



ILLINOIS PUBLIC PENSION FUND ASSOCIATION

Preparing Pension Funds for Tomorrow

www.ippfa.org

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January 2012 Newsletter



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How Prepared Are State and Local Workers for Retirement?

by Alicia H. Munnell, Jean-Pierre Aubry, Josh Hurwitz, and Laura Quinby
October 2011

Abstract

A widespread perception is that state-local government workers receive high pension benefits which, combined with Social Security, provide more than adequate retirement income. This study uses the *Health and Retirement Study* (HRS) and actuarial reports to test this hypothesis. The major finding from the HRS analysis is that most households with state-local employment end up with replacement rates that, while on average higher than those in the private sector, are well below the 80 percent needed to maintain pre-retirement living standards. - [click here for more...](#)

IPPFA Holiday Party 2011 Awards!!



From Left to Right:

IPPFA PUBLIC PENSION ACHIEVEMENT AWARD PRESENTED TO **SEAN SMOOT** (left) FOR HIS PERSEVERANCE AND DEDICATION IN PROTECTING THE PENSIONS OF PUBLIC EMPLOYEES

IPPFA PUBLIC PENSION ACHIEVEMENT AWARD PRESENTED TO **TED STREET** (center left) FOR HIS PERSEVERANCE AND DEDICATION IN PROTECTING THE PENSIONS OF PUBLIC EMPLOYEES

President of IPPFA, **James McNamee** (Center Right)

IPPFA PUBLIC PENSION ACHIEVEMENT AWARD PRESENTED TO **PAT DEVANEY** (right) FOR HIS OUTSTANDING DEDICATION AND SERVICE IN THE PROTECTION OF PUBLIC EMPLOYEES PENSIONS

See more pictures on IPPFA's Facebook!!!

2011 IPPFA LEGISLATIVE ACHIEVEMENT AWARD PRESENTED TO
ILLINOIS STATE SENATOR JOHN CULLERTON (left) FOR HIS
DISTINGUISHED AND INVALUABLE SERVICE TO ASSURE FAIRNESS IN
GOVERNMENT FOR THE CITIZENS OF ILLINOIS



Check out IPPFA's Facebook for additional photos!!

Executive Director NIRS, submitted letter to Associated Press Sacramento Bureau Chief

by Diane Oakley on December 13, 2011

To The Bureau Chief,

The recent story that scrutinizes public pension benefits neglects to mention that the average retirement benefit for public sector workers is modest—about \$23,000 annually. And unlike the private sector, public sector workers typically contribute a significant portion of each paycheck to their pension benefit throughout their career—as much as 10% of pay in some states.

Readers might also be interested in further insight on Mr. Godwin, whose retirement is featured in the story. It is our understanding that he logged 41 years of public service, including serving as superintendent at two school districts, and as a teacher, coach, and principal. During that time, he contributed regularly to his retirement benefit via the California State Teachers' Retirement System, where over three-fourths of benefits are financed from employee contributions and investment earnings—not taxpayers. In fact, from 1984 through 2010, only 24% of pension revenues came from state/employer contributions. - [click here for more...](#)

Public Pension Asset Exhaustion – Only a Remote Possibility

by National Institute on Retirement Security

Some Members of Congress have suggested that Congress alter its long standing position of allowing the states and local governments to address their retirement funding issues without interference from the federal government, which

the Congressional Research Service (CRS) outlines in its legal overview report, “State and Local Pension Plans and Financial Distress.” The rationale supporting such a dramatic policy shift is possible future shortfalls in the assets public pension plans hold in trust to pay benefits to retirees over future years. - [click here for more...](#)

Faulty Analysis is Unhelpful to State and Local Pension Sustainability Efforts

NASRA—October 2010

As state and local governments lead efforts to address the unprecedented fiscal challenges created by stagnant economies, in the face of aging populations and workforces, the accuracy and integrity of information is more vital than ever. Authors of a new paper, *The Crisis in Local Government Pensions in the United States*, would be more constructive, as well as provide more accurate municipal pension information, if their assumptions were based on historical experience and their methodology appropriate for the government sector. Robert Novy-Marx and Joshua Rauh – who also earlier this year authored, *Are State Public Pensions Sustainable?* – again vastly underestimate projected future contributions to public pension plans and expected investment returns to draw dramatic and improbable conclusions regarding the solvency of these plans. Both papers are based on pension fund assets values as of 2009, prior to the recent improvement in financial markets. *Assumptions of Future Behavior Are Not Supported by Past Practice.* - [click here for more...](#)

IRS Announcement 2011-82

This announcement describes several important changes to the Employee Plans determination letter program that will take effect in 2012. These changes eliminate features of the determination letter program that are of limited utility to plan sponsors in comparison with the burdens they impose. The changes also are expected to improve Internal Revenue Service (“Service”) efficiency by reducing the time it takes the Service to process determination letter applications. Under these modified procedures, many employers will no longer apply for determination letters. - [click here for more...](#)

Rhode Island's Landmark Pension Reforms

Newly enacted pension reforms will test contract law.

By Girard Miller, December 8, 2011

By an overwhelming and bipartisan majority vote, the Rhode Island Legislature adopted sweeping pension reforms last month, at the urging of the governor and the state treasurer. Disappointed labor leaders are expected to seek redress in the courts. Their complaint is that, in violation of contract law, benefits will be frozen, modified and even reduced for incumbent employees and cost-of-living adjustments (COLAs) will be frozen for current retirees.

Rhode Island's state pension plan is a mess, with very serious underfunding. This legislation addresses that problem but leaves the dozens of municipal plans to fend for themselves. That's unfortunate, because many of those local systems are clearly in a death spiral financially. Nonetheless, the new pension law deserves national attention for four features: - [click here for more...](#)

Pension double dipping could end soon

November 28, 2011, By Benjamin Yount—Illinois Statehouse News

SPRINGFIELD — Illinois will not retrieve the millions of dollars being paid to retired union leaders who are collecting two pensions for one public job. But lawmakers here are close to ending the double dipping for dozens more. The House Executive Committee on Monday unanimously approved a plan that will stop public workers who are also union leaders from collecting a public pension and a union pension.

The legislation is expected to be voted on Tuesday during a one-day legislative session. If it passes the House, the legislation then will head to Gov. [Pat Quinn's](#) desk for his consideration. Some union leaders have exploited a loophole in a 1991 law in which they start as public employees where they earn a public pension, backed by the taxpayers, and then move onto full-time union jobs where they earn another pension backed by union members. These employees have added the years they worked for the union to their years as a public employee, thereby boosting their public pension payouts. Meanwhile, they continue to earn a union pension. - [click here for more...](#)

HOW WOULD GASB PROPOSALS AFFECT STATE AND LOCAL PENSION REPORTING?

Center for Retirement Research at Boston College, November 2011

By Alicia H. Munnell, Jean-Pierre Aubry, Josh Hurwitz, and Laura Quinby

States and localities account for pensions in their financial statements according to standards laid out by the Governmental Accounting Standards Board (GASB). Under these standards, state and local plans generally follow an actuarial model and discount their liabilities by the long-term yield on the assets held in the pension fund, roughly 8 percent. Most economists contend that the discount rate should reflect the risk associated with the liabilities and, given that benefits are guaranteed under most state laws, the appropriate discount factor is closer to the riskless rate. The point is not that liabilities should be larger or smaller, but rather that the discount rate should reflect the nature of the liabilities; the characteristics of the assets backing the liabilities are irrelevant. - [click here for more...](#)

Training and Education

IPPPFA On-Line Certified Trustee Program 11 Here

The IPPFA is pleased to announce that it is now offering the 32-hour Certified Trustee Program (CTP) as an on-line course for the first time. Over 1,000 public pension trustees have gone through the IPPFA CTP, hundreds before the legislature made such training mandatory in 2009. Now through the on-line training those trustees that would have difficulty attending in-person training can obtain the required training using their own computer in the comfort of their home or office. This is especially helpful to the appointed or retired trustees that have other employment and should make it easier for municipalities to find citizens that are willing to be appointed as trustees. - [click here for more...](#)

Check out the Website for the Spring Conference 2012!!

Come join the IPPFA for its 2012 IPPFA Illinois Pension Spring Conference on May 15 thru May 18th, 2012 at the Presidential Abraham Lincoln Hotel & Convention Center in Springfield, Illinois 62701.

For over 25 years the IPPFA has been offering the best in Pension Fund Trustee Training. - [click here for more...](#)

Certified Trustee Program

Our 32-hour **Certified Trustee Program** is offered throughout the year in four eight-hour modules from 8:00am to 4:00pm. Each one of the modules is approximately one month apart. Classes are held at the *NIU Outreach Centers* in *Naperville (N)* and in *Hoffman Estates (HE)*. All modules must be completed within a twelve month period. - [click here for more...](#)

Online Training/eLearning

This course introduces students to various aspects of financial management related to Police and Fire pension funds along with the administration of those pension funds. Each topic will be taught by a professional in their field. - [click here for more...](#)

Regional Seminars

How Do I Satisfy The Annual Trustee Training Requirements? Experts will speak on the state of the economy, the updates of pension legislation in Illinois and the Illinois Department of Insurance will be speak on a variety of topics. - [click here for more...](#)
