IPPFA Online News

ILLINOIS PUBLIC PENSION FUND ASSOCIATIO

Preparing Pension Funds for Tomorrow

Your Electronic Link to the Latest News Affecting Pe

January 2011 Issue

Letter From the IPPFA President--James McNamee

FROM THE PRESIDENT 2011

Dear IPPFA Members -

2011 is already going to be a very interesting and new year. The le has now passed both chambers and is being sent to Governor Quinn for consideration. He has 30 days to review and as soon as he signs it, our jo inform our members through seminars and other means. With the SB3538 amendments, we have to prepare ourselves with these new changes for n IPPFA is there to serve our members, so make sure you view our website upcoming training seminars that pertain to these new changes!!

As previously reported, the benefit changes will only impact police & fire e that are newly hired into positions covered by the pension code on or after 2011. Current employee's benefits will not be affected by this legislation

The highlights of the bill include the following elements which are standardized retirement bene new public safety employees who enter the Articles 3 (downstate police), 4 (downstate fire), 5 (Chicag 6 (Chicago fire), and/or 7 (IMRF-SLEP) on or after 1/1/2011.

1. No change in employee contributions.

2. Maximum benefit will be 75% of final average salary* at 30 years of service and 55 years of a
3. Final average salary* is defined as “the average monthly salary obtained by dividing the total
the police officer during the 96consecutive months of service within the last 120 months of servi
which the total salary was the highest by the number of months of service in that period.” (i.e. -
last 10 years)
Note: For IMRF-SLEP Employees hired after January 1st – overtime will no longer be included
average salary for pension purposes.
4. Maximum salary for pension purposes is capped at $106,800 for 2011. The cap will be increa
year thereafter by 3% or ½ of CPI-U whichever is less.
5. Survivor’s annuity benefits will be 66 2/3 of the deceased employee’s salary at time of death.
6. COLAs – Both retirees and survivors will receive COLAs equal to 3% or ½ of CPI-U the year
60th birthday.

The bill contains authorization for future pension fund studies. It also includes some very *import*
momentous funding compliance language that is designed to insure that our funds remain stable and s
all current and future public safety retirees and employees.

While the IPPFA and our coalition partners, was opposed to some of the benefit reductions for new em
we were successful in maintaining current employees’ benefits, all contribution levels, minimizing bene
reductions for new employees, and much to the disappointment of municipal employers - securing mea
funding compliance language for all of the funds. We are disappointed that this legislation creates a tw
pension benefit system for all police and fire employees. However, we are extremely proud of the fact
legislation makes significant strides in insuring continued solvency for all current, and future, employee
retirees. The Senate will adjourn later today. Both chambers have scheduled a number of session day
January. I will certainly update you on further developments as they arise.

Please accept my personal best wishes for a Happy New Year.

James McNamee
President IPPFA

Family Protection Plus: Group Decreasing Term Life Insurance Plan

Effective October 1st, the IPPFA is pleased to announce that its members are eligible for a new benefit
Conference on Public Employees Retirement Systems (NCPERS) Group Voluntary Life Insurance Far
(FPP) Plan. Open enrollment for the FPP Plan continues through **January 15, 2011**. The NCPERS Li
been offered for over 40 years, currently covers over 100,000 public employees and their dependents.
to offer this valuable new benefit to its members.

This plan is designed especially for public safety employees like you. It offers a supplementary survivo
your retirement system’s benefits. Protecting your family’s future through your pension benefit is some
good about. But, how would your family support themselves if something tragic happened to you befor
substantial pension benefit?

Family Protection Plus provides Life Insurance and Accidental Death & Dismemberment (AD&D) Insur
and Life Insurance for eligible dependents—all for just $17 a month. The plan is available for active em
in effect 24/7—on or off the job. There is no physical required, no health questions to answer, and the

increases. Coverage can be continued into retirement.
The Group Decreasing Term Life Insurance pays your beneficiary a maximum benefit amount in your y
gradually decreasing benefit amount in your older years. The AD&D coverage pays you or your benefi
of life or other injuries resulting from a covered accident—100% for loss of life and a lesser percentage
Injuries covered may include loss of sight and dismemberment of hands or feet. In the case of an acci
benefits are paid. For a member at least 25 years old and less than 30 years old, who died in an accid
$170,000 life insurance benefit plus a $100,000 AD&D insurance benefit—a total of $270,000. That wo
tremendous difference to a young family.

The Dependent Term Life Insurance provides Group Decreasing Term Life Insurance for your spouse
and a flat benefit for all of your dependent children. The benefit amount will be paid to you in a lump su
dependent's death due to any cause. Spousal or domestic partner (where allowed by state law) benefi
your age at the time of your spouse's or domestic partner's death.

**Domestic partners may not be recognized in all states*.

For members under 50, Family Protection Plus provides a substantial benefit when pension plan bene
members over 50, it provides a good way to cover end of life and medical expenses, so other assets c
your family's lifestyle. Payment is easy, too, with direct billing at home or automatic deductions from yo

This plan provides added protection for younger members, members who have substantial time on the job and t
into this Plan is available within the first 90 days of your hire date or during the open-enrollment period to be de
There will never be a physical, health questions, or higher premiums. The cost remains at just $17 a month. Cli

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How Will Higher Tax Rates Affect the National Retirement Risk Index? by Alicia H. Munnell, Anthony W
Golub-Sass from; **The Center for Retirement Research at Boston College has released a new *Issue in Brief***
The *brief's* key findings are:
Increased taxes and spending cuts will be needed to bring the federal budget under control.
Relying heavily on tax increases would modestly raise the overall NRRI (the percent of households 'at
from 51 to 54 percent. But the NRRI would jump sharply for high-income Early Boomers, who face sha
taxes and have little time to adjust. And while Gen Xers would see little change in their 'at risk' status, higher
consumption both before and after retirement. Click Here for more..,

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News Analysis: Police & Firefighters Pensions - *WTTW reporting Video -* Click Here for video..,

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Tax cut lets you boost retirement savings
by TERRY SAVAGE savage@suntimes.com Dec 21, 2010 11:29AM

You'll have more money in every paycheck next year as part of the year-end tax deal. Don't spend it! T
should have gone to Social Security, but everyone knows that's a fiction.
So instead of spending that 2 percent windfall — redirect it into your 40l(k) or 403(b) plan at work — or
Retirement Account. Let's see what that could turn into over the next 30 years of your work life.

Social Security was scheduled to take a 7.65 percent bite out of income up to $106,800. But the actua
percentage (without the Medicare tax) was 6.2 percent. Now, under the new tax bill, that will be reduce
deduction for 2011.
So with the help of the Tax Institute at H&R Block, let's see what could happen to the tax cut money if
spending it!
Click Here for more..,

The Real Squeeze
by ROBERT j. SAMUELSON—The Washington Post—Monday, December 20, 2010
Except for those on Social Security and Medicare, government for most middle-class Americans consi
police, fire protection, roads and ambulance service. It's states and localities. How are they faring in th
Conventional wisdom holds that they've been crushed by dramatic declines in tax revenue and have re
public services. Well, not exactly. Click Here for more..,

When retirement finances become a heartfelt reality
By Janet Kidd Stewart, Special to Chicago Tribune Newspapers—December 17, 2010

Fewer presents under the tree for the grandchildren this year? Stepping down from "champion" to "ben
your favorite charity?
Paltry returns on low-risk investments and higher living costs are squeezing retirees' ability to continue
patterns, and the loss is more than financial.
"The grandkid issue is really tough, even more so than giving to adult children," said Art Koff, author of
Retirement" (Oakhill Press) and founder of RetiredBrains (retiredbrains.com). "It can be really embarra
young child calling you out on it. 'Hey, why am I only getting $10 this year, Grandpa?'"
Carol Daebler, vice president at Milwaukee-based M&I Investment Management, sees similar stories,
colleagues.
She has known professionals who put off retirement to keep up giving patterns to family. Giving gifts a
maintains a sort of status that we are still in our prime, she said. Click Here for more..,

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Voice of the People, Dec. 15
Article in Chicago Tribune—December 15, 2010
Illinois' public pension funds
It is unfortunate that "The suicide pacts" (Editorial, Nov. 28) continues to repeat the unfounded predicti
University finance specialist that Illinois' public pension funds "could pay out their last dollar in eight ye

a made-up apocalypse only serves to needlessly scare retired teachers and other public employees in
retirement benefits will end within a decade. Nothing could be further from the truth.
The doomsday prediction by Joshua Rauh ignores reality and uses selective facts and figures to reach
The state's largest public pension system, Teachers' Retirement System, had its actuaries, Buck Cons
check the validity of Rauh's claim. Buck found that the doomsday prediction will only come true for TR
eight years — TRS does not receive any contributions from active teachers, school districts and state
less from its investments than even conservative estimates predict. That scenario is simply next to imp
Illinois state law requires teachers and school districts to contribute to TRS, so the only way those con
public schools stop operating.
Further, Rauh's calculations are based on an unrealistic investment return of about 2 percent per year
fiscal year 2010, the actual rate of return on TRS investments was 13.5 percent. Over the last 25 years
Many corporate pension funds set earnings targets at 6 percent per year.
Finally, your reference to "too-generous" pensions misses the mark for educators when you consider t
pension for a retired Illinois teacher — who does not receive Social Security — is $45,000.

— Dave Urbanek, public information officer, Teachers' Retirement System of the State of Illinois, Sprin

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Number of the Week: 1.6 Million Put Off Retirement
By Mark Whitehouse—The Wall Street Journal—December 11, 2010

1.6 million: The number of older Americans in the labor force as a result of the financial crisis. The fin
hard on just about everyone. But for older folks, the pain is proving particularly deep and lasting — a p
drag on the economy for many years to come.
People approaching retirement age are suffering on all fronts. Even with the Dow above 11,000, their s
worth less than they were back in 2006. Fixed-income investments hardly provide any income. Home p
depressed.
As a result, more older people are trying to make up lost ground by staying at work longer or rejoining
precisely at a time when finding a job is exceedingly difficult.
In a new paper, two economists at the Chicago Fed — Eric French and David Benson — estimate tha
rate among people 51 to 65 years old is 2.9% higher as a result of their financial losses alone. That's a
million people staying in jobs or looking for work.
In most states of the world, anything that motivates more people to work would be beneficial for the ec
have valuable skills and experience, and their participation increases the nation's potential to produce
But at a time when the economy is already running far below its potential, the added labor supply serv
unemployment rate, as more people compete for scarce jobs. Since August, the unemployment rate fo
has averaged 7.3%, the highest level since at least 1948. Click Here for more..,

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Legal Updates....

Legislative Update/Police Pension Funds--Public Act 096-1260
Senate Bill 3022 signed into law July 23, 2010/Effective July 23, 2010

Additions to Illinois Law:
Public Act 096-1260/SB 3022 provides that Article 3 police officers may receive credit for military servi
employment by a municipality, 40 ILCS 5/3-110 (b-5) (new). The new law allows an Article 3 police offi
creditable service in the pension fund, not exceeding 2 years, for military service served prior to emplo
police officer of a municipality. Click Here for more..,

Training Dates and Info....

How Do I Satisfy The Annual Training Requirements

In 2009 the Illinois legislature passed two laws requiring a total of 16 hours of annual training for Dowr
pension trustees, 8 hours more than trustees that sit on other public pension funds. Eight hours of this
include the topics of ethics, fiduciary responsibilities and investments, not 8 hours on each topic as so
training for the second eight hours is decided on by each board as to what is relevant and available to
these requirements the IPPFA offers several ways to obtain the training: Click Here for more..,

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IRS Free Webinar on Local Govt Entities

This FREE webinar is for:

- State and Local Government Entities
- Tax professionals

Learn about:

- What is Section 218 and why is it important to government employers and employees?
- Legislative history of Section 218
- Basic concepts of Section 218
- To what government entities does Section 218 apply?
- What services are excluded from Section 218?

Examples of potential Section 218 compliance issues.

- FSLG Compliance Self-Assessment Tool
- Earn Continuing Professional Education credit:
- Enrolled agents receive one CPE credit for participating for a minimum of 50 minutes from the s
- Other tax professionals may receive credit if the webinar meets your organization's or state's Cl

To receive credit, you must attend the presentation on January 27. Register for the webinar using you
use the same e-mail address to log in to attend. This will confirm your attendance and generate your C
Completion.
*Only January 27, 2011 participants will receive certificates. If you do not need a certificate to obtain C
choose to view the archived version of the webinar. Look for your Certificate of Completion by e-mail a
week after the webinar. If you have met all requirements, you will receive your certificate automatically

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Certified Trustee Program

Our 32-hour **Certified Trustee Program** is offered throughout the year in four eight-hour modules fror

Each one of the modules is approximately one month apart. Classes are held at the *NIU Outreach Ce*
and in *Hoffman Estates (HE)*. All modules must be completed within a twelve month period. Click Here fo

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Regional Seminars for 2011

Check out the new dates for the 2011 Year. Click Here for more..,

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