

December 23, 2008

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

Current Conditions Impacting on the Fund

Most of you are aware of the severe declines across the financial markets around the world. Every asset class has been affected. Whether one works in the private sector or public sector, has a 457 deferred compensation plan or 401(k) type retirement account, the ripple affects of the housing bubble, and the subsequent implosion of some of the world's largest financial institutions has led to panic selling among investors of all varieties. This has adversely affected the value of every type of portfolio, including our Fund.

Public Employee Retirement Systems (PERS) like our fund are by their nature, long term investors. Our stated investment policies take into consideration that there will be periods of significant market volatility. History demonstrates that while it may take time, these markets will rebound. Some of you may remember that in 2002, after the technology bubble, the market value of Fund assets declined substantially. This was followed by five years of growth.

The problem faced by the Fund are not caused by investment performance. Over longer periods of time; 3, 5, 7, 10 years and much longer periods, our Fund's investment performance exceeds the Actuarial rates expected and has consistently performed well in comparison to our peer groups. The Fund's biggest problem is the fact that current contributions are not sufficient to sustain the level of benefits promised to all members. Current State statute requires that the City contribute an amount equal to 2.26 times the amounts contributed by participants. The current benefit structure and the amortization of the unfunded liability indicates that the City would need to contribute closer to 5.00 times the employee contribution to fully fund future benefits. Private sector funds have much more stringent rules governing the required amounts of funding.

The longer contributions remain inadequate, the worse the problem becomes. On a simple cash flow basis, during the past five years from 2004 through 2008 the Fund has paid out an average of \$64 million more than it has received in annual employee and employer contributions.

<u>Year</u>	<u>Employee</u>	<u>Employer</u>	<u>Total</u>	<u>Benefits</u>	<u>Diff</u>
2008 (est)	37.1	74.8	111.9	184.2	(72.3)
2007	38.0	72.3	110.3	179.3	(69.0)
2006*	40.9	92.6	133.5	174.3	(40.8)
2005	33.1	58.6	91.7	163.8	(72.1)
2004	35.1	54.9	90.0	154.2	(64.2)

* 2006 significant increase in employer contributions reflects the 2003 contractual retroactive salary payments.

It has been nearly 30 years since there has been any adjustment to the required contribution levels made by the Employee or the Employer. Add up the actuarial value of the benefit increase amendments “locked in” during the same period and you clearly see how the situation has gotten worse.

Members may have heard of the special “Mayor’s Commission” on the status of the City’s four pension funds. Local 2 President Tom Ryan, Elected Trustee Dan Fabrizio and our Fund’s Executive Director are representing participants’ interests on this commission. It really is no secret, the City has to find ways to improve funding of these four pension systems. It must be determined how much additional funding is needed and what will be the sources of this funding. The current economic climate has been a big monkey wrench in this process, making any future projections of necessary funding that much worse.

While indeed these are challenging times, we must face these challenges as we always have, with determination and patience. Currently, many stocks of well regarded, highly successful corporations are selling at P/E ratios that are at or near historic lows. This suggests that while this may very well be a time not only of significant challenges, but also of unique opportunity. So, we remain hopeful.

Ende, Menzer, Walsh and Quinn, Retirees’ Widows’ and Children’s Assistance Fund

Many firefighters, paramedics, retirees and friends of the Chicago Fire Department make regular donations to this charity which is a separate legal entity, established solely for the purpose of assisting the neediest widows and orphans of our Chicago Fire Department family. Widows whose monthly annuity is near the poverty level and all of the children annuitants on the roles of the FABF benefit from this charity. During 2008, the Ende, Menzer, Walsh and Quinn Fund provided nearly \$700,000 in assistance to approx. 673 widows whose annuities did not exceed \$1200 per month and 98 children of deceased firefighters/paramedics made possible DIRECTLY BY YOUR CONTRIBUTIONS.

I have spoken to many of our active firefighters and paramedics who have expressed a desire to support this organization through an automatic payroll deduction. We are extremely pleased to inform you that the City of Chicago has given their approval to include the Ende, Menzer, Walsh and Quinn Fund in the City of Chicago, Charitable Giving Program. Please look

for this fund in the information that will be circulated by the City for their 2009 Campaign. DO THE MATH. \$5 from active members will go a long way to benefit the neediest members of the Chicago Fire Department family. We anticipate that the City's election forms will be distributed in late January and/or early February.

As always, any member should feel free to contact me at the Fund.

Merry Christmas, Happy Holidays and have a Great New Year!

Thank you.

A handwritten signature in black ink, appearing to read "Anthony R. Martin". The signature is written in a cursive style with a large initial "A".

Anthony R. Martin
Fund Secretary