



ILLINOIS PUBLIC PENSION FUND ASSOCIATION

Preparing Pension Funds for Tomorrow

www.ippfa.org

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September 2014 Newsletter



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IPPFA is going mobile with an event app for those attending the 2014 Midwest Pension Conference this fall

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Our quest to enhance the event experience for our attendees, exhibitors, and speakers is never-ending. We wanted this year to be better than the last, which is why we created a mobile app for IPPFA. If you use Apple or Android, you can search for the app in the iTunes store or Play store. Search: IPPFA Events 2014 on your smart device. (See above icon.) All attendee's will receive an invite from Crowd Compass with necessary information to access the event app. - [click here for more...](#)

What is the economic impact of the slowdown in new business formation?

by François Gourio, senior economist, Todd Messer, associate economist, and Michael Siemer, economist, Board of Governors of the Federal Reserve System—Chicago Fed Newsletter

Economists have emphasized the importance of “creative destruction” as an engine of growth. The creative destruction process involves a constant reorganization of the economy as old products, firms, factories, and jobs are replaced by new ones. An important part of this process lies in the opening of new firms or establishments. - [click here for more...](#)

National Articles...

U.S. SEC Launches Municipal Advisor Exams

By Sarah N. Lynch—Aug 19, 2014—Reuters

WASHINGTON, Aug 19 (Reuters) - The U.S. Securities and Exchange Commission said on Tuesday it is launching compliance exams for municipal advisers, a group of financial professionals that are new to the SEC's regulatory regime.

In a letter sent to the heads of all registered municipal adviser organizations, the SEC said its experts will be examining certain firms for compliance with rules concerning registration, fiduciary duty, disclosure, fair dealing, supervision, books and records and certain training qualifications. - [click here for more...](#)

The Top 10 Legislative Issues to Watch in 2014—“Governing”

By Liz Farmer, Chris Kardish, J.B. Wogan, Mike Maciag, Ryan Holeywell—January 2014

For states throughout the country this year, there's a common theme: a climate of uncertainty coupled with a sense of genuine opportunity. Amid worries about the federal government's failure to boost funding for infrastructure, many states are taking steps to produce that funding on their own. Congress seems to have stalled—again—in its efforts to reform the immigration system, but states are enacting bills designed to grant new rights to some of their undocumented residents. And after a period in which higher education programs faced dramatic cuts, states are putting money back into those programs—some of them more efficiently than in the past. Here are 10 big issues states will look to tackle in 2014, and six smaller ones they'll also address.

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

As brokers urge IRA rollovers, ex-workers ditch their low-fee federal retirement plan

The Washington Post—August 16

John Turner suspected that brokers were encouraging federal workers to ditch their top-flight retirement plan. So he went undercover. The former Labor Department economist called representatives at companies such as [Bank of America](#), [Charles Schwab](#) and [Wells Fargo](#). He identified himself as a potential client grappling with what to do with his own nest egg.

Turner thought he knew the answer: Leave it alone. As a legacy of his government service, he kept his money in the Thrift Savings Plan, considered the gold standard of 401(k)-type programs for its rock-bottom fees. Yet all but one company told him to roll over all his money into individual retirement accounts. On average, stock funds charge almost 50 times what the government plan does. - [click here for more...](#)

The hare gets rich while you don't. Back the passive tortoise

By Dan McCrum—FT Alphaville—August 1, 2014

Nomura, as part of an excellent report looking at various aspects of active versus passive investment management, have considered Warren Buffett's famous bet that an index fund will beat a fund of hedge funds over ten years.

Buffett is winning, and the bank's conclusion is that this is very far from a fluke:

In our view, alternative assets as a group show consistently poor performance. Beta is high. Alpha is near zero, if not negative. Correlation with standard asset classes is high. Return and diversification benefits are negligible. - [click here for more...](#)

Social Security's Windfall Elimination Provision (WEP) and Government Pension Offset (GPO)

by Alan L. Gustman, Thomas L. Steinmeier, and Nahid Tabatabai—Social Security Admin.

The Windfall Elimination Provision (WEP), enacted in 1983, reduces Social Security benefit payments to beneficiaries whose work histories include both Social Security-covered and noncovered employment, with the noncovered employment also providing pension coverage. To be affected by the WEP, an individual must have worked in covered employment long enough to qualify for Social Security benefits; must have also worked in noncovered employment, meaning that Federal Insurance Contributions Act (FICA) Social Security payroll taxes were not paid; and, importantly, must have earned a pension in that noncovered job. The WEP reduces the share of preretirement earnings that Social Security benefits replace. For roughly the first \$10,000 in average annual earnings, the WEP reduces the replacement rate from 90 percent to as low as 40 percent, depending on years of coverage under Social Security; however, the reduction cannot exceed 50 percent of the amount of the pension received from noncovered employment. -[click here for more...](#)

2014 Cash Update: Corporate America's Richest 1% Keep Getting Richer

By Global Credit Portal—Standard & Poor's—June 11, 2014

Much has been written recently about the growth of income inequality in America: that the top 1% of the richest Americans control somewhere between 35% and 40% of the nation's wealth and that this wealth inequality has widened since the start of the Great Recession. While most of the discussion has been about individuals and households, a similar wealth gap has developed between the top 1% and the remaining 99% of U.S. corporations.

Standard & Poor's Ratings Services' analysis has found that, out of a record \$1.53 trillion in cash and short-term investments held by U.S. nonfinancial corporations we rate (about 1,800 issuers) as of year-end 2013, the wealthiest 1% (18 issuers) held 36%, or about \$535 billion, of total cash, an increase from the 27% they held five years ago. - [click here for more...](#)

5 reasons to reconsider active management

by Robert C. Lawton—Employment Benefit Views (EBV)—August 12, 2014

We all know how markets have traded most of the time since the 2008 crash. Risk-on, risk-off. One day everything is moving up in value, the next everything is falling. Regardless of what you were invested in – stocks, bonds, commodities, international equities, etc. – the correlation of movement in prices and values was high. Investors received little or no benefit from diversifying. Indexing outperformed active management most of the time. - [click here for more...](#)

The Role of Institutional Investors in Voting

by R. Christopher Small, Co-editor, HLS Forum on Corporate Governance and Financial Regulation, on Monday May 14, 2012

In the paper, “The Role of Institutional Investors in Voting: Evidence from the Securities Lending Market”, which was recently made publicly available on SSRN, we use a unique setting to examine if institutional investors influence firm-level corporate governance through proxy voting. Understanding institutional investor preferences regarding corporate governance is important for firms trying to attract new investors as well as policy makers considering the regulation of different governance mechanisms. The activities of institutional investors in the securities lending market provide one of the few opportunities to directly examine the behavior of institutional investors in influencing firm-level governance. - [click here for more...](#)

Retirement Toolkit

By Social Security, Department of Labor & Department of Health and Human Services

After years of hard work, you are looking forward to retirement. Choosing when to retire is an important decision and involves a number of issues you may want to consider in your retirement planning. The more you know before you start making decisions, the better off you will be in retirement.

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

Wyoming to benefit from \$340 million class-action settlement

By Rob Kozlowski—August 4, 2014

The \$7.6 billion Wyoming Retirement System, Cheyenne, is receiving a portion of a \$340 million settlement from a lawsuit against former executives and institutions associated with mortgage-backed securities sold by the failed savings and loan IndyMac Mortgage Services, state officials announced.

The state treasurer's office, led then by Treasurer Joseph Meyer, and the pension fund were co-lead plaintiffs in the suit, filed in the U.S. District Court in New York in July 2009. The suit claimed IndyMac sold asset-backed securities without regard to risk.

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

If Pension Fund Not on Verge of Default or Imminent Bankruptcy, No Cause of Action for Underfunding, Court Says

By Rick Reimer, REIMER & KARLSON LLC

Board of Trustees of the Riverdale Police Pension Fund vs. Village of Riverdale, 2014 IL App (1st) 130416

The First District Appellate Court issued its opinion on June 27, 2014. This case may have a far reaching impact on the duty of a municipality to properly fund police (and fire) pension funds.

The Riverdale Police Pension Fund (“Pension Board”) filed a declaratory judgment action, alleging the Village of Riverdale breached its statutory funding obligation under §3-125 and §3-127 of the Pension Code by failing to levy the appropriate amount of taxes from 2000 through 2010. The Pension Board requested the court enter an order declaring that Riverdale’s tax levy contributions were insufficient and require the Village to contribute an amount required by §3-125 and §3-127 of the Illinois Pension Code. -

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

Legislative...

Public Act 098-0729

Illinois General Assembly

Sec. 7-210. Funds. (a) All money received by the board shall immediately be deposited with the State Treasurer for the account of the fund, or in the case of funds received under Section 7-199.1, in a separate account maintained for that purpose. All disbursements of funds held by the State Treasurer shall be made only upon warrants of the State Comptroller drawn upon the Treasurer as custodian of this fund upon vouchers signed by the person or persons designated for such purpose by resolution of the board. The Comptroller is authorized to draw such warrants upon vouchers so signed, including warrants payable to the Fund for deposit in a revolving account authorized by Section 7-195.1. The Treasurer shall accept all warrants so signed and shall be released from liability for all payments made thereon. -

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

Training and Education...

2014 IPPFA Midwest Pension Conference

The **Grand Geneva main lodge** is now filled. 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 reviewed at any time. - [click here for more...](#)