Municipal Employees' Annuity and Benefit Fund of Chicago
A Pension Trust Fund of the City of Chicago
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May 12, 2016

Mr. Anthony C. Clancy
Chief Operating Engineer
George Armstrong School of International Studies
2110 W. Greenleaf Avenue
Chicago, IL 60645

Re: Request for Information

Mr. Clancy:

Thank you for your request for information regarding the impact of the possible termination of over 500 current members of the Municipal Employees' Annuity and Benefit Fund of Chicago (MEABF). As you are aware, it is difficult to give precise figures regarding this amount of members as each member's situation is different. What we will try to do is give you the key reasons why a sudden removal of a large number of contributing members can be detrimental to MEABF. The examples included are purely hypothetical scenarios.

1) **Less employee contributions also means less employer contributions.** MEABF is one of the few pension funds in the State of Illinois that are still funded based on a static multiple of employee contributions. Because of that, less employee contributions into MEABF also means less employer contributions. For example, if on average a member is contributing $6,500 a year in employee contributions, MEABF would also lose $8,125 per member in employer contributions. Add those together, times 500 members, annual contributions lost are approximately $7.3 million per year. If these members were members of the Chicago Teachers Pension Fund (CTPF), which is funded by an actuarially determined contribution, the loss of the employee contributions would be absorbed in increased employer contributions in following years.
2) **Impact of an "early" retirement.** As you are aware, members may retire from MEABF at 50 years of age with 30 years of creditable service, at 55 years of age at 20 years of creditable service (discounted), and at 60 years of age at 10 years of creditable service. A mass termination of retiree eligible members would increase the retirement rolls by millions of dollars immediately, instead of retiree eligible members possibly retiring later in their careers. For example, a member who is 55 with 30 years of service entering retirement because of termination instead of waiting till possibly 65 when they are Medicare eligible would lead to roughly ten years of additional annuity payments. If they on average received a $4,000 monthly annuity during that time period, that would be $480,000 in "early" retirement payments. If half of the estimated 500 members fall into this category, then you would estimate approximately $120,000,000 in "early" retirement payments over a ten year period.

Retirees who are eligible to receive annual automatic increases would increase the ten year payout by an additional $14 million.

I hope this assists with your request.

Sincerely,

James E. Mohler
Executive Director