



Let's Talk Retirement

From The Executive Director

Following the recent downturn in the economy, there has been an increase in the desire for transparency with regard to public pension plans. Additionally, this interest has led to the increased misinformation in support of change from defined benefit to defined contribution plans.

Given the importance of this issue, the majority of this newsletter will be dedicated to providing you with recent information regarding this topic.

*The following is a reproduction of an article that appeared in the January 2011 issue of **The Monitor** published by the National Conference on Public Employee Retirement Systems (NCPERS).*

The Public Pension Transparency Act

Late in the recently completed 111th Congress, Rep. Devin Nunes (R-CA) introduced H.R. 6484, the Public Employee Pension Transparency Act (PEPTA). This legislation, with its harmless title, is anything but harmless.

It would, for the first time, impose a federal reporting requirement on the funding status of state and local pension plans. The reporting requirement would be the responsibility of the plan sponsor, that is, the state or municipal government. Failure to comply with the reporting requirement would result in the loss of the plan sponsor's ability to issue bonds that are exempt from federal tax.

If enacted, the bill would require that reports be filed annually with the U.S. Secretary of the Treasury, effective for plan years beginning on or after January 1, 2011. Two distinct reporting methods would be required. First, pension liabilities would be reported based on the economic assumptions and rates of return that each plan currently uses as its expected (long-term) return. Second, all plans would be required to report their pension liabilities on a rate of return based on a U.S. Treasury obligation yield curve. The Treasury yield curve method would predictably produce dramatic increases in the calculation of unfunded liabilities of plans.

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Important Notes

- The Public Pension Transparency Act, if passed, will enact reporting requirements on behalf of state and municipal governments.
- The El Paso Firemen & Policemen's Pension Fund is a defined benefit plan. It is important to know the difference between a defined benefit and defined contribution plan when comparing how retirement benefits are calculated and paid.

Upcoming Board Meetings

January 19, 2011
February 14, 2011
March 16, 2011



“...State and local pension systems collectively have prefunded nearly four-fifths of their future pension liabilities...”

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Proponents of PEPTA believe that greater transparency on the extent of unfunded liabilities will result in reforms at the state and local levels, including shifts to less generous defined benefit plans or to defined contribution plans. In addition, a non-binding House Resolution just introduced by Rep. Jason Chaffetz (R-UT) states, “...it is the sense of the House of Representatives that (1) the federal government should not bailout state and local government employee pension plans and other post-employment benefit plans; and (2) state and local governments should immediately institute reforms to their employee pension plans, including replacing defined benefit plans with defined contribution plans.” (Emphasis added).

NCPERS strongly opposes PEPTA on the following grounds:

- It is a bad precedent for federal intervention into areas that are the financial responsibility of and have been historically regulated by states and localities.
- Reporting based on the Treasury yield curve will conflict with current governmental accounting standards, increase costs on state and local governments, and undermine investor confidence in the municipal bond market.
- States and localities are already moving aggressively to modify their pension obligations to improve and enhance pension sustainability over the long term. In fact, more states have enacted significant pension reform legislation in 2010 than in any other year in recent history.
- The legislation is unwarranted. State and local governments are not seeking a federal bailout. Instead, they are making modifications to their pension plan to ensure viability for the long term.

- State and local pension systems collectively have prefunded nearly four-fifths of their future pension liabilities—even when accounting for the steep losses in 2008 and earlier this decade. State and local governments also have a much greater time period to recover than do other retirement plans.
- Inaccurate and inflammatory descriptions of the state of public pension plans only serve to confuse the public and unduly alarm state and local retirees.
- Finally, reporting based on the Treasury yield curve will result in projected economic returns that are unrealistic when compared with the diverse investments contained in pension plan portfolios. A pension plan would have to be invested 100 percent in Treasury bonds for the yield curve calculation to have any real-world significance.

PEPTA has been co-sponsored by House Budget Committee Chairman Paul Ryan (R-WI) and Oversight and Government Reform Chairman Darrell Issa (R-CA). The bill’s author, Rep. Nunes, is a leading member of the House Ways and Means Committee, which has jurisdiction over the legislation. The bill is expected to have support among conservatives in Congress and is considered to have a strong chance of passing the Republican-controlled House of Representatives. Prospects for passage in the Democratic-controlled Senate are not as great.

A great deal of work will need to be done in the next few months to educate members of Congress and the Obama administration on the shortcomings of PEPTA. NCPERS will need the help of all of its members on this major project. Keep visiting www.NCERS.org for the latest developments on this important issue.

“Winter is on my head, but eternal spring is in my heart.”

~Victor Hugo



2010 Fallen Comrades

January	Date	Department	August	Date	Department
Norbert J. Scanlan	8	Fire	Juan P. Santiago	3	Police
February			Francisco Hernandez	4	Fire
Robert L. Monroe	3	Fire	Kenneth Wolf	6	Fire
Robert E. Wilde	4	Fire	September		
Elbert S. Underwood	7	Fire	Lewis K. Ussery	19	Fire
Mark J. Gagnon	25	Police	October		
March			Joseph C. Leitch	2	Fire
Halver C. Vance	20	Fire	Karl McDonough	13	Police
May			November		
Raul Holguin	23	Fire	Jose M. Avalos	6	Police
Milton R. Lege	27	Police	Victor S. Colunga	12	Police
June			Joe D. Quinones	21	Fire
Joe C. Chacon	20	Police	William W. Goss	28	Fire
Elton Arnett	29	Fire	December		
July			Gerald A. Palmer	1	Police
Norman Hutchins	5	Fire			
Javier J. Martinez	9	Police			

"We understand death for the first time when he puts his hand upon one whom we love." ~Madame de Stael

When Is The Best Time

Do you want to read an interesting book that offers insight to the best time to buy items, do things, or even go places? Try reading *Buy Ketchup In May And Fly At Noon* by Mark Di Vincenzo. Here are a few fun topics to wet your appetite to read more.



Which is the best day of the week to exercise? According to this book, Monday is best because it tends to set the psychological tone for the week which results in a desire to exercise more often during the week.

When is the best time of day to buy shoes? Late afternoon is best be-

cause this is when your feet have swelled and are at their largest size. Therefore, they will fit great in the morning and continue to fit throughout the entire day.

When is the best time of day to schedule surgery?

In the morning. According to studies, you are four times less likely to encounter problems with your surgery in the morning than in the afternoon hours. This may be due to the well rested nature of doctors and nurses during the morning hours and the readiness of surgery rooms at the beginning of the day.

Which is the best month to get pregnant?

August. Although this month may be up for debate, there are a couple reasons why the month of August may be more appealing including the following: If you have a baby in May, you will not have to cope with your pregnancy during the hottest months of the year. Since morning sickness occurs during the first trimester of pregnancy, the worst of the queasiness will be over before the holiday season.

Visit www.buyketchupinmay.com for more fun tidbits and how to purchase the book!

Did You Know

- According to the *Guinness Book of World Records*, the largest snowflake ever recorded was 8 inches by 15 inches. It occurred in Montana in 1887.
- Every snowflake has 6 sides.
- There is no truth to the saying, "it is too cold to snow". Snow can fall when it is very cold as long as there is moisture in the air.
- The record snowfall in a 24 hour period in the United States occurred in Silver Lake, Colorado in 1921. During this 24 hour period, 6 feet and 4 inches of snow fell.

Source:
http://kids.lovetoknow.com/wiki/Winter_Trivia_for_Kids

Key Terms Defined

El Paso Fun Facts

- Although currently known as the Sun City, El Paso in the 1800's had been known as the "Six Shooter Capital" because of its lawlessness.
- The margarita was allegedly invented at Tommy's Place Bar by Francisco "Pancho" Morales on July 4, 1945.

Source:

http://elpaso.about.com/od/historylandmarks/tp/Fun_Historical_Facts.htm

Defined Benefit Plan: An employer-sponsored retirement plan in which retirement benefits are based on a formula and an individual's salary and service history. In this retirement plan, investment risk is born by the organization and not the employee. Retirement benefits continue to be paid for life of the employee. Depending on the structure of the plan, survivor benefits may also be paid following the death of the employee.



Defined Contribution Plan: A plan in which the employee contributes an amount of their salary into the plan. Depending on the structure of the plan, the employer may or may not make a contribution to the employee's plan. In this plan, investment risk is born by the employee. Retirement benefits are based on the balance of the plan at retirement and are only paid to the employee as long as funds remain in the account. When the funds run out, the benefit stops.

El Paso Firemen & Policemen's Pension Fund

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