

**THE RETIREMENT BOARD**  
of the  
**FIREMEN'S ANNUITY AND BENEFIT FUND**  
**OF CHICAGO**

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First Deputy Fire Commissioner, CHARLES STEWART III, Vice President  
City Treasurer, KURT A. SUMMERS JR.  
City Comptroller, DANIEL WIDAWSKY  
City Clerk, SUSANA MENDOZA

December 31, 2015

Comptroller Leslie Munger  
Comptroller, State of Illinois  
201 Statehouse Street  
Springfield, IL 62704

Re: Solvency of the Firemen's Annuity and Benefit Fund of Chicago (the "Fund")

Dear Comptroller Munger:

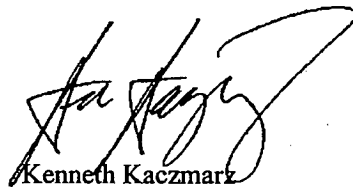
At a recent meeting of the Board of Trustees of the Fund, the Fund's investment consultant stated that the uncertainty of the Fund's funding with the current cash flow requirements is unsustainable and of great concern for the solvency of the Fund. The Fund has a current funded ratio of 23% and currently has operating cash flow deficits on an annual basis that exceed 10% of its total assets.

As you may know, in December 2010, the Illinois General Assembly passed and Governor Quinn signed into legislation Public Act 96-1495. Public Act 96-1495 created a new tier of pension benefits for public safety employees in Illinois hired on or after January 1, 2011. The legislation also significantly changed the employer contributions required of the City of Chicago (the "City") to the Fund, as the plan sponsor. The statutory funding schedule under Public Act 96-1495 requires the City to increase its funding beginning in 2016 and requires the City to pay an actuarially required contribution every year over the next 25 years in order to get the Fund at a 90% funding percentage by 2040.

Public Act 96-1495 specifically requires the City to levy an annual tax upon all taxable property that will produce an annual amount that is equal to (1) the normal cost to the Fund, plus (2) an annual amount sufficient to bring the total assets of the Fund up to 90% of the total actuarial liabilities of the Fund by 2040. 40 ILCS 5/6-165(a). It is our understanding that the City of Chicago has not levied an annual tax in an amount equal to that prescribed by Public Act 96-1495. In lieu of levying the tax required, Public Act 96-1495 requires that the City deposit with the city treasurer by March 1, 2016 the amount that together with the levied amount is equal to the required City contribution for 2016. 40 ILCS 5/6-165(g). In the event that the City fails to deposit the required amount by March 1, 2016, the Fund will be required to certify to you, the State Comptroller, the amounts of the delinquent payments required under Public Act 96-1495. 40 ILCS 5/6-165(a-7). The State Comptroller then has the authority to deduct and deposit into the Fund the certified delinquent amounts from grants of State funds to the City ("the Comptroller must, beginning in fiscal year 2016, deduct and deposit into the Fund the certified amounts or a portion of those amounts from the following proportions of grant of State funds to the city..."). 40 ILCS 5/6-165(a-7).

With the current uncertainty in funding from the City, the Fund lacks confidence in its long-term solvency and does not know how it can continue to effectively administer the Fund in accordance with laws of Article 6 for the benefit of its participants. The Fund therefore requests information from the State Comptroller regarding how the intercept language of Public Act 96-1495 would apply in the event the City fails to deposit the required amount by March 1, 2016. Specifically, the Fund seeks confirmation as to the procedural steps that the Fund will need to take to ensure that the State Comptroller's office will act in accordance with the intercept language in Public Act 96-1495. The Fund also requests clarity regarding what constitutes a "grant of State funds to the city" for purposes of the intercept under the language of Public Act 96-1495. In addition, the Fund requests information as to the anticipated timing of the intercept payments from the State Comptroller in order to address the uncertainty surrounding funding and the Fund's fiduciary requirements related to the payment of benefits to participants.

Sincerely,

A handwritten signature in black ink, appearing to read "Ken Kaczmarz", written over a printed name.

Kenneth Kaczmarz

Executive Director

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