



# ILLINOIS PUBLIC PENSION FUND ASSOCIATION

## *Preparing Pension Funds for Tomorrow*

www.ippfa.org

April 1, 2015

## April 2015 Newsletter



*In this issue...*



**Hello All,**

As I look out the window and see the fresh blanket of snow, I wonder, will Spring ever get here? Spring brings new life to nature and lets us get out and enjoy Mother Nature's splendor.

As of now, there have been many bills introduced in the legislature that effect pensions. They range from the Supreme Court ruling to changing education requirements for some trustees. There is a long list of bills and we at the IPPFA are monitoring and reviewing each one. Our lobbyist, Mike Kasper, continues to monitor and report back to President McNamee and myself about any pending movements with proposed pension legislation. We will continue to update you via our website at [www.ippfa.org](http://www.ippfa.org). We would like to thank everyone that attended our 30th Anniversary celebration. We recognized trustees with over 20 years of dedication to their pension board. We had one trustee with 50 years of serving his board! What Dedication! We also raised over \$1600.00 for the Remembrance Fund. Thanks to all of our Sponsors for your contribution! If you have not registered for the Illinois Conference, please do so ASAP. It will be held May 5th – 9th in East Peoria, IL. at the Embassy Suites. We will have a golf outing on Tuesday, May 5, at Weaver Ridge Country Club. The proceeds from the outing benefit the Remembrance Fund. Please sign up now, we are filling up fast! President McNamee recently spoke at the West Suburban Mayors conference. Where he discussed the Facts and Fallacies about pensions. There was great discussion on funding pensions and educating mayors and city council representatives about

pensions. Just a reminder, we are going GREEN! Our APP will be up and running soon for the ILLINOIS Conference. If you registered for the conference, you will receive an email with instructions on how to use the App. If you have any questions, please call the IPPFA office.

Be Safe,

Tim Moss  
Executive Director, IPPFA

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### *Illinois Articles...*

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#### **Longer CEO Lives Spur Pay Growth as Companies Cushion Pensions**

By Madeline McMahon—Bloomberg Business—March 25, 2015

(Bloomberg) -- Pensions are helping to fuel a jump in average chief executive officer pay -- and the reason is largely out of companies' control. Standard & Poor's 500 Index companies that have filed proxy statements for fiscal 2014 contributed an average \$1.5 million to their CEOs' pensions, compared to an average of about \$550,000 in 2013,

according to summary compensation table data compiled by Bloomberg. Pensions comprised about 11 percent of total CEO pay at those companies, compared to 4 percent in 2013. - [click here for more...](#)

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### **Interest rates and asset prices: A primer**

By Robert Barsky and Theodore Bogusz—Chicago Fed

Economic commentators often assert that major asset price booms and busts are closely associated with variations in the terms of borrowing to fund risky asset purchases. One important narrative focuses on changes in borrowing costs arising from variation in the riskless interest rate, which may result from a variety of causes—notably central bank policy actions in the short run and changes in world saving and associated capital flows over a longer horizon. For example, Allen and Gale (2000) contend that so-called bubble episodes typically begin with “financial liberalization or a conscious decision by the central bank to increase lending.” - [click here for more...](#)

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### **2015 Police and Fire Report PA95-0950**

ALL POLICE AND FIRE PENSION FUNDS Rate of Return Assumption FY 2009 and FY 2013

Executive Summary:

Pursuant to Public Act 95-0950 (House Bill 5088), each odd numbered year, the Commission on Government Forecasting and Accountability analyzes data submitted by the Public Pension Division of the Illinois Department of Insurance pertaining to the pension systems established under the Downstate Police Article and the Downstate Fire Article of the Illinois Pension Code. The Commission issues a formal report during such years providing aggregate analyses of selected police and fire systems. In addition, the report analyzes the fiscal status for the selected individual funds in each system. Pursuant to this requirement, the Commission has chosen the following pension funds to analyze: - [click here for more...](#)

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### ***National Articles...***

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#### **10 Ways Technology Is Changing the Way We Live**

Disability.gov sent this bulletin on 03/24/2015

Coding a New Future. Technology is everywhere and a new movement to teach younger generations how to code has swept the nation. Kids are not only creating snowflakes with Anna and Elsa from Frozen, but also learning valuable life lessons in problem solving and critical thinking. Technology experts, business leaders and educators agree that coding skills are beneficial, regardless of one’s future career. Luckily, you don’t have to be a digital native to get started. There are several free resources available to help kids (and you) become a technology whiz.

- [click here for more...](#)

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#### **What’s the State of Paid Leave in the United States?**

By John Boose—Families and Work Institute—February 24, 2015

Paid Time Off, Vacations, Sick Days and Short-Term Caregiving in the United States: 2014 National Study of Employer’s sheds light on what’s happening. This supplemental report is based on research from the most

comprehensive ongoing study of employers with 50 or more employees—conducted by Families and Work Institute (FWI) and released in partnership with the Society for Human Resource Management (SHRM)—looking at employer programs, policies and practices for supporting employees’ work and personal lives. Overall, three major findings emerged from a review of current paid leave options:

- [click here for more...](#)

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### **The Annual Required Contribution Experience of State Retirement Plans, FY 01 to FY 13**

By Keith Brainard and Alex Brown—NASRA—Spotlight On—March 2015

#### **Executive Summary**

After its creation in the 1990s, the annual required contribution (ARC) quickly became recognized as the unofficial measuring stick of the effort states and local governments are making to fund their pension plans. A government that has paid the ARC in full has made an appropriation to the pension trust to cover the benefits accrued that year and to pay down a portion of any liabilities that were not pre-funded in previous years. Assuming projections of actuarial experience hold true, an allocation short of the full ARC means the unfunded liability will grow and require greater contributions in future years. - [click here for more...](#)

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### **Judge says both state, union groups have points to prove in R.I. pension lawsuit**

By Tom Mooney—Mar. 19, 2015

PROVIDENCE, R.I. -- A Superior Court judge ruled Thursday that the state will have the burden of proving that the reduction in retirement benefits it levied on public sector workers and retirees was both necessary and reasonable – two terms that hold particular weight in the lawsuit over the 2011 pension overhaul. But Judge Sarah Taft-Carter also wrote that the plaintiffs will have to show “beyond a reasonable doubt” that the state’s pension law was such a “substantial impairment” of a contract – another important term -- as to be unconstitutional. -[click here for more...](#)

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### **Are Retirees Falling Short? Reconciling the Conflicting Evidence**

By Alicia H. Munnell, Matthew S. Rutledge and Anthony Webb—March 2015

A fundamental question for retirement security is whether today’s working-age households will have adequate income to maintain their pre-retirement standard of living. Existing studies offer conflicting assessments. On the one hand, data from the Survey of Consumer Finances and studies using target income replacement rates indicate a widespread shortfall. On the other hand, researchers using a life-cycle model of optimal savings conclude that most pre-retirees have an optimal level of wealth. This brief, which sum-marizes a recent study, addresses why the different approaches yield such different answers. - [click here for more...](#)

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### **Taxation of Retirement Benefits**

By NASRA

Arizona. Chapter 256, Laws of 2013 (AZ H 2531) relates to income tax, relates to instant depreciation, provides for amounts to be added to gross income, includes a beneficiary's share, a portion of a lump sum distribution that was excluded from federal adjusted gross income, interest on obligations, annuity income, excess of a partner's taxable

income, depreciation, capital gains, amounts withdrawn from the state retirement system, net operating losses and adjusted basis of property held for the production of income. - [click here for more...](#)

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### **Where States Get Their Money**

The PEW Charitable Trusts—March 12, 2015

A number of Republican and Democratic governors are proposing to raise or lower taxes this year, making this a useful time to look at the mix of state revenue and how it varies among states. Tax dollars are states' largest revenue generator but make up just under half of their total revenue.

Below is a chart breaking down the sources of states' revenue. It is based on the latest 50-state data from the U.S. Census Bureau for the fiscal year that ended June 30, 2013. The data account for all revenue used to fund government services statewide, and is a broader measure of states' money than general fund budgets. - [click here for more...](#)

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### **FACT SHEET: Middle Class Economics: Strengthening Retirement Security by Cracking Down on Backdoor Payments and Hidden Fees**

By The White House—Office of the Press Secretary—February 23, 2015

“That’s what middle-class economics is—the idea that this country does best when everyone gets their fair shot, everyone does their fair share, and everyone plays by the same set of rules.” President Barack Obama, State of the Union Address, January 20, 2015 Middle class economics means that Americans should be able to retire with dignity after a lifetime of hard work. But today, the rules of the road do not ensure that financial advisers act in the best interest of their clients when they give retirement investment advice, and it’s hurting millions of working and middle class families.

- [click here for more...](#)

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### **Christie pension commission recommends plan for huge savings, fewer benefits**

By Samantha Marcus—NJ Advance Media for NJ.com—February 24, 2015

Gov. Chris Christie's high-powered pension commission has proposed a sweeping plan that would save the state billions in retirement and health care costs while reducing benefits for hundreds of thousands of public workers.

The commission says New Jersey needs to drastically change its pension and health plans. Christie's budget address will launch the complex proposal, which he'll hold up as the answer to a \$37 billion unfunded pension liability — which balloons to \$83 billion under new accounting rules — and \$53 billion in unfunded health care liability. -

[click here for more...](#)

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### ***Court Case...***

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### **MICHAEL W. UNDERWOOD, et al., vs. CITY OF CHICAGO, ILLINOIS**

United States Court of Appeals For the Seventh Circuit

ARGUED DECEMBER 10, 2014—DECIDED FEBRUARY 25, 2015

Before EASTERBROOK, SYKES, and HAMILTON, Circuit Judges.  
EASTERBROOK, Circuit Judge. Since 1982 Chicago has provided free or subsidized health care to retirees who receive pension benefits through funds for police, fire, and some other job classifications. In June 2013 the most recent ordinance establishing these benefits expired. It had been enacted in 2003 and contained a sunset clause providing for termination after 10 years. - [click here for more...](#)

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## **Training and Education...**

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### **2015 IPPFA Illinois Pension Conference**

IPPFA Illinois Pension Conference, for 2015, will be held in East Peoria, IL. The dates for the 2015 conference are May 5 - 8, 2015. The venue will be the Embassy Suites. Dr. Thomas P. M. Barnette will be our keynote speaker at this conference. Thomas P.M. Barnett has worked in US national security circles since the end of the Cold War, starting first with the Department of Navy's premier think tank, the Center for Naval Analyses. - [click here for more...](#)

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### **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 speaking on a variety of topics. - [click here for more...](#)

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### **IPPFA On-Line Certified Trustee Program/and Classroom Program**

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...](#)

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### **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...](#)

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### **IPPFA Toolkit!!!**

Illinois Public Pension Fund Members:

In our desire to actively engage our membership, and produce relevant materials that will be useful to our members in the field we have commissioned the services of VISION MAI, LLC to produce a tangible, easy-to-read handbook that can be referenced and revered at any time. - [click here for more...](#)

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