ILLINOIS PUBLIC PENSION FUND ASSOCIATION
An Association of Police and Fire Pension Funds
PENSION TRUSTEE NEWSLETTER
LEADING PUBLIC PENSION FUNDS THROUGH THE 21st CENTURY

JULY 2007

INSIDE THIS ISSUE:

WEB VERSION

FIDUCIARY RESPONSIBILITY FOR GOVERNMENT PLAN SPONSORS

Are you a "fiduciary" for your government plan? You may be surprised to learn that the scope of fiduciary responsibility is not limited to qualified plans that must comply with ERISA requirements. Although government employers are exempt from ERISA, you must look at state law to set out some of these duties. ERISA can be used by governmental plan fiduciaries as a guide toward a sound well-maintained plan. Fiduciary responsibility for government plans is nothing new. Heightened fiduciary scrutiny for all retirement plans resulting from issues such as mutual fund trading scandals, misrepresentation of earnings by a handful of executives class action lawsuits alleging fiduciary misfeasance, and pension reform legislation is drawing attention to fiduciary responsibility for government plans. As a government plan sponsor, you need to be aware of your responsibilities as a fiduciary in order to minimize your exposure to risk and reduce your potential liability. Failure to proactively understand and act upon your fiduciary responsibility is a recipe for disaster. On the other hand, you can easily manage your fiduciary responsibility by following the right process.

Who is a *Fiduciary*?

ERISA defines a *fiduciary* as a person who:

- Exercises discretionary authority or control over the management of the plan or disposition of plan assets
- Renders investment advice to the plan for compensation (or has the authority to do so)
- Possesses any discretionary authority over the administration of the plan.

In government plans, fiduciary responsibilities rest with:

- **The governing body of the plan.** Examples of governing bodies with fiduciary responsibility include a city council, board of directors, supervisors, or board of trustees. However, it also may include other employees of the government that possess discretionary authority over the administration of the plan or exercise discretionary authority or control over the management of the plan or disposition of plan assets.
- **Plan administrator**. A designated person, such as an executive director state administrative personnel, board, or third-party administrator, who exercises discretionary authority in administration of the plan. The key to determining the plan administrator is to base it on function and conduct and not simply of title. Internal support personnel are often overlooked as potential fiduciaries.
- **Investment advisors**. Individuals who exercise control over the disposition of plan assets such as a defined contribution board or product review committee. An investment advisor can be a fiduciary designated by another fiduciary as an expert to run the selection process (beyond just monitoring investments). Investment advisors may have a limited fiduciary scope.
- **Vendors / Providers/ TPA's.** The fiduciary status of any of these organizations depends on whether there is a delegated duty of monitoring, evaluating, or advising on investment options.
- **Outside professionals.** Professionals such as attorneys, actuaries, advisors and consultants could be designated as fiduciaries because they often provide advice and recommendations to plan decisions makers. Their status should be determined up front and reflected in the service contract.
- Anyone named in the plan document as a fiduciary, even if they do not

(Cont. on P.2)

Fiduciary Responsibility For Government Plan Sponsors

(Cont. from P.1)

exercise discretion.

Fiduciary Duties

General fiduciary duties are derived from the common law of trusts.

First, fiduciaries have a duty to ensure that all investments (including brokerage options) remain prudent investments in your plan. Assets once placed in the plan no longer belong to the employer, but rather are owned by the trust for the exclusive benefit of the participants and their beneficiaries. A formal investment policy statement should exist that includes long-term strategies and policies. Due diligence must be demonstrated in the selection and evaluation of investment advisors and other operators based on established measures and monitoring procedures. Plan expenses should be managed and reviewed regularly.

Second, a fiduciary must ensure that assets are diversified appropriately to minimize the risk of large losses. Investment advisors should monitor, evaluate and advise the plan on investment decisions. This should be done based on the investment policy established under the plan. There should be full disclosure of any conflicts of interest and all sources of compensation. In addition, defined contribution plans with participant-directed investments must provide the opportunity to exercise control over the investment of assets. Participants should be able to choose from a broad range of investments and have ample ability to change investment options with materially different risk and return characteristics (frequently should be determined based on market volatility and investments offered). It is the fiduciary's responsibility to ensure participants can obtain sufficient information to make informed investment decisions. This information includes historical returns, fee information and disclosure.

Third, fiduciaries must demonstrate loyalty to plan participants and beneficiaries. The exclusive benefit rule requires a fiduciary to act solely in the interest of plan participants and beneficiaries for the exclusive purpose of providing benefits and that plan expenses are reasonable. There should be sufficient assurances that impartiality and monitoring techniques exist to ensure there are no conflicts of interest.

Finally, fiduciaries must ensure compliance with plan provisions.

The plan administrator should be responsible for overall management of the plan, including responsibilities such as providing appropriate education, calculation and payment of benefits, managing plan expenses, assuring plan documents and provider agreements are current, and complying with legal and legislative changes.

Best Practices

Now that you know who could be considered a fiduciary and the associated responsibilities, how do you apply these concepts to the operation of your plan? Here are eleven best practices to help reduce your fiduciary risk and liability.

1. **Review the current state of your plan.** Take a fresh look at your current arrangement with your service provider. You should be monitoring your service provider to ensure they are meeting your performance standards and guarantees. Review the performance, reports, complaints and strategies. Look closely at your current provider's fees-to be sure they are reasonable and commensurate with the services rendered and that all expenses are valid. Review the financial condition and experience, and performance record of the provider with plans of similar size and complexity. Review the qualifications of professionals who will be handling your plan account. Make sure there aren't any litigation or enforcement actions against the provider. Make sure the salary reduction deferrals and loan repayments are being, collected and invested into the plan as soon as administratively practical. Benchmark your stable value rate with alternatives being offered by other providers. Determine whether your plan has a simple approach to allow participants to make prudent asset allocation decisions that are cost-effective and customized to the plan's investments. Ensure that your plan educators are compensated in a manner that is aligned with the best interests of your plan and participants. If you are utilizing multiple providers, is it making your plan cumbersome and costly? Is your plan taking advantage and benefiting from the reimbursements and savings available from product providers? You may need to evaluate alternative arrangements and providers that could better serve your participants' retirement needs.

2. **Look at alternative plans.**

Remember that anyone who exercises or has the power to exercise discretionary control over plan administration or plan assets, or provides investment advice, may be a fiduciary. That could include a city council member or a personnel administrator.

(Cont. on P.4)

CITY, COUNTY RETIREES FACE BENEFIT THREAT

February 14, 2007

Accounting board changes leave governments scrambling to pay health care for former workers.

New accounting rules have prompted Sacramento County to consider eliminating subsidized health benefits for certain county retirees -- stirring an uproar from the workers and their unions.

Sacramento supervisors delayed taking action until May. Those changes -- known as GASB 45 -- affect public agencies or boards that help their retirees pay for medical care. The rules are from the Governmental Accounting Standards Board, which sets accounting regulations for state and local government.

Some local entities pay 100 percent of their retirees' medical benefits; some pay only a portion of the costs.

Governments already set aside money for pensions in separate funds, and they are being asked to do the same thing for medical benefits.

Previously some -- including Sacramento County -- have paid the benefit year-to-year from whatever funds were available, including the general fund or even from bond proceeds.

The crunch is likely to hit most California counties.

A 2005 study by the California State Association of Counties found that more than half of the 49 counties responding to its survey paid at least a portion of retiree health care costs. Six counties paid the entire cost.

Cities are a mixed bag. Older cities with generous post-employment benefits are affected the most. New cities, such as Elk Grove, don't have a large number of retirees, and the rule changes have little impact. Sacramento County's reaction to the new accounting guidelines has been the most striking. Supervisors are contemplating an end to subsidized medical and dental care for some 1,200 workers who retired after 2003 and for all future retirees.

The proposal sparked outrage from employee unions and hundreds of retirees. Supervisors will revisit the issue in May. The city of Sacramento is facing an unfunded liability of $300 million to $400 million, according to city estimates. "This is a huge issue for all levels of government," said Russell Fehr, Sacramento's finance director. "We are aware of it. We're working on it." City officials said it would take years of contributing $20 million to $30 million annually to close the gap.

Local governments aren't required to change past practices to close such unfunded liability gaps. But now their financial obligations must be reflected in comprehensive financial reports that are reviewed by rating agencies. Most agree that if local governments don't start socking away huge sums of cash, they risk lower credit ratings, making it more expensive to borrow money for crucial projects.

Yet setting aside millions of dollars for a medical benefit trust fund means that much less money would be available for other government services and programs.

Meanwhile, the California Public Employees' Retirement System is creating an investment fund for interested public agencies that get health coverage through the CalPERS system. The pension fund says that by joining the new investment fund, agencies could typically reduce their liability by about 50 percent if returns mirror those of its pension fund investments. CalPERS is seeking legislative approval to allow outside agencies to participate.

Sacramento's supervisors -- who have had year-to-year votes on the retiree medical benefit issue since 1980 -- say they can cut the subsidy, pare it back or take alternative actions.

Other local governments have less immediate flexibility because retiree benefits are part of negotiated labor contracts. That includes the cities of Sacramento and Folsom, and Yolo, Placer and El Dorado counties. Proposed changes are subject to negotiations with employee unions.

Fehr said Sacramento is attacking the problem head-on, but cutting benefits to former employees is not an option.

"We have a long-term obligation to current employees and retirees, but not to future employees," Fehr said.

Fehr said making large payments needed to fund health care costs is one of the options being contemplated. But that will affect other parts of the budget.

"This is really almost a no-win situation," he said.

In 2004, the city of Folsom took action to blunt the annual increase in total health care costs. That contract has the city and employees and retirees splitting the cost increases.

Now, as contract talks reopen, the city may be asking for more.

Nav Gill, the city's chief financial officer, said the city is "looking at all options on how to handle the situation."

"We've been meeting with the bargaining units about GASB 45 and its implications," said Gill.

Yolo County has set $600,000 aside, but that is only "a drop in the bucket" of what the costs are, said Yolo County Supervisor Mariko Yamada.

"We have a multi-million-dollar obligation, and we are taking steps to meet those requirements, Yamada said.

She said simply cutting health care help for elderly retirees would likely result in them going to county clinics.

"Whether we pay it now or pay it later," Yamada said, "we are the only level of government that is required to pay for indigent health care. It would be penny-wise and pound-foolish."

El Dorado County is also putting money aside to fund future health care benefits to retirees. So far, it has set aside $3 million. Its medical benefits for retirees are more generous than Sacramento County's, but El Dorado has taken steps to make it harder for employees to earn the lifetime post-employment benefit. The maximum medical subsidy for an El Dorado County retiree is $418, compared with Sacramento County's top benefit of $244.

Placer County appears to be ahead of the curve.

As of June 2006, Placer County was facing an unfunded liability of $328 million. But it has a plan in place and has set aside $20 million.

Placer County Executive Officer Tom Miller said each department has been asked to reduce its budget by a certain (Cont. on P.5)

Fiduciary Responsibility For Government Plan Sponsors

Can you take advantage of an alternative plan with greater scale that might provide better investments and/or lower costs (i.e., municipalities and counties, and universities may be able to join their State 457 plan)? Even if you can't join your State 457 plan, you may be able to use it as a benchmark for costs and investment choices.

3. **Identify your plan fiduciaries.** Review your plan documents and activities to produce a list of plan fiduciaries. Remember that anyone who exercises or has the power to exercise discretionary control over plan administration or plan assets, or provides investment advice, may be a fiduciary. That could include a city council member or a personnel administrator. Identify and document those individuals whose actions make them fiduciaries, even if they are not formally designated as such. Develop prudent fiduciary procedures and processes based upon fiduciary principles. Be sure that each fiduciary is aware of his or her status and review documents and activities regularly. Maintain a fidelity bond covering fiduciaries and all persons handling plan assets to protect against personal liability. Provide periodic fiduciary seminars for your committee and board members. Document compliance with your processes and procedures to increase your chances of limiting your fiduciary liability.

4. **Conduct periodic plan audits and evaluate your plan design.** Conduct ongoing audits of your plan to identify and correct any deficiencies. Determine if your plan is being administered appropriately and within the provisions of your plan document. Review your plan design (e.g., eligibility, enrollment, investment options, transaction limitations, asset flow, etc.) to validate its effectiveness to fulfill its primary goal of income replacement for participants and beneficiaries. When was the last competitive bid issued to benchmark your plan design, provider and investments? If using multiple providers, consider consolidating to simplify your plan design. Make any changes you deem appropriate and document your decisions. Also, stay current on regulatory and legislative change that might require a change to your plan.

5. **Review participant communication and education experiences.** Communication should provide an unbiased education to help plan participants make well-informed decisions in order to save for retirement. Are your educators "educating" participants or "selling" to attract assets to expensive investment options? Make sure that your educators are fully dedicated, encourage employees to join the plan and understand the nuances of your plan. All participant communication should clearly identify plan features and benefits as well as appropriate regulations and required disclosure. Don't forget to communicate with retirees.

6. **Update your investment policy statement.** If a formal written investment policy statement does not exist today, be sure to create one. Investment policies should establish the framework to identify and define the duties of key players (e.g., the investment committee, board or outside advisors, etc.), document the goals and objectives of the investment options, detail the process and criteria for selecting investment options prudently, and designate responsibility for monitoring fund performance as well as the process for adding or replacing funds. Along with your investment policy statement, you should maintain documentation of its use in administering the plan. Consider alternative plans that could lessen these responsibilities.

7. **Evaluate fund performance regularly.** Make sure you have selected appropriate qualified members for your investment review committee. These fiduciaries must monitor the appropriateness of each investment option, assess the market volatility of investment alternatives, and provide appropriate information to participants and beneficiaries in order for them to make informed decisions and exercise control over their assets. The details and documentation of these ongoing reviews should adhere to and be kept, with your investment policy statement. If you offer a stable Value investment, benchmark your stable value rate with alternatives being offered by other providers.

8. **Maintain documents and records.** You should keep documentation of your plan governance process, including reviews of investments, contracts and service agreements, compliance reviews, plan audits, participant communications, etc. A copy of any IRS determination letter or private letter ruling approving your plan document should be maintained, if applicable. Make sure the plan trustees have been properly appointed and the plans trust agreement is properly executed. Maintain records of all actions and decisions relating to the plan for at least six years. If you utilize multiple providers, consider consolidating to simplify this process.

9. **Investment advice or managed accounts.** Many plans contract with an advisor to be a fiduciary and provide specific investment advice, others have a non-fiduciary provider of general financial and investment education, interactive investment materials and information based on asset allocation models. Either way, selecting an investment provider is a fiduciary action and must be carried out in the same manner as hiring any plan service provider. Use ERISA Section 404(c) as a guide for proper participant disclosure and education. Such programs are a way of minimizing fiduciary risk for the plan sponsor, while increasing the likelihood of successful retirement outcomes for plan participants.

(Cont. on P.6)

City, County Retirees Face Benefit Threat

percentage so that the savings go toward the retiree medical fund.

Under new labor agreements in Placer County, current and retired employees go from the county paying 100 percent of their premium costs to having them pay 10 percent of the bill.

In addition, departments seeking to add new positions are required to find an additional $130,000 that will be used to pay the new hire's post-employment medical benefits.

"It does heighten the cost of new positions," Miller said.

But he argues that is a good thing.

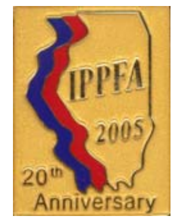
"That is healthy, because it makes you evaluate the true cost of every position," Miller said. "There are no hidden costs."

The Bee's Ed Fletcher can be reached at (916) 321-1269 .

What is the GASB?

The Governmental Accounting Standards Board, or GASB, is an independent, private-sector, not-for-profit organization that establishes and improves standards of financial accounting and reporting for U.S. state and local governments. Governments and the accounting industry recognize the GASB as the official source of generally accepted accounting principles for state and local governments.

Source: Governmental Accounting Standards Board



IPPFA REMEMBRANCE FUND

In Memory of:

Thomas Wood	*Maywood Police Department*	*October, 2006*
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Stephen Zourkas	*Niles Police Department*	*April, 2005*
Daniel Figgins	*St. Charles Police Department*	*April, 2005*
Cristy Tindall	*Peoria Police Department*	*December, 2004*
Jonathan Walsh	*Joliet Police Department*	*August, 2004*
William Rolniak	*Riverdale Police Department*	*April, 2004*
Eric DeWitt	*Matteson Police Department*	*February, 2003*

The IPPFA Remembrance Fund provides financial support to the families of firefighters and police officers from IPPFA member pension funds killed in the line of duty. Money for the Remembrance Fund is raised by fund-ralsing activities and charitable donations. The Remembrance Fund is a 501 (c) (3) and donations are tax deductible. You can help us in our fund-ralsing activities by making a request for a donation from your union, employee organization, individual members of your pension fund or any concerned individual. Make donations payable to: IPPFA Remembrance Fund

Benefactor: $1000 + **Supporter: $500 - $999** **Patron: $100 - $499** **Donor: to $99**

For Info: Mr. Richard J. Puchalski
IPPFA Deputy General Counsel
111 West Washington, Suite 761 (312) 332-4428
Chicago, Illinois 60602

Fiduciary Responsibility For Government Plan Sponsors

(Cont. from P.4)

10. **Prohibited transactions.** Fiduciaries must not engage in self-dealing and must avoid conflicts of interest. Certain parties (called parties in interest) are prohibited from doing business with the plan, including employers, unions, plan fiduciaries and service providers. Fiduciaries cannot receive money or other consideration from any party doing business with the plan. Unless an exception applies, some of the prohibited transactions include:
    - A sale, exchange or lease between the plan and party in interest
    - Lending money or other credit between plan and party in interest
    - Furnishing goods, services or facilities between plan and party in interest.

11. **Breaches of fiduciary duty.** Plan fiduciaries may be personally liable if found to have breached a fiduciary duty. You may be considered in breach of fiduciary duty if you:
    - Enter into self-dealing transactions
    - Fail to exercise plan duties in a reasonable manner
    - Fail to diversify the menu of investment options
    - Fail to monitor plan investments to ensure compliance with your investment policy
    - Engage in a prohibited transaction.

Neither NAGDCA, nor its employees or agents, nor members of its participating committees, provide legal advice. This white paper should not be construed legal advice; it is provided solely for informational purposes. NAGDCA members, both government and industry, are urged to consult with their own attorneys about the issues addressed herein.

Della Williamson is a past president of NAGDCA and program administrator for the deferred compensation program for the Employees Retirement System of Texas. Prior to this employment, she worked with employee benefits for other state agencies and the city of Austin, Texas. Williamson is a graduate of the University of Texas-Austin with a bachelor of arts degree. She holds professional designations as a certified retirement administrator and certified retirement counselor. Williamson is an NAGDCA board member.

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BEWARE THE DOOMSDAY TALK

On New Year's Day your newspaper editorialized about a specific public employee pension "crisis" after generalities indicating gutlessness by our "leaders" in Sacramento. On Feb. 4 you recounted understanding from four such Sacramento "leaders" for the sensationalism/boring/inexperienced reporters quandary in which the press finds itself.

Then, the "government pensions out of control" is the generality followed by specifics implicitly proving it. Regulatory agencies provide no oversight, are waste of taxpayer money, as energy companies and savings and loans bilk public for billions. I can do it too. Neither statement is helpful, but both contain an emotional charge followed by incidents of fact implying proof of the prior generalization.

Most of us retired public employees held our positions with a strong commitment to the public, getting the job done (almost always much less expensively than a profit-making private enterprise could) and have a benefits package reasonable in relation to the job we did and the number of years we did it. We share a desire to eliminate unreasonable giveaways of the public's money. We are taxpayers too.

Beware "associations" which preach doomsday, and follow from whence comes their money. The Howard Jarvis Taxpayers Association and the American Taxpayers Association are extremely well-funded lobbying groups. Their resources are mostly from wealthy corporate sources.

Ironically, the abuses outlined in your Feb. 5 editorial and guest editorial are modeled more on the elite private rationale for "top leadership" than on any public employee organization. I share your abhorrence of such abuses.

CASE MADE FOR ACTUARIAL LAWSUIT

February 14, 2007

JUNEAU, Alaska (AP) - The state has a good case against the actuarial company whose mistakes contributed to Alaska's $8.5 billion to $10 billion pension shortfall, a state attorney told a House committee on Tuesday. But Assistant Attorney General Mike Barnhill's testimony met with some skepticism from lawmakers who also questioned if the state could prove damages.

Barnhill was speaking to the House Finance Committee on behalf of Gov. Sarah Palin's supplemental budget request for $12 million to sue Mercer Human Resource Consulting Inc.

After 30 years advising the state on its public employee and teacher retirement systems, Mercer was replaced as the state's actuary in 2005 by Buck Consultants, which did an extensive recalculation of Alaska's pension and health care liabilities. Buck Consultants found that Mercer had underestimated medical costs by about 7 percent.

Barnhill told lawmakers that the New York City firm of Paul, Weiss, Rifkind, Wharton & Garrison, which was hired last year to investigate the issue for the state, said the state has a case against Mercer for malpractice.

Barnhill said $12 million was probably 'an extraordinary number to grant to the Department of Law to pay for legal services. 'It's our view this is an extraordinary case. These are extraordinary times. It's a huge unfunded liability,' Barnhill said.

But some lawmakers were clearly uncomfortable with the request. Rep. Mike Hawker, R-Anchorage, on Monday described it as a long shot. 'It is certainly populist to say 'Go after the actuary.' It's like filing a lawsuit against the weatherman because he didn't get the weather right,' Hawker said.

Lawmakers also questioned, if the state could prove negligence, could it also prove damages.

Rep. Les Gara, D-Anchorage, wondered how the state would prove it has lost something.

'Here the defense is going to be, 'Even if we failed to tell you to put the money in the pension fund, no harm, no foul. It's not like you lost that money. You got to keep it,'' Gara said.

Barnhill said he could not comment in detail without giving away the state's case. But he said the argument has been overcome at least once before in a case argued by Paul, Weiss,Rifkind, Wharton & Garrison in 2001.

That's when a jury awarded the Connecticut Carpenters Pension Fund $39 million against the actuarial firm, Watson Wyatt, for negligence and malpractice because of errors in calculating the Fund's pension liabilities.

'We think there is not a lot of case law out there, but there is some case law to support the state's claim for malpractice,' said Barnhill who also said the state may set a legal precedent if it goes ahead with the case and wins. The $12 million request would come out of the state's pension fund.

The Alaska Retirement Management Board, which oversees state retirement systems, recently passed a resolution supporting the use of the fund's assets in a lawsuit against Mercer.

Lawmakers are struggling to deal with the state's unfunded pension liability which has been especially hard on schools and municipalities. Based on Buck Consultants' reassessment, payments into the teachers' retirement system by school districts across the state more than doubled this year. State municipalities also saw dramatic rises, with some much higher than others.

The increases are designed to eliminate the pension systems' unfunded liability over the next 25 years.

That unfunded liability is the gap between the retirement systems' total assets and the amount in benefits that would be required to pay all the people in the system. Its rapid growth has been attributed to a combination of factors, including skyrocketing health costs, the market downturn earlier this decade and mistakes by Mercer.

Barnhill told lawmakers the legal proceedings would take about two years. The committee did not take action on the governor's request. Co-chairman Mike Chenault said more discussions needed to take place with the Senate, the governor and Barnhill.

The bill also includes the governor's request for $1.2 million to pay for a special April election asking voters if they wanted to see on the 2008 ballot a constitutional amendment overturning court mandated benefits for partners of gay state employees.

An identical bill in the Senate has not yet had a hearing.

GEORGIA RETIREE HEALTH CARE COSTS $15 BILLION

ATLANTA (AP) - Georgia faces a $15 billion price tag over the next 30 years to pay the costs of health care benefits already promised to tens of thousands of retired teachers and state employees, according to a report from an outside actuary.

That's below a preliminary estimate, which said the cost could rise as high as $20 billion -- roughly the cost of Gov. Sonny Perdue's whole budget for the coming fiscal year.

The state needs eventually to put away $1.26 billion a year to fund the retiree benefits but some of that will come from employee premiums and local contributions, officials said.

Perdue's fiscal year 2008 spending proposal would set aside $100 million to begin funding the retiree benefits.

'It's a good faith effort that says to anyone that Georgia steps to address its future commitments in a responsible way,' Georgia Chief Financial Officer Tommy Hills said in an interview on Wednesday. Perdue's budget also calls for an increase in health care premiums by about 10 percent for retirees and current state employees to keep pace with rising health insurance costs. State health officials had said last month that the premium hike would apply only to active state employees. But administration officials now acknowledge retirees would see an increase as well under Perdue's plan.

Retirees had been worried that Perdue might hike their premiums or cut their benefits in the face of large health care costs down the road. Hills said the state had brought the price tag down to $15 billion by moving eligible state retirees into Medicare. There are 135,143 state retirees state employees and their family members on the state health benefit plan. The plan insures 419,793 people, according to the report by the actuarial firm Cavanaugh Macdonald Consulting LLC.

The cost of retiree plans and other non-pension benefits -- like life insurance -- is coming to light in Georgia and other states because of new standards from the federal Government Accounting Standards Board. They require that states provide a look at future costs of retiree benefits. The rules do not require states to come up with the money all at once. They're designed to provide greater transparency to the mounting costs of benefits for public employees. The cost of those benefits will swell as baby boomers retire.

The failure of states to show they have a plan in place to pay for non-pension health benefits could hurt their bond ratings, which would impact the rate at which they borrow money. Georgia currently enjoys a AAA rating from Standard and Poor's, one of only nine states to earn the highest rating.

Health care costs have been skyrocketing and the Perdue administration said the premium increase would be offset in paychecks by a raise planned for state employees.

Under Perdue's budget, an employee making $30,000 would see a salary increase of $750. Their health insurance premiums for family coverage would rise by about $130, so that employee would still see a $620 net boost.

The state is also pouring $176 million into the state health benefit plan for employees to help keep the costs down.

Mandate Proposed for Funding Pensions

With New Jersey facing a shortfall in its public employee retirement funds that is growing by a billion dollars every two months, state lawmakers yesterday proposed amending the Constitution to require adequate annual payments into the system.

"This isn't fair to people, who are given promises of pensions without a funding source tied to it," Sen. Stephen Sweeney (D-Gloucester) said after the state's pension problems were spelled out at a special Senate Budget and Appropriations Committee meeting. "We can't play games with the pension system for political reasons."

State Treasurer Bradley Abelow and top officers of the Division of Pensions and Benefits reviewed for the committee the series of gimmicks and skipped payments that lawmakers have adopted to avoid paying the growing pension tab.

"Over a period of years, stretching back to the 1990s, the state has relied on various methods to avoid making adequate cash contributions into the pension funds, while systematically increasing pension benefits," Abelow said.

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Pension Pilot was designed for, and in cooperation with, members of the I.P.P.F.A. That means that not only was Pension Pilot designed FOR you, it was designed BY you. It also means that your suggestions are invited and will be appreciated. Pension Pilot version 2006 includes quick participant salary updates by active participant, a tool bar for accessing features you use the most and a "What If" module to forecast any individual's benefits for a given retirement age and salary.

There is also a way to quickly look up any specific paragraph from current legislative articles applying to fund management. This information can immediately be copied and pasted elsewhere within Pension Pilot or other Windows applications.

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Therefore, Pension Pilot doesn't try to do everything; it just gives you a quick and painless way to administer your fund. For example, when in the participant viewing screen, you can access each participant's salary history, contribution history, distribution history, breaks in service, listed dependents, and creditable service history with just one or two clicks of the mouse. Printing these views is only a click away -- all without leaving the participant viewer. Available sorts include: Participants by last name, participant number, rank, employee number and social security number.

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Best of all, Pension Pilot is priced to be accessible to the smallest funds, yet powerful enough for the largest. There are no hefty, annual lease charges. Pension Pilot is only available on CD and comes in both police and fire-fighter versions. Pension Pilot is certified for Windows 95 thru XP. (ME is not recommended, however.)

Pension Pilot – yes, a great way to save time, but more than that --a great way to lower your fund's annual operating expenses. For more information on Pension Pilot, visit our website.

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APR 1 6 2007

GENERAL ASSEMBLY

STATE OF ILLINOIS

March 29, 2007

Dear Downstate and Suburban Police and Firefighter Pension Fund Boards:

The undersigned Senators are opposed to SB1166 which would allow the Illinois State Board of Investments to take over the investments of any downstate/suburban police and fire pension fund which did not meet certain stock investment limits or file a late report.

Our opposition is based primarily on our concern that a State takeover would mean a loss of local control. These funds are completely funded by contributions from local police officers and firefighters and their sponsoring municipalities. Management of these local funds should remain with those who pay into them.

We also do not believe it is appropriate for any funds to be taken over by a State board controlled by the Governor, which invests under a different set of guidelines than those applicable to local funds. Additionally, we question why City of Chicago and Cook County funds are not included in this legislation.

If there are problems with some funds not meeting current statutory investment limits or filing late reports, we suggest a more appropriate remedy would be to improve oversight of these funds by the Public Pension Division of the Department of Financial and Professional Regulation. Local police and fire funds began paying an additional $1 million a year in fees beginning in 2003 yet all of the increased fee revenue has gone to the general revenue fund, not to enhance pension fund regulation. Also, the Public Pension division has half the staff it had in fiscal year 2002. We believe with increased staff, any problems with local funds could be easily addressed under existing law, without a loss of local control.

Therefore, we are strongly opposed to SB1166 and granting the State control over local funds.

Sincerely,

Illinois Senate Republican Caucus
Signatures Attached

RECYCLED PAPER • SOYBEAN INKS

Bill Brady, Illinois State Senator

Dan Cronin, Illinois State Senator

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Pamela J. Althoff, Illinois State Senator

Larry Bomke, Illinois State Senator

CERTIFIED TRUSTEE PROGRAM

The administration of a public pension fund is a very complex task. This four-part educational program is designed to increase a trustee's basic knowledge of fiduciary responsibility, fundamentals of investing, funding and actuarial concepts, medical and disability issues, administration of pension benefits, and legal and ethical issues. Illinois statutes hold the pension fund trustee to the standard of a "prudent expert", but give little direction how a trustee should obtain a fundamental understanding of important legal and administrative tasks. To meet these needs, IPPFA, an Association of Police and Fire Pension Funds, partnered with Northern Illinois University in 1999 to offer the public pension fund TRUSTEE CERTIFICATION PROGRAM.

IPPFA and NIU are currently scheduling modules for the next program. Learn from professionals that have many years of experience in public pension fund administration and management. This 32-hour program is broken down into (four) eight-hour modules, taught over a fourteen-week period.

The cost of the program is $650.00 per participant. Class size is limited; register as soon as possible. For more information, contact the **IPPFA, 40 DuPage Court, Suite 304, Elgin IL 60120 or telephone 847-608-6014 / Fax 847-608-6019**

PLACE NIU MULTI UNIVERSITY CENTER 1010 JORIE BOULEVARD, OAK BROOK, IL

TIME 8:00 AM – 4:00 PM (EACH MODULE)

MODULE 1 AUGUST 23, 2007

Fiduciary Fundamentals

Fiduciary duties of public pension fund trustee

Fundamentals of pension fund investing

MODULE 2 SEPTEMBER 20, 2007

Actuarial/medical

Basic funding concepts

Understanding medical and disability issues

MODULE 3 NOVEMBER 1, 2007

Investments

Fundamentals of fixed income investing

Fundamentals of equity investing

MODULE 4 NOVEMBER 29, 2007

Legal / administrative practices

Legal issues and ethics for pension fund trustees

Understanding the administration of pension benefits

These Dates Are Subject To Change

CERTIFIED TRUSTEE PROGRAM REGISTRATION FORM

Name ________________________ Police / Fire Department ____________________

Address ________________________ City, Zip ________________________

Phone Number (____) ________________ E-mail ________________________

The fee includes all handout materials, textbooks and classroom instruction. This course must be taken in its entirety and is not available in individual modules. Each participant must successfully complete module one before selecting any of the three remaining modules and also must complete the four modules of instruction within a twelve month period. Enclose a check for $650.00 payable to the IPPFA Trustee Certification Program with this form. The Illinois Department of Insurance has approved this fee as a "necessary pension fund expense" under the Illinois Pension Code.

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2007 IPPFA ANNUAL TRAINING CONFERENCE

Hilton/Springfield Hotel, 700 East Adams, Springfield, IL 217-789-1530
October 9 – 12, 2007

As the Hilton/Springfield's Room Block has been filled earlier than expected, other hotel room block arrangements have been made.

See www.ippfa.org for more information

To receive the rate listed, you must advise them you are with "Illinois Public Pension Fund Association (IPPFA)"

***The* State House Inn 217-528-5100 ♦ www.thestatehouseinn.com**

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Drury Inn & Suites 217-529-3900 ♦ https://reservations.druryhotels.com/groupreservationconfirmation.aspx?groupno=2008771

The above rates will no longer be in effect after 09/21/07

Illinois Public Pension Fund Association

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Step 3. Click on REGISTRATION FORM
Step 4. Complete the form and click on SUBMIT

For additional information, contact : jgraham@ippfa.org

IPPFA REMEMBRANCE FUND

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The IPPFA and the IPPFA Remembrance Fund would like to thank all of those that participated and contributed to this THIRD REMEMBRANCE FUND GOLF OUTING. The generous contributions of the individuals and corporate donors listed below made this year's event one of our most successful events. So once again on behalf of the survivors of the fallen officers, thank you for your donations and we look forward to your continuing support throughout the year and at next year's event.

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