

# Knowing (some of) Your IMRF Benefits

ILLINOIS MUNICIPAL RETIREMENT FUND

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District 211 Business Office

# Knowing **Your** IMRF - From the 2019 (IMRF) Popular Annual Financial Report (PAFR)

IMRF is the administrator of an agent multiple-employer public employee retirement system. The Illinois State Legislature established IMRF in 1939. It began operations in 1941 in order to **provide retirement, death, and disability benefits to employees** of local units of government in Illinois. Members, employers, and annuitants elect eight trustees who govern IMRF. **IMRF is separate and apart from the Illinois state government and is not included in the state's financial statements.**

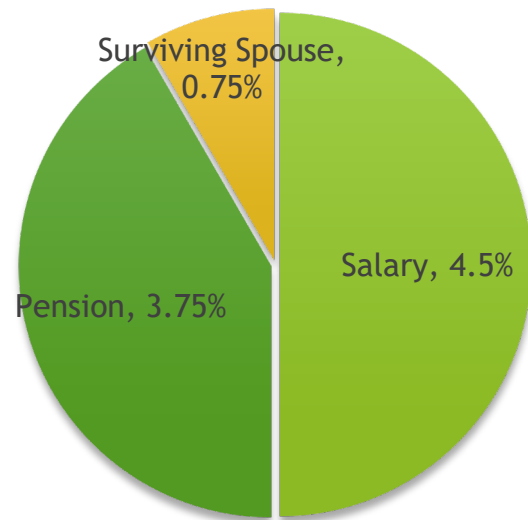
IMRF now serves 3,025 different employers with over 440,068 active, inactive and retirees in 2019.

## How is **Your** IMRF Funded?

The funding of IMRF is comprised of three components. The first is member contributions of either 4.5% of the covered wages established by the Illinois Pension Code. The second portion of the funding is employer contributions. These contributions are based on an individual rate calculated for each employer annually by our actuary. It is based on each employer's member demographics, wages, and experience. The final and most important component of funding the plan is investment income.

# What is Contributed to IMRF for **Your** Retirement?

## Member Contributions



***Employer contributions: Not credited to individual member accounts.***

***Employer Contribution could be as high as 12%***

**IMRF****Tier 1****Tier 2**

Service Credit Date	Before January 1, 2011	On or After January 1, 2011
Wage Cap	No	Yes
Employee Contribution	4.5% - No Wage Cap	4.5% - Up to Wage Cap
Minimum Years	8	10
Minimum Age	55 w/ Discount	62 w/Discount
Discount Amount	1/4% per month under age 60 1/4%/month less than 35 years of service	1/2% per month under age 67 1/2%/ month less than 35 years of service
Sick Leave	Adds to Years of Service	Adds to Years of Service
Max Multiplier	75%	75%
Average Salary	Best 48 consecutive in final 10 Years	Best 96 consecutive in 10 Years
Increases	3% (simple)	Lower of: 3% or 1/2 CPI
13th check	Yes	Yes

# How is **Your** Multiplier Determined?

Year		Multiplier	Year		Multiplier	Year		Multiplier
1	=	1.67%	16	=	27.05%	31	=	57.05%
2	=	3.34%	17	=	29.05%	32	=	59.05%
3	=	5.01%	18	=	31.05%	33	=	61.05%
4	=	6.68%	19	=	33.05%	34	=	63.05%
5	=	8.35%	20	=	35.05%	35	=	65.05%
6	=	10.02%	21	=	37.05%	36	=	67.05%
7	=	11.69%	22	=	39.05%	37	=	69.05%
8	=	13.36%	23	=	41.05%	38	=	71.05%
9	=	15.03%	24	=	43.05%	39	=	73.05%
10	=	16.70%	25	=	45.05%	40	=	75.00%
11	=	18.37%	26	=	47.05%			
12	=	20.04%	27	=	49.05%	Years 1 - 15 - 1.67%		
13	=	21.71%	28	=	51.05%	Years 16 - 40 = 2.0%		
14	=	23.38%	29	=	53.05%	8 years = Tier 1 Vested		
15	=	25.05%	30	=	55.05%	10 Years = Tier 2 Vested		

# How is **Your** Final Rate of Earnings (FRE) Calculated?

Tier 1		
Months 1 - 48	CY	Earnings
1	2020	\$ 50,000
2	2021	\$ 52,000
3	2022	\$ 54,000
4	2023	\$ 56,000
Total:		\$ 212,000
Average:		\$ 53,000

Tier 2		
Months 1 - 96	CY	Earnings
1	2016	\$ 42,000
2	2017	\$ 44,000
3	2018	\$ 46,000
4	2019	\$ 48,000
5	2020	\$ 50,000
6	2021	\$ 52,000
7	2022	\$ 54,000
8	2023	\$ 56,000
Total:		392,000.00
Average:		\$ 49,000

# Sample Pension Calculation

Assuming a 60+ years of age - Tier 1  
Assuming a 67+ years of age - Tier 2

Tier 1	
PENSION CALCULATION	
Average Salary	\$53,000
X Multiplier (25 Yrs)	.4505
Annual Pension	\$23,877
X Discount	0
Discounted Amount	\$0
<b>Annual Pension</b>	<b>\$23,877</b>
Monthly Pension	\$1,990

Tier 2	
PENSION CALCULATION	
Average Salary	\$49,000
X Multiplier (25 Yrs)	.4505
Annual Pension	\$22,075
X Discount	0
Discounted Amount	\$0
<b>Annual Pension</b>	<b>\$22,075</b>
Monthly Pension	\$1,840

Pension = No Withholding for Social Security, Medicare, State (not all) and IMRF

# Sick Days = Benefit Protection While Employed and Increase Your Pension at Retirement

You can accrue up to 12 months of additional service credit toward your total years of service.

Number of Unused, Unpaid Sick Days	Additional Months of Service Credit
1-20	1
21-40	2
41-60	3
61-80	4
81-100	5
101-120	6
121-140	7
141-160	8
161-180	9
181-200	10
201-220	11
221-240	12
<i>The maximum amount of sick days you can convert to service credit is 240</i>	

# IMRF is NOT Meant to be a Stand-Alone Pension System.

- ▶ IMRF “Voluntary Additional Contributions” - VAC
- ▶ 403(b)
- ▶ Social Security
- ▶ Pensions from Previous Employment
- ▶ Personal Investments / Savings

# IMRF - Voluntary Additional Contributions

- ▶ Payroll Deduction
- ▶ No “Open Enrollment” / Change as Needed
- ▶ After Tax Contribution
- ▶ No Fees
- ▶ Additional Monthly Annuity at Retirement
- ▶ May Contribute up to 10% of Your Income
- ▶ No Financial Advisor Needed
- ▶ Fixed Interest Income

# Voluntary Additional Contributions (VAC)

- Your after-tax contributions are limited to 10% of your gross earnings.
- Interest is credited at the end of the year based upon the opening balance at the beginning of the year.
- The current interest rate is 7.25%.

## Voluntary Additional Contribution Interest Example

<b>Year 1 January 1 Opening Balance</b>	<b>\$0.00</b>
VA Contributions made during Year 1	\$400.00
Interest credited on Year 1 December 31 based upon January 1 opening balance of \$0 x 7.50%	\$0.00
<b>Year 2 January 1 Opening Balance</b>	<b>\$400.00</b>
VA Contributions made during Year 2	\$500.00
Interest credited on Year 2 December 31, based upon January 1 opening balance of \$400 x 7.50%	\$30.00
<b>Year 3 January 1 Opening Balance</b>	<b>\$930.00</b>
VA contributions made during Year 3	\$600.00
Interest credited on Year 3 December 31, based upon January 1 opening balance of \$930 x 7.50%	\$69.75
<b>Year 4 January 1 Opening Balance</b>	<b>\$1,599.75</b>

# Retiring with Voluntary Additional Contributions (VAC)

If you leave your voluntary contributions on deposit until you retire from IMRF, at retirement you may choose to receive them as either:

- A lump sum
- A monthly annuity if your VAC balance is \$4,500 or more:
  - Every January, you will receive a 3% increase on your VAC annuity.
  - This increase is calculated on the original annuity amount.
  - Employers do not contribute to this annuity.

## 403(b)

- ▶ Payroll Deduction
- ▶ No “Open Enrollment” / Change as Needed
- ▶ After Tax Contribution or Pre-Tax Options
- ▶ Fees Apply Through Investment Provider / Broker
- ▶ Max Contributions Annually
- ▶ Financial Advisor Usually Used
- ▶ Wide Variety of Investment Options
- ▶ Dollar Cost Averaging

# 403(b) - Voluntary Contributions

[www.tsacg.com](http://www.tsacg.com)

- Retirement savings plan
- Pre-tax dollars taken from your paycheck
- 2020 Maximum Allowable Contribution Limit: \$19,500
  - If you are 50 years old or older, you can contribute up to an additional \$6,500
- Plan Administrator: TSA Consulting Group
  - Process your transactions
  - Maintains records
  - Ensures our plan is in compliance with IRS regulations

# Distributions of 403(b) - without Tax Penalty

- Age 59 ½
- Or separated from service in the year in which they turn 55 (or older)
- The IRS restricts other 403(b) plan distributions

# IMRF - Endorsed Health Plans (Doyle Rowe)

- Impartial 3<sup>rd</sup> party intermediary between you and your health plan provider

[www.doylerowe.com](http://www.doylerowe.com)    -OR-    1-800-564-7227

- Healthcare plans (for those under 65 and those over 65)
- Dental - Delta Dental
- Vision - United Healthcare Vision

# When Medicare?

- Health insurance for people
  - 65 and older
  - Under 65 with certain disabilities
    - ALS (Amyotrophic Lateral Sclerosis, also called Lou Gehrig's disease) without waiting period
- Any age with End-Stage Renal Disease

# Medicare



MEDICARE HEALTH INSURANCE	
1-800-MEDICARE (1-800-633-4227)	
NAME OF BENEFICIARY <b>JOHN DOE</b>	
MEDICARE CLAIM NUMBER <b>000-00-0000-A</b>	SEX <b>MALE</b>
IS ENTITLED TO <b>HOSPITAL (PART A)</b>	EFFECTIVE DATE <b>01-01-2007</b>
<b>MEDICAL (PART B)</b>	<b>01-01-2007</b>
SIGN HERE → _____	

1<sup>st</sup> of the Month in which you turn 65 and are retired or do not enroll in your employers health plan.

# Original Medicare: Part A



Part A  
Hospital  
Insurance

**Part A-Hospital Insurance (40 quarters = no premium):**

- Inpatient hospital care
- Inpatient skilled nursing facility care
- Annual Deductible (may be covered by supplement plan)

# Original Medicare: Part B



Part B  
Medical Insurance

## Part B—Doctor's Services / Office Visits

- Outpatient medical and surgical services and supplies
- Clinical lab tests
- Durable medical equipment (may need to use certain suppliers)
- Diabetic testing supplies
- Preventive services (like flu shots and a yearly wellness visit)
- Home health care
- Premium Applies Through Social Security

# Supplement Plans - Medi-Gap - Plan F/G



- Private insurance companies approved by Medicare provide your Medicare coverage
- Premium Cost
- A & B will not cover all so most purchase Gap Coverage (Supplement)
- Annual Enrollment

	Medigap Benefits										Plan F	Plan G
Medicare Supplement Benefits	A	B	C	D	F*	G	H	L	M	N		
Medicare Part A coinsurance and hospital costs (up to an additional 365 days after Medicare benefits are exhausted)											✓	✓
Medicare Part B coinsurance or copayment	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
First 3 pints of blood	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Part A hospice care coinsurance or copayment	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Skilled Nursing Facility (SNF) care coinsurance	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Medicare Part A deductible	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✗
Medicare Part B deductible	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Medicare Part B excess charges	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Foreign travel emergency coverage (up to plan limits)	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Medicare Part B preventive care coinsurance	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓

Out-of-Pocket Limit**	
2018	2019
\$4,900	\$5,400

# Part D - Medicare Prescription Drug Coverage



**Part D**

Medicare prescription drug coverage

- Available for all people with Medicare
- Run by private companies that contract with Medicare
- Premium Cost


# How and When Can You Enroll in Medicare?

Medicare enrollment rules and decisions vary depending on:

- Your age
- Your other coverage, like from an employer
- If you have End-Stage Renal Disease
- If you get
  - Social Security Disability Insurance
  - Social Security retirement benefits, or
  - Railroad Retirement benefits

# Medicare Premiums - Will You be Prepared?

Plan	Premium	
	Monthly	Annual
Medicare - Part A	\$0	\$0
Medicare - Part B	\$134	\$1,608
Medicare - Medigap	\$250	\$3,000
Part D	\$90	\$1,080
<hr/>		
<b>TOTAL:</b>	<b>\$474</b>	<b>\$5,688</b>



The purpose of this chart is to demonstrate potential cost and is meant to be for demonstration purposes only

# Why is Enrolling on Time Important?

If you don't enroll on time...

- Costs could be higher (late enrollment penalties (LEPs) or paying more for Medigap)
- Coverage might be affected, like having a gap in coverage or a waiting period for a pre-existing condition (Medigap)
- You might not be able to buy a Medigap policy or may have to pay more

# You Must Take Action to Enroll in Medicare

You need to enroll directly with Social Security:

- Visit [socialsecurity.gov](https://www.socialsecurity.gov)
- Call 1-800-772-1213
- Make an appointment to visit your local office

