



Fall 2023

REPORT TO PARTICIPANTS

ABOUT THE FIREMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO

The FABF Fund office is open Monday through Friday 8:00 AM to 4:00 PM excluding holidays. Members and guests are welcome.

Monthly Retirement Board meetings are typically held on the third Wednesday of each month, 8:30 AM at the Fund office. Members and the public are welcome to attend.

ELECTED TRUSTEES

DANIEL A. FORTUNA
Annuitant Trustee, President

ANTHONY R. MARTIN
Active Trustee, Secretary

ZACHARY PENTEK
Active Trustee

MICHAEL FLISK
Active Trustee

EX-OFFICIO TRUSTEES

ANNA VALENCIA
City Clerk, Vice-President

MELISSA CONYEARS-ERVIN
City Treasurer

CHASSE REHWINKEL
City Comptroller

MARY SHERIDAN
First Deputy Fire Commissioner

A MESSAGE FROM THE FUND PRESIDENT:

On behalf of the entire Board, we extend our condolences to the family and company of Firefighter/EMT Andrew Price and recognize the selfless courage displayed.

Historically the Fund has distributed bi-annual letters that require annuitants to verify address and phone number detail. The process was suspended during COVID restrictions. This verification is a legal requirement, and is done not only to detect fraudulent activity, but to provide resources and guidance to those members that need a guardian. More than 95% of the verification letters have been returned – thank you! For those members that have not returned this form, please do so as soon as possible. Staff is available to help you work through special situations to complete this verification.

The Fund was asked to provide testimony to the House Personnel & Pensions Committee specific to Tier 2 amendments. As of December 2022, our current active membership is broken down into 2,578 (54%) Tier 1 active members and 2,189 (46%) Tier 2 active members. We currently have 27 beneficiaries receiving benefits under Tier II. As legislation is introduced that affects the Fund or your pension benefits, we review that legislation and are often asked to provide education to the legislators or to the other stakeholder groups as to any impact the proposed legislation may have on members. We also endeavor to communicate promptly with members whenever legislation is enacted that materially impacts your benefits or your Fund.

With the long-awaited opening of a Chicago casino and the shift to actuarial determined employer contributions, we expect continued positive impact on future funding levels. Employer statutory required contributions booked for 2022 (paid in 2023) is expected to be \$399.9 million. The Fund also received an additional payment of \$38.7 million allocated from the 2023 fiscal year that is separate from, and in addition to, the City's statutorily required contribution. The new Administration announced it will honor the existing Executive Order by making a similar supplemental payment to each of the City's four pension funds in FY24. We want to thank the Administration for this continued step towards retirement security for City employees.

Congratulations to Trustee Michael Flisk on his reelection, a warm welcome to the new City Comptroller Chasse Rehwinkel, and I will close this letter with an expression of gratitude in recognition of the efforts of staff, our support professionals, and my fellow Board members for their dedication and commitment to the Fund during 2023!

Fraternally,
Daniel Fortuna
President

HAPPY HOLIDAYS

On behalf of the Retirement Board and Staff, we would like to wish all of you and your families a Joyous Holiday Season and Happy New Year. Our sincere condolences to those who have become ill or may have lost loved ones in 2023. We are grateful every day for the efforts and sacrifices our members make to keep the citizens of the City of Chicago safe.

Contact Us: info@fabf.org
Web: www.fabf.org

ENDE, MENZER, WALSH & QUINN RETIREES', WIDOWS' AND CHILDREN'S FUND

Please consider a donation to EMWQ. Your support through a payroll deduction, annuity deduction, or direct contribution by check, or on-line goes directly to provide financial assistance to qualifying minor children upon death of an active member, and annually to the neediest widows and orphans of the members of the Chicago Fire Department. The EMWQ website is widowsandchildren.org, all donations are appreciated.

The Ende, Menzer, Walsh & Quinn Retirees', Widows' and Children's Assistance Fund is a tax exempt 501(c)3 Charitable Organization.

YOUR RIGHTS UNDER THE ILLINOIS CONSTITUTION

"Membership in any pension or retirement system of the State, any unit of local government or school district, or any agency or instrumentality thereof, shall be an enforceable contractual relationship, the benefits of which shall not be diminished or impaired."

FIDUCIARY NET POSITION

The Fiduciary Net Position equals a year-end snapshot of the difference between Fund total assets over total current liabilities on December 31. The fiduciary net position represents the assets available for future pension benefits. Investments, at 65.2% of total assets, and employer contributions, at 27.8% of total assets as of December 31, 2022, make up the largest portion of the Fund's net position.

As of December 31, 2022, FABF has \$1.36 billion to pay future pension benefits. The Fund's net position decreased by \$108.7 million in 2022, due to negative market returns. Reflecting a difficult year for investment markets, the 2022 net investment return for FABF was -14.7% compared to 14.2% in 2021.

Despite the harsh market conditions in 2022, the net position of the Fund is still up almost 22% over the last decade.

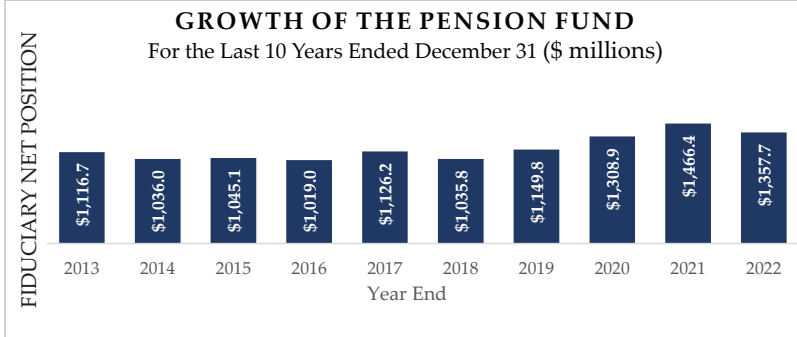
The Changes in Fiduciary Net Position represent the results of Fund operations for a given year.

During 2022, the Fund's total additions (revenues) of \$297.3 million were principally comprised of investment income and the contributions received from the City of Chicago and active members. Compared to fiscal year 2021's total additions of \$550.1 million, there was a decrease of \$252.8 million. This decrease is mainly due to the decrease in the market value of net investments. A portion of the decrease in investment income was offset by an increase in employer contributions. A \$31.6 million increase in employer contributions during 2022 was a direct result of P.A. 99-0506. Year end 2022 was the second year in a row that FABF contributions were sufficient to cover all benefit payments. This is a great trend.

- Fund deductions (expenditures) totaling \$406.0 million were primarily payments to our members and beneficiaries. Nearly 99 cents of every dollar spent is used to pay benefits. Total deductions increased \$13.3 million from 2021 to 2022 due to increased retirement benefit payments. This increase in benefit payments is due mainly to the annual cost of living increase and to new annuitants being added at higher benefit amounts than the annuitants removed from the benefit rolls.

CONDENSED SCHEDULES OF FIDUCIARY NET POSITION (\$ millions)

	2022	2021	2020
Total assets	\$1,456.3	\$1,584.3	\$1,391.7
Total liabilities	98.6	117.9	82.8
Ending fiduciary net position	\$1,357.7	\$1,466.4	\$1,308.9



CONDENSED SCHEDULES OF CHANGES IN FIDUCIARY NET POSITION (\$ millions)

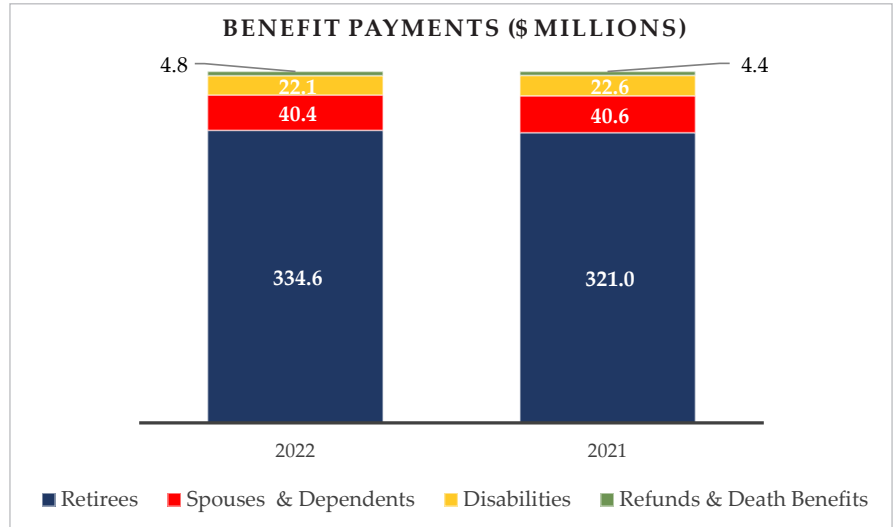
	2022	2021	2020
Additions:			
Employer contributions	\$399.9	\$368.3	\$369.5
Member contributions	53.0	52.3	54.4
Net investment income	-155.9	129.3	105.0
Other income	0.3	0.2	0.3
Total additions	297.3	550.1	529.2
Deductions:			
Benefit payments	401.9	388.6	366.1
Administrative expenses	3.4	3.1	2.9
Healthcare subsidy and other expenses	0.7	0.9	1.1
Total deductions	406.0	392.6	370.1
Net increase in fiduciary net position	-108.7	157.5	159.1
Beginning of year	1,466.4	1,308.9	1,149.8
End of year	\$1,357.7	\$1,466.4	\$1,308.9

FUNDING

One measure of the health of a pension fund is its funded ratio, which represents the available Fund's assets as a percentage of the benefits the Fund is obligated to pay. Funding a pension fund is a long-term commitment, and it's important to keep in mind that all benefits are not due and payable immediately. Future benefit payments owed to current and future retirees, disabled recipients, and beneficiaries are estimated and referred to as the "actuarial accrued liability". The funds accumulated to meet these future benefit payments are called the "actuarial value of assets".

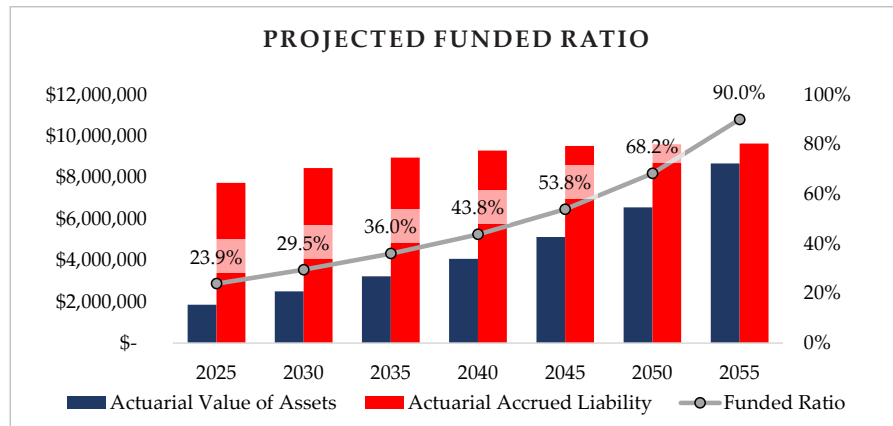
FABF retains an independent actuary to perform, on an annual basis, a valuation to determine our funded ratio, actuarial accrued liability, actuarial value of assets and the required employer contributions required under Public Act 99-0506. This Act requires that the City's funding contribution be calculated on an actuarial basis that will be sufficient to produce a funding level of 90% by December 31, 2055. 2021 was the first year that the required City contribution received by FABF was based on P.A 99-0506 resulting in a 51% increase in these contributions for that year from the prior year's contribution.

Despite the increase in contributions, the FABF's current funded ratio of 20.8% continues to be low because the Fund has not been historically funded on an actuarially sound basis dating back to 1931. Public Act 99-0506 will now increase employer contributions, and correspondingly lead to better funded ratios until the Fund reaches its target of 90% funded by 2055. Funding has been and will continue to be a critical issue confronted by the Fund for many years to come.



FUNDED RATIO (\$ BILLIONS)

	2022	2021	2020
Actuarial Value of Assets	\$1,498.8	\$1,409.8	\$1,275.9
Actuarial Accrued Liability	\$7,216.4	\$7,004.9	\$6,570.5
Funded Ratio	20.8%	20.1%	19.4%



MEMBERSHIP AT A GLANCE

The average active member:

- Is presently 44.0 years old
- Has 13.1 years of service
- Receives a salary of \$110,233

The average retiree who retired in 2022:

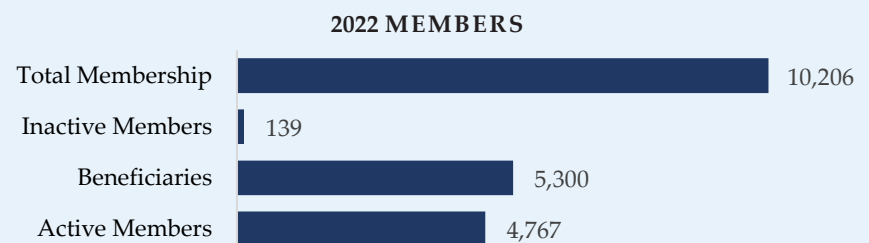
- Is presently 60.2 years old
- Receives an annual benefit of \$89,141
- Earned a final average salary of \$127,911
- Attained 29.5 years of creditable service

The average retiree:

- Is presently 69.3 years old
- Receives an annual benefit of \$90,423
- Lives in Illinois

CHANGE IN THE NUMBER OF RETIREES AND BENEFICIARIES BY TYPE OVER THE LAST DECADE

	Retiree	Spouse	Disability	Dependent	Total
2022	3,761	1,207	261	71	5,300
2013	<u>2,883</u>	<u>1,341</u>	<u>332</u>	<u>84</u>	<u>4,640</u>
Increase (Decrease)	878	(134)	(71)	(13)	660
% Increase (Decrease)	30.5%	(10.0%)	(21.4%)	(15.5%)	14.2%





The Retirement Board of
the Firemen's Annuity &
Benefit Fund of Chicago
20 S. Clark Street, Suite 300
Chicago, IL 60603-1899
(312) 726-5823

CONTACT US:

KELLY WELLER
Executive Director
kellyweller@fabf.org

LORI LUND
Deputy Executive Director
lorilund@fabf.org

JACLYN VLAHOS
Comptroller
jmcallister@fabf.org

LORNA SCOTT
Chief Investment Officer
cio@fabf.org

**INFORMATION
REQUEST**
info@fabf.org

CHANGE OF ADDRESS

All retired participants that move, even temporarily over winter or summer, are required to complete a change of address form. The required forms can be located on our website at FABF Print Forms or you can call the Fund Office at 312-726-5823 and a form will be mailed to you. In addition, you can now elect to complete the form digitally through the Adobe Sign and ID.me verification process, please click the link FABF Electronic Forms at fabf.org to learn more.

FUND OPERATIONS UPDATE FROM THE SECRETARY:

The Fund currently employs 16 full-time professionals and 3 part-time positions. The Fund supports the retirement security of over 10,000 members: 4,767 active members, 331 disabled members, and 4,969 retirees and dependents of such employees. Yearly activity noted in the Fund Summary for 2022: 167 service retirements, 1 ordinary disability, 8 occupational disabilities, 25 duty disabilities, and 73 beneficiary annuities granted.

We are pleased to confirm the Fund will be providing two pre-retirement seminars in 2024. The spring seminar is set for April 6, 2024, at Guaranteed Rate Field. We are looking to secure a location and date in September for the fall session. These seminars have been very popular with the attendees. We cover a broad range of topics: FABF application process, healthcare options in retirement, social security, wills and estate planning, wellness, long-term care planning, deferred compensation utilization, and overall financial planning. Members considering retirement are encouraged to attend; spouses are welcome.

Legacy Professional, LLP, completed their annual audit of our financial records for 2022, and the results were reviewed and accepted at the June Board meeting. Legacy provided a "clean" opinion and there were no material concerns. The Fund's actuary, Segal, completed their Actuarial Valuation Report for 2022 and the results were also reviewed and accepted at the June Board meeting.

Improvements are underway to the Fund's Website; we anticipate Phase One completion in February. Phase Two will include members-only access and an information exchange portal. This will provide members and the Fund with an enhanced and secure way to share sensitive data electronically. We continue to make investments in technological improvements, but the change requires significant upgrades in security to fully protect our members' personal information. I and Fund staff are available to address questions or concerns you may have about operations or any future member service enhancements you would like considered.

Fraternally,
Anthony R. Martin
Secretary

THIRD QUARTER INVESTMENT UPDATE*

We are facing challenging times; foreign and domestic conflicts, recession fears, high inflation, and rising interest rates are just some of the financial issues which dominate headlines thus far in 2023. Other financial market influences include the regional banking crisis and hype around artificial intelligence (AI) oriented stocks. Despite the headlines and elevated volatility, investment results so far in 2023 have been positive. Year-to-date as of September 30, 2023, the Fund was up +5.3%, ahead of the Policy target benchmark which rose +5.0%. The Policy target is the long-term mix of assets that targets the highest return possible while incorporating risk, Fund liquidity needs, and funding legislation. While we actively monitor investment results over short periods of time, our primary objective is long-term investment success. The Fund's returns remain favorable versus the Policy target benchmark over the longer term, with the Fund returning +7.6% vs. +7.0% over the twenty-year period and exceeding the current actuarial required rate of return of 6.75%.

The Investment Committee ("Committee") of the Board of Trustees has been active in monitoring the performance of the portfolio, with the support of its Chief Investment Officer and external Investment Consultant. Thus far, in 2023, the Committee has met eight times, accumulating over 23 hours spent discussing investments and investment related matters. Agenda items have included reviewing asset allocation and diversification, interviewing underperforming managers, identifying replacement managers and selecting several new managers to invest the assets of the Fund. The Committee also received portfolio updates from almost all existing managers in a two-day summit in late September with discussions focused on recession outlook, the path of interest rates, and the impact of artificial intelligence. Please know your Board has been and remains vigilant in monitoring our investments and positioning the Fund for future success. With the challenges confronting our City and Department, please be safe out there!

Respectfully Submitted,
Anthony R. Martin
Investment Chair

* Returns are preliminary, subject to change.