



**Municipal Employees' Annuity and
Benefit Fund of Chicago**

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News Alert: Note from the Fund

Recent articles have been published that focus on the pension plans of the City of Chicago. The articles addressed the level of unfunded pension liabilities faced by the plans and the appropriateness of investments in private equity. We briefly address each of these topics.

Unfunded Pension Liabilities

First and foremost, MEABF has been in existence for almost ninety-years and has never missed a monthly benefit payment. We do not foresee that spotless record changing.

MEABF faces *long-term* funding challenges that must be addressed by the Illinois State Legislature, the City of Chicago, and the collective bargaining units of employees of the City of Chicago and the Chicago Public Schools. We commend their actions, but note that more needs to be done. In 2010, the Legislature changed pension benefits for future employees. In 2011, funding issues should be addressed. We believe that increases in employer and employee contributions will be an inevitable part of any solution the General Assembly may enact. MEABF stands ready to assist all concerned in finding appropriate solutions to critical funding challenges that lay ahead.

Private Equity Investments

Institutional investors like MEABF employ multiple asset classes to diversify their portfolios and reduce market risk during tough market cycles. Most of our investments are made in publicly traded securities, generally domestic equities and bonds. A smaller portion of our investments are made in higher risk, higher return asset classes that tend to perform better than publicly traded securities over time. As such, private equity (higher risk, higher return) makes up a very small portion of our investments. As of September 30, 2010, MEABF's private equity investments represented 3% of the portfolio.

MEABF has been investing in private equity for twenty-five years. Over that time it has met its objective outperforming both domestic large and small company index returns after expenses.

We hope that this brief response helps answer some questions you may have. If not, do not hesitate to contact us either by telephone or by electronic mail.