



ILLINOIS PUBLIC PENSION FUND ASSOCIATION

Preparing Pension Funds for Tomorrow

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February 3, 2014

February 2014 Newsletter



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Illinois Articles...

Illinois Senate Bill 1: An Interview with Daniel Biss

By Glen Brown—January 22, 2014

Chad Aldeman: First, can you say why you are interested in pension reform, and what made this bill important?

Daniel Biss: *I'm interested in pension reform because the first two years of my service in the Illinois General Assembly were years that followed a very significant tax increase and yet saw extremely deep cuts in discretionary spending to areas of public service that I cared deeply about, the reasons that I entered public service in the first place. The size of our pension payments was so large that if we tried to address our budget problems without looking at pensions, we would be signing ourselves up for deep and never-ending impacts on the rest of state government. I just couldn't get to a place where that seemed acceptable. I sought out changes to the pension system that ultimately strengthened and preserved it for those who rely on it the most...* -

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

Comparing Public Pension Accounting and Funding Measures

By Paul Zorn—GRS Insight—October 2013

In June 2012, the Governmental Accounting Standards Board (GASB) made significant changes to the accounting and financial reporting standards for state and local government pension plans, as well as for their sponsoring governments. Prior to the GASB's changes, a public pension plan's actuarial cost, accrued liability, and value of assets were essentially the same for both funding and accounting purposes. - [click here for more...](#)

Economic Outlook Symposium: Summary of 2013 results and 2014 forecasts

by William A. Strauss, senior economist and economic advisor, and Jacob Berman, associate economist According to participants in the Chicago Fed's annual Economic Outlook Symposium, the U.S. economy is forecasted to grow at its fastest pace in three years in 2014, with inflation remaining low and the unemployment rate edging down.

The Federal Reserve Bank of Chicago held its 27th annual Economic Outlook Symposium (EOS) on December 6, 2013. More than 100 economists and analysts from business, academia, and government attended the conference. - [click here for more...](#)

MY FIRST YEAR IN REVIEW

by P.O. Michael K. Lappe—Trustee—Chicago Police Dept.

I now have completed my first full year as your elected trustee representative, and continue to weather the storm of uncertainty when our politicians continually get their mugs on TV to offer suggestions about pension reform at our expense, but not theirs. It makes one wonder how an elected official becomes an expert in this field. (If there is a politician reading this article, do yourself and us a favor, consult with an actuary, comptroller and have an impact statement completed). As your trustee, myself and all trustees are to remain neutral of the politics. We are to administer and follow the law(s) that have been passed in Springfield relating to any and all pension legislation from the past, current or future. This component of pension reform is out of the trustee's control, but I need to address an issue that most definitely is within the Pension Board's decision making authority.

As I just mentioned, I have completed one full year of my three year term and have realized the amount of duty related injury on duty (IOD) benefit claims have increased from previous years. Even more shocking, reviewing an officer's claim and medical history, these records of evidence from our Chicago Police Department's Medical Section, indicate how an officer with six (6) years of service (an example) has racked up several hundred days of medical time i.e., sore finger (62 days), flu (49 days) not to mention the staggering amount of days for an IOD i.e., scraped knee (364) days, and the list goes on and on. To have this officer come before the Board requesting a duty disability benefit after two independent doctors suggest the officer return to work, the claimant's attorney presents his doctor's report which says that he/she is 100% totally disabled and cannot perform the duties of a police officer. Obviously, someone went shopping around. This speaks of the conduct brought forth before the Board from the legal and medical professions alike.

What's happening here and how does the Board curtail this type of behavior? The Board and all trustees' have a fiduciary responsibility to protect our pension monies from those who are less than truthful and those who are out to hoodwink the Board in their quest to collect a bogus IOD benefit. To counter this, the Board at my request has implemented a document that must be signed (whereas an official notary stamp is affixed) by anyone who makes an

application for a disability claim, in any form. This document, from the State of Illinois, reads: I have been made aware of 40 ILCS 5/1-135, a newly enacted pension provision which in part provides a criminal penalty (Class 3 Felony) for any person who “knowingly makes any false statement or falsifies or permits to be falsified any record of (the pension fund) in an attempt to defraud the Fund.”

Since my tenure on the board, one disability case has been forwarded to the Cook County State’s Attorney Office while another case is being prepared by our Board attorney for review and/or criminal prosecution. Let me make this crystal clear; The Policemen’s Annuity and Benefit Fund of Chicago Board of Trustees’ in conjunction with the Cook County States Attorneys’ office will prosecute any person where evidence suggests of wrongdoing. The way I see it, these employee’s are just that, an employee. I respectfully reserve the title of addressing a person “Officer” for those who have served with unselfish courage and bravery. Some officers may have been injured performing a common duty related task that may have gone wrong. The Board gets it. Such incidents happen. Please don’t conclude that I’m being hard on those who appear at a hearing on Board meeting days. I have been known to ask the applicant some hard and embarrassing questions as your trustee, but the truth of the matter at hand is what needs to be learned. Myself and the entire Board keep an open mind in granting or denying a benefit claim, but the facts are the facts, regardless of how “good” of a guy he or she may be. If this is what it takes for myself and the Board of Trustees’ to curtail an applicant from picking your pocket and ripping you, me and all who pay 9% into the pension fund each and every payday, then so be it.

Let’s keep this benefit for those who it was meant to be applied too only.

In 2011, twenty-seven (27) employees’ had applied for a disability claim. Seventeen officers (17) were granted a benefit claim.

In 2012, forty (40) employee’s had applied for a disability claim. Twenty-three (23) officers were granted a disability benefit.

In 2013, Thirty-one (31) employee’s had applied for a disability claim. Thirty-two (32) officers as of this writing were granted a disability claim. (This is not a mistake. There are 45 more days left in 2013 and several awards were from the 2012 agenda that spilled over into 2013). Our records currently reflect that 370 officers are in receipt of collecting a disability benefit. This translates into the Pension Fund paying out \$22 million dollars in 2011 while the 2012 disability payout was \$21 million, 200 thousand dollars. On several occasions, the Board of Trustees’ have had conversations relating to the city denying an officer who became IOD the advantage of continuing serving our citizens and the CPD in another important capacity.

Example; squad car accidents are very common in our line of work. Given the fact that these vehicles are outfitted with a docking station, computer and other electronic emergency gadgets to zip you through traffic, they happen. If you were to suffer a broken leg, hip or another non-life threatening type injury, there may come a time within your 365 days when you through your own personal diligence desire to get back to work for any number of reasons. You may not be 100% from an IOD event. In some cases you may never be. There are compatible assignments within our department that are available. This idea that you need to arrest a passive resistor is extremely remote. The fact of the matter is, you’re working in a secured facility. A passive resister probably has to go through 15 officers before they get to you. I would suggest that active officers and your district/unit representatives continue to drill the city contractually to allow theses officers the opportunity to function within the CPD.

One more topic; it is imperative that you know who your beneficiaries are. Back in the day, when you signed the death benefit card as a recruit, most of us listed a parent(s) and/or a family member as the beneficiary. As events change in your personal life, i.e., marriage, divorce, newborn child, adoption, death etc. call the fund at 312- 744-3891 and ask the receptionist to look up your status. If you need to get documents to the Fund, don’t wait. Get it done. This is just too

important to keep putting off. Also, take a few minutes and log onto the website of the Policemen's Annuity and Benefit Fund of Chicago. www.chipabf.org Our web site is very transparent. Any areas of the pension can be found on the site. Official reports are also provided to the viewer. Under calculations, you can crunch some retirement numbers at the current rate.

Lastly, I have been putting in some long hours here, which I don't mind and addressing calls and issues from our members. I also have hit a few roll calls with news of why our pension fund is currently in a gloom and doom category. We all read current news accounts in some form or another each day. I wish that I had the answers we all want to hear, but it's not the case. For those officers whom I have met and those that I would welcome meeting, thank you for electing me as your trustee. (It's not even an election year) I will continue to serve you the members to the best of my abilities.

National Articles...

Flaws of adopting cost cutting in switching to DC plans

By Diane Oakley—Pensions & Investments—January 20, 2014

Thinking back to 2007 — before the financial crisis — public pension plans in the aggregate had nearly 90% of the assets on hand required to pay retirement benefits due decades in the future. However, like all investors, public pension funds took a deep hit when the financial markets melted down in 2008. With markets in a downward freefall, pension assets plummeted, unfunded liabilities grew and pressure mounted on state policymakers to enact reforms. Even states with well-funded plans were prudent to closely examine their retirement systems, while policymakers in states that had fallen behind on their contributions prior to the Wall Street crisis faced tough decisions. - [click here for more...](#)

Oklahoma Firefighters sues Bob Evans directors over bylaw-vote change

By Bloomberg—Pensions & Investments—January 23, 2014

[Oklahoma Firefighters Pension](#) and Retirement System, Oklahoma City, sued Bob Evans Farms Inc. directors claiming the board improperly stripped investors of their rights to use a majority vote to amend the restaurant chain's bylaws. The board of Columbus, Ohio-based Bob Evans unilaterally reinstated a requirement that investors get an 80% supermajority shareholder vote to amend the company's bylaws as part of an effort to help directors keep their seats, the Oklahoma pension fund said in a complaint filed in Delaware Chancery Court in Wilmington. Another investor is seeking support to oust directors.

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

Views on Employment-Based Health Benefits: Findings from the 2013 Health and Voluntary Workplace Benefits Survey

by Paul Fronstin, Ph.D., EBRI, and Ruth Helman, Greenwald & Associates

Most workers are satisfied with the health benefits they have now and express little interest in changing the current mix of benefits and wages offered by their employers. If current tax preferences for employment-based health benefits were to change, and the benefits were to become taxable, 39 percent of individuals say they would continue with their current level of coverage, virtually unchanged from 40 percent in 2012 but up from 31 percent who indicated that preference in 2011. -[click here for more...](#)

Public Pension Plan Reform: The Legal Framework

By Amy Monahan—University of Minnesota—Twin Cities—School of Law—March 17, 2010

Abstract:

There is significant interest in reforming retirement plans for public school employees, particularly in light of current market conditions. This paper presents an overview of the various types of state regulation of public pension plans that affect possibilities for reform. Nearly all of the various approaches to public pension plan protection taken by the states

have significant flaws. These flaws include a lack of clarity regarding what plan changes the relevant legal standard will allow, combined with either too much or too little protection for plan participants. This paper argues that states would be well served to adopt a contractual approach to public pension benefits, but to limit that contractual protection to accrued benefits. This approach is clear, protects legitimate participant interests, and preserves an employer's ability to respond to changing economic conditions. - [click here for more...](#)

Taxation of Retirement Benefits

See other States throughout the U.S.

Maine. Public Law No. 2011-138 (House Bill 284) provides a state income tax exemption for annuity income made to the survivor of a deceased member of the military as the result of service in active or reserve components of the United States Army, Navy, Air Force, Marines or Coast Guard under a survivor benefit plan or reserve component survivor benefit plan pursuant to 10 United States Code, Chapter 73, to the extent the annuity income is included in federal adjusted gross income, effective for tax year 2011 and thereafter. - [click here for more...](#)

Court Case...

IN THE SUPREME COURT OF THE STATE OF NEW MEXICO

December 19, 2013

JOANNA BARTLETT, LENORE PARDEE, DAVID HAMILTON, and BETH LEHMAN,

Petitioners, v. MARY LOU CAMERON, RUSSELL GOFF, DELMAN SHIRLEY, BRADLEY DAY, HANA SKANDERA, JAMES B. LEWIS, and J. THOMAS MCGUCKIN, in their official capacities as Board of Trustees of the New Mexico

Education Retirement Board, and JAN GOODWIN, in her official capacity as Executive Director of the New Mexico Education Retirement Board, Respondents.

Petitioners are retired teachers, professors and other public education employees (collectively, Retirees) who seek a writ of mandamus against the New Mexico Education Retirement Board (ERB), which administers their retirement plan under the Educational Retirement Act (ERA). *See* NMSA 1978, § 22-11-6 (2011) (describing the powers and duties of the ERB); *see also* NMSA 1978, §§ 22-11-11 to -15 (2011) (describing the educational retirement fund). Retirees seek to compel the ERB to pay them an annual cost-of-living adjustment (COLA) to their retirement benefits, calculated according to the statutes “*in effect at the time of Petitioners’ date of maturity of their rights,*” instead of the current statutes as recently modified by our Legislature. - [click here for more...](#)

Training and Education...

Sign up for the 2014 IPPFA Illinois Spring Pension Conference

IPPFA Spring Pension Conference will be held in East Peoria, IL. The dates for the 2014 conference are May 6 - 9, 2014. The venue will be the Embassy Suites. The IPPFA rate is \$145.00 per night which includes complimentary breakfast and manager's reception every day. Call the Embassy Suites direct at 1-309-427-2424 or register online. - [click here for more...](#)

Peoria Chiefs Baseball Game Registration

Sign up now as we are limited so it is first come first served!!

Join Us for a Day at the Ball Park, Benefitting The Remembrance Fund--Price Includes ROUNDTRIP BUS TRANSPORTATION from the Embassy Suites, Ticket to THE CARDINAL'S ROOST PARTY DECK, Lunch buffet and soft drinks (cash bar on deck). - [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...](#)

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. Plus you can do this in the comfort of your own home or office! - [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...](#)
