POLICEMEN'S ANNUITY & BENEFIT FUND OF CHICAGO May 2008, No. 30

Spring At Last !

ATTENTION ANNUITANTS!

Watch for Signature Verification Affidavits. The Fund will be mailing the annual affidavits to you in May. This is for your protection to insure that we have **YOUR** (the annuitant) current signature on file. Each year you are required to sign and have your signature witnessed, *not notarized*, but **witnessed**. This can be done by your child, spouse, neighbor, friend, etc. *It is not required to have this affidavit notarized*. If you do not return your signed and *witnessed* affidavit, we may suspend payment of your monthly annuity until it is received. The affidavit should be completed and signed by you and witnessed by another. Please return your affidavit promptly.

ANNUAL STATEMENTS

The Annual Participant Statements will be mailed to all active members by the end of April 2008. The address used for distribution was the address you had on file with the City on 2/28/2008.

Please review the information for any errors. Any married police officer who wants to have her name changed, needs to visit our office and produce a certified copy of the marriage certificate and the name will be changed accordingly.

TRUSTEES' CORNER

Perspective

By Lieutenant James Maloney

I would like to give my thanks to the staff of the Pension Board. I continue to receive phone calls, emails and personal conversations relating to the professionalism and personal touch that the staff gives to retirees and potential retirees.

Recently, Mayor Daley announced the formation of the “Commission to Strengthen Chicago’s Pensions”. This is a Commission formed to study the City’s Pension plans. The Commission will meet over the next 12-18 months and will contribute to a report that will suggest ways in which the Pension plans can improve their funding levels. The Commission is composed of some elected officials, Pension Executive Directors, some elected trustees, union officials, attorneys and representatives from private industry. I have been fortunate to have been appointed as a member of this Commission. I expect the Commission to be a worthwhile endeavor, with all members contributing to a successful final report.
Good luck throughout the year.

Pension Facts and Information

By Sgt. Michael Lazzaro, Trustee

- 1099s for income tax are usually mailed out the end of January-by law they must be sent out by January 31.
- Usually, the Fund receives the most retirement applications between February and May. Towards the end of the year, November is the busiest month.
- The last two weeks of March, and the first week of April, two to three auditors work full-time in our office, going over all of the Funds' income and expenses.
- Personal statements of benefits (estimates of your monthly pension if you retire at ages 50, 55, 60 & 63) to active members are sent out in April.
- Signature cards go out in May, so make sure the fund knows if you changed your address. We send out approx. 12,000 cards and every signature is verified.
- Every year, approx. 300 cards get returned, because the Fund is not notified of a new address.
- The health insurance payment is always paid one month in advance. EXAMPLE- the insurance deduction in May of 2008, that payment is for the June premium.
- The annual report is usually mailed to all annuitants, usually in mid-July. For active members, it is available on our web-site, www.chipabf.org.
- Pension payments are electronically sent out the lasting working day (NOT the LAST FRIDAY!) of every month. Example this December, the last working day of the month is on December 31st, a Wednesday. The 31st of December is not a holiday; the 1st of January is.

  RETIREE PAYDAYS for 2008:

April 30 (Wed.)	May 30 (Fri.)
June 30 (Mon.)	July 31 (Thurs.)
August 29 (Fri.)	September 30 (Tues.)
October 31 (Fri.)	November 28 (Fri.)
December 31 (Wed.)	

Pension "Crisis": Reality vs. Propaganda

By P.O. Steve Robbins (*Commentary*)

By Steve Robbins, Trustee.

I was eating lunch last week with Tom Schipplick and Mike Grantz, two of the greatest coppers to ever work the job. I know this is true because they told me. But seriously, I told them I was going to submit an article for the Pension Advisor. I said "How about something regarding the automatic cost of living increase.""Again? No, not another story on the COLA" said Tom. "Everybody knows you gotta be 55, its 3% of your base pension amount, kicks in one year after retirement and gets tacked on every January thereafter for life". "We all know the law changes the eligibility birth date in 5 year increments, when it changes you still collect the full 3% COLA retroactively. Anyway, you wrote about that before. Write about something recent, like the funding level of the Fund. Its constantly written about with negative spin because its around 50%, but what does it really mean?"

OK. Just a few facts along with my opinion. Regardless of everything you may have read in the news media, supervisory police association newsletters, or on some anonymously posted website, the facts remain unchanged.(Just oddly interpreted). A funded ratio number is by definition a given figure denoting assets vs. liabilities. A funded ratio is a STATISTIC, not unlike the numerous other figures, assumptions, and projections our actuaries and accountants employ to provide an annual overview of the financial health of the fund. In spite of all you have read and heard regarding the "unfunded liability crisis" of the Fund, and how the debt has grown to billions of dollars, the facts indicate that there may be no "crisis" at all. A closer look at the same undisputed statistics and figures being touted by self described "taxpayer advocates" "reveals the "unfunded liability crisis "may be nothing more than a slanted, politically-motivated manipulation of the media's influence. They are saying "Public Pensions are too generous and benefits should be reduced for new hires". Incorporating a defined contribution pension plan (similar to deferred comp.) for new hires will provide those new employees with no guaranteed benefit. Upon retirement, the amount of funds available for them to live with dignity in return for providing a vital public service is simply UNKNOWN. Should anyone be the Police for any less guaranteed benefits than we get now? They are speculating that the City and taxpayers MIGHT save money. But who would benefit most from such a plan? Most likely select entities in the financial services community. When in doubt, follow the money.

The point I am making is this. There are many factors that contribute to the Funded Ratio, including the economy. We currently pay out about $1.3 million dollars a day in benefits. 70 cents of every dollar we pay out in pensions and annuities comes from Fund investments. Active officer contributions plus the City contribution (x2) covers only a portion. Does the current 50% funded ratio of the fund cause me concern? As a taxpayer?-Yes. As a participant in the fund? -No. The facts speak for themselves. The highest funded ratio the fund has ever had in its history was 75.9%, and that was during a bull market in 1999. Here's a few "unfunded liability crisis" ratio statistics from the past and their corresponding years. 1971:funded ratio = 25.4%, 1976:funded ratio=34.3%, 1981:funded ratio = 44.7%,1986: funded ratio=46.3%. Guess what? We're still here, providing the benefits promised and the State constitutional guarantees. Interesting that in the 87-year history of the fund, benefit reductions for new hires was never a consideration. As a final note, please remember and understand the following generally accepted actuarial statement when issues regarding the financial condition of our Fund are "necessarily" brought to the publics attention via any media. The solvency of any Pension Fund should never be measured by its statistics, it should be measured by the solvency of the Sponsor of the Fund. The sponsor of our fund is the City of Chicago, and they're doing pretty good.
Stay informed, consider the source.
Live well, take care,
Steve
Note to Pat Murray; Mikey not only bought, he left a nice tip. Really….

Pension Report
by Annuitant Trustee Ken Hauser

I attended a public pension conference March 9-12, 2008. One of the speakers, Hank Kim of National Conference on Public Employee Retirement Systems, gave a presentation on the advantages of maintaining a Defined Benefit Pension System (DB). He stated that Defined Contribution (DC) plans are useful for providing supplemental retirement benefits, such as our deferred compensation 457 plan, but he explained how Defined Benefit plans are good for governments, employees, taxpayers and the economy.
A brief description on how DB and DC plans work. With a defined benefit plan, years of service formula determines the percentage of salary received at retirement whereas with a defined contribution plan, the total of contributions and market performance determines amount of annuity received at retirement. I will discuss the following 10 advantages of retaining DB plans: (1) Retaining a DB plan is likely to cost less over the short term. The long-term cost savings of switching to a DC plan are uncertain at best. (2) Almost all DB plans provide disability and survivor benefits as well as retirement benefits. Switching to a DC plan would require employers to obtain these benefits from another source, likely at a higher cost.

(3) DB plans enhance the ability to attract qualified employees and retain them throughout their careers. Switching to a DC plan would limit this ability, possibly by increasing employee turnover rates. (4) DB plans help manage the labor force by providing flexible incentives that encourage employees to work longer or retire earlier. Switching to a DC plan would limit this flexibility and make these incentives more expensive for the employer. (5) By pooling risk over a relatively large number of participants, DB plans lower the overall risk due to investment losses and participants outliving retirement benefits. Switching to a DC plan would require each individual to bear these risks alone, consequently requiring higher contributions than if the risks were pooled. (6) DB plans earn higher investment returns and pay lower investment management fees, on average, than DC plans. Switching to a DC plan is likely to lower investment earnings used to finance retirement benefits and increase management costs, to the detriment of plan members. (7) DB plan investment earnings help to reduce future employer contributions. Switching to a DC plan would prevent government from reducing future employer contributions as a result of investment earnings, which currently fund over two-thirds of public retirement benefits. (8) DB plans provide secure retirement benefits that are based on a person's salary and period of service. Switching to a DC plan is likely to result in lower and less secure retirement benefits for many long-term employees, including firefighters, police officers, and teachers, who constitute over half of the government workers. Government employees who are without Social Security coverage would be put at even greater risk. (9) DB plans help sustain local economies by providing adequate retirement benefits for a significant portion of the workforce. Switching to a DC plan would likely slow local economies, since a large number of retirees would likely receive lower retirement benefits. (10) DB plans provide benefits that help to ensure an adequate standard of living throughout retirement. Switching to a DC plan would likely result in pressure on local governments to augment DC plan benefits and require increased financial assistance for retirees.

There are 2654 government retirement plans in the United States that cover 14.1 million active employees (about 10 percent of the U.S. labor force) and 6.9 million retirees including teachers, police officers, firefighters, legislators, judges and general employees. Ninety percent of state and local government employees are covered by defined benefit retirement plans. Approximately 25 percent are not covered by Social Security, including close to half of public school teachers and about 70 percent of police officers and firefighters. State and local retirements plans paid annual benefits of $141 billion in 2005, averaging about $20,400 per retiree. As of December 31, 2006, state and local plans had accumulated $3 trillion in assets which were invested in a broadly diversified mix of equity and fixed-income securities.

Total unfunded liability of the 2654 public funds is $350 billion which is an 86 percent funding rate. Americans owe $8.8 trillion in mortgages, but no one would consider abolishing mortgages. If you had 86 percent of your mortgage paid off – would anyone consider you in financial trouble?

Hank Kim also stated that 360 of the Fortune 500 companies offer Defined Benefit plans to their employees which breaks down to 44 million persons in the private sector covered by a Defined Benefit Plan.

Though our pension fund is not funded at 86 percent, the advantages of a Defined Benefit

Plan far outweigh those of a Defined Contribution Plan.

If you would like to get a copy of the full report, write, call, fax or email National Conference on Public Employee Retirement Systems (NCPERS) at 444 N Capitol St, NW Suite 630 Washington, DC 20001 1-877-202-5706 Fax 202-624-1439 info@NCPERS.org

TRUSTEE ELECTION TO BE HELD OCTOBER 23, 2008

For a term ending on December 1, 2011.

According to State Statute, the terms of the elected members of the Retirement Board of the Policemen's Annuity and Benefit Fund, who represent Active Policemen and Annuitants, expire on December 1, 2008.

On Thursday October 23, 2008, an election will be held to fill the vacancies. The election will be conducted in accordance with the rules adopted by the Trustees August 23, 1990. The law provides that police representatives be elected by three separate classes of rank; one representative to be elected from the rank Lieutenant or rank superior to Lieutenant; one representative to be elected from the rank of Sergeant; and one representative to be elected from the rank of Investigator, Patrolman or rank equivalent thereto. Each candidate must be elected by his peers, the class rank to which he belongs. The Annuitants' representative is to be elected from the employee annuitants and widow annuitants. **An independent accounting firm will supervise the election of all trustees and all balloting will be conducted through the U.S. Mail.**

Persons entitled to vote:
(a) All Adult annuitants excepting those under conservatorship
(b) Conservators of Annuitants
(c) Legal guardians of child and /or annuitants when the mothers or stepmothers of such children are themselves not annuitants.

Persons eligible to membership on the Retirement Board:
Any adult annuitant who is not under conservatorship.

Petition Blanks may be obtained at the Board office on or after **September 1, 2008**, between the hours of 9:00 a.m. and 4:00 p.m.

Filing of Petitions:
The petition of each candidate for the class of rank of patrolman, investigator or rank equivalent thereto must be signed by at least fifty (50) persons entitled to vote in that class of rank. The petition of each candidate for all other classes of rank or any annuitant must be signed by at least twenty-five (25) persons entitled to vote in the appropriate class of rank. Petitions must be filed during the period **September 23, 2008 and September 29, 2008**, both dates inclusive, between the hours of 9:00 a.m. and 4:00 p.m.

Time and method of voting: The voting will be conducted by mail. A voting unit will consist of ballot, instructions, etc. and will be mailed to each person entitled to vote October 8-13, 2008.

POLICEMEN'S ANNUITY AND BENEFIT FUND
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OFFICE HOURS:
8:30 A.M. - 4:30 P.M.
MONDAY – FRIDAY

Visit our website at: chipabf.org