

**FIREMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO
(A COMPONENT UNIT OF THE CITY OF CHICAGO, ILLINOIS)**

FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND 2012

FIREMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO

FINANCIAL STATEMENTS WITH SUPPLEMENTARY INFORMATION

DECEMBER 31, 2013 AND 2012

CONTENTS

	PAGE
Report of Independent Auditors	1
Management's Discussion and Analysis (Unaudited)	4 - 4f
Combining Statements of Pension Plan and Health Insurance Supplement Plan Net Position	5
Combining Statements of Changes in Pension Plan and Health Insurance Supplement Plan Net Position	6
Notes to Financial Statements	8
Required Supplementary Information	
Schedules of Funding Progress	26
Schedules of Employer Contributions	27
Notes to Schedules of Funding Progress and Schedules of Employer Contributions	28
Supplementary Information	
Schedules of Administrative Expenses	30
Schedules of Investment Expenses	31
Additions by Source	32
Deductions by Type	32

REPORT OF INDEPENDENT AUDITORS

To the Board of Trustees of
Firemen's Annuity and Benefit
Fund of Chicago

Report on the Financial Statements

We have audited the accompanying financial statements of Firemen's Annuity and Benefit Fund of Chicago (the Plan), a component unit of the City of Chicago, Illinois, which comprise the combining statements of pension plan and health insurance supplement plan net position as of December 31, 2013 and 2012, and the related combining statements of changes in pension plan and health insurance supplement plan net position for the years then ended, and the related notes to the financial statements, which collectively comprise the Plan's basic financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit includes performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Plan's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Auditors' Responsibility (continued)

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the plan net position of Firemen's Annuity and Benefit Fund of Chicago as of December 31, 2013 and 2012, and the changes in plan net position for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 4 through 4f and the required supplementary information consisting of the schedules of funding progress, the schedules of employer contributions and the notes to those schedules on pages 26 through 29 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the Plan's basic financial statements as a whole. The accompanying supplementary information on pages 30 through 32 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information consisting of the schedules of administrative expenses, schedules of investment expenses, additions by source, and deductions by type, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Matters (continued)

Previously Audited Information

We also have previously audited the basic financial statements for the years ended December 31, 2011, 2010, 2009, and 2008 (which are not presented herein), and we expressed unmodified opinions on those financial statements. In our opinion, the information on page 32 is fairly stated in all material respects in relation to the basic financial statements from which it has been derived. Our reports for 2011, 2010, 2009 and 2008 on the required supplementary information (pages 26 and 27) stated that we applied limited procedures, which consisted principally of inquiries of management regarding the methods of measurements and presentation of the supplementary information, but did not audit the information and expressed no opinion on it.

Legacy Professionals LLP

Chicago, Illinois

June 13, 2014

FIREMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

DECEMBER 31, 2013 AND 2012

This section presents Management's Discussion and Analysis of the financial position and performance of the Firemen's Annuity and Benefit Fund of Chicago (the Plan) for the year ended December 31, 2013 and 2012. This discussion is presented as an overview of the financial activities of the Plan and should be read in conjunction with the Plan's financial statements.

Overview of the Basic Financial Statements

The following discussion and analysis is intended to serve as an introduction to the Plan's basic financial statements. The financial statements are prepared on an economic sources focus and accrual basis of accounting in accordance with Governmental Accounting Standards Board (GASB) pronouncements. The basic components of the financial package are described below:

Combining Statements of Pension Plan and Health Insurance Supplement Plan Net Position provides a snapshot of account balances and net position held in trust for future benefit payments and any liabilities as of the Plan's year end. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the Plan is improving or deteriorating.

Combining Statements of Changes in Pension Plan and Health Insurance Supplement Plan Net Position shows the revenues (additions) and expenses (deductions) during the year, where additions less deductions equal net increase (decrease) in net position. The net increase (decrease) in net position reports the change in net position as reported in the combining Statements of Changes in Pension Plan and Health Insurance Supplement Plan Net Position of the prior year and the current year.

Notes to the Financial Statements provides additional information that is essential to achieving a better understanding of the data provided in the basic financial statements.

Required Supplementary Information provides schedules and related notes concerning actuarial information, funding progress and employer contributions.

Supplementary Information includes schedules of administrative expenses, investment expenses, additions by source, and deductions by type.

Financial Highlights

Plan Net Position

The condensed Combining Statements of Pension Plan and Health Insurance Supplement Plan Net Position reflects the resources available to pay benefits to members. A summary of the Combining Statements of Pension Plan and Health Insurance Supplement Plan Net Position is as follows:

	Plan Net Position As of December 31,			Current Year Increase/(Decrease) in	
	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>Dollars</u>	<u>Percent</u>
Assets:					
Receivables	\$ 113,622,242	\$ 94,553,758	\$ 94,909,534	\$ 19,068,484	20.2 %
Prepaid expenses	119,151	158,739	137,026	(39,588)	(24.9)%
Investments, at fair value	1,007,046,152	942,774,569	904,152,540	64,271,583	6.8 %
Collateral held for securities on loan	<u>168,963,442</u>	<u>161,363,241</u>	<u>148,322,719</u>	<u>7,600,201</u>	4.7 %
Total assets	<u>1,289,750,987</u>	<u>1,198,850,307</u>	<u>1,147,521,819</u>	<u>90,900,680</u>	7.6 %
Liabilities:					
Payables	4,082,688	5,064,268	5,425,551	(981,580)	(19.4)%
Securities lending collateral	<u>168,963,442</u>	<u>161,363,241</u>	<u>148,322,719</u>	<u>7,600,201</u>	4.7 %
Total liabilities	<u>173,046,130</u>	<u>166,427,509</u>	<u>153,748,270</u>	<u>6,618,621</u>	4.0 %
Plan net position	<u>\$ 1,116,704,857</u>	<u>\$ 1,032,422,798</u>	<u>\$ 993,773,549</u>	<u>\$ 84,282,059</u>	8.2 %

Plan net position increased by \$84,282,059 or 8.2% from \$1,032,422,798 at December 31, 2012 to \$1,116,704,857 at December 31, 2013. Comparatively, plan net position increased by \$38,649,249 or 3.9% from \$993,773,549 at December 31, 2011 to \$1,032,422,798 at December 31, 2012.

The increase in plan net position for both years was primarily due to strong market performance across all asset classes as demonstrated by returns of 22.0% and 16.2% for the years ended December 31, 2013 and 2012, respectively. Overall growth of plan net position was significantly offset by the liquidation of marketable securities to meet monthly benefit obligations.

Changes in Plan Net Position

The condensed Combining Statements of Changes in Pension Plan and Health Insurance Supplement Plan Net Position reflects the changes in the resources available to pay benefits to members. A summary of the Combining Statements of Changes in Pension Plan and Health Insurance Supplement Plan Net Position is as follows:

Changes in Plan Net Position For the Years Ended December 31,

	<u>2013</u>	<u>2012</u>	<u>2011</u>	Current Year	
				<u>Increase/(Decrease) in Dollars</u>	<u>Percent</u>
Additions:					
Employer contributions	\$ 106,219,800	\$ 84,144,328	\$ 85,498,002	\$ 22,075,472	26.2 %
Plan member contributions	42,520,218	53,272,730	51,917,510	(10,752,512)	(20.2)%
Net investment income (loss)	189,895,723	134,480,603	(23,010,560)	55,415,120	41.2 %
Net securities lending income	637,157	715,889	560,186	(78,732)	(11.0)%
Other	(57,079)	3,459,687	33,594	(3,516,766)	(101.6)%
Total additions	<u>339,215,819</u>	<u>276,073,237</u>	<u>114,998,732</u>	<u>63,142,582</u>	22.9 %
Deductions:					
Benefits	247,057,741	228,585,731	218,897,479	18,472,010	8.1 %
Administrative expenses	3,101,827	3,063,965	3,212,515	37,862	1.2 %
Annuitant health care	2,550,785	2,622,445	2,628,163	(71,660)	(2.7)%
Litigation settlement	13,291	520,173	510,747	(506,882)	(97.4)%
Refunds of contributions	2,210,116	2,631,674	2,054,456	(421,558)	(16.0)%
Total deductions	<u>254,933,760</u>	<u>237,423,988</u>	<u>227,303,360</u>	<u>17,509,772</u>	7.4 %
Net increase (decrease) in plan net position	<u>\$ 84,282,059</u>	<u>\$ 38,649,249</u>	<u>\$ (112,304,628)</u>	<u>\$ 45,632,810</u>	118.1 %

Additions to Plan Net Position

Total additions were \$339,215,819 in 2013, \$276,073,237 in 2012 and \$114,998,732 in 2011.

Employer contributions increased by \$22,075,472 or 26.2% from \$84,144,328 for the year ended December 31, 2012 to \$106,219,800 for the year ended December 31, 2013. Comparatively, employer contributions decreased by \$1,353,674 or 1.6% from \$85,498,002 for the year ended December 31, 2011 to \$84,144,328 for the year ended December 31, 2012. During the year ended December 31, 2013, the Plan recognized additional employer contributions from the ratification of the labor contract between the Chicago Fire Fighters Union, Local No. 2 and the City of Chicago retroactively to 2010, which resulting in an increase in employer contributions of approximately \$22.1 million or 26.2%.

Additions to Plan Net Position (continued)

Plan member contributions decreased by \$10,752,512 or 20.2% from \$53,272,730 for the year ended December 31, 2012 to \$42,520,218 for the year ended December 31, 2013.

Comparatively, plan member contributions increased by \$1,355,220 or 2.6% from \$51,917,510 for the year ended December 31, 2011 to \$53,272,730 for the year ended December 31, 2012. Plan member contributions decreased during the year ended December 31, 2013 due to one time additional plan member contributions of approximately \$8.3 million received during the year ended December 31, 2012 from the Lewis class action lawsuit against the City of Chicago. Plan member contributions for the year ended December 31, 2011 includes retroactive back pay for the previous three year period of approximately \$6.8 million.

Net investment income increased by \$55,415,120 or 41.2% from \$134,480,603 for the year ended December 31, 2012 to \$189,895,723 for the year ended December 31, 2013.

Comparatively, net investment income increased by \$157,491,163 from a net investment (loss) of (\$23,010,560) for the year ended December 31, 2011 to \$134,480,603 for the year ended December 31, 2012. During the year ended December 31, 2013, the global economy grew at the fastest pace in 3 years. Global equity markets posted substantial gains in large part due to a recovering U.S. economy. The U.S. economy was supported by a strengthening housing recovery, rising consumer and business spending, and high U.S. corporate profits. The Plan's realized return on investments for the year ended December 31, 2013 was 22.0% versus 16.2% for the year ended December 31, 2012 and (2.0%) for the year ended December 31, 2011. Over the previous twenty years, the Plan's annual return is 9.1%, which is 1.1% above the actuarial assumed expected rate of return of 8%.

Portfolio Rate of Return For the Years Ended December 31,

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Domestic Equities	36.1%	17.2%	0.0%
S&P 500 Benchmark	32.4%	16.0%	1.0%
Int'l Equities	23.1%	18.5%	(14.5)%
MS World ex US	21.6%	17.0%	(11.8)%
Fixed income	1.1%	14.0%	6.2%
Barclays Aggregate Benchmark	-2.0%	4.2%	7.8%
Total Plan	22.0%	16.2%	(2.0)%

Other additions decreased by \$3,516,766 or (101.6%) from \$3,459,687 for the year ended December 31, 2012 to (\$57,079) for the year ended December 31, 2013. Comparatively, other additions increased by \$3,426,093 from \$33,594 for the year ended December 31, 2011 to \$3,459,687 for the year ended December 31, 2012. Other additions for the year ended December 31, 2012 include a one time receipt of interest on litigation contributions of approximately \$3.5 million.

Deductions to Plan Net Position

Total deductions were \$254,933,760 in 2013, \$237,423,988 in 2012 and \$227,303,360 in 2011.

Benefits increased by \$18,472,010 or 8.1% from \$228,585,731 for the year ended December 31, 2012 to \$247,057,741 for the year ended December 31, 2013. Comparatively, benefits increased \$9,688,252 or 4.4% from \$218,897,479 for the year ended December 31, 2011 to \$228,585,731 for the year ended December 31, 2012. In recent times, benefits have increased yearly due to several factors; a contractual free healthcare incentive which has added annuitants above the expected number, cost of living increases, and new annuitants coming on the pension roll at higher rates than the annuitants that are being removed from the pension roll.

During the years ended December 31, 2012 and 2011, the Plan made payments for a litigation settlement expenses as the result of a court decision involving duty death widows. No payments relating to that court decision were made during the year ended December 31, 2013.

Administrative expenses, annuitant health care, and refunds of contributions have all remained at relatively constant amounts over the last three years.

Funding Status

The actuarial assets, liabilities and funding status for the Plan is as follows:

	Actuarial Values			Current Year		
	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>Increase/(Decrease) in</u>	<u>Dollars</u>	<u>Percent</u>
Pension benefits						
Actuarial assets	\$ 991,213,282	\$ 993,283,741	\$ 1,101,741,862	\$ (2,070,459)		(.2)%
Actuarial liabilities	<u>4,128,734,543</u>	<u>4,020,137,920</u>	<u>3,851,918,889</u>	<u>108,596,623</u>		2.7 %
Unfunded actuarial liabilities	<u>\$ 3,137,521,261</u>	<u>\$ 3,026,854,179</u>	<u>\$ 2,750,177,027</u>	<u>\$ 110,667,082</u>		3.7 %
Funded ratio	<u>24.01%</u>	<u>24.71%</u>	<u>28.60%</u>			
Health insurance supplement						
Actuarial assets	\$ -	\$ -	\$ -	\$ -		0.0 %
Actuarial liabilities	<u>7,691,833</u>	<u>46,205,891</u>	<u>46,205,891</u>	<u>(38,514,058)</u>		(83.4)%
Unfunded actuarial liabilities	<u>\$ 7,691,833</u>	<u>\$ 46,205,891</u>	<u>\$ 46,205,891</u>	<u>\$ (38,514,058)</u>		(83.4)%
Funded ratio	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>			
Total						
Actuarial assets	\$ 991,213,282	\$ 993,283,741	\$ 1,101,741,862	\$ (2,070,459)		(.2)%
Actuarial liabilities	<u>4,136,426,376</u>	<u>4,066,343,811</u>	<u>3,898,124,780</u>	<u>70,082,565</u>		1.7 %
Unfunded actuarial liabilities	<u>\$ 3,145,213,094</u>	<u>\$ 3,073,060,070</u>	<u>\$ 2,796,382,918</u>	<u>\$ 72,153,024</u>		2.3 %
Funded ratio	<u>23.96%</u>	<u>24.43%</u>	<u>28.26%</u>			

Actuarial assets decreased by \$2,070,459 or .2% from \$993,283,741 for the year ended December 31, 2012 to \$991,213,282 for the year ended December 31, 2013. Comparatively, actuarial assets decreased \$108,458,121 or 9.8% from \$1,101,741,862 for the year ended December 31, 2011 to \$993,283,741 for the year ended December 31, 2012. Actuarial assets decreased due to the five year smoothing adjustment that recognized a portion of the 2011 net investment loss.

Actuarial liabilities increased by \$70,082,565 or 1.7% from \$4,066,343,811 for the year ended December 31, 2012 to \$4,136,426,376 for the year ended December 31, 2013. Comparatively, actuarial liabilities increased \$168,219,031 or 4.3% from \$3,898,124,780 for the year ended December 31, 2011 to \$4,066,343,811 for the year ended December 31, 2012. Actuarial liabilities increased due to the Plan's costs exceeding contributions received.

Funding Status (continued)

The decreases in actuarial assets and increases in actuarial liabilities contributed to an increase in the Plan's unfunded actuarial liabilities of \$72,153,024 or 2.3% from \$3,073,060,070 as of December 31, 2012 to \$3,145,213,094 as of December 31, 2013. Comparatively, the unfunded actuarial liabilities increased \$276,677,152 or 9.9% from \$2,796,382,918 as of December 31, 2011 to \$3,073,060,070 as of December 31, 2012. The increase in unfunded actuarial liabilities is due to a lack of sufficient employer funding. Several items partially offset the lack of funding including significant investment returns above the actuarial assumed rate of return, lower than expected salary increases for plan members, and the statutory elimination of the annuitant healthcare supplement beyond the year ended December 31, 2016.

The funded ratio is one indicator of the financial strength of the Plan, measuring the ratio of net assets available to meet the actuarially determined future liabilities of the Plan. The aforementioned factors contributed to a decrease in the overall funded ratio of the Plan from 24.43% as of December 31, 2012 to 23.96% as of December 31, 2013. Comparatively, the funded ratio decreased from 28.26% as of December 31, 2011 to 24.43% as of December 31, 2012.

Contact Information

This financial report is designed to provide plan participants, retirees, beneficiaries, the employer and all other interested users with a complete, detailed, easy to understand financial portrait of the Plan at December 31, 2013. Comments, questions or concerns regarding this report or requests for additional information should be addressed to:

Kenneth Kaczmarz
Executive Director
Firemen's Annuity & Benefit Fund of Chicago
20 S. Clark Street
Suite 1400
Chicago, IL 60603

FIREMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO
COMBINING STATEMENTS OF PENSION PLAN AND HEALTH INSURANCE SUPPLEMENT PLAN NET POSITION

DECEMBER 31, 2013 AND 2012

	2013			2012		
	Total	Pension	Health Insurance Supplement	Total	Pension	Health Insurance Supplement
ASSETS						
Receivables						
Employer contributions - net	\$ 108,149,962	\$ 108,149,962	\$ -	\$ 86,514,430	\$ 86,514,430	\$ -
Investment income	2,652,213	2,652,213	-	2,582,683	2,582,683	-
Other	2,266,069	2,266,069	-	2,693,778	2,693,778	-
Securities lending	64,913	64,913	-	63,754	63,754	-
Unsettled trades	489,085	489,085	-	2,699,113	2,699,113	-
Total receivables	<u>113,622,242</u>	<u>113,622,242</u>	-	<u>94,553,758</u>	<u>94,553,758</u>	-
Prepaid expenses	119,151	119,151	-	158,739	158,739	-
Investments						
Cash deposits and short-term investments	42,437,852	42,437,852	-	47,497,299	47,497,299	-
Corporate bonds	113,836,187	113,836,187	-	92,344,320	92,344,320	-
Equities	705,561,913	705,561,913	-	641,119,374	641,119,374	-
Pooled funds	40,112,465	40,112,465	-	41,029,835	41,029,835	-
Private equity and venture capital	40,336,283	40,336,283	-	49,382,589	49,382,589	-
U.S. and Foreign Government obligations	64,761,452	64,761,452	-	71,401,152	71,401,152	-
Total investments	<u>1,007,046,152</u>	<u>1,007,046,152</u>	-	<u>942,774,569</u>	<u>942,774,569</u>	-
Collateral held for securities on loan	168,963,442	168,963,442	-	161,363,241	161,363,241	-
Total assets	<u>1,289,750,987</u>	<u>1,289,750,987</u>	-	<u>1,198,850,307</u>	<u>1,198,850,307</u>	-
LIABILITIES						
Accounts payable and accrued expenses	1,361,698	1,361,698	-	1,356,585	1,356,585	-
Participant accounts	557,734	557,734	-	557,734	557,734	-
Securities lending collateral	168,963,442	168,963,442	-	161,363,241	161,363,241	-
Securities lending	16,204	16,204	-	15,915	15,915	-
Unsettled trades	2,147,052	2,147,052	-	3,134,034	3,134,034	-
Total liabilities	<u>173,046,130</u>	<u>173,046,130</u>	-	<u>166,427,509</u>	<u>166,427,509</u>	-
NET POSITION HELD IN TRUST						
Restricted for pension benefits	1,116,704,857	1,116,704,857	-	1,032,422,798	1,032,422,798	-
Restricted for health insurance supplement benefits	-	-	-	-	-	-
	<u>\$ 1,116,704,857</u>	<u>\$ 1,116,704,857</u>	<u>\$ -</u>	<u>\$ 1,032,422,798</u>	<u>\$ 1,032,422,798</u>	<u>\$ -</u>

See accompanying notes to financial statements.

FIREMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO
COMBINING STATEMENTS OF CHANGES IN PENSION PLAN AND HEALTH INSURANCE SUPPLEMENT PLAN NET POSITION

YEARS ENDED DECEMBER 31, 2013 AND 2012

	2013			2012		
	Total	Pension	Health Insurance Supplement	Total	Pension	Health Insurance Supplement
ADDITIONS						
Contributions						
Employer						
Property taxes - net	\$ 78,160,380	\$ 75,609,595	\$ 2,550,785	\$ 62,589,174	\$ 59,966,729	\$ 2,622,445
Personal property replacement taxes	26,650,296	26,650,296	-	20,191,450	20,191,450	-
Exempt rank funding	1,409,124	1,409,124	-	1,363,704	1,363,704	-
Total employer contributions	106,219,800	103,669,015	2,550,785	84,144,328	81,521,883	2,622,445
Plan member						
Annuities	42,833,052	42,833,052	-	44,815,609	44,815,609	-
Death benefits	136,648	136,648	-	143,708	143,708	-
Member litigation settlement	(447,177)	(447,177)	-	8,270,780	8,270,780	-
Annuities	(2,305)	(2,305)	-	42,633	42,633	-
Death benefits	42,520,218	42,520,218	-	53,272,730	53,272,730	-
Total plan member contributions	174,413,709	174,413,709	-	116,444,228	116,444,228	-
Investment income						
Net appreciation in fair value of investments	7,722,977	7,722,977	-	8,660,396	8,660,396	-
Interest	14,231,828	14,231,828	-	15,687,810	15,687,810	-
Dividends	196,368,514	196,368,514	-	140,792,434	140,792,434	-
Less investment expenses	(6,472,791)	(6,472,791)	-	(6,311,831)	(6,311,831)	-
Net investment income	189,895,723	189,895,723	-	134,480,603	134,480,603	-
Securities lending						
Income	532,297	532,297	-	586,087	586,087	-
Borrower rebates	316,863	316,863	-	368,107	368,107	-
Management fees	(212,003)	(212,003)	-	(238,305)	(238,305)	-
Net securities lending income	637,157	637,157	-	715,889	715,889	-
Gift Fund donations	5,220	5,220	-	5,470	5,470	-
Miscellaneous income	4,581	4,581	-	2,049	2,049	-
Tax levy interest	2,646	2,646	-	6,737	6,737	-
Interest income (expense) on Lewis class contributions	(69,526)	(69,526)	-	3,445,431	3,445,431	-
Total additions	339,215,819	336,665,034	2,550,785	276,073,237	273,450,792	2,622,445

See accompanying notes to financial statements.

FIREMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO
COMBINING STATEMENTS OF CHANGES IN PENSION PLAN AND HEALTH INSURANCE SUPPLEMENT PLAN NET POSITION

YEARS ENDED DECEMBER 31, 2013 AND 2012

	2013			2012		
	<u>Total</u>	<u>Pension</u>	<u>Health Insurance Supplement</u>	<u>Total</u>	<u>Pension</u>	<u>Health Insurance Supplement</u>
DEDUCTIONS						
Benefits						
Age and service benefits						
Employees	\$ 189,268,400	\$ 189,268,400	\$ -	\$ 169,798,868	\$ 169,798,868	\$ -
Spouses	31,560,765	31,560,765	-	31,198,636	31,198,636	-
Dependents	927,159	927,159	-	883,793	883,793	-
Total age and service benefits	<u>221,756,324</u>	<u>221,756,324</u>	<u>-</u>	<u>201,881,297</u>	<u>201,881,297</u>	<u>-</u>
Disability benefits						
Duty	15,723,794	15,723,794	-	16,497,765	16,497,765	-
Occupational	8,154,848	8,154,848	-	8,645,233	8,645,233	-
Ordinary	138,775	138,775	-	149,936	149,936	-
Total disability benefits	<u>24,017,417</u>	<u>24,017,417</u>	<u>-</u>	<u>25,292,934</u>	<u>25,292,934</u>	<u>-</u>
Gift Fund payments	450,000	450,000	-	600,000	600,000	-
Death benefits	834,000	834,000	-	811,500	811,500	-
Total benefits	<u>247,057,741</u>	<u>247,057,741</u>	<u>-</u>	<u>228,585,731</u>	<u>228,585,731</u>	<u>-</u>
Administrative expenses	3,101,827	3,101,827	-	3,063,965	3,063,965	-
Annuitant health care	2,550,785	-	2,550,785	2,622,445	-	2,622,445
Litigation settlement	13,291	13,291	-	520,173	520,173	-
Refunds of contributions	2,210,116	2,210,116	-	2,631,674	2,631,674	-
Total deductions	<u>254,933,760</u>	<u>252,382,975</u>	<u>2,550,785</u>	<u>237,423,988</u>	<u>234,801,543</u>	<u>2,622,445</u>
NET INCREASE	84,282,059	84,282,059	-	38,649,249	38,649,249	-
NET POSITION HELD IN TRUST						
Beginning of year	1,032,422,798	1,032,422,798	-	993,773,549	993,773,549	-
End of year	<u>\$1,116,704,857</u>	<u>\$1,116,704,857</u>	<u>\$ -</u>	<u>\$1,032,422,798</u>	<u>\$1,032,422,798</u>	<u>\$ -</u>

FIREMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND 2012

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity - Accounting principles generally accepted in the United States of America define a financial reporting entity as consisting of the primary government and its component units for which the primary government is financially accountable. Financial accountability includes appointing a voting majority of a component unit's governing board, the ability of a primary government to impose its will on the component unit, or a potential for a component unit to provide specific financial benefits to or impose specific financial burdens on the primary government. A primary government may be also be financially accountable for its component units.

Based on the above criteria, the Firemen's Annuity and Benefit Fund of Chicago (the Plan) is considered to be a component unit of the City of Chicago (the City) and is included in the City's financial statements as a pension trust fund.

Method of Accounting - The financial statements are presented using the accrual basis of accounting. Employer contributions are recognized when due and the employer, the City, is bound by statute to provide the contributions. Plan member contributions are recognized in the period in which the contributions are due. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

Investments - Investments are reported at fair value, which generally represents reported market value as of the last business day of the year. Cash deposits and short-term investments are carried at cost which approximates fair value. Pooled funds are carried at fair value as estimated by the Plan's investment managers. Private equity and venture capital are carried at fair value as estimated by the investment partnership. Foreign securities quoted in foreign currencies are translated into U.S. dollars at year end exchange rates.

New Accounting Pronouncement - In March 2012, Government Accounting Standards Board (GASB) issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

Capital Assets - The Plan has set a capitalization threshold of \$100,000 for all capital asset types. As of December 31, 2013, the Plan does not have any capital assets.

Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures in the financial statements. Actual results could differ from those estimates.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reclassifications - Certain prior year amounts have been reclassified to conform to the current year presentation.

Subsequent Events - Subsequent events have been evaluated through June 13, 2014, which is the date the financial statements were available to be issued.

NOTE 2. PLAN DESCRIPTION

The Plan was established in 1931 and is governed by legislation contained in the Illinois Compiled Statutes (Statutes), particularly 40 ILCS, Act 5, Article 6, which specifically and exclusively refers to the Plan. The Plan can be amended only by the Illinois Legislature. The Plan is a single-employer defined benefit pension plan with a defined contribution minimum. The Plan was established for the purpose of providing retirement and disability benefits for employees of the City employed under the provisions of the Municipal Personnel Ordinance as fire service and for the dependents of such employees.

The Statutes authorize a Board of Trustees of eight members to carry out the provisions of the Article. According to the Article, four members of the Board are ex officio and four are to be elected by the employee members of the Plan. The four ex officio members are the City Treasurer, the City Clerk, the City Comptroller and the Deputy Fire Commissioner. All members of the Board of Trustees are fiduciaries with respect to the Plan and are statutorily mandated to discharge their duties, as such, solely in the interest of the Plan's participants and beneficiaries.

The Board has the powers and duties required in the Article to collect all contributions due to the Plan, to invest the Plan's reserves, to have an annual audit, to appoint employees, to authorize or suspend payment of any benefit and to have exclusive original jurisdiction in all matters relating to or affecting the Plan. The Board approves its own budget prepared by the Plan's administrative staff. The Board is required annually to submit to the City Council of the City of Chicago a detailed report of the financial affairs and status of the reserves of the Plan. Provisions in other articles of 40 ILCS require the Board to submit its annual audit and actuarial valuation reports to the State of Illinois Department of Insurance, as well as another detailed annual report, the form and content of which are specified by the Department of Insurance.

The Plan provides retirement benefits, as well as, death and disability benefits. Employees who reach compulsory retirement age of 63, except for emergency medical technicians, which is age 65, with at least 10 years of service and less than 20 years of service are entitled to receive an annuity of 30% of average salary for the first ten years of service plus an additional 2% for each year in excess of 10 years with partial City contributions. This cannot exceed 50%.

At age 50 or more with 10 or more but less than 20 years of service, a Tier 1 employee is entitled to an annuity of the entire sum accumulated for age and service annuity from deductions from salary, plus 1/10 of the sum accumulated from contributions by the City for each completed year of service after the first 10 years. For Tier 2 employees, the annuity is based on an accrual rate of 2.5% reduced by one half of one percent per month for retirement prior to age 55, subject to a maximum of 75%.

NOTE 2. PLAN DESCRIPTION (CONTINUED)

Employees with at least 20 years of service are entitled to receive a minimum formula annuity upon attainment of age 50 for Tier 1 employees and age 55 for Tier 2 employees, of 50% of final average salary plus an additional amount equal to 2.5% of final average salary for each year of service or fraction thereof in excess of 20 years of service. For Tier 1 employees, final average salary is based on the highest average annual salary for any four consecutive years within the last ten years of service immediately preceding the date of retirement. For Tier 2 employees, the final average salary is based on 96 consecutive months within the last 120 months, capped at \$106,800 indexed annually at the lesser of 3% and 50% of the Consumer Price Index (CPI-U). This annuity shall not exceed 75% of the final average salary. The monthly annuity is increased by 3% of the original annuity at the first of the month following the later of age 55 or the first anniversary of retirement and by 3% each first day of January thereafter, if born before January 1, 1955. There is no limit on the increases. If born after January 1, 1955, the monthly annuity is increased by 1.5% of the original annuity at the first of the month following the later of age 60 or the first anniversary of retirement and 1.5% on each first day of January thereafter, but not to exceed a total increase of 30%.

Participants should refer to the applicable State Statutes for more complete information.

Any employee of the City employed under the provisions of the Municipal Personnel Ordinance as fire service is covered by the Plan. At December 31, 2013 and 2012, participation in the Plan consisted of the following:

	<u>2013</u>	<u>2012</u>
Retirees and beneficiaries currently receiving benefits	4,642	4,613
Terminated plan participants entitled to but not yet receiving benefits	57	60
Active plan participants	<u>4,685</u>	<u>4,740</u>
Total participants	<u>9,384</u>	<u>9,413</u>

NOTE 3. FUNDED STATUS AND FUNDING PROGRESS – PENSION PLAN

As of December 31, 2013, the most recent actuarial valuation date, the pension benefits of the Plan was 24.01% funded on an actuarial basis. The actuarial accrued liability for benefits was \$4,128,734,543 and the actuarial value of assets was \$991,213,282 resulting in an unfunded actuarial accrued liability (UAAL) of \$3,137,521,261. The covered payroll (annual payroll of active employees covered by the Plan) was \$416,491,784 and the ratio of the UAAL to the covered payroll was 753.32%.

The Schedule of Funding Progress, presented as Required Supplementary Information (RSI) following the notes to the financial statements, present multi-year trend information about whether the actuarial values of the Plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

NOTE 3. FUNDED STATUS AND FUNDING PROGRESS - PENSION PLAN (CONTINUED)

Additional information as of the latest actuarial valuation is as follows:

Valuation date	December 31, 2013
Actuarial cost method	Entry Age Normal
Amortization method	Level Dollar - Open
Amortization period	30 years
Asset valuation method	Five Year Smoothed Market

Actuarial assumptions:

Investment rate of return	8.0% per year
Inflation rate	3.0% per year
Projected salary increases	2013 - 4.25% per year plus an additional percentage related to service and promotion 2012 - 4.0% per year plus an additional percentage related to service and promotion
Postretirement increases	1.5% simple interest for 20 years for members born in or after 1955; 3.0% simple interest for life for members born before 1955
Mortality rates	RP-2000 Combined Healthy Mortality Table, sex distinct.
Disabled mortality rates	RP-2000 Combined Healthy Mortality Table, sex distinct, set forward six years.
Termination rates	Based on recent experience of the Plan
Retirement rates	Assume all employees, except emergency medical technicians, retire by age 63 (mandatory retirement age as enacted by the City of Chicago in 2000) Emergency medical technicians are assumed to retire by age 65

NOTE 4. SUMMARY OF FUNDING POLICIES - PENSION PLAN

Covered employees are required to contribute 9.125% of their salary to the Plan. If an employee leaves covered employment without qualifying for an annuity, accumulated contributions are refunded with statutory interest. The City, for its employer portion, is required by the Statutes to contribute the remaining amounts necessary to finance the requirements of the Plan. The City's total contribution is limited to an amount not more than the total amount of contributions made by the employees to the Plan in the calendar year two years prior to the year for which annual applicable tax is levied, multiplied by 2.26. The source of funds for the City's contribution has been designated by State Statutes as the City's annual property tax levy.

Public Act 96-1495, effective as of January 1, 2011, requires that the City finance the Plan on an actuarial basis commencing with the 2015 tax levy year. The funding policy requires future employer contributions, employee contributions and other income to be sufficient to produce a funding level of 90% by the year ended December 31, 2040.

The actuarial valuations of the Pension Plan as of December 31, 2013 and 2012 indicate the annual required contribution to be \$294,877,895 and \$271,505,718 for 2013 and 2012, respectively. The annual required contribution is based on an annual payroll of \$416,491,784 for 4,685 active participants during 2013 and \$418,964,763 for 4,740 active participants during 2012 and is computed as follows:

	<u>2013</u>	<u>2012</u>
Normal cost	\$ 72,191,384	\$ 73,067,873
30-year level dollar amortization of the unfunded liability	<u>262,003,352</u>	<u>238,358,093</u>
	334,194,736	311,425,966
Less estimated plan member contributions	<u>(39,316,841)</u>	<u>(39,920,248)</u>
Annual required contribution to be financed by tax levy	<u>\$ 294,877,895</u>	<u>\$ 271,505,718</u>
Required tax levy multiple	<u>6.52</u>	<u>7.47</u>
Present authorized multiple	<u>2.26</u>	<u>2.26</u>

A Schedule of Funding Progress, presented as Required Supplementary Information (RSI) following the notes to the financial statements, provides information about progress made in accumulating sufficient assets to pay for benefits when due.

NOTE 5. RESERVES FOR ACTUARIAL LIABILITIES

The reserves for actuarial liabilities are based on an annual valuation submitted by the Plan's consulting actuary. The annual actuarial valuation establishes the reserves required for various statutory liabilities which arise from pension benefit schedules that are part of the current pension code legislation.

The Prior Service Annuity Reserve is a reserve account for the accumulation of City contributions to provide for: a) employee and spouse annuities that are based on service performed before the Plan's effective date of July 1, 1931 and b) any excess in minimum annuity formula requirements over the amounts required for age and service annuities, and for spouse annuities.

The City Contribution Reserve is used to accumulate amounts contributed by the City to provide for annuities based on age and service of each employee and spouse. An individual account is maintained for each employee and spouse until the employee retires, at which time the individual account balances are transferred to the Annuity Payment Reserve.

The Salary Deduction Reserve is similarly used to accumulate deductions made from employee salaries for age and service annuities for the employee and spouse. Individual accounts are maintained until the employee retires or withdraws from service before qualifying for an annuity. At retirement, account balances are transferred to the Annuity Payment Reserve. In case an eligible employee elects to take a refund of contributions instead of an annuity, the contribution refund is charged to this reserve.

The Annuity Payment Reserve receives the amounts transferred from the individual accounts in the City Contribution Reserve and the Salary Deduction Reserve when an employee retires and qualifies for an annuity. All age and service annuity payments are charged to this reserve.

The Death Benefit Reserve accumulates contributions from employees and the City for ordinary death benefits. All ordinary death benefits paid are charged to this reserve.

The Ordinary Disability Reserve accumulates contributions from employees and the City for ordinary disability benefits. All ordinary disability benefits paid are charged to this reserve.

The Supplementary Payment Reserve accumulates amounts to provide automatic annual postretirement increases to employee annuitants who retired before September 1, 1959 and amounts in excess of the original annuity grant due to increases in the minimum annuity.

The Gift Reserve accumulates donations to be used to provide an extra benefit to widowed spouse annuitants and orphaned child annuitants.

The Reserve surplus (deficit) represents the difference between the actuarially determined present value of all future pension payments and the value of the Plan's present assets plus the present value of future contributions. A deficit indicates that additional assets will be needed to provide for future benefits, while a surplus indicates that present assets and future contributions exceed the expected requirements for future pension payments.

NOTE 5. RESERVES FOR ACTUARIAL LIABILITIES (CONTINUED)

Net position held in trust for pension benefits as of December 31, 2013 and 2012 were comprised of the following reserve surplus (deficit) balances:

	<u>2013</u>	<u>2012</u>
Prior Service Annuity Reserve	\$ 1,807,719,302	\$ 1,725,238,142
City Contribution Reserve	780,689,058	762,458,771
Annuity Payment Reserve	890,307,515	840,330,236
Salary Deduction Reserve	643,844,287	629,088,540
Death Benefit Reserve (deficit)	(15,545,191)	(14,403,025)
Ordinary Disability Reserve	343,150	301,100
Supplementary Payment Reserve	88,099	151,057
Gift Reserve	6,573,690	5,649,180
Reserve (deficit)	<u>(2,997,315,053)</u>	<u>(2,916,391,203)</u>
Total net position held in trust for pension benefits	<u>\$ 1,116,704,857</u>	<u>\$ 1,032,422,798</u>

NOTE 6. CASH AND INVESTMENTS

The Plan is authorized to invest in bonds, notes, certificates of indebtedness, mortgage notes, real estate, stocks, shares, debentures, or other obligations or securities as set forth in the “prudent person” provisions of the Statutes. All of the Plan’s financial instruments are consistent with the permissible investments outlined in the State Statutes and any index-linked financial instruments are limited to those indices that replicate the permissible investments outlined in the Statutes.

The following table presents a summarization of the fair value (carrying amount) of the Plan’s investments as of December 31, 2013 and 2012. Investments that represent 5% or more of the Plan’s net position held in trust are separately identified.

<u>Investments</u>	<u>2013</u>	<u>2012</u>
Cash deposits and short-term investments	\$ 42,437,852	\$ 47,497,299
Corporate bonds	113,836,187	92,344,320
Equities	705,561,913	641,119,374
Pooled funds		
Fixed income	29,194,654	27,684,497
Equities	10,917,811	13,345,338
Private equity and venture capital	40,336,283	49,382,589
U.S. and Foreign Government obligations	64,761,452	71,401,152
Total	<u>\$ 1,007,046,152</u>	<u>\$ 942,774,569</u>

NOTE 6. CASH AND INVESTMENTS (CONTINUED)

During 2013 and 2012, net realized gain on investments sold, reflecting the difference between the proceeds received and cost value of securities sold, was \$97,751,200 and \$38,831,809 respectively. These amounts are included in the net appreciation in fair value of investments as reported on the Statements of Changes in Plan Net Position. The calculation of realized gains and losses is independent of the calculation of net appreciation (depreciation) in the fair value of plan investments. Investments purchased in a previous year and sold in the current year result in their realized gains and losses being reported in the current year and their net appreciation (depreciation) in plan assets being reported in both the current year and the previous year(s).

The Plan does not isolate that portion of net appreciation (depreciation) in fair value of investments resulting from changes in the foreign exchange rate on investments from fluctuations arising from changes in the market prices of the securities. Such fluctuations are included with net appreciation (depreciation) in fair value of investments. Net realized gains and (losses) on foreign currency transactions represent net exchange gains or losses on closed foreign currency contracts, disposition of foreign currencies, and the difference between the amount of investment income and foreign withholding taxes recorded on the Plan's books and the U.S. dollar equivalent amounts actually received or paid. Net unrealized gains and (losses) on foreign currency transactions arise from changes in the value of open foreign currency contracts and assets and liabilities other than investments at the year end, resulting from changes in the exchange rate.

Custodial Credit Risk

For deposits, custodial credit risk is the risk that, in the event of a bank failure, the Plan's deposits and collateral securities in the possession of an outside party would not be recoverable. Deposits are exposed if they are not insured or are not collateralized. At December 31, 2013 and 2012, the Plan's exposure to such risk was \$3,471,952 and \$3,224,862 respectively, comprised of foreign currencies held outside the custodial bank.

For investment securities, custodial credit risk is the risk that, in the event of the failure of the counter party, the Plan will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if they are not insured, or are not registered in the Plan's name, and held by the counter party. To minimize custodial credit risk, the Plan's custodian physically (or through agreement with a sub-custodian) maintains possession of securities owned by the Plan. In addition, the Plan seeks to maintain a fully invested position in accordance with established target asset allocation and minimize cash deposits. At December 31, 2013 and 2012, the Plan had no investments that were uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent, but not held in the Plan's name.

NOTE 6. CASH AND INVESTMENTS (CONTINUED)

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. U.S. Government obligations or obligations explicitly guaranteed by the U.S. Government are not considered to have credit risk and do not require disclosure of credit quality. The Plan establishes minimum investment rating guidelines for each investment manager based on their area of concentration and level of allowable risk. The following table presents a summarization at December 31, 2013 and 2012 of the lowest credit quality rating of investments in corporate bonds, foreign government obligations, short-term investments, and fixed income mutual funds as valued by Moody's Investors Service and/or Standard & Poor's, as applicable:

<u>Type of Investment</u>	<u>Rating</u>	<u>2013</u>	<u>2012</u>
Cash deposits and short-term investments	Not Rated	\$ 42,437,852	\$ 47,497,299
Corporate bonds	Aaa/AAA	\$ 5,607,278	\$ 2,412,475
	Aa/AA	4,689,814	4,368,305
	A/A	15,288,260	14,976,176
	Baa/BBB	40,036,453	28,655,014
	Ba/BB	16,696,649	13,955,514
	B/B	7,865,390	13,849,152
	Caa/CCC	3,688,880	4,400,381
	Ca/CC	485,658	523,738
	C/C	20,250	-
	D/D	76,000	711,647
	Not Rated	11,236,365	6,255,329
U.S. Government Guaranteed		8,145,190	2,236,589
		<u>\$ 113,836,187</u>	<u>\$ 92,344,320</u>
Pooled funds - fixed income	Not Rated	\$ 29,194,654	\$ 27,684,497
U.S. and Foreign Government obligations	Aaa/AAA	\$ 10,095,430	\$ 16,077,477
	Aa/AA	14,628,776	11,215,546
	A/A	1,329,058	2,218,964
	Baa/BBB	5,666,964	3,885,426
	Ba/BB	934,476	1,725,184
	Not Rated	966,832	2,668,901
U.S. Government Guaranteed		31,139,916	33,609,653
		<u>\$ 64,761,452</u>	<u>\$ 71,401,151</u>

NOTE 6. CASH AND INVESTMENTS (CONTINUED)

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. Investments are diversified to minimize the risk of loss resulting from over-concentration of assets in a specific maturity period, a single issuer, or an individual class of securities. The Plan requires investment managers to display an overall level of interest rate risk that is consistent with the benchmark specified by the Plan. The following table presents a summarization of debt investments at December 31, 2013 and 2012 using the segmented time distribution method:

<u>Type of Investment</u>	<u>Maturity</u>	<u>2013</u>	<u>2012</u>
Cash deposits and short-term investments	Less than 1 year	\$ 42,437,852	\$ 47,497,299
Corporate bonds	Less than 1 year	\$ 4,617,628	\$ 771,051
	1-5 years	18,298,613	13,154,143
	5-10 years	34,490,072	34,709,787
	Over 10 years	56,429,874	43,709,339
		<u>\$ 113,836,187</u>	<u>\$ 92,344,320</u>
Pooled funds - fixed income	Less than 1 year	\$ 2,421,102	\$ 1,734,516
	1-5 years	3,136,002	25,949,981
	5-10 years	23,637,550	-
		<u>\$ 29,194,654</u>	<u>\$ 27,684,497</u>
U.S. and Foreign Government obligations	Less than 1 year	\$ 2,345,374	\$ 9,834,529
	1-5 years	15,748,211	13,607,325
	5-10 years	16,333,790	14,161,712
	Over 10 years	30,334,077	33,797,585
		<u>\$ 64,761,452</u>	<u>\$ 71,401,151</u>

NOTE 6. CASH AND INVESTMENTS (CONTINUED)**Foreign Currency Risk**

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The Plan requires investment managers to invest in at least ten countries if investing in foreign obligations and/or equities. The Plan's exposure to foreign currency risk at December 31, 2013 and 2012 is as follows:

<u>Type of Investment</u>	Fair Value (USD) <u>2013</u>	Fair Value (USD) <u>2012</u>
Corporate bonds:		
Australian dollar	\$ 635,713	\$ 741,357
Brazilian real	343,711	-
British pound	354,408	340,703
Canadian dollar	143,098	155,102
European euro	1,547,861	1,720,058
Mexican peso	419,862	498,031
New Zealand dollar	680,663	708,382
U.S. dollar	<u>109,710,871</u>	<u>88,180,687</u>
	<u>\$ 113,836,187</u>	<u>\$ 92,344,320</u>
U.S. and Foreign Government obligations:		
Brazilian Real	\$ 296,688	\$ -
Canadian dollar	1,885,107	2,985,173
European euro	1,515,160	2,605,407
Malaysian ringgit	-	751,345
Mexican peso	2,963,093	2,010,017
New Zealand dollar	763,330	818,735
Philippines peso	1,023,825	1,336,774
U.S. dollar	<u>56,314,249</u>	<u>60,893,701</u>
	<u>\$ 64,761,452</u>	<u>\$ 71,401,152</u>
Pooled funds:		
Canadian dollar	\$ 58,153	\$ -
Hong Kong dollar	-	583,227
U.S. dollar	<u>40,054,312</u>	<u>40,446,608</u>
	<u>\$ 40,112,465</u>	<u>\$ 41,029,835</u>

NOTE 6. CASH AND INVESTMENTS (CONTINUED)

Foreign Currency Risk (continued)

<u>Type of Investment</u>	Fair Value (USD) <u>2013</u>	Fair Value (USD) <u>2012</u>
Equities:		
Australian dollar	\$ 3,796,322	\$ 4,233,945
Brazilian real	6,170,583	7,767,471
British pound	49,891,959	38,546,467
Canadian dollar	5,896,189	6,934,604
Chilean peso	370,980	1,137,141
Columbian peso	-	435,042
Czech koruna	91,091	125,034
Danish krone	1,584,200	2,058,568
Egyptian pound	193,165	197,261
European euro	60,495,696	45,957,641
Hong Kong dollar	14,574,241	11,418,027
Hungarian forint	146,434	303,891
Indian rupee	4,631,132	3,639,330
Indonesian rupiah	711,017	1,237,900
Israeli shekel	202,380	657,008
Japanese yen	43,249,727	34,571,885
Malaysian ringgit	1,413,958	727,215
Mexican peso	1,919,480	2,085,083
New Zealand dollar	297,778	-
Nigerian naira	101,128	159,559
Norwegian krone	2,625,778	3,051,048
Pakistan rupee	333,918	269,239
Philippines peso	156,082	494,529
Polish zlotych	534,856	521,826
Singapore dollar	779,350	1,611,477
South African rand	3,368,854	4,523,845
South Korean won	11,545,186	8,431,418
Swedish krona	2,622,377	964,936
Swiss franc	9,594,536	6,547,033
Taiwan dollar	5,707,533	3,773,708
Thailand baht	926,629	2,411,889
Turkish lira	429,947	1,440,926
United Arab Emirates dirham	34,606	-
U.S. dollar	471,164,801	444,884,428
	<u>\$ 705,561,913</u>	<u>\$ 641,119,374</u>

NOTE 7. SECURITIES LENDING

State Statutes and the Board of Trustees permit the Plan to lend its securities to broker-dealers and other entities with a simultaneous agreement to return collateral for the same securities in the future. The Plan's custodian, acting as the lending agent, lends securities for collateral in the form of cash, U.S. Government obligations and irrevocable letters of credit equal to 102% of the fair value of domestic securities plus accrued interest and 105% of the fair value of foreign securities plus accrued interest. The Plan is not restricted as to the type or amount of securities it may loan. The Plan does not have the right to sell or pledge securities received as collateral unless the borrower defaults.

The average term of securities loaned was 55 days in 2013 and 70 days in 2012; however, any loan may be terminated on demand by either the Plan or the borrower. Cash collateral may be invested in a short-term investment pool, which had an average weighted maturity at December 31, 2013 and 2012 of 37 days and 35 days, respectively. Cash collateral may also be invested in term loans in which the investments (term loans) match the term of the securities loaned.

As of December 31, 2013 and 2012, the fair value (carrying amount) of loaned securities was \$165,131,339 and \$159,861,854 respectively. As of December 31, 2013 and 2012, the fair value (carrying amount) of cash collateral received by the Plan was \$168,963,442 and \$161,363,241 respectively. The cash collateral is included as an asset and a corresponding liability on the statements of plan net position. As of December 31, 2013 and 2012 the fair value (carrying amount) of non-cash collateral received by the Plan was \$0 and \$1,062,705 respectively.

Although the Plan's securities lending activities are collateralized as described above, they involve both market and credit risk. In this context, market risk refers to the possibility that the borrower of securities will be unable to collateralize the loan upon a sudden material change in the fair value of the loaned securities. Credit risk refers to the possibility that counterparties involved in the securities lending program may fail to perform in accordance with the terms of their contracts.

Indemnification deals with the situation in which a client's securities are not returned due to the insolvency of a borrower. The contract with the lending agent requires it to indemnify the Plan if borrowers fail to return the securities (and if the collateral is inadequate to replace the securities lent) or fail to pay the Plan for income distributions by the issuers of securities while the securities are on loan.

There were no losses due to default of a borrower or the lending agent during the years ended December 31, 2013 and 2012.

A summary of securities loaned at fair value as of December 31:

	<u>2013</u>	<u>2012</u>
Corporate bonds	\$ 12,454,146	\$ 12,093,118
Equities	144,031,022	135,438,039
U.S. and Foreign Government obligations	8,646,171	12,330,697
Total	<u>\$ 165,131,339</u>	<u>\$ 159,861,854</u>

NOTE 8. DERIVATIVES

The Plan invests in derivative financial instruments as provided by the Plan's Statement of Investment Policy. The Plan uses derivative financial instruments to gain exposure to an asset class or manage portfolio risk. A derivative security is a financial contract whose value is based on, or "derived" from, a traditional security, an asset, or a market index. Derivative instruments include options, forward contracts, swaps, and futures as part of the Plan's portfolio. Derivative transactions involve, to varying degrees, credit risk, interest rate risk and market risk. Credit risk is the possibility that a loss may occur because a party to a transaction fails to perform according to the previously agreed upon terms. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Market risk is the possibility that a change in interest or currency rates will cause the value of a financial instrument to decrease or become more costly to settle.

The Plan's portfolio includes the following derivative instruments at December 31, 2013 and 2012:

<u>Derivative</u>	<u>2013</u>		<u>2012</u>	
	<u>Notional Value</u>	<u>Fair Value</u>	<u>Notional Value</u>	<u>Fair Value</u>
Options	\$ -	\$ 12,906	\$ -	\$ 4,938
Futures purchase commitments	(5,915,504)	-	(9,904,716)	-
Futures sales commitments	11,311,573	-	14,284,313	-
Swap assets	193,697	6,021	850,069	14,580
Swap liabilities	<u>(1,030,000)</u>	<u>(89,524)</u>	<u>(858,000)</u>	<u>(19,525)</u>
Total	<u>\$ 4,559,766</u>	<u>\$ (70,597)</u>	<u>\$ 4,371,666</u>	<u>\$ (7)</u>

The Plan uses options to reduce the risk of holding an asset. An option is a contract that conveys the right, but not the obligation, to buy (call) or sell (put) an item at an agreed upon price during a certain period of time or on a specific date. For both of the years ended December 31, 2013 and 2012, the options expire approximately two months after year end.

Futures contracts are used to provide exposure to an asset class using uninvested cash. These contracts are a legally binding agreement, made on the trading floor of a futures exchange, to buy or sell a commodity or financial instrument sometime in the future. Futures contracts have little credit risk, as organized exchanges are the guarantors. For both of the years ended December 31, 2013 and 2012, the futures contracts mature from one to twelve months after year end.

Swaps are used by the Plan to hedge certain risks such as interest rate risk, or to speculate on changes in the underlying price of an asset. Traditionally, a swap is the exchange of one security for another to change the maturity, quality, structure of an issue, or because investment objectives have changed. For the year ended December 31, 2013, the swaps have maturity dates ranging from June 2018 through June 2036. For the year ended December 31, 2012, the swaps have maturity dates ranging from December 2017 through October 2052.

The Plan's derivative instruments are reported at fair value in equity investments on the statements of plan net position. The gain or loss on derivative instruments is reported as part of investment income on the statements of changes in plan net position.

NOTE 9. EMPLOYER CONTRIBUTIONS RECEIVABLE - NET

Employer contributions receivable at December 31, 2013 and 2012 consist of the following:

	<u>2013</u>	<u>2012</u>
Property taxes	\$ 88,500,357	\$ 72,161,324
Personal property replacement taxes	29,423,124	22,964,704
Less allowance for uncollectible accounts	<u>(9,773,519)</u>	<u>(8,611,598)</u>
Total	<u>\$ 108,149,962</u>	<u>\$ 86,514,430</u>

NOTE 10. HEALTH INSURANCE SUPPLEMENT PLAN

Plan Description

The City offers group health benefits to annuitants and their eligible dependents through the City of Chicago Annuitant Medical Benefits Program (Program). The Plan and the City share in the cost of providing health care coverage to the annuitants or their surviving spouses who elect to participate in the Program. The Plan, in accordance with State Statutes, subsidizes the cost of monthly group health care premiums up to \$95 per month for non-Medicare recipients and \$65 per month for Medicare recipients. The remaining cost to participate in the Program is borne by the City of Chicago and the annuitant.

Public Act 98-0043, effective June 28, 2013, terminates the retiree healthcare subsidy paid by the Plan after December 31, 2016.

At December 31, 2013 and 2012, the number of annuitants or surviving spouses whose cost to participate in the Program was subsidized totaled 3,102 and 3,136 respectively.

Summary of Significant Accounting Policies

Method of Accounting - The Health Insurance Supplement Plan's financial statements have been combined with the Plan's financial statements and are presented using the accrual basis of accounting. The Plan considers the premium subsidy an additional retirement benefit, with no contribution rate or asset allocation associated with it.

Contributions - The Plan funds the Health Insurance Supplement Plan on a "pay-as-you-go" basis.

Administrative Costs - Administrative costs associated with the Health Insurance Supplement Plan are paid by the Plan's employer contributions.

Health Care Cost Trend Rates - 0.0% (fixed dollar subsidy)

Investment Rate of Return - 4.5% per year

NOTE 10. HEALTH INSURANCE SUPPLEMENT PLAN (CONTINUED)

Funded Status and Funding Progress

As of December 31, 2013, the most recent actuarial valuation date, the Health Insurance Supplement Plan was 0% funded on an actuarial basis. The actuarial accrued liability for benefits was \$7,691,833 and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$7,691,833. The covered payroll (annual payroll of active employees covered by the Plan) was \$416,491,784 and the ratio of the UAAL to the covered payroll was 1.85%.

The Schedule of Funding Progress, presented as Required Supplementary Information (RSI) following the notes to the financial statements, presents multi-year trend information about whether the actuarial values of the Plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

NOTE 11. DEFERRED COMPENSATION PLAN

The Plan offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The deferred compensation plan, which is funded through employee contributions, is available to all Plan employees and permits them to defer a portion of their salary until future years. Participation in the deferred compensation plan is optional. The deferred compensation is managed by a third party administrator. The assets of the deferred compensation plan are placed in trust with the third party for the exclusive benefit of the participants and their beneficiaries and are not considered assets of the Plan.

NOTE 12. RELATED PARTY TRANSACTIONS

The Plan has allowed the Ende, Menzer, Walsh & Quinn Retirees', Widows' and Children's Assistance Fund (Corporation) to utilize its facilities and equipment to accommodate the once a year distribution to widows and orphans in December at no additional expense to the Plan. This distribution by the Corporation, to the widows and orphans, had been handled by the Plan.

Three of the Plan's Trustees and the Executive Director are also directors of the Ende, Menzer, Walsh & Quinn Retirees', Widows' and Children's Assistance Fund.

During the years ended December 31, 2013 and 2012, the Firemen's Annuity and Benefit Fund of Chicago contributed \$450,000 and \$600,000 respectively, to the Ende, Menzer, Walsh & Quinn Retirees', Widows' and Children's Assistance Fund from the balances in the gift reserve account as allowed under the discretionary authority granted by 40ILCS Act 5, Article 6-202 to render financial assistance to qualified widows and children annuitants of the participants of the Firemen's Annuity and Benefit Fund of Chicago.

NOTE 13. COMMITMENTS

The Plan has a total capital commitment to twelve limited partnerships totaling \$65,500,000. As of December 31, 2013, \$47,496,169 has been invested, leaving a commitment of \$18,003,831.

NOTE 14. LEASE AGREEMENTS

The Plan leases office facilities with lease payments subject to an escalation clause for increases in real estate taxes and maintenance charges. The lease runs through March 2020.

During 2006, the Plan entered into a noncancellable operating lease for office space for disaster recovery at an offsite facility which is subject to an escalation clause for increases in real estate taxes and maintenance charges. The lease runs through September 2016.

Rental expense for 2013 and 2012 was \$212,467 and \$200,872 respectively.

Future minimum rental payments required under the noncancelable operating leases are as follows:

Year ending December 31,	
2014	\$ 166,278
2015	171,845
2016	162,798
2017	123,307
2018	127,221
2019	131,136
2020	<u>33,273</u>
Total	<u>\$ 915,858</u>

NOTE 15. PRONOUNCEMENTS ISSUED NOT YET EFFECTIVE

In June 2012, GASB issued Statement No. 67, *Financial Reporting for Pension Plans*. This Statement replaces the requirements of Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans* and Statement No. 50, *Pension Disclosures*, as they relate to pension plans that are administered through trusts or similar arrangements meeting certain criteria. For defined benefit plans, the Statement establishes standards of financial reporting for separately issued financial reports and specifies the required approach to measuring the pension liability of employer and nonemployer contributing entities for benefits provided through the pension plan. Statement No. 67 also enhances footnote disclosures and required supplementary information for pension plans. Statement No. 67 is effective for the Plan's fiscal year ending December 31, 2014.

In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*. This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers* and Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or similar arrangements that meet certain criteria. Statement No. 68 details the recognition and disclosure requirements for employers with liabilities to a defined benefit pension plan and for employer whose employees are provided with defined contribution pensions. Statement No. 68 is effective for the Plan's fiscal year ending December 31, 2015.

NOTE 15. PRONOUNCEMENTS ISSUED NOT YET EFFECTIVE (CONTINUED)

In January 2013, GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations*, which establishes accounting and financial reporting standards related to government combinations and disposals of government operations. This Statement requires disclosures to be made about government combinations and disposals of government operations to enable financial statement users to evaluate the nature and financial effects of those transactions. Statement No. 69 is effective for the Plan's fiscal year ending December 31, 2014.

In April 2013, GASB issued Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, which requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. This Statement also requires the issuing government to recognize revenue to the extent of the reduction in its guaranteed liabilities. Statement No. 70 is effective for the Plan's fiscal year ending December 31, 2014.

In November 2013, GASB issued Statement No. 71, *Pension Transition for Contributions made Subsequent to the Measurement Date*. This standard requires that state and local governments who make a contribution to a defined benefit pension plan between the measurement date of the net pension liability and the fiscal year end, record a deferred outflow of resources on the Statement of Net Position. Statement No. 71 is effective for the Plan's fiscal year ending December 31, 2015.

The Plan is currently evaluating the impact of adopting the above Statements.

REQUIRED SUPPLEMENTARY INFORMATION

FIREMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULES OF FUNDING PROGRESS

<u>Year Ended</u> <u>December 31,</u>	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/(c)
<i>Pension Benefits</i>						
2008	\$ 1,335,695,474	\$ 3,311,268,993	\$ 1,975,573,519	40.34%	\$ 396,181,778	498.65%
2009	\$ 1,269,231,178	\$ 3,428,838,267	\$ 2,159,607,089	37.02%	\$ 400,912,173	538.67%
2010	\$ 1,198,113,789	\$ 3,655,025,957	\$ 2,456,912,168	32.78%	\$ 400,404,320	613.61%
2011	\$ 1,101,741,862	\$ 3,851,918,889	\$ 2,750,177,027	28.60%	\$ 425,385,354	646.51%
2012	\$ 993,283,741	\$ 4,020,137,920	\$ 3,026,854,179	24.71%	\$ 418,964,763	722.46%
2013	\$ 991,213,282	\$ 4,128,734,543	\$ 3,137,521,261	24.01%	\$ 416,491,784	753.32%
<i>Health Insurance Supplement</i>						
2008	\$ -	\$ 47,309,338	\$ 47,309,338	0.00%	\$ 396,181,778	11.94%
2009	\$ -	\$ 47,932,528	\$ 47,932,528	0.00%	\$ 400,912,173	11.96%
2010	\$ -	\$ 48,221,878	\$ 48,221,878	0.00%	\$ 400,404,320	12.04%
2011	\$ -	\$ 46,980,335	\$ 46,980,335	0.00%	\$ 425,385,354	11.04%
2012	\$ -	\$ 46,205,891	\$ 46,205,891	0.00%	\$ 418,964,763	11.03%
2013 (1)	\$ -	\$ 7,691,833	\$ 7,691,833	0.00%	\$ 416,491,784	1.85%

(1) Public Act 98-0043, effective June 28, 2013, terminates the retiree healthcare subsidy paid by the Plan after December 31, 2016.

See accompanying notes to Schedule of Funding Progress and Schedule of Employer Contributions.

FIREMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULES OF EMPLOYER CONTRIBUTIONS

<u>Year Ended</u> <u>December 31,</u>	<u>Annual</u> <u>Required</u> <u>Contribution</u> <u>(ARC) (a)</u>	<u>Actual</u> <u>Employer</u> <u>Contribution</u> <u>(b)</u>	<u>Percent of</u> <u>ARC</u> <u>Contributed</u> <u>(b/a)</u>
<i>Pension Benefits</i>			
2008	\$ 189,940,561	\$ 81,257,754	42.78%
2009	\$ 203,866,919	\$ 89,211,671	43.76%
2010	\$ 218,388,037	\$ 80,947,311	37.07%
2011	\$ 250,056,273	\$ 82,869,839	33.14%
2012	\$ 271,505,718	\$ 81,521,883	30.03%
2013	\$ 294,877,895	\$ 103,669,015	35.16%
<i>Health Insurance Supplement</i>			
2008	\$ 4,307,852	\$ 2,486,950	57.73%
2009	\$ 4,370,229	\$ 2,645,135	60.53%
2010	\$ 4,427,729	\$ 2,644,290	59.72%
2011	\$ 4,469,292	\$ 2,628,163	58.80%
2012	\$ 4,275,669	\$ 2,622,445	61.33%
2013	\$ 4,213,697	\$ 2,550,785	60.54%

See accompanying notes to Schedule of Funding Progress and Schedule of Employer Contributions.

FIREMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO

NOTES TO SCHEDULES OF FUNDING PROGRESS AND SCHEDULES OF EMPLOYER CONTRIBUTIONS

Pension Benefits

The information presented in the required supplementary information was determined as part of the actuarial valuation at the date indicated. Additional information as of the latest actuarial valuation is as follows:

Valuation date	December 31, 2013
Actuarial cost method	Entry Age Normal
Amortization method	Level Dollar - Open
Amortization period	30 years
Asset valuation method	Five Year Smoothed Market

Actuarial assumptions:

Investment rate of return	8.0% per year
Inflation rate	3.0% per year
Projected salary increases	2013 - 4.25% per year plus an additional percentage related to service and promotion 2012 - 4.0% per year plus an additional percentage related to service and promotion
Postretirement increases	1.5% simple interest for 20 years for members born in or after 1955; 3.0% simple interest for life for members born before 1955
Mortality rates	RP-2000 Combined Healthy Mortality Table, sex distinct.
Disabled mortality rates	RP-2000 Combined Healthy Mortality Table, sex distinct, set forward six years.
Termination rates	Based on recent experience of the Plan
Retirement rates	Assume all employees, except emergency medical technicians, retire by age 63 (mandatory retirement age as enacted by the City of Chicago in 2000) Emergency medical technicians are assumed to retire by age 65

FIREMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO

**NOTES TO SCHEDULES OF FUNDING PROGRESS AND
SCHEDULES OF EMPLOYER CONTRIBUTIONS**

Health Insurance Supplement

The information presented in the required supplementary information was determined as part of the actuarial valuation at the date indicated. Additional information as of the latest actuarial valuation is as follows:

Valuation date	December 31, 2013
Actuarial cost method	Entry Age Normal
Actuarial value of assets	No assets (Pay-as-you-go)
Amortization method	Level Dollar
Amortization period	3 year closed

Actuarial assumptions:

Investment rate of return	4.5% per year
Projected salary increases	2013 - 4.25% per year plus an additional percentage related to service and promotion 2012 - 4.0% per year plus an additional percentage related to service and promotion
Healthcare cost trend rate	0.0% (fixed dollar subsidy)

SUPPLEMENTARY INFORMATION

FIREMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO

SUPPLEMENTARY INFORMATION

SCHEDULES OF ADMINISTRATIVE EXPENSES

YEARS ENDED DECEMBER 31, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
ADMINISTRATIVE EXPENSES		
Disaster recovery	\$ 25,630	\$ 24,281
Employee benefits	431,631	405,803
Equipment and maintenance	29,950	20,195
General and administrative	150,204	163,604
Insurance and surety bond	155,520	157,522
Office salaries	1,520,102	1,478,617
Printing and postage	50,651	66,687
Professional and consulting fees		
Accounting	6,000	5,700
Actuarial	69,121	90,593
Audit	35,000	48,000
Consulting	18,311	18,361
Legal	304,263	293,354
Medical	90,206	83,659
Payroll administration	2,771	6,717
Rent	212,467	200,872
Total administrative expenses	<u>\$ 3,101,827</u>	<u>\$ 3,063,965</u>

FIREMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO

SUPPLEMENTARY INFORMATION

SCHEDULES OF INVESTMENT EXPENSES

YEARS ENDED DECEMBER 31, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
INVESTMENT MANAGER EXPENSES		
Adams Street Partners, LLC	\$ 261,709	\$ 91,704
Advent Capital Management, LLC	126,745	534,690
Alliance Bernstein	-	64,001
Apollo Global Management, LLC	74,815	98,466
BA Partners	140,445	157,718
Brandes Investment Partners	396,505	334,846
Brown Advisory	98,422	-
Chicago Equity Partners, LLC	82,823	86,047
Credit Suisse	23,013	23,204
Delaware Investments	281,208	302,235
Earnest Partners, LLC	141,214	126,974
Epoch Investment Partners, Inc.	342,508	277,951
GlobeFlex Capital, L.P.	464,015	421,443
Keeley Asset Management Corp.	204,610	212,142
Kennedy Capital Management	229,808	193,029
Logan Capital Management, Inc.	207,557	198,746
Loomis, Sayles & Company, L.P.	284,778	287,858
LSV Asset Management	400,545	357,732
Marvin & Palmer Associates, Inc.	154,759	260,029
Mesirow Financial	89,199	99,434
Metropolitan West Capital Management, LLC	241,534	230,248
Muller & Monroe Asset Management, LLC	10,773	13,103
Neuberger Berman	416,748	419,270
Northern Trust	322,190	285,285
Pomona Management LLC	346,018	161,736
Rhumblin Advisers	23,108	24,063
The Boston Company Asset Management, LLC	197,092	199,255
Western Asset Management Company	205,414	199,462
William Blair & Company	398,175	348,530
	<u>6,165,730</u>	<u>6,009,201</u>
INVESTMENT CONSULTING FEES		
Callan	249,561	245,130
INVESTMENT CUSTODIAN FEES		
Northern Trust	<u>57,500</u>	<u>57,500</u>
Total investment expenses	<u>\$ 6,472,791</u>	<u>\$ 6,311,831</u>

FIREMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO

SUPPLEMENTARY INFORMATION

ADDITIONS BY SOURCE

<u>Year Ended</u> <u>December 31,</u>	<u>Employer</u> <u>Contributions</u>	<u>Plan Member</u> <u>Contributions</u>	<u>Net Investment</u> <u>and Net</u> <u>Securities</u> <u>Lending</u> <u>Income (Loss)</u>	<u>Other</u>	<u>Total</u> <u>Additions</u>
2008	\$ 83,744,704	\$ 40,479,884	\$ (484,093,138)	\$ 107,321	\$ (359,761,229)
2009	\$ 91,856,806	\$ 41,604,787	\$ 208,537,084	\$ 36,804	\$ 342,035,481
2010	\$ 83,591,601	\$ 41,730,194	\$ 150,834,484	\$ 30,282	\$ 276,186,561
2011	\$ 85,498,002	\$ 51,917,510	\$ (22,450,374)	\$ 33,594	\$ 114,998,732
2012	\$ 84,144,328	\$ 53,272,730	\$ 135,196,492	\$ 3,459,687	\$ 276,073,237
2013	\$ 106,219,800	\$ 42,520,218	\$ 190,532,880	\$ (57,079)	\$ 339,215,819

DEDUCTIONS BY TYPE

<u>Year Ended</u> <u>December 31,</u>	<u>Benefits</u>	<u>Administrative</u> <u>Expenses</u>	<u>Annuitant</u> <u>Health</u> <u>Care</u>	<u>Other</u>	<u>Total</u> <u>Deductions</u>
2008	\$ 187,496,591	\$ 2,839,557	\$ 2,486,950	\$ 2,676,538	\$ 195,499,636
2009	\$ 196,391,656	\$ 3,021,756	\$ 2,645,135	\$ 2,526,229	\$ 204,584,776
2010	\$ 213,159,055	\$ 3,047,179	\$ 2,644,290	\$ 2,901,987	\$ 221,752,511
2011	\$ 218,897,479	\$ 3,212,515	\$ 2,628,163	\$ 2,565,203	\$ 227,303,360
2012	\$ 228,585,731	\$ 3,063,965	\$ 2,622,445	\$ 3,151,847	\$ 237,423,988
2013	\$ 247,057,741	\$ 3,101,827	\$ 2,550,785	\$ 2,223,407	\$ 254,933,760