

PENSION REFORM SCHOOL

The turmoil involving public employees and public pensions has been and continues to be in the news constantly. In order to balance budgets, every level of government has targeted public servants wages and pensions to reduce deficits. In order to keep the Federal Government from defaulting on its debt Timothy Geithner has indicated he will raid a federal employee pension plan to keep the federal government afloat until the debt ceiling is raised. In 2010, over 20 states introduced or passed legislation aimed to reduce or otherwise modify pension plan benefits for current or future employees, and more proposals have been introduced this year. Many states have even attacked collective bargaining rights that millions of our fellow citizens have fought hard to achieve and in many instances have died pursuing. Whatever one's opinion of unions may be, it was the union movement achieving collective bargaining rights that gave rise to the middle class in the United States including members of the Chicago Fire Department.

Today, Illinois, like many states, is confronted with a public employee pension crisis which has been caused by decades of underfunding employee pensions in favor of other legislative initiatives. The State, City of Chicago and many municipalities did not have the revenue to pay for many of these initiatives without underfunding the pension plans and/or borrowing based upon revenue projections that haven't been as reliable as anticipated. Over the past few years, the Civic Federation, Commercial Club of Chicago, Illinois Municipal League and various pundits have systematically blamed public servants and their unions for the State's pension crisis. They have been calling for public servants to shoulder a disproportionate share of the sacrifice necessary to resolve Illinois fiscal woes.

Once again, the State of Illinois has apparently to taken measures to adequately fund these promises that are both statutorily created and constitutionally protected. However, the history of our law makers under the leadership of either party for at least the past twenty plus years has been to find any way possible to restructure debt in a way that results in delaying paying pension obligations. Last year, the State devised a new solution involving the raising of both personal and corporate income taxes, as well as reducing benefits for all public employees hired on or after January 1, 2011. In so doing, the legislature is now requiring these new public servants to work until they reach age 67 to receive full benefits under a reduced formula and/or receive a reduced benefit if the employee elects to retire prior to age 67. This is a page right of the Federal Government's playbook on Social Security requiring participants to work longer or receive less. The actuarial studies of the recently enacted legislation show that the benefits many of the effected employees will receive are substantially less than what their contributions are projected to generate for their retirement benefits. Essentially, what legislators are doing is to have future employees help bailout systems that the legislature underfunded for years. This, however, apparently wasn't a sufficient solution given that the savings for these retirement systems will not be realized for many years.

This year, some legislators are attempting to deal with fiscal woes in a manner that would not require employees to take the mandatory furlough days that we have seen in recent years. The Sun-Times reported that the city's new administration is seeking to cut staff or reduce salaries for many current employees ten percent while at the same time lobbying in Springfield to pass Senate Bill 512 which significantly increase pension contributions or reduces pension accruals for these employees. Ouch!

SB 512 put forward in the Spring Session, to be reconsidered in the Fall 2011 veto session offers three choices (tiers) for current government employees excluding public safety and judges:

1. Stay in the current tier but pay significantly higher contributions going forward
2. Go into the tier created for new hires effective January 1, 2011
3. Go into a 401k defined contribution plan going forward and freezing the defined benefit plan to current accumulated credits upon entering the new plan.

Collectively, the reduction in salaries advocated by the current City administration and the increase in pension contributions as proposed in Springfield to maintain the current level of retirement benefits could have a serious impact on many hard working public servants and their families.

While legislators appear to be excluding public safety and judges at this time, if this Bill passes and is upheld in a subsequent court challenge, all future benefit accruals for any participant in any Illinois system could be reduced or diminished prospectively at any point and time in their career. This includes any participant in any police or fire pension fund.

The current challenges of Illinois and Chicago's retirement systems are not the fault of public servants. While some public employees participating in retirement systems contribute little towards their pensions, they accepted smaller wage increases over time as part of their negotiations given the security that they were led to believe that their defined benefit plan would provide. Here in Chicago, the Mayor's Commission to Strengthen Chicago's Pension Funds reported that public servant's contributions are among the highest and their benefits in many instances less generous. The analysis provided by the Mayor's Commission's Report clearly demonstrates that this was the case with respect to Chicago Firefighters.

The current challenges related to underfunding of the retirement systems including the Firemen's Annuity and Benefit Fund is not the fault of the Funds either. Pension holidays have deprived many of the retirement systems of the required funding to pay all of the benefits which have been promised to their participants. With respect to the Firemen's Annuity and Benefit Fund, over the past ten years, from January 1, 2001, thru December 1, 2010, the Fund has provided over \$1.7 billion in benefits to its beneficiaries who include retired, disabled firefighters and paramedics as well as their eligible dependents. During that same period, the City has contributed \$738 million, leaving approximately \$1 billion dollars of the benefit payments to be funded thru employee contributions and investment returns. Thankfully, the Fund has weathered this structural deficit in large part due to investments that have weathered two economic storms.

Illinois pension crisis has several root causes. With respect to many of the retirement systems, the pension holidays where the employer decided not to pay the necessary actuarial funding has had an adverse affect on these retirement systems funding. A good analogy would be not to make your mortgage payments for several years. Sooner or later, the payments will have to be made and the new payment by necessity will be higher to make up for all the missed payments. With respect to several of Chicago's retirement systems, including the Firemen's Annuity and Benefit Fund, the problem has not been missed payments by the City, but rather the reliance on

an archaic funding mechanism that is not directly related to the necessary actuarial amounts required to adequately fund benefits promised to participants.

In order to finally begin dealing with the underfunding of pension systems throughout the state of Illinois, Public Act 96-1495 was signed into law December 30, 2010. This new law requires that all underfunded public plans in the state of Illinois be 90% funded by 2040. The net effect of this act, given the underfunded condition of several of Chicago's retirement systems, will be that the City will have to raise a significant amount of new revenue to pay for retirement promises that were not adequately funded. To make matters even more challenging, no one is eager to raise or pay higher taxes in these challenging economic times. This is why we are where we are today with the seemingly perpetual finger pointing in the media and the plethora of legislation attempting to reduce retirement benefits for current public servants. Hopefully cool heads will prevail, the blame game will stop, and draconian legislation will eventually be defeated. We must begin to focus on viable solutions that do not victimize aspiring public servants and take the necessary measures to assure that the retirement benefits promised to current employees and retirees are honored.

OTHER ILLINOIS LEGISLATION AFFECTING PARTICIPANTS BENEFITS AND/OR IMPACTING UPON THE FUND

PA 096-1513- entitled the **Illinois Religious Freedom Protection and Civil Union Act** ("Act"), was enacted late last year and becomes effective June 1, 2011. Pursuant to the Act, a party to a civil union is entitled to the same legal obligations, responsibilities, protections and benefits as are afforded or recognized by the laws of Illinois to spouses. This includes, among other rights, an entitlement to receive a partner's pension and retiree health benefits. A "civil union" means a legal relationship between 2 persons, of either the same or opposite sex, established pursuant to the requirements of the Act. The Fund is in the process of implementing the Act to insure the Fund's compliance with its provisions. Any individuals interested in establishing a civil union for purposes of pension or retiree health benefits should contact Ken Kaczmarz at the Fund office.

SB 1672 - pertaining to the **Heroes Earnings Assistance and Relief Tax Act of 2008** (the "HEART Act") affects current military personnel and veterans. The Heart act provides tax breaks and incentives for military personnel and affects how employers treat the wages and benefits of employees on military leave. The HEART Act also requires qualified retirement plans, such as those provided by Article 6 of the Illinois Pension Code for fire personnel, to provide to the survivors of individuals who die during qualified military service the same additional benefits (other than benefit accruals for the military service period) that the plan would have provided had the participant resumed employment and then either was injured and/or died. Additionally, in the case of death or disability during qualified military service, the HEART Act permits plans to provide accruals on the same basis as if the individual had returned to employment and then died or became disabled. Each governmental retirement plan must be amended to comply with the HEART Act requirements by January 1, 2012.

Further information regarding the HEART Act, and its mandatory and optional provisions, is available by contacting the Firemen's Annuity and Benefit Fund of Chicago or by going to Pub. L. No. 110-245.

HB 145 – Restricts Pension Funds from investing in any foreign company that does business with the government of Iran. This legislation has passed both Houses and awaits the Governor's signature.

FEDERAL DEFICIT REDUCTION INITIATIVE

As part of the plan to cut \$4 trillion dollars from the federal deficit over the next ten years, a Deficit Reduction Plan was introduced by six US Senators, including Dick Durbin from Illinois. Part of the proposal includes removing the tax exemption for employer sponsored healthcare plans and mandating that new state employees participate in Social Security.

Under current law, healthcare benefits provided by employers to their employees is not treated as taxable income. Removing the tax exemption for employer sponsored healthcare benefits will result in firefighters as well as retirees paying more in federal income taxes.

The IAFF recently put forth an example whereby, if the value of your employer-sponsored healthcare is \$10,000 per year and an employee falls in the 25 percent tax bracket, removing the exemption would require that employee to pay an additional \$2500 in federal taxes. Additionally, in many places, employees would be required to pay more in state taxes as well.

What should not be lost sight of as well is that such a proposal, if enacted would adversely impact municipalities and their retirement plans. In addition to the new employee contribution towards Social Security of 6.2 percent of salary, municipalities would also have to contribute 6.2 percent of payroll. This would place additional strain on municipalities already in a financial precarious situation due to historical underfunding pensions and the new law mandating that they allocate sufficient revenue to their retirement plans so that they are funded at 90 percent within the next 30 years.

RETIREE HEALTHCARE AND THE KORSHAK LAWSUIT

Many annuitant members covered under the City of Chicago Medical Plan for Annuitants received a refund of the amounts of overpaid premiums that they paid to the City of Chicago during the period of _____. These premiums were the result of the reconciliation process that required the City of Chicago to compare actual healthcare costs with the amounts apportioned among the City, the pension funds and annuitant members in accordance with the Korshak Settlement Agreement. To date these reconciliations have provided, .in rebates to our participants and.....to all participants of the annuitant plan. **NEW RATES ARE ON PAGE>>>**

As our annuitants are aware, the Korshak Settlement Agreement requires that the City of Chicago provide this Healthcare Program for Annuitants in its current format through June 30,

2013. That is TWO years away. Annuitant healthcare is an important factor impacting upon the retirement security for all members. Throughout the State of Illinois, only in Chicago are employees are at the mercy of a settlement agreement with respect to their annuitant healthcare. Every employee covered by the Illinois Municipal Retirement Fund, as well as participants in Downstate Police and Fire Pension Fund has some statutory protection to ensure the continued availability of retiree healthcare in retirement:

Public Act 86-1444 requires IMRF employers (predominantly municipalities) who offer health insurance to their active employees to offer the same health insurance to disabled members, retirees, and surviving spouses (other than policemen and firefighters) at the same premium rate for active employees.

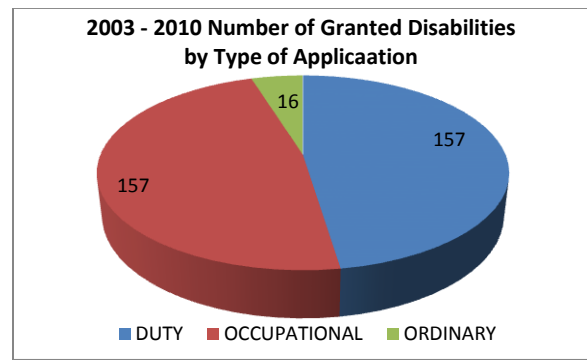
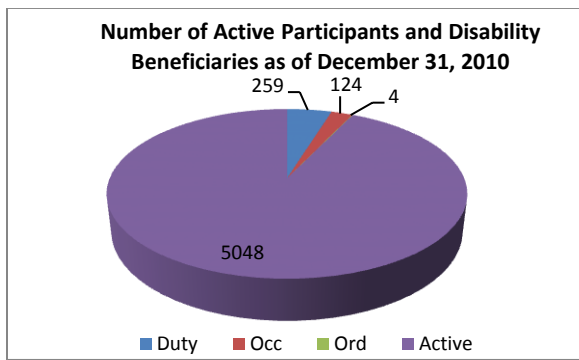
215 ILCS 5/367f requires that any health insurance policy maintained by a municipality for active firefighters as defined under Article 4 of the Illinois Pension Code (Downstate Firefighters and Paramedics) provide for the election (i.e. a right) of coverage by retirees and their dependents subject to other relevant provisions of the statute.

215 ILCS 5/367g requires that any health insurance policy maintained by a municipality for active police officers as defined under Article 3 of the Illinois Pension Code (Downstate Police Officers) provide for the election (i.e. the right to elect) of coverage by retirees and their dependents subject to provisions of the statute.

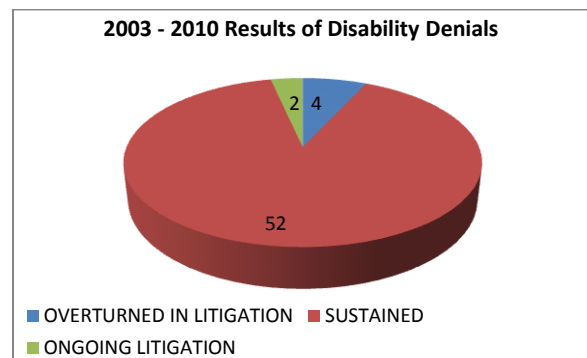
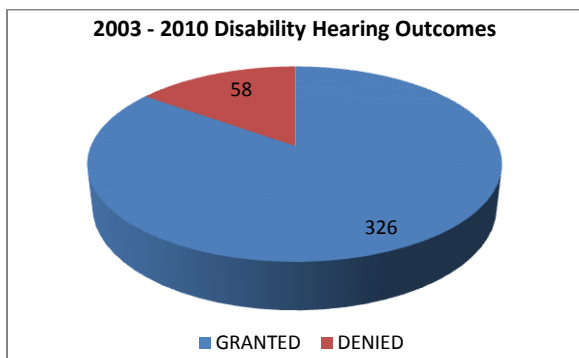
The Settlement Agreement provides for the establishment of the Retiree Healthcare Benefits Committee (RHBC). The RHBC has recently represented to the Trustees of the Firemen's Annuity and Benefit Fund, that their recommendations to the mayor regarding provision for annuitant healthcare if any after June 30, 2013 should be completed in the first quarter of 2012. The current agreement precludes the Pension Funds from representing participants beyond June 30, 2013 in the Korshak litigation. Without progress in the area of retiree healthcare, all of our retirees that are not being afforded free healthcare pursuant to the Labor Agreement between Local 2 and the City of Chicago are vulnerable.

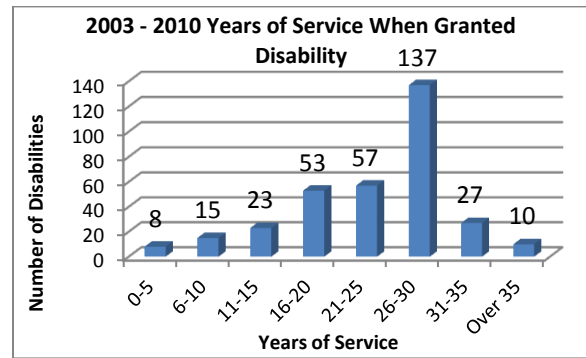
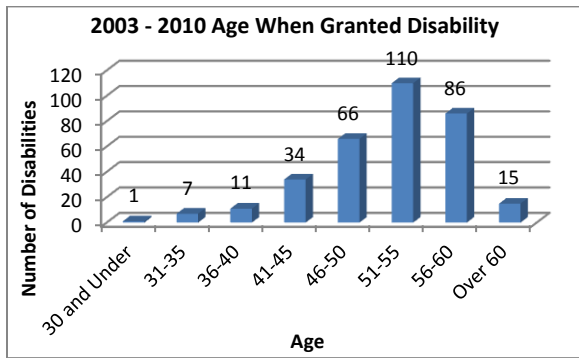
THE FIREMEN'S ANNUITY AND BENEFIT FUND EIGHT YEAR DISABILITY ANALYSIS

Trustees and staff of the Firemen's Annuity and Benefit Fund spend a considerable amount of time and effort in accepting disability applications, holding hearings to determine eligibility and monitoring the medical progress of all persons granted disability benefits. Over the past eight years, the Fund has conducted approximately 400 disability related hearings. Recently, with the assistance of staff, we have tried to put together a picture of our disability experience. While no study exists that I am aware of that does a comprehensive comparative analysis of fire departments and their disability experiences on a national scale, I have found no large municipal fire department that has a lesser percentage of its participants on disability. I believe that this is something we should strive to continue to achieve. While being a firefighter and/or paramedic has its inherent dangers, we should all strive to continue to stress safety to maintain our overall quality of life while serving the department and to enjoy retirement.



Number of Disabilities Grants/Denials by Year				
Year	Duty	Occ	Ord	Denied
2003	15	14	2	6
2004	19	16	4	5
2005	28	17	2	10
2006	19	29	3	3
2007	19	19	2	5
2008	21	26	1	9
2009	19	16	1	10
2010	17	20	1	6
TOTAL	157	157	16	54



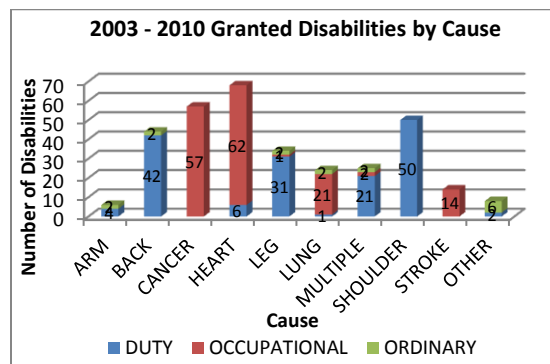


2003 - 2010 Granted Disabilities by Cause & Department Rank

	FF	EMT FF	PM FF	ENG	EMT ENG	PM ENG	LT	EMT LT	PM LT	CAPT
ARM	2									
BACK	14	2	3	1	3		3	4		
CANCER	23		2	6	1		7	5		1
HEART	24	1	1	7	3		9	3	1	2
LEG	13	2	1	3	2		5	1	1	1
LUNG	9	1		1			3	2	1	1
MULTIPLE	13	2		1			2			1
SHOULDER	21	5	1	2				6		5
STROKE	6			1			1	1	2	
OTHER	3			1						
Grand Total	128	13	8	23	9	1	30	23	3	11

2003 - 2010 Granted Disabilities by Cause & Department Rank Cont.

	EMT CAPT	PM CAPT	BC	EMT BC	EXEMPT	PM	PIC	AC	PM FO	TOTAL	
ARM			1				3			6	
BACK							3	5	5	1	44
CANCER	5	2					3	1	1	57	
HEART	1	1	2	2		3	1	1	5	1	68
LEG							2	2	1	34	
LUNG	1			2			1	1		1	24
MULTIPLE	1			3			1		1	25	
SHOULDER			1	2			3	3	1	50	
STROKE			2						1	14	
OTHER			1				3			8	
Grand Total	8	3	7	9	3	17	16	15	3	330	



2003 – 2010 Number of Granted Disabilities by Battalion & District

DISTRICT 1				
BATTALLION	DUTY	OCC	ORD	TOTAL
1ST	8	6		14
2ND	4	5		9
3RD	4	2		6
4TH	5	1	1	7
5TH	7	1	1	9
TOTAL DIST. 1	28	15	2	45

DISTRICT 2				
BATTALLION	DUTY	OCC	ORD	TOTAL
7TH	9	4	1	14
8TH	1	6	1	8
9TH	3	2		5
10TH	11	6		17
11TH	11	16		27
TOTAL DIST. 2	35	34	2	71

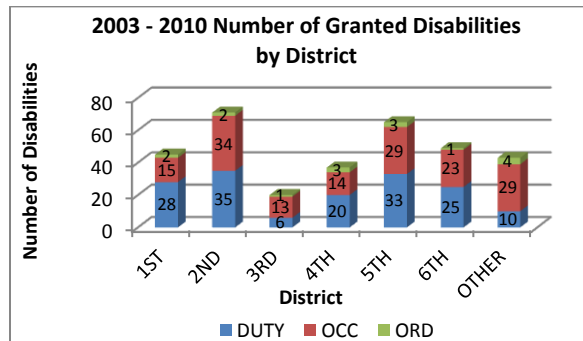
DISTRICT 3				
BATTALLION	DUTY	OCC	ORD	TOTAL
6TH	6	13	1	20
TOTAL DIST. 3	6	13	1	20

DISTRICT 4				
BATTALLION	DUTY	OCC	ORD	TOTAL
12TH		1		1
13TH	8	4	2	14
14TH	2	1	1	4
15TH	3	4		7
16TH	7	4		11
TOTAL DIST. 4	20	14	3	37

DISTRICT 5				
BATTALLION	DUTY	OCC	ORD	TOTAL
17TH	7	3		10
18TH	4	8		12
19TH	10	5		15
20TH	12	13	3	28
TOTAL DIST. 5	33	29	3	65

DISTRICT 6				
BATTALLION	DUTY	OCC	ORD	TOTAL
21ST	4	4		8
22ND	7	7		14
23RD	10	2	1	13
24TH	4	10		14
TOTAL DIST. 6	25	23	1	49

OTHER				
	DUTY	OCC	ORD	TOTAL
OFI	1	1		2
FPB	2	12	1	15
SUPPORT SERVICES	6	10		16
DETACHED SERVICES	1	6	3	10
TOTAL OTHER	10	29	4	43



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

Once again, in December of 2010, the EMWQ Gift Fund was able to provide monetary assistance to our neediest members. The Fund distributed \$600.00 to each of our 764 widows receiving annuities less than \$1500 per month and to all 85 children who are beneficiaries of the

Fund. This is quite an achievement made possible by your donations and the hard work of Fund staff who donate their time to help make this possible.

There are a lot of people who have done so much, including Joe Moreno who put together an officer guide and has donated all the proceeds, Bill Cosgrove who has donated proceeds from his book, the Ole Tymers, Brigades, Credit Unions, Firemen's Mutual Aid, Fellowship of Christian Firefighters, Chicago Police Department 10th District, Nationwide, Chicago Windy City Jitterbug Club, Fitzgerald marketing and the many families who have remembered the poorest and neediest members of our Chicago Fire Department Family while coping with the loss of a loved including the families of Robert O'Donnell, Donald Stensland, John Martin, Jimmy Lind, Edward O'Sullivan and Howard Beauregard to name a few.

I would also like to thank all of the active members and retirees who contribute on a monthly basis through automatic deduction from their pension checks or pay checks. All active members wishing to enroll in the active payroll deduction can do so by simply forwarding the application form to Local 2 or the Pension Fund for processing. In case anyone is unaware, Line 29 Fire Department Charities include the Chaplains Fund, The Fire Museum and Ignite the Spirit. Line 30 is for the The EMWQ Retiree, Widow and Children's Assistance Fund. A small donation by many can go a long way in helping all these charities fulfill their mission of service to all members of the Chicago Fire Department.

EMWQ Retirees, Widows and Children Assistance Fund, Harris Bank and Blackhawk Alumni will remember the tenth anniversary of September 11th, followed by the 4th Annual Softball game to benefit Chicago Police and Fire Charities on September 11, 2011.

Harris Bank and The Chicago Blackhawk Alumni along with the EMWQ Retiree, Widow's and Children's Assistance Fund are planning to host this event to be held at Little Wrigley Field in Humboldt Park Sunday September 11, 2011. Many current and former players from the Blackhawks plan on attending. The event has been a tremendous success and a good time has been had by all who have attended. Additional information will be forthcoming in the near future so, **save the date.**