

October 27, 2010

**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**

### **The State of Illinois and the City of Chicago's Pension Funding Crisis**

Elected officials of both the State of Illinois and the City of Chicago are confronted by a massive problem with respect to the status of the pension funds that hundreds of thousands of current and former employees rely on, and/or will rely on in the future, for their retirement. This problem is not new for Chicago's firefighters and paramedics. Chicago firefighters and paramedics who have been City employees for years, certainly can recall the countless debates among members of the department at the firehouse, executive board members of Local 2 at union meetings and even among elected trustees of the retirement board as to how to address the funding issue. Dialogue about how best to efficiently and effectively fund our pension system has been going on since I entered service with the Chicago Fire Department in 1988 and from what I've read and heard, much longer than that.

Since becoming a trustee on our retirement board in December 2002, I've become involved with the Board's ongoing process of communicating to the City of Chicago as to the need for additional funding. Formal notifications of the amounts necessary to fund the plan are embodied in the Fund's detailed annual tax levy resolution, required by Illinois statutes, and are submitted to the City of Chicago's Finance Committee on an annual basis. Each year, the Fund's audited annual financial statements, which are included as a unit of the City of Chicago's financial statements, contain required disclosures about the inadequacy of the funding we receive. The Fund has also provided information to numerous "blue ribbon committees" appointed specifically to address this very issue. In their capacities as City officials, the Fund's ex-officio trustees are acutely aware of the impact this funding issue has upon the financial management of the City.

Additionally, we have repeatedly informed our participants through our monthly summaries, Pension News articles and our Annual Reports to Participants of the funded status of the plan.

The Mayor, in his recent budget address, is now calling for pension reform including a two-tiered pension system for Chicago's police officers, firefighters and paramedics. This follows the changes made to the benefit structures of other non-public safety pension funds throughout the state earlier this year. Alone, the impact of implementing a two tier approach within our Fund will have little impact on either our current cash flow in the near term, or our unfunded obligations over the long term. The reality is that our Fund has relied increasingly on investment income to meet required benefit payments. We have projected that our Fund will draw \$230 million from Fund assets to meet benefit obligations to 4,432 participants from September 2010 through the end of 2012. An annual investment return of 10.3% must be earned during this period in order to prevent the forced selling of a portion of the Fund's \$970 million in assets. Any viable long term solutions to the pension funding crisis must do more than simply ***blame the costs of benefits promised to our members*** as being the cause of the problem. The solution must secure sufficient revenue to ensure that the promises that have been made are kept.

### **Ende, Menzer, Walsh & Quinn Retirees' Widows' and Children's Assistance Fund**

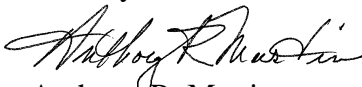
Local 2 stewards have been provided with information that will help them assist members wishing to contribute to the Widow's and Orphan's Fund via payroll deductions. The Ende, Menzer, Walsh & Quinn Fund provides much needed assistance to our neediest participants. The Firemen's Annuity and Benefit Fund is currently paying benefits to 4,432 participants including 2,555 retirees and 1,271 widows. The average new retirement granted during 2009 was \$57,023 and the average "new" widow of a retired member is receiving \$23,855. There are 451 widows who receive the minimum of \$1,000 per month or \$12,000 per year.

The poverty level guideline issued by the Federal Government for a single individual is at \$10,800 per year. When you consider that health care premiums are paid directly from these minimum widows benefits, it can easily be concluded that many of these widows of our deceased brothers are at or near the poverty line.

By contributing as little as \$5.00 per paycheck pre-tax to the EMWQ widows' and Children's Assistance Fund through the City of Chicago Charitable Giving Program, we can all help to make a difference. This amounts to about \$3.75 less on your take home pay. In December of this year, through the continued generosity of our members, families and friends, we are able to provide a gift of \$600 to 578 of our neediest widows and to all 85 of our children beneficiaries. This gift will cover about one half of the annual health care premium cost the widows are currently paying.

With your help, we can do even better in the years to follow. Please see your steward to obtain the necessary form to initiate the pre-tax payroll deductions. Stewards will be collecting them and turning them into Local 2 Chief Steward Mike Butkus for processing.

Thank you.

  
Anthony R. Martin  
Fund Secretary

#### **REQUIRED DISCLAIMER**

*The information set forth herein is believed to be reliable but is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation of the Firemen's Annuity & Benefit Fund of Chicago, the Retirement Board (the "Board") or any member of the Board except the Secretary. The information and expressions of opinion contained herein are subject to change without notice. All expressions of opinion, whether or not expressly so stated, are intended merely as such and not as representations of fact. Financial information contained in this newsletter is as of a certain date, is unaudited and should not be relied on.*