

Autumn

FAREWELL FROM THE FUND'S EXECUTIVE DIRECTOR

After concluding a recent retirement seminar at Chicago Police Headquarters, police Officer Thomas Goggin came up to say hello. Tom and I were neighbors in the late 60's until the Gallagher gang, we had six kids at that time, moved from the old neighborhood in 1971 out to the ever so sterile suburbs. Tom told me,

and has since sent to me, a picture of our neighborhood "Broom Squad" from I think 1969, which we both concluded must have been some effort by the Mayor to get everyone to chip in and clean up their respective alleys. Tommy and I are in the middle, his brother, John,

shared the same striped shirt kneeling in front of Tommy. Besides trying to figure out how 40 plus years could go by sooo quickly as we chatted that day, I was amazed to count 24 kids in the picture just from our block alone on Laramie and Chicago. All of us eager to help and eager to be part of something larger than us!

After going our separate ways in our "yute," Tom ended up following in his father's (and

older brother John's) footsteps. His dad is retired CPD John Goggin. I, too, followed my dad into the public service arena (accounting) here at the Pension Fund starting in November 1980. I was hired as a microfilm technician back then. Now retired Sergeant Dick Jones, who had served admirably in WWII

with the Marines, had been the first Executive Director for PABF of Chicago since 1957, and he took a recommendation from Thomas Stack, Fund Comptroller at the time, to hire "the kid" for what was thought to be a short project at the time, converting paper to

microfilm. I learned a lot from those two gentlemen, and James B. Waters, Jr., about the meaning of words like integrity, honesty, empathy and compassion. Each had a tremendous personality with stories to share, and, when they passed the management torch to James B. Waters, Jr. as Executive Director for the Fund in 1987, I began to ascend the management ranks here at the Fund.



Broom Squad

continued on next page

Well several years and several degrees later, I was fortunate to be selected by The Retirement Board Trustees to succeed James B. Waters Jr. as the Fund's third Executive Director in 2004 after Mr. Waters decided to retire. I have been honored to serve as only the third Executive Director since 1957, and I am happy to say both previous Directors are still going strong (I hope I am as fortunate).

But back to the Broom Squad picture. I have come to realize that I have been happiest in my life being of service to others, specifically Chicago Police Officers. I know in my heart of hearts I could never do the job you men and women of the CPD do on behalf of the citizens of Chicago. I saw early in my career here the heavy toll this job can take on you and your families: Families of those killed in the line of duty especially.

So now it comes time for me to say goodbye to all of you and to my friends here at the Chicago Police Pension Fund; not only the staff I have had the distinction of leading these past eight years, but also all the co-workers and trustees I have worked with or for these past 32 years! It has been an honor beyond your comprehension to be of service to you here because chances are we have never met, or had reason to, what with all the tens of thousands of you that have come (and gone, unfortunately), over my 32 years here at the Fund. If I had the pleasure to be of service to you, I hope you were satisfied with my effort and at the least certain of my character. I used to joke that we had to be honest: Our members carried guns after all. But each of you carries with you the burden of keeping all of us honest, safe and secure in this great City we call Chicago. Though my wife Marie, daughters Hailey and Catherine, will be leaving for some time to come, I can assure you we will one day return to this heartbeat of the Midwest called Chicago, it shines too bright not to return some day. My grandfather was an Irish immigrant Chicago Fireman who died at the firehouse back in the mid-30's, in his mid 30's, after a rather tortuous fire fight that day, and, no, his wife did not get line of duty benefits for her or her three daughters and one son, Jack,

which were much harder to come by in those days. So now I am off to be the Executive Director for the Ohio Police and Fire Pension Fund in Columbus Ohio, a place where I hope to wrap up my career in public service by being of service to the bravest and the best, Police and Fire public safety employees.

So in closing thank you for being of service to us, it was an honor to be of service to you, the best police, Chicago Police!



ELECTION

As previously notified, this year there will be a Trustee election to fill the expiring positions of the rank of police officer or rank equivalent thereto and for the retired member on the Retirement Board. On Tuesday October 9, 2012, the Board conducted a meeting to validate all Petitions submitted for the position of police officer and retired member.

The only retiree to submit completed petitions was the Board's current incumbent Kenneth Hauser. His petitions were reviewed and validated and therefore, running unopposed, he will be your annuitant representative for the term December 1, 2012, through November 30, 2015.

For the police officer representative or rank equivalent thereto there are seven active members who have submitted petitions, which have been validated.

The candidates for this position are

Brock Merck

Kevin C. Jans

Michael K. Lappe

John Flisk

Marcia Campbell

Kathy T. McCall

Michael Koszola

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The Election Day, counting of ballots, will be Thursday, October 25, 2012. All active police officer or rank equivalent thereto members will receive their ballot in the U.S. Mail. Please complete the ballot and place in mail for your vote to be counted.

TRUSTEES' CORNER

UPDATES AND NOTES

by **Sgt. Brian E. Wright, Trustee**

There has not been much happening at the Fund since the last Pension Advisor. The following are a few updates and notes that I think the membership would find interesting. Pension reform was a hot issue up until the special session of the state legislature. Then, POOF, it was off the front page and on the back burner. That is fine; just do not expect it to stay there. In my opinion, the reason it is there now is because there is a presidential election in about a month and the politicians do not want to make any waves right now. But make no mistake, once February rolls around and we get into the Spring session of the legislature, pension reform will again be on the table. So, enjoy the rest of 2012 and be ready to be vigilant in early 2013 for the new wave of "pension reform" they are going to try and pass.

I know many of you did not like the fact that the Fund was doing business with DV Urban, a company of which the former mayor's nephew was a partner. DV Urban has been removed as the General Partner of the real estate investment that they controlled and we are doing our best at the fund to ensure this type of business is not transacted in the future.

As many of you are aware, disability benefits have been on the front page of the Sun-Times a few times now. I will be the first to admit that the system needs to be modified to better serve the fund and its members. However, we cannot ignore our due process procedures and the statute because the Sun-Times prints a few pictures. The Fund contacted the State's Attorney's office to investigate possible fraud by one of our members currently on

disability. We also directed our staff to make an appointment with this individual so it may be determined that he is currently disabled. This is the proper course of action to take. The statute states: "When the disability ceases, the board shall discontinue payment of the benefit, and the policeman shall be returned to active service." (Sec. 5/5-156) Two problems arise with terminating any disability payments to a member. First, the burden is on the Fund to prove that the disability no longer exists once it is awarded. Second, even if the Fund determines the member is no longer disabled, we cannot return them to active service, only the Department can do that. So, if the Department does not take the member back and return them to active service, they will be in limbo. They would not be receiving disability benefits from the Fund and the Department will not put them back to work. When this has happened in the past and the member filed suit, the Fund lost and was ordered to reinstate the disability benefits. So, either we get together with the Department and work towards getting members back to work or the Fund is always going to be stuck footing the bill for members that may no longer be disabled.

Pursuant to "fixing" the disability program, procedures and benefits administration discussed above, the President of the Fund, Kenneth Hauser, has formed a committee to address this concern. I am a member of the committee and will work diligently to try and fix what I consider to be a broken system. Both the Fund and the Department should have the same goal: get disabled officers healthy and back to work as soon as possible. That would both serve the Department, by increasing the number of active officers, and the Fund, by saving it money. The committee was just formed and is in its beginning stages, I will update the membership as needed in the future.

Lastly, remember to vote in your best interest in November. The politicians write the laws and the laws control your rights and benefits to a pension. Vote for the candidates that will protect those rights. Please stay safe and enjoy the upcoming holiday season with your family and friends.



THANK YOU

by **Kenneth A. Hauser, President**

The Annuitant Trustee election was to be held on Thursday, October 25, 2012 at the Pension Fund office. I and one other retiree picked up petitions to run for the Annuitant Representative Trustee position on the Board. The deadline to turn in the signed petitions was October 1, 2012, and only I returned my petition. The other retired member failed to submit completed petitions, therefore, I am running unopposed and there is no need for an election. It is an honor to serve as your Annuitant Trustee these past seven years. Thank you for your confidence in me.



VOTE NO ON PROPOSED CONSTITUTIONAL AMENDMENT ON NOVEMBER 6TH

by **P.O. Michael Shields, Trustee**

Over objections from the Fraternal Order of Police and others, the Illinois legislature passed House Joint Resolution Constitutional Amendment 49 (HRJCA 49) on May 3, 2012. (See General Assembly's website ilga.gov for the full text.) On November 6, 2012, Illinois voters will be called upon to decide whether to adopt HRJCA 49, which proponents argue will help solve our pension crisis. On the surface, HJRCA 49 promises to make it tougher to provide pension benefit increases. The proposed amendment, however, does nothing to address the critical issue of pension funding that our state and municipalities face. HJRCA 49 creates a constitutional requirement by adding a section to the Illinois

Constitution, requiring a three-fifths majority vote of:

1. the Illinois legislature to approve any pension or retirement "benefit increase" for public employees and officials;
2. members of the governing body of a unit of local government or school district for any ordinance, resolution, rule or other action that provides an enhancement or "emolument increase" to an employee or officer that has the effect of increasing the pension of that employee or officer; and
3. members of the governing body of a pension retirement system for any action that results in a "beneficial determination."

The constitutional amendment, which is very long and ambiguous, contains a number of new concepts and terms including, "benefit increase," "emolument increase," and "beneficial determination," which have not previously been interpreted by the Illinois courts. Thus, the scope and breadth of the terms will likely be challenged in future court proceedings. The proposed amendment further interferes with the collective bargaining process and will likely serve to limit the ability of the state and municipalities to attract the best people to work in government service. The most disturbing change in the proposed constitutional amendment, however, which is seldom addressed, involves a potential conflict with the constitutional provision, which supports our current position that our pension benefits cannot legislatively "be diminished or impaired." Specifically, Article VIII Section 5 of the Illinois Constitution currently provides:

"Membership in any pension or retirement system of the state, any unit of local government or school district, or agency or instrumentality thereof, shall be an enforceable contractual relationship, the benefits of which shall not be diminished or impaired."

Section (d) of the proposed amendment provides:

"Nothing in this Section shall prevent the passage or adoption of any law, ordinance, resolution, rule, policy, or practice that fur-

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ther restricts the ability to provide a “benefit increase,” “emolument increase,” or “beneficial determination” as those terms are used under this Section.”

Section (d) has the potential to allow future restrictions on, or the reductions of pension benefits (especially COLA increases) that the current constitutional language may be taken to forbid. In the future, it will likely be argued by proponents of legislative impairments to our current pension benefits that the proposed constitutional amendment replaces the force and effect of the current constitutional provision. Such an interpretation of the amendment would serve to bolster the legislatures’ right to enact legislative pension cuts and diminish the odds that such legislation will be successfully challenged.

In summary, the proposed constitutional amendment is designed to appear as if the proper steps are being taken to resolve the current underfunding crisis. In reality, the amendment is ambiguous, fosters litigation, impairs our right to collectively bargain, and establishes a basis to legislatively “diminish and impair” our current pension benefits.

Vote No on HJRCA 49!

For the past four years, I have represented patrolmen, detectives and investigators below the rank of Sergeant. It has been my honor and privilege to serve the participants of the fund. Just before I was elected, this fund had just taken a 35% market reduction to \$2.8 billion. From day one, these were challenging

times. The fund continues to tread water at \$3.2 B. However, we are forced to invest in lower yielding funds as a result of our liquidity demands. As I step aside from my role as trustee, the issues facing the fund will continue to be very challenging. Public Act 096-1495 has an “enforcement” provision that allows pension boards to mandate the Illinois State Comptroller to withhold funds in the event that the plan sponsor, the City of Chicago, fails to make the Actuarial Recommended Contributions (ARC). The election and appointment of trustees to our pension board could not be more important. New trustees will take on issues that will have a direct impact on the long-term future of this fund. Participants of the fund are always welcome at our open board meetings. The schedule of meetings can be found at www.chipabf.org.

I would like to thank the participants of this fund for affording me the opportunity to serve as a trustee. It was a job I really enjoyed. After four years, I know that the pension board has changed for the better. I started my tenure there by challenging the status quo and fighting to have the Board actually comply with a subpoena. People have a right to know what goes on at the Pension Board. At the end of my four years, we are more efficient than ever, we are being sued less than ever, and we are more transparent than ever. There is much work ahead, and I am committed to helping my replacement be a success on the Board.



Pension Advisor is a publication of the Policemen's Annuity and Benefit Fund. You will be receiving a copy to update you on the matters that affect your pension and the concerns of active police officers, retirees and widows that make up our membership. If you have a question about your pension or the Fund, or, if there is a particular issue you would like to see addressed, please feel free to send a note to:

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