

**FOREST PRESERVE DISTRICT EMPLOYEES'
ANNUITY AND BENEFIT FUND OF COOK COUNTY
(A COMPONENT UNIT OF FOREST PRESERVE
DISTRICT OF COOK COUNTY, ILLINOIS)**

FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND 2012

**FOREST PRESERVE DISTRICT EMPLOYEES' ANNUITY
AND BENEFIT FUND OF COOK COUNTY**

FINANCIAL STATEMENTS WITH SUPPLEMENTARY INFORMATION

DECEMBER 31, 2013 AND 2012

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REPORT OF INDEPENDENT AUDITORS

To the Board of Trustees of
Forest Preserve District
Employees' Annuity and
Benefit Fund of Cook County

Report on the Financial Statements

We have audited the accompanying financial statements of Forest Preserve District Employees' Annuity and Benefit Fund of Cook County (the Plan), a component unit of Forest Preserve District 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 from material misstatement.

An audit involves 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 the financial statements.

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 Forest Preserve District Employees' 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 the 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 22 through 24 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 25 through 28 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 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 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 27 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 22 and 23) 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

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

This section presents Management's Discussion and Analysis of the financial position and performance of the Forest Preserve District Employees' Annuity and Benefit Fund of Cook County's (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 basic 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 assets 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 administrative expenses, professional and consulting fees, investment expenses, additions by source, deductions by type and employer contributions receivable.

Financial Highlights

Net position increased by \$19,453,330 or 10.8% from \$180,287,412 at December 31, 2012 to \$199,740,742 at December 31, 2013. Comparatively, net position increased by \$12,291,709 or 7.3% from \$167,995,703 at December 31, 2011 to \$180,287,412 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 17.5% for 2013, 13.8% for 2012 and 1.1% for 2011.

The **actuarial funded ratio** of the combined pension and the postemployment healthcare plans for 2013 was 59.48% compared to 56.68% 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 61.57%.

Plan Net Position

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

	Plan Net Position As of December 31,			Current Year Increase/(Decrease) in	
	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>Dollars</u>	<u>Percent</u>
Total assets	\$ 219,932,655	\$ 185,868,304	\$ 176,599,138	\$ 34,064,351	18.3%
Total liabilities	<u>20,191,913</u>	<u>5,580,892</u>	<u>8,603,435</u>	<u>14,611,021</u>	261.8%
Net position	<u>\$ 199,740,742</u>	<u>\$ 180,287,412</u>	<u>\$ 167,995,703</u>	<u>\$ 19,453,330</u>	10.8%

Changes in Plan Net Position

The condensed Combining Statements of Changes in Pension Plan and Postemployment Healthcare Plan Net Position reflect 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,

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>Current Year</u> <u>Increase/(Decrease) in</u>	
				<u>Dollars</u>	<u>Percent</u>
Additions:					
Employer contributions	\$ 2,863,145	\$ 3,108,976	\$ 3,255,609	\$ (245,831)	-7.9%
Employee contributions	2,687,211	2,426,776	2,289,027	260,435	10.7%
Investment income (includes security lending activities)	30,383,512	22,209,855	2,021,094	8,173,657	36.8%
Other	159,383	212,447	512,709	(53,064)	-25.0%
Total additions	<u>36,093,251</u>	<u>27,958,054</u>	<u>8,078,439</u>	<u>8,135,197</u>	<u>29.1%</u>
Deductions:					
Benefits	15,668,207	14,160,157	13,602,488	1,508,050	10.6%
Refunds	958,707	1,188,639	604,314	(229,932)	-19.3%
Employee transfers to (from) Cook County	(106,012)	205,887	(328,586)	(311,899)	-151.5%
Administrative expenses	119,019	111,662	103,220	7,357	6.6%
Total deductions	<u>16,639,921</u>	<u>15,666,345</u>	<u>13,981,436</u>	<u>973,576</u>	<u>6.2%</u>
Net increase (decrease)	19,453,330	12,291,709	(5,902,997)	7,161,621	58.3%
Net position:					
Beginning of year	<u>180,287,412</u>	<u>167,995,703</u>	<u>173,898,700</u>	<u>12,291,709</u>	<u>7.3%</u>
End of year	<u>\$ 199,740,742</u>	<u>\$ 180,287,412</u>	<u>\$ 167,995,703</u>	<u>\$ 19,453,330</u>	<u>10.8%</u>

Additions to Plan Net Position

Total additions were \$36,093,251 in 2013, \$27,958,054 in 2012 and \$8,078,439 in 2011.

Employer contributions decreased to \$2,863,145 in 2013 from \$3,108,976 in 2012 and were \$3,255,609 in 2011. Employer contributions are statutorily set at 1.30 times employee contributions collected two years prior.

Employee contributions, including permissive service credit purchases, increased to \$2,687,211 in 2013 from \$2,426,776 in 2012 and were \$2,289,027 in 2011. Employees contribute 8.5% of covered wages.

Net investment income totaled \$30,383,512 for 2013 compared to \$22,209,805 for 2012. Comparatively, net investment income totaled \$2,021,094 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 \$16,639,921 in 2013, \$15,666,345 in 2012 and \$13,981,436 in 2011.

Benefits increased to \$15,668,207 in 2013 from \$14,160,157 in 2012 and \$13,602,488 in 2011 primarily due to the 3% annual cost of living increases for annuitants.

Refunds increased to \$958,707 in 2013 from \$1,188,639 in 2012 and decreased from \$604,314 in 2011. These changes are due to fluctuations in refund applications.

Plan member transfers to (from) Cook County resulted from Forest Preserve District employees transferring employment to (from) Cook County. The accrued pension benefit obligation is transferred to (from) the Forest Preserve Fund (to) from the Cook County Fund.

The cost to administer the Plan increased to \$119,019 in 2013 from \$111,662 in 2012. Comparatively, the cost to administer the Plan increased to \$111,662 in 2012 from \$103,220 in 2011.

Combined Funding Status

The actuarial assets, liabilities and funding status for the Plan, which includes the pension and postemployment healthcare plans, are provided below:

	Actuarial Values			Current Year	
	December 31,			Increase/(Decrease) in	
	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>Dollars</u>	<u>Percent</u>
Actuarial assets	\$ 182,554,587	\$ 172,566,956	\$ 178,126,063	\$ 9,987,631	5.8%
Actuarial liabilities	<u>306,919,270</u>	<u>304,451,002</u>	<u>289,321,074</u>	<u>2,468,268</u>	0.8%
Unfunded actuarial liabilities	<u>\$ 124,364,683</u>	<u>\$ 131,884,046</u>	<u>\$ 111,195,011</u>	<u>\$ (7,519,363)</u>	-5.7%
Funded ratio	<u>59.48%</u>	<u>56.68%</u>	<u>61.57%</u>		

Actuarial assets increased to \$182,554,587 in 2013 from \$172,566,956 in 2012. Comparatively, actuarial assets decreased to \$172,566,956 in 2012 from \$178,126,063 in 2011. The increase in actuarial assets results from the five year smoothing of investment gains and losses.

Actuarial liabilities increased to \$306,919,270 in 2013 from \$304,451,002 in 2012 due to increased benefits accrued by plan participants. Comparatively, actuarial liabilities increased to \$304,451,002 in 2012 from \$289,321,074 in 2011. The increase in actuarial liabilities is due to the changes 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 59.48% in 2013 from 56.68% in 2012 was due to the changes in the actuarial assets and actuarial liabilities as explained in the preceding paragraphs. Comparatively, the funded ratio decreased to 56.68% in 2012 from 61.57% 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:

Forest Preserve Employees' Annuity
and Benefit Fund of Cook County
Attention: Executive Director
33 North Dearborn Street
Suite 1000
Chicago, Illinois 60602

**FOREST PRESERVE DISTRICT EMPLOYEES' 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
RECEIVABLES						
Employer contributions less allowance of \$111,979 in 2013 and \$153,171 in 2012	\$ 2,916,945	\$ 2,651,781	\$ 265,164	\$ 3,119,857	\$ 2,998,516	\$ 121,341
Employee contributions	53,234	53,234	-	54,604	54,604	-
Accrued investment income	302,387	302,387	-	448,689	448,689	-
Due from Forest Preserve District of Cook County	-	-	-	97,451	97,451	-
Receivable for securities sold	2,972,080	2,972,080	-	433,443	433,443	-
Total receivables	<u>6,244,646</u>	<u>5,979,482</u>	<u>265,164</u>	<u>4,154,044</u>	<u>4,032,703</u>	<u>121,341</u>
INVESTMENTS						
U.S. and international equities	106,966,096	106,966,096	-	84,068,133	84,068,133	-
U.S. Government and government agency obligations	10,117,517	10,117,517	-	32,702,548	32,702,548	-
Corporate bonds	5,518,643	5,518,643	-	13,363,737	13,363,737	-
Collective international equity fund	11,072,021	11,072,021	-	10,414,421	10,414,421	-
Commingled fixed income fund	24,620,947	24,620,947	-	-	-	-
Exchange traded funds	4,851,827	4,851,827	-	10,095,800	10,095,800	-
Hedge fund	17,881,172	17,881,172	-	16,046,525	16,046,525	-
Real estate	10,768,305	10,768,305	-	7,123,795	7,123,795	-
Short-term investments	5,934,727	5,934,727	-	4,144,057	4,144,057	-
Total investments	<u>197,731,255</u>	<u>197,731,255</u>	<u>-</u>	<u>177,959,016</u>	<u>177,959,016</u>	<u>-</u>
COLLATERAL HELD FOR SECURITIES ON LOAN						
Total assets	<u>15,956,754</u>	<u>15,956,754</u>	<u>-</u>	<u>3,755,244</u>	<u>3,755,244</u>	<u>-</u>
	<u>219,932,655</u>	<u>219,667,491</u>	<u>265,164</u>	<u>185,868,304</u>	<u>185,746,963</u>	<u>121,341</u>
LIABILITIES						
ACCOUNTS PAYABLE	71,044	71,044	-	95,684	95,684	-
HEALTHCARE INSURANCE PAYABLE	265,164	-	265,164	121,341	-	121,341
DUE TO COUNTY EMPLOYEES' AND OFFICERS' ANNUITY AND BENEFIT FUND OF COOK COUNTY	462,893	462,893	-	635,820	635,820	-
PAYABLE FOR SECURITIES PURCHASED	3,436,058	3,436,058	-	878,788	878,788	-
SECURITIES LENDING COLLATERAL	15,956,754	15,956,754	-	3,755,244	3,755,244	-
SECURITIES LENDING PAYABLE	-	-	-	94,015	94,015	-
Total liabilities	<u>20,191,913</u>	<u>19,926,749</u>	<u>265,164</u>	<u>5,580,892</u>	<u>5,459,551</u>	<u>121,341</u>
NET POSITION HELD IN TRUST						
Restricted for Pension benefits	199,740,742	199,740,742	-	180,287,412	180,287,412	-
Restricted for Postemployment healthcare benefits	-	-	-	-	-	-
Total	<u>\$ 199,740,742</u>	<u>\$ 199,740,742</u>	<u>\$ -</u>	<u>\$ 180,287,412</u>	<u>\$ 180,287,412</u>	<u>\$ -</u>

See accompanying notes to financial statements.

**FIRST PRESERVE DISTRICT EMPLOYEES' 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	\$ 2,863,145	\$ 1,403,628	\$ 1,459,517	\$ 3,108,976	\$ 2,117,976	\$ 991,000
Employee contributions	2,530,683	2,530,683	-	2,280,520	2,280,520	-
Salary deductions	78,340	78,340	-	79,420	79,420	-
Refund repayments	21,925	21,925	-	14,362	14,362	-
Former and miscellaneous service payments	56,263	56,263	-	52,474	52,474	-
Deductions in lieu of disability	2,687,211	2,687,211	-	2,426,776	2,426,776	-
Total employee contributions						
Investment income	26,667,376	26,667,376	-	17,853,186	17,853,186	-
Net appreciation in fair value of investments	2,410,237	2,410,237	-	2,412,713	2,412,713	-
Dividends	1,797,497	1,797,497	-	2,316,424	2,316,424	-
Interest	30,875,110	30,875,110	-	22,582,323	22,582,323	-
Less investment expenses	(552,163)	(552,163)	-	(399,290)	(399,290)	-
Net investment income	30,322,947	30,322,947	-	22,183,033	22,183,033	-
Securities lending						
Income	74,481	74,481	-	33,488	33,488	-
Expenses	(13,916)	(13,916)	-	(6,666)	(6,666)	-
Net securities lending income	60,565	60,565	-	26,822	26,822	-
Other						
Medicare Part D subsidy	135,629	-	135,629	127,263	-	127,263
Prescription plan rebates	23,063	-	23,063	84,037	-	84,037
Early Retirement Reinsurance Program (repayment)	-	-	-	(4,915)	-	(4,915)
Miscellaneous	691	691	-	6,062	6,062	-
Total other additions	159,383	691	158,692	212,447	6,062	206,385
Total additions	36,093,251	34,475,042	1,618,209	27,958,054	26,760,669	1,197,385
DEDUCTIONS						
Benefits						
Annuity	11,719,920	11,719,920	-	10,714,092	10,714,092	-
Employee	2,052,205	2,052,205	-	1,901,171	1,901,171	-
Spouse and children						
Disability	258,294	258,294	-	340,370	340,370	-
Ordinary	19,579	19,579	-	7,139	7,139	-
Duty	1,618,209	-	1,618,209	1,197,385	-	1,197,385
Healthcare	15,668,207	14,049,998	1,618,209	14,160,157	12,962,772	1,197,385
Total benefits	958,707	958,707	-	1,188,639	1,188,639	-
Refunds						
Employee transfers to (from) County Employees' and Officers' Annuity and Benefit Fund of Cook County	(106,012)	(106,012)	-	205,887	205,887	-
Administrative expenses	119,019	119,019	-	111,662	111,662	-
Total deductions	16,639,921	15,021,712	1,618,209	15,666,345	14,468,960	1,197,385
NET INCREASE	19,453,330	19,453,330	-	12,291,709	12,291,709	-
NET POSITION HELD IN TRUST						
Beginning of year	180,287,412	180,287,412	-	167,995,703	167,995,703	-
End of year	\$ 199,740,742	\$ 199,740,742	\$ -	\$ 180,287,412	\$ 180,287,412	\$ -

See accompanying notes to financial statements.

**FOREST PRESERVE DISTRICT EMPLOYEES' ANNUITY
AND BENEFIT FUND OF COOK COUNTY**

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND 2012

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Forest Preserve District Employees' Annuity and Benefit Fund of Cook County (the Plan) is administered in accordance with Chapter 40, Article 5/10 of the Illinois Compiled Statutes (formerly Chapter 108-1/2, Article 10 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 prepared 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. The hedge fund 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 County Employees' and Officers' Annuity and Benefit Fund of Cook County (County Fund). These expenses are allocated between the County Fund and the Plan 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 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.

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 Forest Preserve District Employees' Annuity and Benefit Fund of Cook County was established on July 1, 1931 and is governed by legislation contained in the Illinois Compiled Statutes (the Statutes), particularly Chapter 40, Article 5/10 (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 Forest Preserve District Employees' 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 the Forest Preserve District of Cook County, Illinois (Forest Preserve District) and the dependents of such employees. The Plan is considered to be a component unit of Forest Preserve District of Cook County, Illinois and is included in the Forest Preserve District'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 Forest Preserve District 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% 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 Forest Preserve District'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 1.30. The source of funds for the Forest Preserve District's contributions has been designated by State Statute as the Forest Preserve District's annual property tax levy. The Forest Preserve District's payroll for employees covered by the Plan for the years ended December 31, 2013 and 2012 was \$29,485,857 and \$26,252,071 respectively.

NOTE 2. PLAN DESCRIPTION (CONTINUED)

The Forest Preserve District Employees' Annuity and Benefit Fund provides 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 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:

	<u>2013</u>	<u>2012</u>
Active members	534	467
Retired members	378	355
Beneficiaries	153	156
Inactive members	<u>1,122</u>	<u>1,057</u>
Total	<u>2,187</u>	<u>2,035</u>

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 65.77% funded on an actuarial basis. The actuarial accrued liability for benefits was \$277,560,212 and the actuarial value of assets was \$182,554,587 resulting in an unfunded actuarial accrued liability (UAAL) of \$95,005,625. The covered payroll (annual payroll of active employees covered by the Plan) was \$29,485,857 and the ratio of the UAAL to the covered payroll was 322.21%.

As of December 31, 2013, the most recent actuarial valuation date, the combined pension and retiree health insurance benefits of the Plan was 59.48% funded on an actuarial basis. The actuarial accrued liability for benefits was \$306,919,270 and the actuarial value of assets was \$182,554,587 resulting in an unfunded actuarial accrued liability (UAAL) of \$124,364,683. The covered payroll (annual payroll of active employees covered by the Plan) was \$29,485,857 and the ratio of the UAAL to the covered payroll was 421.78%.

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 Forest Preserve District tax levy which is currently limited when extended to an amount not to exceed an amount equal to the total contributions by the employees to the Plan made in the calendar year two years prior to the year for which the annual applicable tax is levied, multiplied by 1.30.

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 \$14,045,708 and \$12,429,935 for 2013 and 2012, respectively. The annual required contribution is based on an annual payroll of \$29,485,857 for 534 active members as of December 31, 2013 and \$26,252,071 for 467 active members as of December 31, 2012 and is computed as follows.

	<u>2013</u>	<u>2012</u>
Normal cost	\$ 3,658,001	\$ 3,378,565
30-year level dollar amortization of the unfunded liability	<u>10,387,707</u>	<u>9,051,370</u>
Actuarially determined contribution requirement	14,045,708	12,429,935
Expected net employer contribution from tax levy after 3.0% loss	<u>(2,886,463)</u>	<u>(3,092,850)</u>
Expected employer contribution short-fall of actuarially determined contribution requirement	<u>\$ 11,159,245</u>	<u>\$ 9,337,085</u>
Required tax levy multiple	<u>6.33</u>	<u>5.22</u>
Present authorized multiple	<u>1.30</u>	<u>1.30</u>

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.

<u>Investments</u>	<u>2013</u>	<u>2012</u>
U.S. and international equities	\$ 106,966,096	\$ 84,068,133
U.S. Government and government agency obligations	10,117,517	32,702,548
Corporate bonds	5,518,643	13,363,737
Collective international equity fund		
Lazard Emerging Markets Sudan Free Fund	11,072,021	10,414,421
Commingled fixed income fund		
BNY Mellon EB DV Non-Securities Lending		
Aggregate Bond Index Fund	24,620,947	-
Exchange traded funds		
Real estate	4,851,827	10,095,800
Hedge fund		
Burnham Harbor Fund Ltd.	17,881,172	16,046,525
Real estate		
Limited partnerships	10,768,305	7,123,795
Short-term investments	<u>5,934,727</u>	<u>4,144,057</u>
Total investments	<u>\$ 197,731,255</u>	<u>\$ 177,959,016</u>

NOTE 5. INVESTMENT SUMMARY (CONTINUED)

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.

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 as valued by Moody's Investors Service, Standard & Poor's and/or Fitch:

<u>Type of Investment</u>	<u>Rating</u>	<u>2013</u>	<u>2012</u>
U.S. Government and government agency obligations	Aa/AA	\$ 10,117,517	\$ 32,265,978
	A/A	-	156,734
	Not Rated	-	279,836
		<u>\$ 10,117,517</u>	<u>\$ 32,702,548</u>
Corporate bonds	Aaa/AAA	\$ -	\$ 1,198,424
	Aa/AA	339,582	810,307
	A/A	1,468,443	5,238,992
	Baa/BBB	3,335,443	5,926,893
	Ba/BB	375,175	189,121
	<u>\$ 5,518,643</u>	<u>\$ 13,363,737</u>	
Commingled fixed income fund	Not Rated	<u>\$ 24,620,947</u>	<u>\$ -</u>
Short-term investments	Not Rated	<u>\$ 5,934,727</u>	<u>\$ 4,144,057</u>

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:

<u>Type of Investment</u>	<u>Maturity</u>	<u>2013</u>	<u>2012</u>
U.S. Government and government agency obligations	< 1 year	\$ -	\$ 597,485
	1 - 5 years	3,080,638	10,158,958
	5 - 10 years	2,736,979	6,220,533
	Over 10 years	4,299,900	15,725,572
		<u>\$ 10,117,517</u>	<u>\$ 32,702,548</u>
Corporate bonds	< 1 year	\$ 210,300	\$ 323,608
	1 - 5 years	1,628,392	4,126,831
	5 - 10 years	3,136,136	4,953,288
	Over 10 years	543,815	3,960,010
		<u>\$ 5,518,643</u>	<u>\$ 13,363,737</u>
Commingled fixed income fund	5-10 years	<u>\$ 24,620,947</u>	<u>\$ -</u>
Short-term investments	< 1 year	<u>\$ 5,934,727</u>	<u>\$ 4,144,057</u>

NOTE 5. INVESTMENT SUMMARY (CONTINUED)

Investment Risk (continued)

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. The Plan's exposure to foreign currency risk at December 31, 2013 and 2012 is as follows:

<u>Type of Investment</u>	Fair Value (USD) <u>2013</u>	Fair Value (USD) <u>2012</u>
U.S. and international equities		
Australian dollar	\$ 3,137,336	\$ 2,692,096
British pound sterling	10,686,817	8,592,497
Canadian dollar	610,879	321,542
Danish krone	701,502	238,964
European euro	9,506,915	9,390,714
Hong Kong dollar	990,233	292,595
Japanese yen	5,669,460	3,678,961
New Zealand dollar	400,616	-
Swedish krona	2,246,077	3,194,493
Swiss franc	4,354,557	2,798,500
U.S. dollar	<u>68,661,704</u>	<u>52,867,771</u>
Total U.S. and international equities	<u>\$ 106,966,096</u>	<u>\$ 84,068,133</u>

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 \$6,316,233 and \$2,124,165 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. 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 financial futures to manage portfolio risk and 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 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. 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 forward currency contracts are short term in nature, typically ranging from one week to three months.

At December 31, 2013 and 2012, the Plan's investments included the following forward currency contract balances:

	<u>2013</u>	<u>2012</u>
Hedging derivative instruments		
Forward currency contract receivables	<u>\$ 378,102</u>	<u>\$ -</u>
Forward currency contract payables	<u>\$ 378,102</u>	<u>\$ -</u>

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 7. 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 114 days for 2013 and 69 days for 2012; however, any loan may be terminated on demand by either the Plan or the borrower. Cash collateral is invested in a separately managed portfolio, which had an average weighted maturity at December 31, 2013 and 2012 of 56 and 18 days, respectively.

As of December 31, 2013 and 2012, the fair value (carrying amount) of loaned securities was \$17,516,824 and \$7,383,905 respectively. As of December 31, 2013 and 2012, the fair value (carrying amount) of cash collateral received by the Plan was \$15,956,754 and \$3,755,244 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 noncash collateral received by the Plan was \$1,969,629 and \$3,799,075 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.

NOTE 7. SECURITIES LENDING (CONTINUED)

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

	<u>2013</u>	<u>2012</u>
Securities loaned - cash collateral		
U.S. and international equities	\$ 7,716,213	\$ 3,030,950
U.S. Government and government agency obligations	3,234,341	301,815
Exchanged traded funds	4,226,784	87,213
Corporate bonds	409,653	241,617
Total securities loaned - cash collateral	<u>15,586,991</u>	<u>3,661,595</u>
Securities loaned - non-cash collateral		
U.S. and international equities	275,591	193,645
U.S. Government and government agency obligations	1,011,633	3,528,665
Exchange traded funds	642,609	-
Total securities loaned - non-cash collateral	<u>1,929,833</u>	<u>3,722,310</u>
Total	<u>\$ 17,516,824</u>	<u>\$ 7,383,905</u>

NOTE 8. POSTEMPLOYMENT GROUP HEALTHCARE BENEFIT PLAN**Plan Description**

The Plan administers a Postemployment Group Healthcare Benefit Plan (PGHBP), a single-employer defined benefit postemployment healthcare 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 employees and spouse annuitants, respectively. The remaining premium cost is borne by the annuitant.

PGHBP is administered in accordance with Chapter 40, Article 5/10 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 291 and 281 respectively.

NOTE 8. POSTEMPLOYMENT GROUP HEALTHCARE BENEFIT PLAN (CONTINUED)

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 health 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.

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, PGHBP was 0.00% funded on an actuarial basis. The actuarial accrued liability for benefits was \$47,113,653 and the actuarial value of assets was \$0 resulting in an unfunded actuarial accrued liability (UAAL) of \$47,113,653. The covered payroll (annual payroll of active employees covered by the Plan) was \$29,485,857 and the ratio of the UAAL to the covered payroll was 159.78%.

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 value of Plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

NOTE 9. RELATED PARTY TRANSACTIONS

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

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

NOTE 10. 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, the Statement 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.

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.

NOTE 10. PRONOUNCEMENTS ISSUED NOT YET EFFECTIVE (CONTINUED)

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 standard 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

**FOREST PRESERVE DISTRICT EMPLOYEES' ANNUITY
AND BENEFIT FUND OF COOK COUNTY**

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF FUNDING PROGRESS

Year Ended <u>December 31,</u>	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)
<i>Pension Benefits</i>						
2008	\$ 196,277,679	\$ 212,373,326	\$ 16,095,647	92.42%	\$ 23,474,621	68.57%
2009	(1) \$ 188,396,534	\$ 244,625,664	\$ 56,229,130	77.01%	\$ 24,967,115	225.21%
2010	\$ 184,077,516	\$ 252,877,596	\$ 68,800,080	72.79%	\$ 24,397,376	282.00%
2011	\$ 178,126,063	\$ 261,509,175	\$ 83,383,112	68.11%	\$ 22,678,566	367.67%
2012	\$ 172,566,956	\$ 273,136,730	\$ 100,569,774	63.18%	\$ 26,252,071	383.09%
2013	(1) \$ 182,554,587	\$ 277,560,212	\$ 95,005,625	65.77%	\$ 29,485,857	322.21%
<i>Postemployment Group Healthcare Benefit Plan (PGHBP)</i>						
2008	\$ -	\$ 36,004,405	\$ 36,004,405	0.00%	\$ 23,474,621	153.38%
2009	(1) \$ -	\$ 43,142,977	\$ 43,142,977	0.00%	\$ 24,967,115	172.80%
2010	\$ -	\$ 43,102,510	\$ 43,102,510	0.00%	\$ 24,397,376	176.67%
2011	\$ -	\$ 40,406,196	\$ 40,406,196	0.00%	\$ 22,678,566	178.17%
2012	\$ -	\$ 45,713,760	\$ 45,713,760	0.00%	\$ 26,252,071	174.13%
2013	(1) \$ -	\$ 47,113,653	\$ 47,113,653	0.00%	\$ 29,485,857	159.78%
<i>Changes in Actuarial Assumptions (3)</i>						
2008	(2) \$ -	\$ (10,450,101)	\$ (10,450,101)	0.00%		
2009	(2) \$ -	\$ (13,736,290)	\$ (13,736,290)	0.00%		
2010	(2) \$ -	\$ (13,588,953)	\$ (13,588,953)	0.00%		
2011	(2) \$ -	\$ (12,594,297)	\$ (12,594,297)	0.00%		
2012	(2) \$ -	\$ (14,399,488)	\$ (14,399,488)	0.00%		
2013	(2) \$ -	\$ (17,754,595)	\$ (17,754,595)	0.00%		
<i>Combined (3)</i>						
2008	\$ 196,277,679	\$ 237,927,630	\$ 41,649,951	82.49%	\$ 23,474,621	177.43%
2009	(1) \$ 188,396,534	\$ 274,032,351	\$ 85,635,817	68.75%	\$ 24,967,115	342.99%
2010	\$ 184,077,516	\$ 282,391,153	\$ 98,313,637	65.19%	\$ 24,397,376	402.97%
2011	\$ 178,126,063	\$ 289,321,074	\$ 111,195,011	61.57%	\$ 22,678,566	490.31%
2012	\$ 172,566,956	\$ 304,451,002	\$ 131,884,046	56.68%	\$ 26,252,071	502.38%
2013	(1) \$ 182,554,587	\$ 306,919,270	\$ 124,364,683	59.48%	\$ 29,485,857	421.78%

(1) = Change in actuarial assumptions.

(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.

**FOREST PRESERVE DISTRICT OF EMPLOYEES' 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 (c)	Percent of ARC Contributed (c/a)
<i>Pension Benefits</i>				
2008	\$ 3,329,502	\$ 2,138,669	\$ 523,928	15.74%
2009	\$ 4,498,036	\$ 2,512,857	\$ 1,282,642	28.52%
2010	\$ 7,626,778	\$ 2,680,595	\$ 1,333,140	17.48%
2011	\$ 8,590,721	\$ 3,050,099	\$ 2,457,405	28.61%
2012	\$ 9,608,247	\$ 3,092,850	\$ 2,117,976	22.04%
2013	\$ 10,921,946	\$ 2,886,463	\$ 1,403,628	12.85%
<i>Postemployment Group Healthcare Benefit Plan (PGHBP)</i>				
2008	\$ 3,785,850	\$ -	\$ 1,499,520	39.61%
2009	\$ 3,490,173	\$ -	\$ 1,261,052	36.13%
2010	\$ 3,876,537	\$ -	\$ 1,326,894	34.23%
2011	\$ 3,830,933	\$ -	\$ 798,204	20.84%
2012	\$ 3,541,064	\$ -	\$ 991,000	27.99%
2013	\$ 4,234,545	\$ -	\$ 1,459,517	34.47%
<i>Changes in Actuarial Assumptions (3)</i>				
2008	(2) \$ (1,021,036)	\$ -		
2009	(2) \$ (714,995)	\$ -		
2010	(2) \$ (849,426)	\$ -		
2011	(2) \$ (815,018)	\$ -		
2012	(2) \$ (719,376)	\$ -		
2013	(2) \$ (1,110,783)	\$ -		
<i>Combined (3)</i>				
2008	\$ 6,094,316	\$ 2,138,669	\$ 2,023,448	33.20%
2009	\$ 7,273,214	\$ 2,512,857	\$ 2,543,694	34.97%
2010	\$ 10,653,889	\$ 2,680,595	\$ 2,660,034	24.97%
2011	\$ 11,606,636	\$ 3,050,099	\$ 3,255,609	28.05%
2012	\$ 12,429,935	\$ 3,092,850	\$ 3,108,976	25.01%
2013	\$ 14,045,708	\$ 2,886,463	\$ 2,863,145	20.38%

(1) = Tax levy for 2008 - 2010 after 2.7% overall loss; for 2011 - 2013 after 3.0% overall loss.

(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.

**FOREST PRESERVE DISTRICT EMPLOYEES' ANNUITY
AND BENEFIT FUND OF COOK COUNTY**

REQUIRED SUPPLEMENTARY INFORMATION

**NOTES TO SCHEDULE OF FUNDING PROGRESS AND
SCHEDULE OF EMPLOYER CONTRIBUTIONS**

The information presented in the required supplementary schedules 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 annuity 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 2 years, 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

**FOREST PRESERVE DISTRICT EMPLOYEES' ANNUITY
AND BENEFIT FUND OF COOK COUNTY**

**SCHEDULES OF ADMINISTRATIVE EXPENSES
AND PROFESSIONAL AND CONSULTING FEES**

YEARS ENDED DECEMBER 31, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
ADMINISTRATIVE EXPENSES		
Administrative expenses allocated from County		
Employees' and Officers' Annuity and Benefit		
Fund of Cook County	\$ 77,799	\$ 69,653
Bank charges	8,747	9,348
Membership	435	370
Professional and consulting fees	24,038	24,291
Regulatory filing fees	8,000	8,000
Total	<u>\$ 119,019</u>	<u>\$ 111,662</u>
PROFESSIONAL AND CONSULTING FEES		
Actuarial service	\$ 2,593	\$ 1,769
Audit	17,096	19,712
Consulting	2,417	747
Legal	1,138	1,266
Lobbyist	794	797
Total	<u>\$ 24,038</u>	<u>\$ 24,291</u>

**FOREST PRESERVE DISTRICT EMPLOYEES' ANNUITY
AND BENEFIT FUND OF COOK COUNTY**

SCHEDULES OF INVESTMENT EXPENSES

YEARS ENDED DECEMBER 31, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
INVESTMENT MANAGER EXPENSE		
American Realty Advisors	\$ 34,124	\$ 31,518
Blackstone Alternative Asset Management	172,827	79,206
Channing Capital Management	60,371	47,392
J.P. Morgan Asset Management	15,884	-
Lazard Asset Management, LLC	108,073	97,490
LM Capital Group, LLC	25,346	32,474
Mellon Capital	6,899	7,850
RhumbLine Advisers	5,129	4,628
TIAA-CREF	34,130	25,345
William Blair & Company	<u>76,773</u>	<u>61,630</u>
Total investment manager expenses	539,556	387,533
INVESTMENT CONSULTING FEES		
Callan Associates Inc.	7,607	6,757
INVESTMENT CUSTODIAN FEES		
BNY Mellon	<u>5,000</u>	<u>5,000</u>
Total investment expenses	<u>\$ 552,163</u>	<u>\$ 399,290</u>

**FOREST PRESERVE DISTRICT EMPLOYEES' ANNUITY
AND BENEFIT FUND OF COOK COUNTY**

ADDITIONS BY SOURCE

<u>Year Ended December 31.</u>	<u>Employer Contributions</u>	<u>Employee Contributions</u>	Net Investment and Net Securities Lending Income (Loss) (1)	Other (2)	<u>Total Additions</u>
2008	\$ 2,023,448	\$ 2,119,208	\$ (46,414,013)	\$ 127,464	\$ (42,143,893)
2009	\$ 2,543,694	\$ 2,418,794	\$ 24,683,791	\$ 219,919	\$ 29,866,198
2010	\$ 2,660,034	\$ 2,452,696	\$ 20,250,639	\$ 227,553	\$ 25,590,922
2011	\$ 3,255,609	\$ 2,289,027	\$ 2,021,094	\$ 512,709	\$ 8,078,439
2012	\$ 3,108,976	\$ 2,426,776	\$ 22,209,855	\$ 212,447	\$ 27,958,054
2013	\$ 2,863,145	\$ 2,687,211	\$ 30,383,512	\$ 159,383	\$ 36,093,251

DEDUCTIONS BY TYPE

<u>Year Ended December 31.</u>	<u>Benefits</u>	<u>Refunds</u>	Employee Transfers to (from) <u>Cook County</u>	<u>Administrative Expenses</u>	<u>Total Deductions</u>
2008	\$12,159,401	\$ 518,400	\$ (119,434)	\$ 138,550	\$ 12,696,917
2009	\$12,423,521	\$ 472,953	\$ 118,754	\$ 112,729	\$ 13,127,957
2010	\$13,043,407	\$ 343,863	\$ 257,975	\$ 104,765	\$ 13,750,010
2011	\$13,602,488	\$ 604,314	\$ (328,586)	\$ 103,220	\$ 13,981,436
2012	\$14,160,157	\$ 1,188,639	\$ 205,887	\$ 111,662	\$ 15,666,345
2013	\$15,668,207	\$ 958,707	\$ (106,012)	\$ 119,019	\$ 16,639,921

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

2 - Includes Medicare Part D, prescription plan rebates and miscellaneous income.

The Early Retirement Reinsurance Program is included in 2011 and 2012.

**FOREST PRESERVE DISTRICT EMPLOYEES' ANNUITY
AND BENEFIT FUND OF COOK COUNTY**

SCHEDULE OF EMPLOYER CONTRIBUTIONS RECEIVABLE

DECEMBER 31, 2013

<u>Levy Year</u>	<u>Contributions Receivable</u>	<u>Uncollected Balance</u>	<u>Reserve for Loss and Costs</u>	<u>Net Contributions Receivable</u>
2012	\$ 3,188,505	\$ 53,189	\$ 31,643	\$ 21,546
2013	\$ 2,975,735	<u>2,975,735</u>	<u>80,336</u>	<u>2,895,399</u>
		<u>\$ 3,028,924</u>	<u>\$ 111,979</u>	<u>\$ 2,916,945</u>

Note:

Employer contributions are funded primarily through a County tax levy.

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