



# ILLINOIS PUBLIC PENSION FUND ASSOCIATION

## *Preparing Pension Funds for Tomorrow*

[www.ippfa.org](http://www.ippfa.org)

May 1, 2015

## May 2015 Newsletter



*In this issue...*



*Hello Everyone,*

*I hope that everyone is enjoying their spring and all the projects that we would like to accomplish around the house. I know I have to paint my house. Oh, what fun!*

*The Illinois conference is fast approaching! We still have some openings if you are interested in attending. Please call the IPPFA office or visit our website, [www.ippfa.org](http://www.ippfa.org), to register. If you are attending, please download the App. You should have received an email with instructions on how to do this.*

*Our "Day at the Stock Exchange" trip is almost sold out. This event will include an 8 hour seminar, a tour and lunch of the New York Stock Exchange, and a tour of the 9/11 Memorial. Call Julie Guy at the IPPFA office for more details.*

*Just a reminder the goal of due diligence is to provide parties to a transaction all possible information such that the person can make an informed determination and essentially enter into a transaction with open eyes.*

*We are closely following the on goings in Springfield. We are coming into the final month of the legislative session. Please be prepared to call your legislative representatives if any changes are presented to Public Pensions.*

*Registration will be opening soon for the IPPFA MidAmerican Conference in October. Please check the website for details.*

*In May, we honor those that have paid the ultimate sacrifice at the Police and Firefighter*

*memorials. The Police Memorial ceremony will be held in Springfield on May 7, 2015 and the Firefighters Memorial ceremony will be held in Springfield on May 12, 2015.*

*EOW Jim Morrissey – Oak Forest Police Department, we miss you Jimmy!*

*Be safe,  
Tim Moss, Executive Director, IPPFA  
Lieutenant, Oak Forest Fire Dept.  
2587 Millenium Dr., Unit C  
Elgin, IL. 60124  
Office – 630-784-0406 ext. 202*

### *Illinois Articles...*

- **Illinois lawmakers: Rauner must offer pension-reform plan soon for inclusion in 2016 budget**
- **3-Year Budget Forecast FY 2016–FY 2018**
- **NASRA Issue Brief: State and Local Government Spending on Public Employee Retirement Systems**
- **The Importance of Your Pension**
- **NASRA Issue Brief: Employee Contributions to Public Pension Plans**

### *National Articles...*

- **A look at today's pension equity plans**
- **The Annual Required Contribution Experience of State Retirement Plans, FY 01-FY13**
- **What a Robust Dollar Means for U.S. Business — and the Global Economy**
- **New York's Leaky Public Pension Funds**
- **HOW WILL LONGER LIFESPANS AFFECT STATE AND LOCAL PENSION FUNDING?**
- **Rhode Island Settles Lawsuit on Union Pension Overhaul**
- **Court overturns part of S.F. workers' pension cuts**

### *Legal & Legislative Updates...*

- **Judge Finds City of Harvey Owes Police Pension Fund More Than \$7.3 Million**

### *Court Case...*

- **AFT MICHIGAN V STATE OF MICHIGAN**

### *Training and Education...*

- **IPPFA Illinois Pension Conference/Seminars/Certified Trustee Training/e-Learning/Toolkit**

---

### *Illinois Articles...*

---

### **Illinois lawmakers: Rauner must offer pension-reform plan soon for inclusion in 2016 budget**

2016 budget by John O'Connor—AP Political Writer—April 14, 2015

SPRINGFIELD, Illinois — Gov. Bruce Rauner had better put his pension-plan cards on the table if he wants lawmakers to deal him a hand which includes budget-sparing retirement-benefit reductions, two pension experts in the Illinois General Assembly said Tuesday.

Democrats who authored a 2013 public-pension overhaul — currently undergoing a Supreme Court challenge — want the Republican governor to lay out the specific numbers he's using in trumpeting a measure he contends could slash the state pension contribution by \$2.2 billion in the budget year that begins July 1. - [click here for more...](#)

---

### **3-Year Budget Forecast FY 2016–FY 20182**

By Commission on Government Forecasting and Accountability—April 2015

#### **INTRODUCTION**

As part of Public Act 0958 of the 96th General Assembly, the Commission on Government Forecasting and Accountability has been directed to “...develop a 3-year budget forecast for the State, including opportunities and threats concerning anticipated revenues and expenditures, with an appropriate level of detail.” This report represents the Commission’s mandated 3-year budget forecast. It begins with an examination of the State of Illinois’ General Funds revenues and expenditures over the last 15 years; then considers threats and opportunities to Illinois’ budget; finally, it concludes with potential 3-year budget results based upon scenario analysis. - [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). Current pension spending levels, however, vary widely among states and are sufficient for some pension plans and insufficient for others. - [click here for more...](#)

---

### **The Importance of Your Pension**

By the NRTA Pension Education Toolkit

There has been a lot of talk in the media recently about retirement insecurity. For a while now, reporters have been talking about how pensions are “disappearing,” being replaced by 401(k) plans. Then, with the recent economic downturn, many Americans’ retirement savings accounts took a big hit. You may wonder what this means for your retirement security. The good news for you is, the fact that you have a group pension plan right away puts you in a pretty good position. - [click here for more...](#)

---

### **NASRA Issue Brief: Employee Contributions to Public Pension Plans**

February 2015

Unlike in the private sector, nearly all employees of state and local Government are required to share in the cost of their

retirement benefit. Employee contributions typically are a percentage of salary as specified in statute. Although investment earnings and employer contributions account for a larger portion of total public pension fund revenues (see Figure 1), by providing a consistent and predictable stream of revenue to public pension funds, contributions from employees fill a vital role in financing pension benefits. - [click here for more...](#)

---

## *National Articles...*

---

### **A look at today's pension equity plans**

By William J. Wiatrowski—Beyond the Numbers—April 2015

The decline in the share of workers covered by traditional pension plans over the past 35 years is marked by a variety of efforts to transform these plans into vehicles that can continue to provide retirement income to workers while stabilizing the financial responsibility for employers. For example, collective bargaining disputes often involve give-and-take on the future generosity of pension benefits. Likewise, state governments have introduced less generous pension tiers for new employees as part of fiscal belt-tightening. Among the changes in pension plans tracked by the Bureau of Labor Statistics (BLS) since the late 1970s are different formulas for calculating benefits. One of those formula types is the pension equity plan, or PEP.- [click here for more...](#)

---

### **The Annual Required Contribution Experience of State Retirement Plans, FY 01-FY13**

By Keith Brainard and Alex Brown—National Association of State Retirement Administrators—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...](#)

---

### **What a Robust Dollar Means for U.S. Business — and the Global Economy**

By Wharton-University of Pennsylvania—April 15, 2015

Recently, the value of the U.S. dollar has risen from strength to strength against a basket of currencies, notably against the euro and the yen. In fact, the dollar has revealed in the longest streak of gains since 1971.

While the strong U.S. dollar is good news for American consumers who can get more bang for their bucks when buying some imported goods or traveling abroad to certain areas, like Europe or Japan, American multinational companies find themselves in a different boat, say experts from Wharton and elsewhere. For one thing, their overseas earnings are worth a lot less when they translate unhedged profits into U.S. dollars. - [click here for more...](#)

---

### **New York's Leaky Public Pension Funds**

By The Editorial Board—New York Times—APRIL 13, 2015

The New York City comptroller, Scott Stringer, went public last week with news that some financial reporters found blindingly obvious, but it still should get the rest of the public steaming mad. It is that billions of dollars have been leaking out of the city's five public-employee pension funds, in payment for Wall Street money management that wasn't worth it.

Mr. Stringer's office did an analysis of the funds and found that the high fees of managers and failure to reach performance goals had cost the pension system \$2.5 billion in lost value over the last 10 years. - [click here for more...](#)

---

### **HOW WILL LONGER LIFESPANS AFFECT STATE AND LOCAL PENSION FUNDING?**

By Alicia H. Munnell, Jean-Pierre Aubry, and Mark Cafarelli

The fact that people are living longer is good news from a human perspective. But longer lifespans also make defined benefit pension plans more expensive because sponsors must pay benefits to retirees for a longer period of time. The question is the extent to which state and local plans have already incorporated this pattern of continued longevity improvement into their cost estimates. For example, CalPERS – one of the nation's largest plans – revised its longevity assumptions in 2014, significantly increasing its liabilities and reducing its funded ratio by 5 percent-age points. - [click here for more...](#)

---

### **Rhode Island Settles Lawsuit on Union Pension Overhaul**

By Kathrine Q. Seelye—The New York Times—April 2, 2015

BOSTON — Rhode Island and most of its public employee unions reached a tentative settlement Thursday to a sweeping legal challenge to the state's 2011 overhaul of its beleaguered pension system.

The settlement, which affects 59,000 current and past state employees, modifies the overhaul by providing adjustments to the minimum retirement age, the chance for more frequent cost-of-living increases and an increase in the defined-benefit pensions available to longtime public employees. It still must be approved by the General Assembly.

Six of the nine unions that sued the state agreed to the settlement, but the three unions that have not settled represent about 800 employees; their challenge will be addressed by the court after the settlement is implemented. But a trial scheduled to begin this month has been averted.

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

---

### **Court overturns part of S.F. workers' pension cuts**

By Bob Egelko—SFGate News—Saturday, March 28, 2015

A state appeals court has overturned part of the pension cutbacks for city employees that San Francisco voters approved in November 2011, a reduction of cost-of-living increases for retirees when their pension fund was earning more than previously expected.

A lawyer who challenged the measure said the ruling would help about 23,000 workers who retired after November 1996 and would also cover current employees after they retire.

The reduction was part of Proposition C, sponsored by Mayor Ed Lee, backed by labor unions and approved by more than two-thirds of the voters. The ruling doesn't affect the measure's central provision, which required city employees to contribute 7.5 percent of their salaries to the pension fund, a percentage that will rise when the fund is dwindling and

drop when it is thriving.

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

---

## ***Legal & Legislative Updates...***

---

### **Judge Finds City of Harvey Owes Police Pension Fund More Than \$7.3 Million**

By Richard Reimer—General Counsel of IPPFA—Reimer Dobrovolny & Karlson LLC  
Board of Trustees of the Harvey Police Pension Fund v. Village of Harvey,  
Circuit Court of Cook County, Case No. 06 CH 15468 (Apr. 3, 2015)

Reimer Dobrovolny & Karlson LLC represents the Harvey Police Pension Board. On April 3, 2015, after years of litigation, Cook County Judge Kathleen Pantle found, the Pension Board is “entitled to a judgment in the amount of \$7,334,181.88” against the City of Harvey. In 2006, the Pension Board sued the City due to its chronic underfunding of the Police Pension Fund and the City not turning over money levied in the name of the Pension Fund. The parties entered a settlement agreement in February of 2008.

In pertinent part, the parties’ agreement, “Commencing with the fiscal year 2006/2007, and continuing thereafter, the City shall annually levy a tax upon all taxable property of the City, as required in §5/3-125 of the Illinois Pension Code.” Nonetheless, the City failed to levy an annual tax sufficient to properly fund the Pension Fund. The City and the Pension Fund then mutually agreed a jointly selected actuarial firm would calculate the amount owed by the City. Once the actuary determined the amount owed, the City attempted to abandon the agreement.

This time, the City claimed it was not required to fund the Pension Fund until 2040. The Court found this claim unpersuasive. It explained, “Under the plain language of the Agreement, the City was to make payments for past amounts owed and agreed to make actuarial determined payments to the Pension Fund every year. It is undisputed that the City has not done so.” The Court then determined the City owes the Pension Fund \$7,334,181.88. RDK attorneys represent the Police Pension Fund and continue to seek proper funding for its client. The City says it will appeal. We will continue to provide updates regarding this important case.

---

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

---

### **AFT MICHIGAN V STATE OF MICHIGAN**

Docket No. 148748. Argued October 9, 2014 (Calendar No. 2). Decided April 8, 2015.

AFT Michigan and numerous other labor organizations representing public school employees brought an action in the Court of Claims against the state of Michigan, the State Treasurer, the Public School Employees’ Retirement System, and others, asserting various constitutional challenges to 2012 PA 300, which had amended the Public School Employees Retirement Act, MCL 38.1301 et seq. In particular, the act added MCL 38.1391a(5), which enables current public school employees to opt out of retiree healthcare and thereby avoid paying the 3% retiree healthcare contributions required by MCL 39.1343e, a statute enacted in 2010 and subsequently struck down by the Court of Appeals as violating the Takings Clauses, Contracts Clauses, and Due Process Clauses of the Michigan and United States

Constitutions in AFT Mich v Michigan, 297 Mich App 597 (2012).

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

---

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

---

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

---

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

---