

**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, 2014 AND 2013

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

FINANCIAL STATEMENTS WITH SUPPLEMENTARY INFORMATION

DECEMBER 31, 2014 AND 2013

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

FINANCIAL STATEMENTS WITH SUPPLEMENTARY INFORMATION

DECEMBER 31, 2014 AND 2013

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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 fiduciary net position and postemployment healthcare plan net position as of December 31, 2014 and 2013, and the related combining statements of changes in pension plan fiduciary net position 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 in the first paragraph present fairly, in all material respects, the net position of Forest Preserve District Employees' Annuity and Benefit Fund of Cook County as of December 31, 2014 and 2013, and the changes in net position for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the Plan implemented GASB Statement No. 67, *Financial Reporting for Pension Plans*. As a result, the financial statements now include substantially different note disclosures and required supplementary information. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information for Pension and Postemployment Healthcare Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 4f and the required supplementary information on pages 23 through 28 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 29 through 32 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information 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 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, 2012, 2011, 2010, and 2009 (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.

Legacy Professionals LLP

Chicago, Illinois

June 4, 2015

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

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 years ended December 31, 2014 and 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 Fiduciary Net Position 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 Fiduciary Net Position 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 Fiduciary Net Position 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 \$1,568,432 or .8% from \$199,740,742 at December 31, 2013 to \$201,309,174 at December 31, 2014. Comparatively, 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. 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 7.1% for 2014, 17.5% for 2013 and 13.8% for 2012.

Net Position

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

Net Position					
As of December 31,					
	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>Current Year</u> <u>Increase in</u>	
				<u>Dollars</u>	<u>Percent</u>
Total assets	\$ 221,724,409	\$ 219,932,655	\$ 185,868,304	\$ 1,791,754	0.8%
Total liabilities	<u>20,415,235</u>	<u>20,191,913</u>	<u>5,580,892</u>	<u>223,322</u>	1.1%
Net position	<u>\$ 201,309,174</u>	<u>\$ 199,740,742</u>	<u>\$ 180,287,412</u>	<u>\$ 1,568,432</u>	0.8%

Changes in Net Position

The condensed Combining Statements of Changes in Pension Plan Fiduciary Net Position 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 Fiduciary Net Position and Postemployment Healthcare Plan Net Position is as follows:

Changes in Net Position For the Years Ended December 31,

	<u>2014</u>	<u>2013</u>	<u>2012</u>	Current Year	
				<u>Increase/(Decrease) in Dollars</u>	<u>Percent</u>
Additions:					
Employer contributions	\$ 3,136,752	\$ 2,863,145	\$ 3,108,976	\$ 273,607	9.6%
Employee contributions	2,645,164	2,687,211	2,426,776	(42,047)	-1.6%
Investment income (includes security lending activities)	13,525,606	30,383,512	22,209,855	(16,857,906)	-55.5%
Other	<u>204,853</u>	<u>159,383</u>	<u>212,447</u>	<u>45,470</u>	28.5%
Total additions	<u>19,512,375</u>	<u>36,093,251</u>	<u>27,958,054</u>	<u>(16,580,876)</u>	-45.9%
Deductions:					
Benefits	16,664,869	15,668,207	14,160,157	996,662	6.4%
Refunds	961,637	958,707	1,188,639	2,930	0.3%
Employee transfers to (from) Cook County	175,370	(106,012)	205,887	281,382	-265.4%
Administrative expenses	<u>142,067</u>	<u>119,019</u>	<u>111,662</u>	<u>23,048</u>	19.4%
Total deductions	<u>17,943,943</u>	<u>16,639,921</u>	<u>15,666,345</u>	<u>1,304,022</u>	7.8%
Net increase	1,568,432	19,453,330	12,291,709	(17,884,898)	-91.9%
Net position:					
Beginning of year	<u>199,740,742</u>	<u>180,287,412</u>	<u>167,995,703</u>	<u>19,453,330</u>	10.8%
End of year	<u>\$ 201,309,174</u>	<u>\$ 199,740,742</u>	<u>\$ 180,287,412</u>	<u>\$ 1,568,432</u>	0.8%

Additions to Net Position

Total additions were \$19,512,375 in 2014, \$36,093,251 in 2013 and \$27,958,054 in 2012.

Employer contributions increased to \$3,136,752 in 2014 from \$2,863,145 in 2013 and were \$3,108,976 in 2012. Employer contributions are statutorily set at 1.30 times employee contributions collected two years prior.

Employee contributions, including permissive service credit purchases, decreased to \$2,645,164 in 2014 from \$2,687,211 in 2013 and were \$2,426,776 in 2012. Employees contribute 8.5% of covered wages.

Net investment income totaled \$13,525,606 for 2014 compared to \$30,383,512 for 2013. Comparatively, net investment income totaled \$22,209,805 for 2012. Investment earnings fluctuate primarily from the overall performance of the financial markets from year to year.

Deductions to Net Position

Total deductions were \$17,943,943 in 2014, \$16,639,921 in 2013 and \$15,666,345 in 2012.

Benefits increased to \$16,664,869 in 2014 from \$15,668,207 in 2013 and \$14,160,157 in 2012 primarily due to the 3% annual cost of living increases for annuitants.

Refunds increased to \$961,637 in 2014 from \$958,707 in 2013 and decreased from \$1,188,639 in 2012. 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 \$142,067 in 2014 from \$119,019 in 2013. Comparatively, the cost to administer the Plan increased to \$119,019 in 2013 from \$111,662 in 2012.

Actuarial Information

Pension Benefits

The Plan's funding for pension benefits is as follows:

	Funding for Pension Benefits For the Years Ended December 31,		
	<u>2014</u>	<u>2013</u>	<u>2012</u>
<u>GASB Statement No. 67:</u>			
Employer's net pension liability	<u>\$ 212,972,274</u>	<u>\$ 203,753,671</u>	N/A
Plan fiduciary net position as a percentage of the total pension liability	<u>48.59%</u>	<u>49.50%</u>	N/A
<u>GASB Statement No. 25:</u>			
Unfunded actuarial accrued liability	<u>\$ 96,042,964</u>	<u>\$ 95,005,625</u>	<u>\$ 100,569,774</u>
Funded ratio	<u>66.41%</u>	<u>65.77%</u>	<u>63.18%</u>

The Plan adopted GASB Statement No. 67, *Financial Reporting for Pension Plans* during the year ended December 31, 2014. See Note 1 in the financial statements for further information.

For the purposes of comparability in this year of transition, the funding information for pension benefits reflects both GASB Statement No. 67 and the previously adopted GASB Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*. The employer's net pension liability and plan fiduciary net position as a percentage of the total pension liability as of December 31, 2012 is not available.

The primary difference between the employer's net pension liability (GASB Statement No. 67) and the unfunded actuarial accrued liability (GASB Statement No. 25) is the use of a blended investment rate of return as required under GASB Statement No. 67. This has significantly increased the liability.

Actuarial Information (continued)

Postemployment Healthcare Benefits

Under GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, the Plan's funding for postemployment healthcare benefits is as follows:

	Funding for Postemployment Healthcare Benefits For the Years Ended December 31,		
	<u>2014</u>	<u>2013</u>	<u>2012</u>
Unfunded actuarial accrued liability	<u>\$ 47,212,173</u>	<u>\$ 47,113,653</u>	<u>\$ 45,713,760</u>
Funded ratio	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>

Contributions for postemployment healthcare benefits are made on a "pay-as-you-go" basis, resulting in a 0.00% funded ratio.

Combined

The Plan actuary has performed a combined valuation of the pension and postemployment healthcare benefits provided by the Plan to measure the overall funded status and contribution requirements of the Plan. Such a valuation is required under Chapter 40, Article 5/9-199 of the Illinois Pension Code which provides that the Plan shall submit a report each year containing a detailed statement of the affairs of the Plan, its income and expenditures, and assets and liabilities. The combined valuation reflects the actuarial assumptions adopted by the Board based on the results of an actuarial experience study. These assumptions conform to the actuarial standards recommended by the Plan's actuary and were used by the Plan's actuary to present the combined funding status in accordance with Section 9-199. The Plan's funding under the combined actuarial valuation is as follows:

	Funding for Combined Pension and Postemployment Healthcare Benefits For the Years Ended December 31,		
	<u>2014</u>	<u>2013</u>	<u>2012</u>
Unfunded actuarial accrued liability	<u>\$ 125,316,848</u>	<u>\$ 124,364,683</u>	<u>\$ 131,884,046</u>
Funded ratio	<u>60.25%</u>	<u>59.48%</u>	<u>56.68%</u>

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 District 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 FIDUCIARY NET POSITION AND POSTEMPLOYMENT HEALTHCARE PLAN NET POSITION

DECEMBER 31, 2014 AND 2013

	2014			2013		
	Total	Pension	Postemployment Healthcare	Total	Pension	Postemployment Healthcare
ASSETS						
RECEIVABLES						
Employer contributions less allowance of \$114,201 in 2014 and \$11,979 in 2013	\$ 3,100,949	\$ 2,788,089	\$ 312,860	\$ 2,916,945	\$ 2,651,781	\$ 265,164
Employee contributions	13,230	13,230	-	53,234	53,234	-
Accrued investment income	263,808	263,808	-	302,387	302,387	-
Receivable for securities sold	5,514,847	5,514,847	-	2,972,080	2,972,080	-
Total receivables	<u>8,892,834</u>	<u>8,579,974</u>	<u>312,860</u>	<u>6,244,646</u>	<u>5,979,482</u>	<u>265,164</u>
INVESTMENTS						
U.S. and international equities	104,512,209	104,512,209	-	106,966,096	106,966,096	-
U.S. Government and government agency obligations	11,237,365	11,237,365	-	10,117,517	10,117,517	-
Corporate bonds	5,583,643	5,583,643	-	5,518,643	5,518,643	-
Collective international equity fund	11,097,933	11,097,933	-	11,072,021	11,072,021	-
Commingled fixed income fund	26,112,720	26,112,720	-	24,620,947	24,620,947	-
Exchange traded funds	5,945,592	5,945,592	-	4,851,827	4,851,827	-
Hedge fund	19,255,350	19,255,350	-	17,881,172	17,881,172	-
Real estate	7,684,241	7,684,241	-	10,768,305	10,768,305	-
Short-term investments	2,209,864	2,209,864	-	5,934,727	5,934,727	-
Total investments	<u>193,638,917</u>	<u>193,638,917</u>	<u>-</u>	<u>197,731,255</u>	<u>197,731,255</u>	<u>-</u>
COLLATERAL HELD FOR SECURITIES ON LOAN						
Total assets	<u>19,192,658</u>	<u>19,192,658</u>	<u>-</u>	<u>15,956,754</u>	<u>15,956,754</u>	<u>-</u>
	<u>221,724,409</u>	<u>221,411,549</u>	<u>312,860</u>	<u>219,932,655</u>	<u>219,667,491</u>	<u>265,164</u>
LIABILITIES						
ACCOUNTS PAYABLE	75,361	75,361	-	71,044	71,044	-
HEALTHCARE INSURANCE PAYABLE	312,860	-	312,860	265,164	-	265,164
DUE TO COUNTY EMPLOYEES' AND OFFICERS' ANNUITY AND BENEFIT FUND OF COOK COUNTY						
PAYABLE FOR SECURITIES PURCHASED	542,267	542,267	-	462,893	462,893	-
SECURITIES LENDING COLLATERAL	292,089	292,089	-	3,436,058	3,436,058	-
Total liabilities	<u>19,192,658</u>	<u>19,192,658</u>	<u>-</u>	<u>15,956,754</u>	<u>15,956,754</u>	<u>-</u>
	<u>20,415,235</u>	<u>20,102,375</u>	<u>312,860</u>	<u>20,191,913</u>	<u>19,926,749</u>	<u>265,164</u>
NET POSITION						
Net position restricted for pensions	201,309,174	201,309,174	-	199,740,742	199,740,742	-
Net position held in trust for postemployment healthcare benefits	-	-	-	-	-	-
Total	<u>\$ 201,309,174</u>	<u>\$ 201,309,174</u>	<u>\$ -</u>	<u>\$ 199,740,742</u>	<u>\$ 199,740,742</u>	<u>\$ -</u>

See accompanying notes to financial statements.

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

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

YEARS ENDED DECEMBER 31, 2014 AND 2013

	2014		2013	
	Total	Pension	Total	Pension
ADDITIONS				
Employer contributions	\$ 3,136,752	\$ 1,520,316	\$ 2,863,145	\$ 1,403,628
Employee contributions				
Salary deductions	2,542,583	2,542,583	2,530,683	2,530,683
Refund repayments	65,898	65,898	78,340	78,340
Former and miscellaneous service payments	2,701	2,701	21,925	21,925
Deductions in lieu of disability	33,982	33,982	56,263	56,263
Total employee contributions	2,645,164	2,645,164	2,687,211	2,687,211
Investment income				
Net appreciation in fair value of investments	10,686,264	10,686,264	26,667,376	26,667,376
Dividends	2,478,640	2,478,640	2,410,237	2,410,237
Interest	925,373	925,373	1,797,497	1,797,497
Less investment expenses	14,090,277	14,090,277	30,875,110	30,875,110
Net investment income	(613,597)	(613,597)	(552,163)	(552,163)
Securities lending				
Income	60,237	60,237	74,481	74,481
Expenses	(11,311)	(11,311)	(13,916)	(13,916)
Net securities lending income	48,926	48,926	60,565	60,565
Other				
Medicare Part D subsidy	154,957	-	135,629	-
Prescription plan rebates	49,896	-	23,063	-
Miscellaneous	-	-	691	691
Total other additions	204,853	-	159,383	691
Total additions	19,512,375	17,691,086	36,093,251	34,475,042
DEDUCTIONS				
Benefits				
Annuity	12,464,872	12,464,872	11,719,920	11,719,920
Employee	2,206,512	2,206,512	2,052,205	2,052,205
Spouse and children				
Disability	159,296	159,296	258,294	258,294
Ordinary	12,900	12,900	19,579	19,579
Duty	1,821,289	-	1,618,209	-
Healthcare	16,664,869	1,821,289	15,668,207	14,049,998
Total benefits	961,637	961,637	958,707	958,707
Refunds				
Employee transfers to (from) County Employees' and Officers' Annuity and Benefit Fund of Cook County	175,370	175,370	(106,012)	(106,012)
Administrative expenses	142,067	142,067	119,019	119,019
Total deductions	17,943,943	16,122,654	16,639,921	15,021,712
NET INCREASE	1,568,432	1,568,432	19,453,330	19,453,330
NET POSITION				
Beginning of year	199,740,742	199,740,742	180,287,412	180,287,412
End of year	\$ 201,309,174	\$ 201,309,174	\$ 199,740,742	\$ 199,740,742

See accompanying notes to financial statements.

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

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2014 AND 2013

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).

Reporting Entity - Accounting principles generally accepted in the United States of America define a financial reporting entity as consisting of the primary government and its component units for which the primary government is financially accountable. Financial accountability includes appointing a voting majority of a component unit's governing board, the ability of a primary government to impose its will on the component unit, or a potential for a component unit to provide specific financial benefits to or impose specific financial burdens on the primary government.

Based on the above criteria, the Plan is considered to be a component unit of the Forest Preserve District of Cook County, Illinois (the Forest Preserve District) and is included in the Forest Preserve District's financial statements as a pension trust fund.

New Accounting Pronouncement - 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 non-employer contributing entities for benefits provided through the pension plan. This Statement also enhances footnote disclosures and required supplementary information for pension funds.

Method of Accounting - The financial statements are prepared using the accrual basis of accounting. Employer contributions are recognized as income pursuant to legal requirements as specified by the Illinois Compiled Statutes. Employee contributions are recognized in the period in which the contributions are due. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 (the 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, 2014, 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 June 4, 2015, 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 (the 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.

NOTE 2. PLAN DESCRIPTION (CONTINUED)

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, 2014 and 2013 was \$29,811,912 and \$29,485,857 respectively.

The Plan 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, 2014 and 2013, participants consisted of the following:

	<u>2014</u>	<u>2013</u>
Active members	525	534
Retired members	384	378
Beneficiaries	151	153
Inactive members	<u>1,186</u>	<u>1,122</u>
Total	<u>2,246</u>	<u>2,187</u>

NOTE 3. EMPLOYER'S PENSION LIABILITY

Net Pension Liability

The components of the net pension liability of the Plan for the years ended December 31, 2014 and 2013 are as follows:

	<u>2014</u>	<u>2013</u>
Total pension liability	\$ 414,281,448	\$ 403,494,413
Plan fiduciary net position	<u>201,309,174</u>	<u>199,740,742</u>
Employer's net pension liability	<u>\$ 212,972,274</u>	<u>\$ 203,753,671</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>48.59%</u>	<u>49.50%</u>

See the Schedule of Changes in the Employer's Net Pension Liability and Related Ratios on page 23 of the required supplementary information for additional information related to the funded status of the Plan.

The net pension liability was determined by an actuarial valuation performed as of December 31, 2014 using the following actuarial methods and assumptions:

Actuarial valuation date	December 31, 2014
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:	
Inflation	3.25% per year, compounded annually
Salary increases	3.75% to 8.00%, based on age
Investment rate of return	7.50% per year, compounded annually
Retirement age	Rates of retirement for each age from 50 to 75 based on recent experience of the Plan where all employees are assumed to retire by age 75
Mortality	RP-2000 Blue Collar Mortality Table, base year 2000, fully generational based on Scale BB
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

The actuarial assumptions used in the December 31, 2014 valuation were based on the results of an actuarial experience study conducted by Buck Consultants, LLC dated January 2014.

NOTE 3. EMPLOYER'S PENSION LIABILITY (CONTINUED)

Discount Rate

The blended discount rate used to measure the total pension liability was 4.66%. The projection of cash flows used to determine the discount rate assumed that the employer's contributions will continue to follow the current funding policy. Based on this assumption, the Plan's fiduciary net position was projected to be insufficient to make all projected future benefit payments of current plan members. A municipal bond rate of 3.34% was used in the development of the blended discount rate after that point. The 3.34% rate is based on the S&P Municipal Bond 20 Year High Grade Rate Index as of December 31, 2014. Based on the long-term investment rate of return of 7.50% and the municipal bond rate of 3.34%, the blended discount rate is 4.66%.

Discount Rate Sensitivity

The following is an analysis of the net pension liability's sensitivity to changes in the discount rate. The following table presents the net pension liability of the employer using the discount rate of 4.66% as well as the employer's net pension liability calculated using a discount rate 1 percent lower (3.66%) and 1 percent higher (5.66%) than the current discount rate:

	1% Decrease 3.66%	Current Discount Rate 4.66%	1% Increase 5.66%
Net Pension Liability	<u>\$ 281,764,522</u>	<u>\$ 212,972,274</u>	<u>\$ 158,370,982</u>

NOTE 4. SUMMARY OF EMPLOYER FUNDING POLICIES

Employer contributions are funded primarily through a tax levied by the Forest Preserve District of Cook County, Illinois. The tax levy, when extended, is limited 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 funding information of the pension and postemployment healthcare benefits of the Plan as of December 31, 2014 and 2013 are as follows:

	2014			
	<u>Pension</u>	<u>Postemployment Healthcare</u>	<u>Assumption Adjustment</u>	<u>Combined</u>
Employer normal cost	\$ 2,557,544	\$ 1,706,221	\$ (986,647)	\$ 3,277,118
Amortization of UAAL	7,483,017	2,767,828	(455,393)	9,795,452
Interest cost	-	167,102	(167,102)	-
Actuarially determined contribution	10,040,561	4,641,151		13,072,570
Expected net employer contribution	<u>(1,520,316)</u>	<u>(1,616,436)</u>	76,587	<u>(3,060,165)</u>
Expected employer contribution short-fall	<u>\$ 8,520,245</u>	<u>\$ 3,024,715</u>		<u>\$ 10,012,405</u>
Actuarially determined multiplier				<u>5.55</u>
Present authorized multiplier				<u>1.30</u>
	2013			
	<u>Pension</u>	<u>Postemployment Healthcare</u>	<u>Assumption Adjustment</u>	<u>Combined</u>
Employer normal cost	\$ 3,000,674	\$ 1,399,268	\$ (741,941)	\$ 3,658,001
Amortization of UAAL	7,921,272	2,685,587	(219,152)	10,387,707
Interest cost	-	149,690	(149,690)	-
Actuarially determined contribution	10,921,946	4,234,545		14,045,708
Expected net employer contribution	<u>(1,403,628)</u>	<u>(1,459,517)</u>	(23,318)	<u>(2,886,463)</u>
Expected employer contribution short-fall	<u>\$ 9,518,318</u>	<u>\$ 2,775,028</u>		<u>\$ 11,159,245</u>
Actuarially determined multiplier				<u>6.33</u>
Present authorized multiplier				<u>1.30</u>

The assumption adjustment is due to a change in the interest rate assumptions, which is 7.5% for the pension and combined valuations and 4.5% for the postemployment healthcare benefits valuation.

NOTE 5. INVESTMENTS

Investment Policy

The Board of Trustees is responsible for establishing reasonable and consistent investment objectives, policies and guidelines governing the investment of Plan assets in accordance with the Illinois Compiled Statutes. 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. During the year ended December 31, 2014 and 2013, there were no changes to the investment policy.

The Plan’s investment policy in accordance with the Illinois Compiled Statutes establishes the following target allocation across asset classes:

<u>Asset Class</u>	<u>Target Allocation %</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic equities	30.00%	9.04%
International equities	23.00%	7.66%
Fixed income	29.00%	1.79%
Real estate	9.00%	6.83%
Hedge funds	<u>9.00%</u>	4.72%
Total investments	<u>100.00%</u>	

Long-term expected rate of return

The long-term expected rate of return on the Plan’s investments was determined based on the results of an experience study performed by Buck Consultants. The results of the experience study were adopted by the Board in January 2014. The investment return assumption was based on the current asset allocation of the Plan. In the experience study, Buck Consultants developed best estimate ranges of expected future real rates of return (net of pension plan investment expense and inflation) for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates or geometric real rates of return for each major asset class included in the Plan’s target asset allocation as of December 31, 2014 are listed in the table above.

NOTE 5. INVESTMENTS (CONTINUED)

Annual Money-Weighted Rate of Return

The annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 6.03% for the year ended December 31, 2014. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Investment Summary

The following table presents a summarization of the aggregate fair value (carrying amount) of the Plan's investments as of December 31, 2014 and 2013. Investments that represent 5% or more of the Plan's net position are separately identified.

<u>Investments</u>	<u>2014</u>	<u>2013</u>
U.S. and international equities	\$ 104,512,209	\$ 106,966,096
U.S. Government and government agency obligations	11,237,365	10,117,517
Corporate bonds	5,583,643	5,518,643
Collective international equity fund:		
Lazard Emerging Markets Sudan Free Fund	11,097,933	11,072,021
Commingled fixed income fund:		
BNY Mellon EB DV Non-Securities Lending		
Aggregate Bond Index Fund	26,112,720	24,620,947
Exchange traded funds:		
Real estate	5,945,592	4,851,827
Hedge fund:		
Burnham Harbor Fund Ltd.	19,255,350	17,881,172
Real estate:		
Limited partnerships	7,684,241	10,768,305
Short-term investments	2,209,864	5,934,727
Total investments	<u>\$ 193,638,917</u>	<u>\$ 197,731,255</u>

NOTE 5. INVESTMENTS (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, 2014 and 2013.

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, 2014 and 2013 as valued by Moody's Investors Service, Standard & Poor's and/or Fitch:

<u>Type of Investment</u>	<u>Rating</u>	<u>2014</u>	<u>2013</u>
U.S. Government and government agency obligations	Aa/AA	<u>\$ 11,237,365</u>	<u>\$ 10,117,517</u>
Corporate bonds	Aa/AA	\$ -	\$ 339,582
	A/A	1,705,249	1,468,443
	Baa/BBB	3,488,805	3,335,443
	Ba/BB	389,590	375,175
		<u>\$ 5,583,644</u>	<u>\$ 5,518,643</u>
Commingled fixed income fund	Not Rated	<u>\$ 26,112,720</u>	<u>\$ 24,620,947</u>
Short-term investments	Not Rated	<u>\$ 2,209,864</u>	<u>\$ 5,934,727</u>

NOTE 5. INVESTMENTS (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, 2014 and 5.55 years at December 31, 2013). The following table presents a summarization of the Plan's debt investments at December 31, 2014 and 2013 using the segmented time distribution method:

<u>Type of Investment</u>	<u>Maturity</u>	<u>2014</u>	<u>2013</u>
U.S. Government and government agency obligations	1 - 5 years	\$ 3,219,975	\$ 3,080,638
	5 - 10 years	2,752,416	2,736,979
	Over 10 years	<u>5,264,974</u>	<u>4,299,900</u>
		<u>\$ 11,237,365</u>	<u>\$ 10,117,517</u>
Corporate bonds	< 1 year	\$ 208,052	\$ 210,300
	1 - 5 years	322,334	1,628,392
	5 - 10 years	3,934,640	3,136,136
	Over 10 years	<u>1,118,617</u>	<u>543,815</u>
	<u>\$ 5,583,643</u>	<u>\$ 5,518,643</u>	
Commingled fixed income fund	5-10 years	<u>\$ 26,112,720</u>	<u>\$ 24,620,947</u>
Short-term investments	< 1 year	<u>\$ 2,209,864</u>	<u>\$ 5,934,727</u>

NOTE 5. INVESTMENTS (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, 2014 and 2013 is as follows:

<u>Type of Investment</u>	Fair Value (USD) <u>2014</u>	Fair Value (USD) <u>2013</u>
U.S. and international equities		
Australian dollar	\$ 3,490,366	\$ 3,137,336
British pound sterling	11,141,063	10,686,817
Canadian dollar	999,604	610,879
Danish krone	-	701,502
European euro	7,248,314	9,506,915
Hong Kong dollar	405,367	990,233
Israeli shekel	206,526	-
Japanese yen	7,920,617	5,669,460
New Zealand dollar	670,884	400,616
Norwegian krone	194,576	-
Swedish krona	2,390,060	2,246,077
Swiss franc	4,284,551	4,354,557
U.S. dollar	<u>65,560,281</u>	<u>68,661,704</u>
Total U.S. and international equities	<u>\$ 104,512,209</u>	<u>\$ 106,966,096</u>

For the years ended December 31, 2014 and 2013, net realized gain on investments sold, reflecting the difference between the proceeds received and cost value of securities sold, was \$8,379,788 and \$6,316,233 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 Fiduciary Net Position 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 Fiduciary Net Position 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 Fiduciary Net Position 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, 2014 and 2013, the Plan's investments included the following forward currency contract balances:

	<u>2014</u>	<u>2013</u>
Hedging derivative instruments		
Forward currency contract receivables	<u>\$ 61,338</u>	<u>\$ 378,102</u>
Forward currency contract payables	<u>\$ 61,338</u>	<u>\$ 378,102</u>

For the years ended December 31, 2014 and 2013, 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 119 days for 2014 and 114 days for 2013; 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, 2014 and 2013 of 27 and 56 days, respectively.

As of December 31, 2014 and 2013, the fair value (carrying amount) of loaned securities was \$20,380,084 and \$17,516,824 respectively. As of December 31, 2014 and 2013, the fair value (carrying amount) of cash collateral received by the Plan was \$19,192,658 and \$15,956,754 respectively. The cash collateral is included as an asset and a corresponding liability on the combining statements of pension plan fiduciary net position and postemployment healthcare plan net position. As of December 31, 2014 and 2013, the fair value (carrying amount) of noncash collateral received by the Plan was \$1,702,899 and \$1,969,629 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 2014 and 2013, 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, 2014 and 2013 is as follows:

	<u>2014</u>	<u>2013</u>
Securities loaned - cash collateral		
U.S. and international equities	\$ 12,755,329	\$ 7,716,213
U.S. Government and government agency obligations	2,136,638	3,234,341
Exchanged traded funds	3,201,747	4,226,784
Corporate bonds	<u>625,219</u>	<u>409,653</u>
Total securities loaned - cash collateral	<u>18,718,933</u>	<u>15,586,991</u>
Securities loaned - non-cash collateral		
U.S. and international equities	319,545	275,591
U.S. Government and government agency obligations	525,945	1,011,633
Exchange traded funds	<u>815,661</u>	<u>642,609</u>
Total securities loaned - non-cash collateral	<u>1,661,151</u>	<u>1,929,833</u>
Total	<u>\$ 20,380,084</u>	<u>\$ 17,516,824</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 52% and 67% 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, 2014 and 2013, the number of annuitants and surviving spouses whose cost to participate in the program was subsidized, totaled 287 and 291 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 - 2014 - 8.0% in the first year, decreasing by .25% per year until an ultimate rate of 4.75% is reached for pre-medicare. 6.50% in the first year, decreasing by .25% until an ultimate rate of 4.75% is reached for post-medicare. 2013 - 7.0% in the first year, decreasing by .5% per year until an ultimate rate of 5.0% is reached.

Inflation Rate Assumption - 3.25% per year.

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, 2014, the most recent actuarial valuation date, PGHBP was 0.00% funded on an actuarial basis. The actuarial accrued liability for benefits was \$47,212,173 and the actuarial value of assets was \$0 resulting in an unfunded actuarial accrued liability (UAAL) of \$47,212,173. The covered payroll (annual payroll of active employees covered by the Plan) was \$29,811,912 and the ratio of the UAAL to the covered payroll was 158.37%.

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 (the County Fund). The Plan reimburses the County Fund for shared administrative services provided by the County Fund. During the years ended December 31, 2014 and 2013, the County Fund allocated administrative expenditures of \$90,660 and \$77,799 respectively.

As of December 31, 2014 and 2013, the Plan owes the County Fund \$542,267 and \$462,893 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. 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 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 Plan's fiscal year ending December 31, 2015.

In March 2015, GASB issued Statement No. 72, *Fair Value Measurement and Application*, which provides guidance for fair value measurement and application. The Statement defines fair value, provides guidance for determining fair value measurement for financial reporting purposes and specifies required disclosures related to fair value measurements. Statement No. 72 is effective for the Plan's fiscal year ending December 31, 2016.

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 - PENSION

SCHEDULE OF CHANGES IN THE EMPLOYER'S NET PENSION LIABILITY AND RELATED RATIOS

DECEMBER 31, 2014

Total pension liability	
Service cost	\$ 9,575,195
Interest	18,838,346
Changes of benefit terms	-
Difference between expected and actual experience	-
Changes of assumptions	-
Expected benefit payments, including refunds of employee contributions	<u>(17,626,506)</u>
Net change in total pension liability	10,787,035
Total pension liability	
Beginning of year	<u>403,494,413</u>
End of year	<u><u>\$ 414,281,448</u></u>
 Plan fiduciary net position	
Contributions - employer	\$ 3,136,752
Contributions - employee	2,645,164
Net investment income	13,413,022
Expected benefit payments, including refunds of employee contributions	(17,626,506)
Administrative expenses	-
Other	<u>-</u>
Net change in plan fiduciary net position	1,568,432
 Plan fiduciary net position	
Beginning of year	<u>199,740,742</u>
End of year	<u><u>\$ 201,309,174</u></u>
 Employer's net pension liability	<u><u>\$ 212,972,274</u></u>
 Plan fiduciary net position as a percentage of the total pension liability	<u>48.59%</u>
 Covered-employee payroll	<u><u>\$ 29,811,912</u></u>
 Employer's net pension liability as a percentage of covered-employee payroll	<u>714.39%</u>

See Report of Independent Auditors.

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

REQUIRED SUPPLEMENTARY INFORMATION - PENSION

SCHEDULE OF EMPLOYER CONTRIBUTIONS

LAST TEN FISCAL YEARS

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Actuarially determined contribution	\$ 10,040,561	\$ 10,921,946	\$ 9,608,247	\$ 8,590,721	\$ 7,626,778	\$ 4,498,036	\$ 3,329,502	\$ 2,809,494	\$ 2,691,753	\$ 7,466,836
Contributions in relation to the actuarially determined contribution	<u>(1,520,316)</u>	<u>(1,403,628)</u>	<u>(2,117,976)</u>	<u>(2,457,405)</u>	<u>(1,333,140)</u>	<u>(1,282,642)</u>	<u>(523,928)</u>	<u>(1,995,300)</u>	<u>(1,532,343)</u>	<u>(3,224,743)</u>
Contribution deficiency	<u>\$ 8,520,245</u>	<u>\$ 9,518,318</u>	<u>\$ 7,490,271</u>	<u>\$ 6,133,316</u>	<u>\$ 6,293,638</u>	<u>\$ 3,215,394</u>	<u>\$ 2,805,574</u>	<u>\$ 814,194</u>	<u>\$ 1,159,410</u>	<u>\$ 4,242,093</u>
Covered employee payroll	<u>\$29,811,912</u>	<u>\$29,485,857</u>	<u>\$26,252,071</u>	<u>\$22,678,566</u>	<u>\$24,397,376</u>	<u>\$24,967,115</u>	<u>\$23,474,621</u>	<u>\$21,078,316</u>	<u>\$19,172,756</u>	<u>\$18,077,621</u>
Contributions as a percentage of covered employee payroll	<u>5.10%</u>	<u>4.76%</u>	<u>8.07%</u>	<u>10.84%</u>	<u>5.46%</u>	<u>5.14%</u>	<u>2.23%</u>	<u>9.47%</u>	<u>7.99%</u>	<u>17.84%</u>

Notes to Schedule

Actuarially determined contribution rates are calculated as of December 31, one year prior to the fiscal year in which contributions are reported.

Valuation Date:

Methods and assumptions used to determine contribution rates

- Actuarial cost method
- Amortization method
- Remaining amortization period
- Asset valuation method
- Inflation
- Salary increases
- Investment rate of return
- Retirement age
- Mortality
- Postretirement annuity increases

- Entry Age Normal
- Level Dollar - Open
- 30 years
- Five Year Smoothed Average Market
- 3.25% per year, compounded annually
- 3.75% to 8%, based on age
- 7.5% per year, compounded annually
- Based on actual past experience, assume all employees retire by age 75
- RP-2000 Blue Collar Mortality Table, base year 2000, fully generational based on Scale BB.
- 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.

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

REQUIRED SUPPLEMENTARY INFORMATION - PENSION

SCHEDULE OF INVESTMENT RETURNS

DECEMBER 31, 2014

Annual money-weighted rate of return, net of investment expense	6.03%
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See Report of Independent Auditors.

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

REQUIRED SUPPLEMENTARY INFORMATION - POSTEMPLOYMENT HEALTHCARE

SCHEDULE OF FUNDING PROGRESS

Year Ended <u>December 31,</u>	Actuarial Value of Assets <u>(a)</u>	Actuarial Accrued Liability (AAL) <u>(b)</u>	Unfunded AAL (UAAL) <u>(b-a)</u>	Funded Ratio <u>(a/b)</u>	Covered Payroll <u>(c)</u>	UAAL as a Percentage of Covered Payroll <u>(b-a)/(c)</u>
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%
2014	\$ -	\$ 47,212,173	\$ 47,212,173	0.00%	\$ 29,811,912	158.37%

(1) = Change in actuarial assumptions.

See Notes to Schedule of Funding Progress and Schedule of Employer Contributions.

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

REQUIRED SUPPLEMENTARY INFORMATION - POSTEMPLOYMENT HEALTHCARE

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Year Ended <u>December 31,</u>	Annual Required Contribution (ARC) (a)	Required Statutory Basis (b)	Employer Contributions (c)	Percent of ARC Contributed (c/a)
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%
2014	\$ 4,641,151	\$ -	\$ 1,616,436	34.83%

See Notes to Schedule of Funding Progress and Schedule of Employer Contributions.

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

REQUIRED SUPPLEMENTARY INFORMATION - POSTEMPLOYMENT HEALTHCARE

**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, 2014
Actuarial cost method	Entry age actuarial cost as a percentage of earnings
Amortization method	Level Dollar - Open
Amortization period	30 years
Actuarial assumptions	
Discount rate	4.5% per year
Inflation	3.25% per year
Health care cost trend rate	2014 - 8.0% in the first year, decreasing by .25% per year until an ultimate rate of 4.75% is reached for pre-medicare and 6.50% in the first year decreasing by .25% per year until an ultimate rate of 4.75% is reached for post-medicare 2013 - 7.0% in the first year, decreasing by .5% per year until an ultimate rate of 5.0% is reached
Mortality rates	RP-2000 Blue Collar Mortality Table, base year 2000, fully generational based on Scale BB
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, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
ADMINISTRATIVE EXPENSES		
Administrative expenses allocated from County		
Employees' and Officers' Annuity and Benefit		
Fund of Cook County	\$ 90,660	\$ 77,799
Bank charges	9,660	8,747
Membership	435	435
Miscellaneous	8,345	-
Professional and consulting fees	24,967	24,038
Regulatory filing fees	8,000	8,000
Total	<u>\$ 142,067</u>	<u>\$ 119,019</u>
PROFESSIONAL AND CONSULTING FEES		
Actuarial service	\$ 2,193	\$ 2,593
Audit	18,309	17,096
Consulting	2,402	2,417
Legal	1,212	1,138
Lobbyist	851	794
Total	<u>\$ 24,967</u>	<u>\$ 24,038</u>

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

SCHEDULES OF INVESTMENT EXPENSES

YEARS ENDED DECEMBER 31, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
INVESTMENT MANAGER EXPENSE		
American Realty Advisors	\$ 36,183	\$ 34,124
Blackstone Alternative Asset Management	188,910	172,827
Channing Capital Management	68,496	60,371
J.P. Morgan Asset Management	33,958	15,884
Lazard Asset Management, LLC	112,573	108,073
LM Capital Group, LLC	26,015	25,346
Mellon Capital	6,410	6,899
RhumbLine Advisers	4,967	5,129
TIAA-CREF	35,747	34,130
William Blair & Company	<u>87,667</u>	<u>76,773</u>
Total investment manager expenses	600,926	539,556
INVESTMENT CONSULTING FEES		
Callan Associates Inc.	7,671	7,607
INVESTMENT CUSTODIAN FEES		
BNY Mellon	<u>5,000</u>	<u>5,000</u>
Total investment expenses	<u>\$ 613,597</u>	<u>\$ 552,163</u>

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

ADDITIONS BY SOURCE

<u>Year Ended</u> <u>December 31,</u>	<u>Employer</u> <u>Contributions</u>	<u>Employee</u> <u>Contributions</u>	Net Investment and Net Securities Lending Income (1)	Other (2)	<u>Total</u> <u>Additions</u>
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
2014	\$ 3,136,752	\$ 2,645,164	\$ 13,525,606	\$ 204,853	\$ 19,512,375

DEDUCTIONS BY TYPE

<u>Year Ended</u> <u>December 31,</u>	<u>Benefits</u>	<u>Refunds</u>	Employee Transfers to (from) <u>Cook County</u>	<u>Administrative</u> <u>Expenses</u>	<u>Total</u> <u>Deductions</u>
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
2014	\$ 16,664,869	\$ 961,637	\$ 175,370	\$ 142,067	\$ 17,943,943

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, 2014

<u>Levy Year</u>	<u>Contributions Receivable</u>	<u>Uncollected Balance</u>	<u>Reserved</u>	<u>Net Contributions Receivable</u>
2013	\$ 2,975,735	\$ 60,341	\$ 29,031	\$ 31,310
2014	\$ 3,154,809	<u>3,154,809</u>	<u>85,170</u>	<u>3,069,639</u>
		<u>\$ 3,215,150</u>	<u>\$ 114,201</u>	<u>\$ 3,100,949</u>

Note:

Employer contributions are funded primarily through a County tax levy.
Uncollected employer contributions for the 2012 and prior levy years are fully reserved.