ILLINOIS PUBLIC PENSION FUND ASSOCIATION

Preparing Pension Funds for Tomorrow

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December 2015 Newsletter

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Hello All,

Happy Thanksgiving to you and yours! Now is the time to give Thanks to everything that we have and all of those that are in our lives. It's the time of year when we all are a little nicer to each other, we give a little more to the needy, and we are kinder to all of mankind. We have many headlines in the news that make these times trying and downright scary sometimes. From all of the tragedies overseas to the domestic issues we hear about every day. I don't judge anyone or anything until I have all the facts. The media always seems to "skew" the real truth yet we have people that believe everything they say. I remember giving an interview one time about a fire we had, what I said and what the reporter put down on paper were totally different. I don't get it.

President McNamee has been in contact with Springfield in regards to the state budget. Consolidation is one of the topics being brought up by the Governor. We at the IPPFA are adamantly against consolidation. The cost of consolidation is outrageous! The IPPFA had a study done by Anderson Economic last year. This study shows that it would not be economically sound to consolidate police and fire funds. You can go to our website for the study. We all know that underfunding by municipalities is the main cause of the pension dilemma. Police and Fire pension funds have made a significant comeback after the 2008

recession. Pension trustees are highly educated and all have a stake in making sure that Police Officers and Firefighters have retirement security after a long and difficult career.

The IPPFA Christmas Party is December 4th at the Union League Club. Please call the office for more information. The IPPFA Illinois Conference is May 3rd – May 6th, 2016 at the Embassy Suites in East Peoria, IL. Go to IPPFA.org for further information. I am off to over eat and watch some football at my brother's house in New Lenox! May all of you have a safe and happy holiday season!

Be safe
Tim Moss—Lieutenant, Oak Forest Fire Dept.—Executive Director, IPPFA

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Illinois Articles...

Huge deal floated to break Springfield's budget deadlock

By Greg Hinz—Crain's Chicago Business—November 16, 2015
A top political operative with ties on both sides of the aisle is shopping a big-picture compromise plan to resolve Illinois' budget war, and while it includes something to offend almost every interest group, its author says it's received at least some positive feedback from Springfield powers.
The plan comes from Greg Goldner, a former campaign manager for ex-Mayor Richard M. Daley and then-Congressman Rahm Emanuel whom some in Springfield nonetheless consider a front for GOP Gov. Bruce Rauner, even though he now runs the well-funded Democratic group Illinoisans for Growth and Opportunity. - click here for more...

Changes DB Plan Sponsor Clients Would See with Budget Bill

By Rebecca Moore—Plan Advisor—October 30, 2015
The Bipartisan Budget Act of 2015 includes some good news about funding calculations and mortality tables, but there is some bad news in it too.
Many retirement plan adviser clients will be impacted by provisions of the Bipartisan Budget Act of 2015 (H.R. 1314), but especially sponsors of defined benefit (DB) retirement plans.
The bill provides that the single-employer fixed Pension Benefit Guaranty Corporation (PBGC) premium would be raised to $68 for 2017, $73 for 2018, and $78 for 2019, and then re-indexed for inflation. The variable rate premium would continue to be indexed for inflation, but would be increased by an additional $2 in 2017, and additional $3 in 2018, and an additional $3 in 2019. - click here for more...

What the Social Security Squeeze Means for Retirees

Wharton University of Pennsylvania—October 23, 2015
The spotlight is back on the funding gap in the U.S. Social Security system. The trigger was last week's statement by the Social Security Administration (SSA) that 65 million Americans will not see an automatic increase in their monthly benefits because there was no increase in the consumer price index – or inflation — from the third quarter of 2014 to the third quarter of 2015. It was the third time in six years such increases were denied. - click here for more...

National Articles...

Many unhappy returns

Investing in a world of low yields
By The Economist—November 21, 2015
Pension funds and endowments are too optimistic
"KEEP your eyes on the stars," said Teddy Roosevelt, "and your feet on the ground." America's can-do spirit keeps its economy moving forward, but over-optimism can be harmful, especially if it leads people to make promises they cannot meet. If investment returns are lower in coming decades than they have been in recent ones, that is the position pension funds and college endowments will be in. - click here for more...

Matt Bevin seeks pension changes for new state hires

By Jack Brammer—Lexington Herald Leader

Gov.-elect looking at 401(k)-style plan for new Kentucky state employees

Bevin hopes retirement funds woes can be addressed in 2016 General Assembly

Government retirees group opposes Bevin's plan

Gov.-elect Matt Bevin said Friday he hopes to present to state lawmakers in the upcoming legislative session a plan to implement a 401(k)-style retirement plan for new state government employees.

Bevin, speaking to about 400 people at the annual Kentucky Association of Counties conference at the Lexington Center, called the state's public retirement systems the "most critical" challenge his administration faces. The Republican businessman from Louisville takes office Dec. 8. - click here for more...

Congress kills Social Security claiming loopholes

By Alicia H. Munnell—Marketwatch.com—November 11, 2015

The Bipartisan Budget Act of 2015 not only avoided major financial crises, but also eliminated some profitable Social Security claiming strategies. One of these strategies – "claim and suspend" – emerged in the wake of the Senior Citizens Freedom to Work Act of 2000, which first allowed the voluntary suspension of benefits. The goal was to allow people who decided that they had made a mistake by claiming early to stop their payments and earn delayed retirement credits. The other strategy – "spouse then worker" – emerged as a result of the growing importance of delayed retirement credits for workers who postpone claiming from age 66 to 70. This option was never intended to allow two-earner couples to claim the spouse's benefit as a bonus.

- click here for more...

EMPLOYER-REPORTED WORKPLACE INJURIES AND ILLNESSES –2014

Bureau of Labor Statistics—BLS.gov—October 29, 2015

The nearly 3.0 million nonfatal workplace injuries and illnesses reported by private industry employers in 2014 occurred at a rate of 3.2 cases per 100 equivalent full-time workers, according to estimates from the Survey of Occupational Injuries and Illnesses (SOII) conducted by the U.S. Bureau of Labor Statistics. (See tables 1 and 2.) The rate reported for 2014 continues a pattern of declines that, with the exception of 2012, occurred annually for the last 12 years. -click here for more...

THE AFFORDABLE CARE ACT, MEDICARE COSTS, AND RETIREMENT SECURITY

By Alicia H. Munnell & Anqi Chen—Center for Retirement Research at Boston College Nov-2015

Rising Medicare costs have been a major contributor to projected long-run budget deficits, and rising out-of-pocket costs have become an increasing challenge to individuals' retirement security. The 2010 Patient Protection and Affordable Care Act (ACA) made substantial changes to Medicare, designed both to im-prove the program's finances and to reduce the out-of-pocket costs faced by retirees. However, the Office of the Actuary (OACT) at the Centers for Medicare & Medicaid Services (CMS) warns that the assumed impact of the ACA may be overly optimistic and that realized savings may be far more muted. - click here for more...

REFERENCED IN: NCTR FYI, October 27, 2015 Article: NCTR, Other National Organizations Implore President, Congress to Block Medicare Part B Premium Hike

By National Counsel on Teachers' Retirement—October 2015
NCTR represents 68 state, territorial, and local pension systems, which serve more than 19 million active and retired teachers, non-teaching school personnel, and other public employees. NCPERS represents more than 550 public sector pension funds throughout the United States and Canada with approximately 21 million public employees and retirees as members, including teachers as well as firefighters, law enforcement officers, and other public servants. - click here for more...

The Right Protection

By Jill Cornfield—PLANADVISER—September/October 2015
What if a plan fiduciary steals from the retirement plan? What if someone makes an unwise investment choice and an unhappy participant sues the plan?
The first, most basic level of protection for retirement plan sponsors and retirement plan advisers is the ERISA bond, mandated by the Employee Retirement Income Security Act (ERISA) under Section 412. This coverage is designed to protect the plan against losses stemming from acts of fraud or dishonesty by anyone whose position gives him direct contact with plan assets.
- click here for more...

Medicare Part B Premium Increase Update

By NCTR Newsletter—Nov 3, 2015
First, the bad news: Medicare Part B premiums for many, but not all, retired teachers and other public employees will still increase in 2016, despite recent action by the Congress that was signed into law by the President on November 2, 2015. The standard premium for those enrollees who pay their premiums directly to Medicare, and who are therefore not covered by the so-called "hold-harmless" provision, will increase to $120.70 in 2016, PLUS an additional surcharge of $3, for a grand total of $123.70 per month. For the vast majority of Medicare Part B enrollees whose standard Part B premium is already taken out of a Social Security check, the standard premium will NOT increase at all—remaining $104.90 per month—and they will NOT be subject to the monthly $3 surcharge, which will apply for the next five years.
Now the good news: The 2016 standard premium increase for the approximately one in seven Medicare beneficiaries who will be affected, including millions of public employees who are not covered by Social Security, will NOT increase by 52 percent to $159.30, as originally scheduled. Instead, the 2016 increase (including the $3 surcharge) will be an 18 percent hike. Of course, as Michael Wald, an independent economics analyst and writer, points out in a recent post on FedSmith.com, this increase is far above the current rate of inflation and comes without any offsetting increase in Social Security. Furthermore, for many Federal retirees who are subject to the increase, there will not be any cost-of-living-adjustment (COLA) in 2016; the same is also true for many affected public employees who will also not see an increase in their retirement benefits in 2016.
Briefly, by way of background, Federal law protects the vast majority of Medicare Part B enrollees who receive a Social Security benefit from increases in their Medicare Part B premiums in years when no Social Security COLA is granted, such as will be the case in 2016. However, seniors who have high incomes, seniors who have low enough incomes that

they are also covered by Medicaid—in which case the state picks up the tab—and seniors who are not enrolled in Social Security—including many teachers—must absorb the premium increases scheduled for ALL beneficiaries.

The recent changes in law to address this originally-scheduled premium increase were included in the two-year budget deal reached between the bipartisan Congressional leadership and President Obama the week of October 21st. The package would suspend the limit on Federal borrowing until March 16, 2017, raise Federal spending levels above the 2011 Budget Control Act, and increase funding by $80 billion through September 2017—thus avoiding a possible government shut-down later this year.

The legislation—H.R. 1314, the "Bipartisan Budget Act of 2015"—was passed early last Friday morning, October 30th (around 3:00 AM), by a 64–35 vote in the Senate, which followed House approval by a vote of 266–167, including the support of 79 Republicans, on October 28th.

In addition to keeping the premium hike to the amount that all enrollees would have paid in 2016, but for the "hold-harmless" provision, the amendments impose a $3 surcharge, as noted previously, which will be in effect for five years, designed to help offset the $7 billion loan from the Treasury Department that permits the lower 2016 premium for those who are not protected by the "hold-harmless."

"I am pleased that our national leaders were able to find a way to quickly address this very serious matter," said Meredith Williams, NCTR's Executive Director.

On October 27th, NCTR and four other national organizations—the National Conference on Public Employee Retirement Systems (NCPERS), the National Education Association (NEA), the National Association of State Retirement Administrators (NASRA), and the American Federation of Teachers (AFT)—sent a letter to President Obama and the Congressional leadership urging them to do all in their power to find a solution as soon as was possible to block the dramatic increase in the Medicare Part B premium scheduled to take effect for millions of public sector retirees in 2016. The letter stressed that these higher costs "could literally mean a choice between health and hunger" for many of the "oldest and most vulnerable public sector retirees."

"I would have preferred to see no increase at all in their 2016 Medicare Part B premiums for our millions of retired teachers," he continued, "but I find myself agreeing with others who point out that, all things considered, we were pretty lucky to have had anything included in this last-minute budget deal."

Williams was referring to a comment by Richard Thissen, president of the National Active and Retired Federal Employees Association (NARFE), which has many members who also are not covered by existing law's "hold-harmless" provision. Thissen was quoted as saying that the fix in the budget deal "may not be perfect, but in a deeply polarized Congress, to have achieved a bipartisan compromise is a major victory."

"I wouldn't disagree," observed Williams, who also noted that when similar, if less dramatic, increases were presented in 2010 and 2011, when Social Security COLAs were not provided, Congress failed to stop the premium hikes for those ineligible for the "hold-harmless."

Legal & Legislative Updates...

Chicago Pension Reform Thrown Out, Supreme Court to Review

Articles By REIMER DOBROVOLNY & KARLSON LLC

Jones v. Municipal Employees' Annuity and Benefit Fund of Chicago, Cook Co. Case No. 14 CH 20027

In 2014 the legislature enacted pension "reform" legislation aimed at addressing the underfunding of Chicago's city workers pension systems. That legislation reduced the annual increases for retirees, increased employer and employee contributions, and provided beneficiaries a mechanism by which to seek judicial review of pension underfunding by the city. Individuals affected by the legislation as well as some labor unions filed suit contending the legislation was an unconstitutional diminishment of pension benefits.

Attempting to distinguish the legislation from recent Illinois Supreme Court decisions, the City argued the legislation did not amount to a diminishment but rather provided a "net benefit" to the members. This argument was based on the City's perception the legislation provided a road for the pension funds to become financially viable on a long term basis. In addition, the City argued the legislation was a "bargained-for exchange for consideration" thereby satisfying the Pension Protection Clause. The City pointed to a footnote in the recent Supreme Court decision suggesting benefits may be altered when additional benefits are added. It noted in argument several City unions approved of the pension plan and of the legislation.

The Circuit Court first found the legislation clearly constituted a diminishment of pension benefits. The Court found the City's argument the legislation constitutes a "net benefit" because it included enforceable obligations directly contrary to the Illinois Supreme Court holding in In re Pension Reform Litigation. It noted the legislation at issue in that case contained similar enforcement mechanisms. However, the Supreme Court found that legislation unconstitutional as a diminishment of pension benefits. The Circuit Court here followed the same reasoning noting, "Quite simply, the constitution removed diminishing benefits as a means of attaining pension stability."

As to the City's argument the legislation passed Constitutional muster as a "bargained for exchange," the Court noted the City presented no authority for its proposed broad reading of the Pension Protection Clause. Moreover, it noted those unions voicing support of the legislation were acting outside the scope of collective bargaining, did not have the authority to bind their members, and in some cases did not even take any formal vote expressing memberships' support or opposition of the plan. It also noted none of them purported to have the authority to find the retirees.
In short, the Circuit Court found the legislation a clear diminishment of pension benefits and therefore unconstitutional for the same reasons expressed in recent Illinois Supreme Court precedent.

The Illinois Supreme Court has accepted direct appeal of this case and scheduled oral arguments for November. ❖

Helpful Sites...

Your path to Government Benefits

By Government.gov
Benefits.gov offers multiple search methods to help you quickly find benefits based on the type of assistance you are interested in. Select an option below to start your search! - click here for more...

Training and Education...

2016 IPPFA Illinois Pension Conference

Dates and location for 2016 IPPFA Illinois Pension Conference:
2016 IPPFA Illinois Pension Conference is scheduled for May 3th - 6th, 2016, at the Embassy Suites in East Peoria, Illinois.
Book your rooms now for the Embassy Suites - Online Registration is now available. -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 speaking on a variety of topics. - click here for more...

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...

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...

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...