

PENSION ADVISOR

POLICEMEN'S ANNUITY & BENEFIT FUND OF CHICAGO

June 2011, No. 44

"Ah, summer, what power you have to make us suffer and like it."

~ Russell Baker

INSURANCE PREMIUM CHANGES

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 July 1, 2011.

Please review the chart to determine your new rate, which shall be **deducted from your June 2011 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	Retired after 7/1/05 w/20 yrs service	Retired after 7/1/05 less than 20 yrs
Med			\$69.00 was 79.00	\$69.00 was 79.00	\$84.00 was 95.00	Visit
Non			69.00	318.00	364.00	Website
Med	Med		197.00	197.00	226.00	For
Med	Non		197.00	476.00	536.00	Rates
Non	Med		197.00	446.00	506.00	
Non	Non		197.00	715.00	805.00	
Med	Med	Child(ren)	311.00	311.00	353.00	
Med	Non	Child(ren)	311.00	581.00	653.00	
Non	Med	Child(ren)	311.00	551.00	623.00	
Non	Non	Child(ren)	311.00	820.00	922.00	

NEW TRUSTEE APPOINTMENT

Effective May 26, 2011, the Mayor has appointed Amer Ahmad and Lois A Scott to serve as Trustees on the Retirement Board of the Fund replacing outgoing Trustees Steven Lux and Gene Saffold, respectively.

Amer Ahmad was recently appointed Comptroller of the City of Chicago by the Mayor. Ahmad was Senior Vice President and head of the public sector group at KeyCorp. He has also served as Deputy State Treasurer and Chief Financial Officer for the State of Ohio Treasury where he oversaw billions in state investments. He received his MBA from Harvard Business School and his Bachelor's degree in political science from Columbia University.

Lois Scott was recently selected as the Mayor's Chief Financial Officer. Ms Scott has held senior municipal finance roles in several investment banks, and served as a White House Fellow in the Clinton administration before co-founding Scott Balice Strategies in 2003, which is a firm well known nationally for its work on government privatization deals.

Both, Amer Ahmad and Lois Scott come to the Board with notable financial background and many years of experience. We look forward to many productive years together.



CIVIL UNIONS

The Illinois Religious Freedom Protection and Civil Union Act ([Senate Bill 1716](#))

The purpose of The Illinois Religious Freedom Protection and Civil Union Act is to extend state law marriage protections and responsibilities currently limited to married couples to all committed couples in Illinois, including same-sex couples.

This Act would ensure all couples in Illinois access to nearly 650 rights, benefits, and protections afforded heterosexual married couples and their families including:

- ◆ Equal tax treatment for couples and families at the state and local level
- ◆ Emergency medical decision-making power
- ◆ Health insurance coverage for same-sex partners and the other partner's children
- ◆ Hospital visitation rights
- ◆ Right to take Family Emergency and Medical Leave
- ◆ Equal access to state spousal benefits

(including workers' compensation, spousal pension coverage, etc.)

- ◆ Equal access to domestic relations laws and procedure
- ◆ Automatic inheritance without a will and equal estate tax treatment
- ◆ Equal access to civil actions dependent on spousal status, including wrongful death, emotional distress, and loss of consortium
- ◆ Spousal Testimonial Privilege
- ◆ Equal access to domestic relations laws and procedure, including divorce, division of property, and visitation of children
- ◆ Right to share a nursing or hospital room
- ◆ Right to control disposition of a partner's remains

This enactment applies to State of Illinois Law; it does NOT affect FEDERAL laws.

ANNUAL STATEMENTS

The Annual Participant Statements were mailed to all active members. The address used for distribution is the address the City had on file for you for the 05/31/2011 payroll.

Please review the information for any errors. Any married or divorced 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.

RETIREMENT APPOINTMENTS

The Pension Fund schedules appointments for members to complete the application process for retirement. After you have completed a retirement PAR, make a copy of the electronic form and your exit interview and call the Pension Fund Office at 744-3891 or PAX 0357 to schedule your appointment. Appointments will be Monday through Fridays from 9:00 am to 3:30 pm.

UPDATES FROM COMPTROLLER:

The audit of the Fund's December 31, 2010 financial statements is nearly complete. The 2010 audited financial statements and the 2010 comprehensive annual financial report (CAFR) will be posted on the Fund's website as soon as the audit is complete. Please visit the Fund's website at www.chipabf.org in July to view a copy of these documents.

TRUSTEE ELECTION TO BE HELD OCTOBER 27, 2011

For a term ending on December 1, 2014.

According to State Statute, the terms of the elected members of the Retirement Board of the Police-men's Annuity and Benefit Fund, who represent the rank Lieutenant or rank superior to Lieutenant and above; and Sergeants, expire on December 1, 2011.

On Thursday October 27, 2011, an election will be held to fill the vacancies. The election will be conducted in accordance with the rules adopted by the Trustees June 2011. Each candidate must be elected by his peers, the class rank to which he belongs. **An independent accounting firm will supervise the election of all trustees and all balloting will be conducted through the U.S. Mail.**

Petition Blanks may be obtained at the Board office on or after **September 1, 2011**, between the hours of 9:00 a.m. and 4:00 p.m.

Filing of Petitions:

The petition of each candidate for the class of rank of **Lieutenant or rank superior to Lieutenant and above; and Sergeants** must be signed by at least twenty-five (25) persons entitled to vote in the appropriate class of rank. Petitions must be filed during a specific period in September 2011 between the hours of 9:00 a.m. and 4:00 p.m.

Additional Election Information will be published this summer.

TRUSTEES' CORNER

**By Lt. James Maloney,
Vice President, Trustee**

First of all I would like to thank the Pension Board staff for all the work they do.

Some facts: In 2009 the CPD had a total of 262 retirees, in 2010 the total was 553, as of May/2011 there have been 145 retirees. The Chicago Police Department is budgeted for 13,500 sworn personnel. As of May/2011 there were 12,570 sworn members contributing to the Pension Fund. Since we are short almost 1,000 sworn personnel, the Fund is not receiving those contributions along with the City multiplier for those funds. This adds up to a substantial amount of funds the Pension Fund is not receiving.

The legislation that took effect in Jan 2011, which created a two tier system for new hires, also requires the Municipalities to begin actuarial funding in 2015, with a goal of 90% funding by 2040. We certainly look forward to this.

The market had been on an upward trend thru May of this year; June has been a volatile time for the financial markets due to issues in the United States as well as many global issues. Many market analysts predict an uptick in the markets for the third and fourth quarters of this year. If the market rebounds and the analysts are correct, the Fund will certainly exceed the actuarial assumption. Thank you for your support and good luck

to all the officers who have and are going to retire.

By Sgt. Michael Lazzaro, Trustee

50 is the new 40, so is 100 the new 70?

Q. What is the fastest growing segment of U.S. population in terms of age?

A. People over 100 years old.

SOME FACTS

According to the Census Bureau, America has the largest amount of people living to age 100 and this population has doubled in the last 20 years to almost 72,000. This is just not a result of a bigger population: in 1990, Approx. 15 in every 100,000 Americans reached 100; in 2010 it is more than 23 per 100,000. The rise is being attributed to healthier lifestyles, good genes and improvement in health care. In 2009, Life expectancy in the U.S. increased to (estimated) 78 Yrs. & 2 months- For males the age is Approx. 75.5, for females 80.5. In 2009, about 2.4 million people died in the U.S., roughly 36,000 less than in 2008.

The Fund's Elders

A check of the Funds' database shows by the end of 2011 there will be 13 survivors 100 & older; three Police Officers & 10 surviving spouses. The oldest Officer is 101 yrs old; the oldest surviving spouse is 106.

Officers born in:	Surviving Spouses born in:
1911 - One	1911 - One
1910 - Two	1910 - Four
	1909 - Two
	1908 - Two
	1906 - One
	1904 - One

The oldest retired Police Officer was born in March 1910 and was hired in October 1937. He retired in August 1965. I had the pleasure of speaking to his wife, who informed me he gets around pretty well and is still driving! The second oldest Officer was born in October 1910 and was hired in August 1936 and retired in March 1974. You know what they say; "Old age is anyone fifteen years older than I am."

Some tips to live a long & happy life

(From Lynn Peters Adler of the National Centenarian Awareness Project)

- ◆ A love of life & sense of humor
- ◆ A positive but realistic attitude
- ◆ And a remarkable ability to accept the losses that come with age but not be stopped by them.

RETIREE TIP

Any changes you would like to make with the Pension fund must be sent in writing. For instance, if you want to make changes to your health insurance effective August 1 the fund must be notified

by July 1. Examples: add or remove a spouse or child, submit a Medicare card. We do have cut off dates and to assure your changes go into effect we ask that you notify the Fund 30 days in advance.

ANNUAL CHARITY SOFTBALL GAME

Police & Fire

vs.

Chicago Blackhawk Alumni
Sunday, September 11th, 3 P.M.

This is the 4th annual game. All the proceeds go to Police & Fire charities. For the second year in a row this game will be at Little Wrigley Field in Historic Humboldt Park.

Lil Wrigley is located East of Kedzie and two blocks North of Division. Plenty of free parking on the service drives in the Park. Active Blackhawks will be there to sign autographs, Pre game Military Ceremonies, food, activities for children and food. More details to follow. Please note: all the Blackhawk alumni are under the age of 100...



By P.O. Michael Shields **Senate Bill 512**

During the Spring Legislative Session, there was a strong movement to impact the current employees' pension benefits. This initially began with HB 149 for State of Illinois employees. HB 149 would have required State employees to make a "one-time irrevocable election" of the retirement plan that they would remain for the rest of their career. (Defined benefit or defined contribution). Late in the Spring Legislative Session, Senate Bill 512 was introduced in lieu of HB 149. SB 512 sought to impact current employees by mandating an irrevocable election of benefits as well. The three choices offered were: (1) an employee's current Defined Benefit Plan, at a great contribution cost to the employee; (2) the "Tier Two Plan" which the legislature passed for new employees hired after January 1, 2011, raising the minimum retirement age; or (3) a Defined Contribution Plan, such as a 401 (k).

SB 512 was sent back to the Rules Committee on the final day of the Spring Legislative Session. At the time, it was unclear whether the Chicago Police Pension Fund Participants were to be included. Early in the session, the City of Chicago requested impact statements from our fund when HB 149 was in play. The City lobbied hard to

include all of its Pension Funds in the bill, to no avail. The veto session begins October 25, 2011. The fight to maintain our benefits will no doubt continue during this veto session. Please call both your State Representative and State Senator or call 888-412-6570 to be connected to their offices.

House Bill 1719

As a Trustee on the Pension Fund, it is apparent that the City of Chicago is blaming employees for the financial mismanagement and failure to adequately fund the pension system by the City. The City of Chicago attempted to change the terms of a funding requirement set that became law last year. Specifically, the City proposed an amendment to HB 1719 to lower the requirement from 90% funding to 80 % over a 30 year period. As demonstrated by our own actuaries, this move was considered "dangerous" to the solvency of our fund. "Dangerous" is the word used by the actuaries. HB 1719 passed without the City's amendment to impact our funding status. The participants in our fund should expect the City to try this again during the veto session. Call your legislators!

Pension Meeting Dates-Get Involved

Officers should make a point of coming to at least one pension board meeting per fiscal year. All pension board meetings are open for officers to attend. Your presence is welcomed and encouraged. The meetings are held in the Board Room of the Policemen's Annuity and Benefit Fund of Chicago located at 221 N. LaSalle Suite 1626. The dates for meetings remaining in 2011 are as follows: July 28th 9:00am, August 25th 9:00am, September 27th 9:00am, October 26th 9:00am, November 29th 9:00am and December 22nd 9:00am.



By Annuitant Trustee, Ken Hauser **Defined Benefit vs Deferred Contribution Plans** **Part II**

In the March Pension Advisor Newsletter, I discussed how a DB & DC Plan work and their background. In this article, I will describe the top ten advantages of retaining a DB Pension Plan and its risks.

1. Retaining a DB plan is likely to cost governments less over the short term. The long-term cost savings of switching to a DC plan are uncertain at best and does not reduce the

accrued DB plan benefits already earned by current annuitants.

2. Almost all DB plans provide disability and survivor benefits, as well as retirement income. Switching to a DC plan would require employers to obtain these benefits from another source, likely at a higher cost.
3. DB plans enhance the ability of governments to attract and retain qualified employees. Switching to a DC plan would limit this ability, possibly exacerbating labor shortages in key service areas (police departments) by increasing employee turnover rates. Higher turnover rates, in turn, could lead to increased training costs and lower levels of productivity, possibly resulting in the need for a larger workforce.
4. DB plans help governments manage their workforce by providing flexible incentives that encourage employees to work longer or retire earlier, depending on the circumstances. Switching to a DC plan would limit this flexibility and make these incentives more expensive for the employer.
5. DB plans earn higher investment returns and pay lower investment fees, on average, than DC plans. Switching to a DC plan would likely lower investment earning and increase investment management costs, to the detriment of the plan participants.
6. DB plans reduce the overall cost of providing lifetime retirement benefits by pooling mortality risks over a relatively large number of participants. Switching to a DC plan would require each individual to bear these risks alone, consequently requiring higher contributions than if the risks were pooled.
7. DB plan investment earnings supplement employer contributions and overall, most of the money paid into retirement plans comes from investment earnings. Switching to a DC plan would prevent governments from offsetting employer contributions with investment earnings, which, on average, have funded more than two-thirds of public retirement benefits over the past 25 years.
8. DB plans provide secure retirement benefits that are based on a person's salary and period of service. Switching to a DC plan is likely to result in lower and less secure retirement benefits for many long-term governmental employees. Employees who are without Social Security coverage would be subject to even greater risk.
9. DB plans have a substantial impact and help sustain government economies by providing sufficient and steady retirement benefits for a significant portion of the workforce. Switching to a DC plan could slow government economies, since a large number of retirees would likely receive lower retirement benefits.

10. DB plans provide benefits that help ensure an adequate standard of living throughout retirement. Switching to a DC plan would likely result in pressure on governments to augment DC plan benefits and require increased financial assistance for retirees.

Managing DB Plan Risks

The financial market declines from 2000 to 2002 and 2008 to 2009 have had a major impact on the funding of government pension plans and have caused many governments to reevaluate their plan designs. Although DB plans have many advantages over DC plans, it is also important to recognize and manage the associated risks. Probably the largest single risk facing DB plans is investment volatility, as demonstrated by the market declines over the past decade. Avoid benefit increases based on "excess assets." Funding progress will likely be undermined when benefit improvements are based on "excess assets or excess returns." Actuarial valuations are determined using actuarial assumptions that represent averages, for example, 30 years or more. Consequently, increasing benefits in years of higher returns may lower the plan's ability to cope with volatile economic environment and require higher contributions in the future. Consistently contribute the amounts necessary to fund the plan. As demonstrated by the recent recession, making the necessary contributions can be especially difficult in times of intense fiscal pressure. However, contributing less than the actuarially determined contribution means that the amounts not contributed must be repaid in the future at the actuarial interest rate of 8%. Determine the long-term costs of new benefits before awarding them. Since pension benefits are generally legally protected once adopted, it is essential to understand how much they will cost before they are awarded.

Conclusion

This article addresses the question, should government defined benefit plans be eliminated and replaced with defined contribution plans? It concludes that such a move would have significant, long-term, detrimental effects on governments, their employees, their economies and ultimately the taxpayers. Eliminating Defined Benefit Plans would only intensify future problems rather than provide solutions. The information for this article has been obtained from a research series from the National Conference on Public Employee Retirement Systems (NCPERS).

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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8:30 A.M. – 4:30 P.M.
MONDAY – FRIDAY

Sonny Panaligan
Assistant Comptroller

Samuel Kunz
Chief Investment Officer

Visit our website
at: chipabf.org

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