



GENERAL MEMORANDUM #660

To: All Authorized Agents
Subject: 2015 Employer Retirement Reserve Statements
Date: February 4, 2016

Please share this memorandum with your chief financial officer, governing body members, business managers, and other officials.

Executive Summary

Your 2015 Employer Retirement Reserve Statements are available. These statements may include:

- **Employer Retirement Reserve Statement for 2015** 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 receive a **SLEP Retirement Reserve Statement** and/or an **ECO Retirement Reserve Statement** for 2015. You may also receive a **SLEP Enhancement Reserve Statement**.
- If your unit of government offered the IMRF Early Retirement Incentive (ERI), you will receive a **Regular ERI Retirement Reserve Statement**. If appropriate, you will receive a **SLEP ERI Retirement Reserve Statement** and/or an **ECO ERI Retirement Reserve Statement** for 2015.

Function of the Retirement Reserve Account

The retirement reserve is used to fund retirement benefits for a unit of government's active IMRF members when they retire. It is also one component of an employer's actuarial assets which, along with the accrued actuarial liability, helps to determine an employer's over- or underfunding balance. The over- or underfunding balance is used when calculating an employer's contribution rate.

This "Reserve Statement of Account" reflects the accumulation of employer assets available to fund future retirement benefits for active employees. The Reserve Statement shows:

- Beginning balance
- Employer retirement contributions
- Interest credited or charged
- Adjustments
- Residual investment income or loss
- Less: Employer's share of the cost for a member's or survivor's pension
- Ending balance

The Reserve Statement reflects fiscal year 2015 transactions; it is not a listing of all the transactions noted above that may have impacted an employer's retirement reserve account in previous years.

The actuarial value of assets shown on the *Governmental Accounting Standards Board (GASB) Statement 50 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

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. IMRF's investment assumption, as established by the IMRF Board of Trustees, is 7.5% per annum. If IMRF earns less than its investment assumption, employers may be charged interest. For 2015, IMRF earned approximately 0.32%.

- **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 retirement benefit (13th payment) contributions are credited to pooled reserves from which these benefits are paid, and are not reflected in the Employer Retirement Reserve Account.

- **Residual Investment Income or Loss**

This entry is the amount of investment income available to be credited to employers after interest is allocated to member, annuitant, and employer reserves. If there is insufficient investment income to cover interest to be credited to member and annuitant reserves, a residual investment loss occurs. There will be an entry to allocate this loss among employers. For 2015, IMRF earned approximately 0.32%, which is less than 7.5%, and employers were charged residual investment loss.

DEDUCTIONS FROM THE EMPLOYER RETIREMENT RESERVE:

- **Member and Survivor Annuities**

This is the employer cost for the pension. First IMRF calculates the total cost of a lifetime member and survivor benefit based on the final rate of earnings and service credit, the member's age, and the current interest rate assumption. 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 IMRF's quick payout system, it is possible for a member to appear in two different years (because of an additional payroll 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 reasons for this occurrence are that the member is an employee who:

- Terminated employment in the past and began working for either another 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 Account 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.

Questions

If you have any questions, please contact IMRF using the Employer Access Secure Messaging Center, call IMRF Employer/Member Data Unit Supervisor Corey Lockwood at (630) 706-4226, or call an IMRF Member Services Representative using the ***exclusive, employer-only 800 number: 1-800-728-7971***.

Sincerely,



Louis W. Kosiba
Executive Director