

WELCOME SPRING !

ATTENTION ANNUITANTS!

Watch for Signature Verification Affidavits. The Fund will be mailing the annual affidavits to you at the end of April. 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 2009. The address used for distribution is the address the City had on file for you for the 03/31/2009 payroll.

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.

SENATE BILL 2520 CREATES PORTABILITY OPTION

Senate Bill 2520 became law February 17, 2009. The bill, introduced by representatives working with and for the Fraternal Order of Police, created a new section, section 5-214.2. This new section affords current and future Chicago Police Officers the opportunity to purchase (port) service credit earned in other *law enforcement capacities* within the State of Illinois prior to their appointment to the Chicago Police Department.

To be eligible to participate in this act several conditions must be met:

- You must be an active police officer, on or before the effective date of the Act becoming law.
- You must have been a contributing member working in a “law enforcement capacity” under Article 40 sections 3,7,9,10,13,14,15, Division 1 of Article 22 or a law enforcement officer with the CHA Police, Metropolitan Transit Authority and Local Mass Transit District Pension Fund within the Illinois Pension Code.
- You may establish up to 10 years of additional service credit, in increments of 6 months.

All of these conditions met must also provide that:

- service credit is not available for employment under any other provisions in Section 5-214,
- service credit for the previous employment has been terminated,
- the officer applies for this credit, in writing, within 1 year after the effective date and
- the officer pays to the Fund, within 5 years after the date of application an amount to be determined by the Fund.
- For new hires after January 1, 2009, within two years of being appointed to the Chicago Police Department, officers must apply for this service credit option and if approved must pay for the service credit applied for within 5 years of employment with the CPD.

Key language in the bill states “the policemen’s required payment of this service credit purchase should result in no significant increase to the Fund’s unfunded actuarial accrued liability. What this dictates is that the total cost of this service credit, both the employee and employer contributions as well as an amount to be determined by an actuarial valuation on a case by case basis is to be born by the member making application for it. The bill also directs that the Fund cannot include payments received for this service credit by members as salary deductions for the employers tax levy determination.

APPLICATION & PAYMENT FOR PORTABILITY

We have an application for this service credit which may be obtained at our website, .chipabf.org Each application will require employment verification, pension plan participation and approved by the Board of Trustees on an individual basis before payments can be accepted.

PORTABILITY WORKSHOPS

Workshops have been scheduled for those of you interested in this provision. The goals of the workshops are to assist interested members in determining the benefits, the cost of purchasing prior service, years of service to purchase and possible transfer of costs from a qualified plan or determine a payment plan.

Please be aware the service purchased must be paid PRIOR to Retirement.

The Workshops are scheduled to be held at Police Headquarters in the Multi-Purpose room on
Tuesday – April 14, 2009, 8 -10 a.m.
Monday – May 4, 2009, 4 - 6 p.m.
Please call the Fund office to sign-up for either session. Attendance, interest and productivity will determine the necessity to have additional workshops.

TRUSTEES' CORNER

Pension Insight

By Lt. James Maloney

2008 was an extremely volatile year in the financial markets. 2009 certainly began in a similar volatile manner. In March we have finally seen some uptick in the markets. It may be a difficult year, but we all hope the stimulus plans and other government programs will stabilize and stimulate the economy. The CPD Pension is here for the long term, markets can be up and down, but over time they have added value. I have a lot of hope for the economy, but we do have to have patience. I wish everyone a safe and prosperous 2009. Thank you for your support.

Pension Fund Facts

By Sgt. Michael Lazzaro, Trustee

Your Pension is Safe!

Although the financial markets have been in turmoil, the value of your pension has not changed. Your pension is a defined benefit program. It is based on a formula and does not change when markets conditions are declining.

The Fund is a long term, diverse investor, where most investments are viewed in a five year or longer time period. Please also note the Fund takes its due diligence (process of investigating, evaluating, and analyzing) very seriously. The

Fund did not have any investments in Madoff Securities, a 15 year Ponzi scheme in which many sophisticated investors (wealthy individuals, foundations, hedge funds) "were fraudulently misled and lost nearly \$50 Billion dollars in fictitiously inflated asset values."

Illinois Law guarantees your pension. It is a defined benefit pension, which means you have a pension for life. Example, in 2008, one of the Funds widows passed away at the age of 101. Her husband died in 1937 (her first monthly check was for \$16.10), so she received a pension check for more than 70 years!

The Fund's Asset Allocation as of the 4th Quarter, 2008:

Domestic Stocks - 41.1%
Bonds - 30.2%
International Stocks - 14.5%
Private Equity - 7.8%
Real Estate - 3.1%
Opportunistic Strategies - 2.5%
Cash - 0.1%

"The first and great commandment is don't let them scare you"

The Police Pension Fund was established in 1887, and never has missed a payroll.

I emphasize that your retirement benefits are secure.



Pension Portability and Information By P.O. Michael Shields

SB 2520 recently became law, allowing current participants in the Chicago Policemen's Annuity and Benefit Fund to purchase up to ten years of prior law enforcement service in six month increments. *Current officers* have one year to apply and then five years from the date of application to pay the total sum. *Future hires* will have two years to apply and **five** years from the application date to pay. Officers that take advantage of this benefit will be paying today's price for the future value of what it costs to accelerate retirement by the amount of years they have purchased. This legislation mandates that the service purchase should result in no significant increase to the pension Funds' unfunded liability. This means that the officer will be required to pay his contribution, the city's contribution, and a major portion of the unfunded liability created. Officers should be aware that this benefit comes at a hefty price tag. The closer an officer is to retirement, the greater the cost. Estimates are available at this time from the pension fund. Currently, over 1,000 officers may qualify for this benefit. The pension fund has already received hundreds of requests for estimates. To ensure accuracy, calculating each estimate is a lengthy process. Please be patient and courteous with the staff in the estimates department.

Get Involved

Since taking office in December of 2008, I have had the privilege of being the trustee on the Pension Board representing all patrolmen and detectives. There are eight trustees on this board. Four are appointed by the mayor and four are elected by the participants of the fund. Pension fund money is a combination of monies derived from taxes and officers' paychecks. A trustee's job is to guard that money. During the current economic downturn, I realize that all decisions made by the trustees for the fund are of heightened importance and will be scrutinized. I invite all officers to come to our open board meetings. The dates are on our website at chipabf.org.

2008 was a very difficult year for all pension funds. Despite this fund's mostly conservative investments, our fund did suffer substantial unrealized losses. Had this fund been more aggressive, the losses would have been worse. Our fund certainly has room for improvement. Over the next year, each investment manager should be evaluated on performance. Those that are doing well for the fund should be rewarded with future business. The underperforming managers should be fired and replaced with those that will perform well.



PENSION UPDATE

by Annuitant Trustee, Ken Hauser

The total number of police officers hired during 2008 was 128 of which 91 were male and 37 were female. The total number of police officers who left the Police Department during 2008 was 454. Of the 454 police officers, 19 officers died while on the job, 17 officers were discharged, 15 probationary police officers were discharged, 63 officers chose to resign without a pension, and finally 340 officers completed their career and retired with a pension. The rank breakdown of the 340 officers is 257 under the rank of sergeant, 51 sergeants, 10 Lieutenants, 9 Captains and 13 Exempt rank. The total number of officers on disability is 388, which breaks down to: 273 on duty disability, 41 on ordinary disability, 57 on occupational heart disability and 17 on total and permanent disability.

On Thursday February 26, 2009, the Pension Fund conducted their monthly Board Meeting and the FOX News Media requested to attend the session because the meetings are open to the public. The meeting was adjourned at approximately 3:00 pm and the FOX people stayed for the entire meeting. On the FOX evening news report, they reported on a pension matter pertaining to tuition reimbursement. I have received numerous inquiries pertaining to this news report and was asked to please explain this benefit that our

employees are receiving. Tuition reimbursement is a fringe benefit of the Pension Fund. It is the same program offered to us as Police Officers. We only reimburse for two courses per semester and a graduate/law student must receive a "B" or better for reimbursement. All employees are entitled to this benefit but only three employees have chosen to participate in tuition reimbursement since 1980. Almost half of the funds employees do not make as much salary as a police recruit. One of the two employees presently participating in this program is attending law school and if all requirements are met, it will cost the fund approximately \$14-15,000 in 2009. Upon completion of law school, this employee has to continue their employment with the Pension Fund for two years or they must repay the Fund its tuition reimbursement. There is a possibility that upon graduation from law school, this employee will become our present Board Attorney's assistant until he retires. At the Board meeting on Thursday February 26th, the Trustees discussed revising the Pension Fund Handbook in the immediate future and possibly putting a cap on annual tuition reimbursement. I hope this explanation will satisfy the inquiries that I received. As they say on television, thank you and good night.



**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

John J. Gallagher, Jr.
Executive Director

Samuel Kunz
Chief Investment
Officer

Charles McLaughlin
Comptroller

Sonny Panaligan
Assistant Comptroller

RETIREMENT BOARD

Robert F. Reusche, President
(Appointed Member)

Kenneth Hauser, Vice-
President (Elected Member)

Michael Lazzaro, Recording
Secretary
(Elected Member)

Stephanie D. Neely,
Trustee
City Treasurer,
(Appointed Member)

Paul A. Volpe, Trustee
City Chief Financial
Officer
(Appointed Member)

Steven J. Lux, Trustee,
City Comptroller
(Appointed Member)

James P. Maloney, Trustee
(Elected Member)

Michael K. Shields,
Trustee
(Elected Member)