



OFFICE OF THE CITY MANAGER



TO: Honorable Mayor and Members of the City Council
FROM: Patrick Urich, City Manager *Patrick Urich*
DATE: October 18, 2013
SUBJECT: Issues Update

The following are issues related to the City for the weekly Issues Update. If there are additional items you believe should be included, please let me know.

Fire Department's Savings through Joint Purchasing Agreement with AMT

The Peoria Fire Department purchases medical supplies and equipment for our use at Basic Life Support (BLS) and Advanced Life Support (ALS) responses, and these supplies can be very costly. In the Department's quest to reduce these costs, Fire Administration entered into a joint purchasing agreement with Advanced Medical Transport (AMT) allowing us to take advantage of quantity discount pricing.

The following represents the items in which we have been able to reduce our pricing thus far in our 2013 budget cycle.

- Glucagon Emergency Kit
 - Previous price \$186.00 per kit (kit is one time use only)
 - New price \$124.17 per kit
 - **SAVINGS OF 33%**
- Nitrile Gloves
 - Previous price \$107.30
 - New price \$87.50
 - **SAVINGS OF 18%**
- Epi-Pens
 - Previous price \$349.00
 - New price \$232.24
 - **SAVINGS OF 34%**
- Glucose Meters and Glucose Strips
 - Previous price \$78.00 per box of 50
 - New price \$35.62 per box of 50
 - **SAVINGS OF 46%**

- Micro-Flex Diamond Grip Latex Gloves
 - Previous price \$127.00 per case
 - New price \$98.50 per case
 - **SAVINGS OF 23%**
- Life Pack 12 Defibrillator Quick Combo Pads, Electrodes, and EKT Paper
 - Previous price
 - Adult quick combo pads \$29.45
 - Ped. quick combo pads \$45.00
 - Electrodes \$0.23 each
 - EKG paper \$7.88 per roll
 - New price
 - Adult quick combo pads \$25.00 = **15% SAVINGS**
 - Ped. quick combo pads \$35.00 = **22% SAVINGS**
 - Electrodes \$0.178 each = **25% SAVINGS**
 - EKG paper \$2.95 per roll = **63% SAVINGS**
- Pulse Oximeter Patient Cables and Reusable Sensors
 - Previous price \$458 to \$621 per unit
 - New price \$122 per unit
 - **SAVINGS OF 89% - 92%**

The Fire Department's goal is to maintain this joint purchasing agreement with AMT into 2014 and beyond in order to continue these cost savings.

Advising Council of Economic Development Activities

Please see the attached memorandum pertaining to guidelines for advising the City Council on economic activities.

National Conference on Public Employee Retirement Systems

Please see the attached report which includes a summary of the National Conference on Public Employee Retirement Systems (NCPERS) submitted by Shawn Curry, Secretary of the Peoria Police Pension Fund. The Conference took place in Honolulu, Hawaii, from May 19th through May 23rd, 2013. The total cost of the Conference was \$4,807.83.

Peoria Area Convention and Visitors Bureau Report

Below is a summary reported by the PACVB of the Bureau's activities and successes through September 2013.

- The multi- media campaign...."Kaci's Places to Play in Peoria" has published 13 segments to-date. These videos, produced in-house, are published on YouTube, Facebook, Twitter, the PACVB website and other media. These segments may be viewed at: <http://www.peoria.org/kacisplaces/>

- The marketing report for the 3rd Quarter, 2013 may be viewed at:
<http://www.peoria.org/includes/media/docs/Peoria-July---Sept-Report.docx>
This document reports the Google Analytics (website traffic), advertisements placed during this period, and other marketing activities.
- The year-to-date Sales Productivity Report may be viewed at:
<http://www.peoria.org/includes/media/docs/Productivity-report-YTD-9.30.13-revised.xlsx>
- The year-to-date Leads Sent Report may be viewed at:
<http://www.peoria.org/includes/media/docs/Producitvity-sept-2013-bar-chart.pdf> This report reflects actual productivity to goals by market segment.
- The sales staff and/or President of the PACVB have attended the following recent trade shows to promote the Peoria Area to convention meeting planners and sporting events:
 - Collinson Media Collaborate Marketplace – More than 1,200 corporate meeting professionals participated in this conference and appointment-only trade show.
 - Illinois Council of Convention and Visitors Bureaus Sports Huddle.
 - Health Care Exhibitors Association – The PACVB and the OSF Jump Trading Simulation & Education Center jointly exhibited at this medical convention.
 - Association Forum Association Week – This was an opportunity to network with meeting planners in the Chicago area.
 - Collinson Media Connect Marketplace – This appointment-only trade show targets association meeting planners and sports executives. Three (3) representatives from the PACVB had a total of 81 appointments over two (2) days.
 - Travel Media Showcase – PACVB representatives met with 35 travel journalists.
 - Association of Great Lakes Outdoor Writers – As one of four finalists for this 2015 convention, representatives of the PACVB, PCC and Sheraton Four Points attended their 2013 convention and made a sales presentation to the AGLOW board of directors.
- The National Softball Association held their 2013 World Series “B” Tournament in the Peoria Area at the end of July. This tournament brought 204 girls softball teams that used every softball field in the area. 4,000 room nights were reported. The PACVB was responsible for organizing the opening night ceremonies including the Water Street parade of teams in downtown Peoria and a concert at the CEFCU Center Stage. This event brought nearly 6,000 visitors to the riverfront on a Monday evening. The PACVB also arranged for the Peoria Riverfront Museum and Caterpillar Visitors Center to remain open on Wednesday evening for these visitors. Nearly 800 players and families visited the PRM that evening.

- The PACVB planned and executed a sales blitz to Chicago with representatives of the Peoria Civic Center and five (5) area hotels.
- The PACVB attended the National Association of Sports Commissions Market Segment Meetings in Colorado Springs. While there, they also made sales calls with sports rights holders that have headquarters in Colorado Springs.
- The PACVB published a new meeting planner's guide for the Peoria Area. The electronic version of this guide may be viewed at: <http://www.peoria.org/vguide/?vgID=11>
- The PACVB produced a video to use during sales presentations and at trade shows. It may be viewed at: <http://www.peoria.org/plan-your-meeting/>



OFFICE OF THE CITY MANAGER



Memorandum

To: Mayor Jim Ardis and Members of the City Council

From: Patrick Urich, City Manager

Date: October 17, 2013

Re: Advising Council of Economic Development Activities

Cc: Ross Black, Community Development Director
Christopher Setti, Assistant City Manager

Earlier this year, Councilman Weaver asked that Council be provided with some guidelines as to when it should be informed of economic development proposals in the community. Heretofore, the City has not had a formal communication protocol with Council regarding potential developments. In response, I first asked staff in the Community Development Department to research existing protocol in other communities related to when elected officials are notified of a development proposal. As was expected, there was no widely established or adopted protocol or best practice in this matter. Smaller communities generally have less formal lines of communication between staff and elected officials because of a smaller number of staff and development proposals. Larger communities have less informal communication, but not necessarily any formally adopted process to provide updates.

For most developments, the process in Peoria generally follows a prescribed path. Developers may contact staff for an informal meeting and/or may attend One Stop Shop to speak to staff in a somewhat more formal basis. Beyond these exploratory conversations, the first official step for most development is the application that is sent to the Site Plan Review Board (SPRB). SPRB is a staff board that reviews development applications and either makes recommendations to a commission or in some cases makes a final decision on the approval of an application. If a development application moves to the commission level, various State and local notice requirements are followed which increases the level of public notice. Finally, with the exception of the Zoning Board of Appeals, recommendations from the commissions are sent to the Council for final decision.

Listed below is the established practice at the City of Peoria for development proposals that come through the Community Development Department (planning, zoning, economic development, building inspections, neighborhood development).

- **Pre-One Stop Shop** – These contacts are the most informal and undeveloped of all contacts between developers and staff. Some may be simple general inquiries. While staff does not track how many of these initial contacts (which can be formal meetings or simple telephone calls) move onto a more formal status, many never move past this stage. Generally speaking, staff will not

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inform elected officials about these contacts unless we believe that there is either a good chance that the project will move forward and/or we anticipate that the project may be controversial or have a large impact. For example, if the initial contact is from someone who wants to know how to open a shoe store in an existing shopping center, staff would most likely not contact elected officials. If the initial contact was for the development of a power plant on the riverfront and the developer seemed to have the wherewithal to carry forward with the project, staff would inform elected officials.

- **One Stop Shop** – This is the first formal interaction between developers and City staff. One Stop is held every Monday at 1:30 and is open to the public. Parties can make an appointment for this meeting or simply show up. Even taking this more formal step does not guarantee a project will actually move on. Like the informal contacts listed above, visits to One Stop can be largely exploratory. Similarly, elected officials are contacted about developments presented at One Stop as they are at the pre-One Stop/informal conversation step.

Because of the semi-public nature of the One Stop meeting, some developers will opt instead to attend a formal but private meeting with designated staff (this is often referred to as a “pre-development meeting”). The process for communicating with Council, however, remains the same.

- **Site Plan Review Board** – It becomes far more common to inform elected officials of potential developments once a formal development application has been submitted and is sent to the SPRB for processing. The filing of an application in effect creates a public document; as a result, staff will always err on the side of caution and inform elected officials of any development application that we believe may be controversial. The SPRB weekly agenda is currently sent via email to the staff members of the SPRB. However, elected officials could be easily added to this distribution in order to provide early information about potential development.
- **Commission Review** – Prior to review by a commission (Zoning Commission, Planning Commission, Zoning Board of Appeals), public notice is provided per State and local law. Additionally, all commission agendas are sent via email to all members of the City Council. This would be the first formal step where all elected officials are provided with notice about a potential development.
- **Council Decision** – When a development project is sent from the commission level to the City Council for action, the item is reviewed at a staff level and then added to the City Council agenda. The agenda is generally made available the Wednesday or Thursday before the Tuesday meeting.

As an informal practice, Community Development staff will send an email to district Council Members alerting them to projects in their districts that are coming up for commission review. At this point, no similar notice is sent to at-large Council Members or to the district Council Members outside of the location of the proposed development.

Based on the current practice but the desire by Council to be more aware, I have asked the Community Development Department to begin adding all Council Members to the email distribution list of cases coming before the Site Plan Review Board (SPRB). As all development applications that will be sent to Council and the majority of those that can be approved administratively start at the SPRB level, this notification will allow for almost complete disclosure to all elected officials of every development application.

While the vast majority of development projects originate and progress through the Community Development process outlined above, some projects, usually because of their complexity or magnitude, will start with the City Manager's Office. Other departments, namely Community Development, will be brought on board and the formal process outlined above will eventually take shape. Often, these projects are introduced, initiated or shepherded by members of the City Council themselves. Though to a lesser degree, a good percentage of these projects also fail to materialize as real projects for one reason or another. Like the Community Development process, the City Manager will try to discern probability of execution, community impact and level of potential controversy and inform members of Council appropriately. This is often done informally in individual conversations or small groups. Depending on the nature of the development, the conversation might be limited to the District Council Member and/or Mayor initially. Those individuals can then help guide the Manager on wider communication strategy that is tailored to the project. If the City is being asked to sell or purchase property, the City Manager can use provisions within the Open Meetings Act to discuss a project with the entire Council during an executive session.

Economic development projects may require developers asking for incentives – financial incentives or land, or both. The varying level of participation by the City may drive differing degrees of civic engagement in the process. For example, a new fast food restaurant on Western Avenue may follow the process outlined above – One Stop Shop > SPRB > Commission > City Council decision. However, if that same restaurant was in a tax increment financing (TIF) district where the City may be asked to execute a redevelopment agreement and provide financial incentives, then the level of public engagement in the process may be higher. If the restaurant is to be located on public property owned by the City or another taxing body inside a TIF, it may require an even higher level of civic engagement, because the question not only includes financial incentives, but whether or not a restaurant is the highest and best use of the public property.

The International Association for Public Participation (IAP2) is an international organization devoted to advancing the practice of public participation. They define public participation as the “means to involve those who are affected by a decision in the decision-making process. It promotes sustainable decisions by providing participants with the information they need to be involved in a meaningful way, and it communicates to participants how their input affects the decision. The practice of public participation might involve public meetings, surveys, open houses, workshops, polling, citizen's advisory committees and other forms of direct involvement with the public.” IAP2 has developed a spectrum of public participation (Attachment 1). This spectrum is based on belief that those affected by a decision have a right to be involved in the decision-making process. It includes the promise that the public's contribution will influence the decision, and promotes sustainable decisions by recognizing and communicating the needs and interests of all participants, including decision-makers.

Regardless of how development projects are initiated, staff is committed to ensuring that projects align with community values, needs and desires, as well as the stated objectives of the City Council. There is no perfect and standard communication process with Council because of the unique nature of each project, but staff is committed to being open with elected leaders on those issues that have broad impacts. Where the level of public involvement is greater, financial or otherwise, Staff will increase the level of public participation as outlined in the IAP2 spectrum. Community Development, Public Works and City Administration staff will be participating in a webinar on October 25 on improving citizen engagement. Should you have any additional questions, please do not hesitate to contact me.



International Association
for Public Participation

IAP2 Spectrum of Public Participation

Increasing Level of Public Impact



Public participation goal

Inform

To provide the public with balanced and objective information to assist them in understanding the problem, alternatives, opportunities and/or solutions.

Consult

To obtain public feedback on analysis, alternatives and/or decisions.

Involve

To work directly with the public throughout the process to ensure that public concerns and aspirations are consistently understood and considered.

Collaborate

To partner with the public in each aspect of the decision including the development of alternatives and the identification of the preferred solution.

Empower

To place final decision-making in the hands of the public.

Promise to the public

We will keep you informed.

We will keep you informed, listen to and acknowledge concerns and aspirations, and provide feedback on how public input influenced the decision.

We will work with you to ensure that your concerns and aspirations are directly reflected in the alternatives developed and provide feedback on how public input influenced the decision.

We will look to you for advice and innovation in formulating solutions and incorporate your advice and recommendations into the decisions to the maximum extent possible.

We will implement what you decide.

Example techniques

- Fact sheets
- Web sites
- Open houses

- Public comment
- Focus groups
- Surveys
- Public meetings

- Workshops
- Deliberative polling

- Citizen advisory committees
- Consensus-building
- Participatory decision-making

- Citizen juries
- Ballots
- Delegated decision

NCPERS CONFERENCE 2013
MAY, 19TH THROUGH MAY, 23
HONOLULU HAWAII

Sunday, May 19, 2013

Registration began at 1400 hrs through 1730 hrs. The exhibition vendors were also available during this time from 1600 hrs through 1800 hrs. To meet and discuss various legal, investment, and other services provided.

Monday, May 20, 2013

The conference began with the Opening Ceremony done by the Honolulu Fire Department and by NCPERS President Mel Anderson.

Governor Neil Abercrombie of Hawaii gave the welcoming remarks to the conference. Governor Abercrombie also spoke at length about the problems he faced with pension and pension reform upon taking office as Governor. He detailed how he was able to build a coalition between the various labor organizations, both Hawaii's State Houses, and his office to make the necessary changes to the state system. The Governor stressed the importance that all parties involved must come together in order to deal with pension reform and the changes that are needed from state to state. Governor Abercrombie used Hawaii as an example of how all parties involved can come to a consensus give concessions while partnering together to insure that all pensions are saved, as well as being secure for those in the future. He also noted the economic impact that failure to do so would have at both at the local and federal level. He noted if pensions are not saved the economic cost of retirees depending on government aid and both levels and the lack of the pension money being spent on goods and services.

Governor Abercrombie also spoke at length about the negative press his state had received about the conference taking place there as well as pension reform in general. He explained pensions as a whole are healthy and a needed source of income to those at the age of retirement. The Governor noted that pension funds need to take more time in explaining the economic impact on the communities as well as retirees noting that the vast majority of public pension recipients are not eligible for social security which to is a defined benefit.

Globalization: Past, Present, and Future

Speaker Thomas Barnett, Chief Analyst, WikiStrat spoke about how the future of climate change, global government shifts, and national security will greatly impact the way the markets

work and how to invest securely in an unstable global atmosphere. Thomas Barnett has also worked as a Nation Security Advisor with an expertise in global warming. He also was well versed in the areas of the Middle East and Asia Pacific areas of the world.

Barnett began by explaining in the future America and its economy will rely on the Latin American workforce that has been coming to the US looking for work. He explained shortly after WWII there was roughly fifteen workers to every retiree. In the year 2000 the ratio began nine to one and he predicts that by 2050 it will be four to one. With this prediction and the fact the US and Mexican governments are so closely connected he feels Latin America will become economically the greatest asset to the US. Barnett stated the ties between this region will become intertwined Latin American Nations will closely resemble States of our Union as we see them know.

Barnett also predicted that due to the social change in China he feels they are at their peak economically. As Barnett explained China has gone through a period of change and in the future China's workforce will become greatly diminished. Barnett notes because of decades of China's policies pertaining population control by 2050 there will be close to one hundred to one elderly workforce versus the younger workforce. China also has moved so quickly from the lowest economic country to where it stands today that the country can't continue this pace nor has the workforce to sustain such growth.

Barnett predicts that in the Middle East with Iran obtaining nuclear weapons there will be a "cold war" of sorts in the region. Barnett was certain Iran will have nuclear capabilities within the next two years and that there wasn't much the world could do about this. Barnett explained that this will drive Saudi Arabia to obtain nuclear powers, and he notes that Israel already has a very large nuclear arsenal. Barnett spoke saying Iran first and foremost would attack its number one enemy in the region which is Saudi Arabia. Barnett predicts with the Arab Spring, the access to nuclear arms this region would turn into a "cold war" region for several decades to come.

As far as Barnett predicts for future financial centers he maintains the European Union will be a great financial center. He adds with their long track record, education systems and access to the Russian markets he feels this region will succeed.

Barnett predicts the greatest region for investment in the future will be in the United States. Barnett explains with Global Warming on the rise the United States had less than seven percent of the world population with over forty percent of the world's water. Barnett's theory is that the world needs the US to survive the next century for food resources alone. He also adds with the abundance of natural gas, and the use of renewable resources the US will be the next great exporter of energy. With this already happening with fracking technology wind and solar there will be a great decrease in military presence in the new cold war middle east.

How Do We Transform the Way People Think, Talk, and Act about Pension

This session was given by Washington State Department of Retirement Systems. The discussion centered on how to get the message through not only to the public but to politicians as well who don't fully understand pension structure and its benefits. Then discussion also included changes that may be needed to pension plans in various ways.

The general feeling toward pension plans across the nation are that they are poorly managed and that the pensions themselves pay retirees to high of a rate, being too giving. Tax payers feel they are facing huge increases in taxes to pay these pensions and that by eliminating the pension plans themselves and converting to a different system will save taxpayer money.

The facts are that a fund that has been created well and managed right is the most beneficial financial tool for retirees. The purpose of having a good pension fund and defined benefit is to maintain, and attract the best people in the workforce. The demands of most public safety jobs are such that an older workforce can't perform the same as a younger healthier worker. Having a good viable pension that can sustain a retiree will also save taxpayer money in the form of on the job injury, disability retirement, and a safer community as a whole.

In recent years there has not been a perfect plan or one that has been managed perfectly. Coming off the heels of the great recession many plans suffered great losses during this period. The best way to succeed is to maintain a good successful management style and stick with them. Things like professional investment, pooled investment, and shared longevity are benefits to all parties involved.

Concerns that need to be looked at and addressed include: pension spiking, retirees returning to work, lack of member contribution, poor investments that don't meet their benchmarks, poor fund ratio, and pension boards failing to get educated with the understanding of investment strategies and not knowing fully the options that certain investments can bring. Some of the measures that can be taken are that COLAs are granted responsibly, ant-spiking measures are taken, actuarial assumptions can reasonably be expected to achieve long term.

Avoiding Front Page Scandals

This session's discussions were about pension boards, scandals (such as pay to play with investors, kickbacks from money managers), insider deals, and fiduciary responsibilities of a pension board.

The points to this session were to make certain pension boards did the necessary things to avoid any scandal concerning pension funds. Examples were given of funds in the past that had issues of payouts, and kickbacks. To avoid these types of issues it's necessary that trustees

get educated on pension laws, and maintain a level of education in terms of investment. Also it was emphasized that no one trustee has a level of authority without at least one or two others and to allow access to money managers, investors and legal counsel to show that cronyism is not taking place or being allowed. If there are personal connections between the trustees and these providers be able to explain the connection and show there were no such "hidden deal" made for those who are providing the service.

Tuesday, May 21, 2013

Economic Forecast 2013 and Beyond

During this lecture executives from JP Morgan, Northern Trust, and Guggenheim Inv. All discussed their views in the economic growth and conditions of the US. Each varied in opinion about the growth aspects but all agreed that there was a great deal of stability in US markets and that the next decade would be a great period of growth. All had consensus that with low US interest rates monies need to be geared toward corporate stock as much as each fund would allow. US treasuries and bonds would remain a safe investment but would have virtually no return during this period.

I was also agreed upon that the "great recession" was over in the US economy, 2nd blamed sluggish unemployment figures on the fact companies are still not comfortable spending capital and making investments within their structure. Guggenheim Investments were very optimistic about the turnaround taking place sooner rather than later. They cited the housing market was progressing faster than some expected and felt this trend would continue because of the low interest rates. It was also felt that historically, the US economy had been in similar patterns before. The panelists also felt sometime within the fifteen year mark the interest rates would begin to rise, like in the 70's and 80's, helping eliminate US debt.

For over the past decade the US economy had struggles with 911 and the the burst in the housing "bubble" creating the worst economic time since the Great Depression. The panelists cited the fact the US has done rather well during this time compared to the European Union, Japan and even cited the slowdown in China. All felt US fiscal policy had proven well during this period and the US had positioned well for the upcoming decade.

Investing in the Infrastructure Asset Class

This was a discussion on how private infrastructure investment could be a good long term investment class for pension funds. This class had gained in popularity in Canada as well as other countries due to the safe, steady, and quality of its returns. With the help of the Clinton Global Initiative, Better Building Challenge of the AFL-CIO brought this asset class to light.

The infrastructure asset class takes private monies and puts them toward capital projects that governments can't fund. Projects like hospitals, bridges and roadways are among the projects. This is a very popular asset class in Canada because the federal government can spend its resources in other needed areas while the private funding helps create jobs, impacts the local economies, and does well for the environment. OMERS (in Canada) reported they invest in this class and average between nine and fifteen percent returns. Most of the investments are made in a fifteen year time frame. It was also explained as inflation begins to grow the returns in the investment will too. OMERS reported that this class has an instant cash flow return.

Things that need to be considered before investment of this class are the type of project in which monies are invested. What government and location of the project and over leverage of the project itself. Some of these investments can be made overseas in places such as India, and Indonesia but as well as in more developed nations like in the European Union. As in any investment the safest investment will be in the socially stable environments and always check with investment managers about where the money goes and to what type of project. If invested well this is a long term, higher return type investment.

The Future of Retirement Security

Ed Smith, Ullico Inc. spoke about the future and need for defined benefit and retirement security. Smith spoke how often defined benefit systems are demonized within the media as unfunded liabilities are often being portrayed as too burdensome for tax bases to sustain. Smith points out that the US attracts the World's brightest, and best workers because of retirement systems, education, and the advancement of the middle class. It was also discussed how pensions and those who are retired have a great impact on the economy especially during time of economic distress. These recipients if not for a defined benefit would often rely on taxpayer based programs such as food stamps and subsidized housing to survive but pension plans keep these retirees from public aid.

Smith showed that in 1979 twenty three percent of private sector jobs had a defined benefit plan for their workers. In 2011, Smith reported that there were only three percent with a pension plan. He estimated that twenty-eight percent of those private sector workers won't be able to retire due to not being able to afford to do so. He said in 1979 twenty-eight percent of all workers in the US belonged to a union; while currently only about five percent of the workforce does know. Sixty-nine percent of public pensions are higher than their private sector counterparts. Smith also reports with likely reductions in social security and that most public pension funds don't receive social security well managed pensions fund are needed to maintain a stable middle class not only for the retiree but for a well balanced economy as well.

Alternative Investments

Steve Hartt, Meketa Investment Group, spoke about alternative investments in the current market and how to understand and evaluate the risk. Hartt considered any investment other than US stocks, bonds or cash to be alternative. He showed in the past that alternative means of investments were Mortgage backed bonds such as Fannie May, foreign stocks like Japanese and European, TIPS, High yield bonds, and Emerging Markets like China. Hartt considered the new alternatives were Commodities, Infrastructure, Real Estate, and Private Equities.

Hartt explained that the "standard" investment portfolio has declined over the past decade substantially. Stocks remain expansive while bond yields are at the lowest rate in recent history. Hartts feel that investing in these categories alone with not allow a pension fund to meet the standard rate of return for its investment obligation. Hartt says investing in alternative investment classes may have the same risks and characteristics of traditional investments but offer higher than expected returns. Hartt stated that the average twenty year return for alternative investment classes were at eleven percent compared to eight percent for the S&P 500 index.

Some of the issues with this investment class are:

- Lower level of liquidity
- Hard to value
- Lower level of transparency
- High fees
- Uneven cash flows

Hartt emphasized that investing in this class is a great way to diversify a long-term strategy. He notes that funds need to understand the investment, take their time to get invested, plan for necessary illiquidity, hire the right manager for your fund and be very well diversified.

Fiduciary Litigation

This session related to how public pension funds have successfully sued large investment firms for fraudulent activity that resulted in losses for their pension funds. The principal claims needed for litigation are a breach of fiduciary duty or duty of prudence and duty of loyalty. In two separate case studies it was proven that JP Morgan was found negligent in Securities Lending and when the complainant sought answers for their loss, JP Morgan did not allow access to information citing it "didn't have a business purpose". At the end of the lawsuit JP Morgan had to pay a total of \$150 million dollars to 73 clients. In a similar case BNY Mellon was sued and had to pay out \$280 million dollars on behalf of 350 clients.

Public Pension funds need to be aware of potential fraud not just at the companies that they invest in but also with the service providers the funds hire. The assumption can't be they are always acting in the best interest of the fund simply because they are fiduciaries. The funds and investors need to keep on top of the service providers and all other third party services. If lawsuit does happen the trustees and fund members need to be aware these suits last years before getting settled and to be vigilant but patient for the results.

Update on Secure Choice Pension

Secure Choice Pension (SCP) is a plan that has been proposed and endorsed by NCPERS and various individual state pension funds. SCP is designed to create a private-public pension system that would allow access from the private sector into the system. Many feel this would allow access to more working Americans into the defined benefit plans. The private sector design is geared more toward the small businesses that otherwise could not afford to give employees a pension benefit. SCP is supposed to leverage the success of public-private sector pensions and incorporate flexibility and portability that is needed in the private sector. There are many in the pension fight that believe the time to allow private employers to buy into the pension system would help both the private sector and alleviate the stress of the public pension system.

Wednesday, May 22, 2013

Justifying Your Actuarial Assumptions

This discussion was based on how to get an actuarial assumption that is as close to accurate as can be. The most important assumption for a trustee to know is the rate of return assumption which is the focus of the media across the country. The rate of return on the investment dictates the amount of money that comes from the employer and employee. Any assumption after ten years needs to be re-evaluated with the projected outlook of twenty to thirty years. Issues like the interest rates for bonds, the number of employees paying into the fund versus the number drawing from the fund, the average age of death versus the average age of retirement all play a major factor in the outcome of the assumption. The actuarial assumptions need to be reviewed on a regular basis depending on the size and structure of the particular fund. It is also imperative that trustees understand how the assumptions are figured so these long term numbers can be explained.

Helping Participants Improve Financial Security

Melissa Ackerman, Aon Hewitt, spoke about getting members of pension funds financially stable at the time of their retirements. Ackerman stressed the importance that of individual to have the resources to be secure upon exiting the workforce. She stressed the extreme cost of health care for those at retirement age. She explained financial planning goes

beyond retirement but knows and has the resources at every stage of life after work. With the economy and the recent recession making sure those close to retirement have made efforts to managing and/or eliminating as much outstanding debt as possible before leaving the workforce.

Disaster Planning for Funds

Patricia Reilly, from the New York City Teachers Retirement System, spoke of the lesson learned after hurricane Sandy struck the East Coast. She reported that the office space for the fund was located in the lower part of New York and was flooded and everything destroyed. She reported that at the time of the hurricane several people had either been gone on vacation or recently retired. Due to the loss of everything there were several pay periods where retirees either did not receive a check or the check had been delayed.

Reilly stressed the importance that all files are backed up on a regular basis and copies are kept at different locations in case of such an incident. She also noted that people need to have access to the records and know where to obtain the proper information if such an event were to take place.

Reframing the Public Pension Debate

This break out session was centered on the funding debate with the Chicago's Teachers Pension Fund. The speakers were all trustees to the fund and spoke about how the fund lost its funding ratio, and how they are in the midst of trying to correct the situation. According to the speakers when during the previous decade following 911 and the recession the Chicago School Board came to the fund and asked that they get relief from pension funding due to the hostile economic conditions. The speakers explained what turned into a one-time pension relief year turned into several years where the School Board did not fund the pension fund at all. Prior to this the fund consistently sat at a ratio in the mid to high nineties.

The trustees advised due to the decade long lack of funding they went from ninety percent funded to about fifty-five percent funded. At the current time the fund trustees have began the legal process to gain back the losses and build the fund back up. The trustees would not however discuss why prior to this the fund allowed the school board not to fund nor would they discuss what legal strategies they had to gain back their losses from the school board.

The Chicago Teachers Fund then began a political campaign within the city to educate the public, city officials, and state elected politicians about the fund, how to pay it, and the benefit to the city. The trustees emphasized the importance of being involved with the political leaders through town hall meeting, luncheons, and if possible political action committees. The trustees felt since the campaign to meet and educate the local leaders about pension funding that they are making headway.

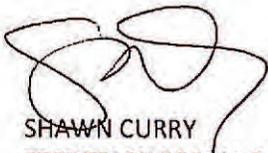
Public Pensions and the Media

Nick Peters, CommCore Consulting, spoke about the negative media reports surround the public pension debate. Peters reported that all fund trustees, union leadership, and those who benefit from the pensions need to know how to discuss and advise people with the Media about their funds. Peters said it was good for board members to know and how to explain the benefits to the public, communities and the economy for retirees to have a defined benefit. Peters discussed that op-ed were a great way for pension boards and unions to get their message out to the communities if written properly. Peters also warned that much of the media already have preconceived outlooks toward public pensions and advised only speak with the media through one or two members who are well versed on the pros and cons of the pension debate. Also to only speak about the facts and never give assumptions about funds or the politics surrounding the funds in fear those remarks would be turned around, misquoted and used to demonize trustees and the funds themselves.

Thursday, May 23, 2013

Annual Business Meeting

All new NCPERS members were sworn in and all pending agenda items were voted on and passed. After NCPERS business meeting was complete the conference was adjourned.



SHAWN CURRY
SECRETARY PEORIA POLICE
PENSION FUND

(40 ILCS 5/1-109.3)

Sec. 1-109.3. Training requirement for pension trustees.

(a) All elected and appointed trustees under Article 3 and 4 of this Code must participate in a mandatory trustee certification training seminar that consists of at least 32 hours of initial trustee certification at a training facility that is accredited and affiliated with a State of Illinois certified college or university. This training must include without limitation all of the following:

- (1) Duties and liabilities of a fiduciary under Article 1 of the Illinois Pension Code.
- (2) Adjudication of pension claims.
- (3) Basic accounting and actuarial training.
- (4) Trustee ethics.
- (5) The Illinois Open Meetings Act.
- (6) The Illinois Freedom of Information Act.

The training required under this subsection (a) must be completed within the first year that a trustee is elected or appointed under an Article 3 or 4 pension fund. The elected and appointed trustees of an Article 3 or 4 pension fund who are police officers (as defined in Section 3-106 of this Code) or firefighters (as defined in Section 4-106 of this Code) or are employed by the municipality shall be permitted time away from their duties to attend such training without reduction of accrued leave or benefit time. Active or appointed trustees serving on the effective date of this amendatory Act of the 96th General Assembly shall not be required to attend the training required under this subsection (a).

(b) In addition to the initial trustee certification training required under subsection (a), all elected and appointed trustees under Article 3 and 4 of this Code, including trustees serving on the effective date of this amendatory Act of the 96th General Assembly, shall also participate in a minimum of 16 hours of continuing trustee education each year after the first year that the trustee is elected or appointed.

(c) The training required under this Section shall be paid for by the pension fund.

(d) Any board member who does not timely complete the training required under this Section is not eligible to serve on the board of trustees of an Article 3 or 4 pension fund, unless the board member completes the missed training within 6 months after the date the member failed to complete the required training. In the event of a board member's failure to complete the required training, a successor shall be appointed or elected, as applicable, for the unexpired term. A successor who is elected under such circumstances must be elected at a special election called by the board and conducted in the same manner as a regular election under Article 3 or 4, as applicable.

(Source: P.A. 96-429, eff. 8-13-09.)

2013 NCPERS Annual Conference
Peoria Polic Pension Fund

| | Shawn Curry | Al Misener | NCPERS | |
|-----------|----------------|----------------|--------|-------------|
| | 1234 | | 1215 | 1600 |
| | 400 | | | |
| | 196.99 | 161.84 | | |
| Sub Total | <u>1830.99</u> | <u>1376.84</u> | | <u>1600</u> |
| Total | 4807.83 | | | |

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Annual Conference

When it comes to education, no other conference compares to the NCPERS Annual Conference and Exhibition. That's why more than 1,000 trustees, administrators, state and local officials, investment, financial and union officers, pension staff and regulators attend each year.

Attendees benefit from the comprehensive educational programming, dynamic speakers, and networking opportunities with money managers, investment service providers and public fund colleagues from across the nation.

This year's Annual Conference and Exhibition in Honolulu, Hawaii was a huge success. To view the conference highlights or download a copy of an educational session handout, please click the links below:

- [2013 Final Agenda](#)
- [2013 Onsite Program Book](#)
- [2013 Conference Evaluation](#)
- [2013 Photo Gallery \(Coming Soon!\)](#)

Following is a list of available 2013 educational program handouts:

- [Empowering Decision-Makers to Fill the GASB Funding Void](#)
- [How Does the Changing Demographic Affect Commercial Real Estate?](#)
- [How Do We Transform the Way People Think, Talk and Act about Pensions?](#)
- [Improving Retirement System Administration Through Technology](#)
- [Hedge Fund Investing: How to Optimize Your Portfolio](#)
- [Implications of Corporate Governance in the New Millennium](#)
- [The Future of Retirement Security](#)
- [Alternative Investments: Measuring the Risks](#)
- [Opportunities in Global Small Cap Equities](#)
- [Shifting GASB Rules Highlights the Changing Environment for Public DB Plans](#)
- [Emerging Markets: Are they the Answer Investors Crave](#)
- [Fundamentals of Timber](#)
- [Fiduciary Litigation: Derivative vs. Class Action](#)
- [Disaster Planning for Pension Funds: Lessons Learned from Hurricane Sandy](#)
- [Legislative & Regulatory Update](#)
- [The Growth of Emerging Markets](#)
- [Reframing the Public Pension Funding Debate](#)
- [Hit the Reset Button! Improving Diversification](#)
- [Private Equity](#)
- [Defining Volatility Management and Why It's Important](#)
- [A Case Study of Hidden Threats to Corporate Governance](#)
- [National Case Law Update](#)

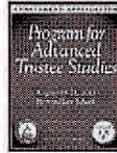
[Click here to go to the Trustee Educational Seminar \(TEDS\) page.](#)

[Annual Conference FAQs](#)

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[Past Annual Conferences](#)

SPOTLIGHT



2013 Program for Advanced Trustee Studies

Enrollment for the NCPERS 2013 Program for Advanced Trustee Studies is now open.

[READ MORE](#)

MORE NEWS

- ▶ June 2013 Issue of the Monitor Now Available (June 10, 2013)
- ▶ NCPERS Responds to The Intelligencer's Editorial "Getting Caught was Officials' Fear" (May 29, 2013)
- ▶ May 2013 Issue of the Monitor Now Available (May 20, 2013)
- ▶ Spring 2013 Issue of PERSist Now Available Online (April 25, 2013)
- ▶ NCPERS Joins National Organizations Asking Congress Not to Sponsor PEPTA (April 25, 2013)
- ▶ April 2013 Issue of the Monitor Now Available (April 4, 2013)

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EDUCATIONAL CONFERENCES

- ▶ August 19-21, 2013
Program for Advanced Trustee Studies
Cambridge, MA
- ▶ October 27-30, 2013
Public Safety Conference
Rancho Mirage, CA
- ▶ January 26-28, 2014
Legislative Conference
Washington, DC

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The Voice for Public Pensions

2013 Annual Conference & Exhibition

"Unifying in a Changing Environment"

CONFERENCE AGENDA*

SUNDAY, MAY 19

- 2:00 pm – 5:30 pm CONFERENCE REGISTRATION
- 4:00 pm – 6:00 pm EXHIBITION
- 4:00 pm – 6:00 pm WELCOMING RECEPTION
Sponsored by Robbins Geller Rudman & Dowd LLP

MONDAY, MAY 20

- 6:30 am – 8:00 am BREAKFAST
Sponsored by William Blair & Company
- 6:30 am – 2:00 pm CONFERENCE REGISTRATION
- 8:00 am – 2:00 pm EXHIBITION
- 8:00 am – 10:30 am FIRST GENERAL SESSION
- 8:00 am *Opening Ceremony & Annual Report*
Mel Aaronson, NCPERS President
- 8:30 am *Welcome Remarks*
Neil Abercrombie, Governor of Hawaii
- 9:00 am *KEYNOTE: Globalization: Past, Present, and Future*
Dr. Thomas P.M. Barnett, Chief Analyst, WikiStrat
- 10:00 am *Empowering Decision-Makers to Fill the GASB Funding Void*
Richard Harris, Denver Employees Retirement Plan and Vice-Chair of
GFOA's Standing Committee on Retirement and Benefits
Administration

*This agenda is subject to change. Updated 5/10/13.

- 10:30 am – 11:00 am EXHIBIT BREAK
Sponsored by Ullico, Inc.
- 11:00 AM – 12:00 PM CONCURRENT EDUCATIONAL SESSIONS
- Session A *How Does the Changing Demographic Affect Commercial Real Estate?*
Alasdair Cripps, Mesirow Financial
Sean Ruhmann, NEPC, LLC
Matthew Johnson, UBS Global Asset Management
- Session B *How Do We Transform the Way People Think, Talk, and Act about Pensions?*
Steve Nelsen, Law Enforcement Officers and Fire Fighters Plan 2
Marcie Frost, Washington State Department of Retirement Systems
- Session C *Improving Retirement System Administration Through Technology*
David Clark, Arkansas Local Police and Fire Retirement System
Michelle Ausman, Tegrit Technologies
- 12:15 PM – 1:15 PM CONCURRENT EDUCATIONAL SESSIONS
- Session A *Avoiding a Front Page Scandal at Your Pension Fund: Learning by Example*
Lydia Lee, Lieff, Cabraser, Heimann & Bernstein LLP
Peter Borkon, Hagens Berman Sobol Shapiro LLP
- Session B *Hedge Fund Investing: How to Optimize Your Portfolio*
Jordan Drachman, Credit Suisse
- Session C *Administrators' Open Forum*
Hosted by: Richard Tettamant, Dallas Police and Fire Pension Fund
In response to the need for administrators of small plans to meet and discuss issues with peers who have similar challenges, this session will be devoted to municipal and county public plan administrators and staff members to ask questions and discuss mutual concerns.
- Session D *Implications of Corporate Governance in the New Millennium*
Rebecca Katz, Motley Rice, LLC
Don Ruiter, City of Daytona Beach Police and Fire Pension Fund
- 1:30 pm – 2:30 pm LUNCH & LECTURE SERIES
Don't Take the Lava Rocks: Old Legends and New Challenges
Robert Klausner, Klausner, Kaufman, Jensen & Levinson
Sponsored by BNY Mellon Investment Management
- 2:30 pm – 3:00 pm NATIONAL COMMITTEE ELECTION
- 3:00 pm – 5:00 pm NETWORKING ACTIVITIES

*This agenda is subject to change. Updated 5/10/13.

TUESDAY, MAY 21

- 6:30 am – 8:00 am **BREAKFAST**
Sponsored by William Blair & Company
- 7:00 am – 2:00 pm **CONFERENCE REGISTRATION**
- 8:00 am – 2:00 pm **EXHIBITION**
- 8:00 am – 10:30 am **SECOND GENERAL SESSION**
- 8:00 am *Economic Forecast: 2013 & Beyond*
Jim McDonald, Northern Trust
Michael Hood, J.P. Morgan
Scott Miner, Guggenheim Investments
- 9:00 am *Panel Discussion on Investing in Infrastructure Asset Class*
Vijoy Chattergy, Chief Investment Officer, State of Hawai'i Employees'
Retirement System (HIERS)
Rick Byer, Executive Vice President, Borealis
Sunghwan Shin, Hongik University
- 10:00 am *The Future of Retirement Security*
Ed Smith, Ullico, Inc.
- 10:30 am – 11:00 am **EXHIBIT BREAK**
Sponsored by Ullico, Inc.
- 11:00 AM – 12:00 PM **CONCURRENT EDUCATIONAL SESSIONS**
- Session A *Alternative Investments: Measuring the Risks*
Steve Hart, Meketa Investment Group
Matthew Appel, State Street Global Advisors
- Session B *Opportunities in Small Cap Equities*
Andrew Flynn, William Blair & Company
- Session C *Shifting GASB Rules Highlight the Changing Environment for Public DB Plans*
Michael Moran, Goldman Sachs Asset Management
- 12:15 PM – 1:15 PM **CONCURRENT EDUCATIONAL SESSIONS**
- Session A *Emerging Markets: Are They the Answer Investors Crave?*
Lewis Jones, BNP Paribas Investment Partners
Tendai Musikavanhu, Old Mutual Global Index Trackers

*This agenda is subject to change. Updated 5/10/13.

Session B *Fundamentals of Timber and Farmland*
James McBride, Regions Timberland Group
Stephen Kenney, Hancock Natural Resource Group

Session C *Fiduciary Litigation: Derivative vs. Class Action*
Pamela Tikellis, Chimicles & Tikellis LLP
Darren Check, Kessler Topaz Meltzer & Check LLP
David Kovel, Kirby McInerney, LLP

1:30 pm – 2:30 pm LUNCH & LECTURE SERIES
Update on Secure Choice Pension
Hank Kim, NCPERS
Sponsored by Guggenheim Investments

2:30 pm – 3:00 pm NATIONAL COMMITTEE EXECUTIVE BOARD ELECTIONS

3:00 pm – 5:00 pm NETWORKING ACTIVITIES

WEDNESDAY, MAY 22

6:30 am – 8:00 am BREAKFAST
Sponsored by William Blair & Company

7:30 am – 12:00 pm CONFERENCE REGISTRATION

8:00 am – 10:30 am THIRD GENERAL SESSION

8:00 am *Justifying Your Actuarial Assumptions*
David Driscoll, Buck Consultants
Kai Petersen, Buck Consultants
David Kausch, Gabriel, Roeder, Smith & Company

8:45 am *Helping Participants Improve Financial Security*
Melissa Ackerman, Aon Hewitt
Philip Peterson, Aon Hewitt

9:30 am *Disaster Planning for Pension Funds: Lessons Learned from Hurricane Sandy*
Patricia Reilly, Teachers Retirement System of the City of New York

10:00 am *Legislative & Regulatory Update*
Anthony Roda, Williams & Jensen

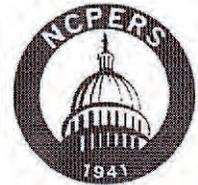
10:30 am – 11:00 am REFRESHMENT BREAK
Sponsored by Ullico, Inc.

*This agenda is subject to change. Updated 5/10/13.

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NCPERS 2013 Annual Conference and Exhibition

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