

FUNDAMENTALS

IMRF

RETIRED MEMBER EDITION

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Thinking of going back to work for an IMRF employer? Your financial future depends on calling IMRF first!

Many IMRF retirees make working part-time for an IMRF employer part of their post-retirement plans. But every year, a few IMRF retirees come into conflict with the laws that regulate drawing an IMRF pension while working for a public sector employer. Some of them end up having to stop their pension and pay back a significant amount of money. You can avoid this by always calling IMRF first if you plan on working for an IMRF employer in any capacity after retirement.

“The most important thing is to pick up the phone and call IMRF,” said IMRF General Counsel Beth Janicki Clark. “If you are getting a pension check and plan on going back to work, before you do anything it’s important to call us and make sure it’s OK, and to get someone at IMRF to explain the rules.”

How not contacting IMRF could hurt you financially

If you return to work for an IMRF employer and your circumstances require that your pension be stopped, but instead you continue to receive

“There are some retirees who believe that checking with your employer is enough, but they should really check with IMRF first.”

—Beth Janicki Clark, IMRF General Counsel



your pension, you could be required to pay back a significant amount of money.

IMRF is required by law to:

- Recover the total amount of all pension payments you received when they should have been on hold.
- Collect the total amount of the member contributions

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Returning to work? Call IMRF first!

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you should have been making during this time.

This can add up to a large amount of money. You may have to pay this money back from your future pension payments, which can significantly reduce the amount of your pension for a long time—sometimes for many years.

In one case, an IMRF member who retired from a school district returned to work for another school district on a full-time basis and was therefore in violation of the return-to-work rules.

“He didn’t understand the ramifications, and it went on for years,” Janicki Clark said.

The retiree ended up being responsible for repaying hundreds of thousands of dollars in unpaid IMRF contributions and pension payments that had been paid prematurely.

Why some retirees don’t realize there’s a problem

The rules for returning to work vary so much among individual situations that, if retirees don’t contact IMRF beforehand, they may not realize their work situation is in conflict with the law.

In some cases, retirees may be fine as long as they track their hours and make sure they don’t work

more than their employer’s hourly standard. In other cases, a retiree is not allowed to return to work for an IMRF employer in any capacity.

“If someone is an Early Retirement Initiative (ERI) retiree, they cannot go to work for an IMRF employer at all, even just for an hour,” Janicki Clark explained. “It doesn’t even have to be an IMRF-qualified position.”

In some cases, a retiree who takes a different job after retirement may not even realize they are working for an IMRF employer.

“Many people might take a job as a substitute teacher or a teacher’s aide, and if they worked for a municipality, it doesn’t dawn on them that a school district is an IMRF employer,” Janicki Clark said.

Unfortunately, sometimes IMRF employers misunderstand the rules or don’t properly explain them to their employees, misleading a retiree into thinking there won’t be a problem. However, even if your employer gave you incorrect information, you will still be responsible for making any required payments.

“There are some retirees who believe that checking with your employer is enough, but they

should really check with IMRF first,” Janicki Clark said.

Rules for returning to work—the basics

One reason it’s so important to contact IMRF before returning to work is the complexity of the rules, which differ between plans, tiers, and the circumstances of an individual’s retirement.

These are some of the primary guidelines:

- If you return to work in a position that qualifies for IMRF participation, you must immediately be enrolled in IMRF and your pension must stop.
- If you return to work in a position that does not initially qualify for IMRF participation, you must keep track of the hours you work. If you end up working enough hours to meet or exceed your employer’s hourly standard, you must immediately be enrolled in IMRF and your pension must stop, or you must immediately stop working. (See the chart on page 3 for additional details.)
- If you retired under the IMRF Early Retirement Incentive, you can never return to work for any IMRF employer, even in a position that does not participate in IMRF or as an

Rules for returning to work in a non-participating position

If you return to work in a position that is not expected to qualify for IMRF participation, you must:

- Contact IMRF to report your return to work and find out your employer's hourly standard
- Keep track of the hours you work in the 12 months following your most recent start date

If within these 12 months you...

Then:

Work below your employer's hourly standard (either 600 or 1,000 hours)



Your pension payments will continue.

Are approaching your employer's hourly standard (either 600 or 1,000 hours) **but you want your pension to continue**



You must stop working for that employer before you reach either 600 or 1,000 hours. (You can work up to either 599 or 999 hours.) You cannot return to work for that IMRF employer until the one-year anniversary date of your employment. On that date:

- Your return to work period is reset for the next 12 months
- You can return to work for that employer until you again reach your employer's hourly standard in the following 12 months.

Reach or exceed your employer's hourly standard (either 600 or 1,000 hours)



You must be re-enrolled in IMRF and your pension payments must be put on hold until you stop working for that employer. When you retire again, your pension will be recalculated using the additional service credit.

Unexpectedly reach your employer's hourly standard (for example, you filled in for another employee and went over without realizing it) **but you want your pension to continue**



You must immediately stop working for that employer **in the same month you reach the hourly standard**. The earliest date you could return to work for that IMRF employer without having your pension stopped is the one-year anniversary date of your employment.

independent contractor. (An exception may exist for certain elected positions; call IMRF for details.)

- If you retired under the Reciprocal Act and are returning to work for a reciprocal retirement system, you should call all systems you retired under to find out how your pension could be affected.
- If you are a Tier 2 retiree you have additional return to work restrictions. These restrictions include working for reciprocal systems even if

you did not retire reciprocally, and performing work as an independent contractor. Call IMRF before returning to work for any public sector employer in Illinois.

Common pitfalls

According to Janicki Clark, the most common infraction for retirees who have returned to work is failing to keep track of their hours.

"It's their responsibility to keep track of their hours, but they don't always understand when to start

counting those hours, and that once they reach the hourly standard they have to completely stop working," she said.

If a retiree works up to the hourly standard for full-time employment (599 hours or 999 hours, depending on the employer) and then stops, they can begin working for their employer again **on the anniversary of when they returned to work** for that employer. Retirees who go over that limit, however, must immediately stop working, and

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Stanish re-elected as Executive Trustee



Sue Stanish
Executive Trustee

2018 Executive Trustee Election

Sue Stanish, director of finance for the Naperville Park District, was re-elected to the Board as an Executive Trustee. The IMRF Board of Trustees certified these results at its December meeting.

Stanish's new term will run from January 1, 2019, through December 31, 2023. She has served on the Board for the past five years.

Executive Trustees are elected by IMRF employers, the units of government that participate in IMRF.

2018 Board Officers

At the same meeting, the Board selected its officers for 2019:

- President: Alex Wallace, Jr. (Employee Trustee)
- Vice President: David Miller (Executive Trustee)
- Secretary: Sharon U. Thompson (Annuitant Trustee) ■

Financial Corner



IMRF investment
return as of the
end of 2018

-4 PERCENT

Value of IMRF
portfolio as of
the end of 2018

\$38 BILLION

IMRF's funded
status on an
actuarial basis

93 PERCENT

All numbers are approximate and unaudited.

UPDATE ON IMRF's FINANCIALS



IMRF has posted a **new video** in which Executive Director Brian Collins shares an update on IMRF's 2018 finances and overall financial position.

View the video on IMRF's website at:
www.imrf.org/2018-financials

IMRF reduces assumed rate of return— what this means for retirees

In December 2018, the IMRF Board of Trustees reduced the return it assumes it will earn on IMRF's investment portfolio from 7.5% to 7.25%.

This assumption plays a role in the amount of additional money IMRF expects to need to fund its benefit system.

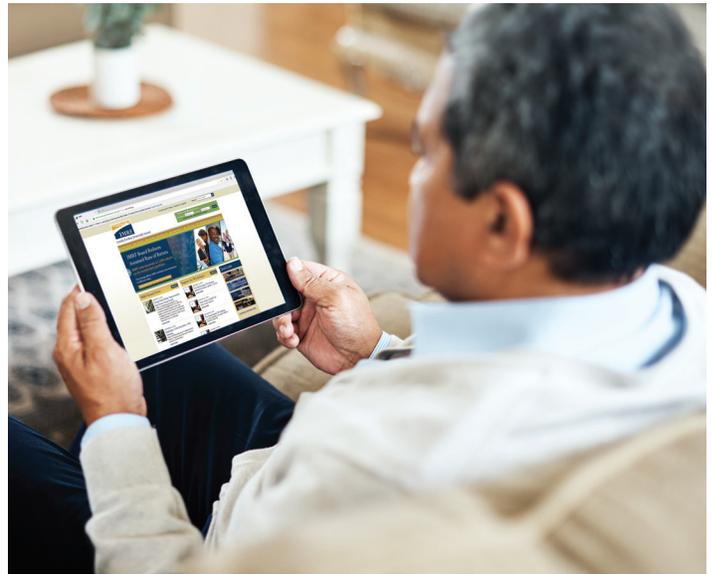
While there is an impact on the units of government that participate in IMRF and workers currently participating in the pension system, there is no direct impact on you as a retiree.

In particular, you should understand that the change DOES NOT affect IMRF retirement benefits.

IMRF retirement benefits are **fixed** by state law.

The difference between the cost of IMRF retirement benefits and *member* contributions must be paid by a combination of *employer* contributions (funds from local units of government) and investment earnings.

In general, slightly reducing the assumption will slightly increase what employers pay to fund IMRF benefits. This relationship reflects the nature of a defined benefit pension plan like IMRF. ■



The change in IMRF's assumed rate of return DOES NOT affect IMRF retirement benefits, which are fixed by state law.

CORRECTION

In our cover article in the Winter 2018 issue of *Fundamentals*, we stated that spouses are automatically granted Power of Attorney for healthcare. In fact, in Illinois the powers granted to a spouse are less broad than the powers granted by a healthcare POA. Additionally, laws vary by state. If you have questions or concerns about your state's laws, we recommend consulting with an attorney.

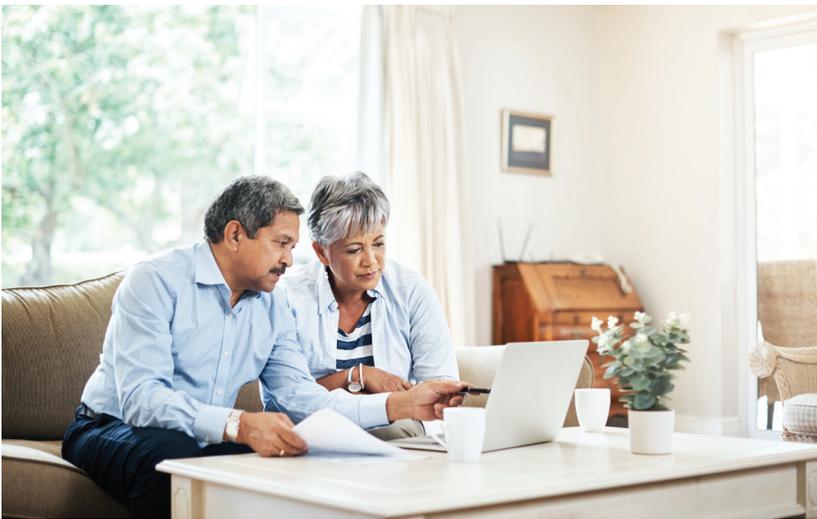
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When does the bank deposit my pension if the first of the month falls on a weekend?

In June, September, and December of 2019, the first of the month will fall on a weekend. When that happens, your bank statement may not show a pension deposit for that month. Don't worry—it was probably deposited at the end of the previous month.



The first of the month will fall on a weekend three times in 2019:

- **Saturday, June 1**
- **Sunday, September 1**
- **Sunday, December 1**

In these instances, your bank probably won't deposit your monthly pension on the first of the month. Instead, they may deposit it on the previous Friday—the last Friday of the previous month.

“This results in two payments being deposited for the previous month and none being deposited for the month the deposit is paying for,” said Member Services Supervisor Jennifer Ellison.

This worries some retirees when they look at their bank statements and don't see their pension deposit recorded for that month.

If this happens, **don't panic**. Before calling IMRF, **check your previous month's bank statement**. It will almost certainly show a second pension deposit at the end of that month. ■

When the first of the month falls on...

Saturday, June 1

...banks will typically deposit your monthly pension on...

Friday, May 31

When the first of the month falls on...

Sunday, September 1

...banks will typically deposit your monthly pension on...

Friday, August 30

When the first of the month falls on...

Sunday, December 1

...banks will typically deposit your monthly pension on...

Friday, November 29

Note: Banks vary regarding when they post deposits during the day. For more information, contact your bank.

How **prepared** are you financially?

In a number of areas, retirees are significantly more likely to be financially prepared than those who have not yet retired, according to a 2017 study by the Society of Actuaries.

Percentage who have a living will or power of attorney in case they are incapacitated

Retirees

55%

Pre-retirees

38%

Retirees

40%

Pre-retirees

30%

Percentage who have a comprehensive financial plan that takes into account their income, debt, assets, and financial issues

Percentage who have an estate plan, including a will or trust

Retirees

52%

Pre-retirees

36%

For more information and retirement research, visit www.soa.org/research-reports/2018/retirement-risk-survey/



Keep up with state pension legislation

JOIN OUR LEGISLATIVE UPDATE MAILING LIST!

Want to receive periodic updates on Illinois pension legislation? Go to www.imrf.org/legislative-info and click "Sign up for Legislative Update" in the box on the right side of the page.



IMRF is hiring!

We are looking for candidates to fill several open positions

IMRF offers comprehensive benefits, professional development, and so much more! To view IMRF's job board, go to www.imrf.org, hover on "About IMRF," click "Employment at IMRF," and then click "Career Opportunities."



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Locally funded, financially sound.

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FUNDAMENTALS

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1-800-ASK-IMRF (275-4673) • www.imrf.org

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then cannot work for the employer again until **a year after they terminated employment.**

IMRF can help you keep track of your time. When a retiree calls about returning to work and notifies IMRF of their start date, IMRF will enter it into the system, and you will have it on record when to begin counting your hours

Call IMRF first

Before you solidify any plans for returning to work, Janicki Clark urges you to call 1-800-ASK-IMRF (275-4673) to make sure that:

- Your plans aren't in conflict with the rules.
- You understand how to keep track of your hours.

“In that way, you will be protected in the future,” she said.” ■