



Matthew Strom
Senior Vice President, Actuary
T 312.984.8534
M 646.668.1425
mstrom@segalco.com

101 North Wacker Drive
Suite 500
Chicago, IL 60606-1724
segalco.com

September 28, 2021

Via Email

Mr. Robert S. Sugarman
Partner
Hogan Marren Babbo & Rose, Ltd
321 North Clark Street
Chicago, Illinois, 60654

Re: Impact of Automatic Annual Increase (AAI) Plan Change

Dear Robert:

As requested, we have estimated the impact to the Firemen's Annuity and Benefit Fund of the statutory change to the AAI benefits for certain Tier 1 members.

The AAI change was not reflected in the December 31, 2020 valuation results. The table below compares the December 31, 2020 valuation results to the results if the AAI change had been reflected.

Scenario	Actuarial Accrued Liability	Fair Value Funded Percentage	Actuarially Determined Contribution	Level Percent of Pay Contributions for Tax Levy Year 2022 & thereafter
Valuation Results	\$6,570,504	19.92%	\$476,498	73.13%
AAI Plan Change	6,747,330	19.40%	497,248	76.14%

Note: Dollar values are in thousands

Four-Year Comparison

Following is a four-year projection comparison of the total statutory contributions on and after tax levy year 2022.

Projected City Contributions				
Tax Levy Year	Payment Year	Baseline Statutory Contribution	Statutory Contribution with AAI Plan Change	Impact of AAI Plan Change
2022	2023	\$398,641	\$415,047	\$16,406
2023	2024	409,376	426,223	16,847
2024	2025	419,791	437,067	17,276
2025	2026	427,335	444,921	17,586

Note: Dollar values are in thousands

Exhibit A provides projections through 2055 under the amended Illinois Pension Code 40 ILCS 5/6-164 AAI Plan Change.

Description of Statutory AAI Change

Effective April 5, 2021 Illinois Pension Code 40 ILCS 5/6-164 was amended as follows:

Any fireman who qualifies for a minimum annuity and retires after September 1, 1967 is entitled to receive an increase under this subsection on (1) January 1, 2020, (2) the first anniversary of the date of retirement, or (3) attainment of age 55, whichever occurs last, in an amount equal to an increase of 3% of his or her then fixed and payable monthly annuity upon the first of the month following the first anniversary of his or her date of retirement if he or she is age 55 or over on that anniversary date or upon the first of the month following his or her attainment of age 55 if that date occurs after the first anniversary of his or her retirement date and such first fixed annuity as granted at retirement shall be increased by an additional 3% in January of each year thereafter. In the case of a fireman who received an increase in any year of 1.5%, that fireman shall receive an increase for any such year so that the total increase is equal to 3% for each year the fireman would have been otherwise eligible had the fireman not received any increase.

Prior to the plan change Tier 1 participants born after January 1, 1966 were only eligible to receive a 1.5% AAI (capped at 30%) upon attaining age 60 or their first anniversary of their date of retirement, whichever occurred last.

Caveats

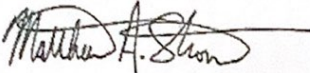
Aside from the statutory change, this analysis is based on the data, plan provisions, methods and assumptions used for the December 31, 2020 actuarial valuation dated June 18, 2021. This analysis is subject to the caveats and restrictions of use described in that report. No changes to assumptions were made when performing this actuarial analysis. If member behavior were to differ from expectations as a result of this plan change, the actual impact on the actuarial accrued liability and City contribution amount may be different. For example, if as a result of this change, active members were to retire earlier than otherwise expected under the current actuarial assumptions, the impact of this AAI plan change may be greater than the impact shown in this analysis.

Projections, by their nature, are not a guarantee of future results. The modeled projections are intended to serve as estimates of future financial outcomes that are based on the information available to us at the time the modeling is undertaken and completed, and the agreed upon assumptions and methodologies described herein. Emerging results may differ significantly if the actual experience proves to be different from these assumptions or if alternative methodologies are used. Actual experience may differ due to such variables as demographic experience, the economy, stock market performance and the regulatory environment. The longer the projection period, the less predictable the projections become.

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Please let us know if you have any questions.

Sincerely,

A handwritten signature in black ink, appearing to read "Matthew A. Strom". The signature is fluid and cursive, with a long horizontal line extending from the end.

Matthew Strom
Senior Vice President, Actuary

Attachment

cc: Geoff Bridges
Ben Holle
Jakob Nolan

Projection and Development of Statutory Contribution Based on the December 31, 2020 Actuarial Valuation & AAI Plan Change

(All dollar amounts are in thousands. Employer Contributions are shown on a cash basis in the fiscal year they are actually paid, not receivable. Actuarial Liability and asset figures as of end of year.)

Year Ending	Actual Liability	Market Value of Assets	Actual Value of Assets	Unfunded Liability	Value Funded Ratio	Capped Payroll	Employer Normal Cost	Statutory Contribution	Statutory as % of Pay	Employee Contributions	Benefit Payments	Admin Expenses
2020	\$ 6,747,330	\$ 1,308,886	\$ 1,275,913	\$ 5,471,417	18.91%	\$ 500,368	\$ 60,279	\$ 368,436	73.63%	\$ 54,415	\$ 366,160	\$ 2,991
2021	6,921,189	1,408,923	1,384,510	5,536,679	20.00%	531,274	61,588	367,089	69.10%	48,620	383,346	3,059
2022	7,089,259	1,546,074	1,517,146	5,572,113	21.40%	559,768	61,858	426,223	76.14%	49,880	401,581	3,127
2023	7,252,028	1,685,901	1,680,712	5,571,316	23.18%	574,010	62,348	437,067	76.14%	51,220	419,245	3,198
2024	7,408,938	1,828,398	1,828,398	5,580,539	24.68%	584,325	62,794	444,921	76.14%	52,519	437,327	3,270
2025	7,558,712	1,969,941	1,969,941	5,591,456	26.06%	593,147	63,211	451,638	76.14%	53,461	455,844	3,343
2026	7,700,385	2,108,929	2,108,929	5,587,757	27.39%	601,847	63,127	458,263	76.14%	54,266	474,657	3,419
2027	7,833,983	2,246,226	2,246,226	5,576,125	28.67%	612,163	63,143	466,118	76.14%	55,059	492,384	3,495
2028	7,959,806	2,383,681	2,383,681	5,555,344	29.95%	623,631	63,323	474,849	76.14%	56,001	509,548	3,574
2029	8,078,346	2,523,002	2,523,002	5,524,941	31.23%	635,034	63,578	483,532	76.14%	57,047	526,003	3,655
2030	8,189,571	2,664,631	2,664,631	5,484,241	32.54%	645,889	63,420	491,798	76.14%	58,088	542,084	3,737
2031	8,292,502	2,808,261	2,808,261	5,435,454	33.87%	653,148	63,436	497,325	76.14%	59,741	558,154	3,821
2032	8,387,883	2,951,641	2,951,641	5,377,796	35.19%	661,023	63,710	503,321	76.14%	60,459	573,565	3,907
2033	8,473,883	3,096,087	3,096,087	5,311,660	36.54%	667,872	64,178	512,849	76.14%	61,601	602,284	4,085
2034	8,553,088	3,241,428	3,241,428	5,237,636	37.90%	673,537	64,906	516,678	76.14%	62,600	626,946	4,270
2035	8,625,505	3,387,869	3,387,869	5,155,645	39.28%	678,565	65,620	520,512	76.14%	63,432	637,647	4,465
2036	8,691,853	3,536,208	3,536,208	5,065,229	40.68%	683,601	66,425	524,334	76.14%	63,897	647,677	4,668
2037	8,752,873	3,687,644	3,687,644	4,965,881	42.13%	688,620	67,273	528,128	76.14%	64,409	665,320	4,880
2038	8,808,943	3,843,061	3,843,061	4,857,124	43.63%	693,602	68,216	532,004	76.14%	65,358	680,823	4,990
2039	8,860,614	4,003,489	4,003,489	4,738,363	45.18%	698,693	69,272	536,283	76.14%	66,372	695,314	5,102
2040	8,908,633	4,170,270	4,170,270	4,608,363	46.81%	704,313	70,181	540,104	76.14%	66,961	709,987	5,217
2041	8,953,064	4,344,701	4,344,701	4,466,703	48.53%	714,708	71,709	544,198	76.14%	67,596	715,460	5,335
2042	8,993,935	4,527,233	4,527,233	4,312,258	50.34%	720,330	72,489	548,479	76.14%	68,280	719,473	5,455
2043	9,031,904	4,719,647	4,719,647	4,144,030	52.26%	725,820	73,000	552,659	76.14%	69,008	722,505	5,577
2044	9,065,587	4,921,557	4,921,557	3,960,581	54.29%	732,280	73,348	557,578	76.14%	69,737	724,774	5,703
2045	9,094,246	5,133,665	5,133,665	3,760,073	56.45%	739,231	73,882	562,870	76.14%	70,501	727,808	5,831
2046	9,118,270	5,358,197	5,358,197	3,541,023	58.76%	746,726	74,465	568,577	76.14%	71,287	729,716	5,962
2047	9,138,990	5,597,967	5,597,967	3,301,967	61.25%	754,705	75,154	574,653	76.14%	72,083	727,615	6,097
2048	9,157,938	5,855,971	5,855,971	3,041,391	63.94%	762,698	75,734	580,739	76.14%	72,890	725,833	6,234
2049	9,176,250	6,134,859	6,134,859	2,757,891	66.86%	771,066	75,291	587,110	76.14%	73,707		
2050	9,194,723	6,436,832	6,436,832	2,449,749	70.01%	779,679	75,291	593,669	76.14%			
2051	9,212,722	6,762,974	6,762,974	2,114,530	73.41%	788,410	75,734	600,317	76.14%			
2052	9,230,812	7,116,282	7,116,282	1,750,646	77.09%	797,247	76,862	607,045	76.14%			
2053	9,252,227	7,501,581	7,501,581	1,356,815	81.08%	806,202	78,048	613,864	76.14%			
2054	9,278,255	7,921,440	7,921,440	930,987	85.38%							
2055	9,309,872	8,378,885	8,378,885		90.00%							