



# The Retirement Board of the FIREMEN'S ANNUITY & BENEFIT FUND of Chicago

Fall 2024

## REPORT TO PARTICIPANTS

### A MESSAGE FROM THE FUND PRESIDENT

#### 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

It is hard to believe that 2024 is almost over. As you begin your year-end planning, I want to update the retirees on when they can expect to receive their annual 1099-R Pension Tax Statement. The Retirement Board is taking steps to get the statements mailed out earlier than the January 31, 2025, IRS deadline in response to unpredictable and slower mail service. It is the Fund's expectation that the 1099-R Statements will be delivered to the U.S. Post Office for delivery no later than January 22, 2025.

Congratulations to our newly elected Active Member Trustee Joe Senorski. I have known Joe for several years and I am very confident in his ability to represent the membership with passion and integrity. With Joe's election all three Active Member Board Trustees are now affected by the Tier Two legislation passed in 2011. As of December 2023, our active membership is broken down into 2,383 Tier One members and 2,329 Tier Two members, roughly now a 50% split. As legislation is introduced that affects the Fund or pension benefits in either Tier structure, we review that legislation and provide education to the legislators or to the other stakeholder groups on any impact the proposed legislation may have on our members. We will endeavor to communicate promptly with members whenever legislation is enacted that materially impacts your benefits or your Fund.

Employer statutory required contributions booked for 2023 (paid in 2024) are expected to be \$429.1 million. The Fund also received an additional payment of \$27.6 million allocated from the 2024 fiscal year City budget that is separate from, and in addition to, the City's employer contribution. We ask the administration to honor the Executive Order that provides a similar supplemental payment in FY25 and continues until we are fully funded. The Board recognizes the City is facing budget constraints, but these additional payments provide a threefold benefit; they strengthen the retirement security of our membership, they help to secure a better financing rate from the City's bond rating agencies, and they are significantly financially impactful. For example, the \$38.7 million additional payment received last year is projected to save the city \$110 million in future funding obligations; we expect a similar impact from the additional payment of \$27.6 million received this year.

I will close this letter with an expression of gratitude for Tony Martin's 20 years of voluntary service to the Retirement Board as a Trustee; you have made a positive difference with your service—thank you! I would also like to recognize the efforts of staff, our support professionals, and my fellow Board members for their dedication and commitment to the Fund during 2024.

Fraternally,  
**Daniel Fortuna**, President

### INVESTMENT REVIEW FROM THE INVESTMENT CHAIRPERSON

Financial markets have continued marching upwards thus far in 2024, reflecting a positive outlook among investors that the economy remains strong. U.S. equities posted positive returns for each quarter in 2024, resulting in year-to-date gains. The rally in stocks considerably broadened recently beyond a concentrated group of mega-cap technology companies that powered the market in the first half of the year. Non-U.S. equities have also performed well, albeit not as strongly as those in the U.S. regarding fixed income

markets, short-term yields have remained elevated, and the broad fixed income market has rebounded strongly in the wake of the recent cut in overnight rates. The U.S. economy and labor market, while softening at a steady pace, have remained resilient, and the Fed has made progress toward reaching its inflationary policy target. The Fed recently began easing monetary policy with a large interest-rate cut of 0.50% in September. For historical reference, the Fed has not cut by 0.50% since 2020 during the pandemic and 2008 during the Global

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Web: [www.fabf.org](http://www.fabf.org)

## INVESTMENT REVIEW FROM THE INVESTMENT CHAIRPERSON (CONTINUED)

Financial Crisis. Fixed income markets rallied during the quarter with Fed action.

The Board actively monitors the performance of the portfolio. Investment results have been strong in the current market environment thus far in 2024 as the year-to-date Fund return as of September 30, 2024, was up +11.1%\*, despite trailing the Policy Target which rose +12.6%. The Policy Target is the long-term mix of assets that seeks the highest return on Fund investments within corresponding acceptable levels of investment risk, Fund liquidity needs and funding legislation. The Fund's returns remain favorable versus the Policy Target over the long term, with the Fund returning +7.8% vs. +7.4% over the last twenty years and exceeding the current actuarial required rate of return of 6.75%.

In addition to monitoring performance, the Board approved several strategic changes to the investment portfolio. Earlier this year, the Board added Capital Fund Management's liquid diversifying strategy to complement the existing strategies in the Fund's portfolio. In addition, following a review of the Fund's fixed income structure, the Board launched two investment searches,

one for core fixed income and one for core-plus fixed income. Both searches are currently ongoing. Finally, after a review of the structure of the Fund's domestic equity investments, the Board increased the Fund's allocation to domestic large cap equity and decreased the allocation to domestic small/mid-cap equity.

I want to thank the members for the privilege of serving as an Active Member Trustee for the Retirement Board. I was first elected in 2002, and it is amazing how many things have changed and how much has stayed the same over the years! I have enjoyed every minute of my service and leave the Board proud of our collective accomplishments and the retirement security we have sustained and improved for our members and their families. My best to the next generation of member advocates; there is still plenty that needs to be done.

\*Returns are preliminary, subject to change

Fraternally,  
**Anthony R. Martin,**  
 Investment Committee Chair

## FIDUCIARY NET POSITION

### CONDENSED SCHEDULES OF FIDUCIARY NET POSITION (\$ millions)

	2023	2022	2021
Total assets	\$1,646.2	\$1,456.3	\$1,584.3
Total liabilities	63.7	98.6	117.9
Ending fiduciary net position	\$1,582.5	\$1,357.7	\$1,466.4

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 69.7% of total assets, and employer contributions, at 26.1% of total assets as of December 31, 2023, make up the largest portion of the Fund's net position.

As of December 31, 2023, FABF has \$1.58 billion to pay future pension benefits. The Fund's net position increased by \$224.8 million in 2023, due to strong market returns. Due to these favorable market conditions, the 2023 net investment return for FABF increased to 14.5% compared to -14.2% in 2022.

### A DECADE OF GROWTH

For the Last 10 Years Ended December 31 (\$ millions)



FABF has increased its net assets 52.8% over the last decade. This \$1.58 billion is a record for the highest net assets this Fund has ever had.

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

	2023	2022	2021
<b>Additions:</b>			
Employer contributions	\$467.8	\$399.9	\$368.3
Member contributions	52.5	53.0	52.3
Net investment income	129.1	-155.9	129.3
Other income	0.4	0.3	0.2
<b>Total additions</b>	<b>649.8</b>	<b>297.3</b>	<b>550.1</b>
<b>Deductions:</b>			
Benefit payments	420.7	401.9	388.6
Administrative expenses	3.6	3.4	3.1
Healthcare subsidy and other expenses	0.7	0.7	0.9
<b>Total deductions</b>	<b>425.0</b>	<b>406.0</b>	<b>392.6</b>
<b>Net increase in fiduciary net position</b>	<b>224.87</b>	<b>-108.7</b>	<b>157.5</b>
Beginning of year	1,357.7	1,466.4	1,308.9
End of year	\$1,582.5	\$1,357.7	\$1,466.4

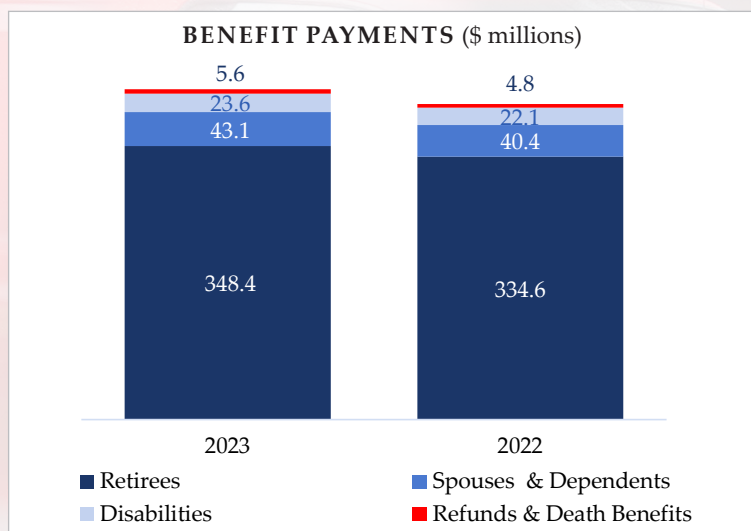
The Changes in Fiduciary Net Position presents the results of Fund Operations for a given year.

- During 2023, the Fund's total additions (revenues) of \$649.8 million were principally comprised of investment income and the contributions received from the City of Chicago and active members. Compared to fiscal year 2022's total additions of \$297.3 million, there was an increase of \$352.5 million. The increase is mainly due to the appreciation in the market value of net investments. The increase in revenues is also due to employer contributions. \$29.2 million more employer contributions were collected during 2023 as

## FIDUCIARY NET POSITION (CONTINUED)

a direct result of P.A. 99-0506. Plus, the City of Chicago started to make voluntary additional contributions to pay down future liabilities of the Fund in 2023 which equaled \$38.7 million. Year end 2023 was the third year in a row that FABF contributions were able to cover all benefit payments without needing to draw down from investments.

- Fund deductions (expenditures) totaling \$425.0 million were primarily payments to our members and beneficiaries. Nearly 99 cents of every dollar spent is used to pay benefits. Total deductions increased \$19.0 million from 2022 to 2023 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.



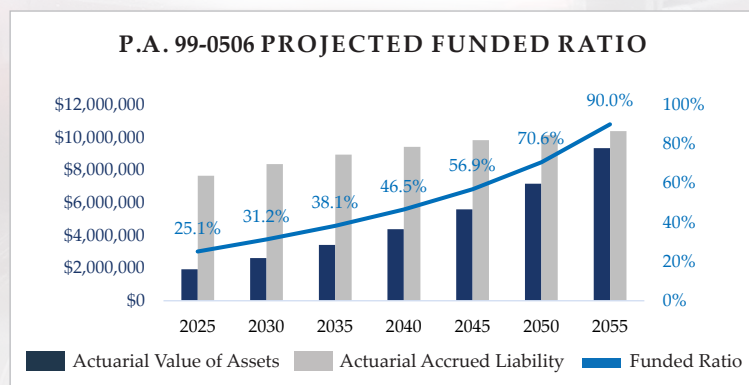
**FUNDED RATIO (\$ billions)**

	2022	2021	2020
Actuarial Value of Assets	\$1,668.6	\$1,498.8	\$1,409.8
Actuarial Accrued Liability	\$7,318.8	\$7,216.4	\$7,004.9
<b>Funded Ratio</b>	<b>22.8%</b>	<b>20.8%</b>	<b>20.1%</b>

The primary measure of the health of a pension fund is its funded ratio, which represents the available Fund’s assets as a percentage of 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 is 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, 22.8%, 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.



## MEMBERSHIP AT A GLANCE

The average active member:

- Is presently 44.0 years old
- Has 13.2 years of service
- Receives a salary of \$111,169

The average retiree who retired in 2023:

- Is presently 60.7 years old
- Receives an annual benefit of \$86,777
- Earned a final average salary of \$129,458
- 27.6 years of creditable service

The average retiree:

- Is presently 69.5 years old
- Receives an annual benefit of \$92,583
- Lives in Illinois

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

	Retiree	Spouse	Disability	Dependent	Total
2023	3,820	1,205	270	74	5,369
2014	2,977	1,316	329	82	4,704
Increase (Decrease)	843	(111)	(59)	(8)	665
% Increase (Decrease)	28.3%	(8.4%)	(17.9%)	(9.6%)	14.1%

### 2023 MEMBERS

Total Membership	10,226
Inactive Members	145
Beneficiaries	5,369
Active Members	4,712



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the Firemen's Annuity &  
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#### 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 this link [FABF Electronic Forms](#) to learn more.*

## A MESSAGE FROM THE FUND EXECUTIVE DIRECTOR

The Fund currently employs 15 full-time professionals with 1 part-time position. The Fund supports the retirement security of over 10,226 members: 4,712 active, 145 inactive, 270 disabled, 3,820 retirees and 1,279 survivor and dependents of such employees. Yearly activity noted in the Fund Summary for 2023 reflect 176 service retirements, 2 ordinary disabilities, 15 occupational disabilities, 24 duty disabilities, and 83 beneficiary annuities granted.

We are pleased to confirm the Fund will be providing two pre-retirement seminars in 2025. The Spring seminar is set for April 26th, and the Fall seminar is tentatively set for September 27th at Guaranteed Rate Field. These seminars have been very popular and 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 in the next few years are encouraged to attend; spouses are welcome.

Legacy Professional, LLP, completed their FY23 annual audit of our financial records, and the results were reviewed and accepted at the June Board meeting. There were no material concerns. The Fund's actuary, Segal, completed their Actuarial Valuation Report for 2023 and the results were also reviewed and accepted at the June Board meeting. A brief overview of both will follow in this update and are available on the Fund's website.

Many of you have noticed and positively commented on our new website design. We are happy to report continued improvements are underway. Phase Two will include a members-only access and 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 these enhancements require significant systems upgrades in security to fully protect our members' personal information.

This year marked the retirement of our Senior Benefit Analyst Liz Pauss at 32 years, and in the spring of 2025 Sandra Medina will be retiring after 38 years. We will miss their knowledge, professionalism, and uncompromising dedication to the Fund and its participants; thank you for everything each of you have so richly contributed to our collective success. We will be looking to add one full time Reception-Member Services position in early 2025. If you know of anyone that might have interest in a position/career with the Fund, please have them email us at [opportunity@fabf.org](mailto:opportunity@fabf.org).

Respectfully,  
**Kelly Weller**, Executive Director

## EMWQ

Please consider a donation to EWWQ. Your support through a payroll deduction, annuity deduction, or direct contribution by check or on-line, goes directly to provide financial assistance to minor children upon death of an active member, and annually to the neediest widows and orphans of the members of the Chicago Fire Department. Our website is [widowsandchildren.org](http://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.

## REGISTER YOUR EMAIL ADDRESS WITH THE FUND

Our progress towards member enhancement through technology begins with eliminating the need to send physical mail. Please consider registering your email by completing this form: [Email Authorization Form](#). We will not use this information for any purpose other than member communications. We are legally prevented from sharing your email with any third party, other than a labor 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."

**On behalf of the Retirement Board and Staff, we would like to wish all of you and your families a Happy Holiday Season and Happy New Year. Our sincere condolences to those who have become ill or may have lost loved ones in 2024. We are grateful every day for the efforts and sacrifices our members make to keep the citizens of the City of Chicago safe.**