

Public Pension Financial Focus



President's Message

Thinking back on the past year, I'm astonished at how fast it went. It was a good year as investments began to recover, but it was also a year in which many public pension systems frequently came under attack regarding their retirement benefits, regulation, governance and investment selection. Also, the Government Accounting Standards Board (GASB) is again getting more involved in public pensions. Karl Greve's article that follows lays out some of the Board's tentative conclusions.

Our 2009 conference in Sacramento was well attended and the speakers were a very dynamic group. Attendees again struggled to choose between great topics and speakers during the breakout sessions. Topics in the 2009 conference included: GASB update, pension trends, investment accounting, compliance, legislative and IRS updates.

Planning for the 2010 conference, which will be held in St. Paul, Minnesota from September 12th to the 15th, has begun. To make the conference the best it can be takes help from all of you. One way you can help is by calling potential new members since the sharing of ideas and interaction of the attendees is one of the biggest benefits of being a member of P2F2. Another way you can help is by offering up new topics, speakers and meeting ideas. After all this is your conference. Finally, if you can offer more, we need volunteers to help with all facets of organizing the upcoming conference. Please feel free to contact me or any of the other Board members on how you can get involved with conference planning and help our organization continue to develop.

Luke Huelskamp, P2F2 President
LHuelskamp@mersofmich.com

Contents

Special Interest Articles

President's Message	1
GASB Task Force Meeting	2
2009 Conference Survey	3
IRS Notice 2009-93	4
NCSL Report on Legislation	4

Individual Highlights

Top 10 New Year's Resolutions for Business	2
2009 Conference Presentations	3
P2F2 Board Minutes	3
Kaizen	3
Albert Einstein Quote	3
P2F2 Benefits for You	4
Suggestion Box	4

GASB Post-Employment Benefits Task Force



Karl Greve, P2F2 Board member, attended the December 2, 2009 GASB Post-employment Benefits Task Force Meeting in New York as an observer. The meeting lasted from 9AM to 4PM and covered five topics: liability recognition by sole and agent employers, expense recognition by sole and agent employers, measurement-projection of future changes, measurement-discount rate and actuarial cost methods.

The meeting was very open and participants held strong views from maintaining or modifying the current funding approach to advocating a change to the market value of liabilities (MVL) approach. The bulk of the day was the task force participants' discussion of a number of questions prepared by the GASB research staff. The GASB Board seemed very open, listened attentively, and asked very pointed questions throughout the day.

As you know, this is a complex set of issues which could make substantial changes to the way we record, report and disclose the transactions of our pension and retiree health care plans. It appears that the next step will be the issuance of a preliminary views document or exposure draft in the middle or late summer of 2010.

Something that you may find interesting in the materials given to task force members were some tentative conclusions made by the GASB Board in prior meetings as listed below:

Top 10 New Year's Resolutions for Business

- 1) Learn how to delegate and do more of it.
- 2) Promote your business regularly and consistently.
- 3) Make business planning a weekly event.
- 4) Learn something new.
- 5) Join a new business organization or networking group (P2F2).
- 6) Give something back to your community (volunteer).
- 7) Put time for you on your calendar.
- 8) Set realistic goals.
- 9) Don't make do; get a new one.
- 10) Drop what's not working for you and move on.

From the article "Improve your work-life balance with these new year's resolutions. By Susan Ward.

<http://sbinfocanada.about.com/cs/management/a/bizresolutions.htm>

- A sole or agent employer incurs a pension obligation to its employees (however measured) as a part of the exchange between the employer and its employees of salaries and benefits, including defined pension benefits, for employee services.
- The pension plan becomes the primary obligor, and the employer becomes the secondary obligor, for benefits to the extent that plan assets have been accumulated to provide for the payment of benefits to employees or their beneficiaries when due.
- The employer remains the primary obligor for benefits to the extent that the pension obligation to its employees (however measured) is unfunded.
- The unfunded accrued benefit obligation (however measured) of a sole or agent employer meets the Board's definition of a liability (that is, it is a present obligation, and the employer has little or no discretion to avoid a sacrifice of its resources to satisfy the obligation) and is measurable with sufficient reliability to be recognized as an employer's pension liability in basic financial statements. The Board further agreed to consider whether an employer also would report in some way its net pension obligation.

Continued on page 3.

GASB Post-Employment Benefits Task Force (Continued)

- To explore the possibility that fluctuations in investment earnings within corridors should not be recognized immediately, but rather amortized over a period of time to be determined at a subsequent meeting.
- To explore the possibility that except for those associated with events that are not likely to recur, actuarial gains and losses might be reported as deferred inflows and outflows, as applicable, and amortized over a period to be determined at a subsequent meeting.
- Changes in the pension liability as a result of changes to benefits of existing retirees should be recognized immediately. The Board tentatively decided to explore the possibility that changes in the pension liability associated with collective bargaining agreements (or similar arrangements) related to active employees might be reported as deferred inflows or outflows of resources, as applicable, and amortized over the term of the agreement.
- To explore the possibility that except for those associated with events that are not likely to recur, changes in the pension liability as a result of changes in actuarial assumptions might be reported as deferred inflows and outflows, as applicable, and amortized over a period to be determined at a subsequent meeting.
- The Board tentatively decided to address issues related to OPEB separately from the currently planned due process document.

P2F2 will continue to monitor developments and will respond whenever GASB issues its next document on this subject.

2009 Conference Survey

The P2F2 conference did an electronic survey of the attendees, on various issues affecting our membership. The survey was conducted by Cobalt Community Research and was available for the attendees to see the results, as they took the survey. The full results of the survey are also available at the P2F2 website: www.P2F2.org. (On a side note, Virginia Brizendine from Ohio SERS needs to be acknowledged for maintaining P2F2's website over the past year.) Some of the survey questions concerned plan changes in the coming years that systems are planning on implementing, OPEB cost sharing and plan design, actuarial assumptions on smoothing and asset corridors.

92% of the systems do a death audit either ongoing or annually; 8% had not performed a death audit on their retiree membership. 35% of the systems had either since 2004, or had applied for, an IRS Letter of Favorable Determination; 37% had one issued before 2004.



2009 Conference Presentations

The 2009 presentations can be found online at

http://p2f2.org/09_Conference/Presentations.htm.

P2F2 Board Minutes:

Minutes for all of the Board meetings of P2F2 can be found at

http://p2f2.org/Board%20Minutes/recorded_minutes.htm.

Kaizen

The term **kaizen** (改善, Japanese for "improvement") is a Japanese word adopted into English referring to a philosophy or practices focusing on continuous improvement.

Every day, do or make something better than it was before.

Albert Einstein Quote

Learn from yesterday, live for today, hope for tomorrow.

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 to
kgreve@copera.org



IRS Notice 2009-93

The IRS has issued a pilot program whereby paper 1099-R returns can be sent to retirees with truncated Social Security numbers. This program is voluntary and was designed to help avoid identity theft. The program covers 1099s, 1098s and 5498s for calendar years 2009 and 2010; and only for paper copies that are sent to individuals. A retiree with a Social Security number of 123-45-6789 would have a truncated number of XXX-XX-6789 on their paper 1099-R. Electronic forms sent to the IRS will obviously have to have the full 9 digits. More details are available at www.irs.gov under the Notice 2009-93. The IRS also invites public comment on this notice.

NCSL Report on 2009 Pension Legislation

The National Conference of State Legislatures has prepared a report on how States responded to pension sustainability issues and the current challenging economic conditions for governments. The report titled "State Pensions and Retirement Legislation 2009" can be found at the following link: <http://www.ncsl.org/default.aspx?tabid=17594>. During 2009, Nevada, Rhode Island, New Mexico and Texas significantly reworked their defined benefit plans. Six states cut benefits to new hires, and six have required higher contributions. During the 2009 legislation, no state moved to a defined contribution plan.

During the 2009 legislative session, three states enacted early retirement incentive plans intended to reduce the size of the state workforce and at least seven states acted to protect the retirement benefits of employees who were forced to take mandatory furloughs without pay. Please see the report for more information.

