# FIREMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO
# (A FIDUCIARY FUND OF THE CITY OF CHICAGO, ILLINOIS)

FINANCIAL STATEMENTS

DECEMBER 31, 2021 AND 2020

**FIREMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO**

FINANCIAL STATEMENTS WITH SUPPLEMENTARY INFORMATION

DECEMBER 31, 2021 AND 2020

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# FIREMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO

FINANCIAL STATEMENTS WITH SUPPLEMENTARY INFORMATION

DECEMBER 31, 2021 AND 2020

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LEGACY
PROFESSIONALS LLP
CERTIFIED PUBLIC ACCOUNTANTS

# INDEPENDENT AUDITORS' REPORT

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

***Opinion***

We have audited the accompanying financial statements of Firemen's Annuity and Benefit Fund of Chicago (the Plan), a fiduciary fund of the City of Chicago, Illinois, which comprise the combining statements of pension plan fiduciary net position and health insurance supplement plan net position, and the related combining statements of changes in pension plan fiduciary net positon and health insurance supplement plan net position as of and for the year ended December 31, 2021, and the related notes to the financial statements.

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, 2021, and the changes in plan net position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Plan, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America. Management is also responsible for 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.

In preparing financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Plan's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.



4 Westbrook Corporate Center | Suite 700 | Westchester, IL 60154 | 312-368-0500 | 312-368-0746 Fax | www.legacycpas.com

***Auditors' Responsibilities for the Audit of the Financial Statements***
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Plan's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

***Required Supplementary Information***
Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 4e and the required supplementary information on pages 35 through 39 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

***Required Supplementary Information (continued)***
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 inquiries 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 audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Plan's basic financial statements. The accompanying supplementary information on pages 40 through 42 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information 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. The 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 as of and for the year ended December 31, 2021 is fairly stated in all material respects in relation to the basic financial statements as a whole.

***Other Matters***
*2020 Financial Statements*
The Plan's financial statements as of and for the year ended December 31, 2020 were audited by other auditors whose report dated June 29, 2021 expressed an unmodified opinion on those financial statements.

*Previously Audited Information*
We have previously audited the basic financial statements for the years ended December 31, 2019, 2018, 2017, 2016, 2015, and 2014 (which are not presented herein), and we expressed unmodified opinions on those financial statements. In our opinion, the information on page 42 is fairly stated in all material respects in relation to the basic financial statements from which it has been derived.

Legacy Professionals LLP

Westchester, Illinois

June 15, 2022

FIREMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

DECEMBER 31, 2021 AND 2020

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) as of and for the year ended December 31, 2021 and 2020. 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 Fiduciary Net Position and Health Insurance Supplement Plan Net Position** provide 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 Fiduciary Net Position and Health Insurance Supplement Plan Net Position** show 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 Fiduciary Net Position 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, employer contributions, and investment returns.

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

**Plan Net Position**
**As of December 31,**

| | 2021 | 2020 | 2019 | Current Year Increase/(Decrease) in Dollars | Percent |
|---|---|---|---|---|---|
| Assets: | | | | | |
| Receivables | $ 390,869,685 | $ 389,817,097 | $ 269,377,062 | $ 1,052,588 | 0.3 % |
| Prepaid expenses | 161,085 | 215,061 | 142,054 | (53,976) | -25.1 % |
| Investments, at fair value | 1,084,632,830 | 925,885,010 | 887,232,066 | 158,747,820 | 17.1 % |
| Collateral held for securities on loan | 108,665,402 | 75,812,634 | 80,087,047 | 32,852,768 | 43.3 % |
| Total assets | 1,584,329,002 | 1,391,729,802 | 1,236,838,229 | 192,599,200 | 13.8 % |
| Liabilities: | | | | | |
| Payables | 9,265,679 | 7,030,688 | 6,930,367 | 2,234,991 | 31.8 % |
| Securities lending collateral | 108,665,402 | 75,812,634 | 80,087,047 | 32,852,768 | 43.3 % |
| Total liabilities | 117,931,081 | 82,843,322 | 87,017,414 | 35,087,759 | 42.4 % |
| Plan net position | $ 1,466,397,921 | $ 1,308,886,480 | $ 1,149,820,815 | $ 157,511,441 | 12.0 % |

Plan net position increased by $157,511,441 or 12.0% from $1,308,886,480 at December 31, 2020 to $1,466,397,921 at December 31, 2021. Comparatively, plan net position increased by $159,065,665 or 13.8% from $1,149,820,815 at December 31, 2019 to $1,308,886,480 at December 31, 2020.

The increase in plan net position for the year ended December 31, 2021 was primarily due to strong investment returns. Comparatively, the increase in plan net position for the year ended December 31, 2020 was primarily due to strong investment returns and an increase in employer contributions due to 2020 being the first year the City of Chicago's required contribution to the Plan was based on an actuarial calculation to produce 90% funding by 2055.

## Changes in Plan Net Position

The Combining Statements of Changes in Pension Plan Fiduciary Net Position 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 Fiduciary Net Position and Health Insurance Supplement Plan Net Position is as follows:

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

| | 2021 | 2020 | 2019 | Current Year Increase/(Decrease) in Dollars | Percent |
|---|---|---|---|---|---|
| Additions: | | | | | |
| Employer contributions | $ 368,350,000 | $ 369,455,023 | $ 255,947,691 | $ (1,105,023) | -0.3 % |
| Plan member contributions | 52,268,136 | 54,414,653 | 46,622,658 | (2,146,517) | -3.9 % |
| Net investment income | 129,301,406 | 104,987,077 | 160,619,148 | 24,314,329 | 23.2 % |
| Net securities lending income | 209,312 | 342,668 | 413,516 | (133,356) | -38.9 % |
| Other | 7,711 | 49,999 | 556,665 | (42,288) | -84.6 % |
| Total additions | 550,136,565 | 529,249,420 | 464,159,678 | 20,887,145 | 3.9 % |
| Deductions: | | | | | |
| Benefits | 385,067,130 | 362,831,685 | 342,884,926 | 22,235,445 | 6.1 % |
| Administrative expenses | 3,082,062 | 2,892,186 | 3,225,938 | 189,876 | 6.6 % |
| Annuitant healthcare subsidy | 868,386 | 1,032,062 | - | (163,676) | -15.9 % |
| Litigation settlement | - | 99,103 | 565,425 | (99,103) | -100.0 % |
| Refunds of contributions | 3,607,546 | 3,328,719 | 3,452,913 | 278,827 | 8.4 % |
| Total deductions | 392,625,124 | 370,183,755 | 350,129,202 | 22,441,369 | 6.1 % |
| Net increase in plan net position | $ 157,511,441 | $ 159,065,665 | $ 114,030,476 | $ (1,554,224) | -1.0 % |

## Additions to Plan Net Position

Total additions were $550,136,565 in 2021, $529,249,420 in 2020 and $464,159,678 in 2019.

Employer contributions decreased by $1,105,023 or -0.3% from $369,455,023 for the year ended December 31, 2020 to $368,350,000 for the year ended December 31, 2021. Comparatively, employer contributions increased by $113,507,332 or 44.4% from $255,947,691 for the year ended December 31, 2019 to $369,455,023 for the year ended December 31, 2020. During the year ended December 31, 2020, the Plan recognized a significant increase in employer contributions due to the change in the calculation method for funding required by the Illinois Compiled States effective for 2020. As expected, employer contributions for the year ended December 31, 2021 were relatively consistent compared to the prior year.

**Additions to Plan Net Position (continued)**

Plan member contributions decreased by $2,146,517 or -3.9% from $54,414,653 for the year ended December 31, 2020 to $52,268,136 for the year ended December 31, 2021. Comparatively, plan member contributions increased by $7,791,995 or 16.7% from $46,622,658 for the year ended December 31, 2019 to $54,414,653 for the year ended December 31, 2020. The decrease in plan member contributions for the year ended December 31, 2021 was due to variations in the staffing levels in the Chicago Fire Department. Comparatively, the increase in plan member contributions for the year ended December 31, 2020 was due to retroactive salary increases from contract settlement. Active participants were 4,735, 4,697 and 4,630 as of December 31, 2021, 2020 and 2019, respectively.

Net investment income increased by $24,314,329 or 23.2% from net investment income of $104,987,077 for the year ended December 31, 2020 to net investment income of $129,301,406 for the year ended December 31, 2021. Comparatively, net investment income decreased by $55,632,071 or -34.6% from net investment income of $160,619,148 for the year ended December 31, 2019 to net investment income of $104,987,077 for the year ended December 31, 2020. Investment earnings fluctuate primarily from the overall performance of the financial markets from year to year.

The Plan's realized return on investments for the year ended December 31, 2021 was 14.9% versus 12.4% for the year ended December 31, 2020 and 21.0% for the year ended December 31, 2019.

**Portfolio Rate of Return**
**For the Years Ended December 31,**

| | 2021 | 2020 | 2019 |
|---|---|---|---|
| Domestic Equities | 22.1% | 22.5% | 31.4% |
| Benchmark | 25.7% | 20.9% | 31.0% |
| International Equities | 12.3% | 11.8% | 21.3% |
| Benchmark | 8.5% | 11.1% | 21.6% |
| Fixed income | -0.5% | 8.8% | 9.7% |
| Benchmark | -1.5% | 7.5% | 8.7% |
| Total Plan | 14.9% | 12.4% | 21.0% |

**Deductions to Plan Net Position**

Total deductions were $392,625,124 in 2021, $370,183,755 in 2020 and $350,129,202 in 2019.

Benefits increased by $22,235,445 or 6.1% from $362,831,685 for the year ended December 31, 2020 to $385,067,130 for the year ended December 31, 2021. Comparatively, benefits increased by $19,946,759 or 5.8% from $342,884,926 for the year ended December 31, 2019 to $362,831,685 for the year ended December 31, 2020. 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.

The Plan paid no litigation settlements during the year ended December 31, 2021, a decrease from the $99,103 in health insurance litigation settlements paid to plan members for the year ended December 31, 2020. See Footnote 10 of the financial statements for further information regarding the reestablishment of the health insurance supplement plan.

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

**Actuarial Information**

*Pension Benefits*

Under GASB Statement No. 67, *Financial Reporting for Pension Plans*, the Plan's funding for pension benefits is as follows:

**Funding for Pension Benefits**
**For the Years Ended December 31,**

| | 2021 | 2020 | 2019 |
|---|---|---|---|
| Total pension liability | $ 7,004,905,578 | $ 6,901,130,881 | $ 6,542,490,710 |
| Plan fiduciary net position | 1,466,397,921 | 1,308,886,480 | 1,149,820,815 |
| City's net pension liability | $ 5,538,507,657 | $ 5,592,244,401 | $ 5,392,669,895 |
| Plan fiduciary net position as a percentage of the total pension liability | 20.93% | 18.97% | 17.57% |

**Actuarial Information (continued)**

*Postemployment Healthcare Benefits*

Under GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, the Plan's funding for postemployment healthcare benefits is as follows:

**Funding for Postemployment Healthcare Benefits**
**For the Years Ended December 31,**

| | 2021 | 2020 | 2019 |
|---|---|---|---|
| Total health insurance supplement liability | $ 9,155,590 | $ 8,975,148 | $ 10,076,760 |
| Plan fiduciary net position | - | - | - |
| City's health insurance supplement | $ 9,155,590 | $ 8,975,148 | $ 10,076,760 |
| Plan fiduciary net position as a percentage of the total health insurance supplement | 0.00% | 0.00% | 0.00% |

Contributions for postemployment healthcare benefits are made on a "pay-as-you-go" basis, resulting in a 0.00% funded ratio.

**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, 2021. Comments, questions or concerns regarding this report or requests for additional information should be addressed to:

Kelly Weller, Executive Director
Firemen's Annuity and 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 FIDUCIARY NET POSITION AND HEALTH INSURANCE SUPPLEMENT PLAN NET POSITION

DECEMBER 31, 2021 AND 2020

| | 2021 | | | 2020 | | |
|---|---|---|---|---|---|---|
| | Total | Pension | Health Insurance Supplement | Total | Pension | Health Insurance Supplement |
| **ASSETS** | | | | | | |
| Receivables | | | | | | |
| Employer contributions - net | $ 379,447,327 | $ 379,447,327 | $ - | $ 380,731,624 | $ 380,731,624 | $ - |
| Investment income | 2,826,697 | 2,826,697 | - | 2,521,901 | 2,521,901 | - |
| Other | 2,598,069 | 2,598,069 | - | 2,393,369 | 2,393,369 | - |
| Securities lending | 29,102 | 29,102 | - | 19,957 | 19,957 | - |
| Unsettled trades | 5,968,490 | 5,968,490 | - | 4,150,246 | 4,150,246 | - |
| Total receivables | 390,869,685 | 390,869,685 | - | 389,817,097 | 389,817,097 | - |
| Prepaid expenses | 161,085 | 161,085 | - | 215,061 | 215,061 | - |
| Investments | | | | | | |
| Cash deposits and short-term investments | 45,866,572 | 45,866,572 | - | 18,569,692 | 18,569,692 | - |
| Corporate bonds | 103,638,635 | 103,638,635 | - | 101,446,163 | 101,446,163 | - |
| Equities | 662,964,750 | 662,964,750 | - | 586,023,486 | 586,023,486 | - |
| Pooled funds | 111,113,449 | 111,113,449 | - | 101,131,653 | 101,131,653 | - |
| Limited partnerships | 60,239,714 | 60,239,714 | - | 42,013,685 | 42,013,685 | - |
| U.S. and Foreign Government obligations | 100,809,710 | 100,809,710 | - | 76,700,331 | 76,700,331 | - |
| Total investments | 1,084,632,830 | 1,084,632,830 | - | 925,885,010 | 925,885,010 | - |
| Collateral held for securities on loan | 108,665,402 | 108,665,402 | - | 75,812,634 | 75,812,634 | - |
| Total assets | 1,584,329,002 | 1,584,329,002 | - | 1,391,729,802 | 1,391,729,802 | - |
| **LIABILITIES** | | | | | | |
| Accounts payable and accrued expenses | 1,354,247 | 1,354,247 | - | 1,320,137 | 1,320,137 | - |
| Participant accounts | 719,644 | 719,644 | - | 416,690 | 416,690 | - |
| Securities lending collateral | 108,665,402 | 108,665,402 | - | 75,812,634 | 75,812,634 | - |
| Securities lending | 7,253 | 7,253 | - | 4,977 | 4,977 | - |
| Unsettled trades | 7,184,535 | 7,184,535 | - | 5,288,884 | 5,288,884 | - |
| Total liabilities | 117,931,081 | 117,931,081 | - | 82,843,322 | 82,843,322 | - |
| **NET POSITION** | | | | | | |
| Net position restricted for pensions | 1,466,397,921 | 1,466,397,921 | - | 1,308,886,480 | 1,308,886,480 | - |
| Net position held in trust for health insurance supplement benefits | - | - | - | - | - | - |
| | $ 1,466,397,921 | $ 1,466,397,921 | $ - | $ 1,308,886,480 | $ 1,308,886,480 | $ - |

See accompanying notes to financial statements.

# FIREMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO

## COMBINING STATEMENTS OF CHANGES IN PENSION PLAN FIDUCIARY NET POSITION AND HEALTH INSURANCE SUPPLEMENT PLAN NET POSITION

YEARS ENDED DECEMBER 31, 2021 AND 2020

| | 2021 | | | 2020 | | |
|---|---|---|---|---|---|---|
| | Total | Pension | Health Insurance Supplement | Total | Pension | Health Insurance Supplement |
| ADDITIONS | | | | | | |
| Contributions | | | | | | |
| Employer contributions | | | | | | |
| Statutory | $ 366,684,000 | $ 365,815,614 | $ 868,386 | $ 367,819,023 | $366,786,961 | $ 1,032,062 |
| Exempt rank funding | 1,666,000 | 1,666,000 | - | 1,636,000 | 1,636,000 | - |
| Total employer contributions | 368,350,000 | 367,481,614 | 868,386 | 369,455,023 | 368,422,961 | 1,032,062 |
| Plan member | | | | | | |
| Annuities | 52,126,030 | 52,126,030 | - | 54,273,436 | 54,273,436 | - |
| Death benefits | 142,106 | 142,106 | - | 141,217 | 141,217 | - |
| Total plan member contributions | 52,268,136 | 52,268,136 | - | 54,414,653 | 54,414,653 | - |
| Investment income | | | | | | |
| Net appreciation in fair value of investments | 114,467,689 | 114,467,689 | - | 94,169,030 | 94,169,030 | - |
| Interest | 11,194,595 | 11,194,595 | - | 8,350,431 | 8,350,431 | - |
| Dividends | 11,637,334 | 11,637,334 | - | 9,844,531 | 9,844,531 | - |
| | 137,299,618 | 137,299,618 | - | 112,363,992 | 112,363,992 | - |
| Less investment expenses | (7,998,212) | (7,998,212) | - | (7,376,915) | (7,376,915) | - |
| Net investment income | 129,301,406 | 129,301,406 | - | 104,987,077 | 104,987,077 | - |
| Securities lending | | | | | | |
| Income | 213,225 | 213,225 | - | 595,978 | 595,978 | - |
| Borrower rebates | 65,592 | 65,592 | - | (139,327) | (139,327) | - |
| Management fees | (69,505) | (69,505) | - | (113,983) | (113,983) | - |
| Net securities lending income | 209,312 | 209,312 | - | 342,668 | 342,668 | - |
| Gift Fund donations | 3,180 | 3,180 | - | 3,180 | 3,180 | - |
| Miscellaneous income | 1,608 | 1,608 | - | 9,577 | 9,577 | - |
| Tax levy interest | 2,923 | 2,923 | - | 37,242 | 37,242 | - |
| Total additions | 550,136,565 | 549,268,179 | 868,386 | 529,249,420 | 528,217,358 | 1,032,062 |

See accompanying notes to financial statements.

## FIREMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO

### COMBINING STATEMENTS OF CHANGES IN PENSION PLAN FIDUCIARY NET POSITION AND HEALTH INSURANCE SUPPLEMENT PLAN NET POSITION

YEARS ENDED DECEMBER 31, 2021 AND 2020

| | 2021 | | | 2020 | | |
|---|---|---|---|---|---|---|
| | Total | Pension | Health Insurance Supplement | Total | Pension | Health Insurance Supplement |
| DEDUCTIONS | | | | | | |
| Benefits | | | | | | |
| Age and service benefits | | | | | | |
| Employees | $ 320,989,338 | $ 320,989,338 | $ - | $ 302,386,066 | $ 302,386,066 | $ - |
| Spouses | 39,392,185 | 39,392,185 | - | 37,180,884 | 37,180,884 | - |
| Dependents | 1,188,180 | 1,188,180 | - | 902,527 | 902,527 | - |
| Total age and service benefits | 361,569,703 | 361,569,703 | - | 340,469,477 | 340,469,477 | - |
| Disability benefits | | | | | | |
| Duty | 15,198,633 | 15,198,633 | - | 13,546,256 | 13,546,256 | - |
| Occupational | 6,736,113 | 6,736,113 | - | 7,173,685 | 7,173,685 | - |
| Ordinary | 685,691 | 685,691 | - | 488,683 | 488,683 | - |
| Total disability benefits | 22,620,437 | 22,620,437 | - | 21,208,624 | 21,208,624 | - |
| Gift Fund payments | 99,190 | 99,190 | - | 319,000 | 319,000 | - |
| Death benefits | 777,800 | 777,800 | - | 834,584 | 834,584 | - |
| Total benefits | 385,067,130 | 385,067,130 | - | 362,831,685 | 362,831,685 | - |
| Administrative expenses | 3,082,062 | 3,082,062 | - | 2,892,186 | 2,892,186 | - |
| Annuitant healthcare subsidy | 868,386 | - | 868,386 | 1,032,062 | - | 1,032,062 |
| Litigation settlement interest | - | - | - | 99,103 | 99,103 | - |
| Refunds of contributions | 3,607,546 | 3,607,546 | - | 3,328,719 | 3,328,719 | - |
| Total deductions | 392,625,124 | 391,756,738 | 868,386 | 370,183,755 | 369,151,693 | 1,032,062 |
| NET INCREASE | 157,511,441 | 157,511,441 | - | 159,065,665 | 159,065,665 | - |
| NET POSITION | | | | | | |
| Beginning of year | 1,308,886,480 | 1,308,886,480 | - | 1,149,820,815 | 1,149,820,815 | - |
| End of year | $ 1,466,397,921 | $ 1,466,397,921 | $ - | $ 1,308,886,480 | $ 1,308,886,480 | $ - |

See accompanying notes to financial statements.

## NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Financial 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. Firemen's Annuity and Benefit Fund of Chicago (the Plan) has determined that no other outside entity meets the above criteria and, therefore, no other entity has been included as a component unit in the Plan's financial statements.

Based on the above criteria, the Plan is considered to be a fiduciary fund of the City of Chicago, Illinois (the City) and is included in the City's financial statements.

**Method of Accounting** - The financial statements are presented using the accrual basis of accounting. Employer contributions are recognized as income pursuant to legal requirements as specified by the Illinois Compiled Statutes (the Statutes). 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. Where less than an entire investment holding is sold, average value is used to determine realized gain or loss.

**Capital Assets** - The Plan has set a capitalization threshold of $100,000 for all capital asset types. As of December 31, 2021 and 2020, 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.

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

**Subsequent Events** - Subsequent events have been evaluated through June 15, 2022, 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 Statutes, particularly 40 ILCS, Act 5, Article 6 (the Article), 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 of Chicago 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 (the Board) 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 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. Tier 1 employees who reach compulsory retirement age of 63, and members not subject to compulsory retirement who attain age 63, 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 to a maximum of 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. Tier 1 benefits are for participants who first become a fireman or paramedic under this Article prior to January 1, 2011.

Tier 2 employees who have attained age 50 with at least 10 years of service are entitled to receive a tier 2 monthly annuity upon application. The tier 2 monthly annuity is equal to 2.5 of final average salary for each completed year of service, subject to an annuity reduction factor of ½ of 1% for each month that the fireman's age at retirement is under age 55. 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% or 50% of the Consumer Price Index (CPI-U). This annuity shall not exceed 75% of final average salary.

## NOTE 2. PLAN DESCRIPTION (CONTINUED)

Tier 1 employees with at least 20 years of service are entitled to receive a minimum formula annuity upon attainment of age 50, 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. This annuity shall not exceed 75% of the final average salary.

For Tier 1 employees, the monthly annuity is increased by 3% of the original annuity (simple). The increase begins the later of 1) the 1st of the month following the first anniversary of the date of retirement or 2) the 1st of the month after attainment of age 55 and each January 1st thereafter for life. For Tier 2 employees, the monthly annuity is increased by the lesser of 3% or ½ of the annual unadjusted percentage increase in the Consumer Price Index-U. The increase begins in January of the year of the first payment date following the later of the attainment of age 60 or the first anniversary of the annuity start date.

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, 2021 and 2020, participation in the Plan consisted of the following:

| | 2021 | 2020 |
|---|---|---|
| Retirees and beneficiaries currently receiving benefits | 5,265 | 5,221 |
| Terminated plan participants entitled to but not yet receiving benefits | 154 | 124 |
| Active plan participants | 4,735 | 4,697 |
| Total participants | 10,154 | 10,042 |

## NOTE 3. EMPLOYER'S PENSION LIABILITY

**Net Pension Liability**

The components of the City's net pension liability of the Plan for the years ended December 31, 2021 and 2020 are as follows:

| | 2021 | 2020 |
|---|---|---|
| Total pension liability | $ 7,004,905,578 | $ 6,901,130,881 |
| Plan fiduciary net position | 1,466,397,921 | 1,308,886,480 |
| City's net pension liability | $ 5,538,507,657 | $ 5,592,244,401 |
| Plan fiduciary net position as a percentage of the total pension liability | 20.93% | 18.97% |

See the schedule of changes in the City's net pension liability and related ratios in the required supplementary information for additional information related to the funded status of the Plan.

The actuarial assumptions used in the December 31, 2021 and 2020 valuations were based on the results of an actuarial experience study conducted for the period of January 1, 2012 through December 31, 2016, and were adopted and became effective December 31, 2018.

## NOTE 3. EMPLOYER'S PENSION LIABILITY (CONTINUED)

**Net Pension Liability (continued)**

The net pension liabilities were determined by actuarial valuations performed as of December 31, 2021 and 2020 using the following actuarial methods and assumptions:

| | |
|---|---|
| Actuarial valuation date | December 31, 2021 and 2020 |
| Actuarial cost method | Entry-Age Normal |
| Asset valuation method | 5 year smoothed fair value |
| Actuarial assumptions: | |
| Inflation | 2.25% per year |
| Salary increases | 3.5% per year, plus additional service based increases |
| Investment rate of return | 6.75 per year, net of investment expense |
| Retirement age | Experience-based table of rates that are specific to the type of eligibility condition last updated pursuant to an experience study of the period January 1, 2012 through December 31, 2016. |
| Post-retirement mortality | RP-2014 Blue Collar Healthy Annuitant Mortality Table, with scaling factors of 106% for males and 98% for females, projected generationally using scale MP-2017. |
| Disabled mortality | RP-2014 Blue Collar Healthy Annuitant Mortality Table, with scaling factors of 107% for males and 99% for females, projected generationally using scale MP-2017. |
| Pre-retirement mortality | RP-2014 Blue Collar Healthy Employee Mortality Table, with scaling factors of 92% for males and 100% for females, projected generationally using scale MP-2017. |
| Postretirement annuity increases | 2021 - Tier 1 participants - 3.0% simple interest. Tier 2 participants - the lesser of 3.0% or one half of the increase in the Consumer Price Index. |
| | 2020 - Tier 1 participants - 1.50% simple interest for 20 years for members born after January 1, 1966, 3.00% simple interest for life for members born before January 1, 1966. Tier 2 participants - the lesser of 3.0% or one half of the increase in the Consumer Price Index. |

## Discount Rate

A discount rate of 6.75% was used to measure the total pension liability at December 31, 2021. The discount rate was based on an expected rate of return on Plan investments of 6.75% and a municipal bond rate of 2.06%. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made according to the contribution rate applicable for each member's tier and that employer contributions will be made as specified by Public Act 99-0506. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions and contributions from future plan members that are intended to fund the service costs of future plan members and their beneficiaries are not included. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members throughout the projection period. Therefore, the long-term expected rate of return on Plan investments of 6.75% was applied to projected benefits for all periods. The municipal bond rate as of December 31, 2021 was based on the Bond Buyer 20-Bond Index of general obligation municipal bonds.

A discount rate of 6.30% was used to measure the total pension liability at December 31, 2020. The discount rate was based on an expected rate of return on Plan investments of 6.75% and a municipal bond rate of 2.12%. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made according to the contribution rate applicable for each member's tier and that employer contributions will be made as specified by Public Act 99-0506. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions and contributions from future plan members that are intended to fund the service costs of future plan members and their beneficiaries are not included. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through the year 2076. Therefore, the long-term expected rate of return on Plan investments of 6.75% was applied to projected benefits for all periods through 2070 and the municipal bond index rate of 2.12% was applied thereafter to determine the total pension liability. The municipal bond rate as of December 31, 2020 was based on the Bond Buyer 20-Bond Index of general obligation municipal bonds.

## NOTE 3. EMPLOYER'S PENSION LIABILITY (CONTINUED)

### Discount Rate Sensitivity

The following is an analysis of the net pension liability's sensitivity to changes in the discount rate at December 31, 2021 and 2020. The following table presents the net pension liability of the City using the blended discount rate as well as the City's net pension liability calculated using a discount rate 1 percent lower and 1 percent higher than the current discount rate:

| | 1% Decrease 5.75% | Current Discount Rate 6.75% | 1% Increase 7.75% |
|---|---|---|---|
| City's Net Pension Liability - December 31, 2021 | $ 6,378,443,450 | $ 5,538,507,657 | $ 4,835,562,875 |

| | 1% Decrease 5.30% | Current Discount Rate 6.30% | 1% Increase 7.30% |
|---|---|---|---|
| City's Net Pension Liability - December 31, 2020 | $ 6,430,419,190 | $ 5,592,244,401 | $ 4,891,244,244 |

## NOTE 4. SUMMARY OF EMPLOYER FUNDING POLICIES

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 fund the Plan on an actuarial basis sufficient to produce a funding level of 90% by the year ended December 31, 2055. The City's yearly contribution is equal to no less than (1) the normal cost to the Plan, plus (2) an annual amount sufficient to bring the total assets of the Plan up to 90% of the total actuarial liabilities of the Plan by the end of fiscal year 2055, as annually updated and determined by an enrolled actuary employed by the Illinois Department of Insurance or by an enrolled actuary retained by the Plan or the City.

## 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 pension code legislation can be amended only by the Illinois Legislature.

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 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 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 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 (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 restricted for pensions as of December 31, 2021 and 2020 were comprised of the following reserve surplus (deficit) balances:

| | 2021 | 2020 |
|---|---|---|
| Prior Service Annuity Reserve | $ 3,081,129,056 | $ 2,885,307,684 |
| City Contribution Reserve | 820,409,697 | 806,201,086 |
| Annuity Payment Reserve | 1,393,001,272 | 1,286,862,819 |
| Salary Deduction Reserve | 676,192,093 | 664,475,514 |
| Death Benefit Reserve (deficit) | (23,937,319) | (22,613,747) |
| Ordinary Disability Reserve | 584,795 | 642,677 |
| Supplementary Payment Reserve (deficit) | (284,692) | (256,821) |
| Gift Reserve | 14,934,930 | 12,687,553 |
| Reserve (deficit) | (4,495,631,911) | (4,324,420,285) |
| Total fiduciary net position for pension benefits | $ 1,466,397,921 | $ 1,308,886,480 |

## NOTE 6. INVESTMENTS

### Investment Policies

The Board of Trustees is responsible for establishing reasonable and consistent investment objectives, policies and guidelines governing the investment of Plan assets in accordance with the Statutes. 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 Statutes and any index-linked financial instruments are limited to those indices that replicate the permissible investments outlined in the Statutes. During the years ended December 31, 2021 and 2020, there were no significant changes to the investment policies.

## NOTE 6. INVESTMENTS (CONTINUED)

### Long-Term Expected Rate of Return

The Plan's investment policies in accordance with the Statutes establish the following target allocation across asset classes:

| Asset Class | Target Allocation | Long-term Expected Real Rate of Return |
|---|---|---|
| Equity | 57.00% | 6.7% |
| Fixed income | 22.00% | 2.1% |
| Other investments | 21.00% | 6.0% |
| Total | 100.00% | |

The long-term expected real rate of return on the Plan's investments was determined using an asset allocation study conducted by the Plan's investment management consultant in which best estimate ranges of expected future real rates of return (net of investment expense and inflation) were developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates or arithmetic real rates of return for each major asset class included in the Plan's target asset allocation are listed in the preceding table.

### Annual Money-Weighted Rate of Return

The annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 14.23% and 11.67% for the years ended December 31, 2021 and 2020, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

### 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, 2021 and 2020 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.

**Credit Risk (continued)**

| Type of Investment | Rating | 2021 | 2020 |
|---|---|---|---|
| Cash deposits and short-term investments | Not Rated | $ 45,866,572 | $ 18,569,692 |
| Corporate bonds | Aaa/AAA | $ 7,123,965 | $ 978,628 |
| | Aa/AA | 3,874,774 | 4,036,614 |
| | A/A | 16,063,887 | 18,855,401 |
| | Baa/BBB | 38,046,392 | 36,781,473 |
| | Ba/BB | 16,667,923 | 13,459,495 |
| | B/B | 5,847,344 | 4,123,509 |
| | Caa/CCC | 2,268,464 | 709,266 |
| | Ca/CC | 120,297 | - |
| | C/C | 120,488 | - |
| | Not Rated | 12,289,225 | 10,206,741 |
| | U.S. Government Guaranteed | 1,215,876 | 12,295,036 |
| | | $ 103,638,635 | $ 101,446,163 |
| Pooled funds - fixed income | Not Rated | $ 35,920,762 | $ 17,820,608 |
| U.S. and Foreign Government obligations | Aaa/AAA | $ 51,785,701 | $ 21,997,417 |
| | Aa/AA | 3,595,912 | 1,576,566 |
| | A/A | 1,206,887 | 346,670 |
| | Baa/BBB | 2,510,373 | - |
| | Ba/BB | 1,178,267 | - |
| | Caa/CCC | 132,372 | - |
| | Ca/CC | 27,994 | 24,300 |
| | Not Rated | 2,757,502 | 123,689 |
| | U.S. Government Guaranteed | 37,614,702 | 52,631,689 |
| | | $ 100,809,710 | $ 76,700,331 |

NOTE 6. 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, 2021 and 2020 using the segmented time distribution method:

| Type of Investment | Maturity | 2021 | 2020 |
|---|---|---|---|
| Cash deposits and short-term investments | Less than 1 year | $ 45,866,572 | $ 18,569,692 |
| Corporate bonds | Less than 1 year | $ 3,711,282 | $ 1,916,157 |
| | 1-6 years | 38,419,391 | 24,801,690 |
| | 6-10 years | 25,111,312 | 33,937,188 |
| | Over 10 years | 36,396,650 | 40,791,128 |
| | | $ 103,638,635 | $ 101,446,163 |
| Pooled funds - fixed income | 1-6 years | $ 35,920,762 | $ 2,934,466 |
| | 6-10 years | - | 14,886,142 |
| | | $ 35,920,762 | $ 17,820,608 |
| U.S. and Foreign Government obligations | Less than 1 year | $ 15,609,809 | $ 7,691,677 |
| | 1-6 years | 37,785,534 | 10,423,405 |
| | 6-10 years | 14,618,996 | 20,909,994 |
| | Over 10 years | 32,795,371 | 37,675,255 |
| | | $ 100,809,710 | $ 76,700,331 |

**NOTE 6. 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, 2021 and 2020 is as follows:

| Type of Investment | Fair Value (USD) 2021 | Fair Value (USD) 2020 |
|---|---|---|
| U.S. and Foreign Government obligations: | | |
| Argentine peso | $ 67,671 | $ 88,662 |
| Brazilian real | 981,213 | 625,245 |
| Chinese yuan renminbi | 161,714 | 157,851 |
| Indian rupee | 447,860 | - |
| Indonesian rupiah | 685,943 | 360,889 |
| Japanese yen | 321,672 | 346,670 |
| Mexican peso | 1,566,208 | 1,365,471 |
| Russian ruble | 936,204 | 909,863 |
| U.S. dollar | 95,641,225 | 72,845,680 |
| | $ 100,809,710 | $ 76,700,331 |

**NOTE 6. INVESTMENTS (CONTINUED)**

**Foreign Currency Risk (continued)**

| Type of Investment | Fair Value (USD) 2021 | Fair Value (USD) 2020 |
|---|---|---|
| Equities: | | |
| Australian dollar | $ 5,237,007 | $ 4,745,955 |
| Brazilian real | 5,288,897 | 4,820,983 |
| British pound | 29,485,199 | 25,762,661 |
| Canadian dollar | 6,923,592 | 5,450,750 |
| Chilean peso | 335,226 | 745,420 |
| Chinese yuan renminbi | 1,581,721 | 2,712,909 |
| Czech koruna | - | 156,506 |
| Danish krone | 4,691,842 | 6,119,590 |
| Egyptian pound | 454,984 | 334,415 |
| European euro | 56,974,929 | 49,610,022 |
| Hong Kong dollar | 27,026,284 | 28,789,300 |
| Hungarian forint | 529,484 | 486,013 |
| Indian rupee | 8,943,445 | 6,063,780 |
| Indonesian rupiah | 2,519,514 | 1,557,500 |
| Japanese yen | 22,935,257 | 24,203,309 |
| Malaysian ringgit | 725,760 | 521,681 |
| Mexican peso | 3,000,701 | 3,035,351 |
| New Taiwan dollar | 10,169,715 | 7,834,264 |
| New Zealand dollar | 536,594 | 761,193 |
| Norwegian krone | 453,823 | 663,853 |
| Philippines peso | 177,211 | 498,506 |
| Polish zloty | 976,409 | 811,757 |
| Qatari riyal | 236,556 | 227,954 |
| Singapore dollar | 1,686,059 | 1,128,792 |
| South African rand | 1,993,425 | - |
| South Korean won | 11,014,683 | 10,999,250 |
| Swedish krona | 8,222,845 | 4,822,491 |
| Swiss franc | 13,831,989 | 10,609,154 |
| Thailand baht | 673,616 | 784,944 |
| Turkish lira | 434,874 | 426,492 |
| U.S. dollar | 435,903,109 | 381,338,691 |
| | $ 662,964,750 | $ 586,023,486 |

## NOTE 6. INVESTMENTS (CONTINUED)

### Additional Investment Disclosures

During 2021 and 2020, net realized gain on investments sold, reflecting the difference between the proceeds received and cost value of securities sold, was $83,751,016 and $37,746,568 respectively. These amounts are included in the net appreciation (depreciation) in fair value of investments as reported on the statements of changes in pension plan fiduciary 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 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 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.

## NOTE 7. FAIR VALUE MEASUREMENTS

GASB Statement No. 72, *Fair Value Measurement and Application*, established a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

<u>Basis of Fair Value Measurement</u>

| | |
|---|---|
| Level 1 | Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities |
| Level 2 | Quoted prices in markets that are not considered to be active or financial instruments for which all significant inputs are observable, either directly or indirectly |
| Level 3 | Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable |

## NOTE 7. FAIR VALUE MEASUREMENTS (CONTINUED)

The Plan categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The Plan has the following recurring fair value measurements as of December 31, 2021 and 2020:

| | | Fair Value Measurements at 12/31/2021 Using | | |
|---|---|---|---|---|
| | Total | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Investments by fair value level | | | | |
| Cash deposits and short-term investments | $ 21,184,940 | $ 21,184,940 | $ - | $ - |
| Corporate bonds | 103,638,635 | - | 103,638,635 | - |
| Equities | 662,964,750 | 662,964,750 | - | - |
| Pooled funds | 17,525,611 | 17,525,611 | - | - |
| U.S. and Foreign Government obligations | 100,809,710 | 4,499,681 | 96,310,029 | - |
| | 906,123,646 | $ 706,174,982 | $ 199,948,664 | $ - |
| Investments measured at net asset value | 178,509,184 | | | |
| Total investments at fair value | $ 1,084,632,830 | | | |

| | | Fair Value Measurements at 12/31/2020 Using | | |
|---|---|---|---|---|
| | Total | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Investments by fair value level | | | | |
| Cash deposits and short-term investments | $ 8,794,143 | $ 7,294,143 | $ 1,500,000 | $ - |
| Corporate bonds | 101,446,163 | - | 101,446,163 | - |
| Equities | 586,023,487 | 586,023,487 | - | - |
| Pooled funds | 13,034,038 | 13,034,038 | - | - |
| U.S. and Foreign Government obligations | 76,700,331 | - | 76,700,331 | - |
| | 785,998,162 | $ 606,351,668 | $ 179,646,494 | $ - |
| Investments measured at net asset value | 139,886,848 | | | |
| Total investments at fair value | $ 925,885,010 | | | |

## NOTE 7. FAIR VALUE MEASUREMENTS (CONTINUED)

Level 1 Measurements

Cash deposits, equities, pooled funds, and U.S. Treasury securities are traded in active markets on national and international securities exchanges and are valued at closing prices on the measurement date.

Level 2 Measurements

Short-term investments, corporate bonds, and U.S. Government and Foreign Government obligations are generally valued by benchmarking model-derived prices to quoted market prices and trade data for identical or comparable securities. To the extent that quoted prices are not available, fair value is determined based on a valuation model that include inputs such as interest rate yield curves and credit spreads. Securities traded in markets that are not considered active are valued based on quoted market prices, broker to dealer quotations, or alternative pricing sources with reasonable levels of price transparency. Securities that trade infrequently and therefore have little or no price transparency are valued using the investment manager's best estimates.

The valuation methods for investments measured at net asset value (NAV) are presented on the following table:

| | Fair Value | | Unfunded | Redemption Frequency | Redemption Notice |
|---|---|---|---|---|---|
| | 12/31/2021 | 12/31/2020 | Commitments | (If Eligible) | Period |
| Investments measured at net asset value: | | | | | |
| Short-term investment fund (1) | $ 24,681,632 | $ 9,775,549 | $ - | Daily | N/A |
| Pooled funds (2) | | | | | |
| Equity | 62,452,249 | 59,983,757 | - | Daily, Monthly | N/A, 10 Days |
| Fixed income | 18,522,904 | 17,820,607 | - | Daily | N/A |
| Real estate | 12,612,685 | 10,293,250 | - | Pro Rata Basis | N/A |
| Limited partnerships (3) | 60,239,714 | 42,013,685 | 46,694,586 | Closed-end / Quarterly | N/A |
| Total | $ 178,509,184 | $ 139,886,848 | | | |

(1) Short-term investment fund - This investment's objective is to invest in short-term investments of high quality and low risk to protect capital while achieving investment returns. The fair value of the investment in the fund has been determined using the NAV per share of the investment.

(2) Pooled funds - This investment is made up of two equity funds, three fixed income funds, and a commingled real estate account all with an investment objective to maximize the total return. The fair value of the investments in this type has been determined using the NAV per share of the investments.

## NOTE 7. FAIR VALUE MEASUREMENTS (CONTINUED)

(3) Limited partnerships - This investment consists of fourteen limited partnership investments with an investment objective to achieve long-term capital appreciation, preserve capital, and achieve a consistent pattern of returns through investments in limited partnerships, privately issued securities, private equity funds, other pooled investments, and real estate funds. Thirteen of the fourteen limited partnership investments are closed-end where the partnership interests are generally illiquid and cannot be redeemed. It is expected that the liquidation of the limited partnership interests will generally coincide with the terms of the various partnership agreements. The limited partnership termination dates range from October 22, 2017 to December 26, 2034 but may be terminated earlier or extended later as set forth in the terms of the applicable partnership agreement. One of the fourteen partnerships is open-ended with an infinite life, unless the general partner determines otherwise. The fair value of the investments in this type has been determined using the NAV per share (or its equivalent) of the investments.

## NOTE 8. SECURITIES LENDING

The 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 49 days in 2021 and 53 days in 2020; 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, 2021 and 2020 of 28 and 30 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, 2021 and 2020, the fair value (carrying amount) of loaned securities was $105,742,645 and $73,843,288 respectively. As of December 31, 2021 and 2020, the fair value (carrying amount) of cash collateral received by the Plan was $108,665,402 and $75,812,634 respectively. The cash collateral is included as an asset and a corresponding liability on the statements of plan net position.

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.

## NOTE 8. SECURITIES LENDING (CONTINUED)

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, 2021 and 2020.

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

| | 2021 | 2020 |
|---|---|---|
| Corporate bonds | $ 25,025,588 | $ 14,864,470 |
| Equities | 76,187,989 | 57,310,914 |
| U.S. and Foreign Government obligations | 4,529,068 | 1,667,904 |
| Total | $ 105,742,645 | $ 73,843,288 |

## NOTE 9. 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.

**NOTE 9. DERIVATIVES (CONTINUED)**

The Plan's portfolio includes the following derivative instruments at December 31, 2021 and 2020:

| | 2021 | | 2020 | |
|---|---|---|---|---|
| Derivative | Notional Value | Fair Value | Notional Value | Fair Value |
| Options | $ (323,872) | $ 2,946 | $ - | $ 22,281 |
| Futures purchase commitments | 83,771,873 | - | 18,495,127 | - |
| Futures sales commitments | (83,771,873) | - | (18,495,127) | - |
| Swap assets | 18,509,631 | 473,806 | 4,368,878 | 166,359 |
| Swap liabilities | (10,948,113) | (151,896) | (2,728,041) | (132,360) |
| Total | $ 7,237,646 | $ 324,856 | $ 1,640,837 | $ 56,280 |

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 the years ended December 31, 2021 and 2020, the options expire approximately one to four 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 the year ended December 31, 2021, the futures contracts mature from three months to two years after year end. For the year ended December 31, 2020, the futures contracts mature from two months to eighteen 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, 2021, the swaps have maturity dates ranging from June 2022 through July 2051. For the year ended December 31, 2020, the swaps have maturity dates ranging from January 2021 through October 2050.

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

## NOTE 10. HEALTH INSURANCE SUPPLEMENT PLAN

### Plan Description

Public Act 98-0043, effective June 28, 2013, initially terminated the health insurance supplement to be paid by the Plan after December 31, 2016. During the year ended December 31, 2019, the Circuit Court ordered that all eligible City of Chicago employee annuitants of the Plan are entitled to receive a health insurance premium subsidy for each month after December 31, 2016 in which they meet the eligibility requirements.

Eligible City of Chicago employee annuitants (both current and future employee annuitants, but not spousal or child annuitants) of the Plan are entitled to receive a health insurance premium subsidy of $55 per month from the Plan if the annuitant is not qualified to receive Medicare benefits or $21 per month from the Plan if the annuitant is qualified to receive Medicare benefits, representing a partial reimbursement for healthcare costs. The remaining costs for healthcare are borne by the City and the annuitant.

To be eligible for the health insurance premium subsidy, the annuitant must have retired on or after August 23, 1989; the annuitant must have been hired prior to July 1, 2003; and the annuitant must have either, (a) participated in a group healthcare plan for which the Plan offers to deduct health insurance premiums from monthly annuities in accordance with the 1983 and 1985 amendments to the Illinois Pension Code Statutes (currently either the Blue Cross/Blue Shield plans sponsored by the City of Chicago or the Aetna plans sponsored by Local 2), or (b) for the period between January 1, 2017 and December 31, 2019, participated in any health insurance plan and paid their healthcare insurance coverage themselves, either through an account on which the annuitant is named or an account established for the benefit of the annuitant.

At December 31, 2021 and 2020, participants potentially eligible for the health insurance supplement consisted of the following:

| | 2021 | 2020 |
|---|---|---|
| Active members | 1,573 | 1,750 |
| Inactive plan members or beneficiaries currently receiving benefits | 1,628 | 2,781 |
| Inactive plan members entitled to but not yet receiving benefit payments | 18 | 15 |
| Total participants | 3,219 | 4,546 |

**Benefits Provided** - The Plan pays a health insurance premium subsidy of $55 per month if the annuitant is not qualified to receive Medicare benefits or $21 per month if the annuitant is qualified to receive Medicare benefits.

**Contributions** - The Plan pays the health insurance premium subsidies on a “pay-as-you-go” basis through an allocation of Employer contributions from the City of Chicago.

## NOTE 10. HEALTH INSURANCE SUPPLEMENT PLAN (CONTINUED)

**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.

**Net Health Insurance Supplement Liability**

The components of the city's net health insurance supplement liability for the year ended December 31, 2021 and 2020 are as follows:

| | 2021 | 2020 |
|---|---|---|
| Total health insurance supplement liability | $ 9,155,590 | $ 8,975,148 |
| Plan fiduciary net position | - | - |
| City's net health insurance supplement liability | $ 9,155,590 | $ 8,975,148 |
| Plan fiduciary net position as a percentage of the total health insurance supplement liability | 0.00% | 0.00% |

Contributions for health insurance premium subsidies are made on a "pay-as-you-go" basis. There are no dedicated assets for health insurance premiums subsidies resulting in a 0.00% funded ratio.

See the schedule of changes in the city's net health insurance supplement liability and related ratios in the required supplementary information for additional information related to the funded status of the health insurance supplement plan.

NOTE 10. HEALTH INSURANCE SUPPLEMENT PLAN (CONTINUED)

The net health insurance supplement liability was determined by an actuarial valuation performed as of December 31, 2021 and 2020 using the following actuarial methods and assumptions:

| | |
|---|---|
| Discount rate | 2021 - 2.06%<br><br>2020 - 2.12% |
| Election percentage | 2021 - 20% of pre-Medicare eligible retirees and 60% of post-Medicare eligible retirees are assumed to receive the supplement.<br><br>2020 - 30% of pre-Medicare eligible retirees and 60% of post-Medicare eligible retirees are assumed to receive the supplement. |
| Mortality | Post-retirement mortality rates for non-disabled pensioners were based on the RP-2014 Blue Collar Healthy Annuitant Mortality Tables, scaled by 106% for males and 98% for females, and projected generationally using scale MP-2017. Post-retirement mortality rates for disabled pensioners were based on the RP-2014 Blue Collar Healthy Annuitant Mortality Tables, scaled by 107% for males and 99% for females, and projected generationally using scale MP-2017. Pre-retirement mortality rates were based on the RP-2014 Blue Collar Employee Mortality Tables, scaled by 92% for males and 100% for females, and projected generationally using scale MP-2017. |

The actuarial assumptions used in the December 31, 2021 and 2020 valuations were based on the results of an actuarial experience study conducted for the period of January 1, 2012 through December 31, 2016, and were adopted and became effective December 31, 2018.

**Discount Rate**

As there are no assets dedicated to the health insurance supplement plan, the discount rates used to measure the total health insurance supplement liability were 2.06% as of December 31, 2021 and 2.12% as of December 31, 2020 based on the Bond Buyer 20-Bond Index of general obligation municipal bonds.

**NOTE 10. HEALTH INSURANCE SUPPLEMENT PLAN (CONTINUED)**

**Sensitivity of the Net Health Insurance Supplement Liability to Changes in the Discount Rate**

The following is an analysis of the net health insurance supplement liability's sensitivity to changes in the discount rate at December 31, 2021 and 2020. The following table presents the net health insurance supplement liability of the employer using the current discount rate as well as the employer's net health insurance supplement liability calculated using a discount rate 1 percent lower and 1 percent higher than the current discount rate:

| | 1% Decrease 1.06% | Current Discount Rate 2.06% | 1% Increase 3.06% |
|---|---|---|---|
| City's Net Health Insurance Supplement Liability - December 31, 2021 | $ 10,189,657 | $ 9,155,590 | $ 8,289,634 |

| | 1% Decrease 1.12% | Current Discount Rate 2.12% | 1% Increase 3.12% |
|---|---|---|---|
| City's Net Health Insurance Supplement Liability - December 31, 2020 | $ 10,053,959 | $ 8,975,148 | $ 8,071,377 |

**NOTE 11. EMPLOYER CONTRIBUTIONS RECEIVABLE - NET**

Employer contributions due and not paid prior to year-end are recorded as contributions receivable and are reserved for uncertain collections. The allowance for uncollectible accounts is based on the likelihood of future collections. Employer contributions receivable at December 31, 2021 and 2020 consist of the following:

| | 2021 | 2020 |
|---|---|---|
| Employer contributions receivable | $ 379,447,327 | $ 380,731,624 |
| Less allowance for uncollectible accounts | - | - |
| Total | $ 379,447,327 | $ 380,731,624 |

## NOTE 12. DEFERRED COMPENSATION PLAN

The Plan offers its employees a deferred compensation plan established 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 13. RELATED PARTY TRANSACTIONS

The Plan has allowed the Ende, Menzer, Walsh & Quinn Retirees', Widows' and Children's Assistance Fund (the 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 are also directors of the Corporation.

During both of the years ended December 31, 2021 and 2020, the Plan contributed to the Corporation 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 Plan.

## 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 May 2034. Rental expense for 2021 and 2020 was $191,957 and $179,617 respectively. Future minimum rental payments required under the noncancelable operating lease is as follows:

| Year ending December 31, | |
|---|---|
| 2022 | $ 244,452 |
| 2023 | 248,096 |
| 2024 | 251,740 |
| 2025 | 255,384 |
| 2026 | 259,028 |
| 2027 | 262,672 |
| 2028 | 266,316 |
| 2029 | 269,960 |
| 2030 | 273,604 |
| 2031 | 277,248 |
| 2032 | 280,892 |
| 2033 | 284,535 |
| 2034 | 119,189 |
| Total | $ 3,293,116 |

## NOTE 15. PRONOUNCEMENTS ISSUED NOT YET EFFECTIVE

In June 2017, GASB issued Statement No. 87, *Leases*. Statement No. 87 was issued to improve accounting and financial reporting for leases by governments. This Statement increases the usefulness of governmental financial statements by requiring recognition of certain lease assets and liabilities for leases that were previously classified as operating leases. Statement No. 87 establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Statement No. 87 is effective for the Plan's fiscal year ending December 31, 2022.

In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations.* Statement No. 91 was issued to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with commitments extended by issuers, arrangements associated with conduit debt obligations, and related note disclosures. Statement No. 91 is effective for the Plan's fiscal year ending December 31, 2022.

In January 2020, GASB issued Statement No. 92, *Omnibus 2020*. Statement No. 92 was issued to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. Statement No. 92 is effective for the Plan's fiscal year ending December 31, 2022.

## NOTE 15. PRONOUNCEMENTS ISSUED NOT YET EFFECTIVE (CONTINUED)

In March 2020, GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*. Statement No. 93 was issued to address the result of global reference rate reform, when London Interbank Offered Rate (LIBOR) is expected to cease to exist in its current form at the end of 2021, and other accounting and financial reporting implications that result from the replacement of an interbank offered rate (IBOR). Statement No. 93 is effective for the Plan's fiscal year ending December 31, 2022.

In March 2020, GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. Statement No. 94 was issued to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). Statement No. 94 is effective for the Plan's fiscal year ending December 31, 2023.

In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements.* The objective of this Statement is to address contracts that convey control of the right to use another party's information technology software and provides capitalization criteria for outlays other than subscription payments. Statement No. 96 is effective for the Plan's fiscal year ending December 31, 2023.

In June 2020, GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an Amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32.* The objective of this Statement is to increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform. Statement No. 97 is effective for the Plan's fiscal year ending December 31, 2022.

In April 2022, GASB issued Statement No. 99, *Omnibus 2022.* The objective of this Statement is to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature. Certain provisions of the Statement are effective for the Plan's fiscal years ending December 31, 2023 and December 31, 2024.

The Plan is currently evaluating the impact of adopting the aforementioned GASB Statements.

## NOTE 16. RISKS AND UNCERTAINTIES

As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen which are likely to negatively impact the Plan, though the potential impact and duration is unknown as of the date the financial statements were available to be issued.

Several major legislative relief packages were enacted in response to the coronavirus outbreak, containing numerous tax, emergency funding and other regulatory provisions. The Plan continues to evaluate the impact of newly enacted legislation that may affect the Plan's operations and cash flows.

# REQUIRED SUPPLEMENTARY INFORMATION - PENSION

## Firemen's Annuity and Benefit Fund of Chicago

### Required Supplementary Information - Pension

### Schedule of Changes in the City's Net Pension Liability and Related Ratios

| | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|---|---|---|---|---|---|---|---|
| Total pension liability | | | | | | | | |
| Service cost including pension plan administrative expense | $ 115,812,400 | $ 112,478,105 | $ 105,367,286 | $ 97,143,246 | $ 93,366,729 | $ 94,115,473 | $ 87,203,153 | $ 83,095,601 |
| Interest on the total pension liability | 429,630,005 | 410,128,090 | 408,586,099 | 410,821,674 | 371,622,080 | 342,084,603 | 338,986,636 | 329,965,941 |
| Benefit changes | 196,531,562 | - | - | - | - | 227,212,695 | - | - |
| Difference between expected and actual experience | 93,928,230 | 174,717,534 | (65,213,748) | (56,417,879) | 26,954,338 | 24,110,158 | (7,980,712) | - |
| Assumption changes | (340,370,762) | 30,468,135 | 190,954,465 | 382,610,753 | 414,218,762 | (74,372,930) | 176,281,502 | 88,448,895 |
| Benefit payments | (385,067,130) | (362,831,685) | (342,884,926) | (320,595,085) | (302,518,486) | (283,085,767) | (274,459,754) | (261,571,672) |
| Refunds | (3,607,546) | (3,328,719) | (3,452,913) | (4,067,219) | (3,579,629) | (3,673,250) | (3,557,317) | (2,321,666) |
| Pension plan administrative expense | (3,082,062) | (2,991,289) | (3,225,938) | (3,285,110) | (3,171,986) | (3,216,823) | (3,149,549) | (3,069,192) |
| Net change in total pension liability | 103,774,697 | 358,640,171 | 290,130,325 | 506,210,380 | 596,891,808 | 323,174,159 | 313,323,959 | 234,547,907 |
| Total pension liability | | | | | | | | |
| Beginning of year | 6,901,130,881 | 6,542,490,710 | 6,252,360,385 | 5,746,150,005 | 5,149,258,197 | 4,826,084,038 | 4,512,760,079 | 4,278,212,172 |
| End of year | $7,004,905,578 | $6,901,130,881 | $ 6,542,490,710 | $ 6,252,360,385 | $ 5,746,150,005 | $ 5,149,258,197 | $ 4,826,084,038 | $ 4,512,760,079 |
| Plan fiduciary net position | | | | | | | | |
| Contributions - employer | $ 367,481,614 | $ 368,422,961 | $ 255,382,266 | $ 249,684,038 | $ 228,452,611 | $ 154,101,396 | $ 236,104,362 | $ 107,334,399 |
| Contributions - employee | 52,268,136 | 54,414,653 | 46,622,658 | 45,894,781 | 47,364,276 | 48,959,929 | 46,552,247 | 48,056,393 |
| Net investment income | 129,513,641 | 105,366,987 | 161,082,443 | (58,000,233) | 140,569,856 | 60,881,106 | 7,595,562 | 30,867,889 |
| Benefit payments | (385,067,130) | (362,831,685) | (342,884,926) | (320,595,085) | (302,518,486) | (283,085,767) | (274,459,754) | (261,571,672) |
| Refunds | (3,607,546) | (3,328,719) | (3,452,913) | (4,067,219) | (3,579,629) | (3,673,250) | (3,557,317) | (2,321,666) |
| Pension plan administrative expense | (3,082,062) | (2,991,289) | (3,225,938) | (3,285,110) | (3,171,986) | (3,216,823) | (3,149,549) | (3,069,192) |
| Other | 4,788 | 12,757 | 506,886 | 5,853 | 22,879 | (53,891) | 7,141 | 7,393 |
| Net change in plan fiduciary net position | 157,511,441 | 159,065,665 | 114,030,476 | (90,362,975) | 107,139,521 | (26,087,300) | 9,092,692 | (80,696,456) |
| Plan fiduciary net position | | | | | | | | |
| Beginning of year | 1,308,886,480 | 1,149,820,815 | 1,035,790,339 | 1,126,153,314 | 1,019,013,793 | 1,045,101,093 | 1,036,008,401 | 1,116,704,857 |
| End of year | $1,466,397,921 | $1,308,886,480 | $ 1,149,820,815 | $ 1,035,790,339 | $ 1,126,153,314 | $ 1,019,013,793 | $ 1,045,101,093 | $ 1,036,008,401 |
| City's net pension liability | $5,538,507,657 | $5,592,244,401 | $ 5,392,669,895 | $ 5,216,570,046 | $ 4,619,996,691 | $ 4,130,244,404 | $ 3,780,982,945 | $ 3,476,751,678 |
| Plan fiduciary net position as a percentage of the total pension liability | 20.93% | 18.97% | 17.57% | 16.57% | 19.60% | 19.79% | 21.66% | 22.96% |
| Covered-employee payroll | $ 520,047,197 | $ 500,367,870 | $ 457,082,316 | $ 456,969,301 | $ 469,407,281 | $ 478,470,944 | $ 465,231,594 | $ 460,189,982 |
| Employer's net pension liability as a percentage of covered-employee payroll | 1065.00% | 1117.63% | 1179.80% | 1141.56% | 984.22% | 863.22% | 812.71% | 755.50% |

Note: This schedule is intended to show information for ten years. The additional years' information will be displayed as it becomes available.

## Firemen's Annuity and Benefit Fund of Chicago

## Required Supplementary Information - Pension

## Schedule of City Contributions and Related Notes

## Last Ten Fiscal Years

| | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 |
|---|---|---|---|---|---|---|---|---|---|---|
| Actuarially determined contribution | $ 476,497,828 | $ 466,556,303 | $ 442,044,761 | $ 412,220,284 | $ 372,845,121 | $ 333,952,291 | $ 323,544,987 | $ 304,265,411 | $ 294,877,895 | $ 271,505,718 |
| Contributions in relation to the actuarially determined contribution | (367,481,614) | (368,422,961) | (255,382,266) | (249,684,038) | (228,452,611) | (154,101,396) | (236,104,362) | (107,334,399) | (103,669,015) | (81,521,883) |
| Contribution deficiency | $ 109,016,214 | $ 98,133,342 | $ 186,662,495 | $ 162,536,246 | $ 144,392,510 | $ 179,850,895 | $ 87,440,625 | $ 196,931,012 | $ 191,208,880 | $ 189,983,835 |
| Covered employee payroll | $ 520,047,197 | $ 500,367,870 | $ 457,082,316 | $ 456,969,301 | $ 469,407,281 | $ 478,470,944 | $ 465,231,594 | $ 460,189,982 | $ 416,491,784 | $ 418,964,763 |
| Contributions as a percentage of covered employee payroll | 70.66% | 73.63% | 55.87% | 54.64% | 48.67% | 32.21% | 50.75% | 23.32% | 24.89% | 19.46% |

**Notes to Schedule**

Valuation Date:

Actuarially determined contribution amount is determined as of December 31, with appropriate interest to the end of the year.

Methods and assumptions used to establish "actuarially determined contribution" rates:

| | |
|---|---|
| Actuarial cost method | Entry Age Actuarial cost method |
| Amortization method | 30-year open, level dollar amortization |
| Asset valuation method | 5-year smoothed fair value |

Actuarial assumptions:

| | |
|---|---|
| Investment rate of return | 6.75%, net of investment expense |
| Projected salary increases | 3.50% to 25.00%, varying by years of service |
| Mortality | Post-retirement mortality rates were based on the RP-2014 Blue Collar Healthy Annuitant Mortality Tables, scaled by 106% for males and 98% for females, and projected generationally using scale MP-2017. Disabled mortality rates were based on the RP-2014 Blue Collar Healthy Annuitant Mortality Tables, scaled by 107% for males and 99% for females, and projected generationally using scale MP-2017. Pre-retirement mortality rates were based on the RP-2014 Blue Collar Employee Mortality, scaled by 92% for males and 100% for females, projected generationally using scale MP-2017. |
| Cost of living adjustments | Tier 1: 3% simple<br>Tier 2: The lesser of 3% or one-half of the change in CPI, simple |

Other assumptions:

Same as those used in the December 31, 2021 actuarial funding valuations.

## FIREMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO

### REQUIRED SUPPLEMENTARY INFORMATION - PENSION

### SCHEDULE OF INVESTMENT RETURNS

| | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|---|---|---|---|---|---|---|---|
| Annual money-weighted rate of return, net of investment expense | 14.2% | 11.7% | 20.4% | -6.6% | 17.9% | 7.5% | -0.1% | 3.4% |

Note: This schedule is intended to show information for ten years.
The additional years' information will be displayed as it becomes available.

See Independent Auditors' Report.

# REQUIRED SUPPLEMENTARY INFORMATION - HEALTH INSURANCE SUPPLEMENT

## FIREMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO

### REQUIRED SUPPLEMENTARY INFORMATION - HEALTH INSURANCE SUPPLEMENT

### SCHEDULE OF CHANGES IN THE CITY'S NET HEALTH INSURANCE SUPPLEMENT LIABILITY AND RELATED RATIOS

| | 2021 | 2020 | 2019 |
|---|---|---|---|
| Total health insurance supplement liability | | | |
| Service cost | $ 187,889 | $ 161,182 | $ 129,709 |
| Interest | 185,051 | 266,380 | 350,846 |
| Benefit changes | - | - | - |
| Difference between expected and actual experience | 909,364 | (1,403,312) | 89,281 |
| Assumption changes | (233,476) | 906,200 | 1,362,123 |
| Benefit payments | (868,386) | (1,032,062) | (565,425) |
| Net change in total health insurance supplement liability | 180,442 | (1,101,612) | 1,366,534 |
| Total health insurance supplement liability | | | |
| Beginning of year | 8,975,148 | 10,076,760 | 8,710,226 |
| End of year | $ 9,155,590 | $ 8,975,148 | $ 10,076,760 |
| Plan fiduciary net position | | | |
| Contributions - employer | $ 868,386 | $ 1,032,062 | $ 565,425 |
| Benefit payments | (868,386) | (1,032,062) | (565,425) |
| Net change in plan fiduciary net position | - | - | - |
| Plan fiduciary net position | | | |
| Beginning of year | - | - | - |
| End of year | $ - | $ - | $ - |
| City's net health insurance supplement liability | $ 9,155,590 | $ 8,975,148 | $ 10,076,760 |
| Plan fiduciary net position as a percentage of the total health insurance supplement liability | 0.00% | 0.00% | 0.00% |
| Covered-employee payroll | $208,128,910 | $219,890,380 | $220,401,135 |
| Employer's net health insurance supplement liability as a percentage of covered-employee payroll | 4.40% | 4.08% | 4.57% |

Note: This schedule is intended to show information for ten years. The additional years' information will be displayed as it becomes available. There are currently no assets accumulated in a trust that meets the criteria of GASB codifications P22.101 or P52.101 to pay related benefits for the health insurance supplement plan.

See Independent Auditors' Report.

## Firemen's Annuity and Benefit Fund of Chicago

### Required Supplementary Information - Health Insurance Supplement

### Schedule of City Contributions and Related Notes

### Last Ten Fiscal Years

| | 2021 | 2020 | 2019 |
|---|---|---|---|
| Actuarially determined contribution | $ 868,386 | $ 1,032,062 | $ 565,425 |
| Contributions in relation to the actuarially determined | (868,386) | (1,032,062) | (565,425) |
| Contribution deficiency | $ - | $ - | $ - |
| Covered employee payroll | $ 208,128,910 | $ 219,890,380 | $ 220,401,135 |
| Contributions as a percentage of covered employee payroll | 0.42% | 0.47% | 0.26% |

**Notes to Schedule**

Valuation Date:
December 31, 2021

| | |
|---|---|
| Actuarial cost method | Entry Age Normal Cost |
| Amortization method | 30-year open, level dollar amortization |
| Actuarial assumptions: | |
| Discount rate | 2.06% |
| Election percentage | 20% of pre-Medicare eligible retirees and 60% of post-Medicare eligible retirees are assumed to receive the subsidy |
| Mortality | Post-retirement mortality rates for non-disabled pensioners were based on the RP-2014 Blue Collar Healthy Annuitant Mortality Tables, scaled by 106% for males and 98% for females, and projected generationally using scale MP-2017. Post-retirement mortality rates for disabled pensioners were based on the RP-2014 Blue Collar Healthy Annuitant Mortality Tables, scaled by 107% for males and 99% for females, and projected generationally using scale MP-2017. Pre-retirement mortality rates were based on the RP-2014 Blue Collar Employee Mortality Tables, scaled by 92% for males and 100% for females, and projected generationally using scale MP-2017. |

Note: This schedule is intended to show information for ten years.
The additional years' information will be displayed as it becomes available.

## SUPPLEMENTARY INFORMATION

# Firemen's Annuity and Benefit Fund of Chicago

## Supplementary Information

## Schedules of Administrative Expenses

Years Ended December 31, 2021 and 2020

| | 2021 | 2020 |
|---|---|---|
| Administrative expenses | | |
| Employee benefits | $ 374,589 | $ 327,237 |
| Equipment and maintenance | 91,302 | 86,440 |
| General and administrative | 109,470 | 143,967 |
| Insurance and surety bond | 172,501 | 150,849 |
| Office salaries | 1,416,392 | 1,416,196 |
| Printing and postage | 56,207 | 34,637 |
| Professional and consulting fees | | |
| Actuarial | 69,944 | 91,437 |
| Audit | 66,000 | 50,000 |
| Consulting | 94,670 | 27,577 |
| Legal | 262,218 | 236,819 |
| Medical | 173,154 | 143,658 |
| Payroll administration | 3,658 | 3,752 |
| Rent | 191,957 | 179,617 |
| Total administrative expenses | $ 3,082,062 | $ 2,892,186 |

## Firemen's Annuity and Benefit Fund of Chicago

### Supplementary Information

### Schedules of Investment Expenses

Years Ended December 31, 2021 and 2020

| | 2021 | 2020 |
|---|---|---|
| Investment manager expenses | | |
| Adams Street Partners | $ 254,046 | $ 167,232 |
| Allspring Global Investments (formerly Wells Fargo Asset Management) | 25,769 | 173,377 |
| Apollo Global Real Estate Management, LP | 7,771 | 9,091 |
| BlackRock | - | 109,259 |
| Brandes Investment Partners, L.P. | 358,965 | 275,243 |
| Brown Advisory | 268,085 | 365,857 |
| Brown Capital Management | 356,818 | - |
| CBRE Investment Management | 262,685 | 233,754 |
| Credit Suisse | - | 11,363 |
| Earnest Partners, LLC | 153,005 | 132,679 |
| Garcia Hamilton & Associates, L.P. | 6,738 | 20,009 |
| GlobeFlex Capital, L.P. | 202,675 | 328,382 |
| Highclere International Investors LLP | 314,130 | 49,324 |
| Jackson Square Partners | 315,814 | 268,451 |
| JP Morgan Asset Management | 25,513 | 3,921 |
| Keeley Teton Advisors LLC (formerly Keeley Asset Management) | 180,122 | 128,338 |
| Kennedy Capital Management | 192,713 | 177,665 |
| Logan Capital Management, Inc. | 218,593 | 178,523 |
| Loomis, Sayles & Company, L.P. | 246,961 | 234,135 |
| LSV Asset Management | 534,922 | 405,376 |
| Neuberger Berman, LLC | 349,338 | 314,265 |
| Newton Investment Management (formerly The Boston Company) | 181,059 | 121,581 |
| Pacific Investment Management Company, LLC | 117,464 | 82,603 |
| Pomona Capital | 235,124 | 160,533 |
| Principal Global Investors | 308,018 | 260,799 |
| RhumbLine Advisers, Corp. | 21,728 | 9,763 |
| Western Asset Management Company | 187,553 | 181,741 |
| William Blair & Company, LLC | 633,597 | 501,271 |
| | 5,959,206 | 4,904,535 |
| Other trading expenses and investment fees | 1,689,384 | 2,120,136 |
| Investment consulting fees | | |
| Callan LLC | 272,571 | 279,244 |
| Investment custodian fees | | |
| Northern Trust | 77,051 | 73,000 |
| Total investment expenses | $ 7,998,212 | $ 7,376,915 |

# FIREMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO

## SUPPLEMENTARY INFORMATION

### ADDITIONS BY SOURCE

| Year Ended December 31, | Employer Contributions | Plan Member Contributions | Net Investment and Net Securities Lending Income (Loss) | Other | Total Additions |
|---|---|---|---|---|---|
| 2014 | $ 109,805,454 | $ 48,056,393 | $ 30,863,888 | $ 11,394 | $ 188,737,129 |
| 2015 | $ 238,485,820 | $ 46,552,247 | $ (346,886) | $ 7,949,589 | $ 292,640,770 |
| 2016 | $ 156,158,391 | $ 48,959,929 | $ 55,362,185 | $ 5,525,415 | $ 266,005,920 |
| 2017 | $ 228,452,611 | $ 47,364,276 | $ 140,507,402 | $ 85,333 | $ 416,409,622 |
| 2018 | $ 249,684,038 | $ 45,894,781 | $ (58,048,526) | $ 54,146 | $ 237,584,439 |
| 2019 | $ 255,947,691 | $ 46,622,658 | $ 161,032,664 | $ 556,665 | $ 464,159,678 |
| 2020 | $ 369,455,023 | $ 54,414,653 | $ 105,329,745 | $ 49,999 | $ 529,249,420 |
| 2021 | $ 368,350,000 | $ 52,268,136 | $ 129,510,718 | $ 7,711 | $ 550,136,565 |

### DEDUCTIONS BY TYPE

| Year Ended December 31, | Benefits | Administrative Expenses | Annuitant Health Care | Other | Total Deductions |
|---|---|---|---|---|---|
| 2014 | $ 261,571,672 | $ 3,066,946 | $ 2,471,055 | $ 2,323,912 | $ 269,433,585 |
| 2015 | $ 274,459,754 | $ 3,149,549 | $ 2,381,458 | $ 3,557,317 | $ 283,548,078 |
| 2016 | $ 283,085,767 | $ 3,216,823 | $ 2,056,995 | $ 3,733,635 | $ 292,093,220 |
| 2017 | $ 302,518,486 | $ 3,171,986 | $ - | $ 3,579,629 | $ 309,270,101 |
| 2018 | $ 320,595,085 | $ 3,285,110 | $ - | $ 4,067,219 | $ 327,947,414 |
| 2019 | $ 342,884,926 | $ 3,225,938 | $ 565,425 | $ 3,452,913 | $ 350,129,202 |
| 2020 | $ 362,831,685 | $ 2,892,186 | $ 1,032,062 | $ 3,427,822 | $ 370,183,755 |
| 2021 | $ 385,067,130 | $ 3,082,062 | $ 868,386 | $ 3,607,546 | $ 392,625,124 |