



ILLINOIS PUBLIC PENSION FUND ASSOCIATION

Preparing Pension Funds for Tomorrow

www.ippfa.org

July 1, 2015

July 2015 Newsletter



In this issue...



Hello All,

I hope this letter finds everyone safe and sound after the storms Illinois has seen recently. Our thoughts and prayers go out to the people of Ottawa, Coal City, and Kankakee that were hit this week with tornados and flooding.

The IPPFA in conjunction with members from Texas Public Retirement System, TEXPERS, recently held a seminar in New York City. The seminar was held at the offices of Alliance Bernstein. We had over 50 attendees at the seminar. The attendees were treated to many great speakers at the seminar. I would like to thank all of our sponsors that helped us out with the seminar. They also were treated to a tour of the New York Stock Exchange and the 9/11 Memorial. This is the second time I have visited the 9/11 memorial. I encourage every American to visit this memorial. We will never forget.

The Retirement Coordinator class will be starting very soon. We are finalizing the dates and locations. We will E-blast this to all pension systems. This class is designed to help answer questions when it comes to retirement benefits, social security, death benefits, etc.

The registration is now open for the MidAmerican Conference in October. Please check the website IPPFA.org for information on the conference. The golf outing registration is also open. Both the conference and golf outing fill up fast so register early. If you have any questions, please contact the IPPFA office.

The Blue Ribbon Remembrance and Survivors Fund Motorcycle Ride will be held on July 12,

2015. Please check the website for information and registration. Please remember to inform and educate your members and city officials in regards to pensions. There are many people out there that think we get exorbitant pensions. The more people we educate on the facts, the more people will understand how important it is to have retirement security and the benefit it is to the economy.

Be safe,

*Tim Moss—Executive Director, IPPFA
Lieutenant, Oak Forest Fire Department*

IPPFA 2015 MidAmerican Golf Outing Brute Golf Course – October 6, 2015, reserve your spot now. -[click here for more...](#)

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Illinois Articles...

Thank You Letter from Travis March, DOI

(Dated 06-25-15) On my last day here at the Department of Insurance, I wanted to thank you – as well as the many talented members of your organizations – for your assistance during my five years as Deputy Director of the Public Pension Division. Effective tomorrow, I will be moving to the Department of Commerce and Economic Opportunity (DCEO) as their new Chief Financial Officer. Prior to coming to DOI, I had spent 21 years in budget and CFO positions in other state agencies, so the new position will take me back to the fiscal arena.

It was a very difficult decision to move on from DOI due to the many friendships and professional relationships developed during my time here. Looking back, I feel we made significant strides in improving our regulatory services and system capabilities. It has truly been a privilege and I greatly enjoyed the opportunity to work with you all. I'm certain that I inadvertently left a few people off the list, so please extend my thanks to others in your organizations.

Effective tomorrow (06-26-15), Kevin Fry will be the Acting Deputy Director of the Public Pension Division. Kevin can be reached at kevin.fry@illinois.gov or by phone at (217) 524-0503.

Thanks—Travis March—Deputy Director - Public Pension
Department of Insurance
320 W. Washington, Room 575
Springfield, IL 62767

Blood pressure in firefighters, police officers, and other emergency responders

By Kales, Tsismenakis, Zhang & Soteriades—PubMed.gov

Abstract

Elevated blood pressure is a major risk factor for cardiovascular morbidity and mortality. Increased risk begins in the prehypertensive range and increases further with higher pressures. The strenuous duties of emergency responders (firefighters, police officers, and emergency medical services (EMS) personnel) can interact with their personal risk profiles, including elevated blood pressure, to precipitate acute cardiovascular events. Approximately three-quarters of emergency responders have prehypertension or hypertension, a proportion which is expected to increase, based on the obesity epidemic. - [click here for more...](#)

Creating an Investment Policy

By Government Finance Officers Association

Background: A written investment policy is the single most important element in a public funds investment program. An investment policy should describe the most prudent primary objectives for a sound policy: safety, liquidity, and yield. It should also indicate the type of instruments eligible for purchase by a government entity, the investment process, and the management of a portfolio. Such a policy improves the quality of decisions and demonstrates a commitment to the fiduciary care of public funds, with emphasis on balancing safety of principal and liquidity with yield. Adherence to an investment policy signals to rating agencies, the capital markets and the public that a government entity is well managed and is earning interest income suitable to its situation and economic environment. - [click here for more...](#)

The Funding of State and Local Pensions: 2014-2018

By Alicia H. Munnell & Jean-Pierre Aubry—Center for State and Local Government Excellence

The year 2014 was always going to be a pivotal one for the funded status of public pension plans because, under the old GASB 25 accounting standards, the disastrous stock market performance of 2009 rotates out of the smoothing calculations for the majority of plans that use a five-year averaging period. But 2014 also became pivotal because it was the first year that plan sponsors reported under GASB's new accounting standards for their financial disclosures. - [click here for more...](#)

The Current State of State Budgets: A new report shows how states are managing their money

By Mike Maciag—Governing—June 16, 2014

State budgets continue to record modest growth but often not enough to keep pace with the cost of K-12 education, health care and other escalating items. That's according to a report released Tuesday by the National Association of State Budget Officers (NASBO) detailing estimated fiscal 2015 financial figures and governors' budget proposals for each state. - [click here for more...](#)

National Articles...

Supreme Court upholds nationwide health care law subsidies

By MARK SHERMAN—June 25, 2015—Associated Press

WASHINGTON (AP) -- The Supreme Court on Thursday upheld the nationwide tax subsidies underpinning President Barack Obama's health care overhaul, rejecting a major challenge to the landmark law in a ruling that preserves health insurance for millions of Americans.

The justices said in a 6-3 ruling that the subsidies that 8.7 million people currently receive to make insurance affordable do not depend on where they live, as opponents contended. - [click here for more...](#)

Are Public Pension Funds Making Unrealistic Assumptions on Asset Returns?

By Center for Economic and Policy Research—02 June 2015

American Enterprise economist Andrew Biggs again warned about public pension funding in a Wall Street Journal piece. He's not altogether wrong. Biggs points out that many states continue to badly underfund their pensions. He also cautions against pension funds taking too much risk with their investments. These points are well taken, but I would raise a few issues about Biggs's argument.

First, it's good to see that Kansas is Biggs's poster child as one of the states with a poorly funded pension plan looking for higher market returns rather than making its required contributions. This is worth noting because Kansas is one of the most Republican states in the country, with a very conservative governor. It certainly is not a hotbed of public sector unionism.

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

U.S. State Pension Roundup: Recent Court Rulings And Reform Slowdowns Make Active Management Essential

By Standard and Poor's Rating Services

Despite six years of favorable economic expansion, a majority of states face budget gaps in either fiscal 2015 or fiscal 2016, or both years. Although Standard & Poor's Ratings Services views the majority of these gaps as manageable and no immediate threat to a state's credit quality, they could test a state's pension funding commitment. Furthermore, a state's commitment to funding its actuarially determined contribution (ADC) and how substantive and volatile these contributions are relative to the total budget remain key credit considerations in Standard & Poor's assessment of a state's credit quality. - [click here for more...](#)

Retirement Security: Most Households Approaching Retirement Have Low Savings

By US Government Accountability Office—GAO-15-419: Publicly Released: Jun 2, 2015.

Many retirees and workers approaching retirement have limited financial resources. About half of households age 55 and older have no retirement savings (such as in a 401(k) plan or an IRA). According to GAO's analysis of the 2013 Survey of Consumer Finances, many older households without retirement savings have few other resources, such as a defined benefit (DB) plan or nonretirement savings, to draw on in retirement (see figure below). For example, among households age 55 and older, about 29 percent have neither retirement savings nor a DB plan, which typically provides a monthly payment for life.

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

San Bernardino Exit Plan Cuts Some Pension Costs

Posted by: Ed Mende—Publicceo—May 27, 2015

A San Bernardino plan to exit bankruptcy follows the path of the Vallejo and Stockton exit plans, cutting bond debt and retiree health care but not pensions. Then it veers off in a new direction: contracting for fire, waste management and other services.

The contract services are expected to reduce city pension costs. Other pension savings come from a sharp increase in employee payments toward pensions and from a payment of only 1 percent on a \$50 million bond issued in 2005 to cover pensions costs.

Last week, a member of the city council had a question as a long-delayed “plan of adjustment” to exit the bankruptcy, declared in August 2012, was approved on a 6-to-1 vote, meeting a May 30 deadline imposed by a federal judge. - [click here for more...](#)

NASRA Issue Brief: Cost-of-Living Adjustments

February 2014

Cost-of-living adjustments (COLAs) in some form are provided on most state and local government pensions. The purpose of a COLA is to offset or reduce the effects of inflation on retirement income. Considerable variation exists in the way COLAs are designed, and in many cases they are determined or affected by other factors, such as inflation or

the condition of the plan. COLAs add both value and cost to a pension benefit. Public pension COLAs have received increased attention as many states look to make adjustments to the cost of benefits amid challenging fiscal conditions and the current low-inflationary environment. . This brief presents a discussion about the purpose of COLAs, the different types of COLAs provided by government pension plans, and an overview of recent state changes to COLA provisions.

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

Borrowing to Replenish Depleted Pensions

By Mary Williams Walsh—The New York Times—May 27, 2015

HARRISBURG, Pa. — Facing a shortfall of more than \$50 billion in his state’s pensions, and with no simple solution at hand, Gov. Tom Wolf of Pennsylvania is proposing to issue \$3 billion in bonds, despite the role that such bonds have already played in the fiscal woes of other places.

And he is not alone. Several states and municipalities are considering similar action as they struggle with ballooning pension costs.

Interest in so-called pension obligation bonds is expected to intensify in the wake of a recent Illinois Supreme Court Decision that rejected the state’s attempt to overhaul its severely depleted pension system. -

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

NASRA Issue Brief: State and Local Government Spending on Public Employee Retirement Systems

Updated February 2015

State and local government pension benefits are paid not from general operating revenues, but from trust funds to which public retirees and their employers contributed while they were working. On a nationwide basis, pension contributions made by state and local governments account for 3.9 percent of direct general spending (see Figure 1)i. Current pension spending levels, however, vary widely among states and are sufficient for some pension plans and insufficient for others. - [click here for more...](#)

Court Case...

Appellate Defines Requirements for Approving Pensions

Articles By REIMER, DOBROVOLNY & KARLSON LLC

Balderman v. Board of Trustees of Police Pension Fund of the Vil. Of Chicago Ridge, 2015 IL App (1st) 140482

In a recent opinion, the First District Appellate Court issued a decision which makes clear the requirements for pension board to properly approve a retirement or disability pension. The Court affirmed the trial court’s finding that the pension board had not rendered a final administrative decision regarding a pension application and, therefore, retained jurisdiction to convene a hearing to consider the salary of the applicant.

Both Balderman, the chief of police, and Kapelinski, the deputy chief of police, had a “buyout” provision in their contract that included a 20% raise in salary on their last day of employment. Kapelinski also served as a trustee on the

pension board.

On April 28, 2010, Balderman submitted a line-of-duty disability pension application. The same day, without conducting any investigation, the pension board considered Balderman's disability pension application. Over the pension board president's reservations, the pension board voted 5-0 on Kapelinski's motion to approve Balderman's disability pension. The same day of the hearing, Kapelinski, acting as pension board secretary, signed a document acknowledging Balderman's salary to include the 20% raise, for purposes of determining the monthly pension amount. The Board did not consider or vote to approve Balderman's pension or salary. Following the hearing, a written "Finding and Decision" was distributed to and then signed by all of the pension board members. The Finding and Decision was never presented at an open meeting of the pension board and did not include any determination regarding Balderman's salary attached to rank for purposes of his pension.

On May 6, 2010, Kapelinski applied to the pension board for a regular retirement pension, effective May 29, 2010. Even though he had been awarded a disability pension on April 28, 2010, Balderman signed Kapelinski's retirement application on May 6, certifying creditable service. The pension board never voted to approve Kapelinski's retirement pension application, pensionable salary, or the total amount of pension. Nevertheless, the necessary Village representatives approved the calculations for both Kapelinski's and Balderman's pensions. The Illinois Department of Insurance issued an advisory opinion that the 20% increases in salary should be included in the pension calculations.

On October 21, 2010, the pension board served notice to Balderman and Kapelinski of a hearing to investigate and/or determine final salary amounts for pension purposes. Both Balderman and Kapelinski filed a complaint for declaratory and injunctive relief seeking to prevent the pension board from taking any action to alter their pensions. The pension board maintained no final order for payment was ever approved by a majority vote.

In finding the pension board retained jurisdiction, because it had not issued a final administrative decision, the Appellate Court noted, "It is elementary that a final decision of an administrative agency must be in writing...the written decision must be prepared and provided to each board member at or before the time the board votes to take final action on the application." Balderman, 2015 IL App (1st) 140482 ¶31. The Appellate Court found the pension board had taken "no action whatsoever with respect to Kapelinski's application."

The Appellate Court further found the irregularities in the handling of Balderman's application indicated there had been no valid final administrative decision. Specifically, the Appellate Court noted it was a violation of the Open Meetings Act to consider Balderman's disability pension application on the same day it was first presented to the pension board. In addition, the pension board never voted to approve the amount of Balderman's pension. The Appellate Court rejected all of the plaintiffs' arguments, which attempted to find validity in improper determinations regarding their pensions. The Appellate Court affirmed the circuit court's judgment dismissing Balderman and Kapelinski's complaint for declaratory relief.

This case provides both a cautionary tale and outlines the steps necessary for pension boards to properly and fully consider, vote, and issue decisions regarding both disability and retirement pension applications. ❖

Training and Education...

2015 MidAmerican Pension Conference—Celebrating Our 30 Year Anniversary

IPPPFA MidAmerican Pension Conference will be held in Lake Geneva, WI.

The dates for the 2015 conference are October 6th - 9th, 2015. The venue will be the Grand Geneva Resort & Spa. Our Keynote Speaker will be General Conway who is a four-star general and served as the 34th Commandant of the Marine Corps.

Grand Geneva Resort and Spa is now full. A few rooms are still available at Timber Ridge Lodge. The Holiday Inn Club Vacations has space available. **Call 866-915-4224** to make reservations and use the **Group Code: IPP**. The Holiday Inn Club Vacations is located at the Grand Geneva Resort and Spa as is Timber Ridge Lodge

2015 IPPFA MidAmerican Pension Conference online registration is now open for enrollment.

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

2016 IPPFA Illinois Pension Conference

Dates and location for 2016 IPPFA Illinois Pension Conference:

2016 IPPFA Illinois Pension Conference is schedule 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...](#)

IPPPFA 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...](#)

IPPPFA 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...](#)

