



# Preparing A PAFR

## Presenters:

Brad Wilson Finance Director - City of Wood Dale

Mark Nannini Chief Financial Officer - Illinois Municipal Retirement Fund

Andrew Brown Deputy Director of Finance - Village of Buffalo Grove

# What is a PAFR?

- ▶ PAFR - Popular Annual Financial Report
  - ▶ Founded by GFOA in 1991
  - ▶ Source Doc: Comprehensive Annual Financial Report (CAFR)
  - ▶ Purpose
    - ▶ Readily Accessible
    - ▶ Easy to Understand





# Award Program

- ▶ GFOA Conducts Review
  - ▶ Reviewers are GFOA staffers and others with experience in governmental accounting and financial reporting (Peers).
- ▶ Eligibility Requirements
  - ▶ Must receive CAFR Award
  - ▶ Due 6 months from end of fiscal year



# Document Requirements

- ▶ Clearly advise readers of the availability of the CAFR
- ▶ Disclose any exclusion funds or component units
- ▶ Financial information must follow GAAP
- ▶ Narrative or Graphic Analysis to explain items of significant interest or concern

# Looking For More Information?

- ▶ To find more information regarding the Popular Annual Financial Report please visit:

[www.GFOA.org/PAFR](http://www.GFOA.org/PAFR)



Government Finance Officers Association



# How Do I Start the PAFR Process?



Presenter: Andrew Brown, Deputy Director of Finance,  
Village of Buffalo Grove

# 5 W's of the PAFR

- ▶ Who is the PAFR for?
  - ▶ General Public
    - ▶ Residents
    - ▶ Businesses
    - ▶ Others interested in your Village/City/Town
  - ▶ Elected Officials
  - ▶ Village Employee's
    - ▶ Village Manager
    - ▶ Department Heads



# 5 W's of the PAFR

- ▶ What is in the PAFR
  - ▶ Summary of CAFR
  - ▶ Opportunity to Showcase Community
    - ▶ Highlight Major Projects
    - ▶ Achievements, Accolades, and Awards
    - ▶ Pound your chest and tell everyone how great your Village/Town/City is!



# 5 W's of the PAFR

- ▶ Where/How is the PAFR completed?
  - ▶ Finance Department
  - ▶ Office of the Village Manager
  - ▶ Communications Department/Person (if you have one)
- ▶ When is the PAFR due?
  - ▶ Six months after end of fiscal year

# 5 W's of the PAFR

- ▶ Why are you doing the PAFR?
  - ▶ It's not required
  - ▶ Good Stewardship
  - ▶ Transparency
  - ▶ Believe it or not IT'S FUN!



# Trials and Tribulations

- ▶ Cicero
  - ▶ Culture
    - ▶ First PAFR Award (One of Many)
  - ▶ Finance Department Initiative
  - ▶ Content Oriented
  - ▶ One Level of Review
  - ▶ Full Control of Document

# Trials and Tribulations

- ▶ Buffalo Grove
  - ▶ Culture
    - ▶ First PAFR Award (Only award hadn't received)
  - ▶ Finance Department Initiative
  - ▶ Aesthetics
  - ▶ Content
  - ▶ Multiple Level of Review
  - ▶ Multiple Indurations



# Illinois Municipal Retirement Fund

## IMRF 2016 Popular Annual Financial Report Presentation



Mark Nannini  
Chief Financial Officer

# What is IMRF presenting in the PAFR?

## What are the basic questions?

- ▶ Serves 2,972 units of local government (employers)
  - ▶ 43 types of government
- ▶ 174,089 actively participating members
- ▶ 118,038 benefit recipients
- ▶ Funding?
- ▶ Provides pensions? To who, how much?
- ▶ Themes begin to develop



# PAFR

IMRF's 2015 Popular Annual Financial Report offers a summary of information presented in the 2015 Comprehensive Annual Financial Report.

The 2015 Comprehensive Annual Financial Report provides detailed information regarding IMRF's investment performance and funding as well as detailed demographic information for IMRF members and employers.

The 2015 Comprehensive Annual Financial Report may be reviewed online at [www.imrf.org](http://www.imrf.org).

# Board of Trustees



**TOM KUEHNE**

*Executive Trustee*  
Village of Arlington Heights  
Jan. 1, 2013-Dec. 31, 2017  
**2016 Board President**



**SUE STANISH**

*Executive Trustee*  
Naperville Park District  
Jan. 1, 2014-Dec. 31, 2018  
**2016 Board Vice President**



**NATALIE COPPER**

*Employee Trustee*  
Evanston School District 65  
Jan. 1, 2015-Dec. 31, 2019  
**2016 Board Secretary**



**SHARON U. THOMPSON**

*Annuitant Trustee*  
Lee County (formerly)  
Jan. 1, 2016-Dec. 31, 2020



**GWEN HENRY**

*Executive Trustee*  
DuPage County  
Jan. 1, 2016-Dec. 31, 2020



**DAVID MILLER**

*Executive Trustee*  
North Shore Water Reclamation District  
Jan. 1, 2015-Dec. 31, 2016

No Photo Available

**ALEX WALLACE, JR**

*Employee Trustee*  
Oswego Community Unit School District 308  
Appointed to fill vacancy  
July 2016 -December 31, 2016



**TRUDY WILLIAMS**

*Employee Trustee*  
Fulton County State's Attorney's Office  
Jan. 1, 2016-Dec. 31, 2020



# What is IMRF?

- ▶ \$34.5 billion in assets\*
- ▶ 87.4% funded on a market basis

\$34.5<sub>BILLION</sub>

*Fiduciary Net Position as  
of December 31, 2015*

87.4%

*funded on a market basis as of  
December 31, 2015*

IMRF is the **best-funded** statewide pension in Illinois.

# What does the reader what to know about IMRF?

## Executive Summary

IMRF's 2015 Popular Annual Financial Report (PAFR) provides insight into the organization's financial condition. Derived from IMRF's 2015 Comprehensive Annual Financial Report (CAFR), the PAFR is written for IMRF stakeholders without a background in finance.

## Fiduciary Net Position and Funding Status

IMRF's fiduciary net position—total assets minus liabilities—was \$34.5 billion as of December 31, 2015. That was a decrease of \$354 million, or about 1%, from 2014. Most of the decrease is attributable to flat 2015 investment returns. Over the last five years, IMRF's fiduciary net position has increased by \$9.7 billion. As of December 31, 2015, IMRF was 87.4% funded on a market basis. This means IMRF had 87 cents for every \$1 in promised benefits.

## Investments

In 2015, IMRF achieved a 0.20% rate of return. This translated to investment gains of \$200 million, after paying investment management fees. The IMRF portfolio was valued at \$34.3 billion as of December 31, 2015.



# What does the reader what to know about IMRF?

## Revenues and Expenses

IMRF paid about \$1.7 billion in pensions during 2015 to 118,038 retirees and survivors. IMRF paid \$9.8 million in disability benefits and \$27.8 million in death benefits during 2015. IMRF's total expenses during 2015 were about \$1.8 billion.

## Members and Employers

IMRF had 413,800 active members, inactive members, and retirees on December 31, 2015, up from 405,170 one year prior. In 2015, 2,972 units of government participated in IMRF, compared to 2,909 in 2006.

## Year in Review

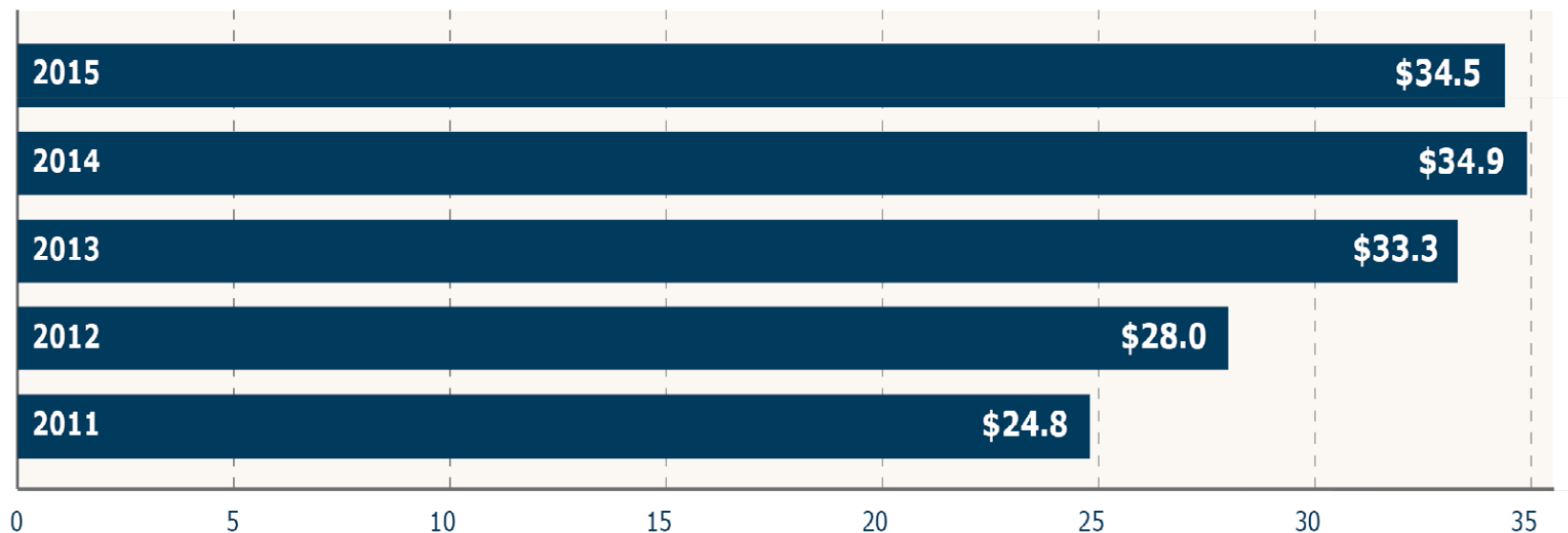
Gwen Henry, John Piechocinski, and Sharon U. Thompson were re-elected to the IMRF Board of Trustees. Trudy Williams was elected to the Board for the first time

# Fiduciary Net Position and Funding Status

## Fiduciary Net Position

IMRF's fiduciary net position—total assets minus liabilities—was \$34.5 billion as of December 31, 2015.

That was a decrease of \$354 million, or about 1%, from 2014. Most of the decrease is attributable to flat 2015 investment returns. Over the last five years, IMRF's fiduciary net position has increased by \$9.7 billion.





# Fiduciary Net Position and Funding Status

## Funding Status

IMRF's funding status is a key indicator of its financial health. It reflects the percentage of benefit promises that IMRF has assets to pay. IMRF strives toward full funding because it guarantees that the system can meet its obligations. Full funding is also most cost effective for taxpayers.

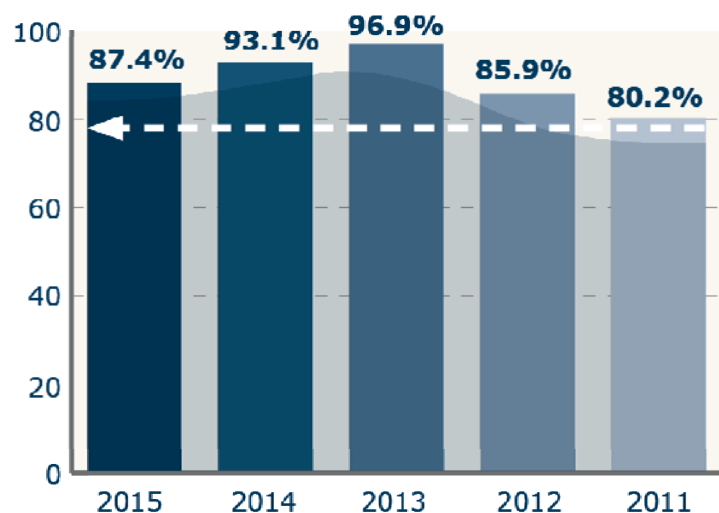
One method to determine funding status is market funding status. This describes the percentage of assets IMRF has to pay all current and projected benefits, as of a specific date in time. **As of December 31, 2015, IMRF was 87.4% funded on a market basis.** IMRF's market funding status decreased from 2014 to 2015 due to flat investment returns.

Another method to determine funding status is the actuarial funding status. Under this method, independent actuaries determine the actuarial value of IMRF assets using a "smoothing" technique that recognizes investment gains and losses over a five-year period. **As of December 31, 2015, IMRF was 88.4% percent funded on an actuarial basis.** IMRF's actuarial funding status increased from 2014 to 2015 due to the recognition of prior years' investment gains.

# Fiduciary Net Position and Funding Status

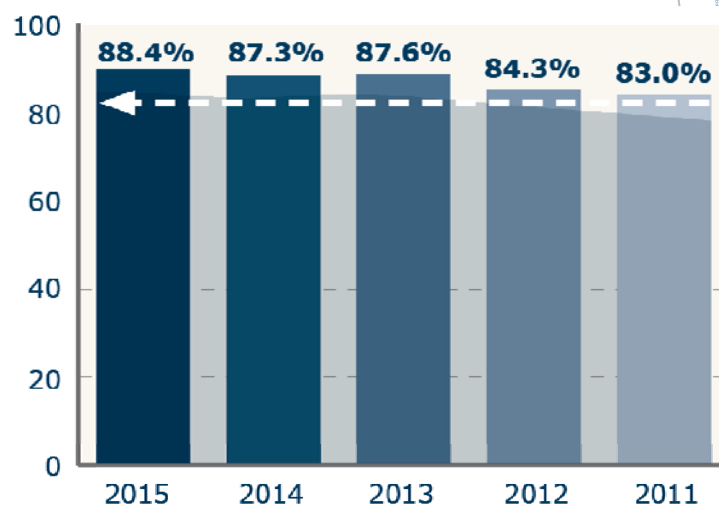
## Funding Status

MARKET FUNDING STATUS  
FOR THE PAST 5 YEARS



**7.2 PERCENTAGE POINT GAIN FROM 2011-2015**

ACTUARIAL FUNDING STATUS  
FOR THE PAST 5 YEARS



**5.4% PERCENTAGE POINT GAIN FROM 2011-2015**



# Investments

The IMRF investment portfolio was valued at \$34.3 billion on December 31, 2015.

The 2015 total fund return of 0.20%, after investment management fees, reflected the underperformance of markets globally. International and U.S. equities, in addition to fixed income, produced flat to negative returns, essentially neutralizing strong gains from IMRF's real estate holdings and alternative investments.

While IMRF fell short of achieving its 7.5% long-term investment goal during 2015, performance over the last five years has met expectations. IMRF's five-year, annualized, total fund return is 7.54%, after paying investment management fees.

## Historical Perspective

ANNUALIZED TOTAL FUND RETURN TOTAL FUND RETURNS

8.37%

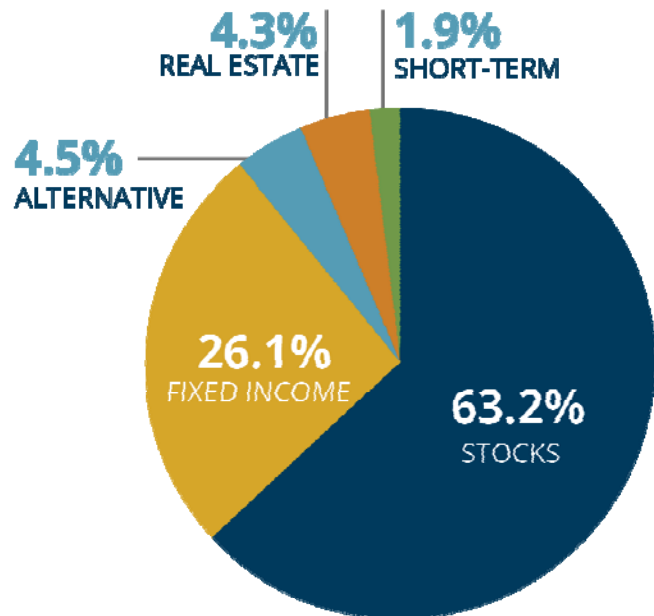
*Last 3 Years*

7.54%

*Last 5 Years*

# Investments

## Investment Portfolio Summary



## Target Asset Allocation



Asset Class	Target
Domestic Equity	38.0%
Fixed Income	27.0%
International Equity	17.0%
Real Estate	8.0%
Alternatives	9.0%
Short-Term	1.0%



# Revenue and Expenses

## Revenue

IMRF's revenue comes from member contributions, contributions from participating units of government (also called IMRF employers), and investment income. IMRF's total revenue during 2015 totaled almost \$1.5 billion.

About 97% of IMRF members participate in the Regular Plan. These members pay 4.5% out of every paycheck to fund IMRF benefits. Total member contributions were about \$368 million in 2015.

All IMRF employers also make monthly payments to support the IMRF benefit system. Each IMRF employer pays an amount calculated by IMRF based on its IMRF assets and liabilities. Total employer contributions were about \$900 million in 2015.

**Member and employer contributions are invested, which generate IMRF's largest source of income. Investment income was about \$201 million during 2015.**

## Revenue by Source



# Revenue and Expenses

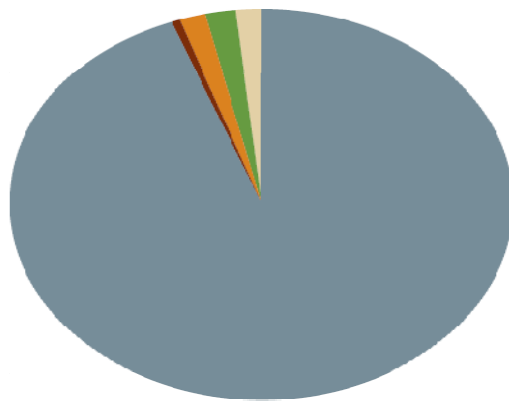
## Expenses

IMRF's expenses include annuities (pension payments), disability and death benefits, refunds to members, and the cost to administer IMRF's benefit system. IMRF's total expenses during 2015 equaled about \$1.8 billion.

IMRF paid about \$1.7 billion in pensions during 2015. Total pension payments increased from about \$1.6 billion in 2014.

IMRF paid \$9.8 million in disability benefits and \$27.8 million in death benefits during 2015.

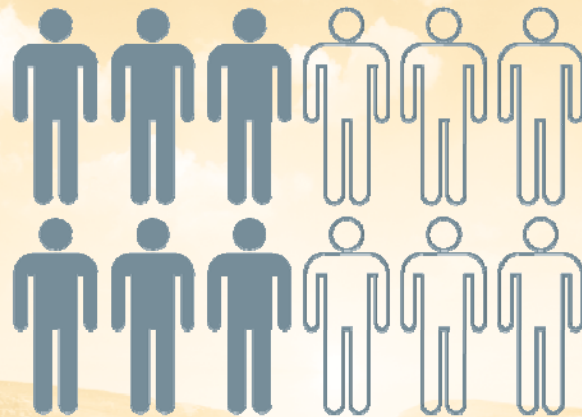
### Expenses by Type



■	Annuities
■	Disability Benefits
■	Death Benefits
■	Refunds
■	Administrative Expenses

2015
\$ 1,720,618,375
9,794,297
27,771,686
36,748,509
28,707,981
\$ 1,823,640,848





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HALF OF IMRF'S 118,038 RETIREES RECEIVE

**LESS THAN \$9,000**

ANNUALLY

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# Members and Employers

## Members

IMRF had 413,800 active members, inactive members, and retirees on December 31, 2015, up from 405,170 one year prior. The number of retirees increased 5,276.

Members	2015	2014
Active	174,098	173,968
Inactive	121,664	118,440
Retirees	118,038	112,762
<b>Grand Total</b>	<b>413,800</b>	<b>405,170</b>

The typical IMRF retiree receives a modest benefit, earned after decades of public service. In 2015, out of IMRF's 118,038 retirees, 62 percent received an annual benefit of \$12,000 or less. Half of retirees receive a benefit of less than \$9,000 annually.



# Members and Employers

## Employers

The Illinois Pension Code specifies the units of government required to participate in IMRF and those that may elect to join.

In 2015, 2,972 units of government participated in IMRF, compared to 2,909 in 2006.

## Distribution of current annuitants by pension amount

	Retirement Number of		Survivor Number of		All Annuitites Number of	
Monthly Pension Amount	Males	Females	Males	Females	Males	Females
Under \$100	866	4,566	558	708	1,424	5,274
\$100 to under \$250	2,055	10,454	1,071	1,864	3,126	12,318
\$250 to under \$500	4,096	15,214	1,063	2,487	5,159	17,701
\$500 to under \$750	3,805	10,478	527	1,526	4,332	12,004
\$750 to under \$1,000	3,026	7,247	228	930	3,254	8,177
\$1,000 to under \$2,000	7,991	14,555	213	1,558	8,204	16,113
\$2,000 to under \$3,000	4,821	4,858	17	350	4,838	5,208
\$3,000 to under \$4,000	3,137	1,763	6	78	3,143	1,841
\$4,000 to under \$5,000	2,007	659	0	20	2,007	679
\$5,000 to under \$6,000	1,207	245	0	9	1,207	254
\$6,000 and over	1,561	206	0	8	1,561	214
<b>Total</b>	<b>34,572</b>	<b>70,245</b>	<b>3,683</b>	<b>9,538</b>	<b>38,255</b>	<b>79,783</b>



# Number of Actively Participating Employers

Calendar Year End	Cities	Villages	Counties	School Districts	Townships	Other	Total
2006	255	398	101	870	467	818	2,909
2007	255	403	101	867	472	828	2,926
2008	256	406	101	864	474	839	2,940
2009	256	407	101	865	477	844	2,950
2010	257	410	101	864	477	854	2,963
2011	257	411	101	862	479	854	2,964
2012	258	411	101	859	479	861	2,969
2013	258	413	101	858	480	867	2,977
2014	258	414	101	855	478	870	2,976
2015	259	415	101	850	478	869	2,972

# Year in Review

## Board of Trustees

- Trudy Williams, from the Fulton County State's Attorney Office, was elected as an Employee Trustee, for a five-year term that began January 1, 2016.
- Gwen Henry, who has served as Executive Trustee since 2008, was elected to a second five-year term, which began January 1, 2016.
- John Piechocinski, who has served as a Trustee since 2011, was elected to his second term as Employee Trustee. His second five-year term began January 1, 2016.
- Annuitant Trustee Sharon U. Thompson of Dixon (formerly Lee County) was re-elected by IMRF retirees to serve a third five-year term. Her new term began January 1, 2016.



# Year in Review

## Strategic Plan

IMRF's Strategic Plan provides the Fund with a road map for meeting the challenges and opportunities in achieving our Vision to provide the highest quality retirement services to our members, their beneficiaries, and employers in a cost-effective manner. The Plan guides our efforts to continuously improve customer service to our employers and members.

# Year in Review

## Strategic Plan

The 2014-2016 IMRF Strategic Plan includes elements of the Baldrige Criteria for Performance Excellence to ensure we align our objectives, processes, and resources with our Vision. IMRF Staff implemented a series of action plans that support our five Strategic Objectives during 2015. We include the following five key result areas on our leadership scorecard to measure our progress towards meeting our objectives:

- **Financial Health and Sustainability**
- **Investment Returns**
- **Customer Service and Operational Excellence**
- **Workforce Engagement**
- **Modernization Program**

Baldrige recipient organizations often set their overarching Strategic Objectives to achieve a top decile ranking in each key area of importance to their stakeholders. IMRF is following that same path, as its Strategic Objectives serve as a challenge to achieve top 10% performance for most key result areas. IMRF will conduct its triennial strategic planning process in 2016 as the 2017-2019 Strategic Plan is developed. Stakeholders, IMRF staff, and the Board of Trustees will provide input to inform the development of the new strategic objectives.



# Year in Review

## Systems Development

- Modernization Project
- 75<sup>Th</sup> Anniversary of IMRF

# Year in Review

## Legislative Activity Applicable to IMRF (Passed in 2015)

### Four bills that affect IMRF passed the General Assembly in 2015:

- **Public Act 99-0462** sets an aspirational goal for Illinois public pension systems to utilize at least 20% minority firms in investments and contracts awarded.
- **Public Act 99-0239** reduces the time required before IMRF can begin the delinquent employer offset process with the State Comptroller and/or County Treasurer from 90 days delinquent to 60 days delinquent.
- **Public Act 99-0382** updates obsolete language in the Pension Code to reflect current member contribution rates when purchasing service credit under an IMRF Early Retirement Incentive program.
- **Public Act 99-0008** removes the State Treasurer as the IMRF ex officio Treasurer. It also made explicit that most local pension systems (including IMRF) can offset monies from the State Comptroller to pay delinquent employer contributions.



# Year in Review

## Awards

- Certificate of Achievement for Excellence in Financial Reporting from GFOA.
  - PAFR Award
  - CAFR Award
- Distinguished Budget Award Public Pension Standard Award.
- Plan Sponsors Award

# Contact Information

## **Mailing Address:**

2211 York Road, Suite 500, Oak Brook, IL 60523-2337

## **Member-only Phone Number:**

1-800-ASK-IMRF (275-4673)

## **Employer-only Phone Number:**

**1-800-728-7971**

Hopefully this answered the basic questions for the organization.



# Finally

IMRF's **2015 Popular Annual Financial Report** offers a summary of information presented in the 2015 Comprehensive Annual Financial Report.

The 2015 Comprehensive Annual Financial Report provides detailed information regarding IMRF's investment performance and funding as well as detailed demographic information for IMRF members and employers.

The 2015 Comprehensive Annual Financial Report may be reviewed online at [www.imrf.org](http://www.imrf.org).

# Do you have any questions?



Please feel free to talk with any of us throughout the conference or email us at:

Mark Naninni – [MNannini@IMRF.Org](mailto:MNannini@IMRF.Org)

Brad Wilson – [BWilson@Wooddale.Com](mailto:BWilson@Wooddale.Com)

Andrew Brown – [ABrown@VBG.Org](mailto:ABrown@VBG.Org)