



# ILLINOIS PUBLIC PENSION FUND ASSOCIATION

## *Preparing Pension Funds for Tomorrow*

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

October 1, 2012

## October 2012 Newsletter



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### **Actuarial Services Bulletin**

Illinois Department of Insurance—The Siren—September 26, 2012

The Public Pension Division of the Department of Insurance will resume production of suggested tax levy reports

effective September 24, 2012. Production was suspended for Fiscal Year 2011 tax levy reports due to implementation of Public Act 96-1495.

The legislation made key changes impacting the actuarial calculation required under 40 ILCS 5/3-125 and 40 ILCS 5/4-118, including: - [click here for more...](#)

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### **Moody's to Apply 5.5% Discount Rate to Governmental Plans - "Backdoor PEPTA?"**

**National Council on Teacher Retirement**—Supporting Retirement Security for America's Teachers  
Moody's has announced plans to adjust the pension liability and cost information reported by state and local governments and their pension plans, and has requested comments from interested parties. In addition to using a uniform 5.5% discount rate for all plans, Moody's intends to apply a single, 17-year amortization period to annual pension contributions, and replace asset smoothing with the market value of assets as of the actuarial reporting date. The results, according to Moody's own estimates, will be to nearly triple fiscal 2010 reported unfunded actuarial accrued liabilities for the 50 states and the local governments that Moody's rates. - [click here for more...](#)

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### **Letter sent to Moody's Investor Service—Reference Above**

Sent September 28, 2012

**Dear Moody's:**

This letter is submitted on behalf of the National Association of State Retirement Administrators (NASRA) and the National Council on Teacher Retirement (NCTR), as well as a number of our individual members, commenting on Moody's proposed adjustments to state and local government reported pension data.

The members of these groups are a broad mix of trustees, administrators, and public officials who collectively oversee, administer and manage a majority of the approximately \$3 trillion in pension assets and benefits for some 21 million working and retired employees of state and local government. - [click here for more...](#)

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### **Texas Pensions Pan Steps on Funding Gaps Taken by Others**

By Kathy Warbelow—September 5, 2012—Bloomberg

Texas public pensions said moving away from traditional defined-benefit plans wouldn't shrink their unfunded liabilities, in contrast to money-saving steps to end lifetime guarantees by states from Rhode Island to Kansas. The state's \$110.3 billion Teacher Retirement System released a study saying that switching to a 401(k)-style defined-savings plan may cut payments to retirees. The fifth-largest U.S. public pension by assets said Aug. 31 that the change also would widen a \$24 billion gap between promised benefits and projected assets to \$36 billion. -

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

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### **Social Security: Who's Counting on It?**

by Selena Caldera—AARP Public Policy Institute

Social Security insures families against the loss of income caused by retirement, disability, or death, with nearly

universal coverage. Social Security has been a success; however, the program has a long-term financial challenge. Over the next 75 years, Social Security's actuarial deficit is projected to be 2.22 percent of taxable payroll. This deficit needs to be addressed soon, without changing the fundamental structure of the program or eroding the protections it offers to almost all workers and their families. Here are some important facts to remember as the future of Social Security is discussed. - [click here for more...](#)

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### **Are State Pension Funds Paying Wall Street Too Much?**

By Mike Maciag | August 15, 2012—Governing the States and Localities

A recent report by two Maryland think tanks makes the case for state retirement systems to dump Wall Street investment firms for more passive equity index funds.

The study by the conservative-leaning Maryland Tax Education Foundation and Maryland Public Policy Institute outlines fees state pension funds pay investment firms, totaling \$7.8 billion nationwide in 2011. This price tag is too high, the authors argue, given their meager returns in recent years.

Pension experts interviewed for this story, though, question the validity of the report, which compares investment firm fees with each plan's net assets. Even with the higher fees, they say additional returns from investment managers outweigh the added cost in the long run, and tossing more money into equity index funds wouldn't diversify portfolios. - [click here for more...](#)

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### **National Examination Risk Alert**

By the Office of Compliance Inspections and Examinations—August 31, 2012

“Pay-to-Play” Prohibitions for Brokers, Dealers and Municipal Securities Dealers under MSRB Rules

#### **Introduction:**

This Risk Alert summarizes the observations of National Examination Program (“NEP”) examiners with respect to brokers, dealers or municipal securities dealers (collectively, “firms”) engaged in municipal securities business, and their practices related to contributions to political campaigns of public officials of issuers with whom they are doing or seek to do business (“Pay-to-Play”).<sup>2</sup> Moreover, this Risk Alert identifies areas of concern stemming from some recent examinations and sets forth a number of practices that some firms have elected to use. - [click here for more...](#)

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### **Op-ed: We can't grow the economy by shortchanging state workers**

by Jeff Johnson—The Seattle Times

Labor Day reminds us how work connects us all, writes guest columnist Jeff Johnson, and state workers shouldn't get shortchanged in the state's labor negotiations. This Labor Day, I want to thank all workers for the work they do. This is your day. A day to take pride in your work to provide for your family, support our neighborhoods and to make our communities better places to live.

Work connects us all. From the moment we wake to the end of our day, our lives are touched by the work of hundreds of workers from sanitation workers, electricians, utility workers, water- and air-quality inspectors, public-health workers,

textile workers, farm workers, food-service workers, transportation workers, and police and firefighters to name but a few.

In so many ways, it takes workers to build a community. - [click here for more...](#)

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### **Associations Tackle Public Pension Funding Issue**

Elizabeth K. Kellar—Center President & CEO—Center for State and Local Gov't Excellence

Why have the national associations of state and local governments established a pension funding task force? In a nutshell, it is because the Governmental Accounting Standards Board (GASB) has issued new pension accounting standards without any guidance on how governments should calculate the annual required contribution to fund them. Since state and local officials make annual budget decisions, they need a rational way to determine how much the employer needs to pay each year to cover current employee pension costs as well as an appropriate portion of any unfunded pension liability. Having a rational method to calculate and report the annual required contribution (ARC) ensures that policymakers, employees, and the public can assess how well funded their government's pension plans are. - [click here for more...](#)

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### **How Plan to Help City Pay Pensions Backfired**

By Mary Williams Walsh—September 3, 2012—The New York Times

Jeffrey A. Michael, a finance professor in Stockton, Calif., took a hard look at his city's bankruptcy this summer and thought he saw a smoking gun: a dubious bond deal that bankers had pushed on Stockton just as the local economy was starting to tank in the spring of 2007, he said.

Stockton sold the bonds, about \$125 million worth, to obtain cash to close a shortfall in its pension plans for current and retired city workers. The strategy backfired, which is part of the reason the city is now in Chapter 9 bankruptcy.

Stockton is trying to walk away from the so-called pension obligation bonds and to renegotiate other debts. - [click here for more...](#)

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### **Legislative Updates**

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#### **Senate Tax Extenders Bill May Be Put On Hold until After the Election**

Washington Update by Williams & Jensen—September 14, 2012

This week, top Senate Democrats suggested that the Senate Finance Committee's tax legislation titled the "Family and Business Tax Cut Certainty Act of 2012," is unlikely to be brought to the Senate floor ahead of the November elections. Previously, Senate Majority Leader Harry Reid (D-NV) stated that he intended to bring the bill to the floor prior to the elections, however due to the short month back in Washington, coupled with Republican threats to block the legislation, floor debate prior to September 21, when Congress is expected to recess, is unlikely. -

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

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### **Training and Education**

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## **Open Meetings Act**

06/01/2012

The Open Meetings Act now requires every trustee, elected or appointed, to complete the electronic training curriculum developed and administered by the Public Access Counselor of the Attorney General Office. - [click here for more...](#)

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## **IPPFA On-Line Certified Trustee Program/and Classroom Program**

The IPPFA is 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.

**The IPPFA announces that registration is now open for Certified Trustee Program 12-6** to be held at the NIU campus in Hoffman Estates, IL November 12-15, 2012. Please fill out the attached form for each trustee attending and fax it to 630-784-0416 or email to Kelli Spicer at [kelli.spicer@ippfa.org](mailto:kelli.spicer@ippfa.org) to reserve your spot. for IPPFA, articles for IPPFA, articles for IPPFA - [click here for more...](#)

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## **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...](#)

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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 speak on a variety of topics.

***“IPPFA Regional Seminar schedule for March 19, 2013 at the Jumer's Casino & Hotel, Rock Island.”***

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

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