PENSION ADVISOR

POLICEMEN'S ANNUITY & BENEFIT FUND OF CHICAGO

December 2013, No. 51

Holiday Cheer

"The best and most beautiful things in the world cannot be seen or even touched. They must be felt with the heart." – Helen Keller

RETIREE HEALTH CARE COSTS

New Insurance Rates

If you have a premium deduction withheld from your pension check, you have already received notice from the City's Benefits Management Office that the rates for the Blue Cross/Blue Shield PPO Plan are changing effective January 1, 2014.

Please review the chart to determine your new monthly rate, which shall be **deducted from your December 2013 annuity payment.** If you do not find your status or status combination on the chart, you may view the complete rate chart on our website at www.chipabf.org.

Retiree	Spouse	Child(ren)	Retired before 8/23/89	Retired after 8/23/89 + Before 7/1/05	Retired after 7/1/05 w/20 yrs service	Retired after 7/1/05 w/Less than 20 yrs service
Med			$69.00	$110.00	$121.00	***Visit***
Non			$69.00	$454.00	$489.00	***Website***
Med	Med		$197.00	$277.00	$299.00	***For***
Med	Non		$197.00	$651.00	$697.00	***Rates***
Non	Med		$197.00	$621.00	$667.00	***Details***
Non	Non		$197.00	$982.00	$1,051.00	
Med	Med	Child(ren)	$325.00	$444.00	$476.00	
Med	Non	Child(ren)	$325.00	$805.00	$860.00	
Non	Med	Child(ren)	$325.00	$775.00	$830.00	
Non	Non	Child(ren)	$325.00	$1,136.00	$1,215.00	
Non		Child(ren)	$197.00	$608.00	$653.00	

ANNOUNCEMENT

The Board announces the appointment of **Regina M. Tuczak** as Executive Director for the Fund effective July 26, 2013. Gina has been employed by the Policemen's Annuity and Benefit Fund since January 1, 2010. Her employment with the Fund has been as Comptroller and since November 2012 she has been the Acting Executive Director.

MESSAGE FROM EXECUTIVE DIRECTOR

At the July 26, 2013, Board meeting, when the Board of Trustees appointed me as the next Executive Director of the Fund, I was truly thrilled and honored to be provided such a very special opportunity. It is a privilege to serve such a dedicated, hardworking and courageous member group. The unique service that the members of this Fund provide on a daily basis is critical to the success of the City of Chicago. The sacrifices made by each of you, and your families, are exclusive to the job of public safety officer, particularly in the City of Chicago where continuous daily challenges await. I will work tenaciously to service your pension needs, as you and your family sacrifice daily for the citizens of the City of Chicago.

As I begin my service, I have many goals for the Pension Fund. Of utmost importance is that the Fund and its staff work to support your pension needs with the highest level of service. Should you have any concerns or questions, I am always available to listen and work to continuously improve the service and operations of the Pension Fund. I am also committed to the highest standard of ethics and integrity and will work to conduct operations in accordance with the Illinois statutes.

Prior to my appointment as Executive Director, I served as the Fund's Comptroller beginning January 1, 2010. Prior to my position as Comptroller, I was a Director at Deloitte & Touche LLP, responsible for the Employee Benefit Plans audit practice in the Chicago office. I am a licensed CPA, with an MBA from the University of Chicago and a BA in Economics, with high distinction, from the University of Michigan.

Thank you for this opportunity and I look forward to many years of dedicated service to the most distinguished, dedicated, and valiant member group.

JANUARY PAYMENT DUE 01/31/2014

To assist you in your financial planning needs for 2014, the Fund will provide to annuitants using the **Direct Deposit program an annual statement** detailing your monthly gross annuity, any deductions and your net monthly payment for 2014. After the 01/31/2014 payment, your net annuity payment should not change in 2014 unless you change your federal income tax deduction amount and/or your hospitalization premium is adjusted. **IF A CHANGE IS NOT REQUIRED THERE IS NO NEED TO CONTACT OUR OFFICE.**

COLA

As provided by statute, a cost of living adjustment for eligible retired employees will be reflected in the annuity payment for January 2014 to be dated January 31, 2014. This increase is based on a percentage of the original annuity granted at retirement. These increases pertain only to retired employees, born before 1/1/1955, who have attained age 55 or over and **have been retired for at least 13 months.**

TAXES & 1099Rs

Prior to January 31, 2014, the 2013 IRS Form 1099R will be mailed to recipients of annuities, ordinary disability benefits, death benefit payments and lump sum distributions. This form contains the information needed to file the appropriate 2013 tax return.

For those of you residing outside the State of Illinois, you should contact the local State Department of Revenue to determine the taxability of your annuity payments in that State.

TRUSTEES' CORNER

By Lieutenant James P. Maloney, Trustee

Congrats to all new retirees for 2013. It has been another busy year for the Pension staff. There have been many retirees and many questions regarding the City of Chicago Health Care Plan. I would like to thank the Pension staff for their hard work, their patience and their due diligence.

As of Oct. 31, 2013, there were 12,051 Sworn Chicago Police paying into the Chicago Police Pension Fund. There are 407 retirees so far for 2013. This number may increase for December 2013. The Fund continues to diligently investigate and review all disability pensions and applications for disability pensions.

Year to date for 2013, the Fund has earned over a 12% return. The Fund returned slightly over 12% for 2012 and the assets of the Fund remained about the same after payments of all outgoing Pension Liabilities.

The Fund is currently conducting RFP's for Fixed Income managers. The current fixed income environment shows that active management is more important than ever and that loosening manager constraints and hiring more focused managers could lead to better opportunities.

It looks like Janet Yellen will be appointed to Chair the Federal Reserve. She is expected to continue the current Federal Reserve Policies. The outlook for 2014 remains conservative. There are many issues with the Federal fiscal policies and the Federal Reserve policies that could affect the direction of the US equity markets. Heading into the final weeks of 2013, it is clear the Fed is still a major driver of the markets. Some Market experts suggest that emerging market stocks are attractive on a valuation basis, but there are risks in some of these markets.

The Federal Open Market Committee (FOMC) will meet Dec. 17, 18, 2013. If the Fed does not taper and refrains from suggesting a March taper, then the "Santa Rally" should commence.

Please continue to monitor the Illinois Legislature and any Pension related bills. Get to know your Springfield Representatives. The Legislature recently passed a Pension Bill pertaining to the Chicago Park District Pension, that particular bill makes some changes in retirement age and other benefits for Chicago Park District Employees. As of this writing, the Legislature is attempting to pass Pension Legislation directed at the State of Illinois Pension Funds. There is controversy over whether this Legislation will pass judicial review. Other politicians question whether the "deal" is a good one for Illinois taxpayers. With the upcoming Gubernatorial race, Pension issues will become a political football.

Thank you for your support and
Happy Holidays,

Lt. James Maloney

IMPACT OF CHANGING THE FUNDING RATIO

by Sgt. Brian E. Wright, Trustee

The City of Chicago, the plan sponsor of our pension, has offered to kick the proverbial "can" down the road once again. The City has proposed to have the funding ratio change from 90% at 2040 to 80% at 2065. Our actuary conducted an Impact Study that produced some interesting results.

Current law dictates that there is a funding policy target of 90% funding by 2040. The actuary concluded that the funded ratio is projected to decrease from 30.8 percent at December 31, 2012, to 25.2 percent at December 31, 2015, and then gradually increase to 90 percent at December 31, 2040. Contributions by the City are projected to increase from $187 million for fiscal year end 2015 to $631 million for fiscal year end 2016. After fiscal year 2016, contributions are projected to increase by wage inflation from 2017 through 2040. After 2016, employer contributions are projected to increase to 55.0 percent of pay or a City multiple of approximately 5.7 times employee contributions, compared to the current multiplier of 2 times employee contributions.

The alternate proposed funding policy would reduce and extend the funded ratio target from 90% in 2040 to 80% in 2065. The funding levels are the same as above on 12/31/12 and 12/31/15, but then it gradually increases to 80 percent at December 31, 2065. However, the study concluded that the alternate funding policy defers contributions, and provides little margin if the fund experiences investment or demographic losses (i.e. less manpower, increased retirements, etc.). And we all know that both of those possibilities have happened in the past and will probably do so again in the future. Contributions by the City are projected to increase from $187 million for plan year end 2015 to $526 million for fiscal year end 2016. Now the big numbers: In terms of total City contributions from 2013 to 2065, the current funding policy is expected to cost about $28 billion while the alternate funding policy is expected to cost about $47 billion. After plan year 2015, employer contributions are projected to increase to 45.9 percent of pay or a City multiple of approximately 4.8 times employee contributions. Our actuary concluded that: "The alternate

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policy does not finance plan costs in a reasonable pattern and in our opinion is not consistent with generally accepted actuarial principles."

The study showed that under the proposed alternate funding policy the City would save approximately $3.7 billion in the short term (total payments made from 2013 to 2040), but it would cost them $18.6 billion in the long term (total payments made from 2013-2065). Moreover, the funding ratio would still be at only 35.12% at 2040 instead of 90% under the current policy target.

As you can see, this is another transparent attempt by the City to mortgage the future to save money today. The numbers do not make any sense. This administration wants to handicap the next 40 years of the fund like the last administration did. So, when the politicians are talking about changing the funding ratio and putting it off until a later time, you will know what they are talking about and the actual mathematical ramifications of another policy of "kicking the can down the road."

On a lighter note, I want to wish you and your family a Merry Christmas and a Happy New Year!!

Sgt. Brian Wright

MY FIRST YEAR IN REVIEW

by P.O. Michael K. Lappe, Trustee

Greetings to all active, retired and family members.

I now have completed my first full year as your elected trustee representative, and continue to weather the storm of uncertainty when our politicians continually get their mugs on TV to offer suggestions about pension reform at our expense, but not theirs. It makes one wonder how an elected official becomes an expert in this field. (If there is a politician reading this article, do yourself and us a favor, consult with an actuary, comptroller and have an impact statement completed). As your trustee, myself and all trustees are to remain neutral of the politics. We are to administer and follow the law(s) that have been passed in Springfield relating to any and all pension legislation from the past, current or future. This component of pension reform is out of the trustee's control, but I need to address an issue that most definitely is within the Pension Board's decision making authority.

As I just mentioned, I have completed one full year of my three year term and have realized the amount of duty related *injury on duty* (IOD) benefit claims have increased from previous years. Even more shocking, reviewing an officer's claim and medical history, these records of evidence from our Chicago Police Department's Medical Section, indicate how an officer with six (6) years of service (an example) has racked up several hundred days of medical time i.e., sore finger (62 days), flu (49 days) not to mention the staggering amount of days for an IOD i.e., scraped knee (364) days, and the list goes on and on. To have this officer come before the Board requesting a duty disability benefit after two independent doctors suggest the officer return to work, the claimant's attorney presents his doctor's report which says that he/she is 100% totally disabled and cannot perform the duties of a police officer. Obviously, someone went shopping around. This speaks of the conduct brought forth before the Board from the legal and medical professions alike.

What's happening here and how does the Board curtail this type of behavior?

The Board and all trustees' have a fiduciary responsibility to protect our pension monies from those who are less than truthful and those who are out to hoodwink the Board in their quest to collect a bogus IOD benefit. To counter this, the Board at my request has implemented a document that must be signed (whereas an official notary stamp is affixed) by anyone who makes an application for a disability claim, in any form. This document, from the State of Illinois, reads:

I have been made aware of 40 ILCS 5/1-135, a newly enacted pension provision which in part provides a criminal penalty (Class 3 Felony) for any person who "knowingly makes any false statement or falsifies or permits to be falsified any record of (the pension fund) in an attempt to defraud the Fund."

Since my tenure on the board, one disability case has been forwarded to the Cook County State's Attorney Office while another case is being prepared by our Board attorney for review and/or criminal prosecution. Let me make this crystal clear; The Policemen's Annuity and Benefit Fund of Chicago Board of Trustees' in conjunction with the Cook County States Attorneys' office will prosecute any person where evidence suggests of wrongdoing.

The way I see it, these employee's are just that, an employee. I respectfully reserve the title of addressing a person "Officer" for those who have served with unselfish courage and bravery. Some officers may have been injured performing a common duty related task that may have gone wrong. The Board gets it. Such incidents happen. Please don't conclude that I'm being hard on those who appear at a hearing on Board meeting days. I have been known to ask the applicant some hard and embarrassing questions as your trustee, but the truth of the matter at hand is what needs to be learned. Myself and the entire Board keep an open mind in granting or denying a benefit claim, but the facts are the facts, regardless of how "good" of a guy he or she may be. If this is what it takes for myself and the Board of Trustees' to curtail an applicant from picking your pocket and ripping you, me and all who pay 9% into the pension fund each and every payday, then so be it.

Let's keep this benefit for those who it was meant to be applied too only.

In 2011, twenty-seven (27) employees' had applied for a disability claim. Seventeen officers (17) were granted a benefit claim.

In 2012, forty (40) employee's had applied for a disability claim. Twenty-three (23) officers were granted a disability benefit.

In 2013, Thirty-one (31) employee's had applied for a disability claim. Thirty-two (32) officers as of this writing were granted a disability claim. (This is not a mistake. There are 45 more days left in 2013 and several awards were from the 2012 agenda that spilled over into 2013).

Our records currently reflect that 370 officers are in receipt of collecting a disability benefit. This translates into the Pension Fund paying out $22 million dollars in 2011 while the 2012 disability payout was $21 million, 200 thousand dollars.

On several occasions, the Board of Trustees' have had conversations relating to the city denying an officer who became IOD the advantage of continuing serving our citizens and the CPD in another important capacity.

Example; squad car accidents are very common in our line of work. Given the fact that these vehicles are outfitted with a docking station, computer and other electronic emergency gadgets to zip you through traffic, they happen. If you were to suffer a broken leg, hip or another non-life threatening type injury, there may come a time within your 365 days when you through your own personal diligence desire to get back to work for any number of reasons. You may not be 100% from an IOD event. In some cases you may never be. There are compatible assignments within our department that are available. This idea that you need to arrest a passive resistor is extremely remote. The fact of the matter is, you're working in a secured facility. A passive resister probably has to go through 15 officers before they get to you. I would suggest that active officers and your district/unit representatives continue to drill the city contractually to allow theses officers the opportunity to function within the CPD.

One more topic; it is imperative that you know who your beneficiaries are. Back in the day, when you signed the death benefit card as a recruit, most of us listed a parent(s) and/or a family member as the beneficiary. As events change in your personal life, i.e., marriage, divorce, newborn child, adoption, death etc. call the fund at 312-744-3891 and ask the receptionist to look up your status. If you need to get documents to the Fund, don't wait. Get it done. This is just too important to keep putting off. Also, take a few minutes and log onto the website of the Policemen's Annuity and Benefit Fund of Chicago. www.chipabf.org Our web site is very transparent. Any areas of the pension can be found on the site. Official reports are also provided to the viewer. Under calculations, you can crunch some retirement numbers at the current rate.

Lastly, I have been putting in some long hours here, which I don't mind and addressing calls and issues from our members. I also have hit a few roll

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calls with news of why our pension fund is currently in a gloom and doom category. We all read current news accounts in some form or another each day. I wish that I had the answers we all want to hear, but it's not the case. For those officers whom I have met and those that I would welcome meeting, thank you for electing me as your trustee. (It's not even an election year) I will continue to serve you the members to the best of my abilities. Please feel free to contact me at the fund directly at 312-726-3086.

Stay Safe Brothers and Sisters

Respectively Yours,

Michael K. Lappe

YOUR PENSION

by Kenneth A. Hauser, President

The S&P 500 closed at 1756 and +23.16 YTD on Halloween, while the Dow settled at 15,545.75 and +18.63 YTD and the NASDAQ at 3,919.71 and +29.81 YTD. The Russell 2000 gained 2.45% last month, ending October at 1,100.15. The funded status of U.S. corporate defined benefit plans continued rising in November, reaching levels not seen in five years, according to monthly reports from Mercer and BNY Mellon Investment Management's investment strategy and solutions group. Social Security recipients will be getting a small increase in their checks for 2014.

401(k)'s hurt more Americans than they helped according to a new report from the progressive think tank, the Economic Policy Institute (EPI), the rise of the 401(k) accounts has contributed to social inequality by dimming the retirement prospects of millions of Americans with the result that "retirement insecurity has worsened for most Americans as retirement wealth has become more unequal." Intended to supplement, not replace, social security and traditional pensions, 401(k) accounts are called "defined contribution" retirement plans, because the present monetary contribution of the employee is defined but the future benefits are unknown, as they depend on the performance of investment markets. Not everyone has been disadvantaged by the rise of the 401(k), however, for they helped employers cut costs and injected capital into Wall Street, which led to the bursting bubbles of 2001 and 2008.

Many young adults are living at home with their parents and this is having an impact on their parents' finances which delayed their parents' retirement to help cover the cost of their children living at home. People age 65 and older make up the fastest-growing segment of the labor force. About 10 years ago, 52% of such Americans worked full time but that has increased to 58%. Meanwhile, weekly pay has risen from $502 to $825 (The Washington Post). Since the end of the recession, there are more older Americans in the work force, according to a recent Gallup poll. The poll found that the recession contributed to significant household wealth reductions that Americans are still trying to recoup, with more older Americans either postponing retirement or former retirees re-entering the work force. American workers believe they will be working well into their retirement years, according to a new survey. The Risk Perception Survey, from reinsurance and financial services group Swiss Re, found 57% of American workers expect to retire beyond the age of 65 or never retire at all. Nineteen percent of U.S. respondents—more than any other market surveyed—believe they will be working at least until the age of 70.

This message is for annuitants approaching the Medicare age of 65. Please send a copy of your Medicare card to the Pension Fund at least three months prior to your 65th birthday. Yes, that means you should apply for Medicare at the Social Security Office approximately five months prior to your 65th birthday. If you fail to apply for your healthcare benefits at the Pension Fund within three months of age 65, there is a strong possibility that you will be penalized by the Benefits Management Office (BMO) and they will charge you the non-Medicare eligible rate until you apply. Annuitants receiving the minimum monthly annuity will be mailed a $500, 13th holiday check, on the 15th of December.

MUSINGS

Apple Inc. holds 10% of all U.S. corporate cash. Together Microsoft, Google, Cisco and Pfizer hold another 15% of all U.S. corporate cash reserves. According to Moody's, the top 50 companies account for 62% of all U.S. corporate reserves.

WHAT THINGS COST IN 1973 AND 2013

Total pension assets (as of March 31) 1973: $283 billion – 2013: $10.23 trillion; Average shares traded daily on the New York Stock Exchange 1973: 1 million – 2013: 6.31 billion (through August 26); Annual inflation rate 1973: 8.8% - 2013: 2.0%; The Wall Street Journal 1973: 15 cents – 2013: $2.00; Highest baseball player salary 1973: $200,000 – 2013: $28 million; Round -trip coach-class airfare from New York to Chicago 1973: $122 – 2013: $527; Taxi fare, LaGuardia Airport to Wall Street 1973: $11 – 2013: $33; Harvard MBA tuition for one year 1973: $6497 – 2013: $56,175; Ticket to Broadway show 1973: $9.50 – 2013: $106.34; Fifth of Glenlivet 12-year-old single-malt scotch 1973: $10.13 – 2013: $56.99; Super Bowl 30 second TV commercial 1973: $88,000 – 2013: $3.8 million; First-class postage stamp 1973: 8 cents – 2013: 46 cents; Shoeshine, Grand Central Station 1973: $1 – 2013: $4; Brooks Brothers suit 1973: $425 – 2013: $1,198.

Best Wishes to you and your Family
for Holiday Happiness and
good health in the New Year.

Kenneth A. Hauser, President

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:

POLICEMEN'S ANNUITY AND BENEFIT FUND
PENSION ADVISOR
221 North LaSalle Street – Suite 1626
Chicago, IL 60601

POLICEMEN'S ANNUITY & BENEFIT FUND
CITY OF CHICAGO
221 NORTH LASALLE STREET • SUITE 1626
CHICAGO, ILLINOIS 60601

POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO

221 N. LaSalle St., Suite 1626
Chicago, IL 60601
Telephone: 312-744-3891
(outside 312)
Toll Free: 1-800-656-6606

Regina Tuczak
Executive Director and Comptroller

Samuel Kunz
Chief Investment Officer

Sonny Panaligan
Assistant Comptroller

Visit our website at: **chipabf.org**

OFFICE HOURS: 8:30 A.M. – 4:30 P.M. MONDAY – FRIDAY

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