

Public Pension Financial Focus

President's Message

Welcome to the first edition of the Financial Focus. It has been a goal of the P2F2 Board to keep improving the benefits to our membership and hopefully this is the first of many newsletters that you will receive. Our world in public pension plans is changing so rapidly before our eyes and this newsletter will keep you abreast of some of the issues that you are facing in the unique world of public pension and retiree healthcare plans.

In this newsletter, we have attempted to give you a high level overview of select issues, but we also have given you links to find more detailed information if you want to delve deeper. Also, we have tried to tell you more about what is happening with P2F2 and how you can participate.

As always we can use your help which would be very much appreciated. If you are interested in continuing and improving this newsletter, please contact me at kgreve@copera.org.

Karl Greve – P2F2 President

Conference on track for October in Mobile

The conference is moving along and is on track to be the largest meeting ever! The conference will be held at the beautiful Battle House Hotel in Mobile, Alabama, October 19th through October 22nd. A copy of the registration form can be found on the web at http://p2f2.org/08_%20conference/Registration%20brochure.pdf.



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Excellence, Education, & Interaction



Conference Headliners

Virginia Brizendine from Ohio SERS has been working hard in making our 5th conference the best ever. She has done this with the help of many other P2F2 members including Karen Carraher of Ohio OPERS who has chaired the Speakers Committee for the conference. Our past presidents are continuing to work hard for your benefit. Karen and her committee are bringing many nationally renowned speakers to the conference. You will have the opportunity to hear Girard Miller on the future of public sector plans, Ed Macdonald on financial economics, Karl Johnson on GASB, David Larsen on fair value accounting and alternative investment audits, Paul Zorn on what is happening in the actuarial world, Mary Beth Braitmann on what is happening with the IRS, and of course many more excellent speakers.

But without a doubt, the biggest headliner is your fellow members at the conference. Take the time to introduce yourself and share your business cards. You will gain more by the relationships you build at this conference than maybe anything else. We share many common experiences and you can learn so much by calling on those you meet here when you have questions and need assistance.

Stress Management

As fiduciaries to our plans, we are facing incredible stress and for your health you must try to find ways to manage and keep the stress in your life under control.

The following strategies come from an article on the MayoClinic.com website:

Simplify your life and manage your time wisely

Be prepared and anticipate challenges

Exercise – take a break from the tension

Take a positive spin on negative thoughts

Eat smart

Take a break to clear your mind

Relax, laugh and let go

<http://www.mayoclinic.com/health/stress-management/SR00038>

What's up with GASB?

Our friends at GASB never seem to forget about us and they have again remembered to keep in touch during the past year. So if you haven't kept up, here are some of the highlights (follow the latest at <http://www.gasb.org/>):

Statement issued in 2008 that affects public plans:

Statement No. 53 *Accounting and Financial Reporting for Derivative Instruments*
Effective date: For periods beginning after June 15, 2009

Recent statements to be aware of:

Statement No. 51 *Accounting and Financial Reporting for Intangible Assets*
Effective Date: For periods beginning after June 15, 2009

Statement No. 50 *Pension Disclosures—an amendment of GASB Statements No. 25 and No. 27*

Exposure drafts:

Determining the Annual Required Contribution Adjustment for Postemployment Benefits
(Comment Deadline: September 30, 2008) (Proposed Technical Bulletin)

Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards (Comment Deadline: October 30, 2008)

The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments (Comment Deadline: October 30, 2008)

Project plan (Maybe most important of all):

Postemployment Benefit Accounting and Financial Reporting



Financial Economics

Pension accounting is in the midst of a fundamental and monumental discussion of the proper approach to take in the development of the actuarial liabilities of a plan. Currently, there are discussions about changing the current reporting or adding an additional disclosure of the market value of liabilities, an approach used in corporate accounting and supported by a branch of economics known as Financial Economics. Financial Economists are concerned with the capital markets and how investments should be valued and how to measure investment risk and returns.

Using a market value of liabilities approach to the actuarial valuation would attempt to calculate the amount the plan would owe if it were terminated and was required to settle its liabilities using a risk-free portfolio of bonds. It differs significantly from the current approach used and required by GASB. In 2007, Richard Ennis estimated that applying the MVL to public plans would reduce the overall funding level by 15 percent.

While the space in this newsletter does not allow us to fully discuss this issue, we encourage you to learn more by going to the following websites:

Gabriel Roeder Smith April 2008 Insight publication – “Valuing Public Pension Plans: Comparing Financial Economics with Conventional Approaches - http://www.grsnet.com/news/pdf_insight/insight2008_04.pdf.

National Association of State Retirement Administrators White Paper – “Public Pensions and Market Value of Liabilities” by Keith Brainard - <http://nasra.org/resources/MVL/NASRA%20MVL%20white%20paper.pdf>.

Ennis Knupp Research Paper – “What Ails Public Pension Pensions? And What Can be Done to Strengthen Them?” - <http://www.ennisknupp.com/Portals/57ad7180-c5e7-49f5-b282-c6475cdb7ee7/What%20Ails%20Public%20Pensions%20Paper%20JULY.pdf>.

The American Academy of Actuaries on September 4, 2008 held a forum to hear views on the disclosure of market value of assets and liabilities for public pension plans. They have not yet issued a statement on whether they support such a change or the results of their forum. You can follow this issue at http://www.actuary.org/events/2008/forum_sept08.asp.



IRS Roundtable

On April 22nd the IRS Tax Exempt and Government Entities Division hosted a roundtable to discuss an effort by the IRS to raise awareness in the government plan sector of the need to comply with the tax qualification requirements. Their intent was to gather interested representatives from the community, including public retirement fund compliance officers and general counsel, in order to begin a dialogue on how to accomplish this goal. Luke Huelskamp, the Treasurer for P2F2, attended the roundtable and you can read his notes on the P2F2 member forum.

The IRS's biggest concern is on compliance as most plans have either not received an IRS determination letter or have a letter that was received many years ago. According to the IRS, they intend to increase the amount of scrutiny on governmental plans.

The IRS also discussed a survey that is being developed and will be sent out to public pension plans on compliance and qualification issues in 2009.

For a summary of the meeting go to: <http://www.irs.gov/pub/irs-tege/se0508.pdf>

Public Pension Financial Forum Benefits for You

Excellence, Education & Interaction

Delivered to you through the

Annual conference,

Member forum,

Contacts you develop,

Newsletter,

Website, and the

Board responding to GASB & GFOA



Suggestion Box

Please email your suggestions for
kgreve@copera.org

Member Forum

The P2F2 Forum is now available to share ideas, experiences, and other information with fellow P2F2 members in an open, free-form environment.

If you don't already have it, please contact the [P2F2 WebMaster](#) to obtain your "MemberName" and "Password" for login access to the Forum.

When accessing the forum for the first time, members simply need to register onto the Forum by creating their "User Name" and "Password" information. We also encourage you to complete the "profile" section. Members' profile information establishes personal identities so that they can be contacted by other members. P2F2 assures you that profile information will not be shared with outside parties.

The forum currently has 50 registered users with 120 articles posted on the website. Forums can be a very powerful tool for the organization; however it needs your participation. Please consider joining the forum!

http://p2f2.org/members'_forum_files/members'_forum1.htm

Member Forum – What you will find

Currently the Forum has been used for two purposes, the first being to post information that others may find useful, and secondly, to post technical inquiries that other members may be able to help you with.

What you will find:

Over 30 posts asking for assistance on various benefit, administrative and investment issues,

Updates on GASB exposure drafts and the IRS roundtable, and

Over 30 posts which give links to public plan research and white papers published during the year.

This forum could be so much more and could be a great resource for you, your plan, and all of our members, but it takes your participation. Please join, share and participate!