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, 2016

Published December 2017


COOK COUNTY
PENSION FUND
CCPF

▶ 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 the Forest Preserve District. We are pleased to present the Forest Preserve Fund's Popular Annual Financial Report (PAFR) for the fiscal year ended December 31, 2016. This is a user-friendly companion to the Forest Preserve Fund'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, 2016 CAFR, which can be found at CookCountyPension.com.

About the Retirement Board

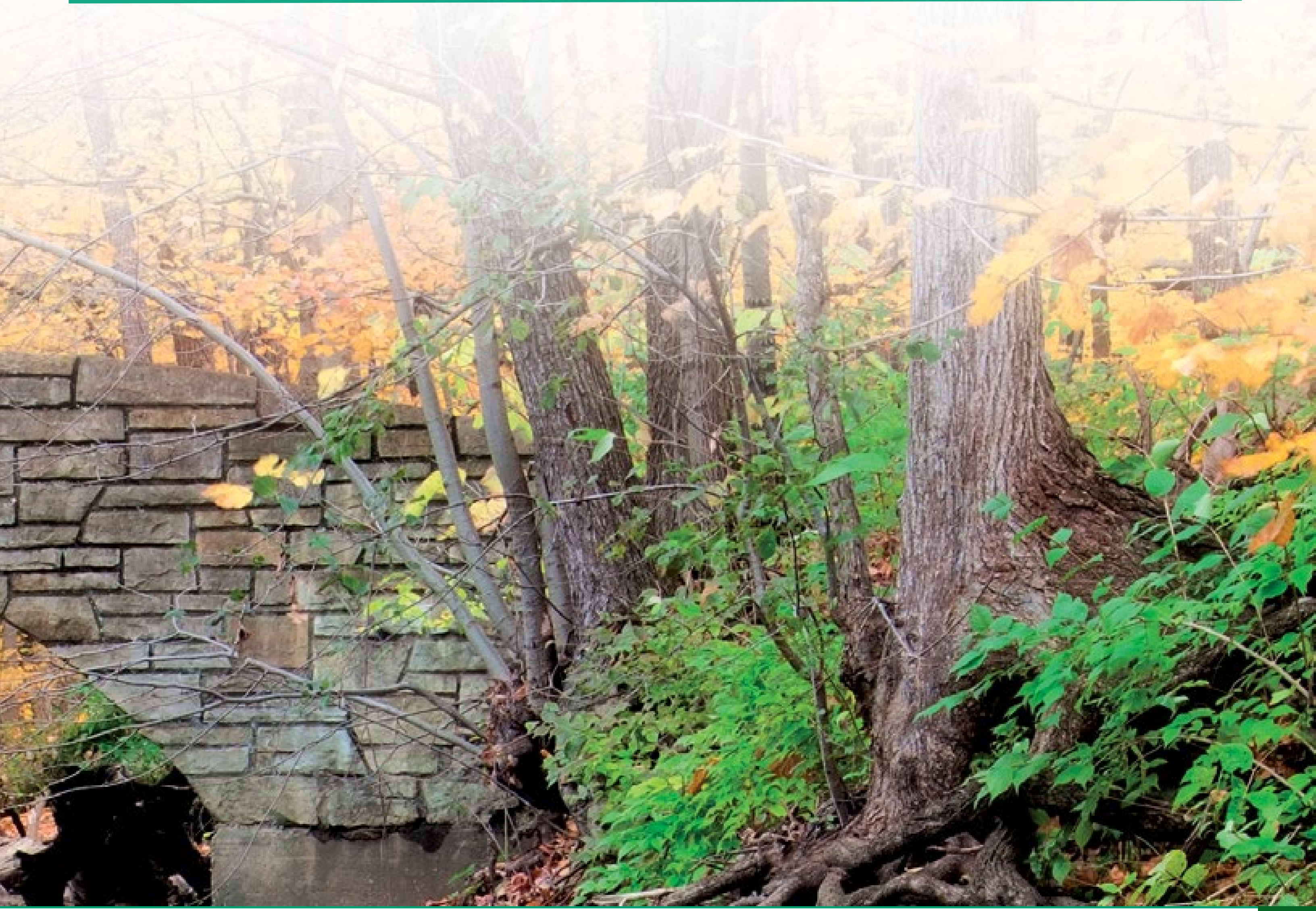
The plan is governed by a nine-member Retirement Board ("the Board"), four of whom are elected by the employees of Cook County and the Forest Preserve District, three who are elected by the annuitants of Cook County and the Forest Preserve District, and two who are ex officio seats appointed by the Comptroller 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.

Trustees were elected for Cook County annuitant, Cook County employee and Forest Preserve annuitant seats in the 2016 Retirement Board election. John Fitzgerald, who has served as a Cook County annuitant trustee since 2007, was re-elected for a third term. Cook County employees elected Robert DeGraff to his first term on the Board. Joseph Nevius, who previously was appointed to a vacated Forest Preserve annuitant seat in October 2015, was elected to a three-year term.

Overview

Fund Highlights

	2016	2015
Active Employees	572	568
Retirees & Beneficiaries	530	529
Actuarial Value of Assets	$198.2 million	$193.7 million
Fair Value of Assets	$191.2 million	$192.3 million
Employer Contributions	$3.4 million	$3.5 million
Employee Contributions	$3.2 million	$2.8 million
Funded Ratio	60.0%	60.0%
Projected Insolvency Date	2042	2040



Members

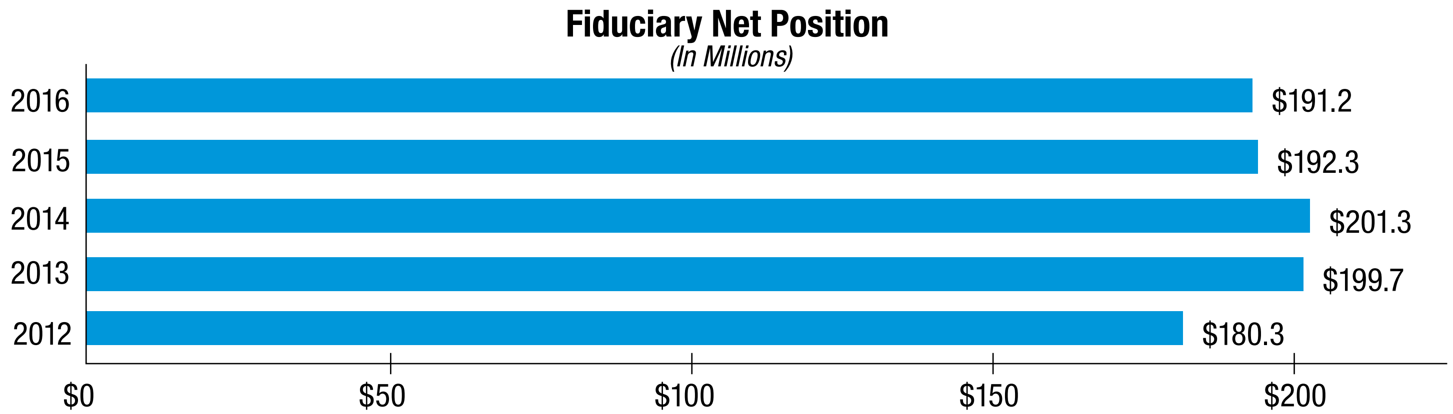
Members					
	2012	**2013**	**2014**	**2015**	**2016**
Active Employees	467	534	525	568	572
Retirees	355	378	384	383	378
Beneficiaries	156	153	151	146	152
Inactives	1,057	1,122	1,186	1,149	1,296
Total	**2,035**	**2,187**	**2,246**	**2,246**	**2,398**

Annuitants by Pension Amount		
Amount of Annual Pension Benefit	**Number of Retired Members and Beneficiaries**	**%**
Under $6,000	70	13.2%
$6,001-12,000	70	13.2%
$12,001-18,000	58	10.9%
$18,001-30,000	99	18.7%
$30,001-42,000	94	17.7%
$42,001-60,000	80	15.1%
$60,001-78,000	44	8.3%
Over $78,001	15	2.9%
Total	**530**	**100.0%**

Funding

Fiduciary Net Position

The plan's fiduciary net position was $191.2 million, as of December 31, 2016. That was a decrease of $1.1 million, or 0.6%, from 2015.



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.

As of December 31, 2016, the funded status of the plan was 60.0%. This means that for every $1 in annuity benefits promised to members, the plan had about $0.60 to pay out.

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.

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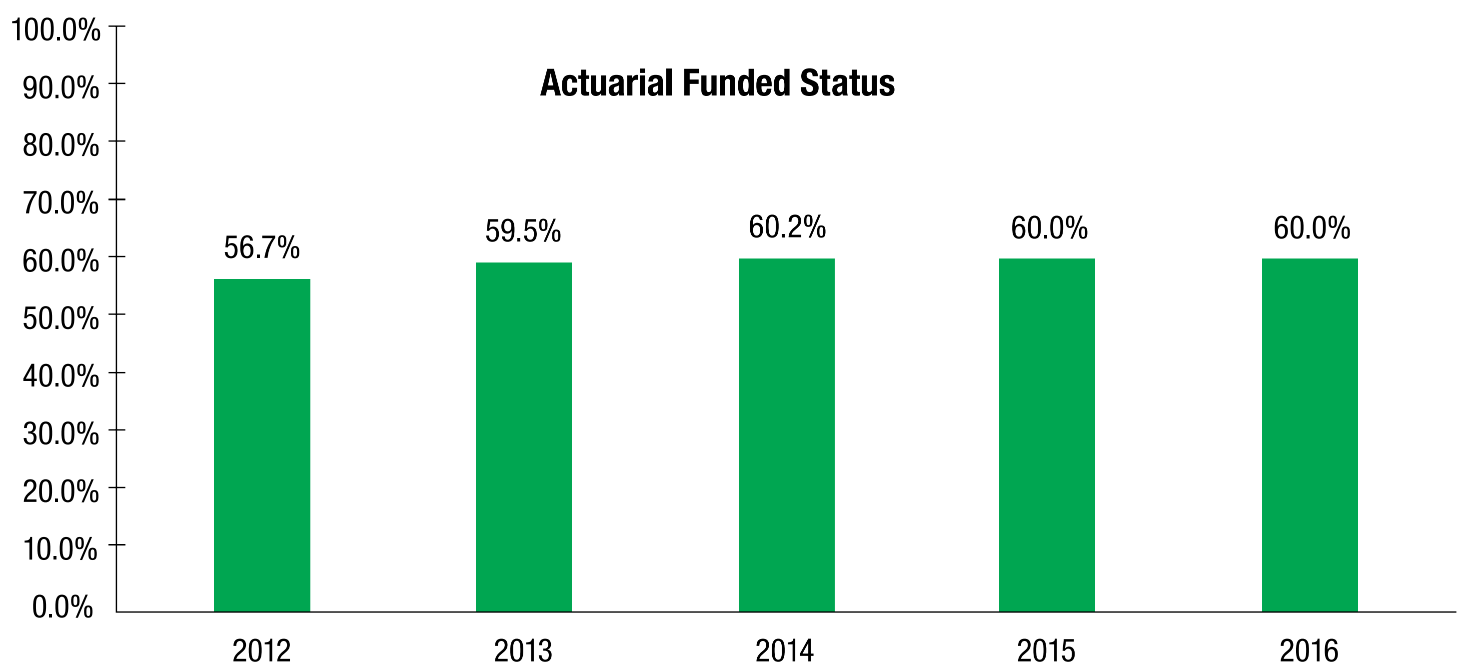


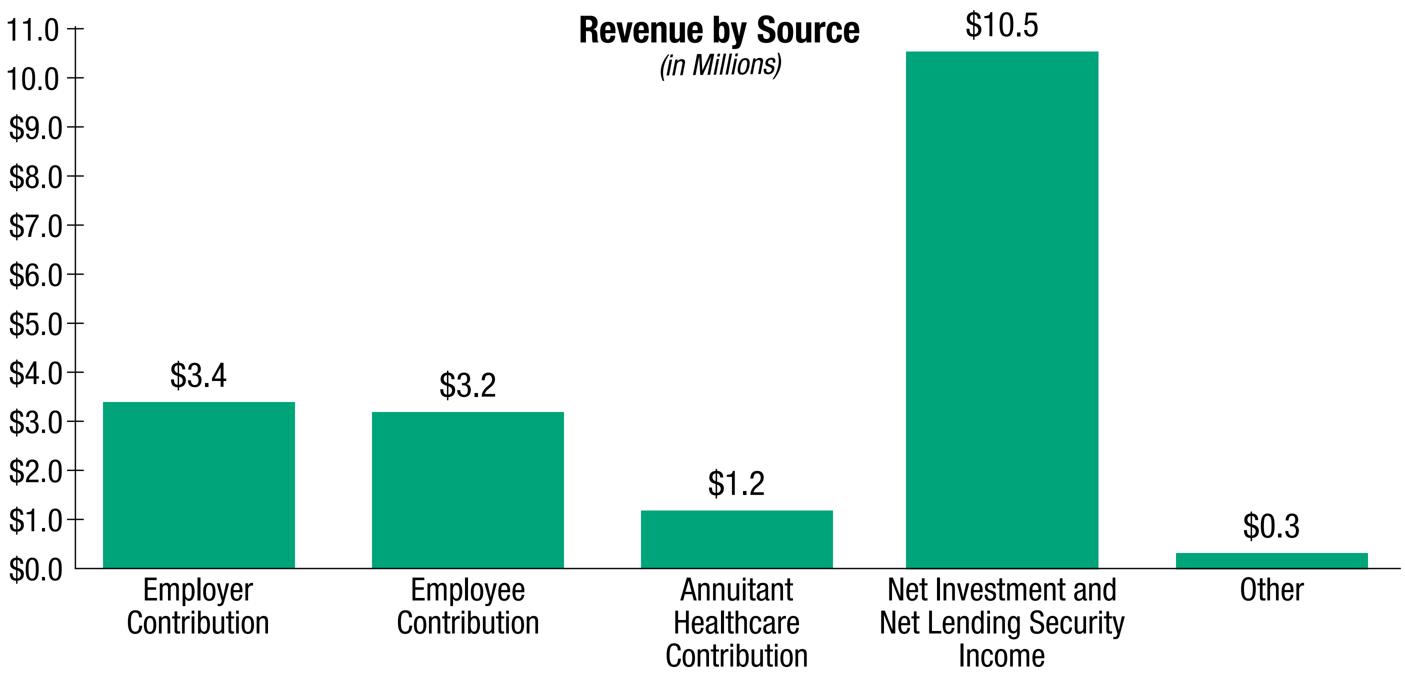
Revenue and Expenses

Revenue

The plan receives income from employee and employer contributions as well as investment earnings. For 2016, revenue totaled $18.5 million. Employer contributions represented 18.4% of the total revenue, employee contributions – 17.3%, annuitant healthcare contributions – 6.5%, and net investment and net security income – 56.8%.

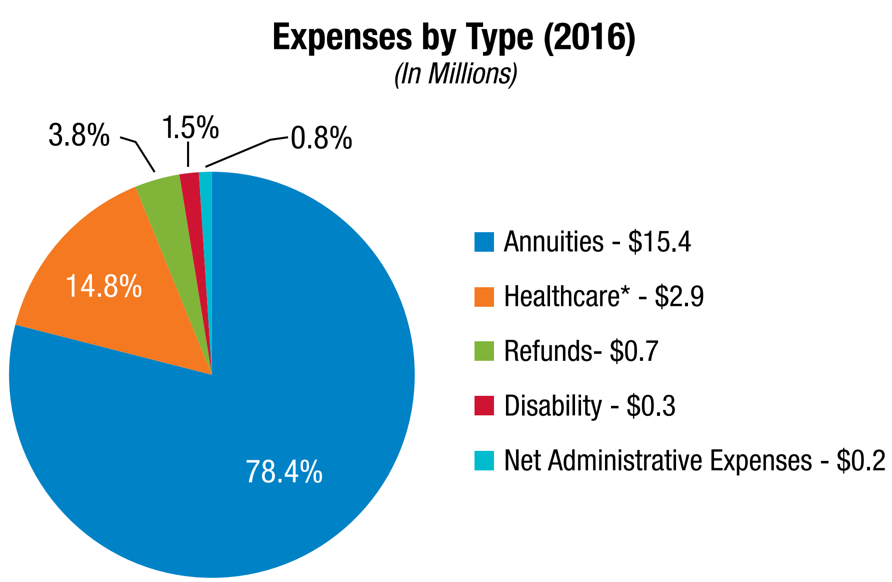
The employer makes payments to support the plan's benefit system. Employer contributions are statutorily set at 1.3 times employee contributions collected two years prior. In 2016, employer contributions decreased slightly to $3.4 million from $3.5 million in 2015.

Employees invest 8.5% of their annual salary to the plan. For 2016, employees contributed $3.2 million compared with $2.8 million in 2015.



Expenses

The plan's expenses include annuity, disability, and health benefits, refunds to members and the cost to administer the plan's benefit system. In 2016, the plan's expenses totaled $19.7 million. Of that, approximately $15.4 million was paid in annuity benefits, $0.3 million in disability benefits, and $2.9 million in health benefits.



*Net Healthcare Expense is $1.4 million. The $2.9 million does not include revenue sources from the Annuitant Healthcare Contributions of $1.2 million and approximately $0.3 million in rebates (reflected in "Other").

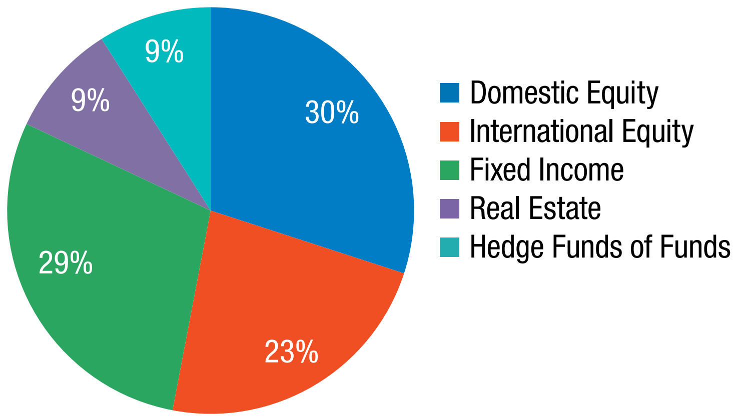
Investments

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 2016, the plan's investment portfolio was valued at $187.9 million, a decrease of approximately $1.5 million from 2015. As of December 31, 2016, the plan returned 5.7% net of fees. For the eighth consecutive year, the plan generated positive absolute returns across all asset classes with the plan's domestic equity and real estate programs as key drivers of that performance.

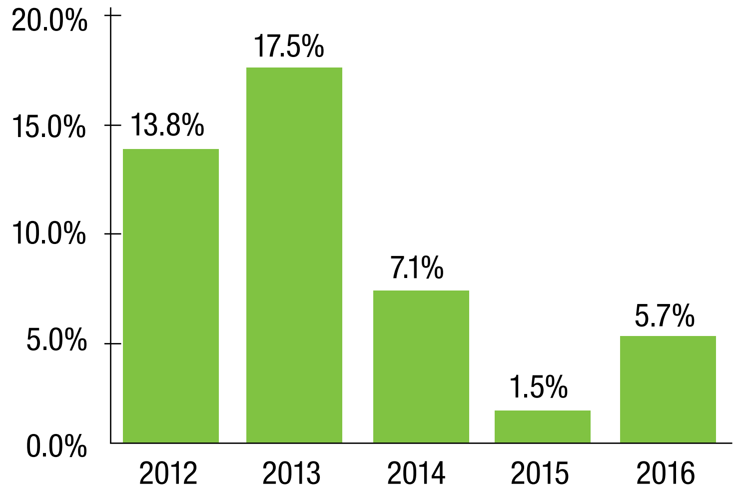
Although investments have been helpful in supporting benefit payments, investment returns are not sustainable solution to address the funding challenges.

Target Asset Allocation



Investment Rate of Return

(Net of Fees)



Investment Portfolio as of December 31, 2016

(In Millions)

Asset Class	Fair Value	Allocation
Domestic Equity	$61.9	33%
International Equity	47.7	25%
Fixed Income	36.1	19%
Real Estate	17.1	9%
Hedge Funds-of-Funds	20.3	11%
Short Term Investments	4.7	3%
Total Investments	**$187.9**	100%

Heath Benefits Overview

The healthcare plan is composed of annuitants (and their surviving spouses) 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 2016, the Forest Preserve plan received $0.1 million in drug rebates and $0.2 million in Retiree Drug Subsidy funds from Medicare. Medical and pharmacy expenses are subsidized based on the discretion of the Board. In 2016, 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.

New 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. At the end of 2016, the fund rolled out an Employer Group Waiver Plan (EGWP) to address the rise in prescription drug costs associated with the annuitant health benefit. Beginning January 1, 2017, Medicare-eligible members were automatically enrolled in a prescription drug plan administrated by SilverScript, an affiliate of the CVS Health family that specializes in Medicare Part D benefits.

The following is an overview of healthcare benefits payable for the years ended December 31, 2016 and 2015:

Healthcare Benefits Payable

	2016	2015
Healthcare benefits payable, Jan. 1	$0.3 million	$0.3 million
Claims incurred	$2.8 million	$3.1 million
Claims paid	$(2.9) million	$(3.1) million
Healthcare benefits payable, Dec. 31	$0.2 million	$0.3 million

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

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