

THE RETIREMENT BOARD
of the
FIREMEN'S ANNUITY AND BENEFIT FUND
OF CHICAGO

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MICHAEL J. SHANAHAN, President
WALTER M. CARLSON, Annuitant Member

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City Treasurer, STEPHANIE NEELY, Vice President
City Comptroller, STEVE LUX
City Clerk, MIGUEL del VALLE

March 9, 2011

In addition to the benefits granted to members and spouses each month, the Secretary will also be presenting, for informational purposes only, items of interest that may affect our members.

Questions regarding any member's specific situation should be addressed directly to the Fund Office.

MONTHLY NEWS AND INFORMATION FROM THE FUND SECRETARY

CONTRACTUAL LANGUAGE FOR RETIRE HEALTHCARE AT AGE 55 FOR CERTAIN PARTICIPANTS

The New Labor Agreement between the City of Chicago and Local 2 provides for free retiree healthcare for a limited number of firefighters and paramedics choosing to retire over the course of the next few years. Eligibility for this benefit is determined by the contractual provision and administered by the City.

All participants who are eligible to apply have been notified by mail by the Chicago Fire Department and are advised to carefully read the notice prior to making any retirement decision. The Firemen's Annuity and Benefit Fund will not be involved in determining eligibility. All members are encouraged to consult with the CFD Department of Personnel and Local 2 for all eligibility questions.

ENDE MENZER WALSH AND QUINN GIFT FUND

The Firemen's Annuity and Benefit Fund of Chicago and the Ende, Menzer, Walsh & Quinn Retirees' Widows' and Children's Assistance Fund have compiled and distributed a booklet to share with members, some of the many responses received from the widows and children that benefit from this fund.

These booklets have been mailed to all active, retired and disabled participants. I believe it is important for everyone to see how the donations to this fund are utilized.

I hope that after viewing this booklet, everyone will consider participating in this great program.

ILLINOIS PENSION CRISIS

Many participants are concerned about the many articles surrounding whether or not pension benefits for current participants in our retirement system can be altered or reduced. In addressing the issue, I have chosen to reproduce an article on the Illinois Public Pension Fund Website (www.ippfa.org) for our participants written by the Chief Legal Counsel for Senate President John Cullerton.

Is Welching On Public Pension Promises An Option For Illinois?

AN ANALYSIS OF ARTICLE XIII, SECTION 5 OF THE ILLINOIS CONSTITUTION **By Eric M. Madiar¹**

Illinois has the largest unfunded public pension liabilities of any state in the nation. This article considers whether the Illinois General Assembly may, without violating Article XIII, Section 5 of the 1970 Illinois Constitution, unilaterally cut the pension benefits of *current* public employees as a means to reduce the \$84.2 billion the State owes to its five public pension systems. Article XIII, Section 5 (*i.e.*, the “Pension Clause”) of the Illinois Constitution provides that: “Membership in any pension or retirement system of the State, any unit of local government or school district, or any agency or instrumentality thereof, shall be an enforceable contractual relationship, the benefits of which shall not be diminished or impaired.”

This article concludes that legislation enacted to unilaterally reduce the pension benefits of current employees would violate the Pension Clause based on the Clause’s text and origins, constitutional convention debates revealing the framers’ intent, contemporaneous news articles demonstrating voters’ understanding of the Clause, and a host of court decisions construing the Clause. Indeed, at the time of the 1970 Illinois Constitutional Convention (“Convention”), the State pension systems were no better funded than they are today. This circumstance, coupled with the fact that the legislature already had a poor track record of making its actuarially-required pension contributions, caused public employee groups to lobby Convention delegates to include the Pension Clause. These groups reasoned that constitutional protection was necessary because the General Assembly would renege on its pension obligations to public servants during a financial crisis. Convention delegates agreed and included the Clause to foreclose that result.

The article finds that the Pension Clause not only makes a public employee’s participation in a pension system an enforceable contractual relationship, but also constitutionally protects the pension benefit rights contained in the Illinois Pension Code when an employee joins a pension system, including employee contribution rates. The Clause also safeguards pension benefit enhancements that are later added during employment. Further, the Clause ensures that pensions will be paid even if a pension system defaults or is on the verge of default. Finally, while the Clause bars the General Assembly from adversely changing the benefit rights of current employees via unilateral action, these rights are “contractual” in nature

and may be modified through contractual principles. In sum, while welching on public pension promises is not an option for Illinois as some legal and civic commentators have suggested, legitimate contract principles provide a solution to mitigate this crisis.

¹ Chief Legal Counsel to Illinois Senate President John J. Cullerton and Parliamentarian of the Illinois Senate. B.A., Truman State University; J.D. Chicago-Kent College of Law. All rights reserved.

Thank you.



Anthony R. Martin
Fund Secretary

REQUIRED DISCLAIMER

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