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, 2024 and 2023 With Independent Auditor's Report



(A Component Unit of the City of Chicago) Years Ended December 31, 2024 and 2023

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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, 2024 and 2023, 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, 2024 and 2023, 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.



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 Fund'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.



We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits, significant audit findings, and certain internal control-related matters that we identified during the audits.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the 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

Mitchell: Titas, LLP

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 stated in all material respects in relation to the basic financial statements as a whole.

June 27, 2025

(A Component Unit of the City of Chicago)
Management's Discussion and Analysis (Unaudited)
December 31, 2024 and 2023

INTRODUCTION

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 \$455.5 million, or 11.8%, to \$4,325.4 million at December 31, 2024. At December 31, 2023, the fiduciary net position of the Fund increased by \$383.1 million, or 11.0%, to \$3,869.9 million.

(A Component Unit of the City of Chicago)
Management's Discussion and Analysis (Unaudited)
December 31, 2024 and 2023

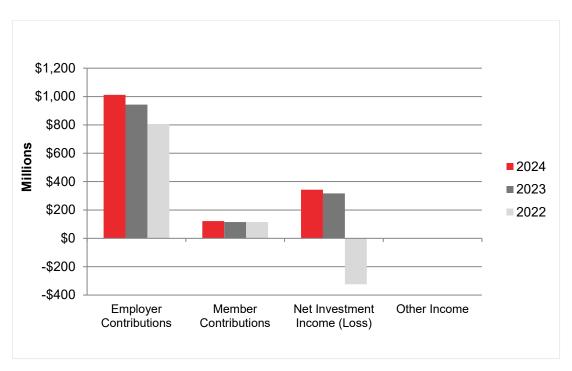
FINANCIAL HIGHLIGHTS (continued)

- 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 2024, these additions totaled \$1,476.2 million versus \$1,374.6 million in 2023, which is a 7.4% increase. The Fund experienced a net gain on investment activity in calendar year 2024 of \$342.9 million, or 10.72%, which compares to the net gain on investment of \$316.0 million, or 11.72%, in 2023.
- Stocks were a mixed bag in the fourth guarter with domestic equities outperforming their international peers. U.S. equities led performance with the S&P 500 Index posting gains of 2.4%; during the same period, the Russell 2000 returned a modest 0.3%. International and emerging markets lagged with the MSCI EM Index losing 8% for the three months ended December 31; the MSCI EAFE Index was down 8.1% following two rate cuts by the European Central Bank, which added to market volatility and bolstered the U.S. dollar. Meanwhile, U.S. private equity fundraising activity totaled \$287.3 billion in 2024, according to Pitchbook, falling short of the \$394.8 billion raised the year before. U.S. venture capital fundraising also experienced a slowdown as totals fell to \$76.1 billion this year from \$97.5 billion in 2023. In terms of the number of funds, 316 private equity funds and 508 venture funds closed fundraises through 2024 compared to 685 private equity funds and 937 venture funds the year before. New deal activity in U.S. private equity totaled \$838.5 billion this year, up from \$703 billion in 2023. U.S. venture capital new deal activity rebounded significantly in the fourth quarter, resulting in year-end deal value totaling \$209 billion across 15,260 deals, surpassing pre-pandemic and 2023 totals. Exits in private equity-backed companies grew steadily during the quarter, with total year-end exit volume reaching \$416.7 billion across 1,502 deals, representing a three-year high driven, in part, by lower interest rates. Exit activity was up slightly in 2024, reaching \$149.2 billion across 1,259 deals compared to \$120 billion across 1,143 deals in 2023; however, 2024 levels still fell short of pre-pandemic activity. The last quarter of 2024 saw a reversal in Treasuries, as the market see-sawed in a relatively wide trading range. Yields backed up significantly at year-end after the summer rally in Treasuries. Despite the two additional cuts by the Federal Reserve, which left the Fed Funds at a target range of 4.25%-4.50%, five- and 10-year notes sold off. Credit spreads were generally tighter, remaining well below long-term median levels. For the three months ending December 31, the spread on investment-grade corporate bonds tightened nine basis points, while high-yield corporate bonds narrowed eight basis points. During this period, emerging markets debt (hard currency) led the charge, tightening 77 basis points. The yield on the 10-year Treasury rose 80 basis points to end the quarter at 4.58%, while the 30-year Treasury bond yield increased 66 basis points to yield 4.78%. Despite the selloff in the fourth quarter, most major fixed-income indexes posted modest gains for the year. The Bloomberg Aggregate Bond Index fell by 3.06% in the fourth quarter, resulting in an annual return of 1.25%; highyield debt fared better, with the Bloomberg U.S. Corporate High Yield Index gaining 0.17% in the fourth quarter, bringing annual returns to 8.19%.
- 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, 2024 employer contributions increased by \$68.5 million. In 2023, employer contributions increased by \$141.2 million.

(A Component Unit of the City of Chicago) Management's Discussion and Analysis (Unaudited) December 31, 2024 and 2023

FINANCIAL HIGHLIGHTS (continued)

Additions 2022-2024

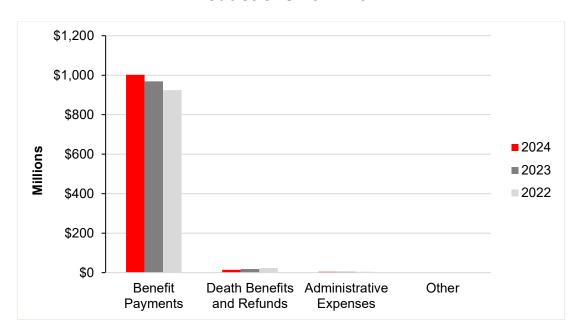


- Deductions from the Fund are incurred primarily for the purpose for which the Fund was created, to provide benefits to the police officers of the City and their surviving spouses and children. Deductions consist primarily of pension and disability benefits, death benefits, refunds of employee deductions, and administrative expenses. In 2024, these deductions totaled \$1,020.7 million and were \$991.5 million in 2023, which is a 2.9% 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 2024 by 32 members to 14,794, 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.

(A Component Unit of the City of Chicago) Management's Discussion and Analysis (Unaudited) December 31, 2024 and 2023

FINANCIAL HIGHLIGHTS (continued)

Deductions 2022-2024



- Benefit payments, excluding death benefits and refunds, increased by approximately \$33.3 million in 2024 to \$1,002.2 million from \$968.9 million in 2023. Death benefits and refunds of employee deductions decreased 23.5% from 2023 to 2024 by approximately \$4.3 million, from \$18.3 million to \$14.0 million, respectively.
- Administrative expenses increased by approximately \$0.3 million, or 7.0%, to \$4.6 million in 2024 from \$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 24.10% at December 31, 2024 and 22.11% at December 31, 2023. The increase reflects a higher-than-expected investment return. For the year ended December 31, 2024, the Fund's 10.72% 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 2024. Additionally, there were more-than-expected active members and annuitant deaths during 2024, resulting in a net actuarial gain to the Fund. Offsetting these items, the liabilities for new retirees from active were higher than assumed, resulting in an actuarial loss. In addition, actual withdrawals from the Fund for reasons other than retirement, death, or disability were greater than expected, resulting in an actuarial loss.

(A Component Unit of the City of Chicago) Management's Discussion and Analysis (Unaudited) December 31, 2024 and 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 decreased by \$87,532,087 to \$13,804,580,243 at December 31, 2024 from \$13,892,112,330 as of December 31, 2023. Changes in the actuarial assumptions and methods led to the change in the Single Discount Rate to 6.66% from 6.62% (based on the long-term expected rate of return on investments of 6.75% used in both the December 31, 2024 and 2023, actuarial valuations and the long-term municipal bond rate of 4.08% as of December 31, 2024, and 3.77% as of December 31, 2023.
- 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 \$(0.2) million and \$0.01 million were recognized in 2024 and 2023, respectively, resulting in a total accrued liability of \$0.7 million and \$0.7 million as of December 31, 2024 and 2023, respectively.

(A Component Unit of the City of Chicago)
Management's Discussion and Analysis (Unaudited)
December 31, 2024 and 2023

FIDUCIARY NET POSITION

A summary of fiduciary net position is presented below:

Fiduciary Net Position (In millions) As of December 31, 2024, 2023 and 2022

				2024	-2023
				Cha	inge
	2024	2023	2022	\$	%
Cash	\$ 3.6	\$	- \$ -	\$ 3.6	100.0%
Receivables	943.3	864	.0 777.0	79.3	9.2%
Brokers-unsettled trades	81.5	74	.9 71.6	6.6	8.8%
Investments, at fair value	3,411.9	3,035	.0 2,737.3	376.9	12.4%
Invested securities lending					
cash collateral	120.6	92	.8 117.5	27.8	30.0%
Right-to-use lease asset, net of					
accumulated amortization of \$1.12,					
\$0.89 and \$0.67, respectively	1.7	<u> </u>	.9 2.1	(0.2)	(10.5)%
Total assets	4,562.6	4,068	.6 3,705.5	494.0	12.1%
Deferred outflows of resources	0.3	0	.3 0.3	<u> </u>	0.0%
Total assets and deferred					
outflows of resources	4,562.9	4,068	.9 3,705.8	494.0	12.1%
Brokers-unsettled trades	107.7	97	.2 92.0	10.5	10.8%
Securities lending payable	120.6	92	.8 117.5	27.8	30.0%
OPEB liability	0.7	. 0	.7 1.2	-	0.0%
Refunds and accounts payable	5.1	4	.5 4.8	0.6	13.3%
Long-term lease liability	2.5	2	.8 2.9	(0.3)	(10.7)%
Total liabilities	236.6	198	.0 218.4	38.6	19.5%
Deferred inflows of resources	0.9	1	.0 0.6	(0.1)	(10.0)%
Total liabilities and deferred					
inflows of resources	237.5	199	.0 219.0	38.5	19.3%
Net position	\$ 4,325.4	\$ 3,869	.9 \$ 3,486.8	\$ 455.5	11.8%

Overall, the fiduciary net position increased by \$455.5 million in 2024, primarily due to the positive investment performance of the Fund's portfolio. The Fund's investment portfolio earned an investment return of 10.72% in 2024. 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.

As of December 31, 2024 and 2023, 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 \$851.1 million in payment year 2024. Required funding in the 2025 payment year is \$928.84 million. For the payment years 2025 through 2055, the employer is required to make level percent of pay contributions that, along with member contributions and investment earnings, are expected to generate a projected funded ratio of 90% by plan year-end 2055.

(A Component Unit of the City of Chicago) Management's Discussion and Analysis (Unaudited) December 31, 2024 and 2023

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, 2024, 2023 and 2022

				2024–2	2023
				Chan	ge
	2024	2023	2022	\$	%
ADDITIONS					
Member contributions	\$ 121.4	\$ 115.2	\$ 114.4	\$ 6.2	5.4%
Employer contributions	1,011.4	942.9	801.7	68.5	7.3%
Net investment gain and investment					
income	342.9	316.0	(324.7)	26.9	8.5%
Securities lending income	0.4	0.4	0.4	-	0.0%
Miscellaneous income	0.1	0.1	0.4	<u> </u>	0.0%
Total additions	1,476.2	1,374.6	592.2	101.6	7.4%
DEDUCTIONS					
Annuity, disability, and death					
benefits	1,004.3	970.7	926.5	33.6	3.5%
Refunds of contributions	11.8	16.5	21.1	(4.7)	(28.5)%
Administrative expenses	4.6	4.3	4.4	0.3	7.0%
Total deductions	1,020.7	991.5	952.0	29.2	2.9%
Net increase (decrease)	455.5	383.1	(359.8)	72.4	18.9%
Net position restricted for pension benefits					
Beginning of year	3,869.9	3,486.8	3,846.6	383.1	11.0%
End of year	\$ 4,325.4	\$ 3,869.9	\$ 3,486.8	\$ 455.5	11.8%

The Fund experienced an increase in fiduciary net position of \$455.5 million in 2024. The overall increase in fiduciary net position was accompanied by a continuing increase in benefit payments each year. The Fund experienced a decrease in retirements of active members in 2024.

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, who have indicated their intent to retire prior to October 1, 2023, 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.

(A Component Unit of the City of Chicago) Management's Discussion and Analysis (Unaudited) December 31, 2024 and 2023

INVESTMENT ACTIVITIES

During 2024, 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, 2024, 2023 and 2022

	2024	2023	2022
Total fund	10.72 %	11.72 %	(10.61)%
Equities	16.08	18.89	(17.92)
Fixed income	2.58	7.22	(11.19)
Real estate	3.11	(7.43)	6.69
Infrastructure	6.69	8.47	5.63
Private equity	6.72	2.28	19.04
Private debt	2.77	5.90	5.16
Opportunistic debt	10.60	15.80	(7.97)
Hedge fund	8.30	4.88	(2.71)
Cash and cash equivalents	6.15	6.04	2.29

PLAN MEMBERSHIP

The following table reflects the plan's membership as of December 31, 2024, 2023 and 2022.

Plan Membership As of December 31, 2024, 2023 and 2022

				2024-2	023
	2024	2023	2022	Change	%
Retirees and beneficiaries					
receiving benefits	14,794	14,762	14,639	32	0.22%
Active employees	11,769	11,850	11,868	(81)	(0.68)%
Terminated (inactive members) employees entitled to benefits					
or refunds of contributions	1,204	1,162	1,151	42	3.61%
Total	27,767	27,774	27,658	(7)	3.15%

(A Component Unit of the City of Chicago)
Management's Discussion and Analysis (Unaudited)
December 31, 2024 and 2023

FUNDING STATUS

The funding ratio of the Fund on a fair value basis, for purposes of market value funding, experienced an increase to 24.10% at December 31, 2024 from 22.11% at December 31, 2023. 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, 2024 and 2023, were 23.86% and 21.79%, respectively. Discount rates used in the GASB No. 67 valuation were 6.66% and 6.62% as of December 31, 2024 and 2023, 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, 2024 and 2023 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 each year 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



(A Component Unit of the City of Chicago) Statements of Fiduciary Net Position As of December 31, 2024 and 2023

	2024	2023
ASSETS		
Cash	\$ 3,570,517	\$ 250
Receivables		
Employer - Tax levies, net of allowance for loss of \$0 in 2024, \$0 in 2023	930,344,933	851,100,000
Member contributions - December 31, 2024 payroll due in January 2025	5,899,588	5,524,660
Interest and dividends	7,126,211	7,415,310
Accounts receivable - due from brokers	81,544,545	74,850,897
	1,024,915,277	938,890,867
Investments at fair value		
U.S. common stock and other equity	399,556,443	346,500,856
Collective investment funds, stock	851,155,764	683,448,128
Collective investment funds, international equities	16,755,923	13,567,289
Collective investment funds, fixed income	254,651,141	216,645,730
Collective investment funds, international fixed income	42,064,371	46,364,073
International equity	485,919,327	471,811,442
U.S. bonds and notes International bonds and notes	268,762,577 9,182,962	288,030,977 9,179,150
Short-term instruments	291,470,734	218,834,795
Infrastructure	128,013,642	114,259,630
Forward contracts and swaps	217,057	110,974
Hedge fund-of-funds	250,032,813	224,377,221
Real estate	181,129,192	191,549,076
Venture capital and private equity	232,962,865	210,276,193
	3,411,874,811	3,034,955,534
Invested securities lending cash collateral	120,596,385	92,829,209
Right-to-use lease assets, net of accumulated amortization of \$1,116,825		
and \$893,460 in 2024 and 2023, respectively	1,675,238	1,898,603
Total assets	4,562,632,228	4,068,574,463
Deferred outflows of resources	266,499	309,278
Total assets and deferred outflows of resources	4,562,898,727	4,068,883,741
LIABILITIES		
Refunds and accounts payable	5,072,197	4,464,768
Trade accounts payable - due to brokers	107,648,835	97,168,580
Security lending cash collateral	120,596,385	92,829,209
OPEB obligation	735,107	722,817
Long-term lease liability	2,503,278	2,749,507
Total liabilities	236,555,802	197,934,881
Deferred inflows of resources	886,679	1,014,642
Total liabilities and deferred inflows of resources	237,442,481	198,949,523
Net position held in trust for pension benefits	\$ 4,325,456,246	\$ 3,869,934,218

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

(A Component Unit of the City of Chicago) Statements of Changes in Fiduciary Net Position As of December 31, 2024 and 2023

	2024	2023	
ADDITIONS Contributions Employer	\$ 1,011,371,037	\$ 942,952,523	
Plan member salary deductions	121,412,305	115,161,795	
Total contributions	1,132,783,342	1,058,114,318	
Investment income Net appreciation in fair value of investments Interest Dividends Real estate income	277,995,322 22,681,409 48,541,059 2,443,783 351,661,573	260,949,526 19,005,336 39,073,270 5,073,796 324,101,928	
Investment activity expenses Investment management fees Custodial fees Investment consulting fees	(8,034,176) (225,871) (419,323)	(7,368,028) (296,785) (415,000)	
Total investment activity expenses	(8,679,370)	(8,079,813)	
Net income from investing activities	342,982,203	316,022,115	
From securities lending activities Securities lending income Borrower rebates Bank fees Net income from securities lending activities Total net investment income	5,944,882 (5,460,617) (66,605) 417,660 343,399,863	5,722,725 (5,305,256) (50,096) 367,373 316,389,488	
Miscellaneous income	84,714	109,639	
Total additions	1,476,267,919	1,374,613,445	
DEDUCTIONS Pension and disability benefits Death benefits Refunds of employee deductions	1,002,174,387 2,118,800 11,826,763 1,016,119,950	968,909,938 1,797,800 16,490,937 987,198,675	
Administrative expenses	4,625,941	4,260,337	
Total deductions	1,020,745,891	991,459,012	
Net increase in fiduciary net position	455,522,028	383,154,433	
Net position held in trust for pension benefits Beginning of year End of year	3,869,934,218 \$ 4,325,456,246	3,486,779,785 \$ 3,869,934,218	

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

(A Component Unit of the City of Chicago) Notes to Financial Statements Years Ended December 31, 2024 and 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Accounting principles generally accepted in the United States of America (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.

(A Component Unit of the City of Chicago) Notes to Financial Statements Years Ended December 31, 2024 and 2023

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 their estimated fair values 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 their estimated fair values 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.

(A Component Unit of the City of Chicago) Notes to Financial Statements Years Ended December 31, 2024 and 2023

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 Fund's fiscal years ended 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 disclosures.

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 ended December 31, 2024. Fund staff evaluated Statement No. 100 and have concluded that the requirements of the Statement do not materially impact the Fund's financial statements and related disclosures.

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 ended December 31, 2024. Fund staff evaluated Statement No. 101 and have concluded that the requirements of the Statement do not materially impact the Fund's financial statements and related disclosures.

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

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.

(A Component Unit of the City of Chicago) Notes to Financial Statements Years Ended December 31, 2024 and 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Recent Accounting Pronouncements (continued)

GASB Statement No. 104, *Disclosure of Certain Capital Assets*, was issued in September 2024. The objective of this Statement is to provide users of governmental financial statements with essential information about certain types of capital assets. Statement No. 104 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, 2024 and 2023 were \$1,337,506,724 and \$1,339,703,857, respectively. At December 31, 2024 and 2023, the Fund's membership consisted of the following:

	 2024	-	2023
Active employees	\$ 11,769	\$	11,850
Retirees and beneficiaries currently receiving benefits	14,794		14,762
Terminated employees entitled to benefits or a refund of contributions,			
but not yet receiving them	 1,204		1,162
	\$ 27,767	\$	27,774

(A Component Unit of the City of Chicago) Notes to Financial Statements Years Ended December 31, 2024 and 2023

NOTE 2 PENSION PLAN (continued)

Plan Description and Contribution Information (continued)

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 65. 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 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. The minimum benefit for widows cannot be less than 150% of the Federal poverty level.

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 after 2020 to 2055. Beginning with payment year 2021, 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 the application of certain required actuarial assumptions and methodologies.

(A Component Unit of the City of Chicago) Notes to Financial Statements Years Ended December 31, 2024 and 2023

NOTE 2 PENSION PLAN (continued)

Plan Description and Contribution Information (continued)

The total pension liability at December 31, 2024 and 2023, was \$18,130,036,559 and \$17,762,046,550, respectively. The plan fiduciary net position at December 31, 2024 and 2023, was \$4,325,456,316 and \$3,869,934,220, respectively. The net pension liability at December 31, 2024 and 2023, was \$13,804,580,243 and \$13,892,112,330, respectively. The Single Discount Rate of 6.66% required by GASB Statement No. 67 as of December 31, 2024, 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 4.08%. 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%.

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, 2024 and 2023. 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, 2024, were \$3,808,161 and \$3,570,267, respectively. The bank balance and carrying amount of the Fund's deposits at December 31, 2023, were \$222,327 and \$(95,197), respectively. These balances excluded \$250 of petty cash.

(A Component Unit of the City of Chicago) Notes to Financial Statements Years Ended December 31, 2024 and 2023

NOTE 4 CASH AND INVESTMENT RISK (continued)

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.

Money-Weighted Rate of Return

For the years ended December 31, 2024 and 2023, the annual money-weighted rate of return on the Fund's investments, net of investment expense, was 10.72% and 11.72%, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

(A Component Unit of the City of Chicago) Notes to Financial Statements Years Ended December 31, 2024 and 2023

NOTE 4 CASH AND INVESTMENT RISK (continued)

Investment Summary

The following table presents a summary of the Fund's investments by type at December 31, 2024 and 2023:

	2024	2023
U.S. Government and agency fixed income	\$ 176,936,878	\$ 181,012,272
Corporate fixed income	101,008,661	116,197,855
U.S. common collective fixed-income funds	254,651,141	216,645,730
Global common collective fixed-income funds	42,064,371	46,364,073
U.S. equities	399,556,443	346,500,856
U.S. common collective stock funds	851,155,764	683,448,128
International equity common collective funds	16,755,923	13,567,289
Foreign equities	485,919,327	471,811,442
Pooled short-term investment funds	141,872,667	107,163,065
Infrastructure	128,013,642	114,259,630
Real estate	181,129,192	191,549,076
Venture capital	232,962,865	210,276,193
Forward contracts and swaps	217,057	110,974
Hedge fund-of-funds	250,032,813	224,377,221
Cash and cash equivalents	149,598,067	111,671,730
Total investments at fair value	\$3,411,874,811	\$3,034,955,534

None of the Fund's individual investments as of December 31, 2024 or 2023, represented 5% or more of net position held in trust for pension benefits.

The Fund's investments were managed by 66 external investment managers who managed 76 investment funds/products during 2024, 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.

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:

(A Component Unit of the City of Chicago) Notes to Financial Statements Years Ended December 31, 2024 and 2023

NOTE 4 CASH AND INVESTMENT RISK (continued)

Fair Value Measurements (continued)

- <u>Level 1:</u> Unadjusted quoted prices in active markets for identical assets.
- <u>Level 2:</u> 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.
- <u>Level 3:</u> 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.

The recurring fair value measurements as of December 31, 2024, 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	\$	399,556,443	\$	399,543,321	\$	-	\$	13,122
Collective investment funds, stock		851,155,764		851,155,764		-		-
International equity		485,915,316		485,915,316		-		-
Fixed income								
U.S. bonds and notes		269,669,574		-		269,669,574		-
International bonds and notes		8,275,960		-		8,275,960		-
Collective investment funds, fixed		47,479,036		-		-		47,479,036
Cash equivalents and short-term instruments		291,470,734		-		291,470,734		-
Forward contracts and swaps		217,057		-		217,057		-
Venture capital and private equity	_	78,960,884						78,960,884
Subtotal	_	2,432,700,768	\$	1,736,614,401	\$	569,633,325	\$	126,453,042
Investments measured at net asset value								
U.S. bonds and notes		5						
Collective investment funds, international equities		16,755,923						
Collective investment funds, fixed		207,172,105						
Collective investment funds, international fixed		42,064,371						
Infrastructure		128,013,642						
Hedge fund-of-funds		250,032,813						
Real estate		181,129,192						
Venture capital and private equity		154,001,981						
International equity		4,011						
Subtotal		979,174,043						
Total	\$	3,411,874,811						

(A Component Unit of the City of Chicago) Notes to Financial Statements Years Ended December 31, 2024 and 2023

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					

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.

(A Component Unit of the City of Chicago) Notes to Financial Statements Years Ended December 31, 2024 and 2023

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, 2024 and 2023:

2024	Fair Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Collective investment funds, stock Collective investment funds, international equities Collective investment funds, fixed Collective investment funds, international fixed Infrastructure Hedge fund-of-funds Venture capital and private equity Real estate International equity	\$ 5 16,755,923 207,172,105 42,064,371 128,013,642 250,032,813 154,001,981 181,129,192 4,011 \$ 979,174,043	\$ - 43,264,007 12,391,301 48,429,098 2,331,984 130,788,826 33,734,687	Daily Daily Daily Daily Illiquid Quarterly Illiquid Illiquid Illiquid	5 days 5 days 5 days 5 days N/A 90 days N/A N/A
2023	Fair Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Collective investment funds, stock Collective investment funds, international equities Collective investment funds, fixed Collective investment funds, international fixed Infrastructure Hedge fund-of-funds Venture capital and private equity Real estate International equity	\$ 1,000,005 13,567,289 200,864,196 46,364,073 114,259,630 224,377,221 147,946,618 191,549,076 4,011 \$ 939,932,119	\$ - 33,375,477 9,662,292 12,341,247 2,368,966 61,420,991 61,438,248	Daily Daily Daily Daily Illiquid Quarterly Illiquid Illiquid	5 days 5 days 5 days N/A 90 days N/A N/A

Collective investment funds, stock and international equities: There are two funds at December 31, 2024 and 2023, which invest in equities diversified across all geographies, sectors, and capitalization.

Collective investment funds, fixed and international fixed: There are six funds at December 31, 2024 and 2023, which invest in a variety of fixed-income markets through various investments.

Infrastructure: There are six funds at December 31, 2024 and five funds at December 31, 2023, which invest in a variety of infrastructure assets through various investments. These funds are not eligible for redemption.

(A Component Unit of the City of Chicago) Notes to Financial Statements Years Ended December 31, 2024 and 2023

NOTE 4 CASH AND INVESTMENT RISK (continued)

Fair Value Measurements (continued)

Hedge fund-of-funds: There are three funds at December 31, 2024 and 2023, 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, 2024 or 2023.

Real estate, venture capital and private equity: The real estate investments consist of 15 and 10 real estate funds as of December 31, 2024 and 2023, respectively. As of December 31, 2024, the Fund held investments in three core funds, one core plus fund, two debt funds, five opportunistic funds, and four value-add funds. 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. The private equity partnerships consist of five limited partnership interests as of December 31, 2024 and 2023, respectively. The private debt partnerships consist of nine limited partnership interests as of December 31, 2024, and 10 limited partnership interests as of December 31, 2023. 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.

(A Component Unit of the City of Chicago) Notes to Financial Statements Years Ended December 31, 2024 and 2023

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, 2024, the Fund had the following investments and maturities related to certain fixed-income securities (bonds and notes):

		Investment Maturities							
Investment Type	Fair Value	Less than 1 Year	1 to 6 Years	7 to 10 Years	More than 10 Years				
Asset-backed securities Bank loans Commercial mortgage-backed	\$ 17,612,950 1,137,137		\$ 2,488,956 540,358	\$ 2,648,129 596,779	\$ 12,338,413 -				
securities	14,863,970		467,756	1,508,226	12,887,988				
Corporate bonds Corporate convertible bonds	58,932,473 532,599	, ,	27,146,104 308,275	13,883,099	16,345,058 80,959				
Government agency securities	14,207,973	,	894,891	2,864,172	9,550,050				
Government bonds Government mortgage-backed	70,141,896	712,538	4,554,667	36,878,007	27,996,684				
securities	86,777,958	,	4,514,421	3,156,210	79,015,890				
Index-linked bonds Municipal/provincial bonds	1,887,570 6,505,494		- 672,895	1,093,005 962,524	794,565 4,593,849				
Non-government-backed	5.045.540		4.405.054	4.000	4.475.000				
collateralized mortgage obligations	5,345,519 \$ 277,945,539		1,165,251 \$ 42,753,574	4,302 \$ 63,594,453	4,175,966 \$ 167,779,422				

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

			Investment Maturities							
	Fair		L	ess than		1 to 6		7 to 10		More than
Investment Type	Value		1 Year		Years		Years		10 Years	
Asset-backed securities	\$ 16,72	5,313	\$	_	\$	3,338,145	\$	1,718,489	\$	11,668,679
Bank loans	12	2,373		-		122,373		-		-
Commercial mortgage-backed										
securities	15,13	1,234		114,495		520,868		294,374		14,201,497
Corporate bonds	73,13	8,816		3,500,050		31,438,451		21,414,794		16,785,521
Corporate convertible bonds	44	2,810		-		360,975		-		81,835
Government agency securities	14,70	0,377		317,977		2,365,776		3,128,061		8,888,563
Government bonds	70,14	4,240		891,272		5,288,856		34,491,646		29,472,466
Government mortgage-backed										
securities	91,13	9,129		-		3,570,141		1,788,278		85,780,710
Index-linked bonds	1,89	9,559		-		1,100,025		64,045		735,489
Municipal/provincial bonds	7,58	6,409		-		994,168		382,403		6,209,838
Non-government-backed										
collateralized mortgage obligations	6,17	9,867		69,479		1,198,688				4,911,700
	\$ 297,21	0,127	\$	4,893,273	\$	50,298,466	\$	63,282,090	\$	178,736,298

(A Component Unit of the City of Chicago) Notes to Financial Statements Years Ended December 31, 2024 and 2023

NOTE 4 CASH AND INVESTMENT RISK (continued)

<u>Investment Risks</u> (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				
	2024	2023			
Quality rating					
Aaa	\$ 77,060,689	\$ 80,893,833			
Aa	9,641,682	7,487,297			
A	24,398,470	31,047,086			
Baa	20,538,718	26,724,411			
Ва	8,557,547	8,000,917			
В	623,396	1,219,178			
Not rated	25,875,559	29,574,099			
Caa through C	417,917	669,388			
Total credit risk of U.S. corporate fixed income	167,113,978	185,616,209			
U.S. Government fixed-income securities - explicitly guaranteed U.S. Government agency securities -	109,617,156	110,320,891			
not rated	1,214,405	1,273,027			
	\$ 277,945,539	\$ 297,210,127			

(A Component Unit of the City of Chicago) Notes to Financial Statements Years Ended December 31, 2024 and 2023

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, 2024 and 2023, cash deposits of \$1,076,934 and \$962,705, 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:

(A Component Unit of the City of Chicago) Notes to Financial Statements Years Ended December 31, 2024 and 2023

NOTE 4 CASH AND INVESTMENT RISK (continued)

Investment Risks (continued)

	Fair Value			
	2024		2023	
Currency				
Australian Dollar	\$ 14,265,607	\$	14,563,530	
Brazilian Real	9,176,735		9,368,537	
British Pound Sterling	41,459,471		36,383,559	
Canadian Dollar	10,860,517		15,621,378	
Chilean Peso	1,071,554		145,575	
HK offshore Chinese Yuan Reminbi	-		29,819	
Chinese Yuan Renminbi	(5,513,678)		(2,430,084)	
Colombian Peso	567,763		1,943,326	
Czech Koruna	2,144,353		2,039,832	
Danish Krone	9,569,367		10,383,828	
Egyptian Pound	26,509		91,715	
Euro Currency Unit	74,073,274		75,585,523	
Hong Kong Dollar	43,809,296		33,808,065	
Hungarian Forint	1,160,733		2,056,136	
Indian Rupee	10,705,860		10,627,138	
Indonesian Rupiah	8,330,949		10,408,034	
Japanese Yen	69,468,265		63,902,885	
Kuwaiti Dinar	496,485		5,783	
Malaysian Ringgit	1,160,779		1,487,965	
Mexican Peso	4,748,499		7,522,739	
New Israeli Shekel	788,860		742,997	
New Taiwan Dollar	44,096,404		36,549,728	
New Zealand Dollar	592,973		249,793	
Norwegian Krone	6,420,841		7,197,440	
Philippine Peso	2,785,722		2,435,255	
Polish Zloty	456,458		280,166	
Qatari Riyal	-		-	
Russian Ruble	5,104		6,266	
Singapore Dollar	3,178,555		1,934,661	
South African Rand	11,166,293		9,431,383	
South Korean Won	17,087,519		18,187,723	
Swedish Krona	10,246,403		9,139,607	
Swiss Franc	21,130,161		24,524,050	
Thai Baht	3,314,732		3,955,870	
Turkish Lira	752,734		43	
United Arab Emirates Dirham	336,840			
Total investments in foreign currency	\$ 419,941,937	\$	408,180,265	

(A Component Unit of the City of Chicago) Notes to Financial Statements Years Ended December 31, 2024 and 2023

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, 2024, the Fund had interest rate futures contracts to (sell) U.S. Treasury bonds and notes, a Canadian bond, a French bond, and German bonds with notional costs of \$(465,813), \$(6,990,645), \$(1,205,772), \$(1,067,512), and \$(1,020,427), respectively. At December 31, 2024, the Fund also had interest rate futures contracts to purchase U.S. Treasury bonds and notes and an Australian bond with notional amounts of \$2,055,333 and \$3,499,221, respectively. 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.

The fair value of futures contracts in the statements of fiduciary net position was zero at December 31, 2024 and 2023, as settlements are by cash daily.

(A Component Unit of the City of Chicago) Notes to Financial Statements Years Ended December 31, 2024 and 2023

NOTE 4 CASH AND INVESTMENT RISK (continued)

Derivatives (continued)

The Fund had net investment (losses) earnings of \$153,723 and \$(47,702) on futures contracts in 2024 and 2023, 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 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 \$1,510,000 as of December 31, 2024 and 2023, respectively. The notional value of inflation and interest rate swaps was \$5,900 and \$1,104,100 as of December 31, 2024 and 2023, respectively. The fair value of swaps outstanding at December 31, 2024 and 2023, was a net asset of \$14,607 and \$68,144, respectively. Investment gain from holdings and sales of interest rate and credit default swaps was \$127,182 and \$25,615 in 2024 and 2023, respectively. These gains are included in net appreciation 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, 2024 and 2023. Total pending foreign currency forward purchases and (sales) had notional values of \$79,258,342 and \$(79,107,155), respectively, at December 31, 2024, and \$72,310,950 and \$(71,846,885), respectively, at December 31, 2023.

(A Component Unit of the City of Chicago) Notes to Financial Statements Years Ended December 31, 2024 and 2023

NOTE 4 CASH AND INVESTMENT RISK (continued)

Derivatives (continued)

The Fund had a net unrealized gain (loss) on pending foreign currency forward contracts of \$151,187 and \$464,065 at December 31, 2024 and 2023, 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 \$(500,958) and \$(148,895) in 2024 and 2023, respectively.

Forward interest rate contracts—The Fund's external investment managers entered into forward contracts to purchase or sell bond securities during 2024 and 2023. 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, 2024 and 2023, 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.

(A Component Unit of the City of Chicago) Notes to Financial Statements Years Ended December 31, 2024 and 2023

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 3.79 days and 2.87 days as of December 31, 2024 and 2023, respectively. At December 31, 2024 and 2023, 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, 2024 and 2023, were as follows:

	2024	_	2023
Fair value of securities loaned Fair value reinvested of cash collateral	\$ 118,216,612	\$	91,026,914
from borrowers Fair value of non-cash collateral	120,596,385		92,829,209
from borrowers	5,162,825		15,866,859

As of December 31, 2024 and 2023, the Fund had limited credit risk exposure to borrowers because the amounts owed to the borrowers exceeded the amounts owed to the Fund.

(A Component Unit of the City of Chicago) Notes to Financial Statements Years Ended December 31, 2024 and 2023

NOTE 6 UNFUNDED INVESTMENT COMMITMENTS

The Fund had unfunded commitments of approximately \$271 million and \$181 million at December 31, 2024 and 2023, 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, 2024, 11 retirees were in the Staff Retiree Healthcare Plan and 14 active employees could be eligible at retirement. As of December 31, 2023, 11 retirees were in the Staff Retiree Healthcare Plan and 14 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 2024 and 2023, PABF contributed approximately \$48,229 and \$55,474, respectively, to the Staff Retiree Healthcare Plan for current premiums, including an implicit subsidy of \$1,354 and \$23,546, for 2024 and 2023, respectively. For 2024 and 2023, members receiving benefits contributed approximately \$84,509 and \$63,053, respectively, to the Staff Retiree Healthcare Plan for current premiums.

GASB Statement No. 75 Valuation

As of December 31, 2024 and 2023, the Fund's total OPEB liability was \$735,107 and \$722,817, respectively. Total OPEB liability as of December 31, 2024 and 2023, 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, 2024 and 2023, respectively.

(A Component Unit of the City of Chicago) Notes to Financial Statements Years Ended December 31, 2024 and 2023

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 2024:

Actuarial valuation date December 31, 2023

Measurement date December 31, 2024

Fiscal year end date December 31, 2024

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 3.77% per year

GASB Statement No. 75

discount rate, end of year 4.08% 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 twodimensional, 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.

(A Component Unit of the City of Chicago) Notes to Financial Statements Years Ended December 31, 2024 and 2023

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 twodimensional, 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, 2024, 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, 2024, 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, 2024.

(A Component Unit of the City of Chicago) Notes to Financial Statements Years Ended December 31, 2024 and 2023

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

<u>Total OPEB Liability and Sensitivity to Changes in the Discount and Healthcare Cost Trend Rates</u>

		2024		2023
Total OPEB liability				
1 Service cost	\$	38,126	\$	46,023
2 Interest on the total OPEB liability	•	27,164	,	49,207
3 Changes in benefit terms		-		-
 Difference between expected and actual experience of the total OPEB liability Changes of assumptions 		12,997 (23,268)		(576,267) 36,886
6 Benefit payments		(42,729)		(49,974)
7 Net change in total OPEB liability8 Total OPEB liability – beginning of year		12,290 722,817		(494,125) 1,216,942
9 Total OPEB liability – end of year	\$	735,107	\$	722,817
Covered-employee payroll	\$	1,449,780	\$	1,341,633
Total OPEB liability as a percentage of Covered-employee payroll		50.70%		53.88%

Discount Rate

The following presents the Fund's total OPEB liability, calculated using a discount rate of 4.08% and 3.77% as of December 31, 2024 and 2023, 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 sumption_	1%	Increase
December 31, 2024 December 31, 2023	\$	814,381 801,163	\$ 735,107 722,817	\$	667,122 655,418

(A Component Unit of the City of Chicago) Notes to Financial Statements Years Ended December 31, 2024 and 2023

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:

Current

Net OPEB Liability for Year Ended	1%	Decrease	<u> </u>	Healthcare Cost Trend Rate Assumption	1	% Increase
December 31, 2024 December 31, 2023	\$	682,868 674,366	\$	735,107 722,817	\$	797,150 780,199
Sta	teme	nt of OPE	ВЕх	pense		
				2024		2023
Expense 1 Service cost 2 Interest on the total OPEB I 3 Current-period benefit chan		у	\$	38,126 27,164	\$	46,023 49,207
OPEB plan administrative expense Recognition of outflow (inflow) of resources due to non-investment experience			5,500 (79,091)		5,500 (80,778)	
6 Recognition of outflow (inflo due to assumption change	o (wc			(16,364)		(13,344)
7 Total OPEB expense			\$	(24,665)	\$	6,608
Reconciliation of total OPEB 1 Net OPEB liability, beginnin 2 OPEB expense 3 Employer contributions		•	\$	722,817 (24,665) (48,229)	\$	1,216,942 6,608 (55,474)
Change in deferred outflow, to non-investment experies Change in deferred outflow, to assumption changes	nce	,		92,088 (6,904)		(495,489) 50,230
6 Net OPEB liability, end of	year		\$	735,107	\$	722,817

(A Component Unit of the City of Chicago) Notes to Financial Statements Years Ended December 31, 2024 and 2023

NOTE 7 POSTEMPLOYMENT BENEFITS OF THE FUND—STAFF RETIREE HEALTHCARE PLAN (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	 2024	 2023
Differences between expected and actual non-investment experience Assumption changes	\$ 112,200 154,299	\$ 118,125 191,153
Total deferred outflows of resources	\$ 266,499	\$ 309,278
Deferred Inflows of Resources	 2024	 2023
Differences between expected and		
actual non-investment experience Assumption changes	\$ 604,338 282,341	\$ 702,351 312,291

Amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense over 7.705 years as follows:

	Οι	Deferred atflows of esources	(In	Deferred oflows) of desources	C (Ir	t Deferred Outflows oflows) of esources
2025	\$	55,776	\$	(151,231)	\$	(95,455)
2026		55,776		(151,231)		(95,455)
2027		55,776		(148,878)		(93,102)
2028		42,505		(140,267)		(97,762)
2029		27,820		(139,637)		(111,817)
Thereafter		28,846		(155,435)		(126,589)
	\$	266,499	\$	(886,679)	\$	(620,180)

(A Component Unit of the City of Chicago) Notes to Financial Statements Years Ended December 31, 2024 and 2023

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

		2024	2023		
Balance, at December 31	<u>\$</u>	2,339,236,453	<u>\$</u>	2,124,286,741	

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 the 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

		2024		2023
Balance, at December 31	<u>\$</u>	1,675,931,245	\$	1,634,536,847

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

		2024		2023
Balance, at December 31	<u>\$</u>	3,666,745,928	\$	3,545,029,616

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

(A Component Unit of the City of Chicago) Notes to Financial Statements Years Ended December 31, 2024 and 2023

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

	 2024		2023
Balance, at December 31	\$ 101.461.601	\$	(270.271.784)

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 \$13,526,943,094 and \$13,409,994,933 as of December 31, 2024 and 2023, respectively.

Gift Reserve

	 2024	2023		
Balance, at December 31	\$ 14,825,124	\$	14,101,501	

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

	 2024	 2023
Balance, at December 31	\$ (66,514,271)	\$ (61,293,936)

(A Component Unit of the City of Chicago) Notes to Financial Statements Years Ended December 31, 2024 and 2023

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, 2024 and 2023, the ordinary death benefit reserve had a deficit.

Automatic Increase Reserve

	2024	2023		
Balance, at December 31	\$ (3,406,677,165)	\$	(3,116,902,167)	

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, 2024 and 2023, the automatic increase reserve had a deficit.

Supplementary Payment Reserve

	2024	2023		
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, 2024 and 2023. 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.

(A Component Unit of the City of Chicago) Notes to Financial Statements Years Ended December 31, 2024 and 2023

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, 2024 and 2023, were as follows:

	2024	2023
Total pension liability Less: Plan fiduciary net position	\$ 18,130,036,559 4,325,456,316	\$ 17,762,046,550 3,869,934,220
Fund net pension liability	<u>\$ 13,804,580,243</u>	<u>\$ 13,892,112,330</u>
Fund fiduciary net position as a percentage of total pension liability	<u>23.86</u> %	<u>21.79</u> %

Actuarial Assumptions

Investment rate of return

In 2024, the actuarial assumptions were changed from the prior actuarial valuation to reflect the results of an experience study performed for the period January 1, 2019 through December 31, 2023. The total pension liability was determined by an actuarial valuation as of December 31, 2024 and 2023, 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

6.75%

(A Component Unit of the City of Chicago) Notes to Financial Statements Years Ended December 31, 2024 and 2023

NOTE 9 NET PENSION LIABILITY OF THE FUND (continued)

Actuarial Assumptions (continued)

Cost-of-living adjustments A retiree with at least 20 years of service or

receiving a mandatory retirement minimum annuity; For members hired before January

1, 2011: 3.0%.

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, 2024 and 2023, is summarized in the following tables:

December 31, 2024

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. equity	29.5%	5.78%
Non-U.S. equity	19.5	6.87
Fixed income	15.0	2.63
Private markets	24.0	7.87
Hedge funds	5.0	4.18
Real estate	<u>7.0</u>	7.29
Total	<u>100.0</u> %	

(A Component Unit of the City of Chicago) Notes to Financial Statements Years Ended December 31, 2024 and 2023

NOTE 9 NET PENSION LIABILITY OF THE FUND (continued)

Actuarial Assumptions (continued)

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	<u>11.0</u>	6.16
Total	<u>100.0</u> %	

Single Discount Rate

A Single Discount Rate of 6.66% and 6.62% as of December 31, 2024 and 2023, 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 2024 and 2023, and a municipal bond rate of 4.08% and 3.77%, 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 2080. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2080, 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 6.66% and 6.62% as of December 31, 2024 and 2023, 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:

(A Component Unit of the City of Chicago) Notes to Financial Statements Years Ended December 31, 2024 and 2023

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, 2024, is as follows:

1% Decrease 5.66%	Single Discount Rate Assumption 6.66%	1% Increase 7.66%
\$ 16,046,800,707	\$ 13,804,580,243	\$ 11,940,359,303

Sensitivity of net pension liability to the single discount rate assumption as of December 31, 2023 is as follows:

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

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.

(A Component Unit of the City of Chicago) Notes to Financial Statements Years Ended December 31, 2024 and 2023

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 2024, with retroactive application for fiscal year 2023.

The amount of lease asset by major class of underlying assets at December 31, 2024 and 2023, respectively, is as follows:

Right-to-use Lease Asset	Beginning Balance	Increase	Decrease	Ending Balance		
2024 Office Less: Accumulated amortization	\$ 2,792,063	\$ -	\$ -	\$ 2,792,063		
	893,460	223,365	-	1,116,825		
	\$ 1,898,603	\$ 223,365	\$ -	\$ 1,675,238		
2023 Office Less: Accumulated amortization	\$ 2,792,063	\$ -	\$ -	\$ 2,792,063		
	670,095	223,365	-	893,460		
	\$ 2,121,968	\$ 223,365	\$ -	\$ 1,898,603		
Long-Term Lease Liability						
2024	\$ 2,749,507	\$ 130,601	\$ 376,830	\$ 2,503,278		
2023	2,977,516	141,432	369,441	2,749,507		

(A Component Unit of the City of Chicago) Notes to Financial Statements Years Ended December 31, 2024 and 2023

NOTE 11 LEASE AGREEMENT (continued)

The scheduled fiscal year maturities of the lease liability and related interest expense at December 31, 2024 and 2023, are as follows:

Lease Liability Principal and Interest
Requirements to Maturity December 31, 2024

Requirements to maturity December 31, 2024							
Fiscal			I	nterest	Liability		
Year Ending	Cash		E	xpense	F	Reduction	
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		416,050		62,469		353,581	
2030-2032		1,039,074		77,529		961,545	
Total	\$	3,039,333	\$	536,055	\$	2,503,278	

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

	9 4111 0	monte to mate	,				
Fiscal		Interest			Liability		
Year Ending		Cash	Cash Expense			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	\$			2,749,507	

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.

(A Component Unit of the City of Chicago) Notes to Financial Statements Years Ended December 31, 2024 and 2023

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.



(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 10 Years
(Unaudited)

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Total pension liability										
Service cost, including pension plan										
administrative expense	\$ 302.649.657	\$ 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
Interest on the total pension liability	1,162,637,595	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
Benefit changes	(19,007,819)	1,060,152,086	40,209,941	-	-	24,216,420	-	-	606,249,791	-
Difference between expected and	(-, ,,	,, . ,	-,,-			, -,			, . ,	
actual experience	(126,016,466)	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	68,472,863	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	-
Benefit payments	(1,004,293,187)	(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)
Refunds	(11,826,763)	(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)
Pension plan administrative expense	(4,625,871)	(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)
Net change in total pension liability	367,990,009	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
Total pension liability – beginning	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
Total pension liability – ending (a)	18,130,036,559	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
Plan fiduciary net position										
Employer contributions	1,011,371,037	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
Employee contributions	121,412,305	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
Pension plan net investment (loss)										
income	343,399,862	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)
Benefit payments	(1,004,293,187)	(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)
Refunds	(11,826,763)	(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)
Pension plan administrative expense	(4,625,871)	(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)
Other	84,714	109,639	367,777	91,594	472,449	32,359	1,600,348	97,239	1,412,770	3,091,545
Net change in plan fiduciary										
net position	455,522,097	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)
Plan fiduciary net position -										
beginning	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
Adjustment as of January 1,	(1)			(55,336)	(112,211)	(91,256)				
Plan fiduciary net position –										
ending (b)	4,325,456,316	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
Net pension liability – ending (a)-(b)	\$ 13,804,580,243	\$ 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

(A Component Unit of the City of Chicago)
Required Supplementary Information
Notes to Schedule of Changes in Net Pension Liability
For the Years Ended December 31, 2024 and 2023
(Unaudited)

Beginning of year total pension liability for 2024 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 2023 through 2080 and a long-term municipal bond rate as of December 31, 2023, of 3.77% for subsequent years.

End of year total pension liability for 2024 used a Single Discount Rate of 6.66% and the benefit provisions, actuarial assumptions and funding policy in effect as of the December 31, 2024, funding actuarial valuation. The Single Discount Rate of 6.66% was based on a long-term expected rate of return on pension plan investments of 6.75% used in the December 31, 2024, funding actuarial valuation for the years 2024 through 2080 and a long-term municipal bond rate as of December 31, 2024, of 4.08% for subsequent years.

The increase in the total pension liability for 2024 due to assumption changes and methods includes the impact of changing the actuarial assumptions used in the actuarial valuation, to reflect the results of the experience study performed for the period January 1, 2019 through December 31, 2023, that became effective December 31, 2024, and the change in the municipal bond rate from December 31, 2023, to December 31, 2024. Changes in actuarial assumptions and methods led to the change in the Single Discount Rate to 6.66% from 6.62% (based on the long-term expected rate of return on pension plan investments of 6.75% used in the December 31, 2024 and 2023, funding valuations and the long-term municipal bond rate of 4.08% as of December 31, 2024, and 3.77% as of December 31, 2023). This change was measured at the end of the year using the benefit provisions in effect as of December 31, 2024.

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.

(A Component Unit of the City of Chicago)
Required Supplementary Information
Schedule of Net Pension Liability
As of December 31 - Last 10 Years
(Unaudited)

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Total pension liability Plan fiduciary net position	\$ 18,130,036,559 4,325,456,316	\$ 17,762,046,550 3,869,934,220	\$ 16,214,629,789 3,486,779,785	\$ 16,340,008,877 3,846,664,456	\$ 15,494,788,710 3,441,946,255	\$ 14,789,602,350 3,162,428,863	\$ 13,313,258,366 2,905,179,841	\$ 13,454,462,563 3,122,066,293	\$ 13,113,091,688 2,865,018,804	\$ 12,032,733,000 3,058,949,037
Net pension liability	\$ 13,804,580,243	\$ 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
Plan fiduciary net position as a percentage of total pension liability	23.86%	21.79%	21.50%	23.54%	22.21%	21.38%	21.82%	23.20%	21.85%	25.42%
Covered employee payroll	\$ 1,337,506,724	\$ 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
Net pension liability as a percentage of covered employee payroll	1032.11%	1036.95%	999.01%	992.84%	1007.78%	946.08%	863.51%	898.15%	915.39%	825.85%

(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)*
12/31/2015	\$ 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)
12/31/2024	1,242,009,627	1,011,455,751	230,553,876	1,337,506,724	75.62%	928,841,536	(82,614,215)

- * 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.

(A Component Unit of the City of Chicago) Required Supplementary Information Notes to Schedule of Contributions—Pension (Unaudited)

Valuation date December 31, 2023

Methods and Assumptions Used for Actuarially Determined Contribution for Fiscal Year 2024

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 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 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%

(A Component Unit of the City of Chicago)
Required Supplementary Information
Notes to Schedule of Contributions—Pension (continued)
(Unaudited)

Methods and Assumptions Used for Actuarially Determined Contribution for Fiscal Year 2024 (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.

Pre-Retirement Mortality Rates: Sex Distinct Pub-2010 Amount-Weighted Safety Healthy Retiree Mortality Tables

weighted 100% for males and 100% for females.

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.

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, 2024, was determined in the funding actuarial valuation as of December 31, 2023, and the statutory contribution (upon which the actual contribution was based) for fiscal year ending December 31, 2024, was determined in the funding actuarial valuation as of December 31, 2022, 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 6.66% as of the December 31, 2024, actuarial valuation

6.62% as of the December 31, 2023, actuarial valuation

(A Component Unit of the City of Chicago)
Required Supplementary Information
Schedule of Money-Weighted Rate of Return—Pension
(Unaudited)

<u>Year Ended</u>	Annual Money-Weighted Rate of Return, <u>Net of Investment Expense</u>
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
12/31/24	10.72

(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 Seven Years
(Unaudited)

	 2024	 2023	 2022	 2021	 2020	 2019	 2018
Total OPEB liability							
Service cost	\$ 38,126	\$ 46,023	\$ 77,143	\$ 95,032	\$ 101,259	\$ 83,294	\$ 93,951
Interest on the total pension liability	27,164	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	12,997	(576, 267)	(4,155)	169,830	(304,583)	(11,367)	-
Changes of assumption	(23,268)	36,886	(309,594)	45,990	(53,712)	266,289	(101,657)
Benefits payments	 (42,729)	 (49,974)	 (50,250)	 (104,769)	 (100,933)	 (109,992)	 (117,063)
Net change in total OPEB liability	\$ 12,290	\$ (494,125)	\$ (259,444)	\$ (789,495)	\$ (287,740)	\$ 310,937	\$ (49,284)
Total plan assets	\$ 	\$ 	\$ 	\$ 	\$ 	\$ <u> </u>	\$
Total OPEB liability - beginning	\$ 722,817	\$ 1,216,942	\$ 1,476,386	\$ 2,265,881	\$ 2,553,621	\$ 2,242,684	\$ 2,291,968
Total OPEB liability - ending	\$ 735,107	\$ 722,817	\$ 1,216,942	\$ 1,476,386	\$ 2,265,881	\$ 2,553,621	\$ 2,242,684
Covered-employee payroll	\$ 1,449,780	\$ 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	50.70%	53.88%	77.87%	87.36%	138.24%	171.15%	137.56%

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



(A Component Unit of the City of Chicago)
Schedule of Administrative Expenses
For the Years Ended December 31, 2024 and 2023

	2024	2023
Administrative expenses		
Actuary services	\$ 115,750	\$ 82,000
Benefits disbursement	241,382	342,134
Equipment service and rent	73,438	56,977
External auditors	123,640	51,750
Fiduciary insurance	202,658	218,654
Legal services	543,854	384,010
Medical consultants	422,526	442,962
Miscellaneous	144,495	134,120
Penson administration	148,320	148,320
Occupancy and utilities	454,507	500,858
Personnel salaries and benefits	2,103,236	1,880,587
Postage	7,500	7,500
Supplies	3,602	4,315
Trustee election	41,033	6,150
Total administrative expenses	\$ 4,625,941	\$ 4,260,337

(A Component Unit of the City of Chicago)
Schedule of Consulting Costs
For the Years Ended December 31, 2024 and 2023

	 2024	 2023		
Payments to consultants				
External auditors	\$ 123,640	\$ 51,750		
Medical consultants	422,526	442,962		
Legal services	543,854	384,010		
Actuary service	115,750	82,000		
Investment management fees	8,034,176	7,368,028		
Custodial fees	225,871	296,785		
Investment consulting and other fees	 419,323	 415,000		
Total consulting costs	\$ 9,885,140	\$ 9,040,535		

(A Component Unit of the City of Chicago) Schedule of Investment Fees For the Years Ended December 31, 2024 and 2023

		2024		2023
Investment managers				
Acadian Asset Manager	\$	736,955	\$	682,196
Ariel Capital Management	Ψ	463,389	Ψ	411,472
Artisan Partners		593,039		526,685
Blackrock		91,295		86,100
BMO Asset Management		570,989		628,411
Earnest Partners		775,400		744,252
Garcia Hamilton		154,938		154,593
Great Lakes Advisors		388,625		336,187
Hudson/HGK Asset Management		203,939		43,249
Lazard Asset Management		402,189		366,320
Manulife Asset Management		82,312		80,910
National Investment Services		490,718		461,303
Northern Trust Global Investments - Index Funds		-		-
Pluscios Management, LLC		290,523		260,772
UBS Global Asset Management		431,164		412,147
UBS Realty Investors		72,550		87,552
Ullico Infrastructure Fund		919,552		850,159
Voya Collective Trust		57,375		51,985
Wellington Management		219,931		216,174
William Blair & Co.		990,129		872,575
Xponance		99,164		94,986
Total investment manager fees	8	3,034,176		7,368,028
Investment consultants and other				
NEPC LLC		419,323		415,000
Total investment consultants and other		419,323		415,000
Master custodian				
The Northern Trust Company		225,871		296,785
Total investment fees	\$ 8	3,679,370	\$	8,079,813

