#### THE RETIREMENT BOARD of the FIREMEN'S ANNUITY AND BENEFIT FUND **OF CHICAGO**

Suite 1400

20 S. Clark Street Chicago, IL 60603-1899 Fax (312) 726-2316 Marshall Line 9261 http://www.fabf.org

(312) 726-5823

(800) 782-7425

ELECTED TRUSTEES MICHAEL J. SHANAHAN, President TIMOTHY J. McPHILLIPS, Secretary PETER O'SULLIVAN, Active Trustee DANIEL A. FORTUNA, Annuitant Member

**EX-OFFICIO TRUSTEES** Deputy Fire Commissioner, ANTHONY P. VASQUEZ, Vice-President City Treasurer, KURT A. SUMMERS JR. City Comptroller, ERIN KEANE City Clerk, ANNA VALENCIA

July 11, 2017

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

#### **BRASS BILL**

A pension bill expanding the eligibility for exempt positions above career service rank, commonly referred to as the Brass Bill, was introduced in the Legislature as Senate Bill 364. The Pension Fund's legislative liaison informed us that SB364 had little chance of passing because the City strongly opposed it. The City's opposition to the expanded Brass Bill is not surprising, seeing as the Pension Board recently sent a demand letter to the City requesting the \$1.6M in funds owed for the 2016 Exempt Rank benefit. The pension code specifically states that the City's contribution for the exempt positions above career service rank "shall be in addition to the tax levy otherwise calculated under section 6-165." The exact language can be found under section 5/6-211(g) of our pension code. This payment used to be sent to the Fund as a separate transfer of funds and clearly identified. The Board contends the City did not make the separate payment in 2016 that is statutorily required. The City appears to believe the recently passed legislation, found in SB777 and commonly referred to as the Casino Bill, relieves the City of the separate funding required to support the exempt rank benefit above the career service rank. If the current City Administration is hesitant to continue paying for the exempt rank benefits that the previous City Administration granted, they most certainly are going to oppose expanded exempt rank benefits that would require even more funding. It is for these reasons I believe the City prevented the expanded 'Brass Bill' from being voted out of committee and it was left to die.

The critical issue facing the Pension Fund's continued sustainability is FUNDING. Every member of this pension fund should recognize that the most important issue facing our retirement benefits is funding, not additional benefits. As trustees, your Board is not opposed to supporting new benefits, but the Pension Board will consistently resist new benefits if they are not properly funded or clearly granted in the pension code.

As previously mentioned, the FABF sent a demand letter to the City Budget Director for the \$1.6M required to support the Brass Bill. The Board discussed a few options: one was to send another demand letter, another was to file a lawsuit and the third option was to withhold the benefit above career service rank until the Fund received the monies owed. The Pension Fund is aware that the City Budget Director recently announced her resignation and that our original demand letter may have been lost in the shuffle and therefore it would be more prudent to reach out to the City's corporate counsel for an opinion. The Board directed the Fund's legal counsel to attempt to contact the City's corporate counsel and send another demand letter. The Board will take up the issue again at the July meeting and depending on what is heard back from the City's corporate counsel or the budget director, the Board has discussed either pursuing a lawsuit or holding the benefit above career service rank for the affected exempt rank, or both. If the Board decides to withhold the exempt rank benefit above the career service rank because the City isn't paying the statutorily required amount for that portion of

the benefit then members currently receiving exempt rank pensions would only receive the benefit earned up to the amount of their battalion chief career service rank. Local 2 President Jim Tracy, by my invitation, attended the June meeting and was accompanied by Political Action Director Rob Tebbens. While the Board generally does not allow public input during discussion of Board actions, we inquired as to what Local 2 felt about withholding the exempt rank benefit above career service rank; Local 2 was against the idea.

#### **LAWSUITS**

The Board also discussed two related lawsuits that have been made against the Pension Board Trustees. Both lawsuits address the Pension Board's decision to literally interpret the pension code rather than adopt the intent expressed by two key legislators. The lawsuits essentially are requesting the court to instruct the Pension Board to grant the benefits the two legislators indicated they intended to write into the pension code. I have written before that I believe this may be one of the better options because it could result in a relatively quick resolution, an authoritative declaration of how the Board should proceed made by a court of law. However, it remains one of my biggest frustrations that the stakeholders involved in maintaining the health of the Pension Fund could be so reckless. The language that afforded members, born after 1954 up to and including 1966, a 3% COLA, was written very poorly. I can't help but wonder how this issue would have unfolded if the Pension Board did not abide by their fiduciary obligation and instead, without considering the integrity of the Fund, recklessly granted the benefits due to the pressure that was exerted on them by Local 2. In that case, I would expect a group of younger pension fund members would have filed suit against the Pension Board Trustees for abdicating their fiduciary responsibilities and jeopardizing the security of their future benefits by misappropriating Fund assets if they granted benefits that clearly weren't provided in the pension code. In either case, the Pension Board would have been sued over legislation they didn't write or weren't consulted on.

Some members have expressed concern that the Pension Fund and Local 2 are spending money on a lawsuit against each other and that money could be better spent elsewhere. As I stated before, the Fund would have been facing a lawsuit either way; it couldn't win with this botched legislation. It is important that legislation is properly crafted and that all stakeholders are included in the process. I can tell you that the Fund takes out insurance for these types of situations and that we have filed a claim against the policy for the legal costs, so the members can rest assured that the Pension Fund isn't incurring excessive costs defending the Trustees in these lawsuits that resulted from poorly crafted legislation.

Local 2 is making a very aggressive push to get these benefits passed down in Springfield and should they succeed, the lawsuits against the Pension Fund would effectively be a non-issue. I can't state what the costs will be to the Fund for these additional benefits because when the actuaries did the impact statement analysis, they read the language the same was the Pension Fund did and did not include these specific benefits in their calculations. It is concerning to me that legislators are considering passing legislation affecting our Pension Fund without knowing the cost implications.

#### **FUNDING RATIO**

The Fund's actuaries, Gabriel Roeder Smith & Company (GRS), have completed their Actuarial Valuation Report for 2016. There were a few comments in the transmittal letter to the Board that I thought deserve your attention:

"This is a severely underfunded plan. The funded ratio is only 20.2% (using market value of assets) and the unfunded liability is approximately \$4 billion as of December 31, 2016. The funded ratio is not projected to even reach 50% funded for another 26 years until 2042."

"This actuarial valuation assumes that the City will be able to make future contributions on a timely basis. We did not perform an analysis of the ability of the City to make future contributions. Such an analysis is not within the scope of our assignment or within our analytical skill set. Failure to receive City contributions on a timely basis could jeopardize the sustainability of the Fund." "We understand that P.A. 99-0506 defines the amount of City Contributions to the FABF. Nevertheless, we continue to recommend that the plan sponsor seriously consider making additional contributions (in excess of the minimum statutory requirement) to ensure that there are sufficient assets available in the fund in all years to pay the promised benefits."

The report will be posted on the FABF website, <u>www.fabf.org</u>, shortly, along with the audited financial statements.

#### <u>CIO</u>

The administration of our Pension Fund takes on many different aspects and one that gets a considerable amount of attention is investments. The FABF is often recognized as one of the best run City pension funds in terms of investments and that is because of our Chief Investment Officer Mike Moran. I am sorry to announce that Mike has chosen to retire after 22 years diligently and patiently overseeing every aspect of our Fund's investments. Mike occasionally makes visits to firehouses with trustees and money managers to help educate the members on funding and investment issues. Mike truly loved serving the men and woman of the Chicago Fire Department. Mike is a true Chicagoan; born on the westside and transplanted to the northside as a kid, Mike is the son of a Chicago policeman and nephew to a Chicago firefighter. He understands first-hand how dependent families are on these pension funds. Mike also understands that the costs of the pension benefits are not that expensive to the City if they are properly and timely funded. In my opinion every member of this Fund, and their families, owe Mike a bit of gratitude; not only was he a savvy, forward thinking steward of our retirement funds, he was also an eloquent defender of public pensions. His presence and wise counsel was often present at Board meetings. For the average firefighter jumping on a rig or paramedic responding to a call day in and day out, the loss of Mike Moran may not be immediately apparent, but it should nevertheless be considered a loss for us all. Happiness and Health in a well-deserved retirement Mike!

Fraternally,

Vinnothy A McAhillin

Timothy McPhillips 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.

#### THE RETIREMENT BOARD of the FIREMEN'S ANNUITY & BENEFIT FUND OF CHICAGO Suite 1400

20 South Clark Street (312) 726-5823 (voice) Marshall Line 9261 Chicago, IL 60603-1899 (312) 726-2316 (fax) www.fabf.org

(800) 782-7425

ELECTED OFFICIALS MICHAEL J SHANAHAN, President TIMOTHY J McPHILLIPS, Secretary PETER R O'SULLIVAN, Active Trustee DANIEL A FORTUNA, Annuitant Member <u>EX-OFFICIO TRUSTEES</u> Deputy Fire Commissioner, ANTHONY VASQUEZ, Vice-President City Treasurer, KURT A SUMMERS JR City Comptroller, ERIN KEANE City Clerk, ANNA VALENCIA

### \* PLEASE POST \* \* PLEASE POST \* \* PLEASE POST \* \* PLEASE POST \*

To All Members:

Listed below are the names of individuals who have applied for a 75% Duty Disability benefit from the Pension Board. Their applications will be presented before this Board at the 07/19/2017 meeting.

Rank, Name, Assignment:

(No Duty Hearings for July 19, 2017 Meeting)

Please contact the Pension Fund's Secretary, in writing, using the attached form, if you have any information could assist the Board in its investigation of whether or not it should grant a 75% disability benefit to any of the above individuals.

The Board can subpoena witnesses (Illinois Revised Statutes, Article 6-189) and compel them to attend and before it upon any matter concerning the Fund. Your cooperation will help maintain the integrity of this Fund. Timothy McPhillips

Secretary

NAME		ADDRESS	
PHONE		COMPANY ASSIGNMENT	
NAME OF APPLICANT			
NAME(S) OF WITNESS	(ES)		
FORWARD TO:	Secretary		
	Firemen's Annuity & Benefit Fund		
	20 South Clark Street, Suit	te 1400	
	Chicago, IL 60603		

Page 1

Date of Injury:

#### MINIMUM FORMULA ANNUITIES:

012039	Ent CFD: Retired:	03/07/1980 05/22/2017	HTER, TRUC \$6,079.79 \$182.39	K 57, Occupational Disability since 09/24/2004. beginning 05/22/2017 based on 75% of Final Average Salary annuity increment, 3%, begins 06/01/2018
	DLLECT \$101.96 FOF FUND \$25.13 FOR 1			
014532	CAROLEE B KALTE Ent CFD: Retired:	R, PARAMEDIC 04/01/1993 05/31/2017	IN CHARGE, \$5,246.66	MARC DIVISION beginning 05/31/2017 based on 62.5% of Final Average Salary
● RE	FUND \$423.77 FOR		\$157.40	annuity increment, 3%, begins 06/01/2018
010830	JUAN REYES, DIST Ent CFD: Retired:	RICT CHIEF, BA 11/16/1978 05/23/2017	\$10,413.00	beginning 05/23/2017 based on 76% of Final Average Salary
<ul> <li>\$312.39 annuity increment, 3%, begins 06/01/2018</li> <li>COLLECT \$163.61 FOR 2012 &amp; 2015 EID</li> <li>REFUND \$90.40 FOR 2006 EID</li> </ul>				
011747 JOSEPH E THIEL JR, EMT LIEUTENANT, TOWER 23				
	Ent CFD: Retired:	02/19/1980 05/04/2017	\$7,523.15 \$225.69	beginning 05/04/2017 based on 75% of Final Average Salary annuity increment, 3%, begins 06/01/2018
	FUND \$59.07 FOR 2 FUND \$52,962.83 F			,

REFUND \$52,962.83 FOR SPOUSE CONTRIBUTIONS

## Firemen's Annuity & Benefit Fund of Chicago Summary of Regular Meeting dated 06/21/2017

#### WIDOW'S ANNUITIES:

911214	SOCORRO CASANOVA, widow of ALBERT J CASANOVA, Retired since 11/16/2012. Ent CFD: 02/18/1980 <b>\$3,188.60</b> beginning 05/13/2017 Deceased: 05/12/2017				
908384	FLORENCE J CRONIN, widow of JOHN J CRONIN, Retired since 11/04/1995. Ent CFD: 05/16/1962 <b>\$2,577.56</b> beginning 04/27/2017 Deceased: 04/26/2017				
910212	MARGARET DELFAVERO, widow of THOMAS DELFAVERO, Retired since 12/31/2000. Ent CFD: 12/22/1973 <b>\$2,569.67</b> beginning 04/03/2017 Deceased: 04/02/2017				
906481	ELIZABETH GARNES, widow of CARL E GARNES, Retired since 03/27/1988. Ent CFD: 01/16/1954 <b>\$2,954.85</b> beginning 05/12/2017 Deceased: 05/11/2017				
912412	DAUMA GLENNON, widow of JOHN R GLENNON, Retired since 09/06/2001. Ent CFD: 06/30/1975 <b>\$2,426.70</b> beginning 05/10/2017 Deceased: 05/09/2017				
909626	JANICE C JOHNSON, widow of EDWARD M JOHNSON, Retired since 04/04/1998. Ent CFD: 02/16/1969 <b>\$3,202.34</b> beginning 04/24/2017 Deceased: 04/23/2017				
Benefit Amount Reflects Adjustment for Correction of Birth Date					
911647	KATHLEEN MURPHY, widow of PATRICK C MURPHY, Retired since 11/15/2012. Ent CFD: 02/19/1980 <b>\$4,324.06</b> beginning 05/02/2017 Deceased: 05/01/2017				
909408	MARY JO OLSON, widow of RICHARD E OLSON, Retired since 06/04/2000. Ent CFD: 08/16/1967 <b>\$3,022.06</b> beginning 05/07/2017 Deceased: 05/06/2017				
908469	SHIRLEY SHEU, widow of THOMAS E SHEU, Retired since 09/25/1990. Ent CFD: 05/16/1962 <b>\$1,935.46</b> beginning 05/07/2017 Deceased: 05/06/2017				

#### WIDOW'S ANNUITIES:

715137 WILLIAM MURPHY, child of MICHAEL V MURPHY, COMMANDING FIRE MARSHALL BY SARAH MURPHY

Ent CFD:	10/01/1996	\$841.55	beginning 05/08/2017
Deceased:	05/07/2017		

#### REFUNDS:

- 012774 JOSE A GONZALEZ, FIREFIGHTER, ENGINE 110, Retired since 02/09/2017. Ent CFD: 02/16/1985 **\$43,400.71** Refund of Spouse Contributions Retired: 02/09/2017
- 017635 RICHARD J CHAMPLAIN, PARAMEDIC IN CHARGE, AMBULANCE 49 Ent CFD: 07/16/2009 **\$61,477.97** Refund of Contributions RESIGNATION 05/28/2017
- 015229 CHRISTOPHER A GALLAS, FIREFIGHTER, ENGINE 32 Ent CFD: 03/04/1997 **\$157,037.01** Refund of Contributions DISCHARGED 12/03/2016

# Firemen's Annuity & Benefit Fund of Chicago Summary of Regular Meeting dated 06/21/2017

### DEATH BENEFITS:

007744	WILLIAM C ALLETTO, FIRST DEPUTY FIRE COMMISSIONER, SUPPORT SERVICES, Retired since 02/01/2000.					
	Ent CFD:	01/16/1959	\$6,000.00	\$3,000.00 to MARY SCHUMANN, DAUGHTER \$3,000.00 to CATHERINE ALLETTO BROWN, DAUGHTER		
	Deceased:	04/27/2017				
011214	ALBERT J CASANO	VA, FIREFIGHT 02/18/1980		LADDER 5, Retired since 11/16/2012. to SOCORRO CASANOVA, WIFE		
	Deceased:	05/11/2017	. ,			
008384	JOHN J CRONIN, FI					
	Ent CFD: Deceased:	05/16/1962 04/25/2017	\$6,000.00	to FLORENCE J CRONIN, WIFE		
010212				NE 98, Retired since 12/31/2000.		
010212	Ent CFD: Deceased:	12/22/1973		to MARGARET DELFAVERO, WIFE		
		04/01/2017				
008497	DAVID FERGUSON, Ent CFD:	FIREFIGHTER, 04/01/1963		Retired since 03/27/1988. to RENEE CARRERE, DAUGHTER		
	Deceased:	01/12/2017				
006481				T 5, Retired since 03/27/1988.		
	Ent CFD: Deceased:	01/16/1954 05/10/2017	\$6,000.00	to ELIZABETH GARNES, WIFE		
040440						
012412	since 09/06/2001. Ent CFD:			C (PER ARBITRATORS AWARD), ENGINE CO. 83, Retired		
	Deceased:	06/30/1975 05/08/2017	\$6,000.00	to DAUMA GLENNON, WIFE		
009626	EDWARD M JOHNS		NCHIEF BA	TTALION 14, Retired since 04/04/1998.		
000020	Ent CFD: Deceased:	02/16/1969 04/22/2017	\$6,000.00	to JANICE C JOHNSON, WIFE		
006942	FRANK KRALJ JR, C		VE 13 Potiro	d since 06/16/1986		
000043	Ent CFD: Deceased:	05/02/1955 04/08/2017		to KIMBERLY KRALJ, DAUGHTER		

Page 6

#### DEATH BENEFITS:

009548	RALPH R MINNICH, Ent CFD:	FIREFIGHTER, 11/01/1968	TRUCK 45, <b>\$6,000.00</b>	UCK 45, Retired since 11/11/2004. 5,000.00 \$3,000.00 to DAVID MINNICH, SON \$3,000.00 to JENNIFER MINNICH, DAUGHTE	
	Deceased:	04/23/2015		¢ ,	
015137	MICHAEL V MURPH Ent CFD:	IY, COMMANDII 10/01/1996	NG FIRE MAI \$9,200.00	\$3,066.66 to CLARE MURPHY, DAUGHTER	
	Deceased:	05/06/2017		\$3,066.67 to WILLIAM MURPHY, SON	
011647	PATRICK C MURPH Ent CFD: Deceased:	Y, EMT CAPTA 02/19/1980 04/30/2017		1, Retired since 11/15/2012. to KATHLEEN MURPHY, WIFE	
009408	RICHARD E OLSON Ent CFD: Deceased:	I, FIRE ENGINEI 08/16/1967 05/05/2017		57, Retired since 06/04/2000. to MARY JO OLSON, WIFE	

008469 THOMAS E SHEU, FIREFIGHTER, ENGINE 80, Retired since 09/25/1990. Ent CFD: 05/16/1962 **\$6,000.00** to SHIRLEY A SHEU, WIFE Deceased: 05/05/2017

## Firemen's Annuity & Benefit Fund of Chicago Summary of Regular Meeting dated 06/21/2017

### PERMISSION TO RESIDE OUT OF STATE:

11335 JAMES M MATKOVICH, Duty Disability since 06/01/2016.

#### HEARINGS:

#### THE FOLLOWING APPLICATION FOR DUTY DISABILITY WAS GRANTED:

013145 BRODERICK PAGE, CAPTAIN, ENGINE 72 Ent CFD: 11/01/1986 **\$8,285.63** beginning 05/04/2017

The vote was: Yeas: FORTUNA KEANE McPHILLIPS O'SULLIVAN SHANAHAN VALENCIA VASQUEZ Nays: (None) Not Present: SUMMERS JR

#### THE FOLLOWING APPLICATION FOR DUTY DISABILITY WAS DENIED:

017574 THOMAS J FLANAGAN, EMT FIREFIGHTER, ENGINE 10 Ent CFD: 03/03/2009

The vote to deny was:

Yeas: FORTUNA KEANE McPHILLIPS O'SULLIVAN SHANAHAN VASQUEZ Nays: (None) Not Present: SUMMERS JR VALENCIA

#### THE FOLLOWING APPLICATION FOR ORDINARY DISABILITY WAS GRANTED:

015617 BRIAN P SCHOFIELD, EMT FIRE ENGINEER, 5TH DISTRICT RELIEF Ent CFD: 02/16/1999 **\$3,654.13** beginning 05/28/2017

The vote was: Yeas: FORTUNA KEANE McPHILLIPS O'SULLIVAN SHANAHAN VALENCIA VASQUEZ Nays: (None) Not Present: SUMMERS JR

The following annuitants have passed away since the last regular meeting of the Board:

ALBERT J CASANOVA MARGARET J CARLSON HENRY BORGARDT CATHERINE E MURPHY **KENNETH QUICK CLINTON B FIELDS ROBERT J UHLAR** WALTER G HUBER JAMES R SKALA JOHN L FITZGERALD RUSSELL J HALEY JEAN C MILLER MARGARET J BURNS ANGELINE K FOLEY JUDY M MUNSEN JOHN F SKAGERBERG JANE C ALWART-ROCHA SHIRLEY J CARTER MARY T MCGOVERN MICHAEL F WHITE DOROTHY M MCGUIRE DOROTHY B RECH **ELLENEEN TODD** EDNA M WITRY THERESE C BRADY DANIEL D QUINN FLORENCE R OMAN DAVID A KNAPEREK

Annuity Widow's Annuity Annuity Widow's Annuity Annuity Annuity Annuity Annuity Annuity Annuity Annuity Widow's Annuity Comp Widow's Annuity Widow's Annuity Widow's Annuity Annuity Widow's Annuity Widow's Annuity Widow's Annuity Annuity Widow's Annuity Widow's Annuity Widow's Annuity Widow's Annuity Widow's Annuity Annuity Widow's Annuity **Occupational Disease Disability** 

Died 05/15/2017 Died 03/24/2017 Died 05/15/2017 Died 05/12/2017 Died 05/17/2017 Died 05/12/2017 Died 05/26/2017 Died 05/25/2017 Died 05/27/2017 Died 05/25/2017 Died 05/17/2017 Died 05/22/2017 Died 05/29/2017 Died 05/23/2017 Died 05/30/2017 Died 05/26/2017 Died 05/18/2017 Died 06/03/2017 Died 06/02/2017 Died 05/31/2017 Died 06/05/2017 Died 05/28/2017 Died 05/30/2017 Died 06/02/2017 Died 06/08/2017 Died 06/01/2017 Died 05/29/2017

Died 05/12/2017

ANNUITIES GRANTED <u>Resigned From:</u> Active Duty Duty Disability Occupational Disease Disability Ordinary Disability Total Minimum Formula Annuities Granted Total Earned Annuities Granted Total Annuities Granted	<u>Month:</u> 3 0 1 0 4 0 4	<u>Year to Date:</u> 46 3 5 0 54 0 54
DISABILITIES GRANTED <u>Type:</u> Duty Disability Occupational Disease Disability Ordinary Disability Total Disabilities Granted Total Disabilities Denied	<u>Month:</u> 1 0 1 2 1	<u>Year to Date:</u> 5 1 2 8 1
WIDOW'S ANNUITIES GRANTED <u>Type:</u> Regular Widow's Annuity Compensation Widow's Annuity Total Widow's Annuities Granted	Month: 9 0 9	Year to Date: 45 0 45
CHILD'S ANNUITIES GRANTED <u>Type:</u> Full Child's Annuity Child of Duty Death Annuity Child of Ordinary Death Annuity	Month: 0 0 1	Year to Date: 0 0 2
Total Children Annuities Granted	1	2