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ILLINOIS PUBLIC PENSION FUND ASSOCIATION

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April 2011 Issue

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Why employee pensions aren't bankrupting states

By Kevin G. Hall | McClatchy Newspapers

WASHINGTON — From state legislatures to Congress to tea party rallies, a vocal backlash is rising against what is perceived as too-generous retirement benefits for state and local government workers. However, that perception doesn't match reality.

A close look at state and local pension plans across the nation, and a comparison of them to those in other states, reveals a more complicated story. However, the short answer is that there's simply no evidence that state pension plans are a current burden to public finances that their critics claim. [Click Here for more...](#)

People@Work: Now, Governments Are Shifting Pension Burdens Onto Workers

By [DAVID SCHEPP](#) Posted 8:30 AM 03/07/11—DailyFinance

As states look for ways to trim massive deficits, the battle over public employees' pay and benefits continues. Wisconsin, long a champion for workers' rights, has been in the news much lately as state workers and unions continue to protest [cuts to state employees' compensation](#) that Gov. Scott Walker says are necessary to close a one-billion-dollar hole in the state's budget.

One way some states are addressing their fiscal woes is by slowly changing public-sector employees' mirror those of the private sector. During the past three decades, businesses of all sizes have shifted from defined-benefit plans, which guarantee retirees a specified payment each month, to defined-contribution plans, such as 401(k)s, to which employers contribute a portion of the workers' retirement funds. [Click Here for more...](#)

Lawmakers looking into reforming pension system — again

March 4, 2011—By Mary J. Cristobal Illinois Statehouse News
SPRINGFIELD – Lawmakers need to clean up their own future retirement system before they touch on private plans – at least that's what one lawmaker says he intends to do. Despite some recent reform, lawmakers are now making more changes to the state's underfunded pension system. The last General Assembly raised taxes and placed a cap on benefits for state employees hired after Jan. 1.

Illinois caught the attention of the U.S. Securities and Exchange Commission in January. The state has one of the worst pension systems – it is only funded by 45.4 percent with about \$138.8 billion in liabilities as of 2010. That's the most recent data according to a February briefing by the state's Commission on Government and Accountability.

[Click Here for more...](#)

Pensions Aren't the Problem How not to balance state budgets

Mar 28, 2011, Weekly Standard-Vol. 16, No. 27 • By Eli Lehrer

In March 2010, the notoriously divided Illinois legislature passed a major reform in the state's pension plan, a two-tier system offering decidedly less generous benefits to new hires. In response, Republicans and Democrats put themselves on the back. "This bill is not window dressing," declared senate minority leader Christine Rasmussen in an interview with the *Chicago Sun-Times*. House speaker Michael Madigan (D), long the state's major political force, said, "For all the self-congratulation, the victory proved hollow. Even after the reforms, most analysts predict the pension system will go broke before 2020. In January, the legislature approved a 66 percent hike in the state's sales tax, which slightly narrowed a yawning budget gap, the state's overall budget problems remain, and the retirement system is hardly on stable ground.

Illinois's story offers a lesson to other states looking to rein in employee compensation. Quite simply, pensions do not represent a reasonably small share of overall state spending (3.4 percent in Illinois), not all states have pension funding problems, and state pensions are almost impossible to reform in ways that solve current budget problems. [for more...](#)

ADMISSIBILITY OF MEDICAL REPORTS IN DISABILITY PENSION PROCEEDINGS

By: Laura J. Goodloe, Deputy Counsel, IPPFA

In most pension proceedings involving applications for a disability pension, key pieces of evidence are the pension board's selected examining physicians and the applicant's treating physicians. Normally, they appear and testify at the pension hearing. Instead, their medical reports are introduced into the record and the pension board in reaching its decision.

Usually, the attorney for the applicant and legal counsel for the pension board will agree to the admission of records. However, on some occasions, the applicant's attorney will object to the admission of a medical report. An objection is lodged only as to the reports that are not favorable to the applicant. There is never any objection to reports that are favorable to the applicant. [Click Here for more...](#)

Seven deadly lies about public-sector workers

Petrino DiLeo counters the myths about greedy government workers with the facts.

March 10, 2011--Large numbers of Wisconsin residents have stood up to the attacks on public-sector workers. BY NOW, we've heard the talking points spouted countless times. There's a new bunch of greedy have-nots who live the good life at the expense of the rest of us, taking unfair advantage of their political connections to loot the public treasury.

Only according to these claims, it's not the bankers who benefited from trillions of dollars committed by the government to Wall Street bailout, only to turn around and pay themselves billions in bonuses. Instead, the new "have-nots" are those in the private sector, and anyone who pays taxes. [Click Here for more...](#)

Selected 2011 State Pension Reform Proposals

Compiled by National Conference of State Legislatures February 23, 2011

Ron Snell, Senior Fellow

This report is intended to convey a sense of the kinds of changes governors and legislators will consider for retirement issues in 2011. It draws upon such sources as governors' recommendations, state pension reform legislative interim committee recommendations and legislation sponsored by legislative leaders, including legislative committees whose jurisdiction includes retirement legislation. None of the proposals summarized here is intended to predict what final actions will occur. [Click Here for more...](#)

The "Liberal Press" Continues Its Assault on Unions, Pensions, and Public Employees

Matt Bai's recent *New York Times Magazine* [piece](#) on New Jersey Governor Chris Christie is just one example showing how the supposedly "liberal" press has a consistent bias against unions, pensions, and teachers. This narrative is revealed in the now common idea that due to their outrageous pensions, public employee unions have caused the fiscal meltdown. This narrative is repeated by Bai when he states, "It's not as if the problem of public pensions suddenly got much worse in 2009 after many of these funds lost over a third of their value during the fiscal meltdown. The fact that Bai and other journalists miss this point demonstrates that they want to blame the victims of Wall Street malfeasance." [Click Here for more...](#)

Can State and Local Pensions Muddle Through?

by Alicia H. Munnell, Jean-Pierre Aubry, Josh Hurwitz, and Laura Quinby
March 2011—Center for Retirement Research at Boston College

Introduction

The finances of state and local pension plans are headline news almost daily. Indeed, although these plans have moved toward prefunding their promised benefits, two financial crises in 10 years have thrown them seriously off track. By the standards of the Government Accounting Standards Board, between 2008 and 2009 the ratio of assets to liabilities for our sample of 126 plans dropped from 84 percent to 79 percent. But this decline is only the beginning of a much larger problem that will emerge as the losses are spread over the next several years. Furthermore, the funded levels are often understated because liabilities are discounted by a riskless rate, as recommended by actuaries, economists and financial experts. What do these numbers imply for the future of these plans?... [Click Here for more...](#)

Public Pension Shortfalls Misrepresented in Budget-Crisis Debate

Examination of rates-of-return shows shortfalls manageable in the long-term.

February 14, 2011—Alan Barber—cepr-Center for Economic and Policy Research

WASHINGTON, DC: With many state governments facing budget shortfalls this year along with dwindling revenues, some policy-makers have begun to call for drastic reductions of public sector pensions as a way to ease the burden. A new report from the Center for Economic and Policy Research puts this issue into better perspective and corrects common misconceptions about these funds.

The report, "[The Origins and Severity of the Public Pension Crisis](#)," shows that the main reason public pensions are in crisis at all is the downturn in the stock market following the housing crash in 2007-2009, not inadequate contributions. The report demonstrates that if pension funds had just earned returns equal to the interest rate on 30-year Treasury bonds, their assets would be more than \$850 billion greater than they are today. [Click Here for more...](#)

UPCOMING TRAINING

Agenda for 2011 IPPFA Spring Conference

IPPFA Illinois Public Pension Spring Conference

April 28th-29th, 2011—Agenda [Click Here for more...](#)

Certified Trustee Program

Our 32-hour [Certified Trustee Program](#) is offered throughout the year in four eight-hour modules from February to May. Each one of the modules is approximately one month apart. Classes are held at the [NIU Outreach Center](#) and in [Hoffman Estates \(HE\)](#). All modules must be completed within a twelve month period. [Click Here for more...](#)

2011 IPPFA Midwest Pension Conference

Hotel Reservations now available--IPPFA Midwest Pension Conference will be held in Lake Geneva, WI

The dates for the 2011 conference are October 4-7, 2011.

The venue will be the Grand Geneva Resort & Spa.

The IPPFA rate is \$138.00 per night. [Click Here for more...](#)

Online Training/eLearning

This course introduces students to various aspects of financial management related to Police and Fire with the administration of those pension funds. Each topic will be taught by a professional in their field.

Spring Conference 2011

Come join the IPPFA for its Annual Spring Conference on April 28th and 29th, 2011 at the Q Center in Chicago, IL 60176.

For over 25 years the IPPFA has been offering the best in Pension Fund Trustee Training. [Click Here for more information](#)



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