

FUNDAMENTALS

IMRF

RETIRED MEMBER EDITION

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SUMMER 2017

What IMRF retirees should know about pensions and divorce

When a couple goes through a divorce, one of the looming questions they must face is how they will divide their assets. An IMRF retiree who is considering divorce has an additional factor to consider: the division of their pension and other IMRF benefits.

If your divorce agreement states that you must divide your IMRF benefits with your ex-spouse, the only legal document that will allow IMRF to make those payments is the Qualified Illinois Domestic Relations Order (QILDRO).

To help IMRF retirees understand how their benefits can be divided in a divorce and how to complete the legal documentation that will allow those payments to be made, IMRF has published two new informational booklets:

- *How Divorce Can Affect Your IMRF Benefits.*

- *QUALIFIED ILLINOIS DOMESTIC RELATIONS ORDERS (QILDROs): A guide to QILDROs and how to complete them.*

How your benefits can be divided

How Divorce Can Affect Your IMRF Benefits walks you through some of the issues you should consider when divorcing, including which of your IMRF benefits can and cannot be divided by a QILDRO.

Benefits that IMRF can divide with



your ex-spouse, if your QILDRO specifies it, include lump sum death benefits and your IMRF pension. If you are married to a qualified surviving spouse when you retire, the full surviving spouse benefit will be paid to that spouse despite any later post-retirement divorce or remarriage.

“Our surviving spouse pension is payable to the person who you are married to at the time you retire, as long as you’ve been married to

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IMRF’S BOOKLETS ON DIVORCE AND QILDROS:

- *How Divorce Can Affect Your IMRF Benefits*
- *QUALIFIED ILLINOIS DOMESTIC RELATIONS ORDERS (QILDROs): A guide to QILDROs and how to complete them*

See the bottom of the page at www.imrf.org/retiree-publications





Louis W. Kosiba
IMRF Executive Director

During calendar year 2016, IMRF earned approximately 8.00% on its investments, or \$2.73 billion. Since 1982, IMRF investment returns have averaged 9.38% per year. If you invested a dollar with IMRF in 1980, today it would be worth over \$29.

From the Executive Director:

2016—A Solid Financial Year Securing Your Benefit

Current and future pensions, 100% funded

We ended the year with \$36.4 billion in assets, the highest ever. Those assets are separated into three accounts.

One account is for active members. It includes their contributions plus 7.5% interest posted to their account each year. It is always 100% funded.

The second account is for employers. Your former IMRF employer was setting aside contributions during your working career to prefund your retirement benefit. The funding level fluctuates as employees retire and as IMRF's investment returns fluctuate. This is also the "balancing" account. If IMRF fails to make 7.5% on its investments, we dip into this account to fund the member and retiree accounts.

The third account is for retirees. This is always 100% funded.

How we ensure your pension is secure

When you retired, we calculated the present value of your benefit using a 7.5% discount rate. This means that when you retired, we set aside enough money to fully

fund your benefit knowing those monies would be invested. We assumed we would make 7.5% on it.

If we don't earn 7.5%, we dip into the employer account and transfer money to the retiree account.

When we make more than 7.5% (as we did in 2016), your account gets 7.5%, and the rest goes to the employer accounts to help fund future benefits. Employers are also required to chip in more to the retiree account if IMRF's retirees live a little longer than expected.

With nearly 120,000 retirees, the actuaries have a pretty good handle on costs. But if necessary, monies will be transferred to ensure full funding. In 2016, IMRF paid over \$1.86 billion to retirees. However, the monies reserved to fund future retiree benefits increased from \$19.4 billion to \$21.1 billion—an increase of \$1.7 billion.

I hope this information better illustrates the important financial engine that is IMRF. Our investments bring wealth into the state of Illinois at a reasonable risk—wealth which protects active members and retirees alike. ■

Look for your 13th Payment on July 7

The supplemental benefit payment, also known as the “13th Payment,” is paid to eligible retired members (or to their surviving spouses) every July.

To be eligible for this year’s 13th Payment, you must have retired on or before June 30, 2016, and received 12 consecutive monthly benefit payments from July 2016 to June 2017. You should receive your 13th Payment for 2017 by July 7.

Percentage of this year’s payment

Your 2017 13th Payment is estimated to be approximately 29.5% of your June benefit

payment amount. Your percentage is based upon a calculation that includes:

- The amount of your June payment

- The total amount of eligible June payments to all retired members
- The contribution made by employers (which is based on active member payrolls)

The greater the number of retirees for every actively working member, the lower the percentage of the 13th Payment. ■

How to calculate your 13th Payment

Your June benefit payment × .29506
= the amount of your 13th Payment!

IMRF Book Club—Book #9

Year of Yes

How to Dance It Out, Stand In the Sun and Be Your Own Person

by *Shonda Rhimes*

Feedback due date: **August 1, 2017**

Send your feedback to:

Louis W. Kosiba, IMRF Executive Director

Email: louiskosiba-executivedirector@imrf.org

Letter: IMRF, 2211 York Rd., Ste. 500,
Oak Brook, IL 60523-2337

We welcome all feedback, whether by email, written letter, or as a reply on our website (click the “Retirees” tab, then “IMRF Book Club,” then select the book you would like to discuss).

Board of Trustees

IMRF employers to elect Executive Trustee this fall

This fall, IMRF employers will elect one Executive Trustee to the Board of Trustees for a five-year term, which will run from January 1, 2018, through December 31, 2022.

About the Board of Trustees

IMRF is governed by an eight-member Board of Trustees. Three are elected by actively participating IMRF members, four by IMRF employers, and one by IMRF retirees. The IMRF Board remains the only public pension fund board in Illinois that is fully elected by its membership, with no appointed or *ex-officio* trustees. ■

Register quickly and easily with Member Access

Registration is required to attend an IMRF retiree workshop. Seating is limited and workshops can fill up fast—registering online through Member Access at www.imrf.org is the best way to register. Member Access gives you the most up-to-date workshop availability, and you will receive a confirmation letter including the workshop location immediately after registering. If you go online to register and a particular workshop doesn't show up, that workshop is already full.

Additional registration information

If you do decide to register by phone, call 1-800-ASK-IMRF (275-4673) to reach a Member Services Representative. You will need:

1. Last four digits of your Social Security Number.
2. City and date of the workshop you wish to attend.
3. Best phone number to reach you.
4. Number of people attending. (If your guest is also an IMRF retiree/beneficiary, please provide the requested information for both of you).

For more information on workshop registration, visit www.imrf.org.

2017 RETIREE WORKSHOPS

Lifestyle workshop: **Who Gets What? Who Does What?**

Presented by University of Illinois Extension educators. Workshop is approximately two hours long, depending upon amount of audience participation.

Right now, you're enjoying your chapter after retirement. Are you prepared for emergencies and unexpected situations? How about when you move to your *next* chapter; are your loved ones ready?

This year, our Retiree Lifestyle Workshops will show you how preparation can help eliminate frustration for you and your family members, when you are unable to actively share information.

Come and learn how providing access to financial and healthcare documents can help make stressful and upsetting situations more manageable. Also, learn methods to plan ahead when it comes to passing along personal possessions. Join us this summer and compose your own plans for peace of mind.

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| July 26, 2017 (Wed) • 10 AM Rockford (NIU) |
| August 7, 2017 (Mon) • 10 AM Champaign (I-Hotel) |
| August 8, 2017 (Tue) • 10 AM Peoria (ICC) |
| August 9, 2017 (Wed) • 10 AM Naperville (Nichols Library) |
| August 17, 2017 (Thu) • 10 AM Tinley Park (Hilton) |
| August 18, 2017 (Fri) • 10 AM Oak Brook (DoubleTree) |
| August 21, 2017 (Mon) • 10 AM Arlington Heights (DoubleTree) |

Financial literacy workshop: **Income Taxes for Retirees**

Presented by financial educator Karen Chan. Workshop is approximately 90 minutes long, depending upon amount of audience participation.

Retirement brings many changes, including how we are affected by income taxes. Join us for our Retiree Financial Workshops and gather some helpful tips that are designed to help your bottom line.

Our financial expert will cover some popular topics, including:

- Rules for avoiding income tax on the sale of your home.
- How your Social Security benefits are taxed.
- How the death of a spouse may change your income tax bracket.
- Using Qualified Charitable Distributions.
- Distributions from IRAs and other retirement accounts.

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| September 11, 2017 (Mon) • 10 AM Mundelein (DoubleTree) |
| September 14, 2017 (Thu) • 10 AM Tinley Park (Hilton) |
| September 18, 2017 (Mon) • 10 AM Arlington Heights (DoubleTree) |
| September 25, 2017 (Mon) • 10 AM Springfield (IMRF Regional Counseling Ctr.) |
| September 26, 2017 (Tue) • 10 AM Carbondale (Carbondale Civic Center) |
| September 28, 2017 (Thu) • 10 AM Champaign (I-Hotel) |
| September 29, 2017 (Fri) • 10 AM Peoria (ICC) |
| October 2, 2017 (Mon) • 10 AM Rockford (NIU) |
| October 5, 2017 (Thu) • 10 AM & 2 PM Naperville (95th St. Library) |

Snapshots from our 2016 workshops

LIFESTYLE



Molly Hofer of the University of Illinois Extension leads workshop participants.



A "bucket list" collage.

FINANCIAL LITERACY



Financial educator Karen Chan with IMRF Senior Communications Specialist Nisa Neely at the Springfield workshop.



Karen Chan explains estate planning to Naperville workshop participants.

- Lifestyle workshops are presented by University of Illinois Extension family life educators. Financial literacy workshops are presented by financial educator Karen Chan.
- Workshops are free for IMRF retirees/beneficiaries and a guest. We encourage you to bring a guest to our workshops!
- Be sure to dress in layers if you are sensitive to temperature changes—temperatures can vary in the meeting rooms.
- Beverages are the only refreshments provided.
- Based on member feedback, we've added a Carbondale location!

The search begins for IMRF's next Executive Director

As Executive Director Louis W. Kosiba prepares to retire at the end of 2017, IMRF is moving forward with the search for his successor.

On April 11, 2017, the IMRF Board of Trustees selected a search firm, EFL Associates, to assist in the hiring of a new Executive Director. Candidates will be interviewed throughout 2017, with a final candidate to be chosen as early as late fall/early winter. The new Executive Director will begin in January 2018. ■



What tips would you offer Louis Kosiba as he prepares to retire? Send him your best retirement advice through IMRF's Twitter or Facebook (**TheIMRF**) or by email (**ecochran@imrf.org**), and we'll publish it in a future issue!

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that person one year prior to terminating employment," said Kathy O'Brien, IMRF General Counsel.

Your 13th Payment cannot be divided by a QILDRO. If your divorce judgment requires that you must pay a portion of this to your ex-spouse, you'll have to pay him or her directly.

How IMRF pays your ex-spouse

IMRF must have a valid QILDRO (and calculation order, when necessary) on file before your ex-spouse can receive any payments. Additionally, IMRF can only pay your ex-spouse according to the exact types of payment your QILDRO specifies.

Keep in mind that IMRF can never pay a portion of your pension to an ex-spouse until you receive it yourself.

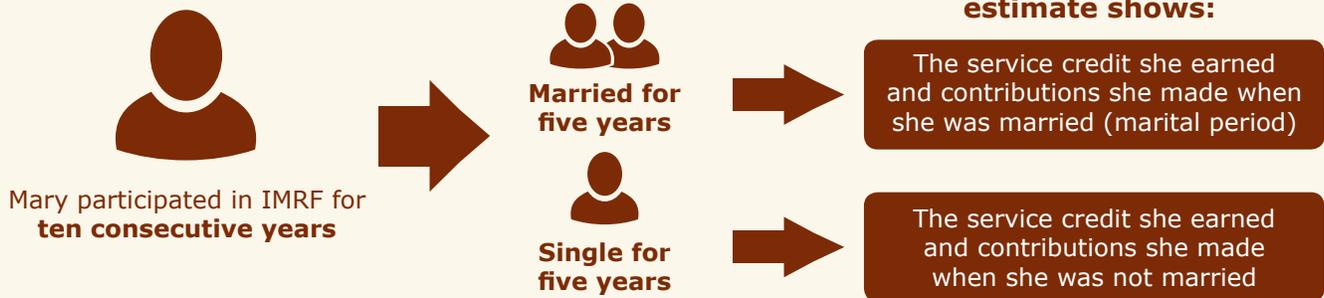
- Just as IMRF members cannot receive their pension as a lump sum, neither can their ex-spouses.
- Because health insurance isn't a benefit that IMRF retirees receive, IMRF cannot provide health insurance to your ex-spouse.

QILDROs: Call IMRF first

If your divorce agreement determines that your ex-spouse is entitled to a portion of your IMRF benefits, by law IMRF can only pay your ex-spouse according to the court-certified QILDRO you have on file with IMRF.

Unfortunately, the QILDRO is a complicated legal document that confuses many IMRF retirees as well as their attorneys. Many IMRF retirees

Marital Period Example



prepare their QILDRO and then submit it with errors, only to have it rejected. Then they have to prepare their QILDRO a second time.

“The law is so particular and precise about how they put the QILDRO together that, most times, people can’t believe that it’s so picky,” O’Brien said.

QUALIFIED ILLINOIS DOMESTIC RELATIONS ORDERS (QILDROs): A guide to QILDROs and how to complete them should be of great help to divorcing members and their attorneys as they fill out the QILDRO. However, O’Brien strongly recommends having IMRF review your QILDRO and associated documents before taking them to court to be signed by the judge.

While members of IMRF’s legal department cannot offer legal advice, verify that your math is correct, or ensure that the QILDRO complies with your divorce agreement, they can check your document for errors and ask questions if it seems like you may not have intended to enter a particular number in a particular place. Your attorney can also come to IMRF with questions about how to complete the QILDRO.

“Don’t go to court with this document until we’ve okayed it,” O’Brien cautioned. “It will save hassle, and usually that means money when you’re working with a lawyer.” ■

Getting your IMRF divorce estimate

As you and your attorney negotiate your divorce agreement, you should request a customized Divorce Pension Benefit Estimate from IMRF by calling 1-800-ASK-IMRF (275-4673).

This estimate will include:

- Your service credit and contribution history.
- The amount of your current benefit.
- The IMRF benefits you earned, broken down by what you earned while you were and were not married to your ex-spouse. The time during which you were married and participating in IMRF is called the marital period (see graphic above). The courts often take this into account when deciding what portion of your benefits your ex-spouse may be entitled to.



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