



ILLINOIS PUBLIC PENSION FUND ASSOCIATION

Preparing Pension Funds for Tomorrow

www.ippfa.org

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February 2016 Newsletter



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Attention: IPPFA Family Hockey Night!!

Chicago Wolves vs Rockford Icehogs on February 20, 2016: IPPFA Family Night at the Allstate arena. [click here for more...](#)

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Illinois Articles...

Improving transparency and accountability in state budgeting

by Richard H. Mattoon, senior economist and economic advisor—Chicago Fed Letter

On December 7, 2015, the Volcker Alliance, the Institute of Government and Public Affairs at the University of Illinois, and the Federal Reserve Bank of Chicago held a conference examining ways to increase transparency and accountability in state (and local) budgeting. Based on research presented at the conference, the main speakers recommended budgetary principles and practices that, if adopted, would improve public understanding of the true nature, cost, and consequences of states' tax policies and spending commitments. - [click here for more...](#)

Public Pensions: Frequently Asked Questions

By CTBA—January 2016

WHAT IS A DEFINED BENEFIT PLAN?

A defined benefit plan is one in which an employer guarantees an annual retirement payment for its workers that is on a formula. The formula typically includes factors like an employee's years of service and either ending salary or average salary over the last few years of employment. Most defined benefit plans also include an annual cost of living—or “COLA”—adjustment to the annual retirement benefit to ensure it does not lose value over time. Under defined benefit plans, this annual retirement payment is guaranteed for the life of the retiree and his or her spouse—and it is the guaranteed annual retirement payment that constitutes the “defined benefit” under the plan. - [click here for more...](#)

How Will Unfunded Pension Liabilities Affect Big Cities?

Summary: This brief examines GASB 68 and how unfunded liabilities will be reported for large cities that participate in cost-sharing state plans. (01/16)

By Alicia H. Munnell & Jean-Pierre Aubry—Center for State & Local Government Excellence-January 2016

Key findings: 1) When the unfunded liability is reallocated from the state to the 92 cities in cost-sharing plans, the liability burden almost doubles. 2) While this is not a new liability, it is raising concerns for cities in these cost-sharing plans because the liability had previously been reported as an aggregate figure in the state government’s financial statements. - [click here for more...](#)

Economic Outlook Symposium: Summary of 2015 results and 2016 forecasts

by William A. Strauss, senior economist & economic advisor, & Rebecca Friedman, associate economist—Chicago Fed Letter

According to participants in the Chicago Fed’s annual Economic Outlook Symposium, the U.S. economy is forecasted to grow at a pace slightly above average in 2016, with inflation moving higher and the unemployment rate edging lower. The Federal Reserve Bank of Chicago held its 29th annual Economic Outlook Symposium (EOS) on December 4, 2015. More than 100 economists and analysts from business, academia, and government attended the conference. This Chicago Fed Letter re-views the forecasts for 2015 from the previous EOS, and then ana-lyzes the forecasts for 2016 (see figure 1) and summarizes the presentations from the most recent EOS.1 - [click here for more...](#)

National Articles...

Consumer Price Index Summary

By U.S Department of Labor—December 2015

Economic News Release

CONSUMER PRICE INDEX – The Consumer Price Index for All Urban Consumers (CPI-U) declined 0.1 percent in December on a seasonally adjusted basis, the U.S. Bureau of Labor Statistics reported today. Over the last 12 months, the all items index increased 0.7 percent before seasonal adjustment.

The indexes for energy and food both declined for the second month in a row, leading to the decline in the seasonally adjusted all items index. The energy index fell 2.4 percent as all major component energy indexes declined. - [click here for more...](#)

The Tougher U.S. Pension Rules in Puerto Rico's Rescue Plan

By Liz Farmer—Governing—January 7, 2016

The proposed changes would mark unprecedented federal authority over state and local pensions and make their financial status look a lot worse.

Congress might choose to extend unprecedented federal authority over state and local pensions. An effort to impose new reporting requirements, if approved, would ultimately cast the financial status of state and local pensions in a much more dire light.

The proposed requirements were included as part of a financial assistance bill introduced last month to address Puerto Rico's debt crisis, but they would also apply to states and localities throughout the United States. - [click here for more...](#)

Jacksonville's Mayor pushes to extend sales tax to cover pension debt

by Stephanie Brown—WKOV—Jacksonville's 24-Hour News—Jan. 4, 2016

Jacksonville, FL —

The voter-approved Better Jacksonville Plan half-cent sales tax will be staying on the book past its expiration date, if a new proposal from Jacksonville's Mayor clears state and local lawmakers.

Mayor Lenny Curry outlined his plan to pay down the City's roughly \$2.6 billion unfunded liability- or pension debt- in front of the Finance Committee Monday morning. The debt accounts for all of the City's pension obligations- Police and Fire, General Employees, and Corrections Officers. -[click here for more...](#)

2015 Asset Class Performance—Indexes, Sectors, Bonds, Commodities, Countries And Currencies

By Seeking Alpha—Jan. 4, 2016

Monday marks the first day of trading in 2016, but before moving on, below is a look at the performance of various asset classes (price change, not total return) for the full year 2015 using key ETFs traded on U.S. exchanges. While December ended up solidly in the red for U.S. equities, if it weren't for a strong Q4, major indices would have finished much deeper in negative territory than they did. Growth ETFs outperformed value ETFs by a wide margin in 2015, while large-caps outperformed small-caps as well. - [click here for more...](#)

Alaska to Sell \$2.6 Billion in Pension Obligation Bonds

By Kate Smith—Bloomberg Business—January 5, 2016

Alaska wants to increase the size of its potential 2016 pension obligation bond to \$2.6 billion, a billion dollar jump from earlier proposals. In November, Governor Bill Walker announced plans to explore the possibility of a \$1.6 billion pension obligation bond to help fund the teacher's pension system, dusting off a plan from 2008 that was ultimately scrapped. In the final weeks of 2015, Walker increased that figure to \$2.6 billion, expanding the scope of the funds to involve the state's public employee retirement trust as well as the teacher's pension system, said Deven Mitchell, the state's debt manager at the Alaska Department of Revenue. - [click here for more...](#)

STATE AND LOCAL GOVERNMENTS' FISCAL OUTLOOK

By GAO—2015 Update

The state and local government sector continues to face fiscal challenges which contribute to the nation’s overall fiscal challenges. As shown in figure 1, GAO’s simulations suggest that the sector could continue to face a gap between revenue and spending during the next 50 years, and that state and local governments would need to make substantial policy changes to avoid these fiscal imbalances in the future. The simulation assumes that the tax structure is unchanged in the future and that the provision of real government services per capita remains relatively constant. - [click here for more...](#)

Tracking Healthcare Benefit Costs

By Lin Gensing-Pophal—Human Resource Executive—December 29, 2015

After years of trying to keep a lid on health-benefit costs, companies are reporting progress, but there's uncertainty ahead for HR leaders, according to recent surveys of consumers and employers. Recent surveys from the Employee Benefit Research Institute, Mercer and others indicate that the upward pressures on healthcare benefit costs for employees may be easing. What this means for HR as they manage and communicate benefit information to employees.

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

Legal & Legislative Updates...

Changes in DOI Audit Procedure

By Reimer, Dobrovolny & Karlson LLC

Many changes in leadership at the Department of Insurance have brought about changes in the manner by which the Department interacts with Article 3 and 4 Pension Funds during an audit. In the past, the Department approached the audit procedure in a cooperative manner and worked with Pension Funds to address any issues found during the audit process. This approach now appears to be a thing of the past.

The procedure now followed by the Department allows Pension Boards 14 days to respond to a “Draft Report of Examination” by agreeing or disagreeing with the auditors findings. The Department will consider extensions of time to respond. As you can imagine, extensions are frequently needed given the truncated timetable provided by the Department and the need to call a public meeting to discussing the findings.

Following the draft report of examination, the Department will issue a final report of examination. The Pension Board will have 30 days from receipt of the final report to request a hearing before the Department to contest any of the findings. No extensions will be granted nor will other written responses be considered.

If no hearing is requested, the Report is considered final and will be filed with the Department after 30 days have passed. A “Director’s Order” will then be issued by the Department directing the Fund to take action within 14 business days to correct any items identified as non-complaint during the audit.

Inasmuch as these new procedures were adopted only recently and without any notice to the Funds, it remains to be seen whether the Department will employ new or more frequent enforcement mechanisms in post-audit proceedings. However, we will continue to keep a close eye on these substantive changes to the DOI audit procedure.

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Helpful Sites...

Steven H. Sandell Grant Program

By Center for Retirement Research at Boston College

The Center for Retirement Research sponsors the annual Steven H. Sandell Grant Program for scholars in the field of retirement research and policy. The program is funded by the U.S. Social Security Administration to provide opportunities for junior scholars from all academic disciplines to pursue cutting-edge projects on retirement income issues. - [click here for more...](#)

Changes to Social Security: 5 important things to know

By Michael D. Thomas, JD—Dec 28, 2015

On November 2, 2015, the Bipartisan Budget Act of 2015 was signed by President Obama.

While the primary purpose of this legislation was to authorize an increase in the federal debt limit, the inclusion of Section 831, entitled “Closure of Unintended Loopholes” had a major effect on the popular claiming strategies of “File and Suspend” and “Restricted Application” used by many Social Security recipients. - [click here for more...](#)

Training and Education...

2016 IPPFA Illinois Pension Conference

For over 30 years, the IPPFA has offered Public Pension Trustees the best and latest in trustee training education, striving to offer the best available training. Please join us for sessions in ethics, investment procedures, fiduciary responsibilities, legal and legislative updates, all presented by nationally renowned speakers.

Come join the IPPFA for its 2016 IPPFA Illinois Pension Conference, held on May 3rd thru May 6th, 2016 at the Embassy Suites by Hilton in East Peoria, Illinois, right on the river. The subject matter of this conference meets or exceeds state mandated requirements for trustee education. CEU's are issued through Northern Illinois University. - [click here to Register...](#)

****Embassy Suites by Hilton is now full.** Holiday Inn & Suites of East Peoria is accepting reservations. Call 1-800-465-4329 for reservations.

Annual Golf Outing Registration

Please Join Us for a Scramble Round of Golf on Tuesday, May 3, 2016 at WeaverRidge Golf Club 5100 Weaver Ridge Blvd., Peoria, IL [click here for more...](#)

Annual Golf Outing Sponsor Registration

Illinois Public Pension Fund Association 2016 Peoria Golf Outing on Tuesday, May 3, 2016 at WeaverRidge Golf Club, Peoria, IL. [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...](#)
