

## Illinois pension reform becomes law; major provisions do not affect IMRF

In an attempt to address the state's financial crisis, Governor Pat Quinn signed pension reform legislation into law on December 5, 2013.

For the state-funded, non-IMRF pension systems, the law places caps on cost-of-living adjustments for members and retirees. It also phases in a later retirement age for current workers.

The major provisions of this law **do not apply to IMRF**. The law will not affect the cost-of-living adjustments or retirement age of either current or future IMRF members, nor will it have any effect on the benefits retirees receive. However, two minor provisions will affect future but not current IMRF members.

The new law goes into effect on June 1, 2014, but it faces legal challenge from several groups of state workers and retirees.

### Why didn't pension reform apply to IMRF?

"The reason behind pension reform for the state-funded systems lies in the state's budget crisis," says IMRF Executive Director Louis Kosiba. "The state, ever since at least 2008, has had an unbalanced budget, and revenues were down with the recession. The state has not fully recovered."

He notes that the 2013 pension reform legislation "doesn't include IMRF because IMRF is not state-funded. But there is another aspect of it, and that aspect is that IMRF is well-funded."

"Newspaper headlines frequently talk about public pensions without making distinctions. Illinois has a number of public pensions. Each one has a different funding mechanism—we have the state-funded ones, we have IMRF, we have Cook County-funded, we have Chicago-funded, and then we have the local police and fire pension funds. IMRF has the best funding mechanism in the state," Kosiba explains.

"The question is, 'Why should I be confident that I'm going to get my benefit?' and the answer is, the IMRF employers have always paid the actuarially required contribution, so we don't have the underfunding issues that exist in the state. The second point would be, the risk is divided up between 3,000 employers. We have some employers that are financially stressed, some that are just fine, and some in superior positions. So, the good news there is that you aren't dependent upon one organization's budget, and there are mechanisms in place to set reasonable employer contribution rates and to police them."



### Impact on future IMRF members

For members who join IMRF on or after June 1, 2014:

- Any sick or vacation time paid out at retirement will not be applied to pensionable salary.
- Unused, unpaid sick leave cannot be converted to service credit.

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Louis W. Kosiba  
IMRF Executive Director

**Sure, you and I are different. But, when it comes to what we want in retirement, we are fundamentally the same.**

**We understand your dreams and we're working as hard as you are to make sure you'll be able to realize them**

When we no longer wish to work or are no longer able to work, we want to be able to live independently and worry as little about finances as possible. After all, when we enter retirement, we close a door behind us, but we will begin a new path as well. And, for the first time in a long time, we get to rewrite who we are, what we do, what brings us joy and happiness.

#### **Making retirement easier**

There are at least two partners in this process: you and IMRF. The responsibility of IMRF is to safeguard your contributions and guarantee a monthly retirement benefit for as long as you live. Your job is to figure out what you want to do and to calculate what other monies you will receive (Social Security) and what else you may need to save. Frankly, the IMRF part is easy. You will need to do the heavy lifting to take care of your responsibilities.

The IMRF part is easy because of our structure, our operations, and our strong investment performance.

Our independent Board of Trustees, elected by members of IMRF, is also made up of members of

IMRF. The Board has enforcement authority to collect all required employer contributions.

#### **Upgrading to serve you**

IMRF has a vision: "to provide the highest quality retirement services to our members." We are focused on gathering accurate information, being precise in our calculations, and being trustworthy. Our staff's only reason to exist is to serve you. As you can imagine, IMRF is highly dependent on fast and complex computer systems. Currently, we are in the midst of a multi-year plan to rebuild almost every tool staff uses to serve you.

#### **An investment powerhouse**

Last but not least, there are 10 investment professionals at IMRF and nearly 80 investment firms dedicated to investing your money. Historically, 60% of the monies needed to pay a pension come from investment returns. Since 1982, IMRF has earned 10% compounded annually. Yes, we lost money in 2008—but since 2009, our returns have averaged 13.7%. In 2013, we earned 20% or \$5 billion and ended the year at 96% funded.

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You and I have our dreams for retirement. Through IMRF, you have a financial giant on your side. ❖

## Results of the 2013 Executive Trustee election; 2014 Executive and Employee Trustee elections

In 2013, IMRF conducted one election for Executive Trustee. IMRF's Board of Trustees certified the results of this election at their Board meeting on December 20, 2013.

### New Executive Trustee: Sue Stanish

Ms. Stanish is director of finance for the Naperville Park District. She has been with that park district for three years. Previously, she served as the director of finance with the village of Willowbrook for 13 years and accounting manager for the city of Naperville for five years.

Her five-year term of office runs from January 1, 2014, to December 31, 2018.

Ms. Stanish says, "The experience I have gained from both the municipal and park district perspectives combined with my strong leadership will be a positive addition to the IMRF Board. The issues facing Illinois public pension funds continue to be an ongoing challenge that needs to be carefully managed."

### 2014 Trustee elections

This year, IMRF will hold two Trustee elections:

- Employers will elect one Executive Trustee for a two-year partial term to fill a vacancy on the Board.
- Members will elect one Employee Trustee for a regular five-year term.

The eight-member Board of Trustees governs IMRF. It consists of four Executive Trustees, elected by IMRF employers; three Employee Trustees,

elected by active members; and one Annuitant Trustee, elected by retired members.

### Who can become an Employee Trustee?

If you will have at least eight years of IMRF service credit by December 31, 2014, you are eligible to be

nominated as an Employee Trustee candidate for the IMRF Board of Trustees.

To run for Employee Trustee, you must obtain a sample nominating petition from the IMRF website and gather at least 350 signatures of IMRF members who participated in IMRF during July 2014. Nominating petitions, procedures, and more information on running for Employee Trustee will become available for download at [www.imrf.org](http://www.imrf.org) starting June 30, 2014. You will be able to submit nominating petitions between

August 1, 2014, and September 15, 2014.

### What does it mean to be a Trustee?

As the stewards of retirement assets, Trustees are entrusted with an important duty. They must be willing to put in the time and effort to provide IMRF with leadership and strategic direction. This commitment includes preparing for and attending meetings of the Board and the individual committees on which they serve, and generally being an informed and active member of the Board.

The Candidate Packet that becomes available at [www.imrf.org](http://www.imrf.org) in June provides more detailed information about the responsibilities of an IMRF Trustee. Stay tuned for this year's election schedule and additional election information on the Web and in upcoming issues of *Fundamentals*. ❖

### 2014 Board officers

The Board of Trustees has elected the following new Board officers:

#### President

Natalie Copper

#### Vice President

John Piechocinski

#### Secretary

Tom Kuehne

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## Pension reform signed into law

“Currently, when you have unused, unpaid sick leave at the time you retire, you can obtain up to one year of service credit with IMRF. It is an incentive for people not to use sick leave needlessly, but it can cost units of government money.” Kosiba says.

Additionally, employees of certain non-governmental organizations (Illinois Municipal

League, Illinois Association of Park Districts, Township Officials of Illinois, United Counties Council of Illinois) who begin employment after June 1, 2014, will no longer be able to participate in IMRF.

“They’re not a traditional unit of government—they’re actually in one sense trade organizations representing their membership,” Kosiba says. “The General Assembly’s feeling was that those entities are no longer eligible to participate.”

Equivalent provisions also apply to the other state retirement systems.

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### Impact on other retirement systems

For the General Assembly Retirement System (GARS), State Employees’ Retirement System (SERS), State Universities Retirement System (SURS), and Teachers’ Retirement System (TRS), the pension reform bill:

- Establishes a funding schedule and allows the retirement system to take legal action if the state of Illinois fails to make required payments.
- Reduces the portion of a retiree’s pension that is eligible for a cost-of-living adjustment.
- Places a cap on future retirees’ pensionable salary.
- Increases the retirement age on a sliding scale for workers age 45 and younger.
- Reduces the amount current members contribute to their retirement by 1% of salary.
- Allows a limited number of workers to opt into a 401(k) plan instead of a defined benefit plan.

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### Impact of legal challenge

The Illinois Retired Teachers Association and Illinois Association of School Administrators filed suit against the new law on December 27, 2013, declaring it to be an unconstitutional diminishment of benefits for retirees. On January 2, 2014, the Retired State Employees Association also filed suit. More lawsuits are likely to follow.

“The basic reason for challenging these reforms is that they affect the benefits of people already in retirement, and that they affect the benefits for people currently participating,” Kosiba explains.

Back in 1970, Illinois voters approved a revised constitution that included an amendment “which essentially provides that the pension benefit is a contractual right which cannot be diminished,” he says.

“The current challenge alleges that the constitution has been violated. The counter-argument is that there are new funding guarantees and a reduction in employee costs, which would warrant a change in the contract. If the public pension is a contractual right, we need to remember that in contract law, contracts can be amended, and contracts can be affected by new circumstances. So, it’s going to be interesting as to what the Illinois Supreme Court is going to do.”

In response to these legal challenges, the court may issue a Stay Order. The Stay Order would suspend implementation of the legislation’s provisions. At this time, we do not know if the IMRF-related provisions would be stayed or if they would go into effect on June 1, 2014.

## If pension reform is found constitutional

Even if the Illinois Supreme Court finds the new pension reform law constitutional, Kosiba does not expect future pension reform efforts to apply to IMRF. The state is under financial pressures, and those pressures do not apply to IMRF.

“One of the major costs for the five state-funded systems is the compounding of their 3% cost-of-living adjustment (COLA). IMRF has never had a 3% compounded COLA. The other thing we don’t have is health insurance,” he says. “The result is, I would not anticipate the next wave of reform including IMRF. It will probably include the Chicago systems, and it might include the Cook County systems. They have the compounding of COLAs too; we don’t.”

## A bright future

Kosiba emphasizes that IMRF is in strong financial shape going forward. “IMRF is financially secure; we’re not dependent upon any one employer; we set sound actuarial contribution rates; we have policing authority which we exercise when necessary; we have 96% of the money we need to pay benefits (that’s our funding level); and our annuitant reserve is always 100% funded.” ❖

## 98th General Assembly

# Legislature returns for 2014

## 98th General Assembly returns for spring session; IMRF introduces 2014 Legislative Agenda

Legislators returned to Springfield on January 29 for the governor’s State of the State address, which began the spring 2014 session of the 98th General Assembly.

As new bills impacting IMRF are introduced, they will be available on the Pending Legislation page. (At [www.imrf.org](http://www.imrf.org), click the Legislation tab and then “Pending IMRF Illinois Legislation.”) You can also see IMRF-related legislation already signed into law during the 98th General Assembly.

### 2014 IMRF Legislative Agenda

Each year, the IMRF Board decides which proposals it will pursue for the coming year. These agenda items must be introduced by a legislator as a House or Senate bill. This year’s proposals:

- Remove obsolete references in Article 7 to closed transfer windows.
- Remove the requirement for write-in candidates in trustee elections when there is only one eligible candidate on the ballot.
- Allow the retroactive annuity start date to go back to the first date of eligibility, rather than one year from application. (This proposal would apply only to members who first retire after the effective date of the bill.)
- Make prior service for members optional for employers upon initial participation in IMRF (choice irrevocable). This would apply only to employers who join IMRF after the effective date of the bill.
- Allow an irrevocable election of a reversionary annuity before retirement.
- Codify the Board’s current practices for omitted service procedures.
- Require employers to report their entire payroll annually, except for employees participating in other pension systems with that employer. ❖

# RETIREMENT WORKSHOPS

## Learn the answers to your questions—attend a free IMRF retirement planning workshop



We now have the full schedule for our 2014 retirement planning workshops! Keep in mind that these workshops can benefit you no matter how close you are to retirement. We recommend attending a workshop as soon as you're vested, then a second time five years before your earliest possible retirement date, and once more when you're ready to retire. But the closer you are to retirement, the more important it is that you register today and reap the rewards! Openings fill quickly, and most of our attendees learn so much that they wish they'd taken the time to attend one sooner.

### Workshop topics include:

- How and when to file for retirement
- How earnings and service affect your retirement benefit calculations
- What situations exist to purchase past service credit

### Who should attend?

- New members who want to learn about benefits
- Members within five years of retirement
- Spouses, partners, or others who assist with your retirement planning

## 2014 Retirement Planning Workshop Schedule

### January

Date	Location	Start time
14 (Tues.)	Highland Park	9 a.m.
15 (Wed.)	Tinley Park	9 a.m.
18 (Sat.)	Springfield	9 a.m.
28 (Tues.)	Lisle	1 p.m.

### February

Date	Location	Start time
1 (Sat.)	Champaign	9 a.m.
5 (Wed.)	Oak Lawn	9 a.m.
11 (Tues.)	Elmhurst	5 p.m.
19 (Wed.)	Mt. Prospect	10 a.m.
22 (Sat.)	Peoria	1 p.m.
25 (Tues.)	Zion	1 p.m.
27 (Thurs.)	Harrisburg	9:30 a.m.

### March

Date	Location	Start time
5 (Tues.)	Joliet	9 a.m.
8 (Sat.)	Collinsville	9 a.m.
11 (Tues.)	Macomb	1 p.m.
17 (Mon.)	Burr Ridge	9 a.m.
22 (Sat.)	Rockford	9 a.m.
29 (Sat.)	Bloomington	9 a.m.
29 (Sat.)	Fairview Heights	1 p.m.

### April

Date	Location	Start time
2 (Wed.)	Schaumburg	5 p.m.
10 (Thurs.)	Effingham	1 p.m.
10 (Thurs.)	Fairfield	1 p.m.
10 (Thurs.)	Naperville	1:30 p.m.
12 (Sat.)	Galesburg	9 a.m.
15 (Tues.)	Yorkville	1 p.m.
15 (Tues.)	Decatur	5 p.m.
16 (Wed.)	Mt. Prospect	10 a.m.
19 (Sat.)	Mettawa	9 a.m.
19 (Sat.)	Oak Lawn	9 a.m.
24 (Thurs.)	Geneva	9 a.m.
24 (Thurs.)	Libertyville	1 p.m.
30 (Wed.)	Moline	9 a.m.

### May

Date	Location	Start time
1 (Thurs.)	Springfield	5 p.m.
3 (Sat.)	Mt. Vernon	9 a.m.
6 (Tues.)	Bartlett	5 p.m.
7 (Wed.)	Elk Grove Village	9 a.m.
7 (Wed.)	Tinley Park	9 a.m.
7 (Wed.)	Danville	1 p.m.
8 (Thurs.)	Freeport	10 a.m.
8 (Thurs.)	South Jacksonville	1 p.m.

14 (Wed.)	Mt. Prospect	10 a.m.
15 (Thurs.)	Oregon	9 a.m.
17 (Sat.)	Peoria	9 a.m.
20 (Tues.)	Wheaton	5 p.m.
29 (Thurs.)	Charleston	5 p.m.
29 (Thurs.)	Centralia	6 p.m.

### June

Date	Location	Start time
4 (Wed.)	Palatine	5 p.m.
5 (Thurs.)	Rock Falls	9 a.m.
10 (Tues.)	Joliet	1 p.m.
10 (Tues.)	Fairview Heights	5 p.m.
11 (Wed.)	Northbrook	1 p.m.
11 (Wed.)	Quincy	6 p.m.
17 (Tues.)	Kewanee	9 a.m.
17 (Tues.)	Rockford	9 a.m.
17 (Tues.)	Carol Stream	1 p.m.
24 (Tues.)	Oak Lawn	9 a.m.
24 (Tues.)	Metropolis	1 p.m.
26 (Thurs.)	Geneva	9 a.m.

### July

Date	Location	Start time
8 (Tues.)	Tinley Park	9 a.m.
8 (Tues.)	Moline	1 p.m.

## Is an optional Personal Benefit Review for you?

Do you have a particular issue about your account that wasn't covered at the retirement planning workshop you attended? A Personal Benefit Review is an optional, one-on-one, 15-minute meeting with an IMRF Field Representative to discuss specific account issues. **Remember: before you schedule a Personal Benefit Review, you should already have attended a retirement planning workshop.**

### Do you need a Personal Benefit Review?

- Have you **already attended** a retirement planning workshop?
- Are you close to retirement and have specific account questions that weren't answered in the workshop?

If you answered yes, a Personal Benefit Review might help you answer your remaining retirement questions.

### What to bring to a Personal Benefit Review

- Bring a pension estimate—available through your Member Access account or by calling 1-800-ASK-IMRF (1-800-275-4673).
- Bring the questions you have that are specific to your IMRF account.

**Personal Benefit Review time is limited; make sure you are on time and prepared!**

Does a Personal Benefit Review sound right for you? Dates, locations, and registration information are available at [www.imrf.org](http://www.imrf.org)—click on “Member Workshops.”

To register for a workshop, sign into your account at [www.imrf.org/myimrf](http://www.imrf.org/myimrf). All times reflect the start time; workshops last 2-1/2 hours.

8 (Tues.)	Champaign	5 p.m.
12 (Sat.)	Olney	9 a.m.
15 (Tues.)	Burr Ridge	9 a.m.
22 (Tues.)	Bloomington	1 p.m.
22 (Tues.)	Homewood	1 p.m.
25 (Fri.)	Collinsville	9 a.m.
29 (Tues.)	Freeport	10 a.m.

### August

Date	Location	Start time
2 (Sat.)	Murphysboro	9 a.m.
6 (Wed.)	Waterloo	1 p.m.
7 (Thurs.)	Dundee	10 a.m.
13 (Wed.)	Mt. Vernon	6 p.m.
15 (Fri.)	Springfield	9 a.m.
19 (Tues.)	Monmouth	9 a.m.
19 (Tues.)	Naperville	1 p.m.
20 (Wed.)	Schaumburg	9 a.m.
21 (Thurs.)	Rockford	9 a.m.
21 (Thurs.)	Tinley Park	5 p.m.
23 (Sat.)	Decatur	9 a.m.
26 (Tues.)	Bartlett	1 p.m.
28 (Thurs.)	Oak Lawn	5 p.m.
30 (Sat.)	Kankakee	9 a.m.

### September

Date	Location	Start time
4 (Thurs.)	Woodstock	9 a.m.
6 (Sat.)	Belleville	9 a.m.
11 (Thurs.)	Aurora	9 a.m.
13 (Sat.)	Joliet	9 a.m.
13 (Sat.)	Peoria	9 a.m.
16 (Tues.)	Lincoln	9 a.m.
16 (Tues.)	Effingham	5 p.m.
16 (Tues.)	Elmhurst	5 p.m.
16 (Tues.)	Marion	6 p.m.
20 (Sat.)	Palatine	9 a.m.
23 (Tues.)	Yorkville	9 a.m.
24 (Wed.)	Mt. Prospect	5 p.m.
27 (Sat.)	Rockford	9 a.m.

### October

Date	Location	Start time
2 (Thurs.)	Flora	2 p.m.
2 (Thurs.)	Bloomington	5 p.m.
4 (Sat.)	Tinley Park	9 a.m.
7 (Tues.)	Princeton	9 a.m.
11 (Sat.)	Champaign	9 a.m.
14 (Tues.)	Naperville	5 p.m.
14 (Tues.)	Oak Lawn	5 p.m.
15 (Wed.)	Geneseo	1 p.m.

21 (Tues.)	Moline	1 p.m.
22 (Wed.)	Skokie	1 p.m.
22 (Wed.)	Charleston	5 p.m.
29 (Wed.)	Libertyville	1 p.m.
29 (Wed.)	Danville	5 p.m.

### November

Date	Location	Start time
4 (Tues.)	Decatur	5 p.m.
4 (Tues.)	Joliet	5 p.m.
6 (Thurs.)	Peoria	5 p.m.
6 (Thurs.)	Carbondale	6 p.m.
8 (Sat.)	Collinsville	9 a.m.
12 (Wed.)	Palatine	1 p.m.
13 (Thurs.)	Watseka	10 a.m.
18 (Thurs.)	Aurora	9 a.m.

### December

Date	Location	Start time
2 (Tues.)	Rockford	9 a.m.
2 (Tues.)	Homewood	5 p.m.
3 (Wed.)	Burr Ridge	9 a.m.
6 (Sat.)	Springfield	9 a.m.
10 (Wed.)	Mt. Prospect	5 p.m.
13 (Sat.)	Tinley Park	9 a.m.



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## Fundamentals

is published four times a year for active IMRF members over 40.  
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Tenemos representantes que hablan español. 1-800-ASK-IMRF (1-800-275-4673)

# Take 15 minutes now and be confident in your future

When you receive your **2013 Member Personal Statement of Benefits**, take a moment to look it over. The accuracy of your account is important to your future—resolving a problem now may save you time and aggravation when you're ready to retire. Please make especially sure to review the front and back pages for accuracy.

### When are statements sent?

IMRF generally starts mailing 2013 member statements in February. If you already received your statement but didn't have a chance to look at it then, you can find it in your Member Access account (along with statements going back to 1999) under the "Documents" tab.

### What can you find on your statement?

Your annual Personal Statement of Benefits provides detailed information about the benefits available to you as an active IMRF member—retirement, disability, and survivor benefits.

This statement includes your IMRF account activity for 2013 as well as an overview of past earnings, contributions, and employers. Pay special attention to this information to confirm that your wages, contributions, and service credit were properly applied to your IMRF account. ❖

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