



PENSION Matters

SUMMER 2019, v49

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

Retirement Board

Thomas J. McMahon

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Local 150, Elected 2016-2019

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Treasurer

City Treasurer, Ex-Officio Member

Verna R. Thompson

Recording Secretary

Local 73, Elected 2017-2020

Jeffrey J. Johnson

Trustee

IBEW Local 9, Elected 2018-2021

Important Phone Numbers

MEABF Offices (312) 236-4700

Appointments, Ext. 7392

Disability Benefit Information

Last Name: A-L Ext. 2123,

M-Z Ext. 2131

Insurance Information

Ext. 2109

Annuity Payment Information

Last Name: A-G Ext. 2128,

H-N Ext. 2126, O-Z Ext. 2136

CPS Retiree Healthcare

(773) 553-4748

Social Security Administration

(800) 772-1213

MEABF.ORG

Letter from the President

Dear Members,

On behalf of the Board of Trustees and the staff of the Municipal Employees' Annuity and Benefit Fund ("MEABF"), I am happy to announce the completion of the MEABF's Annual Financial Reports. The 2018 Actuarial Report and the 2018 Annual Audit Report are prepared by outside consultants. The Comprehensive Annual Financial Report ("CAFR") is prepared by MEABF staff. These reports tell the story of the fiscal position of the MEABF. You can find these reports and other information on the MEABF website: www.meabf.org.

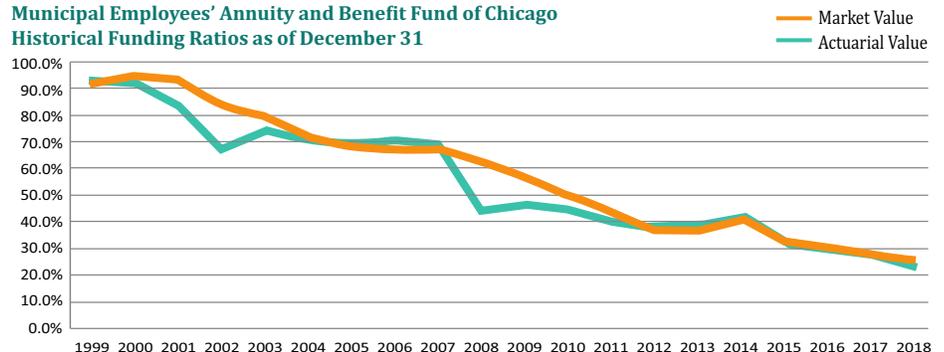
Here is a brief overview of the MEABF:

TOTAL MEMBERSHIP	74,437
RETIRED MEMBERSHIP	25,557
SURVIVING SPOUSES	3,963
REVERSIONARY	119
CHILDREN	102
ACTIVE MEMBERSHIP	31,285
MALE	12,424
FEMALE	18,861
INACTIVE MEMBERSHIP	17,575
AVERAGE ACTIVE SALARY	\$55,445
AVERAGE ANNUAL ANNUITY	\$39,564

As of December 31, 2018, the MEABF is funded at approximately 25% with an unfunded liability of over \$12 billion. In 2019, it is estimated that for every \$1 received, the MEABF will pay out \$3 in benefits.

How did we get here? The chart below illustrates the funding levels of the MEABF since the year 2000.

**Municipal Employees' Annuity and Benefit Fund of Chicago
Historical Funding Ratios as of December 31**



Legislation granting enhanced benefit packages, three early retirement incentives and static employer contributions (\$1.25 employer for every \$1 employee) created deficit spending which continues, and is growing, today.

On a positive note, the Illinois General Assembly introduced and passed legislation in 2017 that increases the amount of employer contributions paid by the City of Chicago and creates a path to 90% funding by 2058.

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Letter from the President

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Unfortunately, prior to the actuarially determined contribution expected in 2023, the annual contributions through 2022 are static in nature, and they do not address the estimated 15% “cash burn” required in 2019 and beyond to simply pay benefits.

Plainly, the MEABF needs additional, annual contributions until 2023 - or a large infusion of cash, if we are to gain any momentum in our investment portfolio. Additional funds from the City now will lower the actuarially required contributions in 2023. Although it has been reported that the City's Pension Funds have not met their investment return goals, the MEABF is proud to report that over the past 30 years, the MEABF has met or exceeded its goals. This situation cannot be solved with investment returns. So, what is the MEABF doing in response to these issues?

The MEABF's Board of Trustees and leadership team have been meeting with elected officials and union representatives requesting that they assist in lobbying for additional revenue for the MEABF – that is – like other funds in the City and State of Illinois, the MEABF will have the authority to insure it is properly funded.

Additionally, the MEABF is looking to the example of other city pension funds to emulate the successful advocacy campaigns used to ensure their membership get the benefits required by state statute. In the coming months, look to our website for information and tools that can be used to alert your elected officials to the concern you have for our pension fund.

The MEABF is eager to begin a positive relationship with the City's new administration and looks forward to discussing effective solutions for funding. We congratulate Mayor Lightfoot and her team and stand ready to assist in any way we can.

The MEABF's Financial Statement will be sent to all members in late July. In these statements will be comprehensive information about the current financial position of the MEABF.

I hope you have a safe and happy summer and I look forward to bringing you additional information about the MEABF throughout 2019.

Thomas J. McMahan
Retirement Board President



► Calendar

Direct Deposit Dates:

Annuity payments will be available the first business day of the month (not always the first day of the month). The remaining direct deposit dates for 2019 are:

Thursday, August 1

Tuesday, September 3

Tuesday, October 1

Friday, November 1

Monday, December 2

Board Meeting Dates:

Board Meetings are held at the MEABF offices and are scheduled to begin at 9:00 a.m. All meetings are open to the public. The remaining meeting dates for 2019 are:

Thursday, August 22

Thursday, September 12 (Investment)

Thursday, September 26

Thursday, October 24

Thursday, November 21

Thursday, December 19

MEABF Holidays:

MEABF offices will be closed on the following dates:

Monday, September 2, Labor Day

Monday, November 11, Veteran's Day

Thursday, November 28, Thanksgiving

Friday, November 29, Day After Thanksgiving

Wednesday, December 25, Christmas Day

INVESTMENTS UPDATE

2018 was a tale of two stories... the year started out shaky, attributed to macroeconomic and geopolitical factors. The market rebounded during the middle of the year (Q2 and Q3) with the S&P 500 closing above 2,900 for the first time in September. However, the fourth quarter was a different story. The entire investment gain during the year was completely wiped out, and more specifically, in December.

2018 S&P 500



Source: Yahoo Finance

Despite strong economic conditions; a low unemployment rate coupled with wage growth, strong consumer spending, and positive corporate earnings, the market still struggled. The same concerns that haunted investors at the beginning of the year, crept back into the market. Trade wars, mid-term elections, continued uncertainty about BREXIT, and slowed growth in China, had a huge impact on the Emerging Market economies. The result was not pretty.

US EQUITY	December	4Q	2018
S&P 500	-9.03%	-13.52%	-4.38%
Russell 2000	-11.88%	-20.20%	-11.01%

NON-US EQUITY	December	4Q	2018
MSCI ACWI ex US	-4.53%	-11.46%	-14.20%
MSCI Emerging Markets	-2.66%	-7.47%	-14.58%

FIXED INCOME	December	4Q	2018
Bim BC US Aggregate	1.84%	1.64%	0.01%
Bim BC High Yield	-2.14%	-4.53%	-2.08%

To illustrate this, we reviewed the major asset class benchmarks. The leaders in 2017, International Equity, were the biggest losers in 2018. The MSCI ACWI ex-US benchmark returning -14.20% and the MSCI Emerging Markets index returning -14.58% for 2018. US small-cap equity also had a difficult year with -11.01% for the Russell 2000 for the year. The broad domestic bond market was flat and sadly, outperformed the equity markets for the year.

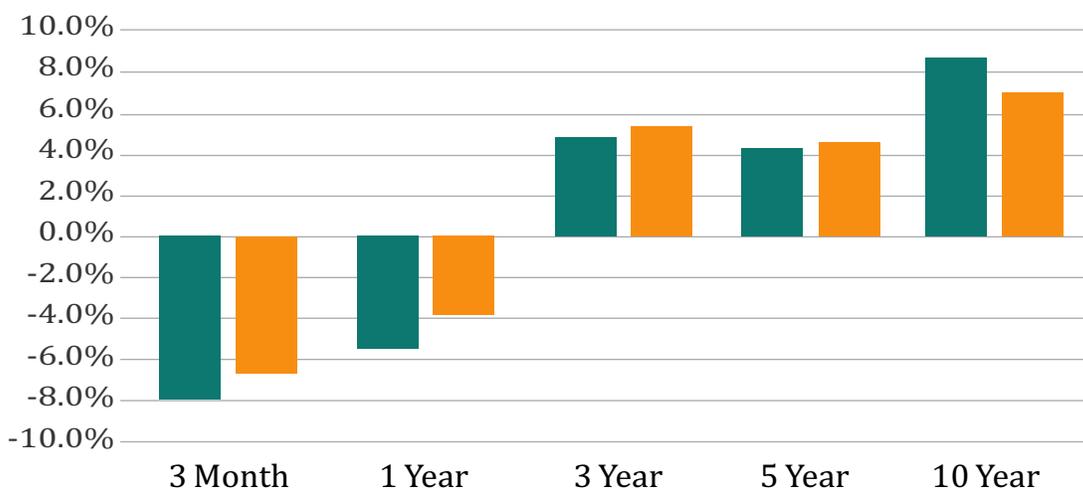
Source: Marquette Associates

There was a size factor (large cap vs. small cap) and style factor (value vs. growth), that had a huge impact on performance. In 2018, small-cap stocks suffered the most relative to the large-cap stocks and the same story with value stocks relative to the growth stocks.

Below illustrates the Fund's returns for the year ended 2018 over multiple time periods:

2018	3 Month	1 Year	3 Year	5 Year	10 Year
MEABF	-7.9%	-5.7%	5.0%	4.4%	8.3%
Policy Benchmark	-6.6%	-3.9%	5.5%	4.6%	7.3%

MEABF Portfolio



Source: Marquette Associates

MEABF Policy Benchmark

The portfolio's shorter-term underperformance was mainly attributable to our higher exposure to small-cap and international equity coupled with a value tilt in our equity portfolio. However, as a long-term investor, it's important to observe the Fund's performance over the longer time horizon as well. The Fund's 10 year return (8.3%) is 100 basis points above the policy benchmark (7.3%) and over 130 basis points over our actuarially assumed rate of return.

In 2019, the Fund is reviewing asset allocation ideas to showcase possible options in reallocating and reducing overall portfolio risk while staying close to our assumed rate of return of 7%. As mentioned in the previous Pension Matters, the Fund continues to streamline the portfolio to be more efficient and diversified.

Steve Yoon
Investment Officer

YOU SHOULD KNOW

▶ Annual Signature Verification Mailing

The process for mailing the annual Signature Verification Forms has changed in 2019. In order to more efficiently serve our annuitant members, the following mailing schedule will occur:

<i>Annuitant Last Name Begins With</i>	<i>Mail Date</i>	<i>Required Return Date</i>
A - G	April 2019	June 1, 2019
H - O	June 2019	August 1, 2019
P - Z	August 2019	October 1, 2019

Although the MEABF began the Signature Verification process for our retired members voluntarily, the Illinois General Assembly codified this requirement for all Illinois Government Pension Funds in 2016.

▶ CPS Healthcare Coverage

Chicago Public School (CPS) annuitants who retired from service with the CPS and are participating in the CPS annuitant healthcare program must contact the Fund when any of the following occur:

Medicare eligibility:

notify MEABF within 60 days of eligibility

Death or divorce of a spouse or dependent:

notify MEABF within 90 days of the event

Dependent reaches the age limit of the plan:

notify MEABF within 90 days of the event

▶ Annual Contribution Statement Mailing

Annual Contribution Statements were mailed to all Active Members (current contributors) of the Fund on April 19, 2019. All statements were mailed to the address active members have on file with their employers.

▶ Social Security Windfall Elimination Provision

The Windfall Elimination Provision (WEP) is a formula used to adjust Social Security worker benefits for people who receive “non-covered pensions” and qualify for Social Security benefits based on other Social Security-covered earnings. A non-covered pension is a pension paid by an employer that does not withhold Social Security taxes from your salary, typically, state and local governments or non-U.S. employers.

Congress passed the WEP to prevent workers who receive non-covered pensions from receiving higher Social Security benefits as if they were long-time, low-wage earners. In 2013, the WEP applied to approximately 2.5 percent of all beneficiaries (1.5 million beneficiaries across the United States).

Recently, State Representative Flowers introduced House Resolution 6 urging Congress and the President to find a solution to the Windfall Elimination Provision that, in some cases, harms government workers who paid into Social Security. The MEABF will continue to monitor the status of changes, if any, to WEP.

▶ The Importance of Applying for Disability in a Timely Manner

Did you know that credit toward your pension continues when you are on either Ordinary or Duty Disability? It's true! Here's the important part: **There is a ONE YEAR timeframe during which you must apply for disability.** If you do not apply within one year, you will not receive payment or credit for any time prior to the one year timeline that you may be entitled to. If you are injured on or off the job and cannot work, apply for disability as soon as possible to insure your credit continues from the time of injury. Call (312) 236-4700, 7391 if you have any questions or need an application.



MEABF is on social media!
Follow us for up-to-date information regarding Fund news.



ALERT: You May Have Money! City of Chicago Retirees

If you are participating in City Sponsored Healthcare, some Retirees have not cashed their Healthcare Premium Refund Checks. Retirees or their legal representatives may request that the City reissue their refund checks.

Here's How:

To search by name to determine whether a City retiree has an uncashed healthcare premium refund check for the period of 2003 to 2013, you can access the City's website through the MEABF's website: meabf.org. A link is provided in the news item dated December 21, 2018.

If a City retiree finds or sees that he/she has an uncashed healthcare premium refund check, he/she should then follow the instructions provided for requesting the check to be reissued.

Please note that the Municipal Employees' Annuity and Benefit Fund of Chicago has no information relating to refund checks and any such inquiry should be directed to the City of Chicago consistent with the instructions on the City's website.

UNCLAIMED PROPERTY

Inactive Members Over 70½ Years Old

The MEABF is attempting to locate individuals aged 70½ years and older who have money remaining in the Fund. IRS Rules dictate that individuals who reach age 70½ must begin taking minimum distributions from retirement benefits.

A list of these individuals is located at the MEABF website: MEABF.org

If you or someone you know is on this list, call the Fund at 312-236-4700 and dial extension 7391 to speak with a Benefits Counselor.

**Check Out
Our Website**

The MEABF is continually updating our website. A new initiative for our website is tutorial videos to assist in completing paperwork required by the MEABF. Check it out! We hope to add more interactive information and tools for our members during 2019.

MEABF.ORG



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A Pension Trust Fund of the City of Chicago
321 North Clark Street, Suite 700
Chicago, Illinois 60654-4767

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