

PENSION ADVISOR

POLICEMEN'S ANNUITY & BENEFIT FUND OF CHICAGO

April 2014, No. 52

Spring

EXECUTIVE DIRECTOR'S REPORT

The Fund is pleased to report that retroactive pension calculations for Sergeants have begun. The Fund has received the current salary scales for Sergeants, and the pension, disability and survivor benefits for those Sergeants that retired after June 30, 2012, are in the process of being recalculated. Please note that these calculations are done individually; and thus the Fund's staff estimates that all calculations should be complete within a three-month time period. Retired Sergeants will receive an updated pension amount at the end of either April, May or June, which will follow with a letter indicating the new pension amount and a payment reflective of the difference between the original calculated pension and the revised amount. The Fund's staff is working diligently to calculate each revised pension accurately. We will also be starting the retroactive calculations for Lieutenants and ranks superior to Lieutenant, once we receive some final information on salaries. We appreciate your patience and should you have any questions about your retroactive pension, please contact the Fund's offices.

The Fund is also in the midst of the year-end audit procedures on the 2013 financial statements. The Fund's actuaries are compiling the 2013 actuarial valuation report and the Fund's independent auditors are auditing the December 31, 2013, financial statements, as prepared by the Fund's staff. These two important financial documents will be posted on the Fund's website when they are complete, which should be no later than the end of June. Please note that while the Fund works to complete these 2013 financial statements, the individual benefit statements to active members are simultaneously prepared. These

statements will also be mailed to members, at the home address on record, in the summer months. For active members, please make sure that your employer has your most recent address, to ensure that your benefit statement is mailed to the proper address.

The Fund's staff wishes to thank the active members for all of your hard work during such a brutal winter season. We hope that the retired members were able to enjoy some well-deserved rest and relaxation away from the snow and cold during this long winter.

MILITARY CREDIT

Sworn Police members are eligible to purchase up to 2 years pension credit for prior Active Military service. The application is on our website which must be accompanied with a copy of your DD214. If the qualifications are met, this provision allows a member to purchase in monthly increments up to 2 years and must be applied for and paid prior to retirement.

RETIREMENT PAYDATES

Retirees, who have direct deposit set up for their monthly annuity, remember the direct deposit is entered to your bank on the LAST BUSINESS DAY of each month. This excludes weekends and holidays. For the remainder of 2014 the direct deposit dates are:

April 30, May 30, June 30, July 31, August 29, September 30, October 31, November 28, December 31.

For retired members who have checks mailed directly, please be advised, mail date is four business days prior to payable date. The Fund has no control over the U.S. Postage Service and will not guarantee prompt delivery of any check(s). Reissuance of a "lost" or "destroyed" check cannot occur until the 5th business day of the following

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month. Which, when re-issued, is mailed again through USPS. We highly recommend direct deposit to avoid any delays in receiving your monthly benefit.

TRUSTEES' CORNER

By Lieutenant James P. Maloney, Trustee

I want to congratulate all our recent retirees. May you enjoy a long retirement. I would also like to thank the Pension Fund staff for the hard work that they do.

Here are some numbers: Retirees so far for 2014 total 107, the total retirees for 2013 were 406 and for 2012 there were 570.

As of March 15, 2014, there were 12,153 sworn officers paying into the Pension Fund. This number includes all title codes.

The markets have continued an upward trend for 2014, although at a slower pace than in 2013. With the huge gains in 2013, many stocks are considered to be more expensive and less attractive. Emerging markets, which lagged in 2013 rebounded in March but are about flat for 2014. The Federal Reserve has commenced its tapering program while committing to a low interest rate environment at least into 2015.

The Pension Fund is still conducting Request For Proposals (RFPs) for Global, Absolute Return and Unconstrained Fixed Income managers. With the low interest rate environment, the Fund is looking into a more global outlook to seek out better opportunities.

I cannot stress enough the importance of the Legislation that is introduced in Springfield. It is extremely important for all of us to be in contact with our Representatives. I recently attended a "We Are One Chicago" rally at the Capital in Springfield. It was well attended and shows that we can work together to preserve our Pensions. Good luck and stay safe.

THE PENSION FUND IS DOING ITS JOB

by Sgt. Brian E. Wright, Trustee

The Mayor is on a mission to "reform" the pension. His main goal is to delay the actuarial required contribution (ARC) payment to 2021 or later. This would be catastrophic to the pension fund. We need money NOW!!!

The Mayor has known about the ARC payment since its passage into law in 2010 and has done nothing to prepare to pay it. Now he is going to the State Legislature and arguing that he does not have the money to make the payment. He has had four years to make appropriate changes to the budget, applicable city ordinances or the funding of projects and programs to prepare to make the

ARC payment. He chose not to. This is the same old song and dance the last administration had and why we are in this position today.

Why am I so concerned about the City making the ARC payment?? Because we need a huge influx of cash if we are ever going to grow the Funded Ratio of this Fund.

There are basically three sources of revenue for the Pension Fund: employee contributions (sworn officer's monthly pension payments), employer contributions (the City's 2 to 1 multiplier payment) and investment returns. Guess which two have done their job over the course of the plan's inception and which one has not. The City was told for a long time by their own people, and the Pension Fund, that the 2 to 1 multiplier was not enough to sustain the Funded Ratio, but they chose to ignore that advice. That negligence required the State Legislature to pass the ARC funding law in 2010. Now, the City is legally required to make the ARC payment, instead of making gradual increases for the last 20 years as advised, and they do not like it. Well, it's time to pay the piper!!

The other two sources of revenue, employee contributions and investment returns, cannot save this Fund. The employee contribution is roughly 90-100 million dollars per year, which equates to 9% of our paychecks. Even if you increase our payment another 3%, totaling 12% of our paychecks, that only amounts to another 30 million dollars. An increase is not fair to us and will not get us out of this whole. We need much more than that to grow this fund. We need an additional hundreds of millions of dollars per year to turn the funded ratio around.

This brings me to my main point. At the Pension Forum held on March 1st, 2014 at the Copernicus Center on the North Side, there was a lot of talk about "pension reform". But what I thought was lost in the discussion was that we cannot invest our way out of this mess. The Pension Fund had 14.51% returns on assets in calendar year 2013. Yet, our fund only grew from \$2.996 billion on 12/31/12 to \$3.072 billion on 12/31/13. This equates to a 2.5% net return on our assets. Our assumed rate of return is 7.75% per year. We almost doubled it and did not even see a significant growth in our assets. If we have another 2008, we are doomed. If we have an average year of between 8-10% returns, we are going to lose money.

Thus, as you can plainly see, an increase in employee contributions cannot save us, investment returns cannot save us, only the ARC payments that are required by law can turn the funded ratio around and begin to grow our assets. The more the City pays into the Fund, the more the Fund can make on that money. If the ARC

payments are made every year, eventually the City's contribution begins to decrease because the investment returns are higher because there is more money in the fund to invest. This would be down the road 20-30 years, but in the short term the funded ratio will begin to rise, which is how it starts (see my last Pension Advisor article for more info). But the ARC payments have to be made NOW, or we are in serious trouble in the near future.

Do not be afraid to call your elected officials and share this information with them. The more they know the better. The truth is our friend. We have nothing to hide. We have made our contributions every check and the Pension Fund has done its job with 14.5% in returns in 2013 and historically above the assumed rate of return of 7.75%. Now, it's the City's turn to do what they are legally required to do and should have been doing for the last 30 years.



Sgt. Brian E. Wright



SPRING IS JUST AROUND THE CORNER

Which means...May is Police Month...

by P.O. Michael Lappe, Trustee

Hello Brothers and Sisters,

On behalf of the appointed city trustees, elected police trustees and the entire administrative staff here at the Retirement Board Policemen's Annuity and Benefit Fund, we congratulate our recently elected FOP President, Dean Angelo. I must also mention kudos to his newly elected Executive Board of Directors and to all the new and past trustees. Although the Pension Fund and the FOP are two separate entities, we now more than ever, need to work together for current members and retirees to resolve a wide variety of issues that seem to never end.

As law enforcement communities in these United States prepare to honor officers who have lost their lives during the past year(s) through violence, vehicle accidents, a medical event or a first responder training exercise, that no ordinary citizen would be subjected to. Let's not forget the officers who have survived such a catastrophic event. For those who may never to walk again, never to hold their loved ones, never again to having the mental capability to understand a "yes" or "no" question, or never ever again having any hint of a quality of life. Let's not forget the officers' wife, husband, the teenage sons and daughters, the young children who see their parent confined to a wheelchair or a hospital bed that was set up in the homes "family room." I personally believe from the bottom of my heart that these family members who have been thrown into the role of the care giver are also true hero's in every sense of the word.

How about it officers? Make that call to him or her or the family. Let them know you have never forgotten about them. It's never too late. Pay them a visit. Unless you had a sheltered career, I'm betting you know of a co-worker/officer who needs to be contacted. If nothing else, please remember them in your prayers.

On Wednesday, April 30th in Springfield Illinois, the Troopers Lodge 41 again will be hosting a BBQ at the Knight Action Park located on the south side of Springfield. (Google directions) Gates open at 5 PM. A small monetary donation is requested for entry. The following day, Thursday, May 1st begins activities to honor our fallen brothers and sisters. As the tradition goes, police agencies from throughout the state who have sent a marked police vehicle to represent their respective agency, assemble at the Springfield Fairgrounds from 0630 hours to 0815 hours. The procession will leave the Fairgrounds en route to the Springfield Cathedral of the Immaculate Conception that kicks off at 0900 hours. On a side note: over past years this event averaged around 600 marked police vehicles. At last year's estimation from the Springfield PD, they guess around 400-450 marked vehicles. Several years ago, I was the only officer who represented the largest police department in this state with the only marked Chicago police vehicle that was in the procession from the fairgrounds. I was somewhat embarrassed to say the least. However, many officers made the trip in their own vehicles to honor the fallen. The number of marked cars being sent is slowly declining. I have made inquiries along with a few others as to why. A few of the administrative answers were the old budget cuts, not enough manpower, we can't afford the gas, and the list went on and on. For God's sake, it's one day out of the year Mr. Chief of Police. Do the respectable thing, honor the fallen from within our State.

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Anyway, after the church service, the gathering then moves to the State Capital where the ceremony continues for the next two hours or so.

Sunday, May 4th Chicago Police honor our fallen at the St. Jude Parade at Gold Star Park. Tuesday, May 13th is the National Candlelight Vigil in Washington D.C., for those who have made the trip out east to come together with our brothers and sisters from throughout the Nation to honor the fallen. I attended this event many years ago and I highly recommend that you too experience this ceremony.

May 6th is the FOP Memorial at the FOP hall at Noon.

May 15th brings us to National Police Memorial Day. Let's not lose focus of these dates or for that matter any date when that time comes to "**Serve and Protect**" our very own police families, living or deceased.

The Chicago Police recognition ceremony will commence on May 27th at noon. This event will take place in the Grand East Ballroom at the Hyatt Regency Chicago, located at 151 E. Wacker Drive. You may contact Officer Johnson at 312-745-5185 from Chicago Police Headquarters Human Resources for additional details.

I mentioned this before and I don't want to sound like a broken record (you young guys may not know what a broken record is) but it is imperative that you know who your beneficiaries are. 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.

An Illinois Retired Officer Concealed Carry (IROCC) application can be downloaded off the internet. Go to the Illinois State Police IROCC and print out the Form 3. If you qualify, follow the instructions and send it to Human Resources at 35th Street, contact Ms. Hooks 312-745-5386 who will then facilitate the IROCC process. The Pension Fund no longer is involved in this process as we have been informed that we are **NOT THE EMPLOYER OF RECORD**. This new policy seems to be working very well for the membership, current and retired.

Lastly, I wish everyone a safe and warm spring. Hope to see any one of you in the near future at an event.

*Respectively Yours, Michael K. Lappe
Elected Trustee*



P.O. Michael Lappe



AWARDS, CERTIFICATES, PENSION PROTECTION AND MORE

by Kenneth A. Hauser, President

I previously mentioned this item in the Retired Chicago Police Association's April Newsletter. For those of you who are not RCPA members, the Certificate of Achievement for Excellence in Financial Reporting has been awarded to the Policemen's Annuity and Benefit Fund of Chicago by the Government Finance Officers Association of the United States and Canada (GFOA) for its comprehensive annual financial report (CAFR). The Certification of Achievement is the highest form of recognition in the area of government accounting and financial reporting and its attainment represents a significant accomplishment by a government and its management. An Award has been awarded to the individual(s), department or agency designated by the government as primarily responsible for preparing the award-winning CAFR. This has been presented to: Regina Tuczak, Executive Director of the Police Pension Fund.

Congratulations.

On February 20, 2014, the Arizona Supreme Court overturned a state law that would have cut the cost-of-living adjustments (COLAs) for state retirees. While the Arizona ruling has no direct impact on the Illinois pension reform law, many of the issues are the same. The pension protection language in the Illinois Constitution virtually mirrors that of the Arizona Constitution which states that membership in a retirement system is a

contractual relationship and, because of that relationship, pension benefits cannot be diminished or impaired. Judge Robert Brutinel said it also means lawmakers cannot tinker with already existing formulas that determine how much those benefits will increase each year. This is the sixth state that has ruled to protect the diminishment of pension benefits, Great.

“Wall Street gave themselves \$94.11 billion in holiday bonuses, even as they continued to dodge jail time for their ongoing crime spree!” Wall Street megabanks forced ten million people out of their homes due to the foreclosure crisis, while spending 2013 dodging the law for blatant financial fraud that left people homeless. Ten banks kicked off 2013 by paying \$8.5 billion to settle complaints that they improperly foreclosed on homeowners in the summer. Bank of America was charged with rewarding employees who pushed the MOST people into foreclosure. JPMorgan Chase rounded off the year by paying \$13 billion in fines to make fraud complaints go away.

How insane is the Wall Street bonus situation? Wall Street bankers are running out of ideas of how to spend the money. That’s not a joke: the Financial Times publishes “How To Spend It” magazine to help stumped Wall Street bankers figure out what to do with their fat bonus checks. A petition was signed by 20,258 out of a goal of 25,000 signatures. The petition read: Dear Chase, Citigroup, Wells Fargo, Goldman Sachs, Morgan Stanley and Bank of America. We call on you to help the people that you scrooged out of their homes and end the homelessness crisis you created. Donate your \$94.11 billion in holiday bonuses to undo the damage you’ve done.

[Sources: New York Times, New York Review, USA Today, Financial Times, Because Finance is Boring and Alexis]

While corporate handouts continue to surge, aging Americans have been hung out to dry. No more golden years, five ways Americans have been robbed of a comfortable retirement:

(1) A \$6.8 Trillion Retirement Deficit in America. But \$8 Trillion in New U.S. Wealth Was Created in 2013. The problem is that most of the new financial wealth went to the richest 10%. Basically you already had to be rich to share in the new wealth, and the people taking the wealth can defer taxes as long as they want, and then pay a smaller rate than income earners. Meanwhile, according to the National Institute on Retirement Security, Americans are at least \$6.8 trillion short of what they need for a comfortable retirement.

(2) \$6500 is the Median Retirement Fund for Upper-Middle-Class 50 to 64 Year-Olds. That’s based on an analysis of the second-highest quartile of Americans by the Schwartz Center for

Economic Policy Analysis. It may get worse before it gets better. The percentage of 75 to 84 year-old seniors falling into poverty doubled from 2005 to 2009. That was before the recession. The number of elderly Americans, notes the Administration on Aging, is steadily rising, likely by 75 per cent between 2010 and 2030, to almost 70 million people.

(3) ZERO Wealth Gained among 93% of Americans, While the Richest 12,000 Families Made \$100,000 EVERY Day. It’s estimated that the richest .01% each made at least \$40 million last year. A work day for many of them consists of logging in to their portfolio to see how many thousands of dollars were added in the previous 24 hours. A stunning 93% of Americans LOST wealth in the post-recession “recovery.”

(4) TWICE the Cost of Pensions – that’s What Ten States Pay in Corporate Subsidies. This comes from a study by Good Jobs First of ten states with severe pension issues. The study found that “in all ten states, the total annual cost of corporate subsidies, tax breaks and loopholes exceeds the total current annual pension costs.” Americans, who have worked all their lives, dutifully paying for their retirement years, continue to be accused of greed and threatened with pension cutbacks. David Cay Johnston calls it “nothing short of theft.”

(5) 40 of Every 401(k) Dollar goes to the Banks. Saving \$1,000 a year for 30 years in a non-fee 401(k) fund and then holding the accumulated sum for another 20 years would net an investor \$269,000. With a smallish-sounding industry average fee of 1.3%, the same investor would net just \$165,000, a 39% reduction. And this is just five ways you have been robbed of a comfortable retirement.

[Source: AlterNet News and Politics]



Kenneth A. Hauser



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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