



MEMO TO: IHLS Board of Directors
FROM: Leslie Bednar
DATE: January 24, 2014
RE: Proposed IMRF Payment

The Finance Committee presents this matter to the entire board for action.

In November, 2013 IHLS closed on sale of two Edwardsville lots and net at closing \$513,784.00. The real estate was originally placed on the market by the Lewis & Clark Library System (LCLS) Board of Directors in late 2010. At that time, the Board's intention was to use proceeds from the sale toward LCLS' Illinois Municipal Retirement Fund (IMRF) unfunded liability.

The most current estimate of unfunded liability for IHLS with IMRF is \$2,652,985, and is as of December 31, 2012. Based on an official estimate from IMRF, if IHLS were to send a \$500,000 payment to IMRF we reduce the FY14 rate from 21.57% to 19.13%, or a yearly savings (based on current payroll) of \$51,000. In ten years at this rate the system recoups its original investment through savings of payroll benefits. If we were able to pay all of the unfunded liability, our IMRF rate would reduce to 8.65%, which would be a \$255,009.00 approximate savings per year. A copy of the document from IMRF is attached and provides a good snapshot of the proposal.

If no additional payment is made to IMRF toward the liability the funds may be placed into a reserve account for an undefined future use. Today's rates for certificates of deposit at US Bank and Busey Bank (the two banks we primarily utilize for system business) range from .24% APY for a 1-year certificate and .75% for a 5-year certificate.



Illinois Municipal Retirement Fund

Drake Oak Brook Plaza Suite 500 2211 York Road Oak Brook IL 60523-2374 630/368-1010

Service Representatives 1-800-ASK-IMRF

www.imrf.org

November 18, 2013

IL HEARTLAND LIBRARY SYSTEM
ROSE M. BARCZEWSKI, CFO
6725 GOSHEN RD
EDWARDSVILLE IL 62025-7707

ER# 6275

Dear Ms. Barczewski:

This letter is in reference to your inquiry regarding your current pension liability if you were to pay a lump sum of \$500,000.

Based on the actuarial valuation, the December 31, 2012 unfunded liability was \$2,652,985. Below is a calculation of the unfunded rate before any payments. In addition, I have also included calculation as if a \$500,000 payment was made. This is an example of how it would have affected your 2014 rate if it was paid in 2012.

| | 12/31/2012 | \$500,000 |
|------------------------------|------------------|----------------|
| | <u>Valuation</u> | <u>Payment</u> |
| Unfunded Liability | 2,652,985 | 2,652,985 |
| Less: Payment | <u>0</u> | <u>500,000</u> |
| Adjusted Unfunded | 2,652,985 | 2,152,985 |
| Amortization Factor | <u>.10343</u> | <u>.10343</u> |
| Required Annual Contribution | 274,398 | 222,683 |
| Divided by Estimated Payroll | 2,123,804 | 2,123,804 |
| Unfunded Rate | 12.92% | 10.48% |
| | <u>2013</u> | <u>2013</u> |
| Normal Rate | 7.68% | 7.68% |
| Unfunded Rate | 12.92% | 10.48% |
| Disability Rate | 0.11% | 0.11% |
| Death Rate | 0.24% | 0.24% |
| Supplemental Rate | 0.62% | 0.62% |
| ERI Rate | <u>0.00%</u> | <u>0.00%</u> |
| Total Rate | 21.57% | 19.13% |

If you have any questions feel free to contact me at (630)706-4226.

Sincerely,

Corey Lockwood
Employer Account Associate Analyst