

August 15, 2007

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

LEGISLATION:

As of August 15, 2007, it looks as if the State of Illinois will finally see a budget get approved. The Illinois House and Senate have passed on a budget and we are waiting to see if Governor Blagojevich will sign it or veto portions.

No pension legislation, affecting employee benefits of the Firemen's Annuity and Benefit Fund of Chicago was passed. Other legislation (non-benefit) affecting Illinois public pension funds did pass. Specifically, legislation concerning issues such as *Investment in companies doing business in the Sudan and the monitoring of Predatory Lending* practices were passed. The Fund is awaiting the signing of these bills.

This legislative session, the most notable item happening in Springfield with respect to benefits was the interest in one of the many items introduced by Local 2. The Fund was contacted by leadership in Springfield to provide an economic impact statement on the DROP plan, or Deferred Retirement Option Plan. At the Fund's expense, the **INDEPENDENT** actuarial firm of Gabriel Roeder Smith provided a statement of how the amendment, **AS WRITTEN**, would change the immediate and future costs of benefits to the pension fund. The Fund then provided this statement to the leadership as requested.

The actuarial impact statement of the proposed DROP increased the unfunded liabilities of the Fund by \$262 million, making it single most costly piece of legislation affecting the Fund that I have ever seen. Further, at the request of leadership, the Fund (again at the Fund's expense) provided additional impact statements on several revised versions of this proposal.

This legislative item was exclusive of any other proposed benefit enhancements such as those extending the 3% COLA to participants born after 1955 and increasing benefits to minimum

retirees and widows. It should be noted however that the Board of Trustees never took a position in favor or against this proposal. Given the cost of this item, and the current environment in Springfield concerning the substantial amount of unfunded pension liabilities, this proposal will probably wait along with all the other benefit enhancement proposals across the state.

In closing, given that our Fund is substantially underfunded, your Board of Trustees continues to be committed to working with all interested parties (Local 2, the City of Chicago, and State Legislators) to protect the current and future benefits of our participants