



PENSION Matters

SUMMER 2016, v46

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**Health Care Coverage
Disability Benefits
2015 FINANCIAL REPORT**

Municipal Employees' Annuity and Benefit Fund: A Pension Trust Fund of the City of Chicago

Board of Trustees

Thomas J. McMahon, President,
Local 150, Elected 2013-2016

Erin Keane, Vice President,
City Comptroller, Ex-Officio Member

Kurt A. Summers, Jr., Treasurer,
City Treasurer, Ex-Officio Member

Timothy G. Guest, Recording Secretary,
Local 399, Elected 2014-2017

Jeffrey J. Johnson, Trustee, Local 9,
Elected 2015-2018

Important Phone Numbers

MEABF Offices (312) 236-4700
Appointments, Ext.7392

Disability Benefit Information
Last Name: A-J, Ext. 2123,
K-R, Ext. 2131, S-Z, Ext. 2122

Insurance Information
Last Name: A-K, Ext. 2109
L-Z, Ext. 2108

Annuity Payment Information
Last Name: A-H, Ext. 2136,
I-N, Ext. 2126, O-Z, Ext. 2128

CPS Retiree Healthcare
(773) 553-4748

City Benefits Administrator
(877) 299-5111

Social Security Administration
(800) 772-1213

Trustee Election

October 28, 6:00 a.m. – 6:00 p.m.
Please check the Fund website in
August for election information.

MEABF.ORG

MEABF Members

On March 24, 2016 the Illinois Supreme Court affirmed the ruling of the Circuit Court of Cook County regarding the constitutionality of Public Act 98-0641 ("Act"). In summary, the Act affected the Municipal Employees' Annuity and Benefit Fund of Chicago and the Laborers' and Retirement Board Employees' Annuity and Benefit Fund of Chicago in the following ways:

- 1) Reduced the statutory annual increase for eligible annuitants from 3% compounded interest to the lesser of ½ of the Consumer Price Index or 3% simple interest;
- 2) Increased the employee contribution by 0.5% for five years, going from 8.5% to 11%; and
- 3) Increased the contribution of the employer over five years and provided that beginning in 2021 the Funds would begin to receive the Actuarial Determined Contribution so as to be 90% funded by 2055.

With the Circuit Court's ruling declaring the Act unconstitutional, MEABF was required to revert back to the law in effect prior to the Act, which increased the automatic annual increase for qualified annuitants back to 3% and reduced the contribution of employees back to 8.5%. Also, and most damaging, the Circuit Court's decision overturning the Act was ruled to be non-severable. This means that the increased contributions of the employer that were required by the Act was also overturned. MEABF returns to a funding mechanism that has no relation to the long-term solvency of MEABF. It is projected that in 2016, MEABF will pay out close to \$900 million in benefits and refunds, while, by law, only receiving approximately \$300 million in employee and employer contributions. **The math is simple, the Fund's reserves of approximately \$4.7 billion will continue to be depleted without a funding formula by the employer that ensures the long-term solvency of MEABF.**

In the Spring Session of the 99th General Assembly, House Bill 705 was introduced by State Representative Elaine Nekritz that would have provided a funding mechanism that relates to the long-term solvency of MEABF. Unfortunately at this time, this bill has not been called for consideration. We thank Representative Nekritz for her leadership in introducing this bill. We cannot stress more strongly the need for legislation to prevent the insolvency of MEABF.

MEABF is an administrative body created by Illinois State Statute to administer MEABF in accordance with the applicable pension laws. Being aware of our mandate, we believe that it is important to stress the importance of receiving proper funding to ensure long-term solvency. With that, it is our opinion that the employer, the collective bargaining groups, and the Illinois Legislature must come together to put MEABF on the same Actuarial Determined Contribution funding path received by other retirement systems and pension funds here in the State of Illinois. Please visit our website meabf.org to view our most recent letter to City, State and Union officials stressing the dire need for proper funding.

Thank you for your support and your continued interest in the long-term solvency of MEABF. Please take the time to review the rest of this report as it provides critical information regarding your Fund.

Thomas J. McMahon, President

2015 MEABF Financial Report

The contents of this section are largely derived from MEABF's 2015 Actuarial Report and Audited Financial Statements. Both of these, as well as previous year's reports, are available for review and download on our website at meabf.org.

▶ ACCOUNTING SUMMARY

CHANGES IN PLAN NET ASSETS

as of December 31, 2015
(in thousands)

	2015	2014
Employer Contributions	\$ 157,716	\$ 158,798
Member Contributions	131,428	129,972
Other income		13
Total contribution and other income	289,144	288,783
Benefits & Refunds	(834,527)	(807,674)
Administrative	(6,701)	(6,568)
Total Deductions	(841,228)	(814,242)
Net Increase/(Decrease) before Investment Income	(552,084)	(525,459)
Net Investment Income	114,025	283,269
Net Position - Beginning of Year	5,179,486	5,421,676
Net Position - End of Year	\$ 4,741,427	\$ 5,179,486

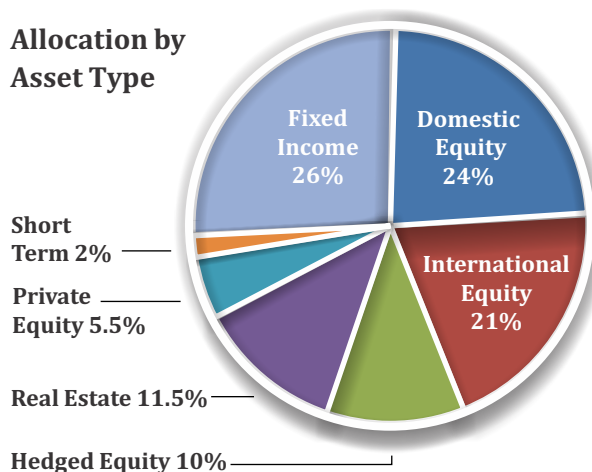
MEABF ended 2015 with \$4.74 billion in net assets, a decrease of approximately 8.46% from 2014. MEABF continues to liquidate portfolio assets to supplement the disbursement of benefit payments. During the fiscal year 2015 approximately \$552 million was liquidated compared to \$525 million in 2014.

Benefits and refund payments comprise the vast majority of MEABF expenditures on an annual basis representing 99% of total expenditures. Administrative expense represents the remainder.

▶ INVESTMENT PERFORMANCE

MEABF's portfolio returned 1.8% net of fees in 2015 and 7.0% annualized over the five-year period ending Dec. 31, 2015. Even though the return for 2015 was below the Actuarially Assumed Rate of Return, it did outperform the major benchmarks for domestic and international equity and domestic fixed income. Compared to peers, MEABF ranked in the 5th percentile for 2015 and ranked in the 32nd percentile for the five-year time period. The strongest performing asset class in 2015 was Real Estate which generated an annual return of 12.5%. The worst performing asset class was International Equities which generated an annual return of -1.1%; yet still outperforming its benchmark by 4.6%. As a long-term investor, MEABF maintains a plan to achieve investment goals and objectives which is not always evident in short-term investment returns.

Allocation by Asset Type



The Board modified its target asset allocation mix in 2013. With the recent receipt of the Actuarial Valuation Report for 2015, MEABF will be reviewing its current asset allocation.

ANNUITANT HEALTHCARE COVERAGE

As of the printing of this newsletter, the City of Chicago has designated December 31, 2016 as the termination date for annuitant healthcare coverage. Annuitants in a certain class of individuals may be grandfathered in and provided coverage per Court Order.

Please note, this does not relate to an annuitant utilizing the Retiree Healthcare Program of the Chicago Public Schools.

The Fund encourages all annuitants currently participating in the City of Chicago's Retiree Healthcare program to research your options pertaining to obtaining healthcare coverage through means other than the currently offered program.

This includes coverage offered under the Patient Protection and Affordable Care Act (PPACA), commonly called the Affordable Care Act (ACA).

Annuitants with questions regarding their current healthcare coverage should contact the following numbers for assistance:

Chicago Public Schools
Retiree Healthcare
(773) 553-4748

City of Chicago Retiree
Healthcare Benefits Administrator
(877) 299-5111

Individuals with healthcare benefits should contact MEABF immediately when the following occurs:

Medicare eligibility The annuitant must notify MEABF within 60 days of the date of Medicare eligibility

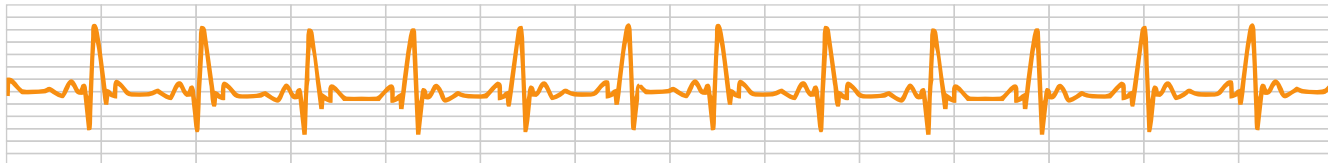
Death/Divorce of a spouse or dependent The annuitant must notify MEABF within 90 days of the event

Dependent reaches the age limit of the plan The annuitant must notify MEABF within 90 days of the event

Coverage cancellation for any annuitant and/or family member The annuitant must submit the request in writing to MEABF 30 days prior to the cancellation date

A surviving spouse coverage ends at the time of remarriage The annuitant must submit the request in writing to MEABF within 30 days of the event

Note: If notifications are made outside of these time limits, refunds are calculated from the date of notification, not the event. Furthermore, refunds will not be issued if services have been provided and paid for after the date of the event (i.e. Medicare eligibility, divorce, coverage cancellations, remarriage). The annuitant will be billed for services/premiums paid for an ineligible dependent. If you have further questions, please contact MEABF.



DISABILITY BENEFITS

Which benefit is right for you?

Active members of MEABF who become disabled are entitled to apply for one of two types of disability benefits under certain qualifications. In both instances, to be considered for full benefits, employees are responsible for applying for benefits with MEABF within one year of the date of disability.

In order to collect disability payments, a member must be in a “no pay” status and on an approved leave from the employer.

Ordinary Disability Benefit provides a benefit payment equal to 50% of salary at the date of actual disability and is for illness or injury which occurs outside of a member's employment. The benefit payment period begins after the employee is off from work for 30 days.

Duty Disability Benefit provides for work related injuries, a benefit of 75% of salary on the date of injury less amount received from Workers' Compensation. (MEABF payment usually 8 1/3% of salary). The benefit payment period begins on the first work date for which employee fails to receive pay. Prior to any benefit being paid, a Workers' Compensation claim must be approved.

Universal Requirements

- 1 ▶ Qualifying participant at the time of injury/ illness.
- 2 ▶ Disabled at the time of application and during the entire benefit period.
- 3 ▶ Subject to physician examination and Retirement Board approval.
- 4 ▶ Not receive any portion of salary from the employer.
- 5 ▶ Not be employed by any Illinois public body supported by taxation while in receipt of disability benefits.
- 6 ▶ Compensation from outside private employment MUST be disclosed to MEABF.
- 7 ▶ Employee must apply for disability benefits with MEABF to receive pension credit while on disability.

If you become disabled, you may contact the Disability Section at 312-236-4700 to speak with a representative.

PENSION VERIFICATION FORMS ▼

Pension Verification forms have been mailed to all individuals receiving a pension from MEABF to verify that intended recipients are still alive and benefits are being paid to individuals entitled to the benefit. It is important to return this form signed and notarized to continue your pension benefits without disruption. Please contact our office if you did not receive a form.

UPCOMING DIRECT ▼ DEPOSIT DATES

August	Monday, August 1
September	Thursday, September 1
October	Monday, October 3
November	Tuesday, November 1
December	Thursday, December 1

WHO'S WHO

ON THE BOARD OF TRUSTEES

MEABF would like to take the opportunity to recognize the following former and current Trustees of the Retirement Board. We look forward to working with and learning from each new member of the Board.

Anthony Clancy, Local 143 Mr. Clancy was appointed to the Board in June of 2012 and won re-election in September of that same year. Mr. Clancy served as Recording Secretary in 2014 and was President in 2015. The Board would like to extend its best wishes to Mr. Clancy and thank him for his dedication and leadership over the past three years.

Stephanie D. Neely, Treasurer, City of Chicago Ms. Neely became a member of the Board of Trustees in October 2006 when she was appointed Treasurer of the City of Chicago by Mayor Richard M. Daley. Ms. Neely was the longest serving member of the Board at the time of her resignation from elected office to return to the private sector in November, 2014. Ms. Neely's leadership and dedication to her fiduciary duty was greatly appreciated and was of great assistance in forming policies for MEABF that continue to shape our direction today.

Daniel Widawsky, City Comptroller, City of Chicago Mr. Widawsky became a member of the Board of Trustees in February 2013 when Mayor Rahm Emanuel appointed him Comptroller of the City of Chicago. Mr. Widawsky's extensive experience in legal matters and finance were of great assistance to the Board during his time as Trustee.

The Board is happy to introduce **Jeffrey J. Johnson**, newly elected Trustee of the Retirement Board. Mr. Johnson won the annual election for Trustee in October of 2015. His term runs through November 30, 2018. Mr. Johnson is a Fire Communications Officer II and a member of IBEW Local 9.

Kurt A. Summers, Jr., Treasurer, City of Chicago, was appointed by Mayor Rahm Emanuel on October 22, 2014 to finalize the term of former Treasurer Stephanie Neely and became a member of the Board on December 1, 2014. Prior to joining the Board, Treasurer Summers obtained considerable public policy and pension fund experience as Chief of Staff for Cook County President Toni Preckwinkle and private investment experience as Senior Vice President at Grosvenor Capital Management and a member of the Office of the Chairman.

Erin Keane, newly appointed City Comptroller, joins MEABF in the position of Vice President. Ms. Keane has been an employee of the City of Chicago in both the Budget Department and, most recently, as the Deputy Director of the Department of Finance.

UPCOMING BOARD MEETINGS

Meetings of the Retirement Board occur at 9:00 a.m. in MEABF offices unless reflected otherwise. Meetings are open to the public. If you are interested in attending, we encourage you to call MEABF offices so access through the building's security check-in is seamless.

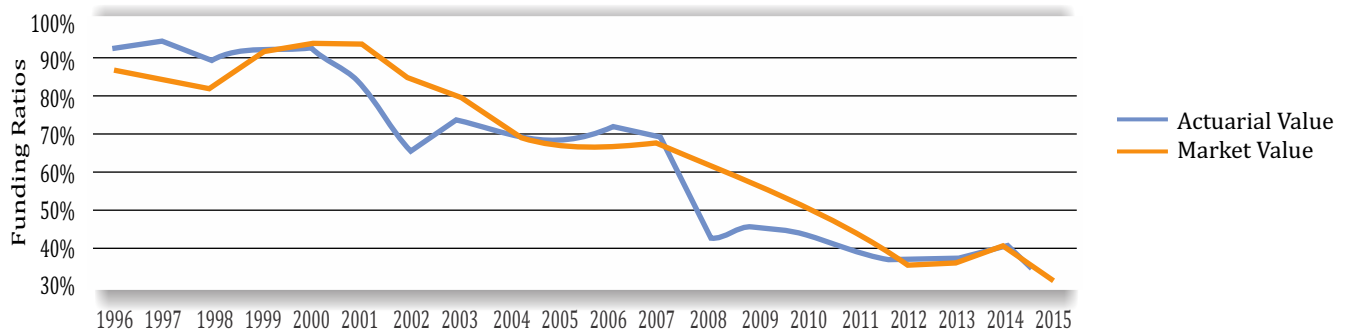
Thursday, July 21	Regular Meeting
Thursday, August 18	Regular Meeting
Thursday, September 8	Investment Meeting
Thursday, September 22	Regular Meeting
Thursday, October 20	Regular Meeting
Thursday, November 17	Regular Meeting
Thursday, December 22	Regular Meeting

▶ ACTUARIAL ANALYSIS

The health of the pension plan is often measured by its funding ratio. The funding ratio compares a plan's assets to its liabilities. When a plan's funding ratio is at 100%, the plan is considered fully funded. A funding ratio of above 100% indicates a funding surplus, while a funding ratio of below 100% indicates a funding deficit. While funding ratios will fluctuate over time, healthy plans have ratios that hover around 100%.

MEABF's ratio as of December 31, 2015 was 32.9% computed on an actuarial basis and 20.3% based on the requirements of GASB 67 (Government Accounting Standards Board). These dangerously low funding ratios are directly attributed to receiving insufficient contributions from the City of Chicago, which is able to contribute by law, only a fraction of the required contributions necessary to keep MEABF solvent. Without a change to the law governing MEABF, insolvency will occur.

Historical Funding Ratios: 20-Year Trend



Please contact the Fund:

▶ To apply for a benefit.

▶ To report an annuitant's death.

▶ When you or your spouse turn 65 and are Medicare eligible

AND receive healthcare benefits from one of the plan sponsors.

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Municipal Employees' Annuity
and Benefit Fund of Chicago
A Pension Trust Fund of the City of Chicago

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Chicago, Illinois 60654-4767

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