for members of the Illinois Municipal Retirement Fund

Money Matters

vol. 7 ▲ no. 1 ▲ Spring 2014

quick tips for your financial future

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 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 groups of state workers and retirees.

Why didn't the law target 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."

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.

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.

Impact on other pension systems

For the General Assembly Retirement System, State Employees' Retirement System, State Universities Retirement System, and Teachers' Retirement System, 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 for workers age 45 and younger.
- Reduces the amount current members contribute to their retirement by 1% of salary.

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IN THIS ISSUE

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 of your statement 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's 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.

Your statement also describes how the IMRF plan works for you and your options at retirement.

Questions?

If you have any questions or concerns about your account information, please feel free to talk to an IMRF Member Services Representative at 1-800-ASK-IMRF (1-800-275-4673). A representative will be glad to help you understand your statement or make any necessary corrections to your personal information.

Join the IMRF Community!

Follow TheIMRF on Facebook and Twitter

IMRF is more than just retirement planning.

Want to learn more about your benefits?

Did you know in addition to retirement benefits, IMRF provides valuable benefits—like survivor benefits and short- and long-term disability benefits—that protect you while you're working? How can you learn more about the topics that matter to you while you're working for an IMRF employer and take advantage of all the benefits you're entitled to?

IMRF's Field Representatives are available to come to your employer for a free, 60- to 90-minute presentation to discuss the topics that matter to you as an active IMRF member. They can also set up 15-minute employer-sponsored Personal Benefit Reviews in your workplace.

Interested? Talk to your employer and ask them to contact your IMRF Field Representative to set up a session.

IMRF Strategic Plan for 2014-2016

As part of our ongoing improvement process, IMRF has developed a new Strategic Plan for 2014-2016. It specifies measures for achieving strategic objectives in five key result areas.

The Trustees reviewed and approved the Plan at the November 2013 Board Meeting. To read it in full, go to www.imrf.org and look under "About IMRF" in the left-hand menu.

Key result area: Financial Health and Sustainability
Strategic objective: To achieve and maintain a funding level that sustains the Plan.

Key strategies include:
- Evaluating ways to make employer contribution rates less volatile.
- Introducing legislation to address pension sustainability issues; defending against adverse legislation.
- Continuing to advocate the "prudent man rule" and 100% funding principle.

Key result area: Investment Returns
Strategic objective: To meet or exceed a 7.5% annual return and outperform the total portfolio benchmark

Key strategies include:
- Conducting an asset liability study.
- Choosing an assumed rate of return and asset mix that is consistent with IMRF's risk tolerance.
- Managing our portfolio using optimization, cost control, and relevant performance measurements.

Key result area: Customer Service and Operational Excellence
Strategic objective: To provide world class customer service.

Key strategies include:
- Analyzing various survey reports to identify and implement opportunities for improvement.
- Evaluating and improving our key approaches and internal processing standards.
- Developing meaningful measures of customer engagement and plans to improve it.

Key result area: Workforce Engagement
Strategic objective: To foster and maintain an engaged workforce.

Key strategies include:
- Analyzing our employee surveys, along with turnover and absenteeism statistics, to make improvements.
- Implementing a formal program to provide staff with more training and development opportunities.

Key result area: Modernization Program
Strategic objective: To implement efficient and effective business solutions.

Key strategies include:
- Implementing improved business processes and integrated technology solutions to achieve our customer service and operational excellence objectives.
- Implementing the technology infrastructure required to support our goals for data security, redundancy, performance, availability, and disaster recovery.
- Replacing our existing website to enhance the online services and tools we offer our membership.

You can still attend a regular workshop

Of course, IMRF still offers our free "Planning for Your Future" workshops. While these workshops are focused on the retirement aspect of IMRF, they also contain important general information about your IMRF benefits. **Our members close to retirement say they wish they had gone to one sooner—don't wait! A workshop can help you make sure you're making all the right decisions about your benefits.**

You can find out more about these workshops on our website at **www.imrf.org** by clicking on "Member Workshops." You will need a Member Access account to register.

3 Hidden fees and how to beat them

1 **Hotels.** Some hotels charge a "safe warranty fee" whether or not you use the safe, a "resort fee" if there's a swimming pool on the premises, groundskeeping and energy surcharges, mandatory valet parking, and so on. It pays to ask when you're booking the room what other charges may apply—and if they can be waived.

2 **Cell phone plans.** How many of your cell phone minutes go unused every month? Take a hard look at how much data and minutes you're actually using, and what other plans are available. Also, keep an eye out for third party mystery costs on your bill, a practice known as "cramming."

3 **Cars.** Even if you drove a hard bargain with your salesperson, many dealerships charge to process the paperwork before you can drive your car home. In some states, the department of motor vehicles limits what they can charge, but if that's not the case where you live, you can still research the amounts your area's dealerships charge and ask yours to match the lowest fee.

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This newsletter is published four times a year for IMRF members under age 40
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Illinois pension reform becomes law

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- Allows a limited number of workers to opt into a 401(k) plan instead of a defined benefit pension plan.

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."

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."