

IGFOA Professional Education Committee presents the

2017 ILLINOIS PUBLIC PENSION & OPEB INSTITUTE – PART II

Thursday, November 9, 2017

8:25 AM to 4:30 PM

NIU Naperville, 1120 E. Diehl, Naperville, IL 60563

7:40 – 8:25 AM Registration & Continental Breakfast

8:25 – 8:30 AM Welcome and Overview

8:30 – 10:00 AM Funding Public Pensions: Is Full Pension Funding a Misguided Goal?

Speaker: Tom Sgouros, Brown University’s Center for Computation and Visualization

Public pension systems across the United States are, and have been, in crisis. But, to a larger extent than is widely acknowledged, the crisis is the result of the accounting rules governing both these plans and the governments that sponsor them. These rules are designed to insure against risks that public pensions systems do not face, while simultaneously failing to insure against the risks they do face. The rules also encourage “reforms” that frequently do not improve the financial situation of a given pension system. This session will examine existing GASB rules and include a discussion of how they might be changed to better the outcomes for retirees and taxpayers alike.

Learning Objectives: *Participants completing this session will be able to:*

1. Understand the purpose behind the GASB statements 67 and 68, and the choices made (and not made) when they were formulated;
2. Discuss GASB 43 and 45 and OPEB liability issues;
3. Understand the root causes of pension funding shortfalls in Illinois and around the country;
4. Learn better ways of establishing the fiscal discipline necessary for successful pension funding; and,
5. Review the history of pension systems and the associated financial democratization that included life insurance, disability insurance, mutual funds, savings bonds, and unemployment insurance.

10:00 – 10:20 AM Morning Break

10:20 – 12:10 AM Ethics and Integrity

Speaker: Peter Burchard, Consultant, Adjunct Professor at NIU, & Former Manager of Naperville & Hoffman Estates

Ethics is about how people think and act. Ethics is also about how we choose to see the other person. In other words, ethics is about people. Government ethics adds an additional layer of accountability and responsibility for the public good and acting in the public interest. This session provides a framework for seeing, reflecting and growing ethical competence as individuals and for public sector organizations.

Learning Objectives: *Participants completing this session will be able to:*

1. Understand what does ethics or “being ethical” mean? Am I ethical? How do I define my standards for being moral?;

2. Learn Breaking Bad: Why do people and workplaces fail?; and,
3. Discuss building an ethically and morally competent self and team.

12:10 – 12:50 PM Networking Luncheon

12:50 – 1:40 PM Current Topics in Illinois Public Pensions

Speaker: **Dan Ryan**, Project Coordinator, Illinois Public Pension Fund (IPPPA)

The session will examine several topics: the impact of Tier II benefits, a statistical analysis of disability pension awards in Illinois, an examination of a municipal pension system collapse (outside of Illinois), and actions taken by municipalities and employees that undermine the public perception of defined benefit pensions.

Learning Objectives: *Participants completing this session will be able to:*

1. Understand the financial impact of benefit modification for new employees;
2. Discuss the varying impact that disability pensions can have on total pension costs;
3. Review the risk of and contributing factors to pension plan insolvency; and,
4. Understand the need to control of pension enhancements to individuals that erode public trust in pension system.

1:40 – 2:30 PM Economic Update and Capital Market Forecast

Speaker: **Jon Adams**, Portfolio Manager, Multi-Asset Solutions Team, BMO Harris

Understanding the key themes in the economy and how they impact global capital markets is critical. This session will highlight those themes, share thoughts on the outlook for 2018 and provide a backdrop for future return expectations.

Session Themes that will be discussed:

- Strong Worldwide Economic Growth with Low Inflation;
- Central Bank Policy Transitioning to a More Neutral Stance;
- Politics Remain a Source of Angst but Could Provide a Positive Surprise; and,
- 2018 Market Outlook and Forward-Looking Return Expectations.

Learning Objectives: *Participants completing this session will be able to:*

1. Understand the key themes that are impacting global capital markets;
2. Learn what could cause expectations to change and the impact on future returns; and,
3. Gain insight on the outlook for 2018.

2:30 – 2:50 PM Afternoon Break

2:50 – 3:40 PM Portability: Police and Fire

Speaker: **Allison R. Barrett**, Principal, Lauterbach & Amen

Become a master of calculating purchases of and transfers of creditable service for Article 3 and Article 4 Pension Funds. Identify the components of each formula, learn who is responsible for each portion of the calculation, and recognize the common errors and challenges in performing these calculations.

Learning Objectives: *Participants completing this session will be able to:*

1. Identify the eligibility requirements and complete the calculation to purchase pre-employment military service for active members;
2. Learn the eligibility requirements and complete the calculation to purchase military service for active members called up for active duty while an active member of the pension fund;
3. Identify the eligibility requirements and complete the calculation to purchase lost creditable service due to time spent on a disability pension;
4. Discuss the eligibility requirements and complete the calculations for miscellaneous unpaid breaks in service;
5. Understand the eligibility requirements and complete the calculations for a police officer to transfer creditable service between two Article 3 funds (“portability”); and
6. Review the eligibility requirements and complete the calculations for a firefighter to combine creditable service (“reciprocity”.) Also, complete the retirement and disability benefit calculations for a firefighter under reciprocity.

3:40 – 4:30 PM Pension Funding and Tier 2

Speaker: **Jason Franken**, Actuarial Consultant, Foster & Foster, Inc.

In this session, we will review the annual pension contribution requirement and the long-term Implications that tier 2 benefits have on pension funding going forward.

Learning Objectives: *Participants completing this session will be able to:*

1. Understand the cost savings tier 2 benefits will ultimately provide;
2. Understand how future contributions are expected to change based on changes in the normal cost and amortization payment; and,
3. Identify all of the facets of paying off your unfunded liability.

4:30 PM Closing Remarks

Many thanks to Mary L Tomanek, Institutional Consultant, Graystone Consulting and Public Pension Team Leader, Jon Beckmann, Superintendent of Finance, Waukegan Park District from the IGFOA Professional Education Committee, and past Public Pension Team Leader, Chris Minick, Finance Director for the City of St. Charles, for planning and coordinating the 2017 Illinois Public Pension & OPEB Institute - Part II!



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