President’s Report

With our Supreme Court victories and newly approved bylaws now behind us, we have focused our recent efforts on other items of business. One such item was to update and expand the NIUAA webpage. Thanks to Lee Ann Henry and the NIU Foundation, the webpage includes our newly revised bylaws, a complete set of minutes for our most recent annual and board meetings, as well as an updated list of officers, directors, and Committee chairs. New features include financial reports for the last two years and better forms for current and prospective members to pay their dues by direct check or payroll deduction. The webpage also includes information on culture and travel opportunities, a listing of the benefits of being a member of NIUAA and SUAA, and a summary of the differences between SURS and SUAA. If you have the time, you might want to visit the webpage or recommend that your friends and associates do so. Simply go to www.niu.edu, first click on A – Z Index, and then scroll down to and click on “Annuitants Association.”

Another agenda item has focused on better servicing our existing membership and reaching out more to prospective members. With capable assistance from Liz Guess of HRS, we have continued to participate in pre-retirement workshops for those who are thinking about leaving the workforce. We have also attended group and individual meetings with the leaders and representatives of the Faculty Senate, the Operating Staff Council (OSC), and the Supportive Professional Staff Council (SPSC). The major thrust of these meetings has been to present information about and reasons why current employees should join NIUAA/SUAA. Foremost among these arguments is that legislative and gubernatorial efforts to reduce state expenditures have targeted the pensions and other benefits of employees rather than retirees. As SUAA’s lawyer Aaron Maduff put it: “While we have won some major battles on protecting pensions and health care, the war continues to be waged against us.”

Two important outgrowths occurred as a result of these meetings. One immediate outcome was that the OSC contributed $1,135 to NIUAA. OSC made this contribution to recognize the work that NIUAA has already done for all its members in winning the two Supreme Court victories that protect their pensions and health care. At the same time, this generous contribution helped speed up the plan to host an open forum on legal issues affecting employees and retirees. Working with Linda Brookhart, Executive Director of SUAA, we have now arranged for John Carr to serve as the main speaker at the forum. As both a lobbyist and a lawyer, John is uniquely qualified to answer questions as to (a) whether a variety of initiatives to reduce our benefits are likely to be enacted by the legislature and (b) whether the initiatives would be legal if passed into law. The forum is scheduled from 4:40 to 6:00 p.m. on November 16 in Sandburg Auditorium. John will answer questions developed by the NIUAA Board as well as questions from the audience. Please decide to attend this highly enlightening and informative forum and bring a co-worker or friend with you.

As the leaves begin to fall and the temperatures turn colder, it is important to remember several important dates, time frames, and actions to be taken in the near future. What follows is such a list.

Important Dates

November 8: Election Day. If you have not done so already, please exercise your right and responsibility as a citizen and vote for the candidate of your choice.

October 14 to November 15: Open Enrollment. During this period, retirees can retain or change the providers of their health care coverage. Please follow the mailed instructions sent to you by CMS. If you have any problems, call 1-844-251-1777 for assistance.

November 16: Legal Forum. From 4:40 to 6:00 p.m. in Carl Sandburg Auditorium, NIUAA will host a forum on issues threatening pensions and other benefits of employees and retirees.

December 7: Holiday Luncheon. This year’s social event is scheduled for noon at Faranda’s Restaurant. The cost remains at $25.00 and musical entertainment will be included.

Joe Grush
NIUAA President
Member of SUAA’s Executive Committee
Legislative Report
by Jim Lockard
Legislative Chair

In terms of actual developments on the state pension and benefits front, there is little to report. As the old saying goes, when the General Assembly is not in session, no harm is being done. Of course, this hiatus from legislative duties does mean we are all subjected to the endless propaganda (that’s the kind word) of each election cycle. If only there were some way to fast-forward to election day.

Reducing the Assumed Rate of Return on Investments

One of the most significant issues to appear recently is renewed debate on what the appropriate assumed rate of return (ARR) on investments is for public pension systems. The issue is much broader than just Illinois or even the US. 2015 was not a good year for investment returns in most pension plans, and 2016 has been no star either. According to Pensions and Investments (8-22-16, www.pionline.com/article/20160822/PRINT/308229981/between-a-rock-and-a-hard-place), US public pension plans in FY16 showed a median return of only 1.07% compared to 3.43% for FY15. This contrasts with a fairly common expected return of 7.5%. In addition to low interest rates on “safe” investments (bonds, etc.), with which every saver has become familiar, the economy is also in a period of low inflation that may continue for a significant period. Inflation also factors into an assumed rate of return. All of which means public pension plans across the country are reconsidering their current assumed rate of return.

While it seems obvious from the above that a reduced rate could be appropriate, given the current economic climate, there is, of course, a catch. When a pension plan lowers its ARR, its funding ratio declines as well and the employer’s actuarially required contribution rises, perhaps dramatically. In August, the Teachers Retirement System Board voted to lower its AAR from 7.5% to 7.0%, which caused the state’s contribution for next year to rise by only $400M. This prompted an outcry from Gov. Rauner and other politicians, who really want to have it both ways. Their “ideal” is to keep the state’s contributions as low as possible, while also complaining about unrealistic earnings expectations; just don’t change those expectations. You can expect much more discussion and reporting on this issue in the coming months. SURS reduced its AAR in 2014, if memory serves.

Pension Reform Is Not Dead

Lest we grow complacent following the Illinois Supreme Court ruling that the Pension Protection Clause of the Constitution means pension benefits can’t be changed for retirees or current workers, the desire for pension “reform” in Springfield continues – on both sides of the aisle. The governor and Senate President Cullerton continue to pursue the concept of “consideration” as a way to alter pensions for current employees (but not retirees). Benefits for future employees are, of course, completely open to change (within federal Social Security rules at least), as demonstrated by Tier II from 2011. As I’ve written before, the problem with consideration is that the legal requirement is for the options to be at least equal in value. In other words, if you give up A for B, B must be at least equivalent to A in value. I have yet to have anyone explain how such an exchange could save the state money, which is after all the only point of the whole reform movement. Where this may lead, is unclear, but the issue of pension reform is far from dead.

CA Court Ruling

Also of recent note is an August 17 ruling by a California appeals court. California is among the top states in terms of pension underfunding. CA does not have a Pension Protection clause in its constitution, but until now its courts have ruled much as if it did. The recent appellate ruling would allow prospective changes in the state’s public pension plans, meaning benefits already earned could not be changed, but benefits yet to be earned before retirement could be. The case was brought to challenge the practice of pension spiking, that is, unusual salary increases in one’s last few years of employment (something also familiar in Illinois). The case seems certain to land at the CA Supreme Court, so this is not the final word, but the Illinois Policy Institute is among groups watching closely. IPI is advocating for a similar ruling in future efforts to reform the state pension plans. IPI also states that, if the IL Supreme Court does not follow this path, then a constitutional amendment to end the Pension Protection Clause is required.

SURS Report for NIUAA Membership

by John Engstrom
SURS Representative

As we enter FY 2016-7, here are some numbers relating to SURS. As of the end of August, we received all of the FY 2015-6 appropriation from the State ($1,601,480). This number was calculated by our actuary and staff and is based on a statutory formula that includes both normal cost and amortization of past service cost. While not quite meeting actuarial standards, the amount is close. We have received the full statutory amount for the past three or four years. I would say that full funding for FY 2016-7 is less certain. Through August, the investment return for FY 2016-7 was 2.8%, all of which was earned in July. The investment return for 3 years is 6.8%, for 5 years is 6.6%, and for 10 years is 5.9%. The total assets in the defined benefit plan amount to $17.3 billion and to $1.8 billion in the self-managed plan.

(continued on next page)
**SURS Report (continued)**

Most of my time on board activities for the past two months has been spent on the searches for the Executive Director and for the Chief Investment Officer. I am on the Executive Committee, which is being acted as the search committee for both of these positions. I am pleased to announce that Martin Noven has been selected as our new Executive Director, and he has accepted our offer. Martin is currently the Senior Director for Government Markets for TIAA, where he has held several positions since 2007. Prior to that, he worked for the Office of the Illinois State Treasurer for many years. You can read more about him at the SRS Website (www.surs.org). We are now turning our attention to the selection of a new Chief Investment Officer. As of this writing, an approved list of candidates has been generated by our search firm, and we will be meeting with some of them in late October.

I urge you to read the information at the SRS website as well as the fine updates coming on SUAA and NIUAA from Jim Lockard.

**Update Your Contact Information!**

Please notify NIUAA if your address changes by emailing or calling Lee Ann Henry at annuitants@niu.edu, lhenry@niu.edu, or (815) 753-7406. If Lee Ann does not have your current email address, please forward it to her. Doing so will facilitate faster communication on matters of interest to the members of our chapter.

Although we will continue to send “hard copies” of our newsletter to NIUAA members without email addresses, we can contact you more quickly and less expensively if we have an email address for you. If you do not have an email address, you can get one for free by calling the NIU Helpdesk at 815-753-8100 and identifying yourself as a member of NIUAA.

**In Memoriam**

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<th>Cheryl Douell</th>
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**NIUAA Trip/Event Schedule 2016-2018**

*by Steven Johnson  
Public Relations/Events chairperson*

**2016**

October 6: In the Heights – SOLD OUT  
October 11: OnStage ALASKA – 2 p.m. FREE, BAVC, RSVP  
October 9-15: Lancaster and Gettysburg  
(value trip: $699)  
October 16: Open House Chicago, $35/$45  
October 24: Backstage tour lyric Opera of Chicago, city highlights  
October 26: HAMILTON – SOLD OUT  
October 25: Coffee Hour: A social gathering for members and guests will be held from 9:30 to 11:00 a.m. at the Elk’s DeKalb Lodge on Annie Glidden Road.  
December 3: Chicago Shopping Trip ($20.16)  
December 5-9: Branson Show Extravaganza  
(value trip: $549)

**2017**

January 29–February 7: Polar Vortex Escape Cruise 2017  
(from San Diego)  
February 19-25: New Orleans trip – pre-Mardi Gras  
(value trip: $645)  
February 20–March 5: TANZANIA and Zanzibar –SOLD OUT  
March: Chicago Flower Show  
March: Spring Training trip  
April 6-13: Cuba cruise  
May 12-20: Irish Elegance – SOLD OUT  
June 14-28: ALASKA, Denali and the Yukon  
July 24-28: Stratford Festival 2017  
August 11-21: ALASKA – Vancouver to Denali  
August 16: Solar Eclipse trip (Charleston and Savannah)  
August: HAMILTON  
October 27–November 2: Danube Symphony, Vienna to Munich  
November 3-12: Highlights of Spain

**2018**

January 5-27: ANTARCTICA (Buenos Aires to Santiago)  
January 21-28: DUBAI cruise

For information or reservations, contact Steven Johnson, Public Relations/Events Chairperson at 815-756-1547 or travelsociety@hotmail.com
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