

# For Your Benefit

A Publication of the Laborers' and Retirement Board Employees' Annuity and Benefit Fund of Chicago



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ISSUE 36

## CITY RETIREE HEALTHCARE EXPIRES DECEMBER 31, 2016

What Does This Mean for LABF Annuitants and What Are Your Options?



This year marks the end of a three-year phase out of City of Chicago ("City") retiree healthcare plan coverage. With the exception of those who retired prior to August 23, 1989, retirees will no longer be covered by a City-provided health plan at the end of the year, and these retirees must enroll in other insurance for 2017 to avoid a gap in coverage.

**MEDICARE ELIGIBLE CITY RETIREES** who have Medicare Parts A and B will need to sign up for other supplemental insurance such as a Medicare Supplement, Part D Prescription Drug plan, or a Medicare Advantage Plan.

The City made arrangements to help Medicare Retirees find supplemental insurance and they have been notified of the following:

- Blue Cross Blue Shield of Illinois ("BCBSIL") is offering a Medicare Advantage Plan for Medicare eligible City Retirees. Enrollment packets have been mailed to retirees. Call **(877) 566-8520** to speak with a BCBSIL representative.
- A Chicago-based company called GoHealth is available to help Retirees explore and compare other options to supplement Medicare. Call **(855) 785-7841** to speak with a GoHealth representative.
- For general Medicare questions, Retirees were informed that they should call **(800) MEDICARE (800) 633-4227**.

**NON-MEDICARE ELIGIBLE CITY RETIREES** can enroll in plans available on the health insurance Marketplace (also known as the Exchange) or through private insurance companies.

The City made arrangements to help non-Medicare Retirees find other insurance and they have been notified of the following:

- BCBSIL is offering City Retirees two PPO plans that include a network of doctors and hospitals not available in the Marketplace. BCBSIL has mailed enrollment packets to retirees. Call **(800) 292-6398** for more information.
- GoHealth is available to help non-Medicare Retirees shop and compare benefits and costs of insurance plans on the Marketplace, and find out if they qualify for subsidies. GoHealth also helps explore non-Medicare coverage options with private insurance companies. Call **(855) 785-7842** to speak with a GoHealth representative.

**DON'T FORGET TO ENROLL NOW TO AVOID A GAP IN COVERAGE.**

*Please note that the LABF is providing this information for your convenience and does not endorse any healthcare plan.*

## LEGISLATIVE AND LITIGATION UPDATE

On June 9, 2014, Senate Bill 1922 was signed into law and became Illinois Public Act 98-0641 ("Act"). Specifically, the Act called for reductions in future automatic annual increases in annuity, commonly referred to as "COLAs." The Act also required increased pension contributions from active employees in exchange for actuarial-based funding from the City that would have put the LABF on a path toward reaching 90% funded status by 2055.

In late December 2014, two lawsuits were filed challenging the constitutionality of the Act on the grounds that it diminished pension benefits and, therefore, violated the pension protection clause of the Constitution of the State of Illinois.

On July 24, 2015, the Act was ruled unconstitutional by the Circuit Court of Cook County. The ruling was appealed and on March 24, 2016, the Illinois Supreme Court affirmed the lower court's ruling.

## FROM THE DESK OF THE BOARD PRESIDENT

Dear LABF Members:

I would like to start by saying that it is a great honor to serve you as Board President of LABF. There is no doubt that you are aware of the many financial challenges faced by the City of Chicago and its pension funds. I want to use this newsletter as an opportunity to provide you with an update regarding LABF's specific situation.

Without pension reform, LABF will not survive. As you may know, LABF relies on employee contributions, employer contributions and investment income to remain financially stable. The biggest problem LABF faces is that contributions are not sufficient to support the benefits it currently pays. Unlike most defined benefit pension funds in this country where the employer contributes the amount that an independent actuary determines is necessary to satisfy its financial obligations, the contributions currently being made to LABF are not tied to the level of its liabilities. Illinois law simply dictates that LABF will receive one dollar from the employer for each dollar the employee contributes. In other words, LABF is funded like a defined contribution plan, but pays benefits like a defined benefit plan. This is simply not sustainable and without a change in the funding methodology, LABF is projected to be completely insolvent in 2026.

On May 23, 2016, LABF's Board of Trustees met to consider the possibility of LABF introducing its own pension funding legislation. Meanwhile, the same day, the City of Chicago announced that the City and labor leaders representing employees who participate in LABF reached an agreement, in principal, to address LABF's unfunded liabilities. The agreement calls for a combination of higher employer contributions and the introduction of a new tier of benefits for employees whose employment begins on or after January 1, 2017. To date, the City has provided LABF with the basic structure of the proposed plan, but has yet to provide LABF with a draft of the proposed legislation that will have to be passed into law by the Illinois General Assembly in order to effect the change. Until such time as LABF receives all the details regarding the proposed plan, no determination can be made regarding its viability or overall impact. I am extremely hopeful that a viable solution can be crafted and passed into law during the next legislative session scheduled to begin in November 2016. We intend to keep you informed of the progress achieved toward a solution. For updates, please visit our website at [www.labfchicago.org](http://www.labfchicago.org).

Sincerely,



Victor Roa  
Board President

# Financials

## SUMMARY ANNUAL FINANCIAL REPORT FOR YEAR ENDING DECEMBER 31, 2015

This section summarizes information contained in the 2015 Actuarial Valuation Report and the 2015 Financial Statements. These reports offer a more detailed analysis regarding LABF's funding, investment portfolio and member demographics. The LABF encourages you to review the full reports which are available on our website.

### FINANCIAL STATEMENTS

As of December 31, 2015, LABF's Net Position - Restricted for Pension Benefits was \$1.2 billion, representing a decline of \$149 million, or 10.8%, from the prior year. Of the 10.8% decline, approximately 9.2% resulted from having to liquidate investment assets to offset LABF's severe cash flow deficit due to inadequate funding.

Member contributions, employer contributions, and investment proceeds are the funding sources for LABF. As the Condensed Statement of Changes in Fiduciary Net Position shows, total additions were \$9 million in 2015, a \$75 million decrease from 2014, nearly all due to the difference in investment returns from year to year. The Fund's most significant expenses are benefit and refund payments which represent 97.6% of the Fund's total expenditures. The remaining 2.4% is attributed to the administrative cost of operating the Fund.

Condensed Statement of Changes in Fiduciary Net Position (in thousands)		
ADDITIONS	2015	2014
Employer contributions	\$14,566	\$14,521
Member contributions	16,844	16,359
Investment income	(22,318)	53,393
Total additions	9,092	84,273
DEDUCTIONS		
Benefits and refunds	154,683	150,017
Administrative expenses	3,844	3,835
Total deductions	158,527	153,852
NET INCREASE/	(149,435)	(69,579)
NET POSITION - RESTRICTED		
Beginning of year	1,388,093	1,457,672
End of year	\$1,238,658	\$1,388,093

### INVESTMENTS

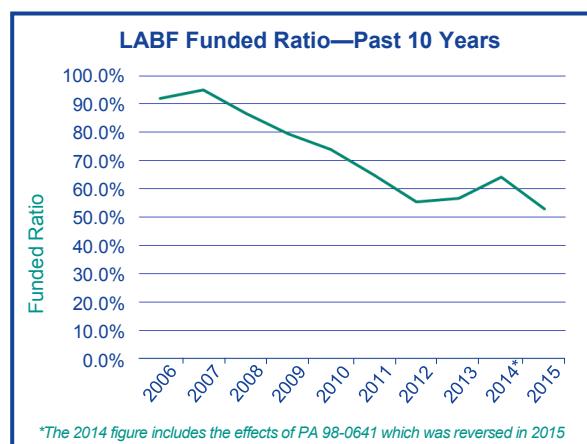
LABF's investment goal is to achieve the highest possible long-term total rate of return while utilizing a diversified investment portfolio and maintaining an appropriate level of risk. As shown in the Investment Portfolio Summary, LABF utilizes a variety of asset types. The Board, its investment consultant and staff review the asset allocation annually.

The market environment proved quite difficult for most investors in 2015. Global stock indices were slightly negative for the year while bond indices were only marginally positive. Faced with these headwinds, LABF's investment portfolio experienced a loss in 2015. The total investment return, net of fees, was -1.5% in 2015 as compared to 3.3% in 2014. In absolute terms, private equity and real estate were the primary contributors to performance while fixed income, domestic and international equities, global asset allocation, and hedge funds were detractors.

Investment Portfolio Summary at Fair Value as of December 31, (in thousands)		
	2015	2014
Equities	\$663,261	\$739,792
Fixed income	222,186	250,010
Global asset alloc.	117,221	140,741
Hedge funds	106,767	102,078
Private equity	33,411	42,071
Real estate	45,787	45,735
Cash & Short term	42,960	49,893
Total	\$1,231,593	\$1,370,320

### ACTUARIAL VALUATION

The funded ratio represents the percentage of assets available to pay the future benefits. According to the December 31, 2015 Actuarial Valuation Report, the LABF's funded ratio based on the actuarial value of assets was 53.0% as compared to 64.3% in 2014. This significant drop of 11.3% is largely attributable to the reversal of Illinois Public Act 98-0641 (the 2014 Pension Reform Law) and contributions of less than the Actuarially Required Contribution.



# Important Information

## PARTICIPANT STATEMENT WHAT'S ON YOUR STATEMENT?

In early Spring 2017, expect to receive your annual Participant Statement. This statement will reflect the amount of money you have contributed toward your retirement as of December 31, 2016. It will also include important member data and list your beneficiaries on file with the LABF. Please read your statement carefully. If there are any errors or omissions, resolving them immediately may save you time and trouble at the time of retirement. Please note, if you owe any money, please contact the LABF immediately to arrange a payment plan.

## BENEFICIARY DESIGNATION WHO IS NAMED AS YOUR BENEFICIARY?

As an active member of the LABF, 8.5% of your pensionable salary is contributed into the Fund. If you, or your survivors who may be entitled to an annuity, die before all your contributions are collected back through withdrawal, retirement payments, or a survivor annuity, who would you like to receive your contributions? Please check your annual Participant Statement to confirm your beneficiary designation. If you would like to change your designation(s), you can obtain a Beneficiary Designation Form from the LABF website or by contacting the LABF office. This form must be notarized to be valid.

## EMPLOYEE INFO SHEET DO WE HAVE YOUR CURRENT INFORMATION?

At the start of employment, each member is required to complete an Employee Information Sheet. The information that you provide is used to determine your benefits, therefore, if you did not complete this form, or if your information has changed, please do one of the following:

- Call the Fund to check the accuracy of your information on file;
- Print the form from the "Forms" page on our website; or
- Request that a form be sent to you.

## DISABILITY BENEFITS ARE YOU SICK OR INJURED?

The LABF provides disability benefits for qualified members who are unable to work due to illness or injury. Members receiving worker's compensation or who are on a medical leave of absence are required to make an application with the Fund in order to receive disability benefits. While in receipt of disability payments, members continue to earn credit toward retirement.

To determine eligibility, call the LABF at (312) 236-2065 (press 3 for "Benefits," then 2 for "Disabilities"). Time restrictions apply.

## ATTENTION ANNUITANTS

To reduce the occurrence of fraud by those who seek to illegally collect the annuity payments of deceased members, the LABF requires that its annuitants submit an annual "**ANNUITANT SIGNATURE VERIFICATION FORM.**" This form must be signed by the annuitant, or his or her legal agent, notarized and returned to the LABF before the specified deadline. Failure to comply results in suspension of annuity benefits.

Annuitants should expect to receive their next annual form during the Spring of 2017. Please complete and return the form as soon as possible to avoid interruption of your annuity benefits.

For those who may need assistance handling financial affairs, a **DURABLE POWER OF ATTORNEY ("POA")** for property may be very helpful. It allows your agent to conduct your financial affairs in the event you become unable to do so in the future. The agent you choose should be someone you trust.

You or your agent may submit a POA to the LABF for review. Your POA must meet the requirements of the Illinois Power of Attorney Act in order for the LABF to accept it. The requirements are as follows:

- It must specify retirement transactions
- It must be signed by the member of the LABF who is receiving payments
- The member's signature must be notarized
- There must be at least one witness
- If the POA was signed more than six months prior to submission to the LABF, an affidavit supplied by the LABF must be signed and submitted by the agent.

Once a POA is on file with the LABF, your agent may handle your retirement affairs, however, agents may not assign beneficiaries.

For more information or to submit a POA, please contact the LABF.

# More Things You Need To Know

## THE LABF MAY OWE YOU MONEY FOR UNCLAIMED PENSION CONTRIBUTIONS

Currently, the Fund holds contributions from LABF members who have left their employment with the City or a retirement board and never filed for a refund of contributions or pension benefits. We are trying to find these members.

Please visit our website at [LABFChicago.org/members/inactive-members](http://LABFChicago.org/members/inactive-members) to review the unclaimed contributions list to see if you, or someone you know, may be owed a refund of contributions or a benefit. If so, contact the Fund by following the corresponding link on the site.

Also, the heirs of deceased members may be entitled to a refund or a benefit. If you know the heirs of a deceased member whose name appears on the unclaimed contributions list, please refer them to the website to request a call from a counselor for information on determining eligibility. Thank you for your help with this matter.

## 2016 TRUSTEE ELECTION FOR THE DECEMBER 2, 2016 - DECEMBER 1, 2019 TERM

**NOTICE** is hereby given that the election for one trustee of the LABF, which was to have been held on Thursday, October 27, 2016, has concluded because the candidate, **Michael LoVerde**, ran unopposed.

In accordance with the Election Rules, individuals meeting all the requirements for candidacy must have filed their petitions for candidacy along with the necessary documentation by 3pm on Tuesday, September 6, 2016.

The Election Committee certifies that because Mr. LoVerde meets all the requirements to serve as a Trustee of the LABF, and because Mr. LoVerde was the only candidate, **Michael LoVerde is declared to be the elected trustee** for a three-year term that begins December 2, 2016.

Mr. LoVerde has been a member of the LABF for nineteen years and currently works for the Department of Water Management. He has served faithfully on the Board of Trustees of the LABF for five years.

The LABF congratulates Mr. LoVerde on his certification and is grateful for his continued service on the Board of Trustees.



## IMPORTANT PHONE NUMBERS AND WEBSITES

**Benefits Management Office  
(City of Chicago)**  
(877) 299-5111  
[www.cityofchicago.org/benefits](http://www.cityofchicago.org/benefits)

**Blue Cross Blue Shield (Active Employees)**  
(800) 772-6895  
[www.bcbst.com](http://www.bcbst.com)

**Blue Cross Blue Shield  
(2017 Healthcare Options for Retirees)**  
Medicare Advantage: (877) 566-8520  
Non-Medicare: (800) 292-6398  
[www.bcbst.com/cityofchicago](http://www.bcbst.com/cityofchicago)

**Committee on Finance  
(Workers' Compensation)**  
(312) 744-9879

**Deferred Compensation  
(Nationwide Retirement Solutions)**  
(312) 443-1975  
[www.nrsforu.com](http://www.nrsforu.com)

**Laborers' Annuity & Benefit Fund**  
(312) 236-2065  
[www.labfchicago.org](http://www.labfchicago.org)

**Mayor's Office of Inquiry & Info**  
311  
[www.cityofchicago.org](http://www.cityofchicago.org)

**Social Security Administration**  
(800) 772-1213  
[www.ssa.gov](http://www.ssa.gov)

**Medicare Part D**  
(800) 633-4227  
[www.medicare.gov](http://www.medicare.gov)

**Caremark**  
(866) 748-0028  
[www.caremark.com](http://www.caremark.com)

**Prudential (Active Employee Life Ins.)**  
(800) 778-3827  
[www.prudential.com](http://www.prudential.com)

**Cook County General Phone Number**  
(312) 603-5500  
[www.co.cook.il.us](http://www.co.cook.il.us)

## FOR DOCUMENTS IN COOK COUNTY:

**Cook County Clerk's Office**  
For Birth, Death, or Marriage Certificates  
(312) 603-7790  
[www.cookctyclerk.com](http://www.cookctyclerk.com)

For divorce Decrees  
(312) 603-6300

\* Birth and death certificates may also be obtained, for an additional fee, at most local currency exchanges. Death certificates for deaths within the past six months in the City of Chicago may be obtained from the Chicago Board of Health at (312) 744-3800. Birth certificates for children under three months old and born in Chicago may be obtained from the Chicago Board of Health at (312) 744-3799. For recent deaths and births in the suburban area, contact your local government office.



*Labors' and Retirement Board Employees'*  
*Annuity and Benefit Fund of Chicago*  
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# THE LATEST NEWS ABOUT YOUR PENSION

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Alternative Options... How to Enroll... Important Deadlines to Meet...

**ACTUARIAL PROJECTIONS PREDICT LABF INSOLVENCY IN 2026**  
Fund Financial Status And a Glimpse at Newly Proposed Legislation

**BOARD OF TRUSTEES ELECTION CERTIFICATION NOTICE**  
For the Term of December 2, 2016 - December 1, 2019

**VICTOR ROA**  
President/Appointed Trustee, Secretary of Local 1001

**ERIN KEANE**  
Vice President/Ex-Officio Trustee, City Comptroller

**MICHAEL LOVERDE**  
Secretary/Elected Trustee, Laborer

**CAROL HAMBURGER**  
Appointed Trustee, Managing Deputy Comptroller

**KURT SUMMERS, JR.**  
Ex-Officio Trustee, City Treasurer

**CAROLE BROWN**  
Appointed Trustee, Chief Financial Officer

**JAMES CAPASSO, JR.**  
Elected Trustee, Retiree

**JAMES M. JOINER**  
Elected Trustee, Foreman of Construction Laborers