review the situation to determine what additional steps may be appropriate. Additional steps could include a final letter signed by IMRF's Executive Director with copies sent to the employer's members, the Internal Revenue Service, or other appropriate or interested parties.

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Follow-Up Procedures for Employer Audits and Compliance Reviews

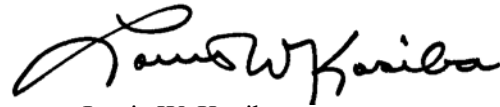
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Questions?

Noncompliance is a serious matter that can affect a member's future and have a direct financial impact on employers. It is essential that employers adhere to the Illinois Pension Code and Internal Revenue Code provisions.

If you have any questions regarding Compliance Reviews, contact your Field Representative. If you have any questions regarding Employer Audits, contact IMRF Internal Auditor Douglas Samz at 630-706-4214, Chief Financial Officer Dick DeCleene at 630-368-5345 or Finance Operations Manager Phyllis Walker at 630-472-9750.

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