



Illinois Municipal Retirement Fund

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Member Services Representatives 1-800-ASK-IMRF

www.imrf.org

GENERAL MEMORANDUM

Number: 599

Date: April 15, 2010

To: All Authorized Agents

Subject: Public Act 96-0889

On April 14, 2010, the governor signed Senate Bill 1946 (Public Act 96-0889). This new law creates a second tier of IMRF benefits for members who are first enrolled in IMRF's Regular Plan on or after January 1, 2011. The enclosed chart provides a comparison between Regular plan Tier 1 and Tier 2.

This new law does **not** affect members currently participating in IMRF or members who ever participated in IMRF or in a reciprocal system prior to the effective date of this legislation. These members remain in Tier 1.

This new law made no changes to benefits payable to current or future members of IMRF's Sheriff's Law Enforcement Personnel (SLEP) plan.

A separate memorandum will be sent to counties regarding changes to the Elected County Official plan.

Estimated impact of Tier 2 on employer contribution rates

Our actuaries estimate that the initial normal cost of the Regular Plan Tier 2 will be 4.67%, a 38.4% decrease from the current cost of 7.58%. Over time, this reduction will increase. For example, our actuaries estimate that by 2021, the blended normal cost for both Tier 1 and Tier 2 on an IMRF-wide basis will be 5.95%, a 21.5% decrease from the current normal cost of 7.58%. The impact of Tier 2 on an individual employer's rate will depend on the number of Tier 2 members in its workforce.

Employers will see the impact of Tier 2 beginning with their 2013 rates. The 2013 Regular plan rate will be a blended rate covering both Tier 1 and Tier 2 members.

Analysis continues

IMRF continues to analyze this legislation and work with our sister reciprocal systems to ensure consistent interpretation. IMRF will be updating our communications to reflect this new Tier 2. There has been discussion that the General Assembly may work on a "trailer bill" that could include technical corrections, which may impact the current provisions of this new tier.

Questions?

If you have any questions, please call an IMRF Member Services Representative at 1-800-ASK-IMRF (1-800-275-4673) 7:30 A.M. to 5:30 P.M., Monday through Friday.

Sincerely,

Louis W. Kosiba
Executive Director



Illinois Municipal Retirement Fund
 Public Act 96-0889
 Comparison of Regular Plan Tier 1 and Regular Plan Tier 2
 Revised December 8, 2010

	<i>Regular Plan Tier 1</i>	<i>Regular Plan Tier 2</i>
Eligibility	<ul style="list-style-type: none"> • Members currently participating in Regular IMRF • Members enrolled in IMRF before January 1, 2011. • Members who previously participated in IMRF or in a reciprocal system and return to participation. 	Members first enrolled in IMRF's Regular Plan on or after January 1, 2011. EXCEPTION: <ul style="list-style-type: none"> • Members with current or previous IMRF or reciprocal retirement system participation (<i>with the exception of the Judges' Retirement System and the General Assembly Retirement System</i>) and who are enrolled in IMRF after January 1, 2011 will participate in Tier 1.
Vesting	8 years	10 years
Normal Retirement Age (full pension)	60	67
Earliest Retirement Age (reduced pension)	55	62
Reduction in pension	<ul style="list-style-type: none"> • Retire between age 55 and 60 with less than 30 years of service credit: pension reduced 1/4% for each month under age 60. • Retire between age 55 and 60 with at least 30 but less than 35 years of service credit: pension reduced by lesser of 1/4% for each month <ul style="list-style-type: none"> ○ Under age 60 or ○ Of service credit less than 35 years. • Retire with 35 or more years of service credit and at least age 55: no reduction. 	<ul style="list-style-type: none"> • Retire between age 62 and 67 with less than 30 years of service credit: pension reduced 1/2% for each month under age 67. • Retire between age 62 and 67 with at least 30 but less than 35 years of service credit: pension reduced by lesser of 1/2% for each month <ul style="list-style-type: none"> ○ Under age 67 or ○ Of service credit less than 35 years. • Retire with 35 or more years of service credit and at least age 62: no reduction.
Final Rate of Earnings	Average of highest 48 months in last 10 years of service 125% rule applies: Wages for each of the last three months cannot be more than 25% greater than the highest earnings in any of the first 45 months.	Average of highest 96 months in last 10 years of service 125% rule applies: Wages for each of the last three months cannot be more than 25% greater than the highest earnings in any of the first 93 months.



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Cap on reportable wages	None for members first participating before January 1, 1996. \$245,000 annually (in 2010) for all others	Wages do not include compensation in excess of \$106,800 (in 2011). That amount will be increased annually by the lesser of 3% or one-half of the increase in the Consumer Price Index (urban) for the preceding September.
Voluntary Additional Contributions	Members may contribute up to an additional 10% of their salary.	Members may contribute up to an additional 10% of their salary (up to the wage cap).
Annual Pension Increase	3% of the original amount	The lower of 3% or one-half of the increase in the Consumer Price Index (urban) for the preceding year of the original amount. If the CPI decreases or is zero, no increase is paid.
Eligibility for Annual Pension Increase	First January following retirement effective date. First year increase prorated if effective date other than January 1.	Increase not paid until the later of age 67 or after one year of receiving pension.
Surviving Spouse Pension	50% of the pension the member had earned at the date of death.	66-2/3% of the pension the member had earned at the date of death.
Surviving Spouse Pension Annual Increase	Payable on January 1. 3% of the original amount.	Payable on January 1. The lower of 3% or one-half of the increase in the Consumer Price Index (urban) for the preceding year of the original amount. If the CPI decreases or is zero, no increase is paid.
Early Retirement Incentive	<ul style="list-style-type: none"> Requires governing body resolution. Member must be at least age 50 and have 20 years of service. Member can purchase between one month and five years of service; increases member's age and service for retirement calculation purposes. 	<ul style="list-style-type: none"> Requires governing body resolution. Member must be at least age 57 and have 20 years of service. Member can purchase between one month and five years of service; increases member's age and service for retirement calculation purposes.

The following provisions did not change under PA 96-0889	
	Member contribution rate: <i>(not made for wages in excess of the wage cap)</i>
	Pension formula
	13th Payment
	Survivor benefits <i>(except as noted above)</i>
	Disability Benefits <i>(salary used to calculate benefit subject to wage cap)</i>
	Money Purchase formula