**IMRF’s autonomous Board looks out for your interests**

Your Board of Trustees is truly by and for IMRF members—a unique feature among U.S. public pension plans.

**Aligned with your interests**
Trustees of a public pension fund are by definition fiduciaries—that is, they are legally required to act solely in the best interests of plan participants. But IMRF’s Board of Trustees goes a step further.

IMRF’s Board is solely composed of vested IMRF members and retirees—those who will be able to receive an IMRF pension once they reach retirement age, or who are already receiving their pension. In other words, they have “skin in the game.”

“Their intellectual interest is aligned with their personal interest,” said IMRF Executive Director Louis Kosiba.

It is unusual among U.S. public pension plans for a Board to be composed solely of members of the plan who are also elected by the membership. In a list of 87 state pension funds provided by Keith Brainard of the National Association of State Retirement Administrators (NASRA), IMRF was the only pension fund to have a Board solely composed of elected Trustees who are members of the plan.

**Serving two masters?**
In contrast, the boards of most public pension plans in the United States are a mixture of elected, appointed, and ex-officio trustees who may or may not be members of the plan they serve. On some boards, Brainard noted, all members are appointed, and more boards have ex-officio members than not.

- **Ex-officio trustees**
  Ex-officio trustees serve by virtue of another office they hold. For example, Chicago’s city treasurer sits on the board of the pension fund for the city’s municipal employees. For an elected official, costs for taxpayers may be the primary concern. As a fiduciary of a pension fund, however, a trustee’s primary concern is supposed to be ensuring there’s enough money to pay benefits.

  “It can be difficult for that person, who might be accustomed to serving, for example, taxpayers or other interest groups, to remember as a board member, as a trustee, their responsibility lies solely with participants in the plan,” Brainard said.

- **Appointed trustees**
  Appointees are trustees appointed to the board by an elected official. For example, six trustees on the Illinois Teachers’ Retirement System (TRS) board are appointed by the governor. Kosiba described how this can lead to a potential conflict of interest.

  TRS recently reviewed whether to reduce its assumed rate of return from 7.5% to 7.0%. Because this reduction would require an increase of approximately $400 million in annual state contributions, the governor became concerned. He quickly moved to fill several vacancies on the TRS board with his own appointees before the board’s decision. If one of his appointees hadn’t turned out to be ineligible for the position, a majority would have been appointed by the governor, which is why the governor became concerned.

“Their intellectual interest is aligned with their personal interest.”
—IMRF Executive Director Louis Kosiba.

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of the TRS board would have been composed of his appointees. “This is an illustration of how appointed trustees may be forced to serve two masters,” Kosibka said.

While Brainard argues that every pension plan is unique and no one model inherently works best, he said that “clearly when you’ve got more elected officials and non-plan members on there, it creates a larger challenge to ensure the trustees are operating solely in the interest of the plan participants.”

IMRF’s independent board
Because IMRF’s Trustees are elected by a large group, they are not beholden to any one person, Kosiba observes.

“I’m pleased to say that in the interaction on IMRF’s Board, our Trustees are truly focused on ensuring that our employers and members are truly focused on ensuring that the funding plan participants,” Kosiba said.

In addition to serving on the IMRF Board of Trustees, Wallace also holds leadership positions with the Illinois Education Association and National Education Association.

Trustee Elections

Alex Wallace to be confirmed as Employee Trustee this December

Current Trustee Alex Wallace is running unopposed for the 2016 Employee Trustee election. Therefore, IMRF will not hold an election for Employee Trustee.

Wallace will be certified as the winner of the Employee Trustee election at the December Board of Trustees meeting. His term will run from January 1, 2017, through December 31, 2020.

Wallace, a bus driver with Oswego Community Unit School District 308, was appointed to serve as IMRF Trustee from July 1, 2016, through the end of the year following the retirement of former Employee Trustee John Piechocinski.

In addition to serving on the IMRF Board of Trustees, Wallace also holds leadership positions with the Illinois Education Association and National Education Association.

Election for Executive Trustee

This fall, IMRF employers will elect one IMRF Executive Trustee for a five-year term of office. We will announce the results of that election in next year’s Spring edition of Fundamentals.
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2211 York Road
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Erin Cochran, editor, ecochran@imrf.org
1-800-ASK-IMRF (275-4673) • www.imrf.org