



ILLINOIS PUBLIC PENSION FUND ASSOCIATION

Preparing Pension Funds for Tomorrow

www.ippfa.org

November 12, 2012

November 2012 Newsletter



In this issue...

- **Illinois pension constitutional amendment fails**
- **The Importance of Proper Coding for Form 1099-R Reporting**
- **Funding study finds public pension plans are not systematically underreporting liabilities**
- **The GASB's New Pension Accounting and Financial Reporting Standards**
- **Officials to Meet Regarding Guidance on Defining Governmental Plans**
- **Rauh Resurfaces; Refocuses on "Costs" of Unfunded Liabilities**
- **2013 Segal Health Plan Cost Trend Survey**
- **The League of Women Voters of Illinois (LWVIL) Opposes HJRCA 49**
- **Poll: Most voters blame pols, not unions, for pension mess...**
- **GASB's New Pension Standards: Setting the Record Straight**

Training and Education...

- **IPPPFA ANNUAL HOLIDAY PARTY**
- **2013 IPPFA Spring Pension Conference**
- **IPPPFA On-Line Certified Trustee Program/and Classroom Program**
- **Online Training/eLearning**
- **Regional Seminars**

Illinois pension constitutional amendment fails

November 7, 2012 (CHICAGO)—ABCLocal.com

A proposed amendment to the Illinois Constitution that would have made it more difficult to expand public employee retirement benefits has failed.

With about 90 percent of the vote reported on Wednesday morning the proposed amendment had support from 56

percent of Illinoisans who voted on the measure. But that fell short of the two criteria needed for passage. - [click here for more...](#)

The Importance of Proper Coding for Form 1099-R Reporting

Nov. 2, 2012—ICE MILLER—Legal Counsel Lisa Erb Harrison, Tiffany Sharpley, Terr A.M. Mumford, Mary Beth Braitman

The 2012 tax year is winding down and many retirement systems are continuing to gather information to report to the Internal Revenue Service (IRS) with regard to distributions made from their retirement plans. While processing distribution information to determine how to complete Form 1099-R for distribution recipients, retirement systems will also be looking at a significant list of codes that should appear in Box 7 of the Form. A list of these codes may be found in the 2012 Instructions for the Form 1099-R (2012 Instructions). - [click here for more...](#)

Funding study finds public pension plans are not systematically underreporting liabilities

By Jennifer Sorensen Senta—Retirement Town Hall—October 22nd, 2012

Milliman last week released its first Public Pension Funding Study. The purpose of the study was to independently measure the aggregate funding status of the 100 largest public pension plans in the United States, responding to statements made by some sources that public pension liabilities are being significantly underreported. - [click here for more...](#)

The GASB's New Pension Accounting and Financial Reporting Standards

By Paul Zorn and James Rizzo

On June 25, 2012, the Governmental Accounting Standards Board (GASB) approved final standards related to pension accounting and financial reporting for state and local governments. GASB Statement 67, Financial Reporting for Pension Plans, establishes new standards for state and local governmental pension plans. GASB Statement 68, Accounting and Financial Reporting for Pensions, establishes new standards for governmental employers (and other entities) that contribute to state and local pension plans. -

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

Officials to Meet Regarding Guidance on Defining Governmental Plans

Sept. 28, 2012—ICE MILLER—Legal Counsel Lisa Erb Harrison, Tiffany Sharpley, Terr A.M. Mumford, Mary Beth Braitman

In November 2011, the IRS and Department of Treasury published an advanced notice of proposed rulemaking concerning the definition of the term "governmental plan" under Section 414(d) of the Internal Revenue Code. The agencies sought comments from the public on the draft proposed rule to ascertain what issues should be addressed in determining whether a retirement plan is a governmental plan. (See our Nov. 7, 2011 alert on this topic). Public hearings regarding the proposed rule were also held this past July. - [click here for more...](#)

Rauh Resurfaces; Refocuses on "Costs" of Unfunded Liabilities

November 6, 2012—NCTR—Federal E-News

After a brief absence from the media spotlight, Professor Joshua Rauh, now a senior fellow at the Hoover Institution, reappeared in October in an opinion piece for the Washington Post, along with his frequent collaborator, Professor Robert Novy-Marx. Based on a rehash of their June, 2011, working paper that purported to calculate the increase in contributions that will be needed on an annual basis to fully fund public pension systems in 30 years, the article claims that, on average, a tax increase of \$1,385 per U.S. household per year would be required. The article drew an immediate critical response from Dean Baker, an economist and co-director of the Center for Economic and Policy Research (CEPR), who exposed what he called the “tricks” that were used to generate Rauh’s “scary” projections. - [click here for more...](#)

2013 Segal Health Plan Cost Trend Survey

By Segal—October 2012

Abstract

Health benefit plan cost trend rates for 2013 are expected to decline to the lowest level in 11 years of trend forecasts, with most medical and all prescription drug projected trends dipping into single digits, according to the data compiled in the 2013 Segal Health Plan Cost Trend Survey, The Segal Company's sixteenth annual survey of managed care organizations, health insurers, pharmacy benefit managers and third-party administrators. Trend is a forecast of per capita claims cost increases that takes into account various factors, such as price inflation, utilization, government-mandated benefits, and new treatments, therapies and technology. Although there is usually a high correlation between a trend rate and the actual cost increase assessed by a carrier, trend and the net annual change in plan costs are not the same. Changes in the costs to plan sponsors can be significantly different from projected claims cost trends, reflecting such diverse factors as group demographics, changes in plan design, administrative fees, reinsurance premiums and changes in participant contributions. -[click here for more...](#)

The League of Women Voters of Illinois (LWVIL) Opposes HJRCA 49

September 17, 2012—The League of Women Voters of Illinois

The Constitutional Amendment Referendum on the November 6 Ballot

After reviewing the General Assembly’s proposal, relevant League positions and precedents, and researching supporting documentation, League of Women Voters of Illinois Board of Directors has decided to oppose HJRCA 49, the Constitutional Amendment referendum proposal that will be on the November 6, 2012 ballot.

The Amendment Proposal

The measure would amend the General Provisions Article of the Illinois Constitution requiring a three-fifths majority vote of each chamber of the General Assembly, or the governing body of a unit of local government, school district, or pension or retirement system, in order to increase a benefit under any public pension or retirement system. - [click here for more...](#)

Poll: Most voters blame pols, not unions, for pension mess...

By Rick Pearson—Chicago Tribune reporter—October 16, 2012

...But plans to address state's underfunded system fail to win majority support, survey says.

Illinois voters overwhelmingly blame politicians for creating the state's public employee pension mess, but like elected

officials, they're divided about plans to fix the problem, a new Chicago Tribune/WGN-TV poll shows.

The survey also found that Downstate and suburban residents oppose a major push by Democrats including Mayor Rahm Emanuel and Gov. Pat Quinn to gradually shift the costs of teacher retirement benefits on to local school districts outside Chicago. - [click here for more...](#)

GASB's New Pension Standards: Setting the Record Straight

The Governmental Accounting Standards Board's (GASB) recent pension standards substantially improve the accounting and financial reporting of public employee pensions by state and local governments. The new standards are: Statement No. 67, Financial Reporting for Pension Plans, which applies to financial reporting by most pension plans. Statement No. 68, Accounting and Financial Reporting for Pensions, which applies to financial reporting by most governments that provide their employees with pension benefits.

Below are questions and answers that should help clarify common misperceptions about the new pension Statements.

1. Do the new GASB Statements establish requirements for how governments should fund their pensions?

No. In the past, the accounting and financial reporting standards were closely associated with the approach that many governments take to funding their benefits—that is, toward contributing sufficient resources to a defined benefit pension plan to finance benefit payments when they come due. Consequently, many governments have established funding policies based on the GASB's standards. However, after reexamining the prior standards for pensions, the GASB concluded that approaches to funding are not necessarily the best approach to accounting for and reporting pension benefits. Therefore, the new Statements mark a definitive separation of accounting and financial reporting from funding. - [click here for more...](#)

Training and Education

IPPFA ANNUAL HOLIDAY PARTY

SAVE THE DATE!!

Celebrate the holiday season!

IPPFA ANNUAL HOLIDAY PARTY

Let's enjoy the holiday season with good friends, great food, and holiday cheer!

December 7th, 2012 / 8:00 – 11:00 PM

65 W. Jackson Blvd., 6th Floor, Chicago IL

For Hotel Reservations: Union League Club: (312) 427-7800

Palmer House: (312) 426-7500 -

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

2013 IPPFA Spring Pension Conference

The IPPFA Spring Conference is scheduled for May 7-10, 2013 at the President Abraham Lincoln Hotel in Springfield,

IL. Call in to reserve your room right away!! - [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.

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 to reserve your spot. -

- [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...](#)

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...](#)
