



ILLINOIS PUBLIC PENSION FUND ASSOCIATION

Preparing Pension Funds for Tomorrow

www.ippfa.org

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June 2014 Newsletter



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Illinois Articles...

The Affordable Care Act and the labor market

By Daniel Aaronson, vice president and director of microeconomic research, and Darren Lubotsky, associate professor, Institute of—Chicago Fed Letter

Government and Public Affairs and Department of Economics, University of Illinois at Chicago

In 2010, Congress passed the Affordable Care Act (ACA), the largest expansion of health insurance since the advent of Medicaid and Medicare roughly a half century ago. Because the law is being phased in slowly and many provisions are still years away from being launched, the law's impact on employment, wages, job mobility, retirement, self-employment, economic efficiency, and overall well-being remains contentious. - [click here for more...](#)

Mandatory Disclosure and Financial Contagion

By Fernando Alvarez, University of Chicago and NBER and Gadi Barlevy Federal Reserve Bank of Chicago

This paper analyzes the welfare implications of mandatory disclosure of losses at financial institutions when it is common knowledge that some banks have incurred losses but not which ones. We develop a model that features contagion, meaning that banks not hit by shocks may still suffer losses because of their exposure to banks that are. In addition, we assume banks can profitably invest funds provided by outsiders, but will divert these funds if their equity is low. Investors thus value knowing which banks were hit by shocks to assess the equity of the banks they invest in. We find that when the extent of contagion is large, it is possible for no information to be disclosed in equilibrium but for mandatory disclosure to increase welfare by allowing investment that would not have occurred otherwise. Absent contagion, mandatory disclosure cannot raise welfare, even if markets are frozen. - [click here for more...](#)

A Letter to the Editor to Chicago Tribune from Dan Ryan

Letter to the Editor—Chicago Tribune—May 4, 2014

Subject: Public Employee Contributions to Pension Funds

Dear Editor:

I was surprised when a letter I recently sent to the Wall Street Journal was subject to fact-checking by the Journal, just as if I was a staff member who had written an article or editorial.

The letter that the Chicago Tribune published on May 3rd from Jack Kraus could have benefited from the same level of review. The writer states that public employees “contribute very little of their own money” to their pension funds. The facts do not support this, at least when it comes to our sworn fire and police personnel.

I am a citizen appointee to the Skokie Police Pension Board. Our officers and others statewide pay 9.91% of their salary to the pension fund every payday. The Fund's actuary has advised us that the officers typically pay about one-third of the normal cost of pensions. Our own recent five-year history shows that the police officers have paid 41% of the non-investment revenue into the Fund. The taxpayers, of which I am one, conversely paid 59%.

Given that the taxpayer does not have to pay a Social Security match for these employees who are not part of that federal system, the municipal share of the police pension cost is completely manageable, more so because of the large contribution made by the employees themselves. A similar dynamic exists for the firefighter pension system.

Sincerely,
Daniel Ryan

National Articles...

How Social Security Benefits Are Computed: In Brief

By Noah P. Meyerson—Analyst in Income Security—May 12, 2014—Congressional Research

With \$812 billion in benefit outlays in 2013, Social Security is the largest program in the federal budget. It provides monthly cash benefits to retired and disabled workers and their family members as well as to the family members of deceased workers. Currently, there are about 58 million beneficiaries. Under current law, Social Security's revenues are projected to be insufficient to pay full scheduled benefits after 2033.

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

Public Finance Pension Pressures Continue

2014 State Pension Update—Special Report—Fitch Ratings

State Plan Challenges Persist Even With Market Gains Funded Ratios Stop Declining:

The median reported funded ratio for major state wide defined benefit pension plans that have reported 2013 valuations rose slightly in 2013, to 71.6 %, from 69.1 % in 2012. This contrasts with major plans' experience from the 2008–2009 recession until 2012, during which median reported funded ratios fell nearly 14% in aggregate. Although many plans were still absorbing recessionary losses in 2013 given their practice of smoothing asset gains and losses over many years, recent asset gains and in some cases benefit and contribution reforms that materially reduce actuarial liabilities are contributing to plan stabilization.

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

Finding Common Ground

By Pension Dialog—April 17, 2014

In a week of yet more questionable research, dire predictions, and differing agendas, one analysis focused on what is particularly important: improving pension funding discipline. As we've said before, employees always pay their full required contribution. Likewise, it is vital that municipalities make what actuaries say is needed to meet annual obligations, known as the ARC.

The Public Fund Survey Summary of Findings shows the effects of declining ARC effort during and after the Great Recession. While subsequent alterations to plans have increased some employees and employer contributions, implementing higher contributions, from employees and employers, takes time, as the effect of changes, such as investment losses, must first be measured through an actuarial valuation; then a legislature or other governing body must approve new contribution rates.

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

Illinois pension reform legislation and subsequent challenges

By Buck Consultants—April 23, 2014

Illinois operates five public retirement systems. Collectively, they have an unfunded liability of nearly \$100 billion, one of the largest funding shortfalls of any state public pension system in the country. At the same time, the Illinois constitution provides some of the strongest protections available nationwide for pension benefits, describing participation in any state retirement system as "an enforceable contractual relationship, the benefits of which shall not be diminished or impaired." Illinois passed pension reform legislation at the end of last year, the constitutionality of which is now being challenged by public-sector unions.

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

Public Pension Plan Investment Return Assumptions Updated April 2014

NASRA Issue Brief

As of December 31, 2013, state and local government retirement systems held assets of \$3.88 trillion. These assets are held in trust and invested to pre-fund the cost of pension benefits. The investment return on these assets matters, as investment earnings account for a majority of public pension financing. A shortfall in long-term expected investment earnings must be made up by higher contributions or reduced benefits. Funding a pension benefit requires the use of projections, known as actuarial assumptions, about future events. - [click here for more...](#)

Court Case...

TAIYM vs. THE RETIREMENT BOARD OF THE POLICEMEN'S ANNUITY AND BENEFIT FUND OF CITY OF CHICAGO

Appeal from the Circuit Court of Cook County

From: James L. Dobrovolny/Dobrovolny Law Offices—Justice Delort, the judge who wrote the Decision in the recent Howe v. Retirement Board of the Firemen's Annuity & Benefit Fund, 2013 IL App (1st) 122446, has penned a specially concurring opinion in the attached case of Taiym v Retirement Board of the Policemen's Annuity and Benefit Fund of the City of Chicago, 2014 IL App (1st) 123769 (April 22, 2014) that further discussed Howe.

This appeal arises from a November 28, 2012 order entered by the circuit court of Cook County which affirmed the decision of defendant-appellee the Retirement Board of the Policemen's Annuity and Benefit Fund of City of Chicago (Retirement Board) to deny the petition of plaintiff-appellant Danial F. Taiym's (Taiym) to receive pension credit for previous employment. On appeal, Taiym argues that: (1) the Retirement Board erred when it found that Taiym did not qualify for pension credit under section 5-214(c) of the Illinois Pension Code (Pension Code) (40 ILCS 5/5-214(c) (West 2010)); and (2) the Retirement Board erred when it found that Taiym was not a temporary police officer pursuant to section 5-214(b) of the Pension Code (40 ILCS 5/5-214(b) (West 2010)) - [click here for more...](#)

Legislative Update...

Bill Status of HB5919 98th General Assembly

By Illinois General Assembly

Statutes Amended In Order of Appearance

40 ILCS 5/3-144.3 & 40 ILCS 5/4-138.6

Synopsis As Introduced

Amends the Downstate Police and Firefighter Articles of the Illinois Pension Code. Provides that, if at any time the Public Pension Division of the Department of Insurance finds that a pension has been calculated using compensation that should not have been included in salary or final average salary, then the beneficiary of that pension shall pay back to the fund an amount equal to the benefit incurred by using that compensation. Effective immediately. - [click here for more...](#)

Training and Education...

2014 IPPFA Midwest Pension Conference

The **Grand Geneva main lodge** is now filled. Timber Ridge and the Holiday Inn Vacation Club Vacation Resort is still accepting reservations. IPPFA Midwest Pension Conference will be held in Lake Geneva, WI. The dates for the 2014 conference are September 30 - October 3, 2014. The venue will be the Grand Geneva Resort & Spa.

- [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. 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...](#)
