

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

SCHEDULE OF HEALTH INSURANCE SUPPLEMENT AMOUNTS

DECEMBER 31, 2021

FIREMEN’S ANNUITY AND BENEFIT FUND OF CHICAGO

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INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Schedule

Opinion

We have audited the schedule of health insurance supplement amounts of Firemen's Annuity and Benefit Fund of Chicago (the Plan), a fiduciary fund of the City of Chicago, Illinois, as of and for the year ended December 31, 2021, and the related notes to schedule of health insurance supplement amounts.

In our opinion, the accompanying schedule presents fairly, in all material respects, the health insurance supplement amounts of the Firemen's Annuity and Benefit Fund of Chicago as of and for the year ended December 31, 2021, 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 (GAAS). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Schedule* 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 Schedule

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

Auditors' Responsibilities for the Audit of the Schedule

Our objectives are to obtain reasonable assurance about whether the schedule as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 GAAS 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 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 schedule.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the schedule, 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 schedule.
- 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 schedule.
- 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.

Other Matter

We have audited, in accordance with GAAS, the financial statements of the Plan as of and for the year ended December 31, 2021, and our report thereon, dated June 15, 2022, expressed an unmodified opinion on those financial statements.

Legacy Professionals LLP

Westchester, Illinois

June 15, 2022

FIREMEN’S ANNUITY AND BENEFIT FUND OF CHICAGO

SCHEDULE OF HEALTH INSURANCE SUPPLEMENT AMOUNTS

AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2021

<u>Deferred Outflows of Resources</u>			<u>Deferred Inflows of Resources</u>				
<u>Net Health Insurance Supplement Liability</u>	<u>Differences Between Expected and Actual Experience</u>	<u>Changes of Assumptions</u>	<u>Total Deferred Outflows of Resources Excluding Employer Specific Amounts</u>	<u>Differences Between Expected and Actual Experience</u>	<u>Changes of Assumptions</u>	<u>Total Deferred Inflows of Resources Excluding Employer Specific Amounts</u>	<u>Plan Health Insurance Supplement Expense</u>
<u>\$ 9,155,590</u>	<u>\$ 565,533</u>	<u>\$ 298,440</u>	<u>\$ 863,973</u>	<u>\$ (462,154)</u>	<u>\$ (145,199)</u>	<u>\$ (607,353)</u>	<u>\$ 854,321</u>

See accompanying notes to schedule of health insurance supplement amounts.

FIREMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO

NOTES TO SCHEDULE OF HEALTH INSURANCE SUPPLEMENT AMOUNTS

DECEMBER 31, 2021

NOTE 1. PLAN DESCRIPTION

Firemen's Annuity and Benefit Fund of Chicago (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 (the City) employed under the provisions of the Municipal Personnel Ordinance as fire service and for the dependents of such employees. The Plan is considered to be a fiduciary fund of the City and is included in the City's financial statements.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The City is required to report other postemployment benefit obligations information in its financial statements in accordance with Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postretirement Benefits Other Than Pensions*. The Schedule of Health Insurance Supplement Amounts provides the City with the required information for financial reporting related to the Plan.

Basis of Accounting

The accompanying schedule was prepared in accordance with U.S. generally accepted accounting principles as applicable to governmental organizations.

Estimates

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

NOTE 3. ACTUARIAL METHODS AND ASSUMPTIONS

Net Health Insurance Supplement Liability

The components of the net health insurance supplement liability of the City as of December 31, 2021 is as follows:

Total health insurance supplement liability	\$ 9,155,590
Plan fiduciary net position	<u>-</u>
City's net health insurance supplement liability	<u>\$ 9,155,590</u>
Plan fiduciary net position as a percentage of the total health insurance supplement liability	<u>0.00%</u>

The net health insurance supplement liability was determined by an actuarial valuation performed as of December 31, 2021 using the following actuarial methods and 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 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 valuation 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. ACTUARIAL METHODS AND ASSUMPTIONS (CONTINUED)

Discount Rate

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

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. 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	Current Discount Rate	1% Increase
	1.06%	2.06%	3.06%
City's Net Health Insurance Supplement Liability	<u>\$ 10,189,657</u>	<u>\$ 9,155,590</u>	<u>\$ 8,289,634</u>

Amortization of Deferred Outflows and Deferred Inflows of Resources

The changes of assumptions are amortized over future years on a straight-line basis, and a portion is recognized in health insurance supplement expense during the measurement period. The remaining changes of assumptions at December 31, 2021 are to be amortized as follows:

Year ending <u>December 31,</u>	Deferred <u>Outflows</u>	Deferred <u>Inflows</u>	<u>Total</u>
2022	\$ 298,440	\$ (88,277)	\$ 210,163
2023	<u>-</u>	<u>(56,922)</u>	<u>(56,922)</u>
	<u>\$ 298,440</u>	<u>\$ (145,199)</u>	<u>\$ 153,241</u>

NOTE 3. ACTUARIAL METHODS AND ASSUMPTIONS (CONTINUED)

Amortization of Deferred Outflows and Deferred Inflows of Resources (continued)

The differences between expected and actual experience are amortized over future years on a straight-line basis, and a portion is recognized in health insurance supplement expense during the measurement period. The remaining differences between expected and actual experience at December 31, 2021 are to be amortized as follows:

<u>Year ending</u> <u>December 31,</u>	<u>Deferred</u> <u>Outflows</u>	<u>Deferred</u> <u>Inflows</u>	<u>Total</u>
2022	\$ 343,831	\$ (462,154)	\$ (118,323)
2023	<u>221,702</u>	<u>-</u>	<u>221,702</u>
	<u>\$ 565,533</u>	<u>\$ (462,154)</u>	<u>\$ 103,379</u>

Health Insurance Supplement Expense

The components of health insurance supplement expense to be recognized by the City for the year ended December 31, 2021 are as follows:

Service cost	\$ 187,889
Interest	185,051
Differences between expected and actual experience	(102,603)
Changes of assumptions	<u>583,984</u>
Total health insurance supplement expense	<u>\$ 854,321</u>