

December 28, 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

Investment Performance

2007 appears to be another year of strong investment performance for the Fund. The second half of 2007 was a period of extreme volatility across the markets. Residential housing price declines, the subprime lending crisis, a barrel of oil near \$100 and fears of recession all weighed quite heavily on the financial markets. Yet, despite the high levels of uncertainty, the Fund has continued to experience strong performance from its investments.

As of November 30, the Fund was up 11.9% for the eleven month period compared to 6.2% for the S&P 500 and 5.8% for the Russell 3000 stock index during the same period. Exceptional strong performance was found in the domestic large cap growth stocks and the Fund's allocation to commodities. Year to date returns in these categories ranged from 19-33% . Barring any unforeseen market collapse, the Fund should be able to post its fifth straight consecutive year of positive double digit returns.

Retirements

As you read the attached summary, please note that 46 active members were granted their retirement benefits this month alone. We are approaching a significant demographic bump in the age and service distribution among our membership. I am asking all members that are considering retirement in the near future to give yourselves and the Fund staff plenty of time and patience to assist you with your pending retirement plans. As you contact staff for informational requests, please provide us with as much detail as possible. Members are requested to make an appointment well in advance of any application for benefits.

The Fund will be hampered in our ability to provide meaningful estimates as we move further away from the end of the last contract. A meaningful estimate takes approximately 2 hours and 2 staff members to compute accurately and review when we have good current information. The Fund is calculating estimates today utilizing the "old contract" salary rates. The Fund will not provide an estimate of expected retirement benefits based on any "guess" of what salaries might be in any periods after June 30, 2007. We will hold salaries constant until they are formally changed.

Gift Fund

The Fund is pleased to report to all members, that because of the continued generous donations of members and friends of the Chicago Fire Department, that a \$500 tax free Gift check was sent to all of our widows receiving \$1200 or less per month and to all of the Funds orphan beneficiaries. We are extremely grateful to all those members that continue to support this effort.

This year, special thanks are due to Ms. Sylvia Slegl, daughter of the late Joseph Colta who served at Engine 88 from 1910 through 1939, and to Ms. Grace Stefan widow of the late Chester Stefan and mother of Active Captain, Patrick Stefan, Truck 44, for her their very generous donations.

Legislation

I have previously provided members with correspondence from the Fund's actuaries that summarized the preparation of seven separate impact statements relating to varying versions of the Drop Plan. Two of these statements were based on legislation introduced and/or amended. Five were prepared from requests resulting from ongoing conversations among Local 2 Director of Political Action Rob Tebbens, Speaker Madigan's staff, Fund staff and the Fund's actuaries.

At a regularly scheduled Legislative Meeting held December 17, 2007 and the regular Board meeting of December 19, 2007, the Board discussed providing further analysis of an impact statement prepared on May 22, 2007 for one of the versions of this Drop Plan upon a request received from the Speaker's office.

This particular impact statement, dated May 22, 2007 pertains to a modified version of Amendment #1 to HB 1974 (The Drop Plan). This impact statement was based on a version of the Drop Plan including parameters suggested by Local 2 PAC chairman Rob Tebbens. The requested further analysis of this impact statement will cost the Fund approximately \$7,500. Specific language for the parameters used for this impact statement has yet to be entered as an Amendment to HB 1974.

The following is an excerpt from the minutes of the Legislative Committee meeting held December 17, 2007.

Mr. Martin indicated that an impact statement had been prepared for language introduced as HB1974. Several subsequent impact statements were prepared for different versions of this bill. Only one of the subsequent versions pertained to language which was introduced as House Amendment One.

Trustees noted that the expenditure of funds for analyzing proposed legislation that would further erode the funded status of the plan was not warranted. Trustees also noted that benefit legislation of this nature would probably not move in Springfield, especially given the current underlying environment.

Mr. Martin advised the Committee that the request for further analysis came from Steve Zahn of the House Speaker's staff and that it had been the Fund's policy to prepare such analysis upon such request. This request was not related to any specific amendment.

The Committee recommends that impact statements be prepared at the Speaker's request when actual language is available. Further discussion would take place at the Board meeting on December 19, 2007.

At the Board meeting of December 19, 2007, the full Board concurred with the recommendation of the Committee. I will direct the Fund's staff to work with the Speaker's office and Local 2 to complete the further requested analysis upon receipt of language that reflects the parameters that were used in the creation of the May 22, 2007 impact statement.

Further, in regards to the issue of legislative impact statements, The December 14, 2007 First District Newsletter is reporting that the Fund is not responsive to requests for impact statements. The Fund has and continues to be co-operative with Local 2 pertaining to its initiatives in Springfield. As clearly indicated above, analysis performed by the Fund's Independent Consulting Actuaries, Gabriel Roeder Smith is not cheap.

During the Spring of 2007, because the Speaker's Office showed interest in the DROP plan, the Fund allowed PAC Chairman Rob Tebbens a good deal of access to the Fund's Actuaries in his attempts to develop feasible DROP parameters. During that entire process, all parties understood the Fund's position that it would provide any statement that the Speaker's office felt was necessary.

Throughout all of the conversations this spring, pertaining to proposals impacting upon the Fund, the Speaker's staff did not request impact statements for any of the following bills referred to in the First District Newsletter that had been introduced:

- HB 3506 (Bradley) Duty Death & Duty Disability to 80%
- HB 3392 (D'Amico) Occupational Disease for terminally ill
- HB 2788 (Molano) Final Average Salary based on 36 months
- HB 1907 (Lyons) Minimum retirement annuity to \$1,800, Minimum widow annuity to \$1,500
- HB 1906 (Lyons) 3% compounded annual increase for all
- HB 1837 (Joyce) Non-compounded 3% for widows

All of these potential amendments were introduced and summarily referred to Rules Committee in late February 2007 and re-referred to Rules in March, 2007 . There was no real movement on any of these proposals. The Board and its staff will assist when possible and will provide professional analysis of proposals when appropriate.