



# PENSIONMatters

MUNICIPAL EMPLOYEES' ANNUITY AND BENEFIT FUND OF CHICAGO NO. 43 SUMMER 2013

## FROM THE FUND

### RETIREMENT BOARD

**Martin J. Durkan**  
*Hoisting Engineer,  
Department of Streets  
and Sanitation  
President,  
Elected Trustee*

**Amer Ahmad**  
*City Comptroller  
Vice President,  
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[www.meabf.org](http://www.meabf.org)



Dear Fund Members,

We hope 2012 was a happy and healthy year for you and your family, and trust 2013 will follow suit.

We also hope 2013 resembles 2012 when it comes to the investment markets. The markets rebounded in 2012 from a flat 2011, providing double digit returns for the fourth time in the last five years. Your Fund returned 12.6% in 2012 and over the last four years averaged an 11.4% return annually. Fund investments also, in all three major asset classes (domestic equity, international equity, and fixed income), outperformed industry benchmarks. Because of this, the Fund ranked in the 35th percentile compared to industry peers in 2012 and ranked in the 34th percentile for the four-year period ending in 2012. Yes indeed, 2013 can follow the same direction as 2012.

Unfortunately, strong investment returns have not been able to grow Fund assets dollar for dollar. Over the last four years, Fund assets have grown from \$4.7 billion to \$5.2 billion, or approximately 2.7% annually. The difference between investment returns and growth of assets is directly attributed to the need to liquidate Fund assets to pay monthly benefits. Approximately 8.6% of Fund assets were liquidated to pay benefits in 2012. Regrettably, this need will continue and become larger if not addressed legislatively. As administrators of the Fund, we cannot express more strongly the need for all stakeholders to come to a consensus to support legislation that will guarantee the long-term solvency of the Fund.

Please note for **all retirees (City of Chicago and Chicago Board of Education)** utilizing a retiree health care plan sponsored by your previous employer, the payment made by the Fund to your previous employer to subsidize the cost of the monthly insurance premium ends June 30, 2013 per the Illinois Pension Code. Unless this monthly payment requirement is extended by a change to the Pension Code, the payment will not be made beginning with your July 2013 benefit payment. This could have a direct effect on the amount of your monthly premium that you are responsible for paying. We recommend that you contact your former employer to find out the impact of the ending of the monthly payment. Currently, the Fund pays \$65 per month for Medicare retirees and \$95 per month for non-Medicare retirees.

The Fund is governed by the Illinois Pension Code (Illinois Compiled Statutes, Chapter 40 Act 5). Any change to the structure of benefits provided, the required contributions to finance those benefits, or a member's eligibility to receive such benefits is codified in the Illinois Pension Code. To keep abreast of pending legislation that might affect the Fund, you may visit the State's website at [www.ilga.gov](http://www.ilga.gov).

We strongly encourage you to visit our website periodically ([www.meabf.org](http://www.meabf.org)) to stay apprised of matters that affect the Fund. We are in the process of changing our website to better serve our members. Your input is important. Please let us know how we can better serve you.

Wishing you and your family a prosperous 2013,

**Martin J. Durkan**  
**Board President**

**IMPORTANT INFORMATION REGARDING  
RETIREE HEALTH CARE - see page 2**

**SENIOR STAFF**

**Jim Mohler**  
Executive Director

**Michael Walsh**  
Chief Investment Officer

**Teresita Toledo**  
Comptroller

**Jane Tessaro**  
Benefits Manager

**Main Number:**  
312-236-4700

**For appointments**  
**press ext. 7392**

**For information**  
**regarding disability**  
**payments, if your last**  
**name begins with**  
**the letter**  
**A-K, press ext. 2123**  
**L-Z, press ext. 2131**

**For insurance questions,**  
**if your last name**  
**begins with the letter**  
**A-K, press ext. 2109**  
**L-Z, press ext. 2108**

**For questions about**  
**annuity payments,**  
**if your last name**  
**begins with the letter**  
**A-H, press ext. 2136**  
**I-N, press ext. 2126**  
**O-Z, press ext. 2128**

**City of Chicago Retiree Healthcare**

The City of Chicago has mailed the letter below to all annuitants participating in its health care plan. Please read it carefully as it affects both current participants in the City's Annuitant Health Care and members who are planning on retiring.



**DEPARTMENT OF FINANCE**  
**CITY OF CHICAGO**

May 15, 2013

**IMPORTANT NOTICE – PLEASE READ CAREFULLY**

Dear City of Chicago Annuitant:

I am writing to update you of developments regarding retiree healthcare benefits. Under the Korshak Settlement Agreement, the City of Chicago agreed to provide support for healthcare coverage to annuitants through June 30, 2013. The Settlement Agreement also required that the City establish a Retiree Healthcare Benefits Commission ("RHBC") that, among other duties, was to make recommendations on the state of retiree healthcare benefits, their related cost trends, and issues affecting the offering of retiree benefits after July 1, 2013. Earlier this year, the RHBC fulfilled its duties and provided Mayor Emanuel with its report. Those recommendations can be found online at <http://www.cityofchicago.org/city/en/depts/fin/provdrs/ben.html>.

After reviewing the findings of the report, and after hearing many of the concerns expressed by retirees, employee representatives and industry experts, the City has decided the following:

1. The City will extend current coverage and benefit levels through December 31, 2013. This additional time will allow retirees to maintain coverage for a full plan year, recognizing what we heard from many retirees who have planned deductible and out of pocket expenditures based on an expectation of full year coverage. The City will, however, adjust the benefit levels provided under the current plan starting January 1, 2014.
2. After January 1, 2014, the City will provide a healthcare plan with a continued contribution from the City of up to 55% of the cost for that plan for their lifetimes to the City retirees who are members of the Korshak and "Window" Sub-Classes, meaning those City annuitants who retired prior to August 23, 1989. In short, the City will continue to substantially subsidize these retirees' healthcare plan as it does today.
3. For all annuitants who retired on or after August 23, 1989, in light of the evolving landscape of national healthcare and challenges faced by Chicago taxpayers, the City will need to make changes to the current retiree healthcare plan. These changes will likely include some adjustments in premiums and/or deductibles, some benefit modifications and, ultimately, the phase out of the plan by the beginning of 2017. The City expects to announce the details of this revised structure this summer, so that all retirees, current and future, will have all the information they need to appropriately prepare for this important component of retirement planning. With the changes taking place in the national healthcare market, we will ensure retirees have the information needed to navigate the options available for their healthcare needs going forward, both for Medicare and non-Medicare eligible retirees. As you know, retirees who are eligible for Medicare will continue to receive Medicare coverage, and supplemental Medicare plans are available from many insurance companies – as there are today – for retirees who wish to purchase additional coverage. And retirees who are not eligible for Medicare will have a broad range of healthcare plan options available to them as the Illinois health insurance exchange goes into effect in 2014.

One additional note – as you may know, the current retiree healthcare subsidy provided by the four Chicago pension systems is set to expire on June 30, 2013. If this subsidy is not reauthorized, retirees will likely be responsible for bearing any additional cost for their healthcare plan that is currently borne by their respective pension funds.

We look forward to working with you in the coming months to ensure you have all the information you and your family will need to make sound decisions regarding your retiree healthcare.

Respectfully,

Amer Ahmad, City Comptroller

**City of Chicago and Board of Education Retirees**

This is to notify you that if you participate in your former employer's retiree health care plan, the law that required the Fund to make monthly payment to your former employer to assist in the payment of the monthly premium of your health insurance, ends as of June 30, 2013. This could have a direct effect on the amount of your monthly premium that you are responsible for paying. We recommend that you contact your former employer to find out the impact of the ending of the monthly payment.

**Please call to make an appointment with the MEABF or if you are dropping-off or picking up documents. We do not honor walk-in appointments.**

Visit [www.meabf.org](http://www.meabf.org) for more information.



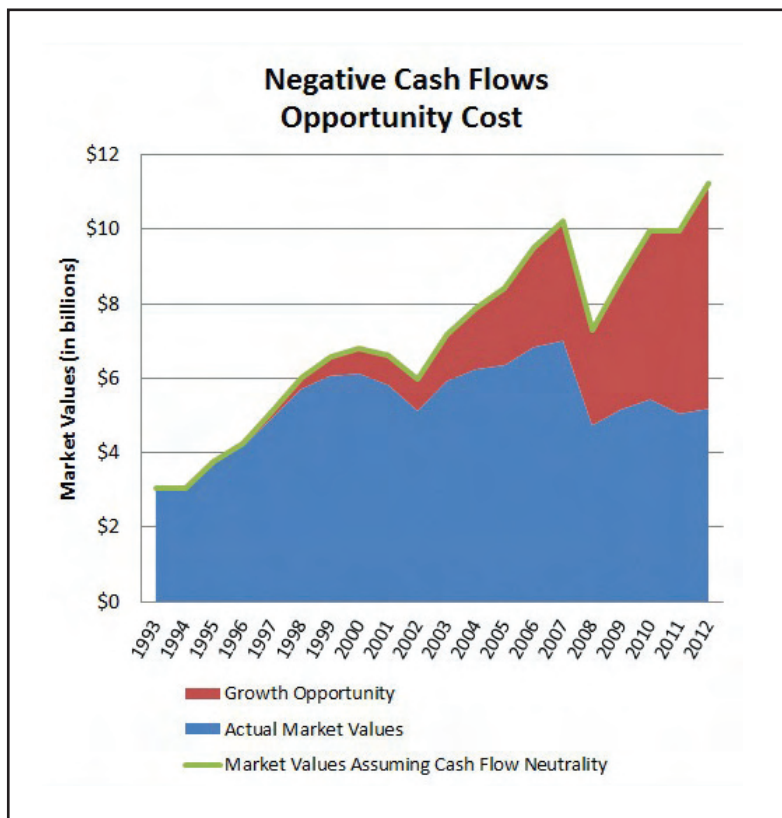
# INVESTMENTS

This past year was an eventful year for markets across the globe. The U.S. markets were no exception as investors closely followed the presidential election and tried to forecast what shape certain fiscal and monetary policy initiatives would take depending on who was elected. Despite a fair amount of uncertainty that persisted, markets performed favorably and the Fund's investment portfolio benefited. Overall, the Fund's investments generated a net-of-fees return of approximately 12.6% in 2012.

The financial markets have continued to rally throughout the first quarter of 2013. Despite concerns that the March sequestration cuts in the United States would

slow economic growth, the impact on the financial markets has not yet been felt. In fact, the S&P 500 Index reached an all-time high on the last trading day of the first quarter. MEABF's portfolio is performing well given the positive economic undercurrents. For the fourth time in as many years, the Fund's portfolio has produced strong first quarter results. The Fund's portfolio generated an estimated total return of 4.9% in the first quarter of 2013.

Please visit our website to see the most recently published financial information regarding the Fund. Recent additions include the 2012 Audited Financial Statements and the 2012 Actuarial Report.



Until 1994, employee and employer contributions to the Fund exceeded the amount that MEABF disbursed in benefit payments on an annual basis. These net cash inflows had historically allowed pension investments to remain largely untouched. As a result, pension assets grew over time and the Plan's funded status steadily improved in the decades leading up to the late 1990's. Unfortunately, beginning in 1994, annual contributions were not enough to cover benefits and the Plan began having to liquidate investments to pay benefits. The annual net cash outflows were initially small, but have grown drastically year after year. Currently, so much has to be liquidated from the investment portfolio on an annual basis that pension assets have not grown significantly despite the strong investment returns in the last few years. The chart illustrates the effects of negative cash flows. The blue area represents the change in the actual market value of the Plan's assets over time. As of December 31, 2012, the Plan had approximately \$5.18 billion in assets. The red shaded area represents the missed growth opportunity resulting from having to liquidate assets.

Visit [www.meabf.org](http://www.meabf.org) for more information.

# RETIRED MEMBERS: ARE YOU MEDICARE ELIGIBLE?

*Please be advised that Open Enrollment for Medicare occurs annually from January through March. The next open enrollment begins in January 2014.*

**Once you reach age 65, you may be eligible for Medicare. However, Medicare benefits are not automatic; you must apply for them. It is to your benefit to apply for both Medicare Part A (hospital coverage) and Medicare Part B (major medical). If you are eligible for Medicare, your cost for medical coverage is substantially less.**

Even if you don't qualify for Medicare based on your work record, you may be eligible based on your spouse's work record or a former spouse's work record. If you qualify through a younger spouse, you may be eligible for Medicare benefits when your spouse reaches age 62.

**It is advisable that you make the inquiry in January of the year that your spouse will reach age 62 to assure timely enrollment in Medicare Part A and Part B. Contact your local Social Security office for more information and to determine if you are eligible based on your spouse's or former spouse's record.**

When you become eligible for Medicare Part A (Hospital

Benefits), it is to your advantage to enroll for the optional Medicare Part B (Medical Benefits). The monthly premium for Medicare Part B coverage will be deducted from your monthly Social Security payments. If you are not eligible for a Social Security payment, Social Security will bill you quarterly for your Part B premium. Part B will pay up to 80% of approved physicians' charges and other outpatient medical services after satisfying an annual deductible.

**An Annuitant who elects not to enroll and pay for Medicare Part B coverage will face a substantial financial burden. The City of Chicago and Board of Education Annuitant Plans will pay as though the annuitant has Part B coverage. We encourage you to sign up for Part B.**

Enrollment for Medicare Part B is open 3 months before and after you reach age 65. General enrollment periods are held each year from January 1 through March 31. Medicare coverage would begin the following July 1.

Medicare imposes a penalty for late enrollment. For more information, call the Social Security Administration at 1-800-772-1213.

*This information is valid at the time of publication.*

## HEALTH INSURANCE

You **MUST notify** the Fund immediately when any one of the following events occur:

Medicare eligibility:	The annuitant must notify the Fund within 60 days of the date of Medicare eligibility.
Death of a spouse or dependent/divorce:	The annuitant must notify the Fund within 90 days of the date of the event.
Dependent reaches the age limitation of the Plan:	The annuitant must notify the Fund within 90 days of the date of the event.
Coverage cancellation for any annuitant and/or family member:	The annuitant must submit the request in writing to the Fund 30 days prior to the cancellation date.
A surviving spouse coverage ends at the time of his or her remarriage or death.	The annuitant must submit the request in writing to the Fund within 30 days of the date of the event.

Note: If notifications are made outside of these time limits, refunds are calculated from the date of notification, not the date of 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 any further questions, please contact the Fund.

Visit [www.meabf.org](http://www.meabf.org) for more information.

## IMPORTANT CHANGES TO FUND POLICIES AND PROCEDURES

The Retirement Board of the Fund has approved the following changes to Fund policies and procedures:

### APPLICATION FOR DISABILITY BENEFITS

In accordance with the Illinois Pension Code, the Fund provides disability benefits for members who have become unable to perform work duties either due to an injury incurred in the performance of duty (Duty Disability) or due to an illness/accident that occurred not in the performance of duty (Ordinary Disability).

Effective immediately, the Fund cannot accept applications for ordinary disability pending the result on a duty disability claim. Any member, who has filed a worker's compensation claim or is challenging the rejection of a worker's compensation claim, would be considered injured in the performance of duty pending the ruling on the claim. An application for ordinary disability would be denied until the final ruling on the claim. Any member submitting both an ordinary disability application and a duty disability application for the same injury will have their applications rejected.

Please contact the Fund's Disability Department if you have any questions regarding this change.

### PAYMENT FOR PAST SERVICE

Members of the Fund can pay for periods of creditable prior service rendered to the City of Chicago or Chicago Board of Education (and service with certain other entities such as the CTA, CHA, and PBC subject to restrictions) and receive credit for such service for annuity and disability purposes. Creditable service does not include service paid by voucher or services performed as an independent contractor.

Payment for past service must be made while in City or Chicago Board of Education service or within 90 days after withdrawal from City or Chicago Board of Education service, or while in active service with a reciprocal fund.

While an active member of the Fund has up to 90 days following withdrawal from service to pay for past service, it is in the best interest of the member to pay for past service before resignation from City/Board of Education service. If a member elects to make a payment within the 90 day-period following withdrawal from service, retirement annuity application will not begin to be processed until after the payment for past service has been received by the Fund, possibly delaying the date when the annuitant would start receiving annuity payments. Also, the amount of annuity the member would receive for any eligible annuity payment period prior to the date the Fund received payment would be computed based only on the years of service paid for prior to withdrawal from service date. The higher annuity amount reflecting the additional service that was purchased after withdrawal from service would become effective for the eligible annuity period following payment for past service and would not be retroactive.

**Please note: As of 2/21/13, the use of an annuitant's first 3 retirement checks to pay for past service is no longer an allowable option.**

Please contact the Benefits Department if you have any questions regarding creditable service and paying for past service to the Fund.

### MEMBERSHIP RECORDS

Members of the MEABF cannot receive updated benefit information, benefit estimates or disability benefits if there is not a membership record on file. If necessary please visit the Fund's website at [www.meabf.org/Forms](http://www.meabf.org/Forms) to download and complete a membership record.

### Annuity Calculator

The MEABF is constantly striving to improve our members' experience on our web page!

Please stop by our page and check out the newest addition, our Annuity Calculator. If you are wondering what your annuity may be when you retire, just visit our site [www.meabf.org/calculator.php](http://www.meabf.org/calculator.php) and plug in your numbers!

### ETHICS POLICY UPDATE

On April 24th, the Retirement Board approved a revised Fund Ethics Policy. This policy may be viewed on our website at [www.meabf.org](http://www.meabf.org).

Please visit the MEABF website at [www.meabf.org](http://www.meabf.org). Register your email address for timely updates from the Fund. Check our website regularly for important Fund news.

Visit [www.meabf.org](http://www.meabf.org) for more information.

# IMPORTANT TELEPHONE NUMBERS

Health Insurance Retirees	City of Chicago Retirees	Chicago Public Schools Retirees
Medicare information www.ssa.gov	800-772-1213	800-772-1213
Questions about healthcare benefits or claims	Benefit Service Center 877-299-5111	Benefits 800.331.8032
	Hospital / Major Medical 800-772-6895	Hospital / Major Medical 800-331-8032
*Medical benefits advisor *Pre-certification for hospitalization and second opinions (Non-Medicare eligible annuitants and dependents)	<a href="https://telligen.qualitrac.com">https://telligen.qualitrac.com</a> 800-373-3727	<a href="http://bcbsil.com">bcbsil.com</a> 800-247-9204
Prescription drugs program	866-748-0028 <a href="http://caremark.com">caremark.com</a>	800-423-1973 <a href="http://bcbsil.com">bcbsil.com</a>
	<b>City Retirees</b> Administered by Caremark (retail and/or long-term medication)	<b>CPS Retirees</b> Administered by Prime Therapeutics (retail and/or long-term medication)

**PLEASE SEE PAGE 2 INFORMATION REGARDING ANNUITANT HEALTH CARE**

IMPORTANT INFORMATION ENCLOSED

**MEABF**  
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Chicago, Illinois 60654-4767  
www.meabf.org

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