

Forest Preserve District Employees' Annuity and Benefit Fund of Cook County

A Component Unit of the Forest Preserve District of Cook County, Illinois



Popular Annual Financial Report

For the Fiscal Year Ended December 31, 2017

Published September 2018



► Overview

The Forest Preserve District Pension Fund (“the fund” or “the plan”) administers retirement, survivor, retiree health, and disability benefits to employees and retirees of Cook County and the Forest Preserve District. We are pleased to present the Forest Preserve plan’s Popular Annual Financial Report (PAFR) for the fiscal year ended December 31, 2017. This is a user-friendly companion to the Forest Preserve plan’s Comprehensive Annual Financial Report (CAFR), making the plan’s finances transparent to all members and constituents. The information is compiled from the December 31, 2017 CAFR, which can be found at CookCountyPension.com.

About the Retirement Board

The plan is governed by a nine-member Retirement Board (“the Board”), four of whom are elected by the employees of Cook County and the Forest Preserve District, three who are elected by the annuitants of Cook County and the Forest Preserve District, and two who are ex officio seats appointed by the Comptroller and Treasurer of Cook County. The appointed trustees serve for a term of two years. Elected trustees serve staggered three-year terms, so that no more than three positions are subject to election each year.

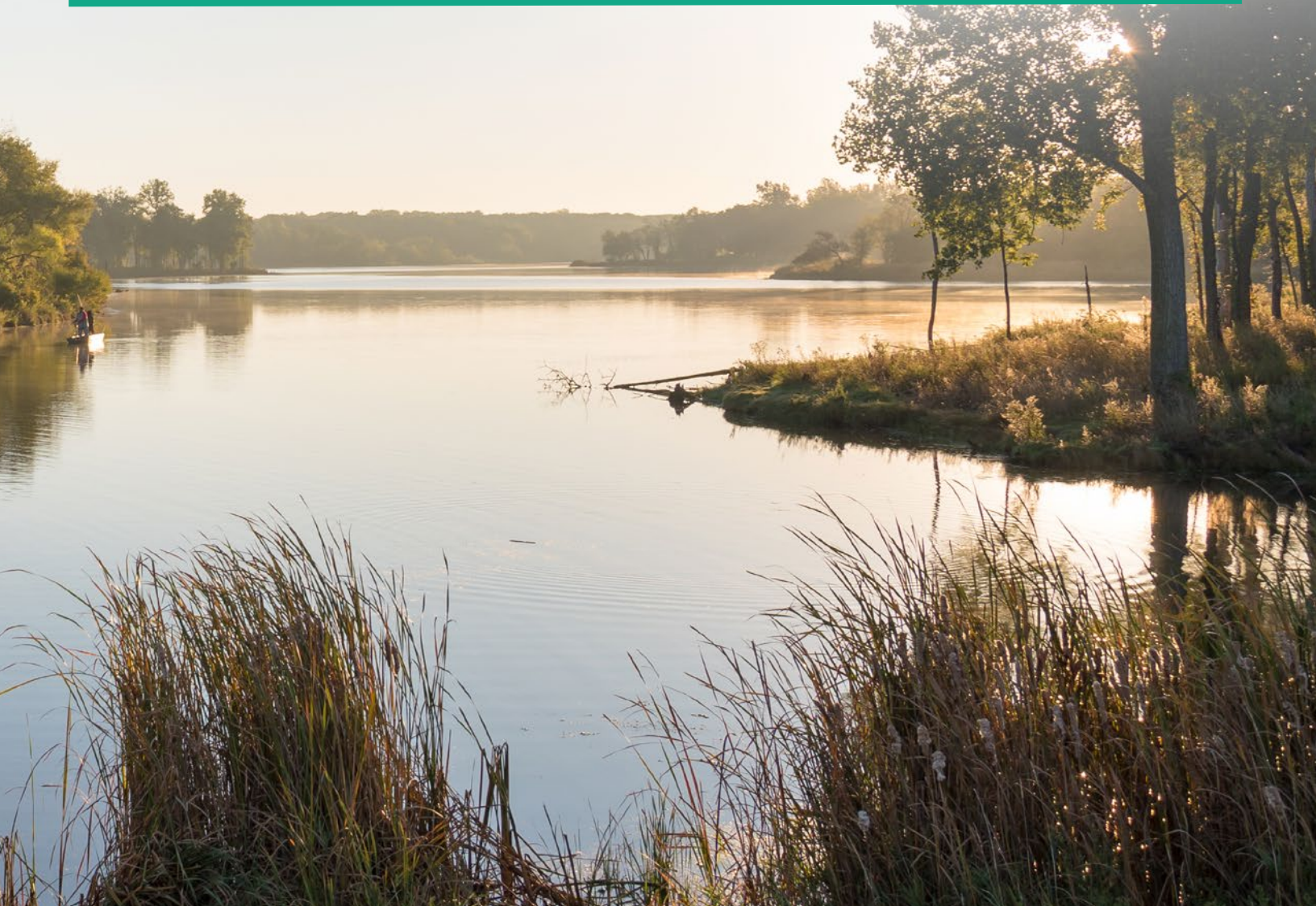
A trustee was elected for a Cook County annuitant seat in the 2017 Retirement Board Election. Kevin Ochalla was elected to his first term on the Board.



► Overview

Fund Highlights

	2017	2016
Active Employees	548	572
Retirees & Beneficiaries	527	530
Actuarial Value of Assets	\$204.3 Million	\$198.2 Million
Fair Value of Assets	\$210.4 Million	\$191.2 Million
Employer Contributions	\$3.5 Million	\$3.4 Million
Employee Contributions	\$3.3 Million	\$3.2 Million
Funded Ratio	61.7%	60.0%
Projected Insolvency Date	2040	2042



► Members

The plan had a total membership of 2,440 participants, which included active employees, annuitants, beneficiaries, and inactive members on December 31, 2017.

Members					
	2013	2014	2015	2016	2017
Active Employees	534	525	568	572	548
Retirees	378	384	383	378	381
Beneficiaries	153	151	146	152	146
Inactives	1,122	1,186	1,149	1,296	1,365
Total	2,187	2,246	2,246	2,398	2,440

Breakdown of Annuitant Pension Amount

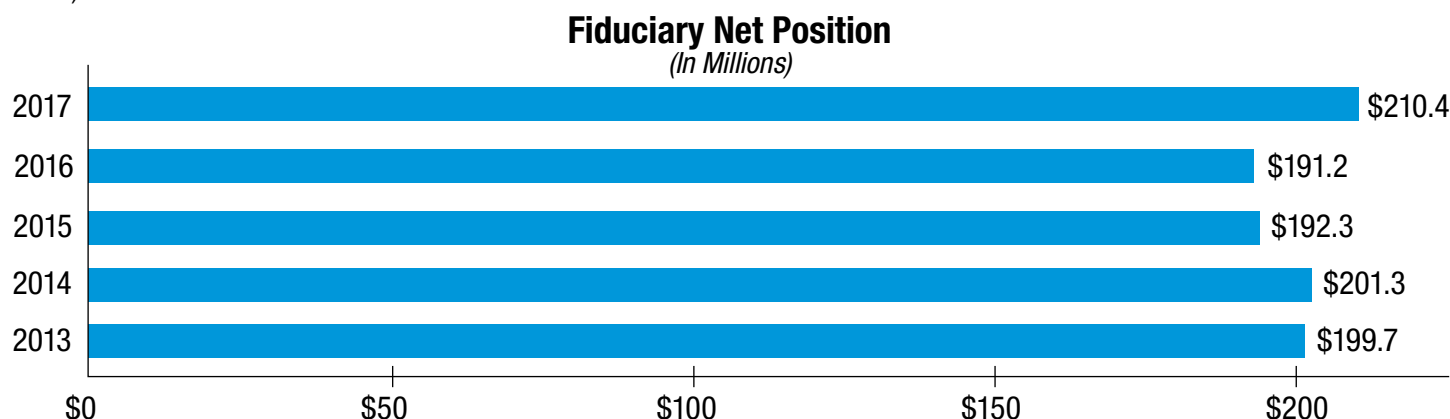
The typical Forest Preserve District annuitant receives a modest benefit earned after decades of service. In 2017, the average annuity benefit was \$30,566 and the average annuitant age was 72 years old.

Annuitants by Pension Amount		
Amount of Annual Pension Benefit	Number of Retired Members and Beneficiaries	%
Under \$6,000	67	13%
\$6,001-12,000	69	13
\$12,001-18,000	55	10
\$18,001-30,000	98	19
\$30,001-42,000	95	18
\$42,001-60,000	79	15
\$60,001-78,000	48	9
Over \$78,001	16	3
Total	527	100.0%

► Funding

Fiduciary Net Position

The plan's fiduciary net position was \$210.4 million, as of December 31, 2017. That was a decrease of \$19.2 million, or 10.0%, from 2016.



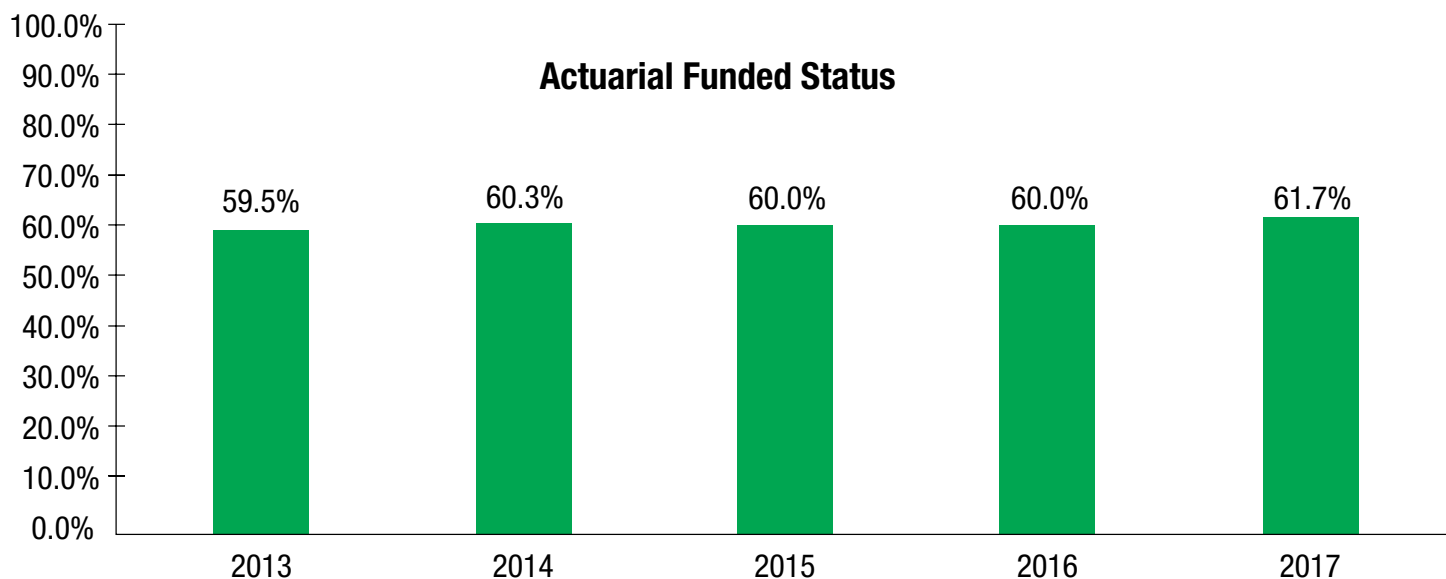
Actuarial Funded Status

The funded status is a measure to determine the financial strength of the plan as of the valuation date. It is determined as a ratio of the actuarial value of assets divided by the total actuarial accrued liability on the valuation date. A ratio of over 100% represents a pension fund that is fully funded, and a ratio of less than 100% represents a pension fund that is underfunded on the valuation date.

In early 2018, the Board conducted a study of the actuarial assumptions used to produce the Forest Preserve Fund's valuation. After comparing the actuary's assumptions on factors such as member mortality, salary increases, and the plan's expected rate of return, with the plan's actual experience, the Board adopted changes to the assumptions including the expected rate of return - reducing it from 7.50% to 7.25% to reflect more conservative expectations of the market. The net impact of the assumption changes combined with strong asset growth resulted in an improved status for the plan.

As of December 31, 2017, the funded status of the plan was 61.7% - a 1.7% increase from the 2016 funded status of 60.0%.

Where presented, references to "funded ratio" and "unfunded accrued liability" are typically measured on an actuarial value of assets basis. It should be noted that the same measurements using fair value of assets would result in different funded ratios and unfunded accrued liabilities.

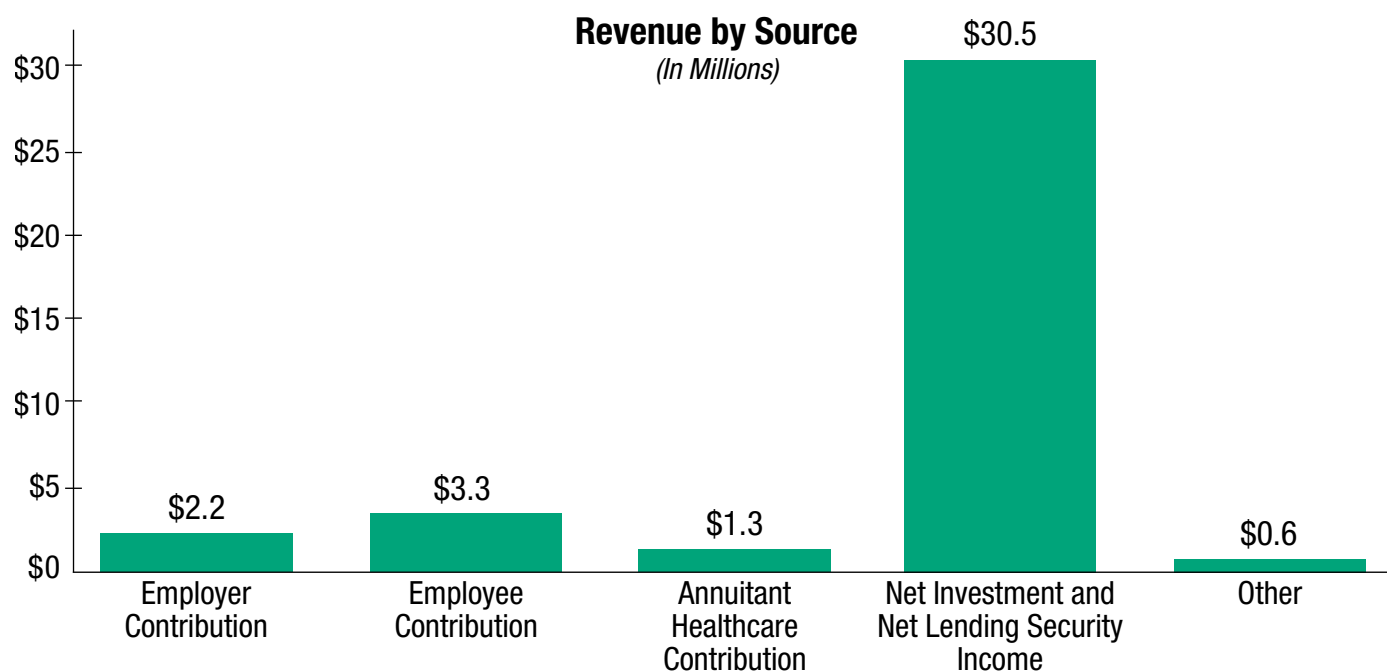


► Revenue and Expenses

Revenue

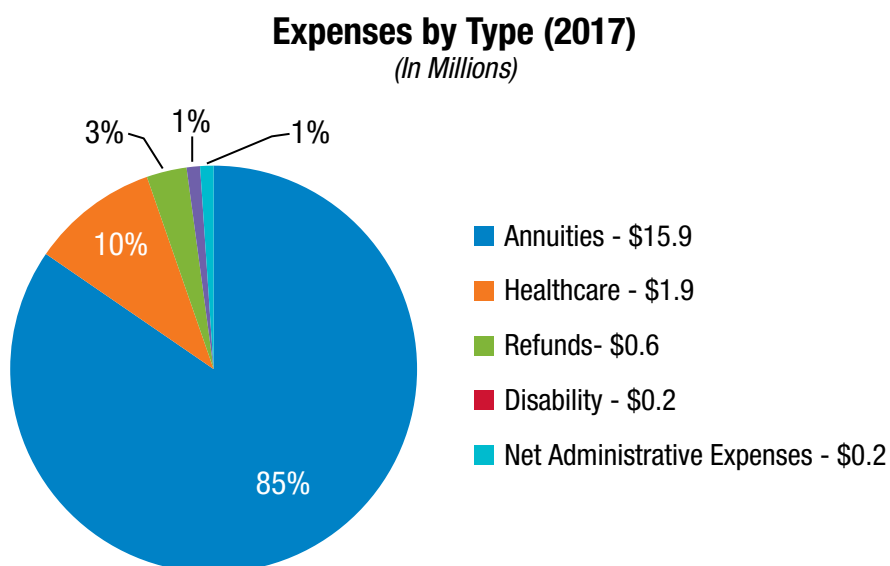
The plan receives income primarily from employee and employer contributions as well as investment earnings. For 2017, revenue totaled \$37.9 million. Employer contributions represented 8.7% of the total revenue, employee contributions – 9.2%, annuitant healthcare contributions – 3.4%, and net investment and net security income – 80.5%.

Employee & Employer Pension Contributions	
Employee	Employer
8.5% of Annual Salary	1.3x Employee Contribution collected over 2 years
2017 Contributions: \$3.3 Million	2017 Contributions: \$3.5 Million
2016 Contributions: \$3.2 Million	2016 Contributions: \$3.4 Million



Expenses

The plan's expenses include annuity, disability, and retiree health benefits, refunds to members and the cost to administer the plan's benefit system. In 2017, the plan's expenses totaled \$18.8 million. Of that, approximately \$15.9 million was paid in annuity benefits, \$0.2 million in disability benefits, and \$1.9 million in health benefits.



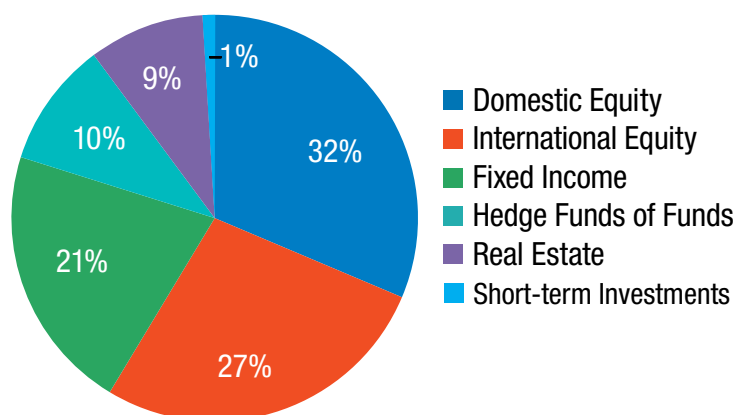
► Investments

The plan's investment strategy for employer and employee contributions for asset growth is crucial to supporting member benefits. Together, the plan's investment staff, an outside investment consultant and the Retirement Board oversee an investment strategy that is well-diversified, responsible, and has the interests of the plan's members always at the forefront. Tasked with determining how investments are made, the Board reviews the plan's target allocation each year. Research shows that this type of approach is a strong driver of how well investments perform over a long-term period.

In 2017, the plan's investment portfolio experienced strong performance, returning 16.6%, net of fees. As of December 31, 2017, total invested assets for the plan were valued at \$207.1 million, an increase of \$19.2 million from 2016. Strategic allocations to asset classes as well as manager selection were key contributors to the growth in assets.

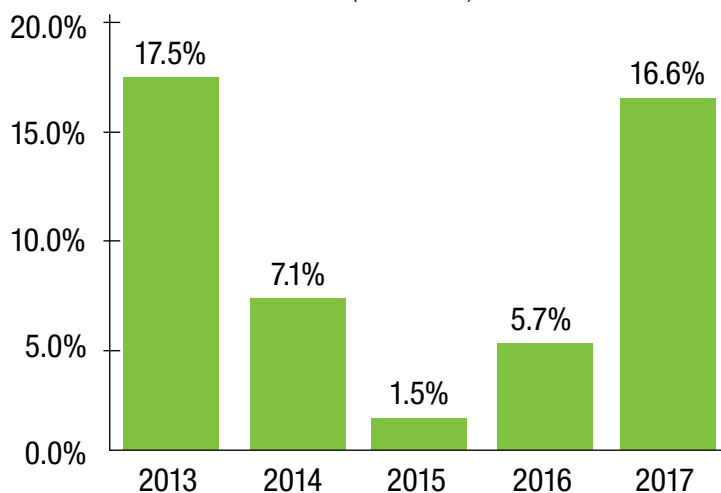
Although investments have been helpful in supporting benefit payments, investment returns are not sustainable solution to address the Forest Preserve plan's funding challenges.

Target Asset Allocation



Investment Rate of Return

(Net of Fees)



Investment Portfolio as of December 31, 2017

(In Millions)

Asset Class	Fair Value	Allocation
Domestic Equity	\$69.7	34%
International Equity	57.4	28%
Fixed Income	35.1	17%
Real Estate	17.8	9%
Hedge Funds-of-Funds	21.7	10%
Short Term Investments	5.6	3%
Total Investments	\$207.1	100%

► Heath Benefits Overview

The healthcare plan is composed of annuitants (and their surviving spouses and dependent children) who have last worked for Cook County or the Forest Preserve District and meet eligibility criteria. The healthcare plan is self-insured—there is no underlying health insurance contract.

In coordination with the Cook County plan, the combined plan participates in a city agencies coalition for negotiating pharmacy benefits management and CVS/Caremark is the contract holder. During 2017, the Forest Preserve plan received \$0.2 million in drug rebates and \$0.4 million in Retiree Drug Subsidy funds from Medicare. Medical and pharmacy expenses are subsidized based on the discretion of the Board. In 2017, the subsidy of total medical and pharmaceutical costs for annuitants and surviving spouses remained unchanged. Members are able to insure their dependents at the same cost-share percentage.

One Year In: EGWP Prescription Drug Coverage for Medicare-eligible Members

As the annuitant membership grows, the plan continually reviews its efforts to maintain quality member services while managing costs. Following the introduction of the Employer Group Waiver Plan (EGWP) to address rising prescription drug costs associated with the retiree health benefit, Medicare-eligible members were automatically enrolled in a prescription drug plan administered by SilverScript, beginning January 1, 2017.

The following is an overview of healthcare benefits costs for the years ended December 31, 2017 and 2016.

CCPF's Retiree Healthcare Costs

in Millions

	2017	2016
Total postemployment healthcare cost*	\$3.2	\$2.9
Annuitant healthcare contribution	\$1.3	\$1.2
Plan's healthcare cost	\$1.3	\$1.4

*Also includes \$0.6 million in subsidy and rebates for 2017 and \$0.3 million in subsidy and rebates for 2016.

The Board reviews the health benefits plan and costs annually. The health benefits program is subject to change at any time at the discretion of the Board. Any information on the current program of benefits is approved for the current year only and is not a guarantee of future benefits.



Retirement Board

Lawrence L. Wilson, CPA - *President* • Dennis White - *Vice-President* • Diahann Goode - *Secretary*
Robert DeGraf • John E. Fitzgerald • Bill Kouruklis • Patrick J. McFadden • Joseph Nevius • Kevin Ochalla



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