December 26, 2006

MONTHLY NEWS AND INFORMATION FROM THE FUND SECRETARY

Solid Fund Investment Performance

As 2006 comes to a close, it looks like the Fund will post another year of solid investment return performance. The Fund will return approximately 14% on its investments for 2006.

Over the course of the last seven years, your Fund, much like the stock market has experienced its ups and downs. At the start of 2000, your Fund had $1.2 billion in assets.
With the bursting of the tech bubble, at its low in October of 2002, your Fund had shrunk to $794 million. I am now happy to report that your Fund, as of December 18, 2006, has grown to $1.321 billion, an all time high.

In the past four years, the Fund’s Assets have increased $527.3 million. This growth is all the more remarkable given the fact that the Fund needed to draw down $270 million from its investments to pay benefits which exceeded the combined total of all employee and employer contributions during this period.

This asset growth came about because your Fund has produced superior long-term investment returns. When measured against the S & P 500, which is generally used as a proxy for the entire stock market, your Fund, since 2000, has gained 56% versus 17% for the S&P 500. Since the bottom of the stock market “crash” in October 2002, your Fund has gained 110% while the S&P 500 gained 101%.

While we are thankful for the gratifying returns of these past years, we still have much work to be done going forward. As Trustees, our promise to you is that we will continue to do everything prudently possible to increase the assets in your Fund.

Active Member Data

All active members have been mailed a personal information form which contains data currently on file with the Fund. This necessary information includes personal, marital, dependent children and death beneficiary(s). Ensuring that your information is correct and that all required certificates are on file enables the Fund to better serve you and your family.

The response to this mailing has been overwhelming. The Fund has received over seven hundred phone calls from our active participants seeking to correct their information. We are processing all of these requests as expeditiously as possible.

Any active participant who needs to provide current information to the Fund should contact the Fund office (312-726-5823). Your patience and courtesy is appreciated when calling the Fund Office. Once we have completed the active participants’ files, we will be sending this same information to our retired and disabled participants. We hope to begin this process in late February.

Vision Coverage for Retirees
We have just been informed that the City of Chicago will begin offering vision coverage for certain retirees under the Public Health Service Act (PHSA). Eligible retirees can enroll in this program for a maximum of eighteen months.

The City will be sending an informational mailing to affected retirees. Those individuals affected include any participant who retired after December 31, 2005. Retirees must enroll in the vision coverage plan within 60 days of receipt of the city's notification. Any questions concerning this program should be forwarded to the City of Chicago Benefits Management Office at (312)747-8660.

Pension Protection Act
The Fund is sending a mailing to all retirees advising them of the opportunity to have the fund pay up to $3,000 of qualified healthcare premiums on a tax-free basis from their monthly annuity based on the provisions of the Pension Protection Act of 2006. Enclosed is a copy of the communication sent to all of our retirees. All new retirees will be allowed to take advantage of this benefit at the time of retirement.

Recently Asked Questions
I have been repeatedly asked two questions by our participants:

1.) How does the city make their retirement contributions based on your salary?
Each year the Fund calculates the required city contribution, based on applicable statutes, which is currently 2.26 times the employee contributions made in any year. In June of the following year, theFund submits this calculation to the City as a funding resolution and is included in the City's proposed budget.

Upon adoption of the budget, the required City pension contribution amount is levied as a portion of the Cook County property tax levy. As the county collects the property tax, it forwards the City's portion of the assessments to them. As the City receives its portion of the property tax associated with the pensions, it transfers these monies to the Fund.

2.) Does the Fund receive, all required funding associated with the exempt rank provisions of HB600?

Yes. Each year Fund staff works with our independent actuary, Gabriel Roeder Smith, to determine the amount required to fully fund the exempt rank portion of those eligible under these specific provisions. This amount is added to the Fund's annual funding request submitted to the city in June of each year.

Should you have any questions, comments or concerns regarding any matter, please feel free to call (312-726-5823) or email (tonymartin@fabf.org) me at any time.

From all of us at the Fund, we wish you and your family Happy Holidays and a great New Year.

Sincerely,

Anthony R. Martin
Fund Secretary