



Illinois Municipal Retirement Fund

2211 York Road Suite 500 Oak Brook IL 60523-2337

Member Services Representatives 1-800-ASK-IMRF

www.imrf.org

January 22, 2014

IMRF Employer:

In June 2012, the Governmental Accounting Standards Board (GASB) issued two new standards that will substantially change the accounting and financial reporting of public employee pension plans and the state and local governments that participate in such plans.

GASB Statement No. 67, Financial Reporting for Pension Plans, (GASB 67) revises existing guidance for the financial reports of most governmental pension plans, and is effective for financial statements with periods beginning after June 15, 2013. IMRF will implement GASB 67 for the year ending December 31, 2014.

GASB Statement No. 68, Accounting and Financial Reporting for Pensions, (GASB 68) revises and establishes new financial reporting requirements for most governments that provide their employees with pension benefits. GASB 68 is effective for financial statements with fiscal years beginning after June 15, 2014. IMRF's participating employers will be required to implement GASB 68 for fiscal years ending in 2015.

What Has Changed?

Prior to implementing GASB 68, employers participating in IMRF recognized annual pension cost under a funding approach, wherein pension expense was the annual required contribution to the plan. A pension liability arose when there was a difference between the annual contributions required and the annual contributions made.

Subsequent to implementing GASB 68, IMRF employers will recognize a liability in their financial statements as employees earn their pension benefits (i.e., as they provide services to the government). For the first time, employers participating in IMRF will need to record their specific pension amounts, which include the employers' share of the net pension liability, deferred outflows and inflows of resources, and pension expense.

Net Pension Liability

To the extent that your long-term obligation to provide pension benefits (i.e., total pension liability) is larger than the value of the assets available in the plan to pay pension benefits at that date, you are required to record a net pension liability. This is significant because the net pension liability will appear on the face of your accrual-based financial statements for the first time.

Further, changes in the net pension liability will be recognized immediately as pension expense or reported as deferred outflows of resources or deferred inflows of resources, depending on the nature of the change.

Reporting Challenges

GASB 67 does not require IMRF's financial statements to include the information needed for its participating employers to implement GASB 68. For example, IMRF's financial statements will not disclose actuarial information for each individual employer, or each employer's individual interest in the fiduciary net position (i.e., their separate account information).

We recognize that our employers will need information well beyond what is required in our audited financial statements to determine their specific pension amounts. The American Institute of Certified Public Accountants (AICPA) is currently drafting guidance on the format of such information. As we are unsure as to when this guidance will be finalized or what the final determination will be, we have begun the process to develop statements which will report the information required by GASB 68 to you. We have included a preliminary draft statement which provides a portion of the GASB 68 information you will need from us to implement the financial reporting and disclosure requirements of GASB 68. **Do not use this sample information in your financial statements. It is for informational purposes only.** We will provide the format of the remaining GASB 68 information to you at a later date.

Below is a glossary which defines the amounts reported on the attached statement, as provided in GASB 67 and 68:

Total Pension Liability—The actuarial estimate of the amount of projected benefit payments the plan must make to current active and inactive plan members as a result of their past service and their expected future service. This statement includes your portion of IMRF's total pension liability.

Fiduciary Net Position—The estimated fair value of the plan's pension assets, net of plan liabilities and plan deferred inflows and outflows which are available and restricted to pay employer benefits. The amount included on this statement is your share of IMRF's Fiduciary Net Position.

Net Pension Liability—The amount remaining after subtracting the amount of the plan Fiduciary Net Position from the Total Pension Liability. It is also known as the plan's Unfunded Liability (on market-value basis). The amount on this statement illustrates the estimated amount of your Net Pension Liability as of December 31, 2012. It is preliminary, and may materially change. Upon adoption of GASB 68, the Net Pension Liability is the amount to be recorded in your financial statements.

Fiduciary Net Position as a Percentage of the Total Pension Liability—The percentage of your portion of IMRF's Total Pension Liability that could be paid with your share of IMRF's Fiduciary Net Position. It is also known as the plan's Funded Status or Funded Ratio.

Covered-Employee Payroll—Total payroll for employees required to participate in IMRF. This statement represents the amount of your Covered-Employee Payroll.

Net Pension Liability as a Percentage of Covered-Employee Payroll—A calculation that compares your portion of the Net Pension Liability to your Covered-Employee Payroll.

Discount Rate—A single rate of return used to calculate the Total Pension Liability. The Discount Rate combines a Long Term Discount Rate and a 20-year Municipal Bond Rate. The Long Term Discount Rate is applied to the portion of the Total Pension Liability that does not exceed the pension assets. The 20-year Municipal Bond Rate is applied to the portion of the Total Pension Liability that exceeds the pension assets.

Other Implementation Issues

Currently, there are no requirements for auditors to opine on the GASB 68 schedules we will provide to you. Accordingly, your auditors may be challenged in terms of obtaining sufficient appropriate audit evidence in order to opine on the pension amounts included in your financial statements. The American Institute of Certified Public Accountants (AICPA) is currently drafting literature which addresses the level of assurance auditors will need to provide on this information. We will communicate to you the final decisions once the AICPA finalizes the literature.

We hope that this is helpful to you to better understand the new pension statements, and we will continue to communicate further developments related to the implementation of GASB 67 and 68 as they arise. If you have any questions, please contact Employer Relations Supervisor Audrey Brown-Ryce at arbrown-ryce@imrf.org or at (630) 706-4246, or Employer Account Analyst Corey Lockwood at coreylockwood@imrf.org or at (630) 706-4226.

Sincerely,

Mark Nannini, IMRF Chief Financial Officer

Illinois Municipal Retirement Fund
VILLAGE OF ALSIP
Employer #4820
Regular

Development of Estimated Net Pension Liability as of December 31, 2012 under GASB 68
(Preliminary – Not to be used for financial reporting purposes)

A. Total Pension Liability

1. Active members	\$ 7,653,179
2. Retired members	6,377,594
3. Deferred members	1,122,715
4. Total	\$ 15,153,488

B. Plan fiduciary net position

1. Member Assets	\$ 2,766,151
2. Employer Assets	3,460,845
3. Retired Reserve	6,345,782
4. Total	\$ 12,572,778

C. Net pension liability **\$ 2,580,710**

**D. Plan fiduciary net position as a percentage
of the total pension liability** **82.97%**

E. Covered-employee payroll **\$ 2,971,281**

**F. Net pension liability as a percentage
of covered employee payroll** **86.86%**

G. Discount rate

1. Long Term Discount Rate	7.50%
2. 20 year Municipal Bond Rate (December 2012)	3.58%
3. Blended Discount Rate	7.45%