

PENSION ADVISOR

POLICEMEN'S ANNUITY & BENEFIT FUND OF CHICAGO

September 2015, No. 56

Autumn

A fallen leaf is nothing more than summer's wave good bye.

—Anonymous

ELECTION NEWS

Per Illinois Statutes, there are two elected Trustee positions for this Pension Fund that will expire on November 30, 2015. These Trustee positions are as follows: (1) member who represents the Annuitytants and (1) member who represents the active members of the Police Department of the rank of Patrolman, Investigator, or equivalent rank. Ballots for election of these two Trustee positions will be mailed beginning October 7th to the address on record of applicable members. Such ballots MUST be received by the post office by 9am on Thursday, October 22, 2015. On October 22, 2015, all ballots received by the post office will be counted. The term of these two Trustee positions will run to November 30, 2018. The election will be conducted in accordance with the rules adopted by the Retirement Board. An independent accounting firm will oversee the election procedures, along with the ballot counting. All balloting will be conducted through standard U.S. mail. For other information regarding the election, please visit the Fund's website at www.chipabf.org or call the Fund office.



EXECUTIVE DIRECTOR'S REPORT

RETIREE HEALTHCARE

The Fund was recently notified that retiree healthcare premium costs for 2016, along with other important information, was recently mailed to retirees. Annual enrollment for the healthcare coverage began on Tuesday, September 15 and is scheduled to end on Tuesday, October 6. Please note that the Fund does not set premium rates and is not involved in the decisions relating to coverage. Please visit www.chicagoretireebenefits.org for further information on this important matter. Cost changes for premiums will be reflected in each retiree's December 2015 annuity payment.

The Fund is pleased to welcome Carole Brown as a Trustee to the Retirement Board. Ms. Brown was appointed by Mayor Rahm Emanuel to the Retirement Board on May 27, 2015, and she currently serves as Chief Financial Officer of the City of Chicago. Ms. Brown replaces Lois Scott, who

Vote

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announced her resignation on May 1, 2015. Ms. Brown brings many years of financial service experience to the Retirement Board, including Managing Director at Barclay's and former CTA Chairman. Ms. Brown holds a Bachelor's degree from Harvard University and a Master in Business Administration from Northwestern University's Kellogg School of Management. We look forward to Ms. Brown's service to the Retirement Board.

The Fund wishes to thank Lois Scott for four years of committed service to the Retirement Board. Ms. Scott was appointed to the Retirement Board in 2011, by Mayor Rahm Emanuel, when she joined the Mayor's staff as Chief Financial Officer. Ms. Scott served the Retirement Board with enthusiasm, dedication and tenacity. Her energy and attention to detail will be missed. We appreciate all the efforts of Ms. Scott and wish her the very best in her future professional and personal plans.

RICHARD J. JONES ANNUITANTS ASSISTANCE FUND (RJAA FUND)

As many of you may know the RJAA Fund is a tax-exempt organization under 501(c)(3), which accepts donations and provides gifts on a charitable basis, which are not subject to income tax.

We are delighted to report the namesake for this organization, Mr. (Dick) Jones, has reached a Milestone Birthday celebrating 90 years! Recently, Mr. Jones stated that he would like to live at least ten more years, not only to be in the "Centurion Club," but because he still has many ventures to accomplish.

Happy Birthday Mr. Jones! May you attain your goals, be healthy, continue to enjoy life, and we hope to hear from you for many more years.



UPDATE FROM THE FUND COMPTROLLER

AUDITED FINANCIAL STATEMENTS

The Fund's management is pleased to report that the audit of the Fund's financial statements as of and for the year ended December 31, 2014 has been completed. Consistent with prior years, the Fund received an unqualified opinion (also referred to as a "clean" opinion) from the Fund's independent auditors on the 2014 financial statements. These audited financial statements provide the statements of fiduciary net position, statements of changes in fiduciary net position, and the required footnote disclosures relating to the Fund. These 2014 financial statements are posted on the Fund's website at www.chipabf.org. Just click on the "Financial Reports" link to view the most current Audited Financial Statements, Actuarial Reports, and CAFR Reports (CAFR stands for Comprehensive Annual Financial Report). Should you desire a hard copy of any of these financial reports, please contact the Fund's office and such reports will be printed and mailed to you.



FINANCIAL HIGHLIGHTS

Condensed Statements of Changes in Fiduciary Net Position as of December 31, 2014 and 2013 are presented below:

	(in thousands)	
	<u>2014</u>	<u>2013</u>
Employer Contributions	\$187,075	\$188,889
Member Contributions	<u>95,675</u>	<u>93,329</u>
Total Contributions	282,750	282,218
Benefits & Refunds	664,337	641,926
Administrative	<u>4,241</u>	<u>4,298</u>
Total Deductions	668,578	646,224
Net decrease before investment income	(385,828)	(364,006)
Net Investment Income	182,641	415,774
Net Assets – Beginning of year	<u>3,265,201</u>	<u>3,213,433</u>
Net Assets – End of Year	\$3,062,014	\$3,265,201

FUNDING RATIO

If a plan's funding ratio is at 100%, then the plan is deemed to be fully funded. This ratio is determined by an independent actuarial firm. The Fund's funded ratio (i.e. the ratio of actuarial assets to the actuarial accrued liability) on a fair value basis determined as of December 31, 2014 is 27.7% compared to 32.4% determined as of December 31, 2013. This decrease in the funded ratio is mainly due to the significant increase in the actuarial accrued liability primarily due to changes in investment return assumptions and mortality tables used.

HELPS LETTER FOR RETIRED PUBLIC SAFETY OFFICERS

Earlier in the year, the Fund sent out a "Helps" letter explaining rules/limitations as it related to your health insurance premiums paid in 2014. This correspondence explained how certain amounts could be excluded from taxable income when filing your 2014 tax return. Should anyone need another copy, please contact the Fund.



TRUSTEES' CORNER

by Sgt. Brian E. Wright, Trustee

SUPREME COURT HOLDING STEADY

While the Mayor continues to "reform" the pensions of city workers, the Supreme Court continues to hold that any diminishment of benefits is a violation of the Illinois State Constitution. The Cook County Circuit Court recently struck down the Municipal and Laborer's changes as unconstitutional. The case is pending with the Illinois Supreme Court which will most likely hold as it did with the state worker's pension fund that the changes are unconstitutional.

An interesting element of the analysis is union support of the changes. Just because a union supports a change to the pension code, does not make that change constitutional. The changes made to the Municipal and Laborer's funds had

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“union support”. While the union does represent a group of workers, it does not have the power to change the pension code in such a manner that violates the state constitution.

Most recently with our own fund, the City offered to pass a “Casino Bill” that would direct all “gambling profits” to the police and fire pension funds. This is all well and good but “gambling profits” needs to be clearly defined so that the funds get paid first and foremost after the basic operating expenses. Also, the bill was supposed to pass BEFORE the bill that gave the City relief on the balloon payment due in May 2016. The relief bill sits on the governor’s desk for signature while the casino bill has not even been put to a vote.

The two bills should have only had “union support” if the casino bill was passed BEFORE or in conjunction with the relief bill. The City went to the legislature touting “union support” for the relief bill. I do not know where the disconnect was, but in the meeting I was in our position was perfectly clear to me: no union support unless the casino bill passed before or in conjunction with the relief bill, not after.

So, ironically, it does not seem as though “union support” is relevant when it comes to the constitutionality of these “reforms” that the City is pushing. The City will actually have to draft changes that do not violate the state constitution, regardless of the union’s position – **WHAT A CRAZY CONCEPT!!**



Sgt. Brian E. Wright



HOT TOPICS

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

UNANIMOUSLY ENDORSED BY THE F.O.P. CHICAGO LODGE #7 EXECUTIVE BOARD FOR RE-ELECTION to the POLICEMEN’S ANNUITY and BENEFIT FUND. (NOTE: As of this writing, no

other active officers are challenging my candidacy. If someone last minute tosses their hat in the ring, there will be a ballot mailed out to you between October 7th through the 12th, 2015). *Please consider voting for me. I am passionate to continue to serve you and all members, active and retired. I still have a lot of work ahead of me to complete for our present and future benefit.* (Same situation may apply here: **Retirees** vote for Ken Hauser who also is endorsed by the Fraternal Order of Police, Lodge #7).

The Fund has received several calls from retirees, officers who are receiving a disability benefit or from a few who have resigned during the last police contracts. This Fund is working to recalculate benefits for just over a thousand officers. Some members think we just have to click on a button on any computer here and “Abracadabra,” your calculation is done! Sorry, each calculation is done on an individual basis in order to be accurate. Those members who retired first are the ones who receive their adjusted benefit first.

Our “hot topic” to be addressed is the funding issue the mayor and other of our politicians have proposed in Springfield, AKA: SB777. Fraternal Order of Police President Dean Angelo and Recording Secretary Greg Bella have written about SB777 and the impact it may have on our Fund. Something had better happen between the City of Chicago and Springfield, and I mean it in a positive way for us. The bill as I have read it in a draft form establishes a Chicago land base casino and directs 2/3 of beginning profits to the Chicago Police Pension Fund and 1/3 to the Firemen’s Pension Fund. Our pension Fund currently sits at a 27% funded level. We need a Chicago Gaming Bill!

However, in the event that this legislation fails to become law, I am assuming that the state would be required to go back to square one, meaning that it would be up to the Illinois State Comptroller to distribute funds to our police pension fund

as directed by law. I had the opportunity to speak with the state comptroller, Leslie Geissler Munger at the Spring Illinois Public Pension Fund Association (I.P.P.F.A.) in East Peoria Illinois to address the concerns of all our members and I as to how and when funds will be sent to this fund that I represent. The answer I received was one I expected; "I'll just follow the law". End of conversation. (Keep in mind, Ms. Munger was appointed by the governor and carries out his agenda only)

On a much brighter note, I recently sat down with our current City of Chicago Clerk; Susana A. Mendoza who I learned will be a candidate for state comptroller next year. I asked Ms. Mendoza how she would proceed in the best interest of police officers to start to fund our pension as directed by state law. Several political issue were raised and each one was addressed that from her response, seems reasonable and achievable to get our fund kicked-started. I later learned that Ms. Mendoza also has family on the CPD and has been receiving an earful at home and also in her political arena. She gets it! Some of you who read this may think I'm jumping the gun, but as your trustee, it's imperative that I keep my eyes wide open and search those individuals out who we need to be allies with in this fight for our current and future retiree's well being. Also mentioned by Ms. Mendoza was the organization I just mentioned, the IPPFA who monitor all pensions' issues in Springfield. I consider the IPPFA very close allies of this fund as does the FOP Chicago Lodge #7. I would hope that the future lands in our favor, now knowing where we stand with both candidates. Ms. Mendoza is on the same page with us. Ms. Munger is stuck on the Governor Bruce Rauner page; it's my way or no way. Collectively, we have worked so very hard looking for resolution in several pension matters.

Now here is the crux of what I'm telling you: funding is CRITICAL for the long term success of this Fund. Our Fund is selling just over \$300 million dollars of assets to pay for retirement and disability benefits each year. The city needs to increase deposits to this Fund ASAP. Plus, the stock market downturn that occurred the later part of August 2015 did not help our investments at all. We are at the doorstep of a death spiral, pension-wise. Everything being considered; if nothing is done and the political battle over pensions drag on, I will openly say that within 6 to 10 years this Fund may be depleted. You can crunch your own numbers on a pocket calculator. These are basic math calculations. I've been in this fight for all members inclusive and need to stay in the ring for the next several years. I look forward to continue serving as your elected trustee. Please encourage active members to return their vote for me, as I

will always vote on issues that benefit you.

Next order of business; I don't mean to sound like a broken record but here I go again. PLEASE monitor your benefits i.e. Death, marriage, divorce, new child, etc. Sadly, a few tragic events have come before the funds clerical staff that indicate the member neglected to complete any documents indicating who he/she was leaving their benefit(s) too. From there it goes into the Cook County Circuit Court System which as we know could take years to resolve. So what are you going to do? You're going to call the Fund at 312-744-3891, provide your social security number to the receptionist and she/he will inform you what documents are on file and give further instructions if needed on what other documents you need to provide the Fund with.



P.O. Michael Lappe



RETIREMENT NEWS

by Kenneth A. Hauser, President

When to file for Social Security? Full retirement benefits can be collected at age 66 and for those born in 1960 or later, it's 67. If you or a spouse has worked at least 10 years, you can start drawing benefits at any time between the ages of 62 and 70. "The longer you wait to start, the bigger your monthly benefit." Today, if you begin collecting at the full retirement age (66), you get 100% of your benefit. It raises about 8% each year you

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wait and shrinks by about 6% each year for starting early, so at 62, you get 75% of your monthly benefit, and at age 70, you get 132%. While you know that the earliest age retirement benefits start is 62, there are benefits that can start sooner. Survivors' benefits may be taken as young as 60. Disability insurance benefits can be taken at any age. Questions regarding benefits, the Social Security Administration provides a questionnaire on its website to help people understand which benefits they are entitled to or call the Social Security Office.

On May 22, 2015, President Obama signed H.R. 606, the Don't Tax Our Fallen Public Safety Heroes Act, into law. The measure, which is now Public Law 114-14, clarifies that federal and state-based survivor benefits on behalf of a public safety officer who has died as the direct and proximate result of a personal injury sustained in the line of duty are exempt from federal tax.

Former Chicago City Comptroller, Ahmer Ahmad, was extradited from Pakistan to Ohio for public corruption, bribery and conspiracy charges. The last such extradition took 11 years; his was done in 18 months. He would have only served five years if he didn't flee to Pakistan but he now has been sentenced to serve 15 years. Judge Michael Watson stated, "It didn't have to be this way." As City Comptroller, Ahmer Ahmad recommended to Mayor Emmanuel that our healthcare benefits be terminated effective January 1, 2017.

Just how cheap is oil? As of August 13th, a barrel of West Texas Intermediate (WTI) was trading at \$42.21. Since there are 42 gallons in a barrel of oil, that's about \$1.01 per gallon. That's cheaper than milk (about \$3.50 per gallon), bottled water (about \$7.50 per gallon when bought in single 16.9 oz. bottles) and beer (about \$20 per gallon).

What is it that keeps young people interested in school? What helps them become better learners? What is the key to unlocking creativity and brain power through the years? A survey taken by the Salvation Army revealed that the answer is MUSIC. Of the many lessons music has taught us, the most significant is the positive effect it has on education. During the 2012-13 school year, students studying music scored an average of 43 points higher on math sats and 56 points higher on their reading sats; second graders who studied piano scored 27% higher in math tests; schools with music programs graduate 90.2% of students, schools without music education have an average graduation rate of only 72.9% and playing a musical instrument actually changes the anatomy of the brain by causing more neurons to grow. This gives the brain more ways to retain and retrieve information.

The Chicago Public Safety Coalition is made up of: Chicago FOP Lodge 7, Firefighters Local 2, Captains', Lieutenants' and Sergeants' PBPA Union, Union Attorneys, Trustees from the Policemen's and Firefighter's Annuity Fund and Ralph Martire and his assistant, Vasyi Markus of the Center for Tax and Budget Accountability. There hasn't been any movement on the Casino Bill this summer but hopefully there will be a Casino Bill proposed in the Veto Session this fall which is usually a week in November and December. SB777 proposes to fund the police and fire funds not just for five years but until the Funds are 90% funded which will take until 2061. SB777 passed both houses and was sent to the Governor for his signing but Senator Cullerton made a motion to reconsider which is a Parliamentary Maneuver (time out on the field) and therefore the Governor cannot sign until the Senator removes the motion. The Unions and the Pension Fund Trustees supported both pieces of legislation but only if the Casino Bill was passed first and then SB777. Unfortunately, the SB777 was passed first and that is why a motion to reconsider was made and will not be removed until the Casino Bill is passed. I am supporting the Casino Bill because this is the first time in the history of Chicago that the City is guaranteeing the Police and Fire Funds a source of funding forever.

Some specific facts on the potentially proposed Casino Bill: a) A Casino for the first three years will not fully fund the Police and Fire Funds. The City still needs to find additional sources of revenue to meet the Actuarial Required Contribution (ARC). The City is willing to dip into the excess TIF Funds to get them over the hump until the Casino is in full operation. b) The new Casino's anticipated net profit will be approximately \$300-500 million yearly. c) The temporary Casino will be up and running within three months. d) Rivers Casinos' gross income is approximately \$35 million monthly with 1200 gaming positions. e) The Chicago Casino will be four times the size of the Rivers Casino with 5000 gaming positions. f) There will be a Chicago Casino Board consisting of seven members appointed by the Mayor: an Attorney, a Business Person, a Policymaker, a Financial Expert, one person from the Police Fund, one person from the Fire Fund and one person appointed jointly by the Police and Fire Fund. g) The permanent Casino Entertainment Center will consist of a Casino, a Hotel, Retail Businesses, Theatres and Restaurants. The Center will be a great asset for the City of Chicago and will be fully owned by the City of Chicago. It is anticipated to take approximately three years to build.

In closing, there will be an election of Trustees to the Pension Board on October 22, 2015. Any retiree choosing to run for the retiree position must file their petitions between the 22nd and the 28th of September. I will be filing my petitions for re-election during that time. I would like to thank all the retirees who signed the petition making me eligible to run. I have been endorsed by the Retired Chicago Police Association and the Fraternal Order of Police Lodge 7. Trustee Mike Lappe, representing all police officers under the rank of Sergeant, is running for re-election and has been endorsed by the Fraternal Order of Police Lodge 7. The Retiree Pension Fund elected position provides no monetary benefits, no salary, no car, and no pay for attending Pension Fund meetings. If you attend a Pension conference, the airfare, hotel and any expenses related to the conference are reimbursed. Ballots will be mailed October 7-12,

2015, and must be returned by 9AM on the 22nd of October. The election vote count will be in the Pension Fund office on Thursday, October 22, 2015.



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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Regina M. Tuczak
Executive Director
James A. Dollard
Comptroller

Sonny Panaligan
Assistant Comptroller
Visit our website
at: chipabf.org

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

RETIREMENT BOARD

John C. Avila, Trustee,
Appointed Member

Carole L. Brown, Trustee,
City Chief Financial Officer,
Appointed Member

Carol Hamburger, Trustee,
Managing Deputy Comptroller,
Appointed Member

Kenneth A. Hauser, President,
Elected Member

Michael K. Lappe, Trustee,
Elected Member

James P. Maloney, Recording
Secretary, Elected Member

Kurt A. Summers Jr., Trustee,
City Treasurer,
Appointed Member

Brian E. Wright, Vice President,
Elected Member