

ExecutiveMemo

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A newsletter of the Illinois Manufacturers' Association

May 13, 2009

BRIEFLY

April 2009 manufacturing ISM Report On Business®

According to the April 2009 Manufacturing ISM Report On Business®, manufacturing contracted in April as the PMI registered 40.1 percent, which is 3.8 percentage points higher than the 36.3 percent reported in March. This is the 15th consecutive month of contraction in the manufacturing sector. A reading above 50 percent indicates that the manufacturing economy is generally expanding; below 50 percent indicates that it is generally contracting.

A PMI in excess of 41.2 percent, over a period of time, generally indicates an expansion of the overall economy. Therefore, the PMI indicates contraction in both the overall economy and the manufacturing sector. Ore stated, "The past relationship between the PMI and the overall economy indicates that the average PMI for January through April (37 percent) corresponds to a 1.3 percent decrease in real gross domestic product (GDP)."

Swine Flu information from IMA & 3M

A breakout of Swine Influenza has occurred in the United States. The risk of a Swine Flu outbreak in Illinois is minimal. However the IMA has, with the generous help of IMA member company 3M, posted information on the IMA Website to help you protect your employees and your business should their be an outbreak of swine flue in your area. Visit <http://www.ima-net.org/swineflu.cfm> for access to this valuable information.

Sign-up online for IMA publications

The IMA communicates weekly with IMA members, policy-makers and others interested in IMA activities. IMA publications include: *Executive Memo*, *Human Resources Memo*, *Healthcare Memo*, *Tax Policy Memo*, *Sustainable Memo* and *The Illinois Manufacturer* magazine. All are published electronically with the exception of the magazine, which is published quarterly and mailed through the USPS. Take a moment to visit www.ima-net.org/membership/preferences.cfm to sign up for the IMA publications that are right for you.

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IMA's Business Day at the Capitol — May 6, 2009



Members of the IMA Board of Directors, including Chairman Ron Bullock, met with House Speaker Mike Madigan (right) privately following his appearance at the IMA Business Day luncheon.

Hundreds of manufacturing and retail leaders descended on the State Capitol May 6th as part of the IMA's 2009 Business Day activities. Lawmakers heard directly from business leaders about the need to protect and enhance Illinois' economy and hold the line on taxes. Governor Quinn and every single legislative leader — with the exception of Minority Leader Tom Cross (R-Oswego) who chose not to appear — addressed both the entire audience and hosted private meetings with the IMA Board of Directors.

House Speaker Michael Madigan (D-Chicago) told a very receptive audience that House Democrats were moving forward on a zero-based budget and attempting to prioritize spending. In the past few years, Madigan nearly single-handedly derailed efforts by former Governor Blagojevich to impose the Gross Receipts Tax and eliminate key tax incentives.

Senate President John Cullerton (D-

Chicago) addressed the seriousness of the state's budget woes and promised to work in concert with the Governor, Speaker Madigan, and Senate Republican Leader Christine Radogno (R-LaGrange) to resolve these problems. Later in his office, Cullerton told the IMA Board that he recognized the need to help attract and retain jobs in Illinois.

Finally, Senate Republican Leader Christine Radogno led the charge for state spending reforms including adoption of a new defined contribution plan for state employees and transformation of the costly Medicaid program. A budget expert, Radogno clearly articulated the need for the state to reduce spending and get its fiscal house in order.

Minority Leader Cross sent a surrogate, Rep. Tim Schmitz (R-Batavia) to the luncheon. Schmitz discussed the state budget and concerns that House Republicans were being shut out of the legislative process.

IMA'S EXECUTIVE MEMO IS UNDERWRITTEN BY:

plante
moran

MORE THAN 850 BENEFIT PLANS AUDITED.

Plans audited range from \$100,000 to \$22 billion in assets.

Specter flip stokes “Card-Check” negotiations

U.S. Senator Arlen Specter’s (D-PA) announcement last month that he was leaving the Senate’s Republican caucus to become a Democrat has given new hope to union bosses who have begun eyeing changes to the so-called Employee Free Choice Act (EFCA). The unions hope to pass this top legislative priority yet this year.

Specter, along with a growing number of other elected officials, has announced opposition to the legislation grinding it to a temporary halt. However, following Specter’s party switch, the bill’s sponsor, Sen. Tom Harkin (D-IA), opened negotiations with Specter to try and cobble together a bill that could garner the 60 votes needed for passage in the Senate. Specter has independently indicated he could support changes to the National Labor Relations Act that would fix what he termed “broken labor-management relations.”

As originally introduced, the EFCA proposed to end more than 70 years of carefully balanced labor law with a new approach that would heavily favor labor unions. Two of the more onerous provisions include the so-called “Card Check” initiative and requirements for mandatory contract arbitration by government bureaucrats. Workers and business owners alike are alarmed by the bill’s attempt to impose requirements that would eliminate the right to a secret ballot in union elections. The lightning-rod effect of those provisions quickly made many members of Congress wary.

A coalition of state business organizations, organized by IMA President and CEO Greg Baise, quickly formed to implement a strategy to put pressure on lawmakers whose constituents were opposed to the EFCA. Large sample polling and media campaigns are also part of this ongoing effort.

While union bosses are still insisting that Congress approve the original legislation, lawmakers are working to craft a bill

they hope can appease big labor campaign contributors.

According to published reports, the Card Check provision would be replaced with a plan to shorten union elections to a range of seven to 21 days after a petition is filed with the federal government. The mandatory arbitration provision would be replaced with an “expedited mediation” proposal.

Some labor supporters say they may be willing to forego the Card Check provisions, believing the National Labor Relations Board could give that to them administratively. Currently the three-member panel has a vacancy. President Barack Obama is expected to name a pro-union member who labor leaders anticipate will make that change when the appropriate case comes up.

Meanwhile, fierce opposition remains and groups, including the National Association of Manufacturers, say a diluted bill will also be rejected.

Most observers agree that Congressional action on this issue can be expected sometime this summer.

401k Plans: Navigating the complexities of target date funds

More and more 401(k) plans are offering target date funds, which may provide plan sponsors and participants with an effective investment alternative. Although they’re inherently complex, target date options are growing in popularity, primarily because they qualify as a Qualified Default Investment Alternative (QDIA) according to regulations issued by the Department of Labor. This means that plan fiduciaries are now faced with the responsibility of selecting and monitoring target date funds, so it’s critical to understand the differences among the choices. Here are just five of the many considerations.

1. Glide Path — The asset allocation of

these options shifts over time and becomes more conservative as it gets closer to the target date. Each target date option has a unique glide path, so it’s important to understand how the asset allocation changes throughout its life and what asset classes are used in the glide path.

- 2. Active vs. Passive Management** — Fees can play a large role in selecting target date options. Index-based options can provide a broad-based portfolio at a low cost compared to actively managed funds. There are target date options that include both styles.
- 3. Proprietary Funds vs. Open Architecture** — Many target date options consist of only proprietary offerings. This can allow underperforming or newer funds without any history to be included in the portfolio. Overlap of underlying securities in proprietary funds can also be a problem. Open architecture options are designed to have the “best in class” managers with the ability to replace under-performing investments without conflicts of interest.
- 4. Participant Behavior** — One of the more important considerations in selecting an appropriate target date series is the demographics of the participants. Plan fiduciaries should consider the average age, income, time on the job, and income replacement vehicles such as pension plans and social security during the selection process. The introduction of target date funds can effect changes in participant accounts by offering one investment option that’s broadly diversified and automatically gets more conservative as the participant nears retirement.
- 5. QDIA Option** — If a target date fund is the QDIA for the plan, the plan fiduciary still has to monitor the default option and perform ongoing due diligence as they would with any other investment option in the plan. Keep in mind that comparing target date funds can be complex. Characteristics such as asset classes included in the portfolio, fee structures, glide paths, and the use of open architecture or proprietary platforms aren’t always easily compared. Selecting and monitoring target date options for your 401(k) plan requires diligence. Following a prudent review process will help you make the best decision and meet your fiduciary responsibilities. If you’d like assistance selecting or reviewing target date funds for your 401(k) plan, please contact Kimberly Little of Plante Moran Financial Advisors at 312-602-3639 or kimberly.little@plantemoran.com.

Walking the tightrope . . . Workers’ Compensation: Employers Bill of Rights

Wednesday, June 3, 2009 — Northern Illinois University-Naperville Campus
1120 East Diehl Road, Naperville

Registration and networking begins at 8:30 am, with the program starting at 9:00 am. The seminar will wrap up with a question and answer period from 11:00 to 11:30 am.

Topics covered include: A review of the Illinois Workers’ Compensation statute; Recent case law and the significance of each case as they relate to the manufacturing industry; How the 2005 amendments to the statute have impacted employers in Illinois; Medical Fee Schedule; Payment of medical expenses; Utilization review; Temporary partial and vocational rehabilitation issues and Penalty issues. Human Resource, Risk Management and Safety professionals should attend this informative seminar.

Cost: \$65 IMA members • \$85 non-members

To register, contact Kimberly McNamara at 630-368-5300, or email kmcnamara@ima-net.org.

Conference Board Employment Trends Index™ dips slightly in April

Index records smallest decline in nearly a year

The Conference Board Employment Trends Index (ETI)™ saw a moderate decline in April. The index now stands at 89.5, decreasing 0.7 percent from the March figure of 90.1, and down 22 percent from a year ago.

"The outlook for employment is much less negative than in prior months, but still it is not likely that employment growth will resume before the final quarter of the year," said Gad Levanon, Senior Economist at The Conference Board. "In April, the Employment Trends Index recorded its smallest decline since June 2008, and three of its eight components actually showed an improvement."

The Employment Trends Index™ aggregates eight labor-market indicators, each of which has proven accurate in its own area. Aggregating individual indicators into a composite index filters out so-called "noise" to show underlying trends more clearly. This month, three out of eight components of the Employment Trends Index™ improved. The improving indicators were Initial Claims for Unemployment Insurance, Part-Time Workers for Economic Reasons and percentage of respondents who say they find "Jobs Hard to Get."

For more information, visit the Conference Board Website at www.conference-board.org.

Save the date . . .

IMA's Young Leaders Council Fall Conference

October 2-4, 2009

Eagle Ridge Resort • Galena



Introducing FedEx Advantage® for IMA members . . .

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Visit <https://advantagemember.visionary.com/4533> and enter passcode [VM6MXK] for more information or to enroll. If you have additional questions, please call 1-800-MEMBERS (1-800-636-2377, 7:00 a.m.–5 p.m. CST, M-F) to speak to a dedicated member service representative.

NAM: Trade decline has not yet hit bottom

*Surplus with Free Trade Agreement
countries continues*

In response to March trade figures released by the Commerce Department on May 12 showing that manufactured goods trade continued to fall in March, the National Association of Manufacturers (NAM) Vice President for International Economic Affairs Frank Vargo had this to say:

"Seasonally-adjusted March exports of manufactured goods were \$67 billion, six percent less than in February, while manufactured goods imports fell three percent to \$92 billion. With exports declining faster than imports, the manufactured goods deficit increased slightly to \$25 billion, up from \$24 billion in February.

The March data do not show signs that the trade decline has yet hit bottom. Exports declined in most manufactured goods categories. In the important capital goods sector, which accounts for close to half of U.S. manufactured goods exports, declines were registered in 25 of the 32 categories.

On a year-to-date basis through March, U.S. manufactured goods exports were 21 percent below their level this time last year. Imports were off more, falling 25 percent, and the manufactured goods trade deficit was 31 percent smaller than a year ago.

Year-to-date, the manufactured goods trade deficit stood at \$321 billion, reflecting an annual rate \$147 billion decline year-over-year. The decline in the deficit shows that the manufacturing job loss experienced so far this year is due to the declining domestic economy, not trade.

U.S. Free Trade Agreements continued to be a bright spot. U.S. manufactured goods trade with our free trade partners was in surplus by \$21 billion last year, and preliminary data show that surplus has grown even more this year."

DATES OF NOTE

More information/events may be found at <http://www.ima-net.org/calendar.cfm> and <http://www.ima-net.org/MIT/open.cfm>
Email: jstanley@ima-net.org

June 3, 2009

IMA Event: Workers' Compensation: New Developments in Illinois — Legislative Update

NIU-Naperville Campus, 8:30-11:00 am

Presented by Robert Hendershot, partner, Evans & Dixon, LLC. Cost: \$65 IMA members, \$85 Non-members. For more information contact: Kimberly McNamara at 800-482-0462, ext. 2109 or email kmcnamara@ima-net.org.

June 3, 2009

Shaping the Future of Manufacturing — Successful Strategies for Competing in a Low-Cost Manufacturing World

IL Institute of Technology, Daniel L Ada F Rice Campus, 201 E. Loop Rd., Wheaton

The Midwest Entrepreneurs Forum is bringing together leaders in business and finance for three hours of interacting and networking. This is an opportunity to hear from global business experts on today's critical topics. 8:00 a.m. to 12:00 noon. Cost: \$50. Contact: Blackman Kallick, 312-980-2992. Register at

<https://secure.accelerating.net/mef/secure/EventRegistration.aspx?CalendarEventID=5074>

June 3, 2009

IMA-MIT Event: Effective Presentation Skills DePaul University O'Hare Campus 3166 S. River Rd., Des Plaines

There are many critical challenges facing the business presenter today. Calendars are full of deadlines and meetings, and multi-tasking is a common practice. As a result, today's business presenter must know how to create and articulate a clear and concise message, respond to questions in an effective and logical manner, and create and use compelling visual aids. This interactive, energetic workshop will provide the business presenter with all of the necessary skills required to deliver a winning presentation. The workshop will introduce and reinforce these skills by having the participant deliver three videotaped presentations.

June 17, 2009

IMA-MIT Event: Assertive Communication Skills: Communicating with Authority & Impact — DePaul University O'Hare Campus 3166 S. River Rd, Des Plaines

June 23, 2009

IMA-MIT Event: Project Management Skills for Non Project Managers DePaul University O'Hare Campus 3166 S. River Rd, Des Plaines

Project Management for Non-project Managers will provide non-project managers with the project management knowledge, skills, tools and techniques to make the transition to a project leadership role and ensure optimum project execution.