

Strategizing how you file for Social Security

Alongside your IMRF pension and personal savings, Social Security benefits are one of your most important assets in retirement. The average lifetime benefit for a retiree who lives to age 85 is \$290,700, and the maximum can be more than \$500,000.

“When you’re talking about hundreds of thousands of dollars, it’s worth taking the time to figure out what to do about that,” said financial educator Karen Chan at her recent talk, “Strategies for Claiming Social Security Benefits,” held at the 95th Street Library in Naperville, Illinois.

While waiting past age 62 isn’t a viable option for everyone, those who have a choice about when to take Social Security should take the time to consider their options.

The types of benefits

For the three different types of Social Security retirement benefits, there are different rules for eligibility and methods of calculating benefit amounts.

- *Worker benefits*

Workers’ full retirement age (FRA) is determined by the year they were born. (See the above chart.) Workers can start taking their Social Security benefits earlier than that, starting at age 62, but the amount of their monthly benefits is reduced. Those who delay taking Social Security will increase their monthly benefits the longer they wait, up until age 70.

- *Spousal benefits*

To receive spousal Social Security benefits, spouses of workers (and ex-spouses in some

circumstances) must be at least age 62, unless they are caring for the worker’s child below the age of 16. Additionally, the worker must have filed for benefits.

The maximum spousal benefit is 50% of the Social Security benefit the worker is entitled to at FRA. To receive the maximum benefit, spouses must wait until their own FRA to claim.

- *Survivor benefits*

Eligible applicants for survivor Social Security benefits can claim as early as age 60, or age 50 if disabled. If the deceased worker has a child who is eligible for survivor benefits, a

spouse who is caring for that child is also eligible for survivor benefits regardless of age.

The maximum survivor benefit is the amount the worker was receiving at the time of death. Survivors face a reduction if they file for benefits before their Survivor FRA (for more details, see www.ssa.gov/survivorplan/survivorchartred.htm).

For additional details and exceptions, Chan recommends a visit to www.ssa.gov, the Social Security website. “Of all the government websites I go to, I find it to be the most user-friendly place; if I take a couple minutes, I will find the answer to my question,” Chan said.

Birth Year	FRA*
1943-54	66
1955	66, 2 mo.
1956	66, 4 mo.
1957	66, 6 mo.
1958	66, 8 mo.
1959	66, 10 mo.
1960+	67

*Full Retirement Age

continued on page four



Louis W. Kosiba
IMRF Executive Director

In response to an IMRF survey, a recent retiree said, “Louis Kosiba has consistently overstated in newsletters the degree to which IMRF members should feel confident that the state government will not successfully diminish IMRF pensions. The future in this regard is very uncertain.”

Threats: likely and remote

As an employee of IMRF, I am in the same boat. IMRF is my pension too. I have the same concerns as you. But, I can honestly say, this is not something I lose sleep over.

With that in mind, let’s agree, you can never say “never.” But you need to balance the likely versus the remote. With funding at more than 96% and employer contribution rates coming down, successful diminishment of IMRF pensions for active and retired members, in my opinion, is extremely remote. And here’s why.

Illinois Constitution

Article 13 Section 5 provides that public pensions cannot be diminished or impaired. Last year the General Assembly tried to do just that for four of the systems, the state funds. By court order, that attempt is not being implemented, and it is being litigated. Eventually, the Illinois Supreme Court will settle the matter.

No Crisis

To justify changing benefits for state funded systems, the General Assembly argued there was a crisis and that public health and safety were in jeopardy because the state budget cannot pay for pensions and all the other services it provides. With over 96% funding, IMRF as a whole is not in crisis. We do consist of more than 2,970 local units of government, which have their own budgets and their own fiscal houses—some of which are stressed. But our reliance on 2,970+ different local budgets becomes a strength and a shield.

Legacy Costs

The state retirement funds have \$100 billion in unfunded liabilities, or promises not covered by assets. One employer, the state of Illinois, needs to cover that cost. At IMRF, the underfunding is \$1.4 billion and shared between more than 2,970 employers. The need to further reduce IMRF benefits does not exist.

Life is uncertain; institutions which once seemed so permanent are gone; people who said it could never happen were wrong. As for me, I will focus on the things likely to happen—increased medical costs, inflation, the challenges of aging. Now those are the things I could lose sleep over. ❖

Stellar 2013 investment return leads to record-high IMRF portfolio

IMRF's vision statement compels us to provide the best—world-class—retirement services to our members, their beneficiaries, and our employers.

Everyone at IMRF—the Board of Trustees, senior leaders, and other IMRF team members—is singularly focused on the continued achievement of this vision.

This dedication is reflected in IMRF's impressive 2013 investment return of 20%, yielding \$5.6 billion in investment gains.

IMRF assets at historic high

With this outstanding investment return, IMRF's total portfolio grew to a record high of more than \$33 billion at the close of our fiscal year on December 31, 2013.

IMRF's U.S. stock portfolio alone returned 37.3% during 2013, as compared to the 33.5% for the Dow Jones Total Stock Market Index.

IMRF has recorded double-digit returns four out of the last five years.

IMRF funding status rebounds

2013's historic returns boosted IMRF's funding status significantly. IMRF ended its fiscal year 96.7% funded on a market basis. A very healthy figure by industry standards, our funding status shows that IMRF

has largely recovered from the losses of the recession.

In the long-term, IMRF is committed to regaining the 100% funding status it held prior to the economic downturn.

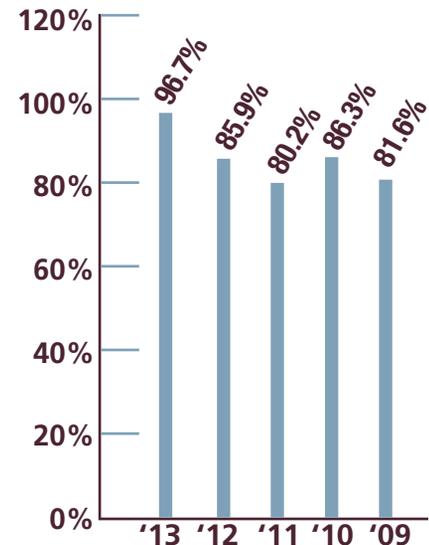
Committed to your retirement

You can look with a sense of security to IMRF's net asset base of \$33.3 billion. These assets are irrevocably committed to the payment of our current retirees' pensions and future pensions of IMRF members. It doesn't matter whether you are a current retiree or working for an IMRF employer: IMRF will be there for you when you need us.

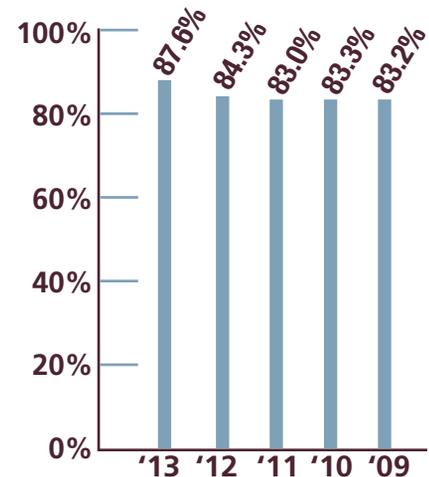
Expert management for the long haul

Currently, 88 professional investment management firms, handling 119 separate accounts, manage the investment portfolio. These firms make investment decisions under the Illinois Pension Code's prudent man rule and by investment policy guidelines adopted by the Board of Trustees. The Board also employs an investment consultant who monitors the firms' performance.

Market Funding Status
(for the past 5 years)



Actuarial Funding Status
(for the past 5 years)



IMRF takes a conservative, long-term approach to investing on your behalf. IMRF designs our investment portfolio to achieve the greatest return with an acceptable amount of risk. Our diversified investment strategy results in steady and responsible returns. ♦

Strategizing how you file for Social Security *from page one*

Filing flexibility

Besides age of eligibility and benefit calculation, Chan makes particular note of additional Social Security rules that allow a certain amount of flexibility in when and how you file.

- If you change your mind about your decision to file for Social Security, you can withdraw your application within 12 months of filing and start fresh later. You will have to repay all benefits, including payments to spouses/dependents and deductions for Medicare.
- If you apply for benefits before you reach FRA, you must apply for all the benefits for which you are eligible. For example, if you file at age 62 and are eligible for spousal benefits as well as worker benefits, you must apply for them both. But if you wait until FRA to apply, you can choose which benefit you'd prefer to apply for. (Survivors, however, do not have to wait until FRA.)
- If you wait until FRA to apply for benefits, you can suspend benefits after you have begun receiving them, stopping the payments. When you re-start them later, your payments will reflect any additional retirement credits you have accumulated in the meantime. Additionally, if you file for benefits and then immediately suspend them, your spouse will be able to file for spousal benefits.
- If you suspended benefits and later change your mind, you can 'unsuspend,' start receiving benefits, and receive suspended benefits in a lump sum.
- When you file for benefits, you can receive up to six months' worth of retroactive benefits in a lump sum, but only for months past your FRA.

Strategies to consider

With the above rules in mind, applicants can time when they file Social Security with an eye toward maximizing their financial gains. Whether that means maximizing the total amount of money received from the system or maximizing the amount received per month depends on your goals and circumstances.

For the never married

One consideration for the single worker is life expectancy. Men generally do not live as long as women, and other factors, such as health or family history, can offer indications as to the length of your life span. If you are in poor health, filing for benefits earlier might increase the amount you receive. But on the other side of the coin, delaying claiming benefits to maximize the amount of your monthly check can help protect against dwindling savings if you live longer than expected.

"Maximizing your Social Security benefit, which in a nutshell means delaying claiming, is a way of buying longevity insurance," Chan said. "What

happens if you live to be 90 or 95, or like my great uncle, 107? Social Security is a way to lock in a cost-of-living-adjusted income that would protect you in those older years."

Filing for Social Security and then suspending payments is one way to hedge your bets. If a sudden health issue arises and you need the money, you could reinstate benefits and receive a lump sum of the benefits going back to your date of filing. If not, the amount of your monthly payment continues to increase with additional retirement credits. "There is no downside," Chan said.

For married couples

Married couples have to consider not just life expectancy, but joint life expectancy. "Because the larger worker benefit will continue as long as either spouse is alive, delaying and maximizing that monthly benefit is even more important for a couple than a single individual," Chan said. "The couple can use other options to claim smaller benefits in the interim."

- If the couple's primary worker files at FRA and then immediately suspends that benefit, the spouse can file for spousal benefits while the primary worker's account gains additional retirement credits. Chan says this strategy works best if the lower earner's benefit at FRA is less than 30% of the higher earner's.
- If the lower earning spouse files for worker benefits at 62, the higher earner can wait until FRA to file for spousal benefits, giving them two (possibly small) monthly checks. Then, even as late as age 70, the higher earner can file for worker benefits. This allows the lower earning spouse to file for a spousal benefit that is greater than his or her worker benefit. Chan says this strategy works best when the lower earner's benefit at FRA is at least 30% of the higher earner's.
- If the two spouses expect to have similar benefits when they reach FRA, but one spouse is older than the other, the older spouse might consider filing at 62, while the younger files for spousal benefits once they reach FRA. Then, the younger spouse can apply for worker benefits at age 70.

For survivors

Because survivors can choose which benefit to receive if they file before FRA, they can switch from their own worker benefit to a survivor benefit, or the reverse. Citing a study in the *Journal of Financial Planning*, Chan identifies several strategies with which survivors can maximize their lifetime Social Security income, but notes that these strategies do not take longevity risk into account.

- If the monthly worker benefit at FRA is less than 16.5% of the survivor benefit at FRA, the survivor will maximize lifetime income by claiming the survivor benefit between age 60 and 63.
- If the worker benefit at FRA is significant but still less than around 65% of the survivor benefit at

Facts to remember

Your IMRF pension will never affect the Social Security benefits you receive. During your years in an IMRF position, you have contributed both to your IMRF pension and Social Security. Neither will affect the other, unlike government pensions earned in jobs where the employee did not pay into Social Security.

Continuing to work after filing for Social Security may affect your benefits. If you are younger than FRA and file for benefits while continuing to work, your benefits will be reduced by \$1 for every \$2 that your earnings exceed \$15,480 per year (2014 figures). Once you reach FRA, however, your benefits will be recalculated based on how many months you actually received benefits and your additional earnings. If you continue to work past FRA, your earnings will no longer reduce your benefit.

Social Security offers information, not advice. If you contact Social Security, they will give you facts and figures but cannot offer advice. "Do not expect them to coach you or advise you about what you want to do," Chan cautioned.

Social Security rules change over time. "We haven't seen much change in Social Security benefits or rules in the last ten years or so, but they do change," Chan said.

FRA, the survivor will maximize lifetime income by filing for the worker benefit at age 62 and switching to the survivor benefit at FRA.

- If the survivor's worker benefit at FRA is greater than about 65% of the survivor benefit at FRA, the survivor will maximize earnings by starting survivor benefits at age 60 and switching to worker benefits at about age 70. ❖

Article based on a presentation by financial educator Karen Chan, "Strategies for Claiming Social Security Benefits," held June 11, 2014 at the 95th Street Library in Naperville, Illinois.

For more information, visit www.karenchanfinancial.com

RETIREMENT WORKSHOPS

Attend a free IMRF retirement planning workshop and cultivate your future



Workshop topics include:

- How and when to file for retirement
- How earnings and service affect your retirement benefit calculations
- What situations exist to purchase past service credit

Who should attend?

- New members who want to learn about benefits
- Members within five years of retirement
- Spouses, partners, or others who assist with your retirement planning

2014 Retirement Planning Workshop schedule

(Refreshments will be served)

September

Date	Location	Start time
6 (Sat.)	Belleville	9 AM
11 (Thurs.)	Aurora	9 AM
16 (Tues.)	Lincoln	9 AM
16 (Tues.)	Effingham	5 PM
16 (Tues.)	Marion	6 PM
23 (Tues.)	Yorkville	9 AM

October

Date	Location	Start time
2 (Thurs.)	Flora	2 PM
2 (Thurs.)	Bloomington	5 PM
7 (Tues.)	Princeton	9 AM
11 (Sat.)	Champaign	9 AM
14 (Tues.)	Oak Lawn	5 PM
15 (Wed.)	Geneseo	1 PM
21 (Tues.)	Moline	1 PM
22 (Wed.)	Charleston	5 PM
29 (Wed.)	Danville	5 PM

November

Date	Location	Start time
4 (Tues.)	Decatur	5 PM
4 (Tues.)	Joliet	5 PM
6 (Thurs.)	Carbondale	6 PM
8 (Sat.)	Collinsville	9 AM
12 (Wed.)	Palatine	1 PM
13 (Thurs.)	Watseka	10 AM
18 (Tues.)	Aurora	9 AM

December

Date	Location	Start time
2 (Tues.)	Rockford	9 AM
2 (Tues.)	Homewood	5 PM
3 (Wed.)	Burr Ridge	9 AM
6 (Sat.)	Springfield	9 AM
13 (Sat.)	Tinley Park	9 AM

To register for a workshop, sign into your account at www.imrf.org/myimrf.

All times reflect the start time; workshops last 2-1/2 hours.

Is an optional Personal Benefit Review right for you?

Do you have a particular issue about your account that wasn't covered at the retirement planning workshop you attended? A Personal Benefit Review is an optional, one-on-one, 15-minute meeting with an IMRF Field Representative to discuss specific account issues. If you have questions but don't wish to attend a Personal Benefit Review, you can also contact Member Services at 1-800-ASK-IMRF (275-4673).

Remember: Before you schedule a Personal Benefit Review, you should already have attended a retirement planning workshop.

Do you need a Personal Benefit Review?

- Have you **already attended** a retirement planning workshop?
- Are you close to retirement and have specific account questions that weren't answered in the workshop?

If you answered yes, a Personal Benefit Review might help you answer your remaining retirement questions.

What to bring to a Personal Benefit Review

- A pension estimate—available through your Member Access account or by calling 1-800-ASK-IMRF (275-4673).
- Questions you have specific to your IMRF account.

Personal Benefit Review time is limited; make sure you are on time and prepared!

Does a Personal Benefit Review sound right for you? Our full list of dates, locations, and registration information is available at www.imrf.org—click on “Member Workshops.”

2014 Personal Benefit Reviews (through December)

(Refreshments will not be served)

October

Date	Location	Start time
7 (Tues.)	Mt. Prospect	morning
15 (Wed.)	Champaign	morning
21 (Tues.)	Yorkville	afternoon
23 (Thurs.)	Tinley Park	morning
24 (Fri.)	Flora	afternoon
28 (Tues.)	Princeton	morning
28 (Tues.)	Naperville	afternoon
28 (Tues.)	Oak Lawn	afternoon

November

Date	Location	Start time
11 (Tues.)	Oak Brook	morning
12 (Wed.)	Charleston	afternoon
13 (Thurs.)	Libertyville	afternoon
13 (Thurs.)	Watseka	afternoon

December

Date	Location	Start time
18 (Tues.)	Decatur	morning
18 (Tues.)	Skokie	afternoon
18 (Tues.)	Lemont	afternoon
22 (Sat.)	Peoria	morning
24 (Mon.)	Collinsville	morning
25 (Tues.)	Aurora	morning
25 (Tues.)	Palatine	afternoon
2 (Tues.)	Mt. Prospect	morning
4 (Thurs.)	Carbondale	morning
4 (Thurs.)	Danville	morning
9 (Tues.)	Rockford	morning
16 (Tues.)	Homewood	morning
16 (Tues.)	Springfield	afternoon



Illinois Municipal Retirement Fund
 IMRF Main Office & Mail Address
 2211 York Road, Suite 500
 Oak Brook, IL 60523-2337

PRESORTED
 STANDARD
 U.S. POSTAGE
PAID
 DOWNERS GROVE, IL
 Permit No. 2001

IMRF 2014 Board of Trustees

Natalie Copper <i>president</i> Employee Trustee Evanston School District 65	Gwen Henry Executive Trustee DuPage County
John Piechocinski <i>vice president</i> Employee Trustee Plainfield Community Consolidated School District	William Stafford Executive Trustee Evanston Township High School District 202
Tom Kuehne <i>secretary</i> Executive Trustee Village of Arlington Heights	Sue Stanish Executive Trustee Naperville Park District
	Jeffrey A. Stulir Employee Trustee Rock Island County Sheriff's Department
	Sharon U. Thompson Annuitant Trustee (Formerly) Lee County

Fundamentals

is published four times a year for active IMRF members over 40.
 John Krupa, communications manager, jkrupa@imrf.org
 Erin Cochran, editor, ecochran@imrf.org
 1-800-ASK-IMRF (1-800-275-4673), www.imrf.org

Tenemos representantes que hablan español. 1-800-ASK-IMRF (275-4673)

2014 Trustee election this fall

This year, IMRF will hold a maximum of two Trustee elections:

- Employers will elect one Executive Trustee for a two-year partial term to fill a vacancy on the Board.
- Members will elect one Employee Trustee for a regular five-year term.



IMRF is governed by an eight-member Board of Trustees. Three are elected by actively participating IMRF members like you, four by IMRF employers, and one by IMRF annuitants (retirees). The IMRF Board remains the only public pension fund board in Illinois that is fully elected by its membership; IMRF has no appointed or ex-officio trustees.

Effective August 15, 2014, the Illinois Pension Code no longer requires an election to be held for the IMRF Board of Trustees if there is only one certified candidate. If there is more than one candidate for Employee Trustee, ballots for the Employee Trustee election will be mailed to the homes of all active members eligible to vote at the end of October, along with a special Election Edition of this newsletter that describes the voting procedures and includes the candidate biographies. ❖

In This Issue:

[page one](#)

Strategizing how you file for Social Security

[pages two and three](#)

Executive Director:

Threats: likely and remote

Stellar 2013 investment return leads to record-high IMRF portfolio

[pages four and five](#)

Cover story continued

[pages six and seven](#)

Attend a free IMRF retirement planning workshop and cultivate your future