**POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO**
**(A Component Unit of the City of Chicago)**

**Financial Statements and Supplementary Information**
**For the Years Ended December 31, 2023 and 2022**
**With Independent Auditor's Report**

MITCHELL TITUS
ACHIEVING EXCELLENCE TOGETHER

**POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO**
(A Component Unit of the City of Chicago)
Years Ended December 31, 2023 and 2022

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## INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Policemen's Annuity and Benefit Fund of Chicago

***Opinion***

We have audited the accompanying financial statements of the Policemen's Annuity and Benefit Fund of Chicago (the Fund), a component unit of the City of Chicago (City), as of and for the years ended December 31, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the Fund's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the fiduciary net position of the Fund as of December 31, 2023 and 2022, and the changes in its fiduciary net position for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

***Basis for Opinion***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section in our report. We are required to be independent of the Fund and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. 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***

The Fund's 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, and 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 the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Fund'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.

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Management is also responsible for maintaining a current Fund instrument, including all Fund amendments, administering the Fund, and determining that the Fund's transactions as presented and disclosed in the financial statements are in conformity with the Fund's provisions, including maintaining sufficient records with respect to each of the participants, to determine the benefits due or which may become due to such participants.

***Auditor's 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 it 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 financial statements.

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 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 Fund's ability to continue as a going concern for a reasonable period of time.

MITCHELL TITUS

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 Matters**

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and the required supplementary information as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, 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 audits 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 audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Fund's basic financial statements. The accompanying supplementary information, as listed in the table of contents, 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 GAAS. In our opinion, the information is fairly state in all material respects in relation to the basic financial statements as a whole.

Mitchell & Titus, LLP

June 27, 2024

## MANAGEMENT’S DISCUSSION AND ANALYSIS (Unaudited)

The Management’s Discussion and Analysis section of this report is intended to serve as an introduction to the financial statements of the Policemen’s Annuity and Benefit Fund of Chicago (the Fund) and to supplement the information contained therein.

### OVERVIEW OF FINANCIAL STATEMENTS AND ACCOMPANYING INFORMATION

The basic financial statements are prepared in accordance with accounting principles generally accepted in the United States of America as established by the Governmental Accounting Standards Board (GASB) and are described below:

- **Statements of Fiduciary Net Position** report the Fund’s assets, liabilities, deferred outflows and inflows of resources and the resultant net position where assets and deferred outflows minus liabilities and deferred inflows equal net position held in trust for pension benefits at the end of the year.

- **Statements of Changes in Fiduciary Net Position** show the sources and uses of funds during the calendar year, where additions minus deductions equal the net increase or decrease in net position held in trust for pension benefits for the year.

- **Notes to the Financial Statements** are an integral part of the financial statements and include important information and schedules to provide a more comprehensive understanding of the data provided in the financial statements. Information contained in the note disclosures includes the Fund’s accounting policies, descriptions of pension and health benefits and related liabilities, detail of investments and related risks, fund reserves, and various other relevant topics.

- **Required Supplementary Information** presents detailed required historical information, and it is presented after the Notes to the Financial Statements. This required supplementary information includes data on the employer’s net pension liability and changes thereof, employer’s contribution and money-weighted rate of return for the pension plan; and information on total OPEB liability for the Staff Retiree Health Plan; along with the other information useful in evaluating the fiduciary net position of the Fund.

- **Supplementary Information** presents the details on administrative costs of maintaining a defined benefit pension plan.

### FINANCIAL HIGHLIGHTS

- The fiduciary net position of the Fund increased by $383.1 million, or 11.0%, to $3,869.9 million at December 31, 2023. At December 31, 2022, the fiduciary net position of the Fund decreased by $359.8 million, or 9.4%, to $3,486.8 million.

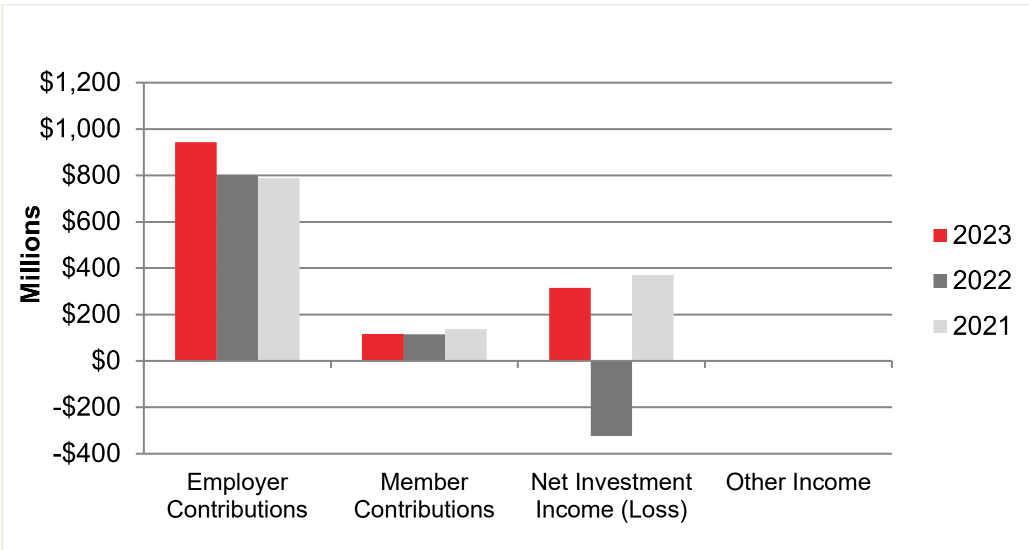
## FINANCIAL HIGHLIGHTS *(continued)*

- Additions to the Fund are received from investment income and contributions from the employer and plan members. These are the primary funding sources for benefit payments. In 2023, these additions totaled $1,374.6 million versus $592.2 million in 2022, which is a 132.1% increase. The Fund experienced a net gain on investment activity in calendar year 2023 of $316.0 million, or 11.72%, which compares to the net loss on investment of $324.7 million, or (10.61%) in 2022. Equities posted impressive gains in the fourth quarter, ending a strong year on a high note. For the three months ended December 31, U.S. stocks got a shot in the arm from a lower inflation point and robust economic data; during this period, the S&P 500 returned nearly 12%, finishing 2023 up over 26%. Mega-cap growth stocks continued to lead the charge with the Nasdaq Composite up around 14% for the quarter and over 44% for the year. After lagging the first nine months of the year, small-cap equities outpaced large-cap stocks in the fourth quarter with gains of 14%, ending the year up around 17%. International developed and emerging market equities were also in the black with the MSCI EAFE Index returning 10% in the fourth quarter and 18% for the year, while the MSCI EM Index gained around 8% for the three months ended December 31 and 10% for 2023. Meanwhile, fundraising activity in U.S. private equity totaled $375 billion last year, modestly down from $379 billion in 2022, according to data from Preqin. The total number of funds raised dropped by around 51%, underscoring a flight to larger and more established funds; the drop was particularly pronounced in emerging and first-time funds. Fundraising in the U.S. venture market plummeted in 2023 to $66.9 billion—a record low since 2017—from a high of $173 billion a year earlier. Treasuries reversed course in the fourth quarter as the Federal Reserve assumed a more dovish stance after reinforcing the message of higher-for-longer rates in the prior quarter. Treasuries rallied with the two- and three-year maturities experiencing the greatest moves during the quarter. Credit spreads tightened across fixed-income markets and ended the year below long-term median levels, resulting in substantially positive returns in the fourth quarter with longer maturities and lower-quality debt led the way. For the three months ended December 31, the spread on investment-grade corporate bonds tightened 22 basis points, while high-yield corporate bonds were tighter by 71 basis points. The yield on the 30-year Treasury fell 67 basis points to end the quarter at 4.03%, while the two-year Treasury note yield fell 80 basis points to end the quarter at 4.23%. The Bloomberg U.S. Aggregate Index returned 5.5% in 2023, while the Bloomberg U.S. High Yield Corporate Index was up 13.4% during the same period.

- Employer contributions were a major factor in the additions to the Fund. Effective May 30, 2016, with the passing of Public Act 099-0506 (PA 99-0506), the contributions were adjusted in accordance with the Illinois Pension Statutes. For financial reporting purposes, 2023 employer contributions increased by $141.2 million. In 2022, the employer contributions increased by $17.6 million.

**FINANCIAL HIGHLIGHTS** *(continued)*

## Additions 2021-2023

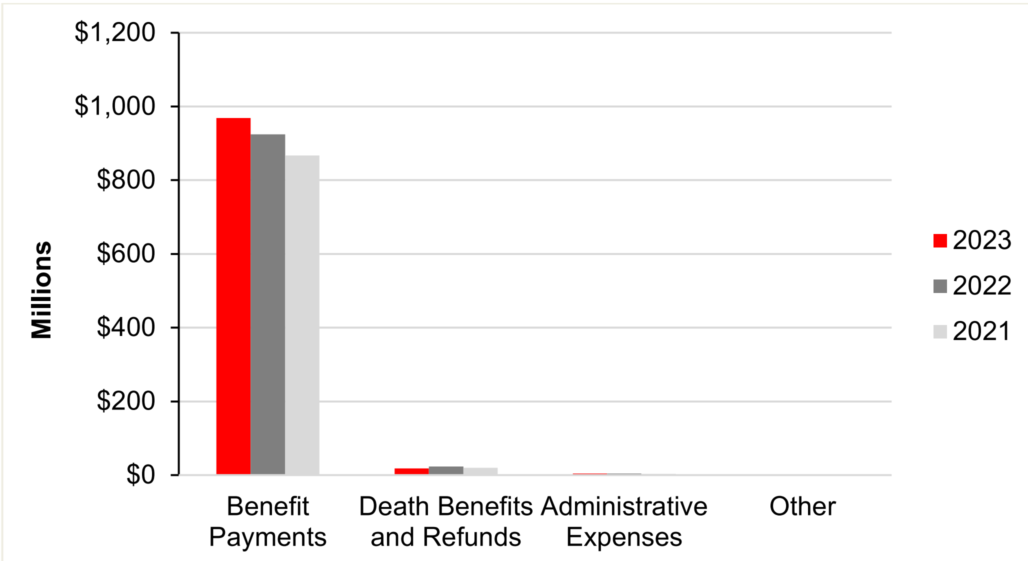



- Deductions from the Fund are incurred primarily for the purpose for which the Fund was created, to provide benefits to the police officers of the City and their surviving spouses and children. Deductions consist primarily of pension and disability benefits, death benefits, refunds of employee deductions, and administrative expenses. In 2023, these deductions totaled $991.5 million and were $952.0 million in 2022, which is a 4.1% increase. This increase is attributable primarily to the number of retirees and beneficiaries receiving higher benefit payments. The net number of benefit recipients increased in 2023 by 123 members to 14,762, the highest beneficiary count in Fund history.

- Also contributing to the increase in deductions and benefit payments is the enactment of Public Act 99-0905 (PA 99-0905) on November 29, 2016, which provided a statutory 3% automatic increase annually to members born between January 1, 1955, and January 1, 1966. The legislature also provided increased benefits to qualifying annuitants such that the minimum annuity paid cannot be less than 125% of the Federal poverty level.

**FINANCIAL HIGHLIGHTS** *(continued)*

## Deductions 2021-2023




- Benefit payments, excluding death benefits and refunds, increased by approximately $44.5 million in 2023 to $968.9 million from $924.4 million in 2022. Death benefits and refunds of employee deductions decreased 21.12% from 2022 to 2023 by approximately $4.9 million, from $23.2 million to $18.3 million, respectively.

- Administrative expenses decreased by approximately $0.1 million, or 2.3%, from $4.4 million in 2022 to $4.3 million in 2023.

- The primary objective of the Fund is to meet its long-term defined pension benefit obligations. The funding ratio of the Fund on a fair value basis, for purposes of statutory funding, was 22.11% at December 31, 2023 and 21.76% at December 31, 2022. The increase reflects higher-than-expected investment return. For the year ended December 31, 2023, the Fund's 11.72% investment return was significantly higher than the Fund's underlying investment return assumption of 6.75%. The Fund experienced a favorable actuarial gain due to less-than-expected new disabled participants during 2023. Additionally, there were more active member and annuitant deaths than expected during 2023, resulting in a net actuarial gain to the Fund. Offsetting these items, the change in the COLA provisions for Tier 1 members born on or after January 1, 1996 resulted in an increase in the unfunded actuarial accrued liability. Additionally, salary increases were higher than expected in 2023.

**FINANCIAL HIGHLIGHTS** *(continued)*

- For accounting and financial reporting pursuant to GASB Nos. 67 and 68, which use a Single Discount Rate that reflects: (1) a long-term expected rate of return on pension plan investments (to the extent that the Fund's fiduciary net position is projected to be sufficient to pay benefits) and (2) a tax-exempt municipal bond rate as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met), the Fund's net pension liability increased by $1,164,262,326 to $13,892,112,330 at December 31, 2023 from $12,727,850,004 as of December 31, 2022. Changes in the actuarial assumptions and methods led to the change in the Single Discount Rate to 6.62% from 6.64% (based on the long-term expected rate of return on investments of 6.75% used in both the December 31, 2023 and 2022, actuarial valuations and the long-term municipal bond rate of 3.77% as of December 31, 2023, and 4.05% as of December 31, 2022, respectively.

- In compliance with GASB No. 75, the Fund is required to recognize a liability for other postemployment benefits (OPEB), which represents health insurance coverage for retired Fund employees. Expenses of $0.01 million and $0.08 million were recognized in 2023 and 2022, respectively, resulting in a total accrued liability of $0.7 million and $1.2 million as of December 31, 2023 and 2022, respectively.

## FIDUCIARY NET POSITION

A summary of fiduciary net position is presented below:

**Fiduciary Net Position**
**(In millions)**
**As of December 31, 2023, 2022 and 2021**

| | | | | 2023–2022 Change | |
|---|---|---|---|---|---|
| | 2023 | 2022 | 2021 | $ | % |
| Receivables | $ 864.0 | $ 777.0 | $ 845.6 | $ 87.0 | 11.2 % |
| Brokers–unsettled trades | 74.9 | 71.6 | 89.9 | 3.3 | 4.6 |
| Investments, at fair value | 3,035.0 | 2,737.3 | 3,032.5 | 297.7 | 10.9 |
| Invested securities lending cash collateral | 92.8 | 117.5 | 76.7 | (24.7) | (21.0) |
| Right-to-use lease asset, net of accumulated amortization of $0.89, $0.67 and $0.45, respectively | 1.9 | 2.1 | 2.3 | (0.2) | (9.5) |
| Total assets | 4,068.6 | 3,705.5 | 4,047.0 | 363.1 | (9.8) |
| Deferred outflows of resources | 0.3 | 0.3 | 0.4 | 0.0 | 0.0 |
| Total assets and deferred outflows of resources | 4,068.9 | 3,705.8 | 4,047.4 | 363.1 | (9.8) |
| Brokers–unsettled trades | 97.2 | 92.0 | 113.7 | 5.2 | 5.7 |
| Securities lending payable | 92.8 | 117.5 | 76.7 | (24.7) | (21.0) |
| OPEB liability | 0.7 | 1.2 | 1.5 | (0.5) | (41.7) |
| Refunds and accounts payable | 4.5 | 4.8 | 5.4 | (0.3) | (6.3) |
| Long-term lease liability | 2.8 | 2.9 | 3.2 | (0.1) | (3.4) |
| Total liabilities | 198.0 | 218.4 | 200.5 | (20.4) | (9.3) |
| Deferred inflows of resources | 1.0 | 0.6 | 0.3 | 0.4 | 66.7 |
| Total liabilities and deferred inflows of resources | 199.0 | 219.0 | 200.8 | (20.0) | (9.1) |
| **Net position** | $ 3,869.9 | $ 3,486.8 | $ 3,846.6 | $ 383.1 | 11.0 % |

Overall, the fiduciary net position increased by $383.1 million in 2023, primarily due to the positive investment performance of the Fund's portfolio. The Fund's investment portfolio earned an investment return of 11.72% in 2023. The fiduciary net position decreased by $359.8 million in 2022, primarily due to the negative investment performance of the Fund's portfolio. The Fund's investment portfolio earned an investment return of (10.61%) in 2022.

As of December 31, 2023 and 2022, the amount recorded as receivables includes the employer contributions receivable under the provisions of PA 99-0506. The funding provisions of PA 99-0506 are significantly different than Public Act-1495, which was in effect at December 31, 2015. Pursuant to PA 99-0506, the funding policy requires City contributions to be equal to $ 799.4 million in payment year 2023. Required funding in the 2024 payment year is $851.1 million. For the payment years 2024 through 2055, the employer is required to make percent of pay

## FIDUCIARY NET POSITION *(continued)*

contributions that, along with member contributions and investment earnings, are expected to generate a projected funded ratio of 90% by plan year-end 2055.

## CHANGES IN FIDUCIARY NET POSITION

The following table reflects a comparative summary of various changes in fiduciary net position:

**Changes in Fiduciary Net Position**
**(In millions)**
**Years Ended December 31, 2023, 2022 and 2021**

| | 2023 | 2022 | 2021 | 2023–2022 Change $ | 2023–2022 Change % |
|---|---|---|---|---|---|
| **ADDITIONS** | | | | | |
| Member contributions | $ 115.2 | $ 114.4 | $ 136.2 | $ 0.8 | 0.7 % |
| Employer contributions | 942.9 | 801.7 | 788.8 | 141.2 | 17.6 |
| Net investment gain and investment income | 316.0 | (324.7) | 369.6 | 640.7 | 197.3 |
| Securities lending income | 0.4 | 0.4 | 0.5 | 0.0 | 0.0 |
| Miscellaneous income | 0.1 | 0.4 | 0.1 | (0.3) | (75.0) |
| Total additions | 1,374.6 | 592.2 | 1,295.2 | 782.4 | 132.1 |
| **DEDUCTIONS** | | | | | |
| Annuity, disability, and death benefits | 970.7 | 926.5 | 869.2 | 44.2 | 4.8 |
| Refunds of contributions | 16.5 | 21.1 | 17.8 | (4.6) | (21.8) |
| Administrative expenses | 4.3 | 4.4 | 3.4 | (0.1) | (2.3) |
| Total deductions | 991.5 | 952.0 | 890.4 | 39.5 | 4.1 |
| Net increase (decrease) | 383.1 | (359.8) | 404.8 | 742.9 | 206.5 |
| *Net position restricted for pension benefits* | | | | | |
| Beginning of year | 3,486.8 | 3,846.6 | 3,441.8 | (395.8) | (9.4) |
| **End of year** | $ 3,869.9 | $ 3,486.8 | $ 3,846.6 | $ 383.1 | 11.0 % |

The Fund experienced an increase in fiduciary net position of $383.1 million in 2023. The overall increase in the net fiduciary position was accompanied by the continuing increase in benefit payments each year. The Fund experienced an increase in retirements of active members in 2023.

Contractual terms between the employer and the Fraternal Order of Police, Chicago Lodge No. 7, provided that police officers of at least 60 years of age, with over 20 years of service, receive free healthcare in the City-sponsored healthcare program until the age of Medicare eligibility. Police officers of at least 55 years of age, indicating their intent to retire prior to October 1, 2022, with over 20 years of service, can participate in the City-sponsored healthcare program at a cost of 2% of their retirement annuity until their age of Medicare eligibility.

## INVESTMENT ACTIVITIES

During 2023, the Fund did not change the Fund investment allocation policy; the Fund continues to prudently implement the strategic allocation approved by the Board of Trustees.

**Investment Returns**
**Years Ended December 31, 2023, 2022 and 2021**

| | 2023 | 2022 | 2021 |
|---|---|---|---|
| Total fund | 11.72 % | (10.61)% | 13.80 % |
| Equities | 18.89 | (17.92) | 15.60 |
| Fixed income | 7.22 | (11.19) | (1.30) |
| Real estate | (7.43) | 6.69 | 28.60 |
| Infrastructure | 8.47 | 5.63 | 20.10 |
| Private equity | 2.28 | 19.04 | 85.30 |
| Private debt | 5.90 | 5.16 | 13.80 |
| Opportunistic debt | 15.80 | (7.97) | 14.70 |
| Hedge fund | 4.88 | (2.71) | 19.90 |
| Cash and cash equivalents | 6.04 | 2.29 | 1.00 |

## PLAN MEMBERSHIP

The following table reflects the plan's membership as of December 31, 2023, 2022 and 2021.

**Plan Membership**
**As of December 31, 2023, 2022 and 2021**

| | | | | 2023–2022 | |
|---|---|---|---|---|---|
| | 2023 | 2022 | 2021 | Change | % |
| Retirees and beneficiaries receiving benefits | 14,762 | 14,639 | 14,260 | 123 | 0.84 % |
| Active employees | 11,850 | 11,868 | 12,126 | (18) | (0.15) |
| Terminated (inactive members) employees entitled to benefits or refunds of contributions | 1,162 | 1,151 | 940 | 11 | 0.96 |
| **Total** | 27,774 | 27,658 | 27,326 | 116 | 0.42 % |

## FUNDING STATUS

The funding ratio of the Fund on a fair value basis, for purposes of market value funding, experienced an increase to 22.11% at December 31, 2023 from 21.76% at December 31, 2022. During 2014, the Fund adopted GASB No. 67, which requires that projected benefit payments are required to be discounted to their actuarial present values using a single discount rate that reflects (1) a long-term expected rate of return on pension plan investments (to the extent that the plan's fiduciary net position is projected to be sufficient to pay benefits) and (2) a tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average 'AA' credit rating. Using this methodology, the funding ratios of the Fund at December 31, 2023 and 2022, were 21.79% and 21.50%, respectively. Discount rates used in the GASB No. 67 valuation were 6.62% and 6.64% as of December 31, 2023 and 2022, respectively.

In 2016, certain assumptions were changed, which included the investment return assumption and the inflation rate assumption. Actuarial information presented as of December 31, 2023 and 2022 reflects these assumption changes.

Effective May 30, 2016, the Illinois Pension Statutes regarding employer contributions to the Fund were changed by PA 099-0506. In accordance with PA 099-0506, the funding policy requires that contributions from the City, as employer, be equal to $420 million in payment year 2016, $464 million in payment year 2017, $500 million in payment year 2018, $557 million in payment year 2019, and $579 million in payment year 2020. For payment years after 2020, the City is required to make level percent of pay contributions for plan years 2022 through 2055 that, along with member contributions and investment earnings, are expected to generate a projected funded ratio of 90% by plan year-end 2055.

As currently provided in the applicable provisions of PA 099-0506, the funded ratio of the Fund is projected to increase slowly in future years, with required increases from the employer in years into the future in accordance with current legislation. The Fund continues to be heavily dependent upon employer contributions to fund benefit payments to members now and in future years.

## CONTACT INFORMATION

This financial report is designed to provide the employer, plan participants, and others with a general overview of the Fund's finances and to show accountability for the monies received. Questions concerning any data provided in this report can be submitted to:

Mr. Kevin Reichart
Executive Director
Policemen's Annuity and Benefit Fund of Chicago
221 North LaSalle Street
Suite 1626
Chicago, Illinois 60601

## FINANCIAL STATEMENTS

**POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO**
(A Component Unit of the City of Chicago)
Statements of Fiduciary Net Position
As of December 31, 2023 and 2022

| | 2023 | 2022 |
|---|---|---|
| **ASSETS** | | |
| Cash | $ 250 | $ 250 |
| *Receivables* | | |
| Employer - Tax levies, net of allowance for loss of $0 in 2023, $0 in 2022 | 851,100,000 | 761,713,443 |
| Member contributions - December 31, 2023 payroll due in January 2024 | 5,524,660 | 9,084,517 |
| Interest and dividends | 7,415,310 | 6,150,377 |
| Accounts receivable - due from brokers | 74,850,897 | 71,628,149 |
| | 938,890,867 | 848,576,486 |
| *Investments at fair value* | | |
| U.S. common stock and other equity | 346,500,856 | 304,623,633 |
| Collective investment funds, stock | 683,448,128 | 539,785,420 |
| Collective investment funds, international equities | 13,567,289 | 10,603,301 |
| Collective investment funds, fixed income | 216,645,730 | 213,253,920 |
| Collective investment funds, international fixed income | 46,364,073 | 40,337,206 |
| International equity | 471,811,442 | 419,351,501 |
| U.S. bonds and notes | 288,030,977 | 275,945,634 |
| International bonds and notes | 9,179,150 | 9,169,439 |
| Short-term instruments | 218,834,795 | 199,024,762 |
| Infrastructure | 114,259,630 | 104,594,453 |
| Forward contracts and swaps | 110,974 | 68,444 |
| Hedge fund-of-funds | 224,377,221 | 220,294,532 |
| Real estate | 191,549,076 | 202,518,066 |
| Venture capital and private equity | 210,276,193 | 197,729,772 |
| | 3,034,955,534 | 2,737,300,083 |
| Invested securities lending cash collateral | 92,829,209 | 117,469,784 |
| Right-to-use lease asset, net of accumulated amortization of $893,460 and $670,095 in 2023 and 2022, respectively | 1,898,603 | 2,121,968 |
| Total assets | 4,068,574,463 | 3,705,468,571 |
| Deferred outflows of resources | 309,278 | 326,481 |
| Total assets and deferred outflows of resources | 4,068,883,741 | 3,705,795,052 |
| **LIABILITIES** | | |
| Refunds and accounts payable | 4,464,768 | 4,804,043 |
| Trade accounts payable - due to brokers | 97,168,580 | 91,960,396 |
| Security lending cash collateral | 92,829,209 | 117,469,784 |
| OPEB obligation | 722,817 | 1,216,942 |
| Long-term lease liability | 2,749,507 | 2,977,516 |
| Total liabilities | 197,934,881 | 218,428,681 |
| Deferred inflows of resources | 1,014,642 | 586,586 |
| Total liabilities and deferred inflows of resources | 198,949,523 | 219,015,267 |
| **Net position held in trust for pension benefits** | $ 3,869,934,218 | $ 3,486,779,785 |

The accompanying notes are an integral part of these financial statements.

**POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO**
(A Component Unit of the City of Chicago)
Statements of Changes in Fiduciary Net Position
For the Years Ended December 31, 2023 and 2022

| | 2023 | 2022 |
|---|---|---|
| **ADDITIONS** | | |
| *Contributions* | | |
| Employer | $ 942,952,523 | $ 801,706,005 |
| Plan member salary deductions | 115,161,795 | 114,403,212 |
| Total contributions | 1,058,114,318 | 916,109,217 |
| *Investment income* | | |
| Net appreciation (depreciation) in fair value of investments | 260,949,526 | (356,282,186) |
| Interest | 19,005,336 | 9,561,529 |
| Dividends | 39,073,270 | 26,146,827 |
| Real estate income | 5,073,796 | 3,795,866 |
| | 324,101,928 | (316,777,964) |
| *Investment activity expenses* | | |
| Investment management fees | (7,368,028) | (7,211,140) |
| Custodial fees | (296,785) | (309,455) |
| Investment consulting fees | (415,000) | (438,996) |
| Total investment activity expenses | (8,079,813) | (7,959,591) |
| Net income (loss) from investing activities | 316,022,115 | (324,737,555) |
| *From securities lending activities* | | |
| Securities lending income | 5,722,725 | 1,930,663 |
| Borrower rebates | (5,305,256) | (1,442,931) |
| Bank fees | (50,096) | (64,795) |
| Net income from securities lending activities | 367,373 | 422,937 |
| Total net investment income (loss) | 316,389,488 | (324,314,618) |
| Miscellaneous income | 109,639 | 367,777 |
| Total additions | 1,374,613,445 | 592,162,376 |
| **DEDUCTIONS** | | |
| Pension and disability benefits | 968,909,938 | 924,438,466 |
| Death benefits | 1,797,800 | 2,055,000 |
| Refunds of employee deductions | 16,490,937 | 21,096,110 |
| | 987,198,675 | 947,589,576 |
| Administrative expenses | 4,260,337 | 4,338,300 |
| Total deductions | 991,459,012 | 951,927,876 |
| Net increase (decrease) in fiduciary net position | 383,154,433 | (359,765,500) |
| *Net position held in trust for pension benefits* | | |
| Beginning of year | 3,486,779,785 | 3,846,545,285 |
| **End of year** | $ 3,869,934,218 | $ 3,486,779,785 |

The accompanying notes are an integral part of these financial statements.

## NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Reporting Entity

Accounting principles generally accepted in the United States (U.S. GAAP), as established by the Governmental Accounting Standards Board (GASB), 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 the primary government to impose its will on the component unit, or a potential for the component unit to provide specific financial benefits to or impose specific financial burdens on the primary government. A primary government may also be financially accountable for its component units.

Based on the above criteria, the Policemen's Annuity and Benefit Fund of Chicago (the Fund, or PABF) is considered to be a component unit of the City of Chicago (the City). The Fund is part of the City's financial reporting entity and is included in the City's fiduciary statements of net position as a pension trust fund.

### Basis of Accounting

The Fund's financial statements are prepared on the accrual basis of accounting. Employee and employer contributions are recognized as additions in the period in which employee services are performed. Benefits and refunds are recognized as deductions when payable. Expenses are recorded when the corresponding liabilities are incurred, regardless of when payment is made.

### Use of Estimates

The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

### Investments

The Fund is authorized to invest in bonds, notes, and other direct obligations of the U.S. Government and U.S. Government agencies; corporate bonds, debentures, and notes; certain notes secured by mortgages, including pass-through securities; common and preferred stocks; certain pooled funds; limited partnerships; real estate; derivatives; currencies and other types of investment vehicles as set forth in the Fund's Statement of Investment Policy and in compliance with the Illinois Compiled Statutes.

## NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Method Used to Value Investments

Investments are reported at fair value. Short-term investments are reported at fair value, which approximates costs. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Fixed-income securities are valued principally using quoted market prices provided by independent pricing services. For collective investments, net asset value (NAV) is determined and certified by the investment managers as of the reporting date. Real estate investments are valued at estimated fair value as determined by the general partner, based upon appraisals provided by the investment manager. Hedge funds, venture capital, private equity, infrastructure, and certain opportunistic investments are reported at estimated fair value as determined by the general partner of the investment vehicle.

Furniture and Office Equipment

Furniture and office equipment are not capitalized as they are immaterial and charged to expenses in the year of purchase.

Administrative Expenses

Administrative expenses are recorded as incurred and budgeted and approved by the Fund's Board of Trustees. Administrative expenses are funded by employer contributions.

Income Taxes

The Fund is a tax-exempt retirement plan as determined by the Internal Revenue Service. As such, income earned by the Fund is not subject to Federal income taxes.

Securities Lending Transactions

Cash received as collateral on securities lending transactions and investments made with that cash are reported as assets in the statements of fiduciary net position at fair value. Securities received as collateral are reported as assets only if the Fund is able to pledge or sell them without a borrower default. Liabilities resulting from these transactions are reported in the statements of fiduciary net position.

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

Recent Accounting Pronouncements

GASB Statement No. 99, *Omnibus 2022*, was issued in April 2022. The objectives of this Statement are 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 and accounting and financial reporting for financial guarantees. Certain provisions of Statement No. 99 are effective for the Plan's fiscal years ending December 31, 2023 and 2024. Fund staff evaluated Statement No. 99 and have concluded that the requirements of the statement do not materially impact the Fund's financial statements and related disclosure.

Other accounting standards that the Fund is currently reviewing for applicability and potential impact on the financial statements include:

GASB Statement No. 100, *Accounting Changes and Error Corrections – An Amendment of GASB Statement No. 62* was issued in June 2022. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections. Statement No. 100 is effective for the Fund's fiscal year ending December 31, 2024.

GASB Statement No. 101, *Compensated Absences*, was issued in June 2022. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. Statement No. 101 is effective for the Fund's fiscal year ending December 31, 2024.

GASB Statement No. 102, *Certain Risk Disclosures*, was issued in December 2023. The objective of this Statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. Statement No. 102 is effective for the Fund's fiscal year ending December 31, 2025.

GASB Statement No. 103, *Financial Reporting Model Improvements*, was issued in April 2024. The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. Statement No. 103 is effective for the Fund's fiscal year ending December 31, 2026.

## NOTE 2 PENSION PLAN

Plan Description and Contribution Information

PABF is the administrator of a defined benefit, single-employer pension plan with a defined contribution minimum for the purpose of providing benefits to the police officers of the City and their widows and children. Any City employee employed under the provisions of the municipal personnel ordinance as police service is covered by the Fund. The defined benefits, as well as the employer and employee contribution levels, are mandated in Illinois Compiled Statutes (40 ILCS Act 5, Article 5) and may be amended only by the Illinois State Legislature. The Fund is governed by an eight-member Board of Trustees (four appointed by the City, three elected by the police officers, and one elected by the annuitants) whose duties are to administer the Fund under the Illinois Pension Code. The City's payrolls for employees covered by the Fund for the years ended December 31, 2023 and 2022 were $1,339,703,857 and $1,274,049,642, respectively. At December 31, 2023 and 2022, the Fund's membership consisted of the following:

| | 2023 | 2022 |
|---|---|---|
| Active employees | $ 11,850 | $ 11,868 |
| Retirees and beneficiaries currently receiving benefits | 14,762 | 14,639 |
| Terminated employees entitled to benefits or a refund of contributions, but not yet receiving them | 1,162 | 1,151 |
| | $ 27,774 | $ 27,658 |

The Fund provides retirement benefits as well as death, survivor, and disability benefits. Employees age 50 or older with at least 10 years of service are entitled to receive a money purchase annuity if they have completed less than 20 years of service. The mandatory retirement age for a participant is 63. Employees age 50 or older with at least 20 years of service are entitled to receive a minimum formula annuity of 2.5% per year for the first 20 years of service, plus 2.5% per year for each following year or fraction thereof times their final average salary (highest average annual salary for any four consecutive years within the last 10 years of service immediately preceding the date of retirement). The annuity will not exceed 75% of the highest average annual salary.

For members born before January 1, 1966 with at least 20 years of service, the monthly annuity increases by 3% of the original annuity at the first of the month following the later of the attainment of age 55 or the first anniversary of retirement, and by 3% of the original annuity on each January 1 thereafter.

**NOTE 2 PENSION PLAN** *(continued)*

Plan Description and Contribution Information *(continued)*

Effective November 29, 2016, Public Act 99-0905 (PA 99-0905) became law. This Act extended the 3% annual automatic increase to participants born after December 31, 1954, but before January 1, 1966, first payable at the later of age 55 or one year from retirement date. In addition, under PA 99-0905, the minimum benefit for annuitants and widows cannot be less than 125% of the Federal poverty level.

If the recipient was born after January 1, 1966, the monthly annuity increases by 1.5% of the original annuity at the first of the month following the later of the attainment of age 60 or the first anniversary of retirement, and 1.5% on each January 1 thereafter, but will not exceed a total of 30%. Members first hired after January 1, 2011, are subject to different provisions within their defined benefit pension plan. The new provisions include a minimum retirement age of 55, a final average salary calculation based upon 96 consecutive months within the last 120 months of employment, an annual salary cap for purposes of calculating a pension benefit, and cost-of-living increases for a pension benefit that include considerations related to the Consumer Price Index for urban consumers.

Covered employees are required to contribute 9.0% of their salary to the Fund. If an employee leaves, covered employment without qualifying for an annuity, accumulated contributions are refunded with interest.

Commencing with the City tax levy year beginning in 2016, legislation in place at December 31, 2016, provides for fixed dollar City contributions for payment years 2016 to 2020, and level percent of pay contributions for years 2022 to 2055. Beginning with payment year 2022, the funding policy requires that future employer contributions, employee contributions and other Fund income are sufficient to produce a funding goal of 90% by the fiscal year end 2055, based upon the actuarial value of Fund assets and application of certain required actuarial assumptions and methodologies.

The total pension liability at December 31, 2023 and 2022, was $17,762,046,550 and $16,214,629,789, respectively. The plan fiduciary net position at December 31, 2023 and 2022 was $3,869,934,220 and $3,486,779,785, respectively. The net pension liability at December 31, 2023 and 2022 was $13,892,112,330 and $12,727,850,004, respectively. The Single Discount Rate of 6.62% required by GASB Statement No. 67 as of December 31, 2023, was based on a long-term expected rate of return on pension plan investments of 6.75% and a long-term municipal bond rate of 3.77%. The Single Discount Rate of 6.64% required by GASB Statement No. 67 as of December 31, 2022, was based on a long-term expected rate of return on pension plan investments of 6.75% and a long-term municipal bond rate of 4.05%.

## NOTE 3 HEALTH INSURANCE SUPPLEMENT

Plan Description and Contribution Information

The City offered group health benefits, as was provided, to annuitants and their eligible dependents, which expired on December 31, 2016.

Effective January 1, 2017 and thereafter, certain eligible annuitants in the Appellate Court expanded class, as defined in its June 29, 2017 order, and as further defined after remand in the Circuit Court's February 28, 2019 order, are entitled to continue to receive the 1983 statutory provided subsidies (related to the police and fire funds) of $55 per month if non-Medicare eligible and $21 per month if Medicare eligible. Therefore, this obligation is reflected as an actuarial accrued liability as of December 31, 2023 and 2022. There are currently no assets accumulated in a trust that meet the criteria of GASB codification P22.101 or P52.101 to pay related benefits for the health insurance supplement plan.

## NOTE 4 CASH AND INVESTMENT RISK

Cash

The bank balance and carrying amount of the Fund's deposits at December 31, 2023, were $222,327 and $(95,197), respectively. The bank balance and carrying amount of the Fund's deposits at December 31, 2022 were $155,075 and $48,640, respectively. These balances excluded $250 of petty cash. The bank balance at December 31, 2023 and 2022 is on deposit with the City Treasurer and insured or collateralized by securities held by the City Treasurer in the Fund's name.

Investment Policy

The Trustees assume the responsibility for establishing the Fund's investment policy. The Fund's overall investment policy is based on the following principles established by the Trustees:

- Maintain a long-term investment horizon for the Fund
- Diversify investments across several asset classes

The Trustees have indicated interest in developing a risk policy statement in parallel to the Fund's investment policy. The policy would highlight those risks managed at the Fund level and those managed by external managers. The risk policy would also state the types of risks that are monitored and how they are measured. Until such policy is developed by PABF staff and adopted by the Board, there is no formal policy relating to specific investment-related risks.

## NOTE 4 CASH AND INVESTMENT RISK *(continued)*

Money-Weighted Rate of Return

For the years ended December 31, 2023 and 2022, the annual money-weighted rate of return on the Fund's investments, net of investment expense, was 11.72% and (10.61)%, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Investment Summary

The following table presents a summary of the Fund's investments by type at December 31, 2023 and 2022:

| | 2023 | 2022 |
|---|---|---|
| U.S. Government and agency fixed income | $ 181,012,272 | $ 167,138,501 |
| Corporate fixed income | 116,197,855 | 117,976,570 |
| U.S. common collective fixed-income funds | 216,645,730 | 213,253,921 |
| Global common collective fixed-income funds | 46,364,073 | 40,337,206 |
| U.S. equities | 346,500,856 | 304,623,633 |
| U.S. common collective stock funds | 683,448,128 | 539,785,421 |
| International equity common collective funds | 13,567,289 | 10,603,301 |
| Foreign equities | 471,811,442 | 419,351,501 |
| Pooled short-term investment funds | 107,163,065 | 180,825,331 |
| Infrastructure | 114,259,630 | 104,594,453 |
| Real estate | 191,549,076 | 202,518,066 |
| Venture capital | 210,276,193 | 197,729,772 |
| Forward contracts and swaps | 110,974 | 68,444 |
| Hedge fund-of-funds | 224,377,221 | 220,294,532 |
| Cash and cash equivalents | 111,671,730 | 18,199,431 |
| **Total investments at fair value** | $3,034,955,534 | $2,737,300,083 |

None of the Fund's individual investments as of December 31, 2023 or 2022 represented 5% or more of net position held in trust for pension benefits.

The Fund's investments were managed by 43 external investment managers that managed 54 investment funds/products during 2023, with additional services provided by an external investment consultant. The Fund does not employ any internal investment managers; therefore, its investments are not managed internally. The Fund does not have a formal policy regarding the credit risk of its external managers or investment consultant.

**NOTE 4 CASH AND INVESTMENT RISK** *(continued)*

Fair Value Measurements

The Fund categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure an asset's fair value. Fair value is the amount that would be received to sell the investment in an orderly transaction between market participants at the measurement date (*i.e.*, exit price). The fair value measurements are determined within a framework that utilizes a three-tier hierarchy, which maximizes the use of observable inputs and minimizes the use of unobservable inputs. Investments measured and reported at fair value are classified and disclosed in one of the following categories:

*Level 1:* Unadjusted quoted prices in active markets for identical assets.

*Level 2:* Inputs other than Level 1 quoted prices that are observable for the asset, either directly or indirectly. These inputs include:

a. quoted prices for similar assets in active markets;
b. quoted prices for identical or similar assets in markets that are not active;
c. inputs other than quoted prices that are observable for the asset;
d. inputs that are derived principally from or corroborated by observable market data.

*Level 3:* Inputs that are unobservable for the asset. The valuation of these investments requires significant judgment due to the absence of quoted market values, inherent lack of liquidity, and changes in market conditions.

The Fund's investments that are valued using the NAV per share (or its equivalent) are not classified in the fair value hierarchy. These investments do not have a readily determinable fair value.

## NOTE 4 CASH AND INVESTMENT RISK *(continued)*

### Fair Value Measurements *(continued)*

The recurring fair value measurements as of December 31, 2023, are as follows:

| | | Fair Value Measurements Using | | |
|---|---|---|---|---|
| | Totals | Level 1 | Level 2 | Level 3 |
| **Investments by fair value level** | | | | |
| *Equities* | | | | |
| U.S. common stock and other equity | $ 346,500,856 | $ 346,487,736 | $ - | $ 13,120 |
| Collective investment funds, stock | 683,448,128 | 683,448,128 | - | - |
| International equity | 471,807,431 | 471,807,431 | - | - |
| *Fixed income* | | | | |
| U.S. bonds and notes | 287,030,972 | - | 287,030,972 | - |
| International bonds and notes | 9,179,150 | - | 8,531,965 | 647,185 |
| Collective investment funds, fixed | 15,781,534 | - | - | 15,781,534 |
| Cash equivalents and short-term instruments | 218,834,795 | - | 218,834,795 | - |
| Forward contracts and swaps | 110,974 | - | 110,974 | - |
| Venture capital and private equity | 62,329,575 | - | - | 62,329,575 |
| Subtotal | 2,095,023,415 | $ 1,501,743,295 | $ 514,508,706 | $ 78,771,414 |
| **Investments measured at net asset value** | | | | |
| U.S. bonds and notes | 1,000,005 | | | |
| Collective investment funds, international equities | 13,567,289 | | | |
| Collective investment funds, fixed | 200,864,196 | | | |
| Collective investment funds, international fixed | 46,364,073 | | | |
| Infrastructure | 114,259,630 | | | |
| Hedge fund-of-funds | 224,377,221 | | | |
| Real estate | 191,549,076 | | | |
| Venture capital and private equity | 147,946,618 | | | |
| International equity | 4,011 | | | |
| Subtotal | 939,932,119 | | | |
| **Total** | $ 3,034,955,534 | | | |

## NOTE 4 CASH AND INVESTMENT RISK *(continued)*

Fair Value Measurements *(continued)*

The recurring fair value measurements as of December 31, 2022, are as follows:

| | | Fair Value Measurements Using | | |
|---|---|---|---|---|
| | Totals | Level 1 | Level 2 | Level 3 |
| **Investments by fair value level** | | | | |
| *Equities* | | | | |
| U.S. common stock and other equity | $ 304,623,633 | $ 304,581,910 | $ 28,601 | $ 13,122 |
| Collective investment funds, stock | 539,785,421 | 539,785,421 | - | - |
| International equity | 419,257,002 | 419,247,125 | - | 9,877 |
| *Fixed income* | | | | |
| U.S. bonds and notes | 274,945,628 | - | 274,945,628 | - |
| International bonds and notes | 9,169,438 | - | 9,169,438 | - |
| Collective investment funds, fixed | 3,144,399 | - | - | 3,144,399 |
| Cash equivalents and short-term instruments | 199,024,762 | 7,663,915 | 191,360,847 | - |
| Forward contracts and swaps | 68,444 | - | 68,444 | - |
| Venture capital and private equity | 41,504,088 | - | - | 41,504,088 |
| Real estate | - | - | - | - |
| Subtotal | 1,791,522,815 | $ 1,271,278,371 | $ 475,572,958 | $ 44,671,486 |
| **Investments measured at net asset value** | | | | |
| Collective investment funds, stock | - | | | |
| U.S. bonds and notes | 1,000,005 | | | |
| Collective investment funds, international equities | 10,603,301 | | | |
| Collective investment funds, fixed | 210,109,522 | | | |
| Collective investment funds, international fixed | 40,337,206 | | | |
| Infrastructure | 104,594,453 | | | |
| Hedge fund-of-funds | 220,294,532 | | | |
| Real estate | 202,518,066 | | | |
| Real estate venture capital and private equity | - | | | |
| U.S. bonds and notes | - | | | |
| Venture capital and private equity | 156,225,684 | | | |
| International equity | 94,499 | | | |
| Subtotal | 945,777,268 | | | |
| **Total** | $ 2,737,300,083 | | | |

Equity investments, and cash equivalents and short-term instruments classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets issued by pricing vendors.

Equity investments, fixed-income securities, cash equivalents and short-term instruments, and investment derivative instruments classified in Level 2 of the fair market hierarchy are valued using either a bid evaluation or a matrix-pricing technique maintained by various pricing vendors. Bid evaluations may include market quotations, yields, maturities, call features and ratings. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

Equity investments, fixed-income securities, and venture capital and private equity investments classified in Level 3 of the fair value hierarchy are securities whose stated market price is unobservable by the marketplace. Many of these securities are priced by the issuers of industry groups. These prices are obtained from various pricing sources by the Fund's custodian bank.

## NOTE 4 CASH AND INVESTMENT RISK *(continued)*

Fair Value Measurements *(continued)*

Investments measured at NAV for fair value are not subject to level classification. The following tables summarize the Fund's investments in certain entities that measure NAV per share as fair value measurement as of December 31, 2023 and 2022:

| 2023 | Fair Value | Unfunded Commitments | Redemption Frequency (if Currently Eligible) | Redemption Notice Period |
|---|---|---|---|---|
| Collective investment funds, stock | $ 1,000,005 | $ - | Daily | 5 days |
| Collective investment funds, international equities | 13,567,289 | - | Daily | 5 days |
| Collective investment funds, fixed | 200,864,196 | 33,375,477 | Daily | 5 days |
| Collective investment funds, international fixed | 46,364,073 | 9,662,292 | Daily | 5 days |
| Infrastructure | 114,259,630 | 12,341,247 | Illiquid | N/A |
| Hedge fund-of-funds | 224,377,221 | 2,368,966 | Quarterly | 90 days |
| Venture capital and private equity | 147,946,618 | 61,420,991 | Illiquid | N/A |
| Real estate | 191,549,076 | 61,438,248 | Illiquid | N/A |
| U.S. bonds and notes | - | - | Illiquid | N/A |
| International equity | 4,011 | - | Illiquid | N/A |
| | $ 939,932,119 | | | |

| 2022 | Fair Value | Unfunded Commitments | Redemption Frequency (if Currently Eligible) | Redemption Notice Period |
|---|---|---|---|---|
| Collective investment funds, stock | $ 1,000,005 | $ - | Daily | 5 days |
| Collective investment funds, international equities | 10,603,301 | - | Daily | 5 days |
| Collective investment funds, fixed | 210,109,522 | 22,623,716 | Daily | 5 days |
| Collective investment funds, international fixed | 40,337,206 | 10,765,092 | Daily | 5 days |
| Infrastructure | 104,594,453 | 13,789,577 | Illiquid | N/A |
| Hedge fund-of-funds | 220,294,532 | 2,410,226 | Quarterly | 90 days |
| Venture capital and private equity | 156,225,684 | 78,474,328 | Illiquid | N/A |
| Real estate | 202,518,066 | 42,875,392 | Illiquid | N/A |
| U.S. bonds and notes | - | - | Illiquid | N/A |
| International equity | 94,499 | - | Illiquid | N/A |
| | $ 945,777,268 | | | |

*Collective investment funds, stock and international equities:* There is one fund at December 31, 2023 and four funds at December 31, 2022, which invest in equities diversified across all geographies, sectors, and capitalization.

*Collective investment funds, fixed and international fixed*: There are three funds at December 31, 2023 and 2022, which invest in a variety of fixed-income markets through various investments.

*Infrastructure:* There are five funds at December 31, 2023 and 2022, which invest in a variety of infrastructure assets through various investments. These funds are not eligible for redemption.

**NOTE 4 CASH AND INVESTMENT RISK** *(continued)*

Fair Value Measurements *(continued)*

*Hedge fund-of-funds:* There are four funds at December 31, 2023 and 2022, which invest in a select group of underlying managers that implement a number of different alternative investment strategies and invest in a variety of markets through limited partnerships, limited liability companies and other investment entities. None of the funds were available for redemption as of December 31, 2023 or 2022.

*Real estate, venture capital and private equity:* The real estate investments consist of 10 and 14 real estate funds as of December 31, 2023 and 2022, respectively. As of December 31, 2023, the Fund held investments in one core fund, one core plus fund, two debt funds, two opportunistic funds, and four value-add funds. As of December 31, 2022, the Fund held investments in one core fund, one core plus fund, three debt funds, two opportunistic funds, and three value-add funds.. The private equity partnerships consist of five limited partnership interests as of December 31, 2023 and 2022, respectively. The private debt partnerships consist of eight limited partnership interests as of December 31, 2023, and six limited partnership interests as of December 31, 2022. These funds invest in equity or debt securities of privately held companies. Private equity and debt closed-end funds are not eligible for redemption.

Investment Risks

The Fund's investments are subject to certain types of risks, including interest rate risk, credit risk, custodial credit risk and foreign currency risk. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the value of investment securities will occur in the near term. The changes could materially affect the amounts reported in the statements of fiduciary net position.

*Interest rate risk*—Interest rate risk is the risk that the fair value of debt securities decreases due to increases in the prevailing market interest rate. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Fund does not have a formal policy regarding interest rate risk. The Fund attempts to mitigate its exposure to fair value loss arising from increasing interest rates by diversifying its fixed-income investment strategy and by allocation to several investment managers. Each investment manager is required to determine the maturities of all fixed-income securities in their portfolio. Additionally, guidelines are provided to the external investment managers, including a target duration range that is consistent with each investment manager's respective strategy.

## NOTE 4 CASH AND INVESTMENT RISK *(continued)*

Investment Risks *(continued)*

The following tables show the segmented time distribution of the Fund's investments into time periods of maturities based on the investments' cash flows.

At December 31, 2023, the Fund had the following investments and maturities related to certain fixed-income securities (bonds and notes):

| Investment Type | Fair Value | Investment Maturities Less than 1 Year | 1 to 6 Years | 7 to 10 Years | More than 10 Years |
|---|---|---|---|---|---|
| Asset-backed securities | $ 16,725,313 | $ - | $ 3,338,145 | $ 1,718,489 | $ 11,668,679 |
| Bank loans | 122,373 | - | 122,373 | - | - |
| Commercial mortgage-backed securities | 15,131,234 | 114,495 | 520,868 | 294,374 | 14,201,497 |
| Corporate bonds | 73,138,816 | 3,500,050.00 | 31,438,451 | 21,414,794 | 16,785,521 |
| Corporate convertible bonds | 442,810 | - | 360,975 | - | 81,835 |
| Government agency securities | 14,700,377 | 317,977 | 2,365,776 | 3,128,061 | 8,888,563 |
| Government bonds | 70,144,240 | 891,272 | 5,288,856 | 34,491,646 | 29,472,466 |
| Government mortgage-backed securities | 91,139,129 | - | 3,570,141 | 1,788,278 | 85,780,710 |
| Index-linked bonds | 1,899,559 | - | 1,100,025 | 64,045 | 735,489 |
| Municipal/provincial bonds | 7,586,409 | - | 994,168 | 382,403 | 6,209,838 |
| Non-government-backed collateralized mortgage obligations | 6,179,867 | 69,479 | 1,198,688 | - | 4,911,700 |
| | $ 297,210,127 | $ 4,893,273 | $ 50,298,466 | $ 63,282,090 | $ 178,736,298 |

At December 31, 2022, the Fund had the following investments and maturities related to certain fixed-income securities (bonds and notes):

| Investment Type | Fair Value | Investment Maturities Less than 1 Year | 1 to 6 Years | 7 to 10 Years | More than 10 Years |
|---|---|---|---|---|---|
| Asset-backed securities | $ 15,312,801 | $ - | $ 2,862,462 | $ 170,729 | $ 12,279,610 |
| Bank loans | 179,188 | - | 172,782 | 6,406 | - |
| Commercial mortgage-backed securities | 19,338,869 | 1,470,187 | 537,381 | 2,366,604 | 14,964,697 |
| Corporate bonds | 75,137,746 | 1,122,540 | 22,591,328 | 34,225,675 | 17,198,203 |
| Corporate convertible bonds | 434,124 | - | 302,478 | - | 131,646 |
| Government agency securities | 14,322,129 | 53,286 | 1,856,067 | 3,346,568 | 9,066,208 |
| Government bonds | 60,730,919 | 669,953 | 3,945,591 | 20,921,706 | 35,193,669 |
| Government mortgage-backed securities | 82,892,620 | 1,773,141 | 3,837,422 | 844,542 | 76,437,515 |
| Index-linked bonds | 3,565,849 | - | 1,098,110 | 2,370,695 | 97,044 |
| Municipal/provincial bonds | 7,199,221 | 133,486 | 1,113,489 | 156,386 | 5,795,860 |
| Non-government-backed collateralized mortgage obligations | 6,001,607 | - | 1,469,930 | - | 4,531,677 |
| | $ 285,115,073 | $ 5,222,593 | $ 39,787,040 | $ 64,409,311 | $ 175,696,129 |

## NOTE 4 CASH AND INVESTMENT RISK *(continued)*

Investment Risks *(continued)*

*Credit risk*—Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. One measure of credit risk is the quality ratings issued by national ratings agencies, such as Moody's Investors Services (Moody's) and Standard & Poor's Financial Services. The Fund does not have a formal policy in regard to aggregate credit quality of fixed-income holdings. The Fund utilizes external investment management firms to invest in fixed-income securities and credit quality is addressed within the guidelines of the mandate for each of the managers. If a holding falls below specific guideline requirements, the manager will either sell the security or will inform the Fund of the lower rating and why the manager believes that it is prudent to continue to hold the security as they believe that the security will return to minimum constraints.

The following table provides information on the credit ratings associated with the Fund's investments in debt securities. Ratings were obtained from Moody's:

| | Fair Value | |
|---|---|---|
| | **2023** | **2022** |
| *Quality rating* | | |
| Aaa | $ 80,893,833 | $ 73,696,030 |
| Aa | 7,487,297 | 5,666,666 |
| A | 31,047,086 | 37,317,693 |
| Baa | 26,724,411 | 22,615,891 |
| Ba | 8,000,917 | 8,572,504 |
| B | 1,219,178 | 1,660,621 |
| Not rated | 29,574,099 | 29,097,582 |
| Caa through C | 669,388 | 878,745 |
| Total credit risk of U.S. corporate fixed income | 185,616,209 | 179,505,732 |
| U.S. Government fixed-income securities - explicitly guaranteed | 110,320,891 | 104,058,677 |
| U.S. Government agency securities - not rated | 1,273,027 | 1,550,664 |
| | $ 297,210,127 | $ 285,115,073 |

**NOTE 4 CASH AND INVESTMENT RISK** *(continued)*

Investment Risks *(continued)*

*Custodial credit risk*—Custodial credit risk applies to investments, cash, and certificates of deposit. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Fund will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. For cash and certificates of deposit, custodial credit risk is the risk that in the event of a bank failure, the Fund's deposits may not be returned. As of December 31, 2023 and 2022, cash deposits of $962,705 and $974,980, respectively, were exposed to custodial credit risk as uninsured and uncollateralized. The Fund does not have a formal policy regarding custodial credit risk.

*Foreign currency risk*—Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment.

The Fund does not have a formal investment policy governing foreign currency risk, but manages its exposure to loss in the fair value of investments by requiring managers of foreign investments to maintain diversified portfolios. The Fund's equity and fixed-income portfolios include investments that are subject to foreign currency risk. Such investments include non-U.S. equities, non-U.S. Government bonds, corporate bonds, and derivative instruments. Additionally, some of the Fund's investment managers at least partially hedge foreign currency exchange risk. The Fund's exposure to foreign currency risk is as follows:

## NOTE 4 CASH AND INVESTMENT RISK *(continued)*

Investment Risks *(continued)*

| | Fair Value | |
|---|---|---|
| | **2023** | **2022** |
| *Currency* | | |
| Australian Dollar | $ 14,563,530 | $ 19,536,970 |
| Brazilian Real | 9,368,537 | 7,206,706 |
| British Pound Sterling | 36,383,559 | 33,268,727 |
| Canadian Dollar | 15,621,378 | 17,020,342 |
| Chilean Peso | 145,575 | 999,410 |
| HK offshore Chinese Yuan Reminbi | 29,819 | 217,020 |
| Chinese Yuan Renminbi | (2,430,084) | 503,202 |
| Colombian Peso | 1,943,326 | 2,382,429 |
| Czech Koruna | 2,039,832 | 1,899,253 |
| Danish Krone | 10,383,828 | 6,760,855 |
| Egyptian Pound | 91,715 | 36,374 |
| Euro Currency Unit | 75,585,523 | 69,085,820 |
| Hong Kong Dollar | 33,808,065 | 42,975,794 |
| Hungarian Forint | 2,056,136 | 1,460,422 |
| Indian Rupee | 10,627,138 | 9,425,766 |
| Indonesian Rupiah | 10,408,034 | 10,113,951 |
| Japanese Yen | 63,902,885 | 44,442,208 |
| Kuwaiti Dinar | 5,783 | 44,278 |
| Malaysian Ringgit | 1,487,965 | 1,614,867 |
| Mexican Peso | 7,522,739 | 4,599,068 |
| New Israeli Shekel | 742,997 | 1,602,045 |
| New Taiwan Dollar | 36,549,728 | 25,869,509 |
| New Zealand Dollar | 249,793 | (115,182) |
| Norwegian Krone | 7,197,440 | 6,349,746 |
| Philippine Peso | 2,435,255 | 1,717,714 |
| Polish Zloty | 280,166 | 267,801 |
| Qatari Riyal | - | 200,497 |
| Russian Ruble | 6,266 | 8,020 |
| Singapore Dollar | 1,934,661 | 3,752,260 |
| South African Rand | 9,431,383 | 7,317,262 |
| South Korean Won | 18,187,723 | 15,330,463 |
| Swedish Krona | 9,139,607 | 5,231,334 |
| Swiss Franc | 24,524,050 | 19,318,845 |
| Thai Baht | 3,955,870 | 5,126,663 |
| Turkish Lira | 43 | 68 |
| United Arab Emirates Dirham | - | 226,931 |
| **Total investments in foreign currency** | $ 408,180,265 | $ 365,797,438 |

**NOTE 4 CASH AND INVESTMENT RISK** *(continued)*

Derivatives

The Fund's investment managers may enter into derivative transactions as permitted by their guidelines. A derivative financial instrument is an investment whose payoff depends on the value of an underlying instrument such as bond or stock prices, a market index, or commodity prices. Derivative financial instruments involve, to varying degrees, credit 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 terms. Market risk is the possibility that a change in the underlying element of the derivative will cause the value of a financial instrument to decrease or become more costly to settle. Most of the derivative transactions executed by the Fund's investment managers are related to currency through foreign exchange contracts, the vast majority of which is for hedging purposes, and interest rates through interest rate futures and forward contracts, the purpose of which is mostly duration management. In addition to derivative transactions executed directly by the Fund's investment managers, the Fund also holds interests in collective funds, hedge funds, and private equity funds, which may engage in derivative transactions. The Fund does not directly purchase derivatives with borrowed funds.

*Futures contracts*—The Fund's external investment managers enter into futures contracts in the normal course of investing activities to manage market risk associated with the Fund's fixed-income investments and to achieve overall investment portfolio objectives. These contracts involve elements of market risk in excess of amounts recognized in the statements of fiduciary net position. The credit risk associated with these contracts is minimal, as they are traded on organized exchanges and settled daily.

At December 31, 2023, the Fund had interest rate futures contracts to (sell) U.S. Treasury bonds and notes, a Canadian bond, German bonds and an Italian bond with notional costs of $(1,557,211), $(2,791,877), $(2,262,489), $(1,299,747) and $(501,192), respectively. At December 31, 2023, the Fund also had interest rate futures contracts to purchase U.S. Treasury bonds and notes and an Australian bond with notional amounts of $1,152,629 and $15,424,409, respectively. At December 31, 2022, the Fund had interest rate futures contracts to (sell) U.S. Treasury bonds and notes and German bonds with notional costs of $(1,760,790), $(12,498,043), and $(4,133,072), respectively. At December 31, 2022, the Fund also had interest rate futures contracts to purchase U.S. Treasury bonds and notes and an Australian bond with notional amounts of $4,447,312, $1,438,366, and $1,327,817, respectively.

The fair value of futures contracts in the statements of fiduciary net position was zero at December 31, 2023 and 2022, as settlements are by cash daily.

**NOTE 4 CASH AND INVESTMENT RISK** *(continued)*

Derivatives *(continued)*

The Fund had net investment (losses) earnings of $(47,702) and $2,161,480 on futures contracts in 2023 and 2022, respectively. These earnings are accounted for as net appreciation in fair value of investments.

*Interest rate and credit default swaps*—The Fund's external investment managers utilize interest rate and credit default swaps in the management of the Fund's fixed-income portfolio. Swap agreements are contractual agreements between two or more parties in which each party agrees to exchange sets of cash flows based on certain agreed-upon parameters. The holder is exposed to credit risk for nonperformance and market risk for changes in interest rates. Gains and losses on swaps are determined based on fair values and are recorded in the statements of changes in fiduciary net position. The notional value of credit default swaps was $1,510,000 and $936,100 as of December 31, 2023 and 2022, respectively. The notional value of inflation and interest rate swaps was $1,104,100 and $0 as of December 31, 2023 and 2022, respectively. The fair value of swaps outstanding at December 31, 2023 and 2022, was a net asset of $68,144 and $44,201, respectively. Investment gain (loss) from holdings and sales of interest rate and credit default swaps was $25,615 and $(540,420) in 2023 and 2022, respectively. These gains and losses are included in net appreciation (depreciation) in the fair value of investments in the statements of changes in fiduciary net position.

*Foreign exchange contracts*—The Fund's external investment managers utilize foreign currency forward contracts, primarily for hedging purposes. Foreign currency forward contracts are contractual agreements to buy or sell a specific amount of a foreign currency at a certain date for an agreed price. As the fair value of the underlying foreign currency varies from the contractual agreed price, the Fund records an unrealized gain or loss. The holder is exposed to credit risk for nonperformance and to market risk for changes in exchange rates. The Fund had pending foreign currency purchases and sales that included positions with various currencies, primarily including Australian dollar, Brazilian real, British pound sterling, Canadian dollar, Chilean peso, Chinese yuan renminbi, Colombian peso, Danish krone, Euro currency unit, Hong Kong dollar, Indian rupee, Indonesian rupiah, Japanese yen, Malaysian ringgit, Mexican peso, New Israeli shekel, New Taiwan dollar, New Zealand dollar, Norwegian krone, Philippine peso, Polish zloty, Russian ruble, Singapore dollar, South African rand, South Korean won, Swedish krona, Swiss franc, Thai baht, and United States dollar at December 31, 2023 and 2022. Total pending foreign currency forward purchases and (sales) had notional values of $72,310,950 and $(71,846,885), respectively, at December 31, 2023, and $70,141,120 and $(70,143,156), respectively, at December 31, 2022.

**NOTE 4 CASH AND INVESTMENT RISK** *(continued)*

Derivatives *(continued)*

The Fund had a net unrealized gain (loss) on pending foreign currency forward contracts of $464,065 and $(2,036) at December 31, 2023 and 2022, respectively, which is reflected in the fair value of the investments on the statements of fiduciary net position. Investment gain (loss) from holdings and sales of foreign currency forward contracts was $(148,895) and $(373,631) in 2023 and 2022, respectively.

*Forward interest rate contracts*—The Fund's external investment managers entered into forward contracts to purchase or sell bond securities during 2023 and 2022. Forward contracts are contracts for delayed delivery of securities in which the seller agrees to make delivery at a specified future date of a specified instrument, at a specified price or yield. The holder is exposed to credit risk for nonperformance and to market risk for changes in interest rates.

These instruments involve, to varying degrees, elements of credit risk in excess of the amount recognized in the statements of fiduciary net position. The Fund's external investment managers attempt to mitigate this credit risk through structured trading with reputable parties.

At December 31, 2023 and 2022, the Fund did not hold forward interest rate contracts.

Investment Management Fees

Investment management fees from equity and fixed-income managers, including one of the collective funds, one of the private equity managers, and the cash manager, are included in investment management fees on the statements of changes in fiduciary net position. Investment management fees from all other collective funds, short-term investments, infrastructure, hedge, real estate, venture capital and private equity are reflected in the net investment income from such investment products. Such investment management fees are not significant to the financial statements.

## NOTE 5 SECURITIES LENDING PROGRAM

State statutes and the Fund's Statement of Investment Policy permit the Fund to lend certain of its liquid securities to broker/dealers and other entities with a simultaneous agreement to return the collateral for the same securities in the future. The Fund's securities lending agent, Deutsche Bank AG, New York Branch (Deutsche Bank), lends securities of the type on loan at year end for collateral in the form of U.S. dollars cash, securities issued by or guaranteed as to principal and interest by the U.S. Government, its agencies, instrumentalities and establishment, and non-U.S. sovereign debt securities representing obligations of an Organization for Economic Cooperation and Development country having a fair value equal to or exceeding 102% of the value of the loaned securities and 105% for non-U.S. securities. The contract with Deutsche Bank provides for indemnification for the Fund with respect to any shortfall between liquidation proceeds and the fair market value of: (1) in respect to lending transactions, the securities subject to such transaction, or (2) in the case of reverse transactions, the amount of cash deposited with a counterparty with respect to such transaction. The terms of liquidation proceeds, fair market value and reverse transactions are more specifically defined in the agency securities lending agreement.

Any of the loans of the Fund's securities can be terminated on demand by either the Fund or the borrower. The average terms of the Fund's loans were approximately 2.87 days and 5.72 days as of December 31, 2023 and 2022, respectively. At December 31, 2023 and 2022, cash collateral was reinvested in indemnified repurchase agreements, which had an interest sensitivity of one day. The Fund cannot pledge or sell collateral securities received unless the borrower defaults.

Loans outstanding as of December 31, 2023 and 2022, were as follows:

| | 2023 | 2022 |
|---|---|---|
| Fair value of securities loaned | $ 91,026,914 | $ 114,860,939 |
| Fair value reinvested of cash collateral from borrowers | 92,829,209 | 117,469,784 |
| Fair value of non-cash collateral from borrowers | 15,866,859 | 4,768,292 |

As of December 31, 2023 and 2022, the Fund had limited credit risk exposure to borrowers because the amounts owed to the borrowers exceeded the amounts owed to the Fund.

## NOTE 6 UNFUNDED INVESTMENT COMMITMENTS

The Fund had unfunded commitments of approximately $181 million and $171 million at December 31, 2023 and 2022, respectively, in connection with real estate, infrastructure, private equity and collective commingled fund investments.

## NOTE 7 POSTEMPLOYMENT BENEFITS OF THE FUND—STAFF RETIREE HEALTHCARE PLAN

Plan Description

PABF, as an employer, administers a single-employer defined benefit postemployment healthcare plan (Staff Retiree Healthcare Plan). The Staff Retiree Healthcare Plan provides health and dental insurance to eligible retirees and their spouses through PABF's group health insurance plan, which covers both active and retired members. As of December 31, 2023 and 2022, 11 retirees were in the Staff Retiree Healthcare Plan and 14 active employees could be eligible at retirement. As of December 31, 2022, 11 retirees were in the Staff Retiree Healthcare Plan and 19 active employees could be eligible at retirement. Benefit subsidy provisions have been established by PABF's Board of Trustees. The amount of the subsidy varies according to a retiree's years of service with PABF and the coverages elected. These benefit subsidy provisions can be modified or terminated at the sole discretion of the PABF Board.

Funding Policy

The required contribution is based on projected pay-as-you-go financing requirements. Accordingly, the plan does not accumulate assets in a trust for OPEB. For 2023 and 2022, PABF contributed approximately $55,474 and $55,750 respectively, to the Staff Retiree Healthcare Plan for current premiums, inclusive of an implicit subsidy of $23,546 and $20,788, for 2023 and 2022, respectively. For 2023 and 2022, members receiving benefits contributed approximately $63,053 and $71,852, respectively, to the Staff Retiree Healthcare Plan for current premiums.

GASB Statement No. 75 Valuation

As of December 31, 2023 and 2022, the Fund's total OPEB liability was $722,817 and $1,216,942, respectively. Total OPEB liability as of December 31, 2023 and 2022, was based on the requirements of GASB Statement No. 75, using census, plan provisions, methods and assumptions included in an actuarial valuation as of December 31, 2023 and 2021, respectively.

**NOTE 7 POSTEMPLOYMENT BENEFITS OF THE FUND—STAFF RETIREE HEALTHCARE PLAN** *(continued)*

GASB Statement No. 75 Valuation *(continued)*

The following methods and assumptions were used in the OPEB valuation for 2023:

| | |
|---|---|
| Actuarial valuation date | December 31, 2023 |
| Measurement date | December 31, 2023 |
| Fiscal year end date | December 31, 2023 |

Methods and actuarial assumptions used to measure total OPEB liability:

| | |
|---|---|
| Actuarial cost method | Entry-age normal |
| GASB Statement No. 75 discount rate, beginning of year | 4.05% per year |
| GASB Statement No.75 discount rate, end of year | 3.77% per year |
| Wage inflation | 3.00% per year |
| Retirement age | Experience-based table of rates that are specific to the type of eligibility condition |
| Post-retirement mortality | The mortality rates are from the PUB-2010 Amount-weighted Below-median income Healthy Retiree Mortality Table with two-dimensional, fully generational improvements using the MP-2020 Mortality Improvement Scale |
| Healthcare trend rates | Medical trend rates for plan years beginning on and after January 1, 2025, based on 7.00% per year graded down in 0.25% increments to an ultimate trend rate of 4.25% per year. Prescription drug plan trend rates for plan years beginning on and after January 1, 2025, based on 8.00% per year graded down in 0.25% increments to an ultimate trend rate of 4.25% per year. Dental and vision trend rate of 4.25% per year beginning on January 1, 2025. |

## NOTE 7 POSTEMPLOYMENT BENEFITS OF THE FUND—STAFF RETIREE HEALTHCARE PLAN *(continued)*

GASB Statement No. 75 Valuation *(continued)*

The following methods and assumptions were used in the OPEB valuation for 2022:

| | |
|---|---|
| Actuarial valuation date | December 31, 2021 |
| Measurement date | December 31, 2022 |
| Fiscal year end date | December 31, 2022 |

Methods and actuarial assumptions used to measure total OPEB liability:

| | |
|---|---|
| Actuarial cost method | Entry-age normal |
| GASB Statement No. 75 discount rate, beginning of year | 1.84% per year |
| GASB Statement No.75 discount rate, end of year | 4.05% per year |
| Wage inflation | 3.00% per year |
| Retirement age | Experience-based table of rates that are specific to the type of eligibility condition |
| Post-retirement mortality | The mortality rates are from the PUB-2010 Amount-weighted Below-median income Healthy Retiree Mortality Table with two-dimensional, fully generational improvements using the MP-2020 Mortality Improvement Scale |
| Healthcare trend rates | Medical trend rates for plan years beginning on and after January 1, 2023, based on 7.00% per year graded down in 0.25% increments to an ultimate trend rate of 4.25% per year. Prescription drug plan trend rates for plan years beginning on and after January 1, 2023, based on 8.00% per year graded down in 0.25% increments to an ultimate trend rate of 4.25% per year. Dental and vision trend rate of 4.25% per year beginning on January 1, 2023. |

## NOTE 7 POSTEMPLOYMENT BENEFITS OF THE FUND—STAFF RETIREE HEALTHCARE PLAN *(continued)*

Total OPEB Liability and Sensitivity to Changes in the Discount and Healthcare Cost Trend Rates

| | 2023 | 2022 |
|---|---|---|
| **Total OPEB liability** | | |
| 1 Service cost | $ 46,023 | $ 77,143 |
| 2 Interest on the total OPEB liability | 49,207 | 27,412 |
| 3 Changes in benefit terms | - | - |
| 4 Difference between expected and actual experience of the total OPEB liability | (576,267) | (4,155) |
| 5 Changes of assumptions | 36,886 | (309,594) |
| 6 Benefit payments | (49,974) | (50,250) |
| 7 Net change in total OPEB liability | (494,125) | (259,444) |
| 8 Total OPEB liability – beginning of year | 1,216,942 | 1,476,386 |
| 9 **Total OPEB liability – end of year** | $ 722,817 | $ 1,216,942 |
| **Covered-employee payroll** | $ 1,341,633 | $ 1,562,786 |
| **Total OPEB liability as a percentage of Covered-employee payroll** | 53.88% | 77.87% |

Discount Rate

The following presents the Fund's total OPEB liability, calculated using a discount rate of 3.77% and 4.05% as of December 31, 2023 and 2022, respectively, as well as what the Fund's total OPEB liability would be if it were calculated using a discount rate that is 1% lower or 1% higher:

| Net OPEB Liability for Year Ended | 1% Decrease | Current Assumption | 1% Increase |
|---|---|---|---|
| December 31, 2023 | $ 801,163 | $ 722,817 | $ 655,418 |
| December 31, 2022 | 1,343,994 | 1,216,942 | 1,107,563 |

## NOTE 7 POSTEMPLOYMENT BENEFITS OF THE FUND—STAFF RETIREE HEALTHCARE PLAN *(continued)*

Healthcare Cost Trend Rate

The following presents the Fund's OPEB liability, calculated using the assumed trend rates as well as what the Fund's total OPEB liability would be if it were calculated using a trend rate that is 1% lower or 1% higher:

| Net OPEB Liability for Year Ended | 1% Decrease | Current Healthcare Cost Trend Rate Assumption | 1% Increase |
|---|---|---|---|
| December 31, 2023 | $ 674,366 | $ 722,817 | $ 780,199 |
| December 31, 2022 | 1,125,913 | 1,216,942 | 1,323,977 |

### Statement of OPEB Expense

| | 2023 | 2022 |
|---|---|---|
| **Expense** | | |
| 1 Service cost | $ 46,023 | $ 77,143 |
| 2 Interest on the total OPEB liability | 49,207 | 27,412 |
| 3 Current-period benefit changes | - | - |
| 4 OPEB plan administrative expense | 5,500 | 5,500 |
| 5 Recognition of outflow (inflow) of resources due to non-investment experience | (80,778) | (14,678) |
| 6 Recognition of outflow (inflow) of resources due to assumption changes | (13,344) | (17,575) |
| 7 **Total OPEB expense** | $ 6,608 | $ 77,802 |
| **Reconciliation of total OPEB liability** | | |
| 1 Net OPEB liability, beginning of year | $ 1,216,942 | $ 1,476,386 |
| 2 OPEB expense | 6,608 | 77,802 |
| 3 Employer contributions | (55,474) | (55,750) |
| 4 Change in deferred outflow/(inflow) due to non-investment experience | (495,489) | 10,523 |
| 5 Change in deferred outflow/(inflow) due to assumption changes | 50,230 | (292,019) |
| 6 **Net OPEB liability, end of year** | $ 722,817 | $ 1,216,942 |

**NOTE 7 POSTEMPLOYMENT BENEFITS OF THE FUND—STAFF RETIREE HEALTHCARE PLAN** *(continued)*

Healthcare Cost Trend Rate *(continued)*

The following table presents the components of total deferred outflows and inflows of resources related to OPEB at December 31:

| **Deferred Outflows of Resources** | **2023** | **2022** |
|---|---|---|
| Differences between expected and actual non-investment experience | $ 118,125 | $ 135,360 |
| Assumption changes | 191,153 | 191,121 |
| **Total deferred outflows of resources** | $ 309,278 | $ 326,481 |

| **Deferred Inflows of Resources** | **2023** | **2022** |
|---|---|---|
| Differences between expected and actual non-investment experience | $ 702,351 | $ 224,097 |
| Assumption changes | 312,291 | 362,489 |
| **Total deferred inflows of resources** | $ 1,014,642 | $ 586,586 |

Amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense over 8.718 years as follows:

| | **Deferred Outflows of Resources** | **Deferred (Inflows) of Resources** | **Net Deferred Outflows (Inflows) of Resources** |
|---|---|---|---|
| 2024 | $ 54,089 | $ (148,211) | $ (94,122) |
| 2025 | 54,089 | (148,211) | (94,122) |
| 2026 | 54,089 | (148,211) | (94,122) |
| 2027 | 54,089 | (145,858) | (91,769) |
| 2028 | 40,818 | (137,247) | (96,429) |
| Thereafter | 52,104 | (286,904) | (234,800) |
| | $ 309,278 | $ (1,014,642) | $ (705,364) |

## NOTE 8 RESERVES

The Fund maintains several reserves, as required by the Illinois Pension Code and Board policy. The following are brief descriptions of the reserves:

City Contribution Reserve

| | 2023 | 2022 |
|---|---|---|
| **Balance, at December 31** | $ 2,124,286,741 | $ 1,922,588,658 |

The City's contribution reserve is maintained for the payment of the City's portion of future retirement benefits for active and inactive participants. Interest at 3% is credited to this reserve annually. When the amount of annuity for a policeman or widow is fixed, the City's contribution reserve is charged with the amount of the present value of retirement benefit and the annuity payment reserve is credited with such amount.

The City's contribution reserve does not equal the present value of expected retirement benefits. The reserve is maintained on a cost basis, in accordance with the Illinois Pension Code.

Salary Deduction Reserve

| | 2023 | 2022 |
|---|---|---|
| **Balance, at December 31** | $ 1,634,536,847 | $ 1,612,811,834 |

The Illinois Pension Code requires the Fund to maintain separate accounts for each policeman for the amounts of salary deductions with interest at 3% per year. When a policeman retires, the amount of his annuity is charged to the salary deduction reserve and credited to the annuity payment reserve. If a policeman takes a separation refund, his or her salary deductions are refunded and charged to the salary deduction reserve. This reserve is fully funded.

Annuity Payment Reserve

| | 2023 | 2022 |
|---|---|---|
| **Balance, at December 31** | $ 3,545,029,616 | $ 3,442,972,220 |

When the amount of annuity has been fixed, the present value of expected benefit is transferred from the City's contribution reserve and the salary deduction reserve to the annuity payment reserve for the payment of annuity. All age and service annuities, widows' annuities, and refunds are charged to this reserve.

**NOTE 8 RESERVES** *(continued)*

Annuity Payment Reserve *(continued)*

Annually, the actuary calculates the present value of all annuities. The investment and interest reserve will transfer amounts to the annuity payment reserve to ensure that the balance in the annuity payment reserve equals the present value of annuities. This reserve is fully funded.

Prior Service Annuity Reserve

| | 2023 | 2022 |
|---|---|---|
| **Balance, at December 31** | $ (270,271,784) | $ (603,149,151) |

The prior service annuity reserve is increased by the City's contributions for policemen and widows' prior service annuities and all prior service annuities payable to policemen and widows are charged to this reserve. This reserve included an unfunded liability of $13,409,994,933 and $12,205,800,426 as of December 31, 2023 and 2022, respectively.

Gift Reserve

| | 2023 | 2022 |
|---|---|---|
| **Balance, at December 31** | $ 14,101,501 | $ 14,041,369 |

The gift reserve is maintained for gifts, grants, bequests, or other amounts received by the Fund. The Board of Trustees determines the use of these funds. Interest is credited to the gift reserve annually.

Investment and Interest Reserve

All gains and losses from investments and investment earnings are recorded in the investment and interest reserve. Interest due to the City's contribution reserve, salary deduction reserve, prior service annuity reserve, gift reserve, and supplementary payment reserve is transferred from the investment and interest reserve to those reserves.

Ordinary Death Benefit Reserve

| | 2023 | 2022 |
|---|---|---|
| **Balance, at December 31** | $ (61,293,936) | $ (52,672,776) |

**NOTE 8 RESERVES** *(continued)*

Ordinary Death Benefit Reserve *(continued)*

Amounts contributed by policemen and the City for death benefits are credited to the ordinary death benefit reserve. Death benefit payments are charged to this reserve. At December 31, 2023 and 2022, the ordinary death benefit reserve had a deficit.

Automatic Increase Reserve

| | 2023 | 2022 |
|---|---|---|
| **Balance, at December 31** | $ (3,116,902,167) | $ (2,846,259,770) |

The automatic increase reserve is credited with amounts deducted from the salaries of police officers and matching contributions by the City for automatic increase in annuity. Payments of increased annuities and salary deduction refunds, for increase in annuity, are charged to this reserve. At December 31, 2023 and 2022, the automatic increase reserve had a deficit.

Supplementary Payment Reserve

| | 2023 | 2022 |
|---|---|---|
| **Balance, at December 31** | $ 447,402 | $ 447,402 |

The supplementary payment reserve receives amounts transferred from the investment and interest reserve for supplemental increases in annuity for certain eligible retirees. This reserve is fully funded.

Additional Reserves

The following reserves - child's annuity reserve, duty disability reserve, ordinary disability reserve and expense reserve - have a $0 balance at December 31, 2023 and 2022. City contributions are allocated to these reserve accounts in amounts equal to payments made on an annual basis.

Child's Annuity Reserve

Amounts contributed by the City for child's annuity are credited to the child's annuity reserve, and payments of child's annuity are charged to this reserve.

Duty Disability Reserve

The duty disability reserve is increased by the City's contributions for duty disability benefits, child's disability benefits, and compensation annuities and is decreased by the payments of these benefits.

## NOTE 8 RESERVES *(continued)*

Ordinary Disability Reserve

Amounts contributed by the City for ordinary disability benefits are credited to the ordinary disability reserve. Payments of ordinary disability benefits are charged to this reserve.

Expense Reserve

Amounts contributed toward the cost of administration are credited to the expense reserve. Expenses of administration are also charged to this reserve.

## NOTE 9 NET PENSION LIABILITY OF THE FUND

The components of the net pension liability at December 31, 2023 and 2022, were as follows:

| | 2023 | 2022 |
|---|---|---|
| Total pension liability | $ 17,762,046,550 | $ 16,214,629,789 |
| *Less:* Plan fiduciary net position | 3,869,934,220 | 3,486,779,785 |
| **Fund net pension liability** | $ 13,892,112,330 | $ 12,727,850,004 |
| Fund fiduciary net position as a percentage of total pension liability | 21.79% | 21.50% |

Actuarial Assumptions

In 2020, the actuarial assumptions were changed from the prior actuarial valuation to reflect the results of an experience study performed for the period January 1, 2014 through December 31, 2019. The total pension liability was determined by an actuarial valuation as of December 31, 2023 and 2022, using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|---|---|
| Inflation | 2.25% |
| Salary increases | 3.5% per year, plus additional percentage related to service |
| Investment rate of return | 6.75% |

**NOTE 9 NET PENSION LIABILITY OF THE FUND** *(continued)*

Actuarial Assumptions *(continued)*

| | |
|---|---|
| Cost-of-living adjustments | For members hired before January 1, 2011: 3.0% (1.5% for retirees born on or after January 1, 1966, to a maximum of 30%)<br>For members hired on or after January 1, 2011: 1/2 of CPI-U, maximum 3.0%, to begin no earlier than age 60. |

Mortality rates were based on the Sex Distinct Pub-2010 amount weighted safety healthy retiree mortality tables weighted 119% for post-retirement males and 102% for females, respectively, and 100% for pre-retirement males and females, respectively, and 129% for disabled males and 112% for females, respectively.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate arithmetic expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These assumptions are converted into nominal assumptions by adding inflation, then combined by weighing them by the target asset allocation percentages. Finally, the arithmetic portfolio expected return is converted into a geometric expected return using assumed asset class standard deviations and correlations. The pension plan's target allocation as of December 31, 2023 and 2022, is summarized in the following tables:

**December 31, 2023**

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|---|---|---|
| U.S. equity | 31.5% | 5.50% |
| Non-U.S. equity | 19.5 | 6.85 |
| Fixed income | 15.0 | 2.27 |
| Private markets | 20.0 | 8.31 |
| Hedge funds | 3.0 | 3.93 |
| Real estate | 11.0 | 6.16 |
| **Total** | 100.0% | |

## NOTE 9 NET PENSION LIABILITY OF THE FUND *(continued)*

Actuarial Assumptions *(continued)*

**December 31, 2022**

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|---|---|---|
| U.S. equity | 31.5% | 5.70% |
| Non-U.S. equity | 19.5 | 7.49 |
| Fixed income | 15.0 | 1.95 |
| Private markets | 20.0 | 8.45 |
| Hedge funds | 3.0 | 4.16 |
| Real estate | 11.0 | 5.49 |
| **Total** | 100.0% | |

Single Discount Rate

A Single Discount Rate of 6.62% and 6.64% as of December 31, 2023 and 2022, respectively, was used to measure the total pension liability. These Single Discount Rates were based on an expected rate of return on pension plan investments of 6.75% for 2023 and 2022, and a municipal bond rate of 3.77% and 4.05%, respectively. The projection of cash flows used to determine this Single Discount Rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made under the statutory funding policy. Based on these assumptions, the pension plan's fiduciary net position and future contributions were sufficient to finance the benefit payments only through the year 2079. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2079, and the municipal bond rate was applied to all benefit payments after that date.

Regarding the sensitivity of the net pension liability to changes in the Single Discount Rate, the following presents the plan's net pension liability, calculated using a Single Discount Rate of 6.62% and 6.64% as of December 31, 2023 and 2022, respectively, as well as what the plan's net pension liability would be if it were calculated using a Single Discount Rate that is 1-percentage-point lower or 1-percentage-point higher:

## NOTE 9 NET PENSION LIABILITY OF THE FUND *(continued)*

Single Discount Rate *(continued)*

Sensitivity of net pension liability to the Single Discount Rate assumption as of December 31, 2023 is as follows:

| 1% Decrease 5.62% | Single Discount Rate Assumption 6.62% | 1% Increase 7.62% |
|---|---|---|
| $ 16,138,349,850 | $ 13,892,112,330 | $ 12,030,323,587 |

Sensitivity of net pension liability to the single discount rate assumption as of December 31, 2022 is as follows:

| 1% Decrease 5.64% | Single Discount Rate Assumption 6.64% | 1% Increase 7.64% |
|---|---|---|
| $ 14,681,038,481 | $ 12,727,850,004 | $ 11,097,289,130 |

## NOTE 10 DEFERRED COMPENSATION PLAN

The Fund offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all employees of the Fund, permits them to defer a portion of their salary until future years. Participation in the plan is optional. Accumulated balances within deferred compensation accounts are not available to employees until termination, retirement, death, or unforeseeable emergency. The plan is managed by a third-party administrator.

The assets of the plan are deposited in trust accounts with the plan administrator for the exclusive benefit of participants and their beneficiaries and are not considered assets of the Fund.

## NOTE 11 LEASE AGREEMENT

The Fund leases its office facilities under a non-cancelable agreement. The current lease commenced on July 1, 2016, and was renewed for 16 years through 2032. The new lease agreement includes an abatement clause during the term of the new lease.

## NOTE 11 LEASE AGREEMENT *(continued)*

GASB Statement No. 87, *Leases*, requires that the Fund, as a lessee, recognize a lease liability and an intangible right-to-use lease asset (lease asset). The lease liability is measured at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured at the initial amount of the lease liability, adjusted for any lease incentives at or before commencement of the lease. Subsequently, the lease asset is amortized on a straight-line basis over the term of the lease.

GASB 87 was implemented in fiscal year 2023, with retroactive application for fiscal year 2022.

The amount of lease asset by major class of underlying assets at December 31, 2023 and 2022, respectively, is as follows:

| Right-to-use Lease Asset | Beginning Balance | Increase | Decrease | Ending Balance |
|---|---|---|---|---|
| **2023** | | | | |
| Office | $ 2,792,063 | $ - | $ - | $ 2,792,063 |
| *Less:* Accumulated amortization | 670,095 | 223,365 | - | 893,460 |
| | $ 2,121,968 | $ 223,365 | $ - | $ 1,898,603 |
| **2022** | | | | |
| Office | $ 2,792,063 | $ - | $ - | $ 2,792,063 |
| *Less:* Accumulated amortization | 446,730 | 223,365 | - | 670,095 |
| | $ 2,345,333 | $ 223,365 | $ - | $ 2,121,968 |
| **Long-Term Lease Liability** | | | | |
| 2023 | $ 2,977,516 | $ 141,432 | $ 369,441 | $ 2,749,507 |
| 2022 | 3,188,270 | 151,443 | 362,197 | 2,977,516 |

## NOTE 11 LEASE AGREEMENT *(continued)*

The scheduled fiscal year maturities of the lease liability and related interest expense at December 31, 2023 and 2022 are as follows:

**Lease Liability Principal and Interest Requirements to Maturity December 31, 2023**

| Fiscal Year Ending | Cash | Interest Expense | Liability Reduction |
|---|---|---|---|
| 2024 | $ 376,830 | $ 130,602 | $ 246,228 |
| 2025 | 384,367 | 118,906 | 265,461 |
| 2026 | 392,054 | 106,296 | 285,758 |
| 2027 | 399,895 | 92,723 | 307,172 |
| 2028 | 407,893 | 78,132 | 329,761 |
| 2029-2032 | 1,455,125 | 139,998 | 1,315,127 |
| **Total** | $ 3,416,164 | $ 666,657 | $ 2,749,507 |

**Lease Liability Principal and Interest Requirements to Maturity December 31, 2022**

| Fiscal Year Ending | Cash | Interest Expense | Liability Reduction |
|---|---|---|---|
| 2023 | $ 369,441 | $ 141,432 | $ 228,009 |
| 2024 | 376,830 | 130,602 | 246,228 |
| 2025 | 384,367 | 118,906 | 265,461 |
| 2026 | 392,054 | 106,296 | 285,758 |
| 2027 | 399,895 | 92,723 | 307,172 |
| 2028-2032 | 1,863,018 | 218,130 | 1,644,888 |
| **Total** | $ 3,785,605 | $ 808,089 | $ 2,977,516 |

## NOTE 12 RISK MANAGEMENT

The Fund is exposed to various risks of loss related to tort, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Fund carries commercial insurance to reduce its exposure to risk of loss. There was no significant change in insurance coverage from year to year. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

## NOTE 13 CONTINGENCIES

In July 2013, a group of plaintiffs purporting to represent annuitants in four Chicago public pension funds filed a civil action, *Underwood v. City of Chicago et. al.* (13-CH-17450; 1-17-162356), seeking class certification and an order requiring the City and the defendant pension funds to continue subsidizing annuitant healthcare insurance premiums past the June 30, 2013, statutory expiration date. Following years of litigation, on June 29, 2017, the Illinois Appellate Court issued an order which, in part, affirmed the Circuit Court's dismissal order and held: (i) annuitants did not have a right to lifetime healthcare coverage; and (ii) the subsidies pursuant to the 1983 and 1985 amendments is the sole benefit protected under the pension protection clause of the Illinois Constitution. Accordingly, those eligible annuitants in the Appellate Court expanded class, and as further defined after remand in the Circuit Court's February 28, 2019 order, are entitled to continue to receive the 1983 provided subsidies (related to the police and fire funds) of $55 per month if non-Medicare eligible and $21 per month if Medicare eligible. While the plaintiffs continue to raise certain objections, the pension funds nevertheless, in accordance with the rulings made, have commenced payment of the subsidies to those defined eligible annuitants as of January 1, 2017 and thereafter.

# REQUIRED SUPPLEMENTARY INFORMATION

**POLICEMEN’S ANNUITY AND BENEFIT FUND OF CHICAGO**
(A Component Unit of the City of Chicago)
Required Supplementary Information
Schedule of Changes in Net Pension Liability
For The Years Ended December 31 - Last Ten Years
(Unaudited)

| | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|---|---|---|---|---|---|---|---|---|---|
| *Total pension liability* | | | | | | | | | | |
| Service cost, including pension plan administrative expense | $ 267,381,937 | $ 294,469,959 | $ 284,707,281 | $ 286,536,580 | $ 240,383,419 | $ 242,998,341 | $ 237,333,255 | $ 220,569,553 | $ 213,584,647 | $ 199,435,084 |
| Interest on the total pension liability | 1,062,690,214 | 1,011,974,984 | 963,417,573 | 942,623,431 | 944,738,703 | 931,731,201 | 917,720,267 | 851,098,457 | 832,972,131 | 791,693,017 |
| Benefit changes | 1,060,152,086 | 40,209,941 | - | - | 24,216,420 | - | - | 606,249,791 | - | - |
| Difference between expected and actual experience | 107,954,996 | 179,968,529 | 450,528,053 | 61,913,883 | (68,010,227) | (281,150,986) | (299,923,560) | 1,801,353 | (105,968,891) | - |
| Assumption changes | 40,696,540 | (700,064,974) | 37,028,703 | 260,021,116 | 1,140,418,080 | (259,051,713) | 238,975,508 | 112,585,241 | - | 845,070,287 |
| Benefit payments | (970,707,738) | (926,493,466) | (869,310,502) | (828,901,654) | (791,839,040) | (764,367,368) | (737,873,928) | (696,491,103) | (668,950,080) | (645,688,934) |
| Refunds | (16,490,937) | (21,096,110) | (17,766,049) | (12,696,058) | (8,828,904) | (6,737,073) | (10,017,655) | (10,704,842) | (7,826,847) | (8,991,636) |
| Pension plan administrative expense | (4,260,337) | (4,347,951) | (3,384,892) | (4,310,938) | (4,734,467) | (4,626,599) | (4,843,012) | (4,749,762) | (4,508,519) | (4,240,625) |
| **Net change in total pension liability** | 1,547,416,761 | (125,379,088) | 845,220,167 | 705,186,360 | 1,476,343,984 | (141,204,197) | 341,370,875 | 1,080,358,688 | 259,302,441 | 1,177,277,193 |
| **Total pension liability – beginning** | 16,214,629,789 | 16,340,008,877 | 15,494,788,710 | 14,789,602,350 | 13,313,258,366 | 13,454,462,563 | 13,113,091,688 | 12,032,733,000 | 11,773,430,559 | 10,596,153,366 |
| **Total pension liability – ending (a)** | 17,762,046,550 | 16,214,629,789 | 16,340,008,877 | 15,494,788,710 | 14,789,602,350 | 13,313,258,366 | 13,454,462,563 | 13,113,091,688 | 12,032,733,000 | 11,773,430,559 |
| *Plan fiduciary net position* | | | | | | | | | | |
| Employer contributions | 942,952,523 | 801,706,005 | 788,769,979 | 739,440,979 | 581,936,012 | 588,034,930 | 494,483,191 | 272,427,716 | 572,836,100 | 177,417,827 |
| Employee contributions | 115,161,795 | 114,403,212 | 136,225,041 | 113,621,747 | 110,791,663 | 107,186,492 | 103,011,250 | 101,475,864 | 107,626,311 | 95,675,538 |
| Pension plan net investment (loss) income | 316,389,490 | (324,258,867) | 370,141,406 | 271,890,867 | 369,982,655 | (137,977,182) | 412,190,404 | 142,699,124 | (5,333,795) | 181,901,293 |
| Benefit payments | (970,707,738) | (926,493,466) | (869,310,502) | (828,901,654) | (791,839,040) | (764,367,368) | (737,873,928) | (696,491,103) | (668,950,080) | (645,688,934) |
| Refunds | (16,490,937) | (21,096,110) | (17,766,049) | (12,696,058) | (8,828,904) | (6,737,073) | (10,017,655) | (10,704,842) | (7,826,847) | (8,991,636) |
| Pension plan administrative expense | (4,260,337) | (4,394,051) | (3,384,892) | (4,310,938) | (4,734,467) | (4,626,599) | (4,843,012) | (4,749,762) | (4,508,519) | (4,240,625) |
| Other | 109,639 | 367,777 | 91,594 | 472,449 | 32,359 | 1,600,348 | 97,239 | 1,412,770 | 3,091,545 | 740,305 |
| **Net change in plan fiduciary net position** | 383,154,435 | (359,765,500) | 404,766,577 | 279,517,392 | 257,340,278 | (216,886,452) | 257,047,489 | (193,930,233) | (3,065,285) | (203,186,232) |
| **Plan fiduciary net position – beginning** | 3,486,779,785 | 3,846,545,285 | 3,441,834,044 | 3,162,428,863 | 2,905,179,841 | 3,122,066,293 | 2,865,018,804 | 3,058,949,037 | 3,062,014,322 | 3,265,200,554 |
| **Adjustment as of January 1,** | - | - | (55,336) | (112,211) | (91,256) | - | - | - | - | - |
| Plan fiduciary net position – ending (b) | 3,869,934,220 | 3,486,779,785 | 3,846,545,285 | 3,441,834,044 | 3,162,428,863 | 2,905,179,841 | 3,122,066,293 | 2,865,018,804 | 3,058,949,037 | 3,062,014,322 |
| **Net pension liability – ending (a)-(b)** | $ 13,892,112,330 | $ 12,727,850,004 | $ 12,493,463,592 | $ 12,052,954,666 | $ 11,627,173,487 | $ 10,408,078,525 | $ 10,332,396,270 | $ 10,248,072,884 | $ 8,973,783,963 | $ 8,711,416,237 |

Beginning of year total pension liability for 2023 used a Single Discount Rate of 6.64% and the benefit provisions, actuarial assumptions and funding policy in effect as of the December 31, 2022 funding actuarial valuation. The Single Discount Rate of 6.64% was based on a long-term expected rate of return on pension plan investments of 6.75% used in the December 31, 2022, funding actuarial valuation for the years 2023 through 2079 and a long-term municipal bond rate as of December 31, 2022, of 4.05% for subsequent years.

End of year total pension liability for 2023 used a Single Discount Rate of 6.62% and the benefit provisions, actuarial assumptions and funding policy in effect as of the December 31, 2023, funding actuarial valuation. The Single Discount Rate of 6.62% was based on a long-term expected rate of return on pension plan investments of 6.75% used in the December 31, 2023, funding actuarial valuation for the years 2024 through 2080 and a long-term municipal bond rate as of December 31, 2023, of 3.77% for subsequent years.

The increase in the total pension liability for 2023 due to assumption changes and methods includes the impact of the change in the municipal bond rate from December 31, 2022, to December 31, 2023. Changes in actuarial assumptions and methods led to the change in the Single Discount Rate to 6.62% from 6.64% (based on the long-term expected rate of return on pension plan investments of 6.75% used in the December 31, 2023 and 2022 funding valuations and the long-term municipal bond rate of 3.77% as of December 31, 2023 and 4.05% as of December 31, 2022.) This change was measured at the end of the year using the benefit provisions in effect as of December 31, 2023.

The decrease in the total pension liability for 2022 due to assumption changes and methods includes the impact of the change in the municipal bond rate from December 31, 2021, to December 31, 2022. Changes in actuarial assumptions and methods led to the change in the Single Discount Rate to 6.64% from 6.26% (based on the long-term expected rate of return on pension plan investments of 6.75% used in the December 31, 2022 and 2021 funding valuations and the long-term municipal bond rate of 4.05% as of December 31, 2022 and 1.84% as of December 31, 2021.) This change was measured at the end of the year using the benefit provisions in effect as of December 31, 2022.

**POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO**
(A Component Unit of the City of Chicago)
Required Supplementary Information
Schedule of Net Pension Liability
As of December 31 - Last Ten Years
(Unaudited)

| | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|---|---|---|---|---|---|---|---|---|---|
| Total pension liability | $ 17,762,046,550 | $ 16,214,629,789 | $ 16,340,008,877 | $ 15,494,788,710 | $ 14,789,602,350 | $ 13,313,258,366 | $ 13,454,462,563 | $ 13,113,091,688 | $ 12,032,733,000 | $ 11,773,430,559 |
| Plan fiduciary net position | 3,869,934,220 | 3,486,779,785 | 3,846,664,456 | 3,441,946,255 | 3,162,428,863 | 2,905,179,841 | 3,122,066,293 | 2,865,018,804 | 3,058,949,037 | 3,062,014,322 |
| **Net pension liability** | $ 13,892,112,330 | $ 12,727,850,004 | $ 12,493,344,421 | $ 12,052,842,455 | $ 11,627,173,487 | $ 10,408,078,525 | $ 10,332,396,270 | $ 10,248,072,884 | $ 8,973,783,963 | $ 8,711,416,237 |
| Plan fiduciary net position as a percentage of total pension liability | 21.79% | 21.50% | 23.54% | 22.21% | 21.38% | 21.82% | 23.20% | 21.85% | 25.42% | 26.01% |
| Covered employee payroll | $ 1,339,703,857 | $ 1,274,049,642 | $ 1,258,338,033 | $ 1,195,980,486 | $ 1,228,986,864 | $ 1,205,324,445 | $ 1,150,406,094 | $ 1,119,526,987 | $ 1,086,607,979 | $ 1,074,333,319 |
| Net pension liability as a percentage of covered employee payroll | 1036.95% | 999.01% | 992.84% | 1007.78% | 946.08% | 863.51% | 898.15% | 915.39% | 825.85% | 810.87% |

**POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO**
(A Component Unit of the City of Chicago)
Required Supplementary Information
Schedule of Contributions—Pension
Last 10 Years
(Unaudited)

| Year Ended | Actuarially Determined Contribution (a)* | Actual Contribution (b) | Contribution Deficiency (Excess) (c) = (b)-(a) | Covered Payroll (d)** | Actual Contribution as a % of Covered Payroll (e) = (b)/(d) | Statutory Contribution (f) | Statutory Contribution Deficiency/ (Excess) (g) = (f)-(b)* |
|---|---|---|---|---|---|---|---|
| 12/31/2014 | $ 491,651,208 | $ 178,158,132 | $ 313,493,076 | $1,074,333,318 | 16.58% | $ 178,773,877 | $ 615,745 |
| 12/31/2015 | 785,500,836 | 575,927,645 | 209,573,191 | 1,086,607,979 | 53.00% | 410,558,466 | (165,369,179) |
| 12/31/2016 | 785,695,084 | 273,840,486 | 511,854,598 | 1,119,526,987 | 24.46% | 454,844,486 | 181,004,000 |
| 12/31/2017 | 910,938,497 | 494,580,430 | 416,358,067 | 1,150,406,094 | 42.99% | 500,000,000 | (5,419,570) |
| 12/31/2018 | 924,653,899 | 589,635,278 | 335,018,621 | 1,205,324,445 | 48.92% | 557,000,000 | (32,635,278) |
| 12/31/2019 | 933,769,914 | 581,968,371 | 351,801,543 | 1,228,986,864 | 47.35% | 579,000,000 | (2,968,371) |
| 12/31/2020 | 1,037,582,236 | 739,913,428 | 297,668,808 | 1,195,980,486 | 61.87% | 737,527,285 | (2,386,143) |
| 12/31/2021 | 1,047,839,052 | 788,861,573 | 258,977,479 | 1,258,338,033 | 62.89% | 786,792,834 | (2,068,739) |
| 12/31/2022 | 1,085,158,790 | 802,073,782 | 283,085,008 | 1,274,049,642 | 62.95% | 799,446,710 | (2,627,072) |
| 12/31/2023 | 1,118,719,268 | 943,062,162 | 175,657,106 | 1,339,703,857 | 70.39% | 851,100,156 | (91,962,006) |

* The Fund's Statutory Funding does not conform to Actuarial Standards of Practice; therefore, for 2015 and after, the actuarially determined contribution is equal to the normal cost plus a 30-year level dollar amortization of the unfunded actuarial liability. Prior to 2015, the actuarially determined contribution was equal to the "ARC," which was equal to the normal cost plus a 30-year open level percent amortization of the unfunded actuarial liability.

** Covered payroll shown is the amount in force as of the actuarial valuation date and likely differs from actual payroll paid during the fiscal year.

| | |
|---|---|
| Valuation date | December 31, 2022 |

**Methods and Assumptions Used for Actuarially Determined Contribution for Fiscal Year 2023**

| | |
|---|---|
| Actuarial cost method | Entry-age normal |
| Amortization method | 30-year open period |
| Asset valuation method | Five-year smoothed market |
| Inflation | 2.25% |
| Salary increases | Salary increase rates based on wage inflation rate of 3.50% plus service based increases consistent with bargaining contracts |
| Postretirement benefit increases | A retiree born before January 1, 1966, with at least 20 years of service or receiving a mandatory retirement minimum annuity, receives an increase of 3% of the original annuity, starting on the first of the month following the first anniversary of his retirement or the first of the month following attainment of age 55, whichever is later, and shall not be subject to a 30% maximum increase. For retirees born on or after January 1, 1966, automatic increases are 1.5% of the original annuity, commencing at age 60, or the first anniversary of retirement, if later, to a maximum of 30%. For participants who first became members on or after January 1, 2011, increases are equal to the lesser of 3% and 50% of CPI-U of the original benefit, commencing at age 60. |
| Investment rate of return | 6.75% |

**Methods and Assumptions Used for Actuarially Determined Contribution for Fiscal Year 2023** *(continued)*

| | |
|---|---|
| Retirement age | Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the December 31, 2019, actuarial valuation pursuant to an experience study for the period January 1, 2014 through December 31, 2018. |
| Mortality | Post-Retirement Healthy Mortality Rates: Sex Distinct Pub-2010 Amount-weighted Safety Employee Mortality Tables weighted 119% for males and 102% for females, set forward one year for males.<br><br>Pre-Retirement Mortality Rates: Sex Distinct Pub-2010 Amount-Weighted Safety Healthy Retiree Mortality Tables weighted 100% for males and 100% for females.<br><br>Disabled Mortality: Sex Distinct Pub-2010 Amount-Weighted Safety Healthy Retiree Mortality Tables weighted 129% for males and 112% for females, set forward one year for males.<br><br>Future mortality improvements are reflected by projecting the base mortality tables forward using the MP-2018 projection scale. |
| Other | The actuarially determined contribution for fiscal year ending December 31, 2023 was determined in the funding actuarial valuation as of December 31, 2022 and the statutory contribution (upon which the actual contribution was based) for fiscal year ending December 31, 2023 was determined in the funding actuarial valuation as of December 31, 2021, which were both based on the assumptions summarized above. |

**Methods and Assumptions Used for Accounting Purposes as of the Valuation Date**

| | |
|---|---|
| Actuarial cost method | Entry-age normal |
| Asset method | Market value |
| Discount rate | 6.62% as of the December 31, 2023 actuarial valuation<br>6.64% as of the December 31, 2022 actuarial valuation |

**POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO**
(A Component Unit of the City of Chicago)
Required Supplementary Information
Schedule of Money-Weighted Rate of Return—Pension
(Unaudited)

| Year Ended | Annual Money-Weighted Rate of Return, Net of Investment Expense |
|---|---|
| 12/31/14 | 6.24 % |
| 12/31/15 | (0.41) |
| 12/31/16 | 6.6 |
| 12/31/17 | 16.7 |
| 12/31/18 | (5.7) |
| 12/31/19 | 16.31 |
| 12/31/20 | 12.29 |
| 12/31/21 | 13.80 |
| 12/31/22 | (10.61) |
| 12/31/23 | 11.72 |

**POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO**
(A Component Unit of the City of Chicago)
Required Supplementary Information
Schedule of Changes in Total OPEB Liability – Staff Retiree Healthcare Plan
As of December 31 – Last Six Years
(Unaudited)

| | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 |
|---|---|---|---|---|---|---|
| *Total OPEB liability* | | | | | | |
| Service cost | $ 46,023 | $ 77,143 | $ 95,032 | $ 101,259 | $ 83,294 | $ 93,951 |
| Interest on the total pension liability | 49,207 | 27,412 | 45,221 | 70,229 | 82,713 | 75,485 |
| Changes of benefit terms | - | - | (1,040,799) | - | - | - |
| Difference between expected and actual experience of the total OPEB liability | (576,267) | (4,155) | 169,830 | (304,583) | (11,367) | - |
| Changes of assumption | 36,886 | (309,594) | 45,990 | (53,712) | 266,289 | (101,657) |
| Benefits payments | (49,974) | (50,250) | (104,769) | (100,933) | (109,992) | (117,063) |
| **Net change in total OPEB liability** | $ (494,125) | $ (259,444) | $ (789,495) | $ (287,740) | $ 310,937 | $ (49,284) |
| **Total plan assets** | $ - | $ - | $ - | $ - | $ - | $ - |
| **Total OPEB liability - beginning** | $ 1,216,942 | $ 1,476,386 | $ 2,265,881 | $ 2,553,621 | $ 2,242,684 | $ 2,291,968 |
| **Total OPEB liability - ending** | $ 722,817 | $ 1,216,942 | $ 1,476,386 | $ 2,265,881 | $ 2,553,621 | $ 2,242,684 |
| **Covered-employee payroll** | $ 1,341,633 | $ 1,562,786 | $ 1,690,071 | $ 1,639,092 | $ 1,492,077 | $ 1,630,338 |
| **Total OPEB liability as a percentage of covered-employee payroll** | 53.88% | 77.87% | 87.36% | 138.24% | 171.15% | 137.56% |

The above information is required beginning in 2018. Information for the next four years will be presented in future years.

# SUPPLEMENTARY INFORMATION

**POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO**
(A Component Unit of the City of Chicago)
Schedule of Administrative Expenses
For the Years Ended December 31, 2023 and 2022

| | 2023 | 2022 |
|---|---|---|
| *Administrative expenses* | | |
| Actuary services | $ 82,000 | $ 71,000 |
| Benefits disbursement | 342,134 | 306,557 |
| Equipment service and rent | 56,977 | 60,508 |
| External auditors | 51,750 | 45,675 |
| Fiduciary insurance | 218,654 | 217,123 |
| Legal services | 384,010 | 295,566 |
| Medical consultants | 442,962 | 400,088 |
| Miscellaneous | 134,120 | 145,500 |
| Penson administration | 148,320 | 145,000 |
| Occupancy and utilities | 500,858 | 436,201 |
| Personnel salaries and benefits | 1,880,587 | 2,206,633 |
| Postage | 7,500 | - |
| Supplies | 4,315 | 8,449 |
| Trustee election | 6,150 | - |
| **Total administrative expenses** | $ 4,260,337 | $ 4,338,300 |

**POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO**
(A Component Unit of the City of Chicago)
Schedule of Consulting Costs
For the Years Ended December 31, 2023 and 2022

| | 2023 | 2022 |
|---|---|---|
| *Payments to consultants* | | |
| External auditors | $ 51,750 | $ 45,675 |
| Medical consultants | 442,962 | 400,088 |
| Legal services | 384,010 | 295,566 |
| Actuary service | 82,000 | 71,000 |
| Investment management fees | 7,368,028 | 7,211,140 |
| Custodial fees | 296,785 | 309,455 |
| Investment consulting and other fees | 415,000 | 438,996 |
| **Total consulting costs** | $ 9,040,535 | $ 8,771,920 |

**POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO**
(A Component Unit of the City of Chicago)
Schedule of Investment Fees
For the Years Ended December 31, 2023 and 2022

| | 2023 | 2022 |
|---|---|---|
| *Investment managers* | | |
| Acadian Asset Manager | $ 682,196 | $ 682,923 |
| Ariel Capital Management | 411,472 | 386,389 |
| Artisan Partners | 526,685 | 672,932 |
| Blackrock | 86,100 | 100,053 |
| BMO Asset Management | 628,411 | 403,047 |
| Earnest Partners | 744,252 | 741,112 |
| Garcia Hamilton | 154,593 | 159,099 |
| Great Lakes Advisors | 336,187 | 312,562 |
| HGK Asset Management | 43,249 | - |
| Lazard Asset Management | 366,320 | 365,749 |
| Manulife Asset Management | 80,910 | 83,458 |
| National Investment Services | 461,303 | 463,943 |
| Northern Trust Global Investments - Index Funds | - | 93,055 |
| Pluscios Management, LLC | 260,772 | 255,067 |
| UBS Global Asset Management | 412,147 | 374,430 |
| UBS Realty Investors | 87,552 | 104,637 |
| Ullico Infrastructure Fund | 850,159 | 788,286 |
| Voya Collective Trust | 51,985 | 50,234 |
| Wellington Management | 216,174 | 228,126 |
| William Blair & Co. | 872,575 | 946,037 |
| Xponance | 94,986 | - |
| Total investment manager fees | 7,368,028 | 7,211,139 |
| *Investment consultants and other* | | |
| NEPC LLC | 415,000 | 438,996 |
| Total investment consultants and other | 415,000 | 438,996 |
| *Master custodian* | | |
| The Northern Trust Company | 296,785 | 309,455 |
| **Total investment fees** | $ 8,079,813 | $ 7,959,590 |