



# Illinois Municipal Retirement Fund

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

Member Services Representatives 1-800-ASK-IMRF

www.imrf.org

## GENERAL MEMORANDUM

**Number:** 582

**Date:** December 22, 2008

**To:** All Authorized Agents

**Subject:** Meetings to discuss IMRF's 2008 investment return and the impact on 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 body members.**

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### **Executive Summary**

Through December 21, 2008, IMRF's investment return has been approximately a negative 25.9%. A loss of approximately \$6.2 billion, coupled with a \$1 billion charge for interest credited to member and annuitant reserves, would require opening year employer reserve balances to be reduced approximately \$7.3 billion.

Based upon the investment returns through December 21, 2008, all employers will see a drop in their individual funded status.

The 2010 employer contribution rate will be the first rate to reflect 2008 returns. The IMRF Board of Trustees adopted a plan to phase-in 2010 employer rate increases. The phase-in plan provides the flexibility to moderate the large increases in employer contribution rates while maintaining IMRF's commitment to fully fund the pension system over a reasonable time period.

The IMRF Chief Financial Officer and I have scheduled meetings throughout the state to meet with you and other representatives of your employer to discuss IMRF's recent results and to answer your questions. We encourage you, your chief financial officer, other officials, governing board members, and other interested parties from your employer to attend.

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### **Year-To-Date Returns**

Through December 21, 2008, IMRF's investment return has been approximately a negative 25.9%. Year-to-date losses have totaled approximately \$6.2 billion.

If we assume that results through December 21, 2008, are representative of the entire year, the following will occur:

- As required, IMRF will credit interest to member and annuitant reserves of approximately \$1 billion.
- The loss of \$6.2 billion plus the required interest of \$1 billion for the member and annuitant reserves will have to be charged to the employer reserve.

### **Impact on Employers**

- **Employer Reserves** – The \$7.3 billion charge to the employer reserve translates into a 70% charge to each individual employer reserve. In other words, all opening year employer reserve balances will be reduced approximately 70%. The employer reserve statements available in March 2009 will show the impact of this charge.
- **Employer Funding Status** – At the beginning of the year, IMRF as a whole was 100% funded on a market value basis. Individual employers' funded status varied widely from this amount. Based upon the investment returns through December 21, 2008, it is projected that IMRF's funded status as a whole will drop to 69%.

While other factors impact funding status, such as the growth in actuarial liabilities, all employers will see a drop in their individual funded status. Information that details funded status will be available in April 2009.

- **Employer Contribution Rates** – **There will be no impact on 2009 employer contribution rates.** Those rates were finalized in November 2008. The 2010 employer contribution rate will be the first rate to reflect 2008 returns.

The Board of Trustees and IMRF staff are mindful of the impact negative returns will have on employer contribution rates and employer budgets. In an effort to protect employer contribution rates from large fluctuations due to large swings in market returns, IMRF employs a smoothing technique that recognizes investment gains and losses over five years.

However, recent economic events have overwhelmed traditional investment return smoothing techniques. If IMRF were to follow its normal rate setting procedures it is estimated that the

December 22, 2008

Meetings to discuss IMRF's 2008 Investment Return

Page 3 of 4

average rate for the regular plan would increase to 16.94% in 2010 from 9.27% in 2009, an 83% increase. For that reason, the IMRF Board of Trustees adopted a plan to phase-in 2010 employer rate increases. This plan contains the following provisions:

- **The 2010 employer rate increase will be capped at a percentage of the current rate**
- **All employers will pay the full cost for current service regardless of the percentage increase**
- **The threshold for rapid amortization of overfunding has been set at 120%**
- **Employers will be given the option to contribute the full annual required contribution**
- **The phase-in plan will be no more than five years**
- **The IMRF Board will review the plan annually and it will be subject to change due to future investment returns and other relevant factors**

The actual cap percentage will not be determined until the January 23, 2009, Board of Trustees meeting when preliminary 2008 investment returns for the full year will be known. The IMRF Board believes that the phase-in plan provides the flexibility to moderate the large increases in employer contribution rates that would occur if it were to follow its traditional rate setting procedures while maintaining its commitment to fully fund the pension system over a reasonable time period.

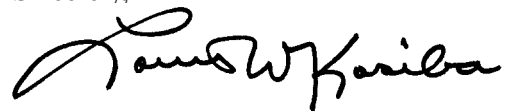
#### **Employer rate meetings**

We know you and others in your unit of government may have questions about future employer rates.

The IMRF Chief Financial Officer and I have scheduled meetings throughout the state to meet with you and other representatives of your employer to discuss IMRF's recent results and to answer your questions.

The meetings will take approximately an hour-and-a-half, consisting of both a formal presentation and a question and answer period. We encourage you, your chief financial officer, other officials, governing board members, and other interested parties from your employer to attend.

Sincerely,



Louis W. Kosiba  
Executive Director

**IMRF's 2008 Investment Results & Impact on Employer Rates**  
**Informational Meeting Dates & Locations**  
*Advance registration is required to attend these meetings*

<p>Monday     January 26                  Peoria                  Stoney Creek Inn..... 10 am                  101 Mariners Way</p> <p>                  Springfield                  IMRF Regional Office..... 2 pm                  Express Professional Bldg                  3000 Professional Drive</p> <p>Tuesday     January 27                  Collinsville                  Gateway Center ..... 9 am                  One Gateway Drive</p> <p>                  Mt. Vernon                  Holiday Inn..... 2 pm                  222 Potomac Blvd</p> <p>Wednesday    January 28                  Champaign                  Hilton Garden Inn..... 9 am                  1501 South Neil Street</p>	<p>Monday     February 2                  Rockford                  Clock Tower Conf Center..... 9 am                  7801 E. State Street</p> <p>                  Moline                  Stoney Creek Inn..... 2 pm                  101 18th Street</p> <p>Tuesday     February 3                  Libertyville                  Libertyville Sports Complex ..... 2 pm                  1950 North US Highway 45</p> <p>Wednesday    February 4                  Tinley Park                  Bettenhausen Recreation Center... 10 am                  8125 W 171st Street</p> <p>                  Oak Brook                  IMRF Oak Brook Plaza                  Office Bldg ..... 2 pm                  2215 York Road</p>
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**Impact of 2008 Investment Return Meetings**  
**Register online at [www.imrf.org](http://www.imrf.org) under "Employer Workshops"**

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

**Name (please print)** \_\_\_\_\_

**Title** \_\_\_\_\_ **SSN xxx-xx-** \_\_\_\_\_

**Name (please print)** \_\_\_\_\_

**Title** \_\_\_\_\_ **SSN xxx-xx-** \_\_\_\_\_

**Name (please print)** \_\_\_\_\_

**Title** \_\_\_\_\_ **SSN xxx-xx-** \_\_\_\_\_

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

If you are unable to register online, please mail or fax your completed registration to:  
 Donna Cesario, Field Services Meeting planner,  
 IMRF, 2211 York Rd., Suite 500, Oak Brook, IL 60523-2337  
 Fax: 630-368-5397    Phone 630-706-4536  
*If you register by mail or fax, please allow time to receive confirmation  
 of your registration and directions to the meeting.*