COUNTY EMPLOYEES' AND OFFICERS' ANNUITY AND BENEFIT FUND OF COOK COUNTY (A COMPONENT UNIT OF COOK COUNTY, ILLINOIS)

FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND 2012

County Employees' and Officers' Annuity and Benefit Fund of Cook County

Financial Statements with Supplementary Information

December 31, 2013 and 2012

Contents

LEGACY
PROFESSIONALS LLP
CERTIFIED PUBLIC ACCOUNTANTS

Report of Independent Auditors

To the Board of Trustees of
County Employees' and Officers' Annuity
and Benefit Fund of Cook County

Report on the Financial Statements

We have audited the accompanying financial statements of County Employees' and Officers' Annuity and Benefit Fund of Cook County (the Plan), a component unit of Cook County, Illinois, which comprise the combining statements of pension plan and postemployment healthcare plan net position as of December 31, 2013 and 2012, and the related combining statements of changes in pension plan and postemployment healthcare plan net position for the years then ended, and the related notes to the financial statements, which collectively comprise the Plan's basic financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit includes performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Plan's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of financial statements.

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Auditors' Responsibility (continued)
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the plan net position of County Employees' and Officers' Annuity and Benefit Fund of Cook County as of December 31, 2013 and 2012, and the changes in plan net position for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Other Matters
Required Supplementary Information
Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 4 through 4d and the required supplementary information consisting of the schedule of funding progress, the schedule of employer contributions and the notes to those schedules on pages 25 through 27 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, who 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 auditing standards generally accepted in the United States of America, which consisted of inquires 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 audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information
Our audits were conducted for the purpose of forming an opinion on the Plan's basic financial statements as a whole. The accompanying supplementary information on pages 28 through 32 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information consisting of the schedules of net administrative expenses and professional and consulting fees, schedules of investment expenses, additions by source, deductions by type, and schedule of employer contributions receivable 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. Such 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 auditing standards generally accepted in the United States of America. In our opinion, the information consisting of the schedules of administrative expenses and professional and consulting fees, schedules of investment expenses, additions by source, deductions by type, and schedule of employer contributions receivable is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Matters (continued)
Previously Audited Information
We also have previously audited the basic financial statements for the years ended December 31, 2011, 2010, 2009, and 2008 (which are not presented herein), and we expressed unmodified opinions on those financial statements. In our opinion, the information on page 31 is fairly stated in all material respects in relation to the basic financial statements from which it has been derived. Our reports for 2011, 2010, 2009 and 2008 on the required supplementary information (pages 25 and 26) stated that we applied limited procedures, which consisted principally of inquiries of management regarding the methods of measurements and presentation of the supplementary information, but did not audit the information and expressed no opinion on it.

Legacy Professionals LLP

Chicago, Illinois

May 7, 2014

This section presents Management's Discussion and Analysis of the financial position and performance of the County Employees' and Officers' Annuity and Benefit Fund of Cook County (Plan) for the year ended December 31, 2013. This discussion is presented as an overview of the financial activities of the Plan and should be read in conjunction with the Plan's financial statements.

Overview of the Basic Financial Statements

The following discussion and analysis is intended to serve as an introduction to the Plan's basic financial statements. The financial statements are prepared on an economic sources focus and accrual basis of accounting in accordance with Governmental Accounting Standards Board (GASB) pronouncements. The basic components of the financial package are described below:

Combining Statements of Pension Plan and Postemployment Healthcare Plan Net Position provides a snapshot of account balances and net position held in trust for future benefit payments and any liabilities as of the Plan's year end. Over time increases and decreases in net position may serve as a useful indicator of whether the financial position of the Plan is improving or deteriorating.

Combining Statements of Changes in Pension Plan and Postemployment Healthcare Plan Net Position shows the revenues (additions) and expenses (deductions) during the year, where additions less deductions equal net increase (decrease) in net position. The net increase (decrease) in net position reports the change in net position as reported in the combining Statements of Changes in Pension Plan and Postemployment Healthcare Plan Net Position of the prior year and the current year.

Notes to the Financial Statements provides additional information that is essential to achieving a better understanding of the data provided in the basic financial statements.

Required Supplementary Information provides schedules and related notes concerning actuarial information, funding progress and employer contributions.

Supplementary Information includes schedules of net administrative expenses, professional and consulting fees, investment expenses, additions by source, deductions by type and employer contributions receivable.

Financial Highlights

Net position increased by $867,431,028 or 10.8% from $8,059,935,628 at December 31, 2012 to $8,927,366,656 at December 31, 2013. Comparatively, net position increased by $618,692,378 or 8.3% from $7,441,243,250 at December 31, 2011 to $8,059,935,628 at December 31, 2012. The change in net position for both years was primarily due to the increase in the fair market value of the investments.

The **rate of return** of the Plan's investment portfolio was 15.1% for 2013, 12.5% for 2012 and 1.2% for 2011.

The **actuarial funded ratio** of the combined pension and the postemployment healthcare plans for 2013 was 56.59% compared to 53.55% for 2012. The increase in the funded ratio during 2013 was due to the investment performance over the previous five years and changes in actuarial assumptions. The 2011 funded ratio was 57.54%.

Plan Net Position

The condensed Combining Statements of Pension Plan and Postemployment Healthcare Plan Net Position reflects the resources available to pay benefits to members. A summary of the Combining Statements of Pension Plan and Postemployment Plan Net Position is as follows:

Plan Net Position
As of December 31,

				Current Year Increase in	
	2013	2012	2011	Dollars	Percent
Total assets	$ 10,317,067,570	$ 8,660,955,128	$ 8,070,471,176	$ 1,656,112,442	19.1%
Total liabilities	1,389,700,914	601,019,500	629,227,926	788,681,414	131.2%
Net position	$ 8,927,366,656	$ 8,059,935,628	$ 7,441,243,250	$ 867,431,028	10.8%

Changes in Plan Net Position

The condensed Combining Statements of Changes in Pension Plan and Postemployment Healthcare Plan Net Position reflects the changes in the resources available to pay benefits to members. A summary of the Combining Statements of Changes in Pension Plan and Postemployment Healthcare Plan Net Position is as follows:

Changes in Plan Net Position
For the Years Ended December 31,

	2013	2012	2011	Current Year Increase/(Decrease) in Dollars	Percent
Additions:					
Employer contributions	$ 187,817,644	$ 190,720,776	$ 195,337,621	$ (2,903,132)	-1.5%
Employee contributions	127,593,220	128,869,508	127,577,473	(1,276,288)	-1.0%
Investment income (includes security lending activities)	1,179,440,119	887,687,519	82,701,033	291,752,600	32.9%
Other	8,547,729	10,190,689	17,614,316	(1,642,960)	-16.1%
Total additions	1,503,398,712	1,217,468,492	423,230,443	285,930,220	23.5%
Deductions:					
Benefits	601,770,020	561,391,035	523,396,627	40,378,985	7.2%
Refunds	29,873,030	33,081,726	29,165,335	(3,208,696)	-9.7%
Administrative expenses	4,324,634	4,303,353	4,078,843	21,281	0.5%
Total deductions	635,967,684	598,776,114	556,640,805	37,191,570	6.2%
Net increase (decrease)	867,431,028	618,692,378	(133,410,362)	248,738,650	40.2%
Net position					
Beginning of year	8,059,935,628	7,441,243,250	7,574,653,612	618,692,378	8.3%
End of year	$ 8,927,366,656	$ 8,059,935,628	$ 7,441,243,250	$ 867,431,028	10.8%

Additions to Plan Net Position

Total additions were $1,503,398,712 in 2013, $1,217,468,492 in 2012 and $423,230,443 in 2011.

Employer contributions decreased to $187,817,644 in 2013 from $190,720,776 in 2012 and decreased from $195,337,621 in 2011. Employer contributions are statutorily set at 1.54 times employee contributions collected two years prior.

Employee contributions, including permissive service credit purchases, decreased to $127,593,220 in 2013 from $128,869,508 in 2012 and $127,577,473 in 2011. The majority of members contribute 8.5% of covered wages.

Net investment income totaled $1,179,440,119 for 2013 compared to $887,687,519 for 2012 and $82,701,033 for 2011. Investment earnings fluctuate primarily from the overall performance of the financial markets from year to year.

Deductions to Plan Net Position

Total deductions were $635,967,684 in 2013, $598,776,114 in 2012 and were $556,640,805 in 2011.

Benefits increased to $601,770,020 in 2013 from $561,391,035 in 2012 and $523,396,627 in 2011 due primarily to the 3% annual cost of living increases for annuitants and an increase in the number of retirees.

Refunds decreased to $29,873,030 in 2013 from $33,081,726 in 2012 and increased from $29,165,335 in 2011. These changes are due to fluctuations in refund applications.

The cost to administer the Plan increased by .5% to $4,324,634 in 2013 from $4,303,353 in 2012. Comparatively, the cost to administer the Plan increased by 5.5% to $4,303,353 in 2012 from $4,078,843 in 2011.

Combined Funding Status

The actuarial assets, liabilities and funding status for the Plan (including the pension and postemployment healthcare plans) are provided below:

Actuarial Values
December 31,

	2013	2012	2011	Current Year Increase/(Decrease) in Dollars	Percent
Actuarial assets	$ 8,381,444,287	$ 7,833,882,926	$ 7,897,102,116	$ 547,561,361	7.0%
Actuarial liabilities	14,812,087,677	14,630,250,955	13,724,012,399	181,836,722	1.2%
Unfunded actuarial liabilities	$ 6,430,643,390	$ 6,796,368,029	$ 5,826,910,283	$ (365,724,639)	-5.4%
Funded ratio	56.59%	53.55%	57.54%		

Actuarial assets increased to $8,381,444,287 in 2013 from $7,833,882,926 in 2012. Comparatively, actuarial assets decreased to $7,833,882,926 in 2012 from $7,897,102,116 in 2011. The increase in actuarial assets resulted from the five year smoothing of investment gains and losses.

Actuarial liabilities increased to $14,812,087,677 in 2013 from $14,630,250,955 in 2012 due to increased benefits accrued by Plan participants. Comparatively, actuarial liabilities increased to $14,630,250,955 in 2012 from $13,724,012,399 in 2011. The increase in actuarial liabilities is due to the change in actuarial assumptions.

The **funded ratio** is one indicator of the financial strength of the Plan, measuring the ratio of net assets available to meet the actuarially determined future liabilities of the Plan. The increase in the funded ratio to 56.59% in 2013 from 53.55% in 2012 was due to the changes in the actuarial assets and actuarial liabilities as explained in the previous paragraphs. Comparatively, the funded ratio decreased to 53.55% in 2012 from 57.54% in 2011.

Contact Information

This financial report is designed to provide the employer, plan participants and others with a general overview of the Plan's finances and show accountability for money it receives. Questions concerning any data provided in the report or requests for additional information should be addressed to:

County Employees' and Officers' Annuity
And Benefit Fund of Cook County
Attention: Executive Director
33 North Dearborn Street
Suite 1000
Chicago, IL 60602

County Employees' and Officers' Annuity
and Benefit Fund of Cook County

Combining Statements of Pension Plan and Postemployment Healthcare Plan Net Position

December 31, 2013 and 2012

	2013			2012		
	Total	Pension	Postemployment Healthcare	Total	Pension	Postemployment Healthcare
Assets						
Receivables						
Employer contributions less allowance of $10,596,808 in 2013 and $10,551,286 in 2012	$ 209,311,706	$ 199,986,316	$ 9,325,390	$ 215,861,641	$ 211,622,872	$ 4,238,769
Employee contributions	2,145,420	2,145,420	-	5,280,442	5,280,442	-
Accrued investment income	22,451,594	22,451,594	-	22,652,456	22,652,456	-
Receivable for securities sold	80,795,327	80,795,327	-	34,897,859	34,897,859	-
Due from Forest Preserve District Employees' Annuity and Benefit Fund of Cook County	462,893	462,893	-	635,820	635,820	-
Medicare Part D subsidy	947,659	947,659	-	887,842	887,842	-
Other	818,644	818,644	-	1,095,945	1,095,945	-
Total receivables	316,933,243	307,607,853	9,325,390	281,312,005	277,073,236	4,238,769
Investments						
U.S. and international equities	4,233,234,375	4,233,234,375	-	3,135,494,813	3,135,494,813	-
U.S. Government and government agency obligations	1,238,436,393	1,238,436,393	-	1,582,287,173	1,582,287,173	-
Corporate bonds	823,905,648	823,905,648	-	831,881,515	831,881,515	-
Collective international equity fund	56,828,124	56,828,124	-	54,676,384	54,676,384	-
Commingled fixed income fund	25,540,920	25,540,920	-	23,986,193	23,986,193	-
Exchange traded funds	526,730,533	526,730,533	-	555,481,344	555,481,344	-
Private equities	61,576,550	61,576,550	-	56,090,408	56,090,408	-
Hedge funds	756,879,345	756,879,345	-	688,873,338	688,873,338	-
Real estate	425,123,417	425,123,417	-	302,749,975	302,749,975	-
Short-term investments	555,524,046	555,524,046	-	635,490,514	635,490,514	-
Total investments	8,703,779,351	8,703,779,351	-	7,867,011,657	7,867,011,657	-
Collateral held for securities on loan	1,296,354,976	1,296,354,976	-	512,631,466	512,631,466	-
Total assets	10,317,067,570	10,307,742,180	9,325,390	8,660,955,128	8,656,716,359	4,238,769
Liabilities						
Accounts payable	4,694,086	4,694,086	-	4,595,412	4,595,412	-
Healthcare insurance payable	9,325,390	-	9,325,390	4,238,769	-	4,238,769
Payable for securities purchased	79,326,462	79,326,462	-	72,893,623	72,893,623	-
Securities lending collateral	1,296,354,976	1,296,354,976	-	512,631,466	512,631,466	-
Securities lending payable	-	-	-	6,660,230	6,660,230	-
Total liabilities	1,389,700,914	1,380,375,524	9,325,390	601,019,500	596,780,731	4,238,769
Net position held in trust						
Restricted for Pension benefits	8,927,366,656	8,927,366,656	-	8,059,935,628	8,059,935,628	-
Restricted for Postemployment healthcare benefits	-	-	-	-	-	-
Total	$ 8,927,366,656	$ 8,927,366,656	$ -	$ 8,059,935,628	$ 8,059,935,628	$ -

See accompanying notes to financial statements.

COUNTY EMPLOYEES' AND OFFICERS' ANNUITY AND BENEFIT FUND OF COOK COUNTY

COMBINING STATEMENTS OF CHANGES IN PENSION PLAN AND POSTEMPLOYMENT HEALTHCARE PLAN NET POSITION

YEARS ENDED DECEMBER 31, 2013 AND 2012

	2013			2012		
	Total	Pension	Postemployment Healthcare	Total	Pension	Postemployment Healthcare
ADDITIONS						
Employer contributions	$ 187,817,644	$ 147,720,014	$ 40,097,630	$ 190,720,776	$ 152,734,539	$ 37,986,237
Employee contributions						
Salary deductions	123,092,018	123,092,018	-	123,070,923	123,070,923	-
Refund repayments	2,082,804	2,082,804	-	2,847,550	2,847,550	-
Former and miscellaneous service payments	445,646	445,646	-	797,513	797,513	-
Optional payments and deductions	44,125	44,125	-	46,681	46,681	-
Deductions in lieu of disability	1,928,627	1,928,627	-	2,106,841	2,106,841	-
Total employee contributions	127,593,220	127,593,220	-	128,869,508	128,869,508	-
Investment income						
Net appreciation in fair value of investments	1,022,073,991	1,022,073,991	-	710,479,251	710,479,251	-
Dividends	97,300,750	97,300,750	-	95,576,395	95,576,395	-
Interest	83,220,221	83,220,221	-	98,114,263	98,114,263	-
	1,202,594,962	1,202,594,962	-	904,169,909	904,169,909	-
Less investment expenses	(27,523,480)	(27,523,480)	-	(19,625,586)	(19,625,586)	-
Net investment income	1,175,071,482	1,175,071,482	-	884,544,323	884,544,323	-
Securities lending						
Income	5,264,954	5,264,954	-	3,817,723	3,817,723	-
Expenses	(896,317)	(896,317)	-	(674,527)	(674,527)	-
Net securities lending income	4,368,637	4,368,637	-	3,143,196	3,143,196	-
Other						
Employer federal subsidized programs	3,707,091	3,707,091	-	3,790,810	3,790,810	-
Medicare Part D subsidy	3,851,625	-	3,851,625	3,686,501	-	3,686,501
Prescription plan rebates	654,959	-	654,959	2,434,369	-	2,434,369
Early Retirement Reinsurance Program (repayment)	-	-	-	(142,390)	-	(142,390)
Employee transfers (to) from Forest Preserve District Employees' Annuity and Benefit Fund of Cook County	(106,012)	(106,012)	-	205,877	205,877	-
Miscellaneous	440,066	440,066	-	215,522	215,522	-
Total other additions	8,547,729	4,041,145	4,506,584	10,190,689	4,212,209	5,978,480
Total additions	1,503,398,712	1,458,794,498	44,604,214	1,217,468,492	1,173,503,775	43,964,717

See accompanying notes to financial statements.

County Employees' and Officers' Annuity and Benefit Fund of Cook County

Combining Statements of Changes in Pension Plan and Postemployment Healthcare Plan Net Position

Years Ended December 31, 2013 and 2012

	2013			2012		
	Total	Pension	Postemployment Healthcare	Total	Pension	Postemployment Healthcare
Deductions						
Benefits						
Annuity						
Employee	$ 507,494,409	$ 507,494,409	$ -	$ 469,398,775	$ 469,398,775	$ -
Spouse and children	38,761,919	38,761,919	-	35,762,286	35,762,286	-
Disability						
Ordinary	10,224,555	10,224,555	-	11,576,076	11,576,076	-
Duty	684,923	684,923	-	689,181	689,181	-
Healthcare	44,604,214	-	44,604,214	43,964,717	-	43,964,717
Total benefits	601,770,020	557,165,806	44,604,214	561,391,035	517,426,318	43,964,717
Refunds	29,873,030	29,873,030	-	33,081,726	33,081,726	-
Net administrative expenses	4,324,634	4,324,634	-	4,303,353	4,303,353	-
Total deductions	635,967,684	591,363,470	44,604,214	598,776,114	554,811,397	43,964,717
Net increase	867,431,028	867,431,028	-	618,692,378	618,692,378	-
Net position held in trust						
Beginning of year	8,059,935,628	8,059,935,628	-	7,441,243,250	7,441,243,250	-
End of year	$ 8,927,366,656	$ 8,927,366,656	$ -	$ 8,059,935,628	$ 8,059,935,628	$ -

See accompanying notes to financial statements.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The County Employees' and Officers' Annuity and Benefit Fund of Cook County (the Plan) is administered in accordance with Chapter 40, Article 5/9 of the Illinois Compiled Statutes (the Statutes), formerly Chapter 108-1/2, Article 9 of the Illinois Revised Statutes.

New Accounting Pronouncement - In March 2012, Government Accounting Standards Board (GASB) issued Statement No. 65, *Items Previously Reported as Assets and Liabilities.* This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

Method of Accounting - The financial statements are presented using the accrual basis of accounting. Employer contributions are recognized in the levy year. Employee contributions are recognized in the period in which contributions are due. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

Investments - Investments are reported at fair value, which generally represents reported market value as of the last business day of the year. Private equities, hedge funds, and real estate investments are carried at fair value as estimated by each investment manager. Short-term investments are carried at cost which approximates fair value. Where less than an entire investment holding is sold, average value is used to determine realized gain or loss.

Allocated Expenses - Administrative expenses are initially paid by the Plan. These expenses are allocated between the Plan and the Forest Preserve District Employees' Annuity and Benefit Fund of Cook County (Forest Fund) on a pro rata basis, as applicable.

Capital Assets - The Plan has set a capitalization threshold of $100,000 for all capital asset types. As of December 31, 2013, the Plan does not have any capital assets.

Estimates - The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures in the financial statements. Actual results could differ from those estimates.

Reclassifications - Certain prior year amounts have been reclassified to conform to the current year presentation.

Subsequent Events - Subsequent events have been evaluated through May 7, 2014, which is the date the financial statements were available to be issued.

NOTE 2. PLAN DESCRIPTION

The County Employees' and Officers' Annuity and Benefit Fund of Cook County was established on January 1, 1926, and is governed by legislation contained in Illinois Compiled Statutes, particularly Chapter 40, Article 5/9 (the Article). Effective with the signing of Public Act 96-0889 into law on April 14, 2010, participants that first became contributors on or after January 1, 2011 are Tier 2 participants. All other participants that were contributing prior to January 1, 2011 are Tier 1 participants. The Plan can be amended only by the Illinois Legislature. The County Employees' and Officers' Annuity and Benefit Fund of Cook County is a single employer defined benefit pension plan with a defined contribution minimum. The Plan was created for the purpose of providing retirement, death and disability benefits for full-time employees of Cook County (County) and the dependents of such employees. The Plan is considered to be a component unit of Cook County, Illinois and is included in the County's financial statements as a pension trust fund.

The Statutes authorize a Board of Trustees (Board) of nine members to carry out the provisions of the Article. According to the Article, two members of the Board are ex officio, four are elected by the employee members of the Plan and three are elected by the annuitants of the Plan. The two ex officio members are the Comptroller of Cook County, or someone chosen by the Comptroller, and the Treasurer of Cook County, or someone chosen by the Treasurer. All members of the Board are fiduciaries with respect to the Plan and are statutorily mandated to discharge their duties, as such, solely in the interest of the Plan's participants and beneficiaries.

The Board has the powers and duties required in the Article to collect all contributions due to the Plan, to invest the Plan's reserves, to have an annual audit, to appoint employees, to authorize or suspend payment of any benefit and to have exclusive original jurisdiction in all matters relating to or affecting the Plan. The Board approves its own budget which is prepared by the administrative staff of the Plan. The Board is required annually to submit to the County Board of Cook County a detailed report of the financial affairs and status of the Plan. Provisions in other articles of Chapter 40 require the Board to submit its annual audit and actuarial valuation reports to the State of Illinois Department of Insurance, as well as another detailed annual report, the form and content of which is specified by the Department of Insurance.

Covered employees are required to contribute 8.5% (9% for sheriffs) of their salary to the Plan, subject to the salary limitations for Tier 2 participants in Article 5/1-160. If an employee leaves covered employment without qualifying for an annuity, accumulated contributions are refunded with interest (3% or 4% depending on when the employee became a participant). The County's total contribution is the amount of contributions made by the employees to the Plan in the calendar year two years prior to the year for which annual applicable tax is levied, multiplied by 1.54%. The source of funds for the County's contributions has been designated by State Statute as the County's annual property tax levy. The County's payroll for employees covered by the Plan for 2013 and 2012 was $1,484,269,715 and $1,478,253,368 respectively.

NOTE 2. PLAN DESCRIPTION (CONTINUED)

The County Employees' and Officers' Annuity and Benefit Fund of Cook County provide retirement as well as death and disability benefits. Tier 1 employees age 50 or older and Tier 2 employees age 62 or older are entitled to receive a minimum formula annuity of 2.4% for each year of credited service if they have at least 10 years of service. The maximum benefit is 80% of the final average monthly salary. For Tier 1 employees under age 60 and Tier 2 employees under age 67, the monthly retirement benefit is reduced by ½% for each month the participant is below that age. The reduction is waived for Tier 1 participants having 30 or more years of credited service.

Participants should refer to the applicable State Statutes for more complete information.

At December 31, 2013 and 2012, participants consisted of the following:

	2013	2012
Active members	21,287	21,447
Retired members	14,080	13,609
Beneficiaries	2,597	2,565
Inactive members	12,747	11,856
Total	50,711	49,477

NOTE 3. FUNDED STATUS AND FUNDING PROGRESS

As of December 31, 2013, the most recent actuarial valuation date, the pension benefits of the Plan was 61.46% funded on an actuarial basis. The actuarial accrued liability for benefits was $13,636,576,177 and the actuarial value of assets was $8,381,444,287 resulting in an unfunded actuarial accrued liability (UAAL) of $5,255,131,890. The covered payroll (annual payroll of active employees covered by the Plan) was $1,484,269,715 and the ratio of the UAAL to the covered payroll was 354.06%.

As of December 31, 2013, the most recent actuarial valuation date, the combined pension and retiree health insurance benefits of the Plan was 56.59% funded on an actuarial basis. The actuarial accrued liability for benefits was $14,812,087,677 and the actuarial value of assets was $8,381,444,287 resulting in an unfunded actuarial accrued liability (UAAL) of $6,430,643,390. The covered payroll (annual payroll of active employees covered by the Plan) was $1,484,269,715 and the ratio of the UAAL to the covered payroll was 433.25%.

The Schedule of Funding Progress, presented as Required Supplementary Information (RSI) following the notes to the financial statements, presents multi-year trend information about whether the actuarial values of the Plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

NOTE 3. FUNDED STATUS AND FUNDING PROGRESS (CONTINUED)

Additional information as of the latest actuarial valuation is as follows:

Valuation date	December 31, 2013
Actuarial cost method	Entry Age Normal
Amortization method	Level Dollar - Open
Remaining amortization period	30 years
Asset valuation method	Five Year Smoothed Average Market

Actuarial assumptions:

Investment return rate	7.5% per year, compounded annually
Projected salary increases	2013 - 3.75% to 8.00% based on age 2012 - 5.00%
Inflation rate	2013 - 3.25% per year, compounded annually 2012 - 3.00% per year, compounded annually
Postretirement annuity increase	Tier 1 participants - 3.0% compounded annually Tier 2 participants - the lesser of 3.0% or one half of the increase in the Consumer Price Index
Medical trend rate	2013 - 7.0% in the first year, decreasing by .5% per year until an ultimate rate of 5.0% is reached 2012 - 7.5% in the first year, decreasing by .5% per year until an ultimate rate of 5.0% is reached
Mortality rates	2013 - RP-2000 Blue Collar Mortality Table, base year 2000, fully generational based on Scale BB 2012 - UP-1994 Mortality Table for Males, rated down 2 years; UP-1994 Mortality Table for Females, rated down 1 year
Retirement rates	Rates of retirement for each age from 50 to 75 based on recent experience of the Plan. All employees are assumed to retire by age 75
Termination rates	Based on recent experience of the Plan

NOTE 4. SUMMARY OF EMPLOYER FUNDING POLICIES

Employer contributions are funded primarily through a County tax levy which is currently limited when extended to an amount not to exceed an amount equal to the total contributions by the employees of the Plan made in the calendar year two years prior to the year for which the annual applicable tax is levied, multiplied by 1.54.

The combined actuarial valuations of the pension and retiree health insurance benefits of the Plan as of December 31, 2013 and 2012 indicate the annual required contribution to be $719,890,057 and $655,800,100 for 2013 and 2012, respectively. The annual required contribution is based on an annual payroll of $1,484,269,715 for 21,287 active members as of December 31, 2013 and $1,478,253,368 for 21,447 active members as of December 31, 2012 and is computed as follows:

	2013	2012
Normal cost	$ 184,581,332	$ 181,484,588
30-year level dollar amortization of the unfunded liability	535,308,725	474,315,512
Actuarially determined contribution requirement	719,890,057	655,800,100
Expected net employer contribution from tax levy after 3.0% loss	(190,575,229)	(193,372,210)
Expected employer contribution short-fall of actuarially determined contribution requirement	$ 529,314,828	$ 462,427,890
Required tax levy multiple	5.82	5.22
Present authorized multiple	1.54	1.54

A Schedule of Funding Progress, presented as Required Supplementary Information (RSI) following the notes to the financial statements, provides information about progress made in accumulating sufficient assets to pay benefits when due.

NOTE 5. INVESTMENT SUMMARY

The Plan is authorized to invest in bonds, notes, certificates of indebtedness, mortgage notes, real estate, stocks, shares, debentures, or other obligations or securities as set forth in the "prudent person" provisions of the State Statutes. All of the Plan's financial instruments are consistent with the permissible investments outlined in the State Statutes and any index-linked financial instruments are limited to those indices that replicate the permissible investments outlined in the State Statutes. The following table presents a summarization of the fair value (carrying amount) of the Plan's investments as of December 31, 2013 and 2012. Investments that represent 5% or more of the Plan's net position held in trust are separately identified.

Investments	2013	2012
U.S. and international equities	$ 4,233,234,375	$ 3,135,494,813
U.S. Government and government agency obligations	1,238,436,393	1,582,287,173
Corporate bonds	823,905,648	831,881,515
Collective international equity fund	56,828,124	54,676,384
Commingled fixed income fund	25,540,920	23,986,193
Exchange traded funds	526,730,533	555,481,344
Private equities	61,576,550	56,090,408
Hedge funds	756,879,345	688,873,338
Real estate		
Limited partnerships	425,123,417	302,749,975
Short-term investments		
EB Temporary Investment Fund	552,299,189	599,311,162
Other	3,224,857	36,179,352
Total investments	$ 8,703,779,351	$ 7,867,011,657

Investment Risk

GASB Statement No. 40, *Deposit and Investment Risk Disclosures,* specifies various disclosure requirements.

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Plan will not be able to recover the value of its investments or collateral securities in the possession of an outside party.

The Plan had no investments that were uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent, but not held in the Plan's name, as of December 31, 2013 and 2012.

NOTE 5. INVESTMENT SUMMARY (CONTINUED)

Investment Risk (continued)

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Plan's investment policy is an average credit quality for each manager's total fixed income portfolio (corporate and U.S. Government holdings) of not less than A- by two out of three credit agencies (Moody's Investor Service, Standard & Poor's and/or Fitch). The following table presents a summarization of the Plan's credit quality ratings of investments at December 31, 2013 and 2012 valued by Moody's Investors Service and/or Standard & Poor's and/or Fitch:

Type of Investment	Rating	2013	2012
U.S. Government and government agency obligations	Aa/AA	$ 1,209,297,481	$ 1,546,677,942
	A/A	-	438,030
	Not Rated	29,138,912	35,171,201
		$ 1,238,436,393	$ 1,582,287,173
Corporate bonds	Aaa/AAA	$ 53,348,040	$ 69,366,232
	Aa/AA	35,626,688	38,426,822
	A/A	168,184,965	225,706,036
	Baa/BBB	371,966,435	332,102,420
	Ba/BB	94,085,501	71,443,307
	B/B	49,725,291	64,964,919
	Caa/CCC	10,604,000	11,283,188
	Ca/CC	30	2,478,442
	D/D	160,107	128,197
	Not Rated	40,204,591	15,981,952
		$ 823,905,648	$ 831,881,515
Commingled fixed income fund	Ba/BB	$ 25,540,920	$ 23,986,193
Short-term investments	Not Rated	$ 555,524,046	$ 635,490,514

NOTE 5. INVESTMENT SUMMARY (CONTINUED)

Investment Risk (continued)

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The Plan's investment policy for duration for each manager's total fixed income portfolio is within plus or minus 30% of the duration for the fixed income performance benchmark (*Barclays Capital Aggregate Fixed Income,* which was 5.55 years at December 31, 2013 and 5.06 years at December 31, 2012). The following table presents a summarization of the Plan's debt investments at December 31, 2013 and 2012, using the segmented time distribution method:

Type of Investment	Maturity	2013	2012
U.S. Government and government agency obligations	Less than 1 year	$ 23,980,353	$ 48,442,275
	1 - 5 years	391,353,559	462,356,799
	6 - 10 years	250,626,869	337,326,616
	Over 10 years	572,475,612	734,161,483
		$ 1,238,436,393	$ 1,582,287,173
Corporate bonds	Less than 1 year	$ 62,771,344	$ 47,474,439
	1 - 5 years	195,435,536	207,323,422
	6 - 10 years	341,280,369	342,037,738
	Over 10 years	224,418,399	235,045,916
		$ 823,905,648	$ 831,881,515
Commingled fixed income fund	1 - 5 years	$ 25,540,920	$ 23,986,193
Short-term investments	Less than 1 year	$ 555,524,046	$ 635,490,514

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The Plan's investment policy limits the amount of investments in foreign equities to 20% of total Plan assets and foreign fixed income obligations to 2.5% of the total Plan assets. The Plan's exposure to foreign currency risk at December 31, 2013 and 2012 is as follows:

NOTE 5. INVESTMENT SUMMARY (CONTINUED)

Investment Risk (continued)

Foreign Currency Risk (continued)

Type of Investment	Fair Value (USD) 2013	Fair Value (USD) 2012
U.S. and international equities		
Australian dollar	$ 68,566,259	$ 57,756,044
Brazil real	24,939,257	20,047,433
British pound sterling	347,166,377	286,555,201
Canadian dollar	74,607,490	60,495,096
Chilean peso	1,065,372	187,375
Colombian peso	139,323	-
Czech koruna	314,807	279,182
Danish krone	24,464,447	13,724,122
Egyptian pound	-	158,767
European euro	429,948,424	295,288,043
Hong Kong dollar	136,891,273	99,137,374
Hungarian forint	517,167	293,397
Indian rupee	5,049,842	2,841,886
Indonesian rupiah	3,966,815	3,382,800
Israeli shekel	1,952,805	1,703,794
Japanese yen	257,287,591	173,988,007
Malaysian ringgit	7,135,342	4,444,531
Mexican peso	12,584,191	8,756,371
Moroccan dirham	-	116,002
New Taiwan dollar	25,984,928	16,751,848
New Turkish lira	2,054,061	-
New Zealand dollar	5,039,721	3,404,939
Norwegian krone	11,320,045	9,232,759
Phillipenes peso	5,144,675	5,045,785
Polish zloty	2,800,878	2,175,151
Singapore dollar	22,467,090	18,810,581
South African rand	14,478,975	8,833,254
South Korean won	52,477,834	36,073,084
Swedish krona	48,186,702	42,872,732
Swiss franc	125,664,922	80,581,702
Thailand baht	9,579,609	9,690,902
Turkish lira	-	1,699,638
U.S. dollar	2,511,438,153	1,871,167,013
Total U.S. and international equities	$ 4,233,234,375	$ 3,135,494,813

NOTE 5. INVESTMENT SUMMARY (CONTINUED)

Investment Risk (continued)

Foreign Currency Risk (continued)

Type of Investment	Fair Value (USD) 2013	Fair Value (USD) 2012
Corporate bonds		
British pound sterling	$ 4,039,262	$ -
European euro	26,291,344	9,269,886
Mexican peso	12,546,072	9,397,946
Philippines peso	2,226,788	1,260,274
U.S. dollar	778,802,182	811,953,409
Total corporate bonds	$ 823,905,648	$ 831,881,515
Private equities		
European euro	$ 1,039,066	$ 856,776
U.S. dollar	60,537,484	55,233,632
Total private equities	$ 61,576,550	$ 56,090,408

For the years ended December 31, 2013 and 2012, net realized gain on investments sold, reflecting the difference between the proceeds received and cost value of securities sold, was $325,150,696 and $215,404,559 respectively. These amounts are included in the net appreciation (depreciation) in fair value of investments as reported on the Combining Statements of Changes in Pension Plan and Postemployment Healthcare Plan Net Position. The calculation of realized gains and losses is independent of the calculation of net appreciation (depreciation) in the fair value of plan investments. Investments purchased in a previous year and sold in the current year result in their realized gains and losses being reported in the current year and their net appreciation (depreciation) in Plan assets being reported in both the current year and the previous years.

NOTE 6. WHEN-ISSUED TRANSACTIONS

The Plan may purchase securities on a when-issued basis, that is, obligate itself to purchase securities with delivery and payment to occur at a later date. At the time the Plan enters into a commitment to purchase the security, the transaction is recorded at purchase price which equals value. The value at delivery may be more or less than the purchase price. No interest accrues to the Plan until delivery and payment takes place. As of December 31, 2013 and 2012, the Plan contracted to acquire securities on a when-issued basis with a total principal amount of $28,700,000 and $33,015,000 respectively.

NOTE 7. DERIVATIVES

The Plan's investment policy permits the use of financial futures for hedging purposes only. Speculation and leveraging of financial futures within the portfolio is prohibited. The Plan uses derivative financial instruments to gain exposure to an asset class, manage portfolio risk or to facilitate international portfolio trading.

A derivative security is a financial contract whose value is based on, or "derived" from, a traditional security, an asset, or a market index. Derivative instruments include forward currency contracts and futures contracts as part of the Plan's investment portfolio.

Derivative transactions involve, to varying degrees, credit risk, interest rate 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 the previously agreed upon terms. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Market risk is the possibility that a change in interest or currency rates will cause the value of a financial instrument to decrease or become more costly to settle.

Forward currency contracts are used to hedge against fluctuations in foreign currency-denominated assets used primarily in portfolio trade settlements. These contracts are a cash contract in which a seller agrees to deliver a specific cash commodity to a buyer sometime in the future. Forward agreements are subject to the creditworthiness of the counterparties, which are principally large financial institutions. Forward currency contracts are reported at fair value in the receivable for securities sold and payable for securities purchased on the Combining Statement of Pension Plan and Postemployment Healthcare Plan Net Position included in investments. The gain or loss on forward currency contracts is recognized and recorded on the Combining Statement of Changes in Pension Plan and Postemployment Healthcare Plan Net Position as part of investment income. The foreign currency contracts are short-term in nature, typically ranging from one week to three months.

The Plan uses futures contracts as an investment vehicle to gain exposure to an asset class with minimal market entry costs to the Plan. At December 31, 2013, the Plan had futures contracts with a fair value of $17,692,797, a notional value of $365,862,258, and a maturity date of March 21, 2014 for all contracts. Comparatively, at December 31, 2012 the Plan had futures contracts with a fair value of $9,843,966 and a notional value of $384,140,094 with maturity dates ranging from January 18, 2013 through March 21, 2013.

Futures contracts are reported at fair value in the equity investments on the Combining Statement of Pension Plan and Postemployment Healthcare Plan Net Position. The gain or loss on futures contracts is reported as part of investment income on the Combining Statement of Changes in Pension Plan and Postemployment Healthcare Plan Net Position. See Note 5 for investment risk for the Plan's equity investments.

NOTE 7. DERIVATIVES (CONTINUED)

The Plan's portfolio includes the following derivative instruments at December 31, 2013 and 2012:

	2013	2012
Hedging derivative instruments		
Forward currency contract receivables	$ 89,384,634	$ 210,837,236
Forward currency contract payable	(88,987,015)	(211,339,312)
Total hedging derivative instruments	397,619	(502,076)
Investment derivative instruments		
U.S. Equity Index Futures Contracts	17,530,027	7,454,825
International Equity Index Futures Contracts	162,770	2,389,141
Total investment derivative instruments	17,692,797	9,843,966
Total	$ 18,090,416	$ 9,341,890

For the years ended December 31, 2013 and 2012, the change in fair value of the deferred inflows and outflows of the foreign currency contracts was not material to these financial statements.

NOTE 8. SECURITIES LENDING

State Statutes and the investment policy permit the Plan to lend its securities to broker-dealers and other entities with a simultaneous agreement to return collateral for the same securities in the future. The Plan's custodian, acting as the lending agent, lends securities for collateral in the form of cash, U.S. Government obligations and irrevocable letters of credit equal to 102% of the fair value of domestic securities plus accrued interest and 105% of the fair value of foreign securities plus accrued interest.

The Plan does not have the right to sell or pledge securities received as collateral unless the borrower defaults. The average term of securities loaned was 120 days for 2013 and 80 days for 2012; however, any loan may be terminated on demand by either the Plan or the borrower. Cash collateral was invested in a separately managed portfolio, which had an average weighted maturity at December 31, 2013 and 2012 of 68 and 73 days, respectively.

NOTE 8. SECURITIES LENDING (CONTINUED)

As of December 31, 2013 and 2012, the fair value (carrying amount) of loaned securities was $1,460,678,145 and $729,714,627 respectively. As of December 31, 2013 and 2012, the fair value (carrying amount) of cash collateral received by the Plan was $1,296,354,976 and $512,631,466 respectively. The cash collateral is included as an asset and a corresponding liability on the combining statements of pension plan and postemployment healthcare plan net position. As of December 31, 2013 and 2012, the fair value (carrying amount) of non-cash collateral received by the Plan was $200,236,534 and $235,494,187 respectively.

Although the Plan's securities lending activities are collateralized as described above, they involve both market and credit risk. In this context, market risk refers to the possibility that the borrower of securities will be unable to collateralize the loan upon a sudden material change in the fair value of the loaned securities. Credit risk refers to the possibility that counterparties involved in the securities lending program may fail to perform in accordance with the terms of their contracts.

Indemnification deals with the situation in which a client's securities are not returned due to the insolvency of a borrower. The contract with the lending agent requires indemnification to the Plan if borrowers fail to return the securities or fail to pay the Plan for income distributions by the issuers of securities while the securities are on loan.

During 2013 and 2012, there were no losses due to default of a borrower or the lending agent.

A summary of securities loaned at fair value as of December 31:

	2013	2012
Securities loaned - cash collateral		
U.S. and international equities	$ 558,921,925	$ 251,417,427
U.S. Government and government agency obligations	348,629,295	68,436,815
Exchange traded funds	267,097,397	143,576,006
Corporate bonds	89,869,602	35,569,401
Total securities loaned - cash collateral	1,264,518,219	498,999,649
Securities loaned - non-cash collateral		
U.S. Government and government agency obligations	196,159,926	230,714,978
Total	$ 1,460,678,145	$ 729,714,627

NOTE 9. COMMITMENTS

As of December 31, 2013, the Plan had capital commitments of approximately $170,740,000 for various limited partnership and private equity investments.

NOTE 10. POSTEMPLOYMENT GROUP HEALTHCARE BENEFIT PLAN

Plan Description

The Plan administers a Postemployment Group Healthcare Benefit Plan (PGHBP), which is a single-employer defined benefit postemployment health plan. PGHBP provides a healthcare premium subsidy to annuitants who elect to participate in PGHBP. The Plan is currently allowed, in accordance with State Statutes, to pay all or a portion of medical insurance premiums for the annuitants. Presently, the Plan subsidizes approximately 54% and 69% of the monthly premiums for employee and spouse annuitants, respectively. The remaining premium cost is borne by the annuitant.

PGHBP is administered in accordance with Chapter 40, Article 5/9 of the Illinois Compiled Statutes, which assigns the authority to establish and amend benefit provisions to the Plan's Board of Trustees.

At December 31, 2013 and 2012, the number of annuitants and surviving spouses whose cost to participate in the program was subsidized, totaled 8,536 and 8,179 respectively.

The Plan's employees are also participants in the PGHBP. The Plan had 29 and 27 employees at December 31, 2013 and 2012, respectively. During years ended December 31, 2013 and 2012, the Plan paid healthcare premiums for 8 retired Plan employees, both years. For active and retired Plan employees, the actuarially determined liability under GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions,* is included in the total actuarial liability and related GASB Statement No. 43 disclosure.

Summary of Significant Accounting Policies

Method of Accounting - PGHBP's financial statements have been combined with the Plan's financial statements and are presented using the accrual basis of accounting. The Plan considers the premium subsidy an additional retirement benefit, with no contribution rate or asset allocation associated with it. The cost for postemployment group healthcare benefits is approximately equal to the premium subsidy. Actual costs may differ based on claims experience. Healthcare premium subsidies are recognized when due and payable.

Contributions - The Plan funds PGHBP on a "pay-as-you-go" basis.

Administrative Costs - Administrative costs associated with PGHBP are paid by the Plan's employer contributions.

Health Care Cost Trend Rates - 7.0% in the first year (7.5% in the first year for 2012), decreasing by .5% per year until an ultimate rate of 5.0% is reached.

Inflation Rate Assumption - 3.25% per year for 2013 and 3.00% per year for 2012.

NOTE 10. POSTEMPLOYMENT GROUP HEALTHCARE BENEFIT PLAN (CONTINUED)

Summary of Significant Accounting Policies (continued)

Actuarial Valuations - Actuarial valuations of the Plan involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Actuarial calculations of the Plan reflect a long-term perspective and are based on the benefits provided under the terms of the Plan in effect at the time of each valuation and on the historical pattern of sharing of costs between the employer and Plan members to that point.

Funded Status and Funding Progress

As of December 31, 2013, the most recent actuarial valuation date, the PGHBP was 0% funded on an actuarial basis. The actuarial accrued liability for benefits was $1,978,767,490 and the actuarial value of assets was $0, resulting in an unfunded actuarial accrued liability (UAAL) of $1,978,767,490. The covered payroll (annual payroll of active employees covered by the Plan) was $1,484,269,715 and the ratio of the UAAL to the covered payroll was 133.32%.

The Schedule of Funding Progress, presented as Required Supplementary Information (RSI) following the notes to the financial statements, presents multi-year trend information about whether the actuarial values of the Plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

NOTE 11. RELATED PARTY TRANSACTIONS

The Plan has common Trustees and shares office space with the Forest Preserve District Employees' Annuity and Benefit Fund of Cook County (Forest Fund) who reimburses the Plan for shared administrative services provided by the Plan. During the years ended December 31, 2013 and 2012, the Plan allocated administrative expenditures of $77,799 and $69,653 respectively to the Forest Fund.

As of December 31, 2013 and 2012, the Forest Fund owes the Plan $462,893 and $635,820 respectively. These amounts include plan transfers of Plan members transferring from one plan to another.

NOTE 12. LEASE AGREEMENTS

The Plan leases its office facility under a fifteen year lease arrangement in effect through June 1, 2022. The lease calls for annual adjustments on the anniversary date of the commencement of the lease. Rent expense under this lease, net of rent abatements for the years ended December 31, 2013 and 2012, was $381,013 and $372,581 respectively.

The following is a schedule by year of the future minimum rental payments required under the noncancelable lease terms of this operating lease:

Year ending December 31,	
2014	$ 394,510
2015	404,372
2016	414,482
2017	424,844
2018	435,465
2019	446,352
2020	457,510
2021	468,948
2022	197,401
	$ 3,643,884

NOTE 13. PRONOUNCEMENTS ISSUED NOT YET EFFECTIVE

In June 2012, GASB issued Statement No. 67, *Financial Reporting for Pension Plans*. This Statement replaces the requirements of Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans* and Statement No. 50, *Pension Disclosures,* as they relate to pension plans that are administered through trusts or similar arrangements meeting certain criteria. For defined benefit plans, Statement No. 67 establishes standards of financial reporting for separately issued financial reports and specifies the required approach to measuring the pension liability of employer and nonemployer contributing entities for benefits provided through the pension plan. Statement No. 67 also enhances footnote disclosures and required supplementary information for pension plans. Statement No. 67 is effective for the Plan's fiscal year ending December 31, 2014.

In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*. This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers* and Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or similar arrangements that meet certain criteria. Statement No. 68 details the recognition and disclosure requirements for employers with liabilities to a defined benefit pension plan and for employer whose employees are provided with defined contribution pensions. Statement No. 68 is effective for the Plan's fiscal year ending December 31, 2015.

NOTE 13. PRONOUNCEMENTS ISSUED NOT YET EFFECTIVE (CONTINUED)

In January 2013, GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations,* which establishes accounting and financial reporting standards related to government combinations and disposals of government operations. This Statement requires disclosures to be made about government combinations and disposals of government operations to enable financial statement users to evaluate the nature and financial effects of those transactions. Statement No. 69 is effective for the Plan's fiscal year ending December 31, 2014.

In April 2013, GASB issued Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. This Statement requires a state and local government grantor that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data indicate that it is more likely than not the government will be required to make a payment on the guarantee. Statement No. 70 is effective for the Plan's fiscal year ending December 31, 2014.

In November 2013, GASB issued Statement No. 71, *Pension Transition for Contributions made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68*. This statement requires that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement No. 71 is effective for the Fund's fiscal year ending December 31, 2015.

The Plan is currently evaluating the impact of adopting the above GASB Statements.

REQUIRED SUPPLEMENTARY INFORMATION

County Employees' and Officers' Annuity and Benefit Fund of Cook County

Required Supplementary Information

Schedule of Funding Progress

Year Ended December 31,		Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/c
Pension Benefits							
2008		$ 8,036,074,797	$ 10,097,027,865	$ 2,060,953,068	79.59%	$ 1,463,372,408	140.84%
2009	(1)	$ 7,945,567,096	$ 11,489,081,298	$ 3,543,514,202	69.16%	$ 1,498,161,713	236.52%
2010		$ 7,982,368,659	$ 12,023,222,885	$ 4,040,854,226	66.39%	$ 1,494,093,569	270.46%
2011		$ 7,897,102,116	$ 12,628,274,561	$ 4,731,172,445	62.54%	$ 1,456,444,123	324.84%
2012		$ 7,833,882,926	$ 13,418,486,943	$ 5,584,604,017	58.38%	$ 1,478,253,368	377.78%
2013	(1)	$ 8,381,444,287	$ 13,636,576,177	$ 5,255,131,890	61.46%	$ 1,484,269,715	354.06%
Postemployment Group Health Benefit Plan (PGHBP)							
2008		$ -	$ 1,448,828,756	$ 1,448,828,756	0.00%	$ 1,463,372,408	99.01%
2009	(1)	$ -	$ 1,686,872,018	$ 1,686,872,018	0.00%	$ 1,498,161,713	112.60%
2010		$ -	$ 1,724,622,462	$ 1,724,622,462	0.00%	$ 1,494,093,569	115.43%
2011		$ -	$ 1,678,571,388	$ 1,678,571,388	0.00%	$ 1,456,444,123	115.25%
2012		$ -	$ 1,845,609,132	$ 1,845,609,132	0.00%	$ 1,478,253,368	124.85%
2013	(1)	$ -	$ 1,978,767,490	$ 1,978,767,490	0.00%	$ 1,484,269,715	133.32%
Changes in Actuarial Assumptions (3)							
2008	(2)	$ -	$ (472,675,272)	$ (472,675,272)	0.00%		
2009	(2)	$ -	$ (600,437,567)	$ (600,437,567)	0.00%		
2010	(2)	$ -	$ (605,708,172)	$ (605,708,172)	0.00%		
2011	(2)	$ -	$ (582,833,550)	$ (582,833,550)	0.00%		
2012	(2)	$ -	$ (633,845,120)	$ (633,845,120)	0.00%		
2013	(2)	$ -	$ (803,255,990)	$ (803,255,990)	0.00%		
Combined (3)							
2008		$ 8,036,074,797	$ 11,073,181,349	$ 3,037,106,552	72.57%	$ 1,463,372,408	207.54%
2009	(1)	$ 7,945,567,096	$ 12,575,515,749	$ 4,629,948,653	63.18%	$ 1,498,161,713	309.04%
2010		$ 7,982,368,659	$ 13,142,137,175	$ 5,159,768,516	60.74%	$ 1,494,093,569	345.34%
2011		$ 7,897,102,116	$ 13,724,012,399	$ 5,826,910,283	57.54%	$ 1,456,444,123	400.08%
2012		$ 7,833,882,926	$ 14,630,250,955	$ 6,796,368,029	53.55%	$ 1,478,253,368	459.76%
2013	(1)	$ 8,381,444,287	$ 14,812,087,677	$ 6,430,643,390	56.59%	$ 1,484,269,715	433.25%

(1) = Change in actuarial assumption.

(2) = Due to a change in the interest rate assumption for the PGHBP (pension benefits and combined reports - 7.5%, PGHBP - 4.5%).

(3) = The presentation of this information in this format is not needed for purposes of completing Required Supplementary Information. The Illinois Pension Code which is the Plan's governing statute, requires that the Plan provide such information as presented here. See Article Nine, Illinois Pension Code.

See notes to required supplementary information.

County Employees' and Officers' Annuity and Benefit Fund of Cook County

Required Supplementary Information

Schedule of Employer Contributions

Year Ended December 31,		Annual Required Contribution (ARC) (a)	Required Statutory Basis (1) (b)	Employer Contributions (2) (c)	Percent of ARC Contributed (c/a)
Pension Benefits					
2008		$ 283,892,734	$ 180,817,908	$ 150,227,360	52.92%
2009		$ 352,850,988	$ 183,808,380	$ 152,506,089	43.22%
2010		$ 454,327,461	$ 186,360,878	$ 144,539,577	31.81%
2011		$ 493,724,370	$ 190,901,487	$ 160,652,118	32.54%
2012		$ 540,218,287	$ 193,372,210	$ 152,734,539	28.27%
2013		$ 595,370,046	$ 190,575,229	$ 147,720,014	24.81%
Postemployment Group Health Benefit Plan (PGHBP)					
2008		$ 169,823,905	$ -	$ 37,781,310	22.25%
2009		$ 157,964,519	$ -	$ 35,779,228	22.65%
2010		$ 163,823,488	$ -	$ 40,183,057	24.53%
2011		$ 165,176,771	$ -	$ 38,185,306	23.12%
2012		$ 156,700,388	$ -	$ 37,986,237	24.24%
2013		$ 178,698,965	$ -	$ 40,097,630	22.44%
Changes in Actuarial Assumptions (4)					
2008	(3)	$ (47,090,866)	$ -		
2009	(3)	$ (42,633,564)	$ -		
2010	(3)	$ (45,832,565)	$ -		
2011	(3)	$ (44,948,293)	$ -		
2012	(3)	$ (41,118,575)	$ -		
2013	(3)	$ (54,178,954)	$ -		
Combined (4)					
2008		$ 406,625,773	$ 180,817,908	$ 188,008,670	46.24%
2009		$ 468,181,943	$ 183,808,380	$ 188,285,317	40.22%
2010		$ 572,318,384	$ 186,360,878	$ 184,722,634	32.28%
2011		$ 613,952,848	$ 190,901,487	$ 198,837,424	32.39%
2012		$ 655,800,100	$ 193,372,210	$ 190,720,776	29.08%
2013		$ 719,890,057	$ 190,575,229	$ 187,817,644	26.09%

(1) = Tax levy after 3.0% overall loss.
(2) = Includes employer federal subsidized programs.
(3) = Due to a change in the interest rate assumption for the PGHBP (pension benefits and combined reports - 7.5%, PGHBP - 4.5%).
(4) = The presentation of this information in this format is not needed for purposes of completing Required Supplementary Information. The Illinois Pension Code which is the Plan's governing statute, requires that the Plan provide such information as presented here. See Article Nine, Illinois Pension Code.

See notes to required supplementary information.

REQUIRED SUPPLEMENTARY INFORMATION

NOTES TO SCHEDULE OF FUNDING PROGRESS AND SCHEDULE OF EMPLOYER CONTRIBUTIONS

The information presented in the required supplementary information was determined as part of the actuarial valuation at the date indicated. Additional information as of the latest actuarial valuation follows:

Valuation date	December 31, 2013
Actuarial cost method	Entry Age Normal
Amortization method	Level Dollar - Open
Amortization period	30 years
Asset valuation method	Five Year Smoothed Average Market
Actuarial assumptions	
Investment rate of return	
Pension benefits	7.5% per year, compounded annually
Retiree health insurance plan	4.5% per year, compounded annually
Combined	7.5% per year, compounded annually
Projected salary increases	2013 - 3.75% to 8.00%, based on age 2012 - 5.00%
Inflation	2013 - 3.25% per year, compounded annually 2012 - 3.00% per year, compounded annually
Postretirement benefit increases	Tier 1 participants - 3.0% compounded annually Tier 2 participants - the lesser of 3.0% or one half of the increase in the Consumer Price Index
Medical trend rate	2013 - 7.0% in the first year, decreasing by .5% per year until an ultimate rate of 5.0% is reached. 2012 - 7.5% in the first year, decreasing by .5% per year until an ultimate rate of 5.0% is reached.
Mortality rates	2013 - RP-2000 Blue Collar Mortality Table, base year 2000, fully generational based on Scale BB 2012 - UP-1994 Mortality Table for Males, rated down 2years, UP-1994 Mortality Table for Females, rated down 1 year
Retirement age assumptions	Based on actual past experience assume all employees retire by age 75

SUPPLEMENTARY INFORMATION

County Employees' and Officers' Annuity and Benefit Fund of Cook County

Schedules of Net Administrative Expenses and Professional and Consulting Fees

Years Ended December 31, 2013 and 2012

	2013	2012
Administrative expenses		
Bank charges	$ 29,692	$ 31,312
Document imaging	227,989	50,150
Election expense	109,796	153,890
Employee benefits	417,175	452,410
Insurance - fidelity, fiduciary and liability	114,761	117,358
Maintenance of equipment, systems, software and support	271,338	487,032
Membership, conference and training	19,495	24,596
Office expense	97,840	79,963
Postage	104,996	79,962
Printing and stationery	73,556	69,669
Professional and consulting fees	389,285	348,987
Recovery site expense	35,359	36,485
Regulatory filing fees	8,000	8,000
Rent	381,013	372,581
Salaries	2,108,679	2,046,968
Utilities	13,459	13,643
Total	4,402,433	4,373,006
Less administrative expenses allocated to Forest Preserve District Employees' Annuity and Benefit Fund of Cook County	(77,799)	(69,653)
Net administrative expenses	$ 4,324,634	$ 4,303,353
Professional and consulting fees		
Actuarial service	$ 126,182	$ 95,516
Audit	40,183	106,619
Consulting	122,583	50,770
Legal	76,509	72,157
Lobbyist	23,828	23,925
Total	$ 389,285	$ 348,987

COUNTY EMPLOYEES' AND OFFICERS' ANNUITY AND BENEFIT FUND OF COOK COUNTY

SCHEDULES OF INVESTMENT EXPENSES

YEARS ENDED DECEMBER 31, 2013 AND 2012

	2013	2012
INVESTMENT MANAGER EXPENSE		
Amalgamated Bank of Chicago	$ -	$ 54,364
American Realty Advisors	682,476	630,360
Blackstone Alternative Asset Management	3,802,596	1,742,527
Capri Capital Partners	330,021	376,044
CBRE Global Investors	182,206	45,658
Channing Capital Management	961,801	717,490
Chicago Equity Partners	406,030	414,169
Cozad Asset Management, Inc.	255,077	254,869
Credit Suisse Securities	65,696	72,660
Diversified Global Asset Management	1,950,095	477,131
Evercore Partners	-	21,116
Evergreen Venture Partners	11,030	26,967
Fiduciary Management Associates	572,866	477,708
Fortaleza Asset Management, Inc.	108,027	102,970
Franklin Templeton Investments	1,712,470	1,420,409
Frontier Capital Management	755,609	582,008
Great Lakes Advisors, Inc.	331,871	315,319
Herndon Capital Management	332,443	290,711
J.P. Morgan Asset Management	1,530,764	1,000,133
John Buck Company	96,728	92,045
Killian Capital Management	173,437	154,264
LaSalle Investment Management	583,767	-
Lazard Asset Management, LLC	542,307	451,156
Lightspeed Venture Partners	19,815	52,629
LM Capital Group, LLC	444,018	443,990
Loomis Sayles & Company, LP	764,351	644,219
MacKay Shields	784,301	649,306
Mellon Capital	143,276	166,196
Mesirow Financial	351,073	152,100
Mondrian Investment Partners, Ltd.	849,296	731,852
Morgan Stanley	-	28,675

COUNTY EMPLOYEES' AND OFFICERS' ANNUITY AND BENEFIT FUND OF COOK COUNTY

SCHEDULES OF INVESTMENT EXPENSES

YEARS ENDED DECEMBER 31, 2013 AND 2012

	2013	2012
INVESTMENT MANAGER EXPENSE (CONTINUED)		
Muller and Monroe Asset Management	$ 15,610	$ 17,818
NCM Capital	345,036	330,917
New Century Investment Management	397,841	367,053
Opus Capital Group	7,455	19,392
Pacific Venture Group	25,601	46,252
Progress Investment Management	1,407,683	1,158,699
Prudential Real Estate Investors	671,845	142,419
RhumbLine Advisers	105,543	90,344
Robeco Investment Management	96,650	285,085
Russell Implementation Services, Inc.	831,660	1,026,664
SPC Capital Management	100,000	100,000
State Street Global Advisors	312,374	250,799
The Rock Creek Group	1,196,907	364,212
Thornburg Investment Management	1,133,340	1,037,626
TIAA-CREF	682,615	627,546
Trident Capital	42,029	63,528
Wells Capital Management	151,440	-
William Blair & Company	734,527	595,758
	27,001,603	19,113,157
INVESTMENT CONSULTING FEES		
Callan Associates Inc.	370,154	364,799
INVESTMENT CUSTODIAN FEES		
BNY Mellon	151,723	147,630
Total investment expenses	$ 27,523,480	$ 19,625,586

County Employees' and Officers' Annuity and Benefit Fund of Cook County

Additions By Source

Year Ended December 31,	Employer Contributions	Employee Contributions	Net Investment and Net Securities Lending Income (Loss) (1)	Other (2)	Total Additions
2008	$183,916,221	$123,776,705	$(1,858,853,846)	$ 7,081,386	$ (1,544,079,534)
2009	$183,713,870	$127,795,881	$ 1,013,615,250	$11,741,894	$ 1,336,866,895
2010	$181,509,323	$129,449,866	$ 832,882,639	$12,966,051	$ 1,156,807,879
2011	$195,337,621	$127,577,473	$ 82,701,033	$17,614,316	$ 423,230,443
2012	$190,720,776	$128,869,508	$ 887,687,519	$10,190,689	$ 1,217,468,492
2013	$187,817,644	$127,593,220	$ 1,179,440,119	$ 8,547,729	$ 1,503,398,712

Deductions By Type

Year Ended December 31,	Benefits	Refunds	Net Administrative Expenses	Total Deductions
2008	$427,453,465	$ 24,724,102	$ 4,172,536	$ 456,350,103
2009	$452,007,855	$ 20,404,911	$ 4,248,287	$ 476,661,053
2010	$482,523,408	$ 25,041,818	$ 4,074,955	$ 511,640,181
2011	$523,396,627	$ 29,165,335	$ 4,078,843	$ 556,640,805
2012	$561,391,035	$ 33,081,726	$ 4,303,353	$ 598,776,114
2013	$601,770,020	$ 29,873,030	$ 4,324,634	$ 635,967,684

1 - Includes realized and unrealized net gain or loss on investments and net securities lending income.

2 - Includes employer federal subsidized programs, Medicare Part D, prescription/repayment plan rebates and miscellaneous income. Early Retirement Reinsurance Program is included in 2011 and 2012.

County Employees' and Officers' Annuity and Benefit Fund of Cook County

Schedule of Employer Contributions Receivable

December 31, 2013

Levy Year	Contributions Receivable	Uncollected Balance	Reserve for Loss and Costs	Net Contributions Receivable
2012	$ 196,139,483	$ 26,939,009	$ 5,076,356	$ 21,862,653
2013	$ 192,969,505	192,969,505	5,520,452	187,449,053
		$ 219,908,514	$ 10,596,808	$ 209,311,706

Note:

Employer contributions are funded primarily through a County tax levy.

Uncollected employer contributions for the 2011 and prior levy years are fully reserved.